

**PKC GROUP LITHUANIA UAB
INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS AND ANNUAL REPORT
31 DECEMBER 2018**

CONTENTS

	Pages
Independent Auditor's Report	2–4
Financial statements	
Income statement	5
Balance sheet	6–7
Cash flow statement	8
Statement of changes in equity	9
Explanatory notes	10–24
Annual report	25–29

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of UAB PKC Group Lithuania

Qualified Opinion

We have audited the financial statements UAB PKC Group Lithuania (the Company), which comprise the balance sheet as at 31 December 2018, the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matters described in section “Basis for Qualified Opinion” below, the accompanying financial statements present fairly, in all material respects, the financial position of PKC Group Lithuania UAB as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with Business Accounting Standards of the Republic of Lithuania.

Basis for Qualified Opinion

- (i) In 2017 the Company recognized in other operating income EUR 979 thousand of various expenses reimbursement. Under Business Accounting Standards of the Republic of Lithuania, such reimbursements should be accounted for as an off-set to the recorded amounts of the related expenses. If these amounts were properly accounted for, other income would be decreased by EUR 979 thousand and general and administrative expenses would be decreased by the same amount in the income statement of the year ended 31 December 2017 and our opinion on the financial statements for the year ended 31 December 2018 is qualified because of the impact of this matter on the comparability of the 2017 financial information included in the statement of income with the current year figures.
- (ii) In 2016 the Company's raw materials and consumables inventory include spare parts in the amount of EUR 252 thousand. Previous auditors observed the count of these inventories at the end of the previous year, however, its results were considered unreliable by the management who did not adjust the quantities held for the results of the count. Accordingly, previous auditors were not able to determine whether any adjustments might have been necessary to the amounts shown in the financial statements for inventories, cost of sales, net profit for the year and retained earnings (losses) for year ending as at 31 December 2016 and our audit opinion issued on the Company's financial statements for the year ended 31 December 2017 has been modified accordingly. Our audit opinion for the year 2018 is also modified with regards of the possible effect of this matter on comparability of the 2017 figures included in the statements of income, cash flows and changes in equity and related disclosure notes with the current year financial information.

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

Other information consists of the information included in the Company's 2018 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

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. 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. We have nothing to report in this regard.

We also have to evaluate, if the financial information included in the Company's 2018 Annual Report corresponds to the financial statements for the same financial year and if the Company's Annual Report was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

- The financial information included in the Company's Annual Report corresponds to the financial information included in the financial statements for the same year; and
- The Company's Annual Report was prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

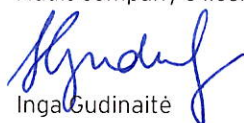
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 those charged with governance 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.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335



Inga Gudinaite
Auditor's licence
No. 000366

31 May 2019

APPROVED ON
2019
Minutes No. _____

INCOME STATEMENT
Year ended 31 December 2018

(EUR)

Row No	Items	Note No	Reporting period	Previous reporting period
1.	Sales	1	31 223 772	24 624 712
2.	Cost of sales	2	(27 853 996)	(22 350 933)
3.	Change in fair value of biological assets		-	-
4.	GROSS PROFIT (LOSS)		3 369 776	2 273 779
5.	Selling expenses		-	-
6.	General and administrative expenses	3	(2 107 599)	(2 272 119)
7.	Results from other activities	4	50 903	137 211
8.	Income from investments into the shares of a parent company, subsidiaries and associated companies		-	-
9.	Income from other non-current investments and loans		-	-
10.	Other income (interest or similar)	5	1 291	-
11.	Impairment of financial assets and current investments		-	-
12.	Interest and other similar expenses	5	(164 974)	(151 379)
13.	PROFIT (LOSS) BEFORE TAXATION		1 149 397	(12 508)
14.	Corporate income tax	6	218 722	(21 967)
15.	NET PROFIT (LOSS)		1 368 119	(34 475)

General Manager

31 May 2019

Marius - Florin Dinescu

Finance Manager

31 May 2019

Milda Rajunciene

The explanatory notes on pages 10–24 are an integral part of these financial statements

BALANCE SHEET
Year ended 31 December 2018

(EUR)

Row No	Items	Note No	Reporting period	Previous reporting period
	ASSETS			
A.	NON-CURRENT ASSETS	7, 8	5 234 652	5 124 168
1.	INTANGIBLE ASSETS	7	85 647	232 893
1.1.	Development costs		-	-
1.2.	Goodwill		50 833	172 833
1.3.	Software		34 814	60 060
1.4.	Concessions, patents, licenses, trademarks and similar rights		-	-
1.5.	Other intangible assets		-	-
1.6.	Advances paid		-	-
2.	TANGIBLE ASSETS	8	4 930 283	4 891 275
2.1.	Land		-	-
2.2.	Buildings and plant		55 098	68 182
2.3.	Machinery and equipment		4 278 594	4 085 464
2.4.	Vehicles		44 725	61 160
2.5.	Other fittings, tools and equipment		503 336	676 469
2.6.	Investment property		-	-
2.6.1.	Land		-	-
2.6.2.	Buildings		-	-
2.7.	Advances paid and tangible assets in the course of construction (production)		48 530	-
3.	FINANCIAL ASSETS		-	-
3.1.	Shares in group companies		-	-
3.2.	Loans to group companies		-	-
3.3.	Amounts receivable from group companies		-	-
3.4.	Shares in associated companies		-	-
3.5.	Loans to associated companies		-	-
3.6.	Amounts receivable from associated companies		-	-
3.7.	Non-current investments		-	-
3.8.	Amounts receivable after one year		-	-
3.9.	Other financial assets		-	-
4.	OTHER NON-CURRENT ASSETS		218 722	-
4.1.	Deferred tax asset	6	218 722	-
4.2.	Biological assets		-	-
4.3.	Other assets		-	-
B.	CURRENT ASSETS		6 536 117	5 225 299
1.	INVENTORIES	9	1 217 556	709 481
1.1.	Raw materials, materials and consumables		802 996	531 617
1.2.	Production and work in progress		389 236	127 849
1.3.	Production		-	-
1.4.	Goods for resale		4 799	47 782
1.5.	Biological assets		-	-
1.6.	Non-current tangible assets for resale		-	-
1.7.	Advances paid		20 525	2 233
2.	AMOUNTS RECEIVABLE WITHIN ONE YEAR	10	5 303 806	4 508 646
2.1.	Trade debtors		466	-
2.2.	Amounts owed by group companies		5 122 466	4 278 320
2.3.	Amounts owed by associated companies		-	-
2.4.	Other amounts receivable		180 874	230 326
3.	CURRENT INVESTMENTS		-	-
3.1.	Shares in group companies		-	-
3.2.	Other investments		-	-
4.	CASH AND CASH EQUIVALENTS		14 755	7 172
C.	DEFERRED COSTS AND ACCRUED INCOME	11	13 454	201 927
	TOTAL ASSETS		11 784 223	10 551 394

(continued on the next page)

The explanatory notes on pages 10–24 are an integral part of these financial statements

BALANCE SHEET (continued)
31 December, 2018

(EUR)

Row No	Items	Note No	Reporting period	Previous reporting period
	EQUITY AND LIABILITIES			
D.	EQUITY		4 201 156	2 833 037
1.	CAPITAL	12	144 858	144 858
1.1.	Authorised (subscribed) or fixed capital		144 858	144 858
1.2.	Subscribed capital (unpaid) (-)		-	-
1.3.	Own shares (-)		-	-
2.	SHARE PREMIUM	12	2 941 335	2 941 335
3.	REVALUATION RESERVE		-	-
4.	RESERVES		-	-
4.1.	Legal reserve or reserve capital		-	-
4.2.	Reserve for acquisition of own shares		-	-
4.3.	Other reserves		-	-
5.	RETAINED EARNINGS (LOSSES)	13	1 114 963	(253 156)
5.1.	Current year profit (loss)		1 368 119	(34 475)
5.2.	Previous year profit (loss)		(253 156)	(218 681)
E.	GRANTS, SUBSIDIES		-	-
F.	PROVISIONS		-	-
1.	Provisions for pensions and similar obligations		-	-
2.	Provision for taxation		-	-
3.	Other provisions		-	-
G.	AMOUNTS PAYABLE AND OTHER LIABILITIES		7 558 606	7 666 557
1.	AMOUNTS PAYABLE AFTER ONE YEAR AND OTHER NON-CURRENT LIABILITIES	14	3 486 854	3 500 164
1.1.	Debt obligations		38 958	52 268
1.2.	Amounts owed to credit institutions		-	-
1.3.	Advances received		-	-
1.4.	Trade creditors		-	-
1.5.	Amounts payable under bills of exchange and cheques		-	-
1.6.	Amounts payable to group companies		3 447 896	3 447 896
1.7.	Amounts payable to associated companies		-	-
1.8.	Other amounts payable and non-current liabilities		-	-
2.	AMOUNT PAYABLE WITHIN ONE YEAR AND OTHER CURRENT LIABILITIES	15	4 071 752	4 166 393
2.1.	Debt obligations		13 280	12 911
2.2.	Amounts owed to credit institutions		-	-
2.3.	Advances received		-	-
2.4.	Trade creditors		798 435	1 523 997
2.5.	Amounts payable under bills of exchange and cheques		-	-
2.6.	Amounts payable to group companies		1 818 952	408 148
2.7.	Amounts payable to associated companies		-	-
2.8.	Payable corporate income tax		-	-
2.9.	Employment related liabilities		1 438 570	2 219 622
2.10.	Other amounts payable and current liabilities		2 515	1 715
H.	ACCRUALS AND DEFERRED INCOME		24 461	51 800
	TOTAL EQUITY AND LIABILITIES		11 784 223	10 551 394

General Manager

31 May 2019

Marius - Florin Dinescu

Finance Manager

31 May 2019

Milda Rajunciene

The explanatory notes on pages 10-24 are an integral part of these financial statements

CASH FLOW STATEMENT
As at 31 December 2018

(EUR)

Row No	Items	Note No	Reporting period	Previous reporting period
1.	Cash flow from operating activities			
1.1.	Net profit (loss)		1 368 119	(34 475)
1.2.	Depreciation and amortisation	7, 8	1 955 486	1 323 758
1.3.	Elimination of results of disposal of tangible and intangible non-current assets		(659)	8 678
1.4.	Elimination of results of financing and investing activities		164 938	160 671
1.5.	Elimination of results of other non-cash transactions		11 550	-
1.6.	(Increase) decrease in amounts receivable from group companies and associated companies		-	-
1.7.	(Increase) decrease in other amounts receivable after one year		-	-
1.8.	(Increase) decrease in deferred tax asset		(218 722)	-
1.9.	(Increase) decrease in inventories other than paid advances		(489 783)	(261 108)
1.10.	(Increase) decrease in paid advances		(18 292)	(1 147)
1.11.	(Increase) decrease in trade receivables		(466)	921
1.12.	(Increase) decrease in amounts owed by group companies and associated companies		(844 146)	(1 837 124)
1.13.	(Increase) decrease in other amounts receivable		49 693	(10 929)
1.14.	(Increase) decrease in current investments		-	-
1.15.	(Increase) decrease in deferred costs and accrued income		188 473	(168 456)
1.16.	Increase (decrease) in provisions		-	-
1.17.	Increase (decrease) in long-term trade payables and received advances		-	-
1.18.	Increase (decrease) in amounts payable after one year under bills of exchange and cheques		-	-
1.19.	Increase (decrease) in non-current liabilities to group companies and associated companies		-	-
1.20.	Increase (decrease) in short-term trade payables and received advances		(726 950)	970 192
1.21.	Increase (decrease) in amounts payable within one year under bills of exchange and cheques		-	-
1.22.	Increase (decrease) in current liabilities to group companies and associated companies		1 362 274	270 179
1.23.	Increase (decrease) in corporate income tax liabilities		-	(60 763)
1.24.	Increase (decrease) in employment related liabilities		(792 602)	508 740
1.25.	Increase (decrease) in other amounts payable and liabilities		800	620
1.26.	Increase (decrease) in accruals and deferred income		(27 339)	41 485
	Net cash flow from operating activities		1 982 374	911 242
2.	Cash flow from investing activities			
2.1.	Acquisition of non-current assets (except for investments)		(1 966 320)	(2 342 640)
2.2.	Disposal of non-current assets (except for investments)		169 408	27 590
2.3.	Acquisition of non-current investments		-	-
2.4.	Disposal of non-current investments		-	-
2.5.	Loans issued		-	-
2.6.	Loans recovered		-	-
2.7.	Dividends, interest received		-	-
2.8.	Other increase in cash flow from investing activities		-	-
2.9.	Other decrease in cash flow from investing activities		-	-
	Net cash flow from investing activities		(1 796 912)	(2 315 050)
3.	Cash flow from financing activities			
3.1.	Cash flow related to shareholders		-	-
3.1.1.	Emission of shares		-	-
3.1.2.	Owners' contributions against losses		-	-
3.1.3.	Redemption of own shares		-	-
3.1.4.	Dividend payment		-	-
3.2.	Cash flow related to other financing sources		(177 879)	(173 276)
3.2.1.	Increase in financial liabilities		-	-
3.2.1.1.	Loans received		-	-
3.2.1.2.	Bonds emission		-	-
3.2.2.	Decrease in financial liabilities		(177 879)	(173 276)
3.2.2.1.	Loans repaid		-	-
3.2.2.2.	Redemption of bonds		-	-
3.2.2.3.	Interest paid		(164 938)	(148 066)
3.2.2.4.	Leasing (finance lease) payments		(12 941)	(25 210)
3.2.3.	Increase in other liabilities		-	-
3.2.4.	Decrease in other liabilities		-	-
3.2.5.	Increase in other cash flow from financing activities		-	-
3.2.6.	Decrease in other cash flow from financing activities		-	-
	Net cash flow from financing activities		(177 879)	(173 276)
4.	Impact of currency exchange fluctuations on the balance of cash and cash equivalents			
			-	-
5.	Increase (decrease) in net cash flow		7 583	(1 577 084)
6.	Cash and cash equivalents at the beginning of the period		7 172	1 584 256
7.	Cash and cash equivalents at the end of the period		14 755	7 172

General Manager

31 May 2019

Marius - Florin Dinescu

Finance Manager

31 May 2019

Milda Rajūnienė

The explanatory notes on pages 10–24 are an integral part of these financial statements

APPROVED
2019
Minutes No. _____

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2018

2019-05-31 NO.
(date of the statement)

year (reporting period)	EUR (level of accuracy and currency)									
	Paid up authorised or fixed capital	Share premium	Own shares (-)	Revaluation reserve		Legal reserves		Other reserves	Retained earnings (losses)	Total
				Of non-current tangible assets	Of financial assets	Legal reserve or reserve capital	Reserve for acquisition of own shares			
1. Balance at the end of the reporting (annual) period before previous	144 858	2 941 335	-	-	-	-	-	-	(218 681)	2 867 512
2. Result of changes in accounting policies										-
3. Result of correcting material errors										-
4. Recalculated balance at the end of the reporting (annual) period before previous	144 858	2 941 335	-	-	-	-	-	-	(218 681)	2 867 512
5. Increase (decrease) in the value of non- current tangible assets										-
6. Increase (decrease) in the value of effective hedging instrument										-
7. Acquisition (sale) of own shares										-
8. Profit (loss) not recognised in the income statement										-
9. Net profit (loss) of the reporting period									(34 475)	(34 475)
10. Dividends										-
11. Other payments										-
12. Formed reserves										-
13. Used reserves										-
14. Increase (reduction) of authorised capital or contributions by shareholders (return of shares)										-
15. Other increase (decrease) of the authorised or fixed capital										-
16. Contribution to cover losses										-
17. Balance at the end of the previous reporting (annual) period	144 858	2 941 335	-	-	-	-	-	-	(253 156)	2 833 037
18. Increase (decrease) in the value of non- current tangible assets										-
19. Increase (decrease) in the value of effective hedging instrument										-
20. Acquisition (sale) of own shares										-
21. Profit (loss) not recognised in the income statement										-
22. Net profit (loss) of the reporting period	-	-	-	-	-	-	-	-	1 368 119	1 368 119
23. Dividends										-
24. Other payments										-
25. Formed reserves										-
26. Used reserves										-
27. Increase (reduction) of authorised capital or contributions by shareholders (return of shares)										-
28. Other increase (decrease) of the authorised or fixed capital										-
29. Contributions to cover losses										-
30. Balance at the end of the reporting period	144 858	2 941 335	-	-	-	-	-	-	1 114 963	4 201 156

General Manager _____

31 May 2019

Manus - Florin Dinescu

Finance Manager _____

31 May 2019

Mida Rajundiene

The explanatory notes on pages 10–24 are an integral part of these financial statements

Explanatory notes

(all amounts are in EUR unless otherwise stated)

GENERAL INFORMATION

PKC Group Lithuania UAB (hereinafter – "the Company") is a private limited liability company registered with the Centre of Registers on 25 April 2014 based on the Law on the Register of Enterprises of the Republic of Lithuania. As at 31 December 2018 and at 31 December 2017, the Company had no branches, representative offices, subsidiaries or associated companies.

Until 19 December 2016 the Company's sole shareholder was a Finnish company PKC Wiring System Oy, company code 0849146-5. It was registered on 4 September 1991 in the Patentti Register, legal address Vihikari 10, 90440 Kempele, Finland.

On 19 December 2016 a share purchase and sale agreement was concluded between PKC Wiring System Oy, a limited liability company established in Finland and operating under Finnish law, company code 0849146-5, registered on 4 September 1991 in the Patentti Register, legal address Vihikari 10, 90440 Kempele, Finland, and PKC Eesti AS, a joint-stock company established in Estonia and operating under Estonian law, registry code: 10858008, address: Paldiski mnt. 31, Keila, Harju county, 76606, Estonia, under which PKC Eesti AS bought 5 002 ordinary nominal shares of the Company with the par value of EUR 28.96 each and which comprise 100% of the Company's shares, and acquired all the property and non-property rights granted with these shares.

The main activities of the Company are manufacturing and sales of electrical distribution, vehicle electronic systems, wires and cables.

The average number of employees in 2018 was 1601 (2017 - 1501).

ACCOUNTING PRINCIPLES

The Company prepares its financial statements in compliance with the Lithuanian regulatory legislation on financial accounting and preparation of the financial statements, i.e. the Law on Accounting of the Republic of Lithuania, Law on Financial Statements of Entities, and Business Accounting Standards of the Republic of Lithuania effective as at 31 December 2018. Under provisions of the Law on Accounting of the Republic of Lithuania the Company is attributed to the category of medium enterprises.

The financial statements have been prepared on an assumption that the Company will be able to continue its operations in the foreseeable future. More details are presented in Note 17.

The financial year of the Company coincides with the calendar year.

The amounts in these financial statements are presented in the national currency - the euro (EUR).

The principal accounting policies adopted in the preparation of the Company's financial statements are summarised below.

(a) Intangible assets

Intangible assets are stated at acquisition (production) cost, less accumulated amortisation and impairment. Amortisation is calculated on a straight-line basis over the useful life established for intangible assets. For the purpose of the income statement, amortisation expenses of intangible assets are included in operating expenses.

The Company applies the following useful lives of intangible assets:

	Year
Software	4
Goodwill	5

Costs associated with renewal of intangible assets incurred following the acquisition or creation of assets are recognised as expenses during the reporting period in which they are incurred.

Goodwill

Goodwill is accounted for at the amount by which the consideration transferred by the Company exceeds the net asset value of the acquiree or the net asset value of the acquired business and from which the Company expects to receive economic benefits in the future. Goodwill is measured at cost less accumulated amortisation and impairment losses.

Goodwill is amortised on straight-line basis over the useful life of 5 years. The amount of amortisation is included in the income statement, under general and administrative expenses.

(b) Non-current tangible assets

Non-current tangible assets are stated at acquisition (production) cost less subsequent accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis over the estimated useful lives of non-current tangible assets.

Explanatory notes (continued)
(all amounts are in EUR unless otherwise stated)

The Company applies the following useful lives of non-current tangible assets:

	Year
Infrastructure and other constructions	7
Office equipment	4-5
Plant and machinery	3-7
Other assets	4-5
Vehicles	5

Items of assets with useful life over one year and acquisition cost not less than EUR 1000 are recognised as non-current assets.

Additional costs in respect of recognised non-current tangible assets are added to the acquisition value when it can be clearly demonstrated that the costs extend the useful life of the asset (in such cases the useful life period is specified) or improve the useful properties of the asset.

Repair costs are recognised as an expense during the reporting period when the expenditure is incurred.

When assets are sold or written-off, their acquisition cost and accumulated depreciation, impairment are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement, i.e. the result of the transaction is presented.

(c) Inventories

Inventories comprise spare parts and materials for production equipment and assets with the acquisition value lower than EUR 1000. Inventories are stated at acquisition (production) cost in the financial statements. Cost of inventories includes a purchase price, adjusted by reduced prices and discounts received, as well as related taxes, fees, transportation, preparation for exploitation and other expenses directly related to the acquisition of the inventories. Transportation, storage and other inventory expenses can be recognised as costs (cost of sale) in the period when they are incurred if the amounts are not significant. The Company uses the weighted (moving) average inventory appraisal method for calculation of the cost of sold inventories. When using this method, inventory costs is determined based on the weighted average of prices of inventory units at the beginning of the period and the weighted average of prices of similar inventory units acquired or produced throughout the period. The average can be calculated upon receipt of each batch of inventories.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at bank. Cash equivalents comprise short-term and highly liquid investments which can be easily converted into a known amount of cash. The term of these investments does not exceed three months and the risk of value changes is insignificant.

Cash and cash equivalents reported in the cash flow statement comprise cash at bank and cash in transit, other short-term and highly liquid investments.

(e) Financial assets and financial liabilities

Financial assets include cash and cash equivalents, and amounts receivable.

Financial assets are recorded when the Company receives or obtains a contractual right to receive cash or any other financial assets. Amounts receivable are stated at acquisition cost, less impairment loss. Cash and cash equivalents are carried at acquisition cost.

When it is probable that the Company will not be able to recover the amounts receivable, it is necessary to recognise the impairment loss, which is determined as the difference between the carrying value of assets and the present value of future cash flows discounted using the effective interest rate.

Financial liabilities include amounts payable for goods, services received, leasing liabilities and loans received. Loans received are initially stated at cost and subsequently carried at amortised cost.

Financial liabilities are recorded when the Company assumes a commitment to pay cash or by any other financial assets. Amounts payable for goods and services are stated at acquisition cost.

(f) Impairment

The carrying amounts of the Company's assets are reviewed at each balance-sheet date to determine, whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized when the carrying amount of the asset or its cash-generating unit exceeds the recoverable amount. An impairment loss is recognised in the income statement.

Explanatory notes (continued)
(all amounts are in EUR unless otherwise stated)

(g) Calculation of recoverable amount

The recoverable amount is the greater of the net selling price and the value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(h) Legal reserve

The legal reserve is formed in accordance with the Law on Companies of the Republic of Lithuania. The reserve should make at least 1/10 of the authorized capital and can be used only to cover the accumulated losses of the Company.

(i) Provisions

Provisions are recognised when and only when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and are adjusted in order to reflect the most current estimate. The amount recognised as a provision is the best estimate made in order to cover current liabilities taking into account risks and uncertainty arising from these liabilities. When the provision is measured using discounted cash flow method, its accounting value is equal to net present value of discounted cash flows.

(j) Foreign currencies

All currency items in the balance sheet are estimated in EUR using the exchange rate prevailing at the balance sheet date. Assets purchased for foreign currency and accounted for in the balance sheet at the acquisition cost estimated in EUR using the exchange rate prevailing at the date of the transaction. Foreign currency transactions are stated in EUR using the exchange rate prevailing at the date of the transaction. Differences resulting from the settlement of amounts recorded in foreign currencies at different exchange rates are recognised as income or expense of the reporting period.

(k) Revenue from sales

Sales revenue is recognised on an accrual basis. The amount of revenue is estimated at fair value, taking account of discounts granted and expected returns and write-downs of goods sold. Revenue from sale of goods is recognised when goods are sold and a reliable estimate of the amount of income can be made.

Revenue from rendering of services, which are provided for longer than one reporting period in accordance with the existing contract, is allocated on a proportionate basis to those periods when such services have been rendered.

(l) Cost of sales and operating expenses

Expenses are recognised on an accrual basis, following the matching principle during the reporting period when income related to such expenses is earned. Expenses incurred during the reporting period, which cannot be attributed directly to specific income earned and will not generate any income in subsequent reporting periods, are recognised as expenses during the period when incurred.

Cost of sales or rendered services include costs of sales and services rendered for production produced over the production period: costs of selling spare parts and equipment, direct remuneration costs, equipment depreciation, maintenance and repair costs, costs related to rent and maintenance of production premises and equipment, as well as direct transportation and other costs. Expenses not attributed to specific services or production are not included in the cost of sales. Cost of rendered services is recognised and registered in the accounting over the same reporting period when the income for services rendered is recognised.

Operating expenses comprise expenses related to the Company's management and indirect administrative remuneration, expenses related to rent and maintenance of administration premises, business trips and other administration expenses.

The management considered that all operating expenses by nature are general and administrative and the Company has no selling expenses.

(m) Borrowing costs

Interest on loans and leasing is recognised in the Income statement on an accrual basis.

(n) Lease - the Company as a lessee

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of lease.

Explanatory notes (continued)
(all amounts are in EUR unless otherwise stated)

(k) Income tax

The Company's profit is taxable at a rate of 15 per cent in accordance with the Lithuanian regulatory legislation on taxation.

Current year income tax is paid taking into consideration the taxable profit for the year. Taxable profit is different from the profit presented in the income statement as it does not include income and costs items which are taxable and recognised next year, furthermore, it does not include items which are never taxed or recognised.

Deferred income tax is provided in full, using the balance sheet method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

The deferred tax assets and liabilities are recognised as long-term. The deferred tax assets and liabilities are offset when related to the same tax authority. Taxable profit for the current year can be offset against the accumulated losses up to 70 per cent.

FINANCIAL RISK MANAGEMENT

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents necessary to cover the expected expenditures. The Company makes short-term cash flow forecasts. The Company has contracts with the parent company on the possibility of borrowing if necessary.

As at 31 December 2018, the Company's current assets amounted to EUR 6 536 117 EUR, current liabilities - EUR 4 071 752. Therefore, the Company's current assets exceeded its current liabilities by EUR 2 464 365.

As at 31 December 2017, the Company's current assets amounted to EUR 5 225 299 EUR, current liabilities - EUR 4 166 393.

Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has no significant interest-bearing assets. The allocation between fixed and variable interest rates depends on an actual market situation.

Capital risk management

Based on the Law on Companies of the Republic of Lithuania, the authorised share capital of a private limited liability company cannot be lower than EUR 2 500 (EUR 40 000 for a public limited liability company), and equity shall not be lower than 50% of an entity's authorised share capital. As at 31 December 2018 and at 31 December 2017, the Company complied with these provisions of the Law on Companies of the Republic of Lithuania.

Credit risk

Credit risk, or the risk of counterparties' default, is controlled by application of credit terms and payment delay control.

Contingencies

Contingent liabilities and contingent assets are not recognised in the financial statements but are disclosed in the notes. Provisions are recorded in relation to contingencies in the financial statements only when it is probable that these contingencies will result in outflow of economic resources.

Cash flow statement

The cash flow statement shows the Company's inflows and outflows of cash during the year. The cash flow statement is prepared using the non-direct method.

Subsequent events

Post-balance sheet events that provide additional information on the Company's position at the year-end (adjusting events) are shown in the financial statements. Post-balance sheet events which are not adjusting events are described in the notes if they are significant.

Segments

The Company is not a public interest company; therefore, the requirements of Business Accounting Standards No. 34 "Disclosure of segments in financial statements" are not applied.

Use of estimates in preparing financial statements

The preparation of financial statements in conformity with Business Accounting Standards requires management to make certain assumptions and estimates that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to depreciation, impairment evaluation and contingent liabilities and provision assessment. Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Explanatory notes (continued)
(all amounts are in EUR unless otherwise stated)

NOTE 1: SALES

Items	31 December 2018	31 December 2017
Sales of services by country:		
Estonia*	30 535 140	23 916 320
Russia	641 546	676 163
Serbia	17 180	16 786
Poland	14 352	8 920
Brasil	12 674	5 589
Lithuania	2 457	-
Estonia	423	934
TOTAL:	31 223 772	24 624 712

* Out of which work in progress - 31 December 2018 is 0 EUR, 31 December 2017 is 188 489 EUR.

In order to represent sales revenue and gross profit as accurately as possible, revenue from the sale of spare parts and equipment, storage services and other services to group companies assigned as sales revenue in 2018 year. In 2017 these income were assigned in the article of the results from other activities. Comparative information is adjusted to insure the comparability of financial information:

Items	31 December 2017 before adjustment	31 December 2017 after adjustment
Sales:		
Sales of services	22 920 115	23 924 780
Sales of spare parts and equipment		699 932
TOTAL:	22 920 115	24 624 712

NOTE 2: COST OF SALES

Items	31 December 2018	31 December 2017
Direct remuneration expenses (cost of sales)	22 290 035	18 005 684
Rent of production premises and lifts	953 592	944 533
Depreciation of production equipment	1 797 593	1 166 117
Maintenance of production equipment	926 648	542 203
Maintenance of production premises	491 449	449 746
Costs of selling spare parts and equipment	828 158	591 340
Health and safety costs of employees	79 268	72 770
Transportation services	437 755	578 540
Other costs	49 498	-
TOTAL:	27 853 996	22 350 933

NOTE 3: GENERAL AND ADMINISTRATIVE EXPENSES

Items	31 December 2018	31 December 2017
Remuneration and social security	589 448	629 162
Depreciation and amortisation	157 893	157 831
Rent of administrative premises	-	-
Utilities	220 454	190 633
Expenses related to services of audit firms	33 049	47 360
External services	86 403	57 701
Services of group companies	436 137	455 610
Rent of vehicles, fuel, vehicle maintenance	29 997	40 133
Training and qualification raising costs	84 709	101 294
Business trips related expenses	151 331	130 343
Other administrative expenses	311 692	456 275
Bank fees	6 486	5 777
TOTAL:	2 107 599	2 272 119

Explanatory notes (continued)
(all amounts are in EUR unless otherwise stated)

REMUNERATION EXPENSES

Items	31 December 2018	31 December 2017
Remuneration expenses (cost of sales)	22 290 035	18 005 684
Indirect remuneration expenses (general and administrative)	589 448	629 162
TOTAL:	22 879 483	18 634 846

In order to represent the assignment of indirect remuneration expenses as general and administration costs as accurately as possible, remuneration expenses of the departments, participating in production indirectly, assigned as cost of sales in 2018 year. In 2017 year these expenses were assigned as general and administration expenses. Comparative information is adjusted to insure the comparability of financial information:

Items	31 December 2017 before correction	31 December 2017 after correction
Remuneration expenses:		
Remuneration expenses (cost of sales)	12 298 003	18 005 684
Indirect remuneration expenses (general and administrative)	6 336 843	629 162
TOTAL:	18 634 846	18 634 846

NOTE 4: OTHER ACTIVITIES

Items	31 December 2018	31 December 2017
a) Income from other activities	53 054	137 211
Support received	22 052	98 084
Income from other activities, external customers	-	-
Income from other activities, group companies	-	-
Gain from disposal of assets	31 002	39 127
Amounts received from insurance	-	-
b) Expenses from other activities	-	-
Loss from written-off assets	2 151	-
TOTAL:	50 903	137 211

The result from the other activities is gain or loss of disposal of tangible and intangible non-current assets and government grants.

NOTE 5: INTEREST AND OTHER SIMILAR INCOME AND EXPENSES

Items	31 December 2018	31 December 2017
Other interest and similar income		
Profit on currency exchange rate fluctuations	1 291	-
Other interest and similar income	-	-
TOTAL:	1 291	-
Interest and other similar expenses		
Loan interest	163 397	148 066
Interest and other similar expenses	1 577	2 222
Loss on currency exchange rate fluctuations	-	1 091
TOTAL:	164 974	151 379

Explanatory notes (continued)
(all amounts are in EUR unless otherwise stated)

NOTE 6: INCOME TAX AND DEFERRED TAX

The income tax calculation presented below was performed based on the Company's income tax expense calculated applying the statutory income tax rate:

Income tax	31 December 2018	31 December 2017
Profit (loss) before tax	1 149 397	(12 508)
Effect of non-taxable income	-	-
Effect of non-deductable expenses	191 746	500 664
Taxable profit (loss)	1 341 143	488 156
Deductable amount of taxable losses from previous years (70% of taxable profit)	938 800	341 709
Deductable amount of investments according Profit Tax Law	402 343	-
Taxable profit	-	146 447
Income tax calculated under statutory income tax rate in 2018 - 15%	-	21 967

Deferred income tax	31 December 2018	31 December 2017
Deferred income tax asset		
Accruals	16 015	214 153
Tax losses	314 907	1 253 707
Investment project exemption	505 850	-
Depreciation differences	621 375	407 662
	1 458 147	1 875 522
Total temporary differences		
Deferred income tax (statutory 15% rate)	218 722	281 328
Unrecognised part of deferred tax	-	281 328
Net deferred tax assets	218 722	-

At 31 December 2018 recognized deferred tax asset in amount of 218 722 Eur. As at 31 December 2017, the deferred tax asset was not recognised, as the Company's management had no sufficient evidence that will generate future taxable profits against which these temporary differences could be realised.

Explanatory notes (continued)
(all amounts are in EUR unless otherwise stated)

NOTE 7

INTANGIBLE ASSETS

Items	Deve- lopment works	Goodwill	Patents, licenses, etc.	Software	Other intangi- ble assets	Total
Balance at the end of the previous financial year	-	172 833	-	60 060	-	232 893
a) Non-current intangible assets at acquisition cost						
At the end of the previous financial year	-	610 000	-	144 534	-	754 534
Changes during the financial year:						
- additions	-	-	-	10 647	-	10 647
- reversals (-)	-	-	-	-	-	-
- disposals to other persons and written off assets (-)	-	-	-	-	-	-
- transfers from one heading to another +/-(-)	-	-	-	-	-	-
At the end of the financial year	-	610 000	-	155 181	-	765 181
b) Amortisation						
At the end of the previous financial year	-	437 167	-	84 474	-	521 641
Changes during the financial year:						
- charge for the year	-	122 000	-	35 893	-	157 893
- reversals (-)	-	-	-	-	-	-
- disposals to other persons and written off assets (-)	-	-	-	-	-	-
- transfers from one heading to another +/-(-)	-	-	-	-	-	-
At the end of the financial year	-	559 167	-	120 367	-	679 534
c) Balance at the end of the financial year (a)-(b)	-	50 833	-	34 814	-	85 647

Amortisation expenses of intangible assets of EUR 158 thousand are stated under general and administrative expenses.

The acquisition value of Company's fully amortised assets still in use in the software group as at 31 December 2018 were in amount of EUR 69 thousand. The Company did not have unused or pledged as a guarantee intangible assets as at 31 December 2018.

Based on the agreement of 14 May 2015 between UAB Lietkabelis and PKC Group Lithuania UAB, a business was acquired. The larger part of this business acquisition, i.e. EUR 610 000 was recognised in the financial statements as intangible assets (goodwill), applying the amortisation period of 5 years. In 2018, the recognized amortisation of goodwill amounted to EUR 122 000. The end period for calculation of goodwill amortisation in 31/05/2019.

As at 31 December 2018 and 2017, there are no indications of goodwill impairment according to Company's management evaluation.

Explanatory notes (continued)
(all amounts are in EUR unless otherwise stated)

NOTE 8

NON-CURRENT TANGIBLE ASSETS

Items	Land	Buildings and constructions	Plant and machinery	Vehicles	Other assets	Advances paid and tangible assets in the course of construction (production)	Total
Balance at the end of the previous financial year	-	68 182	4 085 464	61 160	676 469	-	4 891 275
a) Acquisition cost							
At the end of the previous financial year	-	104 835	5 778 829	91 260	1 116 237	-	7 091 160
Changes during the financial year							
- additions	-	2 609	1 792 609	-	161 602	48 530	2 005 350
- disposals to other persons and written off assets (-)	-	-	(264 370)	-	(1 105)	-	(265 475)
- transfers from one heading to another +/-(-)	-	-	-	-	-	-	-
At the end of the financial year	-	107 444	7 307 068	91 260	1 276 734	48 530	8 831 035
b) Depreciation							
At the end of the previous financial year	-	36 653	1 693 365	30 100	439 768	-	2 199 886
Changes during the financial year							
- charge for the year	-	15 693	1 431 110	16 435	334 355	-	1 797 593
- reversals (-)	-	-	-	-	-	-	-
- disposals to other persons and written off assets (-)	-	-	(96 001)	-	(725)	-	(96 726)
- transfers from one heading to another +/-(-)	-	-	-	-	-	-	-
At the end of the financial year	-	52 346	3 028 474	46 535	773 398	-	3 900 753
c) Balance at the end of the financial year (a)-(b)	-	55 098	4 278 594	44 725	503 336	48 530	4 930 283

No financial lease agreements were concluded in 2018.

Depreciation expenses of tangible assets of EUR 1 798 thousand are stated under cost of sales.

The acquisition value of the Company's fully depreciated non-current tangible asset still in use as at 31 December 2018 was in amount of EUR 178 thousand. The Company did not have fully depreciated non-current tangible assets still in use under plant and machinery and other assets as at 31 December 2017.

As at 31 December 2018 and 2017 the Company does not have any non-current tangible assets that are not used and not depreciated under plant and machinery and other assets.

Explanatory notes (continued)
(all amounts are in EUR unless otherwise stated)

NOTE 9: INVENTORIES

	31 December 2018	31 December 2017
Raw materials, materials and consumables	802 996	531 617
Production and work in progress	389 236	127 849
Goods for resale	4 799	47 782
Prepayments to suppliers	20 525	2 233
Total:	1 217 556	709 481

In 2016 a warehouse for storage of equipment for production of spare parts was relocated from Estonia to Lithuania, these spare parts are accounted for under raw materials, materials and consumables account. In 2018 and 2017 these spare parts are used for repair of production equipment and sold according to need to group companies in Russia and Serbia. According to management's valuation, these inventories do not need impairment write-down.

NOTE 10: AMOUNTS RECEIVABLE WITHIN ONE YEAR

	31 December 2018	31 December 2017
Amounts receivable from group companies	5 122 466	4 278 320
Amounts receivable from Lithuania customers	466	-
VAT receivable from the State Tax Authority	139 134	199 944
Other fees payable	41 740	30 382
Total:	5 303 806	4 508 646

NOTE 11: ACCRUED EXPENSES AND DEFERRED REVENUE

As at 31 December 2018 the Company did not have any services that would not have issued invoices, which resulted that deferred revenue was not recorded. As at 31 December 2017 deferred revenue of the Company amounted to EUR 196 thousand, it was related to rendered services to group companies, however invoices were not issued at the end of reporting year. As at 31 December 2018 accrued expenses amounted to EUR 13 thousand (as at 31 December 2017 - EUR 6 thousand).

NOTE 12: STRUCTURE OF THE AUTHORISED CAPITAL

As at 31 December 2018 and 2017

Items	Number of shares	Amount
Structure of the share capital at the end of the financial		
1. As to type of shares	5 002	144 858
1.1. Ordinary shares	5 002	144 858
1.2. Preferred shares	-	-
1.3. Employees' shares	-	-
1.4. Special shares	-	-
2. Share premium	-	2 941 335
TOTAL:	5 002	3 086 193
2. Capital of the state or municipalities	-	-
Shares owned by the company	-	-
Shares owned by subsidiaries	-	-

All the Company's shares are fully paid. The nominal value per share is EUR 28.96.

NOTE 13: DRAFT APPROPRIATION OF PROFIT

Items	Amount
Retained earnings (losses) of the previous financial year at the beginning of the financial year	(253 156)
Net result - profit (loss) - for the financial year	1 368 119
Shareholders' contributions against losses	-
Transfers from reserves	-
Profit (loss) for distribution	1 114 963
Profit distribution:	
- to legal reserves	(14 486)
- to other reserves	-
- dividends	-
- other	-
Retained earnings - profit (loss) - at the end of the financial year	1 100 477

Legal reserve

The legal reserve is formed from profit for appropriation in accordance with the Law on Companies of the Republic of Lithuania. Annual transfers of 5 per cent of net profit are required until the reserve reaches 10 per cent of the authorised share capital. The legal reserve may be used to cover the Company's losses only. A part of the legal reserve in excess of 10 per cent of the authorised share capital may be redistributed when appropriation of profit for the next financial year is performed. As at 31 December 2017, the Company did not form this reserve due to the fact that it had accumulated losses.

Explanatory notes (continued)
(all amounts are in EUR unless otherwise stated)

NOTE 14: STATE OF THE COMPANY'S NON-CURRENT LIABILITIES

Amounts payable after one year and other non-current liabilities

Items	Comment	31 December 2018	31 December 2017
Amounts payable to group companies	PKC Eesti AS	3 447 896	3 447 896
Debt obligations to credit institutions	Nordea Finance Lithuania UAB	38 958	52 268
		3 486 854	3 500 164

In 2016 the Company received a loan of EUR 3 500 000 from the shareholder PKC Wiring OY. The Company is under obligation to pay 3.82% + 12 month Euribor average. Loan repayment maturity term is 2020 and 2021. On 5/12/2016 the Shareholder reached the decision to cover the Company's losses with the loan granted by EUR 1 500 000 - the Company's retained losses were reduced by this amount. Under the share purchase and sale agreement of 19/12/2016, the claim to the loan was overtaken by the new shareholder of the Company - PKC Eesti AS. In 2018 and 2017 the Company did not receive new loan.

Two financial lease (leasing) agreements were concluded on 7/01/2016 under which the Company purchased 6 cars. Financial lease period is 4 years. No new financial lease agreements were concluded in 2018 and 2017. As at 31 December 2018 and 2017 non-current financial lease (leasing) liabilities are recognised under debt obligations.

Specification of financial lease (leasing) liabilities

Repayment period	Amount of minimum lease payments	Interest payable	The present value of minimum lease payments
Within one to two years	14 480	1 200	13 280
From two to five years	39 121	163	38 958
After five years	-	-	-
Total:	53 601	1 363	52 238

NOTE 15: STATE OF THE COMPANY'S CURRENT LIABILITIES

Specification of liabilities per type	31 December 2018	31 December 2017
Debt obligations	13 280	12 911
Pension liabilities	-	-
Amounts payable to suppliers:	2 617 387	1 932 145
- Amounts payable to Lithuanian suppliers	502 549	630 468
- Amounts payable to foreign suppliers	295 886	893 529
- Amounts payable to Group companies	1 818 952	408 148
Employment-related liabilities	1 438 570	2 219 622
- remuneration payable and related taxes	479 847	1 272 449
- vacation reserve	920 842	900 940
- bonuses payable	37 881	46 233
Income tax liabilities	-	-
Other amounts payable and current liabilities	2 515	1 715
TOTAL:	4 071 752	4 166 393

The Company's rights and obligations not stated in the balance sheet

Under the agreement for rent of premises concluded on 14 May 2014 and equipment storage agreements with AB Lietkabelis, the Company incurred EUR 547 thousand rent expenses in 2018, Eur 542 thousand rent expenses in 2017. Rent period of premises under the agreement concluded on 14 May 2014 is 5 years and the period ends on 1 June 2019. According the 7 January, 2019 amendment of agreement for rent of premises, concluded on 14 May 2014, rent period extended for 5 years. Under the agreement of rent concluded on 31 July 2018 with AB Lietkabelis, the Company leased warehouse - shelter. Under this agreement the Company incurred EUR 5 thousand rent expenses in 2018.

Under the agreement for rent of premises concluded on 2 March 2016 with UAB ARJ Logistika, the Company incurred EUR 263 thousand rent expenses. The rent period is 4 years with the possibility to extend the rent period for one more year.

Under the operating lease agreement No 201700668, concluded on 25/01/2017 with UAB Nordea Finance Lithuania, the Company incurred EUR 7 thousand car rental costs. The rent period is 3 years and ends on 25 January 2020.

Estimated future operating lease payments	31 December 2018	31 December 2017
Within one year	791 479	793 488
After one year but within five years	2 481 373	847 775
After five years	-	-
Total:	3 272 852	1 641 263

Explanatory notes (continued)
(all amounts are in EUR unless otherwise stated)

Tax inspections

The Tax Authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in respect of taxes not paid. No full tax inspection has been performed in the Company.

NOTE 16: FINANCIAL RELATIONS WITH MANAGEMENT AND OTHER RELATED PARTIES

Items	31 December 2018	31 December 2017	Balance at the end of the financial year
Amounts calculated during the year related to labour relations:			
a) Basic salary:			
1. Management	289 794	295 238	-
2. Other related parties	-	-	-
b) Bonuses, additional pays:			
1. Management	30 588	40 182	-
2. Other related parties	-	-	-
Average number of management during year	7	8	-

* The calculated amounts do not include social insurance paid by the employer.

The Company's management comprises of the General Manager, the Production Manager, the HR Manager, the Finance Manager, the IT Manager, the Manager of the Production Engineering Department and the Quality Manager in 2018. The Company's management comprised of the General Manager, the Production Manager, the HR Manager, the Finance Manager, the IT Manager, the Manager of the Production Engineering Department, the Quality Manager and the Manager of the Supply Chain in 2017.

The entire salary calculated for December 2018 was paid on 31 December 2018.

Transactions with PKC group companies and balances as at the balance sheet date are presented below:

PKC Eesti AS

Lootsa 8, 11415 Talinas, Estija, company code 10858008

	2018	2017
Sales	30 453 754	23 801 469
Purchase of raw materials	-	-
Other income	-	-
Purchase of non-current assets	148 019	27 279
Other expenses	227 999	258 164
Amounts receivable	4 966 762	3 175 186
Amounts payable	11 006	14 457
Amounts payable (loan and accrued interest payable)	3 452 357	3 447 896

PKC Group Poland Sp.z.o.o.

Radomska ul. 86, PL27-200 Starachowice, Poland, company code 5252437638

	2018	2017
Sales	57 720	10 332
Purchase of raw materials	322 499	-
Purchase of non-current assets	1 162 191	955 418
Other expenses	96	176 083
Amounts receivable	3 002	6 781
Amounts payable	48 530	260 989

ARNESES Y ACCESORIOS DE MEXICO S DE RL DE CV

Monterey Business Park, 66600 Apodaca, Nuevo Leon, Mexico, company code AAM820326A18

	2018	2017
Sales	-	-
Purchase of raw materials	-	-
Purchase of non-current assets	-	-
Other expenses	125 303	-
Amounts receivable	-	-
Amounts payable	-	-

Explanatory notes (continued)
(all amounts are in EUR unless otherwise stated)

PKC Vehicle Technology (Suzhou) Co., Ltd

Block N Unit 01/05, Ascendas Xin Su Industry Square, No. 128 Xingpu Road, SIP, China, company code 91320594086939210G

	2018	2017
Sales	-	-
Purchase of raw materials	1 555	19 318
Purchase of non-current assets	-	-
Other expenses	-	-
Amounts receivable	-	-
Amounts payable	-	15 812

PKC Wiring System d.o.o.

Salinacka bb, 11300 Smederevo, Serbia, company code 108279956

	2018	2017
Sales	187 915	30 194
Purchase of raw materials	17 996	-
Purchase of non-current assets	16 302	137 012
Other expenses	95 014	276 780
Amounts receivable	251	9 121
Amounts payable	-	116 388

PKC Wiring System OY

Vihikari 10, FI-90440 Kempele, Finland, company code 0849146-5

	2018	2017
Sales	-	934
Purchase of raw materials	-	-
Purchase of non-current assets	-	12 775
Other expenses	-	92 963
Amounts receivable	-	-
Amounts payable	-	-

AEK OOO

Shosse Gornjakov 34, Kostomuksha, Russia, company code 100401001

	2018	2017
Sales	885 277	894 040
Purchase of raw materials	3 516	-
Purchase of non-current assets	-	-
Other expenses	9 500	39 602
Amounts receivable	84 360	117 599
Amounts payable	-	502

PKC Group Ltd

Bulevardi 21, FI-00180, Helsinki, Suomija, company code 0972280-0

	2018	2017
Sales	423	-
Purchase of raw materials	-	-
Purchase of non-current assets	-	-
Other expenses	-	-
Amounts receivable	-	945 688
Amounts payable	1 759 416	-

Explanatory notes (continued)
(all amounts are in EUR unless otherwise stated)

PKC Cables do Brasil Ltda

Rua Estrada da Graciosa 803, Curitiba-Parana, Brazilija, company code 01.691.944/0002-04

	2018	2017
Sales	138 887	28 564
Purchase of raw materials	1 700	-
Purchase of non-current assets	-	-
Other expenses	30 121	-
Amounts receivable	84 361	23 944
Amounts payable	-	-

PKC SEGU Systemelektrik GmbH

Am Eisberg 14, D-36456 Barchfeld, Vokietija, company code 4157/116/05565

	2018	2017
Sales	-	-
Purchase of raw materials	10 575	1 390
Purchase of non-current assets	-	-
Other expenses	-	-
Amounts receivable	-	-
Amounts payable	-	-

Kabel-Technik Polska Sp. z o.o

PLAWIEŃSKA 5, 78-550 CZAPLINEK, Lenkija, company code 0000192681

	2018	2017
Sales	-	-
Purchase of raw materials	7 495	-
Purchase of non-current assets	-	-
Other expenses	-	19 284
Amounts receivable	-	-
Amounts payable	-	-

Motherson Sumi System Limited

C-14 A&B, Sector-1, Noida - 201301 Distt. Gautam Budh Nagar, (U.P.), India, company code L34300MH1986PLC284510

	2018	2017
Sales	-	-
Purchase of raw materials	12 749	-
Purchase of non-current assets	7 260	-
Other expenses	-	-
Amounts receivable	-	-
Amounts payable	-	-

TOTAL with PKC Group companies

	2018	2017
Sales	31 723 976	24 765 533
Purchase of raw materials	378 085	20 708
Purchase of non-current assets	1 185 753	1 105 205
Other expenses	636 052	858 690
Amounts receivable	5 122 466	4 278 320
Amounts payable	1 818 952	408 490
Amounts payable (loan and accrued interest payable)	3 452 357	3 447 896

Information on loans granted to the Company by the parent company is provided in Note 14.

Explanatory notes (continued)
(all amounts are in EUR unless otherwise stated)

NOTE 17: GOING CONCERN

As at 31 December 2018 current assets recognised in the Company's balance sheet exceed current liabilities by EUR 2 464 thousand. This means that the Company's liquidity ratio is positive 1.6 and the Company is able to cover its current liabilities with current assets. As at 31 December 2018 and 2017 the Company's equity is positive and complies with the requirement of the Law on Companies prescribing that the equity cannot be less than 1/2 of the authorized capital of the company.

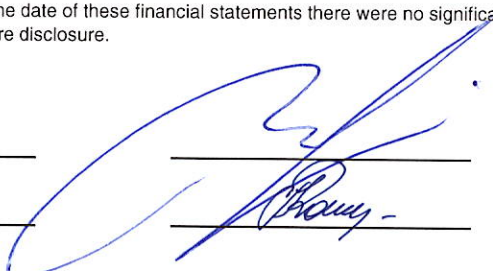

The financial statements of the Company for the year 2018 have been prepared on a going concern basis assuming that the Company will be able to continue operations in the near future.

In 2019, the Company expects to reach the turnover of EUR 24 385 thousand. The Company's expected direct operating costs (excluding other activity results) would amount to EUR 15 135 thousand in 2019.

Given the above mentioned circumstances, the Company's management is of the opinion that the Company will be able to continue as a going concern; therefore, the financial statements were prepared on a going concern basis.

NOTE 18: SUBSEQUENT EVENTS

After end of the financial year until the date of these financial statements there were no significant subsequent events that could have an effect on the annual financial statements or require disclosure.

General Manager		31 May 2019	Marius - Florin Dinescu
Finance Manager		31 May 2019	Milda Rajunčienė

ANNUAL REPORT

Reporting period covered by the annual report

The annual report is prepared for the financial year 2018.

Overview of the Company's activities

PKC GROUP LITHUANIA , UAB (hereinafter "the Company") was registered on 25 April 2014. The Company has been assigned with the company code 303297652. The Company is located at J. Janonio Str. 4, LT-35101 Panevėžys. The Company operates in compliance with requirements provided in the Law on Companies of the Republic of Lithuania, other legal acts and the Articles of Association of the Company. The main activities of the Company include:

- Manufacture and sales of electrical distribution systems;
- Manufacture and sales of vehicle electronics;
- Design, manufacture and sales of components;
- Manufacture and sales of wires and cables;
- Other manufacture and services related to cable systems and electronics.

Authorized capital of the Company

As at 31 December 2018, the authorized share capital of the Company amounts to 144 858 EUR comprising 5 002 ordinary shares at par value of 28,96 EUR. One share grants one vote. As at 31 December 2018, an emission price of the shares is 2 941 334 EUR. All the shares are fully paid in and are free of any restrictions on the disposal of securities.

The sole shareholder of the Company is an Estonian company PKC Eesti AS, company code 10858008, registered on 23 March 2002.

During the reporting period, the Company did not acquire or dispose its own shares.

The Company does not have any branches, representative offices, subsidiaries and associated companies.

Financial position of the Company, summary of activities and development

Sales turnover for 2018 amounted to 31 223 772 EUR. The Company sells its services and goods to the Estonia-based company PKC Eesti AS. Sales turnover to Estonian company PKC Eesti AS for 2018 amounted to 30 453 754 EUR. Sales turnover for 2017 amounted to 23 801 469 EUR. The sales volume has increased, compared to the year 2018, by Eur 6 652 285 (by 27.9 %), net profit before taxes amounts to EUR 1 149 397. In 2018 the Company carried out its activities successfully - investment project was implemented for increasing production capacity, installation of complicated production technological processes, acquisition and modernization of machinery and equipment, oriented towards production of new generation Scania products. In addition, in 2018 the Company invested in the acquisition of fixed assets, modernization of existing assets, which led to expansion of production, increase of productivity, helped to introduce new production technologies, optimize and ensure higher quality production. Company managed its operating costs effectively. Current assets as presented in the balance sheet as at 31 December 2018 exceed current liabilities by 2 464 thousand EUR. This means that the liquidity ratio of the Company is 1.6, i.e. positive and the Company is able to cover its current liabilities. As at 31 December 2018, the equity is positive and complies with the requirement of the Law on Companies providing that the equity should not be lower than ½ of its authorized capital.

The Company is planning to achieve the turnover from production activity of 24 385 thousand EUR in 2019. On of 19 December 2018 the amendment to the service agreement was signed with the client PKC Eesti AS, the hourly rate for the services provided by the Company was increased. These circumstances determine the forecast that the Company has all the possibilities to continue as a going concern. It is expected to earn profit before taxes, depreciation and amortization (EBITDA) of 2 535 thousand EUR in 2019.

Given the above circumstances, the Company's management is of the opinion that the Company will be able to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

Description of main risks and uncertainties encountered by the Company

The Company sells its services to a permanent customer based on a long-term service agreement. The main factors creating operational risks include potential changes of prices in the sales market as well as political, legal and social developments that are directly or indirectly related with the Company's activities and may adversely affect the Company's cash flows, expectations and results.

The Company does not have any derivative financial instruments.

Information on environmental and personnel issues

As at 31 December 2018, there were 1930 employees in the Company, out of who 93 executives and specialists and 1837 – production workers. Education, qualifications and competence of the executives and specialists comply with the set requirements. The production specialists are competent in their work or are trained as to approved programs and gain the necessary qualifications. Employees are granted social allowances in case of a family member's death, have all conditions to study and improve their qualifications. Salaries are determined based on the motivated remuneration system depending on complexity and significance of work, quality of performance and importance of production processes. Salaries are calculated in accordance with legislation: payment for night work, overtime, working on rest days and public holidays. As part of the human resources policy, the Company feels a risk of sufficient and timely supply of labor force in the market.

In its activities, the Company follows and implements the legal acts on environmental issues, requirements of customers concerning the activities of the Company and quality of goods. Pursuant to the environmental program, certain measurements and observations are performed on an ongoing basis to reduce the Company's impact on the environment and to contribute to its protection. Deviations from environment protection are handled openly, and the information gathered is used for a continuous improvement of processes, methods and procedures.

Environmental goals are assessed based on quantitative and qualitative indicators. Commitments for positive attention towards environment are assumed by each employee because everybody must know about an impact done individually or by his/her division to environment and each employee must have an opportunity to become an initiator and even an executor, if necessary, of corrective actions.

Goals of the Company in relation to environment management are as follows:

- To reduce harm arising from the usage of chemicals by not releasing them out to environment;
- In collaboration with the client, to find appropriate component replacements that do not include harmful materials,
- Improvement of waste handling (collection and monitoring)
- To decrease energy, water and gas consumption;
- To decrease copper waste so that total amount would not exceed 0.1% of the turnover;
- To reduce the number of production defects up to 5%;
- To reduce the amount of waste.

References and additional explanations about the data presented in the annual financial statements

Data presented in the annual financial statements and explanatory notes are sufficient and do not require additional explanation.

Information about the Company's research and development activities

The Company does not carry out research and development activities.

Operational risks, plans and forecasts

The main goals of the Company for the year 2019 are as follows:

- To continue improving the Company's performance result;
- To optimize the operating costs;
- To improve performance of employees;
- To provide 87-90% productivity.

The main risks faced by the Company:

- Increase of efficiency and exhaustion of equipment;
- Supply of labour force in the market;
- Growth of salaries in the country.

Significant subsequent events

There is no additional information that should be disclosed in accordance with the legal requirements or the Company's by-laws and that should be included in this annual report and the financial statements.

Information about the other executive positions held by the Chief Executive Officer, members of the Board of the Company

The General Manager of the Company did not hold any executive positions in the other companies.

Other current positions of the Company's Board members:

Jani Taneli Kiljala

Position	Company's name	Code	Company's address
President, Wiring systems, Europe and South America	PKC Eesti AS	10858008	Lootsa 8, 11415 Tallinn, Estonia
Member of the board of directors	PKC Wiring Systems Oy	0849146-5	Vihikari 10, FI-90440 Kempele, Finland
Chairman of the board of directors	TKV-sarjat Oy	0805209-1	Vihikari 10, FI-90440 Kempele, Finland
Chairman of the board of directors	PKC Eesti AS	10858008	Lootsa 8, 11415 Tallinn, Estonia
Member of the board of directors	OOO AEK	1021000882000	Shosse Gornjakov, 34,186930, Kostomuksha, Karelia, Russia

Andreas Heuser

Position	Company's name	Code	Company's address
Member of the board of directors	PKC Group Ltd	0972280-0	Bulevardi 21, FI-00180, Helsinki, Finland
General Manager	PKC SEGU Systemelektrik GmbH	HRB 302198	Am Eisberg 14, D-36456 Barchfeld, Germany
Member of the board of managers	AEES Manufacturera, S. De R.L de C.V.	AFM-010102-MQ5	Avenida Fesnel Num. 7650 Parque Industrial A.J. Bermudez, Ciudad Juárez, Chihuahua, Mexico., C.P. 32470
Member of the board of managers	Arneses y Accesorios de México, S. de R.L de C.V.	AAM-820326-A18	Km. 5.823 Carretera Presa la Amistad SN, Col. Parque Industrial Amistad, Ciudad Acuña, Coahuila, Mexico. C.P. 26220
Member of the board of managers	Arneses de Ciudad Juarez, S. de R.L de C.V	ACJ-950315-HG7	Avenida Fresnel #7650, Col. Parque Industrial A.J. Bermudez, Ciudad Juárez, Chihuahua, Mexico. C.P. 32470
Member of the board of managers	Asesoría Mexicana Empresarial, S. de R.L de C.V.	AME-940228-BC3	Carretera Miguel Alemán Km. 14.5 E-3A, Monterrey Business Park, Apodaca, Nuevo León, Mexico, CP 66600
Member of the board of managers	Cableados del Norte II, S. de R.L de C.V.	CNI-950315-IB0	Carretera a Matamoros Entronque con Mieleras SN, Parque Industrial las Américas Torreón, Coahuila, Mexico. C.P. 27278

Member of the board of managers	PKC Group de Piedras Negras, S. de R.L. de C.V.	PGP-120814-BW8	Libramiento G. Manuel Pérez Treviño Col. Parque Industrial Amistad Piedras Negras, Coahuila, Mexico. C.P. 26080
Member of the board of managers	Manufacturas de Componentes Electricos de Mexico S. de R.L de C.V	MCE-870427-FX0	Carretera Miguel Aleman Km 14.5 E-3A Monterrey Business Park, Apodaca, Nuevo León, Mexico, CP 66600
Member of the board of managers	PKC Group AEES Commercial S. de R.L de C.V	PGA-140319-1K9	Carretera Miguel Alemán Km. 14.5 E-3A, Monterrey Business Park, Apodaca, Nuevo Leon, Mexico, CP 66600
Member of the management board	PKC Group Poland Sp. z o.o.	0000309537	ul. Radomska 86 27-200, Starachowice, Poland
Member of the management board	Kabel-Technik-Polska Sp. z o.o.	KRS0000192681	Plawieńska 5, 78-550 Czaplinek, Poland
Member of the board of directors	OOO AEK	1021000882000	Shosse Gornjakov, 34,186930, Kostomuksha, Karelia, Russia
Director	PKC Wiring Systems Llc	20967579	Šalinačka bb, 11300 Smederevo, Serbia
Director	Motherson Rolling Stock Systems GB Limited	11802649	Litchurch Lane Derby DE24 8AD
Member of the board of directors	AEES Inc.	25-1483401	36555 Corporate Drive Suite 300 Farmington Hills, MI 48331, USA
Member of the board of directors	PKC Group Canada Inc.	848305322	44 Chipman Hill, Suite 1000 Saint John, New Brunswick E2L 4S6, Canada
Member of the board of directors	AEES Power Systems Limited partnership	30-0066237	36555 Corporate Drive Suite 300 Farmington Hills, MI 48331,USA
Member of the board of directors	Fortitude Industries Inc. (dba Advanced Transit Manufacturing - 'ATM')	20-1160130	7200 County Route 70A, Hornell, NY 14843, USA

Sanna Helena Raatikainen

Position	Company's name	Code	Company's address
General Counsel	PKC Group Ltd	0972280-0	Bulevardi 21, FI-00180, Helsinki, Finland
Procurist	PKC Group Ltd	0972280-0	Bulevardi 21, FI-00180, Helsinki, Finland
Member of the board of directors	PKC Wiring Systems Oy	0849146-5	Vihikari 10, FI-90440 Kempele, Finland
Member of the board of directors	TKV-sarjat Oy	0805209-1	Vihikari 10, FI-90440 Kempele, Finland
Member of the board of directors	PKC Group APAC Limited	1861574	Level 54, Hopewell Centre 183, Queen's Road East, Hong Kong, China
Supervisor	PKC Vehicle Technology (Suzhou) Co., Ltd.	91320594086939210G	Block 1, Unit 502/503, Ascendas Xin Su Industry Square I, No.5 Xinghan Street, SIP, Suzhou, Postal code: 215021 P.R.China
Member of the supervisory board	PKC Eesti AS	10858008	Lootsa 8, 11415 Tallinn, Estonia
Member of the board of managers, Secretary	AEES Manufacturera, S. De R.L de C.V.	AFM-010102-MQ5	Avenida Fesnel Num. 7650 Parque Industrial A.J. Bermudez, Ciudad Juárez, Chihuahua, Mexico., C.P. 32470

Member of the board of managers, Secretary	Arneses y Accesorios de México, S. de R.L de C.V.	AAM-820326-A18	Km. 5.823 Carretera Presa la Amistad SN, Col. Parque Industrial Amistad, Ciudad Acuña, Coahuila, Mexico. C.P. 26220
Member of the board of managers, Secretary	Arneses de Ciudad Juárez, S. de R.L de C.V	ACJ-950315-HG7	Avenida Fresnel #7650, Col. Parque Industrial A.J. Bermudez, Ciudad Juárez, Chihuahua, Mexico. C.P. 32470
Member of the board of managers, Secretary	Asesoría Mexicana Empresarial, S. de R.L de C.V.	AME-940228-BC3	Carretera Miguel Alemán Km. 14.5 E-3A, Monterrey Business Park, Apodaca, Nuevo León, Mexico, CP 66600
Member of the board of managers, Secretary	Cableados del Norte II, S. de R.L de C.V.	CNI-950315-IB0	Carretera a Matamoros Entronque con Mieleras SN, Parque Industrial las Américas, Torreón, Coahuila, Mexico. C.P. 27278
Member of the board of managers	PKC Group de Piedras Negras, S. de R.L. de C.V.	PGP-120814-BW8	Libramiento G. Manuel Pérez Treviño Col. Parque Industrial Amistad, Piedras Negras, Coahuila, Mexico. C.P. 26080
Member of the board of managers, Secretary	Manufacturas de Componentes Electricos de Mexico S. de R.L de C.V	MCE-870427-FX0	Carretera Miguel Aleman Km 14.5 E-3A Monterrey Business Park, Apodaca, Nuevo León, Mexico, CP 66600
Member of the board of managers	PKC Group AEES Commercial S. de R.L de C.V	PGA-140319-1K9	Carretera Miguel Alemán Km. 14.5 E-3A, Monterrey Business Park, Apodaca, Nuevo Leon, Mexico, CP 66600
Member of the board of managers, Secretary	PKC Group Mexico S.A. de C.V.	PGM-970929-577	Prolongación Avenida Hidalgo 16, Parque Industrial San Carlos, Nogales, Sonora, CP 84094, Mexico
Member of the management board	PKC Group Poland Holding Sp. z o.o.	KRS 0000523290	Al. Jana Pawła II 22,00-133 Warszawa
Secretary	PKC Group USA Inc.	52-2075644	36555 Corporate Drive Suite 300 Farmington Hills, MI 48331, USA
Secretary	AEES Inc.	25-1483401	36555 Corporate Drive Suite 300 Farmington Hills, MI 48331,USA
Member of the board of directors, Secretary	PKC Group Canada Inc.	848305322	44 Chipman Hill, Suite 1000 Saint John, New Brunswick E2L 4S6, Canada
Secretary	AEES Power Systems Limited partnership	30-0066237	36555 Corporate Drive Suite 300 Farmington Hills, MI 48331, USA
Secretary	Fortitude Industries Inc. (dba Advanced Transit Manufacturing - 'ATM')	20-1160130	7200 County Route 70A, Hornell, NY 14843, USA
Secretary	T.I.C.S. Corporation	56-1852379	36555 Corporate Drive Suite 300 Farmington Hills, MI 48331, USA

General Manager

31 May 2019

Marius – Florin Dinescu