

POLISH FINANCIAL SUPERVISION AUTHORITY
Current Report No. 22/2010

Preparation date: 21 July 2010

Abbreviated name of issuer:

DEBICA

Re:

Supplement to the Current Report No. 17/2010 of 29 June 2010

Legal grounds:

Other

Report content:

The Management Board of Tire Company Dębica S.A. supplements the Current Report No. 17/2010, dated 29 June 2010 and provides:

1. information that requesting parties, in compliance with filed request, intend to demand from the Company's Management Board under Art. 428 § 1 of Commercial Companies' Code (item 4 of the Agenda of the Extraordinary General Meeting proposed by the Requesting Parties),
2. the subject of audit to be carried out by the special auditor proposed by the Requesting Parties (item 5 of the Agenda of the Extraordinary General Meeting proposed by the requesting parties)

Re 1

The Requesting Parties requested disclosure of information about the Company regarding transactions carried out by the Company with its related entities in the understanding of Art. 11 paragraphs 1 and 4 of the Corporate Income Tax Act dated 15 February 1992 (hereinafter referred also to as "**Group**" and "**transactions with Group members**"), including but not limited to the transactions with Goodyear Dunlop Tires Polska Sp. z o.o. with a registered office in Warsaw (hereinafter referred to as "**Goodyear Polska**") to the following extent:

1. What percentage of the Company's revenues was generated via transactions with the entities in the Group, broken down into each calendar year individually, in the years 2005-2009?
2. What percentage of the Company's gross profit was generated via transactions with the entities in the Group, broken down into each calendar year individually, in the years 2005-2009?
3. What percentage of the Company's revenues was generated via transactions with entities other than the entities in the Group, broken down into each calendar year individually, in the years 2005-2009?
4. What percentage of the Company's gross profit was generated via transactions with entities other than the entities in the Group, broken down into each calendar year individually, in the years 2005-2009?
5. What is the gross margin on sale by the Company of goods and services to the entities in the Group, broken down into each calendar year individually, in the years 2005-2009?
6. What is the gross margin on sale by the Company of goods and services to entities other than the entities in the Group, broken down into each calendar year individually, in the years 2005-2009?
7. What portion of the Company 2005 -2009 sales was directed to the entities in the Group and what to entities outside the Group (information broken down into each year individually, state the percentage and the absolute number)?

Furthermore, we move for the provision of:

8. Precise and comprehensive information regarding the text of each individual agreement on the delivery of products or provision of services executed by the Company and the entities in the Group between January 1, 2005 and the date on which the Company Management Board has received this motion, including in particular prices of goods and services adopted in such agreements, the methods used to work out these prices and the gross margin earned by the Company in connection with the performance of these agreements, for each calendar year individually;
9. Precise and comprehensive information regarding the text of each invoice and other basis for payment issued by the Company to a contractor or by the contractor to the Company, in performance of the agreements set out in point 8 above;
10. Precise and comprehensive information regarding the text of each individual agreement regarding delivery of products executed between the Company on the one hand and the entity or entities other than the entities in the Group, on the other hand, in the period from January 1, 2005 until the date of receipt by the Company Management Board hereof, including in particular the prices of goods and services adopted in these agreements, the methods used to work out these prices and the gross margin earned by the Company in connection with the performance of these agreements, for each calendar year individually;

11. Precise and comprehensive information regarding the text of each invoice and other basis for payment issued by the Company to a contractor or by the contractor to the Company, in performance of the agreements set out in point 10 above;

12. Precise and comprehensive information regarding the text of each document contained in the tax documentation of transactions with related entities, which documentation is referred to in Art. 9a Sec. 1 points 1-6 Sec. 3 of the Act of February 15, 1992 on Corporate Income Tax, and prepared in the Company for the years 2005-2009;

13. Precise and comprehensive information regarding the text of each document contained in the analysis of comparability of sales transactions of goods and services to the Group within the meaning of Section II § 6-11 of the Finance Minister Regulation of September 10, 2009 regarding the method and procedure for eliminating double taxation of legal entities in the event of adjustments to the profits of related entities (Journal of Laws No. 160 Item 1268) and the provisions preceding this regulation, the analysis having been prepared in the company for the years 2005-2009;

14. Precise and comprehensive information regarding the text of each of the bookkeeping documents of the Company indicating the amount of sales of the Company to the entities in the group and disclosing the value of the obligation in excess of PLN 50,000, broken down into contractors from the Group for the period from January 1, 2005 until the date of receipt hereof;

15. Precise and comprehensive information regarding the text of each documents held by the Company originating from the Tax Office, Tax Chamber, Fiscal Control Office or from other public authorities and related to the correctness of the prices adopted by the Company in transactions with related entities, for the years 2005-2009,

16. Precise and comprehensive information regarding the text of each agreement related to the Company with respect to the establishment of transaction prices within the meaning of Art. 20a or 20b of the Act Tax Procedure Law and pertaining to the establishment of prices in the company in the years 2005-2009.

Re 2

The Requesting Parties proposed that the subject and scope of audit to be carried out by the special auditor should cover the audit of the matters and documentation referred to item „Re 4 of Agenda" above (see item Re 1 of this Report) as well as:

1. Analysis of quarterly changes in Company's cost and revenue structures, analysis of root causes of such changes and evaluation of correctness of measures taken by the Company's Management Board to minimize the disadvantageous impact of changes in market environment on Company performance and impact of possible negligence in the area on the Company financial position, in the period from 1 January 2005 to the start date of audit taken by the special auditor.

2. Revision of economic rationale for the legal actions taken by the Company in the period from 1 January 2005 to the start date of audit taken by the special auditor including in particular:
 - a) evaluation of all contracts and agreements in terms of their compliance with arm's length principle concluded on behalf of Company with Goodyear Dunlop Tires Polska Sp. z o.o. with its registered office in Warsaw, with Goodyear Luxembourg Tires S.A. or other members of the capital group of The Goodyear Tire & Rubber Company;
 - b) to check whether the Company extended any merchant loans to the members of the capital group of The Goodyear Tire & Rubber Company, and if so then if payment terms longer than standard ones were or are applied for the entities running similar type of activities, whether there were any cases of extending payment term above the contractual arrangement without charging financing costs to the entities from the aforementioned capital group.
3. Analysis of transactions between the Company and Goodyear Dunlop Tires Polska Sp. z o.o. with its registered office in Warsaw, with Goodyear Luxembourg Tires S.A. or other members from the capital group of The Goodyear Tire & Rubber Company in the period from 1 January 2005 to the start date of audit taken by the special auditor including in particular the analysis from the angle of their economic rationale and compliance with arm's length principle and determination of their impact on the Company property position.
4. Revision of economic rationale and compliance with arm's length principle of the costs born by the Company in the period from 1 January 2005 to the start date of audit taken by the special auditor including in particular:
 - a) analysis of advertising and marketing costs related to the promotion of product brands sold by Goodyear Dunlop Tires Polska Sp. z o.o. with its registered office in Warsaw, with Goodyear Luxembourg Tires S.A. or other members of the capital group of The Goodyear Tire & Rubber Company as well as the analysis of licensing costs and charges paid by the Company to Goodyear Dunlop Tires Polska Sp. z o.o. with its registered office in Warsaw, with Goodyear Luxembourg Tires S.A. or other members of the capital group of The Goodyear Tire & Rubber Company,

- b) to determine whether licensing and technological fees charged for the Company have been overestimated compared to those established under the arm's length principle,
 - c) to determine whether the Company underestimated or is underestimating the research and development (R&D) costs and whether such costs were or are invoiced to any of the entities from the capital group of The Goodyear Tire & Rubber Company,
 - d) in the last 5 years has any of the entities from the capital group of The Goodyear Tire & Rubber Company in its relations with the Company changed any licensing fees, and if so what was economic rationale for such change and what impact it had on Company performance.
5. In the period from 1 January 2005 to the start date of audit carried out by the special auditor the analysis whether in business relations with the entities from the capital group of The Goodyear Tire & Rubber Company including in particular Goodyear Dunlop Tires Polska limited liability company with a registered office in Warsaw, Goodyear Luxembourg Tires S.A. the Company complied with transfer pricing requirements that should be applied to the settlements with related entities after consideration of effective in this group rules for settlement of supply contracts, ways of determining actual manufacturing costs representing base to calculation production prices for the entities from the capital group, and a violation of transfer pricing regulations has been found out to determine what impact it could have on Company financial performance,
6. Analysis whether expenses were qualified correctly, including both operating and non-operating costs, born by the Company as tax deductible costs, and in case of finding out any flaws or negligence in this area, to assess potential tax risk resulting therefrom.
7. Indication of economic rationale for the Company to bring a lawsuit against Goodyear Dunlop Tires Polska Sp. z o.o. with its registered office in Warsaw, or other members of the capital group of The Goodyear Tire & Rubber Company and to claim the compensation of any losses (property damage) caused by establishing such legal ties with Goodyear Dunlop Tires Polska Sp. z o.o. with its registered office in Warsaw and with Goodyear Luxembourg Tires S.A. (or other members of the capital group of The Goodyear Tire & Rubber Company), that failed to provide equivalent mutual benefits.

8. Determination whether in the period from 1 January 2005 to the start date of audit carried out by the special auditor the Company complied with the requirements of the capital group of The Goodyear Tire & Rubber Company and if so, was the Company charged with any costs and what were the amounts of such costs.
9. Determination whether in the period from 1 January 2005 to the start date of audit by the special auditor there were any cases of Company raising common costs shared by the Company and an entity based in Poland, a member of the capital group The Goodyear Tire & Rubber Company through, including but not limited to, joint management and replacement of key personnel members, and the verification of actual working time for individual entities and possible existence of common costs, however, born exclusively by the Company e.g. transportation costs, storage costs, quality control costs etc.
10. In the period from 1 January 2005 to the start date of the audit carried out by the special auditor did the Company communicate any material information about its operations to any of the members of the capital group of Goodyear Tire & Rubber Company, including in particular information about its financial position, before making such information public, and if so, when did it happen.
11. In the period from 1 January 2005 to the start date of the audit carried out by the special auditor has any member of the Company Management or Supervisory Board not had any conflict of interest in relation to perform professional activity in the capital group of Goodyear Tire & Rubber Company and the function performed at the Company (with regard to the Company Supervisory Board it applies in particular to its competencies set forth in § 17 of the Company Statutes).

At the same time the Company Management Board would like to draw attention the fact that the Agenda of the Extraordinary General Meeting of Shareholders convened for 30 November 2010 was published in the Current Report No. 19/2010, dated 12 July 2010.