☑ revised

POLISH FINANCIAL SUPERVISION AUTHORITY

Annual Report SA-R 2016

(pursuant to the provisions of § 82 par. 1, subpar. 3 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 manufacturing, construction, trading or service activities)

for the accounting year 2016 covering the period from 1 January 2016 to 31 December 2016
and for the previous accounting year 2015 covering the period from 1 January 2015 to 31 December 2015
Filing date: 27 April 2017

TIRE COMPANY DEBICA SA
(full name of issuer)

T.C. Debica (abbreviated name of issuer)
automotive (sector according to WSE classification)
39-200 Debica (postal code) (place)
ul. 1 Maja (street)
1 (number)
(14) 670-28-31 (phone)
14 670-09-57 (fax)
www.debica.com.pl (e-mail) (Web site)
872-000-34-04 (Tax ID - NIP)
850004505 (REGON Statistical No.)

PricewaterhouseCoopers Sp. z o.o.
(entity certified to carry out audit)

The Annual Report comprises:

☑ **An Opinion and Report of entity certified to carry out audit of financial statements on the annual audit of financial statement**

☑ **A Representation of the Management Board along with the opinion of the Supervisory Board on the qualified opinion, negative opinion or refusal to express an opinion about financial statement**

☑ **A Representation of the Management Board on the reliability of drawing up the financial statement**

☑ **A Representation of the Management Board on the entity certified to carry out audit of financial statements**

☑ **A letter of the President of Management Board**

☑ **Annual financial statement**
- ☑ **Introduction**
- ☑ **Balance Sheet**
- ☑ **Profit and Loss Account**
- ☑ **Statement Of Changes In Shareholders' Equity**
- ☑ **Cash Flow Statement**
- ☑ **Notes to the Financial Statement**

☑ **Management Board's Report on Company Operations (Issuer's Operations Report)**

☑ **Statement on Corporate Governance Application**

FINANCIAL HIGHLIGHTS	´000 PLN		´000 EUR	
	2016	2015	2016	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)	64 753	78 913	14 799	18 857
V. Operational cash flows, net	170 615	235 594	38 992	56 298
VI. Investment activity cash flows, net	-72 352	-216 903	-16 535	-51 831
VII. Financial activity cash flows, net	-42 104	-45 737	-9 622	-10 929
VIII. Total net cash flows	56 159	-27 046	12 835	-6 462
IX. Total assets	1 451 820	1 431 948	328 169	336 020
X. Liabilities and liabilities provisions	426 740	432 145	96 460	101 407
XI. Long-term liabilities	2 287	1 643	517	386
XII. Short-term liabilities	372 192	367 983	84 130	86 351
XIII. Shareholders' equity	1 025 080	999 803	231 709	234 613
XIV. Share capital	110 422	110 422	24 960	25 912
XV. Number of shares	13 802 750	13 802 750	13 802 750	13 802 750
XVI. Earnings (loss) per ordinary share (in PLN/EUR)	4.69	5.72	1.07	1.37
XVII. Diluted earnings (loss) per ordinary share (in PLN/EUR)	4.69	5.72	1.07	1.37
XVIII. Book value per share (in PLN/EUR)	74.27	72.44	16.79	17.00
XIX. Diluted book value per share (in PLN/EUR)	74.27	72.44	16.79	17.00

XX. Declared or paid dividend per share (in PLN/EUR)	2.86	3.15	0.65	0.75

File	Description

Information about the correction of the periodic report:

Corrected with a current report RB 1/2019, dated 22 January, 2019, as follows:

Management Board of Dębica Tire Company S.A. ("Company") informs that the Company corrects two periodic reports:

1. the annual report for 2016 published on 27 April 2017.

2. the annual report for 2017 published on 26 April 2018.

Both annual reports are corrected with respect to the corporate governance statement by unifying the information on the application of corporate governance rules presented in the annual reports with the content published on the Company's website: “Information on the state of application by the Company of the recommendations and rules contained in the Code of Best Practice for WSE Listed Companies 2016 of 8 June 2016”. (link: https://www.debica.com.pl/wysiwyg/GPW_dobre_praktyki_DE%CC%A8BICA.pdf). Moreover, in relation to the annual report 2017. The Company included in the corrected annual report, in the justification of information on the application of corporate governance rules, information on the entry into force of the provisions of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision.

As a result of the adjustments described above, the original text of each of the revised annual reports in the first part of Chapter 12 - "Corporate Governance Rules" [(page 69 of the 2016 Annual Report]. (SA-R 2016 file) and pages 75-76 of the 2017 Annual Report. (file "SA-R 2017"), to the section "Description of rules concerning appointment and dismissal of managers and their powers, in particular the right to make decisions on the issue or redemption of shares, and a description of the operation of the issuer's management, supervisory or administrative bodies and their committees")] and the Declaration on the application of corporate governance (p. "Declaration on the application of corporate governance"). 75 of the annual report for 2016 and pages 111-112 of the annual report for 2017) shall be replaced by a new text (pages 81-83 and 89-91 of the revised annual report for 2016 and pages 82-84 and 123-125 of the revised annual report for 2017).

The remaining content of the Annual Reports for 2016 and 2017 shall remain unchanged, except for updating page numbers.

The Company will promptly submit the revised interim reports for 2016 and 2017 to the ESPI system.

Detailed legal basis: § Par. 15.4 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.

REPRESENTATION OF THE MANAGEMENT BOARD ON THE RELIABILITY OF DRAWING UP THE FINANCIAL STATEMENT

The Management Board represents that according to its best knowledge, the annual financial statement and comparable data was drawn up in compliance with effective accounting principles and that it reflects in a genuine, reliable and clear manner the property and financial standing of the Company and its financial performance and that the Management Board Activity Report presents a genuine picture of development, achievements and position of the Company including the description of basic risks and threats.

Management Board
Stanislaw Cieszkowski – The President of Management Board
Ireneusz Maksymiuk – A Management Board Member
Michał Mędrek – A Management Board Member
Leszek Szafran – A Management Board Member

File	Description

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

The Management Board represents that the entity certified to carry out audit of financial statements, reviewing the annual financial statement was appointed in compliance with effective law and that the entity and auditors performing the review met the requirements for issuing an impartial and independent opinion and review report in compliance with domestic legislation.

File	Description

A LETTER FROM THE PRESIDENT OF MANAGEMENT BOARD

Letter from the CEO of Tire Company Debica S.A.
2016 Annual Report

Dear Sirs,

Dear Shareholders,

It is my pleasure to submit to you the 2015 Annual Report of Tire Company Debica S.A.

In the passing year the market situation in our industry was favourable in the consumer tire segment, both in Poland and in the all European markets. In parallel the sales of truck tires was growing in the Western Europe, which is the major market for selling tires from this segment. We took advantage of market upturn effectively: in 2016 our sales rose significantly - by 31.3% - it was sales to non-related entities. Consequently it accounted for more than 10% of total sales in that period.

At the same time our sales to related entities declined, which was related, inter alia, to the lower production volumes at the end of last year. Consequently sales revenues in the overall 2016 reached almost PLN 1.7 billion and were down by 4.9% from those generated in 2015. In 2016 the EBIT profit was PLN 51.7 million, whereas net profit totalled PLN 64.8 million.

Last year we followed- up the implementation of capital expenditure plan – invariably we focused on innovations upkeeping the superior quality of manufacturing back-up facilities. In 2016 our capital expenditures totalled PLN 77 million. They were spent mainly on further development of manufacturing of tires in 17” plus size, which fall into the most profitable segment of the tire business.

Thanks to run marketing campaigns and widening of our product offer, the Debica brand was visible appropriately during summer and winter seasons and was well positioned among potential users of our tires.

We run our activities in a responsible manner, we attach great importance to the compliance with the sustainable development principles, environmental care, employee and local community-oriented activities and the application of corporate government good practices. We are aware of the fact that goodwill is created not only through financial performance, but also through environmental factors and compliance with the business ethics.

One of the priorities of our development strategy is continuous reduction of the adverse environmental impact of our operations. The measures taken to this extent are not limited only to the reasonable raw material consumption, but they also include a number of organisational and technical measures aimed at proper handling of waste and making economic use of them, utilization of process water and water for human consumption, reduction of air emissions, optimisation of energy consumption by the processes and preventing major industrial accidents.

Consequently we have been systematically reducing carbon dioxide rates from commercial boiler house and consumption of gasoline and water consumed to producer a tone of product and water for human consumption. It should be also noted that last year we handed over for recovery as much as 99% of all waste produced by the Company.

We also support actively the initiatives aimed at the development of local communities. For many years now we have been committed to such CSR projects as Children's University of Technology whose mission statement is to develop children's interests in sciences. This project was noticed and given honorary mention in the annual Report titled „Responsible Business in Poland. Good Practices", published last year by Responsible Business Forum, in the category "Local Community Involvement and Development". For the fifth time we also organised "GOODFEST" Music Festival, which has become a major event for the local community in the City of Debica and environs.

Last year we maintained the leading position of the Company in the Polish consumer and commercial tire businesses. It would have not been possible without confidence of our customers that we invariably appreciate, nor without enormous contribution of Company associates and suppliers. I would like to thank them very much for commitment and efforts.

In the current year we will have to face new challenges and to implement our development strategy. Our priority has invariably been sustainable strengthening of our long-term market position and to build shareholders' value for all shareholders of Tire Company Debica S.A..

Yours truly,

Stanisław Cieszkowski

President of the Management Board

of Tire Company Debica S.A.

File	Description

ANNUAL FINANCIAL STATEMENT

INTRODUCTION TO FINANCIAL STATEMENT

I. Legal status and basic scope of activities according to the Polish Classification of Activities

TIRE COMPANY DEBICA S.A.; ul. 1 Maja 1, 39-200 Debica; REGON Statistical No. 850004505; Tax ID (NIP) PL 8720003404; entered into the National Court Register under No.: KRS 0000045477, District Court in Rzeszów, 12th Commercial Division of the National Court Register, share capital of PLN 110 422 000 (brought up in full).

Tire Company Debica Spółka Akcyjna (previously called "Stomil" Debica S.A.) was established pursuant to the transformation of a state enterprise of "Stomil" Car Tire Works in Debica.

By virtue of a decision of the District Court in Tarnów, 5th Commercial Division, dated 26 April 1991,"Stomil" Debica S.A. was entered into a commercial register under No. RHB-302, and in 2001 it was re-entered into the National Court Register, kept by the District Court in Rzeszów, 12th Commercial Division of the National Court Register under No. 0000045477.

On 12 November 1993 the General Meeting of Shareholders of "Stomil" Debica S.A. decided to change Company name into Tire Company "Debica" S.A. The Company may use its abbreviated name T.C. Debica S.A. that came into force on 22 November 1993, following a decision of the District Court in Tarnów about an entry into commercial register of the name change.

The Company belongs to the GOODYEAR Capital Group, whereas an entity holding 11 234 912 shares directly, accounting for 81.396% shareholding in the shareholders' equity, is Goodyear S.A. with its registered office in Luxembourg.

According to the Warsaw Stock Exchange the Company is classified in the "automotive industry" category (following the quotation on 19 September 2008).

A major scope of Company activities is the production of tires for means of transport – activity type according to the Polish Classification of Activities (Classification) is 25.11.Z (according to the Classification of 2004, and 22.11.Z* according to the Classification of 2007).

The Company is neither a controlling entity, nor a significant investor.
The Company does not draw up consolidated financial statements.
Pursuant to the Company's Statute its duration is unlimited.

II. Reporting principles and information about Company authorities

1. The Financial Statement was drawn up for 2016, covering period from 1 January 2016 to 31 December 2016 and comparable financial data for 2015, covering period from 1 January 2015 to 31 December 2015.

2. The Financial Statement was drafted based on the assumption that the Company is a going concern and will continue to be one in the foreseeable future. No circumstances exist that would threaten the continuity of business.

3. The Financial Statement was prepared in accordance with the Accounting Act of 29 September 1994 (Journal of Laws of 2013 item 330, as amended) and pursuant to the Decree of the Council of Ministers of 19 February 2009 on Current and Periodic Information Provided by the Issuers of Securities (Journal of Laws No. 33, item 259) and the Ordinance of the Minister of Finance on Detailed Rules for Recognition, Pricing Techniques, Degree of Disclosure and Presentation Manner of Financial Instruments of 12 December 2001 (Journal of Laws No. 149, item 1674, as amended). For the purposes of drawing up financial statements the Company does not apply National Accounting Standards.

The Introduction and the Notes represent an integral part of the Financial Statement.

4. Company authorities:

Management Board
Stanisław Cieszkowski – The President of the Management Board
Ireneusz Maksymiuk – a Management Board Member
Michał Mędrek - a Management Board Member (since 4 August 2015)
Leszek Szafran - a Management Board Member (since 8 October 2015)

Supervisory Board
Jacek Pryczek – The Chairman of the Supervisory Board
Dominikus Golsong – A Supervisory Board Member, Deputy Chairman of the Supervisory Board
Karl Brocklehurst – a Supervisory Board Member
Maciej Mataczyński –Secretary of the Supervisory Board
Renata Kowalska-Andres – A Supervisory Board Member
Łukasz Rędziniak – A Supervisory Board Member
Janusz Raś – A Supervisory Board Member

III. Accounting principles

1. Tangible and intangible assets

Intangible assets are priced at the prices of acquisition or costs of manufacturing less amortization (depreciation) allowances.

The following periods for making amortization allowances were assumed:
- computer software - 2-10 years
- costs of development efforts - 3 years
- other - 5 years

Fixed assets include tangible fixed assets and equivalents suitable for economic use with an expected economic life longer than one year, complete and suitable for use and earmarked for Company purposes.

Fixed assets entered into the balance sheet also include assets commissioned for use under the contract which fulfil at least one of the criteria defined in Art. 3, par. 4 of the Act (financial lease).

Tangible fixed assets are carried at acquisition cost, manufacturing cost, improvement cost or refurbishment cost. Tangible fixed assets are depreciated on a straight line basis during their expected economic life. The following depreciation periods were adopted:
- buildings and structures 25-40 years
- technical equipment and machinery 5-20 years
- means of transport 5-15 years.

Tangible fixed assets commissioned for use under the contract fulfilling, at least, one of the criteria defined in art. 3, par. 4 of the Act are depreciated taking into consideration the length of contract.

For accounting purposes, newly acquired fixed assets with a value below USD 5000 are depreciated by the Company on a one-off basis, whereas for tax purposes that value is PLN 3500.

For the purposes of determination of depreciation period and annual depreciation rate a consideration is given to the expected economic life of a fixed asset and intangible assets. The correctness of adopted depreciation periods and rates is subject to periodic verification.

The acquisition price and manufacturing costs of fixed assets under construction, fixed assets and intangible assets comprise also costs of serving liabilities taken to finance the time of their construction, erection or adaptation.

The acquisition price or manufacturing price of fixed asset is increased by the costs of its improvement.

In case of changes in the manufacturing process, slating for liquidation, withdrawal from use or due to other reasons causing impairment of fixed or intangible asset a revaluation write-off is performed and posted into other operating costs. The revaluation write-offs for fixed assets, whose pricing was updated under separate legislation, reduce differences caused by pricing revaluation posted into revaluation capital. A possible surplus of the write-off over the differences coming form pricing revaluation is posted into other operating costs.

If the reason for making a write-off for impairment of fixed and intangible assets ceases to exist, the equivalent of the total or a part of previously made revaluation write-off is increased by the value of a certain asset and is posted into other operating revenues.

2. Fixed assets under construction

Fixed assets under construction are priced at acquisition or manufacturing costs including the total costs related to a given fixed asset under construction incurred from the start date of construction until balance date or commissioning date of the asset.

The value of fixed assets under construction is increased by: non-deductible VAT tax, excise tax and cost of servicing debt incurred to finance such assets along with related foreign exchange losses, less foreign exchange gains.

3. Lease

Operational lease, tenancy or lease

A contract under which a significant portion of risk and benefits related to holding ownership title is enjoyed by the lessor (financing party), is posted as operational lease, tenancy or lease contract. The lease payments are made under operational lease arrangement, lease or tenancy contract less any special promotions granted by the lessor (the financing party), are posted into costs on a straight-line basis during the lease or tenancy period.

Financial lease

Third party fixed assets or intangible assets taken for use under lease contract are classified as fixed assets or intangible assets if they fulfil the conditions set forth in the Act.

The lease of tangible fixed assets where the Company acting as a lessee bears basically all risks and enjoys basically all benefits related to the ownership title, is categorized as financial lease. The financial lease is activated upon the start of lease in accordance with one of the two amounts, whichever is lower: fair value of the asset under the lease and actual value of minimum lease payments.

Each lease payment is split into financial lease liability (principal portion) and financial costs (interest portion). The split is performed using internal rate of return method pursuant to which the interest portion of the lease payment is divided into individual periods so that the interest rate applied to the financial lease liability balance was constant in each period.

Tangible fixed assets used under financial lease are depreciated during the shorter of the two periods: asset utilization period or lease period.

4. Long-term investments

Interests in other entities and long-term securities are carried at their prices of acquisition, less allowances for partial, permanent loss of value.

5. Inventory

The inventory of tangible current assets are priced as follows:
a) the inventory of raw materials and goods are carried at acquisition prices,
b) intermediate products and works in progress are carried at the direct planned manufacturing cost in core manufacturing activity and at actual manufacturing cost in auxiliary production, proportionally to the work progress rate,
c) finished goods are carried at average manufacturing costs including direct costs of a certain product and reasonable portion of costs related directly to the manufacturing of said product.

The manufacturing costs of a product exclude costs incurred as a result of non-utilized production capacity. They have impact on the financial result of the accounting period in which they were incurred. If an unscheduled stoppage has occurred, the Company determines the production capacity utilization rate based on a comparison of average quarterly output expressed in tons with the output expressed in tons assumed in the annual plan for the quarter in which unscheduled stoppage has occurred. If the difference between actual and planned output is higher than 15%, then indirect manufacturing costs born in the quarter in which unscheduled stoppage has occurred are treated as product manufacturing costs up to the level equalling these costs multiplied by the average quarterly absorption rate of indirect costs. The absorption rate in turn is calculated as the quotient of indirect manufacturing costs assumed in the annual plan and planned output for this period expressed in tons. The rate is updated based on actual data.

Finished goods are posted into books at planned costs at their manufacturing date. At balance date, the value of finished goods is adjusted to the level of actual manufacturing costs, taking into consideration differences between actual and planned manufacturing costs.

The Company makes revaluation of obsolete or difficult to market inventories following a thorough analysis of inventories.

All inventories whose net selling price fell below their purchasing price or cost of production, or that have been recognized as obsolete or they partially lost their original utility, have been identified and their balance sheet values have been reduced to the net selling prices.

6. Receivables and liabilities

Receivables and liabilities (except for financial liabilities) are priced at the due amount following the prudent pricing principle and shown as net values (less revaluation write-offs).

The receivable value is revaluated taking into consideration the likelihood of their payment by means of making a revaluation write-off.

The financial liabilities (except for tradable financial liabilities, derivatives that have liability nature and hedged positions) are priced at the end of accounting period at the latest at adjusted purchase price.

7. Short-term investments

Tradable financial assets including the received bills of exchange with a maturity above 3 months and income from revaluation of short-term embedded derivatives – they are priced at fair value. If there is no opportunity for reliable assessment of fair value and the assets have a set maturity date, then they are priced at the level of depreciated cost using effective interest rate; and if the assets do not have a set maturity date, they are priced at acquisition prices.

The extended loans are priced at due amount plus interest payable for a certain month.

The effects of periodic pricing of financial assets are posted respectively into financial income or expenses of the accounting period in which revaluation was made.

8. Cash assets

Cash assets include assets in the form of domestic currency, foreign exchange and foreign currencies. Cash assets also include accrued interest on financial assets and received bills of exchange with maturity below 3 months.

Financial assets payable or due and payable within 3 months from the date of their receipt, issue, purchase or opening (deposits) are classified as cash assets for the purposes of Cash Flow Statement. The listed cash assets are presented in the balance sheet in the short-term investment line.

9. Foreign currency transactions

Foreign exchange transactions are settled at the average exchange rate set for a certain currency by the National Bank of Poland in effect on the transaction date, unless another exchange rate was set in a customs declaration.

At the balancing date, the assets and liabilities expressed in foreign currencies are priced at the average exchange rate set for a given currency by the National Bank of Poland for such date.

Foreign exchange gains and losses concerning assets and liabilities expressed in foreign currencies, at the pricing date and at the payment of receivables and liabilities in foreign currencies, are posted into financial income or costs accordingly, and in justified cases into fixed assets under construction or intangible assets.

10. Deferred income tax assets and provision

Due to transient differences regarding the moment of income or of costs incurred, the Company establishes provisions and determines deferred income tax assets pursuant to the Accounting Act and tax regulations.

In the balance sheet, the Company records a deferred income tax provision equal to the income tax amount payable in the future in relation to the occurrence of positive transient differences that will enhance income tax taxable base in the future.

The Company also records deferred income tax assets determined at the level of the income tax to be deducted in the future in relation to negative transient differences that will reduce in the future income tax taxable base and in relation to deductible tax loss, determined following prudential pricing principle.

The amount of provision and deferred income tax assets is determined taking into consideration income tax rates prevailing in the year of tax obligation occurrence.

The difference between the balance of provisions and deferred income tax assets deferred at the end and beginning of accounting period has impact on financial result, with the provisions and deferred income tax assets, concerned with transactions settled against equity, are also posted into equity.

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. By virtue of Decision No. 27/IW/16, issued by the Minister of Development, dated 14 January 2016, the held

Operational Permit in the territory of the Euro-Park Mielec Special Economic Zone was amended in the section concerned with validity date. Consequently the validity date was deleted from the Operational Permit.

According to the plans at the balancing date the Management Board assumes full utilization of the tax allowance by the end of 2018.

The Company calculates deferred income tax on all transient differences. When determining the amount of deferred income tax assets and provision, for transitional differences, whose estimated execution moment will take place while running activities in the Special Economic Zone tax rate was applied (pursuant to Art. 37, par. 6, par. of the Act) granted under the Operational Permit in the Special Economic Zone ("zero" rate).

The Company does not apply the provisions of the National Accounting Standard No. 2 “Income Tax”.

11. Provisions for liabilities, warranty repairs, retirement gratuities and pensions, non-utilized leaves

The provisions for liabilities are priced at justified, reliably estimated value.

The provisions are set up for:

- sure or highly probable future liabilities the value of which can be estimated reliably including in particular losses on business transactions underway including extended guarantees, sureties, credit transactions, effects of ongoing lawsuits;
- future restructuring-related liabilities if under separate regulations the entity is obliged to undertake restructuring efforts or binding agreements have been signed, and restructuring plans allow in a reliable manner to estimate the value of future liabilities;
- retirement gratuities that have to be paid under works collective labour agreement. The provision is set up in the amount determined by an actuary;
- probable liabilities falling into current accounting period, being in particular a result of an obligation of fulfilment, in relation to current operations, of future liabilities vis-a-vis unknown persons, with the total amount that could be estimated, despite that the date of obligation occurrence is still unknown, including warranty repairs and sureties for durable products sold.

The Company posts cost accruals in relation to the warranties issued for tires, using as a basis the value of the warranty claim calculated under the warranty terms and conditions in effect for certain product categories.

Accruals related to long-term employee benefits such as: jubilee awards, retirement gratuities/pension and death benefits, are established based on actuarial computations made once at the year-end. The establishment of accruals for non-utilized leaves is charged into the costs of the period the leaves refer to.

12. Shareholders’ equity

The initial capital amount is recorded as provided for in the Company Statutes in compliance with the commercial register.

Revaluation capital is a result of revaluation of fixed assets.

Surplus capital is made up of the issue of shares above their nominal value and from statutory profit distribution as prescribed and above the prescribed level. Surplus capital is increased by the revaluation capital that originated from disposed fixed assets covered by revaluation.

Reserve capital includes reserve capital to cover contingent losses and is made up of profit distribution with the option of dividend payment to the shareholders.

13. Prepayments

The Company posts prepayments that cover costs incurred with reference to future accounting periods.

The prepayments are written off proportionally to the time elapsed and/or size of services. Time and settlement method is justified by the nature of settled costs following a prudential pricing principle.

14. Accruals

Accruals are posted in the amount of probable liabilities falling into current accounting period being in particular a result of:

- benefits provided to the entity by its contractors, when the amount of liability can be estimated in a reliable manner;
- obligation of delivery, in relation to current operations, of future benefits vis-a-vis unknown persons, with the total amount that could be estimated, despite that the date of obligation occurrence is still unknown, including warranty repairs and sureties for durable products sold.

The accruals, referred to hereinabove, are posted into the balance sheet in the line "trade payables".

The accruals related to warranty repairs are posted in proportion to the expected size of services, which include repairs made (on one's own or replacement of commodity or product under extended warranty). Upon the expiry of the warranty period, the non-written-off accruals are deducted from the cost of sales of accounting period in which no warranty repair claims did not occur.

15. Sales revenues

Sales revenues are posted on the grounds of invoices issued throughout a year less VAT tax. The sale is recognized at the moment of delivery of the product, merchandise or raw materials or at the moment of service delivery.

From the sales revenues presented in the Profit and Loss Account discounts and concessions treated on equal footing with discounts are deducted.

16. Costs and measurement of financial result

Operating costs include costs connected directly with the core activity of the Company. Expenses are recognized on accrual basis in order to secure commensurability of income and expenses.

Other operating revenues and costs include income and costs that are not connected directly with the core activity of the Company.

Other operating income includes proceeds from the disposal of non-financial fixed assets, equivalent of dissolved provisions and revaluation asset allowances, expired or redeemed liabilities, donations received, subventions, additional payment, compensations and gift income.

Other operating costs include loss on the sale of non-financial fixed assets, revaluation of tangible fixed assets and inventories, write-offs revaluating receivables, compensations, paid penalties, donations made, penalty interest on taxes, social insurance and customs duties.

Financial income includes interest income or interest due on extended credits and loans, income from securities trade and foreign exchange gains.

Financial costs include interest paid and accrued on granted credits and loans, losses related to securities trade, foreign exchange losses, entries revaluating financial assets and short-term securities.

Extraordinary gains and losses reflect financial impact of events not connected with standard business activities of the Company including in particular unique, extraordinary events and abandonment or suspension of operational activities.

Company's financial result in a given accounting year includes all generated revenues and costs related to said revenues, pursuant to the principles presented hereinabove, other operating income and expenses, result of prudence-based pricing of assets and liabilities, net financial and extraordinary item income and taxation.

Corporate income tax, shown in the Profit and Loss Account, is calculated in adherence to Polish law, taking into account income generated in the territory of Poland and abroad, tax non-deductible costs, non-taxable income.

17. The Financial Statement with the separation of the energy trading and distribution activities

The Financial Statement contains Notes with disclosed information as required by Art. 44 of the Act called Power Law (Journal of Laws of 2012, item 1059, as amended).

The accounting policy was updated as a result of the amended Art. 44 of the Act called Power Law (Journal of Laws of 2012, item1059, as amended), effective from 1 January 2014, imposing an obligation on the power companies to draw up Financial Statements containing Balance Sheet and Profit and Loss Account for the accounting periods, with a breakdown into individual types of run business activities.

T.C. Debica S.A. runs electric and heat energy trading and distribution activities and also other activities and is therefore, under Art. 44 of the Power Law, obliged to apply the provisions of amended Act.

The breakdown of Financial Statement, with a description of breakdown principles, is presented in Section 29 “Additional Explanatory Notes to the 2016 Financial Statement of Tire Company Debica S.A.”.

IV. Basic financial data and average PLN exchange rates

Balance Sheet (‘000)

	31.12.2016		31.12.2015	
	PLN	EUR	PLN	EUR
Fixed assets	814 042	184 006	829 765	194 712
Current assets	637 778	144 163	602 183	141 308
Total assets	1 451 820	328 169	1 431 948	336 020
Equity	1 025 080	231 709	999 803	234 613
Liabilities & provisions for liabilities	426 740	96 460	432 145	101 407
Total liabilities	1 451 820	328 169	1 431 948	336 020

Profit and Loss Account (‘000) ***

	2016		2015	
	PLN	EUR	PLN	EUR
Net sales of products, merchandise and raw materials	1 678 676	383 638	1 765 584	383 638
Cost of products, merchandise and raw materials sold	1 543 232	352 684	1 590 702	380 117
Gross profit (loss) on sales	135 444	30 954	174 882	41 790
Selling expenses	19 585	4 476	8 680	2 074
General administrative expenses	56 565	12 927	66 982	16 006
Profit (loss) on sales	59 294	13 551	99 220	23 710
Other operating income	1 550	354	273	65
Other operating expenses	9 186	2 099	16 871	4 032
Operating profit (loss)	51 658	11 806	82 622	19 743
Financial income	7 010	1 602	6	1 669
Financial expenses	6 660	1 522	2 787	666
Profit (loss) on ordinary activities	52 008	11 886	86 819	20 746
Profit (loss) before taxation	52 008	11 886	86 819	20 746
Income tax	-12 745	-2 913	7 906	1 889
Net profit (loss)	64 753	14 799	**78 913**	18 857

Cash Flow Statement (‘000)

	2016		2015	
	PLN	EUR	PLN	EUR
Net operational cash flows	170 615	38 992	235 594	56 298
Net investment activity cash flows	- 72 352	- 16 535	- 216 903	- 51 831
Net financial activity cash flows	- 42 104	- 9 622	- 45 737	- 10 929
Total net cash flows	56 159	12 835	- 27 046	- 6 462

Average EUR/PLN exchange rates in the period covered by the Financial Statement and comparable financial data, set by the National Bank of Poland:
- exchange rate prevailing on:
31 December 2016 1 EUR = PLN 4.4240
31 December 2015 1 EUR = PLN 4.2615

- average exchange rate, calculated as the mean arithmetic value of exchange rates prevailing on the last day of each month:

in 2016:	1 EUR = PLN 4.3757
in 2015:	1 EUR = PLN 4.2615

- the highest and lowest exchange rate in the accounting period:

in 2016:	the highest rate	1 EUR = PLN 4.5035
	and the lowest rate	1 EUR = PLN 4.2355
in 2015:	the highest rate	1 EUR = PLN 4.3580
	and the lowest rate	1 EUR = PLN 4.9822

The items in Profit and Loss Account for 2015 were converted into EUR using the mean annual EUR/PLN exchange rate, which was PLN 4.3757.

V. The areas of material discrepancies of the adopted accounting principles and methods and show data between the Financial Statement drawn up using Polish accounting principles and the financial statement that was drawn up using International Financial Reporting Standards (IFRS)

T.C. Debica S.A. draws up financial statement in accordance with US GAAP for the strategic investor The Goodyear Tires & Rubber Company for the purposes of drawing up a consolidated financial statement.

Therefore, reliable pinpointing of discrepancies in the values of shown data between the Financial Statement drawn up using Polish accounting principles and the Financial Statement that would be drawn up using International Financial Reporting Standards (IFRS) is not possible.

Below are attached tables with explanation of the differences in the values of the disclosed equity and net financial result, between the Financial Statement and comparable financial data drawn up in accordance with Polish accounting principles vs. financial statements and comparable financial data drawn up in accordance with the principles of the Goodyear Group based on US GAAP. The differences are shown as net figures, accounting for the impact of income tax.

('000 PLN)	**31.12.2016**	**31.12.2015**
Shareholders' equity according to Polish accounting principles	**1 025 080**	**999 803**
Discrepancy due to different exchange rates used for pricing of receivables, liabilities and cash assets	-77	44
Discrepancy stemming from different classification of lease contracts	64	44
Adjustment of differences in gross value of fixed assets	-15 740	-14 536
Adjustment of depreciation for fixed assets with different gross values	1 505	3 015
Transient difference being a result of the moment of current cost recognition	29 041	8 771
Difference stemming from different calculation of provisions for extended guarantees	25	42
Capitalization of interest on the average debt level in compliance with Goodyear Group principles	13 277	14 517
Capitalization of realized foreign exchange gains/losses on investment projects	-1 159	-1 140
Actuarial provisions for gratuities	2 281	1 680
Income tax allowance in relation to the Special Economic Zone	46 556	58 276
Difference in deferred tax treatment (recognized deferred tax assets according to the Goodyear Group's principles)	-2 866	5 256
Shareholders' equity according to Goodyear Group's principles	**1 097 987**	**1 075 772**

(‘000 PLN)	2016	2015
Net profit according to Polish accounting principles	**64 753**	**78 913**
Transient difference being a result of the moment of current cost recognition	20 271	- 11 026
Discrepancy due to different exchange rates used for pricing of receivables, liabilities and cash assets	-121	55
Discrepancy stemming from different classification of lease contracts	20	35
Adjustment of differences in gross value of fixed assets	-1 204	-773
Adjustment of depreciation for fixed assets with different gross values	-1 510	-753
Difference stemming from different calculation of provisions for extended guarantees	-17	-24
Capitalization of interest on the average debt level in compliance with Goodyear Group principles	-1 240	-1 278
Capitalization of realized foreign exchange gains/losses on investment projects	-19	51
Actuarial provisions for gratuities	601	54
Income tax allowance in relation to the Special Economic Zone	-11 720	-35 395
Difference in deferred tax treatment (recognized deferred tax assets according to the Goodyear Group’s principles)	-8 122	28 919
Net profit according to Goodyear Group principles		
	61 692	**58 778**

File	Description

BALANCE SHEET ‘000 PLN

	NOTE	2016	2015
ASSETS			
I. Fixed assets		814 042	829 765
1. Intangible assets	1	9	21
2. Tangible fixed assets	2	811 646	827 507
3. Long-term investments	3	144	144
3.1. Long-term financial assets		144	144
a) in other entities		144	144
4. Long-term deferred assets	4	2 243	2 093
4.1. Deferred income tax assets		2 097	2 093
4.2 Other long-term deferred assets		146	0
II. Current assets		637 778	602 183
1. Inventories	5	75 958	74 834
2. Short-term receivables	6 7	220 043	241 975
2.1. From related entities		198 957	207 331
2.2. From other entities		21 086	34 644
3. Short-term investments		340 601	284 425
3.1. Short-term financial assets	8	340 601	284 425
a) in related entities		255 000	255 000
b) in other entities		0	0
c) cash and cash equivalents		85 601	29 425
4. Short-term deferred assets	9	1 176	949
Total assets		1 451 820	1 431 948
LIABILITIES			
I. Shareholders’ equity		1 025 080	999 803
1. Share capital	11	110 422	110 422
2. Reserve capital	12	324 779	324 459
3. Revaluation capital	13	67 779	68 099
4. Other reserve capital	14	457 347	417 910
5. Net profit (loss)		64 753	78 913
II. Liabilities and liability provisions		426 740	432 145
1. Liability provisions	15	52 261	62 519
1.1. Provision for deferred income tax		15 070	29 328
1.2. Provision for pension benefits and equivalents		31 282	31 744
a) long-term		10 856	10 235
b) short-term		20 426	21 509
1.3. Other provisions		5 909	1 447
a) long-term		67	100
b) short-term		5 842	1 347
2. Long-term liabilities	16	2 287	1 643
2.1. To other entities		2 287	1 643
3. Short-term liabilities	17	372 192	367 983
3.1. To related entities		77 101	73 266
3.2. To other entities		294 760	294 165
3.3. Special funds		331	552
Total liabilities		1 451 820	1 431 948

Book value		1 025 080	999 803
Number of shares (pcs.)		13 802 750	13 802 750
Book value per share (in PLN)	18	74.27	72.44
Diluted number of shares (pcs.)		13 802 750	13 802 750
Diluted book value per share (in PLN)	18	74.27	72.44

OFF-BALANCE ITEMS ‘000 PLN

		2016	2015
From other entities (title)			
received warranties and sureties			
To other entities (title) with a subitem:			
extended warranties and sureties			
1. **Other including:**		6 092	8 825
- off-balance liabilities under a long-term gas supply agreement		5 439	7 359
- off-balance liabilities under a real estate long-term lease agreement		653	1 466
Total off-balance liabilities		6 092	8 825

PROFIT AND LOSS ACCOUNT ‘000 PLN

	NOTE	2016	2015
I. Net sales of products merchandise and materials including:		1 678 676	1 765 584
- from related entities		1 506 248	1 634 290
1. Net sales of products	19	1 570 567	1 698 490
2. Net sales of merchandise and materials	20	108 109	67 094
II. Cost of products merchandise and materials sold including:		1 543 232	1 590 702
- to related entities		1 401 582	1 477 547
1. Cost of products sold	21	1 440 043	1 523 136
2. Cost of merchandise and materials sold		103 189	67 566
III. Gross profit (loss) on sales		135 444	174 882
IV. Selling expenses	21	19 585	8 680
V. General administrative expenses	21	56 565	66 982
VI. Profit (loss) on sales		59 294	99 220
VII. Other operating income		1 550	273
1. Income from the disposal of non-financial fixed assets		1 291	
2. Other operating income	22	259	273
VIII. Other operating expenses		9 186	16 871
1. Loss on the disposal of non-financial fixed assets			388
2. Revaluation of non-financial fixed assets		1 056	976
3. Other operating costs	23	8 130	15 507
IX. Operating profit (loss)		51 658	82 622
X. Financial income	24	7 010	6 984
1. Interest receivable		7 010	6 760
- from related entities		6 358	5 129
2. Other			224
XI. Financial expenses	25	6 660	2 787
1. Interest payable		2 550	2 787
2. Other		4 110	86 819
XII. Profit (loss) before taxation		52 008	86 819
XIII. Income tax	27	-12 745	7 906
a) current portion		1 517	
b) deferred portion		-14 262	7 906
XIV. Net profit (loss)		64 753	78 913

Net profit (loss) (annualized)		64 753	78 913
Weighted average number of the ordinary shares (pcs.)		13 802 750	13 802 750
Earnings (loss) per ordinary share (in PLN)	29	4.69	5.72
Weighted average diluted number of the ordinary shares (pcs.)		13 802 750	13 802 750
Diluted earnings (loss) per ordinary share (in PLN)	29	4.69	5.72

STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY

	‘000 PLN	
	2016	2015
I. Opening balance of shareholders’ equity	999 803	964 369
I.a. Opening balance of shareholders’ equity after restatement to comparative data	999 803	964 369
1. Opening balance of share capital	110 422	110 422
1.1. Closing balance of share capital	110 422	110 422
2. Opening balance of reserve capital	324 459	322 675

2.1. Changes in reserve capital a) additions (of which)	320 320	1 784 1 784
- allocation from the reserve capital of amounts of revaluated liquidated fixed assets – current period	320	1 784
2.2. Closing balance of reserve capital	324 779	324 459
3. Opening balance of revaluation capital	68 099	69 883
3.1. Changes in revaluation capital	-320	-1 784
a) reductions (of which):	320	1 784
- allocation to the reserve capital of amounts of revaluated liquidated fixed assets - current period	320	1 784
3.2. Closing balance of revaluation capital	67 779	68 099
4. Opening balance of other reserve capital	417 910	374 443
4.1. Changes in other reserve capital	39 437	43 467
a) additions (of which)	39 437	43 467
- allocation to reserve capital from the profit distributed for the year 2012 with an option of dividend payment to the shareholders	39 437	0
- allocation to reserve capital from the profit distributed for the year 2013 with an option of dividend payment to the shareholders		43 467
4.2. Closing balance of other reserve capital	457 347	417 910
5. Opening balance of retained earnings	78 913	86 946
5.1. Opening balance of retained earnings	78 913	86 946
5.2. Opening balance of retained earnings after the restatement to comparative data	78 913	86 946
a) reductions (of which):	78 913	86 946
- dividend for shareholders	39 476	43 479
- allocation to reserve capital from the profit distributed for the year 2012 with an option of dividend payment to the shareholders	39 437	0
- allocation to reserve capital from the profit distributed for the year 2013 with an option of dividend payment to the shareholders		43 467
5.3. Closing balance of retained earnings	0	0
5.4. Closing balance of retained earnings/losses	0	0
6. Net profit (loss)	64 753	78 913
a) net profit	64 753	78 913
II. Closing balance of shareholders' equity	1 025 080	999 803
III. Shareholders' equity adjusted by the proposed distribution of profit (loss coverage)	1 025 080	999 803

CASH FLOW STATEMENT '000 PLN

A. Operational cash flows	**2016**	**2015**
I. Net profit (loss)	64 753	78 913
II. Total adjustments	105 862	156 681
1. Depreciation and amortization	94 398	92 337
2. Foreign exchange gains/losses	-17	-85
3. Interest and dividends	-5 560	-4 763
4. Investment activity gain (loss)	-1 361	2 113
5. Change in provisions	-10 259	8 585
6. Change in inventories	-1 124	42 834
7. Change in receivables	21 932	7 577
8. Change in current liabilities (excluding loans and credits)	8 232	8 642
9. Change in deferred and accrued expenses	-379	-559
10. Other adjustments	0	0
III. Net operational cash flows (I+/-II) – indirect method	170 615	235 594
B. Investment activity cash flows		
I. Cash inflows	264 057	9 065
1. Disposal of intangible assets and tangible fixed assets	2 698	3 936
2. From financial assets of which:	6 359	5 129
a) In related entities	6 359	5 129
- interest income	6 359	5 129
3. Other investment inflows	255 000	

II. Cash outflows	336 409	225 968
1. Acquisition of intangible assets and tangible fixed assets	81 409	75 968
2. Other capital expenditures	255 000	150 000
III. Net investment activity cash flows (I-II)	-72 352	-216 903
C. Financial activity cash flows		
I. Cash outflows	42 104	45 737
1. Dividends and other payments to the owners	39 476	43 479
2. Financial lease commitments paid	1 830	1 892
3. Interest paid	798	366
II. Net financial activity cash flows (I-II)	-42 104	-45 737
D. Total net cash flows (A.III+/-B.III+/-C.III)	56 159	-27 046
E. Change in balance-sheet cash and cash equivalents of which:	56 176	-26 961
- change in cash and cash equivalents due to foreign exchange gains/losses	17	85
F. Opening balance of cash and cash equivalents	29 406	56 452
G. Closing balance of cash and cash equivalents (F+/- D) of which:	85 565	29 406
- those with restricted availability	331	553

NOTES TO THE FINANCIAL STATEMENT
A. EXPLANATORY NOTES
EXPLANATORY NOTES TO BALANCE SHEET

Note 1 a

INTANGIBLE ASSETS INCLUDING:	‘000 PLN	
	2016	2015
a) concessions, patents, licenses and equivalents including:	9	21
- computer software	9	21
Total intangible assets	9	21

Please indicate and explain the period of making write-offs for completed developmental efforts and depreciation write-offs for goodwill.

Note 1b

CHANGES IN THE VALUE OF INTANGIBLE ASSETS (BY CATEGORY)							
‘000 PLN							
	a	b	c		d	e	Total intangible assets
	costs of completed developmental activities	goodwill	concessions, patents, licenses and equivalents including:	- computer software	other intangible assets	prepaid intangible assets	
a) opening balance of intangible assets, gross			7410	7410			7 410
b) closing balance of intangible assets, gross:			7410	7410			7 410
c) opening balance of accumulated depreciation			7 389	7 389			7 389
d) depreciation for the accounting period of which:			12	12			12
- accrued depreciation for the period			12	12			12
e) closing balance of accumulated depreciation			7 401	7 401			7 401
f) closing balance of intangible assets, net			9	9			9

Note 1c

INTANGIBLE ASSETS (OWNERSHIP STRUCTURE)	‘000 PLN	
	2016	2015
a) own intangible assets	9	21
Total intangible assets	9	21

Note 2a

TANGIBLE FIXED ASSETS	‘000 PLN	
	2016	2015
a) tangible fixed assets including:	770 929	779 262
- lands (including perpetual usufruct title to land)	54	54
- buildings, units and civil engineering works	109 624	115 502
- technical equipment and machinery	655 661	658 220
- means of transport	603	346
- other fixed assets	4 987	5 140
b) fixed assets under construction	35 139	44 095
c) prepaid fixed assets under construction	5 578	4 150
Total tangible fixed assets	811 646	827 507

Note 2b

CHANGES IN FIXED ASSETS (BY CATEGORY)				
‘000 PLN				
	- lands (incl. perpetual usufruct title to land)	- buildings, units and civil engineering works	- technical equipment and machinery	- mea transp
a) opening balance of fixed assets, gross	54	282 592	1 478 971	
b) additions (of which):		1 202	84 881	
- purchases, investments		1 202	82 440	
- leased assets			2 441	
c) reductions (of which):		7	13 695	
- disposals			8 934	
- liquidations		7	4 239	
- return to lessor once the lease contract is over			522	
d) closing balance of fixed assets, gross	54	283 787	1 550 157	
e) opening balance of accumulated depreciation		166 762	820 601	
f) depreciation for the period of which:		7 073	73 745	
- accrued depreciation for the period		7 080	86 104	
- reduced depreciation due to disposal and liquidation		7	11 837	
- return to lessor once the lease contract is over			522	
g) closing balance of accumulated depreciation		173 835	894 346	
h) opening balance of allowances for asset impairment		328	150	
i) closing balance of allowances for asset impairment		328	150	
j) closing balance of fixed assets, net	54	109 624	655 661	

Note 2c

BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)	‘000 PLN	
	2016	2015
a) own fixed assets	766 881	776 189
b) used under rental, tenancy or other contract including lease contract, of which:	4 048	3 073
- lease contract	4 048	3 073
Total balance sheet fixed assets	770 929	779 262

Note 2d

OFF-BALANCE FIXED ASSETS	‘000 PLN	
	2016	2015
used under rental, tenancy or other contract including lease contract including:	29 928	30 250
- real properties used under rental contract according to estimated gross value		
- operational lease	250	500
- perpetual usufruct title to lands	29 678	29 750
Total off-balance fixed assets	29 928	30 250

Note 3a

CHANCE IN BALANCE OF INTANGIBLE ASSETS (BY CATEGORY)	‘000 PLN	
	2016	2015
a) opening balance	21	39
- computer software	21	39
b) additions (of which)	12	18
- computer software	12	18
c) reductions (of which)	9	21
- computer software	9	21

Note 3b

LONG-TERM FINANCIAL ASSETS	‘000 PLN	
	2016	2015
ab) in controlling entity		
interests or shares		
debt securities		
other securities (by type)		
extended loans		
other long-term financial assets (by type)		
bc) in other entities		
interests or shares		
debt securities		
other securities (by type)		
extended loans		
other long-term financial assets (by type)		
a) in other entities, including:	144	144
ca) in the partner of co-subsidiary		
interests or shares		
debt securities		
other securities (by type)		
extended loans		
other long-term financial assets (by type)		
cc) in other entities	144	144
- interests or shares	144	144
Total long-term financial assets	144	144

Note 3c

CHANGE OF BALANCE OF LONG-TERM FINANCIAL ASSET (BY CATEGORY)	‘000 PLN	
	2016	2015
a) opening balance	144	144
-	144	144

Note 3d

INTERESTS OR SHARES IN OTHER ENTITIES										
#	'000 PLN									
	a	b	c	d	e		f	g	h	i
	name of the entity, with legal status specified	registered office	scope of activities	balance sheet value of interests/shares	entity's equity including:	share capital	shareholding in share capital	share in the total number of votes at the General Meeting of Shareholders	value of interests/shares not paid up by the issuer	received or due dividends for the last accounting year
1.	TIRE RECYCLING CENTER RECOVERY ORGANISATION S.A.	Warsaw	Recovery and recycling of packaging and used waste (tires)	144	5 218	1 008	14,00	14,00		

As of December 31, 2015

Note 3e

SECURITIES, INTERESTS AND OTHER LONG-TERM FINANCIAL ASSETS (BY CURRENCY)	unit	currency	‘000 PLN	
			2016	2015
a) in Polish currency			144	144
b1. in foreign currency				
-				
Total securities, interests and other long-term financial assets			144	144

Note 3f

SECURITIES, INTERESTS AND OTHER LONG-TERM FINANCIAL ASSETS(BY MARKETABILITY)	‘000 PLN	
	2016	2015
c1)...		
c2)...		
c1)...		
c2)...		
c1)...		
c2)...		
A. With limited marketability (balance sheet value)	144	144
a. interests and shares (balance sheet value):	144	144
- value according to prices of acquisition	144	144
c1) …		
c2)...		
Total value at purchasing prices	144	144
Total balance sheet value	144	144

Note 4a

CHANGE IN DEFERRED INCOME TAX ASSETS	‘000 PLN	
	2016	2015
1. Opening balance of deferred income tax assets including:	2 093	1 961
a) included in the financial result	24 911	20 727
- provision for employee benefits due, but unpaid	4 552	5 189
- provision for jubilee awards and retirement gratuities	1 312	1 285
- provision for restructuring	256	409
- non-invoiced services	2 408	1 429
- revaluation of trade receivables	3 573	1 622
- decrease of the value of raw material and product inventories	169	285
- provision for extended guarantees	19	25
- difference between lease costs under accounting and tax treatment	10	2
- provision for bonuses	1 470	1 259
- payment adjustment – unpaid costs	10 750	8 975
- tax loss carried forward	145	0
- other	247	247
- 1a Valuation adjustment	-22 818	-18 766
2. Additions	1 043	5 155
a) deducted from financial result in the accounting period in relation to negative temporary differences (of which):	1 043	4 951
- provision for jubilee awards and retirement gratuities	35	27
- provision for restructuring	854	0
- non-invoiced services	120	979
- provision for extended guarantees	0	0
- revaluation of trade receivables	29	1 951
- provision for bonuses	0	211
- difference between lease costs under accounting and tax treatment	5	8
- payment adjustment – unpaid costs	0	1 775
b) reflected in the financial result in the accounting period in relation to tax loss (of which)	0	204

3. Deductions	11 115	971
a) deducted from financial result in the accounting period in relation to negative temporary differences (of which):	11 013	971
- provision for employee benefits, due but unpaid	149	637
- provision for restructuring	0	153
- decrease of the value of raw material and product inventories	2	116
- difference between lease costs according to accounting and tax treatment	106	0
- provision for restructuring efforts	6	6
- non-invoiced services	10 750	0

Note 4a (cont.)

CHANGE IN DEFERRED INCOME TAX ASSETS	'000 PLN	
	2016	2015
b) reflected in the financial result of the accounting period in relation to tax loss (of which)	102	59
4. Closing of deferred income tax assets including:	14 839	24 911
a) included in the financial result	14 839	24 911
- provision for employee benefits due, but unpaid	4 403	4 552
- provision for jubilee awards and retirement gratuities	1 347	1 312
- provision for restructuring	1 110	256
- revaluation of trade receivables	3 602	3 573
- decrease of the value of raw material and product inventories	167	169
- provision for extended guarantees	13	19
- difference between lease costs under accounting and tax treatment	15	10
- non-invoiced services	2 528	2 408
- provision for bonuses	1 364	1 470
- payment adjustment – unpaid costs	0	10 750
- other	43	145
- 4A. Pricing adjustment (*)	-12 742	-22 818
- 4B. Closing balance of the deferred income tax assets, total	2 097	2 093

(*) The pricing was adjusted due to utilization of the corporate income tax relief related to the activities run in the Special Economic Zone. When determining the amount of deferred income tax assets and provision, for transitional differences, whose estimated execution moment will take place while running activities in the Special Economic Zone tax rate was applied (pursuant to Art. 37, par. 6 of the Act) granted under the Operational Permit in the Special Economic Zone ("zero" rate).

Note 4 b

OTHER PREPAYMENTS	'000 PLN	
	2016	2015
a) prepayments including:	146	0
- commitment fee on loan agreement	146	0
Other prepayments, total	146	0

Note 5a

INVENTORIES	'000 PLN	
	2016	2015
a) raw materials	46 642	45 743
b) intermediate products and work in progress	15 078	14 786
c) finished goods	6 532	9 784
d) merchandise	7 706	4 521
Total inventories	75 958	74 834

Note 6a

SHORT-TERM RECEIVABLES	'000 PLN	
	2016	2015
a) from related entities	198 957	207 331
- trade receivables with maturity:	198 957	207 331
- below 12 months	198 957	207 331
b) receivables from other entities	21 086	34 644
- trade receivables with maturity:	19 660	12 750
- below 12 months	19 660	12 750
- receivables related to taxes, subsidies, customs, social and health insurance and other	152	21 175

benefits		
- other	1 274	719
Total short-term receivables, net	220 043	241 975
c) revaluation of net value of receivables	19 070	18 974
Total short-term receivables, gross	239 113	260 949

Note 6b

SHORT-TERM RECEIVABLES FROM RELATED ENTITIES	‘000 PLN	
	2016	2015
a) trade receivables including:	198 957	207 331
- from controlling entity	18	31
Total short-term receivables from related entities, net	198 957	207 331
Total short-term receivables from related entities, gross	198 957	207 331

Nota 6 c

SHORT-TERM RECEIVABLES FROM NON-RELATED ENTITIES	‘000 PLN	
	2016	2015
a) trade receivables including:	19 660	12 750
- from other entities	19 660	12 750
b) in relation to taxes, subsidies, custom duties, social and health insurance and other public and legal titles	152	21 175
c) other including:	1 274	719
- from other entities	1 274	719
Short-term receivables from other entities, net, total	21 086	34 644
d) write-offs revaluating receivables from other entities	19 070	18 974
Short-term receivables from non-related entities, gross, total	40 156	53 618

Note 6d

CHANGE OF REVALUATION OF SHORT-TERM RECEIVABLES	‘000 PLN	
	2016	2015
Opening balance	18 974	8 519
a) additions (of which)	555	11 758
- setting up provisions	555	11 758
b) decreases (of which):	459	1 303
- utilization rate, depreciation	106	31
- dissolution, paid	353	1 272
Closing balance of revaluated short-term receivables	19 070	18 974

Note 6e

GROSS SHORT-TERM RECEIVABLES (BY CURRENCY)	unit	currency	‘000 PLN	
			2016	2015
a) in Polish currency			33 062	57 812
b) in foreign currencies (by currency and following conversion into PLN)			206 054	203 137
b1. unit/currency	‘000	USD	239	178
following conversion into ‘000 PLN			999	695
b2. unit/currency	‘000	EUR	46 350	47 505
following conversion into ‘000 PLN			205 052	202 442
Total short-term receivables			239 113	260 949

Note 6f

GROSS TRADE RECEIVABLES - WITH MATURITY COUNTED FROM BALANCING DATE:	‘000 PLN	
	2016	2015
a) below 1 month	200 967	207 628
b) from 1 to 3 months	14 437	9 500
c) overdue receivables	22 186	21 829

Total trade receivables, gross	237 590	238 957
d) revaluated trade receivables	-18 973	-18 877
Total trade receivables, net	218 617	220 080

The receivables specified in items a), b) and c) that is with maturity below 1 month, with maturity from 1 to 3 months and from 3 to 6 months, are a result of regular selling activities of T.C. Debica S.A.

Note 6g

OVERDUE TRADE RECEIVABLES, GROSS – WITH THE FOLLOWING AGEING STRUCTURE:	'000 PLN	
	2016	2015
a) below 1 month	621	6 758
b) from 1 to 3 months	32	264
c) from 3 to 6 months	245	448
d) from 6 months to 1 year	38	6 536
e) above 1 year	21 250	664
Total overdue trade receivables (gross)	22 186	14 670
f) overdue revaluated trade receivables	-18 977	-7 262
Total overdue trade receivables, net	3 209	7 408

Note 7a

With reference to the total receivables in value terms (long- and short-term receivables) please specify the figures of disputed claims and overdue receivables (broken down by titles), including those for which write-offs were not made or those that were not put into category ”Receivables under litigation”.

Gross short-term receivables totalled PLN 239 113 thousand including overdue receivables totalling PLN 22 186 thousand. The revaluation write-offs totalled PLN 19 070 thousand, of which overdue receivables totalled PLN 18 973 thousand.

Gross long-term receivables were not present.
Trade receivables under litigation - PLN 21 249 thousand. Provision for trade receivables under litigation - PLN 18 925 thousand.

File	Description

Note 8a

SHORT-TERM FINANCIAL ASSETS	‘000 PLN	
	2016	2015
a) in other related entities	255 000	255 000
- extended loans	255 000	255 000
b) cash and cash equivalents	85 601	29 425
- cash in hand and cash in bank	85 601	29 425
Total short-term financial assets	340 601	284 425

Note 8b

SHORT-TERM LOANS EXTENDED (BY CURRENCY)	unit	currency	‘000 PLN	
			2016	2015
a) in Polish currency			255 000	105 000
b1. in currency				
other currencies in ‘000 PLN				
Total short-term loans extended			255 000	105 000

Note 8c

CASH AND CASH EQUIVALENTS (BY CURRENCY)	unit	currency	‘000 PLN	
			2016	2015
a) in Polish currency			79 134	24 031
b) in foreign currencies (by currency and following conversion into PLN)			6 467	5 394
b1. unit/currency	‘000	USD	19	118
following conversion into ‘000 PLN			79	460
b2. unit/currency	‘000	EUR	1 444	1 158
following conversion into ‘000 PLN			6 388	4 934
Total cash and cash equivalents			85 601	29 425

Note 9a

SHORT-TERM PREPAYMENTS	‘000 PLN	
	2016	2015
a) short-term prepayments including:	1 176	949
- property insurance	918	825
- other	258	124
Total short-term prepayments	1 176	949

Note 10a

The revaluation of non-financial assets for 12 months 2016 totalled PLN 1 056 thousand of which:
PLN 1 055 thousand applied to finished goods, and PLN 1 thousand applied to materials.

At the same time an adjustment (reduction) was made of the write-off for materials by PLN 48 thousand, that reduced the cost of production of the products sold in the Profit and Loss Account.

The revaluation of inventory was made based on conservative pricing of materials, products and commodities.

File	Description

Note 11a

SHARE CAPITAL (STRUCTURE)								
‘000 PLN								
Series/issue	Share type	Type of stock preference	Type of limitation of rights to shares	Number of shares	Value of series/emission by par value	Way of bringing up capital	Registration date	Right to dividend (effective from the date)
A & B	DEBICA			10 100 000	80 800	Cash	23 May 1995	9 May 1995
C	DEBICA			3 702 750	29 622	Cash	11 April 1996	1 January 1996
Total number of shares				13 802 750				
Total share capital					110 422			
Par value per share (in PLN)		8.00						

According to the information held by the Company as of the date of drawing up 2016 Annual Report the shareholder holding above 5% of the shareholders’ equity and at least 5% of the total number of votes at the General Meeting of Shareholders: were Goodyear S.A. with its registered office in Luxembourg, holding in total 11,234,912 of Company shares accounting for approximately 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 approximately 81.396% of the total number of votes at the Company’s General Meeting of Shareholders.

Note 12a

RESERVE CAPITAL	'000 PLN	
	2016	2015
a) share premium account	130 164	130 164
b) statutory capital	36 807	36 807
c) capital provided for under the articles or deed above the required minimum statutory level	139 263	139 263
d) supplementary contributions made by shareholders/partners	0	0
e) other (by type)	18 545	18 225
- reposting of reserve capital from revaluation of fixed assets – liquidated and disposed of	16 861	16 541
- increase of reserve capital in 1991 by a transfer from social fund – depreciation of fixed assets used in social activities	1 614	1 614
- setting up reserve capital from retained earnings	70	70
Total reserve capital	324 779	324 459

Note 13a

REVALUATION CAPITAL	'000 PLN	
	2016	2015
a) revaluation of fixed assets	67 298	67 618
b) revaluation of deferred tax	481	481
Total revaluation capital	67 779	68 099

Note 14a

OTHER RESERVE CAPITAL (BY PURPOSE)	'000 PLN	
	2016	2015
- to cover contingent losses related to non-production assets	5 362	5 362
- from 2000 profit distribution, with an option of dividend payment to shareholders	34 445	34 445
- setting up reserve capital from 2001 profit distribution	4 802	4 802
- an allocation to the reserve capital from the profit distributed for the year 2002, with an option of dividend payment to the shareholders	629	629
- an allocation to the reserve capital from the profit distributed for the year 2003, with an option of dividend payment to the shareholders	1 698	1 698
- an allocation to the reserve capital from the profit distributed for the year 2004, with an option of dividend payment to the shareholders	158	158
- an allocation to the reserve capital from the profit distributed for the year 2005, with an option of dividend payment to the shareholders	34	34
- an allocation to the reserve capital from the profit distributed for the year 2006, with an option of dividend payment to the shareholders	30 626	30 626
- an allocation to the reserve capital from the profit distributed for the year 2007, with an option of dividend payment to the shareholders	28 040	28 040
- an allocation to the reserve capital from the profit distributed for the year 2008, with an option of dividend payment to the shareholders	67 916	67 916
- an allocation to the reserve capital from the profit distributed for the year 2009, with an option of dividend payment to the shareholders	9 916	9 916
- an allocation to the reserve capital from the profit distributed for the year 2010, with an option of dividend payment to the shareholders	40 829	40 829
- an allocation to the reserve capital from the profit distributed for the year 2011, with an option of dividend payment to the shareholders	45 384	45 384
- an allocation to the reserve capital from the profit distributed for the year 2012, with an option of dividend payment to the shareholders	46 773	46 773
- an allocation to the reserve capital from the profit distributed for the year 2013, with an option of dividend payment to the shareholders	57 831	57 831
-an allocation to the reserve capital from the profit distributed for the year 2014, with an option of dividend payment to the shareholders	43 467	43 467
-an allocation to the reserve capital from the profit distributed for the year 2015, with an option of dividend payment to the shareholders	39 437	0
Total other reserve capital	457 347	417 910

Note 15a

CHANGE IN PROVISION FOR DEFERRED INCOME TAX	‘000 PLN	
	2016	2015
1. Opening balance of provision for deferred income tax including:	29 328	21 290
a) netted with the financial result	46 890	63 719
- amortization of investment allowances	3 494	3 577
- interest charged to contractors and interest income from cash assets	125	109
- difference between depreciation under accounting and tax treatment	43 094	59 934
- prepayments	177	99
- 1a Valuation adjustment	-17 562	-42 429
2. Additions	74	94
a) netted with the financial result in the accounting period in relation to transient foreign exchange gains (of which)	74	94
- interest accrued to contractors and interest due on cash assets	0	16
- prepayments	74	78
3. Deductions	16 285	16 923
a) deducted from financial result in the accounting period in relation to positive transient differences (of which)	16 285	16 923
-difference between depreciation under accounting and tax treatment	16 164	16 840
- amortization of investment allowances	83	83
- prepayments	38	0
4. Total closing balance of provision for deferred income tax	30 679	46 890
a) netted with the financial result	30 679	46 890
- amortization of investment allowances	3 411	3 494
- interest charged to contractors and interest income from cash assets	87	125
- difference between depreciation under accounting and tax treatment	26 930	43 094
- prepayments	251	177
- 4a. Pricing adjustment	-15 609	-17 562
- 4b. Closing balance of deferred income tax, total*	15 070	29 328

(*) The pricing was adjusted due to utilization of the corporate income tax relief related to the activities run in the Special Economic Zone. When determining the amount of deferred income tax assets and provision, for transitional differences, whose estimated execution moment will take place while running activities in the Special Economic Zone tax rate was applied (pursuant to Art. 37, par. 6 of the Act) granted under the Operational Permit in the Special Economic Zone ("zero" rate).

Note 15b

CHANGE IN LONG-TERM PROVISION FOR RETIREMENT BENEFITS AND EQUIVALENTS (BY TITLE)	‘000 PLN	
	2016	2015
a) opening balance	10 235	10 135
- jubilee awards, retirement gratuities, disability and death benefits	9 250	9 317
- other employee benefits due, unpaid	985	818
b) additions (of which)	1 606	985
- jubilee awards, retirement gratuities, disability and death benefits	560	0
- other employee benefits due, but unpaid	1 046	985
c) dissolution (of which)	985	885
- jubilee awards, retirement gratuities, disability and death benefits	0	67
- other employee benefits due, but unpaid	985	985
d) closing balance	10 856	885
- jubilee awards, gratuity pensions, disability pensions and bereavement benefit	9 810	9 250
- other employee benefit, due, but unpaid	1 046	985

Note 15c

CHANGE IN SHORT-TERM PROVISION FOR RETIREMENT BENEFITS AND EQUIVALENTS (BY TITLE)	‘000 PLN	
	2016	2015

a) opening balance	21 509	20 225
- jubilee awards, retirement gratuities, disability and death benefits	713	466
- other employee benefits due, but unpaid	20 796	19 759
b) additions (of which)	19 713	18 035
- jubilee awards, retirement gratuities, disability and death benefits	141	247
- other employee benefits due, but unpaid	19 572	17 788
c) utilization (of which)		
d) dissolution (of which)	20 796	16 751
- other employee benefits due, but unpaid	20 796	16 751
e) closing balance	20 426	21 509
- jubilee awards, retirement gratuities, disability and death benefits	854	713
- other employee benefits due, but unpaid	19 572	20 796

Note 15d

CHANGE IN BALANCE OF OTHER LONG-TERM PROVISIONS (BY TITLE)	'000 PLN	
	2016	2015
a) opening balance	100	132
- tire warranties extended	100	132
b) additions (of which)	12	23
- tire warranties extended	12	23
c) utilization (of which)	45	55
- tire warranties extended	45	55
d) dissolution (of which)	67	100
- tire warranties extended	67	100

Note 15e

CHANGE IN BALANCE OF OTHER SHORT-TERM PROVISIONS (BY TITLE)	'000 PLN	
	2016	2015
a) opening balance	1 347	2 152
- restructuring provision (severance pays for laid-off workers)	1 347	2 152
b) additions (of which)	6 871	1 352
- restructuring provision (severance pays for laid-off workers)	6 871	1 352
c) utilization (of which)	2 376	2 157
- restructuring provision (severance pays for laid-off workers)	2 376	2 157
d) closing balance	5 842	1 347
- restructuring provision (severance pays for laid-off workers)	5 842	1 347

Note 16 a

LONG-TERM LIABILITIES	'000 PLN	
	2016	2015
ab) vis-a-vis the controlling entity		
credits and loans		
Issue of debt securities		
other financial liabilities including:		
financial lease contracts		
bill of exchange liabilities		
other (by type)		
a) vis-a-vis other entities including	2 287	1 643
ca) vis-a-vis partner of a co-subsidiary		
credits and loans		
issue of debt securities		
other financial liabilities including:		
financial lease contracts		
bill of exchange liabilities		
other (by type)		

cc) vis-a-vis other entities	2 287	1 643
- other financial liabilities including:	2 287	1 643
- financial lease contract	2 287	1 643
Total long-term liabilities	2 287	1 643

Note 16b

LONG-TERM LIABILITIES WITH MATURITY FROM BALANCING DATE	‘000 PLN	
	2016	2015
a) from 1 to 3 years	1 781	1 442
b) from 3 to 5 years	494	201
c) above 5 years	12	
Total long-term liabilities	2 287	1 643

Note 16c

LONG-TERM LIABILITIES (BY CURRENCY)	unit	currency	‘000 PLN	
			2016	2015
a) in Polish currency			2 287	1 643
Total long-term liabilities			2 287	1 643

Note 16d

LONG -TERM LIABILITIES RELATED TO CREDITS AND LOANS													
’000 PLN													
Name of entity	Registered seat	Amount of credit / loan under agreement				Amount of credit/loan to be repaid				Interest	Maturity date	Securities & collaterals	Other
		’000 PLN	in foreign currency	unit	currency	’000 PLN	in foreign currency	unit	currency				
BANK PEKAO S.A.	WARSAW	60 000	0	‘000	PLN	0	0	‘000	PLN	WIBOR 1M + 1.30%	30 Sep. 2019	a power of attorney to use current account, statement about voluntary subjecting oneself to enforcement procedure pursuant to Art. 777 § 1 of the Civil Procedure Code Act.	
ING BANK S.A.	WARSAW	30 000	0	‘000	PLN	0	0	‘000	PLN	WIBOR 1M + 1.1%	30 Nov. 2017	a power of attorney to use current account, statement about voluntary subjecting oneself to enforcement procedure pursuant to Art. 777 § 1 of the Civil Procedure Code Act.	
RAIFFEISEN BANK POLSKA SA	WARSAW	40 000	0	‘000	PLN	0	0	‘000	PLN	WIBOR 1M + 1.25%	28 Feb. 2017	a power of attorney to use current account, statement about voluntary subjecting oneself to enforcement procedure	
BRE SA	WARSAW	45 000	0	‘000	PLN	0	0	‘000	PLN	WIBOR 1M + 1.30%	30 Jan. 2017	blank bill of exchange, statement about voluntary subjecting oneself to enforcement procedure	
Total		175 000		‘000	PLN								

Note 17a

Nota 17 a

SHORT-TERM LIABILITIES	'000 PLN	
	2016	2015
a)) vis-a-vis related entities including:	77 101	73 266
ab) vis-a-vis controlling entity	3 285	4 708
credits and loans including:		
long-term under repayment		
issue of debt securities		
dividend		
other financial liabilities including:		
- trade payables, with maturity:	3 285	4 708
- up to 12 months	3 285	4 708
above 12 months		
- a') vis-a-vis other related entities	73 816	68 558
- trade payables, with maturity:	73 816	68 558
- up to 12 months	73 816	68 558
prepaid deliveries and services		
bill of exchange liabilities		
other (by type)		
bc) vis-a-vis other entities		
credits and loans including::		
long-term under repayment		
issue of debt securities		
dividend		
other financial liabilities including:		
trade payables, with maturity:		
up to 12 months		
above 12 months		
prepaid deliveries and services		
bill of exchange liabilities		
other (by type)		
b) vis-a-vis other entities, including:	294 760	294 165
ca) vis-a-vis partner in co-subsidiary		
credits and loans including::		
long-term under repayment		
issue of debt securities		
dividend		
other financial liabilities including:		
trade payables, with maturity:		
up to 12 months		
above 12 months		
prepaid deliveries and services		
bill of exchange liabilities		
other (by type)		
cc) vis-a-vis other entities	294 760	294 165
- other financial liabilities including:	1 837	1 482
- financial lease contracts	1 837	1 482
- trade payables, with maturity:	277 640	273 307
- up to 12 months	277 640	273 307
- taxes, customs duties, social and health insurance and other obligations under	6 012	5 730
- other (by title)	9 271	13 646
- investment liabilities	9 254	13 631
- other	17	15
c) special funds (by title)	331	552
Total short-term liabilities	372 192	367 983

Note 17b

SHORT-TERM LIABILITIES (BY CURRENCY)	unit	currency	‘000 PLN	
			2016	2015
a) in Polish currency			192 123	193 864
b) in foreign currencies (by currency and after conversion into PLN)			1 467	1 088
b1. unit/currency	‘000	USD	6 131	4 245
after conversion into ‘000 PLN			42 038	44 496
b2. unit/currency	‘000	EUR	185 976	189 619
after conversion into ‘000 PLN			185 976	189 619
b2. unit/currency	‘000	CZK	36	0
after conversion into ‘000 PLN			6	0
b2. unit/currency	‘000	GBP	2	0
after conversion into ‘000 PLN			10	0
Total short-term liabilities			372 192	367 983

Note 18a

Book value per share = Equity value/number of shares.

The Company does not plan any new issues of shares, nor it has issued any bonds convertible into shares, nor other events occurred that would increase the expected number of shares, therefore the book value per share is equal to diluted book value per share.

File	Description

EXPLANATORY NOTES TO PROFIT AND LOSS ACCOUNT

Note 19a

NET SALES OF MERCHANDISE (NON-CASH STRUCTURE - BY TYPE OF ACTIVITY)	‘000 PLN	
	2016	2015
- revenues from the sales of rubber products	1 560 849	1 679 786
- from related entities including:	1 474 776	1 603 542
from other entities in which the issuer has equity stakes including		
- from related entities		
- from associated entities		
from other entities		
from the remaining entities		
- revenues from the sales of services	9 718	18 704
- from related entities including	6 997	15 691
Total net sales of products	1 570 567	1 698 490
- including: from related entities	1 481 773	1 619 233

Note 19b

NET SALES OF PRODUCTS (BY GEOGRAPHICAL AREA)	‘000 PLN	
	2016	2015
a) domestic market	91 630	82 771
- from related entities, including:	3 886	4 329
- revenues from the sales of rubber products	85 023	75 440
from subsidiaries		
from remaining entities, in which the issuer holds an equity stake, including:		
from co-subsidiaries		
from associated entities		
from other entities		
from remaining entities		
- revenues from the sales of services	6 607	7 331
- including: from related entities	3 886	4 329
b) export markets	1 478 937	1 615 719
- from related entities, including:	1 477 887	1 614 904
- revenues from the sales of rubber products	1 475 826	1 604 346
- including: from related entities	1 474 776	1 603 542
from subsidiaries		
from remaining entities in which the issuer holds an equity stake, including:		
from co-subsidiaries		
from associated entities		
from other entities		
from remaining entities		
- revenues from the sales of services	3 111	11 373
- including: from related entities	3 111	11 362
from other entities		
from subsidiaries		
from other entities in which the issuer holds an equity stake including:		
from co-subsidiaries		
From associated entities		
from other entities		
from the remaining entities		
Total net revenues from the products sold	1 570 567	1 698 490
- from related entities including:	1 481 773	1 619 233

Note 20a

NET SALES OF MERCHANDISE AND MATERIALS (NON-CASH STRUTURE – TYPE OF ACTIVITY)	‘000 PLN	
	2016	2015
- materials	6 118	2 056
- including: from related entities	6 098	2 048
- merchandise	101 991	65 038

- including: from related entities	18 377	13 009
Total sales of merchandise and materials, net	108 109	67 094
- including: from related entities	24 475	15 057

Note 20b

NET SALES OF MERCHANDISE AND MATERIALS (BY GEOGRAPHICAL	‘000 PLN	
	2016	2015
a) domestic market	83 634	52 037
- from related entities, including:	0	0
- materials	20	8
- merchandise	83 614	52 029
from subsidiaries		
from remaining entities, in which the issuer holds equity stakes including:		
from co-subsidiaries		
from associated entities		
from other entities		
from remaining entities		
from subsidiaries		
from co-subsidiaries		
from associated entities		
from other entities		
from remaining entities		
b) export markets	24 475	15 057
- from related entities, including:	24 475	15 057
- materials	6 098	2 048
- including: from related entities	6 098	2 048
from subsidiaries		
from remaining entities, in which the issuer holds equity stakes including:		
from co-subsidiaries		
from associated entities		
from other entities		
from remaining entities		
- merchandise	18 377	13 009
- including: from related entities	18 377	13 009
Total net revenues from the merchandise and materials sold	108 109	67 094
- from related entities, including:	24 475	15 057

Note 21a

COSTS BY CATEGORY	'000 PLN	
	2016	2015
a) amortization	94 398	92 337
b) consumption of energy and materials	956 131	1 016 143
c) third party services	240 703	245 953
d) taxes and charges	11 062	11 993
e) wages and salaries	156 092	154 804
f) social insurance and other benefits	55 673	58 108
g) other cost categories (of which)	14 213	12 317
- advertising and entertainment costs	4 079	2 184
- business travel	762	913
- costs of relations with purchasing groups	4 827	2 936
- property insurance	2 926	2 636
- contributions to the State Fund for Rehabilitation of the Disabled	1 095	3 062
- other	524	586
Total cost categories	1 528 272	1 591 655
Change in inventory, products and prepayments	2 961	21 183
Cost of products for own consumption (negative value)	-15 040	-14 040
Selling expenses (negative value))	-19 585	-8 680
Overall management costs (negative value)	-56 565	-66 982
Cost of products sold	1 440 043	1 523 136

Note 22a

OTHER OPERATING INCOME	'000 PLN	
	2016	2015
a) dissolved provisions (of which)	33	32
- provision for extended guarantees	33	32
b) other including:	226	241
- received damages	159	
- refunded court costs and costs of debt collection enforcement	46	121
- compensation for bad quality of raw materials	6	26
- reimbursement of damages for car accidents	1	1
- refunded social security contributions		43
- lands received	1	3
- other operating income	33	32
Total other operating income	33	32

Note 23a

OTHER OPERATING EXPENSES	'000 PLN	
	2016	2015
a) set up provisions (of which)	6 871	1 388
- restructuring costs	6 871	1 388
- provision for extended guarantees		
b) other including:	1 259	14 119
- cost of non-utilized production capacity		
- scraped products and materials	212	412
- donations and membership fees	299	320
- court charges related to debt collection	40	184
- change due to revaluation of receivables	202	10 297
- stock taking differentials	300	19
- costs of Corporate Community Centre and other social activities	154	342
- cost of repairs related to car accidents	4	14
- liquidation of machinery	13	1 853
- costs of EU project		537

- costs of discontinued investment projects	25	140
- other operating expenses	10	1
Total other operating expenses	830	15 507

Note 24a

INTEREST-RELATED FINANCIAL GAINS	‘000 PLN	
	2016	2015
a) interest income related to loans extended	6 358	5 129
from related entities, of which:	6 358	5 129
from other entities	6 358	5 129
a) other interest	652	1 631
- from other entities including:	652	1 631
- from remaining entities	652	1 631
Total interest-related financial gains	7 010	6 760

Note 24b

OTHER FINANCIAL GAINS	‘000 PLN	
	2016	2015
a) foreign exchange gains	0	212
- realized	0	1 277
- non-realized	0	-1 065
a) other including:	0	12
Financial gains from a stake in Tarpan partnership	0	12
Total other financial income	0	224

Note 25a

INTEREST-RELATED FINANCIAL EXPENSES	‘000 PLN	
	2016	2015
a) on bank credits and loans:	23	624
- payable to other entities	23	624
- for other entities	23	624
b) other interest	2 527	2 163
- payable to other entities including:	2 527	2 163
- for other entities	2 527	2 163
Total interest-related financial expenses	2 550	2 787

Nota 25b

OTHER FINANCIAL EXPENSES	‘000 PLN	
	2016	2015
a) foreign exchange losses of which:	4 110	0
- realized	2 932	0
- non-realized	1 178	0
Total other financial expenses	4 110	0

Note 26a

CURRENT INCOME TAX	'000 PLN	
	2016	2015
1. Profit (loss) before taxation	52 008	86 819
2. Differences between profit (loss) before taxation and taxation base for income tax (under 2 titles)	35 537	113 321
A. Permanent differences	2 687	3 491
- non-deductible costs and losses including:	2 687	3 491
- charge-out – 5% margin	0	0
- provision for receivables	106	28
- delayed payment interest – receivables from the state budget entities	5	-753
- contributions to the State Fund for Rehabilitation of the Disabled	1 103	3 065
- expenses exceeding the limit for passenger cars	74	45
- penalties and compensation expense	29	29
- expenses on Supervisory Board and General Meeting of Shareholders	8	13
-social organization membership fees	0	0
- donations, scholarships, aids	453	429
- entertainment costs	123	205
-VAT provision for written-off receivables	38	0
-non-recoverable VAT on export shipments and shipments not confirmed with corrective invoice .	267	203
- additional allowance for the Corporate Social Fund	200	0
- other	281	227
B. Transitional differences	-32 850	-109 830
- Positive differences including the following categories:	-85 320	-88 572
- amortization of investment allowances	-436	-436
- difference between depreciation under accounting and tax treatment	-85 072	-88 631
- interest charged to contractors and interest income from cash assets	-201	84
- prepayments	389	411
Negative differences including:	52 470	-21 258
- accrued expenses and provisions for liabilities	596	3 209
- revaluation of receivables from customers	-152	-10 267
- devaluation of inventories, raw materials and products	8	611
- provision for restructuring	-4 495	805
- difference between lease costs under accounting and tax treatment	-25	-42
- non-invoiced services	-633	-5 156
- provision for bonuses	559	-1 110
- payment adjustment –unpaid costs	56 580	-9 342
- other	32	34
3. Income tax taxation base	87 546	200 140
4. Income covered by the Zone Operational Permit	79 024	199 830
5. Income tax taxation base (following deductions)	8 522	310
6. Income tax at 19% rate	1 619	59
7. Tax increases, discontinuations, reliefs, deductions and reductions	102	59
8. Current income tax posted into tax return of the accounting period including:	1 517	0
- tax posted into Profit and Loss Account	1 517	0

Pursuant to the Operational Permit No. 134/ARP/2008, dated 27 February 2008 for running business activities in the area of Euro-Park Mielec Special Economic Zone the Company may enjoy income tax breaks up to 40.23% of discounted total amount of capital expenditures born to implement investment projects within the boundaries of the Special Economic Zone. The Company met the requirements of the Operational Permit in December 2012 and effective from 2013 it may enjoy corporate income tax break. The Operational Permit is valid until 2017. By virtue of Decision No. 27/IW/16, issued by the Minister of Development, dated 14 January 2016, the held Operational Permit in the territory of the Euro-Park Mielec Special Economic Zone was amended in the section concerned with validity date. Consequently the validity date was deleted from the Operational Permit. As of 31 December 2016 the Company revised its original assumption of full utilization of income tax relief (31 December 2017). Based on the revised

forecasts the relief will be used by the end of 2018. Owing to the fact that this is a modification of the estimate the Company does not adjust net profit/loss for previous years.
As of 31 December 2016 the amount of due tax relief totalled PLN 45.3 million in nominal terms and PLN 29,5 million in discounted terms. By the balance date the Company had utilized the enjoyed income tax relief up to PLN 90.5 million in nominal terms and up to PLN 61.3 million in discounted terms. The Company made an assumption that in the effective term of the operational permit all short-term transient differences will be utilized, whereas long-term transient differences have been planned for realisation during the effective term of the operational permit.

The enjoyment of the tax break is conditioned by the compliance with the requirements set forth in the Operational Permit and in the Corporate Income Tax Act. Non-compliances with the requirements set forth in the Operational Permit and in the Corporate Income Tax Act, irrelevant from the financial result perspective, could result in the cancellation of tax breaks and imposition on the Company a duty to pay taxes the Company had been exempted pursuant to the tax break privilege. Additional penalty interest would be charged to the Company for the period of tax break enjoyment until tax payment date.

In the accounting period covered by the Financial Statement the Company received a decision, dated December 4, 2013, from the Director of Fiscal Audit Chamber in Rzeszów about instigation of proceedings aimed at control of reliability of declared taxable bases and accuracy of accrual and payment of tax on goods and services in the individual accounting periods in 2010. As of the publication date of the Financial Statement the audit activities related to the launched proceedings are still underway.

The tax authorities may audit Company accounts and tax returns within five (5) years from the end of year in which tax returns were filed and to charge to the Company additional tax along with fines and interest.

The Company calculates deferred income tax on all transient differences. When determining the amount of deferred income tax assets and provision, for transitional differences, whose estimated execution moment will take place while running activities in the Special Economic Zone tax rate was applied (pursuant to Art. 37, par. 6 of the Act) in adherence to the granted Operational Permit for activities in the Special Economic Zone (“zero” tax rate).

Note 26b

DEFERRED INCOME TAX POSTED INTO PROFIT AND LOSS ACCOUNT	‘000 PLN	
	2016	2015
- decrease (increase) due to occurrence and reversal of temporary differences	-14 262	7 906
Total deferred income tax	-14 262	7 906

Note 27a

2015 net profit distribution:
- dividend for shareholders – PLN 39 476 thousand, paid out on 21 December 2015
- an increase of reserve capital – PLN 39 437 thousand.

Total net profit in 2015 – PLN 78 913 thousand.

A proposal on the appropriation of 2016 net profit amounting to PLN 64 753 thousand will be presented by the Company’s Management Board at the Ordinary General Meeting of Shareholders that will be held pursuant to Art. 395 of Commercial Companies’ Code.

File	Description

Note 29a

For the purposes of calculation of earnings per share total net profit for 2016 was taken and divided by the number of shares.

The Company does not plan any new issues of shares, nor it has issued any bonds convertible into shares, nor other events occurred that would increase the expected number of shares, nor occurred events changing profit level.

File	Description

EXPLANATORY NOTES TO CASH FLOW STATEMENT

I. Cash assets – see Note 8A, letter g).

For the purposes of cash flows short-term debt short-term debt securities are specified in the investment activities item, whereas the overdraft facility has been posted into the financial activity item rather than cash assets item.

Period	31.12.2016	31.12.2015
1. Cash and cash equivalents according to item 3.1.b of the assets	85 601	29 425
- cash at bank	85 592	29 415
- cash in hand	9	10
2. Adjustment to foreign currencies due to balance sheet pricing -	-36	-19
3. Cash for Cash Flow Statement	85 565	29 406

II. Variances between balance sheet changes:

a) receivables balance and changes in receivables posted into Cash Flow Statement:

	2016	2015
change in balance sheet	21 932	2 182
change of the balance of bills of exchange with maturity above 3 months (in the balance sheet presented in the line: "Short-term financial assets"	-	5 395
In Cash Flow Statement	21 932	7 577

b) balance of liabilities and changes in the balance of those items shown in the Cash Flow Statement:

	2016	2015
change in balance sheet	4 209	-9 543
Adjustments:		
change in the balance of liability related to the fixed assets under construction	4 378	18 260
Change in balance of short-term liabilities under financial lease	-355	75
repayment of financial lease instalments		
change in the balance of embedded derivative (covered by the financial activity)		
Total adjustments	4 023	18 185
In Cash Flow Statement	8 232	8 642

File	Description

B. ADDITIONAL EXPLANATORY NOTES

Additional explanatory notes to the 2016 Financial Statement of Tire Company DEBICA S.A.

1. Information about financial instruments

Changes in individual categories of Company's financial assets and liabilities (except for cash and other cash assets) in the period of 12 months ended on 31 December 2015 and 31 December 2016 were as follows:

('000 PLN)

	Tradable financial assets	**Sellable financial assets**	**Tradable financial liabilities**
January 1, 2015	-	144	-
- additions	-	-	-
- reductions	-	-	-
December 31, 2015	-	144	-
January 1, 2016	-	144	-
- additions	-	-	-

- reductions	-	-	-
December 31, 2016	-	144	-

Balance sheet presentation

Long-term financial assets		
- in other entities	-	144
Short-term financial assets		
- in other entities	-	
Long-term liabilities		
- to other entities	-	
Short-term liabilities		
- in related entities		255 000
- to other entities	-	
December 31, 2016	-	255 000
Overdraft facility		
- in other entities		0
December 31, 2016		0

Tradable financial assets and liabilities

In 2012 the Company entered into current account committed overdraft facility agreement (see Note 16 D). At the balancing date the Company did not use its credit lines.

In 2016 interest expenses on financial liabilities ('000 of PLN) amounted to:

Liabilities	**interest realized category**	**interest not realized category**
Overdraft facility	0	23

In 2015 interest on overdraft facility amounted to PLN 624 thousand.

Marketable financial assets

The value of marketable financial assets priced for sale at the adjusted purchasing price included shares and interests for which there is no active market. The impact of overestimation/revaluation of marketable financial assets is charged into financial costs.

The Company does not hold any hedging instruments. The interest income on own receivables amounted to PLN 17,5 thousand.

Extended loans

W 2016 r. the Company extended four short-term loans to Goodyear S.A. Luxembourg.

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

'000 PLN

Date of Loan Agreement	30 Apr.2015	29 May 2015	24 Sept. 2015	23 Dec. 2015
Dates of loan disbursements (Agreement)	30 Apr. 2015	29 May 2015	24 Sept. 2015	23 Dec. 2015
Loan Amount	60 000	15 000 000	30 000 000	150 000 000
Maturity date (loan repayment)	30 Apr. 2016	29 May 2016	24 Sept. 2016	23 Dec. 2016
Total interest accrued in 2016	898 504,10	279 082,20	1 015 052,06	2 673 301,37
Interest paid in 2016	1 136 482,18	338 576,72	1 134 041,10	2 680 013,70

Date of Loan Agreement	20 May 2016	29 Jun. 2016	24 Sept. 2016	23 Dec. 2016
Dates of loan disbursements (Agreement)	30 May 2016	29 Jun 2016	24 Sept. 2016	23 Dec. 2016
Loan Amount	75 000 000	50 000 000	45 000 000	85 000 000
Maturity date (loan repayment)	20 May 2017	29 Jun. 2017	24 Sept. 2017	23 Dec. 2017
Total interest accrued in 2016	804 821,91	444 246,59	210 752,05	32 789,04
Interest paid in 2016	692 712,32	369 506,86	143 486,30	0,00

Interest payment date falls due on 14th day of the month following the month for which interest is due.

2. Contingent liabilities including guarantees and sureties

The Company did not extend any guarantees nor sureties. There are no other material contingent liabilities except for those described below.

1. In July 1997, in Great Britain, a British citizen, Garry Hoye, was involved in a car accident. According to the victim's representatives, the accident was caused by a defective tire made by T.C. Debica S.A.

Pursuant to a civil action before the British court, compensation in the amount of GBP 770 000 of damages is claimed. The defendants include T.C. Debica S.A and the owner of the garage where the tire was mounted.

Since 1996, T.C. Debica S.A. has continuously held product civil liability insurance from AIG Polska, and in 1997 the coverage also included the territory of the United Kingdom.

The amount of damages claimed exceeds the liability limit of the insurance (PLN 4 100 000) by approximately PLN 600 000, but in the opinion of the British lawyer representing T.C. Debica S.A., there are grounds to demand significant reduction of the level of damages due to, inter alia, the age of the tire and due to the fact that in addition to T.C. Debica S.A., a second defendant is also involved in the case. Given the above, it is not necessary to establish a provision to cover the costs of contingent damages to be paid by T.C. Debica S.A.

2. Claim of Sonia and Zara Akhter
The victims have also lodged a claim for payment of damages (without specifying the amount) for damages sustained in an accident in September 1998 allegedly caused by a defective tire made by T.C. Debica S.A. Upon receipt of the claim, the damage was notified to AIG Poland S.A., which is handling the case in the UK. To date, we have not been advised about the termination of the case, but only about initiated talks on the settlement.

The Company believes that a risk of claim payment by T.C. Debica S.A. is relatively low. The claim amount was not determined and therefore no provision was set up for future would-be liabilities.

3. Guarantees and sureties

None.

The Management Board believes that in addition to disclosing the above events in the Financial Statement, no grounds exist to record these events in the Company's accounts.

3. Liabilities vis-à-vis budget in relation to the acquisition of ownership title to buildings and structures
The Company does not have any liabilities vis-à-vis state nor municipality budget in relation to the acquisition of ownership title to buildings and structures.

4. Discontinued operations

In the accounting period the Company did not liquidate, nor discontinued any business activity, partially or fully, thus no costs of discontinued activities were recorded.

5. Cost of fixed assets made for own consumption
The cost of fixed assets under construction and fixed assets for own consumption amounted to PLN 15 040 thousand for 12 months in 2016 and to PLN 14 040 thousand for 12 months in 2015.

6. Capital expenditures
In 2016 the capital expenditures totalled PLN 77 032 thousand, of which PLN 604 thousand was spent on environmental projects. The capital expenditures planned for 2017 amount to PLN 117 734 thousand.

For environmental projects planned for 2017 amount to PLN 540 thousand.

7. Transactions with related entities
The transactions made in 2016 with the Goodyear Group member companies were as follows:

Sales of products, goods and services	PLN 1 506 million
Disposal of fixed assets and investments	PLN 2 million
Purchase of materials and merchandise	PLN 354 million
Purchase of services and licensing fees	PLN 179 million
Investment purchases	PLN 28 million
Balance of receivables as of 31 December 2015	PLN 199 million
Balance of liabilities as of 31 December 2015	PLN 77 million

In 2016 the Company entered into 26 transactions with the related entities with a one-off value exceeding EUR 500 thousand. 12 transactions were related to the purchase of licenses, another 12 transactions was concerned with the purchase of services (regional fees) and 2 transactions – acquisition of fixed assets.

In the accounting year covered by the financial statement the Company did not enter into any material transactions under significantly different than those close to the arms length principle transactions with related entities.

8. Joint ventures
Joint ventures that are not consolidated using the full method or the property rights method did not occur.

9. Headcount
The average headcount by occupational category is as follows:

average headcount	2015	2016	Women	Men
Total including:	2 788	2 772	519	2 253
white collar workers	408	375	113	262
blue collar workers	2 380	2 397	406	1 991

***** 10. Remuneration of management and supervisory personnel**
Remuneration of Management and Supervisory Boards in 2015 totalled to (in ‘000 PLN):

for the Management Board members:

1. Stanisław Cieszkowski	1 251.0
2. Ireneusz Maksymiuk	957.0
3. Michał Mędrek	767.6
4. Leszek Szafran	1 579.0
5. Mariusz Solarz	15.1
Total:	**4 569.7**

for the Supervisory Bard members:

1. Maciej Mataczyński	139.2
2. Łukasz Rędziniak	111.3
3. Janusz Raś	48.8
4. Piotr Wójcik	62.6
Total:	**361.9**

Other Supervisory Board members did not collect their fees.

11. Advances, credits, loans, guarantees, sureties for the management and supervisory personnel
In the accounting period there were no settlements of accounts with the Management and Supervisory Board members in relation to loans and loan equivalents.

The Company did not enter into transactions with Management and Supervisory Board members, nor with persons having ties with them understood as spouses, relatives or akin within the second degree lineal consanguinity or having ties in relation to guardianship, adoption or custody with the management members or persons sitting on the supervisory bodies of the company or in the companies where they have significant stakes, shareholding or are partners.

12. Information about material events in previous years.
None.

13. Information about material events that occurred after balancing date and not included in the financial statements.

By virtue of Decision No. 27/IW/16, issued by the Minister of Development, dated 14 January 2016, the held Operational Permit in the territory of the Euro-Park Mielec Special Economic Zone was amended in the section concerned with validity date. Consequently the validity date was deleted from the Operational Permit.

14. Legal predecessor
Tire Company “Debica” Spółka Akcyjna (”Company”) was established on 26 April 1991 as a result of transformation of the state enterprise called “Stomil" Car Tire Works in Debica.

15. Financial statement adjusted for inflation
When the financial statement was being drawn up a principle of historical cost was assumed, and consequently the inflation impact is not considered, except for the pricing of embedded derivatives that were priced using a fair value principle.

A possible impact of inflation on the financial statement presentation as well as on the comparability of data in the Profit and Loss Account and Balance Sheets from the current and previous years has not been determined.

The fixed assets may be subject to periodic revaluation by virtue of separate legislation in compliance with conversion indices set by the Polish Central Statistical Office.

16. Differences between data disclosed in the financial statement and previously published financial statements
None.

17. Modification of the accounting principles applied and way of drawing up the financial statement
None.

18. Adjustments of fundamental errors
None.

19. Consolidation of financial statements
The Company is not a controlling entity and does not draw up a consolidated financial statement. The consolidated financial statement is drawn up by The Goodyear Tire & Rubber Company.

As of 31 December 2016 the Company had capital ties with:
Centrum Utylizacji Opon Organizacja Odzysku Spółka Akcyjna w Warszawie (Tire Recycling Centre, Recovery Organisation S.A. in Warsaw) - 14% shareholding in shareholders’ equity.

20. Fixed assets
The costs of fixed assets under construction amounting to PLN 40 717 thousand comprised:

• purchase of machinery and equipment	PLN 19 568 thousand
• construction and assembly works	PLN 18 461 thousand
• other	PLN 2 375 thousand.

The gross value of fixed assets used under lease agreements, classified pursuant to the Accounting Act, as financial lease agreements totalled PLN 7 005 thousand, whereas the net value amounted to PLN 4 048 thousand.

The Company insures its property against all risks involving direct physical loss or damage.

The Company also holds civil liability insurance for business operations carried out and for assets held, as well as a product civil liability policy.

21. Lands with perpetual usufruct right
As of 31 December 2015 the value of lands with perpetual usufruct right totalled PLN 29 750 thousand and its breakdown into individual categories is as follows:

Roads	PLN 75 thousand,
Arable lands	PLN 2 thousand,
Other developed lands	PLN 1 491 thousand,
Forests and forested lands	PLN 4 642 thousand,

Wasteland	PLN 529 thousand,
Housing lands	PLN 29 thousand,
Industrial areas	PLN 20 142 thousand,
Miscellaneous areas	PLN 1 770 thousand,
Still inland waters	PLN 972 thousand,
Urbanized non-developed lands	PLN 26 thousand.

22. Fixed asset revaluation
As of 31 December 2016, the balance of fixed assets revaluation write-offs amounted to PLN 478 thousand and did not change compared to the previous year.

The balance of revaluation write-offs for inventories was PLN 788 thousand including:
• for products PLN 210 thousand
• for raw materials PLN 578 thousand.

Meanwhile the balance of inventory revaluation write-offs in 2015 was PLN 837 thousand.

23. Ageing of receivables
At the end of December 2016 the gross balance of trade receivables amounted to PLN 38 633 thousand and its ageing was as follows:

-below 30 days	PLN 0 thousand,
-from 31 to 90 days	PLN 10 582 thousand,
-from 91 to 180 days	PLN 4 434 thousand,
-from 181 to 365 days	PLN 2 779 thousand,
-above 365 days	PLN 20 838 thousand.

A write-off revaluating the trade receivables totalled PLN 18 973 thousand.

24. Financial revenues and expenses in 2016 ('000 of PLN)

1. Interest expense on working capital loan	-23
2. Interest income from bank deposits	653
3. Interest income on loans extended	6 358
4. Interest income on receivables and interest expense on trade payables and on liabilities vis-à-vis budget	-16
5. Interest income on overdue trade receivables	-1
6. Discounted bills of exchange and third party checks	-1 572
7. Interest expense on lease instalments	-142
8. Interest paid on committed, but non-utilized loan	-797
Total interest and discounted bills of exchange and third party checks	4 460
9. Actual foreign exchange gains/losses	-2 932
10. Unrealized foreign exchange gains/losses	-1 178
Total foreign exchange gains/losses	-4 110
Total net income on financial operations	350
Total financial income (as shown in P&L account)	7 010
Total financial expenses (as shown in P&L account)	6 660

25. Contracts not covered by the balance sheet
In the accounting year the Company was not a party to any material contracts not covered by the balance sheet.

26. Liabilities secured with Company assets
No liabilities have been secured with T.C. Debica S.A. assets.

27. Risk management objectives and principles

Credit Risk

Credit risks present in the Company are monitored and managed.

The credit risk implied by the type and scope of run business activities, may involve growing level of unrecoverable debts, being a result of necessary sales crediting, driven by market environment. The Company limits credit risk exposure to trade receivables through evaluation and monitoring of financial standing of

contractors, setting credit limits and securing liability payment. Additionally since July 2015 the Company has insured its receivables. The Company focuses on securing its payments, both on formal and legal grounds (i.e. bill of exchange, mortgage, pledge), and also on subject matter grounds (i.e. improvement of supply logistics, deepening of the evaluation of the customers' financial standing etc.).
An inherent element of the credit risk management process pursued by the Company is ongoing monitoring of receivables balance and internal reporting system. In 2016 the non-collectible debts accounted for 13.7% of the sales revenues and was up compared to the previous periods due to the bankruptcy declaration by one major Customer. The Company focuses on securing its payments, both on formal and legal grounds (i.e. bill of exchange, mortgage, pledge), and also on subject matter grounds (i.e. improvement of supply logistics, deepening of the evaluation of the customers' financial standing etc.). Consequently good management in this area allows to generate added value.
Despite concentration of risk to this extent it is evaluated that due to available historical data and long-term experience related to business relations with customers and also due to applied securities the credit risk is low. Consequently good management in this area allows to generate added value.

According to Company’s Management Board, the level of financial risk connected with debt collection is low.

Foreign exchange risk
The Company depends on the fluctuations of the foreign exchange rates in connection with the exports of finished goods and imports of raw materials, however, pursuant to the long-term financial strategy it does not use currency risk hedging instruments but rather uses natural hedging. The export revenues are predominantly used to purchase imported raw materials. In long-term this policy produces positive results.

Interest rate risk
In 2016 the Company had at its disposal the total amount of PLN 175 million under signed current account overdraft facility agreements. As of 31 December 2016 the utilization of overdraft facilities was nil. The Company maintained liquidity and financing stability. The Company did not bear any material interest expenses, so the Management Board believes that interest rate volatility is not crucial to the Company.

Market risk
The Management Board is responsible for market risk management and compliance with policy adopted in this area. The Company manages market risk through taking effective decisions about the maintenance of its market position, implementation of new, strategic projects aimed at prospecting new markets, new and attractive product launches.

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

T.C. Debica S.A. has consistently maintained safe debt level and has diversified debt risk and operational risk, using banking services of four banks.

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

The deterioration of the liquidity status may have adverse impact on Company customers and their ability to pay their liabilities. The worsening operational conditions of customers may have impact on the cash flow projections and evaluation of the assets impairment. To the extent information was available, the Management Board took into consideration the revised estimates of expected future cash flows in its assessment of assets impairment.

28. Financial statement audit fee (to be updated)
On 16 December 2016 a contract was signed with PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw, at Al. Armii Ludowej 14, for the audit of financial statements for accounting year 2016.

The fee owed for the audit and review of 2016 financial statement totalled PLN 156 655 (in 2015: PLN 260 000).

The certified auditor did not provide any other services, except for the audit of the Company's Financial Statement.

29. Balance sheet, Profit and Loans Account by energy trade and heat generation, energy and heat distribution and other activities in 2016 and comparative data

A. 2016 Balance Sheet by Energy Trade and Heat Generation, Energy and Heat Distribution and Other Activities

BALANCE SHEET as of 31 December 2016 (‘000 PLN)

	Distribution	Trade	Other operations
ASSETS	65	155	813 822
I. Fixed assets	0	0	9
1. Intangible assets, including:			
- goodwill			
2. Tangible fixed assets	65	155	811 426
3. Long-term receivables			
3.1. from related entities			
3.2. from non-related entities			
4. Long-term investments	0	0	144
4.1. Real estate			
4.2. Intangible assets			
4.3. Long-term financial assets	0	0	144
a) in related entities of which:			
- interest or shares in subsidiaries priced using full rights method			
b) in non-related entities	0	0	144
4.4. Other long-term investments			
5. Long-term prepayments	0	0	2 243
5.1. Deferred income tax assets	0	0	2 097
5.2. Other prepayments			
II. Current assets	22	63	637 693
1. Inventory	0	0	75 958
2. Short-term receivables	22	63	219 958
2.1. from related entities	0	0	198 957
2.2. from non-related entities	22	63	21 001
3. Short-term investments	0	0	340 601
3.1. Short-term financial assets	0	0	340 601
a) in related entities	0	0	255 000
b) in non-related entities	0	0	0
c) Cash and other cash assets	0	0	85 601
3.2. Other short-term investments	0	0	0
4. Short-term prepayments	0	0	1 176
T o t a l a s s e t s	86	219	1 451 515
LIABILITIES			
I. Shareholders’ equity	52	123	1 024 905
1. Share capital	0	0	110 422
2. Called up share capital, unpaid (negative value)			
3. Own shares and stocks (negative value)			
4. Reserve capital	52	123	324 604
5. Revaluation capital	0	0	67 779
6. Other reserve capital	0	0	457 347
7. Retained earnings (profit/loss)			
8. Net profit/loss	0	0	64 753
9. Write-offs from net profit during the accounting year			
II. Liabilities and provisions for liabilities	34	96	426 609
1. Provisions for liabilities	2	3	52 256
1.1. Provision for deferred income tax	0	0	15 070
1.2. Provision for retirement gratuities and equivalent	2	3	31 277
a) long-term	0	0	10 856
b) short-term	2	3	20 421
1.3. Other provisions	0	0	5 909
a) long-term	0	0	67

b) short-term	0	0	5 842
2. Long-term liabilities	0	0	2 287
2.1. Vis-a-vis related entities			
2.2. Vis-à-vis non-related entities	0	0	2 287
3. Short-term liabilities	33	93	372 067
3.1. Vis-a-vis related entities	0	0	331
3.2. Vis-a-vis non-related entities	0	0	0
3.3. Special funds			
4. Accruals			
4.1. Negative goodwill			
4.2. Other accruals	0	0	0
a) long-term			
b) short-term			
T o t a l l i a b i l i t i e s	86	219	1 451 515

B. 2015 Balance Sheet by Energy Trade and Heat Generation, Energy and Heat Distribution and Other Activities

BALANCE SHEET as of 31 December 2015 (‘000 PLN)

	Distribution	Trade	Other operations
ASSETS			
I. Fixed assets	51	143	829 570
1. Intangible assets, including:	0	0	21
- goodwill			
2. Tangible fixed assets	51	143	827 312
3. Long-term receivables			
3.1. from related entities			
3.2. from non-related entities			
4. Long-term investments	0	0	144
4.1. Real estate			
4.2. Intangible assets			
4.3. Long-term financial assets	0	0	144
a) in related entities of which:			
- interest or shares in subsidiaries priced using full rights method			
b) in non-related entities	0	0	144
4.4. Other long-term investments			
5. Long-term prepayments	0	0	2 093
5.1. Deferred income tax assets	0	0	2 093
5.2. Other prepayments			
II. Current assets	17	66	602 100
1. Inventory	0	0	74 834
2. Short-term receivables	17	66	241 892
2.1. from related entities	0	0	207 331
2.2. from non-related entities	17	66	34 561
3. Short-term investments	0	0	284 425
3.1. Short-term financial assets	0	0	284 425
a) in related entities	0	0	255 000
b) in non-related entities	0	0	0
c) Cash and other cash assets	0	0	29 425
3.2. Other short-term investments	0	0	0
4. Short-term prepayments	0	0	949
T o t a l a s s e t s	68	209	1 431 670
LIABILITIES			
I. Shareholders’ equity	35	113	999 656
1. Share capital	0	0	110 422
2. Called up share capital, unpaid (negative value)			
3. Own shares and stocks (negative value)			
4. Reserve capital	35	113	324 311
5. Revaluation capital	0	0	68 099
6. Other reserve capital	0	0	417 910
7. Retained earnings (profit/loss)			
8. Net profit/loss	0	0	78 913
9. Write-offs from net profit during the accounting year			
II. Liabilities and provisions for liabilities	34	96	432 015
1. Provisions for liabilities	2	3	62 514
1.1. Provision for deferred income tax	0	0	29 328
1.2. Provision for retirement gratuities and equivalent	2	3	31 739
a) long-term	0	0	10 235
b) short-term	2	3	21 504
1.3. Other provisions	0	0	1 447
a) long-term	0	0	100
b) short-term	0	0	1 347
2. Long-term liabilities	0	0	1 643

2.1. Vis-a-vis related entities			
2.2. Vis-à-vis non-related entities	0	0	1 643
3. Short-term liabilities	32	93	367 858
3.1. Vis-a-vis related entities	0	0	73 266
3.2. Vis-a-vis non-related entities	32	93	294 040
3.3. Special funds	0	0	552
4. Accruals	0	0	0
4.1. Negative goodwill			
4.2. Other accruals	0	0	0
a) long-term			
b) short-term			
T o t a l l i a b i l i t i e s	68	209	1 431 670

C. Profit and Loss Account by Energy Distribution, Energy Trade and Other Business Activities in 2016

PROFIT AND LOSS ACCOUNT FOR 2016 (‘000 PLN)

	Distribution	Trade	Other business
I. Net sales of products, merchandise and materials	187	527	1 677 962
- including from related entities	0	0	1 506 248
1. Net sales of products	187	527	1 569 853
2. Net sales of merchandise and materials	0	0	108 109
II. Cost of products, merchandise and materials sold	180	474	1 542 578
- including from related entities	0	0	1 401 582
1. Cost of production of products sold	180	474	1 439 389
2. Value of merchandise and materials sold	0	0	103 189
III. Gross profit (loss) on sales	7	53	135 387
IV. Cost of sales	0	0	19 585
V. General administrative expenses	7	19	56 539
VI. Sales profit (loss)	-1	34	59 261
VII. Other operating income	0	0	1 550
1. Gain from disposal of non-financial fixed assets	0	0	1 291
2. Subsidies	0	0	0
3. Other operating income	0	0	259
VIII. Other operating expenses	0	0	9 186
1. Loss on disposal of non-financial fixed assets	0	0	0
2. Revaluation of non-financial fixed assets	0	0	1 056
3. Other operating costs	0	0	8 130
IX. Operating profit (loss)	0	2	51 625
X. Financial income	0	0	7 010
1. Dividends and share in profits, of which:	0	0	0
- from related entities	0	0	0
2. Interest of which:	0	0	7010
- from related entities	0	0	6 358
3. Investment disposal gains	0	0	0
4. Revaluation of investments	0	0	0
5. Other	0	0	0
XI. Financial costs	0	0	6 660
1. Interest of which:	0	0	2 550
- for related entities	0	0	0
2. Loss on disposal of investments	0	0	0
3. Revaluation of investments	0	0	0
4. Other	0	0	4 110
XII. Profit (loss) on ordinary activities	0	0	51 974
XIII. Extraordinary gain/loss	0	0	0
1. Extraordinary gains	0	0	0
2. Extraordinary losses	0	0	0

	-	-	
XIV. Gross profit (loss)	0	2	51 974
XV. Income tax	0	0	-12 745
a) current portion	0	0	1 517
b) deferred portion	0	0	-14 262
XVI. Other mandatory deductions from profit (loss increase)	0	0	0
XVII. Share in nets profits/losses of subsidiaries priced using ownership rights method	0	0	0
XVIII. Net profit (loss)	0	34	64 719

D. Profit and Loss Account by Energy Distribution, Energy Trade and Other Business Activities in 2015

PROFIT AND LOSS ACCOUNT FOR 2015 (‘000 PLN)

	Distribution	Trade	Other business
I. Net sales of products, merchandise and materials	193	559	1 764 832
- including from related entities	0	0	1 634 290
1. Net sales of products	193	559	1 697 738
2. Net sales of merchandise and materials	0	0	67 094
II. Cost of products, merchandise and materials sold	190	530	1 589 982
- including from related entities	0	0	1 477 547
1. Cost of production of products sold	3	29	1 522 416
2. Value of merchandise and materials sold	0	0	67 566
III. Gross profit (loss) on sales	7	21	174 850
IV. Cost of sales	-5	8	8 680
V. General administrative expenses	6	17	66 953
VI. Sales profit (loss)	0	2	99 217
VII. Other operating income	0	0	273
1. Gain from disposal of non-financial fixed assets	0	0	0
2. Subsidies	0	0	0
3. Other operating income	0	0	273
VIII. Other operating expenses	0	0	16 871
1. Loss on disposal of non-financial fixed assets	0	0	388
2. Revaluation of non-financial fixed assets	0	0	976
3. Other operating costs	0	0	15 507
IX. Operating profit (loss)	-5	8	82 619
X. Financial income	0	0	6 984
1. Dividends and share in profits, of which:	0	0	0
- from related entities	0	0	0
2. Interest of which:	0	0	6 760
- from related entities	0	0	5 129
3. Investment disposal gains	-	-	0
4. Revaluation of investments	-	-	0
5. Other	0	0	224
XI. Financial costs	0	0	2 787
1. Interest of which:	0	0	2 787
- for related entities	-	-	0
2. Loss on disposal of investments	-	-	0

3. Revaluation of investments	-	-	0
4. Other	0	0	0
XII. Profit (loss) on ordinary activities	-4	8	86 815
XIII. Extraordinary gain/loss	-	-	0
1. Extraordinary gains	-	-	0
2. Extraordinary losses	-	-	0
XIV. Gross profit (loss)	-4	8	86 815
XV. Income tax	0	0	7 906
a) current portion	0	0	0
b) deferred portion	0	0	7 906
XVI. Other mandatory deductions from profit (loss increase)	0	0	0
XVII. Share in nets profits/losses of subsidiaries priced using ownership rights method	0	0	0
XVIII. Net profit (loss)	-4	8	78 909

E. Method used to separate individual activities

Data for the Profit and Loss Account and in the Balance Sheet for breaking down into individual activities was obtained from the following sources:

- Data posted into accounts directly assigned to individual business lines;
- Cost Centre Numbers assigned directly to individual business lines or assigned to the positions of overhead costs applicable to all business lines;
- Unit values posted into accounts and using additional specifications assigned directly or indirectly to individual business lines using keys;
- Breakdown keys applied when it is not possible to assign directly an account to a certain business line, Cost Centre or unit values.

The application of keys does not have significant adverse impact in reliable and clear presentation of property and financial status, nor on the net income of individual business lines of the Company.

F. Breakdown keys used to break down balance sheet and P&L Account items

Balance Sheet

Tangible fixed assets
Items assigned to energy-related activities were broken down into energy trade and energy distribution and other activities by means of the percentage share of power contracted by third party customers in the total power contracted by the Company from the Supplier. Breakdown into energy trade and distribution was performed using revenue key.

The items assigned to the heat-related activities were divided directly into heat generation and distribution, and they using the key of the share of contracted power by third party customers in total power used by the Company settled as own consumption and third party consumption.

Short-term receivables
The Short-Term Receivables lines were assigned directly to individual business lines.

Provisions for liabilities and Special funds
For provisions for retirement gratuities and equivalent a technical and personnel key was used.

Short term liabilities
To short-term liabilities a key was applied that is based on revenues from individual business lines.

Shareholders’ equity
The basis for calculation of reserve capital for energy trade and energy distribution are net assets assigned to energy trade and

distribution as well as to heat generation and distribution.

Profit and Loss Account

Net sales revenues

Net sales revenues are assigned directly to individual business lines.

Costs of products, merchandise and materials sold

Costs of products sold (energy trade and energy distribution) were assigned directly based on the cost records of the energy department taking into account of 3,15% percentage index of power contracted by third party customers in the total power contracted by the Company. External costs of purchasing distribution services for third party customers are calculated directly using Tauron Dystrybucja S.A. tariff based on the volume of off taken energy and contracted power. The transfer fee was determined on the basis of invoices issued by PSE operator and referring directly to the third party customers.

Costs of products sold (heat generation and distribution) were assigned directly based on the cost records of the energy department taking into account: for fixed costs – 0.75% percentage index of power contracted by third party customers in the total power contracted by the Company for auxiliaries and third party customers and for variable costs - percentage index of 0.75% of the heat supplied to the third party customers in the total heat consumption.

Costs of general management

A key applied to break down these costs is the revenue-based key.

Revenues from energy trade and energy distribution accounted for 0.03% of total revenues both in 2016 and 2015.

Revenues from heat generation and distribution accounted for 0.01% of total revenues in 2016 and 2015.

Income tax

The income tax was assigned to individual business lines proportionally to the gross profit generated by a certain business line.

30. Information about pending litigations against Company

In 2016 an administrative proceedings were instigated against Company by the Energy Regulatory Office pursuant to Art.56, par. 1, subpar. 3a, as well as Art. 30, par. 1 and Art. 23, par. 2, subpar. 13 of the Act of 10 April 1997 called - Energy Law (Journal of Laws of 2012, item 1059, as amended) in conjunction with Art. 61,§ 1 and § 1 of the Act of 14 June 1960 called - Code of Administrative Procedure (Journal of Laws of 2016, item 23, as amended), with regard to imposing a fine on the Company, since the President of Energy Regulatory Office has reasonable grounds – on the basis of documents provided to the President of Energy Regulatory Office by the Distribution System Operator (DSO) to whose grid the Company is connected at certain locations – to believe that the Company has breached its duty to follow electric energy delivery and offtake constraints, which is subject to a fine pursuant to Art. 56, par. 1, item 3a of the Act called Power Law.

The Company's Management Board believes that the circumstances of the case do not substantiate the imposition of a fine on the Company. The Company offer relevant explanations to the President of Energy Regulatory Office.

If the President of Energy Regulatory Office has stated in its decision, contrary to the Company's Management Board position, that the Company has committed the alleged breach, then the Company's Management Board believes that the weight of alleged breached should speak in favour of imposing a fine in the amount significantly lower than the maximum statutory level.

In relation to the above Management Board's position and also no possibility of reliable estimation of the level of potential fine, the Financial Statement does not contain a provision for potential future fines under instigated proceedings against the Company.

The Company communicated the instigation of the administrative proceedings by the President of the Energy Regulatory Office in its Current Report No. 10/2016, dated 1 July 2016.

At the date of handing over this Annual Report to the auditor to carry out its audit, the Company was not in the possession of a decision of the President of Energy Regulatory Office imposing a fine on the Company.

File	Description

SIGNATURES

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS			
Date	Name and surname	Position/Function	Signature
21 April 2017	Stanisław Cieszkowski	President of Management Board – Production Director	
21 April 2017	Ireneusz Maksymiuk	Management Board member – Finance Director	
21 April 2017	Michał Mędrek	Management Board member – Logistics Director	
21 April 2017	Leszek Szafran	Management Board member – Commercial Director	

SIGNATURE OF THE PERSON IN CHARGE OF BOOK KEEPING			
Date	Name and surname	Position/Function	Signature
21 April 2017	Ireneusz Maksymiuk	Management Bard member – Finance Director	

MANAGEMENT BOARD REPORT

T.C. DEBICA S.A. MANAGEMENT BOARD REPORT ON COMPANY OPERATIONS IN 2016

drawn up on the grounds of § 91, par. 1 of the Ordinance of the Minister of Finance of February 19, 2009 on current and periodic information provided by the securities' issuers and requirements for recognition as equivalent information required by the law of a non-member state.

Debica, 21 April 2017

1. T.C. DEBICA S.A. PRODUCTS

1.1. CONSUMER AND COMMERCIAL TIRES

T.C. Debica S.A. manufactures a wide range of consumer and commercial tires under the brand names such as Debica, Goodyear, Dunlop, Fulda and Sava, as well as under private labels.

The year 2016 saw a dynamic growth of the output of A segment consumer tires with the size of 17" and the launch of production of tires with the size of 18". The manufacturing of tires in this segment will allow for further development of tires mounted in higher performance cars.

The Debica manufacturing plant is one of the largest Goodyear's plants globally. It makes high quality, technologically advances summer, winter and all-season tires.

The Debica brand is one of the best known and most frequently purchase tire brand in Poland. The customers who select Debica-branded products appreciate long tradition of the Polish brand and good value for money.

TC Debica SA, a leader in the Polish tire market in 2016, facelifted its product range in key segments.

The Company invested not only into the development of products already well-known in the Polish market such as Debica Passio and Frigo, but also launched 4 brand new models in 2 new segments: Debica Presto SUV and Frigo SUV in the segment of tires for SUV/4x4 sport-utility vehicles and Debica Presto LT and Frigo LT in the commercial tire segment.

2016 Summer Product Range

Standard tire segment

Dębica Passio 2 – is one of the most popular tires in the Polish market, and it was relaunched before summer 2016 with a new tread pattern. The new Debica Passio 2 tire offers very good wet performance and resistance to aquaplaning. The optimum distribution of tread blocks offers extended mileage and longer life.

New Debica Passio 2 has been designed for the drivers who appreciate economic and comfortable driving.

HP tire segment

New Debica Presto HP is a unique product, which is perfect for medium class passengers cars, urban and compact cars. The successor tire stirred a lot of interest in the Debica Presto segment and if offers good performance in Polish variable weather conditions. New Debica Presto HP is characterised by higher contact area with the road, which translates into better handling both on wet and dry roads. The silica-based compound offers effective wet braking and keeping track even in toughest weather conditions.

UHP tire segment

Following the development direction in the HP tire segment the flagship product under Debica brand, viz. Presto UHP

was launched on the market with a new tread pattern. New Debica Presto UHP meets the expectations of the most demanding customers who search for reasonably priced high performance tires.

Each element of new asymmetric tread was well optimized to secure comfort and dynamic

driving on the dry roads. Wide central rib of the new tread is responsible for better control over vehicle. Stiffened tread shoulder offers excellent grip while bending. Silica-based compound offers excellent grip on wet roads.

New Debica Presto UHP tire is a perfect proposal for the people who search for passenger cars

with more powerful engines.

SUV tire segment

New Debica Presto SUV tire was designed both for driving in the city and for longer trips outside the city.

New model from the Dębica product range offers primarily high resistance to aquaplaning – wide circumferential grooves with enhanced capacity evacuate water quickly and effectively. Stiff tread shoulder provides fast tire feedback to the movements with steering wheel and enhances grip while bending. Wide central rib of the new tread is responsible for precise vehicle handling.

Commercial tire segment

Before summer season new model Debica Presto LT for commercial vehicles was also launched.

The tread of new tire is characterised by optimum distribution of tire pressure, which is a prerequisite for good vehicle handling and tire even wear. Wide circumferential and lateral grooves evacuate water effectively, which translates into shorter braking distance on wet roads. The reinforced design of new tire makes it more resistant to mechanical damage.

2016 Winter Product Range

Standard tire segment

Debica Frigo 2 is the most popular winter tire under Debica brand. The tire was designed for urban, compact and medium class passenger cars.

It was designed for the drivers who appreciate comfort and economy. Tire design offers long mileage and comfortable driving in winter conditions. Meanwhile the optimized contact area between tire and the road offers good grip on the roads in winter conditions. The directional tread with wide grooves evacuate water and slush effectively, thus reducing aquaplaning risk.

HP tire segment

Frigo HP2 is a successor of Frigo HP model, first ever Debica-branded winter tire for high performance cars.

New Debica Frigo HP2 was designed for the drivers who appreciate dynamic

driving and seeking technically advanced and durable product. Thanks to new tread pattern the tire has more cutting edges, biting the snowy roads and offering better control in winter conditions. Self-blocking sipes bite into snow, improving control of the vehicle and securing excellent behaviour and traction properties on snowy roads. The optimized tire design and enhanced tread depth offer long mileage and financial savings.

SUV tire segment

New Frigo SUV is high quality tire designed for SUV sport-utility vehicles to be used in every winter conditions. This is an excellent proposal for the drivers searching for product coping with snow, rain and slush, available at attractive price. The tire is characterised by excellent grip on snow and ice thanks to the application of special compound. Even tire operation cross the entire width of the tread translates into long mileage.

Optimized tread design reduces the level of emitted external noise.

The new Frigo LT commercial tire is a reliable winter tire characterised by long life and long mileage, dedicated to delivery vans and light trucks. New Debica-branded product offers good handling on winter roads thanks to special winter silica-based tread compound and long mileage.

2016 All-Season Product Range

Navigator is a popular Debica tire with characteristic blocks 6-rib tread design. Navigator all-season tire is designed for drivers who appreciate economic driving. The circumferential and lateral grooves evacuate water effectively, thus minimizing a risk of aquaplaning.

Enhanced wear resistance increases tire mileage. Navigator is characterised by low noise level.

All-season Navigator 2 tires offer comfortable driving both in summer and in winter conditions. Special, all-season compound offers good grip of the vehicle in every conditions. Wide circumferential and lateral grooves evacuate water effectively from in front of the tire, thus minimizing a risk of aquaplaning. The reinforced tread design enhances tire strength.

1.2. DEBICA HEAVY TRUCK TIRES

T.C. Debica S.A. manufactures heavy truck tires under the brand names: Goodyear, Dunlop, Fulda, Kelly, Debica and Sava.

The year 2016 saw a dynamic development of production capacity for truck tires at Debica plant, which ranks the Company among one of major truck tire makers in Poland.

The Debica plant manufactures high quality truck tires suitable for mounting on 22.5” rims, used by large trucks for on-road applications as well as on domestic and foreign highways .

In 2016 the Company launched batch production of tire product range with the size of 19,5”, which will be mainly used in urban and local haulage. This market segment has dynamically been growing and creates another opportunity to develop manufacturing of truck tires at the Debica manufacturing plant.

1.3. MEMBRANES

Tire Company Debica S.A. is a producer of curing membranes used to make tires. In 2016 the Company produced above 202 thousand curing membranes for 158 product ranges starting from motorbike tire membranes, aviation tire membranes, through various types of consumer and farm tire membranes, ending up with heavy truck and industrial tire membranes.

Tire membranes are made for Company’s own consumption and for the export to corporate and third party customers. It total above 143 thousand membranes were sold to tire manufacturers, mainly in the Western Europe and Latin America.

1.4 SHARE OF PRODUCT CATEGORIES IN TOTAL SALES

Product range	Sales in volume terms in ‘000 units	Sales in value terms in ’000 PLN	Share in total sales	Change in sales value 2016 vs. 2015
Consumer, commercial, heavy truck, farm, industrial tires	14 965	1 586 421	94.50%	-2.94%
Other		92 255	5.50%	-29.60%
Total:	**14 965**	**1 678 676**	**100.0%**	**-4.92%**

2. INVESTMENT ACTIVITIES

In 2016, capital expenditures totalled PLN 77 million.

The investment activities were carried out in accordance with the investment plan and they focused on the following areas:

a) purchase of equipment and machinery capable of producing technologically advanced products and securing the superior quality,
b) maintenance of existing processes, fulfilment of safety requirements and compliance with legal requirements and standards,
c) actions aimed at generating savings, improvement of production efficiency, compliance with HSE, and fire safety requirements,
d) purchases of manufacturing accessories.

In 2016 the investment activities aimed at:

- cutting of production costs through the implementation of the appropriate technical solutions, application of energy efficient equipment and implementation of new technologies,
- engineering measures taken to improve the utilization and optimization of the operation of existing machinery base and to bringing it in line with the requirements of new technologies being implemented;
- application of highly automated machinery and equipment, securing appropriate efficiency, effectiveness, product quality and better working conditions for the workers;
- application of solutions aimed at continuous improvement of occupational health and safety conditions and conducive for environmental protection;
- application of equipment for continuous monitoring of production processes.
- application of ergonomic solutions

3. MAJOR RESEARCH AND DEVELOPMENT ACTIVITIES

T.C. Debica S.A. continued to pursue the technical development direction adopted in the previous years.

In the field of consumer tires the Company:
- implemented the production of 18" High Performance and Ultra High Performance tires (including but not limited to Goodyear Eagle F1 Assymetric 3, Dunlop Sport Maxx RT2, Debica Presto UHP2, Sava Intensa UHP2) ;
– followed-up implementation project involving the start of manufacturing of 17" High Performance i Ultra High Performance tires, for OE manufacturers (Opel Insignia) and replacement market.

- follow-up implementation project involving the start of manufacturing of BA tire (rolling resistance and wet grip parameters) with speed indices W (max. 270 km/h) and Y (max. 300 km/h);
- it launched the production of new families of winter tires : Goodyear UltraGrip Performance Gen-1 Dunlop Wintersport5.
- the winter tire product range was extended with the application of silica-based compound, which offers excellent traction on snow and ice.

In the truck area Tire Company Debica S.A. commenced the implementation of manufacturing process for 19.5" family of tyres comprising tires for steer, drive and trailer axles.

The offered tires in size 22.5" was extended by adding Kelly and Debica budget brands.

In parallel compound production capacities were being developed to achieve high performance tire characteristics. These are material technological processes, which allow to obtain enhanced tread safety on wet roads, through the application of functionalized synthetic rubbers and silica with high active area.

In the field of consumer tires manufacturing processes the Production Optimization Programme was followed to enable the implementation of KANBAN-based manufacturing control system, optimizing material circulation and safeguarding the highest compliance of executed production plans with the customer requirements.

In the truck tire segment an analogous product process development strategy was prepared i.e. the KANBAN system was implemented – it is fully computerized system involving planning and supervision over manufacturing process as well as automatic collection and archiving of manufacturing process and product data. The applied solutions represent the highest level of development and efficiency of tire manufacturing process.

4. PROCUREMENT

In 2016 T.C. Debica S.A. purchased India rubber from a related entity, viz. Goodyear Orient Company Private Ltd. with its registered office in Singapore. The equivalent of annual purchases from this source accounted for 9% of net sales revenues of the Company. Additionally synthetic rubber was purchased from a related entity, viz. Goodyear Akron with its registered office in USA, with the value of purchases accounting for 2.1% of the net sales revenues of Tire Company Debica S.A.

5. SALES AND DISTRIBUTION

5.1. T.C. DEBICA S.A. TOTAL SALES IN VALUE TERMS BY POLISH AND EXPORT MARKETS

The year 2016 saw the continuation of the application of business model that was implemented in the Goodyear Group in 2012. The essence of the business model used is that the non-Debica brands are sold immediately after the completion of manufacturing process. Tires are sold to Goodyear Dunlop Tires Operations S.A. with its registered office in Luxembourg, registered in Poland for VAT purposes.

The business model change led to the situation where export sales was replaced by indirect export sales and there is no direct sales of tires to Goodyear Dunlop Tires Polska Sp. z o. o.

In 2016 sales totalled PLN 1 679 million, down by PLN 87 million compared to 2015.

Exports totalled PLN 1 503 million in value terms and accounted for 89.5 per cent of total sales in value terms, of which 97.4% was the sales to Goodyear Dunlop Tires Operations SA with its registered office in Luxembourg.

The domestic sales accounted for 10.5 per cent of Company's total sales revenues.

Major export markets for tires produced by T.C. Debica S.A. included Luxembourg, Germany, Slovenia (including countries of former Yugoslavia), France, Italy, Spain, the United Kingdom (UK), Turkey and Romania.

5.2. TOTAL SALES OF T.C. DEBICA S.A. IN VALUE TERMS WITH A BREAKDOWN INTO REPLACEMENT AND OEM MARKETS

Tire Company Debica S.A. makes tyres for original equipment manufacturer (OEM) markets. These products are sold via related entities that supply tires to OEM markets.

On the domestic replacement market, the tires were primarily distributed through:

- regional tire distributors,
- the Premio franchising network,
- tires service stations
- the Goodyear Group's Authorized Service Stations.

6. COMPANY AUTHORITIES

The year 2016 saw no changes in the basic principles of company management.

22nd term of office of the Supervisory Board lasted until 23rd June 2016 i.e. the date of holding General Meeting of Shareholders. 19th term of office of the Management Board started in 2014 and will last for 3 years pursuant to the Company Statutes.

During its 19th term of office, the Management Board consisted of:

Stanisław Cieszkowski – President of Management Board
Ireneusz Maksymiuk – Management Board Member
Michał Mędrek – Management Board Member
Leszek Szafran – Management Board Member

During its 23rd term of office, the Supervisory Board consisted of:

Jacek Pryczek – The Chairman of Supervisory Board
Dominikus Golsong – The Deputy Chairman of Supervisory Board
Maciej Mataczyński – A Supervisory Board Member
Renata Kowalska-Andres – A Supervisory Board Member
Karl Brocklehurst – A Supervisory Board Member
Łukasz Rędziniak – Supervisory Board Member
Janusz Raś – Supervisory Board Member*

* Pursuant to the provisions of §14 par. 2 of the Company Statutes the Supervisory Board comprises one representative of Company employees. Such employee representative was Mr. Janusz Raś, appointed to the position of a Supervisory Board member for 23rd term of office pursuant to the stipulations of the Statutes and Rules for Election of Employee Representative.

The remuneration of the Management and Supervisory Boards in 2016 is presented in Section 10 of "The Notes to the Financial Statement" representing an integral part of the 2016 Financial Statement.

In 2016, the shareholders holding above 5% of shareholders' equity included:

Goodyear S.A. with its registered office in Luxembourg holds directly 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 96.02% of the total number of votes at the Company's General Meeting of Shareholders held on 23 June 2016.

Based on information provided all shares with attached votes in the Company, controlled by the Goodyear Group, are held directly by Goodyear Luxemburg.

The Company was not advised of any further changes to the list of shareholders holding at least 5% of the share capital and at least 5% of the total number of votes at the General Meeting of Shareholders.

The Company shares are not subject to any constraints imposed on the assignment of ownership title to its securities; neither do any constraints exist on the exercise of voting rights, such a limitation of the exercising of voting rights by the holders of a certain part, or number, of votes, or time constraints concerning the exercising of voting rights, or clauses, under which, in collaboration with the Company, rights attached to securities would be separate from securities held. The Company has issued no securities with special control rights.

The Issuer has no knowledge of any contracts that could lead, in the future, to changes in the proportions of shares held by the current shareholders.

The Company has no control system for the employee equity ownership plans.

The Company Statutes provide for no special principles for amending the Statutes that can be followed pursuant to effective law, including, in particular, the provisions of the Commercial Companies' Code.

7. FINANCIAL POSITION

In 2016 Tire Company Debica S.A. generated net profit totalling PLN 64.8 million, which was down by PLN 14.2 million and by 17.9 per cent than that in 2015.

Sales revenues totalled PLN 1 678.7 million and were down by 4.9 per cent compared to the sales generated in 2015.

Sales of Tire Company Debica S.A. to related entities generated revenues totalling PLN 1 506.3 million, down by 7.8 per cent on a year-to-year basis. In 2016 sales to the Goodyear Group member companies accounted for 89.7 per cent of total sales, compared to 92.6 per cent in 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 from sales to related entities totalled PLN 104.6 million. The ratio of gross profit margin to revenues fell from 9.6 per cent to 6.9 per cent on a year-to-year basis. Meanwhile gross profit from sales to non-related entities totalled PLN 30.8 million. The margin at this profit level rose from 13.8 to 17.9 per cent on a year-to-year basis.

In 2016 gross profit from total sales totalled PLN 135.4 million. The margin to revenues ratio was 8 per cent.

In 2016 the average unit manufacturing costs fell by 4.8 per cent compared to the same period in the previous year.

General administration and management costs totalled PLN 76.2 million i.e. down by PLN 0.6 million compared to 2015. The share of these costs in sales in value terms was 4.5 per cent compared to 4.3 per cent last year.

In 2016 the other operating profit was negative and amounted to PLN 7.6 million and was up by PLN 9 million compared to 2015, mainly due to the profit realisation from the disposal of non-financial fixed assets totalling PLN 1.3 million, and lower value of bad debts by PLN 10 million compared to the previous year. On the other hand in 2016 the Company posted restructuring costs that were up by PLN 5.5 million.

In 2016 operating profit totalled PLN 51.7 million and was down by 37.5 per cent on a year to year basis. At this level the margin/revenues ratio fell to 3.0 per cent compared to 4.7 per cent in the previous year.

In 2016 gains generated by financial activities totalled PLN 350 thousand compared to PLN 4.2 million in the same period in 2015.

The foreign exchange losses totalled PLN 4.1 million compared to foreign exchange gains totalling PLN 212 thousand in 2015.

The cost of discounted bills totalled PLN 1.6 million and were stable compared to the pervious year. The other interest expenses totalled PLN 0.9 million and were up by PLN 0.4 million compared to 2015.

Interest on loan extended to related entities generated revenues totalling PLN 6.4 million, up by PLN 1.3 million compared to 2015.

Meanwhile financial revenues under other interest heading totalled PLN 0.7 million down by 1 million on a year-to-year basis.

In 2016 gross profit before tax totalled PLN 52 million, down by 40 per cent on a year-to-year basis.

The current portion of income tax amounted to PLN 1.5 million and applies to taxed activities. The Company settled income tax relief totalling PLN 15 million, enjoyed in relation to the execution of investment project in the Euro-Park Mielec Special Economic Zone. The deferred portion of income tax totalled PLN 14.3 million. Consequently the total income tax amounted to PLN 12.7 million.

Pursuant to the held operational permit No. 134/ARP/2008 of February 27, 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. By virtue of Decision No. 27/IW/16, issued by the Minister of Development, dated 14 January 2016, the held Operational Permit in the territory of the Euro-Park Mielec Special Economic Zone was amended in the section concerned with validity date. Consequently the validity date was deleted from the Operational Permit. As of 31 December 2016 the Company revised its original assumption of full utilization of income tax relief (31 December 2017). Based on the revised forecasts the relief will be used by the end of 2018. Owing to the fact that this is a modification of the estimate the Company does not adjust net profit/loss for previous years.

As of 31 December 2016 the amount of due tax relief totalled PLN 111.3 million in nominal terms and PLN 72.5 million in discounted terms. As at balancing date the Company utilized the enjoyed tax relief in the amount of PLN 90.5 million in nominal terms and PLN 61.3 million in discounted terms. The Company assumed that within the effective term of operational permit all short-term transient differences will be realized as well as long-term transient differences planned for realisation within the effective term of the operational permit.

In 2016 the effective income tax rate was negative and totalled (24.5%) against the statutory rate of 19.0 per cent. It is the impact of settled tax relief for completion of the investment project in the Euro-Park Mielec Special Economic Zone.

At the end of December 2016 the value of fixed assets was PLN 814 million and was down by PLN 15.7 million compared to the previous year. The capital expenditures totalled PLN 77 million, whereas the value of depreciation on the existing fixed assets was PLN 94.4 million. The deferred income tax assets totalled PLN 2.1 million and remained at the comparable level against that prevailing on 31 December 2015.

In total the Company’s current assets amounted to PLN 637.8 million and were up after four quarters of 2016 by PLN 35.6 million. Short-term receivables totalled PLN 220.0 million and were down by PLN 21.9 million (of PLN 8.4 million was recorded from related entities and PLN 13.5 million from non-related entities). The value of inventory was up by PLN 1.1 million to the level of PLN 75.9 million. The Company’s short-term financial assets totalled PLN 340.6 million and were up after four quarters of 2016 by PLN 56.2 million. Cash assets and equivalents were up by PLN 85.6 million. At the end of December 2016 the value of loans extended to the related entities remained unchanged compared to the previous year i.e. at the level of PLN 255.0 million.

Short-term prepayments and accruals totalled PLN 1.2 million and were up by PLN 0.2 million compared to the balance as of 31 December 2015.

As of 31 December 2016 the Company assets totalled PLN 1 451.8 million and were up by PLN 19.9 million after four quarters of the year.

As of 31 December 2016 the liabilities and provisions for liabilities totalled PLN 426.7 million and after four quarters of 2016 they were down by PLN 5.4 million. The provisions for liabilities were down by PLN 10.2 million, of which mainly the provisions for deferred tax – by PLN 14.2 million.

The short-term liabilities vis-a-vis related entities were up by PLN 3.8 million and reached the level of PLN 77.1 million. Short-term liabilities vis-a-vis non-related entities remained at the level similar to that in the previous year (PLN 294.8 million, up by PLN 0.6 million and the end of December 2015). Meanwhile long-term liabilities were up by PLN 0.7 million. The social fund was down by PLN 0.2 million.

At the end of December 2016 the Company equity totalled PLN 1 025 million and was up by PLN 25.2 million. The reserve capital was up by PLN 39.4 million i.e. by the value of distributed 2015 net profit. Net profit in the current year is lower by PLN 14.2 million compared to 2015 profit.

8. Risk management objectives and principles

Tire Company Debica SA. uses its financial risk management policy to identify the following risks and adopted the following objectives and methods for management of identified risks:

Credit Risk

The credit risk implied by the type and scope of run business activities, may involve growing level of unrecoverable debts, being a result of necessary sales crediting, driven by market environment. The Company limits credit risk exposure to trade receivables through evaluation and monitoring of financial standing of contractors, setting credit limits and securing liability payment. Additionally since July 2015 the Company has insured its receivables. The Company focuses on securing its payments, both on formal and legal grounds (i.e. bill of exchange, mortgage, pledge), and also on subject matter grounds (i.e. improvement of supply logistics, deepening of the evaluation of the customers' financial standing etc.).

An inherent element of the credit risk management process pursued by the Company is ongoing monitoring of receivables balance and internal reporting system. The Company focuses on securing its payments, both on formal and legal grounds (i.e. bill of exchange, mortgage, pledge), and also on subject matter grounds (i.e. improvement of supply logistics, deepening of the evaluation of the customers' financial standing etc.). Consequently good management in this area allows to generate added value.

Despite concentration of risk to this extent it is evaluated that due to available historical data and long-term experience related to business relations with customers and also due to applied securities the credit risk is low.

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

According to the Company's Management Board the level of financial risk related to debt collection is low.

Liquidity Risk

According to the assessment of Company's Management Board owing to the fact that the Company operates as a member of an international capital group and is characterized by a relatively high profitability, there is no material risk of liquidity loss. In relation to the above the Company does not use any instruments hedging against liquidity loss. The company finances its operations mainly with cash flows generated by itself.

Foreign exchange risk

The Company depends on the fluctuations of the foreign exchange rates in connection with the exports of finished goods and imports of raw materials, however, pursuant to the long-term financial strategy it does not use currency risk hedging instruments but rather uses natural hedging. The export revenues are predominantly used to purchase imported raw materials.

Interest rate risk

In 2016 current account overdraft facility agreements were effective for the total amount of PLN 175 million. As of 31 December 2016 the utilization of overdraft facilities was nil. The Company maintained liquidity and financing stability. The Company did not bear any material interest expenses, so the Management Board believes that interest rate volatility is not crucial to the Company.

Market Risk

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

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

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

T.C. Debica S.A. has consistently maintained safe debt level and has diversified debt risk and operational risk, using banking services of four banks.

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

The deterioration of the liquidity status may have adverse impact on Company customers and their ability to pay their liabilities. The worsening operational conditions of customers may have impact on the cash flow projections and evaluation of the assets impairment. To the extent information was available, the Management Board took into consideration the revised estimates of expected future cash flows in its assessment of assets impairment.

9. PLANNED DEVELOPMENT OF T.C. DEBICA S.A.

In 2016 Tire Company Debica S.A., the largest Goodyear's manufacturing plant in Europe and one of the major plants globally, continued the execution of investment projects in the "Euro-Park Mielec" Special Economic Zone concerned with the adaptation of the manufacturing processes to produce HP and UHP consumer tires, which fall into the most profitable segments of tire market. As a result Tire Company Debica S.A. is making now 17" /18" tires and tires with the highest speed indices i.e. W (270 km/h) and Y (300 km/h).

In this segment the Company successfully launched a new product – a technologically advanced tire called Debica Presto UHP 2, designed for ultra high performance cars.

Significant capital expenditures were spent, inter alia, on the modernisation and efficiency improvement of truck tire manufacturing lines and widening of the product range to improve further Company profitability and enhance its competitive edge in this segment. The Company is going to strengthen consistently its market position.

10. FINANCIAL INSTRUMENTS

As of the end of 2016 the Company was in the possession of financial assets put up for sale i.e. interests in third parties worth PLN 144 thousand.

In 2016 the Company extended four short-term loans to Goodyear S.A. with its registered office in Luxembourg for the total value of PLN 255 million.

The closing balance of financial liabilities in 2016 was nil.

11. OTHER INFORMATION

A.
In 2016 the value of transactions with related entities belonging to the Goodyear Group related to the sales of products, commodities and services totalled PLN 1 506 million, whereas the value of fixed asset disposal was PLN 1.5 million.

The value of purchase transactions was PLN 562.5 million.

In the accounting year covered by the Financial Statement the Company did not enter into any material transactions with related entities other than those concluded following arm's length principle.

B/
The Company has not extended any loans, nor guaranties and sureties, nor it has drawn any loans.

The Company utilized current account overdraft facility. The closing balance of current account overdraft facility liabilities in 2016 was zero.

In 2016 the Company entered into agreements with four (4) banks for current account overdraft facilities for the total amount of PLN 175 million. Note 19D to the Balance Sheet comprises a list of these agreements as well as terms and conditions of extended financing.

In 2016 the Company extended four short-term loans to Goodyear S.A. with its registered office in Luxembourg. Detailed information about loans extended to Goodyear S.A. is provided in table below:

'000 PLN

Date of Loan Agreement	30 Apr.2015	29 May 2015	24 Sept. 2015	23 Dec. 2015
Dates of loan disbursements (Agreement)	30 Apr. 2015	29 May 2015	24 Sept. 2015	23 Dec. 2015
Loan Amount	60 000	15 000 000	30 000 000	150 000 000
Maturity date (loan repayment)	30 Apr. 2016	29 May 2016	24 Sept. 2016	23 Dec. 2016
Total interest accrued in 2016	898 504,10	279 082,20	1 015 052,06	2 673 301,37
Interest paid in 2016	1 136 482,18	338 576,72	1 134 041,10	2 680 013,70
Date of Loan Agreement	20 May 2016	29 Jun. 2016	24 Sept. 2016	23 Dec. 2016
Dates of loan disbursements (Agreement)	30 May 2016	29 Jun 2016	24 Sept. 2016	23 Dec. 2016
Loan Amount	75 000 000	50 000 000	45 000 000	85 000 000
Maturity date (loan repayment)	20 May 2017	29 Jun. 2017	24 Sept. 2017	23 Dec. 2017
Total interest accrued in 2016	804 821,91	444 246,59	210 752,05	32 789,04
Interest paid in 2016	692 712,32	369 506,86	143 486,30	0,00

The financial resources in the Company possession enabled it to pay on time the taken liabilities.

In the period covered by the Report the Company did not issue any debt or equity securities.

C/
In 2016 the Company did not invest into any securities, financial instruments nor real properties.

D/
The Company did not announce publicly the financial forecast for 2016.

E/

The Company is a party to the following material contracts:

- technical assistance and licensing contract concluded with Goodyear S.A. with its registered office in Luxembourg,
- gas supply contract concluded with Air Products Gazy Sp. z o.o. with its registered office in Kędzierzyn-Koźle.

The Company does not know any contracts concluded between shareholders (partners), insurance contracts, joint effort or co-operation agreements.

F/
In 2015 no changes were made in the fundamental rules for company management.

G/
Information about remuneration of the officers managing and supervising the Company has been provided in the Additional Explanatory Notes in Section 10.

H/
Employment contracts signed by the Company and Management Board members provide for compensation for the Management Board members, should these contracts be terminated by the Company without a valid reason.

I/

The following members of the Company's governing bodies were holding shares in T.C. Debica S.A.:

Stanisław Cieszkowski, Management Board Member - 430 shares
Janusz Raś, Supervisory Board Member – 15 shares.

Each and every share has a par value of PLN 8 each.

J/
The Company has no knowledge about any contracts that could lead in the future to changes in the proportions of shares held.

K/
No material events concerning previous years have occurred that would have impact on this Financial Statement.

L/
In 2016 no acquisition, nor disposal of own shares/interest took place.

M/
On 16 December 2016 a contract was signed with PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw, at Al. Armii Ludowej 14, for the audit of 2016 Financial Statement.

The fee due for the audit and review of 2016 Financial Statement totals PLN 156 655 (in 2015: PLN 250 000).

The certified auditor did not provide any other services.

N/
In 2016 an administrative proceedings were instigated against the Company by the Energy Regulatory Office pursuant to Art.56, par. 1, subpar. 3a, as well as Art. 30, par. 1 and Art. 23, par. 2, subpar. 13 of the Act of 10 April 1997 called - Energy Law (Journal of Laws of 2012, item 1059, as amended) in conjunction with Art. 61,§ 1 and § 1 of the Act of 14 June 1960 called - Code of Administrative Procedure (Journal of Laws of 2016, item 23, as amended), with regard to imposing a fine on the Company, since the President of Energy Regulatory Office has reasonable grounds – on the basis of documents provided to the President of Energy Regulatory Office by the Distribution System Operator (DSO) to whose grid the Company is connected at certain locations – to believe that the Company has breached its duty to follow electric energy delivery and offtake constraints, which is subject to a fine pursuant to Art. 56, par. 1, item 3a of the Act called Power Law.
The Company's Management Board believes that the circumstances of the case do not substantiate the imposition of a fine on the Company. The Company offer relevant explanations to the President of Energy Regulatory Office.
If the President of Energy Regulatory Office has stated in its decision, contrary to the Company's Management Board position, that the Company has committed the alleged breach, then the Company's Management Board believes that the weight of alleged breached should speak in favour of imposing a fine in the amount significantly lower than the maximum statutory level.
In relation to the above Management Board's position and also no possibility of reliable estimation of the level of potential fine, the Financial Statement does not contain a provision for potential future fines under instigated proceedings against the Company.
The Company communicated the instigation of the administrative proceedings by the President of the Energy Regulatory Office in its Current Report No. 10/2016, dated 1 July 2016. At the date of handing over this Annual Report to the auditor to carry out its audit, the Company was not in the possession of a decision of the President of Energy Regulatory Office imposing a fine on the Company.

12. CORPORATE GOVERNANCE

The Management Board of the Company declares that Firma Oponiarska Dębica S.A., listed on the Warsaw Stock Exchange since 1994, complies with the corporate governance rules contained in the "Code of Best Practice for WSE Listed Companies 2016", constituting an appendix to Resolution No. 26/1413/2015 of the Stock Exchange Council of 13 October 2015, published on the website http://www.gpw.pl. In connection with the entry into force on 01.01.2016 of the document "Code of Best Practice for WSE Listed Companies 2016", on 08.06.2016. The Company, through the EIB system, submitted a statement - information on the application by the Company of recommendations and principles contained in the collection of "Good Practices of Companies Listed on the Warsaw Stock Exchange 2016". The statement referred to above has been published on the Company's website at the address: http://debica.com.pl/relacje-inwestorskie/lad_corporate.

The Management Board of the Company, appreciating the importance of corporate governance principles contained in this document and the role these principles play in strengthening the transparency of listed companies, has made every effort to ensure that the principles referred to above are applied in the Company to the widest extent possible. Below, the Management Board presents the principles contained in the "Code of Best Practice for WSE Listed Companies", which the Company abandoned in 2016, together with the reasons for the abandonment.

The Company did not apply recommendation no. III.R.1. in the scope of separating in the structure of the Company entities responsible for the implementation of tasks in particular systems or functions, because their separation is not justified due to the type of activity conducted by the Company.
The Company did not follow the recommendation no. IV.R.2 in the scope of enabling shareholders to participate in the General Meeting with the use of electronic communication means, if it is justified due to the shareholding structure or the expectations of shareholders reported to the Company and if the Company is able to provide the technical infrastructure necessary for efficient conduct of the General Meeting with the use of electronic communication means, because in the opinion of the Management Board, there is no need to transmit the General Meetings or ensure two-way communication in real time and such expectations were not reported to the Company.
The Company did not follow recommendation no. IV.R.3. with respect to the Company's efforts to ensure that when the Company's securities issued are traded in different countries or on different markets and legal systems, corporate events related to the acquisition of shareholder's rights take place on the same dates in all countries where they are listed, because the securities issued by the Company are listed exclusively in Poland, on the WSE and therefore the recommendation does not apply to the Company.
The Company did not apply recommendation no. VI.R.3. with respect to the application of principle II.Z.7 to the remuneration committee, because there is no remuneration committee in the Supervisory Board, so the recommendation does not apply to the Company.
The Company did not apply specific rule no. I.Z.1.3. with respect to publishing on the Company's corporate website a scheme of division of tasks and responsibilities between members of the Management Board prepared in accordance with rule II.Z.1. because the Company has not yet developed a detailed division of responsibility for particular areas of the Company's activity among members of the Management Board, and therefore this information is not published on the website.
The Company did not apply the specific rule no. I.Z.1.7. with regard to posting on the Company's corporate website information materials on the Company's strategy, as the Company does not publish information on the strategy.
The Company did not apply the specific rule no. I.Z.1.8. with respect to publishing on the Company's corporate website selected financial data of the Company for the last 5 years of its operations in a format enabling the processing of such data by their recipients, as the data are made available together with a periodical report for a given reporting period, which reports are available on the Company's website.
The Company did not apply the specific rule no. I.Z.1.10. in the scope of publishing on the Company's corporate website financial forecasts published for at least the last 5 years, together with information on the degree of their implementation, as the Company does not publish financial forecasts.
The Company did not apply specific rule no. I.Z.1.15. in the scope of posting on the Company's corporate website a description of the Company's diversity policy in relation to the Company's governing bodies and its key managers, as the Company has not developed and is not implementing a diversity policy.
The Company did not apply specific rule no. I.Z.1.16. with regard to posting on the Company's corporate website information on the planned transmission of the General Meeting no later than 7 days before its date, because the Company does not transmit the General Meeting and thus does not publish this information on the Company's website.
The Company did not apply the detailed rule no. I.Z.1.19. in the scope of posting on the Company's corporate website questions of shareholders addressed to the Management Board pursuant to art. 428 § 1 or § 6 of the Commercial Companies Code together with answers of the Management Board to the questions asked, or detailed indication of reasons for not answering the questions in accordance with rule IV.Z.13, because answers to questions asked outside the General Meetings are published on the website in the tab Investor Relations/Reports/Current and the Company does not publish them in a separate section of the website.
The Company did not apply the detailed rule no. I.Z.1.20. in the scope of posting on the Company's corporate website a record of the General Meeting in audio or video form, because due to the costs of recording and publishing recordings of General Meetings on the Company's website, the Company decided to limit itself to the previously applied transparent and effective information policy concerning the course of the Meeting.
The Company did not apply the detailed rule no. II.Z.1. in the scope of unambiguously and transparently formulating the internal division of responsibility for particular areas of the Company's activity among members of the Management Board and the publication of this scheme on the

Company's website, because the Company has not yet developed a detailed division of responsibility for particular areas of the Company's activity among members of the Management Board, and thus the information is not published on the website.
The Company did not apply the specific rule no. II.Z.2. in the scope of sitting on the Management Board of the Company in the management or supervisory boards of companies from outside the capital group of the Company with the consent of the Supervisory Board, because the Supervisory Board always assesses whether sitting on the management board or supervisory board of the company from outside the capital group causes a conflict of interest.
The Company did not apply the detailed rule no. II.Z.7. within the scope of application of Appendix I to the Recommendation of the European Commission, referred to in principle II.Z.4. to the tasks and functioning of committees operating in the Supervisory Board in the event that the function of the audit committee is performed by the Supervisory Board, because in the Company there is only an audit committee in the composition, which includes one independent member of the Supervisory Board.
The Company did not apply the detailed rule no. II.Z.8. in the scope of meeting by the chairman of the audit committee the criteria of independence indicated in principle II.Z.4, because the chairman of the audit committee was appointed a member who did not meet the criterion of independence.
The Company did not apply the specific rule no. III.Z.2. in the scope of direct subordination of persons responsible for risk management, internal audit and compliance to the President or another member of the Management Board, as well as providing them with the possibility of reporting directly to the Supervisory Board or audit committee, because there was no separation of the organisational internal audit, and thus it is not possible to apply this rule.
The Company did not apply the specific rule no. III.Z.3. in the scope of applying to the person in charge of the internal audit function and other persons responsible for the performance of its tasks the principles of independence specified in generally accepted international standards of professional practice of internal audit, because there was no separation of the organisational internal audit, and thus it is not possible to apply this rule.
The Company did not apply the specific rule no. III.Z.4. in the scope of presenting to the Supervisory Board by a person responsible for internal audit and the Management Board, at least once a year, their own assessment of the effectiveness of the systems and functions referred to in principle III.Z.1. together with an appropriate report, because there was no separation of the organisational internal audit, and thus it is not possible to apply this rule.
The Company did not apply the detailed rule no. IV.Z.2. with respect to ensuring more widely available transmission of the General Meeting in real time, if it is justified due to the shareholding structure of the Company, because in the Company's opinion the commonly available transmission of the General Meeting in real time is not expected by the shareholders.
The Company did not apply the detailed rule no. IV.Z.12. with regard to the presentation by the Management Board to the participants of the General Meeting of the Company's financial results and other important information contained in the financial statements subject to approval by the General Meeting, because the Management Board does not present the participants of the Ordinary General Meeting of Shareholders with presentations. Shareholders receive written financial statements and an annual report. The President of the Management Board reads at the General Meeting the letter to shareholders contained in the annual report, in which he generally discusses the Company's situation, including its financial standing.
The Company did not apply detailed rule no. V.Z.6. with regard to defining in internal regulations the criteria and circumstances in which a conflict of interest may occur in the Company, as well as the rules of conduct in the face of conflicts of interest or the possibility of their occurrence, because the Company does not have formalised internal regulations specifying the criteria and circumstances in which a conflict of interest may occur in the Company, as well as indicating the rules of conduct in the event of its appearance or the possibility of its occurrence.
The Company did not apply the detailed rule no. VI.Z.1. in the scope of constructing incentive programmes in such a way that, among other things, the level of remuneration of members of the Management Board and its key managers depends on the actual, long-term financial situation of the Company and the long-term increase in value for shareholders and stability of the Company's operations, as there are no incentive programmes in the Company.
The Company did not apply the detailed rule no. VI.Z.2 with regard to the period between the granting of options or other instruments related to the Company's shares under the incentive scheme and the possibility of their exercise, because the Company does not have share-based incentive schemes, therefore the rule does not apply to the Company.
The Company did not apply the specific rule no. VI.Z.4. with respect to the presentation of a report on the remuneration policy in the report on the Company's activity, because it provides the remuneration of each member of the Management Board, but does not describe the remuneration policy.

The Management Board
The Company's Management Board comprises from 3 to 7 members. A Management Board member shall not hold office for more than three years (term of office).

Management Board members are appointed for a common term of office. The term of office starts on the day of appointment and expires not later than on the day on which the General Meeting of Shareholders is convened to approve the financial statement for the year in which the term of office has commenced. Management Board members may be re-appointed to serve another term of office. The Supervisory Board determines the number of Management Board members. The Supervisory Board appoints and dismisses the President and other members of the Management Board. The mandate of the Management Board member expires as a result of the lapse of the term of office, death, resignation or dismissal. Resignation is effective from the moment when a written statement thereof is submitted to the Company, or at a later date, as indicated in that statement. The date indicated may be no later than 30 days from the day on which the written statement was submitted to the Company. If the date indicated is later than 30 days from the date of submission, the resignation takes effect upon the lapse of 30 days from the date on which the written statement is submitted to the Company.

In the employment contracts and other contracts between Company and Management Board members, as well as in disputes with the latter, the Company is represented by the Chairman of the Supervisory Board. The establishing of remuneration principles and other terms and conditions of such contracts lies within the sole power of the Chairman of the Supervisory Board.

The Management Board conducts the Company's business and represents the Company.
The powers of the Management Board shall include all matters not specifically reserved, by a parliamentary act or these Statutes, for the competences of the General Meeting of Shareholders or the Supervisory Board. The Management Board acts in accordance with the detailed provisions of the Management Board's Operational By-Laws. The By-Laws are adopted by the Management Board and approved by a resolution of the Supervisory Board. The Management Board's Operational By-Laws have been published on the Company's website at www.debica.com.pl.

Statements on behalf of the Company may be made by two Members of the Management Board, acting jointly, or by one Member of the Management Board acting jointly with the Holder of a General Commercial Power of Attorney. All the Management Board members are obliged and entitled to run the Company's business jointly.

The Supervisory Board
The Supervisory Board comprises from 5 to 9 members; the number of Supervisory Board members for a given term of office is determined by the General Meeting of Shareholders by virtue of a resolution. The Supervisory Board members are appointed by the General Meeting of Shareholders; however, the Company's employees appoint one representative. A Supervisory Board member shall not hold office for more than one year (a single term of office). The same person may be re-appointed for another term of office. Supervisory Board members are appointed for a common term of office. The term of office starts on the day of appointment and expires no later than on the day on which the General Meeting of Shareholders is convened to approve the financial statement for the year in which the term of office has commenced.

The detailed rules of the Supervisory Board's operation are defined in the Statutes and the Supervisory Board's Operational By-Laws, adopted by the Supervisory Board. The Supervisory Board's Operational By-Laws have been published on the Company's Website www.debica.com.pl. The Supervisory Board shall exercise supervision over the Company's activities in every field of its endeavours.

Besides those matters reserved by the provisions of the Company's Statutes, the Supervisory Board shall be entitled to:
1) examine the financial statement,
2) examine the Directors' Report, as well as the Management Board's motions as to the distribution of profit or the coverage of loss,
3) submit a written report on the results of the actions referred to in subparagraphs 1 and 2 to the General Meeting of Shareholders,
4) approve the establishment of, or participation in, a company or syndicate,
5) approve the acquisition or disposal of shares or interests in other companies or the acquisition of their affiliates by the Company,
6) approve the sale of an organized part of the Company's assets, save for the stipulations of Article 393, paragraphs 3 and 4 of the Polish Code of Commercial Partnerships and Companies,

7) approve the performance of other legal actions, which may be of binding force, or may enable the management the Company's fixed assets, including the acquisition or disposal of real estate, if the value of a single legal action should exceed the PLN equivalent of US$ 500,000 (in words: five hundred thousand US dollars) or in the case of interconnected actions executed within consecutive 12 months and exceeding the PLN equivalent of US$ 1,000,000 (in words: one million US dollars), the concluding of management contracts, joint investment contracts, license contracts or long-term co-operation contracts and the establishment of patent companies,
8) approve the pledging of the Company's assets with a value exceeding the PLN equivalent of US$ 1,000,000 (that is: one million US dollars), or the extension of a guarantee amounting to the same sum, for a term of 12 consecutive months,
9) establish the remuneration for Supervisory Board members who have temporarily been assigned to perform the functions of Management Board members;
10) provide written opinions on motions submitted to the General Meeting of Shareholders concerning the matters covered in Article 26, par. 1 of the Company's Statutes;
11) suspend either individual, or all, members of the Management Board from their duties, on serious grounds;
12) assign one or more of its members to the temporary performance of the duties of the Management Board in the case of the suspension or removal of individual, or all, members of the Management Board or when, for other reasons, the Management Board is unable to perform its functions;
13) approve the Management Board's Operational By-Laws;
14) appoint an auditor to audit the Company's financial statements,
15) approve Company's Operational By-Laws.

The Supervisory Board may appoint standing or ad hoc committees acting as collective advisory and opinion forming Supervisory Board bodies. In the resolution on the appointment of a Committee, the Supervisory Board specifies the scope of a given Committee's operations and responsibilities.

The Supervisory Board Committees appointed by the Supervisory Board submit reports to the Supervisory Board on their activities, by the deadlines indicated in the resolution on the appointment of a given Committee. The Supervisory Board appoints the members of the Committee from amongst its members. The members of a Committee elect the Chairman of the Committee from amongst its members by virtue of a resolution. A Committee shall consist of at least two members. The Chairman of the Supervisory Board, or another Supervisory Board Member designated by the Chairman, convenes the first meeting of the Committee. The Committee Chairman directs the work of the Committee. The Committee chairman exercises supervision over the drafting of the agenda, the organization of document distribution, and the drawing up of the minutes of the Committee meetings, availing himself of the assistance of the Company's Management Board office in this respect. The Committee's meetings are convened by the Committee Chairman and, during his absence or his inability to perform this function, by the Supervisory Board Chairman or another Supervisory Board Member designated by the Chairman, who invites Committee members to the meeting and notifies all the remaining Supervisory Board Members of the meeting. All Supervisory Board Members are entitled to attend the Committee meeting. The Supervisory Board members should be notified of the convention of the meeting no later than 7 (seven) days before the Committee meeting and, in an emergency, not later than 3 (three) days before the Committee meeting.

The Committee Chairman may invite Management Board members, Company associates and other persons to the Committee meeting, in as much as their participation in the meeting is useful for the performance of the Committee's tasks. The Committee's resolutions are adopted by an ordinary majority of the votes cast. Committee members may vote on the adoption of a resolution in person, by taking part in the Committee meeting, or remotely.

The Minutes of a Committee meeting are drawn up and should be signed by the Supervisory Board members present at the Committee meeting. The Minutes should contain the resolutions, motions and Committee reports. The Minutes of the Committee meetings are kept on the Company's premises. The copies of the Minutes are forwarded to all Supervisory Board members. The Committee Chairman, or a person indicated by the Chairman, is authorized to submit motions to the Supervisory Board on the Supervisory Board's adoption of resolutions, on the preparation of expert opinions or other opinions on the scope of assignments, or on the appointment of an advisor, as required by the Committee.

The Standing Audit Committee reports to the Supervisory Board. The Audit Committee consists of at least three members, appointed and dismissed by the Supervisory Board from amongst its members. The composition of the Audit Committee shall include at least one member who meets the criterion of independence and has qualifications in the field of accounting or financial audit, as required by the Act on Chartered Accountants and their Self-Government, Entities Certified to Audit Financial Statements and Public Supervision, dated May 7, 2009.

The financial statements are drawn up by the Company's Financial Controller and the supervision of this process is exercised by the Company's Management Board. The Supervisory Board of T.C. Debica S.A. has set up a Standing Audit Committee of the Supervisory Board pursuant to the requirements set forth in Art. 86 of the Act on Chartered Accountants and their Self-Government, Entities Certified to Audit Financial Statements and Public Supervision, dated May 7, 2009.

The responsibilities of the Standing Audit Committee of the Supervisory Board are as follows:
a) the monitoring of the Company's financial reporting process,
b) the monitoring of the efficiency of internal controls, the internal audit system and the risk management system,
c) the monitoring of the performance of financial audit activities,
d) the monitoring of the independence of the entity certified to audit financial statements,
e) making recommendations to the Supervisory Board for an entity certified to audit financial statements or to carry out financial reviews at the Company,
f) to analyse written information received from the entity certified to audit financial statements about material aspects of the financial review and to notify the Supervisory Board of the Audit Committee's position on the matter.

The General Meeting of Shareholders: its mode of operation and basic powers and a description of shareholders' rights and the ways in which they may be exercised.

The Company's General Meeting of Shareholders, acting pursuant to the provisions of the Commercial Companies' Code, with the wording effective from August 3, 2009, is convened through an announcement made on the Company's Website and in compliance with the procedure established for day-to-day reporting, pursuant to the provisions of the Public Offering Act and the Terms and Conditions of Admitting Financial Instruments to the Organized Trading System and on Public Companies. Such announcement should be published at least twenty six (26) days prior to the date of General Meeting of Shareholders.

The General Meeting of Shareholders is convened by the Management Board. The Supervisory Board may convene Ordinary General Meeting of Shareholders, if the Management Board has failed to convene it within timeframe set forth in the Commercial Companies' Code or in the Statute, and may convene Extraordinary General Meeting of Shareholders, if it deems advisable to do so. The Extraordinary General Meeting of Shareholders may be also convened by the shareholders representing at least half of shareholders' equity or at least half of total votes in the Company. The shareholder or shareholders representing at least one twentieth of shareholders' equity may demand the convention of Extraordinary General Meeting of Shareholders as well as putting individual matters on the agenda of such Meeting. The request to convene the Extraordinary General Meeting of Shareholders shall be filed with the Management Board in writing or electronically.

The General Meeting of Shareholders is opened by the Chairman of the Supervisory Board or his Deputy; the Chairman of the General Meeting of Shareholders is then elected from amongst those entitled to participate in the General Meeting of Shareholders.

Should the Supervisory Board Chairman or his Deputy be absent, the General Meeting of Shareholders is opened by the President of the Management Board, or by a person designated by the Management Board. The General Meeting of Shareholders may agree on a recess with a two-thirds majority of the votes. The length of a recess may not exceed thirty (30) days in total.

The powers of General Meeting of Shareholders shall include:
1) the examination and approval of the Management Board's report and the financial statements for the previous accounting year, as well as the acknowledgement of the performance of their duties by the members of the Company's governing bodies;
2) the adoption of a resolution on profit distribution or loss coverage;
3) the amendment of the Company's scope of activities;
4) the amendment of the Company's Statutes;
5) an increase or decrease in the shareholders' equity;
6) the merger, transformation, dissolution and liquidation of the Company;
7) the issuance of convertible bonds, or those vested with pre-emptive rights to the Company's shares from a new offering;

8) making any and all decisions relating to claims for the redress of damages caused in the course of the Company's formation, or in the exercise of executive or supervisory duties.
9) the disposal or lease of the enterprise, or of an organized part thereof, and the establishment of a limited property rights.

In addition to the matters specified above, the matters determined by the Commercial Companies' Code require a General Meeting of Shareholders' resolution.

The Company's General Meeting of Shareholders may be attended by persons who were Company shareholders sixteen days prior to the date of General Meeting (the registration date of participation in the General Meeting) and who requested the entity maintaining their securities account to issue a personal certificate in respect of their right to attend the General Meeting, pursuant to the provisions of Commercial Companies' Code.

Voting is executed by means of a computer voting system, assuring that votes are cast in proportion to the number of shares held, as well as assuring the anonymity of individual shareholders' votes in the case of a secret ballot.

13. ENVIRONMENTAL RAPORT

ENVIRONTMENTAL PROTECTION

A significant increase of anthropogenic impact on the surrounding nature has been observed since the times of first industrial revolution at the end of 18th century. At present the transformation and degradation of natural environment have become major problems of contemporary world. Therefore the environmental care is gaining more and more importance, which is reflecting in ever stricter environmental regulations and negative attitude of the general public to manufacturing processes and technologies that fail to comply with environmental standards. Tire Company Debica S.A. complies with legal requirements and runs widely sweeping environmental projects. They are based on corporate development strategy under which one of the Company's development priorities is to reduce environmental burden of the Plant. The measures taken to curtail adverse environmental impact are not limited only to the reasonable raw material consumption, but they also involve a number of organisational and technical measures dealing with correct handling of waste and making economic use of them, utilisation of process water and water for human consumption, reduction of air emissions, optimisation of processes to enhance energy efficiency and preventing major industrial accidents.

AIR EMISSIONS

Atmosphere is a gaseous coating surrounding the Earth, gaseous mixture called air. An intensive growth of technology and living standards has led to changes in the chemical composition of earth's atmosphere, both locally and globally. Therefore Tire Company Debica S.A. has taken efforts to reduce air emissions by the manufacturing processes. The Company takes care for effective operation of air control equipment, eliminates the consumption of gasoline that is a source of volatile organic compounds, runs projects aimed at optimisation of heat consumption at the Plant.
The implemented measures allowed to reduce significantly the gasoline consumption in the tire manufacturing process and consequently to reduce the emission of pollution from fuel consumption for energy generation purposes including mainly the emission of the main greenhouse gas, which is carbon dioxide.

Graph descriptions

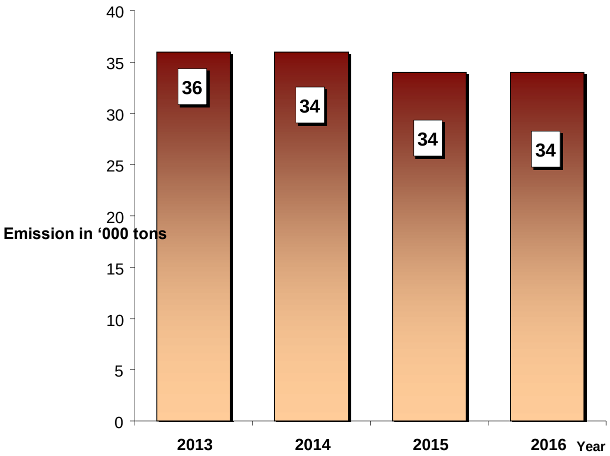
Carbon dioxide emissions from the commercial boiler house in 2013-2016 (in '000 tons)

Year	2013	2014	2015	2016
Carbon dioxide emissions in '000 tons	36	34	34	34

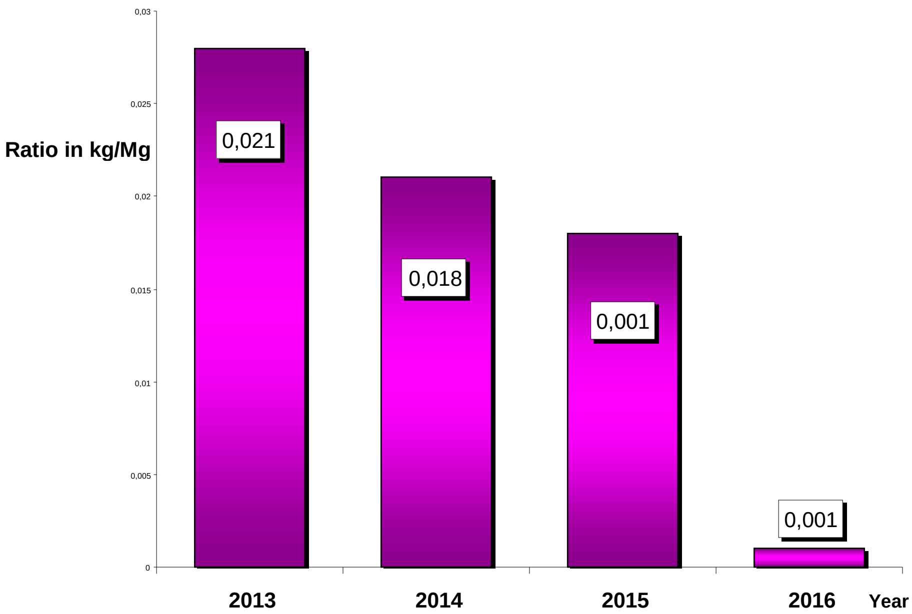
Gasoline consumption in 2013-2016 (in kg per 1 Mg of the product)

Year	2013	2014	2015	2016
Gasoline consumption (in kg/Mg)	0.021	0.018	0.001	0.001

Carbon dioxide emissions from the commercial fuel combustion process in 2013-2016 (in'000 tons)



Gasoline consumption in 2013-2016 (in kg per 1 Mg of the product)



INDUSTRIAL WASTE

Scarcity of natural resources forces reasonable consumption of raw materials used in manufacturing processes, and also waste management through searching options for its recycling. The systemic waste management and selective waste collection at the Plant, enabled Tire Company Debica S.A. to make economic use of 99% of produced waste using various recovery methods.

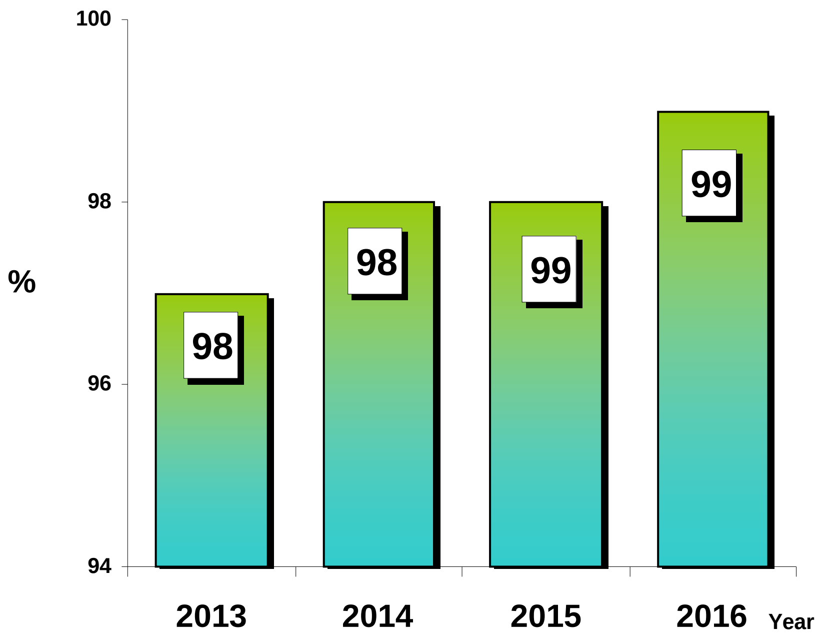
99% of waste generated by Tire Company Debica S.A. is handed over to the third party dealing with waste management with the application of recovery processes including recycling. Commissioning waste for recovery/recycling, the Company limits the consumption of virgin materials, which protects natural resources and eliminates storage of waste on landfill sites. In 2015 as much as 61% of total waste commissioned for management were recycled. The recycling underlying idea is to recover from segregated waste as much materials and raw materials as possible in parallel to maximum reduction of recycling expenses.
To achieve the highest possible waste utilization rate, waste has to be segregated properly at each work station, which is achieved by the Company thanks to high associate awareness.

Graph descriptions

Volume of recovered/recycled waste in total volume of waste produced in 2013–2016 [%]

Year	2013	2014	2015	2016
Volume of recovered/recycled waste [%]	98	98	99	99

Volume of recovered/recycled waste in total volume of waste produced in 2012–2015 [%]



Water

For the last 2 years the Company was running Programme focusing on the reduction of water for human consumption through raising associate awareness about protection of natural resources.
At the end of 2016 the volume of water for human consumption was reduced by 19%.
Water consumption in m^3 per ton of product was also reduced.

Graph descriptions

Reduction of water for human consumption in 2013–2016 (in '000 m^3)

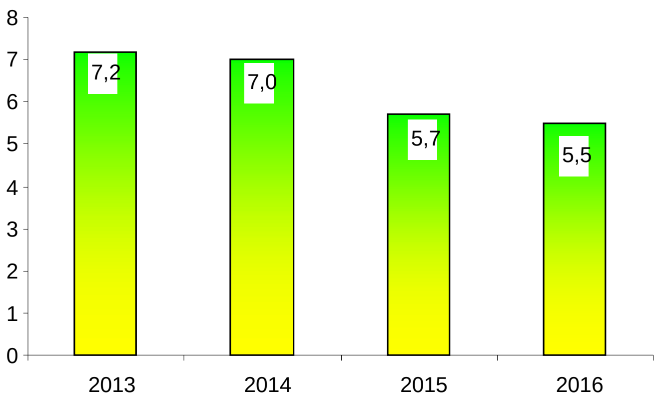
Year:	**2013**	**2014**	**2015**	**2016**
Water volume:	**140**	**150**	**132**	**121 (in '000 m^3)**

Water consumption in m^3 per ton of product in 2013–2016

Year:	**2013**	**2014**	**2015**	**2016**
Water consumption:	**7.2;**	**7.0;**	**5.7;**	**5.5 (m^3)**

Reduction of use of water for human consumption in 2013–2016 (in '000 m3)

Water consumption in m3 per ton of product in 2012–2015



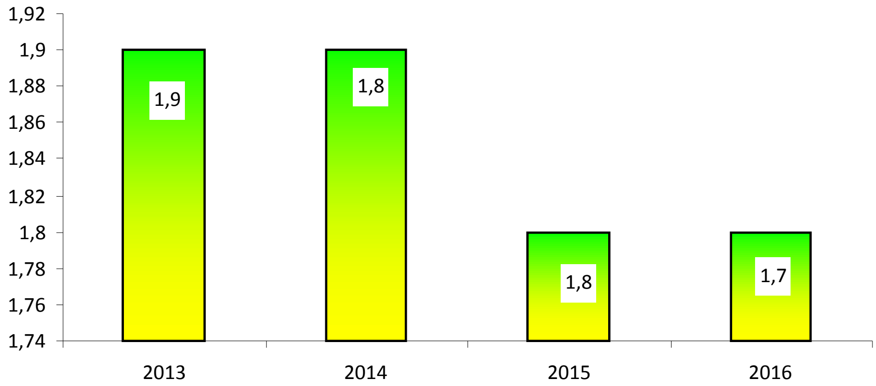
Despite an increase of environmental rates, the ratio of environmental fees per 1 Mg of products declined.

Graph descriptions

Environmental fees in PLN per tone of product in 2013–2016

Year:	**2012**	**2013**	**2014**	**2015**
Ratio:	**1.9**	**1.8**	**1.8**	**1.7 (PLN/ton)**

Environmental fees in PLN per ton of product in 2012–2015



Prevention of major industrial accidents
Because of the volume of hazardous substances used, representing a risk for aquatic environment, effective from 2016 the Company has been classified as a plant with enhanced risk of major accident occurrence.
The Company fulfilled duties imposed by the Environmental Act on the operator of the plant representing a risk of major industrial accident occurrence. The enhance risk plant was notified to competent bodies, Industrial Accident Prevention Programme and Safety System were developed and implemented.
In 2016 six (6) drills were carried out to test readiness in case of major accident occurrence. As a result a list of 14 recommended improvements was developed. All improvements were implemented.
Major Industrial Accident Prevention Committee found out that the Company readiness for major industrial accident is correct.

ENERGY MANAGEMENT SYSTEM was implemented at Tire Company Debica S.A. in compliance with the INTERNATIONAL STANDARD ISO 50001.
Since October 2016 large corporations are obliged under the Energy Efficiency Act to carry out energy audits every 4 years or to implement energy management system pursuant to ISO 50001 standard.
The implementation of ISO 50001 standard at the Company was easier because Energy Management had already been carried out following similar principles and because of already implemented environmental standard ISO 14001 based on similar system.
The ISO 50001 standard enabled us to comply with the Energy Efficiency Act by means of replacing energy audit with energy review.
The frequency of energy reviews was defined. The first annual energy review was carried out on the onset of 2016.
It comprised:
Analysis of all energy sources used on site of Tire Company in compliance with the application scope of the standard, Breakdown into predefined areas, Specification of significant energy consumption by means of determining thresholds, Performance in the previous year, Planned baseline indicators for the current year.
In October 2016 the first level of audit was carried out to qualify the Company to participate in the Certification Audit.
The audit covered all standard-related documents, clauses related to them and the overall energy planning process..
The audit did not disclose any irregularities.
The compliance with the requirements set forth in ISO 50001 standard enables us to control well the consumed utilities, presses on the reduction of energy consumption or on its more effective use.
The environmental standard in question is a good option for the energy audits required by law. It enables us to exercise self-control.

File	Description

STATEMENT ABOUT CORPORATE GOVERNANCE APPLICATION

The Management Board of the Company declares that Firma Oponiarska Dębica S.A., listed on the Warsaw Stock Exchange since 1994, complies with the corporate governance rules contained in the "Code of Best Practice for WSE Listed Companies 2016", constituting an appendix to Resolution No. 26/1413/2015 of the Stock Exchange Council of 13 October 2015, published on the website http://www.gpw.pl. In connection with the entry into force on 01.01.2016 of the document "Code of Best Practice for WSE Listed Companies 2016", on 08.06.2016. The Company, through the EIB system, submitted a statement - information on the application by the Company of recommendations and principles contained in the collection of "Good Practices of Companies Listed on the Warsaw Stock Exchange 2016". The statement referred to above has been published on the Company's website at the address: http://debica.com.pl/relacje-inwestorskie/lad_corporate.

The Management Board of the Company, appreciating the importance of corporate governance principles contained in this document and the role these principles play in strengthening the transparency of listed companies, has made every effort to ensure that the principles referred to above are applied in the Company to the widest extent possible. Below, the Management Board presents the principles contained in the "Code of Best Practice for WSE Listed Companies", which the Company abandoned in 2016, together with the reasons for the abandonment.

The Company did not apply recommendation no. III.R.1. in the scope of separating in the structure of the Company entities responsible for the implementation of tasks in particular systems or functions, because their separation is not justified due to the type of activity conducted by the Company.
The Company did not follow the recommendation no. IV.R.2 in the scope of enabling shareholders to participate in the General Meeting with the use of electronic communication means, if it is justified due to the shareholding structure or the expectations of shareholders reported to the Company and if the Company is able to provide the technical infrastructure necessary for efficient conduct of the General Meeting with the use of electronic communication means, because in the opinion of the Management Board, there is no need to transmit the General Meetings or ensure two-way communication in real time and such expectations were not reported to the Company.
The Company did not follow recommendation no. IV.R.3. with respect to the Company's efforts to ensure that when the Company's securities issued are traded in different countries or on different markets and legal systems, corporate events related to the acquisition of shareholder's rights take place on the same dates in all countries where they are listed, because the securities issued by the Company are listed exclusively in Poland, on the WSE and therefore the recommendation does not apply to the Company.
The Company did not apply recommendation no. VI.R.3. with respect to the application of principle II.Z.7 to the remuneration committee, because there is no remuneration committee in the Supervisory Board, so the recommendation does not apply to the Company.
The Company did not apply specific rule no. I.Z.1.3. with respect to publishing on the Company's corporate website a scheme of division of tasks and responsibilities between members of the Management Board prepared in accordance with rule II.Z.1. because the Company has not yet developed a detailed division of responsibility for particular areas of the Company's activity among members of the Management Board, and therefore this information is not published on the website.
The Company did not apply the specific rule no. I.Z.1.7. with regard to posting on the Company's corporate website information materials on the Company's strategy, as the Company does not publish information on the strategy.
The Company did not apply the specific rule no. I.Z.1.8. with respect to publishing on the Company's corporate website selected financial data of the Company for the last 5 years of its operations in a format enabling the processing of such data by their recipients, as the data are made available together with a periodical report for a given reporting period, which reports are available on the Company's website.
The Company did not apply the specific rule no. I.Z.1.10. in the scope of publishing on the Company's corporate website financial forecasts published for at least the last 5 years, together with information on the degree of their implementation, as the Company does not publish financial forecasts.
The Company did not apply specific rule no. I.Z.1.15. in the scope of posting on the Company's corporate website a description of the Company's diversity policy in relation to the Company's governing bodies and its key managers, as the Company has not developed and is not implementing a diversity policy.
The Company did not apply specific rule no. I.Z.1.16. with regard to posting on the Company's corporate website information on the planned transmission of the General Meeting no later than 7 days before its date, because the Company does not transmit the General Meeting and thus does not publish this information on the Company's website.

The Company did not apply the detailed rule no. I.Z.1.19. in the scope of posting on the Company's corporate website questions of shareholders addressed to the Management Board pursuant to art. 428 § 1 or § 6 of the Commercial Companies Code together with answers of the Management Board to the questions asked, or detailed indication of reasons for not answering the questions in accordance with rule IV.Z.13, because answers to questions asked outside the General Meetings are published on the website in the tab Investor Relations/Reports/Current and the Company does not publish them in a separate section of the website.
The Company did not apply the detailed rule no. I.Z.1.20. in the scope of posting on the Company's corporate website a record of the General Meeting in audio or video form, because due to the costs of recording and publishing recordings of General Meetings on the Company's website, the Company decided to limit itself to the previously applied transparent and effective information policy concerning the course of the Meeting.
The Company did not apply the detailed rule no. II.Z.1. in the scope of unambiguously and transparently formulating the internal division of responsibility for particular areas of the Company's activity among members of the Management Board and the publication of this scheme on the Company's website, because the Company has not yet developed a detailed division of responsibility for particular areas of the Company's activity among members of the Management Board, and thus the information is not published on the website.
The Company did not apply the specific rule no. II.Z.2. in the scope of sitting on the Management Board of the Company in the management or supervisory boards of companies from outside the capital group of the Company with the consent of the Supervisory Board, because the Supervisory Board always assesses whether sitting on the management board or supervisory board of the company from outside the capital group causes a conflict of interest.
The Company did not apply the detailed rule no. II.Z.7. within the scope of application of Appendix I to the Recommendation of the European Commission, referred to in principle II.Z.4. to the tasks and functioning of committees operating in the Supervisory Board in the event that the function of the audit committee is performed by the Supervisory Board, because in the Company there is only an audit committee in the composition, which includes one independent member of the Supervisory Board.
The Company did not apply the detailed rule no. II.Z.8. in the scope of meeting by the chairman of the audit committee the criteria of independence indicated in principle II.Z.4, because the chairman of the audit committee was appointed a member who did not meet the criterion of independence.
The Company did not apply the specific rule no. III.Z.2. in the scope of direct subordination of persons responsible for risk management, internal audit and compliance to the President or another member of the Management Board, as well as providing them with the possibility of reporting directly to the Supervisory Board or audit committee, because there was no separation of the organisational internal audit, and thus it is not possible to apply this rule.
The Company did not apply the specific rule no. III.Z.3. in the scope of applying to the person in charge of the internal audit function and other persons responsible for the performance of its tasks the principles of independence specified in generally accepted international standards of professional practice of internal audit, because there was no separation of the organisational internal audit, and thus it is not possible to apply this rule.
The Company did not apply the specific rule no. III.Z.4. in the scope of presenting to the Supervisory Board by a person responsible for internal audit and the Management Board, at least once a year, their own assessment of the effectiveness of the systems and functions referred to in principle III.Z.1. together with an appropriate report, because there was no separation of the organisational internal audit, and thus it is not possible to apply this rule.
The Company did not apply the detailed rule no. IV.Z.2. with respect to ensuring more widely available transmission of the General Meeting in real time, if it is justified due to the shareholding structure of the Company, because in the Company's opinion the commonly available transmission of the General Meeting in real time is not expected by the shareholders.
The Company did not apply the detailed rule no. IV.Z.12. with regard to the presentation by the Management Board to the participants of the General Meeting of the Company's financial results and other important information contained in the financial statements subject to approval by the General Meeting, because the Management Board does not present the participants of the Ordinary General Meeting of Shareholders with presentations. Shareholders receive written financial statements and an annual report. The President of the Management Board reads at the General Meeting the letter to shareholders contained in the annual report, in which he generally discusses the Company's situation, including its financial standing.
The Company did not apply detailed rule no. V.Z.6. with regard to defining in internal regulations the criteria and circumstances in which a conflict of interest may occur in the Company, as well as the rules of conduct in the face of conflicts of interest or the possibility of their occurrence, because the Company does not have formalised internal regulations specifying the criteria and circumstances in

which a conflict of interest may occur in the Company, as well as indicating the rules of conduct in the event of its appearance or the possibility of its occurrence.
The Company did not apply the detailed rule no. VI.Z.1. in the scope of constructing incentive programmes in such a way that, among other things, the level of remuneration of members of the Management Board and its key managers depends on the actual, long-term financial situation of the Company and the long-term increase in value for shareholders and stability of the Company's operations, as there are no incentive programmes in the Company.
The Company did not apply the detailed rule no. VI.Z.2 with regard to the period between the granting of options or other instruments related to the Company's shares under the incentive scheme and the possibility of their exercise, because the Company does not have share-based incentive schemes, therefore the rule does not apply to the Company.
The Company did not apply the specific rule no. VI.Z.4. with respect to the presentation of a report on the remuneration policy in the report on the Company's activity, because it provides the remuneration of each member of the Management Board, but does not describe the remuneration policy.

File	Description

This Report does not comprise the following notes:

Long-term receivables, Change in the balance of long-term receivables (by title), Change in the balance of revalued long-term receivables,
Long-term receivables (by currency)
Change in the balance of real properties (by category), Shares or interests in subsidiaries priced using property rights method including:
Change in goodwill – subsidiaries,
Change in goodwill – co-subsidiaries,
Change in goodwill – associated entities,
Change in negative goodwill – subsidiaries,
Change in negative goodwill – co-subsidiaries,
Change in negative goodwill – associated entities,
Shares or interests in subsidiaries,
Shares or interests in subsidiaries – cont.,
Extended long-term loans (by currency),
Other long-term investments (by type),
Change in balance of other long-term investments (by category),
Other long-term investments (by currency),
Short-term receivables from other entities in which the issuer has equity stakes
Securities, interests, and other short-term financial assets (by currency)
Securities, interests, and other short-term financial assets (by maturity)
Other short-term investments (by type),
Other short-term investments (by currency),
Own shares (interest),

Issuer’s shares (interest) held by subsidiaries,
Appropriations from net profit during accounting year (by title),
Long-term liabilities related to the issued debt financial instruments
Long-term credit- and loan-related liabilities,
Short-term liabilities related to the issued debt financial instruments
Change in negative goodwill
Other prepayments and accruals
Contingent receivables (by title),
Contingent liabilities (by title),
Financial gains from dividends and shares in profits
Proceeds (loss) from disposal of total or a part of shareholding in subsidiaries valuated using property right’s method

Proceeds (loss) from the disposal of all or a part of interests in subsidiaries
Total amount of deferred tax
Other mandatory profit deductions (loss increases) due to: