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POLISH FINANCIAL SUPERVISION AUTHORITY (PFSA)

Quarterly Report SA-Q

3 / 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 Q3 of the accounting year 2020 covering the period from 1 July 2020 to 30 September 2020

Filing date: 17 November 2020

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

FINANCIAL HIGHLIGHTS	('000)		'000 EUR	
	3 quarter(s) YTD 2020 period from 1 Jan. 2020 to 30 Sept. 2020	3 quarter(s) YTD 2019 period from 1 Jan. 2019 to 30 Sept. 2019	3 quarter(s) YTD 2020 period from 1 Jan. 2020 to 30 Sept. 2020	3 quarter(s) YTD 2019 period from 1 Jan. 2019 to 30 Sept. 2019
I. Net sales of products, merchandise and materials	1,307,701	1,578,604	294,395	366,385
II. Operating profit /loss	66,339	96,636	14,934	22,429
III. Gross profit/loss	66,205	97,706	14,904	22,677
IV. Net profit/loss	54,237	92,455	12,210	21,458
V. Operational cash flows, net	20,195	2,111	4,546	490
VI. Investment activity cash flows, net	-63,621	-10,625	-14,323	-2,466
VII. Financial activity cash flows, net	-1,108	-1,230	-249	-285
VIII. Total cash flows, net	-44,534	-9,744	-10,026	-2,262
IX. Total assets (at the end of this quarter and the end of the previous accounting year)	1,771,402	1,751,030	391,314	411,185
X. Liabilities and liabilities provisions (at the end of this quarter and the end of the previous financial year)	615,846	593,396	136,045	139,344
XI. Long-term liabilities (at the end of this quarter and the end of the previous accounting year)	4,019	4,387	888	1,030
XII. Short-term liabilities (at the end of this quarter and the end of the previous accounting year)	520,494	508,942	114,981	119,512
XIII. Equity (at the end of this quarter and the end of the previous accounting year)	1,155,556	1,157,634	255,270	271,841
XIV. Share capital (at the end of this quarter and the end of the previous accounting year)	110,422	110,422	24,393	25,930
XV. Number 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)	3.93	6.70	0.88	1.55
XVII. Diluted earnings (loss) per ordinary share (in PLN/EUR)	3.93	6.70	0.88	1.55
XVIII. Book value per share (PLN/EUR) (at the end of this quarter and the end of the previous accounting year)	83.72	83.87	18.49	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)	83.72	83.87	18.49	19.69
XX Declared or paid dividend per share (in PLN/EUR)	4.08	4.88	0.90	1.12

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 30 Sept. 2020 end- of-quarter/ 2020	as of 30 Jun. 2020 end- of-previous quarter/2020	as of 31 Dec. 2019 end-of-previous year / 2019	as of 31 Sept. 2019 end- of-quarter/ 2019
ASSETS				
I. Fixed assets	775,293	771,826	800,066	774,654
1. Intangible assets, of which:	0	0	0	0
2. Tangible fixed assets	756,037	762,664	782,700	756,938
3. Long-term investments	74	74	74	74
3.1. Long-term financial assets	74	74	74	74
a) in other entities	74	74	74	74
4. Long-term prepayments	19,182	9,088	17,292	17,642
4.1. Deferred income tax assets	19,182	9,088	17,292	17,642
4.2. Other accruals	0	0	0	0
II. Current assets	996,109	821,693	950,964	1,017,252
1. Inventory	85,419	100,038	107,972	108,289
2. Short-term receivables	482,682	297,585	359,219	452,724
2.1. From related entities	423,112	255,442	333,084	394,511
2.2. From non-related entities	59,570	42,143	26,135	58,213
3. Short-term investments	422,896	417,430	481,906	451,672
3.1. Short-term financial assets	422,896	417,430	481,906	451,672
a) in related entities	340,000	290,000	350,000	225,000
b) cash and other cash assets	82,896	127,430	131,906	226,672
4. Short-term prepayments	5,112	6,640	1,867	4,567
Total assets	1,771,402	1,593,519	1,751,030	1,791,906
LIABILITIES				
I. Equity	1,155,556	1,158,894	1,157,634	1,137,350
1. Share capital	110,422	110,422	110,422	110,422
2. Supplementary capital	327,609	327,609	327,609	327,224
3. Revaluation capital	64,949	64,949	64,949	65,334
4. Other reserve capital	598,339	541,915	541,915	541,915
5. Retained earnings (profit/loss)		112,739		
6. Net profit/loss	54,237	1,260	112,739	92,455
II. Liabilities and provisions for liabilities	615,846	434,625	593,396	654,556
1. Provisions for liabilities	91,333	78,156	80,067	75,806
1.1. Provision for deferred income tax	49,646	43,503	37,315	36,056
1.2. Provision for retirement gratuities and equivalent	39,304	31,013	38,375	34,098
a) long-term	10,291	10,379	10,449	9,168
b) short-term	29,013	20,634	27,926	24,930
1.3. Other provisions	2,383	3,640	4,377	5,652
a) long-term	148	154	218	189
b) short-term	2,235	3,486	4,159	5,463
2. Long-term liabilities	4,019	4,048	4,387	3,951
2.1. Vis-a-vis other entities	4,019	4,048	4,387	3,951
3. Short-term liabilities	520,494	352,421	508,942	574,799
3.1. Vis-a-vis related entities	146,159	71,475	100,332	161,927
3.2. Vis-a-vis other entities	372,686	279,002	408,476	410,894
3.3. Special funds	1,649	1,944	134	1,978
3.4. Other accruals	0	0	0	
Total liabilities	1,771,402	1,593,519	1,751,030	1,791,906
Book value	1,155,556	1,158,894	1,157,634	1,137,350
Number of shares (pcs.)	13,802,750	13,802,750	13,802,750	13,802,750

	'000 PLN			
	as of 30 Sept. 2020 end- of-quarter/ 2020	as of 30 Jun. 2020 end-of-previous quarter/2020	as of 31 Dec. 2019 end-of-previous year / 2019	as of 31 Sept. 2019 end- of-quarter/ 2019
Book value per share (in PLN/EUR)	83.72	83.96	83.87	82.40
Diluted No. of shares (pcs.)	13,802,750	13,802,750	13,802,750	13,802,750
Diluted book value per share (in PLN)	83.72	83.96	83.87	82.40

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 30 Sept. 2020 end- of-quarter/ 2020	as of 30 Jun. 2020 end- of-previous quarter/2020	as of 31 Dec. 2019 end-of-previous year / 2019	as of 31 Sept. 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				
I. Other (due to)	8,175	8,700	9,711	9,988
- off-balance liabilities under a long-term gas supply agreement	7,638	7,980	8,664	9,006
- off-balance liabilities under long-term real estate lease contract	537	720	1,047	982
Total off-balance items	8,175	8,700	9,711	9,988

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)			
	Q3 /2020 period from 1 Jul. 2020 to 30 Sept. 2020	YTD/ 2020 period from 1 Jan. 2020 to 30 Sept. 2020	Q3 /2019 period from 1 Jul. 2019 to 30 Sept. 2019	YTD/2019 period from 1 Jan. 2019 to 30 Sept. 2019
A. Net sales of products, merchandise and materials, of which:	509,890	1,307,701	511,891	1,578,604
- from related entities	454,049	1,173,679	458,663	1,419,227
1. Net revenues from products sold	452,998	1,170,541	458,815	1,419,290
2. Net sales of merchandise and materials	56,892	137,160	53,076	159,314
II. Costs of products, merchandise and materials sold, of which:	452,137	1,203,441	482,663	1,456,235
- to related entities	404,265	1,078,764	438,301	1,316,267
1. Manufacturing costs of products sold	401,811	1,074,147	437,946	1,314,970
2. Value of merchandise and materials sold	50,326	129,294	44,717	141,265
III. Gross profit/(loss) on sales	57,753	104,260	29,228	122,369
IV. Cost of sales	4,211	11,131	3,321	10,633
V. General administrative expenses	2,110	6,164	2,110	5,867
VI. Profit/(loss) on sales	51,432	86,965	23,797	105,869
VII. Other operating income	95	16,886	56	122
1. Proceeds from the disposal of non-financial fixed assets	62	202	25	15
2. Subsidies	0	16,551	0	0
3. Revaluation of non-financial assets	0	0	0	0

	(000 PLN)			
	Q3 /2020 period from 1 Jul. 2020 to 30 Sept. 2020	YTD/ 2020 period from 1 Jan. 2020 to 30 Sept. 2020	Q3 /2019 period from 1 Jul. 2019 to 30 Sept. 2019	YTD/ 2020 2019 period from 1 Jan. 2019 to 30 Sept. 2019
4. Other operating income	33	133	31	107
VIII. Other operating expenses	722	37,512	1,797	9,355
1. Loss on the disposal of non-financial fixed assets	0	0	0	0
2. Revaluation of non-financial assets	9	40	1,674	1,900
3. Other operating expenses	713	37,472	123	7,455
IX. Operating profit /loss	50,805	66,339	22,056	96,636
X. Financial income	380	2,850	1,649	4,685
1. Dividends and shares in profits, of which:	0	0	0	106
a) from related entities, of which:	0	0	0	0
- in which the issuer holds equity stake	0	0	0	0
Receivables from other entities, of which:	0	0	0	106
- in which the issuer holds equity stake	0	0	0	106
2. Interest, of which:	296	2,850	1,649	4,579
- from related entities	283	2,561	1,110	2,961
3. Other	84	0	0	0
XI. Financial expenses	632	2,984	1,190	3,615
1. Interest, of which:	632	1,430	1,039	1,824
2. Other	0	1,554	151	1,791
XII. Gross profit/loss	50,553	66,205	22,515	97,706
XIII. Income tax	-2,424	11,968	3,647	5,251
a) current portion	1,527	1,527	1,140	3,040
b) deferred portion	-3,951	10,441	2,507	2,211
XIV. Other mandatory deductions from profit (loss increase)	0	0	0	0
XV. Net profit/loss	52,977	54,237	18,868	92,455
Net profit/loss (annualized)		74,521		90,686
Average weighted number of ordinary shares (in pcs.)		13,802,750		13,802,750
Earnings (loss) per ordinary share (in PLN)		5.40		6.57
Average weighted diluted number of ordinary shares (in pcs.)		13,802,750		13,802,750
Diluted earnings (loss) per ordinary share (in PLN)		5.40		6.57

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	(000 PLN)			
	Q3 /2020 period from 1 Jul. 2020 to 30 Sept. 2020	YTD/ 2020 period from 1 Jan. 2020 to 30 Sept. 2020	2019 period from 1 Jan. 2019 to 31 Dec. 2019	YTD/2019 period from 1 Jan. 2019 to 30 Sept. 2019
I. Opening balance of shareholders' equity	1,158,894	1,157,634	1,112,252	1,112,252
I.a. Opening balance of shareholders' equity after restatement to comparative data	1,158,894	1,157,634	1,112,252	1,112,252
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 supplementary capital	327,609	327,609	327,178	327,178
2.1. Changes in the supplementary capital	0	0	431	46
a) additions, of which:	0	0	431	46
- allocation from the revaluation capital of amounts of revaluated liquidated fixed assets – current period	0	0	431	46
b) reductions, of which:	0	0	0	0
2.2. Closing balance of supplementary capital	327,609	327,609	327,609	327,224
3. Opening balance of revaluation capital	64,949	64,949	65,380	65,380
3.1. Changes in revaluation capital	0	0	-431	-46
a) decreases (due to)	0	0	431	46
- reposting of figures from revaluation of disposal of fixed assets to supplementary capital - current period	0		431	46

	(000 PLN)			
	Q3 /2020 period from 1 Jul. 2020 to 30 Sept. 2020	YTD/ 2020 2020 period from 1 Jan. 2020 to 30 Sept. 2020	2019 period from 1 Jan. 2019 to 31 Dec. 2019	3 quarter(s) YTD 2019 period from 1 Jan. 2019 to 30 Sept. 2019
3.2. Closing balance of revaluation capital	64,949	64,949	64,949	65,334
4. Opening balance of other reserve capital	541,915	541,915	519,520	519,520
4.1. Changes in other reserve capital	56,424	56,424	22,395	22,395
a) additions, of which:	56,424	56,424	22,395	22,395
- allocation of 2018/2019 profits to the reserve capital, with an option of distribution among shareholders	56,424	56,424	22,395	22,395
4.2. Closing balance of other reserve capital (funds)	598,339	598,339	541,915	541,915
5. Opening balance of retained earnings (profit/loss)	113,999	112,739	89,752	89,752
5.1. Opening balance of retained earnings (profit)	113,999	112,739	89,752	89,752
5.2. Opening balance of retained earnings (profit) after the restatement to comparative data	113,999	112,739	89,752	89,752
a) decreases (due to)	112,739	112,739	89,752	89,752
- dividend for shareholders	56,315	56,315	67,357	67,357
- allocation of 2018/2019 profits to the reserve capital, with an option of distribution among shareholders	56,424	56,424	22,395	22,395
5.3. Closing balance of retained earnings (profit)	1,260	0	0	0
5.4. Closing balance of profit/loss	1,260	0	0	0
6. Net profit/loss	52,977	54,237	112,739	92,455
a) net profit	52,977	54,237	112,739	92,455
II. Closing balance of shareholders' equity	1,155,556	1,155,556	1,157,634	1,137,350
III. Shareholders' equity adjusted with proposed profit distribution (loss coverage)	1,155,556	1,155,556	1,157,634	1,137,350

CASH FLOW STATEMENT

	(000 PLN)			
	Q3 /2020 period from 1 Jul. 2020 to 30 Sept. 2020	YTD/ 2020 2020 period from 1 Jan. 2020 to 30 Sept. 2020	Q3 /2019 period from 1 Jul. 2019 to 30 Sept. 2019	YTD/ 2020 2019 period from 1 Jan. 2019 to 30 Sept. 2019
A. Operational cash flows				
I. Gross profit/loss	52,977	54,237	18,868	92,455
II. Total adjustments	-32,782	-70,293	-16,757	-46,821
1. Amortization and depreciation	24,199	72,319	23,128	69,424
2. Foreign exchange gains/losses	0	-11	-11	29
3. Interest and share in profits (dividend)	42	-1,928	-561	-2,402
4. Investment activity gain /loss	-63	-202	-79	721
5. Change in provision balance	13,177	11,266	4,700	13,296
6. Change in inventory balance	14,619	22,553	-1,829	-14,482
7. Change of receivables balance	-185,097	-123,463	-16,440	-98,174
8. Change in balances of short-term liabilities, excl. credits and loans	108,907	-45,692	-26,212	-3,929
9. Change in balance of prepayments and accruals	-8,566	-5,135	547	-11,374
10. Other adjustments	0	0	0	70
III. Operational cash flows (I+/-II) - indirect method	20,195	-16,056	2,111	45,634
B. Investment activity cash flows				
I. Cash inflows	1,404	64,326	1,459	190,105
1. Disposal of intangibles and tangible fixed assets	1,121	1,765	349	2,038
2. From financial assets of which:	283	2,561	1,110	3,067
a) in related entities	283	2,561	1,110	3,067
- dividends and shares in profits	0	0	0	106
- interest	283	2,561	1,110	2,961
b) in other entities	0	0	0	0
- interest	0	0	0	0

	(000 PLN)			
	Q3 /2020 period from 1 Jul. 2020 to 30 Sept. 2020	YTD/ 2020 2020 period from 1 Jan. 2020 to 30 Sept. 2020	Q3 /2019 period from 1 Jul. 2019 to 30 Sept. 2019	YTD/ 2020 2019 period from 1 Jan. 2019 to 30 Sept. 2019
3. Other investment activity inflows	0	60,000	0	185,000
II. Cash outflows	65,025	94,392	12,084	98,151
1. Acquisition of intangibles and tangible fixed assets	15,025	44,392	12,084	38,151
2. Into financial assets including:	0	0	0	0
a) in related entities	0	0	0	0
b) in other entities	0	0	0	0
3. Other capital expenditures	50,000	50,000	0	60,000
III. Investment activity cash flows, net (I-II)	-63,621	-30,066	-10,625	91,954
C. Financial activity cash flows				
I. Cash inflows	0	0	0	0
1. Loans and borrowings	0	0	0	0
II. Cash outflows	1,108	2,899	1,230	3,307
1. Repayment of credits and loans	0	0	0	0
2. Payments related to financial lease liabilities	783	2,266	681	2,642
3. Interest income	325	633	549	665
III. Financial activity cash flows, net (I-II)	-1,108	-2,899	-1,230	-3,307
D. Total cash flows, net (A.III+/-B.III+/-C.III)	-44,534	-49,021	-9,744	134,281
E. Balance-sheet change of cash balance including:	-44,534	-49,010	-9,733	134,252
- change of cash flows balance due to FX gains/losses	0	11	11	-29
F. Opening cash balance	127,428	131,916	236,412	92,386
G. Closing cash balance (F+/-D), of which:	82,894	82,894	226,667	226,667
- restricted cash	2,015	2,015	1,978	1,978

NOTES AND EXPLANATIONS

NOTES TO THE FINANCIAL STATEMENT Q3 2020

Drawn up pursuant to the Art. 70 of the Decree of the Minister of Finance of 29 March 2018 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State (Journal of Laws of 2018, item 757).

1. Accounting principles adopted during report preparation

The quarterly report for the third quarter of 2020 was drawn up in compliance 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 included in the report have been prepared using the principles of assets and liabilities measurement as well as the measurement of the net financial result determined as of the balance sheet date.

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

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

None.

3. Seasonal or cyclical nature of the business

The Company's operations are of seasonal nature, since external factors such as macroeconomic environment,

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

T.C. Dębica S.A. recognised impairment losses on inventories totalling PLN 119 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 119 thousand

Total PLN 119 thousand

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

None.

6. Information on setting up, increase, utilisation and release of provisions as of 30 September 2020. Short-

term provisions

('000 PLN)

Provisions for employee benefits

Opening balance	27,926
- increase: setting up provision	28,009
- decrease: release /utilisation of provision	26,922
Closing balance	29,013

Provision for restructuring

Opening balance	4 159
- increase: setting up provision	-
- decrease: release /utilisation of provision	1,924
Closing balance	2,235

Long-term provisions

('000 PLN)

Provision for retirement benefits

Opening balance	10,449
- increase: setting up provision	248
- decrease: release /utilisation of provision	406
Closing balance	10,291

Tire warranties extended

Opening balance	218
- increase: setting up provision	-
- decrease: release /utilisation of provision	70
Closing balance	148

7. Deferred income tax provisions and assets

As of 30 September 2020, the deferred income tax provision totalled PLN 43.6 million, up by PLN 12.3 million compared to the balance as of 31 December 2019. An increase in the deferred tax provision is mainly due to the difference in depreciation rates for tax and accounting purposes applicable to the Company's fixed assets.

As of 30 September 2020 the balance of provision for deferred income tax totalled PLN 19.2 million and was up by PLN 1.9 million compared to that as of 31 December 2019. Differences in deferred tax assets are driven mainly by an increase in the amount of provision.

starting from 2013 onwards is entitled to enjoy income tax relief for legal persons pursuant to Operational Permit No. 134/ARP/2008 of 27 February 2008, to carry out operations in the territory of the Euro-Park Mielec Special Economic Zone. The outstanding amount of public aid to be used as of the balance sheet date of 31 September 2020 totals PLN 0.2 million in discounted terms, i.e. PLN 0.7 million in nominal terms (these values include the calculated CIT value for 9 months of 2020, however, it may be subject to change in the annual settlement). The Company's Management Board does not believe there is any risk of failing to utilize fully tax allowance until the end of the Operational Permit validity period, i.e. until 31 December 2026.

8. Material purchase and sale transactions involving tangible fixed assets

In three (3) quarters of 2020 there were no material purchase and disposal transactions referring to tangible fixed assets.

In three (3) quarters of 2020, there were significant increases in the balance of tangible fixed assets, mainly industry-specific machinery, worth PLN 45.2 million.

9. Material liabilities due to the purchase of tangible fixed assets

None.

10. Material litigation-related settlements

None.

11. Adjustment of errors from previous periods

None.

12. Information about changes in economic position and business environment, having material impact on the fair value of financial assets and liabilities.

None.

13. Information about being in default with credit or loan repayment or about a breach of material provisions of loan agreement.

None.

14. Information about entering by the Issuer or its subsidiary into a single or multiple transactions with related entities, if they alone or jointly play significant role and were not made following arm's length principle.

During three (3) quarters of 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

By virtue of the Resolution of 25 August 2020, adopted by the Ordinary General Meeting of Shareholders of T.C. Dębica S.A., the amount of PLN 56,315,220.00 (in words: fifty-six million, three hundred and fifteen thousand, two hundred and twenty Polish zlotys 00/100)

was allocated to dividend for shareholders in the amount of PLN 4.08 per share, setting 9 October 2020 as the date of acquisition of dividend rights (the dividend record date) and 17 December 2020 as the dividend payment date.

19. Material events that followed the financial statement preparation date

None.

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

Contingent liabilities under the Bill of Exchange Discounting Program as of the balance sheet date of 30 September 2020 totalled PLN 22 036 thousand, down by PLN 31,417 million compared to the year-end. As of the date of presentation of the financial statements after three (3) quarters of the year, the value of bills of exchange not paid by the customers was PLN 20,046. These are bills of exchange with a redemption date of 19 November 2020 and 8 March 2021.

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

21.1 Impact of COVID-19 pandemic

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

1. Ensuring business continuity:

a) Business Continuity Team

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

based on the existing corporate procedures. The Team reports its activities to the Company's

Management Board. b) Securing safety to the personnel:

With the spread of COVID-19 coronavirus in Europe, the Company has taken steps to ensure safety to its personnel. The number of business trips and visits to the manufacturing site has been reduced, and the personnel have been instructed on how to maintain hygiene on the site and in interpersonal contacts. The availability of disinfectants and protective agents has been increased on site,

and effective from 15 March 2020, the personnel whose work can be performed without a need for physical presence in the company work remotely.

c) Monitoring of the market environment

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

d) Monitoring the materials and services supply chain

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

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

Protection of financial liquidity

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

b) Monitoring of loans extended

As of the balance sheet date of 31 October 2020, the loans balance to Goodyear totalled PLN 340.0 million, however, the Company recalls that under the loan agreements Goodyear SA provides a guarantee of immediate repayment before maturity, if requested by the Company.

Therefore capital is not 'frozen' and can be used at any time when needed, without losing interest.

c) Payment of receivables from the customers

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

d) Cost optimization

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

The Company has taken steps to reduce the quantity and scope of ordered goods and services, thus reducing expenses, however, without any prejudice to further operation of the plant.

3. Continuation of sales and distribution activities

The Company continues its sales and distribution activities and is in close contact with its business partners. The company continues to supply its customers with tyres and cooperates in developing the most optimal commercial solutions in dynamically evolving and uncertain market environment.

In the opinion of the Management Board, the Q3 2020 data should not be treated as a source of indications or forecasts with respect to the Company's performance in subsequent periods due to dynamically changing business environment, including but not limited to: increased level of market uncertainty, uncertainty as to further impact of the COVID-19 pandemic on the economy, industry, business partners and consumer behaviour.

21.2 Results of tax audits

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

By virtue of Current Report No. 10/2020 published on 18 May 2020 the Management Board of Tire Company Dębica S.A. (the "Company") informed that it received the result of a customs and fiscal audit carried out by Małopolski Urząd Celno-Skarbowy (The Małopolski Customs and Tax Office) with regard to the fulfilment of the obligations of a corporate income tax payer in 2015 ("Audit", "Audit results"). In the period covered by the Audit, the Company, as a payer, used, pursuant to the Corporate Income Tax Act, the exemption from the obligation to collect tax at a source with respect to license fees under the Technical Assistance and Licensing Agreement (whose signing announced in Current Report No. 17/2014, and the termination was announced in Current Report No. 2/2018 of 1 January of 1 January 2018. In the audit findings it was stated that the Company enjoyed the tax exemption at a source in an unauthorized manner. The Company, similarly to the outcome of the 2014 tax audit, of which it informed in its Current Report No. 7/2020 of 24 April 2020, does not agree with the tax audit outcome and believes that its application of the above-mentioned tax exemption was correct. Due to the discrepancy between the positions of the Company and the Revenue and Customs Office, as a result of the completed Audit, the tax proceedings against the Company may be initiated. In the event of an disadvantageous outcome of the tax proceedings concerning the use of the exemption from the obligation to collect tax at a source in the period covered by the Audit, an obligation may arise for the Company to pay a tax arrears in the amount of PLN 16.1 million including the late payment interest, which as of the Current Report Date would amount to approximately PLN 6.1 million and these amounts would directly impact the Company's financial result.

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

File	Description

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 September 2020 (1 euro = PLN 4.5268) and on 31 September 2019 (1 euro = PLN 4,3736).

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 three (3) quarters of 2020 is PLN 4.4420 for 1 EURO, and for conversions of data from three (3) quarters of 2019 is PLN 4.3086 for 1 EURO.

The net profit for three (3) quarters of 2020 posted into the balance sheet, calculated using the exchange rate prevailing at the end of September 2020 amounted to EUR 11 981 thousand, whereas the net profit calculated using average exchange rates: amounted to EUR 12 210 thousand. The foreign exchange gains/losses due to the conversion of net financial result for three (3) quarters of 2020 amounted to EUR 229 thousand.

2. Material successes or failures

In three (3) quarters of 2020 Tire Company Dębica S.A. generated sales revenues of PLN 1,307.7 million, down by 17.2% compared to three (3) quarters of 2019.

Q3 2020 saw a 0.4% drop in sales revenues on a year-to-year basis.

The net profit for three (3) quarters of 2020 totalled PLN 54.2 million, i.e. down by 41.4% 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

Explanatory Notes to Profit and Loss Account

Sales to Goodyear Group member companies for three (3) quarters of 2020 totalled PLN 1,173.7 million, down by PLN 245.5 million compared to three (3) quarters of 2019. For three (3) quarters of 2020, sales accounted for 89.9% of total sales, compared to 89.9% in the same period of 2019.

The sales to non-related entities totalled PLN 134.0 million, down by 15.9% on a year-to-year basis.

Gross profit on sales to related entities for three (3) quarters of 2020 amounted to PLN 94.9 million and was down by PLN 8.1 million compared to the same period in the previous year. The ratio between gross profit and revenues generated by these entities was up from 7.3% to 8.1% on a year-to-year basis.

Gross profit on sales to non-related entities for three (3) quarters of 2020 amounted to PLN 9.3 million and was down by PLN 10.1 million compared to the same period in the previous year. The ratio between gross profit and revenues generated by these entities was down from 12.2% to 6.9% on a year-to-year basis.

Gross profit on total sales for three (3) quarters of 2020 amounted to PLN 104.2 million, whereas the ratio between gross profit margin and total revenues was 8.0%. For comparison sake gross profit on total sales for three (3) quarters of 2019 amounted to

PLN 122.4 million, whereas the ratio between profit margin and total revenues was 7.8%.

Unit production costs for three (3) quarters of 2020 were up by 6.3% compared to the same period in the previous year. The growth was mainly fuelled by an increase of processing costs.

Selling, general and administrative (SG&A) costs totalled PLN 17.3 million, down by 0.8 million compared to three (3) quarters of 2019. The share of these costs in total sales in value terms accounted for 1.3% compared to 1.0% in three (3) quarters of the previous year.

The result of other operations for three (3) quarters of 2020 is a cost of PLN 20.6 million compared to PLN 9.2 million for three (3) quarters of 2019.

This level of result on other operating activities was influenced by the following items:

- a) the expenses of non-utilized production capacity of PLN 36.4 million were incurred, while in the corresponding period of the previous year such expenses did not occur;
- b) no restructuring costs were incurred, while for 9 months of 2019 they totalled PLN 6.8 million.
- c) no liquidation costs were incurred for fixed assets, whereas in the same period of the previous year these costs totalled PLN 0.2 million.
- d) other operating expenses amounted to PLN 0.5 million and were up by PLN 0.2 million compared to the same period of the previous year.
- e) a subsidy from the Guaranteed Employee Benefits Fund was obtained in the amount of PLN 16.0 million as part of government support in connection with the outbreak of the COVID-19 pandemic.
- f) a profit on the disposal of fixed assets in the amount of PLN 0.2 million was generated, which was up by PLN 0.2 million compared to the same period of the previous year.
- g) bad debts represented an income of PLN 0.1 million, compared to a cost of PLN 1.9 million in the same period last year, i.e. they were up by PLN 2.0 million.

Operating profit (EBIT) totalled PLN 66.3 million, down by 30.3 million on a year-to-year basis, and the ratio between EBIT margin and revenues was down to 5.1% from 6.1% for three (3) quarters of 2019.

In three (3) quarters of 2020 financial activities generated a loss of PLN 0.1 million compared to a profit of PLN 1.1 million in the same period of 2019.

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

- a) foreign exchange losses that totalled PLN 1.6 million, compared to foreign exchange losses equal to PLN 1.8 million in three (3) quarters of 2019;
- b) interest on loan extended to related entities generated income totalling PLN 2.6 million compared to PLN 3.0 million in three (3) quarters of 2019;
- c) idle cash interest income of PLN 0.3 million compared to PLN 1.6 million in three (3) quarters of 2019;
- d) no income from dividends, while for three (3) quarters of 2019 an income of PLN 0.1 million was generated;
- e) costs of bills of exchange discount and other interest amounting to PLN 1.4 million, which was down by PLN 0.4 million compared to the same period of the previous year.

The gross profit before tax for three (3) quarters of 2020 totalled PLN 66.2 million, i.e. down by PLN 31.5 million compared to the same period in the previous year.

The net profit for three (3) quarters of 2020 totalled PLN 54.2 million, i.e. down by PLN 38.3 compared to the same period in the previous year.

Explanatory Notes on the Balance Sheet

At the end of September 2020, fixed assets totalled PLN 775.3 million and were down by PLN 24.8 million compared to the opening balance of 2020.

The value of tangible fixed assets was down by PLN 26.7 million, of which:

- b) depreciation of existing fixed assets led to a decline of their value by PLN 72.3 million;
- b) changes due to sale and liquidation of fixed assets resulted in its decline by 1.7 million PLN;
- c) completed investment programs in three (3) quarters of 2020 led to an increase of fixed assets by PLN 45.3 million
- d) changes caused by financial lease led to an increase by PLN 2.0 million.

Deferred income tax asset amounted to PLN 19.2 million, up by PLN 1.9 million compared to the opening balance of 2020.

Current assets amounted to PLN 996.1 million and were up during three (3) quarters of 2020 by PLN 45.1 million.

Short-term receivables totalled PLN 482.7 million and were up by PLN 123.5 million compared to the beginning of 2020, including: from related entities they were up by PLN 90.0 million, and from non-related entities were up by PLN 33.5 million.

Inventories fell by PLN 22.6 million down to PLN 85.4 million. This change was driven by a decline in inventories of raw materials and materials by PLN 28.0 million down to PLN 54.0 million, paralleled by the value of work in progress by PLN 5.0 million, which was up to the level of PLN 29.2 million, whereas the level of inventories of finished products was up by PLN 0.1 million and totalled PLN 2.1 million compared to the opening balance of the year.

Short-term financial assets totalled PLN 422.9 million and were down during three (3) quarters of 2020 by PLN 59.0 million. Cash and other cash assets were down by PLN 49.0 million. As of the end of September 2020, loans granted to related parties totalled PLN 340.0 million (down by PLN 10.0 million compared to the opening balance of 2020).

Short-term prepayments and accruals totalled PLN 5.1 million and were up by PLN 3.2 million compared to the onset of the year, mainly due to a write-off to the Corporate Social Benefits Fund.

As of 30 September 2020 the Company's assets amounted to PLN 1,771.6 million and were up in three (3) quarters of 2020 by PLN 20.4 million.

As of 30 September 2020, liabilities and provisions for liabilities totalled PLN 615.8 million and during three (3) quarters of 2019 they were up by PLN 22.5 million. Provisions for liabilities were up by PLN 11.2 million, of which deferred tax provision was up by PLN 12.3 million, provision for employee benefits was up by PLN 0.9 million, other provisions were down by PLN 2.0 million.

As of 30 September 2020 the short-term payables amounted to PLN 520.5 million and were up compared to the end of 2019 by

PLN 11.6 million. Short-term liabilities vis-a-vis related entities were up by PLN 45.8 million, whereas short-term liabilities vis-a-vis non-related entities were down by PLN 35.7 million. Special funds were up PLN 1.5 million.

Long-term liabilities (lease payments) totalled PLN 4.0 million and were down by PLN 0.4 M compared to the opening balance of the year.

At the end of September 2020, the Company's equity totalled PLN 1,155.6 million and was down by PLN 2.1 million in three (3) quarters of 2020 ("Other reserve capital" was up due to the profit distribution for the previous year by PLN 56.4 million, whereas the net profit was down by PLN 58.5 million).

Explanatory Notes on Cash Flow Statement

In three (3) quarters of 2020, operational cash flows were negative and totalled PLN 16.1 million. Net profit and depreciation generated positive cash flows in the amount of PLN 126.6 million, whereas an increase of working capital generated PLN 146.6 million of negative cash flows, mainly due to an increase of receivables at the end of Q3. The change in provisions as well as prepayments and accruals generated PLN 6.1 million of positive cash flows, while other items generated PLN 2.2 million of negative cash flows.

In three (3) quarters of 2020, the investment activities generated negative cash flows of PLN 30.0 million. PLN 44.4 million was allocated to the acquisition of tangible fixed assets (capital expenditures of PLN 45.2 million, investment liabilities up by PLN 0.8 million).

Loan repayment by the related entity generated PLN 60.0 million of positive cash flows. Loan repayment by the related entity generated PLN 50 million of negative cash flows. The loan extended to a related party generated PLN 2.6 million interest income, whereas the disposal of tangible fixed assets generated PLN 1.7 million of positive cash flows.

Financial activities generated negative cash flows of PLN 2.9 million. The interest expense totalled PLN 0.6 million, whereas lease payments amount to PLN 2.3 million.

The net cash flows in three (3) quarters of 2020 were negative and amounted to PLN 49.0 million. The balance of cash assets in three (3) quarters of 2020 fell from PLN 131.9 million at the end of December 2019 to PLN 82.9 million at the end of September 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 filing the Q3 2020 periodic report,

the shareholders holding at least 5% of the total number of votes at the General Meeting of the Company were as follows:

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

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

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, the following persons managing and supervising the Company held Company shares: Janusz Raś - A Supervisory Board member - 15 shares.

All shares have a par value of 8 PLN each.

8. Significant proceedings pending before courts, arbitration bodies or public administration bodies regarding liabilities or receivables

None -

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)	<p>Właściciel podpisu: Leszek Szafran Data i godzina podpisu: 2020-11-16 11:33:29 CET Status podpisu: <input checked="" type="checkbox"/> Ważny Rodzaj podpisu: Podpis zaufany</p>
	Ireneusz Maksymiuk	A Management Board member, Chief Financial Officer (CFO)	<p>Właściciel podpisu: IRENEUSZ MAKSYMIOUK Data i godzina podpisu: 2020-11-16 09:32:13 CET Status podpisu: <input checked="" type="checkbox"/> Ważny Rodzaj podpisu: Podpis zaufany</p>
	Michał Mędrak	A Management Board member, Chief Logistics Officer (CLO)	<p>Właściciel podpisu: Michał Mędrak Data i godzina podpisu: 2020-11-16 11:53:21 CET Status podpisu: <input checked="" type="checkbox"/> Ważny Rodzaj podpisu: Podpis kwalifikowany</p>
	Mirosław Maziarka	A Management Board member, Chief Production Officer (CPO)	<p>Właściciel podpisu: Mirosław Maziarka Data i godzina podpisu: 2020-11-16 12:56:18 CET Status podpisu: <input checked="" type="checkbox"/> Ważny Rodzaj podpisu: Podpis kwalifikowany</p>