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**POLISH FINANCIAL SUPERVISION AUTHORITY**

# Annual Report SA-R 2012

(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)
(for the issuers of securities running manufacturing, construction, trading or service activities)

for the accounting year 2012 covering the period from 1 January 2012 to 31 December 2012
and for the previous accounting year 2011 covering the period from 1 January 2011 to 31 December 2011
Filing date: April 29, 2012

**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)

(e-mail)

**www.debica.com.pl**
(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**
- ☑ **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** — **Statement Of Changes In Shareholders' Equity**
  - ☑ **Balance Sheet** — **Cash Flow Statement**
  - ☑ **Profit and Loss Account** — **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 | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| I. Net sales of products, merchandise and materials | 2 133 259 | 2 321 586 | 511 132 | 560 753 |
| II. Operating profit (loss) | 109 633 | 134 994 | 26 268 | 32 606 |
| III. Profit (loss) before taxation | 116 882 | 113 604 | 28 005 | 27 440 |
| IV. Net profit (loss) | 93 426 | 90 795 | 22 385 | 21 931 |
| V. Operational cash flows, net | 336 688 | 163 595 | 80 671 | 37 039 |
| VI. Investment activity cash flows, net | -131 729 | -98 240 | -31 562 | -22 242 |
| VII. Financial activity cash flows, net | -78 615 | -53 570 | -18 836 | -12 129 |
| VIII. Total net cash flows | 126 344 | 11 785 | 30 272 | 2 669 |
| IX. Total assets | 1 391 969 | 1 454 724 | 340 485 | 329 362 |
| X. Liabilities and liabilities provisions | 525 724 | 636 494 | 128 595 | 144 108 |
| XI. Long-term liabilities | 1 647 | 6 386 | 403 | 1 446 |
| XII. Short-term liabilities | 439 479 | 543 599 | 107 499 | 123 075 |
| XIII. Shareholders' equity | 866 245 | 818 230 | 211 889 | 185 254 |
| XIV. Share capital | 110 422 | 110 422 | 27 010 | 25 000 |
| 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) | 6.77 | 6.58 | 1.62 | 1.59 |
| XVII. Diluted earnings (loss) per ordinary share (in PLN/EUR) | 6.77 | 6.58 | 1.62 | 1.59 |
| XVIII. Book value per share (in PLN/EUR) | 62.76 | 59.28 | 15.35 | 13.42 |
| XIX. Diluted book value per share (in PLN/EUR) | 62.76 | 59.28 | 15.35 | 13.42 |

# Firma Oponiarska Dębica S.A.

## Independent Registered Auditor's Opinion

## Financial statements

## Directors' report

## Registered auditor's report on the financial statements

# as at and for the year ended 31 December 2012

## Contents:

| **TRANSLATORS' EXPLANATORY NOTE** |
|---|

| |
|---|
| The following document is a free translation of the registered auditor's opinion and report of the above-mentioned Polish Company. In Poland statutory accounts must be prepared and presented in accordance with the Polish legislation and in accordance with the accounting principles and practices generally used in Poland.<br>The accompanying translated report has not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than in Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancy in interpreting the terminology, the Polish version is binding. |

## Independent Registered Auditor's Opinion

## To the General Shareholders' Meeting and the Supervisory Board of Firma Oponiarska Dębica S.A.

We have audited the accompanying financial statements of Firma Oponiarska Dębica S.A. (hereinafter referred to as "the Company"), Dębica , ul. 1 Maja 1, which comprise an introduction to the financial statements, the balance sheet as at 31 December 2012, showing total assets and total liabilities & equity of PLN 1,391,969 thousand, the income statement for the financial year from 1 January to 31 December 2012, showing a net profit of PLN 93,426 thousand, the statement of changes in equity, the cash flow statement for that financial year, and additional notes and explanations.

The Company's Management Board is responsible for preparing financial statements and a Directors' Report in accordance with the applicable regulations, and for the correctness of the accounting records. The Management Board and members of the Supervisory Board are obliged to ensure that the financial statements and the Directors' Report comply with the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2013, item 330).

Our responsibility was to perform an audit of the accompanying financial statements and to express an opinion on whether the financial statements comply in all material respects with the applicable accounting policies and whether they present, in all material respects, a true and clear view of the Company's financial position and results, and whether the accounting records constituting the basis for their preparation are properly maintained.

We conducted our audit in accordance with the following:

a. the provisions of Chapter 7 of the Accounting Act;

b. national auditing standards issued by the National Board of Registered Auditors.

Our audit was planned and performed to obtain reasonable assurance that the financial statements were free of material misstatements and omissions. The audit included examining, on a sample basis, accounting documents and entries supporting the amounts and disclosures in the financial statements. The audit also included assessing the Company's accounting policies and significant estimates made during the preparation of the financial statements, as well as an evaluation of the overall presentation thereof. We believe that our audit provides a reasonable basis for our opinion.

## Independent Registered Auditor's Opinion

## To the General Shareholders' Meeting and the Supervisory Board of Firma Oponiarska Dębica S.A. (cont.)

In our opinion, and in all material respects, the accompanying financial statements:

a. give a fair and clear view of the Company's financial position as at 31 December 2012 and of the results of its operations for the year then ended in accordance with the Polish accounting regulations as specified in the Polish Accounting Act;

b. comply in terms of form and contents with the applicable laws, including the requirements of the Decree of the Minister of Finance of 19 February 2009 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State ("the Decree", Journal of Laws No. 33, item 259, as amended), and the Company's Memorandum of Association;

c. have been prepared on the basis of properly maintained books of account, in accordance with the applicable accounting policies.

The information in the Directors' Report for the year ended 31 December 2012 has been presented in accordance with the provisions of the Decree and is consistent with the information presented in the audited financial statements.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Michał Mastalerz

Key Registered Auditor
No. 90074

Kraków, 23 April 2013

# Firma Oponiarska Dębica S.A.

## Registered auditor’s report on the audit of the financial statements as at and for the year ended 31 December 2012

| TRANSLATORS’ EXPLANATORY NOTE |
| --- |

The following document is a free translation of the registered auditor’s opinion and report of the above-mentioned Polish Company. In Poland statutory accounts must be prepared and presented in accordance with the Polish legislation and in accordance with the accounting principles and practices generally used in Poland.
The accompanying translated report has not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than in Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

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**Registered auditor's report on the financial statements as at and for year ended 31 December 2012**

**To the General Shareholders' Meeting and the Supervisory Board of Firma Oponiarska Dębica S.A.**

**This report contains 9 pages and consists of:**

## I. General information about the Company

a. Firma Oponiarska Dębica Spółka Akcyjna ("the Company") has its seat in Dębica, at ul. 1 Maja 1.

b. The Company was formed on the basis of a Notarial Deed drawn up on 14 April 1991 at the Notary Public's Office of Paweł Błaszczak in Warsaw and registered with Rep. A No. 2078/91. On 19 September 2001, the Company was entered in the Register of Businesses maintained by the District Court in Rzeszów, the 12th Business Department of the National Court Register, with the reference number 0000045477.

c. The Company was assigned a tax identification number (NIP) 872-00-03-404 for the purpose of making tax settlements and a REGON number 850004505 for statistical purposes.

d. As at 31 December 2012, the Company's share capital amounted to PLN110,422,000 and consisted of 13,802,750 shares with a nominal value of PLN 8.00 each. The Company's equity amounted to PLN 866,245 thousand as at that date.

e. As at 31 December 2012, the Company's shareholders were:

| Shareholder | Number of shares held | Par value of shares held (in PLN) | Type of shares held | Voting rights % |
|---|---|---|---|---|
| Goodyear S.A.* | 10,546,155 | 84,369,240 | ordinary | 76.41 |
| Other | 3,256,595 | 26,052,760 | ordinary | 23.59 |
| | **13,802,750** | **110,422,000** | | **100.00** |

(*) Including 1,429,115 shares (representing ca. 10.354% of the Company's share capital) held indirectly through shares in Portfel Alliance Silesia I Sp. z o.o.

f. In the audited year, the Company's operations comprised:
- manufacturing tyres, tubes and other rubber goods;
- manufacturing equipment for the manufacture of tyres and other rubber goods;
- wholesale and retail sale, including all forms of marketing the Company's own products;
- selling and other forms of offering technologies, specifically those relating to tyres and other rubber goods, on the domestic and foreign markets, and providing related services.

g. During the year, the Company's Management Board comprised:
- Jacek Pryczek — Chairman of the Management Board
- Leszek Cichocki — Board Member
- Stanisław Cieszkowski — Board Member
- Radosław Bółkowski — Board Member since 5 March 2012;
- Waldemar Jarosz — Board Member until 5 March 2012.

h. The Company's related entities are Goodyear S.A. (the parent company) and the companies which belong to The Goodyear Tire & Rubber Company Group.

## II. Information about the audit

a. The financial statements as at and for the year ended 31 December 2012 were audited by PricewaterhouseCoopers Sp. z o.o., Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the Key Registered Auditor Michał Mastalerz (no. 90074).

b. PricewaterhouseCoopers Sp. z o.o. was appointed auditor to the Company by Resolution No. 7 of the Supervisory Board dated 14 June 2011, in accordance with paragraph 17 point 2.14 of the Company's Memorandum of Association.

c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the audited entity within the meaning of Art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws No. 77, item 649, as amended).

d. The audit was conducted on the basis of the audit contract signed on 27 July 2011, in the following periods:

| | |
|---|---|
| • interim audit | from 23 July to 24 August 2012; and<br>from 17 to 20 December 2012: |
| • final audit | from 18 March to 23 April 2013. |

## III. The Company's results, financial position and significant financial statement components

### BALANCE SHEET as at 31 December 2012 (selected items)

| | 31.12.2012 PLN '000 | 31.12.2011 PLN '000 | Change PLN '000 | Change (%) | Structure 31.12.2012 (%) | Structure 31.12.2011 (%) |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Non-current assets | 765,669 | 665,529 | 100,140 | 15.0 | 55.0 | 45.7 |
| Current assets | 626,300 | 789,195 | (162,895) | (20.6) | 45.0 | 54.3 |
| **Total assets** | **1,391,969** | **1,454,724** | **(62,755)** | **(4.3)** | **100.0** | **100.0** |
| **LIABILITIES AND EQUITY** | | | | | | |
| Equity | 866,245 | 818,230 | 48,015 | 5.9 | 62.2 | 56.2 |
| Liabilities and provisions for liabilities | 525,724 | 636,494 | (110,770) | (17.4) | 37.8 | 43.8 |
| **Total liabilities and equity** | **1,391,969** | **1,454,724** | **(62,755)** | **(4.3)** | **100.0** | **100.0** |

### INCOME STATEMENT
### for the year ended 31 December 2012 (selected items)

| | 2012 PLN '000 | 2011 PLN '000 | Change PLN '000 | Change (%) | Structure 2012 (%) | Structure 2011 (%) |
|---|---|---|---|---|---|---|
| Net sales of finished goods, goods for resale and materials | 2,133,259 | 2,321,586 | (188,327) | (8.1) | 100.0 | 100.0 |
| Costs of finished goods, goods for resale and materials sold | (1,933,310) | (2,077,131) | 143,821 | (6.9) | (90.6) | (89.5) |
| **Gross profit on sales** | **199,949** | **244,455** | **(44,506)** | **(18.2)** | **9.4** | **10.5** |
| **Net profit** | **93,426** | **90,795** | **2,631** | **2.9** | **4.4** | **3.9** |

## III. The Company's results, financial position and significant financial statement components (cont.)

### Selected ratios characterizing the Company's financial position and results

The following ratios characterize the Company's activities, results of operations during the year and its financial position as at the balance sheet date compared with prior years:

| | **2012** | **2011** | **2010** |
|---|---|---|---|
| Asset ratios | | | |
| - receivables turnover | 61 days | 65 days | 67 days |
| - inventory turnover | 38 days | 45 days | 46 days |
| Profitability ratios | | | |
| - net profit margin | 4% | 4% | 5% |
| - gross margin | 6% | 6% | 7% |
| - return on equity | 11% | 11% | 11% |
| Liability ratios | | | |
| - gearing | 38% | 44% | 44% |
| - payables turnover | 67 days | 70 days | 71 days |

| | **31.12.2012** | **31.12.2011** | **31.12.2010** |
|---|---|---|---|
| Liquidity ratios | | | |
| - current ratio | 1.4 | 1.5 | 1.4 |
| - quick ratio | 1.2 | 0.9 | 1.0 |
| Other ratios | | | |
| - effective tax rate | 20.1% | 20.1% | 19.8% |

The above ratios have been calculated on the basis of the financial statements.

It was not the purpose of the audit to present the Company in the context of the results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Company's operations and its circumstances.

## III. The Company's results, financial position and significant financial statement components (cont.)

The financial statements do not take into account the effects of inflation. The consumer price index (from December to December) amounted to 2.4% in the audited year (4.6% in 2011).

The following comments are based on information obtained during the audit of the financial statements.

- In the current year, the Company's core operations consisted of manufacturing and selling tyres. In total, sales amounted to PLN 2,133,259 thousand and dropped by 8.1% compared with the prior year. The share of exports in total sales amounted to 88.8% and increased by 12.9 percentage points compared with the prior year, mainly due to a change in the Company's business model. In accordance with the business model introduced starting from the beginning of 2012, the inventories of finished goods (other than "Dębica" brand goods) are sold immediately after their production has been completed to a related company Goodyear Dunlop Tires Operations, Luxembourg. The decrease in sales compared with the prior year was due to a lower volume of sales reflecting a decrease in demand, mainly in the Western European markets.
- The cost of materials and energy used, which amounted to PLN 1,310,597 thousand in the audited financial period, was the largest component of operating expenses (71.6% of the balance). Compared with the prior year, costs of materials and energy used decreased by PLN 263,658 thousand, i.e. by 16.7%, mainly due to a lower volume of production compared with the prior year.
- As at the end of the financial year, the Company's total assets amounted to PLN 1,391,969 thousand. Total assets decreased by PLN 62,755 thousand, i.e. by 4.3%, during the year. On the assets side, the most significant changes related to inventories (a decrease of PLN 168,531 thousand, i.e. by 58.9%), cash and cash equivalents (an increase of PLN 125,905 thousand, i.e. by 215.5%), short-term receivables (a decrease of PLN 120,398 thousand, i.e. by 27.1%) and in tangible fixed assets (an increase of PLN 106,681 thousand, i.e. by 16.4%). The decrease in inventories and short-term receivables and increase in cash and cash equivalents was mainly due to the change in the business model referred to above. The increase in tangible fixed assets was due to capital expenditure projects implemented and was partly offset by the depreciation charged for the current year.
- On the liabilities and equity side, the largest changes related to short-term liabilities (a decrease of PLN 104,120 thousand, i.e. by 19.2%) and equity (an increase of PLN 48,015 thousand, i.e. by 5.9%). The change in short-term liabilities was mainly due to a decreased production level compared with the prior year. In the audited financial year, the Company paid a dividend of PLN 45,411 thousand and recorded a net profit of PLN 93,426 thousand.
- The Company's liability ratios and structure of its liabilities changed. The gearing ratio decreased from 44% as at the end of the prior year to 38% as at the end of the current year. The average payables turnover shortened accordingly from 70 days to 67 days. This was mainly due to the change in the Company's business model in accordance with which the inventories of finished goods (other than “Dębica” brand goods) are sold to the related company Goodyear Dunlop Tires Operations, Luxembourg, immediately upon completion of the production of these goods.

The financial statements have been prepared on the going concern basis.

## IV. The independent registered auditor's statement

a. The Management Board of the Company provided all the information, explanations, and representations required by us in the course of the audit and provided us with a representation letter confirming the completeness of the information included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.

b. The scope of the audit was not limited.

c. The Company has up-to-date documentation of its accounting policies, approved by the Management Board. The Company's accounting policies were tailored to its needs and ensured the recognition of all events having a material effect on the assessment of its financial position and results, taking into consideration the prudence principle. There were no significant changes in the accounting policies compared with the previous year.

d. The closing balances as at the end of the previous year were correctly brought forward as the opening balances of the current financial year in all material respects.

e. The counts of assets and liabilities were carried out and reconciled in accordance with the Accounting Act, and the results were included in the books of account for the audited year.

f. The Company's financial statements as at and for the year ended 31 December 2011 were approved by Resolution No. 3 passed by the General Shareholders' Meeting on 4 June 2012, filed with the National Court Register in Poznań on 20 June 2012 and published in *Monitor Polski B* No. 3513 on 28 December 2012.

g. In accordance with Resolution No. 6 of the General Shareholders' Meeting dated 4 June 2012, the net profit for the prior year of PLN 90,795 thousand was appropriated as follows:

- PLN 45,411 thousand was paid out as dividend;
- PLN 45,384 thousand was transferred to other reserves.

h. The financial statements for the prior year were audited by PricewaterhouseCoopers Sp. z o.o. The registered auditor issued an unqualified opinion.

i. We have assessed the operation of the accounting system. Our assessment covered in particular:
   - the accuracy of the documentation relating to business transactions;
   - the fairness, accuracy and verifiability of the books of account, including computerized books of account;
   - the methods used for controlling access to data and the computerized data processing systems;
   - the safeguarding of the accounting documentation, books of accounts, and financial statements.

   This assessment, together with our verification of individual items of the financial statements, provides the basis for expressing a general and comprehensive opinion on these financial statements. The audit was not intended to provide a comprehensive opinion on the operations of the said system.

## IV. The independent registered auditor’s statement (cont.)

j. The introduction and additional notes and explanations present all the significant information specified in the Decree of the Minister of Finance of 18 October 2005 on the scope of disclosures in financial statements and consolidated financial statements, required in a prospectus for issuers having their registered office in the Republic of Poland to whom the Polish accounting principles apply (Journal of Laws No. 209, item 1743, as amended).

k. Information contained in the Directors’ Report for the year ended 31 December 2012 take into account the provisions of the Decree of the Minister of Finance of 19 February 2009 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State (“Decree”, Journal of Laws No. 33, item 259) and is consistent with the information in the audited financial statements.

## V. Final information

This report has been prepared in connection with our audit of the financial statements of Firma Oponiarska Dębica S.A., Dębica, ul. 1 Maja 1. The financial statements were signed by the Company's Management Board and the person responsible for maintaining the accounting records on 23 April 2013.

This report should be read in conjunction with the Independent Registered Auditor's Opinion to the General Shareholders' Meeting and the Supervisory Board of Firma Oponiarska Dębica S.A., dated 23 April 2013, concerning the said financial statements. The opinion on the financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the financial statements as a whole.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company no. 144:

Michał Mastalerz

Key Registered Auditor
No. 90074

Kraków, 23 April 2013



**TRANSLATION ONLY**

**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.

| 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.

**A LETTER FROM THE PRESIDENT OF MANAGEMENT BOARD**

Dear Sirs,

I am really pleased to advise you that in 2012 Tire Company Debica S.A. generated a net profit totaling PLN 93.4 million, which was up by PLN 2.6 million compared to that in 2011. This is a good result, since it was attained by the Company in disadvantageous economic environment, both at macroeconomic and industry levels. Last year both automotive and tire businesses recorded slumps in demand for new products and unfortunately this trend has prevailed in the overall Europe and in Poland since then.

Such handsome financial performance in 2012 in such disadvantageous economic environment was possible due to cutting overheads, adding new tire dimensions to the product portfolio and also due to our products' price hikes.

Thanks to well-thought-out activities we successfully survived hard times and strengthened Company's overall financial position. In parallel we ran development projects.

The Company followed up its 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 segment of tire market. Already in 2012 Tire Company Debica S.A. launched the production of 17" tires and tires with the highest speed indices i.e. W (270 km/h) and Y (300 km/h). Total capital expenditures in the 2011–2013 period will hover around PLN 205 million.

In relation to the EU tire labeling requirement that came into force in November 2012 the Company has been investing into the harmonization of its products with that requirement set forth in the Regulation (EC) No. 1222/2009 of the European Parliament and of the Council.

The Company's leading position in the Polish market was appreciated many times. Tire Company Debica S.A. was ranked amongst listed companies that are the best performers in terms of reporting ESG data, developed by the Polish Association of Listed Companies. It implies that the Company is the most transparent in terms of disclosure of non-financial data on environmental protection, corporate social responsibility (CSR) and corporate governance. Tire Company Debica S.A. was granted a prestigious "Human Capital Investor Emblem", which is awarded to the companies that run human resources policy at the highest level. Meanwhile in the elite ranking of "Top 100 Most Valuable Businesses", prepared by the American "Newsweek" weekly and an international consulting firm A.T. Kearney, the Company came on third place in the category of automotive companies. Meanwhile Mariusz Solarz, the Director of Legal Department of Tire Company Debica S.A. was awarded a title of the Best Corporate Lawyer 2011 in the ranking organized by the "Rzeczpospolita" daily.

Being an active CSR company in 2012 the Company was actively involved in the social life of local community in the City of Debica and in the Subcarpathian region, supporting initiatives in the fields of culture, science and charitable activities. Especially two events have to be emphasized – a scientific exhibition, organized in the City of Debica by the Company acting jointly with the Jagiellonian University from Cracow, to bring closer knowledge from the fields of physics and mathematics to the children and the youth, and also new Music Festival called GOODFEST, organized in the City of Debica by the Company jointly with Goodyear Dunlop Tires Polska Sp. z o.o. The Festival is a new cyclical event on the cultural map of Poland, which became a focal point for ambitious pop with electronic music, and folk with alternative music. The first Festival edition was highly successful.

Despite disadvantageous economic environment the Company closes the year 2012 with good results thanks to, among others, high commitment and efforts of Company's employees and associates. I would also like to thank our employees and shareholders for the trust they showed and to express appreciation to the Supervisory Board members for their strategic support in the attainment of major goals and execution of projects. I am convinced that our collaboration will be equally successful in 2013 to the benefit of all stakeholders of Tire Company Debica S.A.

Yours truly,

Jacek Pryczek
The President of 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 Polish Classification of Activities**

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

Tire Company Debica Spółka Akcyjna (previous name "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 April 26, 1991,"Stomil" Debica S.A. was entered into a commercial register with 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 with No. 0000045477.

On November 12, 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 November 22, 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 capital group of GOODYEAR, whereas an entity holding 76.406% shareholding in the shareholders' equity is Goodyear Luxembourg S.A. with its registered office in Luxembourg.

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

Legal status – joint stock company, ownership form – mixed ownership with predominance of private sector.

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 2012 covering period from 1 January 2012 to 31 December 2012 and comparable financial data for 2011 covering period from 1 January 2011 to 31 December 2011.

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

3. Financial Statement has been prepared in accordance with the Accounting Act of September 29, 1994 (Journal of Laws of 2009 No. 152, item 1223, as amended) and pursuant to the Decree of the Council of Ministers of February 19, 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 December 12, 2001 (Journal of Laws No. 149, item 1674, as amended).

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

4. Company authorities:

**Management Board**
**Jacek Pryczek** – President of the Management Board
**Leszek Cichocki** – Management Board Member
**Stanisław Cieszkowski** – Management Board Member
**Radosław Bółkowski** – Management Board Member

**Supervisory Board**
**Michel Rzonzef –** Chairman of the Supervisory Board
**Philippe Degeer –** Deputy Chairman of the Supervisory Board
**Maciej Mataczyński –** Secretary of the Supervisory Board
**Ronald Archer** - Supervisory Board Member
**Dominikus Golsong –** Supervisory Board Member
**Raimondo Eggink –** Supervisory Board Member (until December 20, 2012)
**Przemysław Cieszyński –** Supervisory Board Member (until December 20, 2012)
**Karl Blocklehurst** – Supervisory Board Member (from January 7, 2013)
**Łukasz Rędziniak** – Supervisory Board Member (from January 7, 2013)
**Renata Hadała –** Supervisory Board Member

## III. Accounting principles

### 1. 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

### 2. Fixed assets and depreciation
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 fulfill at least one of the criteria defined in Art. 3, par. 4 of the Act.

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.

**3. 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.

**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 equaling 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.

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.

**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 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.

**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 date of the balance, the assets and liabilities expressed in foreign currencies are prices at the average exchange rate set for a given currency by the National Bank of Poland for that 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 as financial income or costs accordingly, and in justified cases into fixed assets under construction or intangible assets.

**10. Jubilee awards, retirement gratuities and pensions, non-utilized holiday leave**
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.

**11. 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 and deferred income tax assets equal to the amount of income tax deductible in the future in relation to the occurrence of negative transient differences.

**12. Warranty repairs**
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.

**13. 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.

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.

**14. Prepayments and accruals**
The Company posts prepaid and accrued expenses in order to assign to a given period's expenses that were incurred within that period. The prepayments include invoiced and/or incurred expenses referring to future periods. Meanwhile, accrued expenses include expenses connected with the current accounting period posted as the value of probable liabilities.

**15. Sales revenues**
Sales 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.

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.

**IV. Basic financial data and average PLN exchange rates**

**Balance Sheet ('000)**

| | ***31.12.2012*** | | ***31.12.2011*** | |
|---|---|---|---|---|
| | ***PLN*** | ***EUR*** | ***PLN*** | ***EUR*** |
| Fixed assets | 765 669 | 187 288 | 665 529 | 150 681 |
| Current assets | 626 300 | 153 197 | 789 195 | 178 681 |
| Total assets | 1 391 969 | 340 485 | 1 454 724 | 329 362 |
| Equity | 866 245 | 211 889 | 818 230 | 185 254 |
| Liabilities & provisions for liabilities | 525 724 | 128 595 | 636 494 | 144 108 |
| Total liabilities | 1 391 969 | 340 484 | 1 454 724 | 329 362 |

**Profit and Loss Account (‘000)**

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | PLN | EUR | PLN | EUR |
| Net sales of products, merchandise and raw materials | 2 133 259 | 511 132 | 2 321 586 | 560 753 |
| Cost of products, merchandise and raw materials sold | 1 933 310 | 463 224 | 2 077 131 | 501 707 |
| Gross profit (loss) on sales | 199 949 | 47 908 | 244 455 | 59 046 |
| Selling expenses | 26 771 | 6 414 | 35 377 | 8 545 |
| General administrative expenses | 51 396 | 12 315 | 71 204 | 17 199 |
| Profit (loss) on sales | 121 782 | 29 179 | 137 874 | 33 302 |
| Other operating income | 633 | 152 | 1 190 | 287 |
| Other operating expenses | 12 782 | 3 063 | 4 070 | 983 |
| Operating profit (loss) | 109 633 | 26 268 | 134 994 | 32 606 |
| Financial income | 13 123 | 3 144 | 364 | 88 |
| Financial expenses | 5 874 | 1 407 | 21 754 | 5 254 |
| Profit (loss) on ordinary activities | 116 882 | 28 005 | 113 604 | 27 440 |
| Profit (loss) before taxation | 116 882 | 28 005 | 113 604 | 27 440 |
| Income tax | 23 456 | 5 620 | 22 809 | 5 509 |
| **Net profit (loss)** | 93 426 | 22 385 | 90 795 | 21 931 |

**Cash Flow Statement (‘000)**

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | PLN | EUR | PLN | EUR |
| Net operational cash flows | 336 688 | 80 671 | 163 595 | 37 039 |
| Net investment activity cash flows | -131 729 | -31 562 | -98 240 | -22 242 |
| Net financial activity cash flows | -78 615 | -18 836 | -53 570 | -12 129 |
| **Total net cash flows** | 126 344 | 30 272 | 11 785 | 2 668 |

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:
December 31, 2012 1 EUR = PLN 4.0882
December 31, 2011 1 EUR = PLN 4.4168

- average exchange rate, calculated as the mean arithmetic value of exchange rates prevailing on the last day of each month:
in 2012: 1 EUR = PLN 4.1736
in 2011: 1 EUR = PLN 4.1401

- the highest and lowest exchange rate in the accounting period:
in 2012: the highest rate 1 EUR = PLN 4.5135
and the lowest rate 1 EUR = PLN 4.0465

in 2011: the highest rate 1 EUR = PLN 4.5642
and the lowest rate 1 EUR = PLN 3.8403

The items in Profit and Loss Account for 2012 were converted into EUR using the mean annual EUR/PLN exchange rate, which was PLN 4.1736.

**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 and 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 Accounting Standards (IAS) 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.

| **('000 PLN)** | **31.12.2012** | **31.12.2011** |
|---|---|---|
| **Shareholders' equity according to Polish accounting principles** | **866 245** | **818 230** |
| Discrepancy due to different exchange rates used for pricing of receivables, liabilities and cash assets | -41 | -1682 |
| Discrepancy stemming from different classification of lease contracts | 207 | 213 |
| Adjustment of differences in gross value of fixed assets | -13 701 | -13 519 |
| Adjustment of depreciation for fixed assets with different gross values | 6 968 | 5 889 |
| Transient difference being a result of the moment of current cost recognition | 1 615 | 13 276 |
| Difference stemming from different calculation of provisions for extended guarantees | 62 | 31 |
| Capitalization of interest on the average debt level in compliance with Goodyear Group principles | 12 434 | 9 639 |
| Capitalization of realized foreign exchange gains/losses on investment projects | - | 1 198 |
| Adjustment of accelerated depreciation of intangible assets under "SAP Project" | - | -580 |
| **Shareholders' equity according to Goodyear Group's principles** | **872 591** | **831 497** |

| **('000 PLN)** | **2012** | **2011** |
|---|---|---|
| **Net profit according to Polish accounting principles** | **93 426** | **90 795** |
| Transient difference being a result of the moment of current cost recognition | -11 661 | 18 038 |
| Discrepancy due to different exchange rates used for pricing of receivables, liabilities and cash assets | 4 | -1 821 |
| Discrepancy stemming from different classification of lease contracts | -6 | 10 |
| Adjustment of differences in gross value of fixed assets | -182 | -65 |
| Adjustment of depreciation for fixed assets with different gross values | 1 079 | 758 |
| Difference stemming from different calculation of provisions for extended guarantees | 31 | 40 |
| Capitalization of interest on the average debt level in compliance with Goodyear Group principles | 2 795 | -25 |
| Capitalization of realized foreign exchange gains/losses on investment projects | 439 | - |
| Adjustment of accelerated depreciation of intangible assets under "SAP Project" | -580 | -580 |
| **Net profit according to Goodyear Group principles** | **86 505** | **107 150** |

| File | Description |
|---|---|
| | |

**BALANCE SHEET** ‘000 PLN

| | NOTE | 2012 | 2011 |
|---|---|---|---|
| **ASSETS** | | | |
| **I. Fixed assets** | | 765 669 | 665 529 |
| 1. Intangible assets | 1 | 76 | 747 |
| 2. Tangible fixed assets | 2 | 755 675 | 648 994 |
| 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 | 9 774 | 15 644 |
| 4.1. Deferred income tax assets | | 9 774 | 15 644 |
| **II. Current assets** | | 626 300 | 789 195 |
| 1. Inventories | 5 | 117 687 | 286 218 |
| 2. Short-term receivables | 6 7 | 323 388 | 443 786 |
| 2.1. From related entities | | 281 842 | 383 741 |
| 2.2. From other entities | | 41 546 | 60 045 |
| 3. Short-term investments | | 184 772 | 58 666 |
| 3.1. Short-term financial assets | 8 | 184 772 | 58 666 |
| a) in other entities | | 445 | 244 |
| b) cash and cash equivalents | | 184 327 | 58 422 |
| 4. Short-term deferred assets | 9 | 453 | 525 |
| **Total assets** | | 1 391 969 | 1 454 724 |
| **LIABILITIES** | | | |
| **I. Shareholders’ equity** | | 866 245 | 818 230 |
| 1. Share capital | 11 | 110 422 | 110 422 |
| 2. Reserve capital | 12 | 320 041 | 319 618 |
| 3. Revaluation capital | 13 | 72 517 | 72 940 |
| 4. Other reserve capital | 14 | 269 839 | 224 455 |
| 5. Net profit (loss) | | 93 426 | 90 795 |
| **II. Liabilities and liability provisions** | | 525 724 | 636 494 |
| 1. Liability provisions | 15 | 84 598 | 86 507 |
| 1.1. Provision for deferred income tax | | 56 492 | 54 250 |
| 1.2. Provision for pension benefits and equivalents | | 27 878 | 32 146 |
| a) long-term | | 6 894 | 8 189 |
| b) short-term | | 20 984 | 23 957 |
| 1.3. Other provisions | | 228 | 111 |
| a) long-term | | 124 | 111 |
| b) short-term | | 104 | 0 |
| 2. Long-term liabilities | 16 | 1 647 | 6 386 |
| 2.1. To other entities | | 1 647 | 6 386 |
| 3. Short-term liabilities | 17 | 439 479 | 543 599 |
| 3.1. To related entities | | 98 036 | 128 745 |
| 3.2. To other entities | | 340 052 | 414 208 |
| 3.3. Special funds | | 1 391 | 646 |
| 4. Accrued liabilities | 18 | 0 | 2 |
| 4.1. Other accrued liabilities | | 0 | 2 |
| a) long-term liabilities | | 0 | 0 |
| b) short-term liabilities | | 0 | 2 |
| **Total liabilities** | | 1 391 969 | 1 454 724 |

| | | | |
|---|---|---|---|
| Book value | | 866 245 | 818 230 |
| Number of shares (pcs.) | | 13 802 750 | 13 802 750 |
| Book value per share (in PLN) | 19 | 62.76 | 59.28 |
| Diluted number of shares (pcs.) | | 13 802 750 | 13 802 750 |
| Diluted book value per share (in PLN) | 19 | 62.76 | 59.28 |

**OFF-BALANCE ITEMS** ‘000 PLN

| | | 2012 | 2011 |
|---|---|---|---|
| 1. **Other including:** | | 18 420 | 65 920 |

| | | | |
|---|---|---|---|
| - off-balance liabilities under a real estate long-term lease agreement | | 0 | 44 653 |
| - off-balance liabilities under a long-term gas supply agreement | | 12 920 | 15 004 |
| - off-balance liabilities under a real estate long-term lease agreement | | 5 500 | 6 263 |
| **Total off-balance liabilities** | | 18 420 | 65 920 |

**PROFIT AND LOSS ACCOUNT** ‘000 PLN

| | NOTE | 2012 | 2011 |
|---|---|---|---|
| **I. Net sales of products merchandise and materials including:** | | 2 133 259 | 2 321 586 |
| - from related entities | | 1 897 783 | 2 094 137 |
| 1. Net sales of products | 20 | 2 071 255 | 2 274 436 |
| 2. Net sales of merchandise and materials | 21 | 62 004 | 47 150 |
| **II. Cost of products merchandise and materials sold including:** | | 1 933 310 | 2 077 131 |
| - to related entities | | 1 746 696 | 1 898 615 |
| 1. Cost of products sold | 22 | 1 876 984 | 2 031 236 |
| 2. Cost of merchandise and materials sold | | 56 326 | 45 895 |
| **III. Gross profit (loss) on sales** | | 199 949 | 244 455 |
| **IV. Selling expenses** | 22 | 26 771 | 35 377 |
| **V. General administrative expenses** | 22 | 51 396 | 71 204 |
| **VI. Profit (loss) on sales** | | 121 782 | 137 874 |
| **VII. Other operating income** | | 633 | 1 190 |
| 1. Gain from disposal of non-financial fixed assets | | 153 | 635 |
| 2. Other operating income | 23 | 480 | 555 |
| **VIII. Other operating expenses** | | 12 782 | 4 070 |
| 1. Revaluation of non-financial fixed assets | | 855 | 2 400 |
| 2. Other operating costs | 24 | 11 927 | 1 670 |
| **IX. Operating profit (loss)** | | 109 633 | 134 994 |
| **X. Financial income** | 25 | 13 123 | 364 |
| 1. Dividends and participation in profits | | 0 | 9 |
| 2. Interest receivable | | 4 667 | 340 |
| 3. Other | | 8 456 | 15 |
| **XI. Financial expenses** | 26 | 5 874 | 21 754 |
| 1. Interest payable | | 5 874 | 6 518 |
| 2. Other | | | 15 236 |
| **XII. Profit (loss) on ordinary activities** | | 116 882 | 113 604 |
| **XIII. Profit (loss) before taxation** | | 116 882 | 113 604 |
| **XIV. Income tax** | 27 | 23 456 | 22 809 |
| a) current portion | | 15 344 | 20 458 |
| b) deferred portion | | 8 112 | 2 351 |
| **XV. Net profit (loss)** | | 93 426 | 90 795 |

| | | | |
|---|---|---|---|
| **Net profit (loss) (annualized)** | | 93 426 | 90 795 |
| Weighted average number of the ordinary shares (pcs.) | | 13 802 750 | 13 802 750 |
| Earnings (loss) per ordinary share (in PLN) | 29 | 6.77 | 6.58 |
| Weighted average diluted number of the ordinary shares (pcs.) | | 13 802 750 | 13 802 750 |
| Diluted earnings (loss) per ordinary share (in PLN) | 29 | 6.77 | 6.58 |

**STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY**

| | ‘000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| **I. Opening balance of shareholders’ equity** | 818 230 | 768 292 |
| **I.a. Opening balance of shareholders’ equity after restatement to comparative data** | 818 230 | 768 292 |
| **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** | 319 618 | 318 893 |
| 2.1. Changes in reserve capital | 423 | 725 |
| a) additions (of which) | 423 | 725 |
| - allocation from the reserve capital of amounts of revaluated liquidated fixed assets – current periods | 423 | 725 |
| 2.2. Closing balance of reserve capital | 320 041 | 319 618 |

| | | |
|---|---|---|
| **3. Opening balance of revaluation capital** | 72 940 | 73 665 |
| 3.1. Changes in revaluation capital | -423 | -725 |
| a) reductions (of which): | 423 | 725 |
| - allocation to the reserve capital of amounts of revaluated liquidated fixed assets - current period | 423 | 725 |
| 3.2. Closing balance of revaluation capital | 72 517 | 72 940 |
| **4. Opening balance of other reserve capital** | 224 455 | 183 626 |
| 4.1. Changes in other reserve capital | 45 384 | 40 829 |
| a) additions (of which) | 45 384 | 40 829 |
| - allocation to reserve capital from the profit distributed for the year 2010 with an option of dividend payment to the shareholders | 0 | 40 829 |
| - allocation to reserve capital from the profit distributed for the year 2011 with an option of dividend payment to the shareholders | 45 384 | |
| 4.2. Closing balance of other reserve capital | 269 839 | 224 455 |
| **5. Opening balance of retained earnings** | 90 795 | 81 686 |
| 5.1. Opening balance of retained earnings | 90 795 | 81 686 |
| 5.2. Opening balance of retained earnings after the restatement to comparative data | 90 795 | 81 686 |
| a) reductions (of which): | 90 795 | 81 686 |
| - dividend for shareholders | 45 411 | 40 857 |
| - allocation to reserve capital from the profit distributed for the year 2010 with an option of dividend payment to the shareholders | | 40 829 |
| - allocation to reserve capital from the profit distributed for the year 2011 with an option of dividend payment to the shareholders | 45 384 | |
| 5.3. Closing balance of retained earnings | 0 | 0 |
| 5.4. Closing balance of retained earnings/losses | 0 | 0 |
| **6. Net profit (loss)** | 93 426 | 90 795 |
| a) net profit | 93 426 | 90 795 |
| **II. Closing balance of shareholders' equity** | 866 245 | 818 230 |
| **III. Shareholders' equity adjusted by the proposed distribution of profit (loss coverage)** | 866 245 | 818 230 |

**CASH FLOW STATEMENT** ‘000 PLN

| | 2012 | 2011 |
|---|---|---|
| **A. Operational cash flows** | | |
| **I. Net profit (loss)** | 93 426 | 90 795 |
| **II. Total adjustments** | 243 262 | 72 800 |
| 1. Depreciation and amortization | 70 577 | 69 269 |
| 2. Foreign exchange gains/losses | 439 | -284 |
| 3. Interest and dividends | 995 | 3 623 |
| 4. Investment activity gain (loss) | 823 | -583 |
| 5. Change in provisions | -1 910 | 2 765 |
| 6. Change in inventories | 168 531 | -54 647 |
| 7. Change in receivables | 119 954 | 16 745 |
| 8. Change in current liabilities (excluding loans and credits) | -117 098 | 30 286 |
| 9. Change in deferred and accrued expenses | 5 939 | -1 076 |
| 10. Other adjustments | -4 988 | 6 702 |
| **III. Net operational cash flows (I+/-II) – indirect method** | 336 688 | 163 595 |
| **B. Investment activity cash flows** | | |
| **I. Cash inflows** | 42 | 1 181 |
| 1. Disposal of intangible assets and tangible fixed assets | 42 | 1 062 |
| 2. From financial assets of which: | 0 | 119 |
| a) In other entities | 0 | 119 |
| - interest received | 0 | 119 |
| - other inflows from financial assets | 0 | 0 |
| **II. Cash outflows** | 131 771 | 99 421 |
| 1. Acquisition of intangible assets and tangible fixed assets | 131 771 | 99 421 |
| 2. On financial assets of which: | 0 | 0 |
| a) in related entities | 0 | 0 |
| b) in other entities | 0 | 0 |

| | | |
|---|---|---|
| **III. Net investment activity cash flows (I-II)** | -131 729 | -98 240 |
| **C. Financial activity cash flows** | | |
| **I. Cash inflows** | 0 | 0 |
| 1. Other inflows | 0 | 0 |
| **II. Cash outflows** | 78 615 | 53 570 |
| 1. Dividends and other payments to the owners | 45 411 | 40 857 |
| 2. Loan and credit payables | 29 908 | 7 050 |
| 3. Financial lease commitments paid | 2 301 | 1 921 |
| 4. Interest paid | 995 | 3 742 |
| **III. Net financial activity cash flows (I-II)** | -78 615 | -53 570 |
| **D. Total net cash flows (A.III+/-B.III+/-C.III)** | 126 344 | 11 785 |
| **E. Change in balance-sheet cash and cash equivalents of which:** | 125 905 | 12 069 |
| - change in cash and cash equivalents due to foreign exchange gains/losses | -439 | 284 |
| **F. Opening balance of cash and cash equivalents** | 58 259 | 46 474 |
| **G. Closing balance of cash and cash equivalents (F+/- D) of which:** | 184 603 | 58 259 |
| - those with restricted availability | 1 391 | 346 |

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

### Note 1 a

| **INTANGIBLE ASSETS INCLUDING:** | ‘000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) concessions, patents, licenses and equivalents including: | 76 | 747 |
| - computer software | 76 | 747 |
| Total intangible assets | 76 | 747 |

## 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 | | | 7 357 | 7 357 | | | 7 357 |
| b) additions (of which): | | | 53 | 53 | | | 53 |
| - purchases | | | 53 | 53 | | | 53 |
| c) closing balance of intangible assets, gross | | | 7 410 | 7 410 | | | 7410 |
| d) opening balance of accumulated depreciation | | | 6 610 | 6 610 | | | 6610 |
| e) depreciation for the accounting period of which: | | | 724 | 724 | | | 724 |
| - accrued depreciation for the period | | | 724 | 724 | | | 724 |
| f) closing balance of accumulated depreciation | | | 7 334 | 7 334 | | | 7 334 |
| g) closing balance of intangible assets, net | | | 76 | 76 | | | 76 |

## Note 1c

| INTANGIBLE ASSETS (OWNERSHIP STRUCTURE) | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) own intangible assets | 76 | 747 |
| Total intangible assets | 76 | 747 |

## Note 2a

| TANGIBLE FIXED ASSETS | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) tangible fixed assets including: | 601 965 | 594 056 |
| - lands (including perpetual usufruct title to land) | 11 | 11 |
| - buildings, units and civil engineering works | 114 753 | 115 918 |
| - technical equipment and machinery | 481 660 | 471 915 |
| - means of transport | 639 | 1 324 |
| - other fixed assets | 4 902 | 4 888 |
| b) fixed assets under construction | 141 800 | 54 714 |
| c) prepaid fixed assets under construction | 11 910 | 224 |
| Total tangible fixed assets | 755 675 | 648 994 |

## 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 | - means of transport | - other fixed assets | Total fixed assets |
| a) opening balance of fixed assets, gross | 11 | 256 262 | 1 097 877 | 4 908 | 18 126 | 1 377 184 |
| b) additions (of which): | | 5 400 | 71 925 | 338 | 962 | 78 625 |
| - purchases, investments | | 5 400 | 70 100 | | 962 | 76 462 |
| - leased assets | | | 1 825 | 338 | | 2 163 |
| c) reductions (of which): | | 487 | 11 481 | 789 | 53 | 12 809 |
| - disposals | | | 1 368 | | | 1 368 |
| - liquidations | | 487 | 9 792 | 142 | 52 | 10 473 |
| - return to lessor once the lease contract is over | | | 321 | 647 | | 968 |
| d) closing balance of fixed assets, gross | 11 | 261 174 | 1 158 321 | 4 457 | 19 036 | 1 442 999 |
| e) opening balance of accumulated depreciation | | 140 016 | 624 606 | 3 584 | 13 238 | 781 444 |
| f) depreciation for the period of which: | | 6 078 | 50 699 | 234 | 895 | 57 906 |
| - accrued depreciation for the period | | 6 547 | 61 335 | 1 023 | 947 | 69 852 |
| - reduced depreciation due to disposal and liquidation | | 469 | 10 315 | 142 | 52 | 10 978 |
| - return to lessor once the lease contract is over | | | 321 | 647 | | 968 |
| g) closing balance of accumulated depreciation | | 146 094 | 675 305 | 3 818 | 14 133 | 839 350 |
| h) opening balance of allowances for permanent loss of value | | 328 | 1 356 | | | 1 684 |
| i) closing balance of allowances for permanent loss of value | | 328 | 1 356 | | | 1 684 |
| j) closing balance of fixed assets, net | 11 | 114 753 | 481 660 | 639 | 4 902 | 601 965 |

## Note 2c

| BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE) | ‘000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) own fixed assets | 598 702 | 590 664 |
| b) used under rental, tenancy or other contract including lease contract, of which: | 3 263 | 3 392 |
| - lease contract | 3 263 | 3 392 |
| Total balance sheet fixed assets | 601 965 | 594 056 |

## Note 2d

| OFF-BALANCE FIXED ASSETS | ‘000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| used under rental, tenancy or other contract including lease contract including: | 31 074 | 119 807 |
| - real properties used under lease contract according to estimated gross value | 0 | 88 310 |
| - perpetual usufruct title to lands | 31 074 | 31 497 |
| Total off-balance fixed assets | 31 074 | 119 807 |

## Note 3a

| CHANCE IN BALANCE OF INTANGIBLE ASSETS (BY CATEGORY ) | ‘000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) opening balance | 747 | 0 |
| - computer software | 747 | |
| b) additions (of which ) | 53 | 0 |
| - computer software | 53 | |
| c) reductions (of which) | 724 | 0 |
| - computer software | 724 | |
| d) closing balance | 76 | 0 |
| - computer software | 76 | |

## Note 3b

| | ‘000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) 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 ASSETS (BY) CATEGORY) | ‘000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) opening balance | 144 | 1 681 |
| b) additions (of which) | 0 | 3 452 |
| - pricing of embedded derivatives | | 3 452 |
| c) reductions (of which): | 0 | 4 989 |
| - pricing of embedded derivatives | | 4 989 |
| d) closing balance | 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 | 4 523 | 1 008 | 14.00 | 14.00 | | |

As of December 31, 2011

## Note 3e

| SECURITIES, INTERESTS AND OTHER LONG-TERM FINANCIAL ASSETS (BY CURRENCY) | unit | currency | '000 PLN | |
|---|---|---|---|---|
| | | | 2012 | 2011 |
| 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) | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| 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 | |
|---|---|---|
| | 2012 | 2011 |
| 1. Opening balance of deferred income tax assets including: | 15 644 | 14 504 |
| a) included in the financial result | 15 163 | 14 023 |
| - provision for employee benefits due, but unpaid | 5 328 | 5 103 |
| - provision for jubilee awards and retirement gratuities | 2 251 | 2 443 |
| - provision for restructuring | 0 | 116 |
| - non-invoiced services | 4 681 | 4 309 |
| - revaluation of trade receivables | 293 | 239 |
| - reduction in the value of raw material and product inventories | 365 | 658 |
| - provision for extended guarantees | 22 | 14 |
| - difference between lease costs under accounting and tax treatment | 50 | 47 |
| - accrued, but not paid interest on loans extended | 879 | 933 |
| - provision for bonuses | 948 | |
| - other | 346 | 161 |
| b) netted with equity | 481 | 481 |
| 2. Additions | 189 | 1 795 |
| a) deducted from financial result in the accounting period in relation to negative temporary differences (of which): | 189 | 1 795 |
| - provision for employee benefits due, but unpaid | | 225 |
| - non-invoiced services | 20 | |
| - decrease of the value of raw material and product inventories | | 372 |
| - difference between lease costs under accounting and tax treatment | | 3 |
| - provision for extended guarantees | 2 | 8 |
| - revaluation of trade receivables | | 54 |
| - provision for bonuses | 167 | 0 |
| - embedded derivatives | | 948 |
| - other | | 185 |
| 3. Deductions | 6 059 | 655 |
| a) deducted from financial result in the accounting period in relation to negative temporary differences (of which): | 6 059 | 655 |
| -provision for employee benefits due, but unpaid | 1 038 | |
| - provision for jubilee awards and retirement gratuities | 429 | 192 |

## Note 4a (cont.)

| CHANGE IN DEFERRED INCOME TAX ASSETS | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| - decrease of the value of raw material and product inventories | 214 | 293 |
| - difference between lease costs under accounting and tax treatment | 1 | 0 |
| - revaluation of trade receivables | 109 | 0 |
| - provision for restructuring | | 116 |
| - non-invoiced services | 2 919 | 0 |
| - provision for bonuses | | 54 |
| - embedded derivatives | 948 | 0 |
| - other | 401 | |
| 4. Closing of deferred income tax assets including: | 9 774 | 15 644 |
| a) included in the financial result | 9 293 | 15 163 |
| - provision for employee benefits due, but unpaid | 4 290 | 5 328 |
| - provision for jubilee awards and retirement gratuities | 1 822 | 2 251 |
| - provision for restructuring | 20 | 0 |
| - revaluation of trade receivables | 184 | 293 |
| - reduction in the value of raw material and product inventories | 151 | 365 |
| - provision for extended guarantees | 24 | 22 |
| - difference between lease costs under accounting and tax treatment | 49 | 50 |
| - non-invoiced services | 1 762 | 4 681 |
| - provision for bonuses | 1 046 | 879 |
| - embedded derivatives | 0 | 948 |
| - other | -55 | 346 |
| b) netted with equity | 481 | 481 |

## Note 5a

| INVENTORIES | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) raw materials | 70 082 | 97 043 |
| b) intermediate products and work in progress | 22 628 | 24 935 |
| c) finished goods | 23 182 | 161 227 |
| d) merchandise | 1 795 | 3 013 |
| Total inventories | 117 687 | 286 218 |

## Note 6a

| SHORT-TERM RECEIVABLES | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) from related entities | 281 842 | 383 741 |
| - trade receivables with maturity: | 281 842 | 383 741 |
| - below 12 months | 281 842 | 383 741 |
| b) receivables from other entities | 41 546 | 60 045 |
| - trade receivables with maturity: | 39 075 | 37 395 |
| - below 12 months | 39 075 | 37 395 |
| - receivables related to taxes, subsidies, customs, social and health insurance and other benefits | 2 271 | 22 637 |
| - other | 200 | 13 |
| Total short-term receivables, net | 323 388 | 443 786 |
| c) revaluation of net value of receivables | 990 | 1 555 |
| Total short-term receivables, gross | 324 378 | 445 341 |

## Note 6b

| SHORT-TERM RECEIVABLES FROM RELATED ENTITIES | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) trade receivables including: | 281 842 | 383 741 |
| - from controlling entity | 7 | 47 |
| - from other related entities | 281 835 | 383 694 |
| Total short-term receivables from related entities, net | 281 842 | 383 741 |
| Total short-term receivables from related entities, gross | 281 842 | 383 741 |

## Note 6c

| CHANGE OF REVALUATION OF SHORT-TERM RECEIVABLES | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| Opening balance | 1 555 | 1 285 |
| a) additions (of which) | 4 794 | 1 671 |
| - setting up provisions | 4 794 | 1 671 |
| b) decreases (of which): | 5 359 | 1 401 |
| - utilization rate, depreciation | 1 195 | 1 016 |
| - dissolution, paid | 4 164 | 385 |
| Closing balance of revaluated short-term receivables | 990 | 1 555 |

## Note 6d

| GROSS SHORT-TERM RECEIVABLES (BY CURRENCY) | unit | currency | '000 PLN | |
|---|---|---|---|---|
| | | | 2012 | 2011 |
| a) in Polish currency | | | 41 970 | 204 329 |
| b) in foreign currencies (by currency and following conversion into PLN) | | | 282 408 | 241 012 |
| b1. unit/currency | '000 | USD | 283 | 432 |
| following conversion into '000 PLN | | | 907 | 1 475 |
| b2. unit/currency | '000 | EUR | 68 298 | 54 233 |
| following conversion into '000 PLN | | | 281 501 | 239 537 |
| Total short-term receivables | | | 324 378 | 445 341 |

## Note 6e

| GROSS TRADE RECEIVABLES - WITH MATURITY COUNTED FROM BALANCING DATE: | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) below 1 month | 293 157 | 368 506 |
| b) from 1 to 3 months | 27 039 | 47 931 |
| c) from 3 to 6 months | 3 | 4 095 |
| d) from 6 months to 1 year | | 0 |
| e) above 1 year | | 0 |
| f) overdue receivables | 1 613 | 831 |
| Total trade receivables, gross | 321 812 | 421 363 |
| g) revaluated trade receivables | -890 | -227 |
| Total trade receivables, net | 320 922 | 421 136 |

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 6f

| OVERDUE TRADE RECEIVABLES, GROSS – WITH THE FOLLOWING AGEING STRUCTURE: | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) below 1 month | 1 137 | 550 |
| b) from 1 to 3 months | 116 | 116 |
| c) from 3 to 6 months | 9 | 32 |
| d) from 6 months to 1 year | 113 | 49 |
| e) above 1 year | 238 | 84 |
| Total overdue trade receivables (gross) | 1 613 | 831 |
| f) overdue revaluated trade receivables | -890 | -227 |
| Total overdue trade receivables, net | 723 | 603 |

## Note 7a

Gross short-term receivables totaled PLN 324 378 thousand including overdue receivables totaling PLN 1 613 thousand. The revaluation write-offs totaled PLN 990 thousand, of which overdue receivables totaled PLN 890 thousand.

Gross long-term receivables were not present.

| File | Description |
|---|---|
| | |

## Note 8a

| SHORT-TERM FINANCIAL ASSETS | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) in other entities | 445 | 244 |
| - other securities (by category) | 445 | 244 |
| - embedded derivatives | 0 | 244 |
| - bills of exchange with maturity above 3 months | 445 | 0 |
| b) cash and cash equivalents | 184 327 | 58 422 |
| - cash in hand and cash in bank | 184 327 | 58 422 |
| Total short-term financial assets | 184 772 | 58 666 |

## Note 8b

| SECURITIES, INTERESTS AND OTHER SHORT-TERM FINANCIAL ASSETS (BY CURRENCY) | unit | currency | '000 PLN | |
|---|---|---|---|---|
| | | | 2012 | 2011 |
| a) in Polish currency | | | 445 | 0 |
| b) in foreign currencies (by currency and following conversion into PLN) | | | 0 | 244 |
| b1. in foreign currency | '000 | EUR | | |
| following conversion into '000 PLN | | | 0 | 244 |
| - | | | | |
| Total securities, interests and other short-term financial assets | | | 445 | 244 |

## Note 8c

| SECURITIES, INTERESTS AND OTHER SHORT-TERM FINANCIAL ASSETS (BY MARKETABILITY) | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| c1)... | | |
| c2)... | | |
| c1)... | | |
| c2)... | | |
| c1)... | | |
| c2)... | | |
| c1)... | | |
| c2)... | | |
| Total value at purchasing prices | 526 | 526 |
| Total opening balance | 0 | 0 |
| Total revaluations in the accounting period | 0 | 0 |
| Total balance sheet value | 0 | 0 |

The short-term financial assets comprise the pricing of embedded derivatives totaling PLN 244 thousand (in 2012 they did not occur) not shown in the above note.

## Note 8d

| SHORT-TERM LOANS EXTENDED (BY CURRENCY) | unit | currency | '000 PLN | |
|---|---|---|---|---|
| | | | 2012 | 2011 |
| b1. in currency | | | | |
| other currencies in '000 PLN | | | | |

## Note 8e

| CASH AND CASH EQUIVALENTS (BY CURRENCY) | unit | currency | ‘000 PLN | |
|---|---|---|---|---|
| | | | 2012 | 2011 |
| a) in Polish currency | | | 174 067 | 1 620 |
| b) in foreign currencies (by currency and following conversion into PLN) | | | 10 260 | 56 802 |
| b1. unit/currency | ‘000 | USD | 3 140 | 132 |
| following conversion into ‘000 PLN | | | 9 733 | 453 |
| b2. unit/currency | ‘000 | EUR | 129 | 12 758 |
| following conversion into ‘000 PLN | | | 527 | 56 349 |
| Total cash and cash equivalents | | | 184 327 | 58 422 |

## Note 9a

| SHORT-TERM PREPAYMENTS | ‘000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) short-term prepayments including: | 453 | 525 |
| - property insurance | 439 | 473 |
| - tire testing under regular operational conditions | 0 | 0 |
| - other | 14 | 52 |
| Total short-term prepayments | 453 | 525 |

## Note 10a

The revaluation of non-financial assets for 12 months 2012 totaled PLN 855 thousand of which:
PLN 829 thousand applied to finished goods, and
PLN 26 thousand applied to materials.

At the same time an adjustment (reduction) was made of the write-off for materials by PLN 298 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 | DĘBICA | | | 10 100 000 | 80 800 | Cash | May 23,19.95 | May 9,1995 |
| C | DĘBICA | | | 3 702 750 | 29 622 | Cash | April 11,1996 | January 1,1996 |
| Total number of shares | | | | 13 802 750 | | | | |
| Total share capital | | | | | 110 422 | | | |
| Par value per share (in PLN) | | 8.00 | | | | | | |

As of December 31, 2012 the shareholders holding directly or indirectly via their subsidiaries at least 5% of the total issuer’s shareholders’ equity were as follows:

1) Goodyear S.A. with its registered office in Luxembourg holding 10 546 155 shares accounting for 76.406% of the Company’s shareholders’ equity and giving entitlement to exercise 10 546 155 votes at the Company’s General Meeting of Shareholders, of which:
- it holds directly 9 117 040 shares in the Company, accounting for 66.052% of the Company’s share capital,
- it holds indirectly, via Alliance Silesia Portfolio, 1 429 115 shares in the Company, accounting for 10.354% of the share capital.

2) The PZU “Golden Fall” Open-End Pension Fund, with its registered office in Warsaw, holding 804 290 shares in the Company, whereas the shareholding in percentage terms in the Company’s share capital and in the

total number of votes is 5.83%.

The changes in the Company’s shareholding structure in 2012 are described in Section 6 of the "Company’s Management Board Report on Company Operations in 2012".

## Note 12a

| RESERVE CAPITAL | ‘000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| 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) | 13 807 | 13 384 |
| - reposting of reserve capital from revaluation of fixed assets – liquidated and disposed of | 12 123 | 11 700 |
| - 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 | 320 041 | 319 618 |

## Note 13a

| REVALUATION CAPITAL | ‘000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) revaluation of fixed assets | 72 036 | 72 459 |
| b) revaluation of deferred tax | 481 | 481 |
| Total revaluation capital | 72 517 | 72 940 |

## Note 14a

| OTHER RESERVE CAPITAL (BY PURPOSE) | ‘000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| - 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 | |
| Total other reserve capital | 269 839 | 224 455 |

## Note 15a

| CHANGE IN PROVISION FOR DEFERRED INCOME TAX | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| 1. Opening balance of provision for deferred income tax including: | 54 250 | 50 760 |
| a) netted with the financial result | 54 250 | 50 760 |
| - amortization of investment allowances | 4 465 | 4 780 |
| - interest charged to contractors and interest income from cash assets | 8 | 14 |
| - difference between depreciation under accounting and tax treatment | 49 436 | 45 450 |
| - embedded derivatives | 0 | 327 |
| - prepayments | 87 | 107 |
| - other income –franchise | 254 | 82 |
| 2. Additions | 2 772 | 4 158 |
| a) netted with the financial result in the accounting period in relation to temporary foreign exchange gains (from item) | 2 772 | 4 158 |
| - difference between depreciation under accounting and tax treatment | 2 772 | 3 986 |
| - other | 0 | 172 |
| 3. Deductions | 530 | 668 |
| a) deducted from financial result in the accounting period in relation to positive temporary differences (of which) | 530 | 668 |
| - amortization of investment allowances | 296 | 315 |
| - interest charged to contractors and interest income from cash assets | 2 | 6 |
| - embedded derivatives | 0 | 327 |
| - prepayments | 1 | 20 |
| - other | 231 | |
| 4. Total closing balance of provision for deferred income tax | 56 492 | 54 250 |
| a) netted with the financial result | 56 492 | 54 250 |
| - amortization of investment allowances | 4 169 | 4 465 |
| - interest charged to contractors and interest income from cash assets | 6 | 8 |
| - difference between depreciation under accounting and tax treatment | 52 208 | 49 436 |
| - prepayments | 86 | 87 |
| - other | 23 | 254 |

## Note 15b

| CHANGE IN LONG-TERM PROVISION FOR RETIREMENT BENEFITS AND EQUIVALENTS (BY TITLE) | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) opening balance | 8 189 | 9 675 |
| - jubilee awards, retirement gratuities, disability and death benefits | 8 189 | 9 675 |
| b) additions (of which) | 0 | 0 |
| c) dissolution (of which) | 1 295 | 1 486 |
| - jubilee awards, retirement gratuities, disability and death benefits | 1 295 | 1 486 |
| d) closing balance | 6 894 | 8 189 |
| - jubilee awards, retirement gratuities, disability and death benefits | 6 894 | 8 189 |

## Note 15c

| CHANGE IN SHORT-TERM PROVISION FOR RETIREMENT BENEFITS AND EQUIVALENTS (BY TITLE) | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) opening balance | 23 957 | 22 624 |
| - jubilee awards, retirement gratuities, disability and death benefits | 3 658 | 3 183 |
| - other employee benefits due, but unpaid | 20 299 | 19 441 |
| b) additions (of which) | 14 680 | 16 886 |
| - jubilee awards, retirement gratuities, disability and death benefits | 0 | 475 |
| - other employee benefits due, but unpaid | 14 680 | 16 411 |
| c) utilization (of which) | 16 692 | 15 553 |
| - other employee benefits due, but unpaid | 16 692 | 15 553 |
| d) dissolution (of which) | 961 | 0 |
| - other employee benefits due, but unpaid | 961 | |
| e) closing balance | 20 984 | 23 957 |
| - jubilee awards, retirement gratuities, disability and death benefits | 2 697 | 3 658 |
| - other employee benefits due, but unpaid | 18 287 | 20 299 |

## Note 15d

| CHANGE IN BALANCE OF OTHER LONG-TERM PROVISIONS (BY TITLE) | ‘000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) opening balance | 111 | 69 |
| - tire warranties extended | 111 | 69 |
| b) additions (of which) | 40 | 47 |
| - tire warranties extended | 40 | 47 |
| c) utilization (of which) | 0 | 5 |
| - tire warranties extended | 0 | 5 |
| d) dissolution (of which) | 27 | 0 |
| - tire warranties extended | 27 | |
| e) closing balance | 124 | 111 |
| - tire warranties extended | 124 | 111 |

## Note 15e

| CHANGE IN BALANCE OF OTHER SHORT-TERM PROVISIONS (BY TITLE) | ‘000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) opening balance | 0 | 614 |
| - restructuring provision (severance pays for laid-off workers) | 0 | 614 |
| b) additions (of which) | 104 | 177 |
| - restructuring provision (severance pays for laid-off workers) | 104 | 177 |
| c) utilization (of which) | 0 | 791 |
| - restructuring provision (severance pays for laid-off workers) | | 791 |
| e) closing balance | 104 | 0 |
| - restructuring provision (severance pays for laid-off workers) | 104 | 0 |

## Note 16a

| LONG-TERM LIABILITIES | ‘000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) to other entities | 1 647 | 6 386 |
| - financial lease contracts | 1 647 | 1 733 |
| - other (by category) | | 4 653 |
| - embedded derivatives | | 4 653 |
| Total long-term liabilities | 1 647 | 6 386 |

## Note 16b

| LONG-TERM LIABILITIES WITH MATURITY FROM BALANCING DATE | ‘000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) from 1 to 3 years | 1 647 | 3 210 |
| b) from 3 to 5 years | 0 | 2 423 |
| c) above 5 years | 0 | 753 |
| Total long-term liabilities | 1 647 | 6 386 |

## Note 16c

| LONG-TERM LIABILITIES (BY CURRENCY) | unit | currency | ‘000 PLN | |
|---|---|---|---|---|
| | | | 2012 | 2011 |
| a) in Polish currency | | | 1 647 | 6 386 |
| Total long-term liabilities | | | 1 647 | 6 386 |

**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 | | | 0 | 0 | ‘000 | PLN | WIBOR 1 M + 1.35% | Sept. 30, 2015 | a power of attorney to use current account, statement about voluntary subjecting oneself to enforcement procedure | |
| ING BANK S.A. | WARSAW | 30 000 | 0 | | | 0 | 0 | ‘000 | PLN | WIBOR 1 M + 1.25% | Oct. 31, 2015 | a power of attorney to use current account, statement about voluntary subjecting oneself to enforcement procedure | |
| RAIFFEISEN BANK POLSKA SA | WARSAW | 40 000 | 0 | | | 0 | 0 | ‘000 | PLN | WIBOR 1 M + 1.25% | Sept. 30, 2016 | a power of attorney to use current account, statement about voluntary subjecting oneself to enforcement procedure | |
| BRE SA | WARSAW | 45 000 | 0 | | | 0 | 0 | ‘000 | PLN | WIBOR 1 M + 1.30% | Oct. 31, 2016 | a power of attorney to use current account, statement about voluntary subjecting oneself to enforcement procedure | |

## Note 17a

| SHORT-TERM LIABILITIES | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| vis-à-vis a partner in a subsidiary | | |
| credits and loans including: | | |
| long-term under repayment | | |
| debt securities liabilities | | |
| dividend-related payables | | |
| other financial liabilities including: | | |
| trade payables with the following maturity: | | |
| below 12 months | | |
| above 12 months | | |
| prepaid deliveries | | |
| bill of exchange payables | | |
| other (by purpose) | | |
| a) vis-à-vis controlling entity | 17 596 | 24 640 |
| - trade payables with the following maturity: | 17 596 | 24 640 |
| - below 12 months | 17 596 | 24 640 |
| - vis-à-vis other related entities | 80 440 | 104 105 |
| - trade payables with the following maturity: | 80 440 | 104 105 |
| - below 12 months | 80 440 | 104 105 |
| vis-a-vis other non-related entities | 340 052 | 414 208 |
| - credits and loans of which: | 0 | 29 908 |
| b) other financial liabilities including: | 1 871 | 1 921 |
| - financial lease contracts | 1 871 | 1 921 |
| - trade payables with the following maturity: | 261 023 | 344 971 |
| - below 12 months | 261 023 | 344 971 |
| - taxes, customs, insurance and other benefits | 19 464 | 22 506 |
| - wage-related payables | 7 268 | 7 310 |
| - other (by purpose) | 50 426 | 7 592 |
| - investment liabilities | 50 424 | 6 909 |
| - embedded derivatives | 0 | 579 |
| - other | 2 | 104 |
| c) special funds (by purpose) | 1 391 | 646 |
| Total short-term liabilities | 439 479 | 543 599 |

## Note 17b

| SHORT-TERM LIABILITIES (BY CURRENCY) | unit | currency | ‘000 PLN | |
|---|---|---|---|---|
| | | | 2012 | 2011 |
| a) in Polish currency | | | 274 327 | 220 823 |
| b) in foreign currencies (by currency and after conversion into PLN) | | | 165 152 | 322 776 |
| b1. unit/currency | ‘000 | USD | 4 861 | 7 318 |
| after conversion into ‘000 PLN | | | 9 931 | 25 010 |
| b2. unit/currency | ‘000 | EUR | 52 256 | 67 285 |
| after conversion into ‘000 PLN | | | 155 036 | 297 187 |
| b3. unit/currency | ‘000 | GBP | 36 | |
| after conversion into ‘000 PLN | | | 185 | |
| b4. unit/currency | | USD | | |
| after conversion into ‘000 PLN | | | | 579 |
| Total short-term liabilities | | | 439 479 | 543 599 |

## Note 18a

| OTHER ACCRUED LIABILITIES | ‘000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) accruals and deferred income | 0 | 2 |
| - short term (of which) | 0 | 2 |
| - compensations due | 0 | 2 |
| Total other accruals and deferred income | 0 | 2 |

## Note 19a

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 20a

| NET SALES OF MERCHANDISE (NON-CASH STRUCTURE - BY TYPE OF ACTIVITY) | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| - revenues from the sales of rubber products | 2 030 061 | 2 226 137 |
| - including: from related entities | 1 837 393 | 2 025 072 |
| - revenues from the sales of services | 41 194 | 48 299 |
| - including: from related entities | 38 092 | 43 168 |
| Total net sales of products | 2 071 255 | 2 274 436 |
| - including: from related entities | 1 875 485 | 2 068 240 |

## Note 20b

| NET SALES OF PRODUCTS (BY GEOGRAPHICAL AREA) | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) domestic market | 352 880 | 537 449 |
| - including: from related entities | 158 014 | 335 037 |
| - revenues from the sales of rubber products | 344 675 | 511 689 |
| - including: from related entities | 152 893 | 314 402 |
| - revenues from the sales of services | 8 205 | 25 760 |
| - including: from related entities | 5 121 | 20 635 |
| b) export markets | 1 718 375 | 1 736 987 |
| - including: from related entities | 1 717 471 | 1 733 203 |
| - revenues from the sales of rubber products | 1 685 386 | 1 714 448 |
| - including: from related entities | 1 684 500 | 1 710 670 |
| - revenues from the sales of services | 32 989 | 22 539 |
| - including: from related entities | 32 971 | 22 533 |
| Total net sales of products | 2 071 255 | 2 274 436 |
| - including: from related entities | 1 875 485 | 2 068 240 |

## Note 21a

| NET SALES OF MERCHANDISE AND MATERIALS (NON-CASH STRUTURE – TYPE OF ACTIVITY) | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| - materials | 5 053 | 23 354 |
| - including: from related entities | 4 496 | 21 036 |
| - merchandise | 56 951 | 23 796 |
| - including: from related entities | 17 802 | 4 861 |
| Total sales of merchandise and materials, net | 62 004 | 47 150 |
| - including: from related entities | 22 298 | 25 897 |

## Note 21b

| NET SALES OF MERCHANDISE AND MATERIALS (BY GEOGRAPHICAL AREA) | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) domestic market | 40 963 | 22 187 |
| - including: from related entities | 1 259 | 965 |
| - materials | 557 | 2 318 |
| - including: from related entities | 0 | 0 |
| - merchandise | 40 406 | 19 869 |
| - including: from related entities | 1 259 | 965 |
| b) export markets | 21 041 | 24 963 |
| - including: from related entities | 21 039 | 24 932 |
| - materials | 4 496 | 21 036 |
| - including: from related entities | 4 496 | 21 036 |
| - merchandise | 16 545 | 3 927 |
| - including: from related entities | 16 543 | 3 896 |
| Total sales of merchandise and materials, net | 62 004 | 47 150 |
| - including: from related entities | 22 298 | 25 897 |

## Note 22a

| COSTS BY CATEGORY | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) depreciation and amortization | 70 577 | 69 269 |
| b) consumption of energy and materials | 1 310 597 | 1 574 255 |
| c) third party services | 232 788 | 315 797 |
| d) taxes and charges | 10 598 | 10 946 |
| e) wages and salaries | 139 791 | 142 441 |
| f) social insurance and other benefits | 42 017 | 40 713 |
| g) other cost categories (of which) | 25 100 | 23 976 |
| - advertising and entertainment costs | 2 366 | 3 851 |
| - business travel | 1 300 | 2 494 |
| - costs of relations with purchasing groups | 16 111 | 12 223 |
| - property insurance | 1 884 | 2 082 |
| - contributions to the State Fund for Rehabilitation of the Disabled | 2 930 | 2 853 |
| - other | 509 | 473 |
| Total cost categories | 1 831 468 | 2 177 397 |
| Change in inventory, products and prepayments | 140 338 | -29 744 |
| Cost of products for own consumption (negative value) | -16 655 | -9 836 |
| Selling expenses (negative value)) | -26 771 | -35 377 |
| Overall management costs (negative value) | -51 396 | -71 204 |
| Cost of products sold | 1 876 984 | 2 031 236 |

## Note 23a

| OTHER OPERATING INCOME | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) dissolved provisions (of which) | 0 | 0 |
| - provision for extended guarantees | 480 | 555 |
| b) other including: | | |
| - change in balance of receivables write-off | 0 | 1 |
| - refund of overpaid social insurance contributions | 0 | 73 |
| - liabilities' write-off | 19 | 14 |
| - refunded court costs and costs of debt collection enforcement | 84 | 14 |
| - refund of costs for bad quality of raw materials | 0 | 53 |
| - stock taking differentials | 92 | 107 |
| - damages paid for car accidents | 0 | 284 |
| - EU grants income | 58 | 0 |
| - refund of deposits by the Customs Chamber | 73 | 0 |
| - VAT tax adjustment | 146 | 0 |
| - other operating income | 8 | 9 |
| Total other operating income | 480 | 555 |

## Note 24a

| OTHER OPERATING EXPENSES | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) set up provisions (of which) | 353 | 243 |
| - restructuring costs | 341 | 201 |
| - provision for extended guarantees | 12 | 42 |
| b) other including: | 11 574 | 1 427 |
| - cost of non-utilized production capacity | 9 747 | 0 |
| - scraped products and materials | 8 | 463 |
| - donations and membership fees | 233 | 399 |
| - court charges related to debt collection | 64 | 125 |
| - change due to revaluation of receivables | 610 | 80 |
| - bank charges | 245 | 164 |
| - liquidation of fixed assets by IT | | 4 |
| - stock taking differentials | 31 | |
| - utilization of received EU grants | 0 | 62 |
| - payment of damages due to car accidents | 65 | 65 |
| - liquidation of machinery | 499 | 50 |
| - adjustments of social security contributions | 53 | 0 |
| - other operating expenses | 19 | 15 |
| Total other operating expenses | 11 927 | 1 670 |

## Note 25a

| DIVIDEND AND PARTICIPATION IN PROFITS FINANCIAL GAINS | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) from other entities | 0 | 9 |
| Total dividend and participation in profits financial gains | 0 | 9 |

## Note 25b

| INTEREST-RELATED FINANCIAL GAINS | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) other interest | 4 667 | 340 |
| - from other entities | 4 667 | 340 |
| Total interest-related financial gains | 4 667 | 340 |

## Note 25c

| OTHER FINANCIAL GAINS | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) foreign exchange gains | 3 409 | 0 |
| - realized | 421 | 0 |
| - non-realized | 2 988 | 0 |
| a) other including: | 5 047 | 15 |
| - settlement of fair value of embedded derivatives | 4 988 | 0 |
| - refund of VAT tax charged on foreign invoices through CASH BACK | 59 | 15 |
| Total other financial income | 8 456 | 15 |

## Note 26a

| INTEREST-RELATED FINANCIAL EXPENSES | '000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) on bank credits and loans: | 1 084 | 3 736 |
| - payable to other entities | 1 084 | 3 736 |
| b) other interest | 4 790 | 2 782 |
| - payable to other entities | 4 790 | 2 782 |
| Total interest-related financial expenses | 5 874 | 6 518 |

## Note 26b

| OTHER FINANCIAL COSTS | ‘000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| a) foreign exchange losses of which: | 0 | 8 532 |
| - realized | 0 | 5 081 |
| - non-realized | 0 | 3 451 |
| b) other including: | 0 | 6 704 |
| - revaluation of fair value of embedded derivatives | 0 | 6 704 |
| Total other financial costs | 0 | 15 236 |

## Note 27a

| CURRENT INCOME TAX | ‘000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| 1. Profit (loss) before taxation | 116 882 | 113 604 |
| 2. Differences between profit (loss) before taxation and taxation base for income tax (under 2 titles) | -36 126 | -5 930 |
| A. Permanent differences | 6 567 | 6 441 |
| - non-deductible costs and losses including: | 6 567 | 6 441 |
| - provision for receivables | 0 | 268 |
| - delayed payment interest – receivables from the state budget entities | 494 | 34 |
| - contributions to the State Fund for Rehabilitation of the Disabled | 2 948 | 2 859 |
| - expenses exceeding the limit for passenger cars | 462 | 394 |
| - penalties and damages paid | 27 | 101 |
| - expenses on Supervisory Board and General Meeting of Shareholders | 17 | 114 |
| - social organization membership fees | 68 | 85 |
| - costs carried forward | | |
| - donations, scholarships, aids | 526 | 584 |
| - entertainment costs | 872 | 1 019 |
| - VAT and other non-deductible taxes | 114 | |
| - depreciation allowances for fixed assets covered with EU grant | 0 | 44 |
| - additional allowance for the Corporate Social Fund | 40 | 450 |
| - other | 999 | 489 |
| B. Transitional differences | 42 693 | 12 371 |
| - Positive differences including the following categories: | 19 419 | 10 371 |
| - amortization of investment allowances | -1 559 | -1 660 |
| - difference between depreciation under accounting and tax treatment | 16 008 | 19 562 |
| Foreign exchange gains resulting from balance pricing | | |
| - interest charged to contractors and interest income from cash assets | -13 | -36 |
| - prepayments | -5 | -106 |
| - embedded derivatives | 4 988 | -6 704 |
| non-realized gains | | |
| - other | 0 | -685 |
| Negative differences including: | 23 274 | 2 000 |
| - accrued expenses and provisions for liabilities | 8 363 | 510 |
| - revaluation of receivables from customers | -618 | 908 |
| - devaluation of inventories, raw materials and products | 1 129 | 1 540 |
| - provision for restructuring | -104 | 614 |
| - revaluation of net value of fixed assets | | |
| - difference between lease costs under accounting and tax treatment | 8 | -12 |
| - non-invoiced services | 15 231 | -1 874 |
| - accrued non-paid interest on loans extended | | |
| - provision for bonuses | -881 | 286 |
| - other | 146 | 28 |
| 3. Taxation base for income tax | 80 756 | 107 674 |
| 4. Income tax at 19% rate | 15 344 | 20 458 |
| 5. Current income tax posted into tax return of the accounting period including: | 15 344 | 20 458 |
| - tax posted into Profit and Loss Account | 15 344 | 20 458 |

Pursuant to the Operational Permit No. 134/ARP/2008, dated February 27, 2008 for running business activities in the area of Euro-Park Mielec Special Economic Zone the Company may enjoy income tax breaks up to 46.37% 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. As of December 31, 2012 the amount of non-utilized tax break was PLN 95 995 286.80 in nominal terms and PLN 76 516 870.09 in discounted terms. 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 interested would be charged to the Company for the period of tax break enjoyment until tax payment date.

The tax authorities may audit Company books and tax returns within five years from closing the year in which tax returns were filed and to charge to the Company additional tax amount along with penalties and penalty interest. According to the Management Board there are no circumstances indicating an option of occurrence of material liabilities in relation to that.

## Note 27b

| **DEFERRED INCOME TAX POSTED INTO PROFIT AND LOSS ACCOUNT** | ‘000 PLN | |
|---|---|---|
| | 2012 | 2011 |
| - decrease (increase) due to occurrence and reversal of temporary differences | 8 112 | 2 351 |
| Total deferred income tax | 8 112 | 2 351 |

## Note 28a

Distribution of net profit for 2011:
- dividend for shareholders – PLN 45 411 thousand, paid out on December 19, 2012
- increase of reserve capital – PLN 45 384 thousand.

Total net profit in 2011 – PLN 90 795 thousand.

A proposal on the appropriation of 2012 net profit amounting to PLN 93 426 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 2012 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 | 2012 | 2011 |
|---|---|---|
| 1. Cash and cash equivalents according to item 3.1.b of the assets | 184 327 | 58 422 |
| 2. Adjustment to foreign currencies due to balance sheet pricing - | 276 | 163 |
| 3. Cash for Cash Flow Statement | 184 603 | 58 259 |

II. Variances between balance sheet changes:

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

| | 2012 | 2011 |
|---|---|---|
| change in balance sheet | 120 398 | 12 563 |
| 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" | -444 | 4 182 |
| In Cash Flow Statement | 119 954 | 16 745 |

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

| | 2012 | 2011 |
|---|---|---|
| change in balance sheet | -104 120 | 21 519 |
| Adjustments: | | |
| change in the balance of loan-related liability | 29 908 | 7 050 |
| change in the balance of liability related to the fixed assets under construction | -43 516 | 2 470 |
| Change in balance of short-term liabilities under financial lease | 50 | -174 |
| repayment of financial lease installments | | |
| change in the balance of embedded derivative (covered by the financial activity) | 579 | - |
| Total adjustments | -12 978 | 8 767 |
| In Cash Flow Statement | -117 098 | 30 286 |

III. The line "Other adjustments" (operational activities) shows changes in the balance of pricing of derivatives totaling PLN -4 988 thousand.

| File | Description |
|---|---|
| | |

**B. ADDITIONAL EXPLANATORY NOTES**

Additional explanatory notes to the 2012 Financial Statement of Tire Company DĘBICA 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 December 31, 2011 and December 31, 2012 were as follows:

**('000 PLN)**

| | **Tradable financial assets** | **Sellable financial assets** | **Tradable financial liabilities** |
|---|---|---|---|
| January 1, 2011 | 1 716 | 144 | 36 958 |
| - additions | 6 624 | - | - |
| - reductions | 13 328 | - | 7 050 |
| - transfers | 5 232 | | 5 232 |
| December 31, 2011 | 244 | 144 | 35 140 |

| | | | |
|---|---|---|---|
| January 1, 2012 | 244 | 144 | 35 140 |
| - additions | 343 | - | 681 |
| - reductions | 587 | - | 35 821 |
| December 31, 2012 | - | 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 | | |
| - to other entities | - | |
| December 31, 2012 | - | 144 |
| Overdraft facility | | |
| - in other entities | 0 | |
| December 31, 2012 | 0 | |

The aforementioned financial instruments carry an exchange risk. The objectives and principles of financial risk management are presented in the 2012 "Activity Report of the Management Board of Tire Company Debica S.A."

**Tradable financial assets and liabilities**

The Company entered into contracts (with embedded derivatives) that are not financial instruments. The instruments apply to service purchase contracts denominated in foreign currencies. The Company posts embedded derivatives separately from the main contract and prices them using a fair value principle. The fair value is established using a forward price published for a certain currency by the Bank used by the Company. Changes in fair value are charged against other financial costs or gains in the accounting period when the changes occurred. The initial value of the main contract consists of the difference between purchase price specified in the main contract and the fair value of the embedded derivative.

In 2012 the Company discontinued pricing of embedded derivatives due to the change in the contract conditions. The gas (liquid nitrogen) supply contract was denominated in Polish currency (PLN) effective from May 2012. In the first quarter 2012 the Company assigned its rights under warehousing facility lease contract concluded between *MS-B* Sp. z o.o. S.K.A. and T.C. Debica S.A. to Goodyear Dunlop Tires Operations S.A. with its registered office in Luxembourg. This is a consequence of the change in business model – sales of finished goods to Goodyear Dunlop Tires Operations S.A. upon manufacturing process completion.

In 2012 the Company entered into current account committed overdraft facility agreement for a period of 3 and 4 years (see Note 16D). The concluded agreement secure Company's long-term liquidity in the times of uncertainty in the tire business and financial crunch.

At the balancing date the Company did not use its credit lines.

**In 2012 interest expenses on financial liabilities ('000 of PLN) amounted to:**

| **Liabilities** | **interest realized category** | **interest not realized category** |
|---|---|---|
| | | |
| | | |
| Overdraft facility | | 1 084 |

In 2011 interest on overdraft facility amounted to PLN 3 736 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 59 thousand.

**Extended loans**
As of December 31, 2012 there were no extended loans.

**2. Contingent liabilities**
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.

3. The year 2012 saw the completion of the last legal action brought forward by PZU against the Company or following PZU petition with the Company involved. The legally valid court decisions were issued to the benefit of the Company in all legal actions brought forward by or following a motion of PZU.

The Company believes that the risk of claim payment by T.C. Debica S.A. is low, the amount of the claim has not been specified, and therefore a provision has not been established for contingent liabilities.

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, no business activity was wound up or discontinued, partially or fully, and consequently, there were no costs of discontinued activities.

**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 16 655 thousand for 12 months in 2012 and to PLN 9 836 thousand for 12 months in 2011.

**6. Capital expenditures**
In 2012 the capital expenditures amounted to PLN 175 287 thousand, of which PLN 2 682 thousand was spent on environmental projects. The capital expenditures planned for 2013 amount to PLN 172 087 thousand and for environmental projects PLN 2 238 thousand involving upgrading of the ventilation system.

**7. Transactions with related entities**
The transactions made in 2012 with business entities of the Goodyear Group were as follows:

| | |
|---|---|
| Sales of products, goods and services | PLN 1 898 million |
| Disposal of fixed assets and investments | PLN 3 million |
| Purchase of materials and merchandise | PLN 479 million |
| Purchase of services and licensing fees | PLN 182 million |
| Investment purchases | PLN 22 million |
| Balance of receivables as of December 31, 2012 | PLN 282 million |
| Balance of liabilities as of December 31, 2012 | PLN 100 million |

The Company entered into 45 transactions with the related entities with a one-off value exceeding EUR 500 thousand.

19 transactions were related to the purchase of raw materials, while another 26 transactions was concerned with the purchase of services and licensing fees.

In the accounting year covered by the financial statement the Company did not enter into any material transactions under non-arms length principles with related entities.

From 2012 onwards, pursuant to a new business model upon production completion the non-Debica branded tires are sold to Goodyear Dunlop Tires Operations S.A. with its registered office in Luxembourg. This change has a material impact on the inventory level of finished goods in 2012.

**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 | 2011 | 2012 | Women | Men |
|---|---|---|---|---|
| Total including: | 3 010 | 2 951 | 693 | 2 258 |
| white collar workers | 421 | 24 | 152 | 272 |
| blue collar workers | 2 589 | 2 527 | 541 | 1 986 |

**10. Remuneration of management and supervisory personnel**
Remuneration of Management and Supervisory Boards in 2012 totaled to (in '000 PLN):

**for the Management Board members:**

| | |
|---|---|
| 1. Jacek Pryczek | 2 136 |
| 2. Leszek Cichocki | 1 247 |
| 3. Radosław Bółkowski | 305 |
| 4. Stanisław Cieszkowski | 1 012 |
| Total: | 4 700 |

**for the Supervisory Bard members:**

| | |
|---|---|
| 1. Raimondo Eggink | 95.9 |
| 2. Przemysław Cieszyński | 53.1 |
| 3. Maciej Mataczyński | 123.5 |
| 4. Aleksander Ferenc | 43.1 |
| 5. Renata Hadała | 56.0 |
| 6. Piotr Wójcik | 43.1 |
| Total: | 414.7 |

**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.

**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.**
Between balancing date and the date of this report no material events having material impact on this financial statement have occurred.

**14. Legal predecessor**
Tire Company "Debica" Spółka Akcyjna ("Company") was established on April 26, 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.

As of December 31, 2012 the Company had capital ties with:

Centrum Utylizacji Opon Organizacja Odzysku Spółka Akcyjna w Warszawie (Tire Recycling Center, Recovery Organisation S.A. in Warsaw) - 14% shareholding in shareholders' equity.

**20. Fixed assets**
The costs of fixed assets under construction amounting to PLN 153 710 thousand comprised:
• purchase of machinery and equipment PLN 121 839 thousand
• construction and assembly works PLN 25 482 thousand
• other PLN 6 389 thousand.

The gross value of fixed assets used under lease agreements, classified pursuant to the Accounting Act, as financial lease agreements totaled PLN 8 437 thousand, whereas the net value amounted to PLN 3 263 thousand.

From September 2001 to March 2012 the Company utilized - under a lease contracts - storage facilities along with auxiliary infrastructure that are located in Tarnów under the name Logistics Center. In the first quarter of 2012 The Company assigned the aforementioned lease contract to Goodyear Dunlop Tires Operations SA with its registered office in Luxembourg.

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 December 31, 2012 the value of lands with perpetual usufruct right totaled PLN 31 074 thousand and its breakdown into individual categories is as follows:

| | |
|---|---|
| Roads | PLN 81 thousand, |
| Arable lands | PLN 2 thousand, |
| Other developed lands | PLN 1 491 thousand, |
| Forests and forested lands | PLN 4 642 thousand, |
| Wasteland | PLN 772 thousand, |
| Housing lands | PLN 29 thousand, |
| Industrial areas | PLN 20 190 thousand, |
| Miscellaneous areas | PLN 2 592 thousand, |
| Still inland waters | PLN 1 249 thousand, |
| Urbanized non-developed lands | PLN 26 thousand. |

**22. Fixed asset revaluation**

As of December 31, 2012, the balance of fixed assets revaluation write-offs amounted to PLN 1 684 thousand. The revaluation write-offs were made for the coal-fired CHP plant in the amount of PLN 1 684 thousand.

The balance of revaluation write-offs for inventories was PLN 724 thousand including:
• for products PLN 402 thousand
• for raw materials PLN 322 thousand.

Meanwhile the balance of inventory revaluation write-offs in 2011 was PLN 1 907 thousand.

**23. Ageing of receivables**

At the end of December 2012 the gross balance of trade receivables amounted to PLN 321 806 thousand and its ageing was as follows:

| | |
|---|---|
| -below 30 days | PLN 130 844 thousand, |
| -from 31 to 90 days | PLN 171 822 thousand, |
| -from 91 to 180 days | PLN 16 444 thousand, |
| -from 181 to 365 days | PLN 2 517 thousand, |
| -above 365 days | PLN 179 thousand. |

A write-off revaluating the receivables totaled PLN 890 thousand.

**24. Financial revenues and expenses in 2012 (‘000 of PLN)**

| | |
|---|---|
| 1. Interest expense on working capital loan | -1 084 |
| 2. Interest income from bank deposits | 4 619 |
| 3. Interest income on receivables and interest expense on trade payables and on liabilities vis-à-vis budget | -504 |
| 4. Interest income on overdue trade receivables | 48 |
| 5. Discounted bills of exchange and third party checks | -3 458 |
| 6. Interest expense on lease installments | -313 |
| 7. Interest paid on committed, but non-utilized loan | -515 |
| **Total interest and discounted bills of exchange and third party checks** | **-1 207** |
| 8. Actual foreign exchange gains/losses | 421 |
| 9. Unrealized foreign exchange gains/losses | 2 988 |
| **Total foreign exchange gains/losses** | **3 409** |
| 10. Revaluation of the fair value of embedded derivatives | 4 988 |
| 11. VAT refund through Cash Back | 59 |
| **Total other** | **5 047** |
| **Total net income on financial operations** | **7 249** |
| **Total financial income (as shown in P&L account)** | **13 123** |
| **Total financial expenses (as shown in P&L account)** | **5 874** |

| File | Description |
|---|---|
| | |

**SIGNATURES**

| SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS | | | |
|---|---|---|---|
| Date | Name and surname | Position/Function | Signature |
| April 23, 2013 | Jacek Pryczek | President of Management Board – CEO | |
| April 23, 2013 | Leszek Cichocki | Management Board member – Finance Director | |
| April 23, 2013 | Stanisław Cieszkowski | Management Board member –Production Director | |
| April 23, 2013 | Radosław Bółkowski | Management Board member – Commercial Director | |

| SIGNATURE OF THE PERSON IN CHARGE OF BOOK KEEPING | | | |
|---|---|---|---|
| Date | Name and surname | Position/Function | Signature |
| April 23, 2013 | Leszek Cichocki | Management Bard member – Finance Director | |

## MANAGEMENT BOARD REPORT

## T.C. DEBICA S.A. MANAGEMENT BOARD REPORT ON COMPANY OPERATIONS IN 2012

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, April 2013

# 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 Debica, Goodyear, Dunlop, Fulda and Sava, as well as under private labels. Debica brand is a classical consumer tire brand and it has been an unquestionable leader on the Polish market for several years.

The consumer tires under Debica brand include summer, all-season and winter tires.

**Summer consumer tires:**

- PASSIO 2 – 14 sizes
- PASSIO – 10 sizes
- FURIO – 7 sizes
- PRESTO – 17 sizes

**All-season consumer tires:**

- NAVIGATOR 2 – 11 sizes
- NAVIGATOR – 7 sizes

**Winter consumer tires:**

- FRIGO HP – 4 sizes
- FRIGO 2 – 15 sizes
- FRIGO – 3 sizes
- FRIGO DIRECTIONAL – 3 sizes

**DEBICA PRESTO**

Debica Presto is a summer high performance (HP) tire for passenger cars. The tire was launched in 2011 and its reception by the customers was very good.

Modern technological solutions, applied to the tire, provide reliable driving and good handling in every conditions. Thanks to numerous cuts in tread blocks that dissipate water effectively, and also silica-based compound, the tire offers very good wet handling . The tire is also very effective in the category of dry handling thanks to, among others, asymmetric tread pattern and reinforced shoulder zone. 4-rib design with double centerline rib guarantees quick response to the movements of steering wheel. The improved tire contour is responsible for the optimum stress distribution on the overall contact area of the tire with the road, securing even tread wear.

Tire for demanding drivers, valuing driving safety and comfort at high speeds.

**DEBICA PASSIO 2**

A summer tire designed specifically for passenger cars. It was very well received and has gained a high level of customer trust. The tire is wear-resistant, ensuring customers of a much longer mileage. Its specially designed tread compound guarantees a high level of safety and a short braking distance. The size line-up includes the 14 most popular sizes.

**DEBICA NAVIGATOR 2**

The all-season tire, with very good performance parameters. It is particularly recommended for drivers who want to use the same tires in both winter and summer. Available in 11 sizes, from 13 to 15 inches.

**DEBICA FRIGO HP**

Debica Frigo HP is the first ever winter brand for high performance vehicles. It was launched in 2012. Owing to high tech tread design, and also special compound, the tire offers comfortable and safe driving at high speeds in winter conditions. Additionally tire is characterized by high durability and wear resistance. Additionally low rolling resistance enhances fuel economy. Thanks to all aforementioned features Debica Frigo HP tire meets the expectations of Polish consumers even more fully. The tire is available in 4 dimensions, 15 and 16 inch diameter.

**DEBICA FRIGO 2**

The Debica Frigo 2's design meets the most essential needs of the Polish car owners. Its specially designed tread compound guarantees good road grip in Poland's variable winter conditions. Available in 15 sizes, from 13 to 16 inches.

**1.2. DEBICA HEAVY TRUCK TIRS**

T.C. Debica S.A. manufactures heavy truck tires under the brand names: Goodyear, Dunlop, Fulda and Sava. In 2012, T.C. Debica S.A. further expanded its production capacity and became one of the largest heavy truck tire manufacturers in Poland and within the Goodyear Group.

**1.3. DEBICA INDUSTRIAL AND FARM TIRES**

As regards agricultural and industrial tires, in 2012 the T.C. Debica S.A. offer consisted of 13 sizes of tires, with 16 tread patterns, and 4 sizes of industrial tire, with 3 tread patterns.

The T.C. Debica S.A. offered 4 tire categories:

- tractor steering axle tires: 4 sizes, with six tread patterns
- implement: 4 sizes, with six tread patterns
- small farm tires: 5 sizes, with four tread patterns
- industrial tires: 4 sizes, with three tread patterns

T.C. Debica S.A. also manufactures farm and industrial tires under other Goodyear Group brands.

**1.4. MEMBRANES**

Tire Company Debica S.A. is a producer of curing membranes used to make tires. In 2012 the Company produced above 171 thousand curing membranes for 166 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 own consumption and for the export to corporate and third party customers. It total above 123 thousand membranes were sold to company, which produces tires, mainly in the Western Europe, Africa and Asia.

**1.5 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 2012 vs. 2011 |
|---|---|---|---|---|
| Consumer , van, heavy truck, farm, industrial tires | 14 523 | 1 967 897 | 92.2% | -5.5% |
| Other | | 165 363 | 7.8% | -30.7% |
| **Total:** | | **2 133 260** | **100.0%** | **-8.1%** |

**2. INVESTMENT ACTIVITIES**

In 2012, capital expenditures totaled PLN 175.3 thousand.

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

a) purchase of equipment and machinery capable of producing technologically advanced products and securing the superior quality,
b) maintenance of existing processes and fulfillment of legal requirements,
c) actions aimed at generating savings, improvement of production efficiency, fulfillment of health and safety (H&S), fire prevention and environmental protection requirements.
d) purchases of manufacturing accessories.

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;
- 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 health and safety conditions at work and environmental protection;
- application of equipment for continuous monitoring of production processes.

**3. MAJOR RESEARCH AND DEVELOPMENT EVENTS**

Technical development was determined by implementing into production the best in class products, on the grounds of new European labeling legislation and its requirements i.e. rolling resistance, wet braking and noise. To meet that challenge in the consumer tire product line the following was implemented into production:

- new compounds with the latest material technologies, based on silicon with high active surface and functionalized polymers,
- tire brands for application in extreme winter conditions that occupy leading places in the tests of independent experts in Europe and were assessed very high by the customers,
- summer tires with excellent wet handling properties and high fuel efficiency,
- OE product line was supplemented with higher rim diameter tires.

Meanwhile in the truck tire line drive and steer tires continued to be developed and they achieve very competitive performance in terms of fuel efficiency, wet handling and noise.

The HP tire manufacturing process determined further development of manufacturing process in order to maximize tire performance through:

- maximum utilization of highly automated machinery and processes,
- application of equipment for continuous monitoring of production processes,
- application of solutions aimed at continuous improvement of health and safety conditions at work and environmental protection.

**4. PROCUREMENT**

In 2012 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 13.1% 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 3.7% of the net sales revenues of Tire Company Debica S.A. Textile cords were purchased by the Company from a related entity. They accounted for 3.0% accordingly of the Company's net sales revenues.

**5. SALES AND DISTRIBUTION**

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

The year 2012 saw the business model change in the Goodyear Group. Now after the change 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. The last direct tire sales to Goodyear Dunlop Tires Polska Sp. z o.o. was the sale transaction involving the inventory of non-Debica tire brands, existing on January 1, 2012. That transaction generated sales revenues totaling PLN 155 million in 2012.

In 2012 sales totaled PLN 2,133 million, down by 8.1 per cent compared to the previous year.

Exports totaled PLN 1,739 million in value terms and accounted for 81.5 per cent of total sales in value terms, of which 95.8 per cent was the sales to Goodyear Dunlop Tires Operations SA with its registered office in Luxembourg.

The domestic sales accounted for 18.5 per cent of Company's total sales revenues.

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

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

In 2012, Tire Company Debica S.A. did not sell its products to original equipment manufacturer markets.

On the domestic replacement market, the tires were primarily distributed through:
- regional tire distributors,
- the Premio franchising network,
- tire service stations, namely, the Goodyear Group's Authorized Service Stations.

**6. COMPANY AUTHORITIES**

The year 2012 saw no changes in the basic principles of company management. 18th term of office of the Management and Supervisory Boards lasted until June 4, 2012 i.e. the date of holding General Meeting of Shareholders. 18th term of office of the Management Board started in 2011 and lasts for 3 years pursuant to the Company Statutes.

During its 18th term of office, the Management Board consisted of:
**Jacek Pryczek –** President of Management Board
**Leszek Cichocki** – Management Board Member
**Stanisław Cieszkowski** – Management Board Member
**Waldemar Jarosz** – Management Board Member (until March 5, 2012)
**Radosław Bółkowski** - Management Board Member (from March 5, 2012)

During its 18th term of office, the Supervisory Board consisted of:
**Michel Rzonzef –** Chairman of the Supervisory Board
**Philippe Degeer –** Deputy Chairman of the Supervisory Board
**Maciej Mataczyński** – Secretary of the Supervisory Board
**Roberto Fioroni –** Supervisory Board Member (until September 20, 2012)
**Ronald Archer** - Supervisory Board Member (from September 28, 2012)
**Dominikus Golsong** – Supervisory Board Member
**Raimondo Eggink** – Supervisory Board Member
**Aleksander Ferenc** – Supervisory Board Member
**Piotr Wójcik**– 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. Piotr Wójcik, appointed on April 11-12, 2011 to the position of a Supervisory Board member for 18th term of office pursuant to the stipulations of the Statutes and Rules for Election of Employee Representative.

The 19th term of office of Supervisory Boards of T.C. Debica S.A. commenced on June 4, 2012.

The following persons were appointed for 19th term of office of the Supervisory Board:
**Michel Rzonzef –** Supervisory Board Member
**Philippe Degeer –** Supervisory Board Member
**Maciej Mataczyński –** Supervisory Board Member
**Ronald Archer** - Supervisory Board Member
**Dominikus Golsong –** Supervisory Board Member
**Raimondo Eggink –** Supervisory Board Member (until December 20, 2012)**
**Przemysław Cieszyński –** Supervisory Board Member (from December 20, 2012)**
**Renata Hadała –** Supervisory Board Member***

**Mr. Raimondo Eggink and Mr. Przemysław Cieszyński resigned from their Supervisory Board member positions effective from December 20, 2012. The Company's Supervisory Board acting pursuant to § 14, par. 4 of the Company Statutes and § 3 par. 4 of the Supervisory Board Operational By-Laws on January 7, 2013 co-opted new members in the persons of Messrs. Karl Brocklehurst and Łukasz Rędziniak onto the Company's Supervisory Board.

***Pursuant to § 14, par. 2 of the Company Statutes, the Supervisory Board comprises one representative of the Company's employees. Mrs. Renata Hadała was designated by the Company employees as their representative and consequently she was appointed to the position of a Supervisory Board member for its 19th term of office, pursuant to the stipulations of the Statutes and Rules for the Election of an Employee Representative.

At the meeting held on June 4, 2012, the Supervisory Board carried out voting and elected:
**Michel Rzonzef** – Chairman of the Supervisory Board
**Philippe Degeer –** Deputy Chairman of the Supervisory Board
**Maciej Mataczyński** – Secretary of the Supervisory Board

The remuneration of the Management and Supervisory Boards in 2012 was presented in Section 10 of "The Additional Explanatory Notes" representing an integral part of the 2012 Financial Statement.

In 2012 the following members of the Company's governing bodies were holding shares in T.C. Debica S.A.:

Jacek Pryczek, President of Management Board – 1 share,
Stanisław Cieszkowski, Management Board Member - 420 shares,
Raimondo Eggink, Management Board Member (until December 20, 2012) - 500 shares.

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

In 2012, the shareholders holding above 5% of shareholders' equity included:

1) **Goodyear S.A. with its registered office in Luxembourg (hereinafter referred to as "Goodyear")**
According to the information received from Goodyear, following the take-over bid for all remaining shares in the Company (submitted pursuant to Art. 74 par. 1 of the Act) on September 22, 2009 and settled on November 18, 2009, on November 16, 2009, Goodyear acquired 8 220 (in words: eight thousand, two hundred twenty) common bearer stock, accounting for 0.059% of the Company's shareholders' equity, with attached entitlement to 8 220 (in words: eight thousand, two hundred twenty) votes at the Company's General Meeting of Shareholders, accounting for 0.059% of the total number of votes at the General Meeting of Shareholders.

According to the information received, before the acquisition referred to hereinabove, Goodyear held 9 108 820 (in words: nine million, one hundred eight thousand, eight hundred twenty) Company shares, accounting for approximately 65.99% of the Company's shareholders' equity, with attached rights to 9 108 820 (in words: nine million, one hundred eight thousand, eight hundred twenty) votes at the Company's General Meeting of Shareholders, accounting for 65.99% of the total number of votes.

According to the information received, jointly with the voting rights that it held before the said acquisition, Goodyear holds 9 117 040 (in words: nine million, one hundred seventeen thousand, forty) votes at the Company's General Meeting of Shareholders accounting for 66.052% of the total number of votes at the General Meeting of Shareholders and corresponding to 9 117 040 (in words: nine million, one hundred seventeen thousand, forty) shares in the Company, accounting for approximately 66.052% of the Company's shareholders' equity.

On December 21, 2012 the Company received from Goodyear a notification that pursuant to the acquisition transaction held on December 21, 2012, Goodyear acquired directly 1 429 115 of ordinary bearer shares in the Company, accounting for 10.354% of the Company's shareholders' equity and giving entitlement to exercise 1 429 115 votes at the Company's General Meeting of Shareholders, accounting for 10.354% of the total number of votes at the Company's General Meeting of Shareholders, from PZU BIS 2 Close-End Non-Public Mutual Fund with its registered office in Warsaw, 100% shareholding in Alliance Silesia Portfolio I Sp. z o.o. with its registered office in Warsaw (hereinafter referred to as "Alliance Silesia Portfolio"). Before the aforementioned indirect acquisition Goodyear held directly 9 117 040 shares in the Company, accounting for 66.052% of the Company's shareholders' equity and giving entitlement to exercise 9,117,040 votes at the Company's General Meeting of Shareholders, which accounted for 66.052% of the total number of votes at the Company's General Meeting of Shareholders. As a result of the aforementioned indirect acquisition Goodyear holds now in total 10,546,155 shares in the Company, accounting for 76.406% of the Company's shareholders' equity and giving entitlement to exercise 10 546 155 votes at the Company's General Meeting of Shareholders, which accounted for 76.406% of the total number of votes at the Company's General Meeting of Shareholders, of which:

(i) it holds directly 9 117 040 (in words: nine million one hundred seventeen thousand and forty) shares in the Company, accounting for 66.052% of the Company's shareholders' equity and gives entitlement to exercise 9 117 040 votes at the Company's General Meeting of Shareholders, which accounts for approximately 66.052% of the total number of votes at the Company's General Meeting of Shareholders;

(ii) indirectly, through Alliance Silesia Portfolio, it holds 1 429 115 (in words: one million four hundred twenty nine thousand one hundred fifteen) shares in the Company, accounting for 10.354% of the Company's shareholders' equity and giving entitlement to exercise 1 429 115 votes at the Company's General Meeting of

Shareholders, accounting for 10.354% of total number of votes at the Company's General Meeting of Shareholders.

**2) PZU Asset Management S.A., with its registered office in Warsaw**

On December 17, 2012 the Company was notified by PZU Asset Management S.A. with its registered office in Warsaw, acting on behalf of its Customers and pursuant to concluded third party financial instrument portfolio management contracts that pursuant to the settlement made on December 14, 2012 of block purchase transaction of the total number of 1 380 273 (in words: one million three hundred eighty thousand two hundred seventy three) shares in the Company, the share of PZU Asset Management S.A. customers' investment portfolios in the total number of votes at the Company's General Meeting of Shareholders exceeded 5%. The Company made this information public by virtue of Current Report No. 27/2012, dated December 18, 2012. Pursuant to the notification the number of shares and votes held and the shareholding in percentage terms in the shareholders' equity and in the total number of votes before the change was 0. Pursuant to the notification the number of shares and votes held after the change of shareholding was 1 380 273 (in words: one million three hundred eighty thousand two hundred seventy three), and the shareholding in percentage terms in the shareholders' equity and in the total number of votes before the change was 9.999985%. The Company's Management Board was also notified by PZU S.A. with its registered seat in Warsaw that pursuant to the block share sale transaction made on December 13, 2012, the commitment of PZU S.A. and its subsidiary, viz. PZU Życie S.A. fell below 5% threshold in the total number of votes at the Company's General Meeting of Shareholders. Pursuant to the notification the number of shares and votes held before transaction was 1 380 273 (in words: one million three hundred eighty thousand two hundred seventy three), and the shareholding in percentage terms in the shareholders' equity and in the total number of votes before the change was 9.999985%. Pursuant to the notification the number of shares and votes held and the shareholding in percentage terms in the shareholders' equity and in the total number of votes after the change were 0.

The Company on December 19, 2012 received from PZU Asset Management S.A. in Warsaw („PZU AM SA") a notification adjusting the notification dated December 17, 2012 (about the receipt of which the Company advised by virtue of Current Report No. 27/2012, dated December 18, 2012) and notification about shares disposal. Pursuant to the notification PZU AM SA learnt from one of the entities whose investment portfolio is under its management i.e. PZU BIS 2 Closed-End Non-Public Asset Mutual Fund ("the Fund"), represented by PZU S.A. Mutual Funds' Society, that in addition to 1 380 273 (in words: one million three hundred eighty thousand two hundred seventy three) shares in the Company, accounting for 9.99% of the Company's shareholders' equity and representing 1 380 273 (one million three hundred eighty thousand two hundred seventy three) votes on the Company's General Meeting of Shareholders, which accounts for 9.99% of the total number of votes in the Company, the Fund has held indirectly, through its subsidiary Alliance Silesia Portfolio I Sp. z o.o. with its registered office in Warsaw ("Alliance Silesia Portfolio Ltd.") 48,842 (in words: forty eight thousand eight hundred forty two) shares in the Company, accounting for 0.35% of the Company's shareholders' equity and representing 48,842 (in words: forty eight thousand eight hundred forty two) votes on the Company's General Meeting of Shareholders, which accounts for 0.35% of the total number of votes in the Company. The Fund holds 100% shareholding in Alliance Silesia Portfolio.

In parallel PZU AM SA acting pursuant to Art. 69, par. 1, subpar. 2) in conjunction with Art. 87, par. 1, subpar. 3, letter b) of the Act of July 29, 2005 on Public Offering and Terms and Conditions of Admitting Financial Instruments to Organized Trading System and on Public Companies notified the Company that on December 14, 2012 the Fund had transferred all shares held directly in the Company in the amount of 1,380,273 (in words: one million three hundred and eighty thousand two hundred seventy three) shares, accounting for 9.99% of the Company's shareholders' equity and representing 1,380,273 (in words: one million three hundred and eighty thousand two hundred seventy three) votes at the Company's General Meeting of Shareholders, which accounts for 9.99% of the total number of votes in the Company, to Alliance Silesia Portfolio. The Fund transferred the aforementioned shares in the Company to Alliance Silesia Portfolio due to the fact that the Fund covered the contribution to increased share capital of Alliance Silesia Portfolio with those shares. Once the Company shares were brought as a contribution in kind to the Alliance Silesia Portfolio the Fund does not hold directly any shares in the Company, but it holds indirectly through Alliance Silesia Portfolio 1,429,115 (in words: one million four hundred twenty nine thousand one hundred fifteen) shares in the Company, accounting in total for 10.35% of Company's shareholders' equity and representing 1,429,115 (in words: one million four hundred twenty nine thousand one hundred fifteen) votes at the Company's General Meeting of Shareholders, which accounts for 10.35% of the total number of votes in the Company.

On December 21, 2012 the Company received from PZU Asset Management S.A. in Warsaw ("PZU AM SA") and PZU BIS 2 Close-End Non-Public Asset Mutual Fund with its registered office in Warsaw ("the Fund"), represented by the PZU S.A. Mutual Funds' Society a notification that on December 21, 2012 the Fund sold 100% shareholding of Alliance Silesia Portfolio I Sp. z o.o. in Warsaw ("Alliance Silesia Portfolio"). Thus in this deal the Fund sold indirectly 1,429,115 (in words: one million four hundred twenty nine thousand one hundred fifteen) shares in the Company, accounting in total for 10.35% of the Company's shareholders' equity and representing 1,429,115 (in words: one million four hundred twenty nine thousand one hundred fifteen) votes at the Company's General Meeting of Shareholders, which accounts for 10.35% of the total number of votes in the Company and these shares are held directly by Alliance Silesia Portfolio. Pursuant to the notification, once 100% shareholding was sold in Alliance Silesia Portfolio, the Fund does not hold directly or indirectly any shares in the Company. Pursuant to the notification no other entities covered by the mutual portfolio management contract entered into by PZU S.A. Mutual Funds' Society and PZU Asset Management S.A., do not hold directly or indirectly shares in the Company and no other mutual funds managed by the PZU S.A. Mutual Funds' Society hold directly or indirectly shares in the Company. The Company advised the general public about the receipt of the notification by virtue of Current Report No. 31/2012, dated December 21, 2012.

3) **PZU "Golden Fall" Open-End Pension Fund with its registered office in Warsaw**

Pursuant to the information received by the Company from PZU S.A. Universal Pension Society acting on behalf of PZU "Golden Fall" Open-End Pension Fund, made public by virtue of Current Report No 5/2012, dated February 7, 2012, the number of shares currently held by the Fund exceeds the threshold of 5% votes at the Company's General Meeting of Shareholders. Additionally the Company specified that before the announcement the number of shares and votes held was 686 168 (in words: six hundred eighty six thousand one hundred sixty eight), whereas the shareholding in percentage terms in the shareholders' equity and in the total number of votes was 4.97%. At present the number of shares and votes held is 804 290 (in words: eight hundred and four thousand two hundred ninety), whereas the shareholding in percentage terms in the Company's shareholders' equity and in the total number of votes is 5.83%.

Pursuant to the information received by the Company from PZU S.A. Universal Pension Society, acting on behalf of PZU "Golden Fall" Open-End Pension Fund, made public by virtue of Current Report No 3/2013, dated March 15, 2013, the number of shares currently held by the Fund is below the threshold of 5% of votes at the Company's General Meeting of Shareholders. Additionally it was specified that before entering into share sales transaction at the Warsaw Stock Exchange, the number of shares and votes held was 781.077 (in words: seven hundred eighty one thousand seventy seven), whereas the shareholding in percentage terms in the shareholders' equity and in the total number of votes was 5.66%. At present the number of shares and votes held is 631.077 (in words: six hundred thirty one thousand seventy seven), whereas the shareholding in percentage terms in the Company's shareholders' equity and in the total number of votes is 4.57%.

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 share control schemes.
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 2012 Tire Company Debica S.A. generated a net profit totaling PLN 93.4 million, up by PLN 2.6 million and up by 2.6 per cent compared to that in 2011. The sales revenues totaled PLN 2 133.6 million and went up by 8.1 per cent compared to the record-high sales level in 2011.

The year 2012 should be recognized as one of the toughest periods for the automotive business since 1990. Despite a decline in the tire market potential, the Company performed very well. An increase of net profit by almost PLN 2.6 million compared to good result generated in 2011 was possible thanks to offering drivers competitive products and savings in the Company's overheads.

Compared to the previous year major financial highlights are as follows:
(PLN M)

| | 2012 | 2011 |
|---|---|---|
| Sales of products, merchandise and materials | 2 133.3 | 2 321.6 |
| Operating profit (EBIT) | 109.6 | 135.0 |
| Gross profit | 116.9 | 113.6 |
| Net profit | 93.4 | 90.8 |

Similarly to the previous years the key 2012 profit growth driver was the membership of the Tire Company Debica S.A. in the Goodyear Group, which is the major customer buying tires made by the Tire Company Debica S.A.. The sales to the Goodyear Group related entities totaled PLN 1897.8 million and accounted for 89.0 per cent of the total sales.

The year 2012 saw the business model change in the Goodyear Group. Now after the change 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.

The operating profit in 2012 totaled PLN 109.6 million, down by 18.8 per cent on a year-to-year basis. The EBIT decline in 2012 is a result of shrinking sales volume and an increase of unit production costs. The unit production costs of products sold were up by 4.3% compared to the previous year.

The costs of sales and general management totaled PLN 78.2 million and accounted for 28.4 of the total sales in value terms and accounted for 3.7 per cent of the total sales in value terms compared to 4.6 per cent in 2011.

The other operating net income in 2012 was negative and totaled minus 12.1 million and was down by PLN 9.3 million compared to the previous year due to underutilized production capacity. These costs were not present in 2011, but in 2012 they totaled PLN 9.7 million. Other operating costs were reduced by PLN 0.4 million.

In 2012 the Euro and USD exchange rate fluctuations had the opposite direction compared to the previous year. Additionally the Company had more idle cash at its disposal. Consequently in 2012 the financial activity gains totaled PLN 7.2 million compared to the loss of PLN 21.4 million on a year-to-year basis.

The positive impact on the financial activity gains, that was up by PLN 28.6 million in 2012, was exerted by: foreign exchange gains amounting to PLN 11.9 million, pricing of derivatives in the amount of PLN 11.7 million as well as interest income and discounted bill of exchange totaling PLN 5.0 million.

Since May 2012 the Company has had no long-term contracts denominated in foreign currencies with embedded derivative in the form of foreign exchange rate. Consequently the closing balance of receivables and payables in relation to that starting from May 31, 2012 equals zero. The 2012 derivative pricing gains totaled PLN 5.0 million.

Thanks to positive financial activity result, despite operating profit fall by 18.8 per cent, the 2012 gross profit is up by 2.9 per cent compared to 2011.

In 2012 net profit totaled PLN 93.4 million, return on equity – 11.09%, whereas earnings per share – PLN 6.77.

In 2012 the effective income tax rate was at the level of 20.1% compared to the statutory rate of 19.0%.

At the year-end fixed assets totaled PLN 765.7 million in value terms and were up in 2012 by PLN 100.1 million.

The value of tangible fixed assets was up by PLN 106.7 million. It was the result of executed capital expenditures totaling PLN 175.2 million and leasing of fixed assets worth PLN 2.2 million, accrued depreciation of PLN 69.8 million as well as sales and disposal totaling PLN 0.9 million. The intangible assets were down by PLN 0.7 million i.e. by the value of accrued depreciation.

Deferred tax assets were down by PLN 5.9 million.

The current assets were down by PLN 162.9 million including inventory totaling PLN 168.5 million, whereas receivables were down by PLN 120.4 million. Cash in bank and cash in hand were up by PLN 125.9 million.

In total the value of Company’s assets totaled PLN 1392.0 million and was up by PLN 62.8 million.

In 2012 the Company’s equity was up by PLN 48.0 million in relation to net profit totaling PLN 93.4 million and dividend payment for 2011 in the amount of PLN 45.4 million.

The closing balance of Company’s equity in 2012 totaled PLN 866.2 million and accounted for 62.2 per cent of balance total. The book value per share was PLN 62.76.

**8. FINANCIAL RISKS**

Financial risks present in the Company are monitored and managed.

The financial 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. Given that the share of unrecoverable debts is 0.05% of sales revenues per year and is not subject to a material change, the Company focuses on securing its receivables, both from formal and legal perspective (bill of exchange, mortgage, pledge), and from business perspective (improvement of supply logistics, more in-depth studies of financial standing of customers etc.). 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 fluctuates insignificantly.

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 2012 the Company entered into current account overdraft facilities for the total amount of PLN 175 million. The Company’s Management Board does not envisage any material turbulences in cash flows, nor a loss of financial liquidity.

Despite ongoing global liquidity crisis that led to shrinking of the financing through capital markets, lower liquidity level of the financial sector and very high volatility in the stock markets, the Company maintained its liquidity and financing stability. The Management Board does believe that it takes all steps necessary to support stability and development of Company economic activities in current market environment.

T.C. Debica S.A. has maintained safe debt level and has diversified the debt and operational risks through collaboration with four banks.

In 2012 the Company has consistently maintained high financial liquidity combined with low debt level. At the end of 2012 the utilization of the current account overdraft facility was zero PLN. All trade payables and liabilities vis-à-vis state budget were paid at maturity.

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 estimated of expected future cash flows in its assessment of assets impairment.

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

Tire Company Debica S.A. continues its investment projects in the “Euro-Park Mielec” Special Economic Zone concerned with the adaptation of the manufacturing process of HP and UHP passenger tires, which fall into the most profitable segment of tire market. Already in 2012 Tire Company Debica S.A. launched the production of 17” tires and tires with the highest speed indices i.e. W (270 km/h) and Y (300 km/h).

Moreover, in relation to the tire labeling requirement that came into force in November 2012. The Company has been investing into the compliance of its products with the labeling requirement set forth in the Regulation of European Parliament and Council (EC) No. 1222/2009. Pursuant to EU recommendations all consumer tires, light delivery and heavy truck tires leaving the Debica plant, produced after July 1, 2012 have to be equipped with a label with information about three key parameters of the tire i.e. wet grip, rolling resistance and external rolling noise.

The above investment projects are implemented from 2011 to 2013. They aim at the implementation of solutions at the Company that would secure compliance with technical and legal requirements set forth in the Labeling Regulation.

Total capital expenditures in the 2011–2013 period will hover around PLN 205 million.

T.C. Debica S.A. is the largest Goodyear's manufacturing plant in Europe and one of the largest globally.

**10. FINANCIAL INSTRUMENTS**

As of the end of 2012 the Company was in the possession of the following financial assets and liabilities:

Financial assets put up for sale
– interests in third parties PLN 144 thousand.
The closing balance of financial liabilities in 2012 was nil.

The changes in the balance of above financial assets and liabilities categories in 2012 and 2011, their pricing principles at balancing date and posting of financial effects of pricing are described in item 1. in "Additional Explanatory Notes to the 2012 Financial Statement".

**11. OTHER INFORMATION**

A.
In 2012 the value of transactions with related entities belonging to the Goodyear Group related to the sales of products, commodities and services totaled PLN 1898 million, whereas the value of fixed asset disposal was PLN 3 million.

The value of purchase transactions was PLN 683 million.

The one-off transactions of combined transactions with the total value exceeding EUR 500.000 were made with the following entities:

Sales transactions:

| | | |
|---|---|---|
| Goodyear Dunlop Tires Operations S.A., Luxembourg | 1,666.2 | million PLN |
| Goodyear Dunlop Tires Polska Sp. z o.o. | 161.4 | million PLN |
| Goodyear Lastikleri T.A.S., Turkey | 16.5 | million PLN |
| Goodyear Dunlop Tire, Germany | 16.1 | million PLN |
| Goodyear Dunlop Tire, France | 12.0 | million PLN |
| Goodyear South Africa, Republic of South Africa | 5.3 | million PLN |
| Goodyear Innovation Center, Luxembourg | 5.2 | million PLN |
| Goodyear Dalian Tire Company Ltd, China | 4.9 | million PLN |

Purchase transactions:

| | | |
|---|---|---|
| Goodyear Orient Co. Pte Ltd, Singapore | 279.4 | million PLN |
| Goodyear Akron, USA | 174.9 | million PLN |
| Goodyear Dunlop Tires Operations SA, Luxemburg | 129.1 | million PLN |
| Goodyear S.A., Luxembourg | 85.4 | million PLN |
| Goodyear Lastikleri T.A.S., Turkey | 6.6 | million PLN |
| Goodyear Dunlop Tires Polska Sp. z o.o | 4.6 | million PLN |

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 2012 was zero.

In 2012 the Company entered into agreements for current account overdraft facilities for the total amount of PLN 175 million. Notes 19D and 20C to the Balance Sheet comprises a list of these agreements as well as terms and conditions of extended financing.

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 2012 the Company did not invest into any securities, financial instruments nor real properties.

D/
The Company did not announce publicly the financial forecast for 2012.

E/

The Company is a party to the following material contracts:

- technical assistance contract and licensing contract concluded with The Goodyear Tire Rubber Company with its registered office in Akron,
- 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 2012 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.:

Jacek Pryczek, President of Management Board – 1 share
Stanisław Cieszkowski, Management Board Member - 420 shares
Raimondo Eggink, Management Board Member (until December 20, 2012) - 500 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/
On July 27, 2011 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 2012 financial statements.

The fee due for the audit and review of 2012 Financial Statements totals PLN 250 000.

The fee due and paid for the audit and review of 2011 Financial Statements PLN 250 000.

In 2012 and 2011 did not use tax counseling services PricewaterhouseCoopers Sp. z o.o. There were no other fees.

## 12. CORPORATE GOVERNANCE

In 2012, T.C. Debica S.A., which has been listed on the Warsaw Stock Exchange (WSE) since 1994, complied with the recommendations for corporate governance included in “Code of Best Practice for WSE Listed Companies”, enclosed to Resolution No. 20/1287/2011 of the WSE Supervisory Board, dated November 19, 2011, and published on the website at: www.corp-gov.gpw.pl, with the following provisos:

The Company did not apply Rule No. I.1 concerning the registration and publishing of the proceedings of the General Meeting of Shareholders. Given the cost of registering and publishing the General Meeting of Shareholders on the website, the Company resolved to make no change to the current, transparent and effective information policy concerning the course of the General Meeting of Shareholders.

The Company did not apply Rule No. II.2a concerning publication of separate information about participation of women and men in the Company’s Management and Supervisory Boards respectively in the last two years, since information about the composition and changes in staffing of Company’s governing bodies are published on the Company's website.

Description of the principles for the appointment and dismissal of managing persons and their competencies, including, in particular, the right to take a decision regarding a share issue or buy-out and a description of the operations of the issuer’s managing, supervisory or administrative bodies and their committees.

**The Company’s 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 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. 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 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 endeavors.

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 Management Board's 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, no 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. 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 analyze 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 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 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 PROTECTION AT T.C. DEBICA S.A.

One of the fundamental operational principles of Tire Company Debica S.A. is the compliance with the environmental standards laid down in legal requirements and the implementation of the latest technical and technological solutions. The above is confirmed by the official inspections of the central government administrative bodies and the compliance with the in-house air emission permissible levels, water and energy consumption rates and complete recycling of production waste. These trends are illustrated by data provided below.

**Environmental emissions**

**Green house effect gases**

The Company emits green house effect gases during production of process media and heating of facilities. Through rationalization of saturated steam consumption in the tire making process and enhanced energy utilization rate (despite production stoppages caused by market circumstances) there is a declining trend of carbon dioxide emissions.

Carbon dioxide emissions from company boiler house in 2009-2012

| | | | | |
|---|---|---|---|---|
| $CO_2$ emission in '000 tons | 43 | 46 | 41 | 36 |
| Year | 2009 | 2010 | 2011 | 2012 |

**Total environmental gaseous emissions**

The declining trend is also visible in the emissions of all volatile matter from tire manufacturing process and from generation of power media. This is evidenced by the volume of hydrocarbons emission from the manufacturing process per ton of finished goods. This level of that index is adversely affected by the stoppages of manufacturing line that happened in 2012 due to adverse market circumstances (due to shrinking demand).

Hydrocarbon emission volume in 2009-2012 (in kgs per 1 Mg of product)

| | | | | |
|---|---|---|---|---|
| Hydrocarbon emission volume in kgs/Mg | 1.16 | 1.13 | 1.11 | 1.16 |
| Year | 2009 | 2010 | 2011 | 2012 |

**Energy consumption**
Total energy consumption during tire manufacturing process reflects the advancement of plant equipment and applied technologies. Also energy consumption rate reflects disadvantageous impact of manufacturing line stoppages and operational breaks of manufacturing systems

Number of kilowatt-hours per product unit in the manufacturing process in 2009-2012

| | | | | |
|---|---|---|---|---|
| Energy utilization in BTU/lbs | 6581 | 6048 | 5676 | 6343 |
| Year | 2009 | 2010 | 2011 | 2012 |

**Industrial waste management**
Technological advancement and production process efficiency is illustrated by the volume of production waste. Tire Company Device S.A. does not store waste. Total waste is recycled or – if it is not possible – the waste is disposed of.

Volume of recycled waste per 1 Mg of products in 2009-2012

| | | | | |
|---|---|---|---|---|
| Volume of recycled waste per 1 Mg of products | 5783 | 7154 | 8536 | 6499 |
| Year | 2009 | 2010 | 2011 | 2012 |

**Water and effluents**
Total volume of effluents generated during tire manufacturing and domestic sewage equals the total water consumption at Tire Company Debica S.A. Additionally the upgrading projects underway and the application of closed loops allow to meet water consumption and effluent production limits.

Water consumption ($m^3$) per 1 Mg of products in 2009-2012

| | | | | |
|---|---|---|---|---|
| Volume of effluents (m3) per 1 Mg of products | 10 | 10 | 9.6 | 12.6 |
| Year | 2009 | 2010 | 2011 | 2012 |

**Environmental fees**
The indicator reflecting total utilization of natural environment is the level of environmental fees for water consumption, gaseous emissions and production of effluents per ton of product made. The growth of that indicator in the last two years was caused by an increase of environmental fees set forth by law every year.

Environmental fees in 2009–2012 (PLN/1 Mg of product)

| | | | | |
|---|---|---|---|---|
| Environmental fees (PLN/1 Mg of product) | 1.7 | 1.4 | 1.6 | 1.9 |
| Year | 2009 | 2010 | 2011 | 2012 |

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| File | Description |
|---|---|
| | |

**STATEMENT ABOUT CORPORATE GOVERNANCE APPLICATION**

In 2012, T.C. Debica S.A., which has been listed on the Warsaw Stock Exchange (WSE) since 1994, complied with the recommendations for corporate governance included in "Best Practices of WSE Listed Companies", enclosed to the Resolution No. 17/1249/2010 of the WSE Supervisory Board, dated May 19, 2010, and published on the website at the address: www.corp-gov.gpw.pl, with the following provisos:

The Company did not apply Rule No. I.1 concerning the registration and publishing of the proceedings of General Meeting of Shareholders. Given the cost of registering and publishing of the recordings of the

General Meeting of Shareholders’ proceedings on the Website, the Company resolved to make no change to the current, transparent and effective information policy concerning the course of the General Meeting of Shareholders.

The Company did not apply Rule No. II.2a concerning publication of separate information about participation of women and men in the Company’s Management and Supervisory Boards respectively in the last two years, since information about the composition and changes in staffing of Company’s governing bodies is published on the Company's website.

| 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),
Change in balance of intangible assets (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 controlled entities,
Shares or interests in controlled entities – 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),
Other prepayments and accruals,
Other short-term investments (by type),
Other short-term investments (by currency),
Own shares (interest),
Issuer’s shares (interest) held by controlled entities,
Appropriations from net profit during accounting year (by title),
Long-term credit- and loan-related liabilities,
Long-term liabilities related to the issued debt financial instruments
Short-term liabilities related to the issued debt financial instruments
Change in negative goodwill
Contingent receivables from related entities (by title),
Contingent liabilities vis-à-vis related entities (by title),
Financial gains from dividends and shares in profits
Proceeds (loss) from disposal of total or a part of shareholding in subsidiaries
Extraordinary gains
Extraordinary profits
Total amount of deferred tax,
Income tax posted into Profit and Loss Account referring to
Other mandatory deductions from profit (loss increases), due to:
Share in net profits (losses) of controlled entities priced using property rights method including: