

# Semi-Annual Report SA-P 2019

(in conformity with § 60.1.2 of the Minister of Finance Regulation of 29 March 2018)

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

For the first six months of the financial year of 2019, covering the period from 2019-01-01 to 2019-06-30  
and for six months of the preceding financial year of 2018, covering the period from 2018-01-01 to 2018-06-30

Date of submission: 2019-09-12

<b>Firma Oponiarska "Dębica" Spółka Akcyjna</b>		
<small>(full name of the issuer)</small>		
<b>TC Dębica S.A.</b>	<b>automotive</b>	
<small>(abbreviated name of the issuer)</small>	<small>(sector according to the WSE classification / industry)</small>	
<b>39-200</b>	<b>Dębica</b>	<b>1</b>
<small>(post code)</small>	<small>(place)</small>	<small>(number)</small>
<b>1 Maja</b>		
<small>(street)</small>		
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<b>872-000-34-04</b>	<b>850004505</b>	
<small>(Tax ID)</small>	<small>(REGON)</small>	

PricewaterhouseCoopers Polska Sp. z o.o. Audyt Sp. K.  
(audit firm)

The semi-annual report contains (indicate as appropriate):

- A report of the audit firm on the review of condensed semi-annual financial statements / semi-annual financial statements or
  - A report of the audit firm on the audit of condensed semi-annual financial statements / semi-annual financial statements
  - A statement of the Management Board, including an opinion of the supervisory authority on reservations expressed by the audit firm in its report on the review of the financial statements on its refusal to deliver a report on the review of the condensed semi-annual financial statements / semi-annual financial statements
  - A statement of the managing authority including an opinion of the supervisory authority relating to the report on the audit of the condensed semi-annual financial statements / semi-annual financial statements issued by the audit firm, containing an opinion with reservations, a negative opinion or a refusal to express an opinion
  - A statement of the management board on the reliability of the financial statements
- Semi-annual financial statements       Condensed financial statements       Full financial statements
- Balance sheet
  - Profit and loss account
  - Statement of changes in equity
  - Cash flow statements
  - Additional requirements for issuers being alternative investment companies (ASI)
  - Additional information
- Management board's report (semi-annual report on the issuer's activity)

FINANCIAL HIGHLIGHTS	thousand PLN		thousand EUR	
	six months / 2019	six months / 2018	six months / 2019	six months / 2018
I. Net revenues on the sale of products, goods and materials	1 066 713	968 990	248 767	228 562
II. Profit (loss) on operating activity	74 580	67 210	17 393	15 853
III. Gross profit (loss)	75 191	71 309	17 535	16 820
IV. Net profit (loss)	73 587	67 640	17 161	15 955
V. Net financial flow on operations	43 523	13 377	10 150	3 155
VI. Net financial flow on investments	102 579	94 570	23 922	22 307
VII. Net financial flow on financial activities	-2 076	-1 349	-484	-318
VIII. Total net financial flows	144 026	106 598	33 588	25 144
IX. Total assets (as at the end of six month of the current financial year and the end of previous financial)	1 794 151	1 691 457	421 955	393 362
X. Long-term liabilities (as at the end of the first half of the current financial year and as at the end of the preceding financial year)	675 669	579 205	158 906	134 699
XI. Long-term liabilities (as at the end of the first half of the current financial year and as at the end of the preceding financial year)	4 096	3 995	963	929
XII. Short-term liabilities (as at the end of the first half of the current financial year and as at the end of the preceding financial year)	600 468	512 700	141 220	119 233
XIII. Equity (as at the end of the first half of the current financial year and as at the end of the preceding financial year)	1 118 482	1 112 252	263 048	258 663
XIV. Share capital (as at the end of the first half of the current financial year and as at the end of the preceding financial year)	110 422	110 422	25 969	25 680
XV. Number of shares (as at the end of the first half of the current financial year and as at the end of the preceding financial year)	13 802 750	13 802 750	13 802 750	13 802 750
XVI. Profit (loss) per ordinary share (in PLN/EUR)	5,33	4,51	1,24	1,06
XVII. Diluted profit (loss) per ordinary share (in PLN/EUR)	5,33	4,51	1,24	1,06
XVIII. Book value per share (in PLN/EUR) (as at the end of the first half of the current financial year and as at the end of the preceding financial year)	81,03	80,58	19,06	18,74
XIX. Diluted book value per ordinary share (in PLN/EUR) (as at the end of the first half of the current financial year and as at the end of the preceding financial year)	81,03	80,58	19,06	18,74
XX. Declared or paid dividend per share (in PLN/EUR)	4,88	6,50	1,15	1,49

#### STATEMENT OF THE MANAGEMENT BOARD ON THE RELIABILITY OF THE PREPARATION OF THE FINANCIAL REPORT

The Management Board of Tyre Company Dębica S.A. declares that, to the best of its knowledge, the semi-annual financial statements and comparative data have been prepared in accordance with the applicable accounting principles and they give a true, fair and transparent view of the Company's financial position and assets, as well as its financial result.

The Management Board of Tyre Company Dębica S.A. declares that the report on the activity of Tyre Company Dębica S.A. gives a true picture of the development, achievements and situation of the Company, including the description of basic threats and risks.

Leszek Szafran – President of the Management Board

Ireneusz Maksymiuk – Member of the Management Board

Michał Mędrek - Member of the Management Board

Mirosław Maziarka - Member of the Management Board

## SEMI-ANNUAL FINANCIAL REPORT

### BALANCE SHEET

	Notes	in PLN thousand		
		six months / 2019	2018	six months / 2018
<b>A S S E T S</b>				
I. Fixed assets		799 616	816 061	802,020
1. intangible assets, of which:		0	0	4
2. property, plant and equipment		790 476	809 035	799 712
3. long-term investments		144	144	144
3.1. Long-term financial assets		144	144	144
a) in other entities		144	144	144
4. Long-term prepayments		8 996	6 882	2 160
4.1. Deferred income tax assets		8 989	6 844	1 977
4.2. Other prepayments		7	38	183
II. Current assets		935 112	832 571	843 382
1. Inventory		98 981	107 145	103 341
2. Short-term receivables		429 028	303 744	453 406
2.1. From related entities		372 898	277 513	411 527
2.2. From other parties		56 130	26 231	41 879
3. Short-term investments		402 120	420 481	282 329
3.1. Short-term financial assets		402 120	420 481	282 329
a) in related entities		225 000	350 000	185 000
b) in other entities				
c) cash and other cash assets		236 405	92 419	177 120
4. Short-term prepayments		5 485	1 499	4 983
<b>Total assets</b>		<b>1 7954 151</b>	<b>1 691 457</b>	<b>1 734 728</b>
<b>L I A B I L I T I E S</b>				
I. Equity		1 118 482	1 112 252	1 090 140
1. Share capital		110 422	110 422	110 422
2. Supplementary capital		327 217	327 178	326 311
3. Revaluation reserve		65 341	65 380	66 247
4. Other revaluation reserves		541 915	519 520	519 520
5. Net profit (loss)		73 587	89 752	67 540
II. Liabilities and provisions for liabilities		675 669	579 205	644 588
1. Provisions for liabilities		71 105	62 510	50 579
1.1. Deferred income tax provision		33 177	25 532	21 114
1.2. Provision for retirement and similar benefits		30 699	36 046	27 943
a) long-term		9 251	9 707	9 181
b) short-term		21 448	26 339	18 762
1.3. Other provisions		7 229	932	1 522
a) long-term		174	139	201
b) short-term		7 055	793	1 321
2. Long-term liabilities		4 096	3 995	2 971
2.1. To other entities		4 096	3 995	2 971
3. Short-term liabilities		600 468	512 700	591 038
3.1. To related entities		162 610	85 012	186 113
3.2. To other entities		435 567	426 889	401 255
3.3. Special funds		2 291	799	3 670
<b>Total liabilities</b>		<b>1 794 151</b>	<b>1 691 457</b>	<b>1 734 728</b>
Book value		1 118 482	1 112 252	1 090 140
Number of stocks		13 802 750	13 802 750	13 802 750
Book value per stock (in PLN)		81,03	80,58	78,98
Diluted number of stocks		13 802 750	13 802 750	13 802 750
Diluted book value per stock (in PLN)		81,03	80,58	78,98

**NON-BALANCE SHEET ITEMS**

	Notes	in PLN thousand		
		six months / 2019	2018	six months / 2018
Contingent receivables				
1. Other (due to)		644		3 070
- non-balance sheet liabilities on a long-term gas delivery contract		643		1 609
- non-balance sheet liabilities on a long-term real estate lease contract		1		1 461
<b>Total non-balance sheet items</b>		<b>644</b>		<b>3 070</b>

**PROFIT AND LOSS ACCOUNT**

	Notes	In PLN thousand	
		six months / 2019	six months / 2018
I. Net revenues on the sale of products, goods and materials, of which:		1 066 713	968 990
- from related entities:		960 564	862 494
1. net revenues from the sale of products		960 475	877 137
2. net revenues on the sale of goods and materials		106 238	91 853
II. Cost of products, goods and materials sold, of which:		973 572	887 919
- to related entities:		877 966	802 445
1. cost of manufacture of products sold		877 024	806 587
2. value of goods and services sold		96 548	81 332
III. Gross sales profit (loss)		93 141	81 071
IV. Sales costs		7 312	6 138
V. General administration costs		3 757	6 950
VI. Sales profit (loss)		82 072	67 983
VII. Other operating revenues:		75	1 036
1. profit on disposal of non-financial fixed assets		0	954
2. revaluation of non-financial assets		0	21
3. other operating revenue		75	61
VIII. Other operating costs:		7 567	1 809
1. loss on disposal of non-financial assets		9	0
2. revaluation of non-financial assets		226	33
3. other operating costs		7 332	1 776
IX. Profit (loss) on operating activity		74 580	67 210
X. Financial revenues		3 036	4 988
1. Dividends and profit shares, of which:		106	0
2. Interest, of which:		2 930	2 668
- from related entities		1 851	2 239
3. Other		0	2 320
XI. Financial costs		2 425	889
1. Interest of which:		785	889
2. Other		1 640	0
XII. Gross profit (loss)		<b>75 191</b>	71 309
XIII. Income tax		1 604	3 669
a) current		1 900	1 951
b) deferred		-296	1 718
XIV. Net profit (loss)		<b>73 587</b>	67 640

**STATEMENT OF CHANGES IN EQUITY**

	in PLN thousand		
	six months / 2019	2018	six months / 2018
I. Equity as at the beginning of the period (OB)	1 112 252	1 112 218	1 112 218
I a Equity as at the beginning of the period (OB) following reconciliation of comparable data	1 112 252	1 112 218	1 112 218
1. Share capital as at the beginning of the period	110 422	110 422	110 422
1.1 Share capital as at the end of the period	110 422	110 422	110 422

2. Supplementary capital as at the beginning of the period	327 178	326 144	326 144
2.1. Changes in supplementary capital	39	1 034	167
a) increases (due to):	39	1 034	167
- transfer from the revaluation reserve of amounts resulting from revaluation of liquidated fixed assets - current period	39	1 034	167
2.2. Supplementary capital as at the end of the period	327 217	327 178	326 311
3. Revaluation capital as at the beginning of the period	65 380	66 414	66 414
3.1. Changes in revaluation capital	-39	-1 034	-167
a) decreases (due to)	39	1 034	167
- transfer to the revaluation reserve of amounts resulting from valuation of liquidated fixed assets - current period	39	1 034	167
3.2. Revaluation capital as at the end of the period	65 341	65 380	66 247
4. Other reserves as at the beginning of the period	519 520	489 664	489 664
4.1. Changes in other reserves	22 395	29 856	29 856
a) increases (due to)	22 395	29 856	29 856
- allocation toward capital reserve from the 2017 profit distribution with the possibility of distribution among shareholders	22 395	29 856	29 856
- allocation toward capital reserve from the 2018 profit distribution with the possibility of distribution among shareholders	541 915	519 520	519 520
4.2. Other reserves as at the end of the period	89 752	119 574	119 574
5. Profit (loss) from prior years as at the beginning of the period	89 752	119 574	119 574
5.1. Profit from prior years as at the beginning of the period	89 752	119 574	119 574
5.2. Profit from prior years as at the beginning of the period following reconciliation of comparable data	89 752	119 574	119 574
a) decreases (due to)	67 357	89 718	89 718
- dividend for shareholders	22 395	29 856	29 856
- allocation toward capital reserve from the 2018/2017 profit distribution with the possibility of distribution among shareholders	0	0	0
5.3. Profit from prior years as at the end of the period	0	0	0
5.4. Profit (loss) from prior years as at the end of the period	73 587	89 752	67 640
6. Net result	73 587	89 752	67 640
a) net profit	1 118 482	1 112 252	1 090 140
II. Equity as at the end of the period (CB)	1 118 482	1 112 252	1 090 140
III. Equity following proposed profit distribution (coverage of loss)	1 112 252	1 112 218	1 112 218

#### CASH FLOWS STATEMENT

	Thousand PLN	
	six months/ 2019	six months / 2018
A. Cash flows from operations		
I. Net profit (loss)	73 587	67 640
II. Total adjustments	-30 064	-54 263
1. Amortization	46 297	50 587
2. (Profit) loss on foreign exchange gains/losses	40	-41
3. Interest for participation in profit (dividends)	-1 842	-1 987
4. (Profit) loss on investments	800	-1 116

5. Change in reserves	8 595	-4 390
6. Change in inventories	-12 654	8 163
7. Change in receivables	-81 734	-125 284
8. Change in short-term liabilities, excluding loans and borrowings	22 284	25 701
9. Change in long-term prepayments and accruals	-11 920	-5 896
10. Other adjustments	70	0
III. Net cash flows from operations (I+/-II) - indirect method	43 523	13 377
B. Cash flows from investments		
I. Inflows	188 646	129 787
1. Sale of intangible and property, plant and equipment	1 689	2 548
2. From financial assets, of which:	1 957	2 239
a) in related entities	1 957	2 239
- dividends and profit shares	106	
- interests	1 851	2 239
a) in remaining entities	0	0
- interests	0	0
3. Other investment inflows	185 000	125 000
II. Expenses	86 067	35 217
1. Acquisition of intangible assets and tangible fixed assets	26 067	35 217
2. For financial assets, in which:	0	0
b) in remaining entities	0	0
3. Other investment expenses	60 000	0
III. Net financial flows from investments (I - II)	102 579	94 570
C. Cash flows from financial operations		
I. Inflows	0	0
1. Credits and loans	0	0
II. Expenses	2 076	1 349
1. Payment of finance lease liabilities	1 961	1 097
2. Interest	115	252
III. Net financial flows from financial operations (I - II)	-2 076	-1 349
D. Total net financial flows (A.III+/-B.III+/-C.III)	144 026	106 598
E. Balance sheet change in cash and cash equivalents, including:	143 986	106 639
- change in cash due to foreign exchange gains/losses	-40	41
F. Cash as at the beginning of the period	92 386	70 521
G. Cash as at the end of the period (F+/- D), of which:	236 412	177 119
- restricted cash	2 341	1 784

1. Incompatibilities between balance sheet changes:

- a) the balance of liabilities and changes in the balance of these items disclosed in the cash flow statement:

	six months 2019	six months 2018
balance sheet change	87 768	112 699
Adjustments:		
change in the balance of liabilities due to fixed assets under construction	1 994	2 819
change in the balance of short-term liabilities	- 121	- 99
on account of financial leasing		
change in the balance of liabilities due to dividend	-67 357	-89 718
Adjustments total	-65 484	-86 998

## ADDITIONAL INFORMATION TO THE SEMI ANNUAL 2019 REPORT

Prepared pursuant to the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodic information to be submitted by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757).

### 1. Accounting principles adopted in the preparation of the report

The semi-annual report for the first half of 2019 was prepared in accordance with the provisions of the Accounting Act dated 29 September 1994, Dz. U. of 2019, item 351, as amended and in accordance with the accounting principles applicable in the Company. The data included in the report have been prepared using valuation rules applicable to assets and liabilities and the measurement of the net financial result as at the balance sheet date.

The accounting principles have not changed in relation to those described in the annual report for 2018, published on 25 April 2019.

### 2. Information about amounts and types of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, value or frequency.

None.

### 3. Seasonality, cyclicity of operations

The Company's activity is not characterized by strong seasonality. However, external factors, such as macroeconomic situation, weather conditions or consumer behavior may affect the sales revenues in particular parts of the year (sales of summer tires and sales of winter tires).

### 4. Inventory revaluation write-downs

T.C. Dębica S.A. in the first half of 2019, made revaluation write-downs on inventories in the amount of PLN 26 thousand, which affected the level of other operating costs. The revaluation write-offs concerned:

- a) inventories of products 0 thousand PLN
- b) inventories of raw materials and consumables PLN 26 thousand

Total PLN 26 thousand

### 5. Impairment losses on financial assets, property, plant and equipment, intangible assets or other assets

None

### 6. Information on the creation, increase, use and dissolution of provisions as at 30.06.2019.

Short-term provisions	in thousand PLN
Provision for employee benefits	
As at the beginning of period	26 339
- Increases: Creation of a reserve	20 848
- Reductions: Release/utilization of the provision	25 739
As at the end of period	21 448
Restructuring provision	
As at the beginning of period	793
- Increases: Creation of a reserve	6 819
- Reductions: Release/utilization of the provision	557
As at the end of period	7 055
Long-term provisions	
Provision for retirement benefits	
As at the beginning of period	9 707
- Increases: Creation of a reserve	139
- Reductions: Release/utilization of the provision	595
As at the end of period	9 251
Provision for granted guarantees for tires	
As at the beginning of period	

- Increases: Creation of a reserve	35
- Reductions: Release/utilization of the provision	0
As at the end of period	174

7. *Deferred income tax provisions and assets*

Information on the creation, increase, use and dissolution of provisions as of 30.06.2019.

The deferred income tax provision as at 30 June 2019 amounted to PLN 33.2 million and increased by PLN 7.6 million compared to 31 December 2018.

According to the permit No. 134/ARP/2008 of 27 February 2008 for conducting business activity in the Special Economic Zone Euro-Park Mielec, the Company has the right to take advantage of the income tax relief up to 40.23% of the discounted amount of capital expenditures incurred for the implementation of investments in the Euro-Park Mielec SEZ. The Company fulfilled the conditions of the permit in December 2012 and, starting from 2013, is entitled to take advantage of the corporate income tax relief. By decision of the Minister of Development No. 27/IW/16 of 14 January 2016, the Permit to conduct business activity in the Special Economic Zone Euro-Park Mielec was changed in the part concerning the expiry date. The expiry date was thus deleted from the Permit.

The amount of public aid remaining to be used as at the balance sheet date of 30 June 2019 amounts to PLN 3.6 million in nominal value, i.e. PLN 2.2 million in discounted value (these values include the calculated CIT value for 6 months of 2019, which, however, may be subject to change in the annual settlement).

Based on current estimates, the relief will be used in full by 30 September 2019. This estimate depends on many factors, including the level of orders from related parties and may change as at the next balance sheet date. However, the Management Board does not see any risk that the discount will not be used until the end of the Permit period, i.e. 31 December 2026.

The deferred tax asset as at 30 June 2019 amounted to PLN 17.3 million and increased by PLN 7.9 million compared to 31 December 2018.

8. *Significant transactions of purchase and sale of property, plant and equipment*

In the first half of 2019 there were no significant transactions of sale of property, plant and equipment.

In the first half of 2019, there were significant increases in property, plant and equipment, mainly industrial machinery, to the value of PLN 24.1 million.

9. *Significant liabilities due to the purchase of tangible fixed assets.*

None.

10. *Material settlements due to court cases*

None.

11. *Corrections of prior period errors*

None.

12. *Information on changes in the economic situation and conditions of conducting business activity, which have a significant impact on the fair value of financial assets and liabilities*

None.

13. *Information on non-repayment of a credit or loan or breach of material provisions of a credit or loan agreement*

None.

14. *Information on concluding one or more transactions with related parties, if individually or jointly they are significant and were concluded on conditions other than market conditions*

None.

15. *Financial instruments measured at fair value - change in the manner of its determination.*



None.

16. *Changes in the classification of financial assets as a result of a change in the purpose or use of such assets.*

None.

17. *Issue, redemption and repayment of non-equity and non-equity securities*

The Company did not issue any equity or equity securities in the current period or in the past.

18. *Dividend*

The General Meeting of Shareholders held on 25 June 2019 resolved that 75% of the 2018 profit, i.e. PLN 67.4 million, shall be distributed as dividend to shareholders, at PLN 4.88 per share. The right to dividend for 2018 is vested in persons holding the Company's shares on an account held with a brokerage house on 23 September 2019 (the so-called dividend record date). The dividend will be paid on 18 December 2019.

19. *Significant events that occurred after the date of preparation of the financial statements*

None.

20. *Changes in contingent liabilities and contingent assets that occurred after the end of the last financial year*

Contingent liability under the promissory note discount programme as at the balance sheet date of 30 June 2019 amounts to PLN 34,870 thousand, which is a decrease by PLN 47,611 thousand compared to the end of the year.

21. *Other information that may materially affect the assessment of the property, financial situation and financial result.*

None.

#### **MANAGEMENT BOARD'S REPORT (SEMI-ANNUAL REPORT ON THE ISSUER'S ACTIVITY)**

Semi-annual report of the Management Board on the activity of T.C. Debica S.A. for the first half of 2019.

Prepared pursuant to the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodic information to be submitted by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757).

1. *Accounting principles adopted in the preparation of the report.*

The semi-annual report for the first half of 2019 was prepared in accordance with the provisions of the Accounting Act dated 29 September 1994, Dz. U. of 2019, item 351, as amended and in accordance with the accounting principles applicable in the Company.

The data included in the report have been prepared using valuation rules applicable to assets and liabilities and the measurement of the net financial result as at the balance sheet date.

The accounting principles have not changed in relation to those described in the annual report for 2018, published on 25 April 2019.

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

The basic threats and risks related to the remaining months of the financial year may be:

- a) the level of orders from the Company's customers: affiliated and unrelated entities;
- b) changes in foreign exchange rates, mainly the euro and the U.S. dollar,
- c) costs of raw materials: changes in prices of raw materials which translate into costs of the Company's operations.

3. *Brief description of significant achievements or failures of the issuer in the period and half of the year, with a list of the most important events concerning the issuer.*

In the first half of 2019 TC Dębica S.A. generated sales revenues of PLN 1,066.7 million, 10.1% higher than in the first half of 2018. The second quarter of 2019 saw an increase in sales revenue by 5.9% y/y.

The net profit for the first half of 2019 amounted to PLN 73.6 million, i.e. 8.8% more than in the corresponding period of the previous year.

4. *Factors and events (including atypical ones) having a material impact on the condensed financial statements.*

Gross profit before tax for the first half of 2019 amounted to PLN 75.2 million, i.e. by 5.4% more than in the previous year.

In accordance with the permit No. 134/ARP/2008 of 27 February 2008 for conducting business activity in the Special Economic Zone Euro-Park Mielec, the Company has the right to benefit from income tax relief up to 40.23% of the discounted amount of capital expenditures incurred for the implementation of investments in the Euro-Park Mielec SEZ. The Company fulfilled the conditions of the permit in December 2012 and, starting from 2013, is entitled to take advantage of the corporate income tax relief. By decision of the Minister of Development No. 27/IW/16 of 14 January 2016, the Permit to conduct business activity in the Special Economic Zone Euro-Park Mielec was changed in the part concerning the expiry date. The expiry date was thus deleted from the Permit.

The amount of public aid remaining to be used as at the balance sheet date of 30 June 2019 amounts to PLN 3.6 million in nominal value, i.e. PLN 2.2 million in discounted value (these values include the calculated CIT value for 6 months of 2019, which, however, may be subject to change in the annual settlement).

Based on current estimates, the relief will be used in full by 30 September 2019. This estimate depends on many factors, including the level of orders from related parties and may change as at the next balance sheet date. However, the Management Board does not see any risk that the discount will not be used until the end of the Permit period, i.e. 31 December 2026.

The current portion of the income tax was PLN 1.9 million and relates to income tax paid on profit earned on activities not covered by the zone permit. The deferred portion of income tax amounted to PLN -0.3 million, thus the total income tax amounted to PLN 1.6 million.

Net profit for the first half of 2019 amounted to PLN 73.6 million, which is 8.8% more than in the corresponding period of the previous year.

At the end of June 2019, fixed assets amounted to PLN 784.5 million and were lower by PLN 14.7 million when compared to the beginning of 2019.

The value of property, plant and equipment decreased by PLN 22.5 million, of which

- a) completed investment programs in the first half of 2019 increased fixed assets by PLN 24.1 million,
- b) depreciation of the existing fixed assets decreased their value by PLN 46.3 million,
- c) other changes (mainly financial leasing and sales) caused its decrease by PLN 0.3 million

Deferred income tax assets amounted to PLN 17.3 million, which is an increase by PLN 7.9 million compared to the beginning of 2019.

Current assets amounted to PLN 1,009.6 million and increased in the first half of 2019 by PLN 117.4 million.

million in relation to the beginning of 2019, including: from related parties increased by PLN 68.4 million and from other entities by PLN 13.3 million.

Inventories increased by PLN 12.7 million to PLN 106.5 million. This change was caused by the increase in inventories of finished products by PLN 0.8 million to PLN 2.1 million. The Reserves of Raw Materials and Materials increased by PLN 3.1 million to PLN 74.7 million, while the Production Reserves amounted to PLN 28.6 million, which is an increase by PLN 7.6 million. The stock of goods increased to the level of PLN 1.1 million.

Short-term financial assets amounted to PLN 461.4 million and increased in the first half of 2019 by PLN 19.0 million.

Cash and cash equivalents increased by PLN 144.0 million. The value of loans granted to related parties at the end of June 2019 amounted to PLN 225.0 million (a decrease by PLN 125 million compared to the beginning of 2019).

Short-term prepayments and accruals amounted to PLN 5.5 million and increased in relation to the beginning of the year by PLN 4.0 million, mainly due to a write-off for the Company Social Benefits Fund.

As at 30 June 2019, the Company's assets amounted to PLN 1,794.2 million and increased by PLN 102.7 million in the first half of the year.

As at 30 June 2019, liabilities and provisions for liabilities amounted to PLN 675.7 million and increased by PLN 96.5 million in the first half of the year.

Provisions for liabilities increased by PLN 8.6 million, including: provision for employee benefits decreased by PLN 5.3 million and restructuring provision increased by PLN 6.3 million. In the deferred tax provision item, there was an increase by PLN 7.6 million to PLN 33.2 million.

Short-term liabilities as at 30 June 2019 amounted to PLN 600.5 million and increased in relation to the end of 2018 by PLN 87.8 million. Short-term liabilities towards related parties increased by PLN 77.6 million, short-term liabilities towards other entities increased by PLN 8.7 million. Special funds increased by PLN 1.5 million.

Long-term liabilities (due to leasing) increased by PLN 0.1 million to PLN 4.1 million.

At the end of June 2019, the Company's equity amounted to PLN 1,118.5 million and increased by PLN 6.2 million in the first half of 2019 (increase in net profit of PLN 73.6 million and decrease in dividend of PLN 67.4 million).

For the first half of 2019, operating activities generated positive cash flows of PLN 43.5 million. Net profit and depreciation generated positive cash flows in the amount of PLN 119.9 million, while the increase in working capital generated negative cash flows of PLN 72.1 million. The change in provisions and prepayments and accrued expenses generated PLN 3.3 million of negative cash flows, while other items generated PLN 1.0 million of negative cash flows.

In the first half of 2019, investment activity generated positive cash flows in the amount of PLN 102.6 million. PLN 26.1 million was allocated for the acquisition of property, plant and equipment. Repayment of a loan from a related party generated PLN 185.0 million of positive cash flows. Interest on the loan granted to the affiliated entity amounted to PLN 1.9 million, interest on the dividend received amounted to PLN 0.1 million positive cash flows, while PLN 1.7 million positive cash flows were obtained from the sale of property, plant and equipment. Granting a loan to a related party generated PLN 60 million of negative cash flows.

Financial activity generated negative cash flows in the amount of PLN 2.1 million. The payment of interest amounted to PLN 0.1 million and the payment of lease installments to PLN 2.0 million.

Net cash flows for the first half of 2019 were positive and amounted to PLN 144.0 million. Cash and cash equivalents increased in the first half of 2019 by PLN 144.0 million from PLN 92.4 million at the end of December 2018 to PLN 236.4 million at the end of June 2019.

5. *Description of changes in the organization of the capital group*

The Company does not form a capital group, is not a parent company, does not prepare consolidated financial statements.

6. *Management Board's position regarding the possibility of meeting previously published forecasts for a given year in the light of the results presented in the quarterly report, in relation to the forecast results*

The Company did not publish any financial forecasts for 2019.

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 at the date of submitting the periodic report for the first half of 2019, the shareholders holding at least 5% of the total number of votes at the general meeting of the Company were:

Goodyear Holdings S.à.r.l. with its registered office in Luxembourg, holding 12,042,976 shares representing 87.251% of the Company's share capital, granting the right to 12,042,976 votes at the

Company's general meeting of shareholders, representing approximately 87.251% of the total number of votes at the Company's general meeting of shareholders.<sup>1</sup>

Shareholding in the first half of 2019:

As at January 1, 2019, the shareholders holding more than 5% of the share capital and at least 5% of votes at the General Meeting were:

Goodyear Holdings S.à.r.l. with its registered office in Luxembourg, holding 11,234,912 shares representing 81.396% of the Company's share capital, granting the right to 11,234,912 votes at the Company's General Meeting of Shareholders, representing approximately 81.396% of the total number of votes at the Company's General Meeting of Shareholders.

Investment funds managed by Rockbridge TFI S.A. with its registered office in Warsaw, holding 807,483 shares constituting 5.85% of the Company's share capital, granting the right to 807,483 votes at the Company's General Meeting, constituting approximately 5.85% of the total number of votes at the Company's General Meeting.

Changes in the shareholding structure in the first half of 2019:

18. June 2019: The Company received a notification from Rockbridge Towarzystwo Funduszy Inwestycyjnych S.A. (hereinafter: "Rockbridge TFI SA"), acting on behalf and for the benefit of managed investment funds, on the reduction of its shareholding below the 5% threshold in the total number of votes in the Company by investment funds managed by Rockbridge TFI SA.

June 19, 2019: The Company received a notification from companies from the Goodyear Group on a change in the ownership of the Company's shares in connection with a transaction concluded on the regulated market, which was announced in the current report RB 17/2019 of 19 June 2019. As a result of the transaction, Goodyear Holdings S.à.r.l. with its registered office in Colmar-Berg, Luxembourg holds directly 12,042,976 shares constituting 87.251% of the Company's share capital and entitling to 12,042,976 votes at the Company's general meeting of shareholders.

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

As at the date of submitting the semi-annual report, none of the persons managing and supervising the Company held any shares in the Company or any rights to them.

9. *Significant proceedings pending before a court, a competent arbitration authority or a public administration authority concerning liabilities and receivables of the issuer or its subsidiary*  
None

10. *Information on concluding one or more transactions with related parties, if individually or jointly they are significant and were concluded on conditions other than market conditions.*  
None

11. *Information on granting credit or loan sureties or guarantees - jointly to one entity or its subsidiary*  
The Company did not grant any credit or loan sureties or guarantees.

12. *Other information relevant to the assessment of the personnel, property, financial and financial situation, financial result and their changes, as well as information relevant to the assessment of the possibility of meeting liabilities*  
None

13. *Factors which, in the Company's opinion, will affect the results achieved by the Company in the perspective of at least the next six months*

In the opinion of the Management Board, the following factors will affect the results achieved by the Company in the perspective of at least the next six months:

- a) macroeconomic situation: the state of the economy in Poland and Europe and its impact on the financial situation of customers and consumers;

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<sup>1</sup> Source: Current report no. 17/2019 Notification received from Goodyear Group companies about a change in the shareholding of the company in connection with a transaction concluded on a regulated market, date of publication: 19.06.2019 r.

- b) development of the automotive industry: dynamics of car production and sales in Poland and Europe;
- c) level of orders from the Company's customers: affiliated and unrelated entities;
- d) change in foreign exchange rates, mainly the euro and the U.S. dollar,
- e) operating costs: the impact of costs related to the operations of the production plant in Debica;
- f) costs of raw materials: changes in the prices of raw materials, which translate into the costs of the Company's operations.