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POLISH FINANCIAL SUPERVISION AUTHORITY

Quarterly Report SA-Q

1 / 2010

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 production, construction, trading or service activities)

for Q1 of the accounting year 2010 covering the period from January 1, 2010 to March 31, 2010

Filing date: May 13, 2010

TIRE COMPANY DEBICA SA

DEBICA (full name of issuer)
Automotive (sector according to WSE classification)
 Abbreviated name of issuer (sector according to WSE classification)
39-200 (postal code) **Debica** (place)
ul. 1 Maja (street) **1** (number)
(014) 670-28-31 (phone) **014 670-09-57** (fax)
872-000-34-04 (e-mail) **www.debica.com.pl** (Web site)
(Tax ID - NIP) **850004505** (REGON Statistical No.)

SELECTED FINANCIAL DATA	'000 PLN		'000 EUR	
	1 quarter on YTD basis / 2010, period from Jan. 1, 2010 to Mar. 31, 2010	1 quarter on YTD basis / 2009 period from Jan. 1, 2009 to Mar. 31, 2009	1 quarter on YTD basis / 2010, period from Jan. 1, 2010 to Mar. 31, 2010	1 quarter on YTD basis / 2009, period from Jan. 1, 2009 to Mar. 31, 2009
I. Net sales of products, merchandise and materials	418 172	384 039	105 415	83 498
II. Operating profit (loss)	17 916	25 157	4 516	5 470
III. Gross profit (loss)	13 795	18 150	3 478	3 946
IV. Net profit (loss)	10 976	14 577	2 767	3 169
V. Operational cash flows, net	-12 634	53 978	-3 271	11 481
VI. Investment activity cash flows, net	-13 365	-34 334	-3 461	-7 303
VII. Financial activity cash flows, net	-3 546	-30 479	-918	-6 483
VIII. Total net cash flows	-29 546	-10 835	-7 650	-2 305
IX. Total assets (at closing of current quarter and at closing of previous year)	1 215 661	1 221 161	314 759	259 750
X. Liabilities and liabilities provisions (at closing of current quarter and at closing of previous year)	455 967	507 809	118 059	108 015
XI. Long-term liabilities (at closing of current quarter and at closing of previous year)	2 071	8 976	536	1 909
XII. Short-term liabilities (at closing of current quarter and at closing of previous year)	373 003	400 279	96 578	85 142
XIII. Equity (at closing of current quarter and at closing of previous year)	759 695	713 351	196 700	151 735
XIV. Initial capital (at closing of current quarter and at closing of previous year)	110 422	110 422	28 590	23 488
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)	0.80	1.06	0.20	0.23
Diluted earnings (loss) per ordinary share (in PLN / EUR)				
XVII. Book value per share (in PLN / EUR)	55.04	51.68	14.25	10.99
Diluted book value per share (in PLN / EUR)				
Declared or paid dividend per share (in PLN / EUR)				

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 March 31, 2010, end of quarter / 2010	As of end of previous quarter /	As of Dec. 31, 2009 end of previous year / 2009	As of March 31, 2009, end of quarter / 2009
ASSETS				
I. Fixed assets	628 548		630 654	655 120
1. Intangible assets including:	3 411		3 594	4 145
2. Tangible fixed assets	608 989		614 300	622 844
3. Long-term investments	3 546		1 351	144
3.1. Long-term financial assets	3 546		1 351	144
a) in other entities	3 546		1 351	144
4. Long-term deferred assets	12 601		11 409	27 986
4.1. Deferred income tax assets	12 601		11 409	27 986
II. Current assets	587 113		511 166	566 041
1. Inventories	163 147		167 243	194 917
2. Short-term receivables	375 502		266 852	352 249
2.1. From related entities	317 594		213 760	301 333
2.2. From other entities	57 909		53 092	50 916
3. Short-term investments	45 054		76 396	18 076
3.1. Short-term financial assets	45 054		76 396	18 076
a) in other entities	1 335		1 069	
b) cash and cash equivalents	43 719		75 327	18 076
4. Short-term deferred assets	3 410		675	800
Total assets	1 215 661		1 141 820	1 221 161
LIABILITIES				
I. Shareholders' equity	759 695		748 719	713 351
1. Share capital	110 422		110 422	110 422
2. Reserve capital	310 603		310 603	310 603
3. Revaluation capital	81 955		81 955	81 955
4. Other reserve capitals	173 710		173 710	105 794
5. Retained earnings (loss)	72 029			90 000
6. Net profit (loss)	10 976		72 029	14 577
II. Liabilities and liabilities provisions	455 967		393 101	507 809
1. Liabilities provisions	80 892		81 478	98 553
1.1. Provision for deferred income tax	54 145		46 067	41 695
1.2. Provision for retirement benefits and equivalents	23 037		30 489	49 413
a) long-term	10 497		10 497	24 876
b) short-term	12 540		19 992	24 537
1.3. Other provisions	3 711		4 922	7 445
a) long-term	3 335		3 347	
b) Short-term	375		1 575	7 445
2. Long-term liabilities	2 071		1 880	8 976
2.1. to other entities	2 071		1 880	8 976
3. Short-term liabilities	373 003		309 680	400 279
3.1. To related entities	100 908		70 457	70 820
3.2. to other entities	268 543		238 332	328 987
3.3. Special funds	3 553		891	472
4. Accrued liabilities	0		63	2
4.1. Other accrued liabilities	0		63	2
a) long-term liabilities			0	
b) short-term liabilities			63	2
Total liabilities	1 215 661		1 141 820	1 221 161
Book value	759 695		748 719	713 351
Number of shares	13 802 750		13 802 750	13 802 750
Book value per share (in PLN)	55,04		54,24	51,68

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 March 31, 2010, end of quarter / 2010	As of end of previous quarter /	As of Dec. 31, 2010 end of previous year / 2009	As of March 31, 2009, end of quarter / 2009
1. Other	70 381		75 433	100 935
off-balance liabilities under a real estate long-term lease agreement	53 693		56 860	77 669
off-balance liabilities under a long-term gas supply contract	15 401		16 810	20 328
off-balance liabilities under a long-term real estate lease agreement	1 287		1 763	2 937
Total off-balance items	70 381		75 433	100 935

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			
	Q1 /2010 period from Jan. 1, 2010 to Mar. 31, 2010	quarters on YTD basis / period from ... to ...	Q1 /2009, period from Jan. 1, 2009 to Mar. 31, 2009	quarters on YTD basis / period from ... to ...
I. Net sales of products, merchandise and materials including:	418 172		384 039	
- from related entities	359 055		325 272	
1. Net sales of products	409 921		377 223	
2. Net sales of merchandise and materials	8 251		6 816	
II. Cost of products, merchandise and materials sold including:	377 060		314 058	
- to related entities	330 757		270 385	
1. Cost of products sold	370 693		308 909	
2. Cost of merchandise and materials sold	6 367		5 149	
III. Gross profit (loss) on sales	41 112		69 981	
IV. Selling expenses	8 216		7 098	
V. General administrative expenses	13 609		14 996	
VI. Profit (loss) on sales	19 287		47 887	
VII. Other operating income	202		231	
1. Gain on disposal of non-financial fixed assets	86			
2. Other operating income	116		231	
VIII. Other operating expenses	1 573		22 961	
1. Loss on disposal of non-financial fixed assets			134	
1. Revaluation of non-financial fixed assets	1 054		2 216	
2. Other operating costs	519		20 611	
IX. Operating profit (loss)	17 916		25 157	
X. Financial income	2 551		6 762	
1. Interest receivable including:	36		83	
2. Other	2 515		6 679	
XI. Financial expenses	6 672		13 769	
1. Interest payable including:	1 982		3 005	
2. Other	4 690		10 764	
XII. Profit (loss) on ordinary activities	13 795		18 150	
XIII. Profit (loss) before taxation	13 795		18 150	
XIV. Income tax	2 819		3 573	
a) current portion	-4 068		18 530	
b) deferred portion	6 887		-14 957	
XV. Net profit (loss)	10 976		14 577	
Net profit (loss) (annualized)	68 428		85 272	
Weighted average number of ordinary shares	13 802 750		13 802 750	
Earnings (loss) per ordinary share (in PLN)	4,96		6,18	

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	'000 PLN			
	Q1 /2010, period from Jan. 1, 2010 to Mar. 31, 2010	quarters on YTD basis / period from ... to ...	Year 2009, period from Jan. 1, 2009 to Dec. 31, 2009	1 quarter(s) on YTD basis / 2009, period from Jan. 1, 2009 to Mar. 31, 2009
I. Opening balance of shareholders' equity	748 719		698 774	698 774
Opening balance of shareholders' equity, after restatement to comparative data	748 719		698 774	698 774
1. Opening balance of share capital	110 422		110 422	110 422
1.1. Closing balance of share capital	110 422		110 422	110 422
2. Opening balance of reserve capital	310 603		310 603	310 603
2.1. Closing balance of reserve capital	310 603		310 603	310 603
3. Opening balance of revaluation capital	81 955		81 955	81 955
3.1. Closing balance of revaluation capital	81 955		81 955	81 955
4. Opening balance of other reserve capital	173 710		105 794	105 794
a) additions (of which):			67 916	
allocation of the reserve capital from the profit distributed for the year 2008, with an option of dividend payment to the shareholders.			67 916	
4.1. Closing balance of other reserve capital	173 710		173 710	105 794
5. Opening balance of retained earnings	72 029		90 000	90 000
5.1. Opening balance of retained earnings	72 029		90 000	90 000
5.2. Opening balance of retained earnings after the restatement to comparative data	72 029		90 000	90 000
a) reductions (of which):	0		90 000	0
- dividend for shareholders			22 084	
allocation to the reserve capital from the profit distributed for the year 2008, with an option of dividend payment to the shareholders.			67 916	
5.3. Closing balance of retained earnings	72 029		0	90 000
5.4. Closing balance of retained earnings	72 029		0	90 000
6. Net profit (loss)	10 976		72 029	14 577
a) net profit	10 976		72 029	14 577
II. Closing balance of shareholders' equity	759 695		748 719	713 351
III. Shareholders' equity adjusted by the proposed distribution of profit (loss coverage)	759 695		748 719	713 351

CASH FLOW STATEMENT

	'000 PLN			
	Q1 /2010, period from Jan. 1, 2010 to Mar. 31, 2010	quarters on YTD basis / period from ... to ...	Q1 /2009 period from Jan. 1, 2009 to Mar. 31, 2009	quarters on YTD basis / period from ... to ...
A. Operational cash flows				
I. Net profit (loss)	10 976		14 577	
II. Total adjustments	-23 610		39 400	
1. Depreciation and amortization	15 953		14 638	
2. Foreign exchange gains/losses	2 062		1 896	
3. Interest and dividends	865		1 786	
4. Investment activity gain (loss)	691		190	
5. Change in provisions	-586		1 173	
6. Change in inventories	4 095		24 600	
7. Change in receivables	-108 650		-6 514	
Change in current liabilities (excluding loans and bank credits)	68 464		2 114	
9. Change in deferred and accrued expenses	-3 991		-11 244	
10. Other adjustments	-2 515		10 760	
Net operational cash flows (I+/-II) –III, indirect method	-12 634		53 978	
B. Investment activity cash flows				
I. Cash inflows	160		1 922	

	'000 PLN			
	Q1 /2010, period from Jan. 1, 2010 to Mar. 31, 2010	quarters on YTD basis / period from ... to ...	Q1 /2009 period from Jan. 1, 2009 to Mar. 31, 2009	quarters on YTD basis / period from ... to ...
1. Disposal of intangible assets and tangible fixed assets	160		1 922	
2. From financial assets of which:	30		56	
a) in other entities	30		56	
- interest received	30		56	
II. Cash outflows	13 397		34 494	
1. Purchases of intangible assets and tangible fixed assets	13 397		34 494	
III. Net investment activity cash flows (I-II)	-13 365		-34 334	
C. Cash flows from financial activities				
I. Cash inflows	0		0	
II. Cash outflows	3 546		30 479	
1. Payments of bank credits and loans	2 218		28 271	
2. Financial lease commitments paid	433		365	
3. Interest paid	895		1 843	
III. Net financial activity cash flows (I-II)	-3 546		-30 479	
D. Total net cash flows (A.III+/-B.III+/-C.III)	-29 546		-10 835	
E. Change in balance-sheet cash and cash equivalents of which:	-31 608		-12 732	
- change in cash and cash equivalents due to foreign exchange gains/losses	-2 062		-1 896	
F. Opening balance of cash and cash equivalents	73 604		29 554	
G. Closing balance of cash and cash equivalents (F+/- D) of which:	44 058		18 719	
- those with restricted availability	3 548		162	

NOTES TO THE FINANCIAL STATEMENT

1. Accounting principles used to draw up the report.

The Q1 2010 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 2009 have not been modified.

No material changes in estimated data occurred.

2. Material achievements or failures of the issuer.

A 9-percent increase of sales revenues generated by Tire Company Dębica S.A. is a sign of gradual recovery of the tire market. A significant increase in raw material prices, foreign exchange fluctuations and related price competition led to material sales margin squeeze and consequently to a net profit generated in the range of PLN 11 million.

The Q1 of this year allowed to return to the sales growth path thanks to gradual revival of tire market after last year's crisis.

In Q1 2010 Tire Company Dębica S.A. generated sales revenues of PLN 418.2 million, up by 8.9 percent compared to those generated in the same period of 2009. The sales both to Goodyear Group and to non-related customers was up.

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

In Q1 2010 66.6 percent of sales worth PLN 278.6 million was exported. 99.9 percent of tires were sold abroad to the Goodyear Group-related entities. Domestic sales in value terms amounted to PLN 139.6 million, of which 57.8 % was sales to Goodyear Dunlop Tires Polska Sp. z o.o. Total sales to Goodyear's related entities accounted for 85.9% of sales in value terms and for 88.1% of sales in tonnage terms. In Q1 of the last year these figures were 84.7 percent and 86.6 percent respectively.

Total gross profit on sales amounted to PLN 41.1 million.

The costs of sales and general management totaling PLN 21.8 million were reduced by 1.2 percent compared to the same period in the previous year.

The net income from other operations was up by PLN 21.4 million compared to Q1 2009 when the Company had to bear costs of non-utilized production capacity (PLN 15.7 million) and costs of restructuring (PLN 4.7 million). In Q1 2010 the inventory revaluation costs were down by PLN 1.2 million, while other operating costs were up by PLN 0.2 million.

In Q1 2010 the financial activity gain was up by PLN 2.9 million compared to the previous year. The revaluation of embedded derivatives generated revenues of PLN 2.5 million (in Q1 2009 it was a cost of PLN 10.8 million). The Company financial activity income was adversely affected by the foreign exchange losses of PLN 4.7 million (whereas in Q1 2009 it generated a gain of PLN 6.7 million). The loan interest was down by PLN 1 million, while cost of bill of exchange discount was down by PLN 0.1 million. Total financial activity net income was negative and totaled PLN 4.1 million.

Total gross profit on sales amounted to PLN 13.8 million, while net profit to PLN 11 million in Q1 2010.

In Q1 2010 Company's fixed assets were down by PLN 2.1 million. The value of tangible fixed assets was down by PLN 5.3 million and the intangible fixed assets were down by PLN 0.2 million. The deferred income tax assets were up by PLN 1.2 million and long-term financial assets were up by PLN 2.2 million.

Company's current assets were up by PLN 75.9 million. The short-term receivables were up by PLN 108.6 million, while short-term prepayments were up by PLN 2.7 million. The value of inventory was down by PLN 4.1 million, while short-term financial assets fell by PLN 31.3 million.

In Q1 2010 the provisions for Company's liabilities were up by PLN 62.9 million. Short-term liabilities were up by PLN 63.3 million, while trade payables were up by PLN 62.8 million, while social fund was raised by PLN 2.7 million. Current account overdraft facility liabilities were down by PLN 2.2 million. Meanwhile long-term liabilities were up by PLN 0.2 million.

Provisions for liabilities were down by PLN 0.6 million. The provision for deferred tax was raised by PLN 8.1 million, while the provision for restructuring was cut by PLN 1.2 million, while provision for employee benefits was reduced by PLN 7.5 million. Equity was up by PLN 11.0 million, which was an increase equal to a net profit generated in Q1 2010.

The Company has consistently maintained high financial liquidity in parallel to low debt level.

4. Seasonality, cyclic nature of the activities.

None.

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

In the current accounting period, nor in the past the Company has not issued neither debt, nor equity securities.

6. Dividend

A decision to allocate 25% of 2008 net profit i.e. PLN 22.1 million to dividend payment to shareholders, at PLN 1.6 per share, was taken by the Company Shareholders at the General Meeting of Shareholders on 16 June 2009. The entitlement to 2008 dividend was held by persons who held Company shares on 24 August 2009 on their account kept by a brokerage house (the so called date of acquiring entitlement to dividend). The dividend was paid out on 17 December 2009.

7. Material events that followed the financial statement preparation date.

None.

8. Effects of changes in the Company structure.

In Q1 2010 no changes were made in the Company structure.

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

At the end of March 2010 the balance of contingent liabilities amounted to PLN 70.4 million. During Q1 the contingent liabilities fell by PLN 5.1 million.

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 March 31, 2010. (1 EURO = 3.8622), and on March 31, 2009 (1 EURO = 4.7013).

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 from Q1 2010 is PLN 3.9665 for 1 EURO, and for conversions of data from Q1 2009 is PLN 4.5994 for 1 EURO.

The foreign exchange gains/losses due to the conversion of net financial result were posted into equity.

The net profit for Q1 2010 posted into the balance sheet, calculated using the exchange rate prevailing at the end of March 2010 amounted to EUR 2 822 thousand, whereas the net profit calculated using average exchange rates amounts to EUR 2 767 thousand.

The foreign exchange gains due to the conversion of net financial result for Q1 2010 amounted to EUR 75 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.

Q1 2010 saw 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 2010.

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 Q1 Quarterly Report for 2010:

- 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 a registered office in Luxembourg currently holding 9 117 040 shares accounting for 66.052 % of the Company's initial capital and giving entitlement to 66.052% of the total number of votes at the Company's General Meeting of Shareholders. - *in compliance with information provided by the Company and made public in Current Report No. 29/2009, dated 23 November 2009;
- 2) The total number of shares in the Company held by the entities with investment portfolios is managed by PZU Asset Management 1 673 835 shares that accounted for 12.13 % of shareholders' equity and 12.13 % of votes at the Company's General Meeting of Shareholders. - *in compliance with information provided by the Company and made public in Current Report No. 3/2009, dated 17 February 2009;

The Company is not in the possession of information about subsequent changes in the shareholding structure that would involve shareholders holding, at least, 5 % of initial capital and, at least, 5 % of the total number of votes at the Company's General Meeting of Shareholders.

6. Specification of changes in the 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:

Jacek Pryczek, President of the Management Board - 1 share
 Stanisław Cieszkowski – a Management Board member – 420 shares
 Raimondo Eggink – a Supervisory Board member – 500 shares
 Czesław Łączak – a Supervisory Board member – 1 share

All shares have par value of PLN 8.00 each.

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 transactions made with related entities, if they are not typical and routine transactions entered following an arm's-length principle, with the value exceeding EUR 500 thousand.

None.

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

None.

10. Other information vital to the assessment of financial position

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 in global markets;
- situation in global financial markets.

File	Description

SIGNATURES OF PERSONS REPRESENTING THE COMPANY			
Date	Name and surname	Position/Function	Signature
13 May 2010	Jacek Pryczek	President of Management Board, CEO	
13 May 2010	Leszek Cichocki	Management Board member – Finance Director	