

PKC WIRING SYSTEMS D.O.O

FINANCIAL STATEMENTS FOR THE
YEAR ENDING 31 DECEMBER 2020

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*This is English translation of the Report
originally issued in Serbian language
(For management purposes only)*

INDEPENDENT AUDITORS' REPORT

TO THE OWNER OF PKC WIRING SYSTEMS D.O.O. SMEDEREVO

Qualified opinion

We have audited the accompanying financial statements of **PKC WIRING SYSTEMS D.O.O. SMEDEREVO** (hereinafter: the Company), which comprise the balance sheet as at 31 December 2020, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the effects on the corresponding figures of the matter described in the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with the Accounting Law and other accounting regulations in the Republic of Serbia.

Basis for qualified opinion

The Company has entered into the Agreement on awarding of funds with the Government of the Republic of Serbia on 3 March 2014, whereas the total value of the grant amounts to EUR 7,500 thousand. In accordance with IAS 20, government grants shall be recognized in profit or loss on systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. However, the entire income from government grant has been recognized by the Company in the previous years' income statement when received i.e. up until the period ended 31 December 2016 even though in accordance with the Agreement on awarding of funds, the Company is obliged not to reduce the total number of employees until 30 December 2019 and the related costs will be incurred by the Company accordingly. As a result, retained earnings are overstated as of 31 December 2019 by RSD 209,329 thousand, while net result for the year then ended is understated by RSD 209,329 thousand. Our audit opinion on the financial statements for the period ended 31 December 2019 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the effect of this matter on the comparability of the current period's figures and the corresponding figures.

We conducted our audit in accordance with Standards on Auditing applicable in the Republic of Serbia. 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Serbia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other information included in the Company's Annual Business Report

Other information consists of the information included in the Annual business report other than the financial statements and our auditor's report thereon. Management is responsible for the preparation of other information in accordance with the legal requirements of the Republic of Serbia.

Other information included in the Company's Annual Business Report (continued)

Our opinion on the financial statements does not cover the Other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with Law on Accounting of Republic of Serbia, in particular, whether the other information complies with the Law on Accounting of Republic of Serbia in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures undertaken, to the extent we are able to assess it, we report that:

1. the other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
2. the other information is prepared in accordance with requirements of the Law on Accounting of Republic of Serbia.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for qualified opinion section above, the Company should have recognized government grants in the profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. Accordingly, because of the effect of this matter on the comparability of the current period's figures and the corresponding figures, the annual business report is materially misstated with respect to this matter.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Law and other accounting regulations in the Republic of Serbia, 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.

Auditors' 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 Standards on Auditing applicable in the Republic of Serbia 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.

Auditors' responsibilities for the audit of the financial statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Belgrade, 17 June 2021



Danijela Mirković
Authorized Auditor
Ernst & Young d.o.o. Beograd



BALANCE SHEET
for the period from January 01st 2020 to December 31th 2020

in RSD 000

Group / account	ITEM	AOP	Note number	Amount		
				Current Year amount	Previous year amount	
					Closing balance at 31.12. 2013.	Opening balance at 01.01.2013.
1	2	3	4	5	6	7
	ASSETS					
00	A. SUBSCRIBED CAPITAL NOT PAID	0001				
	B. FIXED ASSETS (0003 + 0010 + 0019 + 0024 + 0034)	0002		2.223.470	1.735.195	790.575
01	I. INTANGIBLE ASSETS (0004 + 0005 + 0006 + 0007 + 0008 + 0009)	0003		6.698	10.184	10.625
010, 019(part)	1. Investment in development	0004				
011, 012, 019(part)	2. Concessions, patents, licenses, software and similar rights	0005		6.698	10.184	10.625
013, 019(part)	3. Goodwill	0006				
014, 019(part)	4. Other intangible assets	0007				
015, 019(part)	5. Intangible assets in progress	0008				
016, 019(part)	6. Advances for acquisition of intangible assets	0009				
2	II. PROPERTY, PLANT, EQUIPMENT AND NATURAL ASSETS (0011 + 0012 + 0013 + 0014 + 0015 + 0016 + 0017 + 0018)	0010		2.216.271	1.724.510	779.550
020, 021, 029(part)	1. Land	0011		74.557	74.557	0
022, 029(part)	2. Buildings	0012		1.235.179	690.762	0
023, 029(part)	3. Plant and equipment	0013		774.437	673.441	630.825
024, 029(part)	4. Investment property	0014		0	0	0
025, 029(part)	5. Other Property, plant and equipment	0015		0	0	0
026, 029(part)	6. Property, plant and equipment under construction	0016		132.098	285.751	121.340
027, 029(part)	7. Investment in PPE owned by third parties	0017		0	0	27.386
028, 029(part)	8. Advances for property, plant and equipment	0018				
3	III. BIOLOGICAL ASSETS (0020 + 0021 + 0022 + 0023)	0019		0	0	0
030, 031, 039(part)	1. Forests and plantations	0020				
032, 039(part)	2. Livestock	0021				
037, 039(part)	3. Biological assets in progress	0022				
038, 039(part)	4. Advances for biological assets	0023				
04, except 047	IV. LONG TERM FINANCIAL INVESTMENTS (0025 + 0026 + 0027 + 0028 + 0029 + 0030 + 0031 + 0032 + 0033)	0024		500	500	400
040, 049(part)	1. Investments in capital of parent companies and subsidiaries	0025		0	0	0
041, 049(part)	2. Investments in capital of other associated companies and joint ventures	0026		0	0	0
042, 049(part)	3. Investments in other legal entities and other securities available for sale	0027		0	0	0
043(part), 044(part), 049(part)	4. Long-term loans to parent companies and subsidiaries	0028		0	0	0
043(part), 044(part), 049(part)	5. Long-term loans to other associated companies	0029		0	0	0
045(part), 049(part)	6. Long term loans in country	0030		0	0	0
045(part), 049(part)	7. Long term loans abroad	0031		0	0	0
046, 049(part)	8. Securities held to maturity	0032		0	0	0
048, 049(part)	9. Other long term investment	0033		500	500	400
5	V. LONG TERM RECEIVABLES (0035 + 0036 + 0037 + 0038 + 0039 + 0040 + 0041)	0034		0	0	0
050, 059(part)	1. Long term receivables - parent companies and subsidiaries	0035				
051, 059(part)	2. Long term receivables - other associated entities	0036				
052, 059(part)	3. Trade receivables for credit sales	0037				
053, 059(part)	4. Trade receivables for sales via financial lease	0038				
054, 059(part)	5. Long term receivables for guarantees	0039				
055, 059(part)	6. Suspicious long term receivables	0040				
056, 059(part)	7. Other long term receivables	0041				
288	V. DEFFERED TAX ASSETS	0042		14.033	14.000	14.000
	G. CURRENT ASSETS (0044 + 0051 + 0059 + 0060 + 0061 + 0062 + 0068 + 0069 + 0070)	0043		2.307.355	1.898.875	2.952.574
Class 1	I. INVENTORIES (0045 + 0046 + 0047 + 0048 + 0049 + 0050)	0044		1.257.731	916.977	1.002.112
10	1. Raw material, spare parts, tools, jigs	0045		1.023.905	632.570	787.660
11	2. Work in progress (production and services)	0046		144.994	70.444	97.396
12	3. Finished products	0047		85.650	210.403	115.882
13	4. Merchandise (Goods, purchase for sale)	0048		1.151	1.151	1.014
14	5. Fixed assets held for trading	0049		0	0	0

15	6. Advances paid for inventories and services	0050	2.032	2.409	161
20	II. TRADE RECEIVABLES (0052 + 0053 + 0054 + 0055 + 0056 + 0057 + 0058)	0051	708.820	520.032	1.089.253
200, 209(part)	1. Trade receivables - domestic parent companies and subsidiaries	0052	0	0	0
201, 209(part)	2. Trade receivables - foreign parent companies and subsidiaries	0053	615	806	472
202, 209(part)	3. Trade receivables - domestic other associated entities	0054	0	0	0
203, 209(part)	4. Trade receivables - foreign other associated entities	0055	701.879	518.878	1.078.172
204, 209(part)	5. Trade receivables - domestic third party	0056	1.207	7	2.324
205, 209(part)	6. Trade receivables - foreign third party	0057	5.120	341	8.285
206, 209(part)	7. Other trade receivables	0058	0	0	0
21	III. RECEIVABLES FROM SPECIFIC BUSINESS OPERATIONS	0059			
22	IV. OTHER RECEIVABLES	0060	15.480	17.115	17.997
236	V. FINANCIAL INSTRUMENTS VALUED AT FAIR VALUE	0061			
23 except 236 and 237	VI. SHORT-TERM FINANCIAL INVESTMENTS (0063 + 0064 + 0065 + 0066 + 0067)	0062	0	0	0
230, 239(part)	1. Short-term loans and investments in parent companies and subsidiaries	0063			
231, 239(part)	2. Short-term loans and investments in other associated companies	0064			
232, 239(part)	3. Short term loans - domestic	0065			
233, 239(part)	4. Short term loans - foreign	0066			
234, 235, 238, 239(part)	5. Other short-term financial investments	0067			
24	VII. CASH AND CASH EQUIVALENTS	0068	224.130	348.023	815.065
27	VIII. VALUE ADDED TAX	0069	60.954	47.324	26.008
28 osim 288	IX. ACCRUED INOCME AND PREPAID COST	0070	40.239	49.404	2.138
	D. TOTAL ASSETS (0001 + 0002 + 0042 + 0043)	0071	4.544.858	3.648.069	3.757.149
88	D. OFF-BALANCE SHEET ASSETS	0072	160.909	71.062	7.536

	EQUITY AND LIABILITIES				
	A. EQUITY (0402 + 0411 - 0412 + 0413 + 0414 + 0415 - 0416 + 0417 + 0420 - 0421) ≥ 0 = (0071 - 0424 - 0441 - 0442)	0401	270.267	525.821	608.402
30	I. ISSUED AND OTHER CAPITAL (0403 + 0404 + 0405 + 0406 + 0407 + 0408 + 0409 + 0410)	0402	2.515.366	2.515.366	2.515.366
300	1. Share capital	0403			
301	2. Stakes in limited liability companies	0404	2.515.366	2.515.366	2.515.366
302	3. Participating interests	0405			
303	4. State owned capital	0406			
304	5. Socially owned capital	0407			
305	6. Stakes in co-operatives	0408			
306	7. Share issuing premiums	0409			
309	8. Other capital	0410			
31	II. SUBSCRIBED CAPITAL UNPAID	0411			
047 and 237	III. BOUGHT UP OWN SHARES	0412			
32	IV. RESERVES	0413			
330	V. REEVALUATION RESERVES FOR REEVALUATION OF INTANGIBLES AND PPE	0414			
33 except 330	VI. UNREALIZED GAINS ON SECURITIES AND ON COMPONENTS OF OTHER COMPREHENSIVE RESULT (credit balance of group 33 except account 330)	0415			
33 except 330	VII. UNREALIZED LOSSES ON SECURITIES AND ON COMPONENTS OF OTHER COMPREHENSIVE RESULT (debit balance of group 33 except account 330)	0416			
34	VIII. RETAINED PROFITS (0418 + 0419)	0417	0	0	0
340	1. Retained profit from previous years	0418			
341	2. Retained profit from current year	0419			
	IX. PARTICIPATION RIGHTS RIGHTS WITHOUT CONTROL	0420			
35	X. LOSS (0422 + 0423)	0421	2.245.099	1.989.545	1.906.964
350	1. Previous year's losses	0422	1.989.627	1.906.964	1.835.723
351	2. Current year loss	0423	255.472	82.581	71.241
	B. LONG-TERM PROVISIONS AND LIABILITIES (0425 + 0432)	0424	2.645.395	2.317.075	1.530.375
40	I. LONG-TERM PROVISIONS (0426 + 0427 + 0428 + 0429 + 0430 + 0431)	0425	62.940	53.413	29.304
400	1. Provisions for costs incurred during the warranty period	0426			
401	2. Provisions for the recovery of natural resources	0427			
403	3. Provisions for restructuring costs	0428			
404	4. Provisions for employees benefits	0429	62.940	53.413	29.304
405	5. Provisions for litigations	0430			
402 i 409	6. Other long-term provisions	0431			
41	II. LONG-TERM LIABILITIES (0433 + 0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)	0432	2.582.455	2.263.661	1.501.071

410	1. Liabilities which can be converted into capital	0433			
411	2. Liabilities to parent companies and subsidiaries	0434	2.263.419	2.263.661	1.501.071
412	3. Liabilities to other associated companies	0435	0	0	0
413	4. Liabilities for long-term securities	0436	0	0	0
414	5. Long-term loans - domestic	0437	0	0	0
415	6. Long-term loans - foreign	0438	0	0	0
416	7. Liabilities for financial lease	0439	19.752	0	0
419	8. Other long-term liabilities	0440	299.284	0	0
498	V. DEFERRED TAX LIABILITIES	0441			
42 do 49 (osim 498)	G. SHORT-TERM LIABILITIES (0443 + 0450 + 0451 + 0459 + 0460 + 0461 + 0462)	0442	1.629.196	805.174	1.618.372
42	I. SHORT-TERM FINANCIAL LIABILITIES (0444 + 0445 + 0446 + 0447 + 0448 + 0449)	0443	54.730	0	0
420	1. Short-term loans from parent companies and subsidiaries	0444			
421	2. Short-term loans from other associated companies	0445			
422	3. Short term loans - domestic	0446			
423	4. Short term loans - foreign	0447			
427	5. Liabilities for fixed assets and assets of discounting operations held for sale	0448			
424, 425, 426 i 429	6. Other short-term financial liabilities	0449	54.730	0	0
430	II. RECEIVED ADVANCES, DEPOSITS AND CAUTION MONEY	0450			
43 except 430	III. LIABILITIES FROM OPERATIONS (0452 + 0453 + 0454 + 0455 + 0456 + 0457 + 0458)	0451	1.194.314	604.902	1.445.975
431	1. Trade payables - parent companies and subsidiaries - domestic	0452	0	0	0
432	2. Trade payables - parent companies and subsidiaries - foreign	0453	0	0	0
433	3. Trade payables - other associated companies - domestic	0454	0	0	0
434	4. Trade payables - other associated companies - foreign	0455	178.301	111.614	1.198.023
435	5. Trade payables - domestic	0456	81.684	203.106	87.011
436	6. Trade payables - foreign	0457	934.329	290.182	160.941
439	7. Other liabilities from business operations	0458	0	0	0
44, 45 i 46	IV. OTHER SHORT-TERM LIABILITIES	0459	248.339	76.079	56.400
47	V. LIABILITIES FOR VALUE ADDED TAX	0460	2.649	2.074	27
48	VI. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND OTHER DUTIES	0461	1.038	1.153	197
49 except 498	VII. ACCRUALS AND DEFERRED INCOME	0462	128.125	120.967	115.773
	D. LOSS OVER EQUITY (0412 + 0416 + 0421 - 0420 - 0417 - 0415 - 0414 - 0413 - 0411 - 0402) ≥ 0 = (0441 + 0424 + 0442 - 0071) ≥ 0	0463			
	Đ. TOTAL LIABILITIES AND EQUITY (0424 + 0442 + 0441 + 0401 - 0463) ≥ 0	0464	4.544.858	3.648.068	3.757.149
89	E. OFF BALANCE SHEET LIABILITIES	0465	160.909	71.062	7.536

Smederevo, 16.6.2021

Person responsible for the preparation

[Signature]

Legal representative of financial statements

[Signature]



INCOME STATEMENT
for the period from January 01st 2020 to December 31th 2020

in RSD 000

Group / account	ITEM	AOP	Note number	Amount	
				Current year	Previous year
1	2	3	4	5	6
INCOME FROM OPERATING ACTIVITIES					
60 to 65, except 62 and 63	A. OPERATING INCOME (1002 + 1009 + 1016 + 1017)	1001		6.846.558	7.863.634
60	I. INCOME FROM THE SALE OF MERCHANDISE (1003 + 1004 + 1005 + 1006 + 1007+ 1008)	1002		17.538	25.212
600	1. Sales of merchandise to parent companies and subsidiaries - domestic market	1003		0	0
601	2. Sales of merchandise to parent companies and subsidiaries - foreign market	1004		0	0
602	3. Sales of merchandise to other associated companies - domestic	1005		0	0
603	4. Sales of merchandise to other associated companies - foreign	1006		529	220
604	5. Sales of merchandise to domestic customers	1007		17.009	24.993
605	6. Sales of merchandise to foreign customers	1008		0	0
61	II. INCOME FROM SALES OF PRODUCTS AND SERVICES RENDERED (1010 + 1011 + 1012 + 1013 + 1014 + 1015)	1009		6.794.203	7.838.422
610	1. Sales of merchandise to parent companies and subsidiaries - domestic market	1010		0	0
611	2. Sales of merchandise to parent companies and subsidiaries - foreign market	1011		8.119	15.273
612	3. Sales of finished goods and services rendered to other associated entities - domestic	1012		35	0
613	4. Sales of finished goods and services rendered to other associated entities - foreign	1013		6.782.203	7.823.137
614	5. Sales of finished goods and services rendered to domestic customers - thr. parties	1014		0	0
615	6. Sales of finished goods and services rendered to foreign customers	1015		3.845	12
64	III. INCOME FROM PREMIUMS, SUBVENTIONS, DONATIONS, ETC	1016		33.733	0
65	IV. OTHER OPERATING INCOME	1017		1.084	0
EXPENSE FROM OPERATING ACTIVITIES					
50 - 55, 62 and 63	B. OPERATING EXPENSES (1019 - 1020 - 1021 + 1022 + 1023 + 1024 + 1025 + 1026 + 1027 + 1028+ 1029) ≥ 0	1018		6.999.151	7.854.449
50	I. COST OF GOODS SOLD - COGS	1019		517	211
62	II. INCOME FROM THE OWN USE OF PRODUCTS, SERVICES AND MERCHANDISE	1020		24.829	20.072
630	III. INCREASE OF FINISHED GOODS, WORK IN PROGRESS AND SERVICES IN PROGRESS	1021		381.130	410.751

631	IV. DECREASE OF FINISHED GOODS, WORK IN PROGRESS AND SERVICES IN PROGRESS	1022	424.805	337.550
Group 51 except 513	V. COST OF MATERIAL	1023	4.446.522	5.381.835
513	VI. COST OF FUEL AND ENERGY	1024	43.036	41.478
52	VII. COSTS OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1025	1.871.223	1.831.479
53	VIII. COSTS OF PRODUCTION SERVICES	1026	107.901	198.471
540	IX. DEPRECIATION COSTS	1027	311.793	271.258
from 541 to 549	X. LONG TERM PROVISION COSTS	1028	9.527	24.109
55	XI. NON-PRODUCTION COSTS	1029	189.786	198.881
	V. OPERATING INCOME (1001 – 1018) ≥ 0	1030	0	9.185
	G. OPERATING LOSS (1018 – 1001) ≥ 0	1031	152.594	0
66	D. FINANCIAL INCOME (1033 + 1038 + 1039)	1032	13.390	31.763
Group 66, except 662, 663 and 664	I. FINANCIAL INCOME FROM RELATED PARTIES AND OTHER FINANCIAL INCOME (1034 + 1035 + 1036 + 1037)	1033	4.239	23.050
660	1. Financial income incurred with parent companies and subsidiaries	1034	2.847	13.492
661	2. Financial income incurred with other associated companies	1035	1.392	9.558
665	3. Income from share in associated entities and joint ventures	1036	0	0
669	4. Other financial income	1037	0	0
662	II. INCOME FROM INTEREST (THIRD PARTIES)	1038	226	777
663 i 664	III. FX GAINS AND POSITIVE EFFECTS OF CURRENCY CLAUSE (THIRD PARTIES)	1039	8.925	7.936
56	D. FINANCIAL EXPENSE (1041 + 1046 + 1047)	1040	81.607	82.806
Group 56, except 562, 563 i 564	I. FINANCIAL EXPENSES INCURRED WITH RELATED COMPANIES AND OTHER FINANCIAL EXPENSES (1042 + 1043 + 1044 + 1045)	1041	70.522	68.939
560	1. Financial expenses incurred with parent companies and subsidiaries	1042	69.051	57.736
561	2. Financial expenses incurred with other associated companies	1043	1.470	11.203
565	3. Losses for share in loss of associated companies and joint ventures	1044	0	0
566 and 569	4. Other financial expenses	1045	0	0
562	II. COST OF INTEREST (THIRD PARTIES)	1046	403	11
563 i 564	III. FX LOSSES AND NEGATIVE EFFECTS OF CURRENCY CLAUSE (THIRD PARTIES)	1047	10.682	13.856
	E. NET INCOME FROM FINANCING (1032 – 1040)	1048	0	0
	Ž. NET LOSS FROM FINANCING (1040 – 1032)	1049	68.217	51.043
683 i 685	Z. INCOME FROM VALUATION ADJUSTMENTS OF OTHER ASSETS DISCLOSED BY FAIR VALUE	1050	0	0
583 i 585	I. EXPENSE FROM VALUATION ADJUSTMENTS OF OTHER ASSETS DISCLOSED BY FAIR VALUE	1051	0	0

67 i 68, except 683 i 685	J. OTHER INCOME	1052	39.752	39.118
57 i 58, except 583 i 585	K. OTHER EXPENSE	1053	74.413	79.842
	L. EARNINGS FROM OPERATING ACTIVITIES BEFORE TAX (1030 – 1031 + 1048 – 1049 + 1050 – 1051 + 1052 – 1053)	1054	0	0
	LJ. LOSSES FROM OPERATING ACTIVITIES BEFORE TAX (1031 – 1030 + 1049 – 1048 + 1051 – 1050 + 1053 – 1052)	1055	255.472	82.581
69-59	M. NET INCOME FROM DISPOSAL OF DISCONTINUING OPERATIONS , EFFECTS FROM CHANGE OF ACCOUNTUING POLICY, CORRECTIONS OF PREVIOUS PERIOD MISTAKES	1056	0	0
59-69	N. NET LOSS FROM DISPOSAL OF DISCONTINUING OPERATIONS , EFFECTS FROM CHANGE OF ACCOUNTUING POLICY, CORRECTIONS OF PREVIOUS PERIOD MISTAKES	1057	0	0
	NJ. PROFIT BEFORE TAX (1054 – 1055 + 1056 – 1057)	1058	0	0
	O. LOSS BEFORE TAX (1055 – 1054 + 1057 – 1056)	1059	255.472	82.581
	P. PROFIT TAX (CIT)			
721	I. CORPORATE INCOME TAX (taxes on profit)	1060		
722 (part)	II. DEFFERED TAX INCOME	1061		
722 (part)	III. DEFFERED TAX EXPENSE	1062		
723	R. PERSONAL EARNINGS OF THE EMPLOYER	1063		
	S. NET PROFIT (1058 – 1059 – 1060 + 1061 - 1062)	1064	0	0
	T. NET LOSS (1059 – 1058 + 1060 + 1061 – 1062)	1065	255.472	82.581
	I. NET INCOME ASSIGNED TO MINORITY INTEREST	1066		
	II. NET INCOME ASSIGNED TO SHAREHOLDERS	1067		
	III. EARNING PER SHARE			
	1. Basic earnings per share	1068		
	2. Diluted earnings per share	1069		

Smederevo, 16.6.21

Person responsible for the preparation

[Signature]

Legal representative of financial statements

[Signature]



To be filled in by the legal entity - entrepreneur

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Company name: PKC Wiring systems doo																							
Company seat (City; Street and no.): Šalinačka bb, Smederevo																							

OTHER INCOME STATEMENT

for the period from Jan 01st to December 31st, 2020

- stated in RSD thousands -

Group of accounts, account	Group of accounts name, account name	AOP (position in statement)	Note number	Amount	
				Current business period balance	Previous business period balance
1	2	3	4	5	6
	A. NET OPERATIONS RESULT				
	I. NET INCOME (AOP 1064)	2001			
	II. NET LOSS (AOP 1065)	2002		255.472	82.581
	B. OTHER COMPLETE GAINS OR LOSS				
	a) Items which will not be re-classified through Income statement in future periods				
	1. Changes in re-valuation of intangible assets, property, plant and equipment				
330	a) Increase in re-valuation reserves	2003			
	b) Decrease in re-valuation reserves	2004			
	2. Actuarial gains or losses on basis of plans of defined retainings:				
331	a) Gains	2005			
	b) Losses	2006			
	3. Gains or losses on investments in ownership securities				
332	a) Gains	2007			
	b) Losses	2008			
	4. Gains or losses on stakes in other complete gain or loss in associated companies				
333	a) Gains	2009			
	b) Losses	2010			
	b) Items which could be re-classified through Income statement in future periods				
	1. Gains or losses on translation of financial statements of abroad operations				
334	a) Gains	2011			
	b) Losses	2012			
	2. Gains or losses on instruments for protection of net abroad investment				
335	a) Gains	2013			
	b) Losses	2014			
	3. Gains or losses in cash flow protection instruments (hedging)				
336	a) Gains	2015			
	b) Losses	2016			
	4. Gains or losses on securities held for sales				
337	a) Gains	2017			
	b) Losses	2018			
	I. OTHER GROSS COMPLETE GAIN (2003 + 2005 + 2007 + 2009 + 2011 + 2013 + 2015 + 2017) - (2004 + 2006 + 2008 + 2010 + 2012 + 2014 + 2016 + 2018) ≥ 0	2019			
	II. OTHER GROSS COMPLETE LOSS (2004 + 2006 + 2008 + 2010 + 2012 + 2014 + 2016 + 2018) - (2003 + 2005 + 2007 + 2009 + 2011 + 2013 + 2015 + 2017) ≥ 0	2020			
	III. TAX ON OTHER COMPLETE GAIN OR LOSS OF PERIOD	2021			
	IV. NET OTHER COMPLETE GAIN (2019 - 2020 - 2021) ≥ 0	2022			
	V. NET OTHER COMPLETE LOSS (2020 - 2019 + 2021) ≥ 0	2023			
	C. TOTAL NET COMPLETE RESULT OF PERIOD				
	I. TOTAL NET COMPLETE GAIN (2001 - 2002 + 2022 - 2023) ≥ 0	2024			
	II. TOTAL NET COMPLETE LOSS (2002 - 2001 + 2023 - 2022) ≥ 0	2025		255.472	82.581
	D. TOTAL NET COMPLETE GAIN OR LOSS (2027 + 2028) = AOP 2024 ≥ 0 or AOP 2025 > 0	2026			
	1. Belonging to owners	2027			
	2. Belonging to minority stakeholders	2028			

In Smederevo
Date 16.6. 2021

Person responsible for the preparation of financial statement





Legal representative



To be filled in by the legal entity - entrepreneur																																	
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Business register identification number			Industry code			TIN																											
Company name: PKC Wiring systems doo																																	
Company seat (City, Street and no.): Šalinačka bb, Smederevo																																	

EQUITY STATEMENT
for the period from Jan 01st to December 31st, 2020

- stated in RSD thousands -

No.	Description	Capital components									
		AOP (position in statement)	30	AOP (position in statement)	31	AOP (position in statement)	32	AOP (position in statement)	35	AOP (position in statement)	047 and 237
			Nominal capital		Subscribed capital unpaid		Reserves		Loss		Treasured own shares
1	2		3		4		5		6		7
	Opening balance of previous business period as of Jan 01, 2019										
1	a) Debit balance of account	4001		4019		4037		4055		4073	
	b) Credit balance of account	4002	2.515.366	4020		4038		4056		4074	
	Correction of materialy significant errors and accounting policy changes										
2	a) Corrections on debit side of account	4003		4021		4039		4057		4075	
	b) Corrections on credit side of account	4004		4022		4040		4058		4076	
	Corrected opening balance of previous business period as of Jan 01, 2019										
3	a) Corrected debit balance of account (1a + 2a - 2b) ≥ 0	4005		4023		4041		4059		4077	
	b) Corrected credit balance of account (1b - 2a + 2b) ≥ 0	4006	2.515.366	4024		4042		4060		4078	
	Postings in previous business period 2019										
4	a) Debit side turnover of account	4007		4025		4043		4061		4079	
	b) Credit side turnover of account	4008		4026		4044		4062		4080	
	Ending balance of previous business period as of Dec 31, 2019										
5	a) Debit balance of account (3a + 4a - 4b) ≥ 0	4009		4027		4045		4063		4081	
	b) Credit balance of account (3b - 4a + 4b) ≥ 0	4010	2.515.366	4028		4046		4064		4082	
	Correction of materialy significant errors and accounting policy changes										
6	a) Corrections on debit side of account	4011		4029		4047		4065		4083	
	b) Corrections on credit side of account	4012		4030		4048		4066		4084	
	Corrected opening balance of current business period as of Jan 01, 2020										
7	a) Corrected debit balance of account (5a + 6a - 6b) ≥ 0	4013		4031		4049		4067		4085	
	b) Corrected credit balance of account (5b - 6a + 6b) ≥ 0	4014	2.515.366	4032		4050		4068		4086	
	Postings in current business period of 2020										
8	a) Debit side turnover of account	4015		4033		4051		4069		4087	
	b) Credit side turnover of account	4016		4034		4052		4070		4088	
	Ending balance of current business period as of Dec 31, 2020										
9	a) Debit balance of account (7a + 8a - 8b) ≥ 0	4017		4035		4053		4071		4089	
	b) Credit balance of account (7b - 8a + 8b) ≥ 0	4018	2.515.366	4036		4054		4072		4090	

No.	Description	Capital components		Other result components							
		AOP (position in statement)	34 Retained earnings	AOP (position in statement)	330 Re-valuation reserves	AOP (position in statement)	331 Actuarial gains or losses	AOP (position in statement)	332 Gains or losses on investments in ownership securities	AOP (position in statement)	333 Gains or losses on stakes in other complete gain or loss in associated companies
1	2		8		9		10		11		12
	Opening balance of previous business period as of Jan 01, 2019										
1	a) Debit balance of account	4091	1.906.964	4109		4127		4145		4163	
	b) Credit balance of account	4092		4110		4128		4146		4164	
	Correction of materialy significant errors and accounting policy changes										
2	a) Corrections on debit side of account	4093		4111		4129		4147		4165	
	b) Corrections on credit side of account	4094		4112		4130		4148		4166	
	Corrected opening balance of previous business period as of Jan 01, 2019										
3	a) Corrected debit balance of account $(1a + 2a - 2b) \geq 0$	4095	1.906.964	4113		4131		4149		4167	
	b) Corrected credit balance of account $(1b - 2a + 2b) \geq 0$	4096		4114		4132		4150		4168	
	Postings in previous business period 2019										
4	a) Debit side turnover of account	4097	82.581	4115		4133		4151		4169	
	b) Credit side turnover of account	4098		4116		4134		4152		4170	
	Ending balance of previous business period as of Dec 31, 2019										
5	a) Debit balance of account $(3a + 4a - 4b) \geq 0$	4099	1.989.545	4117		4135		4153		4171	
	b) Credit balance of account $(3b - 4a + 4b) \geq 0$	4100		4118		4136		4154		4172	
	Correction of materialy significant errors and accounting policy changes										
6	a) Corrections on debit side of account	4101		4119		4137		4155		4173	
	b) Corrections on credit side of account	4102		4120		4138		4156		4174	
	Corrected opening balance of current business period as of Jan 01, 2020										
7	a) Corrected debit balance of account $(5a + 6a - 6b) \geq 0$	4103	1.989.545	4121		4139		4157		4175	
	b) Corrected credit balance of account $(5b - 6a + 6b) \geq 0$	4104		4122		4140		4158		4176	
	Postings in current business period of 2020										
8	a) Debit side turnover of account	4105	255.554	4123		4141		4159		4177	
	b) Credit side turnover of account	4106		4124		4142		4160		4178	
	Ending balance of current business period as of Dec 31, 2020										
9	a) Debit balance of account $(7a + 8a - 8b) \geq 0$	4107	2.245.099	4125		4143		4161		4179	
	b) Credit balance of account $(7b - 8a + 8b) \geq 0$	4108		4126		4144		4162		4180	

- stated in RSD thousands -

No.	Description	Other result components						AOP (position in statement)	Total equity [Σ(row 1b col. 3 to col. 15) - Σ(row 1a col. .3 to col. 15)] ≥ 0	AOP (position in statement)	Loss over capital [Σ(row 1a col. 3 to col. 15) - Σ(row 1b col. 3 to col. 15)] ≥ 0
		334 and 335		336		337					
		AOP (position in statement)	Gains or losses on translation of financial statements of abroad operations	AOP (position in statement)	Gains or losses in hedging protection of cash flow	AOP (position in statement)	Gains or losses on securities held for sales				
1	2	13	14	15	16	17					
	Opening balance of previous business period as of Jan 01, 2019										
1	a) Debit balance of account	4181		4199		4217		4235	608.402	4244	
	b) Credit balance of account	4182		4200		4218					
	Correction of materialy significant errors and accounting policy changes										
2	a) Corrections on debit side of account	4183		4201		4219		4236		4245	
	b) Corrections on credit side of account	4184		4202		4220					
	Corrected opening balance of previous business period as of Jan 01, 2019										
3	a) Corrected debit balance of account (1a + 2a - 2b) ≥ 0	4185		4203		4221		4237	608.402	4246	
	b) Corrected credit balance of account (1b - 2a + 2b) ≥ 0	4186		4204		4222					
	Postings in previous business period 2015										
4	a) Debit side turnover of account	4187		4205		4223		4238		82.581	
	b) Credit side turnover of account	4188		4206		4224					
	Ending balance of previous business period as of Dec 31, 2015										
5	a) Debit balance of account (3a + 4a - 4b) ≥ 0	4189		4207		4225		4239	525.821	4248	
	b) Credit balance of account (3b - 4a + 4b) ≥ 0	4190		4208		4226					
	Correction of materialy significant errors and accounting policy changes										
6	a) Corrections on debit side of account	4191		4209		4227		4240		4249	
	b) Corrections on credit side of account	4192		4210		4228					
	Corrected opening balance of current business period as of Jan 01, 2016										
7	a) Corrected debit balance of account (5a + 6a - 6b) ≥ 0	4193		4211		4229		4241	525.821	4250	
	b) Corrected credit balance of account (5b - 6a + 6b) ≥ 0	4194		4212		4230					
	Postings in current business period of 2016										
8	a) Debit side turnover of account	4195		4213		4231		4242	13.380	4251	
	b) Credit side turnover of account	4196		4214		4232					
	Ending balance of current business period as of Dec 31, 2016										
9	a) Debit balance of account (7a + 8a - 8b) ≥ 0	4197		4215		4233		4243	270.267	4252	
	b) Credit balance of account (7b - 8a + 8b) ≥ 0	4198		4216		4234					

In Smederevo Date 16.06 2021

Person responsible for the preparation
of financial statement

[Signature]



Legal representative

[Signature]

To be filled in by the legal entity - entrepreneur

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Company name: PKC Wiring systems doo																							
Company seat (City, Street and no.): Šalinačka bb, Smederevo																							

CASH FLOW STATEMENT

for the period from Jan 01st to December 31st, 2020

- stated in RSD thousands -

Group of accounts name, account name	AOP (position in statement)	Amount	
		Current business period balance	Previous business period balance
1	2	3	4
A. CASH FLOW FROM OPERATING ACTIVITIES			
I. Cash inflows from operating activities (1 to 3)	3001	6.935.710	8.491.042
1. Inflows from sales and prepayments	3002	6.686.571	8.338.444
2. Interest from operating activities	3003	226	777
3. Other inflows from operating activities	3004	248.913	151.821
II. Cash outflows from operating activities (1 to 5)	3005	6.365.612	8.510.589
1. Trade payables and prepayments	3006	4.748.569	7.165.666
2. Salaries, wages and other personnel expenses	3007	1.536.921	1.290.611
3. Interests paid	3008	66.650	50.435
4. Corporate income tax	3009		
5. Outflows from other public revenues	3010	13.472	3.877
III. Net cash inflow from operating activities (I-II)	3011	570.098	
IV. Net cash outflow from operating activities (II-I)	3012		19.547
B. CASH FLOW FROM INVESTING ACTIVITIES			
I. Cash inflows from operating activities (1 to 5)	3013	79.678	56.918
1. Sale of shares and stakes (net inflows)	3014		
2. Sale of intangible assets, immovable property, plants, equipment and natural resources	3015	79.678	56.918
3. Other financial investments (net inflows)	3016		
4. Interest from investing activities	3017		
5. Inflows from dividends	3018		
II. Cash outflows from investing activities (1 to 3)	3019	771.357	1.268.338
1. Purchase of shares and stakes (net outflows)	3020		
2. Purchase of intangible assets, immovable property, plants, equipment and natural resources	3021	771.357	1.268.338
3. Other financial investments (net outflows)	3022		
III. Net cash inflow from investing activities (I-II)	3023		
IV. Net cash outflow from investing activities (II-I)	3024	691.679	1.211.420
C. CASH FLOW FROM FINANCING ACTIVITIES			
I. Cash inflows from financing activities (1 to 5)	3025		769.713
1. Share capital increase	3026		
2. Long-term loans (net-inflows)	3027		769.713
3. Short-term loans (net-inflows)	3028		
4. Other long-term liabilities	3029		
5. Other short-term liabilities	3030		
II. Cash outflows from financing activities (1 to 5)	3031		
1. Treasury shares and stakes	3032		
2. Long-term loans (outflows)	3033		
3. Short-term loans (outflows)	3034		
4. Other liabilities (outflows)	3035		
5. Financial leasing	3036		
6. Dividends paid	3037		
III. Net cash inflow from financing activities (I-II)	3038		769.713
IV. Net cash outflow from financing activities (II-I)	3039		
D. TOTAL CASH INFLOW (3001 + 3013 + 3025)	3040	7.015.388	9.317.673
E. TOTAL CASH OUTFLOW (3005 + 3019 + 3031)	3041	7.136.969	9.778.927
F. NET CASH INFLOW (3040 - 3041)	3042		
G. NET CASH OUTFLOW (3041 - 3040)	3043	121.581	461.254
H. CASH BALANCE AT THE BEGINNING OF THE PERIOD	3044	348.023	815.065
I. POSITIVE EFFECTS OF EXCHANGE RATE CHANGES FROM CASH CALCULATION	3045	436	2.013
J. NEGATIVE EFFECTS OF EXCHANGE RATE CHANGES FROM CASH CALCULATION	3046	2.748	7.801
K. CASH BALANCE AT THE END OF THE PERIOD (3042 - 3043 + 3044 + 3045 - 3046)	3047	224.130	348.023

In Smederevo
Date 16.6 2021

Person responsible for the preparation
of financial statement

Zelen Jalen



Legal representative

Milica Novak

Notes to the financial statements
December 31, 2020

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1. BACKGROUND

PKC Wiring Systems d.o.o. Smederevo (hereinafter: the "Company") was founded on October 29, 2013. years on the basis of the Decision on establishment as a limited liability company. The founder of the Company is PKC WIRING SYSTEMS OY, Finland with 100% equity participation.

The company operates in the Free Customs Zone Smederevo. The main activity is the production of electrical and electronic equipment for motor vehicles, activity code 2931. The Company's registration number is 20967579, and the Tax Identification Number 108279956. The Company's headquarters are in Smederevo, Šalinačka bb. Business account with Societe Generale Bank Srbija a.d. is no. 275-0010222465252-29.

According to the criteria for classification from the Law on Accounting ("Official Gazette of RS", No. 73/19) Article 6, in 2020 the Company was classified as a large legal entity.

On December 31, 2020. the Company had 2,560 employees, while on December 31, 2019 there were 1,852 employees. The directors of the Company in year 2020 are Kieran Patrick Sheehy and Andreas Heuser.

The financial statements were approved by the Assembly of the Company on 16.6.2021. Approved financial statements may be subsequently amended based on the auditor's opinion and in accordance with applicable regulations.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION

2.1. Declaration of conformity

In accordance with the Law on Accounting, large legal entities, legal entities that have the obligation to compile consolidated financial statements (parent legal entities), public companies, ie companies preparing to become public in accordance with the Law on Capital Market of the Republic of Serbia, regardless of size , for the recognition, valuation, presentation and disclosure of positions in the financial statements, apply the International Financial Reporting Standards (IFRS), the Serbian translation of which has been published by the ministry in charge of finance.

International Financial Reporting Standards published in Serbian by the Ministry of Finance include the Conceptual Framework for Financial Reporting, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as well as interpretations of standards issued by the Interpretation Committee. accounting standards but do not include the basis for conclusions, illustrative examples, application instructions, comments, dissenting opinions or other supporting materials except where they are explicitly included as an integral part of the standard or interpretation.

2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (continued)

2.1. Declaration of conformity (continued)

IAS, IFRS and interpretations published by the International Accounting Standards Board and the Accounting Standards Interpretations Committee were officially translated by the decision of the Ministry of Finance of the Republic of Serbia on determining the translation of International Financial Reporting Standards (decision number 401-00-4980 / 2019-16) and published in Official Gazette of the Republic of Serbia number 92 on November 21, 2019 and are applied during the preparation of financial reports for the annual period ending on or after December 31, 2020.

New or amended IFRS and interpretations adopted by the decision of the Ministry of Finance of the Republic of Serbia on determining the translation of International Financial Reporting Standards published in the Official Gazette of the Republic of Serbia No. 123/2020 on October 13, 2020 are required to be applied in preparing financial statements for the annual period ending on or after December 31, 2021, however, the Company has applied IFRS 16 on a voluntary basis starting from 1.1.2020.

In addition, the attached financial statements have been prepared in accordance with the requirements of the Ordinance on the chart of accounts and content of accounts in the chart of accounts for companies, cooperatives and entrepreneurs (Official Gazette of the Republic of Serbia No. 95/2014) and the Ordinance on the content and form of financial statements companies, cooperatives and entrepreneurs (Official Gazette of the Republic of Serbia No. 95/2014 and 144/2014). These regulations governing the presentation of financial statements take precedence over the requirements defined in this regard by IFRS published by the Ministry of Finance.

Due to the above deviations, these financial statements are not in accordance with IFRS.

The accompanying financial statements have been prepared under the historical cost convention, unless otherwise stated in the accounting policies set out below.

2.2. Foreign currency translation

The financial statements of the Company are presented in thousands of dinars (RSD). The dinar is the official reporting currency in the Republic of Serbia and the functional currency of the Company.

Business changes in foreign currency are translated into dinars at the average exchange rate set by the National Bank of Serbia, which was valid on the day of the business change. Monetary positions denominated in foreign currencies at the balance sheet date are translated into dinars at the average exchange rate of the NBS valid on the balance sheet date.

Positive and negative effects of foreign exchange arising from payments and collections made in foreign currencies during the year at the balance sheet date are recognized in the Company's income statement as gains / losses based on foreign exchange differences within the position of financial income / expenses.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (continued)

2.3. Application of the going concern assumption

The financial statements have been prepared under the going concern assumption, ie. assuming that it will continue to operate for an indefinite period of time in the foreseeable future.

2.4. The use of estimates

The preparation of financial statements in conformity with the applicable reporting framework requires management to use the best possible estimates and reasonable assumptions, which have an effect on the reported values of assets and liabilities, as well as income and expenses during the reporting period. These estimates and assumptions are based on previous experience, as well as various information available at the date of preparation of the financial statements, which seem realistic and reasonable in the circumstances. On the basis of this information, an assumption is formed about the value of assets and liabilities, which cannot be directly confirmed on the basis of other information. The actual value of assets and liabilities may deviate from the value estimated in this way.

The assessments, as well as the assumptions on the basis of which the assessments were made, are subject to regular reviews. Audited accounting estimates are presented for the period in which they are audited, in case the assessment has an impact only on a given period, or for the period in which they are audited and for future periods, in case the audit affects current and future periods.

Information on the areas in which the degree of assessment is the highest and which may have the most significant effect on the amounts recognized in the Company's financial statements is provided in the following notes:

- Note 3.2 - Useful life of property, plant and equipment,
- Note 3.8 – Retirement and other employee benefits

3. OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented.

3.1. Intangible Assets

Intangible assets include investments in licenses, accounting software, copyrights and more. These funds are likely to generate economic benefits which exceed the costs over a period of more than one year.

Intangible assets are stated at cost. Subsequent to initial recognition, intangible assets are stated at cost less impairment losses.

3. OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Intangible Assets (continued)

Additional expenses on an intangible asset may be capitalized only when future economic benefits are expected from the asset to which it relates. All other costs represent an expense in the period in which they are incurred.

The useful life of intangible assets is estimated to be fixed.

Intangible assets with fixed useful lives are amortized over their useful lives and tested for impairment whenever there are indications that intangible assets may be impaired. The basis for calculating depreciation is the purchase value less the residual residual value.

Gains and losses arising from the disposal or sale of intangible assets are recognized in the income statement in the period in which the intangible asset is disposed of or sold, in the amount of the difference between the proceeds from the sale and the book value of the asset.

The depreciation method, useful life and residual value are estimated at the end of each reporting period and adjusted when necessary.

Investments in research and development are reported as an expense of the period.

3.2. Property, plant and equipment

Items of property, plant and equipment, which meet the conditions to be recognized as an asset, are measured at initial recognition at cost, ie cost.

Property or equipment are considered to be those assets whose expected useful life is longer than one year and which have a significant value, ie. the value of acquiring a group of assets exceeds EUR 1,000.00.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated impairment and any accumulated impairment losses, in accordance with IAS 16.

Cost is the value per supplier's invoice including customs duties, non-refundable taxes and all other costs of bringing the asset to a working condition. The purchase value is reduced for all received discounts and / or rebates (gifts). The cost of constructed fixed assets is their cost at the date of construction.

Subsequent expenditure on property, plant and equipment is capitalized only when future economic benefits associated with the expenditure can be expected and the expenditure can be measured reliably. All other maintenance costs are charged to the period in which they are incurred.

3. OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2. Property, plant and equipment (continued)

Gains or losses arising from the sale or disposal of property and equipment are recognized as other operating income or other operating expenses in the income statement in the period in which the assets are disposed of or sold, in the amount of the difference between the proceeds from the sale and the book value of the asset.

The useful life of an asset is reviewed at least at the end of each financial year, and if there are changes in the expected pattern of future economic benefits embodied in the asset, the depreciation rate is changed to reflect the changed dynamics.

3.3. Depreciation

Depreciation of fixed assets starts from the following month in relation to the month in which the fixed assets are available for use. The basis for calculating depreciation is the purchase value less the residual value. If the residual value is not material, it is not taken into account when calculating depreciation, ie it does not reduce the depreciation basis.

Depreciation of property, plant and equipment and intangible assets is performed using the proportionate method by which the value of assets is fully written off over their estimated useful lives.

Depreciation is performed at rates which are based on the remaining useful lives of the assets, as assessed by the Company's management.

Depreciation rates for the main categories of property and equipment are given in the following overview:

Description	Depreciation rate (%)	Useful life (years)
Real estate	4.00 - 14.29	25-7
Equipment - Machines	14.29 - 33.33	7-3
Transport assets	10.00 - 33.33	10-3
Computers	25.00	4
Office equipment	25.00	4
Office furniture	20.00	5

The applied rates for amortization of intangible assets are as follows:

Description	Depreciation rate (%)	Useful life (years)
License	20.00	5
Software	20.00	5

3. OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4. Financial instruments

Classification

Company from 1.1.2020. In accordance with that, the Company classifies its financial assets in the following categories: financial assets measured at amortized cost, financial assets measured at fair value through total other result, and financial assets measured at fair value through the income statement.

A financial asset will be measured at amortized cost if both of the following conditions are met and it is not designated at fair value through profit or loss:

- The asset is held within a business model aimed at holding the asset for the purpose of collecting contractual cash flows, and
- The contractual terms of the asset result on the given dates in cash flows that are solely payments of principal and interest on the remaining amount of principal.

A financial asset will be measured at fair value through other comprehensive income if both of the following conditions are met and it is not stated at fair value through profit or loss:

- The asset is held within the business model whose goal is achieved through the collection of contractual cash flows and the sale of financial assets, and
- The contractual terms of the asset result on the given dates in cash flows that are solely payments of principal and interest on the remaining amount of principal.

All financial assets that are not classified as measured at amortized cost or fair value through other comprehensive income, as described above, are measured at fair value through profit or loss. This includes financial assets held for trading and managed and whose performance is measured on the basis of fair value. Additionally, upon initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income, at fair value through profit or loss if it eliminates or significantly reduces the accounting mismatch that would otherwise have arisen.

A financial asset is classified in one of these categories upon initial recognition.

Financial assets are reclassified only when the Company changes the business model that affects the asset, in which case all financial assets that suffer from that impact are reclassified on the first day of the reporting period after the change in the business model.

3 .OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4. Financial instruments (continued)

Financial assets

Financial assets are classified according to the purpose for which the financial assets were obtained. Management classifies financial investments at the time of initial recognition.

As at December 31, 2020, the Company has no financial assets at fair value which effects of changes in fair value are recognized in the income statement.

The Company's financial assets include cash, long-term deposits, trade receivables and other operating receivables.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in any active market. They are included in current assets, unless their maturities are longer than 12 months after the balance sheet date. In that case, they are classified as long-term assets.

Receivables consist of receivables from customers at home and abroad and other receivables. Receivables from customers abroad include receivables from related legal entities and other customers from abroad.

Trade receivables are stated at invoice value less discounts, as well as value adjustments based on the assessment of the collectibility of individual receivables. Impairment is formed for those receivables for which there is objective evidence that they are impaired, ie for which the Company's management estimates that they cannot be collected in full and they are recorded as an expense in the income statement of the period when the assessment was performed.

As a practical expedient IFRS 9 allows, a provision matrix to be used to estimate ECL for these financial instruments, based on the historical observed default rates which are adjusted for the reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

The Company calculates a provision for impairment of trade receivables, other receivables and subgroups segmented on the basis of shared credit risk characteristics such as credit risk rating, geographical region, default status and the like.

The most liquid part of the Company's financial assets is cash and cash equivalents, which are valued at nominal, ie at fair value. Cash and cash equivalents of the Company include cash in hand and funds in bank accounts.

3. OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

A liability is the result of past transactions or events, whose settlement usually involves a renunciation of the Company's economic benefits (resources) in order to satisfy the other party's request. A liability is recognized in the balance sheet: when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the settlement amount can be measured reliably. In addition, the valuation takes into account the valuation principle, so that assets and revenues are not overstated and liabilities or expenses are underestimated. Financial liabilities are initially recognized at cost, which represents the fair value of the compensation received. After the initial recognition, financial liabilities are stated at amortized cost using the effective interest method. The amortized cost of a financial liability is the amount at which the liabilities are initially measured, less principal repayments.

Financial liabilities include liabilities based on a loan from a parent legal entity from abroad. The liability is current if it is expected to be settled in the regular course of the Company's business cycle, ie due within 12 months after the balance sheet date. All other liabilities are classified as non-current.

Trade and other payables are measured at nominal value.

Income and expenses arising from exchange rate differences for receivables and liabilities denominated in foreign currencies are recorded in the income statement as financial income, ie financial expenses of the current period.

3.5. Inventories

Inventories are assets held in the form of basic and auxiliary materials that are consumed in the production process, ie during the provision of services and assets held for resale.

Inventories are stated either at cost or net realizable value, whichever is lower. Net realizable value is the price at which inventories can be sold in the ordinary course of business after deducting selling expenses.

The initial recognition of inventories is made at cost, which includes the invoice price, import duties and other duties (except those that can be later recovered from the tax authorities) and transportation costs, handling and other costs directly attributable to the acquisition of inventories. Trade discounts, rebates and other similar items are deducted in determining procurement costs. Damaged inventories and inventories that do not meet the quality standards are completely written off.

The value of consumed stocks of spare parts, consumables and other indirect materials is determined by the FIFO method, while the value of consumed stocks of direct materials is determined by the average price method.

3. OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6. Leasing

Based on leasing contracts, the Company appears as a user of operating lease. Leases of assets where all benefits and risks associated with ownership are retained by the lessor, ie not transferred to the lessee, are recorded as operating leases.

Operating lease payments are recognized as an expense in the income statement at the inception of the lease.

The Official Gazette of the RS No. 123/20 published a new „Decision on Determining the Translation of International Financial Reporting Standards (IFRS)“, which is required to be applied starting from the financial statements prepared as of December 31, 2021, but also can be voluntary applied for the preparation of financial statements for 2020. The Company started applying IFRS 16 as of January 1, 2020.

3.7. Equity

The capital of the Company includes share capital based on the share of the founder. The capital of the Company was formed from the invested funds of the founders of the Company in cash.

3.8. Provisions, contingent liabilities and contingent assets

Provisions

Provisions are recognized in the amounts that represent the best estimate of the expenditure required to settle the present obligation at the balance sheet date. A provision will be recognized when the following three conditions are cumulatively met:

- 1) the company has a present obligation (legal or derivative) as a consequence of a past event;
- 2) it is probable that an outflow of resources will be required to settle the obligation;
- 3) the amount of the obligation can be reliably estimated.

Provisions for severance pay and jubilee awards are measured at the present value of expected future outflows using a discount rate.

The cost of a provision is recognized in an expense of the period.

A provision may be used only on the basis of expenses for which the provision was originally recognized. When there is an outflow of funds based on a liability for which a provision was previously made, actual costs are not restated as an expense, but the posting is made by debiting the provisioning account, in favor of the corresponding liability account (by type) depending on the nature of the provision, type of liability and the way it was settled. The unused amount of the provision is reversed to other income.

3. OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8. Provisions, contingent liabilities and contingent assets (continued)

Provisions are reviewed at each balance sheet date and adjusted to reflect the best current estimate. When it is no longer probable that an outflow of resources embodying economic benefits will be required, the provision is reversed in favor of the current year's income statement.

Contingent liabilities and contingent assets

A contingent liability is a possible liability that arises from past events but is not recognized because (it is unlikely that there will be) an outflow of resources and the amount of the liability cannot be estimated reliably.

Contingent liabilities are not recognized in the financial statements. Contingent liabilities are disclosed in the notes to the financial statements, unless the probability of an outflow of resources embodying economic benefits is very small.

The Company does not recognize contingent assets in the financial statements. Contingent assets are disclosed in the notes to the financial statements if the inflow of economic benefits is probable.

3.9. Employee benefits

(a) Compulsory social security contributions

In accordance with the regulations applicable in the Republic of Serbia, the Company is obliged to pay contributions to state funds that provide social security for employees. These obligations include contributions at the expense of employees and at the expense of the employer in the amounts calculated at the rates prescribed by the relevant legal regulations. The company is also obliged to suspend contributions from the gross salaries of employees and to pay them to those funds on behalf of employees. Once the contributions have been paid, the Company has no further payment obligations. Contributions at the expense of the employer and at the expense of the employee are charged to the expenses of the period to which they relate.

(b) Severance pay and jubilee awards

In accordance with the Rules of Procedure, the Company is obliged to pay severance pay upon retirement in the amount of 2 average salaries per employee who has less than 15 years of service in the Company, or in the amount of four average salaries to employees who have more than 15 and less than 25 years of service and 6 average salaries to an employee who has more than 25 years of service in the Company. The average salary is the average salary of an employee for the previous three months before the month when his employment is terminated, ie the average salary per employee paid in the Republic of Serbia according to the latest published data of the republic authority responsible for statistics, if it is more favorable for the employee. In addition to severance pay, the Company is obliged to pay jubilee awards for continuous years of work in the Company in the amount of 1 to 4 realized average salaries of employees in the month preceding the month of payment, depending on the number of years of continuous work in the Company which can be 10, 20, 30 and 35 for women and 40 for men.

3. OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9. Employee benefits (continued)

The calculation and presentation of long-term liabilities based on severance pay and jubilee awards was performed using the present value method of future expected payments, based on the calculation. Since these are long-term employee benefits and not post-employment benefits, gains and losses are recognized in full in the period in which they arise. The Company has no additional obligations for compensation of employees on this basis.

3.10. Income tax

Current tax

Income tax is the amount that is calculated and paid in accordance with the provisions of the Law on Corporate Income Tax of the Republic of Serbia. Current income tax is the amount calculated by applying the prescribed tax rate of 15% to the base represented by taxable profit. Taxable profit is determined in the tax balance as profit before tax shown in the income statement, after adjusting income and expenses in the manner prescribed by the tax legislation of the Republic of Serbia.

The company realized a tax loss in the current 2020 as well as in the period from 2014 to 2016, and in 2019, 2018 and 2017 it made a tax profit that was covered by tax losses from previous years.

The above-mentioned coverage of tax gains from the current period with losses from previous periods is done keeping in mind that losses from previous periods, except those from which capital losses and gains arise, can be transferred to the profit account determined in the annual tax balance from future accounting periods. period not exceeding five years.

Deferred tax

Deferred income tax is provided for all temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all temporary taxable differences. Deferred tax assets are recognized for deductible temporary differences and unused amounts of transferable tax credits and tax losses, to the extent that it is certain that the level of expected future taxable profit is sufficient to offset all deductible temporary differences, transferred unused tax credits and unused tax losses. .

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer certain that the level of expected future taxable profits is sufficient for all or part of the value of deferred tax assets to be utilized.

Taxes that do not depend on business results

Taxes and contributions that do not depend on business results include property taxes and other taxes, various fees and contributions that are paid in accordance with national and local tax regulations. These taxes and contributions are presented under other operating expenses.

3. OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11. State benefits

Government granting is government aid in the form of transfer of resources to the Company on the basis of fulfilling certain conditions related to the business activities of the Company.

Government benefits received by the Company in 2020 were proportionally recognized as income in accordance with the period of maintenance of the conditions defined by the grant agreement.

3.12. Revenue recognition

The Company recognizes revenue when the amount of revenue can be measured reliably and it is probable that future economic benefits associated with the item will flow to the Company. Revenue is recognized in the amount of the fair value of the amount received from the sale of goods and services in the ordinary course of business. Revenue is stated at invoice value less approved discounts and value added tax.

(a) Revenue from sales of services and products

Until July 26, 2018, the Company generated income from the sale services such as finishing, processing and refining materials, in accordance with the Approval of CI Smederevo 17345 from January 3, 2014, renewed on July 4, 2017.

From July 27, 2018, the company generates income from the sale of finished products (Approval of CI Smederevo on 04.07.2017)

Revenue from the sale of products and goods is recognized when control of the asset is transferred to the customer. The obligation to perform is fulfilled when the buyer takes over or accepts the goods. Revenue is recognized in the amount of the transaction price, to the extent that economic benefits are expected for the Company, in exchange for the transfer of control of the contracted goods to the buyer, and taking into account credit terms granted to the buyer to whom the delivery relates.

Revenues from the provision of services are recognized in the accounting period in which the service was provided and are stated at invoice value less approved discounts.

Revenues from services are stated in proportion to the degree of completion of the service on the balance sheet date.

(b) Revenue from activating effects

Revenues from the activation of effects include revenues from the use of materials to produce equipment for own needs.

(c) Financial income

Financial income includes income from interest, exchange rate differences and other financial income, generated from transactions with parent, related and other legal parties.

3. OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12. Revenue recognition (continued)

Interest income is, in accordance with the principle of causality, recognized in the income statement for the period to which it relates to. Interest income is generated from interest on demand deposits with banks.

(d) Other income

Other income includes gains on the sale of equipment and small inventory.

3.13. Expenses

Expenses are recognized in the income statement according to the principle of causality of income and expenses, ie on an accrual basis and are determined for the period when they were incurred.

(a) Operating expenses

Operating expenses include costs conditioned by the generation of revenue from sales and include costs of materials, fuel and energy, gross earnings, depreciation costs and services provided by third parties. Operating expenses also include general expenses such as rent, insurance, payment, taxes and other expenses incurred in the current accounting period.

(b) Financial expenses

Financial expenses include expenses which are based on interest and exchange rate differences and other financial expenses, which are recorded in the income statement for the period to which they relate, and in accordance with the principle of causality. Interest expenses include interest calculated on loans received, which is recorded in the income statement for the period to which they relate, and in accordance with the principle of causality.

(c) Other expenses

Other expenses are stated based on losses from the sale of equipment, disposal of obsolete equipment, disposal of expired material. Other unspecified expenses include complaints for finishing services and contractual penalties.

3.14. Changes in accounting policies

Except for the changes set out below, the accounting policies have been consistently applied in all accounting periods presented in these financial statements.

The Company initially applied IFRS 9, IFRS 15 and IFRS 16 from January 1, 2020.

IFRS 9

3. OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14. Changes in accounting policies (continued)

Starting from January 1, 2020, the Company applies IFRS 9, which replaced IAS 39. The initial application of IFRS 9 did not have a material impact on the receivables recognized by the Company as of December 31, 2020.

IFRS 15

The initial application of IFRS 15 did not affect the recognition of revenue from contracts with customers, both in terms of time of recognition and in terms of amount, and therefore did not have a material impact on receivables and liabilities recognized by the Company.

IFRS 16

Effect of application IFRS 16 on the balance sheet (in thousand)

Vehicles Acc. depreciation	(6.473)
Machinery Acc. depreciation	(5.688)
Machinery Acc. Depreciation c.c	9
Vehicles Acc. Depreciation c.c	75
Vehicles leased for own use	28.377
Machinery IFRS16 leased for own use	17.426
Deffered tax asset IFRS 16	33
Total assets	33.759
LT IFRS16 leased liabilitise	19.752
ST IFRS16 leased liabilities	14.192
Losses from previos year	(82)
Losses from current year	(103)
Total liabilitise	33.759

Effect of application IFRS 16 on the income statement (in thousand)

Leasing cost for vehicles	(6.581)
Leasing cost for machinery	(5.832)
Depreciation of IFRS16 leased vehicles	6.473
Depreciation of IFRS16 leased machinery	5.688
Losses on unrealized foreign currency clause	1
Change deffered tax asset	(18)
Prihodi na nereal ef.val kl	(1)
Vehicle leasing charges IFRS16	181
Machinery leasing charges IFRS16	194
Losses from current year	103

4. KEY ACCOUNTING ESTIMATES AND JUDGMENTS

Accounting estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1. Impairment of non-financial assets

At the reporting date, the Company's management analyzes the values at which intangible assets and property, plant and equipment of the Company are presented. If there is an indication that an asset is impaired, the recoverable amount of the asset is estimated to determine the amount of impairment. If the recoverable amount of an asset is estimated to be lower than the asset's carrying amount, the asset's present value is reduced to its recoverable amount. Consideration of impairment requires management to make subjective judgments regarding cash flows, growth rates and discount rates for cash-generating units that are subject to consideration.

4.2. Provisions based on severance pay and jubilee awards

The costs of determined compensations to employees after retirement after fulfilling the legal conditions and jubilee awards are determined by an estimate. The estimate includes an estimate of the discount rate, future salary developments, mortality rates, and future retirement benefit increases. Due to the long-term nature of these plans, significant uncertainties affect the outcome of the assessment.

5. OPERATING REVENUE

	In thousands of RSD	
	<u>2020.</u>	<u>2019.</u>
Revenue from the sale of merchandise	17,538	25,212
Income from the sale of finished products and services		
- Income from the sale of finished products and services to parent and dependent legal entities on the foreign market	6,794,203	7,838,422
- Income from the sale of finished products and services to the parent legal entity on the foreign market	8,119	15,273
- Revenues from sales of finished products and services to other legal entities on the foreign market	6,782,203	7,823,137
Revenues from sales of finished products and services to other related parties on the domestic market	36	12
Revenues from sales of finished products and services to other legal entities on foreign markets	3,845	-
Income from premiums, subsidies, grants, donations	33,733	-
Other operating income	1,084	-
Operating income total	<u>6,846,558</u>	<u>7,863,634</u>

5. OPERATING REVENUE

In 2020, the company used the right to grants to finance salaries under the Regulation on fiscal benefits and direct benefits to businesses in the private sector and financial assistance to citizens in order to mitigate the economic consequences of the disease COVID-19.

6. COST OF GOODS SOLD

	In thousands of RSD	
	<u>2020.</u>	<u>2019.</u>
Cost of goods sold	517	211
Cost of goods sold total	<u>517</u>	<u>211</u>

The cost of goods sold mainly includes the sale of goods purchased and sold to related parties.

7. REVENUES FROM ACTIVATION OF GOODS AND EFFECTS

Revenues from the activation of effects and goods are stated on the basis of the use of materials and services for the production of equipment for own needs.

	In thousands of RSD	
	<u>2020.</u>	<u>2019.</u>
Revenues from activation or consumption of products for own needs	24,829	20,072
Revenues from the activation of effects and goods total	<u>24,829</u>	<u>20,072</u>

8. COST OF MATERIAL, FUEL AND ENERGY

	In thousands of RSD	
	<u>2020.</u>	<u>2019.</u>
Production material costs	4,316,285	5,226,107
Other material costs	57,538	63,126
Spare parts costs	44,121	58,223
Costs of one-time write-off of tools and small inventory	28,578	34,379
Costs of fuel and energy	43,036	41,478
Cost of material, fuel and energy total	<u>4,489,558</u>	<u>5,423,313</u>

9. SALARY EXPENSES, SALARY COMPENSATION AND OTHER PERSONAL EXPENSES

	In thousands of RSD	
	<u>2020.</u>	<u>2019.</u>
Salary costs and salary compensation (gross)	1,436,686	1,070,347
Costs of taxes and contributions on salaries and benefits on behalf of the employer	234,165	175,530
Costs of compensation under the contract of employment	210	287
Costs of fees under the contract on temporary and occasional jobs	80,353	457,879
Costs of compensation to individuals on the basis of other contracts	2	365
Remuneration costs for members of the management and supervisory boards	-	-
Other personal expenses and fees	119,807	127,071
Salary costs, salary compensation and other personal expenses total	<u>1,871,223</u>	<u>1,831,479</u>
Average number of employees	2,072	1,551

10. COST OF PRODUCTION SERVICES

	In thousands of RSD	
	<u>2020.</u>	<u>2019.</u>
Costs of transport services	57,258	47,899
Maintenance services	9,278	8,657
Leases	16,772	94,523
Advertising and propaganda	101	668
Costs of other services	24,492	46,724
Cost of production services total	<u>107,901</u>	<u>198,471</u>

Lease costs are stated on an operating lease basis. All vehicles that make up the vehicle fleet, external warehouse and small equipment that is used occasionally are rented.

The costs of other production services include additional services related to the production plant, utilities and other similar services.

11. DEPRECIATION COSTS

	In thousands of RSD	
	<u>2020.</u>	<u>2019.</u>
Amortization of intangible assets	3,940	4,636
Depreciation costs of property, plant and equipment	307,853	266,622
Depreciation costs total	<u>311,793</u>	<u>271,258</u>

12. COSTS OF LONG - TERM PROVISIONS

	In thousands of RSD	
	<u>2020.</u>	<u>2019.</u>
Expenses on provisions for severance pay for retirement	2,068	10,381
Provisions for severance pay and jubilee awards	7,459	13,728
Costs of long-term provisions total	<u>9,527</u>	<u>24,109</u>

13. NON-PRODUCTION COSTS

	In thousands of RSD	
	<u>2020.</u>	<u>2019.</u>
Costs of non - production services	158,359	163,497
Representation costs	3,594	15,004
Insurance costs	5,601	3,749
Payment transaction costs	5,319	9,179
Membership fees	2,236	707
Tax expense	12,523	3,878
Other non-production costs	2,154	2,867
Non-material costs total	<u>189,786</u>	<u>198,881</u>

14. FINANCIAL INCOME

	In thousands of RSD	
	<u>2020.</u>	<u>2019.</u>
Interest income	226	777
Income from unrealized effects of the currency clause		
Financial income from relations with related legal entities	4,238	23,050
Positive exchange rate differences	8,926	7,936
Financial income total	<u>13,390</u>	<u>31,763</u>

15. FINANCIAL EXPENSES

	In thousands of RSD	
	<u>2020.</u>	<u>2019.</u>
Interest expenses from the relationship with the parent legal entity	69,051	57,736
Financial expenses from relations with related legal entities	1,470	11,202
Interest expenses	403	11
Negative exchange rate differences and currency clause effects	10,682	13,857
Financial expenses total	<u>81,607</u>	<u>82,806</u>

Financial expenses from relations with parent and related legal entities refer to interest paid on long-term loans from the parent legal entity, as well as to exchange rate differences from business transactions with related legal entities from abroad.

16. OTHER INCOME

	In thousands of RSD	
	<u>2020.</u>	<u>2019.</u>
Gains on sale of intangible assets, real estate, plant and equipment	11,342	5,141
gains from sales of materials	1,183	893
Surpluses	20,243	19,947
Income from reduction of liabilities	3,469	2,309
Other unmentioned income	3,040	10,828
Income from cancellation of long-term provisions	475	-
Other income total	<u>39.752</u>	<u>39,118</u>

The company reported other income from the sale of equipment and small inventory. Reported surpluses refer to surpluses on finished products, work in progress and materials determined according to the inventory counting. Other income mentioned refer to the realized cash discounts when paying suppliers for materials.

17. OTHER EXPENSES

	In thousands of RSD	
	<u>2020</u>	<u>2019</u>
Losses from sale of intangible assets, real estate, plant, equipment, materials	4,103	4,350
Deficits, expenses and write-offs	27,821	28,132
Other unmentioned expenses	6,054	12,022
Impairment costs	36,455	35,338
Other expenses total	<u>74,413</u>	<u>79,842</u>

The Company reported other expenses based on losses from the sale of equipment, as well as expenditures of obsolete equipment and deficits on inventory counting list. Other unspecified expenses include complaints about finishing services and contractual penalties.

Reported costs of impairment of inventories relate to inventories of materials, work in progress, finished products and spare parts.

18. INCOME TAX

Current income tax

In 2020, the Company reported an accounting loss in the amount of RSD 255,472 thousand (2019: RSD 82,581 thousand) and a tax loss in the tax balance in the amount of RSD 29,175 thousand (2019: tax profit RSD 369,016 thousand). The current tax rate for 2020 and 2019 is 15%. Reconciliation of accounting and tax results is given below:

	In thousands of RSD	
	<u>2020.</u>	<u>2019.</u>
Accounting loss	(255,472)	(82,581)
Reconciliation of expenses and income	135,430	147,860
Adjustments based on transfer prices	90,866	303,736
Tax profit / (loss)	(29,175)	369,015
Use of transferred tax losses		(369,015)
Taxable profit	<u>-</u>	<u>-</u>

18. INCOME TAX (continued)**Current income tax (continued)**

The following is an overview of tax losses carried forward:

	In thousands of RSD	
Year of occurrence of tax losses	<i>December 31, 2020</i>	<i>December 31, 2019</i>
- 2013	14,309	14,309
- 2014	211,342	211,342
- 2015	500,902	500,902
- 2016	634,535	634,535
- 2017	(247,125)	(247,125)
- 2018	(239,536)	(239,536)
- 2019	(369,015)	(369,015)
- 2020	29,175	-
Total transferred tax losses	<u>534,587</u>	<u>505,412</u>

The tax loss of the current year can be used within 5 years to reduce the tax profit that will be realized in subsequent years. Namely, the tax loss from 2013 can be used to reduce the tax loss until 2018, the tax loss from 2014 can be used to reduce the tax profit until 2019. In the following years, the Company can use the tax losses from 2015 and 2016 to reduce tax gains in 2021 and 2022, and the tax loss from 2020 to cover the tax loss until 2025.

Deferred tax assets and liabilities

Deferred tax assets in the amount of RSD 14,033 thousand (2016: RSD 14,000 thousand and 2020: RSD 33 thousand) arose as a result of the difference between the tax base of individual assets and liabilities and the amount of those assets and liabilities shown in the balance sheet.

In 2020, there were changes in deferred tax assets and liabilities due to the application of IFRS 16 - Leasing.

19. INTANGIBLE INVESTMENTS

In thousands of RSD

	Develop ment investme nts	Concessions patents, licenses and similar rights	Other intangible investments	Intangible assets in preparation	Total
COST					
January 1, 2019.	-	-	24,357	-	24.357
Additions	-	-	4,197	-	4.197
Disposals and expenditures	-	-	-	-	-
As of December 31, 2019	-	-	28,554	-	28.554
Additions	-	-	454	-	454
Disposals and expenditures	-	-	-	-	-
As of December 31, 2020	-	-	29,008	-	29.008
IMPAIRMENT					
January 1, 2019.	-	-	13,733	-	13.733
Additions	-	-	4,637	-	4.637
Disposals and expenditures	-	-	-	-	-
As of December 31, 2019	-	-	18,370	-	18.370
Additions	-	-	3,940	-	3.940
Disposals and expenditures	-	-	-	-	-
As of December 31, 2020	-	-	22,310	-	22.310
NET BOOK VALUE					
December 31, 2019	-	-	10,184	-	10,184
December 31, 2020	-	-	6,698	-	6,698

Present value of intangible assets as at December 31, 2020 is RSD 6,698 thousand (31.12.2019: RSD 10,184 thousand).

On December 31, 2020 the residual value and the remaining useful life of intangible assets were estimated in the year 2000, so that the present value reflects the real value of the assets.

20. PROPERTY PLANT AND EQUIPMENT

In thousands of RSD

	Leases	Land	Construct ion objects	Plant and equipment	Investme nts in other PPE	PPE in preparati on	Total
COST							
January 1, 2019.	-	-	-	1,417,541	36,617	121,340	1,575,498
Additions	-	74,557	671,385	348,647	-	164,410	1,258,999
Transfer from assets in constuction			36.617		(36.617)		-
Disposals and expenditures			-	(63,649)	-	-	(64,649)
As of December 31, 2019	-	74,557	708,002	1,702,539	-	285,750	2,770,848
Additions	45,802	-	368,329	224,586	-	176,996	815,713
Transfer from assets in constuction	-	-	218,564	112,084	-	(330,648)	-
Disposals and expensured	-	-	(766)	(64,550)	-	-	(65,316)
As of December 31, 2020	45,802	74,557	1,294,129	1,974,659	-	132,098	3,521,245
IMPAIRMENT							
January 1, 2019	-		-	785,523	-	-	785,523
Additions	-		17,241	258,611	-	-	275,852
Disposals and expenditures	-		-	(15,037)	-	-	(15,037)
As of December 31, 2019	-		17,241	1,029,097	-	-	1,046,338
Additions	12,076		41,727	253,967	-	-	307,770
Disposals and expenditures	-		(18)	(49,116)	-	-	(49,134)
As of December 31, 2020	12,076		58,950	1,233,948	-	-	1,304,974
NET BOOK VALUE							
- December 31, 2020	33,726	74,557	1,235,179	774,436	-	132,098	2,216,271
- December 31, 2019	-	74,557	690,761	673,442	-	285,750	1,724,510

Present value of real estate, plant and equipment as of December 31, 2020 is RSD 2,216,271 thousand (31.12.2019: RSD 1,724,510 thousand).

The present value of investments in equipment, according to management assessment, reflects their fair value. On December 31, 2020, the Company made an assessment of the residual value and the remaining useful life of the equipment.

Most of the investment in equipment relates to production equipment.

Investments in real estate relate to the expansion of the office building in the amount of RSD 586,893 thousand.

20. PROPERTY PLANT AND EQUIPMENT (continued)

Investments in PPE in preparation mostly refer to investments in equipment in preparation in the amount of RSD 131,495 thousand.

In 2020, we started applying IFRS 16-Leasing, so that the stated value of vehicles leased in the amount of RSD 28,377 thousand and equipment leased in the amount of RSD 17,426 thousand.

As of December 31, 2020, the Company has no real estate or equipment under mortgage or pledge established to secure the settlement of its financial obligations.

21. LONG TERM INVESTMENTS

Long-term financial placements in the amount of RSD 500 thousand are stated on the basis of deposits to ensure payment to the supplier for the approved limit per payment card for fuel.

22. INVENTORIES

The state of inventories as at December 31, expressed in the structure of inventories is as follows:

	In thousands of RSD	
	<i>December 31, 2020</i>	<i>December 31, 2019</i>
Material	908,223	502,668
Spare parts	115,589	129,591
HTZ equipment	94	311
Merchandise	1,151	1,151
Finished goods	85,649	210,403
Work in progress	144,994	70,444
Paid advances for supplies and services	2,031	2,409
Inventories total	<u>1,257,731</u>	<u>916,977</u>

Material stocks refer to stocks of consumables and materials for the production of spare parts, HTZ equipment, packaging, office supplies. Inventories of materials, spare parts, safety equipment and goods are kept at purchase price, and finished products and work in progress at cost price.

23. TRADE RECEIVABLES

Receivables from related legal parties predominate in sales receivables. The situation as of December 31 and the structure are given in the table as follows:

	In thousands of RSD	
	December 31, 2020	December 31, 2019
Customers abroad - parent legal parties	615	806
Customers abroad	5,119	341
Customers abroad - other related legal parties	701,879	518,878
Domestic customers	1,207	7
Trade receivables total	708,820	520,032

Reconciliation of receivables with customers was performed on December 31, 2020. All differences in reconciliations with customers as of December 31, 2020 have been investigated and reconciled.

The maturity structure of receivables as at December 31 is shown in the following table:

		Matured but not written- off receivables						
	Total	Outstanding and not written-off receivables	< 30 days	30-60 days	61 - 90 days	91 - 180 days	181 - 360 days	>360 days
	<i>RSD'000</i>	<i>RSD'000</i>	<i>RSD'000</i>	<i>RSD'000</i>	<i>RSD'000</i>	<i>RSD'000</i>	<i>RSD'000</i>	<i>RSD'000</i>
2020	708,820	664,773	18,918	2,590			3,596	18,943
2019	1,089,253	679,245	393,236	190	3,470	1,455	11,656	-

24. OTHER RECEIVABLES

	In thousands of RSD	
	December 31, 2020	December 31, 2019
Receivables from employees	619	3,090
Receivables from government	-	-
Receivables from overpaid other taxes and contributions	-	-
Reimbursable wage claims	14,188	10,905
Other short-term receivables	673	3,120
Other receivables total	15,480	17,115

25. CASH AND CASH EQUIVALENTS

	In thousands of RSD	
	<u><i>December 31, 2020</i></u>	<u><i>December 31, 2019</i></u>
Current (business) accounts	27,916	41,335
Cashier	0	0
Foreign currency account	196,214	306,688
Cash and cash equivalents total	<u>224,130</u>	<u>348,023</u>

26. VALUE ADDED TAX

	In thousands of RSD	
	<u><i>December 31, 2020</i></u>	<u><i>December 31, 2019</i></u>
Value added tax in received invoices at the general rate (except for paid advances)	4,980	5,668
Value added tax in received invoices at a special rate (except for paid advances)	68	17
VAT paid on the import of goods at the general rate	31,861	0
Value added tax calculated on the services of foreign parties	1,141	29
Receivables for overpaid VAT	22,904	41,610
Value added tax total	<u>60,954</u>	<u>47,324</u>

27. PREPAYMENTS AND DEFERRED INCOME

	In thousands of RSD	
	<u><i>December 31, 2020</i></u>	<u><i>December 31, 2019</i></u>
Prepaid expenses	3,058	2,423
Calculated subsidy income	-	-
Calculated income from related legal parties	37,181	46,981
Other active accruals	-	-
Prepayments and deferred income total	<u>40,239</u>	<u>49,404</u>

28. OFF-BALANCE SHEET ASSETS

Pursuant to the legal provisions (Rulebook on the content and form of forms of financial statements for companies, cooperatives, other legal entities and entrepreneurs), the Company has stated off-balance sheet assets in its financial statements. Items stated within off-balance sheet assets do not represent the Company's assets or liabilities, but primarily serve in the context of the informative role of users of financial statements.

In thousands of RSD

	<i>December 31, 2020</i>	<i>December 31, 2019</i>
Off-balance sheet assets	160,908	71,062

29. EQUITY

The registered amount of the Company's share equity with the Business Registers Agency is RSD 2,515,366,054.00. All share equity is money equity.

In thousands of RSD

	<i>December 31, 2020</i>	<i>December 31, 2019</i>
Shares of a limited liability company	2,515,366	2,515,366
Statutory and other reserves	-	-
Loss of previous years	(1,989,627)	(1,906,964)
Loss of current year	(255,472)	(82,581)
Equity total	270,267	525,821

A member of the Company with a 100% share is PKC WIRING SYSTEMS OY FINLAND.

30. LONG - TERM PROVISIONS

In thousands of RSD

	Retirement benefits	Other provision-jubilee awards	Total
As of January 1, 2019.	10,460	18,843	29,303
Additional provisions	10,381	13,729	24,110
Used during the year	-	-	-
Release of provisions	-	-	-
As of December 31, 2019	20,841	32,572	53,413
Additional reservations	2,068	7,459	9,527
Used during the year	-	-	-
Release of provisions	-	-	-
As of December 31, 2020	22,909	40,031	62,940

30. LONG - TERM PROVISIONS (continued)

Provisions for severance pay and jubilee awards are formed in the amount of the present value of expected future payments.

The assumptions are as follows:

- The discount rate used is 3.9% and represents expectations that reflect the long-term nature of the provision,
- The long-term growth rate of wages used is 2.5%, which is the company's expectation in terms of growth in wages of employees in the company,
- The turnover rate of 3% represents the long-term expected turnover rate of employees in the company

31. LONG-TERM LOANS AND LOANS FROM PARENT LEGAL ENTITIES

In thousands of RSD

	<i>December 31, 2020</i>	<i>December 31, 2019</i>
Long-term liabilities to the parent company	2,263,419	2,263,661
Long-term liabilities total	2,263,419	2,263,661

Maturity of long-term loans:

In thousands of RSD

	<i>December 31, 2020</i>	<i>December 31, 2019</i>
Between 1 and 2 years	-	-
Between 2 and 5 years	2,263,419	2,263,661
Over 5 years	-	-
Long-term loans total	2,263,419	2,263,661

The carrying amount of the Company's loans is expressed in the following currencies:

	<i>December 31, 2020</i>	<i>December 31, 2019</i>
in thousands EUR	19,250	19,250
in thousands RSD	2,263,419	2,263,661

32. OTHER LONG-TERM LIABILITIES

Other long-term liabilities refer to liabilities based on financial leasing, liabilities based on deferred payment of taxes and contributions on salaries for April, May, June and August 2020 in 24 monthly installments starting from 1.1.2021. as a measure of the Government of the RS based on the Decree on fiscal benefits and direct benefits to economic entities in the private sector and financial assistance to citizens in order to mitigate the economic consequences caused by the disease COVID-19

As of January 31, 2020, the Company fulfilled the investment obligation and the employment obligation based on the Incentive Allocation Agreement concluded with the Ministry of Economy of the Republic of Serbia, so it exercised the right to a subsidy in the amount of EUR 2,257,280. The subsidy was paid in May 2020. As of December 31, 2020, the Company had the right to recognize EUR 220,000, ie RSD 25,868 thousand, in the income statement. The part of the subsidy that the Company will have the right to recognize in 2021 was transferred to short-term liabilities in the amount of 40,538 thousand RSD (or 345 thousand EUR)

In thousands of RSD

	December 31, 2020
Leasing liabilities	19,752
Liabilities based on deferred taxes and contributions	100,411
Deferred income from conditional donations	198,873
Other long-term liabilities total	319,036

33. SHORT-TERM FINANCIAL LIABILITIES

Other short-term financial liabilities refer to the part of long-term liabilities that are due for payment during the year or are due for recognition as income.

	December 31, 2020
Liabilities based on leasing maturing up to 1 year	14,192
Deferred income from conditional donations due for up to 1 year	40,538
Short-term financial liabilities total	54,730

34. OPERATING LIABILITIES

In thousands of RSD

	December 31, 2020	December 31, 2019
Liabilities to suppliers related legal entities	178,301	111,614
Suppliers- domestic	81,684	203,106
Suppliers- foreign entities	934,329	290,182
Operating liabilities total	1,194,314	604,902

34. OPERATING LIABILITIES (continued)

Trade payables bear no interest and have a payment currency ranging from 07 to 90 days. The Company's management believes that the carrying amount of operating liabilities reflects their fair value at the balance sheet date.

35. OTHER SHORT-TERM LIABILITIES

	In thousands of RSD	
	<i>December 31, 2020</i>	<i>December 31, 2019</i>
Earnings and salary allowances	154,315	70,939
Reimbursable salary benefits	6,355	4,181
Liabilities to employees	202	153
Deferred tax liabilities and contributions	84.963	-
Liabilities to individuals for contractual fees	13	12
Other liabilities	2,491	794
Short-term liabilities total	248.339	76,079

Other liabilities mostly refer to unpaid salaries and compensations to employees for December 2020, ie December 2019. The company used the opportunity for deferred payment of taxes and contributions for April, May, June and August 2020 as a measure of the Government of RS to mitigate the impact of the COVID-19 pandemic. The amount due for payment in 2021 is 92,687 thousand of RSD

The Company's management believes that the carrying amount of other current liabilities corresponds to their fair value at the balance sheet date.

36. VALUE ADDED TAX PAYABLES

Liabilities based on value added tax are stated on the basis of internal calculations for services provided by foreign suppliers. The company operates in the Free Customs Zone and on that basis there is legal tax evasion.

	In thousands of RSD	
	<i>December 31, 2020</i>	<i>December 31, 2019</i>
Other VAT payables	2,649	2,074
VAT payables total	2,649	2,074

37. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND OTHER DUTIES

Liabilities for other taxes and contributions are stated on the basis of liabilities for employment benefits for the disabled in the amount of RSD 1,032 thousand and liabilities for withholding taxes in the amount of RSD 6 thousand.

In thousands of RSD

	<i>December 31, 2020</i>	<i>December 31, 2019</i>
Other liabilities for taxes, contributions and other duties	1,038	1,153
Liabilities for other taxes, contributions and other duties total	1,038	1,153

38. ACCRUALS AND DEFERRED INCOME

In thousands of RSD

	<i>December 31, 2020</i>	<i>December 31, 2019</i>
Pre-calculated costs	64,334	72,148
Calculated interest towards the parent legal entity	1,804	2,006
Calculated salary costs (holidays)	59,078	43,183
Calculation for litigation	2,909	3,630
Accruals and deferred income total	128,125	120,967

39. OFF-BALANCE SHEET LIABILITIES

Items stated within off-balance sheet liabilities do not represent liabilities of the Company, but primarily serve in the context of the informative role of users of financial statements. The structure of off-balance sheet liabilities is as follows:

In thousands of RSD

	<i>December 31, 2020</i>	<i>December 31, 2019</i>
Liabilities for fixed assets for joint operations	160,073	70,396
Obligations for material received for processing and finishing	835	666
Off-balance sheet liabilities total	160,908	71,062

40. RECONCILIATION OF RECEIVABLES AND LIABILITIES

The Company has reconciled receivables and liabilities with the balance as of December 31, 2020 Reconciliations with related legal entities are performed every month.

There are no unreconciled claims

41. CONTINGENT LIABILITIES AND COMMITMENTS

Litigation

As at December 31, 2020, the Company appears as a defendant in 10 court disputes concerning employment, with a total value of around RSD 2,909 thousand for which a cost reservation has been made. The final outcome of these disputes is uncertain, however the claims for these disputes are small and cannot increase liabilities that could affect business in the future.

Leasing

The company leases vehicles that make up the vehicle fleet, as well as small equipment that is used occasionally.

42. RELATED PARTY TRANSACTIONS

(a) Procurement and sales to related parties

In its regular operations, the Company realizes business transactions with parent and related legal entities. The Company provides services to related legal entities and at the same time is a user of their services. The relations between the Company and its related legal entities are regulated on a contractual basis and under market conditions. The following transactions were performed with related legal entities:

	In thousands of RSD	
<i>Sales of goods and services</i>	2020.	2019.
Parent company	8,121	15,278
- PKC Wiring Systems Oy	8,121	15,278
Related parties	-	-
Other related parties	6,882,769	7,931,910
- PKC Group Sp.z.o.o. Poland	3,277,437	3,868,252
- PKC Eesti As	3,585,388	4,055,722
- PKC Group Lithuania	1,112	4,255
- PKC Group OYJ	4,276	3,607
- PKC SEGU Systemelektrik GmbH	-	9
- AEES Farmington Hills	-	65
- LLC AEK	184	-
- SMP Automotive Interior Modiles doo	42	-
- Motherson PKCHarness Systems FZLLC-RAK	14,330	-
Sales to affiliated and parent companies total	6,890,890	7,947,188

42. RELATED PARTY TRANSACTIONS (continued)

The goods are sold at prices and conditions that would be available to third parties.

	In thousands of RSD	
<i>Procurement of goods and services</i>	<u>2020.</u>	<u>2019.</u>
Parent company	-	-
Related parties	-	-
Other related parties	1,336,833	3,036,158
- PKC Group Sp.z.o.o. Poland	1,221,125	2,887,732
- PKC Eesti As	92,531	105,680
- PKC Group Lithuania	2,115	15,810
- PKC SEGU Systemelektrik GmbH	247	1,450
- LLC AEK	-	3,620
- PKC Vehicle Technology	95	128
- PKC Group OYJ	96	-
- Kabel-Technik-Polska Sp. z o. o.	-	-790
- MSSL Mideast (FZE)	-	29
- PK Cables do Brasil Industria e Comercio Ltda	3,870	5,236
- Motherson Air Travel Agency	-	6
- MSSL Japan	1,826	713
- SMP Deutschland GmbH	-	502
- Motherson Sumi Systems Limited	31	6
- Motherson Sumi Systems Ltd. CHN_OU02_P18 MSSL	-	14
- Motherson Sumi Systems Ltd. MSSI-Uttar	-	2,352
- Motherson Sumi Systems Ltd. SBU 26	479	15
- MSSL GmbH	86	-
- MSSL India, Faridabad	-	89
- Motherson sumi systems Limited-MSSL	14,332	13,566
Purchases from related parties total	<u>1,336,833</u>	<u>3,036,158</u>

Goods and services are purchased in accordance with normal business conditions.

42. RELATED PARTY TRANSACTIONS (continued)

(b) Balances at the end of the year arose from sales / purchases of goods / services

	In thousands of RSD	
	December 31, 2020	December 31, 2019
<i>Receivables from related legal parties</i>		
Parent company	615	806
- PKC Wiring Systems Oy	615	806
Related parties	-	-
Other related parties	701,879	518,878
- PKC Group Sp.z.o.o. Poland	282,750	334,182
- PKC Group Lithuania	216	-
- PKC Group OYJ	365	352
- PKC EEsti	405,053	184,344
- Motherson PKCHarness Systems FZLLC-RAK	13,495	-
<i>Liabilities to related parties</i>		
Parent company	-	-
Related parties	-	-
Other related parties	178,301	111,614
- PKC Group Sp.z.o.o. Poland	162,303	86,277
- PKC Eesti As	8,416	5,174
- PKC SEGU Systemelektrik GmbH	-	214
- LLC AEK	-	3,617
- PKC Group Lithuania	-	11,956
- MSSL Japan	1,306	-
- MSSL Mideast (FZE)	-	28
- Motherson sumi systems Limited-MSSL	6,264	588
- PK Cables do Brasil Industria e Comercio Ltda	-	3,652
- Motherson Sumi Systems Limited	12	6
- Motherson Sumi Systems Ltd. CHN_OU02_P18 MSSL	-	14
- MSSL India, Faridabad	-	88

43. FINANCIAL RISK MANAGEMENT

The Company's operations are exposed to various financial risks:

- Market risk,
- Credit risk and
- Liquidity risk.

Risk management in the Company is aimed at striving to minimize potential negative impacts on the Company's financial operations in a situation of unpredictability of financial markets. Risk management is performed by the Company's financial department in accordance with the company's policies.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes the following types of risk:

Risk of changes in foreign exchange rates

The Company operates internationally and is exposed to the risk of changes in foreign exchange rates arising from operations with different currencies, primarily EUR. The risk arises from future business transactions, as well as from recognized assets and liabilities in foreign currency.

The Company's management has established a policy for managing the risk of changes in foreign exchange rates in relation to its functional currency. The Company has receivables and liabilities in foreign currency, so that the matching of inflows and outflows in the same currency is maximized in order to protect against changes in foreign exchange rates. The following table shows the Company's exposure to foreign exchange risk as at 31 December 2020:

In thousands of RSD	CHF	USD	EUR	RSD	Total
Cash and cash equivalents	-	-	196,215	27,916	224,131
Receivables	-	-	707,613	1,207	708,820
Short-term financial investments	-	-	-	-	-
Long-term financial investments	-	-	-	500	500
Equity investments	-	-	-	-	-
Other receivables	-	-	42	78,424	78,466
Total	-	-	903,870	108,047	1,011,917
Short-term financial liabilities	-	-	-	(54,730)	(54,730)
Operating liabilities	-	-	(1,112,630)	(81,684)	(1,194,314)
Long-term liabilities	-	-	(2,263,419)	(311,311)	(2,574,730)
Other liabilities	-	-	-	(259,751)	(259,751)
Total	-	-	(3,376,049)	(707,476)	(4,083,525)
Net foreign exchange position	-	-	(2,472,179)	(599,429)	(3,071,608)

43. FINANCIAL RISK MANAGEMENT (continued)

The following table shows the Company's exposure to foreign exchange risk as at December 31, 2019:

In thousands of RSD	CHF	USD	EUR	RSD	Total
Cash and cash equivalents	-	-	306,688	41,335	348,023
Receivables	-	-	520,025	7	520,032
Short-term financial investments	-	-	-	-	-
Long-term financial investments	-	-	-	500	500
Equity investments	-	-	-	-	-
Other receivables	-	-	76	66,773	66,849
Total	-	-	826,789	108,615	935,404
Short-term financial liabilities	-	-	-	-	-
Operating liabilities	-	-	(401,796)	(203,106)	(604,902)
Long-term liabilities	-	-	((2,263,661)	-	(2,263,661)
Other liabilities	-	-	-	(79,306)	(79,306)
Total	-	-	(2,665,457)	(282,412)	(2,947,869)
Net foreign exchange position	-	-	(1,838,668)	(173,797)	(2,012,465)

Interest rate risk

The Company is exposed to risks that, through the effects of changes in market interest rates, affect its financial position and cash flows. The Company's operations are exposed to the risk of changes in interest rates to the extent that interest-bearing assets and interest-bearing liabilities are due at different times or in different amounts.

Since the Company does not have significant interest-bearing assets, the Company's income and cash flows are largely independent of changes in market interest rates. The Company's risk of changes in interest rates arises primarily from liabilities based on long-term loans received. The Company has liabilities based on received long-term loans from the parent legal entity with a variable interest rate, which is linked to Euribor.

Risk management activities aim to optimize net interest expense, provided that market interest rates are at a level that is in line with the Company's business strategy.

The following table shows the Company's exposure to interest rate risk:

	In thousands of RSD	
	<i>December 31, 2020</i>	<i>December 31, 2019</i>
Fixed interest rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	2,263,419	2,263,661
Variable interest rate instruments		
Financial assets	-	-
Financial liabilities	2,263,419	2,263,661

43. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk of incurring financial losses of the Company as a result of delays of clients or other counterparties in settling contractual obligations. The Company's credit risk arises primarily from operating receivables.

Significant exposure to the Company's credit risk arises from exposure to a smaller number of customers, who are, in addition, related parties to the Company. The levels of receivables from related parties as of December 31, 2019 were also presented. to ensure data comparability. Receivables as at December 31, 2020 from parent, related legal entities, domestic customers and customers from abroad are stated as follows:

	In thousands of RSD	
	<i>December 31, 2020</i>	<i>December 31, 2019</i>
Domestic customers		
Kappa Star Recycling doo	47	-
Metal logistic d.o.o.	1,160	-
Yazaki Srbija d.o.o.		7
Domestic customers total	1,207	7
Impairment of receivables	-	-

	In thousands of RSD	
	<i>December 31, 2020</i>	<i>December 31, 2019</i>
Customers abroad - related and parent companies		
PKC Group Poland z.o.o.	282,750	334,182
PKC Eesti AS	405,053	184,344
PKC Group Lithuania UAB	215	-
PKC Wiring Systems Oy	615	806
PKC Group OY	365	352
Motherson PKCHarness Systems FZLLC-RAK	13,495	-
Customers related and parent companies total	702,494	519,684
Impairment of receivables	-	-

	In thousands of RSD	
	<i>December 31, 2020</i>	<i>December 31, 2019</i>
Foreign customers		
Loni Polska.	65	-
MOL CY NV	249	-

43. FINANCIAL RISK MANAGEMENT (continued)

Draka Kabely, s.r.o.	216	329
Daimler Truck AG	3,596	-
Lear Vysko CZECH	617	-
Lear Remscheid_GMBH_DE	238	12
BSB Metallverformung GmbH+ Co. - DM	121	-
Yazaki_BE	18	-
Foreign customers total	5,120	341
Impairment of receivables	-	-

Credit risk hedging was established by taking certain measures and activities at the Company level. In case of untimely settlement of customer obligations towards the Company, the provision of services to them is terminated. However, in the business so far, which has lasted more than 6 years, there has been no significant delay on the part of customers in settling obligations, so that the value adjustment of trade receivables is equal

		Matured and not written-off receivables						
		Not-matured and not written-off receivables	< 30 days	30-60 days	61 - 90 days	91 - 180 days	181 - 360 days	>360 days
Total	RSD'000	RSD'000	RSD'000	RSD'000	RSD'000	RSD'000	RSD'000	RSD'000
2020	708,820	664,773	18,918	2,590	-	-	3,596	18,943
2019	520,032	465,059	7,339	15,882	11,011	6,347	10,815	3,579

to zero. The age structure of trade receivables is given in the following table:

Liquidity risk

Liquidity risk is the risk that the Company will not be able to finance funds with appropriate sources of financing in terms of deadlines and the risk of inability to realize the asset at a reasonable price within the appropriate time frame.

The Company manages liquidity in order to ensure that sources of funding are available to meet liabilities when they fall due. The Company continuously assesses liquidity risk by identifying and monitoring changes in funding sources necessary to meet the Company's business objectives, in accordance with the Company's business strategy.

The Company has access to a variety of funding sources. Funds are raised through:

- inflows from regular business activities
- long-term loans

43. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The following table presents the maturity of assets and liabilities, according to the remaining maturity date, as of December 31, 2020, as well as as of December 31, 2019:

	In thousands of RSD					
<i>As of December 31, 2020</i>	Up to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Cash and cash equivalents	224,131	-	-	-	-	224,131
Receivables	708,820	-	-	-	-	708,820
Other receivables	78,466	-	500	-	-	78,946
Total receivables	1,011,417	-	500	-	-	1,011,917
Long-term liabilities	-	-	(120,163)	(2,263,419)	(198,872)	(2,582,454)
Operating liabilities	(1,194,314)	-	-	-	-	(1,194,314)
Short-term financial liabilities	(3,548)	(51,182)	-	-	-	(54,730)
Other short-term liabilities	(190,236)	(69,515)	-	-	-	(259,751)
Total liabilities	(1,388,098)	(120,697)	(120,163)	(2,263,419)	(198,872)	(4,091,249)
Maturity mismatch as of December 31, 2020	(376,681)	(120,697)	(120,163)	(2,263,419)	(198,872)	(3,079,332)

<i>As of December 31, 2019</i>	Up to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Cash and cash equivalents	348,023	-	-	-	-	348,023
Receivables	520,032	-	-	-	-	520,032
Other receivables	66,849	-	500	-	-	67,349
Total receivables	934,904	-	500	-	-	935,404
Liabilities based on loans	-	-	-	(2,263,661)	-	(2,263,661)
Operating liabilities	(604,902)	-	-	-	-	(604,902)
Other short-term liabilities	(79,306)	-	-	-	-	(79,306)
Total liabilities	(604,902)	-	-	(2,263,661)	-	(2,947,869)
Maturity mismatch as of December 31, 2019	330,002	-	-	(2,263,661)	-	(2,012,465)

43. FINANCIAL RISK MANAGEMENT (continued)

Capital risk management

The goal of capital management is for the Company to maintain the ability to continue to operate indefinitely in the foreseeable future, to provide return to equity owners, as well as to maintain an optimal capital structure in order to reduce capital costs.

The company monitors capital based on the debt ratio. This ratio is calculated from the ratio of the Company's net debt and its total capital. Net debt is obtained when total loans (including short-term and long-term, as shown in the balance sheet) are reduced by cash and cash equivalents. Total capital represents capital, stated in the balance sheet. The indebtedness ratio is calculated as the ratio of net debt to total capital.

As at December 31, 2020 and 2019, the Company's indebtedness ratio was as follows:

In thousands of RSD

	<i>December 31, 2020</i>	<i>December 31, 2019</i>
Total liabilities	4,274,590	3,122,248
Minus: cash and cash equivalents	224,131	348,023
Net debt	4,050,459	2,774,225
Total capital	270,349	525,821
Indebtedness ratio	1,498.23%	527.59%

44. FOREIGN EXCHANGE RATES

The official exchange rates of the National Bank of Serbia, used to convert foreign exchange positions as at December 31, 2020 and December 31, 2019 into the functional currency (RSD), for certain foreign currencies are:

RSD

	<i>December 31, 2020</i>	<i>December 31, 2019</i>
EUR	117.5802	117.5928
USD	95.6637	104.9186
JPY (for 100)	92.7654	96,53
CHF	108.4388	108.4004
SEK	11.6538	11.2183
PLN	25.6507	27.6422

44. EVENTS AFTER THE BALANCE SHEET DATE

Management has assessed that the situation resulting from COVID-19 will not have a material adverse effect on the Company's ability to service its obligations or a long-term impact on the Company's revenues and operations that would call into question the possibility of continuing operations in the foreseeable future.

There were no other significant events after the date of the reporting period that would require adjustments or disclosures in the notes to the accompanying financial statements of the Company for 2020.

In Smederevo,

16.06.2021. godina



A handwritten signature in blue ink, appearing to be 'D. K. ...', written over a horizontal line.

PKC Wiring Systems d.o.o.



A large, stylized handwritten signature in blue ink, written over the circular stamp.

PKC Wiring systems doo

ANNUAL BUSINESS REPORT

FOR 2020

1. Group structure and basic information about the Company

1.1 Group history

PKC Group is a global partner, which designs, manufactures and integrates power distribution systems, electronics and related system components for the industry of commercial vehicle, rail vehicle and other selected segments.

The Group has production facilities in Brazil, China, Germany, Lithuania, Mexico, Poland, Russia, Serbia and the United States.

PKC designs, manufactures and integrates customized electricity distribution systems and related system components, vehicle electronics, wires and cables specifically for trucks and buses, light and recreational vehicles, construction equipment and agricultural and forestry equipment. In addition, PKC designs and manufactures electrical cabinets, energy packaging and electrical distribution systems for leading railway vehicle manufacturers. It is important to note that the products are designed and manufactured in accordance with the specific requirements of customers.

PKC Group was acquired in 2017 by MSSL (Motherson Sumi System Limited). The presence of MSSL has further strengthened PKC's competitive position through a larger and wider range of activities it serves its clients while providing management and employees with great opportunities within such a large corporation.

With the PKC Group, MSSL provides customers with more solutions, in multiple locations, thanks to synergies, vertical integration, innovation and new technologies, as well as greater global reach.

1.2 Basic information about the Company

Company ID card

Full name of the Company:	PKC Wiring Systems društvo sa ograničenom odgovornošću Smederevo
Legal form:	A limited liability company
Date of Establishment:	29.10.2013.
Headquarters:	Šalinačka bb, Smederevo
Identification number:	20967579
Company size:	Large legal entity
TAX ID:	108279956
Registered activity:	Manufacture of electrical and electronic equipment for motor vehicles (activity code 2931)

The company is 100.00% owned by PKC Wiring Systems OY, based in Finland.

1.3 Description of the Company's business

The company was founded in October 2013 and operates in the Free Customs Zone Smederevo. It is located in Smederevo in the northeastern part of Serbia, near the main regional road, railway, water and air routes.

As of December 31, 2020 the company had 2,560 employees. The directors of the Company in 2020 are Kieran Patrick Sheehy and Andreas Heuser.

The company is mainly engaged in the production of cable harnesses for commercial vehicles.

In accordance with the Law on Classification of Activities and the Regulation on Classification of Activities¹, as well as according to the NACE² classification, the activity performed by the Company is classified in sector C, area 29, branch 3 and group 1, ie. activity **29.31 - manufacture of electrical and electronic equipment for motor vehicles**.

Activity 29.31 includes the production of:

- electrical equipment for starting internal combustion engines: ignition magnets, dynamo-magnets, ignition coils, spark plugs, heating spark plugs, starters, generators (dynamo machines, alternators), regulators, etc.;
- wipers and defrosting and demisting devices, electric devices for opening windows and doors on cars, etc.;
- sets of conductors;
- voltage regulator.

Does not include the production of:

¹ Official Gazette of RS no. 54/2010

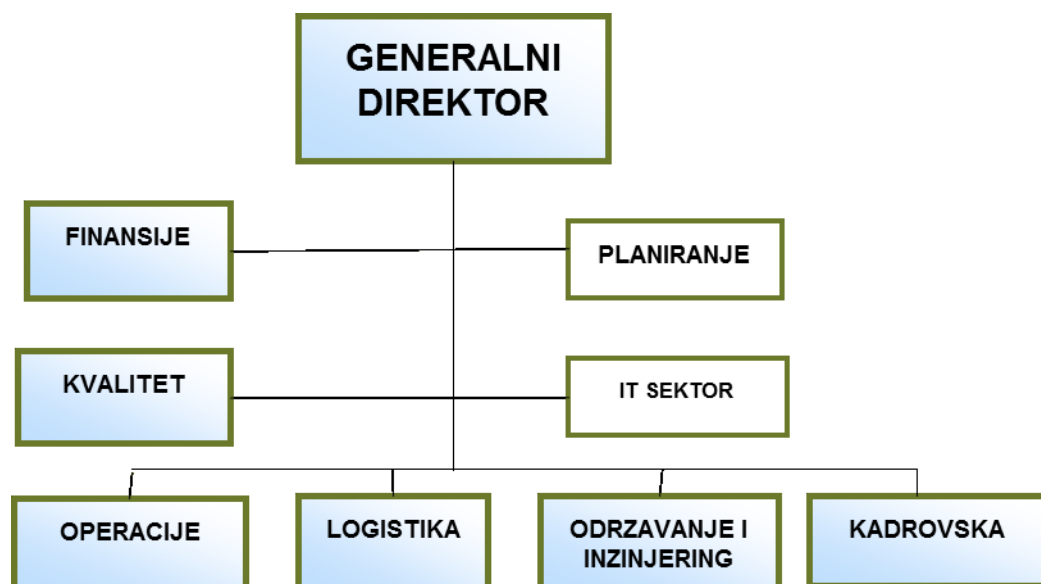
² Statistical Classification of Economic Activities in the European Union, ili NACE predstavlja evropski industrijski standard klasifikacije, koji se sastoji od šifre od 6 cifara.

- battery and accumulator for vehicles, part. 27.20;

1.4 Organizational structure of the Company

The Rulebook on the organization and systematization of work stipulates that business is conducted through 7 sectors:

- Planning,
- IT sector,
- Operatins, production,
- Logistics,
- Maintenance and engineering,
- Human resources sector, ie HR sector
- Quality and
- Finance



2. Financial data of the Company

Financial data on the Company for 2019 (in thousands of RSD)

Position name	2020.
Operating income	6,846,557
(Operating expenses)	(6,999,151)
Operating profit/(loss)	(159,362)
Financial income	13,390
(Financial expenses)	(81,607)
Other income	39,752
(Other expenses)	(74,413)
Profit/(loss) before taxation	(255,472)

3.

The following is an overview of the main financial indicators of the Company in the previous three years.

Financial indicators of the Company in the previous three years (in thousands of RSD)

Position name	2019.	2018.	2017.
Operating income	7,863,634	4,716,111	1,585,954
(Operating expenses)	(7,854,449)	(4,715,964)	(1,934,650)
Operating profit/(loss)	9,185	147	(348,696)
Financial income	31,763	26,185	58,317
(Financial expenses)	(82,806)	(58,456)	(63,347)
Other income	39,118	18,672	5,027
(Other expenses)	(79,842)	(57,789)	(4,646)
Profit/(loss) before taxation	(82,581)	(71,241)	(353,345)
Net profit/(loss)	(82,581)	(71,241)	(353,345)

2.1. Revenue structure

The structure of the Company's revenues in 2019 consists of operating revenues, financial and other extraordinary revenues.

	In thousands of RSD
Position name	2020.
Revenues from sales of finished products and services to other legal entities abroad	6,782,203
Revenues from the sale of finished products and services to the parent legal entity abroad	8,120
Revenues from sale of goods	17,538
Revenues from sales of finished products and services to other legal entities in the country	35
Revenues from sales of finished products and services to other legal entities abroad	3,845
Revenues from premiums, subsidies, grants, donations	33,733
Other operating income	1,084
Revenues from activation of goods and effects	24,829
Change in inventory value	(43,676)
Financial income	13,390
Other income	39,752
Total revenue	6,880,853

The Company has a production contract within the Group with related parties abroad. The products subject to production under the Contract are: electrical wires and cable assemblies, wire harnesses / looms and cable connector assemblies. In addition to this agreement, the Company has concluded an Agreement on technical-technological cooperation with related parties on the basis of which it provides services and generates revenues from services (sorting services, hiring labor, etc.).

Revenues from the sale of goods consist of revenues from the sale of waste.

Revenues from activation of effects refer to the production of prefabricated panels for own needs, which are the permanent assets of the company.

Financial income consists of income from related legal entities.

Other revenues include surplus materials, finished products, work in progress, revenues from realized cash discounts in procurement, revenues from damages due to downtime, etc.

In 2020, the Company used the right to non-refundable funds to finance salaries under the Regulation on Fiscal Benefits and Direct Benefits to Business Entities in the Private Sector and financial assistance to citizens in order to mitigate the economic consequences of COVID-19 in the amount of 7,865. thousands of RSD.

As of January 31, 2020, the Company fulfilled the investment obligation and the employment obligation based on the Incentive Allocation Agreement concluded with the Ministry of Economy of the Republic of Serbia, so it exercised the right to a subsidy in the amount of EUR 2,257,280.00. The subsidy was paid in May 2020. As of December 31, 2020, the Company had the right to recognize in the income statement as income 220,000.00 EUR, or 25,868. thousands of RSD.

2.2 Expenditure structure

The structure of the Company's expenses in 2020 is given in the following presentation in 000 RSD:

Position name	2020.
Cost of goods sold	517
Costs of material, fuel and energy	4,489,558
Earning costs and earning compensation	1,871,223
Cost of production services	107,901
Depreciation costs	311,793
Costs of long-term provisions	9,527
Non-material costs	189,786
Financial costs	81,607
Other extraordinary expenses	37,959
Impairment lossesa	36,454
Total expenses	7,136,325

The structure of material costs consists of the costs of materials for the production of harness RSD 4,323,053 thousand, and the rest are the costs of spare parts, consumables, small inventory and the costs of electricity and gas.

The structure of earning costs and earning compensations also includes the costs of agency workers in the amount of 80,353 thousand RSD who were engaged until April 2020, the costs of business trips of employees for training conducted by related parties and business trips to support related parties in production.

The most important item is transport costs in the amount of 57,258 thousand RSD, and they relate mostly to the costs of special deliveries of finished products, in order to deliver the finished products to the customer on time, the cost of renting warehouse space, leasing vehicles, office equipment.

The cost of long-term provisions relates to provisions for retirement benefits and jubilee awards.

The most significant item of non-material costs are the costs of customs duties on the import of materials around RSD 60,169 thousand, representation costs with around RSD 5,601 thousand, property tax costs in the amount of RSD 4,384 thousand, benefits based on the obligation to employ the disabled in the amount of RSD 6,590 thousand.

Financial costs relate to the cost of interest to the parent company on long-term loans in the amount of RSD 66,176 thousand, and the rest are foreign exchange losses.

Other extraordinary costs include the costs of write-off of fixed assets, spare parts, costs of shortages of materials, finished products, work in progress, costs of complaints from customers, etc.

Expenses on impairment of inventories comprise of the costs of obsolete inventories of spare parts, materials, work in progress and finished products, the calculation of which is defined by the Group's internal policy.

3. Balance sheet

As at 31 December 2020, the balance sheet presents an overview of the Company's assets, liabilities and capital.

Within the assets, the Company owned fixed assets in the amount of RSD 2,223,470 thousand and current assets in the amount of RSD 2,307,355 thousand.

An overview of the structure of assets is given in the following presentation in thousands of RSD:

Position name	2020.
Intangible assets	6,698
Equipment	774,437
Land	74,557
Construction objects	1,235,179
Investments in progress	132,098
Long-term deposits	500
Stocks of materials, spare parts	1,255,700
Prepayments	2,032
Trade receivables	708,820

Other receivables	15,480
Cash and cash equivalents	224,130
Value added tax	60,955
Active accruals	40,239
Deferred tax assets	14,033
Total assets	4,544,858

Intangible assets are stated at purchase value or cost. Subsequent to initial recognition, intangible assets are stated at cost less impairment and impairment losses.

Subsequent expenditure on an intangible asset may be capitalized only when future economic benefits are expected from the asset to which it relates. All other costs represent an expense in the period in which they are incurred.

The useful life of intangible assets is estimated to be fixed.

Amortization of intangible assets is calculated from the beginning of the following month in relation to the month when the asset was put into use.

The intangible assets of the Company consist of software and licenses with a purchase value of RSD 29,008 thousand, with an allowance in the amount of RSD 22,310 thousand, whose current value as at 31 December 2020 amounts to RSD 10,184 thousand.

Items of property, plant and equipment, which meet the conditions to be recognized as an asset, are measured at initial recognition at their purchase value, ie cost.

Property or equipment is considered to be those assets whose expected useful life is longer than one year and which have a significant value, ie. the value of acquiring a group of assets exceeds EUR 1,000.00.

Cost is the value per supplier's invoice including customs duties, non-refundable taxes and all other costs of bringing the asset to a working condition. The purchase value is reduced for all received discounts and / or rebates (gifts). The cost of constructed fixed assets is their cost at the date of construction.

Subsequent expenditure on property, plant and equipment is capitalized only when future economic benefits associated with the expenditure can be expected and the expenditure can be measured reliably. All other maintenance costs are charged to the period in which they are incurred.

Gains or losses arising on the sale or disposal of property and equipment are recognized in other operating income or other operating expenses in the income statement in the period in which the assets are disposed of or sold, in the amount of the difference between the proceeds from the sale and the carrying amount of the resources.

The useful life of an asset is reviewed at least at the end of each financial year, and if there are changes in the expected pattern of spending of future economic benefits contained in the asset, the depreciation rate is changed to reflect the changed dynamics.

Depreciation of equipment and real estate is calculated from the beginning of the next month in relation to the month when the asset was put into use.

The cost of equipment as at December 31, 2020 is RSD 2,020,461 thousand with value adjustment of RSD 1,246,024 thousand, present value is RSD 774,437 thousand.

The cost of buildings is RSD 1,294,129 thousand with a value adjustment of RSD 58,950 thousand, present value is RSD 1,070,179 thousand

Land depreciation is not calculated because the land does not lose in value. Its cost, which is equal to its present value, is RSD 74,557 thousand.

The value of stocks on December 31, 2020 consists of the following categories expressed in thousands of RSD:

Position name	2020.
Production material	839,294
Packaging	8,229
Consumables	7,984
Promotional material	293
Workshop components	52,423
Spare parts	115,588
HTZ equipment	94
Work in progress	114,994
Finished goods	85,649
Goods	1,151
Total inventories	1,255,699

Advances given as at 31 December 2020 amount to RSD 2,031 thousand, of which advances in the country relate to the purchase of materials RSD 1,989 thousand and advances abroad for the purchase of materials RSD 42 thousand RSD

The structure of receivables as of December 31, 2020 is given in the overview in thousands of RSD:

Position name	2020.
Receivables from the parent company from abroad	615
Receivables from related parties from abroad	701,879
Trade receivables in the country	1,207
Receivables from foreign customers	5,119
Total receivables	708,820

In the structure of trade receivables, receivables from related parties have the largest share because the sale of harness, ie finished products to end customers (MAN, Scania, Volvo, Deutz) goes through related parties PKC Poland z.o.o and PKC Eesti AS which have concluded agreements with end customers.

Other receivables as of December 31, 2020 amount to thousands of RSD:

Position name	2020.
Receivables from employees	619
Reimbursable earning claims	14,188
Other receivables	673
Total other receivables	15,480

Receivables from employees refer to receivables for advance payments for business trips. Other receivables mostly refer to receivables for refunded sick leave over 30 days in the amount of 13,879. thousands of RSD.

As at 31 December 2020, the Company had RSD 27,566 thousand on dinar current account with OTP bank and RSD 349 thousand on Visa card with OTP bank, RSD 195,794 thousand on foreign currency account with OTP bank and RSD 420 thousand RSD on foreign currency visa card.

Accruals and deferred income consist of prepaid expenses RSD 3,058 thousand RSD, accrued income by group RSD 37,181 thousand and deferred tax assets RSD 14,032 thousand.

An overview of the structure of liabilities as of December 31, 2020 is given in the following presentation in thousands of RSD:

Position name	2020.
Equity	270,267
Long-term provisions	62,940
Long-term liabilities	2.582.454
Short-term financial liabilities	54,730
Operation liabilities	1,194,314
Other short-term liabilities	248,339
Value added tax payables	2,650
Liabilities for other taxes and contributions	1,039
Accrued expenses and deferred revenue	128,125
Total liabilities	4,544,858

Long-term provisions include provisions for severance pay to employees in the amount of RSD 22,909 thousand and provisions for jubilee awards RSD 40,031 thousand. Provisions for severance pay and jubilee awards are formed in the amount of the present value of expected future payments, based on the actuarial calculation.

Part of the long-term liabilities relate to long-term loans from the parent company PKC Wiring Systems OY Finland in the amount of EUR 19,250 thousand.

The structure of equity consists of in thousands of RSD:

Position name	2020.
Shares of a limited liability company	2,515,366
Loss of previous years	(1,989,627)
Current year loss	(255,472)
Total equity	270,267

The structure of long-term liabilities in thousands of RSD:

Position name	2020.
Long-term loan from the parent company	2,263,419
Leasing liabilities	19,752
Liabilities based on deferred taxes and contributions	92,687
Deferred income and donations received	198,872
Total capital	2,574,730

The structure of operating liabilities in thousands of RSD:

Position name	2020.
Liabilities to suppliers - related parties abroad	178,301
Liabilities to suppliers in the country	81,684
Liabilities to suppliers abroad	934,329
Total operating liabilities	1,194,314

Liabilities to suppliers related to foreign countries are mostly liabilities for the procurement of direct material. Liabilities to suppliers abroad consist of liabilities for procurement of direct material in the amount of RSD 731,980 thousand, suppliers for uninvoiced goods are liabilities for import of direct material at CFA parity in the amount of RSD 168,483, other liabilities to suppliers relate to procurement of indirect material, fixed assets and services in the amount of RSD 33,966 thousand.

Earning obligations and earning compensations refer to the obligations for the final December salary in 2020. The advance payment of December salary was paid in December. Liabilities for net salaries are RSD 95,318 thousand, taxes and contributions at the expense of employees are RSD 37,035 thousand, contributions at the expense of the employer is RSD 21,961 thousand. Liabilities for refundable wages are RSD 6,355 thousand.

A significant amount of other short-term liabilities relates to deferred taxes and contributions for April, May, June and August 2020, which fall due in 2021 in the amount of RSD 92,687 thousand.

The most significant part of liabilities for other taxes relates to compensation for employment of the disabled in the amount of RSD 1,039 thousand.

Accrued costs and deferred revenue relate to pre-calculated costs of RSD 64,334 thousand, accrued interest of RSD 21,804 thousand, accrued expenses of unused annual leave in the amount of RSD 59,078 thousand and accrued costs for litigation in the amount of RSD 2,908 thousand.

4. Company's performance indicators

For a more complete view of the business results and financial position of the Company, it is necessary to consider the following indicators:

- liquidity indicators,
- indicators of financial structure and security,
- turnover indicators and
- profitability indicators.

All amounts in the overview will be expressed in thousands of RSD

4.1 Liquidity indicators

Liquidity indicators show the ability to settle liabilities that fall due in the short term (up to one year). Liquidity is related to the existence of sufficient current assets from which the obligations will be settled, and then the capacity of the Company to turn that current, ie short-term asset into money.

To assess the liquidity of the Company, we will use the following indicators:

- 1) **General liquidity ratio** is an indicator of the company's ability to settle its short-term liabilities on time. This ratio provides an answer to the question of whether the company has sufficient funds to meet its short-term liabilities. They are obtained by comparing working capital (inventories, receivables and cash) with short-term liabilities and shows how many dinars of current assets one dinar of short-term liabilities is covered with. The higher this indicator, the more favorable the liquidity is assessed.

General liquidity ratio = (Inventories + Receivables + Cash) / Current liabilities

General liquidity ratio

$$(1,257,731+708,821+15,480+224,130)/(54,730+1,194,314+256,063+2,649+1,039+128,125)=$$

$$=2,206,162/1,629,196=1.35$$

A company with a current liquidity ratio of 2: 1 or higher, has a good ability to service liabilities, as the Company has a general liquidity ratio of 2.24 means that the company is highly liquid.

- 2) **Quick ratio** (reduced liquidity ratio) shows whether the company has sufficient resources (receivables and cash) to settle short-term liabilities. The usual value of the coefficient is 1: 1. and is calculated by the formula:

Quick ratio= (Receivables + Cash) / Current liabilities

Quick ratio= (708,821+15,480,+224,130)/1,629,196=**0.58**

The company has a quick ratio of 1.1 which means it is liquid.

- 3) **The current liquidity ratio** shows the coverage of total short-term liabilities only with available cash. This ratio is most often used in practice and is also called the first degree liquidity ratio. It is calculated by the formula:

Current ratio= Cash / Current liabilities

Current ratio=224,130/1.639.196=**0.14**

It is better for the Company to have the ratio as high as possible.

- 4) **Working capital** represent the surplus of current assets that remain after the settlement of all short-term assets

Working capital= current assets-current liabilities

Working capital=2,206,162-1.639.196=**576.966**

Below is a comparative overview of liquidity indicators for 2019 and the current year.

<i>Liquidity indicator</i>	<i>Year 2019</i>	<i>Year 2020</i>
General liquidity ratio	2.24	1.35
Quick ratio	1.1	0.58
Current ratio	0.43	0.14
Working capital in thousands of RSD	996.973,00	576.966

Comparing liquidity indicators, we conclude that the Company worsened its liquidity in 2020.

4.2 Financial structure and security indicators

Indicators of financial structure and security indicate the manner in which the Company finances its operations, ie how much own and borrowed sources participate in it. The relationship between own and borrowed sources of financing indicates the quality of the financial structure, the security of creditors and the possibility of sustainable development of the company.

The following indicators are most commonly used:

- Stepen zaduženosti i
- Racio sopstvenog kapitala.

1) Debt to Assets shows how much the Company is financed from borrowed sources of financing, ie how much is the share of debts and liabilities in the overall financial structure. The lower this indicator, the better the financial structure, and the safer and more solvent the company.

Debt to Assets= total liabilities/total assets

Debt to Assets= 4,274,590/4,544,858=0.94

Total liabilities include provisions, long-term liabilities, short-term liabilities and deferred tax liabilities.

2) The equity ratio shows the share of own sources of financing in the total liabilities, ie. the extent to which the company is financed from its own capital. The higher this indicator, the higher the security and solvency.

Equity ratio= Total Equity/Total assets

Equity ratio=270,267/4,544,858=0.06

Although the level of indebtedness is high and the equity ratio is low, we cannot talk about the poor financial structure and uncertainty of creditors because in the structure of total liabilities the largest share is a long-term loan from a parent company from abroad in the amount of RSD 2,263,661 thousand or EUR 19,250 thousand.

Below is a comparative overview of financial structure and security indicators for 2019 and the current year.

<i>Financial structure and security indicators</i>	<i>Year 2019</i>	<i>Year 2020</i>
Debt to Assets	0.85	0.94
Equity ratio	0.14	0.06

Comparing the indicators, we conclude that in 2020 there was a significant change in the financial structure and security compared to the previous year.

4.3 Turnover indicators

Turnover indicators show us the efficiency of disposing of funds and resources, ie the speed of turnover of individual components of the production-turnover cycle.

The most important indicators of turnover are:

- activity of receivables
- activity of payables
- inventory activity
- turnover ratio of total assets, ie cash cycle

1) Activity of receivables

This ratio shows how many times the receivables from customers were turned into money during the year, ie how successful the company is in their collection. The higher the number of trades, the shorter the time between sales and collection of money, and the higher the quality of receivables from customers, and as a rule it is more liquid and profitable.

Activity of receivables = Net revenue from sales/ average balance of trade receivables

Activity of receivables=(17,538+6,794,203)/(708,820+520,031)/2=6,811,741/614,426=**11.09**

From this coefficient we derive an indicator of the average time of collection of receivables

Days receivable=365/ Koeficijent obrta potraživanja=365/11,09=**32.91 days**

This indicator indicates that the receivables collection period is 33 days.

2) Activity of payables

The turnover ratio of suppliers shows how much per unit of unpaid liabilities to suppliers the value of the total procurement is deferred, and is determined by the form:

Supplier turnover ratio = Value of annual purchases / Average balance of trade payables

Supplier turnover ratio=6,427,379/(1,194,314+604,901)/2=6,427,379/899,608=**7.14**

From this indicator we derive the average time of payment of liabilities to suppliers.

Days payable=365/ Koeficijent obrta dobavljača=365/7.14=**51.12**

This indicator indicates to us that the average time to pay obligations to suppliers is 51 days.

3) Inventory activity

We observe the activity related to stocks through the coefficients of turnover of stocks. It shows how efficiently a company manages its inventories, ie how many times a company's inventories are converted into cash in one year.

Inventory turnover ratio = costs of realized effects / average stock balance

Inventory turnover ratio= $4,323,570 / (1,257,731 + 916,977) / 2 = 4,323,570 / 1,087,354 = 3.98$

Stock days= $365 / \text{Koeficijent obrta zaliha } a = 365 / 5.45 = 91.71 \text{ days}$

From this indicator we conclude that the average stock binding is 92 days.

4) Cash cycle

The cash cycle shows the average duration of one cash turnover - the number of days in a year that passes on average from the moment of issuing cash for the purchase of materials, finished products, work in progress and other inputs from suppliers to the moment of receiving cash based on receivables from customers.

Cash cycle= average stock maturity + average customer maturity – average supplier maturity= $92 + 33 - 51 = 74 \text{ days}$.

U nastavku je dat uporedni pregled pokazatelja obrta potraživanja, obaveza i zaliha za 2019 godinu i tekuću godinu.

<i>Turnover indicator</i>	<i>Year 2019</i>	<i>Year 2020</i>
Receivable turnover ratio	9.77	11.09
Days receivables	37.35 days	32.92 days
Supplier turnover ratio	7.56	7.14
Days payables	48.28 days	51.12 days
Inventory turnover ratio	5.45	3.98
Stock days	67 days	91.79 days
Cash cycle	56 days	74 days

Analyzing the turnover ratios, we conclude that the efficiency of disposing of the Company's funds in 2020 has deteriorated compared to the previous year.

4.4 Profitability indicators

Profitability comes down to the requirement to achieve maximum profit and return with as few resources involved in the business process. The most commonly used profitability indicators are:

- net profit rate,
- operating profit rate,
- rate of return on assets,
- rate of return on capital.

1) Net profit/(loss) rate shows the ratio of net profit / loss to total operating income.

Net loss rate= $255,471/6,846,558*100=3.73\%$

It shows that the Company realizes a net loss of RSD 3.73 per RSD 100 of revenue.

2) Operating loss rate shows the ratio of operating profit / loss to total operating income.

Operating loss rate = $-159,362/6,846,558*100=-2.33\%$

This indicator indicates that the Company realizes an operating loss of RSD 2.33 per RSD 100 of revenue.

Below is a comparative overview of profitability indicators for 2019 and the current year

<i>Profitability indicators</i>	<i>Year 2019</i>	<i>Year 2020</i>
Net loss rate	1.05%	3.73%
Operating loss rate	0.1168%	-2.33%

5. Risk management policy

The Company's operations are exposed to various financial risks: Tržišni rizik,

- Credit risk and
- Liquidity risk.
- Operational risk and
- Risk of compliance with regulations.

Risk management in the Company is aimed at striving to minimize potential negative impacts on the Company's financial operations in a situation of unpredictability of financial markets. Risk management is performed by the Company's financial department in accordance with the company's policies.

5.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes the following types of risk.

Risk of changes in foreign exchange rates

The Company operates internationally and is exposed to the risk of changes in foreign exchange rates arising from operations with different currencies, primarily EUR. The risk arises from future business transactions, as well as from recognized assets and liabilities in foreign currency.

The Company's management has established a policy for managing the risk of changes in foreign exchange rates in relation to its functional currency. The Company has receivables and liabilities in foreign currency, so that the matching of inflows and outflows in the same currency is maximized in order to protect against changes in foreign exchange rates.

The following table shows the Company's exposure to foreign exchange risk as at 31 December 2020:

In thousands of RSD	CHF	USD	EUR	RSD	Total
Cash and cash equivalents	-	-	196,215	27,916	224,131
Receivables	-	-	707,613	1,207	708,820
Short-term financial investments	-	-	-	-	-
Long-term financial investments	-	-	-	500	500
Equity investments	-	-	-	-	-
Other receivables	-	-	42	78,424	78,466
Total	-	-	903,870	108,047	1,011,917
Short-term financial liabilities	-	-	-	(54,730)	(54,730)
Operating liabilities	-	-	(1,112,630)	(81,684)	(1,194,314)
Long-term liabilities	-	-	(2,263,419)	(311,311)	(2,574,730)

Other liabilities	-	-	-	(259,751)	(259,751)
Total	-	-	(3,376,049)	(707,476)	(4,083,525)
Net foreign exchange position	-	-	(2,472,179)	(599,429)	(3,071,608)

The following table shows the Company's exposure to foreign exchange risk as at 31 December 2019:

In thousands of RSD	CHF	USD	EUR	RSD	Total
Cash and cash equivalents	-	-	306,688	41,335	348,023
Receivables	-	-	520,025	7	520,032
Short-term financial investments	-	-	-	-	-
Long-term financial investments	-	-	-	500	500
Equity investments	-	-	-	-	-
Other receivables	-	-	76	66,773	66,849
Total	-	-	826,789	108,615	935,404
Short-term financial liabilities	-	-	-	-	-
Operating liabilities	-	-	(401,796)	(203,106)	(604,902)
Long-term liabilities	-	-	((2,263,661)	-	(2,263,661)
Other liabilities	-	-	-	(79,306)	(79,306)
Total	-	-	(2,665,457)	(282,412)	(2,947,869)
Net foreign exchange position	-	-	(1,838,668)	(173,797)	(2,012,465)

Interest rate risk

The Company is exposed to risks that, through the effects of changes in market interest rates, affect its financial position and cash flows. The Company's operations are exposed to the risk of changes in interest rates to the extent that interest-bearing assets and interest-bearing liabilities are due at different times or in different amounts.

Since the Company does not have significant interest-bearing assets, the Company's income and cash flows are largely independent of changes in market interest rates. The Company's risk of changes in interest rates arises primarily from liabilities based on received long-term loans. The Company has liabilities based on received long-term loans from the parent legal entity with a variable interest rate, which is linked to Euribor.

Risk management activities aim to optimize net interest expense, provided that market interest rates are at a level that is in line with the Company's business strategy.

The following table shows the Company's exposure to interest rate risk:

In thousands of RSD

	<u>December 31, 2020.</u>	<u>December 31, 2019.</u>
Fixed interest rate instruments	-	-
Financial assets	-	-
Financial liabilities	-	-
Variable interest rate instruments	2,263,419	1,501,071
Financial assets	-	-
Financial liabilities	2,263,419	2,263,661

5.2 Credit risk

Credit risk is the risk of incurring financial losses of the Company as a result of delays of clients or other counterparties in settling contractual obligations. The Company's credit risk arises primarily from operating receivables.

Significant exposure to the Company's credit risk arises from exposure to a smaller number of customers, who are, in addition, related parties to the Company. The levels of receivables from related parties as of December 31, 2019 were also presented. to ensure data comparability. Receivables as at 31 December 2020 from parent, related legal entities, domestic customers and customers from abroad are stated as follows:

	In thousands of RSD	
Customers – domestic	<i>December 31, 2020.</i>	<i>December 31, 2019.</i>
Kappa Star Recycling doo	47	-
Metal logistic d.o.o.	1,160	-
Yazaki Srbija d.o.o.		7
Total domestic customers	1,207	7
Impairment of receivables	-	-

	In thousands of RSD	
Customers abroad - related and parent companies	<i>December 31, 2020.</i>	<i>December 31, 2019.</i>
PKC Group Poland z.o.o.	282,750	334,182
PKC Eesti AS	405,053	184,344
PKC Group Lithuania UAB	215	-
PKC Wiring Systems Oy	615	806
PKC Group OY	365	352
Motherson PKCHarness Systems FZLLC-RAK	13,495	-
Total customers related and parent companies	702,494	519,684
Impairment of receivables	-	-

	In thousands of RSD	
Customers abroad	<i>December 31, 2020.</i>	<i>December 31, 2019.</i>
Loni Polska.	65	-
MOL CY NV	249	-
Draka Kably, s.r.o.	216	329
Daimler Truck AG	3,596	-
Lear Vysko CZECH	617	-
Lear Remscheid_GMBH_DE	238	12
BSB Metallverformung GmbH+ Co. - DM	121	-

Yazaki_BE	18	-
Total customers abroad	5,120	341
Impairment od receivables	-	-

Credit risk hedging was established by taking certain measures and activities at the Company level. In case of untimely settlement of customer obligations towards the Company, the provision of services to them is terminated. However, in the business so far, which has lasted more than 5 years, there has been no significant delay on the part of customers in settling liabilities, so that the value adjustment of trade receivables is equal to zero. The age structure of trade receivables is given in the following table:

		Matured but not written-off receivables						
Total	Not matured and not written-off receivables	< 30 days	30-60 days	61 - 90 days	91 - 180 days	181 - 360 days	>360 days	
<i>RSD'000</i>	<i>RSD'000</i>	<i>RSD'000</i>	<i>RSD'000</i>	<i>RSD'000</i>	<i>RSD'000</i>	<i>RSD'000</i>	<i>RSD'000</i>	
2020	708,820	664,773	18,918	2,590	-	-	3,596	18,943
2019	520,032	465,059	7,339	15,882	11,011	6,347	10,815	3,579

5.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to finance funds with appropriate sources of funding in terms of deadlines and the risk of inability to realize the asset at a reasonable price within the appropriate time frame.

The Company manages liquidity in order to ensure that sources of funding are available to meet liabilities when they fall due. The Company continuously assesses liquidity risk by identifying and monitoring changes in funding sources necessary to meet the Company's business objectives, in accordance with the Company's business strategy.

The Company has access to a variety of funding sources. Funds are raised through:

- inflows from regular business activities
- long-term loans

The following table presents the maturity of assets and liabilities, according to the remaining maturity date, as of December 31, 2020, as well as as of December 31, 2019. years:

As of December 31, 2020	Up to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Cash and cash equivalents	224,131	-	-	-	-	224,131
Receivables	708,820	-	-	-	-	708,820
Other receivables	78,466	-	500	-	-	78,946
Total receivables	1,011,417	-	500	-	-	1,011,917
Long-term liabilities	-	-	(112,439)	(2,263,419)	(198,872)	(2,574,730)
Operating liabilities	(1,194,314)	-	-	-	-	(1,194,314)
Short-term financial liabilities	(3,548)	(51,182)	-	-	-	(54,730)
Other short-term liabilities	(190,236)	(69,515)	-	-	-	(259,751)
Total liabilities	(1,388,098)	(120,697)	(112,439)	(2,263,419)	(198,872)	(4,083,525)
Maturity mismatch as of December 31, 2020.	(376,681)	(120,697)	(111,939)	(2,263,419)	(198,872)	(3,071,608)

In thousands of RSD

As of December 31, 2019	Up to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Cash and cash equivalents	348,023	-	-	-	-	348,023
Receivables	520,032	-	-	-	-	520,032
Other receivables	66,849	-	500	-	-	67,349
Total receivables	934,904	-	500	-	-	935,404
Liabilities based on loans	-	-	-	(2,263,661)	-	(2,263,661)

Operating liabilities	(604,902)	-	-	-	-	(604,902)
Other short-term liabilities	(79,306)	-	-	-	-	(79,306)
Total liabilities	(604,902)	-	-	(2,263,661)	-	(2,947,869)
Maturity mismatch as of December 31, 2019.	330,002	-	-	(2,263,661)	-	(2,012,465)

5.4. Operational risk

Operational risk is the risk of potential negative effects on the financial result and capital due to omissions (intentional and unintentional) in the work of employees, inadequate internal procedures and processes, inadequate information management, as well as unpredictable external events.

Operational risk includes legal risk, which is the risk of possible negative effects on the financial result and capital and arises from court and out-of-court proceedings related to the Company's operations.

The Company manages this risk by establishing an effective system of internal controls and procedures that can identify significant risks as soon as possible without delay, which employees must adhere to in order to protect and preserve the value of the Company's assets and capital.

5.5 Risk of compliance with regulations

The risk of compliance with regulations is the probability of negative effects on the Company's position due to non-compliance with regulations.

The products in the observed activity are largely standardized and are subject to numerous legal and other regulations. Therefore, companies in the observed activity must respect a number of rules and meet the requirements arising from them. As a risk related to this aspect of business, there is additional regulation that may require products that provide a higher degree of environmental protection, possession of certain certificates, and the like, which may require the allocation of additional funds for production purposes.

5.6. Capital risk management

The goal of capital management is for the Company to maintain the ability to continue to operate indefinitely in the foreseeable future, to provide return to equity owners, as well as to maintain an optimal capital structure in order to reduce capital costs.

The company monitors capital based on the debt ratio. This ratio is calculated from the ratio of the Company's net debt and its total capital. Net debt is obtained when total loans (including short-term and long-term, as shown in the balance sheet) are reduced by cash and cash equivalents. Total capital represents capital, stated in the balance sheet. The indebtedness ratio is calculated as the ratio of net debt to total capital.

As at 31 December 2020 and 2019, the Company's indebtedness ratio was as follows:

	In thousands of RSD	
Total liabilities	4,274,590	3,122,248
Minus: cash and cash equivalents	224,131	348,023
Net debt	4,050,459	2,774,225
Total capital	270,349	525,821
Indebtness ratio	1,498.23%	527.59%
Total liabilities	4,274,590	3,122,248
Minus: cash and cash equivalents	224,131	348,023

6. Related parties transactions

1). *Procurement and sales to related parties*

In its regular operations, the Company realizes business transactions with parent and related legal entities. The Company provides services to related legal entities and at the same time is a user of their services. The relations between the Company and its related legal entities are regulated on a contractual basis and under market conditions.

The following transactions were performed with related legal entities:

<i>Sales of goods and services</i>	<u>2020.</u>	<u>2019.</u>
Parent company	8,121	15,278
- PKC Wiring Systems Oy	8,121	15,278
Related parties	-	-
Other related parties	6,882,769	7,931,910
- PKC Group Sp.z.o.o. Poland	3,277,437	3,868,252
- PKC Eesti As	3,585,388	4,055,722
- PKC Group Lithuania	1,112	4,255
- PKC Group OYJ	4,276	3,607
- PKC SEGU Systemelektrik GmbH	-	9
- AEES Farmington Hills	-	65
- LLC AEK	184	-
- SMP Automotive Interior Modiles doo	42	-
- Motherson PKCHarness Systems FZLLC-RAK	14,330	-
Total sales to affiliated and parent companies	<u>6,890,890</u>	<u>7,947,188</u>

The goods are sold at prices and conditions that would be available to third parties.

<i>Procurement of goods and services</i>	<u>2020.</u>	<u>2019.</u>
Parent company	-	-
Related parties	-	-
Other related parties	1,336,833	3,036,158
- PKC Group Sp.z.o.o. Poland	1,221,125	2,887,732
- PKC Eesti As	92,531	105,680
- PKC Group Lithuania	2,115	15,810
- PKC SEGU Systemelektrik GmbH	247	1,450
- LLC AEK	-	3,620
- PKC Vehicle Technology	95	128
- PKC Group OYJ	96	-
- Kabel-Technik-Polska Sp. z o. o.	-	-790

- MSSL Mideast (FZE)	-	29
- PK Cables do Brasil Industria e Comercio Ltda	3,870	5,236
- Motherson Air Travel Agency	-	6
- MSSL Japan	1,826	713
- SMP Deutschland GmbH	-	502
- Motherson Sumi Systems Limited	31	6
- Motherson Sumi Systems Ltd. CHN_OU02_P18 MSSL	-	14
- Motherson Sumi Systems Ltd. MSSI-Uttar	-	2,352
- Motherson Sumi Systems Ltd. SBU 26	479	15
- MSSL GmbH	86	
- MSSL India, Faridabad	-	89
- Motherson sumi systems Limited-MSSL	14,332	13,566
Total purchases from related parties	1,336,833	3,036,158

Goods and services are purchased in accordance with normal business conditions.

2) Balances at the end of the year arose from sales / purchases of goods / services

	In thousands of RSD	
	December 31, 2020.	December 31, 2019.
<i>Receivables from related legal entities</i>		
Parent company	615	806
- PKC Wiring Systems Oy	615	806
Related parties	-	-
Other related parties	701,879	518,878
- PKC Group Sp.z.o.o. Poland	282,750	334,182
- PKC Group Lithuania	216	-
- PKC Group OYJ	365	352
- PKC EEsti	405,053	184,344
- Motherson PKCHarness Systems FZLLC-RAK	13,495	-

Liabilities to related parties

Parent company	-	-
Related parties	-	-
Other related parties	178,301	111,614
- PKC Group Sp.z.o.o. Poland	162,303	86,277
- PKC Eesti As	8,416	5,174
- PKC SEGU Systemelektrik GmbH	-	214
- LLC AEK	-	3,617
- PKC Group Lithuania	-	11,956
- MSSL Japan	1,306	-
- MSSL Mideast (FZE)	-	28
- Motherson sumi systems Limited-MSSL	6,264	588
- PK Cables do Brasil Industria e Comercio Ltda	-	3,652
- Motherson Sumi Systems Limited	12	6
- Motherson Sumi Systems Ltd. CHN_OU02_P18 MSSL	-	14
- MSSL India, Faridabad	-	88

7. Investment in order to protect the environment

PKC Wiring systems doo is a company that is committed to achieving business achievements in a socially responsible manner, with constant care for the local community, employee satisfaction and minimal negative impact on the environment.

The impact of the Company's operations on the environment is minimal due to the nature of its activities aimed at assembling components. PKC's business activities do not require large energy consumption or water use; they do not affect biodiversity and release only minimal emissions and effluents. The most significant environmental impact is related to the generation of non-toxic waste, however all PKC Group sites are focused on waste recycling or reuse in order to have a minimal impact on the environment.

Our business does not generate the amount of CO2 required by law to be reported — greenhouse gas emissions and emissions are generated mainly from employee travel and transportation of components and materials from suppliers and finished products by customers.

The company continuously strives to assess and improve operations, and all locations of the PKC Group are certified according to the ISO 14001: 2015 Environmental Management System.

8. Events after the end of the business year

There were no significant events after the date of the reporting period that would require corrections or disclosure in the notes to the accompanying financial statements of the Company for 2020.

9. Plans for the next business year

As significant contracts were signed with new customers in 2020, the expansion of production capacities and the construction of a "satellite" factory are planned for 2021.

