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## POLISH FINANCIAL SUPERVISION AUTHORITY (PFSA)

## Bi-Annual Report SA-P 2020

(pursuant to § 60, par. 1, subpar. 2 of the Ordinance of the Minister of Finance of 29 March 2018)

(for issuers of securities running manufacturing, construction, trade or service activities or for issuers of securities being alternative investment companies)

for H1 of the current accounting year 2020 covering the period from 1 January 2020 to 30 June 2020

and for H1 of the previous accounting year 2019 covering the period from 1 January 2019 to 30 June 2019

Filing date: 14 September 2020

Tire Company "Dębica" Spółka Akcyjna	
(full company name)	
T.C. Dębica S.A.	automotive
(abbreviated name of issue)	(sector according to WSE classification)
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PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k (audit firm)

The Bi-Annual Report comprises (please tick off as appropriate):

- A Report of the audit firm on the bi-annual review of condensed financial statement /bi-annual financial statement, or
- A Report of the audit firm on the audit of bi-annual condensed financial statements / bi-annual financial statements
- Position of the management body together with the supervisory authority's opinion on the reservations expressed by the audit firm in the review report or refusal to issue the review report on the condensed bi-annual financial statements / bi-annual financial statements
- Position of the management body along with the opinion of the supervisory body on the audit report of the bi-annual summary financial statements / bi-annual financial statements containing a qualified opinion, an adverse opinion or a refusal to issue an opinion
- Representation of the Management Board on the reliability of drawing up the financial statement
- Bi-annual financial statement  abbreviated version  full version
- Balance Sheet  Cash Flow Statement
- Additional requirements for the issuers managing Alternative Investment Companies (ASI)
- Profit and Loss Account  Notes to the Financial Statement
- Statement of Changes In Shareholders' Equity
- Management Board's Report on Company Operations (Issuer's Bi-Annual Operations Report)

FINANCIAL HIGHLIGHTS	('000 PLN)		'000 EUR	
	H1 / 2020	H1 / 2019	H1 / 2020	H1 / 2019
I. Net sales of products, merchandise and materials	797,811	1,066,713	179,635	248,767
II. Operating profit /loss	15,534	74,580	3,498	17,393
III. Gross profit/loss	15,652	75,191	3,524	17,535
IV. Net profit/loss	1,260	73,587	284	17,161
V. Operational cash flows, net	-36,252	43,523	-8,162	10,150
VI. Investment activity cash flows, net	33,555	102,579	7,555	23,922
VII. Financial activity cash flows, net	-1,791	-2,076	-403	-484
VIII. Total cash flows, net	-4,488	144,026	-1,011	33,588
IX. Total assets (at the end of H1 of current accounting year and the end of the previous accounting year)	1,593,519	1,751,030	356,811	411,185
X. Liabilities and liabilities provisions (at the end of H1 of current accounting year and at the end of previous accounting year)	434,625	593,396	97,319	139,344
XI. Long-term liabilities (at the end of H1 of current accounting year and at the end of previous accounting year)	4,048	4,387	906	1,030
XII. Short-term liabilities (at the end of H1 of current accounting year and at the end of previous accounting year)	352,421	508,942	78,912	119,512
XIII. Shareholders' equity (at the end of H1 of current accounting year and at the end of previous accounting year)	1,158,894	1,157,634	259,493	271,841

FINANCIAL HIGHLIGHTS	('000 PLN)		'000 EUR	
	H1 / 2020	H1 / 2019	H1 / 2020	H1 / 2019
XIV. Share capital (at the end of H1 current accounting year and at the end of previous accounting year)	110,422	110,422	24,725	25,930
XV. Number of shares (pcs.) (at the end of H1 of current accounting year and at the end of previous accounting year)	13,802,750	13,802,750	13,802,750	13,802,750
XVI. Earnings (loss) per ordinary share (in PLN/EUR)	0.09	5.33	0.02	1.24
XVII. Diluted earnings (loss) per ordinary share (in PLN/EUR)	0.09	5.33	0.02	1.24
XVIII. Book value per share (in PLN/EUR) (at the end of H1 of current accounting year and at the end of previous accounting year)	83.96	83.87	18.80	19.69
XIX. Diluted book value per share (in PLN/EUR) (at the end of current H1 of accounting year and at the end of previous accounting year)	83.96	83.87	18.80	19.69
Declared or paid dividend per share (in PLN/EUR)				

The report should be submitted to the Polish Financial Supervision Authority, the operator of the regulated market and to the general public through a news agency in accordance with the law.

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

The Management Board of T.C. Dębica S.A. represents that according to its best knowledge, the bi-annual financial statement and comparable data were drawn up in compliance with effective accounting principles and that it reflects in a genuine, reliable and clear manner the property and financial standing of the Company and its financial performance. The Management Board of T.C. Dębica S.A. represents that the Management Board's Report on Company Operations presents a genuine picture of development, achievements and position of the Company including the description of basic risks and threat.

Leszek Szafran - President of the Management Board  
 Ireneusz Maksymiuk - A Management Board Member  
 Michał Mędrek - A Management Board Member  
 Mirosław Maziarka - A Management Board Member

File	Description

#### BI-ANNUAL FINANCIAL STATEMENT

##### BALANCE SHEET

	Note No.	('000 PLN)		
		H1 / 2020	2019	H1 / 2019
<b>ASSETS</b>				
I. Fixed assets		771,826	800,066	784,516
1. Intangible assets, of which:		0	0	0
2. Tangible fixed assets		762,664	782,700	767,172
3. Long-term investments		74	74	74
3.1. Long-term financial assets		74	74	74
a) in other entities		74	74	74
4. Long-term prepayments		9,088	17,292	17,270
4.1. Deferred income tax assets		9,088	17,292	17,270
4.2. Other accruals		0	0	0
II. Current assets		821,693	950,964	1,009,635
1. Inventory		100,038	107,972	106,460
2. Short-term receivables		297,585	359,219	436,285
2.1. From related entities		255,442	333,084	387,827
2.2. From non-related entities		42,143	26,135	48,458
3. Short-term investments		417,430	481,906	461,405
3.1. Short-term financial assets		417,430	481,906	461,405
a) in related entities		290,000	350,000	225,000

	Note No.	('000 PLN)		
		H1 / 2020	2019	H1 / 2019
b) cash and other cash assets		127,430	131,906	236,405
4. Short-term prepayments		6,640	1,867	5,485
<b>Total assets</b>		<b>1,593,519</b>	<b>1,751,030</b>	<b>1,794,151</b>
<b>LIABILITIES</b>				
I. Equity		1,158,894	1,157,634	1,118,482
1. Share capital		110,422	110,422	110,422
2. Supplementary capital		327,609	327,609	327,217
3. Revaluation capital		64,949	64,949	65,341
4. Other reserve capital		541,915	541,915	541,915
5. Retained earnings (profit/loss)		112,739		
6. Net profit/loss		1,260	112,739	73,587
II. Liabilities and provisions for liabilities		434,625	593,396	675,669
1. Provisions for liabilities		78,156	80,067	71,105
1.1. Provision for deferred income tax		43,503	37,315	33,177
1.2. Provision for retirement gratuities and equivalent		31,013	38,375	30,699
a) long-term		10,379	10,449	9,251
b) short-term		20,634	27,926	21,448
1.3. Other provisions		3,640	4,377	7,229
a) long-term		154	218	174
b) short-term		3,486	4,159	7,055
2. Long-term liabilities		4,048	4,387	4,096
2.1. Vis-a-vis other entities		4,048	4,387	4,096
3. Short-term liabilities		352,421	508,942	600,468
3.1. Vis-a-vis related entities		71,475	100,332	162,610
3.2. Vis-a-vis other entities		279,002	408,476	435,567
3.3. Special funds		1,944	134	2,291
3.4. Other accruals		0	0	0
<b>Total liabilities</b>		<b>1,593,519</b>	<b>1,751,030</b>	<b>1,794,151</b>
Book value		1,158,894	1,157,634	1,118,482
No. of shares (pcs.)		13,802,750	13,802,750	13,802,750
Book value per share (in PLN/EUR)		83.96	83.87	81.03
Diluted No. of shares (pcs.)		13,802,750	13,802,750	13,802,750
Diluted book value per share (in PLN)		83.96	83.87	81.03

## OFF-BALANCE ITEMS

	Note No.	'000 PLN		
		H1 / 2020	2019	H1 / 2019
Contingent receivables				
1. Other (due to)		8,700	9,711	644
off-balance liabilities under a long-term gas supply agreement		7,980	8,664	643
- off-balance liabilities under long-term real estate lease contract		720	1,047	1
<b>Total off-balance liabilities</b>		<b>8,700</b>	<b>9,711</b>	<b>644</b>

## PROFIT AND LOSS ACCOUNT

	Note No.	('000 PLN)	
		H1 / 2020	H1 / 2019
A. Net sales of products, merchandise and materials, of which:		797,811	1,066,713
- from related entities		719,630	960,564
1. Net revenues from products sold		717,543	960,475
2. Net sales of merchandise and materials		80,268	106,238
II. Costs of products, merchandise and materials sold, of which:		751,304	973,572
- to related entities		674,499	877,966

	Note No.	('000 PLN)	
		H1 / 2020	H1 / 2019
1. Manufacturing costs of products sold		672,336	877,024
2. Value of merchandise and materials sold		78,968	96,548
III. Gross profit/(loss) on sales		46,507	93,141
IV. Cost of sales		6,920	7,312
V. General administrative expenses		4,054	3,757
VI. Profit/(loss) on sales		35,533	82,072
VII. Other operating income		16,791	75
1. Proceeds from the disposal of non-financial fixed assets		139	0
2. Subsidies		16,551	0
3. Revaluation of non-financial assets		0	0
4. Other operating income		101	75
VIII. Other operating expenses		36,790	7,567
1. Loss on the disposal of non-financial fixed assets		0	9
2. Revaluation of non-financial assets		31	226
3. Other operating expenses		36,759	7,332
IX. Operating profit /loss		15,534	74,580
X. Financial income		2,554	3,036
1. Dividends and shares in profits, of which:		0	106
- from related entities, of which:		0	0
- in which the entity holds equity stake		0	0
- from other entities, of which:		0	106
- in which the issuer holds equity stake		0	106
2. Interest, of which:		2,554	2,930
- from related entities		2,278	1,851
3. Proceeds from disposal of financial assets, of which:		0	0
- in related entities		0	0
4. Revaluation of financial assets		0	0
5. Other		0	0
XI. Financial expenses		2,436	2,425
1. Interest, of which:		798	785
- for related entities		0	0
2. Loss on the disposal of financial assets, of which:		0	0
- in related entities		0	0
3. Revaluation of financial assets		0	0
4. Other		1,638	1,640
XII. Share in profits/losses of equity-accounted subsidiaries		0	0
XIII. Gross profit/loss		15,652	75,191
XIV. Income tax		14,392	1,604
a) current portion		0	1,900
b) deferred portion		14,392	-296
XV. Other mandatory deductions from profit (loss increase)		0	0
XVI. Net profit/loss		1,260	73,587
Net profit/loss (annualized)		40,412	95,699
Average weighted number of ordinary shares (in pcs.)		13,802,750	13,802,750
Earnings (loss) per ordinary share (in PLN)		2.93	6.93
Average weighted diluted number of ordinary shares (in pcs.)		13,802,750	13,802,750
Diluted earnings (loss) per ordinary share (in PLN)		2.93	6.93

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	('000 PLN)		
	H1 / 2020	2019	H1 / 2019
I. Opening balance of shareholders' equity	1,157,634	1,112,252	1,112,252
I.a. Opening balance of shareholders' equity after restatement to comparative data	1,157,634	1,112,252	1,112,252
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 supplementary capital	327,609	327,178	327,178
2.1. Changes in the supplementary capital	0	431	39
a) additions, of which:	0	431	39

	(000 PLN)		
	H1 / 2020	2019	H1 / 2019
- allocation from the revaluation capital of amounts of revaluated liquidated fixed assets – current period	0	431	39
2.2. Closing balance of supplementary capital	327,609	327,609	327,217
3. Opening balance of revaluation capital	64,949	65,380	65,380
- changes in adopted accounting principles (policies)	0	0	0
3.1. Changes in revaluation capital	0	-431	-39
a) additions, of which:	0	0	0
b) reductions, of which:	0	431	39
- reposting of figures from revaluation of disposal of fixed assets to supplementary capital - current period	0	431	39
3.2. Closing balance of revaluation capital	64,949	64,949	65,341
4. Opening balance of other reserve capital	541,915	519,520	519,520
4.1. Changes in other reserve capital	0	22,395	22,395
a) additions, of which:	0	22,395	22,395
- allocation of 2018 profits to the reserve capital, with an option of distribution among shareholders	0	22,395	22,395
4.2. Closing balance of other reserve capital (funds)	541,915	541,915	541,915
5. Opening balance of retained earnings (profit/loss)	112,739	89,752	89,752
5.1. Opening balance of retained earnings (profit)	112,739	89,752	89,752
5.2. Opening balance of retained earnings (profit) after the restatement to comparative data	112,739	89,752	89,752
a) decreases (due to)	0	89,752	89,752
- dividend for shareholders	0	67,357	67,357
- allocation of 2018 profits to the reserve capital, with an option of distribution among shareholders	0	22,395	22,395
5.3. Closing balance of retained earnings (profit)	112,739	0	0
5.4. Closing balance of profit/loss	112,739	0	0
6. Net profit/loss	1,260	112,739	73,587
a) net profit	1,260	112,739	73,587
II. Closing balance of shareholders' equity	1,158,894	1,157,634	1,118,482
III. Shareholders' equity adjusted with proposed profit distribution (loss coverage)	1,158,894	1,157,634	1,118,482

## CASH FLOW STATEMENT

	'000 PLN	
	H1 / 2020	H1 / 2019
A. Operational cash flows		
I. Gross profit/loss	1,260	73,587
II. Total adjustments	-37,512	-30,064
1. Amortization and depreciation	48,119	46,297
2. Foreign exchange gains/losses	-12	40
3. Interest and share in profits (dividend)	-1,969	-1,842
4. Investment activity gain /loss	-139	800
5. Change in provision balance	-1,911	8,595
6. Change in inventory balance	7,934	-12,654
7. Change of receivables balance	61,634	-81,734
8. Change in balances of short-term liabilities, excl. credits and loans	-154,599	22,284
9. Change in balance of prepayments and accruals	3,431	-11,920
10. Other adjustments		70
III. Operational cash flows (I+/-II) - indirect method	-36,252	43,523
B. Investment activity cash flows		
I. Cash inflows	62,923	188,646
1. Disposal of intangibles and tangible fixed assets	645	1,689
2. From financial assets of which:	2,278	1,957
a) in related entities	2,278	1,957
- dividends and shares in profits		106
- interest	2,278	1,851
b) in other entities	0	0
- interest	0	0
3. Other investment activity inflows	60,000	185,000
II. Cash outflows	29,368	86,067
1. Acquisition of intangibles and tangible fixed assets	29,368	26,067
2. Into financial assets including:	0	0
a) in related entities	0	0

	'000 PLN	
	H1 / 2020	H1 / 2019
b) in other entities	0	0
3. Other capital expenditures	0	60,000
III. Investment activity cash flows, net (I-II)	33,555	102,579
<b>C. Financial activity cash flows</b>		
<b>I. Cash inflows</b>	0	0
1. Loans and borrowings		0
2. Other financial inflows	0	
<b>II. Cash outflows</b>	1,791	2,076
1. Repayment of credits and loans	0	
2. Payments related to financial lease liabilities	1,483	1,961
3. Interest income	308	115
III. Financial activity cash flows, net (I-II)	-1,791	-2,076
D. Total cash flows, net (A.III+/-B.III+/-C.III)	-4,488	144,026
E. Balancing change of cash balance including:	-4,476	143,986
- change of cash flows balance due to FX gains/losses	12	-40
F. Opening cash balance	131,916	92,386
G. Closing cash balance (F+/-D), of which:	127,428	236,412
- restricted cash	2,146	2,341

## 1. Discrepancies between balance sheet changes:

a) the balance of liabilities and changes in those items shown in the cash flow statement:

	H1 2020	H1 2019
change in balance sheet	-156 521	87 768
Adjustments:		
change in balance of fixed assets under construction liability	1 967	1 994
change in balance of short-term financial lease liabilities	-45	-121
change in dividend liability balance	0	-67 357
Total adjustments	1 922	-65 484
In the Cash Flow Statement	-154,599	22,284

## ADDITIONAL REQUIREMENTS FOR THE ISSUERS THAT ARE ALTERNATIVE INVESTMENT COMPANIES (ASI)

In the case of an issuer of securities which is an alternative investment company, the bi-annual financial statements shall additionally comprise a summary of deposits and a summary of additional information with the scope defined in the Ordinance of the Minister of Development and Finance of 12 December 2016 on the scope of information to be disclosed in the financial statements of alternative investment companies.

File	Description

## NOTES AND EXPLANATIONS

## NOTES TO THE FINANCIAL STATEMENT FOR H1 2020

Drawn up pursuant to the Ordinance of the Minister of Finance of 29 March 2018 on current and periodic information provided by the securities' issuers and requirements for recognition as equivalent information required by the law of a non-member state. (Journal of Laws of 2018, item 757).

**1. Accounting principles adopted during report preparation.**

The bi-annual report for H1 2020 was prepared in accordance with the provisions of the Accounting Act of 29 September 1994, as amended, and in accordance with the accounting principles in force at the Company.

The data included in the report have been prepared using the principles of assets and liabilities measurement as well as the measurement of the net financial result determined as of the balance sheet date.

The accounting principles have not changed in relation to those described in the 2019 Annual Report, made available to the public on 23 April 2020.

**2. Information on the amounts and types of items affecting assets, liabilities, equity, net result or cash flows that are unusual due to their type, value or frequency.**

None.

**3. Seasonal or cyclical nature of the business.**

The Company operations are not characterized by strong seasonality. However, external factors such as macroeconomic situation, weather conditions or consumer behaviour may affect the generation of sales revenues in individual seasons of the year (sale of summer tires and winter tires).

**4. Impairment write-offs for inventory.**

T.C. 2020 T.C. Dębica S.A. recognised impairment losses on inventories totalling PLN 75 thousand, which affected other operating expenses. The impairment write-offs were concerned with:

- a) product inventories: PLN 0 thousand.
- b) raw material and material inventory: PLN 75 thousand.

Total PLN 75 thousand

**5. Impairment write-offs on account of financial assets, tangible and intangible assets or other assets.**

None.

**6. Information on setting up, increase, utilisation and release of provisions as of 30 June 2020.**

Short-term provisions

(‘000 PLN)

Provisions for employee benefits

Opening balance	27 926
- increase: setting up provision	19,480
- decrease: release /utilisation of provision	26,772
Closing balance	20,634

Provision for restructuring

Opening balance	4 159
- increase: setting up provision	
- decrease: release /utilisation of provision	673
Closing balance	3,486

Long-term provisions

Provision for retirement benefits	
Opening balance	10,449
- increase: setting up provision	
- decrease: release /utilisation of provision	70
Closing balance	10,379
Tire warranties extended	
Opening balance	218
- increase: setting up provision	
- decrease: release /utilisation of provision	64
Closing balance	154

#### **7. Deferred income tax provisions and assets.**

As of 30 June 2020, the deferred income tax provision totalled PLN 43.5 million, up by PLN 6.2 million compared to 31 December 2019. The increase in the provision results from the difference in tax rates and accounting depreciation of the Company's fixed assets.

As of 30 June 2020, deferred tax assets totalled PLN 9.1 million, down by PLN 8.2 million compared to 31 December 2019. For H1 2020, the Company posted a tax loss of PLN 3.2 million. Therefore, following the prudence accounting principle, the Company adopted a 0% tax rate for short-term deferred tax assets as of balance sheet date i.e. 30 June 2020.

Since 2013, the Company has been taking advantage of the corporate income tax relief pursuant to the operational permit No. 134/ARP/2008 of 27 February 2008 for running business activities in the "Euro-Park Mielec" Special Economic Zone. As of the balance-sheet date of 30 June 2020, the amount of the outstanding public aid is PLN 0.8 million in discounted terms i.e. PLN 1.4 million in nominal terms and has not changed materially vis-a-vis 31 December 2019. The Company's Management Board does not believe there is any risk of failing to utilize fully tax allowance until the end of the Operational Permit validity period, i.e. until 31 December 2026.

#### **8. Material purchase and sale transactions involving tangible fixed assets.**

In H1 2020 there were no material purchase and disposal transactions referring to tangible fixed assets.

In H1 2020, there were significant increases in the balance of tangible fixed assets, mainly industry-specific machinery, worth PLN 27.4 million.

#### **9. Material liabilities due 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 change of assets purpose or utilization.**

None.

**17. Issue, buy out and repayment of debt and equity securities.**

In the current accounting period and in the past the Company did not issue neither debt or equity securities.

**18. Dividend**

By virtue of the Resolution of 25 August 2020, adopted by the Ordinary General Meeting of Shareholders of T.C. Dębica S.A., the amount of PLN 56,315,220.00 (in words: fifty-six million, three hundred and fifteen thousand, two hundred and twenty Polish zlotys 00/100) was allocated to dividend for shareholders in the amount of PLN 4.08 per share, setting 9 October 2020 as the date of acquisition of dividend rights (the dividend record date) and 17 December 2020 as the dividend payment date.

**19. Material events that followed the financial statement preparation date.**

None.

**20. Changes in the balance of contingent liabilities and contingent assets that occurred after closing of the last accounting year.**

Contingent liabilities under the Bill of Exchange Discounting Program as of the balance sheet date of 30 June 2020 totalled PLN 19 253 thousand, down by PLN 34,200 million compared to the year-end. As of the date of presentation of the bi-annual financial statements, the value of bills of exchange not paid by the customers was PLN 4,274,371.23. These are bills of exchange with a redemption date of 19 November 2020.

**21. Other information that might have material impact on the assessment of assets and financial position and financial result of the Issuer.****21.1 Impact of COVID-19 pandemic**

The fight against the COVID-19 pandemic and its consequences was the main driver of the Company's performance in H1 2020.

The Management Board continues to monitor the impact of the COVID-19 pandemic on the financial, business and operational aspects of the Company and takes adequate decisions to ensure business continuity as well as a safe and stable position of the Company. The scale of the Company's operations is and will be adjusted to the current market environment.

**1. Ensuring business continuity:****a) Business Continuity Team**

Despite the development of the pandemic, the Management Board has come to the conclusion that it is reasonable to adopt the going concern principle. At the Company there is a Business Continuity Team consisting of representatives of key functions, which develops activities at regular meetings with the aim to ensure continuity of the Company's business based on the existing corporate procedures. The Team regularly reports its activities to the Company's Management Board.

**b) Ensuring personnel safety:**

With the spread of COVID-19 coronavirus in Europe, the Company has taken steps to ensure safety to its personnel. The number of business trips and visits to the manufacturing site has been reduced, and the personnel have been instructed on how to maintain hygiene on the site and in interpersonal contacts. The availability of disinfectants and protective agents has been increased on site, and effective from 15 March 2020, the personnel whose work can be performed without a need for physical presence in the company work remotely.

**c) Tyre making constraints:**

On 21 March the Company announced a putting manufacturing activities on halt temporarily, which was subsequently extended to 17 April 2020. This decision was made with a view to ensuring the safety of the Company's personnel and business partners and in response to the impact of the COVID-19 pandemic on market demand in Poland and in the markets where Goodyear,

the Company's key customer operates. The manufacturing activities were resumed on 17 April 2020. The drop in demand across Europe necessitated reduction of output in the following months, which was reflected in the cost of underutilized production capacity of PLN 36.4 million recognised by the Company. Pursuant to the accounting policies adopted by the Company, the costs of underutilized production capacities are recognised in the Profit and Loss Account in the line "Other operating expenses".

d) Monitoring of the market situation

On on-going basis the Company monitors market situation and the level of orders to be able to adjust its operations to the dynamically evolving market situation.

e) Monitoring the materials and services supply chain

The Company monitors the balance of supplies of strategic raw material, other materials and services vital to ensure production continuity.

## 2. Securing the Company's long-term financial stability.

a) Protection of financial liquidity

The Management Board monitors the Company's financial liquidity on an on-going basis. The Company's responsible financial policy to date has a positive impact on the Company's present cash position, which in the current situation is one of the key drivers of financial security in the long run. The Company fulfils smoothly all its commercial obligations vis-a-vis its contractors, obligations vis-a-vis its employees as well as all public and legal obligations.

b) Monitoring of loans extended

As of the balance sheet date of 30 June 2020, loans to Goodyear totalled PLN 290 million, however, the Company recalls that under the loan agreements Goodyear SA provides a guarantee of immediate repayment before maturity, if requested by the Company. Therefore capital is not 'frozen' and can be used at any time when needed, without losing interest.

c) Payment of receivables from the customers

The Company controls on an on-going basis the balance of receivables payments made by the Company's customers and will take appropriate steps in case of information about financial dire straits of its business partners.

d) Cost optimization

The Company analyses its planned business activities on an on-going basis and adjusts their completion dates to the current market environment, in some cases moving the activities to the next part of the year.

The Company has taken steps to reduce the quantity and scope of ordered goods and services, thus reducing expenses, however, without any prejudice to further operation of the plant. Moreover, under the agreement with the trade unions, limited working time was introduced in the period from April to the end of June 2020. The working time of personnel has been reduced to 80% with a 20% pay cut.

e) Taking advantage of the opportunities of support under the so-called Anti-Crisis Shield

The Company benefited from the government support programme under the so-called Anti-Crisis Shield, and received a subsidy of PLN 16.6 million from the Guaranteed Employee Benefits Fund.

## 3. Continuation of sales and distribution activities

In connection with the impact of the COVID-19 pandemic on the decline in market demand across Europe, in March 2020 the Company recorded a decline in the number of orders from Goodyear, its strategic customer. The Company continues its sales and distribution activities and is in close contact with its business partners. The company continues to supply its customers with tyres and cooperates in developing the most optimal commercial solutions in dynamically evolving and uncertain market environment.

In view of the dynamically evolving circumstances, enhanced market uncertainty and uncertainty about further impact of the COVID-19 pandemic (including a possible "second wave") on the national economy, industry, Company business partners and consumer behaviour, in the opinion of the Management Board the data for H1 2020 should not be treated as a source of any indications or forecasts with respect to the Company's performance in consecutive periods.

## 21.2 Results of tax audits

By virtue of Current Report No. 7/2020 published on 24 April 2020 the Management Board of Tire Company Dębica S.A. (the "Company") informed that it received the result of a customs and fiscal audit carried out by Małopolski Urząd Celno-Skarbowy (The Małopolski Customs and Tax Office) with regard to the fulfilment of the obligations of a corporate income tax payer in 2014 ("Audit", "Audit results"). In the period covered by the Audit, the Company, as a payer, used, pursuant to the Corporate Income Tax Act, the exemption from the obligation to collect tax at a source with respect to license fees under the Technical Assistance and Licensing Agreement (whose signing announced in Current Report No. 17/2014, and the termination was announced in Current Report No. 2/2018 of 1 January 2018). In the audit findings it was stated that the Company used the exemption from tax at a source in an unauthorized manner.





The Company does not agree with Audit findings and believes that the use of the above-mentioned exemption was correct. Due to the discrepancy between the positions of the Company and the Revenue and Customs Office, as a result of the completed Audit, the tax proceedings against the Company may be initiated. In the event of an disadvantageous outcome of the tax proceedings concerning the use of the exemption from the obligation to collect tax at a source in the period covered by the Audit, an obligation may arise for the Company to pay a tax arrears in the amount of PLN 13.4 million including the late payment interest, which as of this Report Date would amount to approximately PLN 6 million and these amounts would directly impact the Company's financial result.

By virtue of Current Report No. 10/2020 published on 18 May 2020 the Management Board of Tire Company Dębica S.A. (the "Company") informed that it received the result of a customs and fiscal audit carried out by Małopolski Urząd Celno-Skarbowy (The Małopolski Customs and Tax Office) with regard to the fulfilment of the obligations of a corporate income tax payer in 2015 ("Audit", "Audit results"). In the period covered by the Audit, the Company, as a payer, used, pursuant to the Corporate Income Tax Act, the exemption from the obligation to collect tax at a source with respect to license fees under the Technical Assistance and Licensing Agreement (whose signing announced in Current Report No. 17/2014, and the termination was announced in Current Report No. 2/2018 of 1 January 2018). In the audit findings it was stated that the Company enjoyed the tax exemption at a source in an unauthorized manner.

The Company, similarly to the outcome of the 2014 tax audit, of which it informed in its Current Report No. 7/2020 of 24 April 2020, does not agree with the tax audit outcome and believes that its application of the above-mentioned tax exemption was correct. Due to the discrepancy between the positions of the Company and the Revenue and Customs Office, as a result of the completed Audit, the tax proceedings against the Company may be initiated. In the event of an disadvantageous outcome of the tax proceedings concerning the application of the exemption from the obligation to collect tax at a source in the period covered by the Audit, an obligation may arise for the Company to pay a tax arrears in the amount of PLN 16.1 million including late payment interest, which as of this Report Date would amount to approximately PLN 6.1 million and these amounts would directly impact the Company's financial result.

Based on the received opinion of the Tax Advisor, the Management Board decided not to set up a provision for potential tax arrears resulting from the above-mentioned tax audits.

File	Description

SIGNATURES OF COMPANY REPRESENTATIVES			
Date	Name and surname	Position / Function	Signature
	Leszek Szafran,	CEO, Chief Sales Officer (CSO)	<small>Właściciel podpisu: Leszek Szafran</small> <small>Data i godzina podpisu: 2020-09-11 12:01:28 CEST</small> <small>Status podpisu:  ważny</small> <small>Podpis: szafran</small>
	Ireneusz Maksymiuk	A Management Board member, Chief Financial Officer (CFO)	<small>Właściciel podpisu: Ireneusz Maksymiuk</small> <small>Data i godzina podpisu: 2020-09-11 09:44:31 CEST</small> <small>Status podpisu:  ważny</small> <small>Podpis: maksymiuk</small>
	Michał Mędrak	A Management Board member, Chief Logistics Officer (CLO)	<small>Właściciel podpisu: Michał Mędrak</small> <small>Data i godzina podpisu: 2020-09-11 11:20:04 CEST</small> <small>Status podpisu:  ważny</small> <small>Podpis: mędrak</small>
	Mirosław Maziarka	A Management Board member, Chief Production Officer (CPO)	<small>Właściciel podpisu: Mirosław Maziarka</small> <small>Data i godzina podpisu: 2020-09-11 14:21:52 CEST</small> <small>Status podpisu:  ważny</small> <small>Podpis: maziarka</small>

### Key to signatures:

Właściciel podpisu = Signature owner;

Data i godzina podpisu = Date and time of signature

Status podpisu (ważny) = Signature status (valid)

Rodzaj podpisu: Podpis zaufany = Type of signature: Trusted signature

Rodzaj podpisu: Podpis kwalifikowany = Type of signature: Qualified signature

## REPORT OF THE MANAGEMENT BOARD (BI-ANNUAL REPORT ON THE ISSUER'S OPERATIONS)

### **Bi-annual Report of the Management Board on T.C. Dębica S.A. Operations in H1 2020.**

Drawn up pursuant to the Art. 70 of the Decree of the Minister of Finance of 29 March 2018 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 (Journal of Laws of 2018, item 757).

#### **1. Accounting principles adopted during report preparation.**

The Bi-annual Report for H1 2020 was prepared in accordance with the provisions of the Accounting Act of 29 September 1994, as amended, and in accordance with the accounting principles in force at the Company.

The data included in the report have been prepared using the principles of assets and liabilities measurement as well as the measurement of the net financial result determined as of the balance sheet date.

The accounting principles have not changed in relation to those described in the 2019 Annual Report, made available to the public on 23 April 2020.

#### **2. Basic threats and risks related to the remaining months of the accounting year.**

The main threats and risks in the remaining months of the accounting year may include:

- a) level of orders from the Company's customers: related and non-related entities;
- b) impact of COVID-19 pandemic on manufacturing activities;
- c) exchange rate fluctuations, mainly of the euro and the US dollar,
- d) costs of raw materials: changes in raw material prices that translate into the Company's operating expenses.

#### **3. Brief description of significant achievements or failures of the issuer in H1 along with a list of the major events concerning the issuer.**

In H1 2020 Tire Company Dębica S.A. generated sales revenues of PLN 797.8 million, down by 25.2% compared to H1 2019.

Q2 2020 saw a 41.7% drop in sales revenues on a year-to-year basis.

The net profit in H1 2020 totalled PLN 1.3 million, i.e. down by 98.2% compared to the same period in the previous year.

#### **4. Factors and events, especially those of atypical nature that had a significant impact on the condensed financial statement.**

Explanatory Notes to Profit and Loss Account

Sales to Goodyear Group member companies in H1 2020 totalled PLN 719.6 million, down by PLN 241.0 million compared to H1 2019. After 6 months of 2020, sales accounted for 90.2% of total sales, compared to 90.0% in the same period of 2019.

The sales to non-related entities totalled PLN 78.2 million, down by 26.3% on a year-to-year basis.

Gross profit on sales to related entities in H1 2020 amounted to PLN 45.1 million and was down by PLN 37.5 million compared to the same period in the previous year.

The gross profit margin on sales to related entities was down from the level of 8.6% to 6.3% compared to the same period in 2019.

Gross profit on sales to non-related entities in H1 2020 reached PLN 1.4 million was down by PLN 9.1 million compared to the same period in the previous year. The ratio between gross profit and revenues generated by these entities was down from 9.9% to 1.8% on a year-to-year basis.

Gross profit on total sales in H1 2020 amounted to PLN 46.5 million, whereas the ratio between gross profit margin and total revenues was 5.8%. For comparison sake gross profit on total sales in H1 2019 amounted to PLN 93.1 million, whereas the ratio between gross profit margin and total revenues was 8.7%.

Unit production costs in H1 2020 were up by 12.1% compared to the same period in the previous year. The processing costs were mainly up.

Selling, general and administrative (SG&A) costs totalled PLN 11.0 million, down by 0.1 million compared to H1 2019. The share of these costs in total sales in value terms accounted for 1.4% compared to 1.0% in H1 of the previous year.

The result of other operations in H1 2020 is a cost of PLN 20.0 million compared to PLN 7.5 million in H1 2019.

In the period of 6 months of 2020, bad debts represented an income of PLN 0.04 million, compared with a cost of PLN 0.2 million in the same period last year, i.e. they were up by PLN 0.2 million.

In H1 2020, no liquidation costs were incurred for fixed assets, whereas in the same period of the previous year these costs totalled PLN 0.2 million.

In the period of 6 months of 2020, a profit on the disposal of fixed assets in the amount of PLN 0.1 million was generated, which was up by PLN 0.1 million compared to the same period of the previous year.

In H1 2020, no restructuring costs were incurred, while for 6 months of 2019 they totalled PLN 6.8 million.

In H1 2020, on the other hand, underutilised production capacity costs totalled PLN 36.4 million.

In H1 2020, a subsidy from the Guaranteed Employee Benefits Fund was also obtained in the amount of PLN 16.6 million as part of government support in connection with the outbreak of coronavirus pandemic.

Other operating expenses amounted to PLN 0.3m and remained at a similar level to the corresponding period of the previous year.

Operating profit (EBIT) totalled PLN 15.5 million, down by 59.1 million on a year-to-year basis, and the ratio between EBIT margin and revenues was down to 1.9% from 7.0% in H1 2019.

In H1 2020 financial activities generated a profit of PLN 0.1 million compared to a profit of PLN 0.6 million in the same period of previous year 2019.

Such a level of profit from financial activity was influenced by:

- foreign exchange losses that totalled PLN 1.6 million, similarly to H1 2019;
- idle cash financial income totalling PLN 0.2 million, compared to PLN 1.0 million in the same period of the previous year;
- interest income on loans granted to related entities totalling PLN 2.3 million compared to PLN 1.8 million in H1 2019;
- costs of bills of exchange discount and other interest amounting to PLN 0.8 million, compared to PLN 0.7 million in the same period of the previous year.

Gross profit before tax in H1 2020 totalled PLN 15.7 million, i.e. down by 79.1% on a year-to-year basis. The net profit in H1 2020 totalled PLN 1.3 million, i.e. down by 98.2% compared to the same period in the previous year.

**Explanatory Notes on the Balance Sheet**

At the end of June 2020, fixed assets totalled PLN 771.8 million and were down by PLN 28.2 million compared to the opening balance of 2020.

The value of tangible fixed assets was down by PLN 20.0 million, of which completed investment programmes in H1 2020 increased the value of fixed assets by PLN 27.4 million, depreciation of existing fixed assets decreased their value by PLN 48.1 million, other changes (mainly finance leases) increased them by PLN 0.7 million.

Deferred income tax asset amounted to PLN 9.1 million, down by PLN 8.2 million compared to the beginning of 2020.

Current assets amounted to PLN 821.7 million and were up during H1 2020 by PLN 129.3 million.

Short-term receivables totalled PLN 297.6 million and were down by PLN 61.6 million compared to the beginning of 2020 including: receivables from related entities were down by PLN 77.6 million, and receivables from non-related entities were up PLN 16.0 million.

Inventories fell by PLN 7.9 million down to PLN 100.0 million. This change was driven by a decline in inventories of raw materials and materials by PLN 14.4 million down to PLN 67.6 million and a decline in the value of work in progress by PLN 29.8 million, up by PLN 5.7 million. The commodity inventory was up to the level of PLN 0.8 million. The inventory of finished goods remained at a similar level as at the end of 2019, i.e. PLN 1.8 million.

Short-term financial assets totalled PLN 417.4 million and were down during H1 2020 by PLN 64.5 million. Cash and other cash assets were down by PLN 4.5 million. As of the end of June 2020 the loans granted to related entities totalled PLN 290.0 million (down by PLN 60 million compared to the opening balance of 2020).

Short-term prepayments and accruals totalled PLN 6.6 million and were up by PLN 4.8 million compared to the onset of the year, mainly due to a write-off to the Corporate Social Benefits Fund.

As of 30 June 2020 the Company's assets amounted to PLN 1 593.5 million and were down in H1 2020 by PLN 157.5 million.

As of 30 June 2020, liabilities and provisions for liabilities totalled PLN 434.6 million and in H1 2020 they were down by PLN 158.8 million.

Provisions for liabilities were down by PLN 1.9 million, of which provision for employee benefits was down by PLN 7.4 million and restructuring provision was down by PLN 0.7 million. Deferred tax provision was up by PLN 6.2 million, up to the level of PLN 43.5 million.

As of 30 June 2020 the short-term payables amounted to PLN 352.4 million and were down compared to the end of 2019 by PLN 156.5 million. Short-term liabilities vis-a-vis related entities were down by PLN 28.9 million, whereas short-term liabilities vis-a-vis non-related entities were down by PLN 129.4 million. Special funds were up PLN 1.8 million.

Long-term liabilities (lease payments) were down by PLN 0.3 million, down to the level of PLN 4.0 million.

At the end of June 2020, the Company's equity totalled PLN 1 158.9 million and was up by PLN 1.3 million compared to H1 2020 owing to a net profit.

**Explanatory Notes on Cash Flow Statement**

In H1 2020, operational cash flows were negative and totalled PLN 36.3 million. Net profit and depreciation generated positive cash flows in the amount of PLN 49.4 million, whereas an increase of working capital generated negative cash flows totalling 85.0 million. The change in provisions as well as prepayments and accruals generated PLN 1.5 million in positive cash flows, while other items generated PLN 2.2 million in negative cash flows.

In H1 2020, investment activities generated positive cash flows of PLN 33.6 million. PLN 29.3 million was allocated for the acquisition of tangible fixed assets. Loan repayment by the related entity generated PLN 60.0 million of positive cash flows. The loan extended to a related party generated PLN 2.3 million interest income, while the disposal of tangible fixed assets generated PLN 0.6 million positive cash flows.

Financial activities generated negative cash flows of PLN 1.8 million. Interest expense was PLN 0.3 million, whereas lease payments totalled PLN 1,5 million.

The net cash flows in H1 2020 were negative and amounted to PLN 4.5 million. The balance of cash assets was down in H1 2020 by PLN 4.5 million, from PLN 131.9 million at the end of December 2019 to PLN 127.4 million at the end of June 2020.

#### **5. Description of changes in the organisation Capital Group.**

The Company does not form a capital group, is not a parent company, nor draws up consolidated financial statements.

#### **6. The position of the Management Board concerning an option of implementing previously published forecast performance in a given year in the light of the performance presented in the bi-annual report in relation to the forecast performance.**

The Company did not publish forecast performance for 2020.

#### **7. Shareholders holding directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting of Shareholders.**

According to the information available to the Company, as of the date of submitting the periodic report for H1 2020, the shareholders holding at least 5% of the total number of votes at the General Meeting of the Company were as follows:

Goodyear Holdings S.à.r.l. with its registered office in Luxembourg, holding 12 042 976 shares accounting for 87.251% of the Company's shareholders' equity, with the right to 12 042 976 votes at the Company's General Meeting of Shareholders accounting approximately for 87.251% of the total number of votes at the Company's General Meeting of Shareholders\*.

\* Source: Current Report No. 21/2020 Shareholders holding at least 5% of votes at the Ordinary General Meeting of Shareholders on 25 August 2020, publication date: 25 August 2020.

#### **8. Company shares or rights to shares held by persons managing and supervising the Company.**

As of the date of publication of this periodic report, none of the persons managing and supervising the Company held any Company shares or rights to them.

#### **9. Significant proceedings pending before courts, arbitration bodies or public administration bodies regarding liabilities or receivables.**

By virtue of Current Report No. 7/2020 published on 24 April 2020 the Management Board of Tire Company Dębica S.A. (the "Company") informed that it received the result of a customs and fiscal audit carried out by Małopolski Urząd Celno-Scarbowy (The Małopolski Customs and Tax Office) with regard to the fulfilment of the obligations of a corporate income tax payer in 2014 ("Audit", "Audit results"). In the period covered by the Audit, the Company, as a payer, used, pursuant to the Corporate Income Tax Act, the exemption from the obligation to collect tax at a source with respect to license fees under the Technical Assistance and Licensing Agreement (whose signing announced in Current Report No. 17/2014, and the termination was announced in Current Report No. 2/2018 of 1 January 2018). In the audit findings it was stated that the Company used the exemption from tax at a source in an unauthorized manner. The Company does not agree with Audit findings and believes that the use of the above-mentioned exemption was correct. Due to the discrepancy between the positions of the Company and the Revenue and Customs Office, as a result of the completed Audit, the tax proceedings against the Company may be initiated. In the event of an disadvantageous outcome of the tax proceedings concerning the use of the exemption from the obligation to collect tax at a source in the period covered by the Audit, an obligation may arise for the Company to pay a tax arrears in the amount of PLN 13.4 million including the late payment interest, which as of the Current Report Date would amount to approximately PLN 6 million and these amounts would directly impact the Company's financial result.

By virtue of Current Report No. 10/2020 published on 18 May 2020 the Management Board of Tire Company Dębica S.A. (the "Company") informed that it received the result of a customs and fiscal audit carried out by Małopolski Urząd Celno-Scarbowy (The Małopolski Customs and Tax Office) with regard to the fulfilment of the obligations of a corporate income tax payer in 2015 ("Audit", "Audit results"). In the period covered by the Audit, the Company, as a payer, used, pursuant to the Corporate Income Tax Act, the exemption from the obligation to collect tax at a source with respect to license fees under the Technical Assistance and Licensing Agreement (whose signing announced

in Current Report No. 17/2014, and the termination was announced in Current Report No. 2/2018 of 1 January 2018). In the audit findings it was stated that the Company used the exemption from tax at a source in an unauthorized manner. The Company, similarly to the outcome of the 2014 tax audit, of which it informed in its Current Report No. 7/2020 of 24 April 2020, does not agree with the tax audit outcome and believes that its application of the above-mentioned tax exemption was correct. Due to the discrepancy between the positions of the Company and the Revenue and Customs Office, as a result of the completed Audit, the tax proceedings against the Company may be initiated. In the event of an disadvantageous outcome of the tax proceedings concerning the use of the exemption from the obligation to collect tax at a source in the period covered by the Audit, an obligation may arise for the Company to pay a tax arrears in the amount of PLN 16.1 million including the late payment interest, which as of the Current Report Date would amount to approximately PLN 6.1 million and these amounts would directly impact the Company's financial result.

**10. 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.

**11. Information on granting loan or borrowing guarantees or granting a guarantee -jointly to one entity or a subsidiary of such an entity.**

The Company did not grant any loan or borrowing, nor guarantees.

**12. Other information key to the assessment of the personnel, economic and financial standing, financial result and any changes, necessary to assess the Capital Group's capacity to meet its obligations.**


None.

**13. Drivers which, in the Company's opinion, will affect its performance in the perspective of at least another half a year.**


In the opinion of the Management Board, the following factors will affect the Company performance in the perspective of at least another half a year:

- a) the negative impact of the COVID-19 pandemic on market demand;
- b) macroeconomic environment: the condition of the economies in Poland and Europe and its impact on the financial positions of customers and consumers (including the impact of the COVID-19 pandemic on the global economy);
- c) development of the automotive sector: growth rate of vehicle production and sales in Poland and Europe;
- d) level of orders from the Company's customers: related and non-related entities;
- e) exchange rate fluctuations, mainly of the euro and the US dollar,
- f) operating costs: impact of operating costs of the Dębica manufacturing plant;
- g) costs of raw materials - changes in raw material prices that translate into the Company's operating expenses.

File	Description

Właściciel podpisu: **MICHAŁ MĘDREK**  
 Data i godzina podpisu: **2020-09-11 11:12:04 CEST**  
 Status podpisu:  Ważny  
 Rodzaj podpisu: **Podpis zaufany**

Właściciel podpisu: **IRENEUSZ MAKSYMIOK**  
 Data i godzina podpisu: **2020-09-11 09:44:31 CEST**  
 Status podpisu:  Ważny  
 Rodzaj podpisu: **Podpis zaufany**

Właściciel podpisu: **Leszek Szafran**  
 Data i godzina podpisu: **2020-09-11 12:01:28 CEST**  
 Status podpisu:  Ważny  
 Rodzaj podpisu: **Podpis zaufany**

Właściciel podpisu: **Mirosław Maziarzka**  
 Data i godzina podpisu: **2020-09-11 14:21:32 CEST**  
 Status podpisu:  Ważny  
 Rodzaj podpisu: **Podpis kwalifikowany**

Właściciel podpisu: **ANNA BOLANOWSKA**  
 Data i godzina podpisu: **2020-09-10 11:35:15 CEST**  
 Status podpisu:  Ważny  
 Rodzaj podpisu: **Podpis zaufany**

**Key to signatures:**

Właściciel podpisu = Signature owner;

Data i godzina podpisu = Date and time of signature

Status podpisu (ważny) = Signature status (valid)

Rodzaj podpisu: Podpis zaufany = Type of signature: Trusted signature

Rodzaj podpisu: Podpis kwalifikowany = Type of signature: Qualified signature

Polish Financial Supervision Authority