

adjusted

POLISH FINANCIAL SUPERVISION AUTHORITY

Quarterly Report SA-Q

3/2016

Quarter/year

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

for Q3 of the accounting year 2016 covering the period from July 1, 2016 to September 30, 2016

Filing date: November 7, 2016

TIRE COMPANY DEBICA SA

DEBICA (full name of issuer)
Automotive (sector according to WSE classification)
 Abbreviated name of issuer
39-200 (postal code)
ul. 1 Maja (street)
(014) 670-28-31 (phone)
872-000-34-04 (Tax ID - NIP)

Dębica (place)
1 (number)
014 670-09-57 (fax)
www.debica.com.pl (Web site)
850004505 (REGON Statistical No.)

| FINANCIAL HIGHLIGHTS | '000 PLN | | '000 EUR | |
|--|---|---|---|---|
| | 3 quarters on YTD basis/2016, period from Jan.1, 2016 to Sept. 30, 2016 | 3 quarters on YTD basis/2015, period from Jan.1, 2015 to Sept. 30, 2015 | 3 quarters on YTD basis/2016, period from Jan.1, 2016 to Sept. 30, 2016 | 3 quarters on YTD basis/2015, period from Jan.1, 2015 to Sept. 30, 2015 |
| I. Net sales of products, merchandise and materials | 1 356 624 | 1 410 987 | 310 527 | 339 301 |
| II. Operating profit (loss) | 74 854 | 107 999 | 17 134 | 25 972 |
| III. Gross profit (loss) | 76 001 | 111 329 | 17 396 | 26 772 |
| IV. Net profit (loss) | 80 210 | 101 500 | 18 360 | 24 408 |
| V. Operational cash flows, net | 47 381 | 97 842 | 10 845 | 23 528 |
| VI. Investment activity cash flows, net | -32 876 | -10 362 | -7 525 | -2 492 |
| VII. Financial activity cash flows, net | -593 | -657 | -136 | -158 |
| VIII. Total net cash flows | 13 912 | 86 823 | 3 184 | 20 878 |
| IX. Total assets (at closing of current quarter and at closing of previous year) | 1 581 051 | 1 431 948 | 366 663 | 336 020 |
| X. Liabilities and liabilities provisions (at closing of current quarter and at closing of previous year) | 540 513 | 432 145 | 125 351 | 101 407 |
| XI. Long-term liabilities (at closing of current quarter and at closing of previous year) | 1 760 | 1 643 | 408 | 386 |
| XII. Short-term liabilities (at closing of current quarter and at closing of previous year) | 479 950 | 367 983 | 111 306 | 86 351 |
| XIII. Equity (at closing of current quarter and at closing of previous year) | 1 040 538 | 999 803 | 241 312 | 234 613 |
| XIV. Initial capital (at closing of current quarter and at closing of previous year) | 110 422 | 110 422 | 25 608 | 25 912 |
| XV. Number of shares (at closing of current quarter and at closing of previous year) | 13 802 750 | 13 802 750 | 13 802 750 | 13 802 750 |
| XVI. Earnings (loss) per ordinary share (in PLN / EUR) | 5.81 | 7.35 | 1.33 | 1.77 |
| XVII. Diluted earnings (loss) per ordinary share (in PLN/EUR) | 5.81 | 7.35 | 1.33 | 1.77 |
| XVIII. Book value per share (in PLN/EUR) (at closing of current quarter and at closing of previous year) | 75.39 | 72.44 | 17.48 | 17.00 |
| XIX. Diluted book value per share (in PLN/EUR) (at closing of current quarter and at closing of previous year) | 75.39 | 72.44 | 17.48 | 17.00 |
| XX. Declared or paid dividend per share (in PLN/EUR) | 2.86 | 3.15 | 0.65 | 0.75 |

The Report should be filed with the Polish Financial Supervision Authority (PFSA), the company running regulated market and made public through news agency in compliance with effective law.

ABBREVIATED FINANCIAL STATEMENT

BALANCE-SHEET

| | ‘000 PLN | | | |
|--|---|--|--|---|
| | As of Sept. 30, 2016, end of quarter/2016 | As of end of June 30, 2016 previous/quarter /2016 | As of Dec. 31, 2015 end of previous year/2015 | As of Sept. 30, 2015, end of quarter/2015 |
| ASSETS | | | | |
| I. Fixed assets | 814 687 | 822 711 | 829 765 | 830 717 |
| 1. Intangible assets including: | 12 | 15 | 21 | 26 |
| 2. Tangible fixed assets | 812 437 | 820 459 | 827 507 | 828 617 |
| 3. Long-term investments | 144 | 144 | 144 | 144 |
| 3.1. Long-term financial assets | 144 | 144 | 144 | 144 |
| a) in other entities | 144 | 144 | 144 | 144 |
| 4. Long-term deferred assets | 2 093 | 2 093 | 2 093 | 1 930 |
| 4.1. Deferred income tax assets | 2 093 | 2 093 | 2 093 | 1 930 |
| II. Current assets | 766 365 | 738 344 | 602 183 | 757 389 |
| 1. Inventories | 78 359 | 85 537 | 74 834 | 93 216 |
| 2. Short-term receivables | 354 159 | 373 020 | 241 975 | 401 571 |
| 2.1. From related entities | 325 847 | 338 315 | 207 331 | 377 919 |
| 2.2. From other entities | 28 312 | 34 705 | 34 644 | 23 652 |
| 2.3. Short-term financial assets | 330 936 | 277 125 | 284 425 | 259 863 |
| a) in related entities | 220 000 | 205 000 | 255 000 | 105 000 |
| b) in non-related entities | 27 190 | 2 319 | 0 | 8 820 |
| c) cash and cash equivalents | 83 746 | 69 806 | 29 425 | 146 043 |
| 3. Short-term deferred assets | 2 910 | 2 662 | 949 | 2 739 |
| Total assets | 1 581 051 | 1 561 055 | 1 431 948 | 1 588 106 |
| LIABILITIES | | | | |
| I. Shareholders' equity | 1 040 538 | 1 018 248 | 999 803 | 1 022 390 |
| 1. Share capital | 110 422 | 110 422 | 110 422 | 110 422 |
| 2. Reserve capital | 324 768 | 324 465 | 324 459 | 324 399 |
| 3. Revaluation capital | 67 791 | 68 093 | 68 099 | 68 159 |
| 4. Other reserve capitals | 457 347 | 457 347 | 417 910 | 417 910 |
| 5. Net profit (loss) | 80 210 | 57 921 | 78 913 | 101 500 |
| II. Liabilities and liabilities provisions | 540 513 | 542 807 | 432 145 | 565 716 |
| 1. Liabilities provisions | 58 803 | 58 019 | 62 519 | 60 508 |
| 1.1. Provision for deferred income tax | 24 154 | 26 023 | 29 328 | 31 089 |
| 1.2. Provision for retirement benefits and equivalents | 28 639 | 25 426 | 31 744 | 28 818 |
| a) long-term | 9 603 | 9 646 | 10 235 | 9 833 |
| b) short-term | 19 037 | 15 780 | 21 509 | 18 985 |
| 1.3. Other provisions | 6 010 | 6 570 | 1 447 | 602 |
| a) long-term | 98 | 100 | 100 | 145 |
| b) short-term | 5 911 | 6 470 | 1 347 | 457 |
| 2. Long-term liabilities | 1 760 | 1 322 | 1 643 | 1 802 |
| 2.1. to other entities | 1 760 | 1 322 | 1 643 | 1 802 |
| 3. Short-term liabilities | 479 950 | 483 466 | 367 983 | 503 406 |
| 3.1. to related entities | 134 646 | 147 757 | 73 266 | 168 538 |
| 3.2. to other entities | 344 400 | 334 389 | 294 165 | 333 954 |
| 3.3. Special funds | 904 | 1 320 | 552 | 914 |
| Total liabilities | 1 581 051 | 1 561 055 | 1 431 948 | 1 588 106 |
| Book value | 1 040 538 | 1 018 248 | 999 803 | 1 022 390 |
| Number of shares | 13 802 750 | 13 802 750 | 13 802 750 | 13 802 750 |
| Book value per share (in PLN) | 75.39 | 73.77 | 72.44 | 74.07 |
| Diluted number of shares (pcs.) | 13 802 750 | 13 802 750 | 13 802 750 | 13 802 750 |
| Diluted book value per share (in PLN) | 75.39 | 73.77 | 72.44 | 74.07 |

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

OFF-BALANCE ITEMS

| | '000 PLN | | | |
|---|---|---|---|---|
| | As of Sept. 30, 2016, end of quarter/2016 | As of end of June 30, 2016 previous/quarter /2016 | As of Dec. 31, 2015 end of previous year/2015 | As of Sept. 30, 2015, end of quarter/2015 |
| From other entities, of which: | | | | |
| received warranties and sureties | | | | |
| From other entities in which the issuer has an equity stake of which: | | | | |
| received warranties and sureties | | | | |
| 1. Other, of which: | 6 717 | 7 401 | 8 825 | 9 610 |
| off-balance liabilities under a long-term gas supply contract | 5 919 | 6 399 | 7 359 | 7 839 |
| off-balance liabilities under a long-term real estate lease agreement | 798 | 1 002 | 1 466 | 1 771 |
| Total off-balance items | 6 717 | 7 401 | 8 825 | 9 610 |

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

PROFIT AND LOSS ACCOUNT

| | '000 PLN | | | |
|---|--|--|--|--|
| | Q3 /2016, period from 1 July 2016 to 30 Sept. 2016 | 3 quarters YTD / 2016 period from 1 Jan. 2016 to 30 Sept. 2016 | Q3 /2015, period from 1 July 2015 to 30 Sept. 2015 | 3 quarters YTD / 2015 period from 1 Jan. 2015 to 30 Sept. 2015 |
| I. Net sales of products, merchandise and materials including: | 451 280 | 1 356 624 | 471 461 | 1 410 987 |
| - from related entities | 405 380 | 1 226 219 | 443 186 | 1 306 386 |
| 1. Net sales of products | 418 994 | 1 255 880 | 454 205 | 1 358 663 |
| 2. Net sales of merchandise and materials | 32 286 | 100 744 | 17 256 | 52 324 |
| II. Cost of products, merchandise and materials sold including: | 411 672 | 1 213 891 | 420 011 | 1 231 611 |
| - to related entities | 376 582 | 1 109 118 | 396 398 | 1 139 572 |
| 1. Cost of products sold | 381 523 | 1 118 701 | 403 996 | 1 177 776 |
| 2. Cost of merchandise and materials sold | 30 149 | 95 190 | 16 015 | 53 835 |
| III. Gross profit (loss) on sales | 39 608 | 142 733 | 51 450 | 179 376 |
| IV. Selling expenses | 5 342 | 15 429 | 6 846 | 12 364 |
| V. General administrative expenses | 14 999 | 45 796 | 14 137 | 45 367 |
| VI. Profit (loss) on sales | 19 267 | 81 508 | 30 467 | 121 645 |
| VII. Other operating income | 525 | 1 647 | 149 | 169 |
| 1. Gain on disposal of non-financial fixed assets | 501 | 1 426 | 130 | 0 |
| 2. Other operating income | 24 | 221 | 19 | 169 |
| VIII. Other operating expenses | 570 | 8 301 | 3 853 | 13 815 |
| 1. Revaluation of non-financial fixed assets | 0 | 0 | 0 | 584 |
| 2. Other operating costs | 195 | 935 | 175 | 848 |
| 3. Other operating expenses | 375 | 7 366 | 3 678 | 12 383 |
| IX. Operating profit (loss) | 19 222 | 74 854 | 26 763 | 107 999 |
| X. Financial income | 2 281 | 5 480 | 1 901 | 5 420 |
| 1. Interest receivable including: | 1 628 | 5 480 | 1 485 | 4 092 |
| - from related entities | 1 477 | 5 037 | 1 233 | 3 740 |
| 2. Other | 653 | 0 | 416 | 1 328 |
| XI. Financial expenses | 389 | 4 333 | 591 | 2 090 |
| 1. Interest payable including: | 389 | 1 349 | 591 | 2 090 |
| 2. Other | 0 | 2 984 | 0 | 0 |
| XII. Profit (loss) on ordinary activities | 21 114 | 76 001 | 28 073 | 111 329 |
| XIII. Income tax | -1 175 | -4 209 | -1 555 | 9 829 |
| a) current portion | 694 | 965 | 0 | 0 |
| b) deferred portion | -1 869 | -5 174 | -1 555 | 9 829 |
| XIV. Net profit (loss) | 22 289 | 80 210 | 29 628 | 101 500 |
| Net profit (loss) (annualized) | | 57 623 | | 75 355 |
| Weighted average number of the ordinary shares (pcs.) | | 13 802 750 | | 13 802 750 |
| Earnings (loss) per ordinary share (in PLN) | | 4.17 | | 5.46 |
| Diluted weighted average number of the ordinary shares (pcs.) | | 13 802 750 | | 13 802 750 |
| Diluted earnings (loss) per ordinary share (in PLN) | | 4.17 | | 5.46 |

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | '000 PLN | | | |
|--|--|--|--|--|
| | Q3 /2016, period from 1 July 2016 to 30 Sept. 2016 | 3 quarters YTD / 2016 period from 1 Jan. 2016 to 30 Sept. 2016 | Q3 /2015, period from 1 July 2015 to 30 Sept. 2015 | 3 quarters YTD / 2015 period from 1 Jan. 2015 to 30 Sept. 2015 |
| I. Opening balance of shareholders' equity | 1 018 248 | 999 803 | 964 369 | 964 369 |
| Ia. Opening balance of shareholders' equity, after restatement to comparative data | 1 018 248 | 999 803 | 964 369 | 964 369 |
| 1. Opening balance of share capital | 110 422 | 110 422 | 110 422 | 110 422 |
| 1.1. Closing balance of share capital | 110 422 | 110 422 | 110 422 | 110 422 |
| 2. Opening balance of reserve capital | 324 465 | 324 459 | 322 675 | 322 675 |
| 2.1. Changes in reserve capital | 303 | 309 | 1 784 | 1 724 |
| a) additions (of which) | 303 | 309 | 1 784 | 1 724 |
| - transfer from reserve capital of the sums of liquidated revaluated fixed assets – current period | 303 | 309 | 1 784 | 1 724 |
| 2.2. Closing balance of reserve capital | 324 768 | 324 768 | 324 459 | 324 399 |
| 3. Opening balance of revaluation capital | 68 093 | 68 099 | 69 883 | 69 883 |
| 3.1. Changes in revaluation capital | -303 | -309 | -1 784 | -1 724 |
| a) reductions (of which) | 303 | 309 | 1 784 | 1 724 |
| - transfer from reserve capital of the sums of liquidated revaluated fixed assets – current period | 303 | 309 | 1 784 | 1 724 |
| 3.2. Closing balance of revaluation capital | 67 790 | 67 790 | 68 099 | 68 159 |
| 4. Opening balance of other reserve capital | 457 347 | 417 910 | 374 443 | 374 443 |
| 4.1. Changes in other reserve capital | 0 | 39 437 | 43 467 | 43 467 |
| a) additions (of which) | | 39 437 | 43 467 | 43 467 |
| - allocation to the reserve capital from the profit distributed for the year 2014, with an option of dividend payment to the shareholders. | 0 | 0 | 43 467 | 43 467 |
| - allocation to the reserve capital from the profit distributed for the year 2015, with an option of dividend payment to the shareholders | 0 | 39 437 | 0 | 0 |
| 4.2. Closing balance of other reserve capital | 457 347 | 457 347 | 417 910 | 417 910 |
| 5. Opening balance of retained earnings | 57 921 | 78 913 | 86 946 | 86 946 |
| 5.1. Opening balance of retained earnings | 57 921 | 78 913 | 86 946 | 86 946 |
| 5.2. Opening balance of retained earnings after the restatement to comparative data | 57 921 | 78 913 | 86 946 | 86 946 |
| a) reductions (of which) | 0 | 78 913 | 86 946 | 86 946 |
| - dividend for shareholders | 0 | 39 476 | 43 479 | 43 479 |
| - allocation to the reserve capital from the profit distributed for the year 2014, with an option of dividend payment to the shareholders | 0 | 0 | 43 467 | 43 467 |
| - allocation to the reserve capital from the profit distributed for the year 2015, with an option of dividend payment to the shareholders | 0 | 39 437 | 0 | 0 |
| 5.3. Closing balance of retained earnings | 57 921 | 0 | 0 | 0 |
| 5.4. Closing balance of retained earnings (losses) | 57 921 | 0 | 0 | 0 |
| 6. Net profit (loss) | 22 289 | 80 210 | 78 913 | 101 500 |
| a) net profit | 22 289 | 80 210 | 78 913 | 101 500 |
| II. Closing balance of shareholders' equity | 1 040 538 | 1 040 537 | 999 803 | 1 022 390 |
| III. Shareholders' equity adjusted by the proposed distribution of profit (loss coverage) | 1 040 538 | 1 040 537 | 999 803 | 1 022 390 |

CASH FLOW STATEMENT

| | '000 PLN | | | |
|--|--|--|--|--|
| | Q3 /2016, period from 1 July 2016 to 30 Sept. 2016 | 3 quarters YTD / 2016 period from 1 Jan. 2016 to 30 Sept. 2016 | Q3 /2015, period from 1 July 2015 to 30 Sept. 2015 | 3 quarters YTD / 2015 period from 1 Jan. 2015 to 30 Sept. 2015 |
| A. Operational cash flows | | | | |
| I. Net profit (loss) | 22 289 | 80 210 | 29 628 | 101 500 |
| II. Total adjustments | 25 092 | -1 632 | 68 214 | 45 681 |
| 1. Depreciation and amortization | 23 840 | 70 526 | 23 115 | 68 957 |
| 2. Foreign exchange gains/losses | -28 | -1 | -62 | -98 |
| 3. Interest and dividends | -1 340 | -4 544 | -1 185 | -3 456 |
| 4. Investment activity gain (loss) | -577 | -1 512 | 502 | 1 530 |
| 5. Change in provisions | 784 | -3 717 | 2 748 | 6 573 |
| 6. Change in inventories | 7 179 | -3 525 | 1 022 | 24 452 |
| 7. Change in receivables | -6 011 | -139 375 | -4 086 | -160 839 |
| 8. Change in current liabilities (excluding loans and bank credits) | 1 494 | 82 476 | 46 198 | 110 748 |
| 9. Change in deferred and accrued expenses | -248 | -1 961 | -38 | -2 186 |
| 10. Other adjustments | 0 | 0 | 0 | 0 |
| III. Net operational cash flows (I+/-II), indirect method | 47 381 | 78 579 | 97 842 | 147 181 |
| B. Investment activity cash flows | | | | |
| I. Cash inflows | 32 433 | 212 785 | 1 560 | 6 999 |
| 1. Disposal of intangible assets and tangible fixed assets | 956 | 2 748 | 327 | 3 258 |
| 2. Disposal of investment in real properties and in tangible assets | 0 | 0 | 0 | 0 |
| 3. From financial assets of which: | 1 478 | 5 037 | 1 233 | 3 741 |
| a) in related entities | 1 478 | 5 037 | 1 233 | 3 741 |
| - interest received | 1 478 | 5 037 | 1 233 | 3 741 |
| II. Cash outflows | 30 000 | 205 000 | 0 | 0 |
| 1. Acquisition of intangible assets and tangible fixed assets | 65 309 | 235 208 | 11 922 | 62 872 |
| 2. Other investment expenses | 20 309 | 65 208 | 11 922 | 62 872 |
| III. Net investment activity cash flows (I-II) | 45 000 | 170 000 | 0 | 0 |
| C. Financial activity cash flows | | | | |
| I. Cash inflows | 0 | 0 | 0 | 0 |
| II. Cash outflows | 593 | 1 835 | 657 | 1 749 |
| 1. Repayments of bank credits and loans | 0 | 0 | 145 | 0 |
| 2. Payment of liabilities under lease contracts | 456 | 1 341 | 464 | 1 464 |
| 3. Interest expense | 137 | 494 | 48 | 285 |
| III. Net financial activity cash flows (I-II) | -593 | -1 835 | -657 | -1 749 |
| D. Total net cash flows (A.III+/-B.III+/-C.III) | 13 912 | 54 320 | 86 823 | 89 559 |
| E. Change in balance-sheet cash and cash equivalents of which: | 13 940 | 54 321 | 86 885 | 89 657 |
| - change in cash and cash equivalents due to foreign exchange gains/losses | 28 | 1 | 62 | 98 |
| F. Opening balance of cash and cash equivalents | 69 814 | 29 406 | 59 188 | 56 452 |
| G. Closing balance of cash and cash equivalents (F+/- D) of which: | 83 726 | 83 726 | 146 011 | 146 011 |
| - those with restricted availability | 204 | 204 | 914 | 914 |

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NOTES TO THE FINANCIAL STATEMENT**1. Accounting principles used to draw up the report.**

The Q3 2016 report was drawn up in compliance with the provisions of the Accounting Act of September 29, 1994, as amended, and pursuant to the accounting principles effective at the Company.

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

The accounting principles vis-à-vis those described in the annual report SA-R 2015 have not been modified.

No material changes in estimated data occurred.

2. Material achievements or failures of the issuer.

In three quarters of 2016 Tire Company Debica S.A. generated sales revenues totalling PLN 1 356.6 million, down by 3.9% compared to 9 months of 2015.

In the Q3 alone the Company posted sales revenues decline by 4.3% on a year-to-year basis.

Net profit for three quarters of 2016 (on YTD basis) totalled PLN 80.2 million and was down by PLN 21.3 million on a year-to-date basis.

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

In three quarters of 2016 the sales revenues to the Goodyear Group member companies totalled PLN 1 226.2 million i.e. down by PLN 80.2 on a year-to-year basis. For three quarters of 2016 sales to the Goodyear Group member companies accounted for 92.4 per cent of total sales, compared to 92.6 per cent in 2015.

Sales revenues from non-related entities were PLN 130.4 million, up by PLN 25.8 million on a year-to-year basis.

Gross profit on the sales to related entities totalled PLN 117,1 million and was down by PLN 49.7 million compared to the previous year. The ratio of gross profit margin to revenues fell from 12.8 per cent to 9.5 per cent on a year-to-year basis.

Gross profit on the sales to non-related entities totalled PLN 25,6 million and was up by PLN 13,0 million compared to the same period in previous year, whereas margin at this level of profit rose from 12.0 per cent to 19.7 per cent on a year-to-year basis.

Gross sales profit in three quarters of 2016 totalled PLN 142.7 million, whereas margin to revenues ratio was 10.5 per cent. Meanwhile gross profit on total sales in three quarters of 2015 totalled PLN 179.4 million, whereas margin to revenues ratio was 12.7 per cent.

The average unit manufacturing costs in three quarters of 2016 fell by 6.1 per cent compared to the same period in the previous year. The key cost driver was the fall of raw material prices.

Selling, General and Administrative (SG&A) Expense totalled PLN 61.2 i.e. up by PLN 3.5 million compared to three quarters of 2015. The share of these expenses in sales in value terms was 4.5 per cent compared to 4.1 per cent last year.

The rise of SG&A expenses was mainly fuelled by higher marketing spending and commercial discounts extended to the Company customers.

In 2016 the other operating profit was negative and amounted to PLN 6.6 million and was down by PLN 7.0 million compared to 9 months of 2015, mainly due to the lower cost of bad debts by PLN 10.0 million, which for 9 months of 2016 totalled PLN 0.2 million, and in the previous year PLN 10,2 million.

The loss amounting to PLN 6.6 was caused by restructuring costs totalling PLN 6.2 million, up by PLN 6.0 million compared to 9 months of 2015.

In H1 of the year the Company set up a provision for production workers' severance pays. It is a programme aimed at further enhancement of production efficiency. The Programme has been implemented since H2 2016.

In three quarters 2016 the gains from the sales of non-financial fixed assets totalled 1.4 million, up by PLN 2.0 million on a year-to-year basis. Other operating costs are down by PLN 1.0 million.

Operating profit (EBIT) totalled PLN 74.8 million i.e. down by PLN 33.2 million on a year-to-year basis, whereas the margin at this profit level to the revenues declined to 5.5 per cent against 7.6 per cent in three quarters of 2015.

In 9 months of 2016 the financial activities generated gains totalling PLN 1.1 million compared to financial gain of PLN 3.3 million in the same period in 2016 i.e. down by PLN 2.2 million.

Such level of financial activity gains was driven by foreign exchange losses that totalled PLN 3.0 million compared to foreign exchange gains totalling PLN 1.3 million. Thus the foreign exchange losses are up by PLN 4.3 million on a year-to-year basis.

Meanwhile interest income from loans extended to related entities generated revenues totalling PLN 5.0 million, up by PLN 1.3 million compared to three quarters of 2015.

Interest on idle cash generated financial gains amounting to PLN 0.4 million, up by PLN 0.1 million compared to the same period of the previous year.

Costs of bill of exchange discount and other interest totalled PLN 1.3 million compared to PLN 2.0 million for three quarters of 2015 (down by PLN 0.7 million).

In three quarters of 2016 gross profit before tax totalled PLN 76.0 million, down by 31.7% per cent on a year-to-year basis.

Pursuant to the held operational permit No. 134/ARP/2008 of 27 February 2008 for running business activities within the Euro-Park Mielec Special Economic Zone Tire Company Debica S.A. is entitled to enjoy income tax relief up to 40.23 per cent of the discounted amount of capital expenditures spent on investment projects within the "Euro-Park Mielec" Special Economic Zone. The Company met the requirements attached to the operational permit in December 2012 and starting from 2013 onwards is entitled to enjoy income tax relief for legal persons. The Company made an assumption that income tax relief will be utilized by the end of 2017, and in that period all short-term and some long-term transient tax differences will be utilized.

The deferred portion of income tax totalled PLN 965.3 thousand. The Company settles income tax relief enjoyed in relation to the execution of investment project in the Euro-Park Mielec Special Economic Zone. The paid portion of the tax applied to the revenues generated by the activities not covered by the operational permit to run business activities in the Special Economic Zone. The deferred portion of the income tax totalled PLN 5.2 million and consequently the total income tax was PLN 4.2 million. The impact of deferred income tax on net profit/loss stems from the separation of transient differences related to the difference between the values of fixed assets for tax purposes and shown in the balance sheet, that will be realized in the period of enjoyment of income tax relief related to the business activities in the Special Economic Zone. Consequently the zero tax rate was applied to the existing asset as of balancing date (September 30, 2016) and estimated provision for the difference in amortization at the moment of income tax relief execution i.e. as of December 31, 2018.

Net profit for 9 months of 2016 totalled PLN 80.2 million, down by 21.0 per cent compared to the same period of the previous year.

At the end of September 2016 the fixed assets totalled PLN 814.7 million in value terms and were down by PLN 15.1 million compared to the opening balance of 2016.

The capital expenditures totalled PLN 54.9 million, whereas the value of depreciation on the existing fixed assets was PLN 70.5 million.

The deferred income tax assets totalled PLN 2.1 million and remained at the comparable level against that prevailing on onset of 2016.

Current assets totalled PLN 766.4 million and were up by PLN 164.2 million after three quarters of 2016 .

Short-term receivables totalled PLN 354.2 million and were down by PLN 112.2 million compared to opening balance of 2016, of which: short-term receivables from related entities were up by PLN 118.5 million, and from other entities down by PLN 6.3 million.

Inventory went up by PLN 3.5 million to the level of PLN 78.4 million.

Short-term financial assets totalled PLN 330.9 million and were up by PLN 46.5 million after three quarters of 2016.

Cash assets and equivalents were up by PLN 54.3 million. Total amount of loans extended to related entities totalled PLN 220.0 million at the end of September 2016.

Short-term prepayments totalled PLN 2.9 million and were up by PLN 2.0 million after three quarters of 2016 mainly due to the write-offs to the Company Social Benefit Fund.

.AS of September 30, 2016 Company assets totalled PLN 1 581.1 million and were up after 3 quarters by PLN 149.1 million.

As of September 30, 2016 the liabilities and provisions for liabilities totalled PLN 540.5 million and were up by PLN 108.4 million after three quarters of 2016.

Meanwhile the provisions for liabilities were down by PLN 3.7 million, whereas the provision for deferred tax fell by PLN 5.2 million.

Short-term liabilities vis-a-vis related entities were up by PLN 112.0 million. Short-term liabilities vis-a-vis non-related entities were up by PLN 61.4 million. Long-term liabilities were up by PLN 0.1 million and they amounted to PLN 1.8 million at the end of September 2016. Special funds went up by PLN 0.4 million.

At the end of December 2016 the Company's shareholders' equity totalled PLN 1 040.5 million and was up by PLN 40.7 million after three quarters of 2016.

In three quarters 2016 the operating activities generated positive cash flows totalling PLN 78.6 million. Net profit and depreciation generated positive cash flows totalling PLN 150.7 million, whereas the decline of working capital generated

PLN 60.4 million of cash outflows, mainly due to an increase of receivables at the end of Q3. The change in the balance of provisions and cost accruals generated PLN 5.7 million of cash outflows, whereas other titles generated PLN 6.1 million of cash outflows. Investment activity cash flows were negative and totalled PLN 22.4 million. For the acquisition of tangible fixed assets the total amount of PLN 65.2 million was allocated, whereas the loans extended to related entities generated PLN 170 million of cash outflows. On the other hand the repayment of the loans by the related entity generated also PLN 205 million of cash inflows. The loans extended to the related entity generated interest income totalling PLN 5.0 million.

The financial activities generated negative cash flows totalling PLN 1.8 million.

The interest expense totalled PLN 0.5 million, whereas the lease payments generated cash outflows totalling PLN 1.3 million.

Net cash flows in three quarters of 2016 were positive and totalled PLN 54.3 million. During four quarters of 2016 cash balance went up by PLN 54.3 million, from the closing balance of PLN 29.4 million in December 2015 up to the closing balance of PLN 83.7 million at the end of September 2016.

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

4. Revaluation of inventory

After 3 quarters 2016, on a year-to-date basis, T.C. Debica S.A. made allowances to revalue its inventory for the total amount of PLN 935 thousand that influenced the level of other operating costs. Revaluation allowances applied to:

a/ product inventory: PLN 934 thousand.

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

Total: PLN 935 thousand.

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

None.

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

As of September 30, 2016 the balance of provisions for pension benefits and equivalents totalled PLN 28.6 million and was down by PLN 3.1 million compared to 31 December 2015.

7. Deferred income tax provisions and assets

As of September 30, 2016 the provision for deferred income tax totalled PLN 24.2 million and was down by PLN 5.2 million compared to the balance as of 31 December 2015.

The deferred tax balance difference in the balance sheet is a result of revaluation of transitional positive differences related to the difference between fixed assets value in balance sheet and for tax purposes, under the assumption of reduced tax amortisation. The zero tax rate was applied to the existing asset as of September 30, 2016 and estimated provision for the difference in amortization at the moment of tax break execution i.e. as of December 31, 2017.

As of September 30, 2016 the balance of deferred income tax assets totalled PLN 2.1 million and remained at the similar level compared to the balance as of December 31, 2015.

8. Material transactions of acquisition and disposal of tangible fixed assets.

None.

9. Material liabilities related to the purchase of tangible fixed assets

None.

10. Material litigation-related settlements.

None.

11. Adjustment of errors from previous periods.

None.

12. Information about changes in economic position and business environment, having material impact on the fair value of financial assets and liabilities.

None.

13. Information about being in default with credit or loan repayment or about a breach of material provisions of loan agreement.

None.

14. Information about entering by the Issuer or its subsidiary into a single or multiple transactions with related entities, if they alone or jointly play significant role and were not made following arm's length principle.

None.

15. Financial instruments priced at fair value – change of its pricing method.

None.

16. Change in financial asset classification due to the modification of assets purpose or utilization.

None.

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

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

18. Dividend

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

19. Material events after the financial statement preparation date.

None.

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

None.

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

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

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

The assets and liabilities from the balance sheet were converted into euro using the average exchange rate of the National Bank of Poland prevailing on September 30, 2016 (1 EURO = 4.3120 PLN), and on September 30, 2015 (1 EURO = 4.2386 PLN).

The items from the Profit and Loss Account and from the Cash Flow Statement were converted into EURO using the EURO rate that was the arithmetic mean of the exchange rates published by the National Bank of Poland and effective on the last

day of the accounting month. The mean exchange rate adopted for conversions of data for three quarters of 2016 is PLN 4.3688 for 1 EURO, and for conversions of data for three quarters of 2015 is PLN 4.1585 for 1 EURO.

The net profit for three quarters of 2016 posted into the balance sheet, calculated using the exchange rate prevailing at the end of September 2016 amounted to EUR 18 602 thousand, whereas the net profit calculated using average exchange rates amounts to EUR 18 360 thousand. The foreign exchange gains due to the conversion of net financial result for three quarters of 2016 amounted to EUR 242 thousand.

2. Issuer's Capital Group

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

3. Effects of changes in company's structure.

In three quarters of 2016 no changes occurred in the Company's structure.

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

The Company did not publish forecasts of its performance in 2012.

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

According to the Company Management as of the date of drawing up the Q3 2106 Quarterly Report:

1) a shareholder holding above 5 % of the initial capital and at least 5% of the total number of votes at the Company's General Meeting of Shareholders was Goodyear S.A., with its registered office in Luxembourg, holding in total 11,234,912 shares in the Company, accounting for 81.396% of the Company's shareholders' equity and giving entitlement to exercise 11,234,912 votes at the Company's General Meeting of Shareholders, accounting for 81.396% of the total number of votes at the Company's General Meeting of Shareholders.

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

The following members of the Company governing bodies hold shares:

Stanislaw Cieszkowski, President of the Management Board (since 4 June 2014) – 430 shares

Janusz Raś – a Supervisory Board Member - 15 shares

All shares have a par value of PLN 8.00.

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

None.

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

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

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

In Q3 2016 the Company extended one short-term loan totalling PLN 45 million to Goodyear S.A. with its registered office in Luxembourg. Total amount of loans extended to related entities totalled PLN 220 million at the end of September 2016.

In Q3 2016 the September 2015 loan totalling PLN 30 million was repaid.

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

| | | | | | |
|--|--------------------|---------------------------|---------------|---------------|--------------------|
| Loan Agreement date | September 24, 2015 | December 23, 2015 | May 20, 2016 | June 29, 2016 | September 24, 2016 |
| Date of loan proceeds disbursement (Agreement) | September 24, 2015 | December 23, 2015 | May 23, 2016 | June 30, 2016 | September 24, 2016 |
| Interest rate for July | 4.65% | 4.65% | 1.75% | 1.75% | 1.75% |
| Interest rate for August | 4.65% | 4.65% | 1.75% | 1.75% | 1.75% |
| Interest rate for September | 4.65% | 4.65% | 1.75% | 1.75% | 1.75% |
| Loan amounts | 30 000 000.00 | 150 000 000.00/50 000 000 | 75 000 000.00 | 50 000 000 | 45 000 000 |
| Maturity date (loan repayment) | September 24, 2016 | December 23, 2016 | May 20, 2017 | 2017-06-29 | 2017-09-24 |
| | 113 178.08 | 188 630.14 | 104 178.08 | 2 315.07 | |
| Interest accrued for July | 118 479.45 | 197 465.75 | 111 472.60 | 74 315.07 | |
| Interest accrued for August | 118 479.45 | 197 465.75 | 111 472.60 | 74 315.07 | |
| Interest accrued for September | 91 726.03 | 191 095.89 | 107 876.71 | 71 917.81 | 11 506.85 |
| Total interest accrued in Q3 | 328 684.93 | 586 027.40 | 330 821.92 | 220 547.95 | 11 506.85 |
| Total interest actually paid in Q3 | 350 136.99 | 583 561.64 | 327 123.29 | 150 945.21 | 0.00 |

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

10. Other information vital to the assessment of financial performance

None.

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

Major drivers include:

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

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

| SIGNATURES OF PERSONS REPRESENTING THE COMPANY | | | |
|--|-----------------------|---|-----------|
| Date | Name and surname | Position/Function | Signature |
| November 07, 2016 | Stanisław Cieszkowski | President of Management Board /Chief Production Officer | |
| November 07, 2016 | Ireneusz Maksymiuk | Management Board member /Chief Financial Officer | |