Financial Statements

PK Cables do Brasil Indústria e Comércio Ltda.

March 31, 2021
with Independent Auditor's Report

PK Cables do Brasil Indústria e Comércio Ltda.

Financial statements

March 31, 2021 and 2020

Contents

A free translation from Portuguese into English of Independent auditor's report on financial statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil

Independent auditor's report on financial statements

To the Management of
PK Cables do Brasil Indústria e Comércio Ltda.

Opinion

We have audited the financial statements of PK Cables do Brasil Indústria e Comércio Ltda. ("Company"), which comprise the statement of financial position as at March 31, 2021, and the statements of profit or loss, of comprehensive income (loss), of changes in equity, and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Company's financial position as at March 31, 2021, its financial performance and its cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed risks of material misstatements of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represented the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the scope and timing of the planned audit procedures and significant audit findings, including deficiencies in internal control that we may have identified during our audit.

Curitiba, June 23, 2021.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/F-6

Ana Andréa Iten de Alcantara
Accountant CRC SC-025678/O-3 T-PR

PK Cables do Brasil Indústria e Comércio Ltda.

Statement of financial position
March 31, 2021 and 2020
(In thousands of reais - R$)

	Note	03/31/2021	03/31/2020
Assets			
Current assets			
Cash and cash equivalents	4	**24,844**	53,612
Trade accounts receivable	5	**57,749**	20,016
Inventories	6	**96,057**	63,308
Advances to suppliers		**1,880**	2,520
Taxes recoverable	7	**7,000**	8,293
Other assets		**819**	751
Total current assets		**188,349**	148,500
Noncurrent assets			
Taxes recoverable	7	**1,122**	1,582
Deferred income and social contribution taxes	13	**27,905**	27,447
Judicial deposits	14	**974**	553
Permanent assets			
Property, plant and equipment	8	**32,150**	29,827
Intangible assets		**131**	141
Total noncurrent assets		**62,282**	59,550
Total assets		**250,631**	208,050

	Note	03/31/2021	03/31/2020
Liabilities and equity			
Current liabilities			
Trade accounts payable	9	**85,393**	42,658
Payroll and related charges	10	**8,635**	7,902
Tax obligations		**3,300**	41
Leases payable	12	**2,396**	2,377
Other amounts payable		**1,611**	2,828
Total current liabilities		**101,335**	55,806
Noncurrent liabilities			
Transactions with related parties	11	**138,354**	106,952
Leases payable	12	**5,813**	692
Provision for contingencies	14	**2,427**	3,073
Total noncurrent liabilities		**146,594**	110,717
Equity	15		
Capital		**325,443**	325,443
Accumulated losses		**(322,741)**	(283,916)
Total equity		**2,702**	41,527
Total liabilities and equity		**250,631**	208,050

See accompanying notes.

PK Cables do Brasil Indústria e Comércio Ltda.

Statement of profit or loss
Twelve-month period ended March 31, 2021 and fifteen-month period ended March 31, 2020
(In thousands of reais)

	Note	04/01/2020 to 03/31/2021	01/01/2019 to 03/31/2020
Net operating revenue	16	**388,633**	473,497
Cost of sales	17	**(352,524)**	(387,072)
Gross profit		**36,109**	86,425
Operating expenses			
General and administrative expenses	17	**(51,455)**	(69,671)
Selling expenses	17	**(823)**	(2,616)
Other operating income, net	17	**6,914**	16,531
Operating income before finance income (costs)		**(9,255)**	30,669
Finance income (costs), net	18	**(29,761)**	(38,218)
Loss before income taxes		**(39,016)**	(7,549)
Current and deferred income and social contribution taxes	13	**191**	(5,123)
Loss for the year		**(38,825)**	(12,672)

See accompanying notes.

PK Cables do Brasil Indústria e Comércio Ltda.

Statement of comprehensive income
Twelve-month period ended March 31, 2021 and fifteen-month period ended March 31, 2020
(In thousands of reais - R$)

	04/01/2020 to 03/31/2021	01/01/2019 to 03/31/2020
Loss for the year	**(38,825)**	(12,672)
Other comprehensive income (loss)	**-**	-
Total comprehensive income (loss) for the year	**(38,825)**	(12,672)

See accompanying notes.

PK Cables do Brasil Indústria e Comércio Ltda.

Statement of changes in equity
March 31, 2021 and 2020
(In thousands of reais - R$)

	Capital	Accumulated losses	Total
At December 31, 2018 (unaudited)	325,443	(271,244)	54,199
Loss for the year	-	(12,672)	(12,672)
At March 31, 2020	325,443	(283,916)	41,527
Loss for the year	**-**	**(38,825)**	**(38,825)**
At March 31, 2021	**325,443**	**(322,741)**	**2,702**

See accompanying notes.

PK Cables do Brasil Indústria e Comércio Ltda.

Statement of cash flow
Twelve-month period ended March 31, 2021 and fifteen-month period ended March 31, 2020
(In thousands of reais - R$)

	04/01/2020 to 03/31/2021	**01/01/2019 to 03/31/2020**
Cash flows from operating activities		
Loss for the year	**(38,825)**	(12,672)
Deferred taxes	**(191)**	3,787
Depreciation and amortization	**8,457**	22,032
Provision for contingencies	**(646)**	1,522
Allowance for doubtful accounts	**(664)**	233
Provision for obsolescence	**771**	875
Unrealized exchange differences on intercompany loans	**17,618**	23,687
Interest on leases	**699**	365
Interest on intercompany loans	**6,077**	6,408
Write-off of PP&E and intangible assets	**204**	686
Write-off of provision for impairment losses	**-**	(5,455)
Gain on disposal of PP&E	**-**	(3,187)
	(6,500)	38,281
Increase/decrease in assets and liabilities		
Trade accounts receivable	**(37,069)**	46,515
Inventories	**(33,520)**	(18,636)
Advances to suppliers	**640**	(1,058)
Taxes recoverable	**1,753**	(4,350)
Judicial deposits	**(421)**	183
Other assets	**(68)**	(532)
Trade accounts payable	**42,735**	13,118
Payroll and related charges	**733**	(85)
Tax obligations	**2,992**	(1,921)
Transactions with related parties	**7,707**	717
Other obligations	**(1,217)**	1,473
Net cash flows from operating activities	**(22,235)**	73,704
Cash flows from investing activities		
Additions to PP&E and intangible assets	**(5,949)**	(15,847)
Sale of PP&E	**-**	8,642
Net cash flows used in investing activities	**(5,949)**	(7,205)
Cash flows from financing activities		
Lease payments	**(584)**	(484)
Repayment of intercompany loans	**-**	(14,876)
Net cash flows used in financing activities	**(584)**	(15,360)
Net increase (decrease) in cash and cash equivalents	**(28,768)**	51,139
Cash and cash equivalents at beginning of year	**53,612**	2,473
Cash and cash equivalents at end of year	**24,844**	53,612
Net increase (decrease) in cash and cash equivalents	**(28,768)**	51,139

See accompanying notes.

1. Operations

PK Cables do Brasil Indústria e Comércio Ltda. ("Company"), headquartered in the city of Campo Alegre, state of Santa Catarina, Rodovia SC 301, 4,195, Bairro Fragoso, CEP 89294-000, is engaged in:

(a) Manufacturing electrical materials for automotive vehicles and other parts for the automotive industry and the production of tractors, harvesters, and self-propelled road and agricultural machinery;

(b) Providing consulting services to customers for the development and improvement of the application of products manufactured or traded by the Company; and

(c) Holding equity interest in other companies as a shareholder or member.

On December 12, 2019, the Company members approved the Executive Board's proposal to change the Company's fiscal year-end from December 31 to March 31 with the purpose of aligning the Company's fiscal year-end with that of its controlling group.

<u>Going concern</u>

On March 31, 2021 and 2020, the Company's P&L suffered a material negative impact. This impact is due to the economic crisis that has occurred in recent years, which has been an important factor in the downturn of the automotive industry in Brazil. In 2019, improvements could be seen in the automotive industry but, due to COVID-19, another economic downturn started from March 2020, which could delay the Company's plan to improve profit or loss.

The Company's Management is adopting several measures to reduce operating costs and maximize efforts to operate as a supplier in new projects together with the automakers to achieve economic and financial balance. In addition, Management has been adopting the following actions to mitigate the impacts of COVID-19 on the Company's operations:

- The Company has been discounting trade notes receivable with banks to protect the Company's cash flow;

- Reduction of direct and indirect labor in the production lines related to customers who had cuts in production volumes;

1. **Operations** (Continued)

Going concern (Continued)

- Suspension of the employment contract for 60 days, according to Provisional Executive Order (MP) No. 936, for the production lines related to customers who had a high inventory count and reduced production volume due to the pandemic;

- Reduction in the workload of departments not related to production volume, as determined in Provisional Executive Order (MP) No. 936;

- Negotiations of discounts for all fixed-price contracts (e.g.: rents) during the period of the pandemic;

- Use of benefits granted by the government, such as discounts from the S system and postponements of tax payments;

It should be noted that parent company PKC WIRING SYSTEMS OY is highly committed to the viability of the business, it has been contributing funds over the past few years, and is committed to continuing to make contributions to maintain the Company's operations.

2. Summary of significant accounting policies

The financial statements were prepared and are presented in accordance with accounting practices adopted in Brazil, which comprise the pronouncements issued by the Brazilian Financial Accounting Standards Board - FASB (CPC).

Management authorized the issuance of these financial statements on June 23, 2021.

All relevant information specific to the financial statements, and only such information, is being evidenced, and corresponds to the information used by Company Management.

2.1. Functional and presentation currency

The financial statements are presented in Brazilian reais, which is the Company's functional currency.

2.2. Basis of measurement

The financial statements were prepared based on historical cost, except for derivative financial instruments, which are measured at fair value.

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting policies

The accounting practices described below have been consistently applied to all periods and years presented in these financial statements.

a) Comparability of the financial statements

Due to the change of the fiscal year-end, as mentioned in Note 1, the financial statements for March 31, 2021 and 2020 include profit or loss from the Company's operations for the twelve-month period, from April 1, 2020 to March 31, 20201 as well as profit or loss for the fifteen-month period, from January 1, 2019 to March 31, 2020, and are therefore not comparable.

b) Foreign currency

Foreign currency transactions

Foreign currency transactions are translated into the Company entities' functional currencies at the exchange rates prevailing on the transaction dates.

Monetary assets and liabilities denominated and calculated in foreign currencies at the statement of financial position date are retranslated into the functional currency by the exchange rate prevailing on that date. Nonmonetary assets and liabilities measured at fair value in foreign currency are retranslated into the functional currency at the exchange rate prevailing on the date when the fair value was calculated. Nonmonetary items measured based on the historical cost in foreign currency are translated at the exchange rate prevailing on the transaction date. Foreign currency differences arising from the translation are usually recognized in P&L.

c) Operating income

Sales of goods

Operating income is recognized when (i) the most significant risks and rewards inherent to the ownership of goods are transferred to the buyer; (ii) it is likely that economic benefits will flow into the Company; (iii) associated costs and a possible return of goods can be reliably estimated; (iv) that there is no continuing involvement with the assets sold; and (v) the operating income value can be reliably measured. Operating income is measured net of returns, commercial discounts and bonuses.

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting policies (Continued)

d) Taxation

Revenue, expenses and assets are recognized net of sales taxes, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable;

- When the amounts receivable and payable are presented together with the amount of sales taxes.

The net value of sales taxes, recoverable or payable, is included as part of receivables or payables in the statement of financial position.

Sale and service revenues are subject to the following taxes and contributions:

	Rates
State VAT (ICMS)	7% to 18%
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	7.60%
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	1.65%
Service Tax (ISS)	2% to 5%
Federal VAT (IPI)	Exempt

Revenues are stated net of taxes in the statement of profit or loss. Tax credits arising from noncumulative taxation by PIS/COFINS are recorded as a deduction from cost of sales in the statement of profit or loss.

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting policies (Continued)

e) Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are recognized as personnel expenses as the related service is provided. The liability is recognized for the amount expected to be paid if the Company has a present legal obligation to pay this amount as a result of a past service provided by the employee and the obligation can be reliably estimated.

f) Finance income and finance costs

The Company's finance income and costs include:

- Interest income;
- Interest expenses;
- Net gains and losses from financial assets measured at fair value through profit or loss;
- Net gains and losses from exchange differences on financial assets and liabilities.

Interest income and expenses are recognized in the statement of profit and loss using the effective interest method.

g) Income and social contribution taxes

Current and deferred income and social contribution taxes for the year are calculated at the rate of 25% plus a 10% surtax on the portion of taxable profit in excess of R$240 for income tax and 9% on taxable profit for social contribution tax.

Income and social contribution tax expenses comprise current and deferred income and social contribution taxes.

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting policies (Continued)

g) Income and social contribution taxes (Continued)

i) *Current income and social contribution tax expenses*

Current tax expense is the tax payable or receivable expected on taxable profit or loss for the year and any adjustment to taxes payable in relation to previous years. The amount of current taxes payable or receivable is recognized in the statement of financial position as a tax asset or liability based on the best estimate of the expected amount of taxes to be paid or received that reflects the uncertainties related to their calculation, if any. It is measured based on the tax rates enacted on the statement of financial position date.

Current tax assets and liabilities are offset only if certain criteria are met.

ii) *Deferred income and social contribution tax expenses*

Deferred tax assets and liabilities are recognized in relation to temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and the corresponding amounts used for taxation purposes. Changes in deferred tax assets and liabilities in the year are recognized as deferred income and social contribution tax expenses.

Deferred tax assets and liabilities are measured based on the rates that are expected to be applied to temporary differences when they are reversed, based on the rates that were enacted up to the statement of financial position date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

iii) *Uncertainty over Income Tax Treatments*

The Company also updated the possible impacts arising from Interpretation ICPC 22 - Uncertainty over Income Tax Treatments. ICPC 22 clarifies how to apply the recognition and measurement requirements of CPC 32 – Income Taxes when there is uncertainty over income tax treatments.

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting policies (Continued)

g) Income and social contribution taxes (Continued)

iii) *Uncertainty over Income Tax Treatments* (Continued)

In these circumstances, an entity must recognize and measure its current or deferred tax assets or liabilities, applying the requirements of CPC 32 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined based on this interpretation.

The Company identified no significant impacts on its financial statements as a result of the application of this interpretation.

h) Inventories

Inventories are carried at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost (WAC) principle.

i) Property, plant and equipment (PP&E)

i) *Recognition and measurement*

Property, plant and equipment items are measured at historical acquisition or construction cost, less accumulated depreciation and any accumulated impairment losses.

When significant parts of a PP&E item have different useful lives, they are recorded as separate PP&E items (principal items).

Any gains and losses on disposal of an item of property, plant and equipment are recognized in the statement of profit or loss.

ii) *Subsequent costs*

Subsequent costs are capitalized only when it is probable that future economic benefits associated with the expenses will flow to the Company.

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting policies (Continued)

i) Property, plant and equipment (PP&E) (Continued)

iii) *Depreciation*

Depreciation is calculated to amortize the cost of PP&E items, less their estimated residual values, using the straight-line method based on the estimated useful life of the items. Depreciation is recognized in P&L. Land is not depreciated.

The estimated useful lives of PP&E items are as follows:

Machinery and equipment	7 years
Leasehold improvements	8 years
IT equipment	5 years
Furniture and fixtures	5 years
Vehicles	5 years
Tools	5 years
Other assets	4-15 years
Right of use	1-5 years

The depreciation methods, useful lives and residual values are reviewed at each statement of financial position date and adjusted if appropriate.

j) Financial instruments

The Company classifies nonderivative financial assets into the following categories: financial assets measured at fair value through profit or loss and loans and receivables.

The Company classifies nonderivative financial liabilities into the following categories: financial liabilities measured at fair value through profit or loss and other financial liabilities.

i) *Nonderivative financial assets and liabilities - recognition and derecognition*

The Company initially recognizes loans and receivables and debt instruments at their inception date. All other financial assets and liabilities are recognized on the trade date when the Company becomes a party to the instrument’s contractual provisions.

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting policies (Continued)

j) Financial instruments (Continued)

i) *Nonderivative financial assets and liabilities - recognition and derecognition* (Continued)

The Company derecognizes a financial asset when contractual rights to cash flows of the asset expire, or when the Company transfers the rights to receive contractual cash flows on a financial asset in a transaction in which essentially all the risks and rewards of ownership of the financial asset are transferred. Any interest that is created or retained by the Company in such transferred financial assets is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or canceled or expired.

Financial assets or liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the amounts and intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

ii) *Nonderivative financial assets - measurement*

Financial assets measured at fair value through profit or loss

A financial asset is classified as measured at fair value through profit or loss if it is designated for such purpose upon initial recognition. The transactions costs are recognized in P&L as incurred. These assets are measured at fair value and any changes thereto are recognized in P&L for the year.

Loans and receivables

These assets are initially measured at fair value plus any directly attributable transaction costs. After initial recognition, loans and receivables subject to interest are measured at amortized cost, using the effective interest rate method.

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting policies (Continued)

j) Financial instruments (Continued)

ii) *Nonderivative financial assets - measurement* (Continued)

Cash and cash equivalents

In the statements of cash flow, cash and cash equivalents include negative balances in overdraft accounts that are payable immediately and are an integral part of the Company's cash management.

iii) *Nonderivative financial liabilities - measurement*

A financial liability is classified as measured at fair value through profit or loss if it is designated for such purpose upon initial recognition. The transactions costs are recognized in P&L as incurred. These liabilities are measured at fair value and any changes thereto are recognized in P&L for the year.

Other nonderivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

k) Capital

Units of interest are classified as equity.

l) Impairment

i) *Nonderivative financial assets*

Financial assets not classified as financial assets at fair value through profit or loss are assessed at each statement of financial position date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets have been impaired includes:

- Debtor's default or delay;
- Renegotiation of an amount due to the Company under conditions that would not be accepted under normal conditions;

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting policies (Continued)

l) Impairment (Continued)

i) *Nonderivative financial assets* (Continued)

- Indications that the debtor or issuer will enter bankruptcy or in-court reorganization;
- Negative changes in the payment status of debtors or issuers;
- The disappearance of an active market for an instrument due to financial distress; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets.

Financial assets measured at amortized cost

The Company considers evidence of impairment of assets measured at amortized cost both individually and in the aggregate. All individually significant assets are assessed for impairment. Those found not to be individually impaired are then collectively tested for any actual impairment that has occurred but has not been identified. Assets that are not individually significant are collectively assessed for impairment based on the grouping of assets with similar risk characteristics.

When evaluating an impairment loss collectively, the Company uses historical trends in the recovery period and the amounts of loss incurred, adjusted to reflect Management's judgment as to whether the current economic and credit conditions are such that the actual losses are likely to be higher or lower than those suggested by historical trends.

The impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of profit and loss and reflected in an allowance account. When the Company considers that there are no reasonable expectations of recovery, the amounts are written off. Whenever a subsequent event indicates a reduction in the amount of loss, such reduction is reversed through profit or loss.

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting policies (Continued)

l) Impairment (Continued)

ii) *Nonfinancial assets*

The carrying amounts of the Company's nonfinancial assets are reviewed at each statement of financial position date to determine whether there is indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated.

Impairment losses are reversed only to the extent that the book value of the asset does not exceed the new book value that would have been calculated, net of depreciation or amortization, had no impairment loss been recognized for the asset.

m) Statement of cash flows

The statements of cash flows were prepared under the indirect method and are presented in accordance with CPC 03 R2 – Statement of Cash Flows.

n) Leases

The Company assesses, at the inception date, whether the agreement is or contains a lease. That is, if the agreement transfers the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as a lessee

The Company applies a single recognition and measurement approach to all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets that represent the right to use the underlying assets.

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting policies (Continued)

n) Leases (Continued)

The Company as a lessee (Continued)

Right-of-use assets

The Company recognizes the right-of-use assets on the lease inception date (that is, on the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any new remeasurements of lease liabilities. The cost of right-of-use assets includes the amount of recognized lease liabilities, initial direct costs incurred and lease payments made up to the inception date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shortest period between the lease term and the estimated useful lives of the assets, as described in Note 8.d.

Right-of-use assets are also subject to impairment. See accounting policies for impairment of nonfinancial assets in Note 2 I).

Lease liabilities

On the lease commencement date, the Company recognizes lease liabilities measured at the present value of lease payments to be made during the lease term. Lease payments include fixed payments (including substantially fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and expected amounts to be paid under residual value guarantees. Lease payments also include the strike price of a purchase option reasonably certain to be exercised by the Company and payments of early lease termination fees.

Variable lease payments that do not rely on an index or rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that generates these payments occurs.

2. Summary of significant accounting policies (Continued)

2.3. Summary of significant accounting policies (Continued)

n) Leases (Continued)

The Company as a lessee (Continued)

Lease liabilities (Continued)

When calculating the present value of lease payments, the Group uses its incremental borrowing rate at the inception date because the interest rate implicit in the lease is not easily determinable. After the inception date, the amount of the lease liability is increased to reflect the increase in interest and reduced to reflect lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (for example, changes in future payments as a result of a change in an index or rate used to determine such lease payments) or a change in the assessment of a purchase option of the underlying asset.

3. Significant accounting judgments, estimates and assumptions

Judgments

The preparation of the Company's financial statements requires that management make judgments and estimates and adopt assumptions that affect the amounts disclosed referring to revenues, expenses, assets and liabilities, as well as the disclosures of contingent liabilities, as at the financial statement reporting date. However, uncertainty associated with those estimates and assumptions could lead to results that would require significant adjustment to the book value of assets or liabilities affected in future periods.

Upon applying the Company's accounting practices, management made the following judgments that have most significant effect on the amounts recognized in the financial statements:

3. Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions

The main assumptions concerning the sources of uncertainty in future estimates and other important sources of uncertainty in estimates on the statement of financial position date, involving significant risk of causing a significant adjustment to the book value of the assets and liabilities in the next financial year are discussed below:

Taxes

Deferred tax assets are recognized for unused tax losses to the extent that taxable profit will likely be available to allow the use of such losses. Significant judgment by management is required to determine the amount of deferred tax assets that can be recognized, based on the probable term and level of future taxable profits.

There are uncertainties regarding the interpretation of complex tax regulations and the amount and timing of future taxable profit/loss. Considering the wide business relationship aspect, as well as the noncurrent and complex nature of existing contractual instruments, differences between taxable profit and assumptions adopted, or future changes in such assumptions, could require future adjustments to tax income or expenses already recorded. The Company sets up provisions, based on reliable estimates, for possible consequences from audits by tax authorities of the respective jurisdictions in which it operates. The amount of these provisions is based on various factors, such as past tax audit experience and different interpretations of tax regulations by the taxable entity and the relevant tax authority. These different interpretations may arise on a wide variety of issues depending on the prevailing conditions in the Company's domicile.

Fair value of financial instruments

When the fair value of financial assets and liabilities stated in the statement of financial position cannot be obtained in active markets, it will be determined using valuation techniques, including the discounted cash flow method. Inputs for these methods are based on the market, whenever possible. However, when not feasible, a certain level of judgment is required to establish the fair value. Judgment includes consideration of the inputs used, such as liquidity risk, credit risk and volatility. Changes in the assumptions relating to these factors could affect the reported fair value of financial instruments.

(In thousands of reais, unless otherwise stated)

3. Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions (Continued)

Taxes (Continued)

The Company recognizes provisions for civil, tax and labor claims. Assessment of the likelihood of loss includes analysis of available evidence, the hierarchy of laws, available case law, the most recent court decisions and their relevance in the legal system, as well as the opinion of external legal advisors. Provisions are reviewed and adjusted considering changes in existing circumstances, such as the applicable statutes of limitation, tax audit conclusions, or additional exposures identified based on new matters or court decisions.

Uncertainties regarding assumptions and estimates

The information on uncertainties regarding assumptions and estimates that pose a significant risk of resulting in a material adjustment in the year is included in the following notes:

- Note 05 - Trade accounts receivable (allowance for doubtful accounts);
- Note 08 – Property, plant and equipment (useful life and residual value); and
- Note 14 – recognition and measurement of provision for contingencies: key assumptions on the probability and magnitude of outflow of resources.
- Note 18 – Financial instruments.

4. Cash and cash equivalents

	03/31/2021	**03/31/2020**
Cash and banks	**24,844**	53,612
	24,844	53,612

The volume of funds with financial institutions corresponds to credits that will be used by Management in the financial turnover of operations.

(In thousands of reais, unless otherwise stated)

5. Trade accounts receivable

	Note	03/31/2021	03/31/2020
Domestic trade accounts receivable		**151,022**	95,314
Domestic trade accounts receivable – related parties	11	**655**	416
(-) Prepayment of receivables		**(93,567)**	(74,689)
(-) Allowance for doubtful accounts		**(361)**	(1,025)
		57,749	20,016

The prepayment of receivables (trade notes discount) carried out by the Company does not have the right of recovery by the financial institution.

The aging list of trade accounts receivable is as follows:

	03/31/2021	03/31/2020
Falling due	**148,763**	93,928
Overdue within 30 days	**1,691**	782
Overdue from 31 to 180 days	**226**	111
Overdue above 181 days	**997**	909
	151,677	95,730

Changes in allowance for doubtful accounts for the year are as follows:

	03/31/2021	03/31/2020
Opening balance	**(1,025)**	(792)
Supplemental allowance	**(135)**	(2,571)
Reversal of allowance	**799**	2,338
Closing balance	**(361)**	(1,025)

6. Inventories

	Note	03/31/2021	03/31/2020
Raw materials		**65,193**	44,043
Work-in-process		**15,719**	9,125
Finished goods		**11,595**	7,439
Replacement parts		**3,010**	3,036
Tooling		**712**	1,650
Inventory in transit – related parties	11	**5,534**	2,970
Other		**54**	34
(-) Provision for obsolescence		**(5,760)**	(4,989)
		96,057	63,308

(In thousands of reais, unless otherwise stated)

6. Inventories (Continued)

Changes in the provision for obsolescence in the year were as follows:

	03/31/2021	03/31/2020
Opening balance	**(4,989)**	(4,114)
Supplemental allowance	**(837)**	(875)
Reversal of allowance	**66**	-
Closing balance	**(5,760)**	(4,989)

7. Taxes recoverable

	03/31/2021	03/31/2020
State VAT (ICMS) on fixed assets	**2,238**	2,623
Federal VAT (IPI)	**4,880**	2,529
IRPJ	**-**	3,441
CSLL	**-**	1,268
PIS and COFINS recoverable	**991**	-
Other	**13**	14
	8,122	9,875
Current	**7,000**	8,293
Noncurrent	**1,122**	1,582
	8,122	9,875

(In thousands of reais, unless otherwise stated)

8. Property, plant and equipment (PP&E)

a) Changes in cost and depreciation

	Buildings	Machinery and equipment	IT equipment	Furniture and fixtures	Vehicles	Tools	Leasehold improvements	Work in progress	Right of use (i) and (ii)	Total
Cost or valuation:										
At December 31, 2018 (unaudited)	-	54,274	5,438	10,207	272	1,640	1,207	881	-	73,919
Additions	-	8,924	1,462	924	-	17	971	1,281	5,188	18,767
Write-offs	(5,455)*	(544)	(598)	-	-	-	-	(310)	-	(12,362)
Write-off - provision for impairment	5,455*	-	-	-	-	-	-	-	-	5,455
Transfers	-	1,127	5	-	-	-	59	(1,191)	-	-
At March 31, 2020	-	63,781	6,307	11,131	272	1,657	2,237	661	5,188	91,234
Additions	**-**	**3,868**	**506**	**255**	**-**	**32**	**316**	**915**	**5,025**	**10,917**
Write-offs	**-**	**(16)**	**(61)**	**-**	**(272)**	**-**	**-**	**(33)**	**-**	**(382)**
Transfers	**-**	**573**	**-**	**-**		**-**	**-**	**(573)**	**-**	**-**
At March 31, 2021	**-**	**68,206**	**6,752**	**11,386**	**-**	**1,689**	**2,553**	**970**	**10,213**	**101,769**
Depreciation:										
At December 31, 2018 (unaudited)	-	(28,116)	(3,685)	(6,978)	(65)	(1,465)	(202)	-	-	(40,511)
Depreciation for the year	-	(15,717)	(770)	(2,456)	(65)	(86)	(329)	-	(2,239)	(21,662)
Write-offs	-	200	566	-	-	-	-	-	-	766
At March 31, 2020	-	(43,633)	(3,889)	(9,434)	(130)	(1,551)	(531)	-	(2,239)	(61,407)
Depreciation for the year	**-**	**(6,321)**	**(733)**	**(623)**	**(44)**	**(45)**	**(312)**	**-**	**(312)**	**(8,390)**
Write-offs	**-**	**-**	**-**	**-**	**174**	**4**	**-**	**-**	**-**	**178**
At March 31, 2021	**-**	**(49,954)**	**(4,622)**	**(10,057)**	**-**	**(1,592)**	**(843)**	**-**	**(2,551)**	**(69,619)**
At March 31, 2021	**-**	**18,252**	**2,130**	**1,329**	**-**	**97**	**1,710**	**970**	**7,662**	**32,150**
At March 31, 2020	-	20,148	2,418	1,697	142	106	1,706	661	2,949	29,827

(*) In 2019, the Company sold the property (industrial complex) located in the city of Itajubá in the state of Minas Gerais. The amount related to the disposal was fully received by the Company within the year and the asset was fully written off.

(In thousands of reais, unless otherwise stated)

8. Property, plant and equipment (PP&E) (Continued)

b) Useful life and residual value

The Company periodically reviews the useful life and residual value estimates of the main classes of its fixed assets.

c) Recoverable value of PP&E (impairment)

The value of property, plant and equipment is assessed at least annually, and for the period from April 1, 2020 to March 31, 2021, Management did not identify any indicators that PP&E could be impaired.

d) Right of use

i) *Right-of-use assets are broken down as follows:*

Description	Useful life (years)	03/31/2021	03/31/2020
Real estate properties	2 to 5	**5,481**	2,337
IT equipment	1	**-**	133
Machinery and equipment	1 to 5	**1,918**	-
Vehicles	3	**263**	479
Total		**7,662**	2,949

ii) *Changes in right-of-use assets*

Balance at 01/01/2019	5,188
(+) Additions to right-of-use assets	-
(-) Accumulated depreciation	(2,239)
Balance at 03/31/2020	2,949
(+) Additions to right-of-use assets	**5,025**
(-) Accumulated depreciation	**(312)**
Balance at 03/31/2021	**7,662**

iii) *In the period, there were additions to PP&E that did not affect the Company's cash*

	03/31/2021	03/31/2020
Adoption of CPC 06 (R2) – Leases	**5,025**	5,188
Total	**5,025**	5,188

(In thousands of reais, unless otherwise stated)

9. Trade accounts payable

	03/31/2021	03/31/2020
Trade accounts payable - domestic market	**69,697**	38,823
Trade accounts payable - foreign market	**15,371**	3,626
Other trade accounts payable	**325**	209
	85,393	42,658

10. Payroll and related charges

	03/31/2021	03/31/2020
Accrued vacation pay and related charges	**3,689**	3,160
Provision for 13th monthly salary and charges	**1,590**	1,396
Provision for prizes and bonuses	**707**	1,141
Payroll charges – Social Security Tax (INSS)	**1,806**	1,531
Payroll charges – Unemployment Compensation Fund (FGTS)	**318**	358
Other personnel obligations	**525**	316
	8,635	7,902

11. Transactions with related parties

Assets	Nature of the transaction	Note	03/31/2021	03/31/2020
MS 1001 - MOTHERSON SUMI SYSTEMS	Commercial	(i)	**30**	8
MS 1002 - MOTHERSON SUMI SYSTEMS	Commercial	(i)	**-**	2
MS 1004 - MOTHERSON SUMI SYSTEMS	Commercial	(i)	**-**	6
MS 1009 - MSSL MIDEAST FZE	Commercial	(i)	**5**	3
MS 1013 - MSSL WH SYSTEM THAILAND	Commercial	(i)	**3**	3
MS 1015 - MOTHERSON SUMI SYSTEMS	Commercial	(i)	**-**	1
MS 1018 - MGWL INDIA	Commercial	(i)	**26**	16
MS 1023 - MOTHERSON SUMI SYSTEMS	Commercial	(i)	**33**	33
MS 1025 - MOTHERSON SUMI SYSTEMS	Commercial	(i)	**-**	2
MS 1041 - MSSL SBU1A	Commercial	(i)	**7**	26
MOTHERSON PKC HARNESS SYSTEMS	Commercial	(i)	**25**	-
PKC EESTI AS	Commercial	(i)	**447**	131
PKC GROUP POLAND SP. ZOO	Commercial	(i)	**14**	2
PKC WIRING SYSTEMS LLC - SERVIA	Commercial	(i)	**65**	183
Total accounts receivable		**5**	**655**	416
PK EESTI	Commercial	(i)	**3,355**	2,346
AEES INC	Commercial	(i)	**53**	37
PKC POLAND	Commercial	(i)	**1,250**	245
PKC SEGU	Commercial	(i)	**866**	342
PKC GROUP LITHUANIA UAB	Commercial	(i)	**10**	-
Total inventory in transit		**6**	**5,534**	2,970
Total assets			**6,189**	3,386

(In thousands of reais, unless otherwise stated)

11. Transactions with related parties (Continued)

Liabilities	Nature of the transaction	Note	03/31/2021	03/31/2020
AEES INC	Commercial	(i)	**200**	84
MS 1001 - MOTHERSON SUMI SYSTEMS	Commercial	(i)	**43**	-
MS 1008 - MSSL JAPAN LIMITED	Commercial	(i)	**-**	18
PKC WIRING SYSTEMS LLC - SERVIA	Commercial	(i)	**8**	-
PKC EESTI AS	Commercial	(i)	**7,530**	3,113
PKC GROUP LITHUANIA UAB	Commercial	(i)	**10**	7
PKC GROUP POLAND SP. ZOO	Commercial	(i)	**1,793**	320
PKC SEGU SYSTEM ELEKTRIK GMBH	Commercial	(i)	**2,114**	448
Total accounts payable			**11,698**	3,990
PKC WIRING SYSTEMS OY	Financial	(ii)	**126,656**	102,962
Total intercompany loans			**126,656**	102,962
			138,354	106,952

Profit or loss	Nature of the transaction	Note	03/31/2021	03/31/2020
MSSL MIDEAST (FZE)	Commercial	(i)	**10**	2
MOTHERSON SUMI SYSTEM LTD.	Commercial	(i)	**210**	220
MOTHERSON - MSSL - MS1001	Commercial	(i)	**73**	67
MSSL WH SYSTEM THAILAND CO LTD	Commercial	(i)	**-**	2
PKC EESTI RM	Commercial	(i)	**848**	440
PKC SERVIA - MP	Commercial	(i)	**-**	17
PKC POLAND	Commercial	(i)	**102**	46
AEES INC	Commercial	(i)	**35**	-
MS1018 - MGWL INDIA	Commercial	(i)	**83**	60
MS1003 - MOTHERSON SUMI SYSTEMS LTD	Commercial	(i)	**2**	-
MS1002 - MOTHERSON SUMI SYSTEMS LTD	Commercial	(i)	**-**	5
MS1025 - MOTHERSON SUMI SYSTEMS LTD	Commercial	(i)	**-**	2
MS1004 - MOTHERSON SUMI SYSTEMS LTD SBU	Commercial	(i)	**6**	14
MS 1041 - MSSL SBU1A	Commercial	(i)	**-**	22
Total income		**16**	**1,369**	897
PKC EESTI	Commercial	(i)	**18,710**	16,161
PKC POLAND	Commercial	(i)	**4,439**	1,251
PKC SEGU	Commercial	(i)	**5,164**	10,021
PKC WIRING SYSTEMS LLC - SERVIA	Commercial	(i)	**8**	-
AEES INC	Commercial	(i)	**967**	178
Total cost			**29,288**	27,611

(i) Commercial transactions between related parties refer to purchases and sales of inputs and products and are conducted under the same conditions as transactions entered into with unrelated third parties.

(ii) These are contributions made by parent company PKC WIRING SYSTEMS OY for the maintenance of the Company's operations since 2013. The contracts are in euros with an average annual interest rate of 7.45%. The contribution of funds is not scheduled and are made whenever the Parent Company requests it. There are plans for these contributions to be paid into the Company's capital in the future.

(In thousands of reais, unless otherwise stated)

11. Transactions with related parties (Continued)

Management compensation

In the period from April 1, 2020 to March 31, 2021, the Company recognized the amount of R$725 (R$426 in the previous period) as management compensation.

12. Leases payable

a) Breakdown

Description - Units	Annual rate	Maturity	03/31/2021	03/31/2020
Buildings	11.25%	2019 - 2022	**5,700**	2,442
Computers	11.25%	2019 - 2021	**-**	137
Vehicles	11.25%	2019 - 2022	**2,509**	490
Total			**8,209**	3,069
Current liabilities			**2,396**	2,377
Noncurrent liabilities			**5,813**	692
Total			**8,209**	3,069

b) Changes

Balance at 01/01/2019	-
(+) Initial adoption – IFRS 16 / CPC 06 (R2)	3,188
(-) Consideration	(484)
(+) Interest incurred	365
Balance at 03/31/2020	3,069
(+) Additions	**5,025**
(-) Consideration	**(584)**
(+) Interest incurred	**699**
Balance at 03/31/2021	**8,209**

(In thousands of reais, unless otherwise stated)

13. Income and social contribution taxes

a) Deferred income and social contribution taxes are broken down as follows:

	03/31/2021	03/31/2020
Deferred IRPJ on tax loss base	**20,518**	19,773
Deferred CSLL on tax loss base	**7,387**	7,118
Temporary differences	**-**	371
Other	**-**	185
	27,905	27,447

Deferred taxes were recorded based on the likelihood of their realization in accordance with the Company's history and expectation of realization of temporary differences and IRPJ and CSLL tax loss carryforwards.

b) Reconciliation of the effective rate

Reconciliation of the effective rate

	04/01/2020 to 03/31/2021	01/01/2019 to 03/31/2020
Income before income and social contribution taxes	**(39,016)**	(7,549)
Statutory rates	**34%**	34%
IRPJ and CSLL calculated at statutory rates	**13,265**	2,567
Adjustments to calculate effective IRPJ and CSLL		
Gifts, donations and fines	**(299)**	(62)
Bonus – Executive board	**(43)**	(206)
Income and social contribution tax losses	**-**	(664)
Deferred taxes recorded	**-**	3,515
Deferred taxes not recorded	**(13,114)**	-
Other permanent (additions) exclusions, net	**-**	(27)
IRPJ and CSLL determined	**(191)**	5,123
Current	**-**	1,336
Deferred	**(191)**	3,787
IRPJ and CSLL on P&L	**(191)**	5,123

(In thousands of reais, unless otherwise stated)

14. Provision for contingencies

The Company is a party to legal and administrative proceedings of a tax, civil and labor nature in the normal course of its operations.

Based on information from its legal advisors and analyses of legal claims pending judgment, Management set up provisions in the total amount of R$2,427 (R$3,073 at March 31, 2020), deemed sufficient to cover probable losses arising from unfavorable outcomes of lawsuits in progress.

Changes in provisions for tax, civil and labor risks

	03/31/2021	**03/31/2020**
Balance at beginning of year	**3,073**	1,551
Additions	**531**	2,019
Reversal/realization	**(1,177)**	(497)
Balance at end of the year	**2,427**	3,073

Based on the opinion of the Company's legal advisors, the lawsuits whose likelihood of loss is assessed as possible add up to the amount of R$43,811 (R$43,790 at March 31, 2020), for which no provision was recorded, since the accounting practices adopted in the Brazil do not require a provision to be recorded in that case.

	03/31/2021	**03/31/2020**
Tax (i)	**42,960**	43,148
Labor	**851**	642
Total	**43,811**	43,790

(i) On October 5, 2018, the state of Paraná filed a Tax Enforcement notice for the collection of ICMS debts arising from the disallowance of previously unused tax credits allegedly undue from January 2006 to December 2008. In short, the disallowance of the credits occurred because the state of Paraná understood that the operations of PKC were subject to tax deferral, while such operations were subject to suspension of the state tax, in which case the use of previously unused tax credits is expressly authorized by state legislation. After the Company presented a bank guarantee, the court expressly recognized the suspension of the tax enforcement due to the Motion to Annul recorded under No. 0002378-26.2018.8.16.0179. Thus, there is no need to file a new defense on the that matter. The Company has been informed that the guarantee provided has been accepted definitely (draw-up of the attachment term). The restated amount of the proceeding at March 31, 2021 is R$42,889 (R$43,148 at March 31, 2020).

The table below sets out judicial deposits associated or not with provisioned proceedings classified in the noncurrent asset group:

	03/31/2021	**03/31/2020**
Judicial deposits	**974**	553
	974	553

(In thousands of reais, unless otherwise stated)

15. Equity

a) Capital

The Company's capital corresponds to R$325,443 at March 31, 2021 and March 31, 2020, fully paid-in, represented by units of interest in the amount of R$1.00 each, broken down as follows (amounts expressed in reais):

Member	Number of units of interest	Total – units of interest	Capital percentage
PKC WIRING SYSTEMS OY	316,310,182	316,310,182	97.19%
PROJECT DEL HOLDING S.A.R.L.	9,132,885	9,132,885	2.81%
TKV - SARJAT OY	2	2	0.00%
	325,443,069	**325,443,069**	**100.00%**

16. Net operating revenue

	Note	04/01/2020 to 03/31/2021	01/01/2019 to 03/31/2020
Gross revenue			
Sales of goods		**485,306**	596,632
Sale of tooling		**5,779**	17,276
Related parties	11	**1,370**	897
		492,455	614,805
Sales taxes			
PIS and COFINS on sales		**(38,323)**	(53,950)
ICMS on sales		**(57,649)**	(71,738)
Other sales taxes		**(371)**	(665)
		(96,343)	(126,353)
Refunds and rebates			
Sales returns		**(7,479)**	(14,955)
		(7,479)	(14,955)
Net revenue		**388,633**	473,497

(In thousands of reais, unless otherwise stated)

17. Expenses by function and nature

	04/01/2020 to 03/31/2021	01/01/2019 to 03/31/2020
Cost of sales	**(352,524)**	(387,072)
Selling expenses	**(823)**	(2,616)
General and administrative expenses	**(51,455)**	(69,671)
Other operating income, net	**6,914**	16,531
	(397,888)	(442,828)

Production inputs and parts	**(252,911)**	(268,593)
Personnel expenses	**(97,754)**	(128,907)
Freight	**(16,289)**	(15,060)
Depreciation and amortization	**(8,457)**	(22,032)
Leases	**(657)**	(1,756)
Services rendered	**(17,418)**	(10,429)
Sale of goods	**-**	8,642
Write-off – Itajubá plant	**-**	(5,455)
Write-off of provision for impairment losses	**-**	5,455
Other expenses	**(4,402)**	(4,693)
	(397,888)	(442,828)

18. Finance income (costs), net

	04/01/2020 to 03/31/2021	01/01/2019 to 03/31/2020
Finance income		
Discounts obtained	**22**	60
Short-term investment yield	**21**	2
Interest received	**187**	92
	230	154
Finance costs		
Interest on intercompany loan	**(6,077)**	(6,408)
Interest on leases	**(699)**	(365)
Charges on prepayment of receivables	**(3,082)**	(4,436)
Other finance costs	**(771)**	(568)
	(10,629)	(11,777)
Foreign exchange gains (losses), net	**(19,362)**	(26,595)
Finance income (costs), net	**(29,761)**	(38,218)

19. Financial instruments

a) Financial risk management

The Company is exposed to the following risks related to financial instruments:

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to comply with its contractual obligations, which would cause financial losses to the Company. This risk mainly arises from trade accounts receivable and financial instruments of the Company.

The book values of financial assets represent the maximum credit risk exposure.

Accounts receivable and other receivables

The Company's exposure to credit risk is mainly influenced by the individual characteristics of each customer. However, Management also considers the factors that may influence the credit risk of its customer base, including the risk of default of the industry and the country in which the customer operates.

The Company recorded a provision for loss that represents its estimated losses incurred relating to 'Accounts receivable and other receivables'.

Cash and cash equivalents

The Company held cash and cash equivalents amounting to R$24,844 as at March 31, 2021 (R$53,612 as at March 31, 2020). Cash and cash equivalents are held with top-tier banks and financial institutions.

Financial instruments

Derivative financial instruments are taken out from top-tier banks and financial institutions.

b) Liquidity risk

Liquidity risk is the risk that the Company will face difficulties in fulfilling its obligations associated with its financial liabilities which are liquidated with cash payments or with other financial assets. The Company's approach in managing liquidity is to ensure, whenever possible, that it will have sufficient liquidity to meet its obligations on maturity, both under ordinary and stress conditions, without causing unacceptable losses or the risk to jeopardize the Company's reputation.

19. Financial instruments (Continued)

c) Market risk

Market risk is the risk that changes in market prices - such as exchange rates and commodity prices - will affect the Company's earnings or the value of its financial instruments. The purpose of market risk management is to manage and control exposures to market risks within acceptable parameters, while optimizing returns.

The Company uses derivatives transactions to manage market risks. All of these transactions are performed under the guidelines established by Management.

Currency risk

The Company is exposed to currency risk arising from differences between the currencies in which sales and loans are denominated and the Company's functional currency (the Brazilian real (R$)). The currencies in which the Company's transactions are primarily denominated are: R$, USD and EUR.

20. Insurance coverage

The Company adopts the policy of taking out insurance coverage for assets subject to risks, in amounts deemed sufficient to cover any losses, considering the nature of its activities. The risk assumptions adopted, given their nature, are not part of the scope of an audit of financial statements; accordingly, they were not audited by our independent auditors.

Curitiba - PR, June 23, 2021.

Jaime Cintra dos Santos Financial Manager	Elisa Lindemann dos Santos Accountant CRC PR-077290/O-1