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## POLISH FINANCIAL SUPERVISION AUTHORITY

## Quarterly Report SA-Q

3/2019

Quarter/year

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

for Q3 of the accounting year 2019 covering the period from 1 July 2019 to 30 September 2019

Filing date: 14 November 2019

## TIRE COMPANY DEBICA SA

**DEBICA** (full name of issuer)  
**Automotive** (sector according to WSE classification)  
 Abbreviated name of issuer  
**39-200** (postal code)  
**ul. 1 Maja** (street)  
**(014) 670-28-31** (phone)  
 (e-mail)  
**872-000-34-04** (Tax ID - NIP)

**Dębica** (place)  
**1** (number)  
**014 670-09-57** (fax)  
[www.debica.com.pl](http://www.debica.com.pl) (Web site)  
**850004505** (REGON Statistical No.)

FINANCIAL HIGHLIGHTS	‘000 PLN		‘000 EUR	
	3 quarters on YTD basis/2019 period from 1 Jan. 2019 to 30 Sept. 2019	3 quarters on YTD basis/2019 period from 1 Jan. 2019 to 30 Sept. 2019	3 quarters on YTD basis/2019 period from 1 Jan. 2019 to 30 Sept. 2019	3 quarters on YTD basis/2019 period from 1 Jan. 2019 to 30 Sept. 2019
I. Net sales of products merchandise and materials	1 578 604	1 468 681	366 385	345 289
II. Operating profit (loss)	96 636	95 361	22 429	22 419
III. Gross profit (loss)	97 706	97 737	22 677	22 978
IV. Net profit (loss)	92 455	91 521	21 458	21 517
V. Operational cash flows net	45 634	58 189	10 591	13 680
VI. Investment activity cash flows net	91 954	84 799	21 342	19 936
VII. Financial activity cash flows net	-3 307	7 309	-768	1 718
VIII. Total net cash flows	134 281	150 297	31 166	35 335
IX. Total assets (at closing of current quarter and at closing of previous year)	1 791 906	1 691 457	409 710	393 362
X. Liabilities and liabilities provisions (at closing of current quarter and at closing of previous year)	654 556	579 205	149 661	134 699
XI. Long-term liabilities (at closing of current quarter and at closing of previous year)	3 951	3 995	903	929
XII. Short-term liabilities (at closing of current quarter and at closing of previous year)	574 799	512 700	131 425	119 233
XIII. Equity (at closing of current quarter and at closing of previous year)	1 137 350	1 112 252	260 049	258 663
XIV. Initial capital (at closing of current quarter and at closing of previous year)	110 422	110 422	25 247	25 680
XV. Number of shares (at closing of current quarter and at closing of previous year)	13 802 750	13 802 750	13 802 750	13 802 750
XVI. Earnings (loss) per ordinary share (in PLN / EUR)	6.70	6.63	1.55	1.56
XVII. Diluted earnings (loss) per ordinary share (in PLN/EUR)	6.70	6.63	1.55	1.56
XVIII. Book value per share (in PLN/EUR) (at closing of current quarter and at closing of previous year)	82.40	80.58	18.84	18.74
XIX. Diluted book value per share (in PLN/EUR) (at closing of current quarter and at closing of previous year)	82.40	80.58	18.84	18.74
XX. Declared or paid dividend per share (in PLN/EUR)	4.88	6.50	1.12	1.49

The Report should be filed with the Polish Financial Supervision Authority (PFSA), the company running regulated market and made public through news agency in compliance with effective law.

## CONDENSED FINANCIAL STATEMENT

## BALANCE-SHEET

	'000 PLN			
	As of 30 Sept. 2019 end of quarter/2019	As of 30 June 2019 end of previous/quarter /2019	As of 31 Dec. 2019 end of previous year/2018	As of 30 Sept. 2015 end of quarter/2018
<b>ASSETS</b>				
I. Fixed assets	774 654	784 516	799 182	788 896
1. Intangible assets of which:	0	0	0	0
2. Tangible fixed assets	756 938	767 172	789 702	778 586
3. Long-term investments	74	74	144	144
3.1. Long-term financial assets	74	74	144	144
a) in other entities	74	74	144	144
4. Long-term deferred assets	17 642	17 270	9 336	10 166
4.1. Deferred income tax assets	17 642	17 270	9 328	10 159
4.2. Other prepayments and accruals	0	0	8	7
II. Current assets	1 017 252	1 009 635	892 275	972 580
1. Inventories	108 289	106 460	93 806	93 136
2. Short-term receivables	452 724	436 285	354 551	418 452
2.1. From related entities	394 511	387 827	319 412	355 742
2.2. From other entities	58 213	48 458	35 139	62 710
3. Short-term investments	451 672	461 405	442 419	457 169
3.1. Short-term financial assets	451 672	461 405	442 419	457 169
a) in related entities	225 000	225 000	350 000	225 000
b) in non-related entities				11 452
c) cash and cash equivalents	226 672	236 405	92 419	220 717
4. Short-term prepayments	4 567	5 485	1 499	3 823
<b>Total assets</b>	<b>1 791 906</b>	<b>1 794 151</b>	<b>1 691 457</b>	<b>1 761 476</b>
<b>LIABILITIES</b>				
I. Shareholders' equity	1 137 350	1 118 482	1 112 252	1 114 021
1. Share capital	110 422	110 422	110 422	110 422
2. Reserve capital	327 224	327 217	327 178	327 171
3. Revaluation capital	65 334	65 341	65 380	65 387
4. Other reserve capitals	541 915	541 915	519 520	519 520
5. Net profit (loss)	92 455	73 587	89 752	91 521
II. Liabilities and liabilities provisions	654 556	675 669	579 205	647 455
1. Liabilities provisions	75 806	71 105	62 510	53 168
1.1. Provision for deferred income tax	36 056	33 177	25 532	22 580
1.2. Provision for retirement benefits and equivalents	34 098	30 699	36 046	29 573
a) long-term	9 168	9 251	9 707	8 788
b) short-term	24 930	21 448	26 339	20 785
1.3. Other provisions	5 652	7 229	932	1 015
a) long-term	189	174	139	200
b) short-term	5 463	7 055	793	815
2. Long-term liabilities	3 951	4 096	3 995	3 301
2.1. to other entities	3 951	4 096	3 995	3 301
3. Short-term liabilities	574 799	600 468	512 700	590 986
3.1. to related entities	161 927	162 610	85 012	159 578
3.2. to other entities	410 894	435 567	426 889	429 977
3.3. Special funds	1 978	2 291	799	1 431
<b>Total liabilities</b>	<b>1 791 906</b>	<b>1 794 151</b>	<b>1 691 457</b>	<b>1 761 476</b>
Book value	1 137 350	1 118 482	1 112 252	1 114 021
Number of shares	13 802 750	13 802 750	13 802 750	13 802 750
Book value per share (in PLN)	82.40	81.03	80.58	80.71
Diluted number of shares (pcs.)	13 802 750	13 802 750	13 802 750	13 802 750
Diluted book value per share (in PLN)	82.40	81.03	80.58	80.71

Note: In case of reports for Q1 of the accounting year only the first (as of the end of Q1 of the current accounting year) third (as of the end of previous accounting year) and fourth column (as of the end of Q1 of the previous accounting year).

## OFF-BALANCE ITEMS

	'000 PLN			
	As of 30 Sept. 2019, end of quarter/2019	As of end of 30 June 2019, end of previous quarter/2019	As of 31 Dec. 2019, end of previous year/2018	As of 30 Sept. 2019, end of quarter/2019
From other entities of which: received warranties and sureties				
From other entities in which the issuer has an equity stake of which: received warranties and sureties				
1. Other of which:	9 988	644	3 070	3 687
off-balance liabilities under a long-term gas supply contract	9 006	643	1 609	2 091
off-balance liabilities under a long-term real estate lease agreement	982	1	1 461	1 596
Total off-balance items	9 988	644	3 070	3 687

Note: In case of reports for Q1 of the accounting year only the first (as of the end of Q1 of the current accounting year) third (as of the end of previous accounting year) and fourth column (as of the end of Q1 of the previous accounting year).

## PROFIT AND LOSS ACCOUNT

	'000 PLN			
	Q3 /2019 period from 1 July 2019 to 30 Sept. 2019	3 quarters YTD / 2019 period from 1 Jan. 2019 to 30 Sept. 2019	Q3 /2018 period from 1 July 2018 to 30 Sept. 2018	3 quarters YTD / 2018 period from 1 Jan. 2018 to 30 Sept. 2018
A. Net sales of products merchandise and materials including:	511 891	1 578 604	499 691	1 468 681
- from related entities	458 663	1 419 227	443 828	1 306 322
1. Net sales of products	458 815	1 419 290	444 597	1 321 734
2. Net sales of merchandise and materials	53 076	159 314	55 094	146 947
II. Cost of products merchandise and materials sold including:	482 663	1 456 235	466 558	1 354 477
- to related entities	438 301	1 316 267	423 523	1 225 968
1. Cost of products sold	437 946	1 314 970	423 669	1 230 256
2. Cost of merchandise and materials sold	44 717	141 265	42 889	124 221
III. Gross profit (loss) on sales	29 228	122 369	33 133	114 204
IV. Selling expenses	3 321	10 633	3 296	9 434
V. General administrative expenses	2 110	5 867	1 825	8 775
VI. Profit (loss) on sales	23 797	105 869	28 012	95 995
VII. Other operating income	56	122	909	1 944
1. Gain on disposal of non-financial fixed assets	25	15	883	1 837
2. Revaluation of non-financial fixed assets			7	28
3. Other operating income	31	107	19	79
VIII. Other operating expenses	1 797	9 355	770	2 578
1. Revaluation of non-financial fixed assets	1 674	1 900		33
2. Other operating costs	123	7 455	770	2 545
IX. Operating profit (loss)	22 056	96 636	28 151	95 361
X. Financial income	1 649	4 685	1 896	4 564
1. Dividends and shares in profits, of which:		106	452	452
a) receivables from related entities, of which:		0	0	0
- in which the issuer holds equity stake		0	0	0
b) from non-related entities including:		106	452	452
- in which the issuer holds equity stake		106	452	452
2. Interest receivable including:	1 649	4 579	1 444	4 112
- from related entities	1 110	2 961	1 045	3 284
XI. Financial expenses	1 190	3 615	3 618	2 188
1. Interest payable including:	1 039	1 824	913	1 803
2. Other	151	1 791	2 705	385
XII. Profit (loss) on ordinary activities	22 515	97 706	26 429	97 737
XIII. Income tax	3 647	5 251	2 547	6 216
a) current portion	1 140	3 040	2 251	4 202
b) deferred portion	2 507	2 211	296	2 014
XIV. Net profit (loss)	18 868	92 455	23 882	91 521
Net profit (loss) (annualized)		90 686		97 915
Weighted average number of the ordinary shares (pcs.)		13 802 750		13 802 750
Earnings (loss) per ordinary share (in PLN)		6.57		7.09
Diluted weighted average number of the ordinary shares (pcs.)		13 802 750		13 802 750
Diluted earnings (loss) per ordinary share (in PLN)		6.57		7.09

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	'000 PLN			
	Q3 /2019 period from 1 July 2019 to 30 Sept. 2019	3 quarters YTD / 2019 period from 1 Jan. 2019 to 30 Sept. 2019	Q3 /2018 period from 1 July 2018 to 30 Sept. 2018	3 quarters YTD / 2018 period from 1 Jan. 2018 to 30 Sept. 2018
I. Opening balance of shareholders' equity	1 118 482	1 112 252	1 112 218	1 112 218
Ia. Opening balance of shareholders' equity after restatement to comparative data	1 118 482	1 112 252	1 112 218	1 112 218
1. Opening balance of share capital	110 422	110 422	110 422	110 422
1.1. Closing balance of share capital	110 422	110 422	110 422	110 422
2. Opening balance of reserve capital	327 217	327 178	326 144	326 144
2.1. Changes in reserve capital	7	46	1 034	1 034
a) additions (of which)	7	46	1 034	1 034
- transfer from reserve capital of the sums of liquidated revaluated fixed assets – current period	7	46	1 034	1 034
2.2. Closing balance of reserve capital	327 224	327 224	327 178	327 178
3. Opening balance of revaluation capital	65 341	65 380	66 414	66 414
3.1. Changes in revaluation capital	-7	-46	-1 034	-1 034
a) reductions (of which)	7	46	1 034	1 034
- transfer from reserve capital of the sums of liquidated revaluated fixed assets – current period	7	46	1 034	1 034
3.2. Closing balance of revaluation capital	65 334	65 334	65 380	65 380
4. Opening balance of other reserve capital	541 915	519 520	489 664	489 664
4.1. Changes in other reserve capital	0	22 395	29 856	29 856
a) additions (of which)	0	22 395	29 856	29 856
- allocation to the reserve capital from the profit distributed for the year 2017/2018 with an option of distribution among shareholders.	0	22 395	29 856	29 856
4.2. Closing balance of other reserve capital	541 915	541 915	519 520	519 520
5. Opening balance of retained earnings	73 587	89 752	119 574	119 574
5.1. Opening balance of retained earnings	73 587	89 752	119 574	119 574
5.2. Opening balance of retained earnings after the restatement to comparative data	73 587	89 752	119 574	119 574
a) reductions (of which)	0	89 752	119 574	119 574
- dividend for shareholders	0	67 357	89 718	89 718
- allocation to the reserve capital from the profit distributed for the year 2014 with an option of dividend payment to the shareholders	0	22 395	29 856	29 856
- allocation to the reserve capital from the profit distributed for the year 2017/2018 with an option of distribution among shareholders	73 587	0	0	0
5.3. Closing balance of retained earnings	73 587	0	0	0
5.4. Closing balance of retained earnings (losses)	18 868	92 455	89 752	91 521
6. Net profit (loss)	18 868	92 455	89 752	91 521
a) net profit	1 137 350	1 137 350	1 112 252	1 114 021
II. Closing balance of shareholders' equity	1 137 350	1 137 350	1 112 252	1 114 021
III. Shareholders' equity adjusted by the proposed distribution of profit (loss coverage)	1 118 482	1 112 252	1 112 218	1 112 218

**CASH FLOW STATEMENT**

	'000 PLN			
	Q3 /2019 period from 1 July 2019 to 30 Sept. 2019	3 quarters YTD / 2019 period from 1 Jan. 2019 to 30 Sept. 2019	Q3 /2018 period from 1 July 2018 to 30 Sept. 2018	3 quarters YTD / 2018 period from 1 Jan. 2018 to 30 Sept. 2018
<b>A. Operational cash flows</b>				
I. Net profit (loss)	18 868	92 455	23 882	91 521
II. Total adjustments	-16 757	-46 821	20 928	-33 332
1. Depreciation and amortization	23 128	69 424	24 465	75 052
2. Foreign exchange gains/losses	-11	29	101	61
3. Interest and dividends	-561	-2 402	-1 312	-3 299
4. Investment activity gain (loss)	-79	721	-184	-1 298
5. Change in provisions	4 700	13 296	2 589	-1 801
6. Change in inventories	-1 829	-14 482	5 845	14 008
7. Change in receivables	-16 440	-98 174	-876	-126 160
8. Change in current liabilities (excluding loans and bank credits)	-26 212	-3 929	-9 690	16 011
9. Change in deferred and accrued expenses	547	-11 374	-10	-5 906
10. Other adjustments	0	70	0	0
III. Net operational cash flows (I+/-II) indirect method	2 111	45 634	44 810	58 189
<b>B. Investment activity cash flows</b>				
I. Cash inflows	1 459	190 105	74 009	203 796
1. Disposal of intangible assets and tangible fixed assets	349	2 038	2 512	5 060
2. From financial assets of which:	1 110	3 067	1 497	3 736
a) in related entities	1 110	3 067	1 497	3 736
- dividends and shares in profits	0	106	452	452
- interest received	1 110	2 961	1 045	3 284
3. Other investment inflows	0	185 000	70 000	195 000
II. Cash outflows	12 084	98 151	83 779	118 997
1. Acquisition of intangible assets and tangible fixed assets	12 084	38 151	13 779	48 997
2. Other investment expenses	0	60 000	70 000	70 000
III. Net investment activity cash flows (I-II)	-10 625	91 954	-9 770	84 799
<b>C. Financial activity cash flows</b>				
I. Cash inflows	0	0	9 423	9 423
1) Loans and borrowings	0	0	9 423	9 423
II. Cash outflows	1 230	3 307	765	2 114
1. Payment of liabilities under lease contracts	681	2 642	580	1 677
2. Interest expense	549	665	185	437
III. Net financial activity cash flows (I-II)	-1 230	-3 307	8 658	7 309
D. Total net cash flows (A.III+/-B.III+/-C.III)	-9 744	134 281	43 698	150 297
E. Change in balance-sheet cash and cash equivalents of which:	-9 733	134 252	43 597	150 236
- change in cash and cash equivalents due to foreign exchange gains/losses	11	-29	-101	-61
F. Opening balance of cash and cash equivalents	236 412	92 386	177 119	70 521
G. Closing balance of cash and cash equivalents (F+/- D) of which:	226 667	226 667	220 817	220 817
- those with restricted availability	1 978	1 978	1 431	1 431

**NOTES TO THE Q3/2019 FINANCIAL STATEMENT**

Drawn up pursuant to the Ordinance of the Minister of Finance of 29 March 2018 concerning 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 2018, item 757):

**1. Accounting principles used to draw up the report.**

The Q3 2019 report was drawn up in compliance with the provisions of the Accounting Act of 29 September 1994, as amended and pursuant to the accounting principles effective at the Company.

Data specified in the report was drawn up using the principles of assets and liabilities pricing and measurement of net financial result as of balancing date.

The accounting principles vis-à-vis those described in the annual report SA-R 2018, made public on 25 April 2019, have not been modified.

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

None

### 3. Seasonality, cyclic nature of the activities

The Company's business activities are not strongly seasonal. However, external factors, such as macroeconomic situation, weather conditions or consumer behaviours, may influence sales revenue in particular parts of the year (summer tires sales and winter tires sales).

### 4. Inventory revaluation

T.C. For 3 quarters of 2019 T.C. Dębica S.A. made allowances to revalue its inventory for the total amount of PLN 33 thousand that influenced other operating costs. Revaluation allowances applied to:

- a) product inventories PLN 0 thousand;
- b) raw materials and materials inventory – PLN 26 thousand

Total PLN 26 thousand.

### 5. Information about write-offs for impairment of financial assets, tangible fixed assets, intangible assets or other assets

None

### 6. Information about setting up, increase, usage and dissolution of provisions as for 30 September 2019

Short-term provisions	'000 PLN
Provisions for employee benefits	
Opening balance	26 339
- increases: provision setting up	24 330
- decreases: dissolution/utilisation of provision	25 739
Closing balance	24 930
 Restructuring provision	
Opening balance	793
- increases: provision setting up	6 819
 - decreases: dissolution/utilisation of provision	2 149
Closing balance	5 463
 Long-term provisions	
 Provisions for retirement gratuities	
Opening balance	9 707
increases: provision setting up	139
decreases: dissolution/utilisation of provision	595
Closing balance	9 251
 Provision for extended tyre warranties	
Opening balance	139

increases: provision setting up	50
decreases: dissolution/utilisation of provision	0
Closing balance	189

#### **7. Provisions and deferred income tax assets**

As of 30 September 2019 the balance of deferred income tax provision totalled PLN 36.1 million and was up by PLN 10.5 million compared to that as of 31 December 2018.

The deferred tax balance difference in the balance sheet is a result of revaluation of transitional positive differences related to the difference between fixed assets value in balance sheet and fixed assets value for tax purposes that will be realized in the period of using public aid.

As of 30 September 2019 the balance of deferred income tax assets totalled PLN 17.6 million and was up by PLN 8.3 million compared to that as of 31 December 2018. The differences are due to the application of basic tax rate in 2019 to the transitional differences.

#### **8. Material transactions of acquisition and disposal of tangible fixed assets**

None

#### **9. Material liabilities related to the purchase of tangible fixed assets**

None

#### **10. Material litigation-related settlements**

None

#### **11. Adjustment of errors made in 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.**

In the period of 3 quarters of 2019 the Company did not enter into any transactions with related entities without following the arm's length principle

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

The Company does not price financial instruments at fair value.

#### **16. Change in financial asset classification due to the modification 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

The General Meeting of Shareholders that was held on 25 June 2019 decided that 75% of 2018 profit i.e. the amount of PLN 67.4 million, should be allocated to dividend payment to shareholders at PLN 4,88 per share. The entitlement to 2018 dividend is enjoyed by persons who have Company shares on their account kept by a brokerage house on 23 September 2019 (the so called dividend entitlement date). Dividend will be paid on 18 December 2019.

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

None

#### 20. Changes in the balance of contingent liabilities and contingent assets that have occurred since closing of the last accounting year

The contingent liability under the Bill Discount Plan at the balance sheet date of 30 September 2019 was PLN 39.8 million, down by PLN 42.7 compared to year-end.

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

None

File	Function description

### MISCELLANEOUS INFORMATION

#### 1. Selected financial data converted into euros

Balance sheet assets and liabilities were translated into EUR at the average exchange rate of the National Bank of Poland as of 30 September 2019 (1 euro = PLN 4.3736) and as of 30 September 2018 (1 euro = PLN 4.2714) (1 euro = PLN 4.2714).

Items of the profit and loss account and cash flow statement expressed in PLN were converted into EUR at the exchange rate being the arithmetic mean of

on the last day of each reporting month. The adopted average exchange rate for the three quarters of 2019 amounts to PLN 4.3086 for EUR 1 and PLN 4.2535 for the three quarters of 2018 for EUR 1.

The net profit in the balance sheet for the three quarters of 2019, calculated at the exchange rate as of the end of September 2019, amounts to EUR 21,139 thousand and calculated at the average rate: EUR 21 458 thousand. The exchange differences arising from the translation of the profit or loss for the three quarters of 2019 amounted to EUR 319 thousand.

#### 2. Material achievements or failures

In three quarters of 2019 Tire Company Dębica S.A. generated sales revenues totalling PLN 1 578.6 million, up by 7.5 per cent compared to three quarters of 2018.

Q3 2019 saw an increase of sales revenues by 2.4 per cent on a y/y basis.

Net profit for three quarters of 2019 totalled to PLN 92.5 million, i.e. up by 1.0% per cent compared to the corresponding period of the previous year.

#### 3. Factors and events (including non-standard ones) having material impact on condensed financial statement

For three quarters the sales to the Goodyear Group member companies totalled PLN 1 419.2 million, i.e. up by PLN 112.9 million compared to three quarters of 2018. In three quarters 2019 such sales accounted for 89.9 per



cent of total sales compared to 88.9 per cent in the same period of 2018.

Sales to non-related entities totalled PLN 159.4 million and was down by PLN 1.8 per cent on a y/y basis.

In three quarters 2019 gross profit on sales to related entities totalled PLN 103.0 million and was up by PLN 22.7 million compared to the same period of the previous year. Gross profit margin in relation to the revenues of these entities was up from 6.2 per cent to 7.3 per cent on a y/y basis.

In three quarters 2019 gross profit on sales to non-related entities totalled PLN 19.4 million and was down by PLN 14.5 million compared to the same period of the previous year. Gross profit margin in relation to the revenues of these entities was down from 20.8 per cent to 12.2 per cent on a y/y basis.

In three quarters 2019 gross profit on total sales totalled PLN 122.4 million, whereas gross profit margin in relation to total revenues was 7.8 per cent. For comparison sake in three quarters 2018 gross profit on total sales totalled PLN 114.2 million, whereas gross profit margin in relation to total revenues was also 7.8 per cent.

In three quarters 2019 the unit production costs were up by 9.0 per cent compared to the same period in the previous year. Both material costs and processing costs were up.

The costs of sales and general management totalled PLN 16.5 million, down by PLN 1.7 million compared to three quarters of 2018. These costs in sales in value terms accounted for 1.0 per cent against 1.2 per cent for three quarters of the previous year. A decline of SG&A costs was mainly driven by a reduction of the costs of regional support.

In three quarters of 2019 the other operating income, net was a cost totalling PLN 9.2 million compared to PLN 0.6 million in three quarters of 2018.

The cost of PLN 9.2 million comprised:

- a) restructuring costs of PLN 6.8 million, b) costs of bad debts of PLN 1.9 million,
- c) costs of liquidation of fixed assets of PLN 0.2 million, d) other operating costs of PLN 0.3 million.

Operating profit (EBIT) totalled PLN 96.6 million, up by PLN 1.2 million on a y/y basis, whereas EBIT margin in relation to revenues was 6.1 per cent compared to 6.5 per cent in three quarters of 2018.

In three quarters 2019 the financial activities generated profit totalling PLN 1.1 million against profit of PLN 2.4 million in the same period of 2018.

Such financial activity net income was driven by:

- a) foreign exchange gains and losses that generated a loss totalling PLN 1.8 million, against cost of PLN 0.4 million in three quarters of 2018;
- b) interest income from a loan extended to related entities that generated income totalling PLN 3.0 million against PLN 3.3 million for three quarters of 2018;
- c) interest income on idle cash totalling PLN 1.6 million against PLN 0.8 million for three quarters of 2018;
- d) dividend paid in the amount of PLN 0.1 million against PLN 0.5 million for three quarters of 2018;
- e) costs of discounting bills of exchange and other interest totalling PLN 1.8 million, similarly to the same period in the previous year.

For three quarters of 2019 the gross profit before taxation totalled PLN 97.7 million and hovered around the same level as in the previous year.

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 the Decision No. 27/IW/16 of 14

January 2016, taken by the Minister of Development, the held Operational Permit for running activities in the Euro-Park Mielec Special Economic zone was modified with regard to its expiry date. Under the Decision that expiry date was taken out of the Operational Permit.

The outstanding amount of public aid (to be used) was at the balancing date of 30 September 2019 and totalled PLN 3.3 million in nominal terms i.e. PLN 2.0 million in discounted terms (these figures include the calculated CIT value for 9 months 2019, which however, may be subject to change in the annual tax return).

The Management Board does not perceive a risk of failure to utilize the tax relief by the end of expiry date of the Operational Permit by 31 December 2026. The current portion of income tax totalled PLN 3.0 million and is concerned with income tax paid on profit generated by the operations covered by the Operational Permit issued for the Special Economic Zone.

The deferred portion of the income tax totalled PLN 2.2 million, and consequently total income tax was PLN 5.2 million. Net profit for three quarters of 2019 totalled PLN 92.5 million, up by 1.0 per cent compared to the same period of the previous year.

At the end of September 2019 the fixed assets in value terms totalled PLN 774.7 million and were down by PLN 24.5 million compared to the opening balance in 2019.

The tangible fixed assets in value terms totalled PLN 32.8 million, of which:

- a) the completed investment programs in 3 quarters 2019 boosted the value of fixed assets by PLN 36.6 million,
- b) the depreciation of existing fixed assets reduced its value by PLN 69.4 million,
- c) change of fixed assets balance due to its sales and liquidation led to the decline of its value by PLN 2.8 million,
- d) changes due to the financial lease led to an increase by PLN 2.8 million.

Deferred income tax assets totalled PLN 17.6 million, up by PLN 8.3 million compared to the onset of 2019.

Current assets were PLN 1 017.3 million and after three quarters they were up by PLN 125.0 million.

Short-term receivables totalled PLN 452.7 million and were up by PLN 98.2 million against the opening balance of 2019. From related entities they were up by PLN 75.1 million, and from non-related entities they were up by PLN 23.1 million.

Inventory went up by PLN 14.5 million and reached the level of PLN 108.3 million. The change was driven by an increase of finished goods inventory by PLN 0.4 million, up to the level of 1.7 million. The raw materials and materials inventory was up by PLN 4.6 million and reached the level of PLN 76.1 million, meanwhile work in progress inventory was PLN 30.3 million, up by PLN 9.3 million. Commodity inventory was up by PLN 0.2 million, compared to the opening balance of the year.

Short-term financial assets totalled PLN 451.7 million and after three quarters of 2019 they were up by PLN 9.3 million. Cash and cash equivalents were up by PLN 134.3 million. At the end of September 2019 the loans extended to related entities, in value terms, totalled PLN 225.0 million (down by PLN 125.0 million against the opening balance of the year 2019).

Short-term accruals totalled PLN 4.6 million and were up by PLN 3.1 million, mainly due to a write-off for the Corporate Social Benefit Fund.

As of 30 September 2019 the Company assets totalled PLN 1 791.9 million and during three quarters they were up by PLN 100.4 million.

As of 30 September 2019 liabilities and provisions totalled PLN 654.6 million and during three quarter they were up by PLN 75.4 million. Provisions for liabilities rose by PLN 13.3 million, including deferred income tax provisions, which was up by PLN 10.5 million, whereas employee benefit provision was down by PLN 1.9 million, whereas other provisions were up by PLN 4.7 million.

As of 30 September 2019 short-term liabilities totalled PLN 574.8 million and were up by PLN 62.1 million against the

end of 2018. Short-term liabilities vis-à-vis related entities were up by PLN 76.9 million, whereas short-term liabilities vis-a-vis non-related entities were down by PLN 16.0 million. Special funds were up by PLN 1.2 million.

Long-term lease liabilities totalled PLN 4.0 million and remained at the same level as the year opening balance.

At the end of September 2019 the Company equity totalled PLN 1 137.4 million and was up by PLN 25.1 million in three quarters of 2019, due to the net profit for the period (“Other reserve capital” due to distribution of profit for the previous year was up by PLN 22.4 million, whereas net profit was up by PLN 2.7 million).

For three quarters 2019 the operational cash flows were positive and totalled PLN 45.6 million. Net profit and depreciation generated positive cash flows totalling PLN 161.9 million, whereas working capital increase generated PLN 116.5 million of negative cash flows, mainly due to an increase of receivables at the end of third quarter. Change of provisions and cost accruals generated PLN 1.9 million of positive cash flows, whereas other lines generated PLN 1.7 million of negative cash flows.

For three quarters 2019 the investment cash flows were positive and totalled PLN 92.0 million. The purchases of tangible fixed assets totalled PLN 38.2 million (including capital expenditures PLN 36.6 million, capex liabilities were down by PLN 1.6 million).

Loan repayment by a related entity generated PLN 185.0 million of positive cash flows. Loan extension to a related entity generated PLN 60 million of negative cash flows. The loan extended to a related entity generated interest income of PLN 3.0 million, whereas the sales of tangible fixed assets generated PLN 2.1 million, and the received dividend generated PLN 0.1 million of positive cash flows.

The financial activity cash flows were negative and amounted to PLN 3.3 million. Interest expense was PLN 0.7 million, whereas the lease instalment expense was PLN 2.6 million.

For three quarters 2019 the net cash flows were negative and totalled PLN 134.3 million. Cash balance for three quarters 2019 rose from PLN 92.4 million at the end of December 2018 to PLN 226.7 million at the end of September 2019.

#### **4. Changes in organisation of Issuer’s Capital Group**

The Company does not form a capital group is neither a controlling entity nor draws up consolidated financial statements.

#### **5. Management Board position on capability to meet the annual forecasts published earlier in the light of actual performance presented in the quarterly report against the forecast figures.**

The Company did not publish forecasts of its performance in 2019.

#### **6. Shareholders holding at least 5% of the total number of votes at the General Meeting of Shareholders.**

As of the date of filing Q3/2019 Quarterly Report according to the Company information the shareholders holding at least 5% of the total number of votes at the General Meeting of Shareholders included:

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

\*Source: Current Report No. 17/2019 Notification from Goodyear Group member companies about a change in the Company’s shareholding structure in connection with a transaction on a regulated market, published on: 19 June 2019.

#### **7. Company shares or entitlements (options for shares) held by the members of Company management or supervisory bodies**

As of the date of filing bi-annual report none of the persons managing or supervising the Company had any shares in the Company or rights attached to them.

#### **8. Litigation proceedings concerned with obligations or liabilities run by a court of law, a body competent to run arbitration proceedings or a public administration body**

None

**9. Extended sureties for a credit, loan or extended guarantees – in total to a single entity or its subsidiary**

The Company did not extend any sureties for a credit, loan, nor extended any guarantees.

10. Other information key to the assessment of HR, property, financial positions, financial profit/loss and their changes and information key to the assessment of capability to fulfil obligations

None

**9. Factors that in the opinion of the Company will drive its performance for at least another quarter.**

According to the Management Board, the following factors will affect the Company performance in the perspective of at least another quarter:

- a) macroeconomic position: the condition of the Polish and European economies and its impact on the financial standing of customers and consumers;
- b) development of automotive sector: vehicle production and sales growth rates in Poland and in Europe;
- c) the level of orders from Company customers: related and non-related entities;
- d) volatility of foreign exchange rates, mainly euro and US dollar;
- e) operating costs: Impact of operating costs of Dębica manufacturing plant;
- f) costs of raw materials: change of raw material prices, which translate into Company's operating costs.

File	Description

<b>SIGNATURES OF PERSONS REPRESENTING THE COMPANY</b>			
Date	Name and surname	Position/Function	Signature
14 November 2019	Leszek Szafran	President of Management Board /Chief Commercial Officer	Signature owner: Leszek Szafran Signature date and time: 14 Nov. 2019, 14:07:01 CET Signature status: Valid Type of signature: trusted
14 November 2019	Ireneusz Maksymiuk	A Management Board member /Chief Financial Officer	Signature owner: Ireneusz Maksymiuk Signature date and time: 14 Nov. 2019, 10:13:51 CET Signature status: Valid Type of signature: trusted
14 November 2019	Michał Mędrak	A Management Board member / Chief Logistics Officer	Signature owner: Michał Mędrak Signature date and time: 14 Nov. 2019, 12:10:03 CET Signature status: Valid Type of signature: trusted
14 November 2019	Mirosław Maziarka	A Management Board member /Chief Production Officer	Signature owner: Mirosław Maziarka Signature date and time: 14 Nov. 2019, 13:33:10 CET Signature status: Valid Type of signature: trusted
14 November 2019	Anna Bolanowska	Financial Controller	Signature owner: Anna Bolanowska Signature date and time: 14 Nov. 2019, 08:53:30 CET Signature status: Valid Type of signature: trusted