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## POLISH FINANCIAL SUPERVISION AUTHORITY (PFSA)

## Quarterly Report SA-Q

1 / 2020

quarter / year

(pursuant to § 60, par. 1, subpar. 1 of the Ordinance on current and periodic information)  
(for the issuers of securities running manufacturing, construction, trading or service activities)

for Q1 of the accounting year 2020 covering the period from 1 January 2020 to 31 March 2020

Filing date: 14 May 2020

Tire Company "Dębica" Spółka Akcyjna		(full company name)	
T.C. Dębica S.A.	automotive	(sector according to WSE classification)	
39-200	Dębica	(postal code) (place)	
1 Maja	1	(street) (number)	
+48 14 670 28 31	+48 14 670 09 57	(phone) (fax)	
	www.debica.com.pl	(e-mail) (Website)	
872-000-34-04	850004505	(Tax ID (NIP)) (REGON)	
		(Statistical No.)	

FINANCIAL HIGHLIGHTS	('000)		'000 EUR	
	1 quarter(s) YTD 2020 period from 1 Jan. 2020 to 31 Mar. 2020	1 quarter(s) YTD 2019 period from 1 Jan. 2019 to 31 Mar. 2019	1 quarter(s) YTD 2020 period from 1 Jan. 2019 to 31 Mar. 2020.	1 quarter(s) YTD 2019 period from 1 Jan. 2019 to 31 Mar. 2019
I. Net sales of products, merchandise and materials	509 070	571 102	115 795	132 882
II. Operating profit /loss	25 380	58 821	5 773	13 686
III. Gross profit/loss	27 691	59 364	6 298	13 812
IV. Net profit/loss	22 493	58 488	5 116	13 609
V. Operational cash flows, net	34 907	-27 100	7 940	-6 306
VI. Investment activity cash flows, net	9 711	179 615	2 209	41 792
VII. Financial activity cash flows, net	143 586	-1 357	32 661	-316
VIII. Total cash flows, net	188 204	151 158	42 810	35 171
IX. Total assets (at the end of this quarter and the end of the previous accounting year)	1 887 578	1 751 030	414 643	411 185
X. Liabilities and liabilities provisions (at the end of this quarter and the end of the previous financial year)	707 451	593 396	155 405	139 344
XI. Long-term liabilities (at the end of this quarter and the end of the previous accounting year)	4 679	4 387	1 028	1 030
XII. Short-term liabilities (at the end of this quarter and the end of the previous accounting year)	633 773	508 942	139 220	119 512
XIII. Equity (at the end of this quarter and the end of the previous accounting year)	1 180 127	1 157 634	259 238	271 841
XIV. Share capital (at the end of this quarter and the end of the previous accounting year)	110 422	110 422	24 256	25 930
XV. No. of shares (pcs.) (at the end of this quarter and the end of the previous accounting year)	13 802 750	13 802 750	13 802 750	13 802 750
XVI. Earnings (loss) per ordinary share (in PLN/EUR)	1.63	4.24	0.37	0.99
XVII. Diluted earnings (loss) per ordinary share (in PLN/EUR)	1.63	4.24	0.37	0.99
XVIII. Book value per share (PLN/EUR) (at the end of this quarter and the end of the previous accounting year)	85.50	83.87	18.78	19.69
XIX. Diluted book value per share (in PLN/EUR) (at the end of this quarter and the end of the previous accounting year)	85.50	83.87	18.78	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.

## CONDENSED FINANCIAL STATEMENT

## BALANCE SHEET

	'000 PLN			
	as of 31 Mar. 2020 end- of-quarter/ 2020	end-of-previous quarter/	as of 31 Dec. 2019 end-of-previous year / 2019	as of 31 Mar. 2019 end- of-quarter/ 2019
<b>ASSETS</b>				
I. Fixed assets	790 488		800 066	787 102
1. Intangible assets, of which:	0		0	0
2. Tangible fixed assets	774 994		782 700	778 045
3. Long-term investments	74		74	144
3.1. Long-term financial assets	74		74	144
a) in other entities	74		74	144
4). Long-term prepayments	15 420		17 292	8 913
4.1. Deferred income tax assets	15 420		17 292	8 913
4.2. Other prepayments	0		0	0
II. Current assets	1 097 090		950 964	993 770
1. Inventory	82 441		107 972	99 399
2. Short-term receivables	362 749		359 219	480 513
2.1. From related entities	306 702		333 084	424 132
2.2. From non-related entities	56 047		26 135	56 381
3. Short-term investments	645 147		481 906	408 550
3.1. Short-term financial assets	645 147		481 906	408 550
a) in related entities	325 000		350 000	165 000
c) cash and other cash assets	320 147		131 906	243 550
4. Short-term prepayments	6 753		1 867	5 308
<b>Total assets</b>	<b>1 887 578</b>		<b>1 751 030</b>	<b>1 780 872</b>
<b>LIABILITIES</b>				
I. Equity	1 180 127		1 157 634	1 170 741
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	519 520
5. Retained earnings (profit/loss)	112 739			89 752
6. Net profit/loss	22 493		112 739	58 488
II. Liabilities and provisions for liabilities	707 451		593 396	610 131
1. Provisions for liabilities	68 999		80 067	55 801
1.1. Provision for deferred income tax	40 641		37 315	25 232
1.2. Provision for retirement gratuities and equivalent	24 355		38 375	23 262
a) long-term	10 390		10 449	9 284
b) short-term	13 965		27 926	13 978
1.3. Other provisions	4 003		4 377	7 307
a) long-term	225		218	136
b) short-term	3 778		4 159	7 171
2. Long-term liabilities	4 679		4 387	4 256
2.1. Vis-a-vis other entities	4 679		4 387	4 256
3. Short-term liabilities	633 773		508 942	550 074
3.1. Vis-a-vis related entities	98 761		100 332	107 881
3.2. Vis-a-vis other entities	529 477		408 476	437 193
3.3. Special funds	5 535		134	5 000
3.4. Other accruals	0		0	0
<b>Total liabilities</b>	<b>1 887 578</b>		<b>1 751 030</b>	<b>1 780 872</b>
Book value	1 180 127		1 157 634	1 170 741
No. of shares (pcs.)	13 802 750		13 802 750	13 802 750
Book value per share (in PLN/EUR)	85.50		83.87	80.71
Diluted No. of shares (pcs.)	13 802 750		13 802 750	13 802 750
Diluted book value per share (in PLN)	85.50		83.87	80.71

Note ! In the case of reports for the first quarter of the financial year, only the first (as of the end of the first quarter of the current financial year), third (as of the end of the previous financial year) and fourth column (as of the end of the first quarter of the previous financial year) should be completed.

## OFF-BALANCE ITEMS

	('000 PLN)			
	as of 31 Mar. 2020 end- of-quarter/ 2020	end-of-previous quarter/	as of 31 Dec. 2019 end-of-previous year / 2019	as of 31 Mar. 2019 end- of-quarter/ 2019
From other entities (due to)				
guarantees and sureties received				
From non-related entities in which the issuer holds equity stakes				
guarantees and sureties received				
1. Other (due to)	9 239		9 711	2 333
- off-balance liabilities under long-term gas supply contract	8 322		8 664	1 126
- off-balance liabilities under long-term real estate lease contract	917		1 047	1 207
Total off-balance items	9 239		9 711	2 333

Note ! In the case of reports for the first quarter of the financial year, only the first (as of the end of the first quarter of the current financial year), third (as of the end of the previous financial year) and fourth column (as of the end of the first quarter of the previous financial year) should be completed.

## PROFIT AND LOSS ACCOUNT

	('000 PLN)			
	Q1 /2020 period from 1 Jan. 2020 to 31 Mar. 2020	YTD / period from .... to	Q1 /2019 period from 1 Jan. 2019 to 31 Mar. 2019	YTD / period from .... to
A. Net sales of products, merchandise and materials, of which:	509 070		571 102	
- from related entities	462 987		502 823	
1. Net revenues from products sold	459 653		502 897	
2. Net sales of merchandise and materials	49 417		68 205	
II. Costs of products, merchandise and materials sold, of which:	471 596		499 631	
- to related entities	424 925		437 008	
1. Manufacturing costs of products sold	421 286		436 572	
2. Value of merchandise and materials sold	50 310		63 059	
III. Gross profit/(loss) on sales	37 474		71 471	
IV. Cost of sales	3 477		3 710	
V. General administrative expenses	2 400		1 904	
VI. Gross profit/(loss) on sales	31 597		65 857	
VII. Other operating income	51		49	
1. Proceeds from the disposal of non-financial fixed assets	33		0	
2. Subsidies	0		0	
3. Revaluation of non-financial assets	0		0	
4. Other operating income	18		49	
VIII. Other operating expenses	6 268		7 085	
1. Loss on the disposal of non-financial fixed assets	0		54	
2. Revaluation of non-financial assets	28		24	
3. Other operating expenses	6 240		7 007	
IX. Operating profit /loss	25 380		58 821	
X. Financial income	2 644		1 509	
1. Dividends and shares in profits, of which:	0		0	
a) from related entities, of which:	0		0	
- in which the entity holds equity stake	0		0	
b) from other entities, of which:	0		0	
- in which the entity holds equity stake	0		0	
2. Interest, of which:	1 876		1 509	
- from related entities	1 649		1 036	
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	768		0	
XI. Financial expenses	333		966	

	(000 PLN)			
	Q1 /2020 period from 1 Jan. 2020 to 31 Mar. 2020	YTD / period from .... to	Q1 /2019 period from 1 Jan. 2019 to 31 Mar. 2019	YTD / period from .... to
1. Interest of which:	333		141	
- 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	0		825	
XII. Share in profits/losses of equity-accounted subsidiaries	0		0	
XIII. Gross profit/loss	27 691		59 364	
XIV. Income tax	5 198		876	
a) current portion	0		760	
b) deferred portion	5 198		116	
XV. Other mandatory deductions from profit (loss increase)	0		0	
XVI. Net profit/loss	22 493		58 488	

Net profit/loss (annualized)	76 744		93 032	
Average weighted number of ordinary shares (in pcs.)	13 802 750		13 802 750	
Earnings (loss) per ordinary share (in PLN)	5.56		6.74	
Average weighted diluted number of ordinary shares (in pcs.)	13 802 750		13 802 750	
Diluted earnings (loss) per ordinary share (in PLN)	5.56		6.74	

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	(000 PLN)			
	Q1 /2020 period from 1 Jan. 2020 to 31 Mar. 2020	YTD / period from .... to	2019 period from 1 Jan. 2019 to 31 Dec. 2019	1 quarter(s) YTD 2019 period from 1 Jan. 2019 to 31 Mar. 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
- 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
3.1. Changes in revaluation capital	0		-431	-39
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	0
a) additions, of which:	0		22 395	0
- allocation of 2018/2017 profits to the reserve capital, with an option of distribution among shareholders	0		22 395	0
4.2. Closing balance of other reserve capital (funds)	541 915		541 915	519 520
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
b) reductions, of which:	0		89 752	0
- dividend for shareholders	0		67 357	0
- allocation of 2018/2017 profits to the reserve capital, with an option of distribution among shareholders	0		22 395	0
5.3. Closing balance of retained earnings (profit)	112 739		0	89 752
5.4. Closing balance of profit/loss	112 739		0	89 752

	(000 PLN)			
	Q1 /2020 period from 1 Jan. 2020 to 31 Mar. 2020.	quarters YTD / period from .... to	2019 period from 1 Jan. 2019 to 31 Dec. 2019	1 quarter(s) YTD 2019 period from 1 Jan. 2019 to 31 Mar. 2019
6. Net profit/loss	22 493		112 739	58 488
a) net profit	22 493		112 739	58 488
II. Closing balance of shareholders' equity	1 180 127		1 157 634	1 170 741
III. Shareholders' equity adjusted with proposed profit distribution (loss coverage)	1 180 127		1 157 634	1 170 741

## CASH FLOW STATEMENT

	(000 PLN)			
	Q1 /2020 period from 1 Jan. 2020 to 31 Mar. 2020.	quarters YTD / period from .... to	Q1 /2019 period from 1 Jan. 2019 to 31 Mar. 2019	quarters YTD / period from .... to
<b>A. Operational cash flows</b>				
I. Gross profit/loss	22 493		58 488	
II. Total adjustments	12 414		(85 588)	
1. Amortization and depreciation	23 995		23 143	
2. Foreign exchange gains/losses	-37		28	
3. Interest and share in profits (dividend)	(1 484)		(958)	
4. Investment activity gain /loss	(33)		684	
5. Change in provision balance	(11 070)		(6 708)	
6. Change in inventory balance	25 532		(5 592)	
7. Change of receivables balance	(3 529)		(125 962)	
8. Change in balances of short-term liabilities, excl. credits and loans	(17 946)		33 164	
9. Change in balance of prepayments and accruals	(3 014)		(3 387)	
10. Other adjustments	0		0	
III. Operational cash flows (I+/-II) - indirect method	34 907		(27 100)	
<b>B. Investment activity cash flows</b>				
I. Cash inflows	27 027		187 221	
1. Disposal of intangibles and tangible fixed assets	378		1 185	
2. From financial assets of which:	1 649		1 036	
a) in related entities	1 649		1 036	
- interest	1 649		1 036	
b) in other entities	0		0	
- interest	0		0	
3. Other investment activity inflows	25 000		185 000	
II. Cash outflows	17 316		7 606	
1. Acquisition of intangibles and tangible fixed assets	17 316		7 606	
2. Into financial assets including:	0		0	
a) in related entities	0		0	
b) in other entities	0		0	
III. Investment activity cash flows, net (I-II)	9 711		179 615	
<b>C. Financial activity cash flows</b>				
I. Cash inflows	144 486		0	
1. Loans and borrowings	144 486		0	
2. Other financial inflows	0			
II. Cash outflows	900		1 357	
1. Repayment of credits and loans	0			
2. Payments related to financial lease liabilities	735		1 279	
3. Interest income	165		78	
III. Financial activity cash flows, net (I-II)	143 586		(1 357)	
D. Total cash flows, net (A.III+/-B.III+/-C.III)	188 204		151 158	
E. Balancing change of cash balance including:	188 241		151 130	
- change of cash flows balance due to FX gains/losses	37		-28	
F. Opening cash balance	131 916		92 386	
G. Closing cash balance (F+/-D), of which:	320 120		243 544	

	(000 PLN)			
	Q1 /2020 period from 1 Jan. 2020 to 31 Mar. 2020.	quarters YTD / period from .... to	Q1 /2019 period from 1 Jan. 2019 to 31 Mar. 2019	quarters YTD / period from .... to
- restricted cash	6 193		5 000	

## NOTES AND EXPLANATIONS

### NOTES TO THE FINANCIAL STATEMENT Q1 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 applied to report preparation

The quarterly report for the first quarter of 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 effective at the Company.

The data presented 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 general 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's operations are of seasonal nature, since external factors such as macroeconomic situation, weather conditions or consumer behaviour may affect the generation of sales revenues during the year (sales of summer tires and winter tires).

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

For Q1 2020 T.C. Dębica S.A. made impairment write-offs on inventories totalling PLN 75 thousand, that affected the level of other operating expenses. The impairment write-offs were concerned with:

a) product inventories:	PLN 0 thousand.
b) raw materials and materials inventories	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 31 March 2020

## Short-term provisions

('000 PLN)

## Provisions for employee benefits

Opening balance	27 926
- increase: setting up provision	13 405
- decrease: release /utilisation of provision	27 366
Closing balance	13 965

## Provision for restructuring

Opening balance	4 159
- increase: setting up provision	
- decrease: release /utilisation of provision	381
Closing balance	3 778

## Long-term provisions

('000 PLN)

## Provision for retirement benefits

Opening balance	10 449
- increase: setting up provision	72
- decrease: release /utilisation of provision	131
Closing balance	10 390

## Tire warranties extended

Opening balance	218
- increase: setting up provision	7
- decrease: release /utilisation of provision	
Closing balance	225

## 7. Deferred income tax provisions and assets

As of 31 March 2020 the provision for deferred income tax totalled PLN 40.6 million and was up by PLN 3.3 million compared to the balance as of 31 December 2019.

An increase in the deferred tax liability is mainly due to the difference in depreciation rates for tax and accounting purposes.

As of 31 March 2020 the balance of provision for deferred income tax totalled PLN 15.4 million and was down by PLN 1.9 million compared to that as of 31 December 2019.

Differences in deferred tax assets are driven mainly by a decrease in the amount of provision for liabilities owned to the employees and provision for cash bonuses for customers.

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

None.

## 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.

During Q1 2020 the Company did not enter into any significant transactions with related entities other than transactions following arm's length principle.

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

The Company does not measure financial assets at fair value.

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

As of publication date of this Report the Management Board did not take a decision on the recommendation on the 2019 net profit distribution, nor about dividend payment.

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 31 March 2020 totalled PLN 0.00, down by PLN 53.4 million compared to the year-end.

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

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. For the sake of the health of its personnel and business partners, in response to the rapid spread of COVID-19 pandemic and its negative impact on market demand in Poland and in the markets where the Company's key customer, Goodyear, is active, the Company's Management Board decided to suspend temporarily manufacturing activities for the period from 21 March to 17 April 2020.





The manufacturing activities were resumed on 17 April 2020. The Company has continuously carried out and continues to carry out sales and distribution activities while remaining in close contact with its business partners. The Company continues to provide tyre supplies to its customers and cooperates in the development of the most optimal commercial solutions in rapidly changing and uncertain market environment.

The above situation influenced the downward trends of particular figures in the financial statement compared to the same period of the previous year presented in detail in the "Miscellaneous Information" section.

The Management Board is monitoring on current basis the impact of the COVID-19 pandemic on the financial, business and operational aspects of the Company business and will continue to take appropriate decisions to ensure business continuity and a safe and stable Company position. The Company agreed, *inter alia*, using the procedure provided for by the law and implemented a scheme of limited working time for employees and submitted an application for support in the form of co-financing of personnel wages and salaries as part of the government support scheme for businessmen, the so-called Anti-Crisis Shield.

The application was considered favourably and the first tranche of periodic support in the amount of PLN 5.51 million was paid to the Company. Also in the future, the Company's Management Board intends to take advantage of any further support tools that may be made available, if they safeguard the attainment of the above mentioned objectives and if the Company is able to meet the eligibility criteria.

File	Description

## MISCELLANEOUS INFORMATION

### 1. Selected financial data converted into euro

The assets and liabilities from the balance sheet were converted into EURO using the average exchange rate of the National Bank of Poland prevailing on 31 March 2020 (1 euro = PLN 4.5523) and on 31 March 2016 (1 euro = PLN 4,3013).

The items from the Profit and Loss Account and from the Cash Flow Statement were converted into EURO using the EURO rate that was the arithmetic mean of the exchange rates published by the National Bank of Poland and effective on the last day of the accounting month. The mean exchange rate adopted for conversions of data from Q1 2020 is PLN 4.3963 for 1 EURO, and for conversions of data from Q1 2019 is PLN 4.2978 for 1 EURO.

The net profit for Q1 2020 posted into the balance sheet, calculated using the exchange rate prevailing at the end of March 2020 amounted to EUR 4 941 thousand, whereas the net profit calculated using average exchange rates amounted to EUR 5 116 thousand. The foreign exchange gains/losses due to the conversion of net financial result for Q1 2020 amounted to EUR 175 thousand.

### 2. Material successes or failures

In Q1 2020 Tire Company Dębica S.A. generated sales revenues of PLN 509.1 million, down by 10.9% compared to Q1 2019.

The net profit in Q1 2020 totalled PLN 22.5 million, i.e. down by 61.5% compared to the same period in the previous year.

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

Sales to Goodyear Group member companies in Q1 2020 totalled PLN 463.0 million, down by PLN 39.8 million compared to Q1 2019. In Q1 2020, sales accounted for 90.9% of total sales, compared to 88.0% in the same period of 2019.

The sales to non-related entities totalled PLN 46.1 million, down by 32.5% on a year-to-year basis.

Gross profit on sales to related entities in Q1 2020 amounted to PLN 38.1 million and was down by PLN 27.7 million compared to the same period in the previous year. The ratio between gross profit and revenues generated by these entities was down from 13.1% to 8.2% on a year-to-year basis.

The gross profit/loss on sales to non-related entities in Q1 2020 was in fact a loss of PLN 0.6 million, and thus it was down by PLN 6.3 million compared to the same period in the previous year. The ratio between gross profit and revenues generated by these entities was down from 8.3% to (1.3%) on a year-to-year basis.

Gross profit on total sales in Q1 2020 amounted to PLN 37.5 million, whereas the ratio between gross profit margin and total revenues was 7.4%. For comparison sake gross profit on total sales in Q1 2019 amounted to PLN 71.5 million, whereas the ratio between gross profit margin and total revenues was 12.5%.

Unit production costs in Q1 2020 were up by 5.8% compared to the same period in the previous year. The processing costs were mainly up.

Selling, general and administrative costs totalled PLN 5.9 million, up by 0.3 million compared to Q1 2019. The share of these costs in total sales in value terms accounted for 1.2% compared to 1.0% in Q1 of the previous year and has remained relatively stable.

The result of other operations in Q1 2020 is a cost of PLN 6.2 million compared to PLN 7.0 million in Q1 2019.

The cost of PLN 6.2 million consisted of:

a) costs of underutilized production capacity of PLN 6.1 million, b) other operating costs of PLN 0.1 million.

Operating profit (EBIT) totalled PLN 25.4 million, down by 33.4 million on a year-to-year basis, and the ratio between EBIT margin and revenues was down to 5.0% from 10.3% in Q1 2019.

In Q1 2020 financial activities generated a profit of PLN 2.3 million compared to a profit of PLN 0.5 million in the previous year 2019.

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

a) foreign exchange gains that totalled PLN 0.8 million, compared to foreign exchange losses equal PLN 0.8 million in Q1 2019.

b) interest on loans granted to related entities generated income totalling PLN 1.6 million compared to PLN 1.0 million in Q1 2019.

c) idle cash interest income of PLN 0.2 million compared to PLN 0.5 million in Q1 2019;

d) other interest expense amounting to PLN 0.3 million, compared to PLN 0.2 million in the same period of the previous year.

Gross profit before tax in Q1 2020 totalled PLN 27.7 million, i.e. down by 5.3% on a year-to-year basis. Pursuant to the held operational permit No. 134/ARP/2008 of 27 February 2008 for running business activities within the Euro-Park Mielec Special Economic Zone Tire Company Dębica S.A. is entitled to enjoy income tax relief up to 40.23 per cent of the discounted amount of capital expenditures spent on investment projects within the "Euro-Park Mielec" Special Economic Zone. The Company met the requirements attached to the operational permit in December 2012 and starting from 2013 onwards is entitled to enjoy income tax relief for legal persons. By virtue of Decision No. 27/IW/16, issued by the Minister of Development, dated 14 January 2016, the held Operational Permit to carry out operations in the territory of the Euro-Park Mielec Special Economic Zone was amended in the section concerned with validity date. Consequently, the validity date was deleted from the Operational Permit.

The outstanding amount of public aid to be used as of the balance sheet date of 31 March 2020 totals PLN 1.2 million in nominal terms, i.e. PLN 0.7 million in discounted terms (these values include the calculated CIT value for 3 months of 2020, however, subject to change in the annual settlement).

The Management Board sees no risk that the tax relief will not be utilized until the expiry of the Operation Permit i.e. by 31 December 2026. The current portion of the income tax totalled PLN 0 while the deferred part of the income tax amounted to PLN 5.2 million, thus, the total income tax amounted to PLN 5.2 million.

The net profit in Q1 2020 totalled PLN 22.5 million, i.e. down by 61.5% compared to the same period in the previous year.

At the end of March 2020, fixed assets totalled PLN 790.5 million and were down by PLN 9.6 million compared to the opening balance of 2020.

The value of tangible fixed assets was down by PLN 7.7 million, of which:

a) completed investment programs in Q1 2020 led to an increase of fixed assets by PLN 15.4 million, b) depreciation of existing fixed assets led to a decline of their value by PLN 24.0 million,

c) other changes (new fixed assets financed in the form of financial lease) led to its increase by PLN 0.9 million.

Deferred income tax asset amounted to PLN 15.4 million, down by PLN 1.9 million compared to the beginning of 2020.

Current assets amounted to PLN 1,097.1 million and were up during Q1 2020 by PLN 146.1 million. Short-term receivables totalled PLN 362.7 million and were up by PLN 3.5 million compared to the beginning of 2020, including: from related entities it was down by PLN 26.4 million, and from non-related entities were up by PLN 29.9 million.

Inventories fell by PLN 25.5 million down to PLN 82.4 million. This change was driven by a decline in inventories of raw materials and materials by PLN 14.2 million down to PLN 67.8 million and a decline in the value of work in progress by PLN 11.3 million down to PLN 12.8 million. The level of inventories of finished products were down by PLN 0.1 million and totalled PLN 1.7 million. Meanwhile the inventory of goods (in transit) totalled PLN 0.1 million.

Short-term financial assets totalled PLN 645.1 million and were up during Q1 2020 by PLN 163.2 million. Cash and other cash assets were up by PLN 188.2 million. As of the end of March 2020, loans granted to related parties totalled PLN 325.0 million (down by PLN 25.0 million compared to the opening balance of 2020).

Short-term prepayments and accruals totalled PLN 6.8 million and were up by PLN 4.9 million compared to the onset of the year, mainly due to a write-off to the Corporate Social Benefits Fund.

As of 31 March 2020 the Company's assets amounted to PLN 1 887.6 million and were up in Q1 2020 by PLN 136.5 million.

As of 31 March 2020, liabilities and provisions for liabilities totalled PLN 707.5 million and in the course of 2019 they were up by PLN 114.1 million. Provisions for liabilities were down by PLN 11.1 million, of which deferred tax provision was up by PLN 3.3 million, provision for employee benefits was down by PLN 14.0 million, other provisions were down by PLN 0.4 million.

As of 31 March 2020 the short-term payables amounted to PLN 633.8 million and were up compared to the end of 2020 by PLN 124.8 million. Short-term liabilities vis-a-vis related entities were down by PLN 1.6 million, whereas short-term liabilities vis-a-vis non-related entities were up by PLN 121.0 million. Special funds were up PLN 5.4 million.

Long-term liabilities (lease payments) rose by PLN 0.3 million, up to the level of PLN 4.7 million.

At the end of March 2020, the Company's equity amounted to PLN 1,180.1 million and was up by PLN 22.5 million in Q1 2020 due to the net profit for that period.

In Q1 2020, operational cash flows were positive and totalled PLN 34.9 million. Net profit and depreciation generated positive cash flows in the amount of PLN 46.5 million, while a decline of working capital generated PLN 4.1 million of positive cash flows, mainly due to a decline of inventories at the end of Q1. The change in provisions and cost accruals generated PLN 14.1 million negative cash flows, while other titles generated PLN 1.6 million negative cash flows.

In Q1 2020, investment activities generated positive cash flows of PLN 9.7 million. PLN 17.3 million was allocated for the acquisition of tangible fixed assets.

Loan repayment by the related entity generated PLN 25.0 million of positive cash flows.

The loan extended to a related party generated PLN 1.6 million interest income, while the disposal of tangible fixed assets generated PLN 0.4 million positive cash flows.

Financial activities generated positive cash flows of PLN 143.6 million. Loan generated PLN 144.5 million of positive cash flows, interest payment (PLN 0.2 million) and repayment of lease instalments (PLN 0.7 million) generated negative cash flows.

The net cash flow in Q1 2020 was positive and amounted to PLN 188.2 million. The balance of cash assets rose in Q1 2020 from PLN 131.9 million at the end of December 2019 to PLN 320.1 million at the end of March 2020.

#### 4. 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.

5. 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 quarterly report in relation to the forecast performance.

The Company did not publish forecast performance for 2020.

6. 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 Q1 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. 17/2019 Receipt of notification from Goodyear Group member companies about the change of holding status referring to Company shares in connection with the intragroup transaction, Publication date: 19 June 2019.

7. 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.

8. 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-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 findings"). In the period covered by the Audit, the Company, as a payer, enjoyed under the Corporate Income Tax Act, the exemption from the obligation to collect withholding tax with respect to license fees under the Technical Assistance and Licensing Agreement (the conclusion of which was announced in Current Report No. 17/2014, and the termination of which, effective from 1 January 2018, was announced in the Current Report No. 2/2018 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 Customs and Tax Office, as a consequence of the completed Audit, the tax proceedings against the Company may be initiated. In the event of an unfavourable outcome of the tax proceedings concerning the enjoyment of the exemption from the obligation to collect withholding tax in the audited period, an obligation may arise for the Company to pay tax arrears in the amount of PLN 13.4 million including default interest, at this Report publication date would amount to approximately PLN 6 million and these amounts would be directly impact the Company's financial result.

9. 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.

10. 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.

11. Drivers which, in the Company's opinion, will affect its performance in the perspective of at least the next quarter

In the opinion of the Management Board, the following factors will affect the Company performance in the perspective of at least the next quarter:

- 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 costs.

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: 2020-05-13 14:07:30 CEST</small> <small>Status podpisu: <input checked="" type="checkbox"/> Włastry</small> <small>Rodzaj podpisu: Podpis zwykły</small>
	Ireneusz Maksymiuk	A Management Board member, Chief Financial Officer (CFO)	<small>Właściciel podpisu: IRENEUSZ MAKSYMIOUK</small> <small>Data i godzina podpisu: 2020-05-13 10:15:52 CEST</small> <small>Status podpisu: <input checked="" type="checkbox"/> Włastry</small>
	Michał Mędrak	A Management Board member, Chief Logistics Officer (CLO)	<small>Rodzaj podpisu: Podpis zwykły</small> <small>Właściciel podpisu: Michał Mędrak</small> <small>Data i godzina podpisu: 2020-05-13 16:49:08 CEST</small> <small>Status podpisu: <input checked="" type="checkbox"/> Włastry</small>
	Mirosław Maziarka	A Management Board member, Chief Production Officer (CPO)	<small>Rodzaj podpisu: Podpis kwalifikowany</small> <small>Właściciel podpisu: Mirosław Maziarka</small> <small>Data i godzina podpisu: 2020-05-13 10:39:52 CEST</small> <small>Status podpisu: <input checked="" type="checkbox"/> Włastry</small> <small>Rodzaj podpisu: Podpis kwalifikowany</small>
			<small>Właściciel podpisu: ANNA BOLANOWSKA</small> <small>Data i godzina podpisu: 2020-05-12 18:10:55 CEST</small> <small>Status podpisu: <input checked="" type="checkbox"/> Włastry</small> <small>Rodzaj podpisu: Podpis zwykły</small>