

revised

POLISH FINANCIAL SUPERVISION AUTHORITY

Annual Report SA-R 2017

(in conformity with § 82.1.3 of the Regulation on current and periodical information)

(for issuers of securities issuers conducting manufacturing, construction, trade or service activity)

for the financial year of 2017 covering the period from 2017-01-01 to 2017-12-31

and for the preceding financial year of 2016 covering the period from 2016-01-01 to 2016-12-31

date submitted: 2018-04-26

Firma Oponiarska "Dębica" Spółka Akcyjna		(full issuer's name)	
TC Dębica S.A.	automotive	(sector according to the WSE classification)	
(Abridged issuer's name)			
39-200			
(post code)			
1 Maja	Dębica		1
	(street)	(place)	(number)
)		
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(telephone)		(fax)	
		www.debica.com.pl	
	(e-mail)	(www)	
872-000-34-04		850004505	

PricewaterhouseCoopers Sp. z o.o.

(Auditing company)

The annual report comprises:

A report of an audit firm on the audit of the annual financial statements

A representation of the Management Board, including an opinion of the Supervisory Board, on the report of the audit on the audit of the annual financial statements containing an opinion with reservations, negative opinion or a refusal to express an opinion

A representation of the Management Board on the reliability of the financial statements

A representation of the Management Board on the audit firm

A letter of the President of the Management Board
Annual financial statements

Introduction

Statement of Changes in Equity

Balance Sheet

Cash Flow Statement

Profit and Loss Account

Notes to the Financial Statements

Management Board's Report on Company Operations (Issuer's Operations Report)
Statement on Corporate Governance Application

FINANCIAL HIGHLIGHTS	'000 PLN		'000 EUR	
	2017	2016	2017	2016
I. Net sales of products, merchandise and materials	1,963,453	1,678,676	462,570	383,638
II Operating profit (loss)	122,391	51,658	28,834	11,806
III. Gross profit (loss)	121,569	52,008	28,640	11,886
IV. Net profit (loss)	119,574	64,753	28,170	14,799
V. Net operating cash flows	212,405	170,615	50,040	38,992
VI Net investment cash flows	-192,349	-72,352	-45,315	-16,535
VII. Net financial activity cash flows	-35,100	-42,104	-8,269	-9,622
VIII Total net cash flows	-15,044	56,159	-3,544	12,835
IX. Total assets	1,648,632	1,451,820	395,270	328,169
Liabilities and provisions for liabilities	536,414	426,740	128,609	96,460
XI. Long-term liabilities	3,105	2,287	744	517

XII. Short-term liabilities	478,339	372,192	114,685	84,130
XIII. Equity	1,112,218	1,025,080	266,661	231,709
XIV. Share capital	110,422	110,422	26,474	24,960
XV. Number of stocks	13,802,750	13,802,750	13,802,750	13,802,750
XVI. Profit (loss) per ordinary share (in PLN/EUR)	8.66	4.69	2.04	1.07
XVII. Diluted profit (loss) per ordinary share (in PLN/EUR)	8.66	4.69	2.04	1.07
XVIII. Book value per stock (in PLN/EUR)	80.58	74.27	19.32	16.79
XIX. Diluted book value per share (in PLN/EUR)	80.58	74.27	19.32	16.79
XX Declared or paid dividend per share (in PLN/EUR).	2.35	2.86	0.56	0.65

Information about the correction of the periodic report:

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

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

1. the annual report for 2016 published on 27 April 2017.
2. the annual report for 2017 published on 26 April 2018.

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

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

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

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

Detailed legal basis: § Par. 15.4 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state.

Independent Registered Auditor's Report

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

Report on the audit of annual financial statements

Our opinion

In our opinion, the attached annual financial statements of Firma Oponiarska Dębica S.A. ("the Company"):

- give a true and fair view of the financial position of the Company as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with the applicable provisions of the Accounting Act of 29 September 1994 ("the Accounting Act" – Consolidated text: Journal of Laws of 2018, item 395, as amended) and the adopted accounting policies;
- comply in terms of form and content with the laws applicable to the Company and the Company's Articles of Association;
- have been prepared on the basis of properly maintained books of account in accordance with the provisions of Chapter 2 of the Accounting Act.

Our opinion is consistent with our additional report to the Audit Committee issued on the date of this report

What we have audited

We have audited the annual financial statements of Firma Oponiarska Dębica S.A. which comprise:

- balance sheet as at 31 December 2017; and the following prepared for the financial year from 1 January to 31 December 2017:
- income statement;
- statement of changes in equity;
- cash flows statement, and
- the introduction to the financial statements and additional explanatory notes. **Basis for opinion**

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing as adopted as National Standards on Auditing by the National Council of Statutory Auditors ("NSA") and pursuant to the Act of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Oversight ("the Act on Registered Auditors" – Journal of Laws of 2017, item 1089) and Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities ("the EU Regulation" – Journal of Laws EU L158). Our responsibilities under those NSA are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

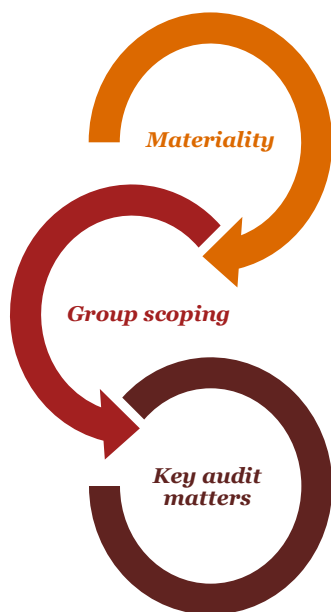
Independence and ethics

We are independent of the Company in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants ("the IFAC Code") as adopted by resolutions of the National Council of Statutory Auditors and other ethical requirements that are relevant to our audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the

IFAC's Code. During the audit, the key registered auditor and the registered audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Registered Auditors and in the EU Regulation.

Our audit approach

Overview



- The overall materiality threshold adopted for the purposes of our audit was set at PLN 18.4 million, which represents 1% of total costs of products, goods and materials sold, selling costs and general and administrative costs.
-
- We have audited the annual financial statements of the Company for the period ended 31 December 2017.
-
- Deferred income tax recognized in connection with the use of public aid.
-

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Company's Management Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by the adopted materiality level. Our audit was designed to obtain reasonable assurance that the financial statements as a whole are free from material misstatement. Misstatements may arise due to fraud or error.

They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole, as presented below. These thresholds, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

The concept of materiality is used by the registered auditor both in planning and conducting an audit, as well as in assessing the effect of the misstatements identified during the audit and the unadjusted misstatements (if any), on the financial statements, and also when forming the registered auditor's report. Therefore, all opinions, assertions and statements contained in the registered auditor's report have been made taking into consideration the quantitative and qualitative materiality levels determined in accordance with the audit standards and the registered auditor's professional judgement.

Overall materiality

PLN 18.4 million

Basis for determination

1% of total costs of products, goods and materials sold, selling costs and general and administrative costs

Rationale for the materiality benchmark applied

We have adopted above mentioned costs as the basis for determining materiality because, the Company is a manufacturing plant producing primarily for related parties and these costs determine the scope of the Company's operations. We adopted the materiality threshold at 1% because based on our professional judgement it is within the acceptable quantitative materiality thresholds

We agreed with the Company's Audit Committee that we would report to them of misstatements identified during our audit of the financial statements above PLN 1.8 million, as well as any misstatements below that amount, that in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. They include the most significant identified risks of material misstatements, including the identified risks of material misstatement resulting from fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We summarized our response to these risks and, when deemed appropriate, presented the most important observations relating to these risks. We do not provide a separate opinion on these matters.

Key audit matter**How our audit addressed the key audit matter**

Deferred income tax recognized in connection with the use of public aid

According to the licence to conduct business activities Special Economic Zone "Euro-Park Mielec" (the "SEZ"), starting from 2013 the Company has been utilizing corporate income tax relief. At present, the

We have verified whether the Company is in the entitled to use public aid by, among other things, reviewing the licences it has received to operate

licence is not subject to any limitations as regards its expiry date.

According to the provisions of the Accounting Act and the Company's accounting policies, the Company does not recognize a deferred tax assets in respect of the public aid it has received, i.e. a benefit arising from the right to lower its tax liabilities in the future.

Due to the fact that, the Company will not pay income tax until the public aid has been used up or the licence has expired (depending on which of these events occurs first), the Company recognizes deferred tax exclusively in respect of temporary differences which will crystallize after that date.

Therefore, as at 31 December 2017 it recognized deferred tax assets of PLN 6.8 million and a deferred tax provision of PLN 17.3 million.

The disclosures on the Company's accounting policies and the calculation of deferred tax are presented in Note 10 of the Introduction to the financial statements and in Notes 5 A, 18 A and 33 A-C of the Additional notes and explanations to the financial statements. We considered the above matter to be a key audit matter due to the materiality of the items in the Company's financial statements, as well as the fact that the amounts of the said financial statement items

are based largely on subjective assumptions and professional judgement. In particular, the values of the deferred tax assets and provision are burdened with uncertainty and susceptibility to fluctuations should the Management Board change the assumptions made in the calculation, concerning, among other things, forecasts for future results of the operations in the zone and, consequently, the length of the period over which the Company will be using the public aid, as well as a forecast for the amounts of the temporary differences remaining to be accounted for as at the date of the public aid having been being used up.

in the SEZ and the decisions issued by an authorized State authority.

We have assessed the reasonableness of the assumptions made by the Company, regarding the forecasted future results of operations to be achieved in the period over which the public aid is to be accounted for as part of the activities in the SEZ.

We have evaluated the methodology and the assumptions made by the Management Board in

calculating deferred tax. We have received the Company's calculations and support documentation, and we have checked them for correctness by verifying the input data, the policies in place, and the arithmetical correctness of the calculations.

We have confirmed that the calculations prepared were free from material errors, and the business assumptions were in compliance with the Company's long-term plans approved by the Supervisory Board. We have interviewed the Company's management in order to identify potential tax risks which are related to the operations in the SEZ and which may affect the results of the deferred tax calculation and the financial statements as a whole.

As a result of the audit procedures performed, we identified misstatement in the calculation of deferred tax assets and deferred tax provision, that has been adjusted in the financial statements.

Responsibility of the Management and Supervisory Board for the financial statements

The Management Board of the Company is responsible for the preparation, based on the properly maintained books of account of annual financial statements that give a true and fair view of the Company's financial position and results of operations, in accordance with the provisions of the Accounting Act, the adopted accounting policies, the applicable laws and the Company's Articles of Association, and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Company's Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management Board and members of its Supervisory Board are obliged to ensure that the financial statements comply with the requirements specified in the Accounting Act. Members of the Supervisory Board are responsible for overseeing the financial reporting process.

Auditor's responsibility for the audit of the financial statements

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the NSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these financial statements. The scope of the audit does not cover an assurance on the Company's future profitability or the efficiency and effectiveness of the Company's Management Board conducting its affairs, now or in future.

As part of an audit in accordance with the NSA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management Board;
- conclude on the appropriateness of the Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the Report on the operations

Other information

Other information comprises a Report on the Company's operations for the financial year ended 31 December 2017 ("the Report on the operations") and the corporate governance statement and the statement on non-financial information referred to in articles 49b(1) of the Accounting Act which are a separate parts of the Report on the operations.

Responsibility of the Management and Supervisory Board

The Management Board of the Company is responsible for preparing the Report on the operations in accordance with the law.

The Company's Management Board and the members of the Supervisory Board are obliged to ensure that the Report on the Company's operations including its separate parts complies with the requirements of the Accounting Act.

Registered auditor's responsibility

Our opinion on the audit of the financial statements does not cover the Report on the operations. In connection with our audit of the financial statements, our responsibility is to read the Report on the Operations and, in doing so, consider whether it is materially consistent with the information in the financial statements, our knowledge obtained in our audit, or otherwise appears to be materially misstated.

If, based on the work performed, we identified a material misstatement in the Report on the operations, we are obliged to inform about it in our audit report. In accordance with the requirements of the Act on the Registered Auditors, we are also obliged to issue an opinion on whether the Report on the operations has been prepared in accordance with the law and is consistent with information included in annual financial statements.

Moreover, we are obliged to issue an opinion on whether the Company provided the required information in its corporate governance statement and to inform whether the Company prepared a statement on nonfinancial information.

Opinion on the Report on the operations

Based on the work we carried out during the audit, in our opinion, the Report on the Company's operations:

- has been prepared in accordance with the requirements of Article 49 of the Accounting Act and para. 91 of the Regulation of the Minister of Finance dated 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 ("Regulation on current information" – Journal of Laws 2014, item 133, as amended);
- is consistent with the information in the financial statements.

Moreover, based on the knowledge of the Company and its environment obtained during our audit, we have not identified any material misstatements in the Report on the Company's operations.

Opinion on the corporate governance statement

In our opinion, in its corporate governance statement, the Company included information set out in paragraph 91(5)(4) (a), (b), (g), (j), (k) and (l) of the Regulation on current information. In addition, in our opinion, information specified in paragraph 91(5)(4)(c)–(f) and (i) of the said Regulation included in the corporate governance statement are consistent with the applicable provisions of the law and with information included in the financial statements.

Information on non-financial information

In accordance with the requirements of the Act on the Registered Auditors, we confirm that the Company has prepared a statement on non-financial information referred to in Article 49b(1) of the Accounting Act as a separate section of the Report on the operations.

We have not performed any assurance work relating to the statement on non-financial information and we do not provide any assurance with regard to it.

Report on other legal and regulatory requirement

Opinion on the requirements of Article 44 of the Power Industry Law

The Management Board of the Company is responsible for preparing regulatory financial information in accordance with the requirements of Article 44 of the Energy Law of 10 April 1997 ("Energy Law" – Journal of Laws of 2017, item 220, as amended).

In accordance with Article 44 of the Energy Law, we are obliged to audit regulatory financial information and to issue an opinion required by the Power Industry Law.

Regulatory financial information has been presented in note 32 to the financial statements. Our audit did not cover an evaluation as to whether the information required to be disclosed under the Energy Law is sufficient to ensure equal treatment of consumers and to eliminate cross-subsidization between segments.

In our opinion, the relevant balance sheet items as at 31 December 2017 included in the regulatory financial information (explanatory note no. 32) and income statements for the year then ended prepared separately for each of the operating segments comply, in all material respects, with the requirements referred to in Article 44(2) of the Energy Law, in terms of ensuring the equal treatment of users and elimination of cross subsidization between segments.

Statement on the provision of non-audit services

To the best of our knowledge and belief, we declare that the non-audit services we have provided to the Company and its subsidiaries are in accordance with the laws and regulations applicable in Poland and that we have not provided any non-audit services prohibited under Article 5(1) of the EU regulation and Article 136 of the Act on Registered Auditors.

The non-audit services which we have provided to the Company and its subsidiaries in the audited period are disclosed in the note 19 to the financial statements.

Appointment

We have been appointed for the first time to audit the annual financial statements of the Company for the financial year 31 December 1996 in 1996 and reappointed by the last resolution of the Supervisory Board dated 26 June 2017.

We have been auditing the Company's financial statements without interruption since the financial year ended 31 December 1996, i.e. for 22 consecutive years.

The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Sp. z o.o., a company entered on the list of Registered Audit Companies with the number 144., is Tomasz Reinfuss.

Tomasz Reinfuss
Key Registered Auditor
No. 90038

Kraków, 25 April 2018

File	Description

REPRESENTATION OF THE MANAGEMENT BOARD ON THE RELIABILITY OF THE FINANCIAL STATEMENTS

The Management Boards represents that according to its best knowledge, these annual financial statements and the comparative data were prepared in conformity with the applicable accounting principles and that they give a reliable, true and fair view of the Company's assets and financial situation, and that the Management Board's Report gives a true view of the Company's development, achievements and situation, including a description of the underlying risks.

the Management Board

Leszek Szafran- President of the Management Board, Ireneusz Maksymiuk- Member of the Management Board Michał Mędrak- Member of the Management Board Paweł Miłoszewski - Member of the Management Board Mirosław Maziarka - Member of the Management Board

File	Description

MANAGEMENT BOARD'S STATEMENT ON THE AUDITING COMPANY

The Management Board represents that the entity authorized to audit financial statements employed to audit the annual financial statements was chosen in conformity with the applicable law and that both the entity and the statutory auditors involved in the audit issued an objective and independent report on the audit in conformity with the national law.

File	Description

LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

My fellow shareholders, dear all

It is my pleasure to submit to you the annual report of Firma Oponiarska Dębica S.A for 2017. I am all the more satisfied to do so as the past twelve months were a very good period for our Company. We

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remained the leader on the Polish market of tires for passenger and commercial cars, as well as improved our business and financial results.

Taking advantage of the good market situation in 2017, we recorded a sale revenue of nearly PLN 2 b - 17% higher than last year. We also earned bigger profits, which, in addition to the growth in sales, resulted from cost reduction, including an improvement in the efficiency of the tire production processes. Consequently, our operating profit (EBIT) increased by 137%, reaching over PLN 122 m, while the net profit grew by 85%, amounting to nearly PLN 120 m.

In pursuance of the priorities defined in our strategy, in 2017 we invested nearly PLN 100 m in innovations and top-quality manufacturing facilities.

We invested a significant portion of this money in the further development of production of tires for high- and ultra-high-performance passenger cars (the High Performance and Ultra-High Performance tires) and tires of greater diameters, i.e. 17 inches and bigger. These sizes generate the biggest profits in the entire tire industry. It is in this area that we introduced a new, advanced Dębica Presto UHP 2 tire. We also invested significant funds toward increasing our production capacity in the truck tire segment. This will allow us to extend our product range and increase our competitive advantage in this segment in the years to come.

I believe that in the long run all our investments of 2017 and the effort on the part of all divisions of the Company will contribute to the strengthening of our market position and to the growth of the value of Firma Oponiarska Dębica for all of its shareholders.

I would like to thank all the stakeholders of our Company and wish you good reading.

Yours sincerely,
Leszek Szafran
CEO

File	Description

ANNUAL FINANCIAL STATEMENTS

INTRODUCTION TO THE FINANCIAL STATEMENTS

I. Legal form and the basic objects according to the Polish Classification of Activities

FIRMA OPONIARSKA DĘBICA SPÓŁKA AKCYJNA; ul.1 Maja 1, 39-200 Dębica;
Statistical number REGON 850004505; Tax ID PL 8720003404; National Court Registry Number KRS
0000045477 District Court in Rzeszów, 12th Commercial Department, share capital: PLN 110,422,000 (paid up
in full)

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

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

On 12 November 1993 the General Meeting of Shareholders of "Stomil" Debica S.A. decided rename the Company
"Firma Oponiarska Dębica Spółka Akcyjna." The Company may use its abbreviated name T.C. Debica S.A., which
became effective on 22 November 1993, following a decision of the District Court in Tarnów about an entry into the
commercial register of the name change.

The Company belongs to the GOODYEAR Capital Group, with 11,234,912 of its stocks, constituting 81.396% of its
share capital, being currently held by 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 of 19 September 2008).

The main object of the Company 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 the Company's authorities

1. The Financial Statements were drawn up for 2017, covering the period from 1 January 2017 to 31 December
2017 and comparable financial data for 2016, covering the period from 1 January 2016 to 31 December 2016. .

2. The Financial Statements were prepared based on the assumption that the Company is a going concern and
continue to be one in the foreseeable future. According to the Management Board, there are no circumstances that
would threaten the continuity the Company's business.

3. The Financial Statements were prepared in conformity with the Accounting Act of 29 September 1994
(Journal of

Laws of 2013, item 330, as amended) and pursuant to the Decree of the Council of Ministers

of 19 February 2009 on Current and Periodic Information Provided by the Issuers of Securities (Journal of Laws

no. 33, item 259) and the Ordinance of the Minister of Finance on Detailed Rules of Recognition, Valuation

Methods and the Scope and Method of Presentation Financial Instruments of 12 December 2001 (Journal of Laws No. 149, item 1674, as amended). For the purposes of drawing up financial statements the

Company does not apply National Accounting Standards. The Introduction and the Notes represents an integral part of the Financial Statements.

4. Company authorities:

Composition of the Management Board and the Supervisory Board Management Board

Stanisław Cieszkowski - President of the Management Board,

Leszek Szafran – member of the Management Board,

Ireneusz Maksymiuk - Member of the Management Board,

Michał Mędrek - Member of the Management Board

Supervisory Board

Jacek Pryczek - Chairman of the Supervisory Board

Dominikus Golsong - Member of the Supervisory Board, Vice-Chairman of the Supervisory Board

Karl Brocklehurst - Member of the Supervisory Board

Maciej Mataczyński - Secretary of the Supervisory Board

Renata Kowalska-Andres - Member of the Supervisory Board

Łukasz Rędziniak - Member of the Supervisory Board Janusz

Raś - Member of the Supervisory Board

Composition of the Management Board and the Supervisory Board as at 31.12.2017

Leszek Szafran- President of the Management Board,

Ireneusz Maksymiuk- Member of the Management Board

Michał Mędrek- Member of the Management Board

Paweł Miłoszewski - Member of the Management Board

Mirosław Maziarka - Member of the Management Board

Supervisory Board

Jacek Pryczek - Chairman of the Supervisory Board

Dominikus Golsong - Member of the Supervisory

Board, Vice-Chairman of the Supervisory Board

Leszek Cichocki – Member of the Supervisory Board

Maciej Mataczyński - Secretary of the Supervisory Board

Renata Kowalska-Andres - Member of the Supervisory Board

Łukasz Rędziniak - Member of the Supervisory Board

Janusz Raś - Member of the Supervisory Board

Changes in the composition of the managing and supervisory bodies during the financial year: 28 August 2017:

resignation of Stanisław Cieszkowski as the President of the Management Board of Firma Oponiarska S.A (RB 12/2017)

18 September 2017:

Leszek Szafran appointed President of the Management Board and Paweł Miłoszewski a Member of the Management

Board of Firma Oponiarska Dębica S.A. (RB 13/2017) 27 September 2017:

resignation of Karl Brocklehurst as a Member of the Supervisory Board of Firma Oponiarska Dębica S.A. (RB 15/2017)

5 October 2017:

Mirosław Maziarka appointed a Member of the Management Board and Leszek Szafran appointed a Member of the Supervisory Board (RB 16/2017).

III. Accounting principles

1. Fixed assets and intangible assets

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

allowances.

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The following periods for making amortization allowances were assumed:

- - computer software - 2-10 years

- - costs of development efforts - 3 years

- - other - 5 years

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

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

Tangible fixed assets are carried at acquisition cost, manufacturing cost, improvement cost or refurbishment cost.

Tangible fixed assets are depreciated on a straight line basis during their expected economic life.

The following depreciation periods were adopted:

Polish Financial Supervision
Authority

- 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 3,500.

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

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

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

In the event of changes to production technologies, earmarking a given asset for scrapping, discontinuing its use, or other reasons which give rise to the impairment of such fixed assets or intangible asset, a write-down is recognized as part of other operating expenses. Write-downs relating to fixed assets revalued in accordance with other regulations reduce the surpluses resulting from revaluation. Any excess of a write-down over a revaluation surplus is recognized as a part of other operating expenses.

If the reason for recognizing a write-down reflecting impairment of fixed assets or intangible assets ceased to exist, the whole or a part of the previously recognized write-down increases the value of a given asset and is credited accordingly to other operating income.

2. Fixed assets under construction

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

or commissioning date of the asset.

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

3. Lease

Operational lease, tenancy or lease

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

(the financing party), are posted into costs on a straight-line basis during the lease or tenancy period.

Finance lease

Leasehold or intangible values put into service under a lease contract are recognized as fixed assets, provided that such contract conforms to the Act.

The lease of tangible fixed assets where the Company acting as a lessee bears basically all risks and enjoys basically all benefits related to the ownership title, is categorized as financial lease.

The financial lease is activated upon the start of lease in accordance with one of the two amounts, whichever is lower:

fair value of the asset under the lease and actual value of minimum lease payments.

Each lease payment is split into financial lease liability (principal portion) and financial costs (interest portion).

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

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

4. Long-term investments

Shares in other entities and other long-term financial assets are valued according to their purchase price less impairment write-downs.

5. Inventories

The inventories of tangible current assets are priced as follows:

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

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

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

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

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

6. Receivables and liabilities

Receivables and liabilities (except for financial liabilities) are valued at amounts due, taking account of the prudence principle, and carried net of write-downs (reduced by revaluation write downs). The value of receivables is written down depending on the likelihood of their being collected, by revaluation write down.

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

7. Short-term investments

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

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

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

8. Cash assets

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

If such financial assets are payable or due within 3 months of their receipt, issue, purchase or deposit, they are recognised as cash and cash equivalents for cash flow reporting purposes. The listed cash assets are presented in the balance sheet in the short-term investment line.

9. Foreign currency transactions

Foreign exchange transactions are settled at the average exchange rate set for a certain currency by the National Bank of Poland in effect on the transaction date, unless a different exchange rate was set in a customs declaration. At the balancing date, the assets and liabilities expressed in foreign currencies are priced at the average exchange rate set for a given currency by the National Bank of Poland for such date.

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

10. Deferred income tax assets and provision

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

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

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

Deferred tax provisions and assets are measured at the tax rates applicable in the year in which the related tax obligation arises.

The difference between the provisions and assets due to a deferred tax at the end and the beginning of the reporting period affects the financial result, where the provisions and assets due to deferred tax related to settling the equity capital are also recognized as equity capital.

Pursuant to the held operational permit No. 134/ARP/2008 of 27 February 2008 for running business activities within the Euro-Park Mielec Special Economic Zone Tire Company Debica S.A. is entitled to enjoy income tax

relief up to 40.23 per cent of the discounted amount of capital expenditures spent on investment projects within the "Euro-Park Mielec" Special Economic Zone. The Company met the requirements attached to the operational permit in December 2012 and starting from 2013 onwards is entitled to enjoy income tax relief for legal persons. By virtue of Decision No. 27/IW/16, issued by the Minister of Development, dated 14 January 2016, the held Operational Permit in the territory of the Euro-Park Mielec Special Economic Zone was amended in the section concerned with validity date. Consequently, the validity date was deleted from the Operational Permit According to the plans at the balancing date, the Management Board assumes full utilization of the tax allowance by 30 June 2018.

The Company calculates the deferred income tax on all temporary differences. When determining the amount of deferred income tax assets and provision, for transitional differences, whose estimated execution moment will take

place while running activities in the Special Economic Zone tax rate was applied (pursuant to Art. 37, par. 6, par. of the Act) granted under the Operational Permit in the Special Economic Zone ("zero" rate). The Company does not apply the provisions of the National Accounting Standard No. 2 "Income Tax".

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

The provisions for liabilities are priced at justified, reliably estimated value. Provisions are recognised against: certain or probable future liabilities, whose amount may be reliably estimated, in particular losses arising from current contracts, including those related to guarantees, warranties granted, loans and the outcome of pending litigation;

- future liabilities resulting from a restructuring, which, pursuant to separate regulations, the Company is obliged to carry out, or if binding agreements have been entered into in this respect, and where the restructuring plans allow to reliably determine the value of such future liabilities.
- retirement bonuses, where the obligation to pay them follows from the in-company collective labour agreement. Such provision is recognised at the amount determined by an actuary;
- probable liabilities of the current reporting period, resulting in particular from the obligation to provide in the future goods and services relating to current activities to unknown persons, whose amount can be estimated even though the timing of the liability is not yet known, including amounts relating to guarantee and warranty service in respect of durable products sold.

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

Accruals related to long-term employee benefits such as: jubilee awards, retirement gratuities/pension and death benefits, are established based on actuarial computations made once at the year-end.

The establishment of accruals for non-utilized leaves is charged into the costs of the period the leaves refer to.

12. 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.

Supplementary 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. Supplementary capital is increased by the revaluation capital that originated from disposed fixed assets covered by revaluation.

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

13. Prepayments and deferred costs

Prepayments and deferred costs are recognised in respect of costs relating to future reporting periods. Prepayments and deferred costs are recognised in proportion to the time passed and services provided. The timing and method of recognition in the income statement corresponds to the nature of the expenses recognised, taking into account of the prudence principle.

14. Accruals

Accrued expenses are recorded in the amount of probable liabilities in the current reporting period, particularly resulting from:

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

The accruals mentioned above are presented in the balance sheet under the position: liabilities on deliveries and services. The accruals related to warranty repairs are posted in proportion to the expected size of services, which include repairs made (on one's own or replacement of commodity or product under extended warranty). Upon the expiry of the warranty period, the non-written-off accruals are deducted from the cost of sales of accounting period in which

no warranty repair claims did not occur.

15. Sales revenues

Sales revenue is recognized at the time goods are delivered, if the Company has transferred significant risks and benefits resulting from the ownership rights, or at the time services are provided. Sales are recognized net of value-added taxes and excise duty or any discounts given.

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, subsidies, additional payments and compensations.

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.

17. Disclosure resulting from Art. 44 of the Energy Law.

The Financial Statements contain Notes with disclosed information as required by Art. 44 of the Energy Law.

The accounting policy was updated as a result of the amended Art. 44 of the Energy Law (Journal of Laws of 2017, item 220, as amended), effective from 1 January 2014, on obligation on the power companies to draw up Financial Statements containing Balance Sheet and Profit and Loss Account for the accounting periods, with a breakdown into individual types of run business activities.

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

The breakdown of Financial Statement, with a description of breakdown principles, is presented in Section 32 "Additional Explanatory Notes to the 2017 Financial Statements of Firma Oponiarska Dębica S.A."

				IV. Basic financial data and average	
				EUR	PLN
				exchange rates	
				184,0	06
				144,1	Balance sheet ('000)
Fixed assets	PLN 816,061	EUR 195,656	PLN 814,042	63	
Current assets	832,571	199,614	637,778	328,1	
Total assets	1,648,632	395,270	1,451,820	69	Items 31.12.20 31.12.201
Equity	1,112,218	266,661	1,025,080	231,709	176
Liabilities and provisions 460 for liabilities	536,414	128,609	426,740	96	
Total liabilities	1,648,632	395,270	1,451,820	328,169	
Profit and Loss Account ('000)					
Items	2017		2016	EUR	
	PLN	EUR	PLN		
Net revenues on the sales of products, salesgoods and materials	1,963,45	462,570	1,678,676	383,638	
Cost of Products, goods and materials sold	1,784,	420,422	1,543,232	352,684	
sales Gross profit (loss) on operating Sales costs	178,903	41,148	135,444	30,954	
General administrative costs Net profit (loss) on operations	40,391 operating 124,492	9,516	56,565	12,927	
Other operating revenues		29,329	59,294	13,551	
Other costs	6 399	1,013	1,550	354	
economic activity Profit (loss) on		1,508	9,186	2,099	
122,391		28,834	51,658	11,806	
Financial revenues	4,475	1,054	7,010	1,602	
Financial costs	5,297	1,248	6,660	1,522	
Profit (loss) on	121,569	28,640	52,008	11,886	
Gross profit (loss)	121,569	28,640	52,008	11,88	

		212,40	50,040	170,615	38,9
		5			92
Net cash flows from operations					
		-	-45,315	-72,352	-
		192,34			16,5
Net financial activity cash flows					
		9			35
Total net cash flows					
		-35,100	-8,269	-42,104	-
			9,62		
			2		
PLN	EUR	PLN	EUR		

Average EUR/PLN exchange rates in the period covered by the Financial Statement and comparable financial data, set by the National Bank of Poland:

- exchange rate prevailing on:

31.12.2017 1 EUR = PLN 4.1709,

31.12.2016 1 EUR = PLN 4.4240,

- average exchange rate, calculated as the mean arithmetic value of exchange rates prevailing on the last day of each month: in 2017 r. 1 EUR = PLN 4.2447,

in 2016 1 EUR = PLN 4.3757,

- the highest and lowest exchange rate in the accounting period: in 2017 the highest 1 EUR = PLN 4.4157,

the lowest 1 EUR = PLN 4.1709, in 2016 the highest 1 EUR = PLN 4.5035,

the lowest 1 EUR = PLN 4.2355,

The items in Profit and Loss Account for 2017 were converted into EUR using the mean annual EUR/PLN exchange rate, which

was PLN 4.2447.

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

T.C. Debica S.A. draws up financial statement in accordance with US GAAP for the strategic investor The Goodyear Tires & Rubber Company for the purposes of drawing up a consolidated financial statements. Therefore, reliable pinpointing of discrepancies in the values of shown data between the Financial Statement drawn up using Polish accounting principles and the Financial Statement that would be drawn up using International Financial Reporting Standards (IFRS) is not possible.

As at the balance sheet date, the Company identified the following material discrepancies to the adopted accounting policy (consistent with the Accounting Act) with respect to the IFRS:

1. The method of recognizing the discounting bills of exchange transactions: in the financial statements prepared in conformity with the IFRS items: Trade receivables and short-term liabilities - other financial liabilities would have been higher by PLN 68.4 m as at the balance sheet date of 31.12.2017 and PLN 69.9 m as at the balance sheet date of 31.12.2016, respectively. The above discrepancy wouldn't have affected the net financial result and the Company's equity.

2. The method of recognizing a tax relief on an investment in the Special Economic Zone; the tax relief would have been recognized in the financial statements prepared in conformity with the IFRS as a deferred tax asset upon obtaining the right to such relief. In its accounting principles, the Company indicated the influence of the tax under Current Tax and applied a zero deferred tax rate for

temporary differences realised while using the relief. As at the balance sheet day of 31.12.2017, it was not possible to definitely assess the influence of the above discrepancy on the net financial result and the Company's equity for 2017.

File	Description

BALANCE SHEET

	Notes	'000 PLN	
		2017	2016
ASSETS			
I. Fixed assets		816,061	814,042
1 Intangible assets, including:	1	0	9
2 Tangible fixed assets	2	809,035	811,646
3 Long-term investments	3	144	144
3.1 Long-term financial assets		144	144
a) in other entities		144	144
4 Long-term prepayments	4	6,882	2,243
4.1 Deferred income tax assets		6,844	2,097
4.2 Other accrued liabilities		38	146
II Current assets		832,571	637,778
1 Inventories	5	107,145	75,958
2 Short-term receivables	6 7	303,744	220,043
2.1 From related entities		277,513	198,957
2.2 From other entities		26,231	21,086
3 Short-term investments		420,481	340,601
3.1 Short-term financial assets	8	420,481	340,601
a) in related entities		350,000	255,000
b) In other entities		0	0
c) Cash and other money assets		70,481	85,601

4 Short-term prepayments	9	1,201	1,176
Total assets		1,648,632	1,451,820
LIABILITIES			
I. Equity		1,112,218	1,025,080
1 Share capital		110,422	110,422
2. Supplementary capital	12	326,144	324,779
3. Revaluation reserve	13	66,414	67,779
4. Other reserve capitals	14	489,664	457,347
5. Net profit (loss)		119,574	64,753
II. Liabilities and provisions for liabilities		536,414	426,740
1. Provisions for liabilities	15	54,970	52,261
1.1. Deferred income tax provisions		17,251	15,070
1.2. Pension and similar provisions		34,374	31,282
a) long-term		9,983	10,856
b) short-term		24,391	20,426
1.3. Other provisions		3,345	5,909
a) long-term		140	67
b) short-term		3,205	5,842
2. Long-term liabilities	16	3,105	2,287
2.1. to other entities		3,105	2,287
3. Short-term liabilities	17	478,339	372,192
3.1. to related entities		119,840	77,101
3.2. to other entities		357,944	294,760
3.3. Special funds		555	331
4. Accruals and prepayments		0	0
4.1. Other accrued liabilities		0	0
a) long-term		0	0
b) short-term		0	0
Total liabilities		1,648,632	1,451,820

Book value		1,112,218	1,025,080
Number of stocks		13,802,750	13,802,750

	Notes	'00 PLN	
		2017	2016
Book value per stock (in PLN)	18	80.58	74.27
Diluted number of stocks		13,802,750	13,802,750
Diluted book value per stock (in PLN)	18	80.58	74.27

NON-BALANCE SHEET ITEMS

	Note	'00 PLN	
		2017	2016
Receivables from other entities, of which:			
warranties and sureties granted,			
To other entities (of which) including a sub-item:			
warranties and sureties granted,			
1. Other (on account of)		4,242	6,092
- non-balance sheet liabilities on account of a long-term gas supply agreement		3,519	5,439

- non-balance sheet liabilities on account of a long-term real estate		723	653
Total non-balance sheet items		4,242	6,092

PROFIT AND LOSS ACCOUNT

	Notes	'00 PLN	
		2017	2016
I. Net revenues from the sale of products, goods and materials, including:		1,963,453	1,678,676
- From related entities		1,764,001	1,506,248
1. Net sales of products	19	1,832,854	1,570,567
2. Net revenues from the sale of goods and materials	20	130,599	108,109
II. Cost of products, goods and materials sold, of which:		1,784,550	1,543,232
- to related entities		1,621,740	1,401,582
1. Cost of manufacture of products sold	21	1,662,958	1,440,043
2. Value of goods and materials sold		121,592	103,189
III. Gross profit (loss) on sales		178,903	135,444
IV. Sales costs	21	14,020	19,585
V. General administrative costs	21	40,391	56,565
VI. Profit (loss) on sales		124,492	59,294
VII. Other operating revenues		4,298	1,550
1. Profit from disposal of non-financial fixed assets		753	1,291
2. Other operating revenues	22	3,545	259
VIII. Other operating expenses		6,399	9,186
1. Impairment of non-financial assets		1,466	1,056
2. Other operating costs	23	4,933	8,130
IX. Operating profit (loss)		122,391	51,658
X. Financial revenues	24	4,475	7,010
1. Interest, of which:		4,285	7,010
- From related entities		3,517	6,358
2. Other		190	
XI. Financial costs	25	5,297	6,660
1. Interest of which:		2,396	2,550
2. Other		2,901	4,110
XII. Gross profit (loss)		121,569	52,008
XIII. Income tax	27	1,995	-12,745
a) current		4,561	1,517
b) deferred		-2,566	-14,262
XIV. Net profit (loss)		119,574	64,753
Net profit (loss)(annualized)		119,574	64,753
Weighted average number of ordinary shares		13,802,750	13,802,750
Profit (loss) per ordinary share (in PLN)	29	8.66	4.69
Weighted diluted average number of ordinary stocks		13,802,750	13,802,750
Diluted profit (loss) per ordinary stock (in PLN)	29	8.66	4.69

STATEMENT OF CHANGES IN EQUITY

	'00 PLN	
	2017	2016
I. Equity at the beginning of the period (Opening Balance)	1,025,080	999,803
I.a. Equity at the beginning of the period (Opening Balance), after adjustments	1,025,080	999,803
1. Share capital at the beginning of the period	110,422	110,422
1.1. Share capital at the end of the period	110,422	110,422
2. Supplementary capital at the beginning of the period	324,779	324,459
2.1. Changes in supplementary capital	1,365	320
a) Increases (on account of)	1,365	320
- transfer of amounts resulting from revaluation of liquidated fixed assets - current period	1,365	320
2.2. Supplementary capital at the end of the period	326,144	324,779
3. Revaluation reserve as at the beginning of the period	67,779	68,099
3.1. Changes in the revaluation reserve	-1,365	-320
a) decreases (on account of)	1,365	320
- transfer of amounts from revaluation of liquidated fixed assets to the capital reserve - current period	1,365	320
3.2. Revaluation capital at the end of the period	66,414	67,779
4. Other reserve capitals at the beginning of the period	457,347	417,910
4.1. Changes in other reserve capitals	32,317	39,437
a) Increases (on account of)	32,317	39,437
- allocation to the profit distribution reserve for 2016 with the possibility of distribution among the shareholders	0	39,437
- allocation to the profit distribution reserve for 2017 with the possibility of distribution among the shareholders	32,317	0
4.2. Other reserve capitals at the end of the period	489,664	457,347
5. Profit (loss) from prior years at the beginning of the period	64,753	78,913
5.1. Profit from prior years at the beginning of the period	64,753	78,913
5.2. Profit from prior years at the beginning of the period	64,753	78,913
a) decreases (on account of)	64,753	78,913
- shareholders' dividend	32,436	39,476
- allocation to the profit distribution reserve for 2015 with the possibility of distribution among the shareholders	0	39,437
- allocation to the profit distribution reserve for 2014 with the possibility of distribution among the shareholders	32,317	0
5.3. Profit from prior years at the end of the period	0	0
5.4. Profit (loss) from prior years at the end of the period	0	0
6. Net result	119,574	64,753
a) net profit	119,574	64,753
II. Equity at the end of the period (Closing Balance)	1,112,218	1,025,080
III. Equity after proposed distribution of profit (coverage of loss)	1,112,218	1,025,080

CASH FLOW STATEMENT

	'00 PLN	
	2017	2016
A. Operating cash flows		
I. Net profit (loss)	119,574	64,753
II. Total adjustments	92,831	105,862
1. Amortization and Depreciation	99,694	94,398
2. Foreign exchange (gain)loss	76	-17
3. Interest and shares in profits (dividends)	-2,972	-5,560

4. (Profit)loss on investments	1,221	-1,361
5. Increase (decrease) in provisions	2,708	-10,259
6. Increase (decrease) in inventories	-31,187	-1,124
7. Increase (decrease) in receivables	-83,700	21,932
8. Increase (decrease) in short-term liabilities, excluding loans	111,654	8,232
9. Change in accruals, prepayments and deferred income	-4,663	-379
10. Other adjustments	0	0
III. Net operating cash flows (I +/- II)- Indirect method	212,405	170,615
B. Investment cash flows		
I. Inflows	96,420	264,057
1. Disposal of intangible and fixed assets	2,903	2,698
2. Disposal of		
2. For financial assets, including:	3,517	6,359
a) in related entities	3,517	6,359
- interest	3,517	6,359
3. Other investment inflows	90,000	255,000
II. Expenditures	288,769	336,409
1. Purchase of intangible and fixed assets	103,769	81,409
2. Toward financial assets, including:		0
a) in related entities		0
b) In other entities		0
3. Other investment expenditures	185,000	255,000
III. Net investment cash flows (I - II)	-192,349	-72,352
C. Cash flow from financial activity		
I. Inflows	0	0
1. Loans and borrowings	0	0
2. Other financial inflows	0	0
II. Expenditures	35,100	42,104
1. Dividends and other payments to holders	32,436	39,476
2. Repayment of loans and borrowings	0	
3. Financial lease contracts liabilities	2,119	1,830
4. Interest	545	798
III. Net financial activity cash flows (I - II)	-35,100	-42,104
D. Net financial cash flows, total (A.III+/-B.III+/-C.III)	-15,044	56,159
E. Balance sheet change in cash and cash equivalents, including:	-15,120	56,176
- Due to foreign exchange gains and losses	-76	17
F. Cash and cash equivalents at the beginning of the period	85,565	29,406
G. Cash and cash equivalents at the end of the period (F+/-D), including:	70,521	85,565
- Restricted cash and cash equivalents	555	331

NOTES TO THE FINANCIAL STATEMENTS

A. EXPLANATORY NOTES TO BALANCE SHEET

Note 1 a

INTANGIBLE ASSETS	'00 PLN)	
	2017	2016
a) concessions, patents, licenses and equivalents including:	0	9
- computer software	0	9
Total intangible assets	0	9

One should indicate and explain the period for which write-offs are made on completed development and depreciation write-offs on goodwill.

SA-R 2017

Note 1 b

CHANGES IN THE VALUE OF INTANGIBLE ASSETS (BY CATEGORY)							
'00 PLN							
	a	b	c		d	e	Total intangible assets
	Costs of completed development	goodwill	concessions, patents, licenses and similar values, including: - computer software		other intangible assets	prepayments for intangible fixed assets	
a) gross value of intangible assets at the beginning of the period			7,410	7,410			7,410
b) gross value of intangible assets at the end of the period .			7,410	7,410			7,410
c) accumulated depreciation (redemption) at the beginning of the period			7,401	7,401			7,401
d) depreciation for the period (on account of)			9	9			9
- accrued depreciation for the period			9	9			9
c) accumulated depreciation (redemption) at the end of the period			7,410	7,410			7,410
b) net value of intangible assets at the end of the period .			0	0			0

SA-R 2017

Note 1 c

INTANGIBLE ASSETS (OWNERSHIP STRUCTURE)	'00 PLN	
	2017	2016
a) own intangible assets	0	9
Total intangible assets	0	9

Note 2 a

TANGIBLE FIXED ASSETS	'00 PLN	
	2017	2016
a) – fixed assets, including	718,569	770,929
- land (including the perpetual usufruct of land)	54	54
- buildings, offices, apartments, land and water engineering facilities	104,027	109,624
- plant and machinery	608,801	655,661
- vehicles	394	603
- other fixed assets	5,293	4,987
b) fixed assets under construction	90,244	35,139
c) prepayments for fixed assets under construction	222	5,578
Total tangible fixed assets	809,035	811,646

SA-R 2017

Note 2 b

CHANGES IN FIXED ASSETS (BY CATEGORY)						
'000 PLN						
	- land (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) gross fixed assets at the beginning of the period	54	283,787	1,550,157	2,184	21,323	1,857,505
b) Increases (on account of)	0	1,577	48,581	0	1,292	51,450
- purchases investments		1,577	46,180		700	48,457
- - leased assets			2,401		592	2,993
c) decreases (on account of)	0	2,495	20,280	269	911	23,955
- sales			3,981			3,981
- liquidation		2,495	14,191	269	911	17,866
- return to lessor once the lease contract is over			2,108			2,108
d) gross fixed assets at the end of the period	54	282,869	1,578,458	1,915	21,704	1,885,000
e) accumulated depreciation (redemption) at the beginning of the period	0	173,835	894,346	1,581	16,336	1,086,098
f) depreciation for the period (on account of)	0	4,952	75,174	-60	75	80,141
- accrued depreciation for the period		7,020	91,470	209	986	99,685
- reduced depreciation due to disposal and liquidation		2,068	14,188	269	911	17,436
- return to lessor once the lease contract is over			2,108			2,108
c) accumulated depreciation (redemption) at the end of the period	0	178,787	969,520	1,521	16,411	1,166,239
h) impairment write-offs at the beginning of the period		328	150			478
- decreases		273	13			286
h) impairment write-offs at the end of the period		55	137			192
j) net fixed assets at the end of the period	54	104,027	608,801	394	5,293	718,569

Note 2 c

BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)	'00 PLN	
	2017	2016
a) own intangible assets	713,666	766,881
b) used under rental, tenancy or other contract including lease contract, of which:	4,903	4,048
- lease contract	4,903	4,048
Total balance sheet fixed assets	718,569	770,929

Note 2 d

OFF-BALANCE FIXED ASSETS	'00 PLN	
	2017	2016
b) used under rental, tenancy or other contract including lease contract, of which:	51,184	29,927
- operating lease	646	250
- perpetual usufruct title to land	50,538	29,677
Total off-balance sheet items	51,184	29,927

Note 3 a

CHANGES IN THE VALUE OF INTANGIBLE ASSETS (BY CATEGORY)	'00 PLN	
	2017	2016
a) at the beginning of the period	9	21
- computer software	9	21
b) decreases (on account of)	9	12
- computer software	9	12
c) at the end of the period	0	9
- computer software	0	9

Note 3 b

LONG-TERM FINANCIAL ASSETS	'00 PLN	
	2017	2016
ab) in the holding entity		
- shares or stocks		
debt securities		
other securities (by type)		
loans given		
other long-term financial assets (by type)		

bc) in other entities		
shares or stocks		
debt securities		
other securities (by type)		
loans given		
other long-term financial assets (by type)		
a) in other entities, including:	144	144
ca) in the shareholder of partially owned subsidiary		
- shares or stocks	144	144
debt securities		
other securities (by type)		
loans given		
other long-term financial assets (by type)		
Total long-term financial assets	144	144

Note 3 c

CHANGE OF BALANCE OF LONG-TERM FINANCIAL ASSETS (BY CATEGORY)	'00 PLN	
	2017	2016
a) at the beginning of the period	144	144
c) at the end of the period	144	144

Polish Financial Supervision
Authority

Note 3 d

SHARES OR STOCKS IN OTHER ENTITIES										
No.	'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 shares/stocks	entity's equity including:		share capital held	share in the total number of votes at the General Meeting of Shareholders	value of shares/stocks not paid up by the issuer	received or due dividends for the last financial year
- share capital										
1	CENTRUM UTYLIZACJI OPON ORGANIZACJA ODZYSKU S.A.	Warsaw	Recovery and recycling of packaging and used waste (tires)	144	5,392	1,008	14.00	14.00		

Status as at 31/12/2016

Polish Financial Supervision
Authority

SECURITIES, INTERESTS AND OTHER LONG-TERM FINANCIAL ASSETS (BY CURRENCY)	unit	currency	'00 PLN	
			2017	2016
a) in Polish currency			144	144
b1. in a foreign currency				
-				
Total securities, interests and other long-term financial assets			144	144

Note 3 f

SECURITIES, INTERESTS AND OTHER LONG-TERM FINANCIAL ASSETS (BY MARKETABILITY)	'00 PLN	
	2017	2016
c1).....		
c2).....		
c1).....		
c2).....		
c1).....		
c2).....		
A. With limited marketability (balance sheet value)	144	144
A.shares and stocks (balance sheet value):	144	144
- value according to prices of acquisition	144	144
c1).....		
c2).....		
total value according to prices of acquisition	144	144
Total balance sheet value	144	144

Note 4 a

CHANGE IN DEFERRED INCOME TAX ASSETS	'00 PLN	
	2017	2016
1. Opening balance of deferred income tax assets including:	2,097	2,093
a) recognized as financial result	14,839	24,911
- provision for employee benefits due, but unpaid	4,403	4,552
- provision for jubilee awards and retirement gratuities	1,347	1,312
- provision for restructuring	1,110	256
- non-invoiced services	2,528	2,408
- revaluation of trade receivables	3,602	3,573
- decrease of the value of raw material and product inventories	167	169
- provision for extended guarantees	13	19
- difference between lease costs under accounting and tax treatment	15	10
- provision for bonuses	1,364	1,470
- payment adjustment – unpaid costs	0	10,750
- tax loss from prior years	43	145
- other	247	247
- 1a Valuation adjustment	-12,742	-22,818
2. Increases	2,719	1,043
a) recognised as financial result in the accounting period in relation to negative temporary differences (of which):	2,719	1,043
- provision for employee benefits due, but unpaid	384	0
- provision for jubilee awards and retirement gratuities	192	35
- provision for restructuring	0	854
- non-invoiced services	1,843	120
- provision for extended guarantees	14	0

- revaluation of trade receivables	229	29
- difference between lease costs under accounting and tax treatment	3	5
- decrease of the value of raw material and product inventories	54	0
3. Decreases	661	11,115
a) recognised as financial result in the accounting period in relation to negative temporary differences (of which):	618	11,013
- provision for employee benefits due, but unpaid	0	149
- provision for restructuring	501	0
- decrease of the value of raw material and product inventories		2
- provision for bonuses	63	106
- provision for extended guarantees		6
- payment adjustment – unpaid costs		10,750
- other	54	0

29

3
0

CHANGE IN DEFERRED INCOME TAX ASSETS	'00 PLN	
	2017	2016
a) recognised as financial result in the accounting period in relation to a tax loss (of which):	43	102
4. Closing balance of deferred income tax assets including:	16,897	14,839
a) recognized as financial result	16,897	14,839
- provision for employee benefits due, but unpaid	4,787	4,403
- provision for jubilee awards and retirement gratuities	1,539	1,347
- provision for restructuring	609	1,110
- revaluation of trade receivables	3,831	3,602
- decrease of the value of raw material and product inventories	221	167
- provision for extended guarantees	27	13
- difference between lease costs under accounting and tax treatment	18	15
- non-invoiced services	4,371	2,528
- provision for bonuses	1,301	1,364
- tax loss from prior years	0	43
- other	193	247
- 4A. Valuation adjustment	-10,053	-12,742
4B. Total closing balance of deferred income tax assets including, o which:*	6,844	2,097

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

Note 4 b

OTHER ACCRUALS AND DEFERRED INCOME	'00 PLN	
	2017	2016
Deferred costs	38	146
- upfront fee on a lease contract	38	146
Total other accrual and deferred income	38	146

Note 5 a

INVENTORIES	'00 PLN	
	2017	2016
a) materials	67,067	46,642
b) semi-finished products and work in progress	17,257	15,078
c) finished products	14,866	6,532
d) goods	7,955	7,706
Total inventories	107,145	75,958

Note 6 a

SHORT-TERM RECEIVABLES	'00 PLN	
	2017	2016
a) from related entities	277,513	198,957
- trade receivables due:	277,513	198,957
- within 12 months	277,513	198,957
b) receivables from other entities	26,231	21,086
- trade receivables due:	25,649	19,660
- within 12 months	25,649	19,660
- payments received on account of taxes, customs duties, social and health insurance and other benefits	0	152
- other	582	1,274
Total net short-term receivables	303,744	220,043
c) revaluation of net value of receivables	20,258	19,070
Total gross short-term receivables	324,002	239,113

Note 6 b

SHORT-TERM RECEIVABLES FROM RELATED ENTITIES	'00 PLN	
	2017	2016
a) trade receivables, including:	277,513	198,957
- from controlling entity	435	18
- from other related entities	277,078	198,939
Total short-term receivables from related entities, net	277,513	198,957
Total short-term receivables from related entities, gross	277,513	198,957

Note 6 c

SHORT-TERM RECEIVABLES FROM OTHER ENTITIES	'00 PLN	
	2017	2016
a) trade receivables, including:	25,649	19,660
b) payments received on account of taxes, customs duties, social and health insurance and other benefits	0	152
c) other, of which:	582	1,274
Total short-term receivables from other entities, net	26,231	21,086
d) revaluation of receivables from other entities	20,258	19,070
Total short-term receivables from other entities, gross	46,489	40,156

Note 6 d

CHANGE OF REVALUATION OF SHORT-TERM RECEIVABLES	'00 PLN	
	2017	2016
Opening balance	19,070	18,974
a) Increases (on account of)	1,528	555
- creation of provisions	1,528	555
b) decreases (on account of)	340	459
- utilization, depreciation		106
- release, paid	340	353
Closing balance of revaluated short-term receivables	20,258	19,070

Note 6 e

GROSS SHORT-TERM RECEIVABLES (BY CURRENCY)	unit	currency	'00 PLN	
			2017	2016
a) in Polish currency			54,137	33,062
in foreign currencies (by currency and following conversion into PLN)			269,865	206,054
b1. in a foreign currency	'000	USD	497	239
following conversion into '000 PLN			1,730	1,000
b2. in a foreign currency	'000	EUR	64,287	46,350
following conversion into '000 PLN			268,135	205,052
Total short-term receivables			324,002	239,113

Note 6 f

GROSS TRADE RECEIVABLES - WITH MATURITY COUNTED FROM BALANCING DATE:	'000 PLN

	2017	2016
a) below 1 month	6,864	2,010
b) from 1 to 3 months	17,103	14,437
c) overdue receivables	21,941	22,186
Total trade receivables, gross	45,908	38,633
d) revaluated trade receivables	-20,258	-18,973
Total trade receivables, net	25,650	19,660

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 6 g

OVERDUE TRADE RECEIVABLES, GROSS – WITH THE FOLLOWING AGEING STRUCTURE:	'00 PLN	
	2017	2016
a) below 1 month	537	621
b) from 1 to 3 months	88	32
c) from 3 to 6 months	44	245
d) from 6 months to 1 year	77	38
e) above 1 year	21,195	21,250
Total overdue trade receivables (gross)	21,941	22,186
f) overdue revaluated trade receivables	-20,129	-18,977
Total overdue trade receivables, net	1,812	3,209

Note 7 a

As regards total short- and long-term receivables, one should state the amount of disputed receivables and overdue receivables (by title), including those for which no revaluation write-offs were made and not recognized as “claimed in court.”

Gross short-term liabilities amount to PLN 324,003 thousand, including PLN 21,941 thousand of overdue receivables.

Revaluation write-offs amount to PLN 20,258 thousand, of which those relating to overdue receivables - PLN 20,259 thousand.

There are no long-term gross receivables.

Trade receivables claimed in court amounted to PLN 20,955 thousand.

The provision for trade receivables claimed in court amounted to PLN 19,954 thousand.

File	Description

Note 8 a

SHORT-TERM FINANCIAL ASSETS	'00 PLN	
	2017	2016

- in other related entities	350,000	255,000
- extended loans	350,000	255,000
a) cash and other money assets	70,481	85,601
- cash in hand and in bank	70,481	85,601
Total short-term financial assets	420,481	340,601

Note 8 b

EXTENDED SHORT-TERM LOANS (BY CURRENCY)	unit	currency	'000 PLN	
			2017	2016
a) in Polish currency			350,000	255,000
b1. in a foreign currency				
Other currencies in '000 PLN				
Total short-term loans extended			350,000	255,000

Note 8 c

CASH AND CASH EQUIVALENTS (BY CURRENCY)	unit	currency	'000 PLN	
			2017	2016
a) in Polish currency			62,574	79,134
in foreign currencies (by currency and following conversion into PLN)			7,907	6,467
b1. in a foreign currency	'000	USD:	14	19
following conversion into '000 PLN			49	78
b2. in a foreign currency	'000	EUR	1,884	1,444
following conversion into '000 PLN			7,858	6,387
Total cash and cash equivalents			70,481	85,601

Note 9 a

SHORT-TERM PREPAYMENTS	'000 PLN	
	2017	2016
a) short-term prepayments including:	1,201	1,176
- property insurance	835	918
- other	366	258
Total short-term prepayments	1,201	1,176

Note 10 a

The revaluation of non-financial assets for 12 months 2017 totalled PLN 1,466 thousand of which: PLN 1,431 thousand applied to finished goods, and PLN 35 thousand applied to materials.

At the same time an adjustment (reduction) was made of the write-off for materials by PLN 147 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 11 a

SHARE CAPITAL (STRUCTURE)								
'000 PLN								
Series / issue	Stock type	Type of stock preference	Type of limitation of rights to stocks	Number of stocks	Value of series/emission by par value	Way of bringing up capital	Date of registration	Entitlement to dividend (from date)
A and B	DĘBICA	-		10,100,000	80,800	cash	23.05.95	09.05.95
C	DĘBICA	-		3,702,750	29,622	cash	11.04.96	01.01.96
Total number of stocks				13,802,750				
Total share capital					110,422			
Par value per share (in PLN)		8.00						

According to the information held by the Company:

- as of 31 December 2017, the shareholder holding above 5% of the shareholders' equity and at least 5% of the total number of votes at the General Meeting of Shareholders was Goodyear S.A. with its registered office in Luxembourg, holding in total 11,234,912 of Company shares accounting for approximately 81.396% of the Company's shareholders' equity and giving entitlement to exercise 11,234.912 votes at the Company's General Meeting of Shareholders.

- as of the date of drawing up 2017 Annual Report, the shareholders holding above 5% of the shareholders' equity and at least 5% of the total number of votes at the General Meeting of Shareholders were

Goodyear S.A. with its registered office in Luxembourg, holding in total

and giving entitlement to exercise 11,234.912 votes at the Company's General Meeting of Shareholders, accounting for approximately 81.396% of the total

Investment Funds managed by ALTUS TFI S.A. with its registered seat in Warsaw, holding 776,045 of stocks constituting 5.62% of the Company's share capital, entitling to 776,045 votes at the Company's GM, which constitutes app. 5.62% of the total number of votes.

Note 12 a

SUPPLEMENTARY CAPITAL	'00 PLN	
	2017	2016
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)	19,910	18,545
- reposting of reserve capital from revaluation of fixed assets – liquidated and disposed of	18,226	16,861
- 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 supplementary capital from retained earnings	70	70
Total supplementary capital	326,144	324,779

Note 13 a

REVALUATION CAPITAL	'00 PLN	
	2017	2016
a) fair value revaluation	65,933	67,298
b) revaluation of deferred tax	481	481
Total revaluation reserve	66,414	67,779

Note 14 a

OTHER RESERVE CAPITAL (BY PURPOSE)	'00 PLN	
	2017	2016
a) created in conformity with the articles / deed		
b) toward own stocks (shares)		
- to cover contingent losses related to non-production assets	5,362	5,362
- from 2000 profit distribution, with an option of dividend payment to shareholders	34,445	34,445
- setting up reserve capital from 2001 profit distribution	4,802	4,802
- an allocation to the reserve capital from the profit distributed for the year 2002, with an option of dividend payment to the shareholders	629	629
- an allocation to the reserve capital from the profit distributed for the year 2003, with an option of dividend payment to the shareholders	1,698	1,698
- an allocation to the reserve capital from the profit distributed for the year 2004, with an option of dividend payment to the shareholders	158	158
- an allocation to the reserve capital from the profit distributed for the year 2005, with an option of dividend payment to the shareholders	34	34
- an allocation to the reserve capital from the profit distributed for the year 2006, with an option of dividend payment to the shareholders	30,626	30,626
- an allocation to the reserve capital from the profit distributed for the year 2007, with an option of dividend payment to the shareholders	28,040	28,040
- an allocation to the reserve capital from the profit distributed for the year 2008, with an option of dividend payment to the shareholders	67,916	67,916
- an allocation to the reserve capital from the profit distributed for the year 2009, with an option of dividend payment to the shareholders	9,916	9,916
- an allocation to the reserve capital from the profit distributed for the year 2010, with an option of dividend payment to the shareholders	40,829	40,829
- an allocation to the reserve capital from the profit distributed for the year 2011, with an option of dividend payment to the shareholders	45,384	45,384
- an allocation to the reserve capital from the profit distributed for the year 2012, with an option of dividend payment to the shareholders	46,773	46,773
- an allocation to the reserve capital from the profit distributed for the year 2013, with an option of dividend payment to the shareholders	57,831	57,831
- an allocation to the reserve capital from the profit distributed for the year 2014, with an option of dividend payment to the shareholders	43,467	43,467
- an allocation to the reserve capital from the profit distributed for the year 2015, with an option of dividend payment to the shareholders	39,437	39,437

OTHER RESERVE CAPITAL (BY PURPOSE)	'00 PLN	
	2017	2016
- an allocation to the reserve capital from the profit distributed for the year 2016, with an option of dividend payment to the shareholders	32,317	
Total other reserve capitals	489,664	457,347

Note 15 a

CHANGE IN PROVISION FOR DEFERRED INCOME TAX	'00 PLN	
	2017	2016
1. 1. Opening balance of provision for deferred income tax including:	15,070	29,328
a) recognized as financial result	30,679	46,890
- amortization of investment allowances	3,411	3,494
- interest charged to contractors and interest income from cash assets	87	125
- difference between depreciation under accounting and tax treatment	26,930	43,094
- prepayments	251	177
- 1a Valuation adjustment	-15,609	-17,562
2. Increases	26	74
a) recognised as financial result in the accounting period in relation to positive temporary differences (of which):	26	74
interest accrued to contractors and interest due on cash assets	26	0
- prepayments	0	74
3. Decreases	17,161	16,285
a) recognised as financial result in the accounting period in relation to positive temporary differences (of which):	17,161	16,285
- difference between depreciation under accounting and tax treatment	17,062	16,164
- amortization of investment allowances	83	83
- interest accrued to contractors and interest due on cash assets	0	38
- prepayments	16	0
4. Total closing balance of provision for deferred income tax	13,544	30,679
a) recognized as financial result	13,544	30,679
- amortization of investment allowances	3,328	3,411
- interest accrued to contractors and interest due on cash assets	113	87
- difference between depreciation under accounting and tax treatment	9,868	26,930
- prepayments	235	251
- 4a. Valuation adjustment	3,707	-15,609
- 4b. Total closing balance of provision for deferred income tax*	17,251	15,070

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

Note 15 b

CHANGE IN LONG-TERM PROVISION FOR RETIREMENT BENEFITS AND EQUIVALENTS (BY TITLE)	'00 PLN	
	2017	2016
a) at the beginning of the period	10,856	10,235
- jubilee awards, retirement gratuities, disability and death benefits	9,810	9,250
- other employee benefits due, unpaid	1,046	985
b) increases (on account of)	0	1,606
- jubilee awards, retirement gratuities, disability and death benefits	0	560
- other employee benefits due, unpaid	0	1,046
c) decreases (on account of)	873	985
- jubilee awards, retirement gratuities, disability and death benefits	389	
- other employee benefits due, unpaid	484	985
d) at the end of the period	9,983	10,856
- jubilee awards, retirement gratuities, disability and death benefits	9,421	9,810
- other employee benefits due, unpaid	562	1,046

Note 15 c

	'00 PLN

CHANGE IN THE SHORT-TERM PROVISION FOR RETIREMENT BENEFITS AND SIMILAR BENEFITS (BY TITLE)		
	2017	2016
a) at the beginning of the period	20,426	21,509
- jubilee awards, retirement gratuities, disability and death benefits	854	713
- other employee benefits due, unpaid	19,572	20,796
b) increases (on account of)	22,800	19,713
- jubilee awards, retirement gratuities, disability and death benefits	80	141
- other employee benefits due, unpaid	22,720	19,572
c) release (on account of)	18,835	20,796
- other employee benefits due, unpaid	18,835	20,796
d) at the end of the period	24,391	20,426
- jubilee awards, retirement gratuities, disability and death benefits	934	854
- other employee benefits due, unpaid	23,457	19,572

Note 15 d

CHANGE IN OTHER LONG-TERM PROVISIONS (BY TITLE)	'00 PLN	
	2017	2016
a) at the beginning of the period	67	100
- tire warranties extended	67	100
b) increases (on account of)	124	12
- tire warranties extended	124	12
c) release (on account of)	51	45
- tire warranties extended	51	45
d) at the end of the period	140	67
- tire warranties extended	140	67

Note 15 e

CHANGE IN OTHER SHORT-TERM PROVISIONS (BY TITLE)	'000 PLN	
	2017	2016
a) at the beginning of the period	5,842	1,347
- restructuring provision (severance pays for laid-off workers)	5,842	1,347
b) increases (on account of)	2,063	6,871
- restructuring provision (severance pays for laid-off workers)	2,063	6,871
c) utilization (on account of)	2,269	2,376
- restructuring provision (severance pays for laid-off workers)	2,269	2,376
d) release (on account of)	2,431	0
- restructuring provision (severance pays for laid-off workers)	2,431	0
e) at the end of the period	3,205	5,842
- restructuring provision (severance pays for laid-off workers)	3,205	5,842

Note 16 a

LONG-TERM LIABILITIES	'00 PLN	
	2017	2016
Ab) to the holding entity		
Loans and borrowings		
on account of debt securities issued		
other financial liabilities, including:		
finance lease contracts		
bills payable		
other (by type)		
a) to other entities, including:	3,105	2,287
ca) to the shareholder of partially owned subsidiary		
loans and borrowings		
on account of debt securities issued		
other financial liabilities, including:		
finance lease contracts		
bills payable		
other (by type)		

LONG-TERM LIABILITIES	'00 PLN	
cc) to other entities	3,105	2,287
- other financial liabilities, including:	3,105	2,287
- finance lease contracts	3,105	2,287
Long-term liabilities, of which:	3,105	2,287

Nota 16 b

LONG-TERM LIABILITIES (BY CURRENCY)	unit	currency	'000 PLN	
			2017	2016
a) in Polish currency			3,105	2,287
Total long-term liabilities			3,105	2,287

LONG - TERM LIABILITIES RELATED TO CREDITS AND LOANS													
'000 PLN													
Name of entity, legal form	Registered seat	Amount of credit / loan under agreement				Amount of credit/loan to be repaid				Interest	Maturity date	Securities & collaterals	Other
		'000 PLN	in a foreign currency	unit	currency	'000 PLN	in a foreign currency	unit	currency				
BANK PEKAO S.A.	WARSAW	60,000	0	'000	PLN	0	0	'000	PLN	WIBOR 1M + 1.30%	30.09.2019	a power of attorney to use bank accounts, statement about voluntary subjecting oneself to enforcement procedure pursuant to Art 777 § 1 of the Code of Civil Procedure	
ING BANK SA	WARSAW	30,000	0	'000	PLN	0	0	'000	PLN	WIBOR 1M + 1.1%	30.11.2018	a power of attorney to use bank accounts, statement about voluntary subjecting oneself to enforcement procedure pursuant to Art 777 § 1 of the Code of Civil Procedure	

RAIFFEISEN BANK POLSKA SA	WARSAW	40,000	0	'000	PLN	0	0	'000	PLN	WIBOR 1M + 1.25%	24.02.2020	a power of attorney to use bank accounts, statement about voluntary subjecting oneself to enforcement procedure pursuant to Art 777 § 1 of the Code of Civil	
												Procedure	
MBANK SA	WARSAW	45,000	0	'000	PLN	0	0	'000	PLN	WIBOR ON + 1.30%	31.03.2020	a power of attorney to use bank accounts, statement about voluntary subjecting oneself to enforcement procedure pursuant to Art 777 § 1 of the Code of Civil Procedure	

LONG - TERM LIABILITIES RELATED TO CREDITS AND LOANS													
'000 PLN													
Name of entity, legal form	Registered seat	Amount of credit / loan under agreement				Amount of credit/loan to be repaid				Interest	Maturity date	Securities & collaterals	Other
		'000 PLN	in a foreign currency	unit	currency	'000 PLN	in a foreign currency	unit	currency				
BANK PEKAO S.A.	WARSAW	60,000	0	'000	PLN	0	0	'000	PLN	WIBOR 1M + 1.30%	30.09.2019	a power of attorney to use bank accounts, statement about voluntary subjecting oneself to enforcement procedure for the amount of	
		175,000		'000	PLN			'000	PLN				

SHORT-TERM LIABILITIES	'00 PLN	
	2017	2016
a) to related entities, including:	119,840	77,101
- a) to other entities:	110,164	73,816
- trade receivables due:	110,164	73,816
- within 12 months	110,164	73,816
ab) to the holding entity	9,676	3,285
loans and borrowings, including:		
long-term due		
on account of debt securities issued		
on account of dividends		
other financial liabilities, including:		
- trade receivables due:	9,676	3,285
- within 12 months	9,676	3,285
over 12 months		
prepayments received for deliveries and services		
bills payable		
other (by type)		
bc) to other entities		
loans and borrowings, including:		
long-term due		
on account of debt securities issued		
on account of dividends		
other financial liabilities, including:		
Trade receivables due:		
Within 12 months		
over 12 months		
prepayments received for deliveries and services		
bills payable		
other (by type)		
b) to other entities, including:	357,944	294,760
ca) to the shareholder of partially owned subsidiary		
loans and borrowings, including:		
long-term due		
on account of debt securities issued		
on account of dividends		
other financial liabilities, including:		
Trade receivables due:		
Within 12 months		
over 12 months		
prepayments received for deliveries and services		
bills payable		
other (by type)		
cc) to other entities	357,944	294,760
- other financial liabilities, including:	1,893	1,837
- finance lease contracts	1,893	1,837
- trade receivables due:	330,727	277,640
- within 12 months	330,727	277,640
- on account of taxes, customs duties, social and health insurance and other benefits	21,634	6,012
- other (by purpose)	3,690	9,271
- investment liabilities	3,690	9,254
- other	0	17
c) special funds (by purpose)	555	331

Total short-term liabilities	478,339	372,192
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Note 17 b

SHORT-TERM LIABILITIES (BY CURRENCY)	unit	currency	'00 PLN	
			2017	2016
a) in Polish currency			279,370	180,069
b) in foreign currencies (by currency and following conversion into PLN)			198,969	192,123
b1. in a foreign currency	'000	USD:	2,704	1,467
following conversion into '000 PLN			9,412	6,131
b2. in a foreign currency	'000	EUR	45,448	42,038

SHORT-TERM LIABILITIES (BY CURRENCY)	unit	currency	'00 PLN	
			2017	2016
following conversion into '000 PLN			189,557	185,978
b3. in a foreign currency	'000	CZK	0	36
following conversion into '000 PLN			0	6
b4. in a foreign currency	'000	GBP	0	2
following conversion into '000 PLN			0	11
Total short-term liabilities			478,339	372,192

Note 18 a

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 19 a**

NET SALES OF MERCHANDISE (NON-CASH STRUCTURE - BY TYPE OF ACTIVITY)	'00 PLN	
	2017	2016
- revenues from the sales of rubber products	1,823,744	1,560,849
- from related entities, including:	1,729,158	1,474,776
from other entities in which the issuer holds equity interest, including:		
from partly owned entities		
from affiliated entities		
from other entities		
from other entities		
- revenues from the sales of services	9,110	9,718
- from related entities	6,417	6,997
Total net sales of products	1,832,854	1,570,567
- from related entities, including:	1,735,575	1,481,773

Note 19 b

NET SALES OF PRODUCTS (BY GEOGRAPHICAL AREA)	'00 PLN	
	2017	2016
a) country	100,073	91,630
- from related entities, including:	3,734	3,886
- revenues from the sales of rubber products	93,646	85,023
- from related entities, including:	0	0
- revenues from the sales of services	6,427	6,607
- Including: from related entities	3,734	3,886
from subsidiaries		
from other entities in which the issuer holds equity interest, including:		
from partly owned entities		
from affiliated entities		
from other entities		
from other entities		
b) exports	1,732,781	1,478,937
- from related entities, including:	1,731,841	1,477,887
- revenues from the sales of rubber products	1,730,098	1,475,826
- Including: from related entities	1,729,158	1,474,776
- revenues from the sales of services	2,683	3,111
- Including: from related entities	2,683	3,111
from subsidiaries		
from other entities in which the issuer holds equity interest, including:		
from partly owned entities		
from affiliated entities		

NET SALES OF PRODUCTS (BY GEOGRAPHICAL AREA)	'00 PLN	
	2017	2016
from other entities		
from other entities		
from subsidiaries		
from other entities in which the issuer holds equity interest, including:		
from partly owned entities		
from affiliated entities		
from other entities		
from other entities		
Total net sales of products	1,832,854	1,570,567
- from related entities, including:	1,735,575	1,481,773

Note 20 a

NET SALES OF MERCHANDISE AND MATERIALS (NON-CASH STRUCTURE – TYPE OF ACTIVITY)	'00 PLN	
	2017	2016
- materials	4,935	6,118
- from related entities, including:	4,935	6,098
- goods	125,664	101,991
- Including: from related entities	23,491	18,377
Total net revenues from the sale of goods and materials	130,599	108,109
- from related entities, including:	28,426	24,475

Note 20 b

NET SALES OF MERCHANDISE AND MATERIALS (BY GEOGRAPHICAL AREA)	'00 PLN	
	2017	2016
a) country	102,173	83,634
- from related entities, including:	0	0
- Including: from related entities	0	0
- materials	0	20
- Including: from related entities	0	0
- goods	102,173	83,614
- - Including: from related entities	0	0
from other entities in which the issuer holds equity interest, including:		
from partly owned entities		
from affiliated entities		
from other entities		
from other entities		
from subsidiaries		
from partly owned entities		
from affiliated entities		
from other entities		
from other entities		
b) Export	28,426	24,475
- from related entities, including:	28,426	24,475
- materials	4,935	6,098
- including: from related entities	4,935	6,098
- goods	23,491	18,377
- including: from related entities	23,491	18,377
from subsidiaries		
from other entities in which the issuer holds equity interest, including:		
from partly owned entities		
from affiliated entities		
from other entities		
from other entities		
Total net revenues from the sale of goods and materials	130,599	108,109
- from related entities, including:	28,426	24,475

Note 21 a

COSTS BY CATEGORY	'00 PLN	
	2017	2016
a) amortization	99,694	94,398
b) materials and energy used	1,158,476	956,131
c) outsourced services	242,950	240,703
d) taxes and fees	11,168	11,062
e) wages and salaries	168,405	156,092
f) social insurance and other benefits, including retirement benefits	52,290	55,673
g) other costs by type (on account of)	8,561	14,213
- advertising and entertainment costs	1,283	4,079
- business travel	726	762
- costs of relations with purchasing groups	1,154	4,827
- property insurance	2,732	2,926
- contributions to the State Fund for Rehabilitation of the Disabled Persons	2,266	1,095
- other	400	524
Total costs by type	1,741,544	1,528,272
Change in inventory, products and prepayments	-10,513	2,961
Cost of products for own consumption (negative value)	-13,662	-15,040

Selling expenses (negative value)	-14,020	-19,585
Overall management costs (negative value)	-40,391	-56,565
Cost of manufacture of products sold	1,662,958	1,440,043

Note 22 a

OTHER OPERATING INCOME	'00 PLN	
	2017	2016
a) released provisions (of which)	368	33
- provision for restructuring costs	368	0
- provision for extended guarantees	0	33
b) other, of which:	3,177	226
- compensation received	0	159
- refunded court costs and costs of debt collection enforcement	6	13
- compensation for bad quality of raw materials	48	46
- reimbursement of damages for car accidents	30	6
- refunded social security contributions	81	1
- CO2 emissions income	3,012	0
- other operating income	0	1
Total other operating income	3,545	259

Note 23 a

OTHER OPERATING EXPENSES	'00 PLN	
	2017	2016
a) set up provisions (of which)	73	6,871
- restructuring costs	0	6,871
- provision for extended guarantees	73	0
b) other, of which:	4,860	1,259
- cost of non-utilized production capacity		
- scraped products and materials	685	212
- donations and membership fees	239	299
- court charges related to debt collection	23	40
- change due to revaluation of receivables	1,188	202
- stocktaking differences	261	300
- other social activities	205	154
- cost of repairs related to car accidents		4
- liquidation of machinery	2,192	13
- penalty for a failure to apply the power supply and consumption limitations	31	
- costs of abandoned investments	30	25
- other operating expenses	6	10
Total other operating expenses	4,933	8,130

Note 24 a

INTEREST-RELATED FINANCIAL GAINS	'00 PLN	
	2017	2016
a) repayment of loans and borrowings	3,517	6,358
- from related entities, including:	3,517	6,358
- from the holding entity	3,517	6,358
b) other interest	768	652
from other entities, including:	768	652

- from other entities	768	652
Total interest-related financial gains	4,285	7,010

Note 24 b

OTHER FINANCIAL GAINS	'00 PLN	
	2017	2016
b) other, of which:	190	0
- - financial gains from interest in "Agromet"	190	0
Total other financial gains	190	0

Note 25 a

INTEREST-RELATED FINANCIAL GAINS	'00 PLN	
	2017	2016
a) repayment of loans and borrowings		23
for other entities, including:		23
- for other entities		23
b) other interest	2,396	2,527
For other entities, including:	2,396	2,527
- for other entities	2,396	2,527
Total interest-related financial gains	2,396	2,550

Note 25 b

OTHER FINANCIAL EXPENSES	'00 PLN	
	2017	2016
a) foreign exchange losses of which:	2,901	4,110
- realized	5,408	2,932
- unrealized	-2,507	1,178
Total other financial expenses	2,901	4,110

Note 26 a

T.C. Dębica S.A. does not draw up consolidated financial statement and is not in a possession of any subsidiaries, co-subsidiaries and

associated entities.

File	Description

Note 27 a

CURRENT INCOME TAX	'00 PLN

	2017	2016
1. Gross profit (loss)	121,569	52,008
2. Differences between profit (loss) before taxation and taxation base for income tax		
(by title)	104,900	35,537
A. Permanent differences	3,656	2,687
- non-deductible costs and losses including:	3,656	2,687

CURRENT INCOME TAX	'000 PLN	
	2017	2016
- charge-out – 5% margin		0
- provision for receivables	0	106
- delayed payment interest – receivables from the state budget entities	20	5
- contributions to the State Fund for Rehabilitation of the Disabled Persons	2,294	1,103
- expenses exceeding the limit for passenger cars	29	74
- penalties and compensation expenses	14	29
- expenses for Supervisory Board and General Meeting of Shareholders	7	8
- social organization premiums	0	0
- donations, scholarships, aids	434	453
- entertainment costs	405	123
-VAT provision for written-off receivables	0	38
-non-recoverable VAT on export shipments and shipments not confirmed with corrective invoice	52	267
- additional allowance for the Corporate Social Fund	50	200
- other	351	281
B. Transitional differences	-101,244	-32,850
- Positive differences including the following categories:	-90,187	-85,320
- amortization of investment allowances	-436	-436
- difference between depreciation under accounting and tax treatment	-89,807	-85,072
- interest accrued to contractors and interest due on cash assets	139	-201
- prepayments	-83	389
- Negative differences including	-11,057	52,470
- accrued expenses and provisions for liabilities	-3,027	596
- revaluation of trade receivables	-1,205	-152
- decrease of the value of raw material and product inventories	-285	8
- provision for restructuring	2,637	-4,495
- difference between lease costs under accounting and tax treatment	-18	-25
- non-invoiced services	-9,702	-633
- provision for bonuses	331	559
- payment adjustment – unpaid costs	0	56,580
- tax loss from prior years		
- other	212	32
3. Income tax base	226,469	87,546
4. Income tax at 19% rate	202,239	79,024
5. Tax increases, discontinuations, reliefs, deductions and reductions	24,230	8,522
6. Current income tax posted into tax return of the accounting period including:	4,604	1,619
- tax posted into Profit and Loss Account	43	102
- concerned with items reducing or increasing equity	4,561	1,517
- concerned with items reducing or increasing goodwill or negative goodwill	4,561	1,517

Pursuant to the Operational Permit No. 134/ARP/2008, dated 27 February 2008 for running business activities in the area of Euro-Park Mielec Special Economic Zone the Company may enjoy income tax breaks up to 40.23% of discounted total amount of capital expenditures born to implement investment projects within the boundaries of the Special Economic Zone. The Company met the requirements of the Operational Permit

in December 2012 and effective from 2013 it may enjoy corporate income tax break. By virtue of Decision No. 27/IW/16, issued by the Minister of Development, dated 14 January 2016, the held Operational Permit in the territory of the Euro-Park Mielec Special Economic Zone was amended in the section concerned with validity date. Consequently, the validity date was deleted from the Operational Permit

According to the plans at the balancing date, the Management Board assumes full utilization of the tax allowance by 30 June 2018.

As of 31 December 2017, the amount of due tax relief totalled PLN 8.7 million in nominal terms and PLN, 5.5 million 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 interest would be charged to the Company for the period of tax break enjoyment until tax payment date.

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

Note 27 b

DEFERRED INCOME TAX POSTED INTO PROFIT AND LOSS ACCOUNT:	'000 PLN	
	2017	2016
- decrease (increase) due to occurrence and reversal of temporary differences	-2,566	-14,262
Total deferred income tax	-2,566	-14,262

Note 28 a

Distribution of net profit for 2016:

- dividend for shareholders - 32,436 thousand, paid on 19 December 2017
 increase of reserve capital PLN 32,317 thousand.
 Total net profit in 2016 PLN 64,753 thousand.

A proposal on the appropriation of the 2017 net profit amounting to PLN 119,574 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 the Commercial

File	Description

Note 29 a

For the purposes of calculation of earnings per share total net profit for 2015 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, therefore the book value per share is equal to diluted book value per share.

File	Description

EXPLANATORY NOTES TO THE CASH FLOW STATEMENT

I. Cash assets – see Note 8a

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

Period	31.12. 2017	31.12. 2016
1. Cash and cash equivalents		
acc. to item 3.1.b of the assets, incl.	70,481	85,601
- cash at bank	70,474	85,592
- cash on hand	7	9
2. Balance sheet pricing of foreign currencies adjustment		
	40	-36
3. Cash for cash flow statement`		
	70,521	85,565
II. Discrepancies between balance sheet changes		
a) receivables and changes thereto shown in the cash flow statement:		
	2017	2016
balance sheet change	-83 700	21 932
bills of exchange change		-
-with a buyout period over 3 months (presented in the balance sheet under short-term financial assets)		
In the cash flow statement	-83 700	21 932
b) liabilities and changes thereto shown in the cash flow statement:		
	2017	2016
balance sheet change	102 260	4 209
Adjustments:		
Change of liabilities due to fixed assets under construction	5 563	4 378
change in short-term liabilities due to financial lease	- 56	-355
payment of financial lease instalments		
Total adjustments	5 507	4 023
In the cash flow statement	107 767	8 232

Additional explanatory notes to the financial statements of Firma Oponiarska Dębica S.A. for 2017

1. Information about financial instruments

Changes in individual categories of Company's financial assets and liabilities (except for cash and other cash assets) in the period of 12

months ended on 31 December 2016 and 31 December 2017 were

as follows:

('000 PLN)

	Tradable financial assets	Sellable financial assets
1 January 2016	-	144
- increases	-	-
- decreases	-	-
2016	-	144
		31 December
01 January 2017	-	144
- increases	-	-
- decreases	-	-
31 December 2017	-	144
Balance sheet presentation		
Long-term financial assets		
- in other entities	-	144
Short-term financial assets		
- in related entities	350 000	
- in other entities	-	
31 December 2017	350 000	
Credit in current account		
- in other entities	0	
31 December 2017	0	

Financial assets and liabilities held for trading

In 2017, the Company entered into current account committed overdraft facility (see Note 19 D). At the balancing date the Company did not use its credit lines.

In 2017, interest expenses on financial liabilities ('000 of PLN) amounted to: Credit in current account 0 0

In 2016, interest on overdraft facility amounted to PLN 23 thousand.

Financial assets available for sale

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 11.2 thousand.

Extended loans

In 2017, the Company extended five short-term loans for Goodyear S.A. Luxembourg.

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

Agreement date	2016-05-20	2016-06-29	2016-09-24	2016-12-23	2017-06-29
Maturity date (loan repayment)	2017-05-20	2017-06-29	2017-09-24	2017-12-23	2018-06-29

Stipulated compensation	WIBOR 1M + 0,1%				
Loan amount	PLN 75,000,000	PLN 50,000,000	PLN 45,000,000	PLN 85,000,000	PLN 55,000,000
Interest realized in 2017	PLN 305,227	PLN 422,641	PLN 642,279	PLN 1,401,732	PLN 408,416
The principal amount as at 31.12.2017	PLN 0	PLN 0	PLN 0	PLN 0	PLN 55,000,000
Interest charged as at 31.12.2017	PLN 0	PLN 0	PLN 0	PLN 90,170	PLN 82,214

Agreement date	2017-09-22	2017-12-18	2017-12-22	2017-12-22
Maturity date (loan repayment)	2018-09-22	2018-01-03	2018-03-22	2018-12-21
Stipulated compensation	WIBOR 1M + 0,1%			WIBOR 1Y + 0,1%
Loan amount	PLN 70,000,000	PLN 60,000,000	PLN 65,000,000	PLN 100,000,000
Interest realized in 2017	PLN 232,899	PLN 0	PLN 0	PLN 0
The principal amount as at 31.12.2017	PLN 70,000,000	PLN 60,000,000	PLN 65,000,000	PLN 100,000,000
Interest charged as at 31.12.2017	PLN 104,636	PLN 37,611	PLN 28,208	PLN 48,082

The interest is due by the 14 day of a month following the month which it regards.

Risk management objectives and principles

Credit risk

The Company monitors and manages its credit risks.

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

One of the key elements of the credit risk management process is an on-going monitoring of the receivables and an internal reporting system. The Company focuses on securing its payments, both on formal and legal grounds (i.e. bill of exchange, mortgage, pledge), and also on subject matter grounds (i.e. improvement of supply logistics, deepening of the evaluation of the customers' financial standing etc.). Consequently, if well managed, this area is capable of generating an added value. Despite such risk concentration, it is estimated that given the historical data available and the many years of cooperation with customers, as well as the security measures applied, the credit risk is relatively low. Consequently, if well managed, this area is capable of generating an added value.

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

Foreign exchange risk

The Company is exposed to foreign currency exchange rate fluctuations connected with exports of finished goods and imports of raw materials. However, the Company's long-term financial strategy does not provide for foreign exchange hedging instruments and hence the Company applies natural hedging. Export earnings are spent mostly to purchase imported materials. In long-term this policy produces positive results.

Interest rate risk

In 2017, the Company was bound by contracts providing for an overdraft facility in the current account for a total amount of PLN 175 m. No overdraft was recorded on the account as at 31 December 2017. The Company maintained liquidity and financing stability. The Company did not bear any material interest expenses, so the Management Board believes that interest rate volatility is not crucial to the Company.

In 2017, the Company was bound by contracts providing for short-term loans to Goodyear SA Luxembourg for a total amount of PLN 350 m. The interest on the loan is based on the current market rate plus margin.

The Management Board believes that the risk related to interest rate fluctuations has no material bearing on the Company.

Market risk Market risk management and conforming to the Company's policy in this respect is the responsibility of the Management Board. The Company manages market risk through taking effective decisions about the maintenance of its market position, implementation of new, strategic projects aimed at prospecting new markets, new and attractive product launches.

T.C. Dębica S.A. Secures and diversifies the risk of disturbances to its operations by maintaining the available overdraft facility in the current account and cooperating with four banks.

The Management Board does not anticipate any significant disturbances to the cash flows nor does it anticipate losing financial liquidity.

Additionally:

In 2017, the Company maintained high financial liquidity and low indebtedness levels.

Deterioration of the Company's financial liquidity may affect its customers and its ability to repay its debts. The worsening operational conditions of customers may have impact on the cash flow projections and evaluation of the assets impairment.

To the extent information was available, the Management Board took into consideration the revised estimates of expected future cash flows in its assessment of assets impairment.

2. Information about financial instruments with built-in derivative instruments held by the Company.

The Company holds no financial instruments with built-in derivative instruments.

3. Information about the number and the value of securities or rights, including share certificates, convertible debt securities, warrants and options indicating the rights conferred therein. As at the balance sheet day the Company held no such assets.

4. Assets other than financial instruments valued according to their fair value.

The Company holds no assets other than financial instruments valued according to their fair value.

5. Contingent liabilities, including guarantees and sureties

The Company did not extend any guarantees or sureties. There are no other material contingent liabilities except for those described below.

- a) 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. Dębica 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. Dębica S.A.

- b) 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. Dębica S.A. Upon receipt of the claim, the damage was notified to AIG Poland S.A., which is handling the case in the UK. To date, we have not been advised about the termination of the case, but only about initiated talks on the settlement.

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

- c) Contingent liability resulting from the bill of exchange discounts

Some of the Company's customers are entitled to make their payments in the form of blank bills of exchange, which are subsequently transferred to Coface Poland Factoring Sp. z o.o. Upon transfer of bills of exchange to Coface, the trade receivables are reduced by the value of the cash received from Coface due to the low risk of recourse resulting from bill-of-exchange liabilities resulting in turn from the trade receivables being insured and lack of significant problems with the payment of bills of exchange by customers in the past. Pursuant to the agreements between Coface Poland Factoring Sp. z o.o. and Firma Oponiarska Dębica S.A., the value of the discounted bills of exchange amounted to PLN 68,449 thousand as at the balance sheet day. According to the report received by the Company from Coface Poland Credit Management Services Sp. z o.o., unpaid bills of exchange amounted to PLN 125 thousand as at the date of signing the financial statements.

3. Guarantees and sureties

granted. None

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

6. 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.

7. Discontinued operations

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

8. Cost of fixed assets made for own consumption

The cost of fixed assets under construction and fixed assets for own consumption amounted to PLN 13,622 thousand for 12 months of 2017 and to PLN 15,040 thousand for 12 months of 2016.

9. Interest and foreign exchange gains/losses increasing the purchase price of goods or the cost of manufacture of products during the financial year

None

10. Investment

In 2017, the investment expenditure amounted to PLN 98,206 thousand, including 82 thousand toward environment protection.

The investment expenditure planned in 2018 amounts to PLN 49,644 thousand (PLN 0 thousand toward environment protection).

11. Information about extraordinary or incidental revenues or costs

None

12.1 Transactions with related entities

During the financial year covered by the financial statements, the Company did not enter into any significant transactions with related parties other than at arms-length.

12.2 Figures regarding subordinated entities

The Company has no subordinated entities.

13. Information about the nature and business purpose of agreements entered into by the issuer not included in the balance sheet to the extent necessary to evaluate their impact on the assets, financial situation and the financial result of the Company.

In the year covered by the financial Statements the Company was not a party to any significant agreements other than specified in the balance sheet.

14. Joint ventures

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

15. Headcount

The average headcount by occupational category is as follows:

Average headcount	2016 r.	2017 r.	Women	Men
Total				
Average headcount including:	2 772	2 763	487	2 276
white collar workers	375	377	128	249
blue collar workers	2 397	2 386	359	2 027

16. Remuneration of management and supervisory personnel

Remuneration of Management and Supervisory Boards in 2017 (including that paid out of the profit) totalled (in '000 PLN):

Management Board members:

1. Leszek Szafran	PLN 1,434.0 thousand
	Polish Financial Supervision Authority

2. Ireneusz Maksymiuk	PLN 885.5 thousand
3. Michał Mędrek	PLN 649.4 thousand
4. Stanisław Cieszkowski	PLN 936.8 thousand
5. Paweł Miłoszewski	PLN 151.6 thousand
Total:	PLN 4,057.3 thousand

Members of the Supervisory Board:

1. Maciej Mataczyński	PLN 142.3 thousand
2. Łukasz Rędziniak	PLN 113.9 thousand
3. Janusz Raś	PLN 113.9 thousand
Total:	PLN 370.1 thousand

Other Supervisory Board members did not collect their fees.

17. Information about any liabilities resulting from pensions and similar benefits payable to former managerial or supervisory staff or former members of the administration bodies, as well as liabilities related to such pensions, indicating the total amount for each category of a given body.

None

18. Advances, credits, loans, guarantees, sureties for the management and supervisory personnel

In the accounting period there were no settlements of accounts with the Management and Supervisory Board members in relation to loans and loan equivalents.

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

19. Remuneration for auditing the financial statements.

On 24 July 2017, the Company entered into an agreement with PricewaterhouseCoopers Sp. z o.o., having its registered seat in Warsaw at ul. Lecha Kaczyńskiego 14, to audit the Company's financial statements for 2017.

Pursuant to the agreement, the amount due for auditing and reviewing the 2017 financial statements is PLN 255,260 (2016: PLN 156,655).

The statutory auditor did not render any services other than auditing and reviewing the statements.

financial |

20. Information about material events in previous years.

None

21. Information on material events which occurred after the balance sheet date but not included in the financial statements

None

22. Legal predecessor

Tire Company "Dębica" Spółka Akcyjna ("the Company") was established on 26 April 1991 as a result of transformation of the state enterprise called "Stomil" Car Tire Works in Dębica.

23. 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.

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.

24. Differences between data disclosed in the financial statement and previously published financial statements

None

25. Modification of the files applied and way of drawing up the financial statements

None

26. Adjustments of fundamental errors

None

27. Uncertainties regarding the possibility of the Company continuing as a going concern, description of such uncertainties and a statement confirming that there are no such uncertainties, as well

as indication whether the financial statements contain any adjustments related thereto. Such information should also include a list of actions, undertaken or planned to be undertaken, aimed at eliminating such uncertainties.

None

28. Financial statements for the period during which a merger took place No merger took place.

29. In the case of non-application of the equity method to measure the shares and stocks in subordinated entities, one should present the effects that its application would have had, as well as its impact on the financial result. The Company has no subordinated entities.

30. Consolidation of financial statements

The Company is not a controlling entity and does not draw up consolidated financial statements. The consolidated financial statement is drawn up by The Goodyear Tire & Rubber Company with its registered seat in Akron (United States).

31. Name, seat address or statutory seat of the entity and the legal form of each entity of which a given entity is a shareholder bearing unlimited assets liability As of 31

December 2016, the Company had capital ties with:

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

32. Balance sheet, Profit and Loans Account by energy trade and heat generation, energy and heat distribution and other activities in 2017 and comparative data

A. 2017 balance sheet by energy trade and heat generation, energy and heat distribution and other activities

	distribution electrical	generation trading of el. Energy	other activity
ASSETS			
I. Fixed assets	59	141	815,861
1. Intangible assets			

TC Dębica S.A.

SA-R 2017

	0	0	0
Including: Goodwill			
2. Tangible fixed assets	59	141	808,835
3. Long-term receivables			
3.1. From related entities			
3.2. from other entities in which the issuer holds equity interest			
.			
3.3. From other entities			
4. Long-term investments	0	0	144
4.1. Real estate			
4.2. Intangible assets			
4.3. Long-term financial assets	0	0	144
a) - in related entities, including: - shares or stocks in subordinated Entities measured by equity method			

TC Dębica S.A.		b) In other entities			
in which the issuer holds equity interest including:		0	SA-R 2017	0	0
- shares or stocks in partly-owned and affiliated entities measured by equity method					
- - shares or stocks in other entities					
In other entities					144
4.4. Other long-term investments					
0	0	6,882 prepayments and accruals			
5.1. Deferred income tax assets					
		0		0	6,844
Income tax					
5.2. Other accrued liabilities					38
II Current assets		26		57	832,488
1. Inventories		0	0	107,145	
2. Short-term receivables		26	57	303,661	
2.1. From related entities		0	0	277,513	
2.2. from other entities in which the issuer holds equity interest			0	0	0
.					
2.3. From other entities		26	57	26,148	
3. Short-term investments		0		0	420,481
3.1. Short-term financial assets		0	0	420,481	a) in related entities 0 0
350,000					
b) In other entities		0		0	0
c) Cash and other money assets					
		0		0	70,481
.					
3.2. Other short-term investments		0		0	0
4. Short-term					
0	0	1,201 prepayments and accruals			
5. Unpaid share capital					
6. Own stocks (shares)					
Total assets		86		198	1,648,349
LIABILITIES					
I. Equity		49		107	1,112,062
1. Share capital		0	0	110,422	
2. Supplementary capital		49	107	325,988	
3. Revaluation reserve		0	0	66,414	
4. Other reserve capitals		0	0	489,664	5. Profit (loss) for prior years
6. Net profit (loss)		0	0	119,574	

	7. Net profit write-downs during the financial year (Negative value)			
	II Liabilities and provisions for liabilities			
	37		90	536,287
	Liabilities			
1. Provisions for	liabilities 1 2			54,967
	1.1. Provision for deferred income tax			
	0		0	17,251
	Income tax			
	1.2. Provision for retirement benefits 1 2 34,371 and similar benefits			
	a) long-term	0	0	9,983
b) short-term	1	2	24,388	
	1.3			
	. Other provisions			0 0 3,345
	a) long-term			0 0 140
	b) short-term			0 0 3,205
	2. Long-term liabilities			0 0 3,105
	2.1			
	. to related entities			
	2.2			
	. to other entities in which the issuer holds equity interest			0 0 0
	. 2.3			
	. to other entities			0 0 3,105
	3. Short-term liabilities			36 88 478,215
	3.1			
	. to related entities			0 0 119,840
	3.2			
	. to other entities in which the issuer holds equity interest			0 0 0
	. 3.3			
	. to other entities			36 88 357,820
	3.3			
	. Special funds			0 0 555
	4. Accruals and prepayments			0 0 0
	4.1. Negative goodwill			0 0 0
	4.2			
	. Other accrued liabilities			0 0 0
	a) long-term			0 0 0
	b) short-term			0 0 0
	Total liabilities			86 198 1,648,349

B. 2016 balance sheet by energy trade and heat generation, energy and heat distribution and other activities

TC Dębica S.A.	other	distribution	trading	SA-R 2017			
		activity	ASSETS				
I. Fixed assets					65	155	813,822
1. Intangible assets, including:		0	0	9			
Goodwill							
2. Tangible fixed assets	65	155	811,426				
3. Long-term receivables							
3.1. From related entities							
3.2. From other entities							
4. Long-term investments					0	0	144
4.1. Real estate							
4.2. Intangible assets							
4.3. Long-term financial assets	0	0	144	a) - in related entities, including:			
- Shares or stocks in subordinated measured by equity method							
b) In other entities			0	0	144		
4.4							
. Other long-term investments							
5. Long-term prepayments					0	0	2,243
5.1							
. Deferred income tax assets					0	0	2,097
5.2. Other accrued liabilities							
II Current assets					22	63	637,693
1. Inventories	0	0	75,958				
2. Short-term receivables		22	63	219,958			
2.1							
. From related entities					0	0	198,957
2.2							
. From other entities					22	63	21,001
3. Short-term investments		0	0	340,601			
3.1							
. Short-term financial assets		0	0	340,601	a) in related entities	0	0
other entities	0	0	0				255,000
b) In							
c) Cash and other money assets					0	0	85,601
3.2							
. Other short-term investments					0	0	0
4. Short-term prepayments					0	0	1,176
Total assets					86	219	1,451,515
LIABILITIES							
I. Equity					52	123	1,024,905

1. Share capital	0	0	110,422	
2. Called-up share capital unpaid (negative value)				
3. Own stocks (shares) (negative value)				
				324,60
4. Supplementary capital	52	123	4	
5. Revaluation reserve	0	0	67,779	
				457,34
6. Other reserve capitals	0	0	7	
7. Profit (loss) for prior years				
8. Net profit (loss)	0	0	64,753	
9. Net profit write-downs during the financial year (negative value)				
				426,60
II Liabilities and provisions for liabilities	34	96		9
1. Provisions for liabilities	2	3		52,256
1.1. Deferred income tax provisions	0	0		15,070
1.2. Pension and similar provisions	2	3		31,277
a) long-term	0	0		10,856
b) short-term	2	3		20,421
1.3. Other provisions	0	0		5,909
a) long-term	0	0		67
b) short-term	0	0		5,842
2. Long-term liabilities	0	0		2,287
2.1. to related entities				
2.2				
. to other entities	0	0		2,287
3. Short-term liabilities	33	93		372,067
3.1				
. to related entities	0	0		77,101
3.2				
. to other entities	33	93		294,635
3.3				
. Special funds	0	0		331
4. Accruals and prepayments	0	0		0
4.1. Negative goodwill				
4.2				
. Other accrued liabilities		0		0
a) long-term				0
b) short-term				
Total liabilities	86	219		1,451,515

C. Profit and loss account by energy trade and heat generation, energy and heat distribution and other activities in 2017

	distribution electrical energy heat	generation heat and Trading of heat	other activity
I. Net sales of products, merchandise and materials	197	490	1,962,766
- including: from related entities	0	0	1,764,001
1. Net sales of products	197	490	1,832,167
2. Net revenues from the sale of goods and materials	0	0	130,599
II Cost of products, goods and materials sold, of which	207	416	1,783,927
- including: from related entities	0	0	1,621,740
1. Cost of manufacture of products sold	207	416	1,662,335
2. Value of goods and materials sold	0	0	121,592
III. Gross profit (loss) on sales	-10	74	178,838
IV. Sales costs	0	0	14,020
V. General administrative costs	4	13	40,373
VI Profit (loss) on sales	-14	61	124,445
VII. Other operating revenues	0	0	4,298
1. Profit from disposal of non-financial fixed assets	0	0	753
2. Subsidies	0	0	0
3. Impairment of non-financial assets	0	0	0
4. Other operating revenues	0	0	3,545
VIII Other operating expenses	0	0	6,399
1. Loss from disposal of non-financial fixed assets	0	0	0
2. Impairment of non-financial assets	0	0	1,466
3. Other operating costs	0	0	4,933
IX. Operating profit (loss)	-14	61	122,344
X. Financial revenues	0	0	4,475
1. Dividends and profits shares, including:	0	0	0
- from related entities	0	0	0
from other entities in which the issuer holds equity interest	0	0	0
from other entities, including:	0	0	0
from other entities in which the issuer holds equity interest	0	0	0
2. Interest, of which:	0	0	4,285
- from related entities	0	0	3,517
3. Profit from disposal of financial assets, of which:	0	0	0
- in related parties	0	0	0

4. Revaluation of financial assets	0	0	0
5. Other	0	0	190
XI. Financial costs	0	0	5,297
1. Interest, of which:	0	0	2,396
- to related parties	0	0	0
2. Loss from disposal of financial assets, of which:	0	0	0
- in related parties	0	0	0
3. Revaluation of financial assets	0	0	0
4. Other	0	0	2,901
XII. Share in profits (losses) of subordinated entities measured by equity method	0	0	0
XIII. Gross profit (loss)	-14	61	121,522
XIV. Income tax	0	0	1,995
a) current	0	0	4,561
b) deferred	0	0	-2,566
XV. Other obligatory profit decrease (loss increase)	0	0	0
XVIII. Net profit (loss)	-14	61	119,527

D. 2017 balance sheet by energy trade and heat generation, energy and heat distribution and other activities

	other	distribution	Trading	activity
I. Net sales of products, merchandise and materials	187	527		1,677,962
- including: from related entities	0	0		1,506,248
1. Net sales of products	187	527		1,569,853
2. Net revenues from the sale of goods and materials	0	0		108,109
II Cost of products, goods and materials sold, of which	180	474		1,542,578
- including: from related entities	0	0		1,401,582
1. Cost of manufacture of products sold	180	474		1,439,389
2. Value of goods and materials sold	0	0		103,189
III. Gross profit (loss) on sales	7	53		135,384
IV. Sales costs	0	0		19,585
V. General administrative costs	7	19		56,539
VI Profit (loss) on sales	-1	34		59,261
TC Dębica S.A.			SA-R 2017	
VII. Other operating revenues	0	0		1,550
1. Profit from disposal of non-financial fixed assets	0	0		1,291

2. Subsidies	0	0	0
3. Other operating revenues	0	0	259
VIII Other operating expenses	0	0	9,186
1. Loss from disposal of non-financial fixed assets	0	0	0
2. Impairment of non-financial assets	0	0	1,056
3. Other operating costs	0	0	8,130
IX. Operating profit (loss)	-1	34	51,625
X. Financial revenues	0	0	7,010
1. Dividends and profits shares, including:	0	0	0
- from related entities	0	0	0
2. Interest, of which:	0	0	7,010
- from related entities	0	0	6,358
3. Profit on disposal of investments	0	0	0
4. Revaluation of investments	0	0	0
5. Other	0	0	0
XI. Financial costs	0	0	6,660
1. Interest, of which:	0	0	2,550
- to related parties	0	0	0
2. Loss on disposal of investments	0	0	0
3. Revaluation of investments	0	0	0
4. Other	0	0	4,110
XII. Profit (loss) on economic activity	0	34	51,974
XIII. Result on extraordinary items	0	0	0
1. Extraordinary gains	0	0	0
2. Extraordinary losses	0	0	0
XIV. Gross profit (loss)	0	34	51,974
XV. Income tax	0	0	-12,745
a) current	0	0	1,517
b) deferred	0	0	-14,262
XVI. Other obligatory profit decrease (loss increase) 0	0	0	
XVII. Share in net profits (losses) of subordinated entities measured by equity method	0	0	0
			XVIII. Net profit (loss)
0	34	64,719	

E. Method used to separate individual activities

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

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

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

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

Balance sheet

Tangible fixed assets

Items assigned to energy-related activities were broken down into energy trade and energy distribution and Other activities by means of the percentage share of power contracted by third party customers in the total power contracted by the Company from the Supplier. In the second settlement stage, breakdown into energy trade and distribution was performed using revenue key (i.e. the share of revenues from the sale and distribution in the total revenues for energy supplies).

Heat-related items are broken down into the production and distribution of heat. Settlement of the assets for the Company's own purposes and the purposes of its customers regarding the production and distribution of heat was performed directly by means of the key of the share of the energy ordered by third-party customers in the total energy used by the Company.

Short-term receivables

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

Provisions for liabilities and Special funds

For provisions for retirement gratuities and equivalent a technical and personnel key was used.

Short-term liabilities

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

Equity

The basis for calculation of reserve capital for energy trade and energy distribution are net assets assigned to energy trade and distribution as well as to heat generation and distribution, including net profit generated in the current year by each of the two business lines.

Profit and Loss Account

Net sales revenues

Net sales revenues are assigned directly to individual business lines.

Cost of products, goods and materials sold, of which

Costs of products sold (energy trade and energy distribution) were assigned directly based on the cost records of the energy department taking into account of 2.93% percentage index of power contracted by third party customers in the total power contracted by the Company. External costs of purchasing distribution services for third party customers are calculated directly using Tauron Dystrybucja S.A. tariff based on the volume of taken energy and contracted power. The transfer fee was determined on the basis of invoices issued by PSE operator and referring directly to the third-party customers.

Costs of products sold (heat generation and distribution) were assigned directly based on the cost records of the energy department taking into account: for fixed costs - 0.498% percentage index of power contracted by third party customers in the total power contracted by the Company for auxiliaries and third- party customers and for variable costs - percentage index of 0.490% of the heat supplied to the third party customers in the total heat consumption.

General administrative costs

The key applied to break down these costs is the revenue-based key. Revenues from energy trade and energy distribution accounted for 0.025% of total revenues both in 2017 (0.29% in 2016). Revenues from heat generation and distribution accounted for 0.010% of total revenues in 2017 (0.014% in 2016).

Income tax

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

33. Fixed Assets

The cost comprising fixed assets under construction and prepayments for fixed assets under construction of PLN 90,466 thousand are as follows:

- purchase of machines and devices	PLN 57,021 thousand
- construction and assembly works	PLN 26,709 thousand
- other	PLN 6,736 thousand.

The gross value of fixed assets used under lease agreements, classified pursuant to the Accounting Act, as financial lease agreements totalled PLN 7,890 thousand, whereas the net value amounted to PLN 4,903 thousand.

The Company insures its property against all risks involving direct physical loss or damage. The Company also holds civil liability insurance for business operations carried out and for assets held, as well as a product civil liability policy.

34. Lands with perpetual usufruct right

As of 31 December 2017 the value of lands with perpetual usufruct right totalled PLN 50,538 thousand and its breakdown into individual categories is as follows:

roads	PLN 127 thousand
Arable lands	PLN 2 thousand
Other developed lands	PLN 4,192 thousand
Forests and forested lands	PLN 5,481 thousand
Wasteland	PLN 621 thousand
Housing lands	PLN 67 thousand
Industrial areas	PLN 35,573 thousand
Miscellaneous areas	PLN 3,184 thousand

Still inland waters	PLN 1,142 thousand
Urbanized non-developed lands	PLN 149 thousand

35. Fixed asset revaluation

As of 31 December 2017, the balance of fixed assets revaluation write-offs amounted to PLN 192 thousand and changed compared with the previous year.

The balance of revaluation write-offs for inventories was PLN 1,082 thousand including: - for products PLN 616 thousand
- for raw materials PLN 466 thousand.

Meanwhile the balance of inventory revaluation write-offs in 2016 was PLN 788 thousand.

36. Ageing of receivables

At the end of December 2017 the gross balance of trade receivables amounted to PLN 45,908 thousand and its ageing was as follows:

- below 30 days PLN 4,095 thousand.
- from 31 to 90 days PLN 18,007 thousand
- from 91 to 180 days PLN 6,848 thousand
- from 181 to 365 days PLN 592 thousand
- over 365 days PLN 16,366 thousand

A write-off revaluating the trade receivables totalled PLN 20,259 thousand.

37. Financial revenues and expenses in 2017

1. Interest expense on working capital loan	0
2. Interest income from bank deposits	769
Interest income on loans extended	3,517
4. Interest income on receivables and interest expense on trade payables and on liabilities vis-à-vis budget	-25
5. Interest income on overdue trade receivables	-1
6. Discounted bills of exchange and third party checks	-1,667
7. Interest expense on lease instalments	-168
8. Interest paid on committed, but non-utilized loan	-536
Total interest and discounted bills of exchange and third-party checks	1,889
9. Realized foreign exchange gains/losses	-5,408
10. Unrealized foreign exchange gains/losses	2,507
Total foreign exchange gains/losses	-2,901
11. Financial gains from a stake in "Agromet"	190
Total net income on financial operations	-822
Total financial income (as shown in P&L account)	4,475
Total financial expenses (as shown in P&L account)	5,297

38. Liabilities secured out of the Company's assets No liabilities have been secured with T.C. Dębica S.A. assets.

T.C. DEBICA S.A. MANAGEMENT BOARD REPORT ON OPERATIONS OF T.C. DĘBICA IN 2017

Prepared pursuant to par. 91. 1 of the Minister of Finance Regulation of 19 February 2009 on current and periodical information submitted by securities issuers and the terms and requirements for recognition as equivalent of information required by the laws of a non-member state.

Dębica, 25.04.2018

1. PRODUCTS OF T.C. DĘBICA S.A.

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1. PRODUCTS OF T.C. DĘBICA S.A.

1.1. CONSUMER AND COMMERCIAL TIRES

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

Since 2016, the Company continued the development of passenger car tires with high and ultra high speed indexes (High Performance and Ultra High Performance tires) and tires of bigger diameters i.e. 17 inches and bigger. These sizes generate the biggest profits in the entire tire industry. Manufacture of passenger car tires in this segment will allow the Company to continue developing products for vehicles featuring higher parameters.

The Dębica plant is one of the biggest Goodyear plants in the world. It manufactures high-quality, advanced summer, winter and all-year tires. Dębica brand is one of the best known and most popular tire brands on Polish tire market. Customers who choose the Dębica products appreciate the traditions of this Polish brand and the good value for money it offers.

2017 summer tires

Standard tires segment

Dębica Passio 2 - one of the most popular tire models in Poland, displays a good performance on wet surfaces and is resistant to aquaplaning. A precise arrangement of tread blocks improves road grip and reduces tire wear.

Dębica Passio 2 is addressed to customers who appreciate cost-efficiency and comfort.

HP segment

The new Dębica Presto HP is an exceptional product ideal for the middle class passenger cars, city and compact cars.

This successor of the popular Dębica Presto model ensures good performance in the ever-changing weather conditions in

Poland. The new Dębica Presto HO ensures better contact of the tires with the road surface, which translated into more

stable driving on both wet and dry surfaces. The silica-based compound ensures effective braking on wet surfaces and stable handling even in the most difficult weather conditions.

UHP segment

Dębica Presto UHP meets the expectations of the most demanding clients seeking high-performance tires at a reasonable price. Each element of the new, asymmetrical tread is optimized to ensure comfortable and dynamic driving on dry surfaces. The wide central rib secures and optimized distribution of stiffness, giving superior performance on the bends. The mix of rubber and silica ensures efficient grip on wet roads. Dębica Presto UHP is ideal for clients seeking tires with powerful engines.

Dębica Presto UHP2 – a new tire of ultra-high performance featuring a number of technological solutions for sports driving and high wear-resistance. Dębica Presto UHP features a new asymmetrical tread and competitive parameters that meet the expectations of the most demanding clients seeking tires for passenger cars with powerful engines at a reasonable price. A large number of edges removes water thus ensuring a better grip on wet roads. The asymmetrical tread and the external rib ensure good driving and performance on dry surfaces at high speeds. The rounded edges of the tread effectively remove water and ensure high resistance to aquaplaning. Evenly distributed pressure inside the tire translates into improved wear resistance and long life. The new rubber mix in the tire bead reduces power loss and rolling resistance.

SUV segment

Dębica Presto SUV was designed both for city driving and longer trips outside the city.

The new model ensures high resistance to aquaplaning - the wide grooves ensure a better water flow and its efficient removal. The rigid shoulder ensures quick response of the tire to the steering wheel movements and improves its grip on bends. The wide central rib ensures precise handling of a car.

Commercial segment

Dębica introduced a new model of summer tires for commercial vehicles, named **Presto LT**. Its tread ensures optimal distribution of the tire pressure on the surface, allowing for good driving and even wear. The wide circumferential and transverse grooves effectively remove water ensuring a shorter braking distance on a wet surface. The reinforced structure of the new tire ensures resistance to mechanical damage.

2017 winter tires**2017 winter tires****Standard tires segment**

Debica Frigo 2 has enjoyed sustained popularity in the Polish market in the segment of winter tires. It was designed for compact town cars and mid-size class cars. It was designed for drivers appreciating comfort and economy. The tire design ensures long mileage and comfortable winter driving. The optimized contact surface of the tire translates

into a good grip in winter. The directional tread with wide grooves dissipates water and slush effectively, reducing aquaplaning.

HP segment

Frigo HP2 is the successor of the Frigo HP model, the very first Dębica winter tire dedicated for highperformance cars. Debica Frigo HP2 was designed for drivers enjoying dynamic driving and seeking technologically advanced and durable products. The new tread pattern provides the tire with new cutting edges capable of biting into a snowy road surface and ensuring a better control in winter.

The self-locking blades of new tread bite into snow thus improving control over vehicle and ensure excellent handling and snow traction capabilities. The optimized tire structure and the increased depth of the tread secure long mileage, which results in savings for the driver.

SUV segment

Frigo SUV is a high-quality tire for SUVs suitable for all winter conditions. It is addressed to drivers seeking an affordable product capable of handling snow, rain and slush. The special rubber mix ensures a very good grip on snow and ice. The even wear translates into a longer life of the tire. The optimized tread design results in lower noise levels.

Commercial segment

Frigo LT is a reliable and durable tire dedicated for commercial cars and light trucks. The special rubber mix with Silica ensures a firm grip on winter roads.

2017 all-year tires

Navigator 2 is a popular all-year tire ensuring comfortable driving both in summer and winter. It is addressed to drivers seeking economical driving. The special, all-year rubber mix ensures a good grip in all conditions. The wide circumferential and transverse grooves effectively remove water from the front of the tire thus reducing aquaplaning. The reinforced tread structure increases the durability of the tire.

1.3. MEMBRANES

Firma Oponiarska Dębica S.A. is a producer of curing membranes used to make tires. In 2017, the Company produced above 196 thousand curing membranes for 135 product ranges, from motorbike tire membranes to aviation tire membranes to various types of consumer and farm tire membranes to heavy truck and industrial tire membranes. Tire membranes are made for Company own consumption and for the export to corporate and third party customers. The Company sold a total of over 134 thousand membranes to tire manufacturers, mainly in Western Europe, Latin and North America.

1.4. SHARE OF PRODUCT CATEGORIES IN TOTAL SALES

Total:	15,702	1,963,453	100.00%	16.96%
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2. INVESTMENT ACTIVITIES

In 2017, capital expenditures totalled PLN 98 million.

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

- purchase of equipment and machinery capable of producing technologically advanced products and securing the superior quality;
- actions aimed at generating savings, improvement of production efficiency, compliance with HSE and fire safety requirements,

c) purchases of manufacturing accessories.

In 2017, the Company continued the processes aimed at adapting the process of manufacturing tires for high- and ultra-high speed cars (High Performance and Ultra High Performance tires), as well as 18" tires for the most profitable market segments.

3. MAJOR RESEARCH AND DEVELOPMENT ACTIVITIES

As regards the technological development, Firma Oponiarska Dębica S.A. continued to follow the strategy adopted in the previous years and aimed at maintaining its competitive advantage through continuous development of its products and introduction of new technologies.

The Company uses, among other things, the following innovative solutions:

- the 3D-BIS (three-dimensional tread block locking) improving the rigidity and stability of tires on wet and dry roads, as well as their grip on snow and ice;
- the Grip Booster technology consisting in the application of a viscous resin which improves the tire grip during braking and driving on wet and dry surfaces;
- the WearControl technology ensuring an optimal balance between a wet grip and low rolling resistance throughout the entire service life of a tire;
- the TOPIndicator technology, facilitating the monitoring of the tread wear;
- the ActiveGrip technology allowing even distribution of pressure inside a tire and optimizing its contact area with the road surface by means of using all tread sections and thus ensuring high performance and better driving in winter;
- the SnowCatcher technology improving snow and ice traction: the central grooves form a grid which cooperates with a snow-covered surface;
- the IntelliMax Rib technology ensuring an optimal distribution of pressure inside tires, improved manoeuvrability, longer service life, better grip on wet surfaces, efficient pebble removal.

As regards the manufacture of consumer tires, the Company continued its production optimization scheme, allowing to best use the existing production capacity while maintaining top safety and product quality standards. In addition, the scheme allows the Company to meet the market demand. In the truck tire segment an analogous product process development strategy was prepared i.e. the KANBAN system was implemented – it is fully computerized system involving planning and supervision over manufacturing process as well as automatic collection and archiving of manufacturing process and product data. The applied solutions represent the highest level of development and efficiency of tire manufacturing process.

4. PROCUREMENT

Firma Oponiarska Dębica S.A. purchases raw materials mainly from the global purchasing centres of the Goodyear Group (hereinafter referred to as "the GPC"). However, the decisions related to the purchasing of raw materials, as well as the schedule of deliveries and precise quantities are determined by Firma Oponiarska Dębica S.A. In 2017 Firma Oponiarska Dębica S.A. purchased natural 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 10.8 % of net sales revenues of the Company, compared with 9% in 2016.

Additionally, synthetic rubber was purchased from a related entity, viz. Goodyear Akron with its registered office in USA, with the value of purchases accounting for 2.5% of the net sales revenues of Tire Company Debica S.A., compared with 2.1 % in 2016.

5. SALES AND DISTRIBUTION

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

The year 2017 saw the continuation of the application of the hitherto business model. The essence of the new business model is that the non-Debica brands are sold

immediately after the completion of manufacturing process. Tires are sold to Goodyear Dunlop Tires Operations S.A. with its registered office in Luxembourg, registered in Poland for VAT purposes.

The Dębica brand tires are sold on the domestic market by Firma Oponiarska Dębica S.A. This business model change results in export sales being replaced by indirect export sales and there are no direct sales of tires to Goodyear Dunlop Tires Polska Sp. z o. o. In 2017, the sales totalled PLN 1 963 million, up by PLN 285 thousand (17%) compared with 2016. Exports (including indirect exports) totalled PLN 1 764 million in value terms and accounted for 89.8 per cent of total sales in value terms, of which 99.8% were the sales to Goodyear Dunlop Tires Operations SA with its registered office in Luxembourg.

The domestic sales accounted for 10.2 per cent of Company's total sales revenues.

Major export markets for tires produced by T.C. Debica S.A. included Luxembourg, Germany, Slovenia (including countries of former Yugoslavia), France, Italy, Spain, Great Britain, Turkey and Romania. As of 1 January 2018, the terms of cooperation between Firma Oponiarska Dębica S.A. changed and its related entity Goodyear Dunlop Tires Operations S.A. changed. The Company will provide Goodyear with all tires manufactured under the brands belonging to the Goodyear Group at arms length as determined in conformity with the transfer pricing policy of the Goodyear Group. The prices will be set such that the Company's profit from the sale of tires was equivalent to the market margin.

5.2. SALES OF T.C. DEBICA S.A. BY REPLACEMENT AND OEM MARKETS.

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

On the domestic replacement market, Company sells tires of the Dębica brand. They are distributed mainly through sales to:

- regional tire distributors,
- the Premio franchising network belonging to Goodyear Dunlop Tires Polska sp. z o.o,
- authorized Goodyear Group tire service stations, • tire service stations,
- online shops.

6. COMPANY AUTHORITIES

The year 2017 saw no changes in the basic principles of company management.

The composition of the Management Board and the Supervisory Board as at 01.01.2017:

Management Board

Stanisław Cieszkowski -President of the Management Board

Leszek Szafran – Member of the Management Board

Ireneusz Maksymiuk – Member of the Management Board

Michał Mędrek - Member of the Management Board

Supervisory Board

Jacek Pryczek - Chairman of the Supervisory Board

Dominikus Golsong - Member of the Supervisory Board, Vice-Chairman of the Supervisory Board

Karl Brocklehurst - Member of the Supervisory Board

Maciej Mataczyński - Secretary of the Supervisory Board

Renata Kowalska-Andres - Member of the Supervisory Board

Łukasz Rędziniak - Member of the Supervisory Board

Janusz Raś - Member of the Supervisory Board

Composition of the Management Board and the Supervisory Board as at 31.12.2017

Management Board

Leszek Szafran – President of the Management Board
 Ireneusz Maksymiuk – Member of the Management Board
 Michał Mędrak - Member of the Management Board
 Paweł Miłoszewski – Member of the Management Board
 Mirosław Maziarka – Member of the Management Board

Supervisory Board

Jacek Pryczek - Chairman of the Supervisory Board
 Dominikus Golsong - Member of the Supervisory Board, Vice-Chairman of the Supervisory Board
 Leszek Cichocki – Member of the Supervisory Board
 Maciej Mataczyński - Secretary of the Supervisory Board
 Renata Kowalska-Andres - Member of the Supervisory Board
 Łukasz Rędziniak - Member of the Supervisory Board
 Janusz Raś - Member of the Supervisory Board

Changes in the composition of the managing and supervisory bodies during the financial year:

28 August 2017: resignation of Stanisław Cieszkowski as the President of the Management Board of Firma Oponiarska S.A (RB 12/2017)
 18 September 2017: Leszek Szafran appointed President of the Management Board and Paweł Miłoszewski a Member of the Management Board of Firma Oponiarska Dębica S.A. (RB 13/2017)
 27 September 2017: resignation of Karl Brocklehurst as a Member of the Supervisory Board of Firma Oponiarska Dębica S.A. (RB 15/2017)
 5 October 2017: Mirosław Maziarka appointed a Member of the Management Board and Leszek Cichocki appointed a Member of the Supervisory Board (RB 16/2017).

* Pursuant to the provisions of §14 par. 2 of the Company Statutes the Supervisory Board comprises one representative of Company employees. Such employee representative was Mr. Janusz Raś, appointed to the position of a Supervisory Board member for 21st term of office pursuant to the stipulations of the Statutes and Rules for Election of Employee Representative. The remuneration of the Management and Supervisory Boards in 2017 is presented in Section 16 of "The Notes to the Financial Statement" representing an integral part of the 2017 Financial Statements.

In 2017, the shareholders holding above 5% of shareholders' equity included: Goodyear S.A. with its registered office in Luxembourg holds directly 11, 234, 912 shares in the Company, accounting for 81.396% of the Company's shareholders' equity, and giving entitlement to exercise 11,234,912 votes at the Company's General Meeting of Shareholders, accounting for 81.396% of the total number of votes at the Company's General Meeting of Shareholders. Based on information provided all shares with attached votes in the Company, controlled by the Goodyear Group, are held directly by Goodyear Luxembourg.

On 26.02.2018, Altus Towarzystwo Funduszy Inwestycyjnych S.A advised the Company that the 5% threshold of the number of votes had been exceeded by the investment funds managed by Altus TFI S.A.

Hence, as at the submission of the financial statements for 2017 the shareholding structure of the Company was as follows:

Shareholder name	Number of stocks	% of share capital	% of votes
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	SA-R 2017		
Goodyear S.A. with its registered seat in Luxembourg	11,234,912	81.396%	81.396%
Investment funds managed by Altus TFI S.A.	776,045	5.622%	5.622%
Other shareholders (free float)	1,791,793	12.981%	12.981%
Total	13,802,750	100.000%	100.000%

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 2017 Tire Company Debica S.A. generated a net profit totalling PLN 119.6 million, compared to PLN 64.8 million in 2016, (84.7% more).

Sales revenues totalled PLN 1 963.5 million and were up by 17 per cent compared to sales in 2016.

Sales revenues of Firma Oponiarska Dębica S.A. to related entities totalled PLN 1,764 million i.e. compared to 1,506 m in 2016 - up by 4.7 m and 17% year to year.

In 2015, the sales to the Goodyear Group related entities accounted for 98.8 % of total sales compared and remained on a similar level. Meanwhile sales to the non-related entities totalled PLN 199.4 million, up by PLN 15.7% yty.

Gross profit from sales to the related entities totalled 8.1% compared to 6.9 in 2016. The gross profit margin from sales to unrelated entities compared to revenues increased from 17.9% in 2016 to 18.4% for 12M 2017.

The total gross sales profit for 2017 was PLN 178.9 m and was 32.1% higher than in 2016.

In 2017, the costs of sale and the general management costs amounted to PLN 54.4 m compared to 76.2 m in 2016. The share of these costs in the value of sales decreased by 2.8% compared to 4.5% in 2016.

The result on the other operations in 2017 was minus PLN 2.1 m and was PLN 5.5 m better compared with 2016, mainly due to: realization of profit from the sale of CO2 emission rights (PLN 3.0 m), restructuring costs decreased by PLN 7.2 m, bad debt costs increased by PLN 1 m and fixed assets liquidation costs increased by PLN 2.2 m.

In 2017, the operating profit was PLN 139 m compared with PLN 51.7 m in 2016 - up by PLN 70.7 m and 139.9% year to year. The margin at this level relative to the revenues increased to 6.2% compared with 3.0% last year.

In 2017, the financing operations generated a loss of PLN 0.8 m compared with the profit of PLN 0.4 m in previous year.

The foreign exchange gains/losses generated a cost of PLN 2.9 m compared with PLN 4.1 m in 2016. The bills of exchange discounting costs remained stable compared with the previous year and amounted to PLN 2.4 m. Interest on a loan extended to related entities generated a revenue of PLN 3.5 m, i.e. PLN 2.8 m less than in 2016.

Financial revenues from the other interest amounted to PLN 1.0 m, i.e. PLN 0.3 m more yty.

In 2017, EBIT amounted to PLN 121.5 m, PLN 69.6 m more than in the previous year.

The current income tax was PLN 4.6 m and regarded the taxable operations. The Company settled an income tax relief of PLN 38.4 for carrying out investments in the Euro-Park Mielec Special Economic Zone. He deferred income tax amounted to PLN 2.6 m. Thus, the income tax totalled PLN 1.99 m.

In conformity with the authorization to conduct business in the Euro-Park Mielec Special Economic Zone (no. 134/ARP/2008 of 27 February 2008), the Company is entitled to an income tax relief of 40.23% of the discounted amounts invested in the Special Economic Zone.

The Company complied with the terms and conditions of the authorization in December 2012 and, starting from 2013, it has been entitled to a corporate income tax relief. By virtue of Decision of the Minister of Development of 14 January 2016, no. 27/IW/16, the authorization to conduct business in the Euro-Park Mielec Special Economic Zone was changed with respect to its expiry date. Consequently, the validity date was deleted from the authorization.

As at 31 December 2017, the the tax relief amounted to a nominal value PLN 8.7 m, i.e. PLN 5.5 m of discounted value. As at balancing date the Company utilized the enjoyed tax relief in the amount of PLN 129.5 million in nominal terms and PLN 85.8 million in discounted terms.

The Company assumed that within the effective term of operational permit all short-term transient differences will be realized as well as long-term transient differences planned for realisation within the effective term of the operational permit. According to the current estimates, the relief shall be utilised in full in the first half of 2018. These estimates depend on many factors, including the level of orders from related entities, and may change as at the subsequent balance sheet date. However, the Management Board sees no risk resulting from not utilizing the relief by the end of the expiry period of the authorization, i.e. by 31 December 2026.

In 2017, the effective income tax rate was 1.6% compared with the statutory rate of 19.0 per cent. The significant impact on the effective income tax rate had the fact the Company settled tax relief for completion of the investment project in the Euro-Park Mielec Special Economic Zone.

As at the end of December 2017, the value of the tangible fixed assets amounted to PLN 816 m and was PLN 2 m higher compared with the previous year. Investment amounted to PLN 98 m, while the depreciation and amortization of the existing fixed assets amounted of PLN 99.7 m. The deferred income tax assets totalled PLN 6.8 million compared with PLN 2.1 m as at 31 December 2016.

In total the Company's current assets amounted to PLN 832.6 m and were up after four quarters of 2017 by PLN 194.8 m. Short-term receivables totalled PLN 303.7 million and were up by PLN 83.7 million, of which an increase of PLN 78.5 million was recorded from related entities and PLN 5.2 million from other entities. The value of inventories was up by PLN 31.2 million to the level of PLN 107.1 million. The Company's short-term financial assets totalled PLN 420.5, an increase of PLN 79.8 m. The value of loans extended to related entities increased by PLN 95 m compared with 31.12.2016, up to PLN 350 m, while the cash at bank decreased by PLN 15.1 m.

Short-term prepayments remained at a stable level of PLN 1.2 m.

As of 31 December 2017, the Company assets totalled PLN 1 648 million and were up by PLN 196.8 million after four quarters of the year.

As of 31 December 2017, the liabilities and provisions for liabilities totalled PLN 536.4 million and increased by PLN 109.6 m during 2017. The provisions for liabilities were up by PLN 2.7 million, of which provisions for deferred tax was up PLN 2.2 million.

The short-term liabilities increased by PLN 106.1 m, of which liabilities to the related entities increased by PLN 42.7 m and to the other entities - by PLN 63.2 m.

At the end of December 2017, the Company equity totalled PLN 1,112.2 m and had increased by PLN 87.1 m. The capital reserve increased by PLN 32.3 m i.e. by the value of the distributed profit for 2016. The net profit for the current year is PLN 54.8 m than that of 2016.

8. FINANCIAL RISKS

Firma Oponiarska Dębica S.A. uses its financial risk management policy to identify the following risks and adopted the following objectives and methods for management of identified risks:

Credit risk

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

One of the key elements of the credit risk management process is an on-going monitoring of the receivables and an internal reporting system. The Company focuses on securing its payments, both on formal and legal grounds (i.e. bill of exchange, mortgage, pledge), and also on subject matter grounds (i.e. improvement of supply logistics, deepening of the evaluation of the customers' financial standing etc.). Consequently, if well managed, this area is capable of generating an added value.

Despite such risk concentration, it is estimated that given the historical data available and the many years of cooperation with customers, as well as the security measures applied, the credit risk is relatively low. Consequently, if well managed, this area is capable of generating an added value.

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

Liquidity risk

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

Foreign exchange risk

The Company is exposed to foreign currency exchange rate fluctuations connected with exports of finished goods and imports of raw materials. However, the Company's long-term financial strategy does not provide for foreign exchange hedging instruments and hence the Company applies natural hedging. Export earnings are spent mostly to purchase imported materials. In long-term this policy produces positive results.

Interest rate risk

In 2017, the Company was bound by contracts providing for an overdraft facility in the current account for a total amount of PLN 175 m. No overdraft was recorded on the account as at 31 December 2017. The Company maintained liquidity and financing stability. The Company did not bear any material interest expenses. In 2017, the Company was bound by contracts providing for short-term loans to Goodyear SA Luxembourg for a total amount of PLN 350 m. The interest on the loan is based on the current market rate plus margin. The Management Board believes that the risk related to interest rate fluctuations has no material bearing on the Company.

Market risk

Market risk management and conforming to the Company's policy in this respect is the responsibility of the Management Board. The Company manages market risk through taking effective decisions about the maintenance of its market position, implementation of new, strategic projects aimed at prospecting new markets, new and attractive product launches.

The Management Board does not anticipate any significant disturbances to the cash flows nor does it anticipate losing financial liquidity.

T.C. Dębica S.A. maintains its indebtedness at a safe level and diversifies the risk related to its debt and operations by cooperating with four banks.

In 2017, the Company maintained high financial liquidity and low indebtedness levels.

Deterioration of the Company's financial liquidity may affect its customers and its ability to repay its debts.

The worsening operational conditions of customers may have impact on the cash flow projections and evaluation of the assets impairment. To the extent information was available, the Management Board took into consideration the revised estimates of expected future cash flows in its assessment of assets impairment.

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

In 2017, Firma Oponiarska Dębica S.A., the largest Goodyear's manufacturing plant in Europe and one of the major plants globally, continued the execution of investment projects in the "Euro-Park Mielec" Special Economic Zone concerned with the adaptation of the manufacturing processes to produce HP and UHP consumer tires, which fall into the most profitable segment of tire market. As a result Tire Company Debica S.A. is making now 17" tires and tires with the highest speed indices i.e. W (270 km/h) and Y (300 km/h).

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

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

10. FINANCIAL INSTRUMENTS

As of the end of 2017 the Company was in the possession of financial assets put up for sale i.e. interests in third parties worth PLN 144 thousand. In 2017, the Company extended five short-term loans to Goodyear S.A. with its registered office in Luxembourg for a total value of PLN 350 million. The closing balance of financial liabilities in 2015 was nil.

11. OTHER INFORMATION

A/

In 2017, the value of transactions with related entities belonging to the Goodyear Group related to the sales of products, commodities and services totalled PLN 1 754 million, whereas the value of fixed asset disposal was PLN 2.5 million.

The value of purchase transactions was PLN 672.8 million.

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

B/

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

The Company utilized current account overdraft facility. The closing balance of current account overdraft facility liabilities in 2017 was zero.

In 2017, the Company entered into agreements with four banks for current account overdraft facilities for the total amount of PLN 175 million. Note 19D to the Balance Sheet comprises a list of these agreements as well as terms and conditions of extended financing.

In 2017, the Company extended five short-term loans to Goodyear S.A. with its registered office in Luxembourg.

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

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 2017, the Company did not invest into any securities, financial instruments nor real properties.

D/

The Company did not announce publicly the financial forecast for 2017.

E/

The Company is a party to the following material contracts:

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

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

F/

In 2017 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 16.

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.: Janusz Raś - Member of the Supervisory Board - 15 stocks

Each stock has a par value of PLN 8.

J/

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

K/

No material events concerning previous years have occurred that would have impact on this Financial Statements.

L/

In 2017 no acquisition, nor disposal of own shares/interest took place.

M/

On 24 July 2017, the Company entered into an agreement with PricewaterhouseCoopers Sp. z o.o., having its registered seat in Warsaw at ul. Lecha Kaczyńskiego 14, to audit the Company's financial statements for 2017.

Pursuant to the agreement, the amount due for auditing and reviewing the 2017 financial statements is PLN 255,260 (2016: PLN 156,655). PLN 156,655).

The statutory auditor did not render any services other than auditing and reviewing the financial statements.

N/

In June 2016, an administrative procedure was instituted against the Company by the Energy Regulatory Authority in pursuance of Art. 56.1 1 3a, and Art. 30.1 and Art. 23.2. 13 of the Energy Law of 10 April 1997 (Journal of Laws of 2012, item 1059, as amended) in conjunction with Art. 61§ and §4 of the Code of Administrative Procedure Law of 14 June 1960 (Journal of Laws of 2016, item 23, as amended) with the purpose to impose a fine on the Company due to a reasonable suspicion - resulting from documents submitted to the President of the Authority by the Operator of the Distribution System to which the Company is connected - that the Company may be in breach of the obligation to conform to the restrictions related to energy supply and consumption, which, pursuant to Art. 56.1.3a of the Energy Law, is subject to a fine.

The Management Board of the Company believes that there are no grounds for the said fine being imposed on the Company. The Company has submitted the necessary explanations to the President of the Authority.

If, contrary to the opinion of the Management Board of the Company, the President of the Energy

Regulatory Authority claims that the Company is guilty of the said breach, the Management Board of the Company believes that given its gravity, the breach should be subject to a significantly lower fine than the maximum statutory fine.

On 3 August 2017, the Company received a decision of the President of the Energy Regulatory

Authority (hereinafter referred to as "ERA President" dated 28 July 2017, on the imposition of a fine of PLN 30,540 in relation to a breach by the Company of the obligation to conform to the restrictions related to energy supply and consumption, which, pursuant to Art. 56.1.3a of the Energy Law, is subject to a fine. The Company paid the said fine on 23 August 2017.

12. CORPORATE GOVERNANCE

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

The Management Board of the Company, appreciating the importance of corporate governance principles contained in this document and the role these principles play in strengthening the transparency of listed companies, has made every effort to ensure that the principles referred to above are applied in the Company to the widest extent possible. Below, the Management Board presents the principles contained in the "Code of Best Practice for WSE Listed Companies", which the Company abandoned in 2017, together with the reasons for the abandonment.

The Company did not apply the recommendation no. III.R.1. in the scope of separating in the structure of the Company the entities responsible for the implementation of tasks in particular systems or functions, because their separation is not justified due to the type of activity conducted by the Company.

The Company did not follow the recommendation no. IV.R.2 in the scope of enabling shareholders to participate in the General Meeting with the use of electronic communication means, if it is justified due to the shareholding structure or the expectations of shareholders reported to the Company and if the Company is able to provide the technical infrastructure necessary for efficient conduct of the General Meeting with the use of electronic communication means, because in the opinion of the Management Board, there is no need to transmit the General Meetings or ensure two-way communication in real time and such expectations were not reported to the Company.

The Company did not follow recommendation no. IV.R.3. with respect to the Company's efforts to ensure that when the Company's securities issued are traded in different countries or on different markets and legal systems, corporate events related to the acquisition of shareholder's rights take place on the same dates in all countries where they are listed, because the securities issued by the Company are listed exclusively in Poland, on the WSE and therefore the recommendation does not apply to the Company.

The Company did not apply the recommendation no. VI.R.3. in the scope of applying the II.Z.7 rule to the remuneration committee, because the remuneration committee does not function in the Supervisory Board, therefore the recommendation does not apply to the Company.

The Company did not apply the detailed rule no. I.Z.1.3. in the scope of publishing on the Company's corporate website the scheme of division of tasks and responsibilities between the members of the Management Board drawn up in accordance with rule II.Z.1., because the Company has not yet developed a detailed division of responsibility for particular areas of the Company's activity among the members of the Management Board, therefore the information is not published on the website.

The Company did not apply the specific rule no. I.Z.1.7. with regard to posting on the Company's corporate website information materials on the Company's strategy, as the Company does not publish information on the strategy.

The Company did not apply the specific rule no. I.Z.1.8. with respect to publishing on the Company's corporate website selected financial data of the Company for the last 5 years of its operations in a format enabling the processing of such data by their recipients, as the data are made available together with a periodical report for a given reporting period, which reports are available on the Company's website.

The Company did not apply the detailed rule no. I.Z.1.10. in the scope of publishing on the Company's corporate website financial forecasts published in the last 5 years together with information on the degree of their implementation, as the Company does not publish financial forecasts.

The Company did not apply specific rule no. I.Z.1.15. in the scope of publishing on the Company's corporate website a description of the Company's diversity policy in relation to the Company's authorities and its key managers, as the Company has not developed and is not implementing a diversity policy.

The Company did not apply the detailed rule no. I.Z.1.16. in the scope of posting on the Company's corporate website information on the planned transmission of the General Meeting no later than 7

days before its date, because the Company does not transmit the General Meeting, and thus does not publish this information on the website.

The Company did not apply specific rule no. I.Z.1.19. in the scope of posting on the Company's corporate website shareholders' questions addressed to the Management Board pursuant to art. 428 § 1 or § 6 of the Commercial Companies Code together with the Management Board's answers to the questions asked, or detailed indication of the reasons for not answering questions in accordance with rule IV.Z.13, because answers to questions asked outside the General Meetings are published on the website in the tab Investor Relations/Reports/Current and the Company does not publish them in a separate section of the website.

The Company did not apply the detailed rule no. I.Z.1.20. in the scope of posting on the Company's corporate website a record of the General Meeting in audio or video form, because due to the costs of recording and publishing the recordings of General Meetings on the Company's website, the Company decided to limit itself to the previously applied transparent and effective information policy concerning the course of the Meeting.

The Company did not apply the detailed rule no. II.Z.1. in the scope of unambiguously and transparently formulating the internal division of responsibility for particular areas of the Company's activity among members of the Management Board and the publication of this scheme on the Company's website, because the Company has not yet developed a detailed division of responsibility for particular areas of the Company's activity among members of the Management Board, and thus the information is not published on the website.

The Company did not apply the specific rule no. II.Z.2. in the scope of sitting on the Management Board of the Company in the management or supervisory boards of companies from outside the capital group of the Company with the consent of the Supervisory Board, because the Supervisory Board always assesses whether sitting on the management board or supervisory board of the company from outside the capital group causes a conflict of interest.

The Company did not apply the detailed rule no. II.Z.7. within the scope of application of Appendix I to the Recommendation of the European Commission, referred to in principle II.Z.4. to the tasks and functioning of committees operating in the Supervisory Board in the event that the function of the audit committee is performed by the Supervisory Board, because the Company has an audit committee, the composition and functioning of which is regulated by the Act of 11 May 2017 on statutory auditors, audit firms and public supervision, which entered into force on 21 June 2017.

The Company did not apply the specific rule no. II.Z.8. in the scope of meeting by the chairman of the audit committee the criteria of independence indicated in principle II.Z.4, because the chairman of the audit committee meets the requirements of independence specified in the Act of 11 May 2017 on statutory auditors, audit firms and public supervision.

The Company did not apply the specific rule no. III.Z.2. in the scope of direct subordination of persons responsible for risk management, internal audit and compliance to the President or another member of the Management Board, as well as providing them with the possibility of reporting directly to the Supervisory Board or audit committee, because there was no separation of the organizational internal audit, and thus it is not possible to apply this rule.

The Company did not apply the specific rule no. III.Z.3. within the scope of applying to the person in charge of the internal audit function and other persons responsible for the performance of its tasks the principles of independence specified in the generally recognized international standards of professional practice of internal audit, because there was no separation of the organizational internal audit, and thus it is not possible to apply this rule.

The Company did not apply the specific rule no. III.Z.4. in the scope of presenting to the Supervisory Board by a person responsible for internal audit and the Management Board, at least once a year, their own assessment of the effectiveness of the systems and functions referred to in principle III.Z.1. together with an appropriate report, because there was no separation of the organizational internal audit, and thus it is not possible to apply this rule.

The Company did not apply the detailed rule no. IV.Z.2. with respect to ensuring more widely available transmission of the General Meeting in real time, if it is justified due to the shareholding structure of the Company, because in the Company's opinion the commonly available transmission of the General Meeting in real time is not expected by the shareholders.

The Company did not apply the detailed rule no. IV.Z.12. with regard to the presentation by the Management Board to the participants of the General Meeting of the Company's financial results and other important information contained in the financial statements subject to approval by the General Meeting, because the Management Board does not present the participants of the Ordinary General Meeting of Shareholders with presentations. Shareholders receive written financial statements and an

annual report. The President of the Management Board reads at the General Meeting the letter to shareholders contained in the annual report, in which he generally discusses the Company's situation, including its financial standing.

The Company did not apply detailed rule no. V.Z.6. with regard to defining in internal regulations the criteria and circumstances in which a conflict of interest may occur in the Company, as well as the rules of conduct in the face of conflicts of interest or the possibility of their occurrence, because the Company does not have formalised internal regulations specifying the criteria and circumstances in which a conflict of interest may occur in the Company, as well as indicating the rules of conduct in the event of its appearance or the possibility of its occurrence.

The Company did not apply the detailed rule no. VI.Z.1. in the scope of constructing incentive programmes in such a way that, among other things, the level of remuneration of members of the Management Board and its key managers depends on the actual, long-term financial situation of the Company and the long-term increase in value for shareholders and stability of the Company's operations, as there are no incentive programmes in the Company.

The Company did not apply the detailed rule no. VI.Z.2 with regard to the period between the granting of options or other instruments related to the Company's shares under the incentive scheme and the possibility of their exercise, because the Company does not have share-based incentive schemes, therefore the rule does not apply to the Company.

The Company did not apply the specific rule no. VI.Z.4. with respect to the presentation of a report on the remuneration policy in the report on the Company's activity, because it provides the remuneration of each member of the Management Board, but does not describe the remuneration policy.

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 buyout and a description of the operations of the issuer's managing, supervisory or administrative bodies and their committees.

Management Board

The Company's Management Board comprises from 3 to 7 members. A Management Board member shall not hold office for more than three years (term of office). Management Board members are appointed for a common term of office. The term of office starts on the day of appointment and expires not later than on the day on which the General Meeting of Shareholders is convened to approve the financial statement for the year in which the term of office has commenced. Management Board members may be re-appointed to serve another term of office. The Supervisory Board determines the number of Management Board members. The Supervisory Board appoints and dismisses the President and other members of the Management Board. The mandate of the Management Board member expires as a result of the lapse of the term of office, death, resignation or dismissal. Resignation is effective from the moment when a written statement thereof is submitted to the Company, or at a later date, as indicated in that statement. The date indicated may be no later than 30 days from the day on which the written statement was submitted to the Company. If the date indicated is later than 30 days from the date of submission, the resignation takes effect upon the lapse of 30 Days from the date on which the written statement is submitted to the Company.

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

The Management Board conducts the Company's business and represents the Company. The powers of the Management Board shall include all matters not specifically reserved, by a parliamentary act or these Statutes, for the competences of the General Meeting of Shareholders or the Supervisory Board. The Management Board acts in accordance with the detailed provisions of the Management Board's Operational By-Laws.

The By-Laws are adopted by the Management Board and approved by a resolution of the Supervisory Board. The Management Board's Operational By-Laws have been published on the Company's website at www.debica.com.pl.

Statements on behalf of the Company may be made by two Members of the Management Board, acting jointly, or by one Member of the Management Board acting jointly with the

Holder of a General Commercial Power of Attorney. All the Management Board members are obliged and entitled to run the Company's business jointly.

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) audit the financial statements,
 - 2) audit 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;
- Appoint and dismiss the President of the Management Board and other Board Members

- 12) suspend either individual, or all, members of the Management Board from their duties, on serious grounds;
- 13) assign one or more of its members to the temporary performance of the duties of the Management Board

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;

- 14) approve the Management Board's Operational By-Laws;
- 15) appoint an auditor to audit the Company's financial statements,
- 16) approve the Rules of Appointing Members of the Supervisory Board from Among the Company's employees,

adopted by the trade unions operating in the company. If the Rules are not adopted within the deadline set by the Supervisory Board, it shall be adopted by the Board. 17) admit a new member within 15 days of being advised of a vacancy on the Supervisory Board;

18) announce by-elections within 15 days of being advised of a vacancy on the Supervisory Board. The elections are held as specified in the Company's Articles.

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

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

The Minutes of a Committee meeting are drawn up and should be signed by the Supervisory Board members present at the Committee meeting. The Minutes should contain the resolutions, motions and Committee reports. The Minutes of the Committee meetings are kept on the Company's premises.

The copies of the Minutes are forwarded to all Supervisory Board members. The Committee Chairman, or a person indicated by the Chairman, is authorized to submit motions to the Supervisory Board on the Supervisory Board's adoption of resolutions, on the preparation of expert opinions or other opinions on the scope of assignments, or on the appointment of an advisor, as required by the Committee.

The Standing Audit Committee reports to the Supervisory Board. The Audit Committee consists of at least three members, appointed and dismissed by the Supervisory Board from

amongst its members. The composition of the Audit Committee shall include at least one member who meets the criterion of independence and has qualifications in the field of accounting or financial audit, as required by the Act on Chartered Accountants and their Self-Government, Entities Certified to Audit Financial Statements and Public Supervision, dated May 11 May 2017, Art. 129.3).

The members of the Audit Committee should have the knowledge and skills related to the business sector in which the Company operates. This condition is deemed fulfilled if at least one member or individual members of the Audit Committee have such knowledge and skills.

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 responsibilities of the Audit Committee of the Supervisory Board are as follows: a) monitoring:

- (i) of the Company's financial reporting process,
- (ii) of the efficiency of internal controls, the internal audit system and the risk management systems, including financial reporting;
- (iii) of the performance of financial audit activities, in particular, the performance of the audit by the audit firm, including all conclusions of the Audit Supervision Committee resulting from the audit carried out in the audit firm

b) controlling and monitoring the independence of the entity certified to audit financial statements, especially if an audit firm performs to the Company services other than audit services

c) informing the Supervisory Board of the results of an audit and explaining, to what extent the audit contributed to the reliability of the Company's financial reporting, as well as explain the role of the Audit Committee in the audit.

d) evaluating the independence of a certified auditor and expressing a consent for them to perform permitted services other than an audit;

e) preparing a policy of selecting an audit firm to perform an audit

f) prepare a policy related to the performance by an audit firm, the entities related to such firm and a member of network

of such audit firm, permitted services other than an audit; g) defining a procedure for the selection of an audit firm

h) making recommendations to the Supervisory Board for an entity certified to audit financial statements;

i) making recommendation to the competent internal Company bodies (especially to the Supervisory Board and the Management Board) aimed at ensuring reliable financial reporting in the Company;

j) 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 (26) days prior to the date of General Meeting of Shareholders. The General Meeting of Shareholders is convened by the Management Board.

The Supervisory Board may convene Ordinary General Meeting of Shareholders, if the Management

Board has failed to convene it within time frame set forth in the Commercial Companies' Code or in the Statute, and may convene Extraordinary General Meeting of Shareholders, if it deems advisable to do so.

The Extraordinary General Meeting of Shareholders may be also convened by the shareholders representing at least half of shareholders' equity or at least half of total votes in the Company. The shareholder or shareholders representing at least one twentieth of shareholders' equity may demand the convention of Extraordinary General Meeting of Shareholders as well as putting individual matters on the agenda of such Meeting. The request to convene the Extraordinary General Meeting of Shareholders shall be filed with the Management Board in writing or electronically.

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

The powers of General Meeting of Shareholders shall include:

- 1) the examination and approval of the Management Board's report and the financial statements for the previous accounting year, as well as the acknowledgement of the performance of their duties by the members of the Company's governing bodies;
- 2) the adoption of a resolution on profit distribution or loss coverage;
- 3) the amendment of the Company's scope of activities; 4) the amendment of the Company's Statutes; 5) an increase or decrease in the shareholders' equity;
- 6) the merger, transformation, dissolution and liquidation of the Company;
- 7) the issuance of convertible bonds, or those vested with pre-emptive rights to the Company's shares from a new offering;
- 8) making any and all decisions relating to claims for the redress of damages caused in the course of the Company's formation, or in the exercise of executive or supervisory duties.
- 9) the disposal or lease of the enterprise, or of an organized part thereof, and the establishment of a limited property rights.

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

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

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

13. ENVIRONMENT PROTECTION

The rapid growth of impact of human activity on the environment coincided with the advent of the first industrial revolution at the end of the 18th century. The present-day transformation and degradation of the environment has become a serious global problem. Therefore, the environment protection laws are becoming increasingly stricter and societies have a negative attitude toward processes and technologies that fail to meet the environment protection standards.

Firma Oponiarska Dębica S.A. conforms to the environment protection laws and conducts large-scale activities aimed at protecting the environment, resulting directly from the Company's development strategy the priority of which is to decrease the Company's environmental impact. The actions undertaken to reduce the negative environmental impact

are not limited only to a rational use of raw materials, but include a number of organizational and technical initiatives related to the proper handling and management of wastes, rational use of water in processes and for social purposes, reduction of emissions, optimization of processes in terms of reducing the energy consumption and prevention of serious industrial failures.

Environment protection rules

Through the implementation of new technologies, process optimization as well as compliance with very rigorous legal requirements Tire Company Debica S.A. curtails effectively the adverse impact of manufacturing activities on natural environment.

Company priorities with respect to the environment protection

The Company has the following priorities related to the ¹ environment protection:

- Continuous reduction of environmental impact by segregating and reducing the amount of wastes, reducing emissions of pollutants into the air, soil and water and preventing serious failures.
- Improving the energy result by ensuring access to information and all resources necessary to attain goals and perform tasks, purchasing energy-efficient products and services, as well as improvement of process efficiency.
- Continuous improvement of work safety by engaging employees in occupational health and safety-related activities, increasing their awareness of ergonomics, improving the safety of machines and devices and promoting safe behaviour among all employees. To this end, the Company employees operate through the so-called PEC committees (People Environmental Care). Moreover, the Company operates 3 subcommittees dealing with the environment, fire protection and noise, respectively.

In addition, the Company operates the Ergonomics Centre (opened in 2016) training employees in ergonomic method of working. The Centre is equipped with models of the devices that the employees work with on everyday basis. The Centre had trained over 2000 people to date. The purpose was to train 100% of blue collar workers. Although no record is kept of the number of trained employees however, one can assume that the Company managed to attain the above goal almost entirely. The Company employees are also involved in projects aimed at improving work safety. These include both regional and plant-specific projects.

Administrative bases and due diligence procedures

As regards environment protection and occupational health and safety, Firma Oponiarska Dębica S.A. applies due diligence procedures at three levels:

- A) Requirements specified in the laws of the Republic of Poland
- B) The management norms and standards applied by the Company.
- C) The implementation documents applied by the Company - from the Integrated Management System Book to instruction related to particular processes and actions.

A) Law

The Company conforms to the laws of the Republic of Poland. Therefore, Firma Oponiarska Dębica S.A.

conforms to the following legislation:

- Environment Protection Law of 27 April 2001,
- The Wastes Law of 14 December 2012,
- Regulation of the Minister of Labour and Social Policy on the general work safety and hygiene regulations of 26 September 1997 (Journal of Laws of 1997, no. 129, item 844),

¹ Quality policy, environment protection policy, occupational health and safety policy and energy policy of T.C. Dębica S.A., August 2017.

- The law on the responsibilities of entrepreneurs regarding the management of certain wastes and the product fee of 11 May 2001 (Journal of Laws of 2001, no. 63, item 639),
- The act on electrical and electronic wastes of 29 July 2005,
- The act on packaging and packaging waste management of 13 June 2013,
- The batteries law of 24 April 2009,
- The water management law of 17/07/2017
- The act on the substances causing the deterioration of the ozone layer and on certain fluorinated greenhouse gases, as amended,
- The environment protection law of 16.04.2004, as amended,
- The construction law of 07/07/1994, as amended,
- The fire protection law of 24.08.1991, as amended,
- The law on the system of managing greenhouse gases and other substances of 17.07.2009, as amended,
- The law on the system of trading greenhouse gas emission authorizations of 12.06.2015, as amended.

B) Management norms and standards

- **ISO/TS 16949:2004** technical specification specifying the standards of quality systems in the global automotive industry, particularly the requirements for a quality system for products related to the design or development, manufacture, installation and maintenance in the automotive industry. The implementation of the specification was confirmed by IATF certificate (International Automotive Task Force²) no. 200561 issued by Bureau Veritas on 2 January 2015, valid through 1 January 2018. In September of 2017, an ISO/TS 16949:2009 recertification audit was conducted, as a result of which the validity of the certificate was extended until 14 September 2018
- The environmental management norm **ISO 14001:2004** requiring continuous improvement of activities based on the identification of the environmental aspects based on which environment-related targets, tasks and programs are built. The implementation of the specification was confirmed by a certificate no. BE009817 issued by Bureau Veritas on 17 October 2011, valid through 15 September 2018.
- The Occupational Health and Safety Assessment System **OHSAS 8001:2007**, covering comprehensive management of this area and constituting a continuous improvement commitment. The implementation of the system was confirmed by a certificate no. BE0098181 issued by Bureau Veritas on 24 November 2015, valid through 25 November 2018.
- The **ISO 50001:2011** standard related to the reduction of costs, greenhouse gas emissions and energy efficiency of an enterprise. The implementation of the standard was confirmed by a certificate no. BEL-170040/EnMS issued by Bureau Veritas on 19 March 2017 (an audit regarding the implementation of the standard was conducted on 12 January 2017) valid through 28 March 2020.

C) Implementation documents related to the environment protection and occupational health and safety Main policy-related documents

- The quality, environment protection, occupational health and safety and energy policy for Firma Oponiarska Dębica S.A. Approved in August 2017 by the Production Director.
- The Integrated Management System Book

² „The IATF is an “ad hoc group of automotive manufacturers and their respective trade associations, formed to provide improved quality products to automotive customers worldwide”. From the website of <http://www.iatfglobaloversight.org/about-iatf/> [date accessed: 28.11.2017]

Below we present selected documents implementing due diligence procedures in the Company regarding its operations.

Types of environmental risk management

An instruction specifying the methodology of assessment of particular environmental aspects for all organizational units of a plant, allowing, among other things, to properly manage the environment management risk.

Waste management

Regulation no. 6/2016 of the General Director of Firma Oponiarska Dębica S.A. Of 1 October 2016 on waste management instructions implementing "Instructions for Waste Management in Firma Oponiarska Dębica S.A." in order to conform to the legal regulations related to waste management.

Prevention of serious industrial failures

Regulation no. 3/2017 of the General Director of Firma Oponiarska Dębica S.A. of 31 March 2017 on the instruction related to the prevention of serious failures caused by fault of Firma Oponiarska Dębica S.A. implementing the "Instructions for Prevention of a Serious Failure Caused by Fault of Firma Oponiarska Dębica Spółka Akcyjna" in order to prepare the Company to undertake appropriate actions in the event of a failure caused by its fault.

Occupational health and safety

- Occupational Health and Safety Instructions - a system for reporting, recording and analysing near misses.
- Regulation no. 1/2016 of the General Director of Firma Oponiarska Dębica S.A. of 11 April 2016 on the internal transport, implementing the "Instructions for the internal transport at Firma Oponiarska Dębica Spółka Akcyjna" in order to improve the occupational safety and internal transport management.
- Regulation no. 2/2008 of the General Director of Firma Oponiarska Dębica S.A. of 18 March 2008 on the "Fire Instructions."
- A complete list of documents in electronic databases available in paper format to employees in paper format without having to use computers. The Company has three main databases: Laws and Regulations, BPMS Database and Lotus Notes.

The effects of application of the Company's policies and actions in this respect in 2016 and 2017.

Update of internal regulations

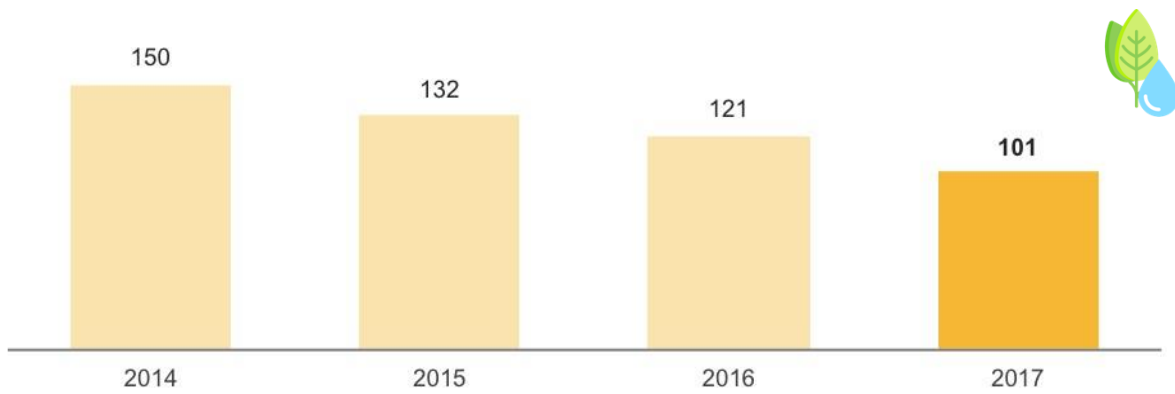
In 2017, Firma Oponiarska Dębica S.A. performed numerous activities for the environment. The law required updating the "integrated permission" decision issued by the Marshal of the Podkarpackie Voivodeship. As a result of this change the Company better manages its gas and dust emissions. These activities are mainly concerned with the changes of the method of connecting the emission sources to emitters, change of the working time of the sources and emitters.

In addition, the new decision modifies:

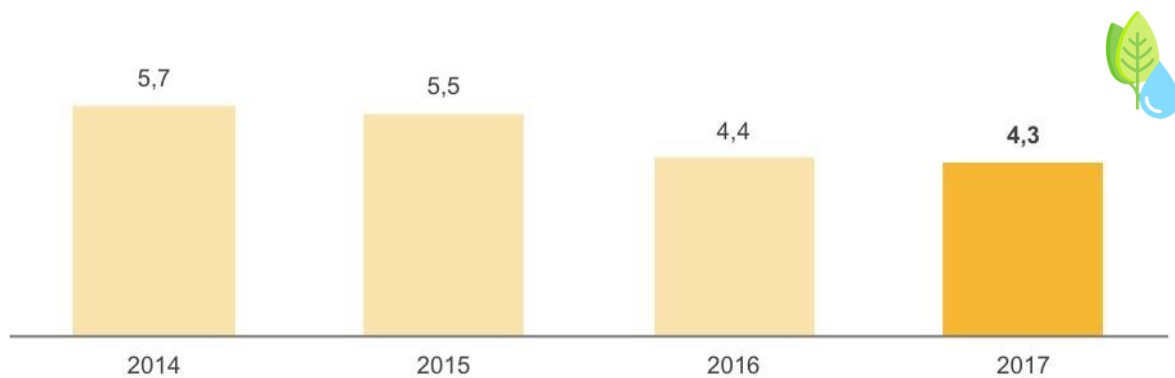
- the provisions related to the use of raw materials (including a reduction of use of stearin from 1500 to 1300 mg/annually and fuel from 3 to 1.5 Mg/annually);
- the provisions related to the amount of the generated wastes (including a reduction of waste generation coded 15 01 03, i.e. wooden packaging, from 2000 to 1500 Mg/annually).

Water consumption For the past two years, Firma Oponiarska Dębica S.A. has been following the program of reduction of water consumption for social purposes by increasing the employees' awareness regarding the protection of natural resources. In 2016, the Company organized a large campaign promoting water saving.

Reduction in water consumption for social purposes between 2014–2017 ('000 of m³)



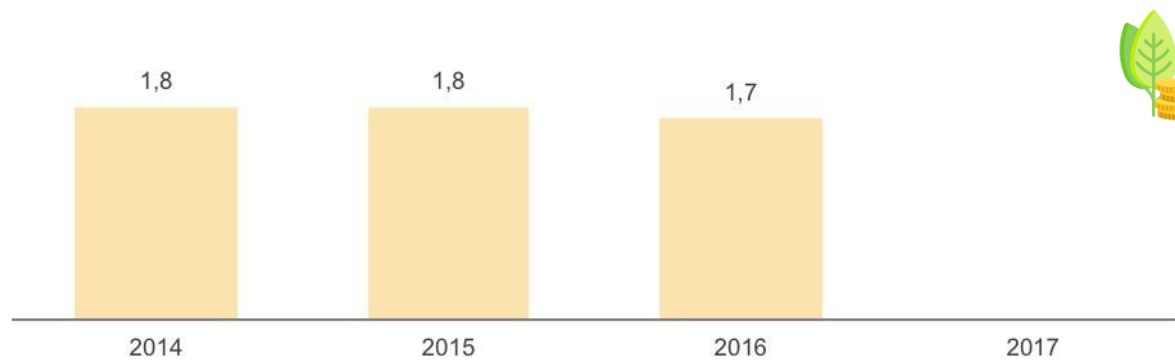
Amount of water in m³ per one tonne of products between 2014–2017



Environmental charges

Despite an increase in the environmental charges, the index of the charges per one tonne of products in 2017 dec compared to 2016.

Index of the charges in PLN per one tonne of products between 2014-2017.

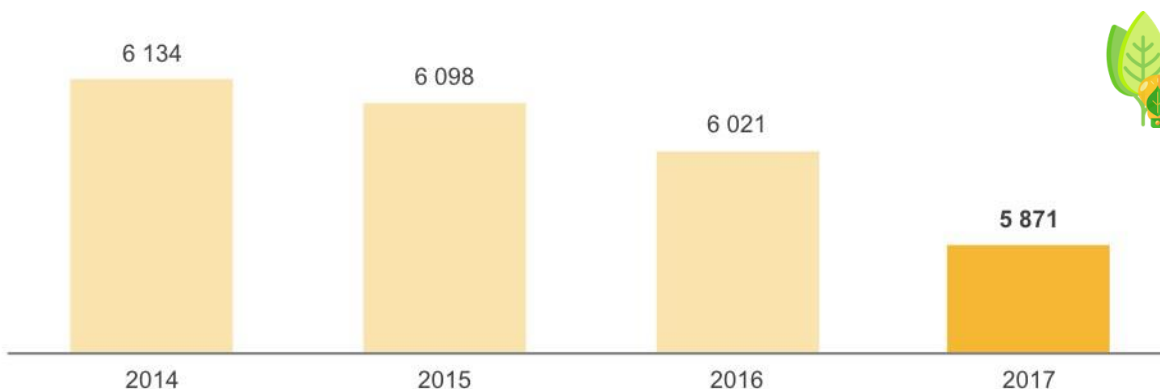


Reduction of energy consumption

In 2017, an energy reduction plan was implemented regarding the modernisation of the thermal insulation of steam pipelines and heating systems of vulcanizing presses, which helped the Company save some 6500 tonnes of steam/annually or some – 470,000 – m³of earth gas, as a result of modernization of the manufacturing equipment and optimization of the utilization of compressed air the Company reduced its consumption of electrical energy by 236,140 kWh. The amount of the thermal and electrical energy saved this way helped the Company reduce the CO2 emissions by app. 1170 tonnes last year.

The attached graph shows the progress of the total energy consumption in BTU (thermal + electrical) per one unit of a finished product expressed in Lb between 2014 and–2017.

The BTU/lb index between 2014–2017



Occupational safety

The key performance indicators in the occupational safety area prepared for 2017 include:

Indicator	Value
Accidents (number of OSHA accidents + number of cases when first aid had to be provided)	20
Number of not cleared irregularities resulting from a corporate audit	0

Other environment protection-related initiatives

Firma Oponiarska Dębica S.A. pursues the principle of maximum environment protection, excels at conforming to the statutory requirements and applies the best practices of The Goodyear Tire & Rubber Company and indirectly supports industry-specific initiatives for increasing the quality and environment protection standards.

Participation in industry-specific initiatives

- The European Tire and Rubber Manufacturers Association (ETRMA)

Firma Oponiarska Dębica S.A. always seeks to apply the recommendations of the ETRMA. The main purposes of ETRMA is to represent the regulatory and related interests of the European tire and rubber manufacturers both in Europe-and world-wide.

- Tire Industry Project

In addition, Firma Oponiarska Dębica S.A. Indirectly supports the initiatives of the Tire Industry Project³ (TIP) World Business Council on Sustainable Development (WBCSD)⁴.

14. STATEMENT ON NON-FINANCIAL INFORMATION FOR 2017

³ <http://www.wbcd.org/Projects/Tire-Industry-Project> [date accessed: 02.01.2018].

⁴ <https://corporate.goodyear.com/en-US/responsibility/shared-values/industry-sustainability-efforts.html> [date accessed: 02.01.2018].

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1. Brief description of the business model of Firma Oponiarska Dębica S.A.

1.1. Activity and the environment

1.1.1. Basic activity

Firma Oponiarska Dębica ranks among the leading tire manufacturers on the Polish market.

1.1.2. Organization and structure

Firma Oponiarska Dębica S.A. is a leading manufacturer of tires for passenger cars, commercial cars and trucks. Since 1995, its strategic investor has been a US corporation of The Goodyear Tire & Rubber Company, which holds app. 81.4% of the Company's equity through Goodyear S.A. with its registered seat in Luxembourg. Firma Oponiarska Dębica S.A. is a strategic partner of the Goodyear company, being the biggest of its plants in Europe and one of the biggest in the world. Firma Oponiarska Dębica S.A. does not form a capital group.

The Company's seat is located in Dębica (podkarpackie voivodeship), so is the tire plant. The Company manufactures its products in the Special Economic Zone EURO-PARK MIELEC.

The Company's affairs are managed by the Management Board, which oversees the Company's departments.

As at 31 December 2017, the Company has 2,713 staff, compared with 2,772 in 2016.

Firma Oponiarska Dębica S.A. holds the following business management support certificate:

- Quality management ISO/TS 16949 regarding the design and manufacture of tires,
- Environment management: ISO/TS 14001 regarding the manufacture and storage of tires,
- Occupational health and safety management: OHSAS 18001 regarding the manufacture and storage of tires,
- energy management ISO/TS 50001 regarding the manufacture of tires,

1.1.3. Product description

Firma Oponiarska Dębica S.A. is a manufacturer of tires for passenger cars, commercial cars and trucks. It offers a wide range of products to suit different customers' needs related to:

- volatile weather - summer, winter and all-year tires,
- different surfaces,
- driving style (long or short routes, easy or dynamic driving),
- car brand - the Company provides tires for the original assembly of cars by leading manufacturers.
- financial possibilities (economy, middle or premium class).

The Company manufactures tires under its own brand and under other brands of the Goodyear corporation, such as: Goodyear, Dunlop, Fulda, Sava.

The Dębica brand tires are also manufactured by other Goodyear plants.

In 2017, exports accounted for 89.8% of the Company's sales of products, goods and materials, compared with 89.5% in 2016. The Company's products are sold in almost 60 countries worldwide. In 2017, the Company exported its products mainly to: Luxembourg, Germany, Slovenia (including countries of former Yugoslavia), France, Italy, Spain, Great Britain, Turkey and Romania.

Innovative solutions applied in the manufacture of tires

Firma Oponiarska Dębica S.A. Tries to maintain its competitive advantage through continuous development of its products and introduction of new technologies.

The Company uses, among other things, the following innovative solutions:

- the 3D-BIS (three-dimensional tread block locking) improving the rigidity and stability of tires on wet and dry roads, as well as their grip on snow and ice;
- the Grip Booster technology consisting in the application of a viscous resin which improves the tire grip during braking and driving on wet and dry surfaces;
- the WearControl technology ensuring an optimal balance between a wet grip and low rolling resistance throughout the entire service life of a tire;
- the TOPIndicator technology, facilitating the monitoring of the tread wear;
- the ActiveGrip technology allowing even distribution of pressure inside a tire and optimizing its contact area with the road surface by means of using all tread sections and thus ensuring high performance and better driving in winter;
- the SnowCatcher technology improving snow and ice traction: the central grooves form a grid which cooperates with a snow-covered surface;

- the IntelliMax Rib technology ensuring an optimal distribution of pressure inside tires, improved manoeuvrability, longer service life, better grip on wet surfaces, efficient pebble removal.

In addition, Firma Oponiarska Dębica S.A. manufactures curing membranes used in the production of tires.

In 2017, the Company manufactures over 196 thousand membranes for 135 product ranges (compared with 202 thousand units for 158 product ranges in 2016). These included aviation membranes for the manufacture of tires for planes, motorcycles, farming vehicles, passenger cars, trucks and industrial machines. The tire membranes were made for Company's own consumption and for the export to corporate and corporate customers. Their sales totalled over 134 thousand units sold to tire manufacturing companies, mainly in Western Europe, Asia and North America - compared with 143 thousand units sold in 2016.

Investments and new products

In 2017, the Company's investments amounted to PLN 98 m, compared with PLN 70 m in 2016. They were mainly connected with adapting the process of manufacturing tires for high- and ultra-high-speed cars (High Performance and Ultra High-Performance tires), as well as tires of bigger diameters, being the most profitable market segments.

1.1.4. Description of the industry and markets where the Company operates

Poland boasts a robust tire industry. In 2017, Polish tire plants manufactured a total of 33 m of passenger car tires - 4.5% more than in 2016. The number of truck and bus tires totalled 4.3 m (a 4.5% increase yty). These large production figures are partly due to the increasing sales of cars worldwide⁵. The majority of the tires manufactured in Poland are sold abroad.

Tire manufacturers in Poland - competition:

Firma Oponiarska Dębica S.A. is not the only tire manufacturer in Poland. In addition, the Company and other Polish manufacturers face the competition from Asia, mainly China.

1.1.5. Main trends and factors having influence on the industry and the Company

Economic growth and good consumer moods translate into higher sales of new cars. According to IHS Markit, in 2018, the sales of new passenger cars and light commercial vehicles (including pick-ups) will total 95.2 m - 1.5% more than in 2016⁶.

The prospects for the development of the tire industry will depend, among other things, on:

- availability and prices of raw materials,
- legal changes,
- number of cars sold,
- policies of individual countries regarding access to their sales markets.

1.2. Development strategy - main goals, mission and values

The main goal of Firma Oponiarska Dębica S.A. is to ensure a continuous business growth while developing its brand.

Values/key competences:

The Company conforms to the following principles:

- be honest - build trust, be sincere and respectful; protect the Company's reputation;
- stimulate the team - create an inspiring working environment ready to help the local community;

⁵ Source: The Central Statistical Office, Manufacture of the Key Industrial Products, December 2017. ⁶ Source: IHS Markit, Global Light Vehicle Sales Summary, April 2017.

- promote cooperation - be close to your employees and encourage open discussions; follow common goals;
- act dynamically - be open to changes, act fast and toward a defined target;
- achieve results - foresee challenges, take advantage of opportunities and make brave decisions.

1.3. Value chain

The Company's value chain is as follows:

1.3.1 Purchase of raw materials

Tire production involves about 30 chemical compounds.

1.2. HEAVY TRUCK TIRES

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

manufactures truck tires under the following brands: Goodyear, Dunlop, Fulda, Kelly, Dębica and Sava.

2017

Product range	Sales in volume in '000 units	Sales in value terms in '000 PLN	Share in total sales	Change in sales value 2017 vs. 2016
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Consumer, commercial, heavy truck, farm, industrial tires	15,702	1,850,081	94.23%	16.62%
Other		113,372	5.77%	22.89%

The Dębica plant manufactures high quality truck tires suitable for mounting on 22.5" rims, used by large trucks for on-road applications as well as on domestic and foreign highways. In 2016 the began to manufacture 19.5" truck tires, suitable mainly for urban and local haulage. This market segment has been growing dynamically and is another opportunity to develop manufacturing of truck tires at Dębica manufacturing plant

Truck tires segment

Dębica DR and Dębica DM offer good water removal, high mileage and even wear. The strong ribs of the tread ensure long life, even wear and versatility of the tires. The optimized shape of the tread ensures low noise levels, while the optimized grooves ensure a good grip in all conditions. The special rubber mix on the surface improves the resistance to impact and ensures lower fuel consumption. The robust carcass structure ensures durability in difficult conditions and excellent retreadability.

1.3.2 Production

The production technology comprises several stages:

- **Mixing** - a tire is comprised of many different rubber kinds, fillers and other elements. They are mixed in huge machines to arrive at a black, rubber mix ready for cutting.
- **Cutter** - cooled rubber is cut into stripes from which the basic tire structure is made. While the rubber is cut, the other tire elements are prepared, some of them are then covered with a different rubber type.
- **Construction** - the process of making a tire starts from its inside. Fibres, steel stripes, beads, carcass, tread and other components are placed in a special machine. The result is a semifinished product that resembles a tire.
- **Curing** - the semi-finished product is cured using hot forms in a curing device, which connects all elements together to give a tire the final shape, form the tread patterns and place the manufacturer's logo and markings on the sides.
- **Quality control** - using special equipment, controllers check each tire for any defects or imperfections before it is ready for sale. Selected tires are taken off the assembly line and xrayed for any internal and hidden defects.

1.3.4 Storage and distribution

Finished products are stored in the Company's warehouse in Dębica and in a Logistics Centre.

1.3.5 Marketing and sales

Marketing and sales activities are handled by the local markets.

1.3.6 Customer service

The Company manages a portfolio of customers and maintains good relations with Polish distributors.

1.3.7 Worn tire disposal

Firma Oponiarska S.A. holds interest in Centrum Utylizacji Opon Organizacji Odzysku S.A. (Tire Disposal and Recycling Centre)

1.3.1. Breakdown of the activity of Firma Oponiarska Dębica S.A.

Immediately following the completion of the production process, the Company sells tires of brands other than

Dębica to Goodyear Dunlop Tires Operations S.A. based in Luxembourg (hereinafter referred to as (GDTO). The production volume is determined based on the demand reported by GDTO or its related entity. During the reporting period, tires were sold according to transfer prices covering the production cost scheduled for the year and including a margin constituting a percentage of the operating profit calculated according to the American accounting standards US GAAP.

As of 1 January 2018, the terms of cooperation between Firma Oponiarska Dębica S.A. and its related entity Goodyear Dunlop Tires Operations S.A. changed. The Company will provide Goodyear with all tires manufactured under the brands belonging to the Goodyear Group at arm's length as determined in conformity with the transfer pricing policy of the Goodyear Group. The prices will be set such that the Company's profit from the sale of tires was equivalent to the market margin⁶.

1.3.2. The process of manufacture and sale of products

Firma Oponiarska Dębica S.A. applies the Integrated Management System Book. It is comprised of many documents describing the principles of operation of the business management processes. Each of the identified processes is handled by the so-called process owner, who oversees and monitors a given process.

Procurement, purchase of raw materials and

services Tire production involves about 30 chemical compounds.

Between 2016 and 2017, the structure of the raw materials used to manufacture a standard tire was as follows:

- petrochemical materials (synthetic rubber, rubber materials, fabric, soot) - about 62%,
- organic materials (natural rubber) - about 23%
- metals (wire rod, bead wire, wire, zinc) - about 15%.

Firma Oponiarska Dębica S.A. purchases raw materials mainly from the global purchasing centres of the Goodyear Group (hereinafter referred to as "the GPC"). Decisions regarding the purchase of raw materials, delivery schedules and the exact quantities are determined by Firma Oponiarska Dębica S.A.

In 2017, Firma Oponiarska Dębica S.A. purchased natural rubbers consisting 10.8% of its total net sales (9% in 2016) from Goodyear - Orient Company Private Ltd, based in Singapore.

Additionally, synthetic rubber was purchased from a related entity, viz. Goodyear Akron with its registered office in USA, with the value of purchases accounting for 2.5% of the net sales revenues of Tire Company Dębica S.A., compared with 2.1 % in 2016.

Production

As regards the manufacture of consumer tires, the Company continued its production optimization scheme, allowing to best use the existing production capacity while maintaining top safety and product quality standards. In addition, the scheme allows the Company to meet the market demand. In the truck tire segment an analogous product process development strategy was prepared i.e. the KANBAN system was implemented – it is fully computerized system involving planning and supervision over

manufacturing process as well as automatic collection and archiving of manufacturing process and product data. The applied solutions represent the highest level of development and efficiency of tire manufacturing process.

Storage and distribution

Finished products are stored in two locations:

- the Company's warehouse in Dębica,

⁶ http://debica.com.pl//wysiwyg/RB_2_2018.pdf [date accessed: 17.04.2018].

- the Goodyear Dunlop Tires Operation Logistics Centre in Tarnów.

In Poland, the Dębica tires are sold mainly to:

- nationwide and regional tire distributors,
- the Premio franchising network belonging to Goodyear Dunlop Tires Polska sp. z o.o
- authorized Goodyear Group tire service stations,
- tire service stations,
- online shops.

Waste disposal

Firma Oponiarska S.A., and other large tire manufacturers hold interest in Centrum Utylizacji Opon Organizacji Odzysku S.A.(Tire Disposal and Recycling Centre - TDRC) . It is currently one of the biggest tire disposal and recycling organizations in Poland.

TDRC fulfils, on behalf of entrepreneurs introducing new tires to the Polish market, the obligations resulting from the act of 11 May 2001 on the entrepreneurs' obligations related to the management of certain wastes and the product fee. This act obliges manufacturers and importers of tires to collect and recycle tire waste of no less than 75% of the total weight of tires placed by them on the market in the preceding calendar year.

1.4. Other information

The description of the business model of Firma Oponiarska Dębica was prepared based on the internal documents, including documents and procedures.

In 2017 there were no significant changes to the business model, however, at the beginning of 2018, changes were made to the principles of cooperation between Firma Oponiarska Dębica S.A. And the Goodyear Group, of which the Company informed in the current report no. 2/2018 *Change of Cooperation with the Goodyear Group* on 1 February 2018. The above changes were included in the description of the business model in 2017.

MANAGEMENT OF RISK TYPES RELATED TO THE COMPANY'S ACTIVITY, HAVING INFLUENCE ON NON-FINANCIAL ASPECTS

1.5. Description of management of risk types related to the Company's activity, having influence on non-financial aspects

External risk factors

- **Risks related o fortuitous events, such as fires, floods etc.** Firma Oponiarska Dębica S.A. has crisis management procedures in place and holds appropriate insurance policies. The Company conforms to the environment protection legislation related to plants posing a risk of a serious industrial failure. The Company has been reported to the competent authorities as an increased risk enterprise and a program of prevention of industrial failures has been put in place along with a safety system.
- **Risk related to changes in the environment protection legislation, employment legislation and other legislation related to non-financial data** Firma Oponiarska Dębica S.A. meets the legal requirements related to non-financial data by an on-going monitoring of legal changes by the legal department. The Company monitors the Polish and the international legal systems to adapt its internal regulations to the changing legal requirements. In addition, the Company runs a system of trainings aimed at preventing any breaches of the internal regulations.

Risk factors related to the manufacturing process and the products

- **Risk related to the manufacturing and the business management process** Firma Oponiarska Dębica S.A. has detailed emergency procedures in place for each process performed in the Company and runs numerous trainings in this respect. In addition, the Company operates an integrated quality management system based on the top production standards, aiming at continuous improvement of efficiency and quality, in order to provide customers with the right tires in the right place, at the right time and price.
- **Risk related to potential product defects** To prevent this risk, the Company has introduced procedures and processes of management of the entire production process, the appropriate claims handling process and runs internal trainings in conformity with the international industry-specific standards.
- **Risk related to availability and prices of raw materials** To prevent this risk, the purchasing centres of the companies comprising the Goodyear Group cooperate with each other to reduce the risk of product unavailability.

Risk factors related to the theme areas of the policies described in item 4

Social issues:

- **Risk of lack of transparency of social-related activities** Firma Oponiarska Dębica S.A. is involved in activities for the benefit of local community. The Company has adopted a social involvement strategy entitled "A Better Future," clearly defining the areas of involvement, namely:

a) safety - encouraging safe mobility to strengthen and protect local communities.

b) developing potential - inspiring the development of the educational potential and preparing teenagers to a professional career.

- **Risk of lack of transparency regarding donations** The company employees and representatives are obliged to ensure that charitable donations offered on behalf of the company are given only to reliable charities and are used for charity purposes instead of improper purposes. Charitable donations must meet specific criteria. A charitable donation may not be offered against the policy of the local authorities or against the applicable local regulations. A charitable donation is not (directly or indirectly) a bribe or a repayment and is not paid to gain or maintain business opportunities or improper benefits. A charitable donation must be immediately, fully and reliably recorded in the books and financial documentation of the Company in conformity with the respective provisions related to posting charitable donations.

Employment issues:

- **Lack of employees risk** The Company faces difficulties related to a deficit of employees due the unfavourable demographic situation in Poland. To prevent this risk, the Company has been conducting the so-called employment branding activities consisting in promoting the Company as an attractive and valuable employer. The Company regularly updates its Employment Rules, offers a comprehensive system of employee trainings and invests in their competences and development, as well as offers them attractive medical, sports and family-related packages.
- **Risk of conflict with trade unions** Firma Oponiarska Dębica S.A. effectively manages its relations with the trade unions within the Company. The Company communicates with the trade unions and one of its employees is a member of the Supervisory Board.

Natural and work environment:

- **Risk of accidents or near misses.** Firma Oponiarska Dębica S.A. has professional OHS procedures in place. In addition, the Company has a comprehensive system of OHS trainings and educates its employees and suppliers providing services on the Company premises in terms of OHS.
- **Failure risk** Due to the industrial nature of its activity, the Company faces the risk of failures which may significantly affect the natural environment, e.g. the risk of a leak of the chemical substances used in the process of production of tires or related to power outages. Firma Oponiarska Dębica S.A. has comprehensive failure prevention procedures in place. Every quarter the Company holds an exercise in effective emergency management in order to minimise a potential negative impact of a failure on the environment. In addition, the Company operates alternative power supply systems (gas and oil).
- **Risk of omissions on the part of suppliers** Potential environment-related omissions on the part of suppliers may have a negative impact on the environment and, consequently, on the Company's image. Firma Oponiarska Dębica S.A. has adopted a code of procedure for suppliers, which imposes on them appropriate environment protection obligations and requirements.

Human rights and diversity

Firma Oponiarska Dębica S.A. has internal procedures aimed at preventing risks related to human rights and diversity. In addition, the Company has a Code of Professional Ethics and a human rights policy in place, described in the section related to human rights and diversity. The main risks in this area are as follows:

- **Discrimination** The Company recruits, employs, trains, compensates and promotes employees and performs other activities related to managing them irrespective of their race, colour, religion, sex, sexual orientation, age, disability or other diversity aspects. All decisions related to hiring employees or influencing their careers are based solely on their achievements, qualifications (e.g. education, professional experience, competences) and other, similar criteria related to a particular job.
- **Risk of harassment** The Company prohibits harassment, persecution, libel or ridiculing persons or groups of persons because of their race, colour, religion, nationality sex, sexual orientation, age, disability or any other reason specified by law. Behaviour or materials considered inappropriate includes: offensive nicknames, libel, derision, graffiti, jokes, posters, calendars, e-mails, websites and any other things defined by the Company as inappropriate. Inappropriate behaviour is also any behaviour that's undesired or unwelcome, creating or aimed at creating an atmosphere of intimidation, hostility or humiliation in the workplace.
- **Risk of violence** The Company follows the policy of no tolerance for any form of violence in the workplace. Limiting the freedom of movement, touching or physical assault are absolutely prohibited.

Counteracting corruption

- **Risk related to non-compliance with the ethical norms, including anti-corruption rules**, resulting in potential penalties for unethical behaviour, litigation, damages to image or penal sanctions. Firma Oponiarska Dębica S.A. has many internal policies and procedures in place to prevent ethical abuse, including corruption, such as: Professional Ethics Code, procurement policy, supplier verification procedures or suppliers code of conduct. In addition to the corruption issues, the above-mentioned documents relate to bribery, giving and receiving gifts, making donations, as well as confidential information. There are also generally available mechanisms for reporting breaches The Company runs educational campaigns, both online and offline, for its employees related to anticorruption measures.

1.6. Description of the management of relations with particular groups of stakeholders

Firma Oponiarska Dębica S.A. has analysed its stakeholders in order to maintain the highest standards of building relations with them. As part of preparing its map of stakeholders, the Company presents the identified groups, persons or institutions, which it influences or which it is influenced by.

The Company has identified the following key stakeholder groups:

- Shareholders
- B2B customers - unrelated entities
- B2B customers - related entities
- State institutions
- Municipal authorities
- Employees
- Individual customers

These groups are key both in terms of the current management of the organization, but also in terms of their significant contribution to the development of the Company.

The expectations of particular stakeholder groups and the methods of their involvement and communicating with them are analysed in detail further in the document.

Stakeholders	Which aspects of the activity of Firma Oponiarska Dębica S.A are important to them?	Getting stakeholders involved
Shareholders	<ul style="list-style-type: none"> • positive financial results of the Company • maintaining its competitive position on the market 	<ul style="list-style-type: none"> • activity of the Supervisory Board • regular meeting of the Supervisory Board • appointment of an audit committee • holding meeting with the representatives of the capital market • publication of reports (periodical and current) • dedicated section on the website • General Meeting of Shareholders
B2B customers - unrelated entities	<ul style="list-style-type: none"> • product offer • trade offer • close cooperation • timely deliveries • quick response to qualityrelated issues 	<ul style="list-style-type: none"> • meetings during the year • trade negotiations • contact with the sales director.
B2B customers - related entities	<ul style="list-style-type: none"> • timely deliveries • close cooperation • quick response to qualityrelated issues 	<ul style="list-style-type: none"> • regular contacts with the key customer
State institutions	<ul style="list-style-type: none"> • meeting the information obligation • conforming to the legal requirements 	<ul style="list-style-type: none"> • submission of reports, documents etc. • direct contact depending on the issue
Municipal authorities	<ul style="list-style-type: none"> • care for the environment • business ethics • creation and keeping of jobs • conforming to the environment protection and OHS regulations 	<ul style="list-style-type: none"> • direct meetings with the city representatives depending on the issue
Employees	<ul style="list-style-type: none"> • job security and safety • development possibilities • healthcare and insurance 	<ul style="list-style-type: none"> • regular communication • special "employee service point" • wide range of benefits • trade unions • collective agreement
Individual customers	<ul style="list-style-type: none"> • high-quality products meeting top standards 	<ul style="list-style-type: none"> • marketing communication • Communication by means of information campaigns organized by the Polish Tire Industry association

2. NON-FINANCIAL PERFORMANCE INDICATORS RELATED TO THE ACTIVITY OF FIRMA OPONIARSKA DĘBICA S.A

In its "Statement on non-financial data," Firma Oponiarska Dębica S.A. analysed and selected the key nonfinancial performance indicators with respect to particular policy areas.

As regards human capital management, the key indicators are the employment structure, trainings, employee benefits and relations between the employer and the employees. As regards ethics, equality, diversity and human rights, the Company focuses on trainings in policies and procedures, as well aims at having 100% new employees familiarize themselves with the Professional Ethics Code. To this effect, the Company organizes regular trainings in anti-corruption policies and procedures. The indicator subject to control is the percentage of new employees who became familiar with the anti-corruption rules contained in the Professional Ethics Code.

The Company closely monitors the indicators in terms of impact on the natural environment, such as: water consumption, reduction of energy consumption or work safety. It is also important for the company to participate in industry initiatives and be involved in local community issues. The company organizes annual events for the local community, regularly participates in the initiative of the Children's University of Technology and continues its activities in the field of road safety.

All indicators are described in detail in Section 4 under individual policy areas.

3. DESCRIPTION OF POLICIES, DUE DILIGENCE PROCEDURES AND EFFECT OF APPLICATION THEREOF

3.1. General assumptions behind the Company's activity in the area of sustained development Firma Oponiarska Dębica S.A. implements activities in the area of sustainable development based on the "A Better Future" program. As part of this program, the company decides to implement and support projects with a positive impact on the lives of people, local communities and the entire planet.

Key activities and priorities

The priorities of the sustainable development activities are:

- road safety: promoting safe mobility to strengthen and protect local communities;
- developing the potential: inspiring people to use their educational potential and preparing for professional careers;
- Sustainable development: reducing waste and saving our planet's energy sources.

Active approach

An important factor ensuring the success of Firma Oponiarska Dębica S. A. is the right attitude of employees to the tasks they perform. In everyday work, each employee should be guided by the following values:

- fair dealing - build trust and win others through honesty and respect. This way we can protect the good reputation of the Company;
- encouraging the team to act - create an environment in which colleagues get inspiration from work, feel good in it and serve the local community;
- promoting cooperation - being closer to co-workers and encouraging open discussion to pursue common goals;
- dynamic action - one should be open to changes, act quickly and with a specific goal;
- achieve results - foresee challenges, take advantage of opportunities and make brave decisions.

All regulations regarding ethics, values, equality, diversity and counteracting corruption are included in the Professional Ethics Code. It helps employees of the Company understand its commitment to comply with the highest ethical and legal standards in business operations, facilitates proper assessment of the situation and behaviour in an appropriate manner, and provides information on how to report possible violations of the rules.

Implementation documents in the area of sustainable development

In the further part of the "Statement", key documents will be presented, which regulate the area of sustainable development in Firma Oponiarska Dębica S.A. with regard to specific issues such as social and environmental policy, human rights and diversity, and workers' rights.

3.2. Description of the policies and due diligence procedures applied by the Company with respect to:

3.2.1. Social

issues Content:

- Social issues
- Company priorities with respect to the social issues
- Administrative bases and due diligence procedures
- The effects of application of the Company's policies and actions in this respect in 2016 and 2017.

Social issues

The Company is guided in its actions by the principle of being a good, valued neighbour in the community in which it operates. Thanks to cooperation with local partners and activities undertaken, also as part of the employee volunteer programme, the Company responds to local needs and strengthens the commitment for the benefit of the local community.

The Company engages in cooperation with entities of high credibility and credibility in the local community, and inspires its employees to take actions under the employee volunteer programme.

Due to the nature of its business, Firma Oponiarska Dębica S.A. has a twofold potential negative impact on the local community: on the one hand, there is a risk of an environmental failure, on the other hand - the transport of raw materials and finished products may result in increased traffic in the area. Therefore, the Company attaches particular importance to safety and environmental protection, using both internal procedures and instructions to prevent accidents, as well as undertaking initiatives related to road safety. In 2017, there were no breakdowns or accidents related to the impact of factory operations on the local environment.

Company priorities with respect to the social issues are as follows:

- road safety: promoting road safety to strengthen and protect local communities;
- developing the potential: inspiring young people and adults to use their educational potential and prepare for professional careers;
- Integration with the local community of Dębica

Administrative bases and due diligence procedures

The approach to the Company's social involvement is defined in the "A Better Future" programme.

The policies, standards and tools described in section 2.2.3 apply to the environmental impact of a factory's operations. Natural environment, where the quality and safety management processes are comprehensively presented.

The effects of application of the Company's policies and actions in this respect in 2016 and 2017.

Road safety

- "Safe Way to School" is an annual campaign organized jointly with the Municipal Office of Dębica and other partners representing the local business. Its main purpose is to prepare children to behave in conscious and responsible way on the road and to indicate to them the risks they may encounter on their way to school or when returning from it both by bicycle and on foot. As part of the program, the Company equips all children to whom this action is directed, in layettes with reflective elements that increase the visibility of children after dark and a colouring book promoting the principles of proper behaviour on the road. The event takes place at the beginning of September and is intended for first grade students of primary schools. In 2017, it took place on September 8. During the event, which is organized in the

open air, the partners offer children many attractions to remind them about the rules of safe behaviour on the roads. The Company organizes games closely related to the subject of road traffic, e.g. tracks for electric cars, board games, games that engage the sense of sight and hearing or - first aid workshops. The event ends with the presentation to first graders, by all partners, of school kits with reflective elements. The "Safe Way to School" campaign has been organized for 6 years. In 2017, 505 first graders took part in it, and since 2012, as many as 3018 have received fully equipped backpacks with reflective elements.

- Time to Change Tires - as a member of the Polish Tire Industry Association, Firma Oponiarska Dębica S.A., actively participates in activities that increase the users' knowledge about the impact of seasonal tire replacement on driving safety. It supports the organization of campaigns related to driving safety, e.g. "Remember about the tires - www.pamietajoonach.pl", where information is provided to help care for tires and increase road safety.

Potential development

- Children's University of Technology - the Company supports the activities of the branch of the Children's University of Technology in Dębica. Classes are run by the Foundation for Education Support at the Aviation Valley Association. Lectures and laboratories present technical knowledge, engineering, natural sciences, etc. Through interesting and developing activities, they strengthen children's interest in these fields of science. Using the inborn curiosity of children and stimulating the imagination, they motivate to further development. In 2017, thanks to the support of the Company and other partners, 726 children took part in free classes in Dębica, including 126 children of the Company's employees. As many as 1977 children have taken part in the classes organized by the University.
- Act Locally - the Company joined the 2017 edition of the Act Locally program, run by the Dębica Business Club Association. The main goal of the program is to activate local communities through the implementation of civic projects, which strengthens the integration and development of these communities. In 2017, as part of this program, informal groups and non-governmental organizations implemented 13 projects.
- All of them were addressed to the local communities of Dębica and the surrounding area, and focused on: mobilization to physical effort by equipping the local club rooms with sports equipment and offering different activities; activating senior citizens; supporting intergenerational dialogue; restoring and promoting old traditions, exchanging experiences and skills within the community or promoting the organization of leisure time for young people without digital devices. All these tasks were carried out on the basis of volunteering, and the purpose of each of them, from the point of view of local communities, complemented the essential needs of these groups.
- Support for students of the Eugeniusz Kwiatkowski School Complex No. 2 in Dębica. Pursuant to the Agreement concluded in 2010, the Company offers internships to students from the classes with the profile of IT technician, electronics technician and electrician technician.
- The internships take place in the second semester. In addition, under the Agreement, the Company awards a scholarship for four most talented pupils every year, in the amount of PLN 300 per month in the period from September to June. The scholarship is awarded on the basis of the criteria contained in the Agreement, namely: average marks, conduct, attendance, participation in school and out-of-school competitions, participation in interest groups, etc. In 2017 (similarly as in previous years) two students from the IT technician profile class and one student from the technical and electrical technician profile class received the scholarship.

Integration with the local community of Dębica

- As part of the volunteer programme, the employees of the Company were able to plan and conduct activities for the local community.
- To this end, they got some hours off to devote to the implementation of activities.
- In 2017, two projects were implemented, both addressed to primary school students.
- In the first project, the employees of the Company conducted recycling workshops, during which the children learned how to segregate waste and had the opportunity to try to put

second life into worn items that would have otherwise been thrown away (for example, they created ornaments from empty bottles, plastic packaging, etc.).

- The second project lasted two days. The first day culinary workshops took place, during which the children under the supervision of our volunteers learned how to prepare snacks and tried their hand in the kitchen. On the second day, the volunteers planned a bike rally, which led through the attractive areas of Dębica.
- **Open Day at the Plant** - in 2017, over 1,200 employees and their families took part in the Open Day organized in the Dębica tire factory for the third time. In addition to a tour of the plant, activities for children and adults were organized aimed at promoting road safety and a healthy lifestyle.
- **GoodFest** - a cyclical event for the residents of Dębica.
It has changed over the years (from a fair to a music festival to a family picnic), but its purpose remains the same - integration of the local community. During this year's edition, the Company focused on the presentation of its activities in the field of CSR, so the stands of the Children's University of Technology appeared, as well as support for environmental protection and road safety. The event featured a stand of the Mobile Centre for Ecological Education with the "green cinema" - to watch an animated film, children had to generate electricity by pedalling on a special bicycle. In addition to educational entertainment, a sports competition zone was also prepared, where the youngest could compete under the supervision of professional trainers, as well as a special zone with attractions prepared courtesy of the Local Police Headquarters in Dębica and the Local Headquarters of the State Fire Service in Dębica. In 2017, about 6,000 people took part in the event.

3.2.2. Employment

issues Content:

- Employment issues
- Company priorities with respect to the employment issues
- Administrative bases and due diligence procedures
- The effects of application of the Company's policies and actions in this respect in 2016 and 2017.

Employment issues

Firma Oponiarska Dębica S.A. follows the principle of utmost care for their employees.

Company priorities with respect to the employment issues

The Company's priorities in the area of employment issues are included in the Zero Tolerance Policy and include:

- lack of acceptance for harassment, discrimination and violence;
- lack of acceptance for all forms of forced labour or human trafficking - the company guarantees and promotes freedom of employment;
- lack of acceptance for the use of children, including child labour;
- ensuring freedom of association and joining organizations (e.g. trade unions) and the right to refuse to join an organization;
- compliance with applicable laws and regulations regarding remuneration and hours worked;
- providing a safe workplace.

Administrative bases and due diligence procedures

As regards employment issues, Firma Oponiarska Dębica S.A. applies due diligence procedures at three levels:

- A) Requirements specified in the laws of the Republic of Poland
- B) The implementation documents applied by the Company - from the Work Regulations to the Professional Ethics Code to instructions related to particular procedures and processes.

A) Law

The Company conforms to the laws of the Republic of Poland. Therefore, Firma Oponiarska Dębica S.A. acts in conformity with the basic legal act regulating the mutual rights and obligations

of parties to an employment relationship, i.e. the Labour Code (Journal of Laws of 1974 no. 24, item 141)

B) Implementation documents related to the human resources management Main

policy-related documents

- Work regulations, which came into force in August 2017, covering such issues as: employee's duties, Company's responsibilities, work organization, order, working time, holidays and leave, date, place and time of payment of remuneration, termination of employment contract, personal data protection, occupational health and safety and fire protection. The Work Regulations also contain provisions regarding the prevention of mobbing and proceedings related to reporting instances of mobbing.
- **The Professional Ethics Code**, which defines in detail such issues as: mutual respect, policy on universal human rights, prohibition of discrimination, prohibition of abuse, prohibition of violence, compliance with health and safety rules, prohibition of drugs, protection of personal data of employees.
- **Supplier Code of Conduct** implemented by the Company, which clearly states that the Company expects its suppliers to comply with applicable labour law provisions regarding remuneration and working time (including regulations regarding minimum wages, overtime and benefits), freedom of association (suppliers have a duty to recognize and respect workers' rights to join their chosen organizations or to refrain from joining an organization), respect employees' right to collective bargaining through their elected representatives (if the trade union has been chosen in accordance with the applicable laws).
- **"Zero Tolerance" policy**, regarding lack of acceptance for any acts of harassment and discrimination based on race, colour, religion, nationality, gender (including during pregnancy), sexual orientation, age, disability, or for any other reason specified in law, carried out by employees as well as people outside the company (including, for example, people applying for a job in the company, contract employees or temporary guests, clients, representatives of trade and consulting companies). The "Zero Tolerance" policy also extends to all forms of violence in the workplace.
- The provisions of this policy apply primarily to employees, but where necessary, it also includes nonemployees, i.e. trainees, apprentices, subcontractors and temporary employees, guests, clients, suppliers and consultants.

Firma Oponiarska Dębica S.A. follows procedures and instructions related to each area of human resources management.

A complete list of the respective documents can be found on the Company's Intranet.

The effects of application of the Company's policies and actions in this respect in 2016 and 2017.

Employment structure

Some of the key indicators regarding employee issues include the employment structure in the company, including gender, type of contracts and type of work.

It is worth noting that the majority of employees are employed for an unspecified period.

As at the end of 2017, the data above data was as follows:

As at 31.12.2017	Contract type		Employment type		Position	
	Specified period	Unspecified period	Full time	Part time	Blue collar	White collar

Women	39	445	483	1	364	120
Men	107	2175	2282	0	2071	211
Total	146	2620	2765	1	2435	331

As 31.12.2017 at	Contract type		Employment type		Position	
	Specified period	Unspecified period	Full time	Part time	Blue collar	White collar
Women	8.10%	91.90%	99.80%	0.20%	75.20%	24.80%
Men	4.70%	95.30%	100.00%	0.00%	90.80%	9.20%
Total	5.30%	94.70%	100.00%	0.00%	88.00%	12.00%

Comparative data as at the end of 2016 is shown in the following tables:

As 31.12.2016 at	Contract type		Employment type		Position	
	Specified period	Unspecified period	Full time	Part time	Blue collar	White collar
Women	5	500	503	2	384	121
Men	97	2111	2208	0	1967	241
Total	102	2611	2711	2	2351	362

As 31.12.2016 at	Contract type		Employment type		Position	
	Specified period	Unspecified period	Full time	Part time	Blue collar	White collar
Women	1.0%	99.0%	99.6%	0.4%	76.0%	24.0%
Men	4.4%	95.6%	100.0%	0.0%	89.1%	10.9%
Total	3.8%	96.3%	99.9%	0.1%	86.7%	13.3%

Trainings

In 2017, Tire Company Dębica S.A. undertook many activities in the area of human resources management.

Key activities included, among other things, trainings for employees, which are planned on an annual basis.

The training schedule is developed on the basis of:

- obligatory trainings, authorizations,
- customer requirements, standards requirements,
- analysis of training needs made with managers.

Required / authorized trainings are scheduled by the end of November.

In November and December, recommended trainings are planned, resulting from the needs analysis. The schedule includes the number of "training units", i.e. persons who are to participate in a given training, broken down into individual months.

The most important measures related to training include:

- implementation of trainings in relation to the number of scheduled trainings (it is the number of trainings implemented / the number of trainings included in the training schedule);
- multi-tasking (the number of positions for which the employee has an authority). This indicator is measured on a monthly basis.
- This ensures an appropriate level of workplace rotation that can be introduced by zone managers when filling brigades;
- percentage (%) of the timely implementation of recertification (it is an indicator showing which part of the planned recertification was carried out in accordance with the schedule).
- Recertification is carried out one year after recertification +/- 14 days

Firma Oponiarska Dębica S.A. monitors the implementation of the training plan on a monthly basis. By the end of 2017, 3429 "training units" had been held.

The "unit" monitoring indicator has been adopted, because people the same people may participate in the trainings more than once.

Tire Company Dębica S.A. supervises the number of training participants.

In 2017, a Training Week was organized, with classes run by lecturers from Goodyear, in addition to local classes.

They concerned, among other things:

- production optimization,
- the way of using the Goodyear Learning Centre training platform,
- new product implementation - NPI.

In addition, the implementation of the Internal Trainers project was initiated.

Two trainings have been completed:

- first pre-medical aid - for all organizational units of the factory, 30 participants, 300 volunteers, with whom trainings will be implemented in subsequent dates;
- drivers and increasing knowledge about fault diagnostics - for all BT, implemented on BT-3 (3 training sessions) and BT-1 (1 training session).

In recent years, as part of the Continuous Skills Development training programme, many tools have been introduced to improve the training process, including:

- component trees as a comprehensive training programs containing the knowledge and skills that an employee must have to perform their job properly;
- single-thee meetings - short training materials, usually drawing and visual, which explain in a simple way some elements of the process;
- employee evaluation / self-evaluation - it serves to summarize the employee's work in the previous year, as well as his vision of self-development.

In the area of in labour law training, Firma Oponiarska Dębica S.A. conducted two types of training:

- online – a series of one-hour trainings held each Tuesday from 3.10 to 23.11. 2017. The number of participants ranged from 30 to 70;
- offline / direct - a series of direct trainings in production from May to October 2017.
- Their goal was to help managers in their work, answer the most urgent questions in the field of labour law (e.g. holidays, working time, leave on demand, on-call duty, etc.) and raise the general level of knowledge of managers in this area.

As of the date of announcement of the new regulations, the training included elements connected with it.

The trainings were very popular and will be continued in 2018 for all interested employees.

In 2017, a total of 22 labour law training sessions were held, in which 182 people took part.

Employee benefits:

In-company clinic

Firma Oponiarska Dębica S.A. provides employees with specialist medical care at the in-company clinic in Dębica.

The cost of medical care is covered entirely by the Company, the employees pay only the social security premium and the tax on the value of specialist care (not related to labour medicine).

The Company tries to actively help employees who need medical help and systematically develops an incompany clinic in Dębica.

In 2017, the clinic has been expanded to include a rehabilitation office, where employees and members of their families will be offered:

- consultations of a physiotherapist (physiotherapist),
- physiotherapy, including: phonophoresis, electrostimulation, galvanization, local cryotherapy, laser, magnetic field, currents, ultrasounds, iontophoresis,
- kinesiotherapy, including: instructional and improvement exercises, individual therapy.

The clinic was reopened on 1 December 2017 following a renovation.

It now meets all the latest standards, and the first floor can be accessed by elevator - which is especially important to people who have difficulty walking.

Employee Loans Fund

The Company runs an Employee Loans Fund (ELF) for employees. Each employee employed against a contract for an unspecified period of time can be a member of the Fund.

To do this, one should visit the Employee Service Centre in Dębica and complete the relevant application form and pay an entry fee of PLN 30. From that moment on, a premium of 2% is

deducted from an employee's salary toward the Fund. Loans granted by the ELF are interest-free throughout the repayment period.

Company Social Benefits Fund

Co-financing from the Company Social Benefits Fund (CSBF) is carried out in the following areas:

- co-financing of holiday leaves
- financial support in difficult life situation
- conducting sports and recreation activities
- conducting cultural and educational activities

Co-financing from the Fund is granted to

- employees employed in the Company under a contract of employment regardless of the length of employment;
- former employees receiving pension or disability pension or a pre-retirement benefits, if the Company was their last place of employment
- family members

The benefits paid under the Fund depend on the employee's life and material situation and the social criterion.

Group Insurance

Employees of the Company can join the Group Insurance, whose aim is to provide a sense of security to the insured and their relatives through financial support in the event of unforeseen fortuitous events.

One can also apply for insurance for spouses, partners and adult children.

The premiums and level of benefits negotiated by the Company are more competitive when compared to individually concluded insurance policy agreements.

Other initiatives

A plant featuring numerous attractions

In 2017, 1,200 people attended the Open Day to take a closer look at the plant. Employees had the opportunity to show their families around the plant. There were a lot of attractions for the visitors, including activities for children, especially related to road safety and the promotion of a healthy lifestyle.

Relations between the employer and the employees

One of the important employee issues is the existence and functioning of the Collective Labour Agreement.

The agreement was concluded between the Company and the trade unions operating in the company, i.e. NSZZ "Solidarność" and ZZ Chemików w Firmie Oponiarskiej Dębica S.A.

The purpose of the arrangement is to create conditions for the implementation of the strategy adopted by the Company and to achieve the assumed economic results, while providing employees with appropriate working conditions and fair remuneration and other benefits.

3.2.3.

Environment Content:

- Environment protection rules
- Company priorities with respect to the environment protection

- Administrative bases and due diligence procedures
- The effects of application of the Company's policies and actions in this respect in 2016 and 2017.

Environment protection rules

Tire Company Debica S.A. curtails effectively the adverse impact of manufacturing activities on natural environment.

Company priorities with respect to the environment protection

The Company has the following priorities related to the⁷ environment protection:

- Continuous reduction of environmental impact by segregating and reducing the amount of wastes, reducing emissions of pollutants into the air, soil and water and preventing serious failures.
- Improving the energy result by ensuring access to information and all resources necessary to attain goals and perform tasks, purchasing energy-efficient products and services, as well as improvement of process efficiency.
- Continuous improvement of work safety by engaging employees in occupational health and safety-related activities, increasing their awareness of ergonomics, improving the safety of machines and devices and promoting safe behaviour among all employees. To this end, the Company employees operate through the so-called PEC committees (People Environmental Care). Moreover, the Company operates 3 subcommittees dealing with the environment, fire protection and noise, respectively. In addition, the Company operates the Ergonomics Centre (opened in 2016) training employees in ergonomic method of working. The Centre is equipped with models of the devices that the employees work with on everyday basis. The Centre had trained over 2000 people to date. The purpose was to train 100% of blue collar workers. Although no record is kept of the number of trained employees however, one can assume that the Company managed to attain the above goal almost entirely. The Company employees are also involved in projects aimed at improving work safety. These include both regional and plant-specific projects.

Administrative bases and due diligence procedures

As regards environment protection and occupational health and safety, Firma Oponiarska Dębica S.A. applies due diligence procedures at three levels:

- D) Requirements specified in the laws of the Republic of Poland
- E) The management norms and standards applied by the Company.
- F) The implementation documents applied by the Company - from the Integrated Management System Book to instruction related to particular processes and actions.

A) Law The Company conforms to the laws of the Republic of Poland. Therefore, Firma Oponiarska Dębica S.A.

conforms to the following legislation:

- Environment Protection Law of 27 April 2001,
- The Wastes Law of 14 December 2012,
- Regulation of the Minister of Labour and Social Policy on the general work safety and hygiene regulations of 26 September 1997 (Journal of Laws of 1997, no. 129, item 844),
- The law on the responsibilities of entrepreneurs regarding the management of certain wastes and the product fee of 11 May 2001 (Journal of Laws of 2001, no. 63, item 639),
- The act on electrical and electronic wastes of 29 July 2005,
- The act on packaging and packaging waste management of 13 June 2013,
- The batteries law of 24 April 2009,
- The water management law of 17/07/2017

⁷ Quality policy, environment protection policy, occupational health and safety policy and energy policy of T.C. Dębica S.A., August 2017.

- The act on the substances causing the deterioration of the ozone layer and on certain fluorinated greenhouse gases, as amended,
- The environment protection law of 16.04.2004, as amended,
- The construction law of 07/07/1994, as amended,
- The fire protection law of 24.08.1991, as amended,
- The law on the system of managing greenhouse gases and other substances of 17.07.2009, as amended,
- The law on the system of trading greenhouse gas emission authorizations of 12.06.2015, as amended. .

B) Management norms and standards

- **ISO/TS 16949:2004** technical specification specifying the standards of quality systems in the global automotive industry, particularly the requirements for a quality system for products related to the design or development, manufacture, installation and maintenance in the automotive industry. The implementation of the specification was confirmed by IATF certificate (International Automotive Task Force⁸) no, 200561 issued by Bureau Veritas on 2 January 2015, valid through 1 January 2018. In September of 2017, an ISO/TS 16949:2009 recertification audit was conducted, as a result of which the validity of the certificate was extended until 14 September 2018
- The environmental management norm **ISO 14001:2004** requiring continuous improvement of activities based on the identification of the environmental aspects based on which environment-related targets, tasks and programs are built. The implementation of the specification was confirmed by a certificate no. BE009817 issued by Bureau Veritas on 17 October 2011, valid through 15 September 2018.
- The Occupational Health and Safety Assessment System **OHSAS 8001:2007**, covering comprehensive management of this area and constituting a continuous improvement commitment. The implementation of the system was confirmed by a certificate no. BE009818-1 issued by Bureau Veritas on 24 November 2015, valid through 25 November 2018.
- The **ISO 50001:2011** standard related to the reduction of costs, greenhouse gas emissions and energy efficiency of an enterprise. The implementation of the standard was confirmed by a certificate no. BEL-170040/EnMS issued by Bureau Veritas on 19 March 2017 (an audit regarding the implementation of the standard was conducted on 12 January 2017) valid through 28 March 2020.

C) Implementation documents related to the environment protection and occupational health and safety Main policy-related documents

- The quality, environment protection, occupational health and safety and energy policy for Firma Oponiarska Dębica S.A. Approved in August 2017 by the Production Director.
- The Integrated Management System Book

Below we present selected documents implementing due diligence procedures in the Company regarding its operations.

Types of environmental risk management

An instruction specifying the methodology of assessment of particular environmental aspects for all organizational units of a plant, allowing, among other things, to properly manage the environment management risk.

Waste management

Regulation no. 6/2016 of the General Director of Firma Oponiarska Dębica S.A. Of 1 October 2016 on waste management instructions implementing "Instructions for Waste Management in Firma Oponiarska Dębica S.A." in order to conform to the legal regulations related to waste management.

⁸ „The IATF is an “ad hoc group of automotive manufacturers and their respective trade associations, formed to provide improved quality products to automotive customers worldwide”. From the website of <http://www.iatfglobaloversight.org/about-iatf/> [date accessed: 28.11.2017]

Prevention of serious industrial failures

Regulation no. 3/2017 of the General Director of Firma Oponiarska Dębica S.A. of 31 March 2017 on the instruction related to the prevention of serious failures caused by fault of Firma Oponiarska Dębica S.A. implementing the "Instructions for Prevention of a Serious Failure Caused by Fault of Firma Oponiarska Dębica Spółka Akcyjna" in order to prepare the Company to undertake appropriate actions in the event of a failure caused by its fault.

Occupational health and safety

- Occupational Health and Safety Instructions - a system for reporting, recording and analysing near misses. .
- Regulation no. 1/2016 of the General Director of Firma Oponiarska Dębica S.A. of 11 April 2016 on the internal transport, implementing the "Instructions for the internal transport at Firma Oponiarska Dębica Spółka Akcyjna" in order to improve the occupational safety and internal transport management.
- Regulation no. 2/2008 of the General Director of Firma Oponiarska Dębica S.A. of 18 March 2008 on the "Fire Instructions."
- A complete list of documents in electronic databases available in paper format to employees in paper format without having to use computers. The Company has three main databases: Laws and Regulations, BPMS Database and Lotus Notes.

The effects of application of the Company's policies and actions in this respect in 2016 and 2017.

Update of internal regulations

In 2017, Firma Oponiarska Dębica S.A. performed numerous activities for the environment. The law required updating the "integrated permission" decision issued by the Marshal of the Podkarpackie Voivodeship. As a result of this change the Company better manages its gas and dust emissions. These activities are mainly concerned with the changes of the method of connecting the emission sources to emitters, change of the working time of the sources and emitters.

In addition, the new decision modifies:

- the provisions related to the use of raw materials (including a reduction of use of stearin from 1500 to 1300 mg/annually and fuel from 3 to 1.5 Mg/annually);
- the provisions related to the amount of the generated wastes (including a reduction of waste generation coded 15 01 03, i.e. wooden packaging, from 2000 to 1500 Mg/annually).

Water consumption

For the past two years, Firma Oponiarska Dębica S.A. has been following the program of reduction of water consumption for social purposes by increasing the employees' awareness regarding the protection of natural resources. In 2016, the Company organized a large campaign promoting water saving.

Reduction in water consumption for social purposes between 2014-2017 ('000 of m3)

Year	2014	2015	2016	2017
Amount of water	150	132	121	101

Amount of water in m³ per one tonne of products between 2014 - 2017

Year	2014	2015	2016	2017	Amount of water	5.7	5.5	4.4	4.3

Environmental charges

Despite an increase in the environmental charges, the index of the charges per one tonne of products in 2017 decreased compared to 2016.

Index of the charges in PLN per one tonne of products between 2014 -2017.

TC Dębica S.A.			SA-R 2017	
Year	2014	2015	2016	2017
Indicator pln/tonne	1.8	1.8	1.7	
	1.6			

Emissions

Firma Oponiarska Dębica S.A. aims to reduce emissions from production processes.

It provides effective operation of air protection devices, eliminates the consumption of gasoline which is a source of volatile organic compounds, implements projects whose aim is to optimize heat consumption in the plant.

The implemented measures allowed to reduce the amount of gasoline used in the production process and to reduce the emission of pollutants from the energy combustion of fuels, including emissions of the main greenhouse gas, which is carbon dioxide.

The volume of carbon dioxide emissions from the fuel combustion process in 2014-2017:

Year	2014	2015	2016	2017
CO ₂ emissions:	34	34	34	34

Reduction of energy consumption

In 2017, an energy reduction plan was implemented regarding the modernisation of the thermal insulation of steam pipelines and heating systems of vulcanizing presses, which helped the Company save some 6500 tonnes of steam/annually or some – 470,000 – m³ of earth gas, as a result of modernization of the manufacturing equipment and optimization of the utilization of compressed air the Company reduced its consumption of electrical energy by 236,140 kWh. The amount of the heat and electrical energy saved this way helped the Company reduce the CO₂ emissions by app. 1170 tonnes last year.

The attached graph shows the progress of the total energy consumption in BTU (thermal + electrical) per one unit of a finished product expressed in Lb between 2014 and–2017.

The BTU/lb index between 2014–2017

Year	2014	2015	2016	2017
Energy consumption:	6 134	6 087	6 021	5 871

Occupational safety

The key performance indicators in the occupational safety area prepared for 2017 include:

Indicator	Value
Accidents (number of OSHA accidents + number of cases when first aid had to be provided)	20
Number of not cleared irregularities resulting from a corporate audit	0

Other environment protection-related initiatives

Firma Oponiarska Dębica S.A. pursues the principle of maximum environment protection, excels at conforming to the statutory requirements and applies the best practices of The Goodyear Tire & Rubber Company and indirectly supports industry-specific initiatives for increasing the quality and environment protection standards.

Participation in industry-specific initiatives

- The European Tire and Rubber Manufacturers Association (ETRMA)

Firma Oponiarska Dębica S.A. always seeks to apply the recommendations of the ETRMA. The main purposes of ETRMA is to represent the regulatory and related interests of the European tire and rubber manufacturers both in Europe-and world-wide.

- Tire Industry Project

In addition, Firma Oponiarska Dębica S.A. Indirectly supports the initiatives of the Tire Industry Project⁹ (TIP) World Business Council on Sustainable Development (WBCSD)¹⁰.

3.2.4. Human rights and diversity

management Content:

- Principles related to respecting human rights and diversity management
- The Company's priorities in the area of human rights and diversity management
- Administrative bases and due diligence procedures
- The effects of application of the Company's policies and actions in this respect in 2016 and 2017.

Firma Oponiarska Dębica S.A. wants to show in its activities that the its employees reflect the communities and clients they serve.

The Company believes that diverse staff is the key to success on the market, and the Company's culture based on integration allows its associates to contribute to creating a fair environment.

The Company strives to meet all standards in the field of respect for human rights and diversity of employees. The policy on human rights and diversity management applies equally to the Company's governing bodies, its key managers as well as all employees.

In particular, this applies to the absence of any discrimination based on sex, age, origin, race, sexual orientation, marital status, disability, political views, religion or any other aspect of diversity.

As regards diversity features, such as education or professional experience, the Company ensures that the process of hiring managers and all employees in general is based on the criteria such as competence and experience.

The current Management Board of the Company is composed of 5 men, one of whom is between 30 and 50 years old, while the other four Management Board members are over 50 years old. On the other hand, the Supervisory Board of the Company has 6 men and 1 woman, one of whom is between 30 and 50 years of age, while 6 people are over 50 years old.

The aim of the company is to nurture in the work environment an atmosphere of promoting the maximization of the potential of the company's employees, as well as supporting the spirit of cooperation between various groups of employees.

In the area of respect for human rights and diversity management, Firma Oponiarska Dębica S.A. is guided by such principles as:

- commitment to creating a workplace that fosters integration and without harassment and discrimination;
- all forms of forced labour or human trafficking are prohibited;

⁹ <http://www.wbcd.org/Projects/Tire-Industry-Project> [date accessed: 02.01.2018].

¹⁰ <https://corporate.goodyear.com/en-US/responsibility/shared-values/industry-sustainability-efforts.html> [date accessed: 02.01.2018].

- a ban on the use of children, including child labour;
- freedom of association and joining organizations (e.g. trade unions) and the right to refuse to join an organization;
- compliance with applicable laws and regulations regarding remuneration and hours worked;
- providing a safe workplace.

The Company's priorities regarding human rights and diversity management relate to the following issues:

- Discrimination - the Company pursues a "Zero Tolerance" policy and undertakes to maintain a workplace free of harassment and discrimination based on the status of a person, e.g. race, colour, religion, nationality, gender, sexual orientation, age, disability or other characteristics protected by applicable law.
- Forced labour - the presence of each employee at work must be voluntary.
- The use of all forms of forced labour, slave labour or trafficking is expressly forbidden.
- Child labour - The Company does not accept illegal employment or exploitation of children in the workplace.
- Freedom of association - The Company recognizes and respects workers' rights and the freedom to join an organization of their own choice or refrain from joining an organization.
- Employees who have chosen trade unions in accordance with applicable laws and regulations are entitled to negotiate jointly by representatives chosen by them.
- No employee is threatened with dismissal, discrimination, harassment, intimidation or retaliation because of his affiliation to a legal employee association.
- Working time and remuneration - the Company undertakes to comply with all applicable laws and regulations related to remuneration, which the Company pays to associates and their working time.
- Safe workplace - the Company cares about the safety and health of its employees. It takes steps to reduce the risk of accidents at work, injury or loss of health.
- In particular, this obligation covers all forms of violence in the workplace prohibited by the company's policy.
- Suppliers - The company attempts to deal with suppliers who observe similar standards in their relations with their employees and their own supply chains.

Administrative bases and due diligence procedures

As regards human rights, Firma Oponiarska Dębica S.A. applies due diligence procedures at three levels:

- A) Requirements specified in the laws of the Republic of Poland
 B) At the level of implementation documents in force at the Company.

The Company acts in accordance with the applicable law, in particular, the Labour Code, Penal Code and the Civil Code, as well as the Act of 3 December 2010 on the implementation of certain European Union provisions in the field of equal treatment (Journal of Laws from 2010 No. 254, item 1700).

In addition, in its activities and processes, the Company respects relevant international regulations regarding respect for human rights.

The main internal documents of the Company (due diligence procedures) to implement the policy regarding the observance of human rights outside the Labour Regulations and the Collective Labour Agreement are also:

- The Professional Ethics Code, which helps employees to understand the Company's commitment to comply with the highest ethical and legal standards in conducting business operations, and to facilitate the proper assessment of the situation and act in an appropriate manner.
- Policy of observance of human rights regulating the fundamental issues of human rights: discrimination, forced labour, child labour, freedom of association, hours of work and remuneration, health and safety, suppliers.
- The "Zero Tolerance" policy describing the Company's approach to the issues of discrimination, harassment and violence and how to report such behaviour.

The company applies the zero tolerance policy to all acts of harassment and discrimination based on race, colour, religion, nationality, gender, sexual orientation, age, disability or for any other reason indicated in the law by employees, as well as people outside company.

- A code of conduct for suppliers, which contributes to the fact that the Company conducts business with reputable business partners adhering to the company's ethical standards and business practices. The Code is available to every business partner of the Company and includes provisions regarding the requirement of full compliance with applicable laws and other regulations, in particular with regard to child labour, pay and working time, prohibition of discrimination and forced labour, environmental protection and freedom of assembly, care for safe and hygienic working conditions, guidelines on gifts, gratuities and prevention of corruption.

A complete list of documents can be found in the relevant departments responsible for updating and observing them.

A system for reporting doubts or violations of applicable rules

The company supports the culture in which asking questions, reporting doubts and threats by employees is natural and desirable.

The Company's activities encourage employees to actively participate in the discussion about their work environment.

All employees who have information about breaking the Company's rules or suspected violation of these rules should immediately contact their superior or a company lawyer.

Employees should also signal situations when they are told to or forced to behave unethically or unlawfully.

Every employee is required to speak when they are aware of a potential violation of the rules. One can voice their concerns by asking questions, reprimanding and reporting irregularities. Instances of violation of the Company's policy or any other unethical behaviour should always be reported.

There are several ways to report infringements in the Company:

- Informing the supervisor, the Human Resources Department or the Legal Department,
- Online hotline available at <http://goodyear.ethicspoint.com> in Polish.
- Free hotline available at 008 001 510 096. 24/7

The company prohibits any form of revenge against an employee or holding them responsible for expressing their concerns about a potential violation of law or company policies.

The effects of application of the Company's policies and actions in this respect in 2016 and 2017.

The company undertook many initiatives for human rights and for supporting diversity.

These include, among other things:

- Providing each new employee with a copy of the Professional Ethics Code and receiving confirmation that the employee undertakes to act in accordance with the policy and applicable provisions of the Code and notify any violations or suspected violations of these provisions.
- Certificate confirming knowledge and application of the Professional Ethics Code by office employees.
- Every December, employees are required to confirm their knowledge of the Code by means of a special electronic tool.
- Training in the knowledge of key principles of the Code: launched in 2016, a series of trainings entitled "Act honestly." Follow the rules "aimed at increasing the awareness of the employees

of the Company in the areas related to, among other things, with human rights and the rules applied by the Company.

- Over 2,300 employees of the Company participated in the training cycle, both blue and white collar. In 2016, 6 meetings were held for a group of over 300 employees occupying key positions in the Company. In 2017, a total of 24 meetings were held for production workers, in which an estimated number of 2020 people working on production lines took part.
- An information campaign on the possibility of reporting violations of the rules applied by the Company.
In September 2017, posters were prepared and displayed in prominent places encouraging reporting irregularities.
- Organization of online courses entitled "Working together - promoting mutual respect" and "Speak out loud: reporting concerns" for employees with access to e-mail.
- Information session on diversity organized under the so-called Training Week.
- A series of articles on the subject of diversity in the internal employee magazine distributed in over 2000 copies.
- Publications addressed such issues as: the role of women in the life of the Company ("Women's Power" - "Oponowości" 3/2017); honouring employees with many years of experience ("Half a century with a good brand" - "Oponowości" 9/2017) and principles of mutual respect and understanding of diversity ("The Power of Diversity" - "Oponowości" 12/2017).

3.2.5. Counteracting corruption

Content:

- Company priorities with respect to counteracting corruption
- Management basics and due diligence procedures with respect to counteracting corruption
- The effects of application of the Company's policies and actions in this respect in 2016 and 2017.

Firma Oponiarska Dębica S.A. Follows the principle of operating in full compliance with applicable laws and internal regulations in terms of counteracting corruption.

The Company's priorities in this respect are:

- aiming at the elimination of any cases of corruption in the company;
- conducting awareness-raising activities for employees, including educational campaigns and regular training in ethics, anti-corruption and compliance;
- raising awareness of the obligation of knowledge of key documents on professional ethics by company employees and suppliers.

Management basics and due diligence procedures with respect to counteracting corruption As regards counteracting corruption, Firma Oponiarska Dębica S.A. applies due diligence procedures at three levels:

- A) Requirements specified in the laws of the Republic of Poland
- B) The management norms and standards applied by the Company.

Main documents defining the area of counteracting corruption:

- The Professional Ethics Code, which helps the Company's employees understand the Company's commitment to complying with the highest ethical and legal standards in conducting its business operations, as well as facilitate proper assessment of the situation and behave in an appropriate manner.
- A code of conduct for suppliers that helps in making sure that the Company cooperates with responsible partners who also know the Company's ethical standards.

- A global procurement policy that defines the requirements for all activities related to placing orders as part of the ordering process for all materials, equipment, goods and services.

Counteracting corruption

- Anti-corruption rules, which contain specific rules of conduct on, inter alia: cooperation with third parties, donations, gifts, travel, meals or reporting of fraud.
- An international operational guide on compliance with anti-corruption rules that presents measures and procedures that help ensure compliance with the Goodyear Tire & Rubber and related companies' anti-corruption policies.
- Anti-Fraud Policy established to support the development of controls aimed at preventing and detecting fraud against Goodyear Tire & Rubber Company and its subsidiaries, and describes the "hotline" activity (telephone line to which employees can report your comments on cases of corruption / abuse) and how to report online fraud.
- "Giving and accepting gifts / taking and using representation expenses" are guidelines for presenting / offering gifts and representation expenses to external entities.

Use of confidential information

Regulations regarding confidential information and the duties of persons performing managerial functions and persons closely associated with them, adopted to ensure compliance by the Company, Management Board, Supervisory Board and Employees with Regulation (EU) No. 596/2014 on market abuse secondary legislation issued based thereon.

- Memorandum on current information duties and obligations of persons having access to confidential information in the Company.
- The document contains important information regarding the duties of employees, coworkers and persons performing management functions in the Company in connection with the fulfilment of information obligations of a company listed on the Warsaw Stock Exchange.

A complete list of documents can be found in the relevant departments responsible for updating and observing them.

The effects of application of the Company's policies and actions in this respect in 2016 and 2017.

In 2016 and 2017, no cases of corruption were reported, while the actions were carried out at two levels:

- education, training and raising employee awareness in terms of ethical and anti-corruption issues,
- implementation and verification of processes, activities and operations within the implemented procedures and tools.

On a daily basis, the obligation on the part of office staff to be familiar with the Professional Ethics Code is ensured through participation in online training and one-year certification confirming knowledge of the issues contained in the Code.

Each new employee (regardless of position) gets an additional printed version of the Code and confirms in writing his receipt and the fact that he got acquainted with it. Employees undertake to act in accordance with the policy and applicable provisions of the Code and report any violations or suspected violations of these provisions which come to their attention.

In 2016 and 2017, many campaigns and activities were carried out to raise awareness of ethical issues. They also included compliance and ethics training for individual employee groups. These activities were described in connection with the "Human rights and diversity management policy."

The main document regulating the area of ethics in the Company - including anti-corruption issues - is the Professional Ethics Code. It is supported by many tools, such as:

- internal electronic systems that allow one to conduct due diligence analysis of potential business partners of the company;
- a code for suppliers;
- hotline to report company policy violations available to all employees of the Company 24 hours 7 days a week;
- management supervision.

All employees who have information about a breach of the Company's rules or suspect a violation of these rules should immediately contact their superior or a company lawyer.

These employees can possibly notify Integrity Hotline via the website <http://www.goodyear.ethicspoint.com>

The company prohibits any inappropriate behaviour towards people who report suspected fraud in good faith.

All reports on the use of retaliation will be investigated and disciplinary proceedings will be initiated against persons who have committed wrongdoing, including the termination of the employment contract and forfeiture of benefits.

4. RULES BASED ON WHICH THIS STATEMENT WAS PREPARED

For the purposes of developing this "Statement on non-financial data", the Company performed internal analysis of the activities carried out, its due diligence policies and procedures. Internal analyses were made, among other things based on international standards of the Global Reporting Initiative (GRI) version G4.

As a result, pursuant to art. 49b par. 8 of the Accounting Act, the selection of own principles based on non-financial aspects was made to the extent to which they are necessary to assess the development, results and situation of the Company.

STATEMENT ON CORPORATE GOVERNANCE

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

The Management Board of the Company, appreciating the importance of corporate governance principles contained in this document and the role these principles play in strengthening the transparency of listed companies, has made every effort to ensure that the principles referred to above are applied in the Company to the widest extent possible. Below, the Management Board presents the principles contained in the "Code of Best Practice for WSE Listed Companies", which the Company abandoned in 2017, together with the reasons for the abandonment.

The Company did not apply the recommendation no. III.R.1. in the scope of separating in the structure of the Company the entities responsible for the implementation of tasks in particular systems or functions, because their separation is not justified due to the type of activity conducted by the Company. The Company did not follow the recommendation no. IV.R.2 in the scope of enabling shareholders to participate in the General Meeting with the use of electronic communication means, if it is justified due to the shareholding structure or the expectations of shareholders reported to the Company and if the Company is able to provide the technical infrastructure necessary for efficient conduct of the General Meeting with the use of electronic communication means, because in the opinion of the Management

Board, there is no need to transmit the General Meetings or ensure two-way communication in real time and such expectations were not reported to the Company.

The Company did not follow recommendation no. IV.R.3. with respect to the Company's efforts to ensure that when the Company's securities issued are traded in different countries or on different markets and legal systems, corporate events related to the acquisition of shareholder's rights take place on the same dates in all countries where they are listed, because the securities issued by the Company are listed exclusively in Poland, on the WSE and therefore the recommendation does not apply to the Company.

The Company did not apply the recommendation no. VI.R.3. in the scope of applying the II.Z.7 rule to the remuneration committee, because the remuneration committee does not function in the Supervisory Board, therefore the recommendation does not apply to the Company.

The Company did not apply the detailed rule no. I.Z.1.3. in the scope of publishing on the Company's corporate website the scheme of division of tasks and responsibilities between the members of the Management Board drawn up in accordance with rule II.Z.1., because the Company has not yet developed a detailed division of responsibility for particular areas of the Company's activity among the members of the Management Board, therefore the information is not published on the website.

The Company did not apply the specific rule no. I.Z.1.7. with regard to posting on the Company's corporate website information materials on the Company's strategy, as the Company does not publish information on the strategy.

The Company did not apply the specific rule no. I.Z.1.8. with respect to publishing on the Company's corporate website selected financial data of the Company for the last 5 years of its operations in a format enabling the processing of such data by their recipients, as the data are made available together with a periodical report for a given reporting period, which reports are available on the Company's website.

The Company did not apply the detailed rule no. I.Z.1.10. in the scope of publishing on the Company's corporate website financial forecasts published in the last 5 years together with information on the degree of their implementation, as the Company does not publish financial forecasts.

The Company did not apply specific rule no. I.Z.1.15. in the scope of publishing on the Company's corporate website a description of the Company's diversity policy in relation to the Company's authorities and its key managers, as the Company has not developed and is not implementing a diversity policy.

The Company did not apply the detailed rule no. I.Z.1.16. in the scope of posting on the Company's corporate website information on the planned transmission of the General Meeting no later than 7 days before its date, because the Company does not transmit the General Meeting, and thus does not publish this information on the website.

The Company did not apply specific rule no. I.Z.1.19. in the scope of posting on the Company's corporate website shareholders' questions addressed to the Management Board pursuant to art. 428 § 1 or § 6 of the Commercial Companies Code together with the Management Board's answers to the questions asked, or detailed indication of the reasons for not answering questions in accordance with rule IV.Z.13, because answers to questions asked outside the General Meetings are published on the website in the tab Investor Relations/Reports/Current and the Company does not publish them in a separate section of the website.

The Company did not apply the detailed rule no. I.Z.1.20. in the scope of posting on the Company's corporate website a record of the General Meeting in audio or video form, because due to the costs of recording and publishing the recordings of General Meetings on the Company's website, the Company decided to limit itself to the previously applied transparent and effective information policy concerning the course of the Meeting.

The Company did not apply the detailed rule no. II.Z.1. in the scope of unambiguously and transparently formulating the internal division of responsibility for particular areas of the Company's activity among members of the Management Board and the publication of this scheme on the Company's website, because the Company has not yet developed a detailed division of responsibility for particular areas of the Company's activity among members of the Management Board, and thus the information is not published on the website.

The Company did not apply the specific rule no. II.Z.2. in the scope of sitting on the Management Board of the Company in the management or supervisory boards of companies from outside the capital group of the Company with the consent of the Supervisory Board, because the Supervisory Board always assesses whether sitting on the management board or supervisory board of the company from outside the capital group causes a conflict of interest.

The Company did not apply the detailed rule no. II.Z.7. within the scope of application of Appendix I to the Recommendation of the European Commission, referred to in principle II.Z.4. to the tasks and

functioning of committees operating in the Supervisory Board in the event that the function of the audit committee is performed by the Supervisory Board, because the Company has an audit committee, the composition and functioning of which is regulated by the Act of 11 May 2017 on statutory auditors, audit firms and public supervision, which entered into force on 21 June 2017.

The Company did not apply the specific rule no. II.Z.8. in the scope of meeting by the chairman of the audit committee the criteria of independence indicated in principle II.Z.4, because the chairman of the audit committee meets the requirements of independence specified in the Act of 11 May 2017 on statutory auditors, audit firms and public supervision.

The Company did not apply the specific rule no. III.Z.2. in the scope of direct subordination of persons responsible for risk management, internal audit and compliance to the President or another member of the Management Board, as well as providing them with the possibility of reporting directly to the Supervisory Board or audit committee, because there was no separation of the organisational internal audit, and thus it is not possible to apply this rule.

The Company did not apply the specific rule no. III.Z.3. within the scope of applying to the person in charge of the internal audit function and other persons responsible for the performance of its tasks the principles of independence specified in the generally recognised international standards of professional practice of internal audit, because there was no separation of the organisational internal audit, and thus it is not possible to apply this rule.

The Company did not apply the specific rule no. III.Z.4. in the scope of presenting to the Supervisory Board by a person responsible for internal audit and the Management Board, at least once a year, their own assessment of the effectiveness of the systems and functions referred to in principle III.Z.1. together with an appropriate report, because there was no separation of the organisational internal audit, and thus it is not possible to apply this rule.

The Company did not apply the detailed rule no. IV.Z.2. with respect to ensuring more widely available transmission of the General Meeting in real time, if it is justified due to the shareholding structure of the Company, because in the Company's opinion the commonly available transmission of the General Meeting in real time is not expected by the shareholders.

The Company did not apply the detailed rule no. IV.Z.12. with regard to the presentation by the Management Board to the participants of the General Meeting of the Company's financial results and other important information contained in the financial statements subject to approval by the General Meeting, because the Management Board does not present the participants of the Ordinary General Meeting of Shareholders with presentations. Shareholders receive written financial statements and an annual report. The President of the Management Board reads at the General Meeting the letter to shareholders contained in the annual report, in which he generally discusses the Company's situation, including its financial standing.

The Company did not apply detailed rule no. V.Z.6. with regard to defining in internal regulations the criteria and circumstances in which a conflict of interest may occur in the Company, as well as the rules of conduct in the face of conflicts of interest or the possibility of their occurrence, because the Company does not have formalised internal regulations specifying the criteria and circumstances in which a conflict of interest may occur in the Company, as well as indicating the rules of conduct in the event of its appearance or the possibility of its occurrence.

The Company did not apply the detailed rule no. VI.Z.1. in the scope of constructing incentive programmes in such a way that, among other things, the level of remuneration of members of the Management Board and its key managers depends on the actual, long-term financial situation of the Company and the long-term increase in value for shareholders and stability of the Company's operations, as there are no incentive programmes in the Company.

The Company did not apply the detailed rule no. VI.Z.2 with regard to the period between the granting of options or other instruments related to the Company's shares under the incentive scheme and the possibility of their exercise, because the Company does not have share-based incentive schemes, therefore the rule does not apply to the Company.

The Company did not apply the specific rule no. VI.Z.4. with respect to the presentation of a report on the remuneration policy in the report on the Company's activity, because it provides the remuneration of each member of the Management Board, but does not describe the remuneration policy.