

**DEBICA**

**RB 7/2020**

**POLISH FINANCIAL SUPERVISION AUTHORITY  
Current Report No 7/2020**

**Date:** April 24, 2020

**Abbreviated name of issuer:**  
DEBICA

**Subject:** Information on receiving tax audit result.

**Legal grounds:**  
Art. 17 item 1 MAR – confidential information

**Report content:**  
Management Board of Tire Company Debica S.A. informs on receiving the result of a customs and fiscal audit run by the Tax and Customs Office in Małopolska Region regarding fulfilling the obligations of a corporate income tax withholding agent for 2014 (“Audit”, “Audit results”). In the period audited, the Company, as a withholding agent, used, on the basis of the Corporate Income Tax Act, the exemption from the obligation to collect withholding tax with respect to licence fees under the technical assistance and licensing agreement (the Company reported concluding the agreement with the current report 17/2014, whereas termination of the agreement was reported by current report 2/2018 on January 1, 2018). The result of the Audit concluded that the Company used the exemption from withholding tax in an ill-founded manner.

The Company does not agree with the results of the Audit and is of the opinion that the use of the above-mentioned exemption was valid. Due to the discrepancy between the position of the Company and the Customs and Tax Office, as a result of the completed Audit, it is possible to initiate tax proceedings against the Company. In the event of an unfavourable outcome of the tax proceedings concerning the use of the exemption from the obligation to collect withholding tax in the audited period, an obligation may arise for the Company to pay a tax arrears in the amount of PLN 13.4 million together with default interest, which at the date of this report release would amount to approximately PLN 6 million and these amounts would directly translate into the Company's financial result.