

Independent auditor's report
on the financial statements of
SMRC Automotive Technology Ru LLC
for 2018

July 2019

**Independent auditor's report
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SMRC Automotive Technology Ru LLC**

Translation of the original Russian version

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Independent auditor's report

Translation of the original Russian version

To the Participants of
SMRC Automotive Technology Ru LLC
To the Board of Directors of
SMRC Automotive Technology Ru LLC

Opinion

We have audited the financial statements of SMRC Automotive Technology Ru LLC (hereinafter, the "Company"), which comprise the balance sheet as at 31 December 2018, statement of income for 2018 and appendices thereto.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018 and its financial performance and cash flows for 2018 in accordance with the rules on the preparation of financial statements established in the Russian Federation.

Basis for opinion

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) together with the ethical requirements that are relevant to our audit of the financial statements in the Russian Federation, 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 opinion.

Responsibilities of management and the Board of Directors for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the rules on preparation of financial statements established in the Russian Federation, 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.

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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 its operations, or has no realistic alternative but to do so.

The Board of Directors is 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 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.

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We communicate with the Board of Directors 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.

A.V. MILINOV
Partner
Ernst & Young LLC

24 July 2019

Details of the audited entity

Name: SMRC Automotive Technology Ru LLC
Record made in the State Register of Legal Entities on 26 December 2008;
State Registration Number 1084027005743.
Address: Russia 248926, Kaluga, 1st Avtomobilny proezd, 7.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002;
State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

Balance sheet
at December 31, 2018

Organization SMRC Automotive Technology Ru LLC
Taxpayer identification number _____
Type of economic activity Production of automobile parts, accessories
Organizational-legal form/ _____
form of ownership Limited Liability Company
Unit of measure: RUR thousand million
(delete as appropriate)
Location (address): 1st Avtomobilniy proezd, 7, Kaluga, 248926, Russia

	Form (OKUD)	CODES
Date (day, month, year)		07/0001
		31.12.18
	OKPO	89695041
	TIN	4027091073
	OKVED	29.32
	OKOPF /	
	OKFS	63 23
	OKEI	384

Note	Indicator	Code	At December 31, 2018	At December 31, 2017	At December 31, 2016
	ASSETS				
	I. NON-OPERATIONAL ASSETS				
1	Fixed assets	1150	152,420	182,246	209,056
N_17	Deferred tax assets	1180	18,440	18,484	27,908
N_9	Other non-current assets	1190	-----	18,704	18,704
	TOTAL for Section I	1100	170,860	219,434	255,668
	II. OPERATIONAL ASSETS				
3	Inventory	1210	77,102	77,050	111,732
	VAT on acquired assets	1220	12,215	6,567	11,217
4.1	Accounts receivable	1230	225,421	196,936	240,294
2, N_5	Financial investments (excluding for cash equivalents)	1240	-----	130,957	-----
N_8	Cash and cash equivalents	1250	266,386	14,880	20,654
	Other current assets	1260	944	444	562
	TOTAL for Section II	1200	582,068	426,834	384,459
	BALANCE	1600	752,928	646,268	640,127

Note	Indicator	Code	At December 31, 2018	At December 31, 2017	At December 31, 2016
	CAPITAL AND LIABILITIES				
	III. CAPITAL AND RESERVES				
N_10	Charter capital (pooled capital, charter fund, partners' contributions)	1310	56	56	56
	Treasury shares	1320	-----	-----	-----
	Revaluation of non-current assets	1340	-----	-----	-----
	Additional capital (without revaluation)	1350	1,136,853	1,136,853	1,136,853
	Reserve capital	1360	-----	-----	-----
	Retained earnings (loss)	1370	(782,244)	(697,223)	(703,467)
	TOTAL for Section III	1300	354,665	439,686	433,442
	IV. LONG-TERM LIABILITIES				
N_17	Loans and borrowings	1410	-----	-----	-----
	Deferred tax liabilities	1420	221	114	-----
	Provisions	1430	-----	-----	-----
	Other long-term liabilities	1450	-----	-----	-----
	TOTAL for Section IV	1400	221	114	-----
	V. SHORT-TERM LIABILITIES				
N_11	Loans and borrowings	1510	-----	-----	224
4.3	Accounts payable	1520	253,879	134,815	162,582
	Deferred income	1530	-----	-----	-----
6, N_12	Provisions	1540	144,163	71,653	43,879
	Other short-term liabilities	1550	-----	-----	-----
	TOTAL for Section V	1500	398,042	206,468	206,685
	BALANCE	1700	752,928	646,268	640,127

Chief Executive _____ Nechiporenko A. P.
(signature) (printed name)

Date July 23, 2019

(as amended by Orders of the Ministry of Finance
of the Russian of 06.04.2015 № 57n,
of 06.03.2018 № 41n)**Statement of income**

for year 2018

Organization SMRC Automotive Technology Ru LLC

Taxpayer identification number

Type of economic activity Production of automobile parts, accessoriesOrganizational-legal form/
form of ownership Limited Liability CompanyUnit of measure: RUR thousand million

(delete as appropriate)

Form (OKUD)

Date (day, month, year)

OKPO

TIN

OKVED

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Notes	Indicator	Code	For 2018	For 2017
N_14	Revenue	2110	1,445,954	1,213,038
5, N_14	Cost of sales	2120	(1,038,746)	(859,227)
	Gross profit (loss)	2100	407,208	353,811
5, N_14	Selling expenses	2210	(7,461)	(6,618)
5, N_14	Administrative expenses	2220	(272,224)	(256,937)
	Profit (loss) from operations	2200	127,523	90,256
	Income from participation in other organizations	2310	-----	-----
N_15	Interest receivable	2320	3,399	807
N_15	Interest payable	2330	(120)	(18)
N_15	Other income	2340	22,223	33,373
N_15	Other expenses	2350	(184,634)	(101,466)
	Profit (loss) before taxation	2300	(31,609)	22,952
N_17	Current profit tax	2410	(33,261)	(7,170)
N_17	incl. Permanent tax liabilities (assets)	2421	55,807	12,118
N_17	Deferred tax liabilities change	2430	(107)	(114)
N_17	Deferred tax assets change	2450	(44)	(9,424)
	Other	2460	-----	-----
	Net profit (loss)	2400	(85,021)	6,244
	Result from the revaluation of non-current assets which is not included in net profit (loss) for the period	2510	-----	-----
	Result from other operations which is not included in net profit (loss) for the period	2520	-----	-----
	Comprehensive financial result for the period	2500	(85,021)	6,244
	FOR REFERENCE			
	Basic earnings (loss) per share	2900	-----	-----
	Diluted earnings (loss) per share	2910	-----	-----

Chief Executive

(signature)

Nechiporenko A. P.

(printed name)

Date July 23, 2019

Statement of changes in capital

for year 2018

Organization SMRC Automotive Technology Ru LLC

Taxpayer identification number

Type of activity Production of automobile parts, accessoriesOrganizational-legal form/
form of ownership Limited Liability CompanyUnit of measure: RUR thousand million
(delete as appropriate)

	Form (OKUD)	CODES
		0710003
Date (day, month, year)		31.12.18
	OKPO	89695041
	TIN	4027091073
	OKVED	29.32
	OKOPF/OKFS	65 23
	OKEI	384

I. Change in capital

Indicator	Code	Charter capital	Treasury shares	Additional capital	Reserve capital	Retained earnings (loss)	Total
Capital at December 31, 2016	3100	56	-----	1,136,853	-----	(703,467)	433,442
For 2017							
Increase in Capital - total:	3210	-----	-----	-----	-----	6,244	6,244
incl.							
net profit	3211	X	X	X	X	6,244	6,244
income from non-current assets revaluation	3212	X	X	-----	X	-----	-----
income which directly increases capital	3213	X	X	-----	X	-----	-----
additional issue of shares	3214	-----	-----	-----	X	X	-----
increase in the par value of shares	3215	-----	-----	-----	X	-----	X
reorganization of the legal entity	3216	-----	-----	-----	-----	-----	-----
Decrease in Capital - total:	3220	-----	-----	-----	-----	-----	-----
incl.							
net losses	3221	X	X	X	X	-----	-----
losses from non-current assets revaluation	3222	X	X	-----	X	-----	-----
expenses which directly reduce	3223	X	X	-----	X	-----	-----
decrease in the par value of shares	3224	-----	-----	-----	X	-----	-----
decrease in the number of shares	3225	-----	-----	-----	X	-----	-----
reorganization of the legal entity	3226	-----	-----	-----	-----	-----	-----
dividends	3227	X	X	X	X	-----	-----
Additional capital change	3230	X	X	-----	-----	-----	-----
Reserve capital change	3240	X	X	X	-----	-----	X
Capital at December 31, 2017	3200	56	-----	1,136,853	-----	(697,223)	439,686
For 2018							
Increase in Capital - total:	3310	-----	-----	-----	-----	-----	-----
incl.							
net profit	3311	X	X	X	X	-----	-----
income from non-current assets revaluation	3312	X	X	-----	X	-----	-----
income which directly increases capital	3313	X	X	-----	X	-----	-----
additional issue of shares	3314	-----	-----	-----	X	X	-----
increase in the par value of shares	3315	-----	-----	-----	X	-----	X
reorganization of the legal entity	3316	-----	-----	-----	-----	-----	-----
Decrease in Capital - total:	3320	-----	-----	-----	-----	(85,021)	(85,021)
incl.							
net losses	3321	X	X	X	X	(85,021)	(85,021)
losses from non-current assets revaluation	3322	X	X	-----	X	-----	-----
expenses which directly reduce	3323	X	X	-----	X	-----	-----
decrease in the par value of shares	3324	-----	-----	-----	X	-----	-----
decrease in the number of shares	3325	-----	-----	-----	X	-----	-----
reorganization of the legal entity	3326	-----	-----	-----	-----	-----	-----
dividends	3327	X	X	X	X	-----	-----
Additional capital change	3330	X	X	-----	-----	-----	-----
Reserve capital change	3340	X	X	X	-----	-----	X
Capital at December 31, 2018	3300	56	-----	1,136,853	-----	(782,244)	354,663

II. Capital adjustment due to accounting policy changes and prior year errors correction

Indicator	Code	At December 31, 2016	Capital change for 2017		At December 31, 2017
			due to net profit/(loss)	due to other factors	
Capital - total					
before adjustment	3400	-----	-----	-----	-----
Adjustment incl.					
Accounting policy change	3410	-----	-----	-----	-----
errors correction	3420	-----	-----	-----	-----
after adjustment	3500	-----	-----	-----	-----
incl.:					
Retained earnings					
before adjustment	3401	-----	-----	-----	-----
Adjustment incl.					
Accounting policy change	3411	-----	-----	-----	-----
errors correction	3421	-----	-----	-----	-----
after adjustment	3501	-----	-----	-----	-----
other items of capital for which adjustments have been made:					
(by items)					
before adjustment	3402	-----	-----	-----	-----
Adjustment incl.					
Accounting policy change	3412	-----	-----	-----	-----
errors correction	3422	-----	-----	-----	-----
after adjustment	3502	-----	-----	-----	-----

III. Net assets

Indicator	Code	At December 31, 2018	At December 31, 2017	At December 31, 2016
Net assets	3600	354,665	439,686	433,442

Chief Executive _____ **Nechiporenko A. P.**
 (signature) (printed name)

Date July 23 , 2019

Statement of cash flows

for year 2018

Organization SMRC Automotive Technology Ru LLC

Taxpayer identification number

Type of activity Production of automobile parts, accessoriesOrganizational-legal form/
form of ownership Limited Liability CompanyUnit of measure: RUR thousand / million
(delete as appropriate)Form (OKUD)
Date (day, month, year)

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OKFS

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CODES

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Indicator	Code	For 2018	For 2017
Cash flows from operating activities			
Cash receipts from - total.....	4110	1,652,533	1,281,493
including:			
the sale of products, goods, work and services.....	4111	1,596,276	1,257,620
rental payments, license payments, royalties, commission and other similar payments.....	4112	-----	-----
the resale of financial investments.....	4113	-----	-----
other receipts.....	4119	56,257	23,873
Cash disbursements for - total.....	4120	(1,527,463)	(1,152,990)
including:			
suppliers (contractors) for raw materials, other materials, work and services.....	4121	(1,318,209)	(980,859)
in connection with payment to employees.....	4122	(125,418)	(109,960)
interest on debt obligations.....	4123	(119)	(242)
corporate income tax.....	4124	(4,522)	(15,472)
other payments.....	4129	(79,195)	(46,457)
Net cash flows from operating activities.....	4100	125,070	128,503
Cash flows from investing activities			
Cash receipts from - total.....	4210	146,648	96,232
including:			
the sale of non-current assets (except for financial investments).....	4211	-----	-----
the sales of shares in other organizations (participating	4212	-----	-----
repayment of loans granted, from sale of debt securities (or rights of monetary claims from			
other parties).....	4213	145,803	95,521
participating interest in other organizations.....	4214	845	711
other receipts.....	4219	-	-----
Cash disbursements for - total.....	4220	(23,867)	(229,583)
including:			
purchase, construction, modernisation, reconstruction and preparation for use of non-current			
assets.....	4221	(13,341)	(12,334)
the acquisition of shares in other organizations (participating interests).....	4222	-----	-----
the acquisition of debt securities (or rights of monetary claims from other parties), the granting			
of loans to other parties.....	4223	(10,526)	(217,249)
interest paid on debt securities, included in the cost of investment asset.....	4224	-----	-----
other payments.....	4229	-----	-----
Net cash flows from investing activities.....	4200	122,781	(133,351)
Cash flows from financing activities			
Cash proceeds received from - total.....	4310	18,284	37,972
including:			
proceed from loans and borrowings.....	4311	18,284	37,972
monetary contributions of owners (participants).....	4312	-----	-----
issue of shares and increasing of participating interests.....	4313	-----	-----
issuance of bonds, promissory notes and other debt securities and other.....	4314	-----	-----
other receipts.....	4319	-----	-----
Cash disbursements for - total.....	4320	(15,078)	(38,186)
including:			
to owners (participants) for the repurchase of shares (participating interests) in the organization			
or their withdrawal from participation.....	4321	-----	-----
the payment of dividends or other distribution of earnings in favour of owners (participants)			
.....	4322	-----	-----
in connection with the settlement (redemption) of promissory notes and other debts securities,			
repayment of credits and loans.....	4323	(15,078)	(38,186)
Other payments.....	4329	-----	-----
Net cash flows from financing activities.....	4300	3,206	(214)
Net cash flows for the reporting period.....	4400	251,057	(5,062)
Balance of cash and cash equivalents as of the beginning of the reporting period.....	4450	14,880	20,654
Balance of cash and cash equivalents as of the end of the reporting period.....	4500	266,386	14,880
Effect of changes in the exchange rate of foreign currency to the ruble.....	4490	449	(712)

Chief Executive Nechiporenko A. P.
(signature) (printed name)Date July 23, 2019

1. Fixed assets

1.1. Existence and movement of fixed assets

Indicator	Code	Period	At the beginning of the		Additions	Disposals		Changes for the period				At the end of the period		
			Cost	Accumulated depreciation		Cost	Accumulated depreciation	Depreciation charge	Revaluation		Transfers between categories (types)		Cost	Accumulated depreciation
									Cost	Accumulated depreciation	Cost	Accumulated depreciation		
Fixed assets (excluding of income-bearing investments in tangible assets) - total	5200	for 20 18	388,889	(219,058)	19,583	(1,549)	1,409	(41,217)	-----	-----	-----	-----	406,923	(258,866)
	5210	for 20 17	372,144	(176,863)	16,908	(163)	118	(42,313)	-----	-----	-----	-----	388,889	(219,058)
including: (group of fixed assets)	5201	for 20 18	383,290	(216,377)	18,246	(1,295)	1,295	(40,135)	-----	-----	-----	-----	400,241	(255,217)
Machinery and equipment	5211	for 20 17	368,237	(175,104)	15,295	(122)	84	(41,477)	-----	-----	(120)	120	383,290	(216,377)
Others	5202	for 20 18	5,599	(2,681)	1,337	(254)	114	(1,082)	-----	-----	-----	-----	6,682	(3,649)
	5212	for 20 17	3,907	(1,759)	1,613	(41)	34	(836)	-----	-----	120	(120)	5,599	(2,681)

1.2. Ongoing capital expenditure

Indicator	Code	Period	At the beginning of the year	Changes for the period			At the end of the period
				Costs for the period	Expensed	Recognized as fixed assets or capitalized	
Construction in progress and ongoing acquisition, modernization, etc., of fixed assets - total	5240	for 2018	12,415	14,385	(2,854)	(19,583)	4,363
	5250	for 2017	13,775	21,202	(5,654)	(16,908)	12,415
including: (group of fixed assets)	5241	for 2018	12,244	10,129	-----	(19,583)	2,790
<i>Fixed assets during installation</i>	5251	for 2017	13,660	15,492	-----	(16,908)	12,244
<i>Advances related to fixed assets</i>	5242	for 2018	171	4,256	(2,854)	-----	1,573
	5252	for 2017	115	5,710	(5,654)	-----	171

1.3. Change in the value of fixed assets as a result of additional construction, enhancement, reconstruction

Indicator	Code	For 20 18	For 20 17
Increase in the value of fixed assets as a result of additional construction, enhancement, reconstruction - total	5260	5,273	4,955
including: (fixed asset)	5261	-----	-----
<i>Machinery and equipment</i>	5262	5,273	4,955

1.4. Other uses of fixed assets

Indicator	Code	At 31 December 20 18	At 31 December 20 17	At 31 December 20 16
Leased-out fixed assets recorded on balance sheet	5280	-----	-----	-----
Leased-out fixed assets recorded off balance sheet	5281	-----	-----	-----
Leased-in fixed assets recorded on balance sheet	5282	-----	-----	-----
Leased-in fixed assets recorded off balance sheet	5283	1,743	972	972
Real estate accepted into operation and actually used, which are in the process of state registration	5284	-----	-----	-----
Fixed assets in conservation	5285	-----	-----	-----
Other uses of fixed assets (as collateral, etc.)	5286	-----	-----	-----

2. Financial investments

2.1. Existence and movement of financial investments

Indicator	Code	Period	At the beginning of the year		Changes for the period							At the end of the period	
			Cost	Accumulated adjustment	Additions	Disposals (settlements)		Interest charged (including to align cost to nominal value)	Current market value (impairment loss)	Transferred from long-term to short-term investments		Cost	Accumulated adjustment
						Cost	Accumulated adjustment			Cost	Accumulated adjustments		
Long-term - total	5301	for 20 18	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	5311	for 20 17	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Short-term - total	5305	for 20 18	130,957	-----	11,243	(150,306)	-----	8,106	-----	-----	-----	-----	-----
	5315	for 20 17	-----	-----	130,957	-----	-----	-----	-----	-----	-----	130,957	-----
including (group, ivos)													
	5306	for 20 18	130,957	-----	11,243	(150,306)	-----	8,106	-----	-----	-----	-----	-----
Loan issued	5316	for 20 17	-----	-----	130,957	-----	-----	-----	-----	-----	-----	130,957	-----
Financial investment - total	5300	for 20 18	130,957	-----	11,243	(150,306)	-----	8,106	-----	-----	-----	-----	-----
	5310	for 20 17	-----	-----	130,957	-----	-----	-----	-----	-----	-----	130,957	-----

2.2. Other uses of financial investments

Indicator	Code	At 31 December 20 18	At 31 December 20 17	At 31 December 20 16
Financial investments pledged as collateral - total	5320	-----	-----	-----
Financial investments transferred to third parties (except for sale) - total	5325	-----	-----	-----
Other uses of financial investments	5329	-----	-----	-----

3. Inventory

3.1. Existence and movement of inventory

Indicator	Code	Period	At the beginning of the year		Changes for the period						At the end of the period	
			Cost	Provision for impairment	Additions and costs	Disposals		Impairment losses	Transfers between categories (types)		Cost	Provision for impairment
						Cost	Provision for impairment		Cost	Provision for impairment		
Inventory - total	5400	for 20 18	77,050	.....	717,900	(717,938)	.....	.....	X	X	77,102	.....
	5420	for 20 17	111,732	.....	564,635	(599,317)	.....	.....	X	X	77,050	.....
including (group, base)												
Raw and other materials	5401	for 20 18	53,084	.....	716,917	.....	.....	.....	(713,971)	.....	58,030	.....
Raw and other materials	5421	for 20 17	42,373	.....	544,723	.....	.....	.....	(532,012)	.....	55,084	.....
Finished goods	5402	for 20 18	17,999	.....	1,073	(707,565)	.....	.....	707,565	.....	19,072	.....
Finished goods	5422	for 20 17	13,342	.....	4,657	(464,707)	.....	.....	464,707	.....	17,999	.....
Tooling	5403	for 20 18	3,967	.....	.....	(10,373)	.....	.....	6,406	.....	.....	.....
Tooling	5423	for 20 17	36,017	.....	15,255	(134,610)	.....	.....	67,303	.....	3,967	.....

3.2. Pledged inventory

Indicator	Code	At 31 December 20 18	At 31 December 20 17	At 31 December 20 16
Inventory unpaid at the reporting date - total	5440	.....	.....	.....
Inventory pledged as collateral under contract - total	5445	.....	.....	.....

4. Accounts receivable and accounts payable

4.1. Existence and movement of accounts receivable

Indicator	Code	Period	At the beginning of the year		Changes for the period								At the end of the period	
			Recorded under contractual terms	Provision for doubtful debts	Additions		Disposals			Increase in provision for doubtful debts	Transferred from long-term to short-term debts recorded under contractual terms	Amount of provision for doubtful debts	Recorded under contractual terms	Provision for doubtful debts
					As a result of business operations (outstanding amount under transaction operation)	Interest, fines and other charges due	Settled	Charged to financial result	Provision reversed					
Long-term accounts receivable - total	5501	for 20 18	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	5521	for 20 17	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Short-term accounts receivable - total	5510	for 20 18	196,936	-----	228,162	-----	(199,677)	-----	-----	-----	-----	-----	225,421	-----
	5530	for 20 17	240,294	-----	192,168	-----	(235,526)	-----	-----	-----	-----	-----	196,936	-----
including: (type)														
Trade accounts receivable	5511	for 20 18	183,735	-----	181,968	-----	(183,735)	-----	-----	-----	-----	-----	181,968	-----
Trade accounts receivable	5531	for 20 17	227,253	-----	183,735	-----	(227,253)	-----	-----	-----	-----	-----	183,735	-----
Bad debt provision	5512	for 20 18	(2,741)	-----	-----	-----	-----	-----	-----	-----	-----	-----	(2,741)	-----
Bad debt provision	5532	for 20 17	(2,505)	-----	-----	-----	(236)	-----	-----	-----	-----	-----	(2,741)	-----
Advances issued	5513	for 20 18	7,509	-----	31,983	-----	(7,509)	-----	-----	-----	-----	-----	31,983	-----
Advances issued	5533	for 20 17	15,530	-----	-----	-----	(8,021)	-----	-----	-----	-----	-----	7,509	-----
Settlements with accountable persons	5514	for 20 18	131	-----	44	-----	(131)	-----	-----	-----	-----	-----	44	-----
Settlements with accountable persons	5534	for 20 17	-----	-----	131	-----	-----	-----	-----	-----	-----	-----	131	-----
Other	5515	for 20 18	-----	-----	11,166	-----	-----	-----	-----	-----	-----	-----	11,166	-----
Other	5535	for 20 17	14	-----	-----	-----	(14)	-----	-----	-----	-----	-----	-----	-----
Taxes and fees	5516	for 20 18	8,302	-----	3,001	-----	(8,302)	-----	-----	-----	-----	-----	3,001	-----
Taxes and fees	5536	for 20 17	2	-----	8,302	-----	(2)	-----	-----	-----	-----	-----	8,302	-----
Total	5500	for 20 18	196,936	-----	228,162	-----	(199,677)	-----	-----	-----	X	X	225,421	-----
	5520	for 20 17	240,294	-----	192,168	-----	(235,526)	-----	-----	-----	X	X	196,936	-----

4.2. Overdue accounts receivable

Indicator	Code	At 31 December 20 18		At 31 December 20 17		At 31 December 20 16	
		Recorded under contractual terms	Carrying amount	Recorded under contractual terms	Carrying amount	Recorded under contractual terms	Carrying amount
		-----	-----	-----	-----	-----	-----
Total	5540	-----	-----	-----	-----	-----	-----

4.3. Existence and movement of accounts payable

Indicator	Kod	Period	Balance at the beginning of the year	Changes for the period				Balance at the end of the period
				Additions	Disposals	Transferred from long-term to short-term debt		
				As a result of business operations (outstanding amount under transaction operation)	Interest, fines and other charges due	Settled	Charged to financial result	
Long-term accounts payable - total	5551	for 20 18	-----	-----	-----	-----	-----	-----
	5571	for 20 17	-----	-----	-----	-----	-----	-----
Short-term accounts payable - total	5560	for 20 18	134,815	253,879	-----	(134,815)	-----	253,879
	5580	for 20 17	162,582	134,815	-----	(162,582)	-----	134,815
including (type)								
Trade payables	5561	for 20 18	118,778	143,228	-----	(118,778)	-----	143,228
Trade payables	5581	for 20 17	104,426	118,778	-----	(104,426)	-----	118,778
Settlements with government funds	5562	for 20 18	-----	-----	-----	-----	-----	-----
Settlements with government funds	5582	for 20 17	-----	-----	-----	-----	-----	-----
Settlements in respect of taxes and levies	5563	for 20 18	9,509	40,386	-----	(9,509)	-----	40,386
Settlements in respect of taxes and levies	5583	for 20 17	8,806	9,509	-----	(8,806)	-----	9,509
Other	5564	for 20 18	7,703	82,913	-----	(7,703)	-----	82,913
Other	5584	for 20 17	58,233	7,703	-----	(58,233)	-----	7,703
VAT on advances	5565	for 20 18	(1,175)	(12,648)	-----	1,175	-----	(12,648)
VAT on advances	5585	for 20 17	(8,883)	(1,175)	-----	8,883	-----	(1,175)
Total	5550	for 20 18	134,815	253,879	-----	(134,815)	-----	253,879
	5570	for 20 17	162,582	134,815	-----	(162,582)	-----	134,815

4.4. Overdue accounts payable

Indicator	Code	At 31 December 20 18	At 31 December 20 17	At 31 December 20 16
Total	5590	-----	-----	-----

5. Production costs

Indicator	Code	For 20 18	For 20 17
Material costs	5610	709,540	535,194
Payroll	5620	98,520	87,614
Social insurance contributions	5630	26,206	23,373
Depreciation and amortization	5640	41,217	42,310
Other costs and expenses	5650	441,875	429,634
Total by type of expenses	5660	1,317,358	1,118,125
Changes in balances (increase [-]) of work in progress, finished goods, etc.	5670	1,073	4,657
Changes in balances (decrease [+]) of work in progress, finished goods, etc.	5680	-----	-----
Total expenses for ordinary operations	5600	1,318,431	1,122,782

6. Provisions

Indicator	Code	Balance at the beginning of the year	Recognized	Settled	Written off as excessive amount	Balance at the end of the period
Provisions - total	5700	71,653	143,908	(71,398)	-----	144,163
including <i>Unused vacations</i>	5701	4,276	3,434	(4,276)	-----	3,434
<i>Provision for audit of financial statements</i>	5702	2,250	2,250	(2,250)	-----	2,250
<i>Provisions for annual bonuses</i>	5703	8,842	7,772	(8,842)	-----	7,772
<i>Provision for risk of loss reimbursement to suppliers under Renault Fluence project</i>	5704	6,148	-----	(5,893)	-----	255
<i>Provision for annual equipment maintenance</i>	5705	1,930	1,910	(1,930)	-----	1,910
<i>Provisions for bonuses to customers</i>	0	48,207	76,802	(48,207)	-----	76,802
<i>Estimated liabilities arising from legislation</i>	0	-----	51,740	-----	-----	51,740

EXPLANATORY NOTES TO THE BALANCE SHEET AND THE STATEMENT OF INCOME of SMRC Automotive Technology Ru LLC for 2018

These Explanatory Notes constitute an integral part of the annual financial statements of SMRC Automotive Technology Ru LLC (hereinafter, the “Company”) for the 2018 reporting year, prepared in accordance with the applicable legislation of the Russian Federation.

All amounts are presented in thousands of rubles (RUB thousand). Negative values are shown in parentheses.

1. GENERAL INFORMATION

The Company's legal address is: Russia 248926, Kaluga, 1st Avtomobilny proezd 7.

The Company is engaged in the following core activities:

- Manufacture of other components and appliances for motor vehicles (OKVED 29.32)
- Manufacture of other electric equipment (OKVED 27.90)
- Manufacture of electric and electronic equipment for motor vehicles (OKVED 29.31)
- Trade in automotive parts, components and accessories (OKVED 45.3).

In 2018, the Company employed an average of 102 employees (2017: 102 employees).

The composition of the Company's Board of Directors and executive body is as follows:

Mandatory disclosure		Additional disclosure	
Name	Position	Total compensation paid	Details of compensation paid
Andreas Heuser	Member of the Board of Directors	None	
Eric Osepi	Member of the Board of Directors	None	
Amit Bhari	Member of the Board of Directors	None	
Anton Pavlovich Nechiporenko	General Director	RUB 7,304 thousand	Payroll

These financial statements were prepared and signed by the head of the Company on 23 July 2019.

Beneficial owners of the legal entity

As at 31 December 2018, 31 December 2017 and 31 December 2016, SMRC Automotive Technology Ru LLC has no individuals classified as beneficial owners for the purpose of Federal Law No. 115-FZ.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Company's accounting records are maintained in accordance with Federal Law No. 402-FZ, *Concerning Accounting*, dated 6 December 2011 and the Statute, *Concerning Accounting and Reporting in the Russian Federation*, approved by Order No. 34n of the Russian Ministry of Finance dated 29 July 1998 (revised on 29 March 2017), as well as applicable Accounting Statements. The Company's financial statements for 2018 were prepared in accordance with the same Law

and Accounting Statements.

Pursuant to Article 12.1 of Federal Law No. 402-FZ, accounting items are subject to monetary measurement.

Estimation uncertainty

Discussed below are key assumptions concerning future events and other key sources of estimation uncertainty at the reporting date that create a significant risk that material adjustments to the carrying amounts of assets and liabilities will be required within the next reporting year:

- Provision for doubtful debts
- Provision for impairment of inventories
- Useful lives of fixed assets
- Provisions for contingencies
- Provision for vacation unused as at the reporting date
- Provision for year-end bonuses.

Fixed assets

Pursuant to paragraphs 7 and 8 of Accounting Statement 6/01, *Accounting for Fixed Assets*, fixed assets are recognized at historical cost. The historical cost of fixed assets acquired for consideration is the total cost of acquisition, construction or production, net of value added tax and other recoverable taxes (except in instances stipulated by Russian law).

Fixed assets are depreciated using the straight-line method.

Pursuant to paragraph 20 of Accounting Statement 6/01, *Accounting for Fixed Assets*, the useful lives (months) of fixed assets used for depreciation purposes are as follows:

Fixed asset group	Useful lives
Machinery and equipment (instruments and tools)	24
Machinery and equipment (computers and office equipment)	36
Machinery and equipment (light vehicles)	60
Machinery and equipment (production machinery)	84

The historical cost used to record a fixed asset may only be adjusted in the event of additional construction, equipment, renovation, upgrading, partial liquidation or revaluation of fixed assets (paragraph 14 of Accounting Statement 6/01).

Pursuant to paragraph 11 of Accounting Statement 6/01, *Accounting for Fixed Assets*, fixed assets received under contracts providing for non-monetary compensation (settlement) are measured as follows:

- The historical cost of fixed assets received under contracts providing for non-monetary compensation (settlement) is deemed to be the cost of assets transferred or transferable by the Company. The cost of assets transferred or transferable by the Company is based on the price it would normally charge for similar assets under comparable circumstances.
- Where it is impossible to determine the cost of assets transferred or transferable by the Company, the cost of fixed assets received by the Company under contracts providing for non-monetary compensation (settlement) is based on the price at which the Company normally purchases similar assets under comparable circumstances.

Inventories

Pursuant to paragraph 2 of Accounting Statement 5/01, *Accounting for Inventories*, the following assets are to be included in inventories:

- Assets used as raw materials, supplies etc. in the production of goods for sale (performance of work, provision of services)
- Assets held for sale
- Assets used for internal administrative purposes.

Finished goods are included in inventories held for sale.

Goods are part of inventories acquired or received from other legal entities or individuals and held for sale.

Pursuant to paragraphs 5 and 6 of Accounting Statement 5/01, *Accounting for Inventories*, inventories are recognized at their actual cost. The actual cost of inventories received for consideration is deemed to be the total amount of actual

expenses incurred by the Company in connection with their acquisition, net of value added tax and other recoverable taxes (except in instances stipulated by Russian law).

Inventories put into production or otherwise disposed of are measured at the weighted average cost of disposal.

Pursuant to paragraph 24 of Accounting Statement 5/01, *Accounting for Inventories*, at the end of the reporting year, inventories are carried at the value determined on the basis of the inventory measurement methods indicated above.

Pursuant to paragraph 25 of Accounting Statement 5/01, *Accounting for Inventories*, obsolete, damaged (partially damaged) or impaired inventories are reported in the closing balance sheet net of the applicable impairment provision. This provision is charged against the Company's financial result in an amount calculated as the difference between the current market value and actual cost of inventories if the actual cost exceeds their current market value.

Accounting for financial investments

Financial investments are recognized in accordance with Accounting Statement 19/02, *Accounting for Financial Investments*.

Financial investments include the following main types of financial investments:

- Securities of other organizations
- Contributions to charter (pooled) capital of other organizations
- Loans provided to other organizations
- Deposits with credit organizations.

Financial investments shall be entered in accounting records at their historical cost. The historical cost of financial investments acquired at a charge shall be deemed to be the amount actually spent by an organization on acquiring them. The historical cost of financial investments provided as a contribution to the charter (pooled) capital of an organization shall be deemed to be the monetary value of those investments as agreed upon by the founding parties (participants). The historical cost of loans provided shall be deemed to be the amount of cash disbursement.

Financial investments, for which the current market value can be determined, are recognized in the financial statements as at the end of the reporting year at their current market value by adjusting their estimated value as at the previous reporting date on a monthly basis.

Financial investments, for which the current market value is not determined, are recognized in the financial statements as at the reporting date at their historical cost.

Disposal of financial investments whose current market value cannot be determined, as well as contributions to share (pooled) capital of other entities, loans issued to other entities, deposits in credit institutions are made at historical cost of each unit of accounting for financial investments. In the event of disposal of financial investments, for which the current market value is determinable, their value shall be determined on the basis of their most recent valuation.

Impairment of financial investments is defined as a sustained material decline in the value of financial investments, for which the current market value is not determined, below the amount of economic benefits which the organization expects to receive from the investments in the normal course of business. Therefore, the Company estimates the value of financial investments which is the difference between their carrying amount and the amount of decline.

In the event of sustained material decline in the value of financial investments, the Company accrues allowance for impairment of financial investments in the amount of difference between their carrying amount and estimated value.

If there is any indication of impairment, financial investments are tested for impairment once a year as at 31 December of the reporting year.

Gains and losses from financial investments are recorded within other income and expenses on a gross basis. Coupon income from bonds and income associated with the provision of loans to other organizations shall be recognized as interest receivable in the statement of income.

Accounts receivable

The Company recognizes doubtful debt provisions if accounts receivable are recognized as doubtful, and takes the amount of such provisions to the financial results.

Doubtful debt is an outstanding account receivable not settled or unlikely to be settled within the contractual term and not secured by proper guarantees. The amount of the provision is calculated for each doubtful debt and depends on the debtor's financial position (solvency) and the estimated probability of a full or partial settlement. Particularly, doubtful debts are recognized based on the maturity period.

If by the end of the reporting year following the year of doubtful debt provision any part of such provision remains unused, the unused amounts will be added to the financial results at the time of preparing the balance sheet as at the end of the reporting year.

Revenue

Revenue is recognized as the cash equivalent of cash and other assets received and/or accounts receivable (pursuant to paragraph 3 of Accounting Statement 9/99, *Income of an Organization*). If actual receipts fall short of total revenue, revenue is recognized as the sum of actual receipts and outstanding accounts receivable (not covered by receipts).

Revenue is recognized if all of the following criteria are met (paragraph 12 of Accounting Statement 9/99):

- The entity is entitled to the revenue on a contractual or other basis
- The amount of revenue is measurable
- There is certainty that a particular transaction will result in an inflow of economic benefits
- Ownership (possession, utilization and disposal) rights to the products (goods) have passed from the entity to the purchaser, or the work has been accepted by the customer (services have been rendered)
- The costs incurred or to be incurred in connection with the transaction are measurable.

The method for determining the value of products (goods) that were transferred by the Company under contracts providing for non-monetary compensation (settlement) is the market price method.

Expenses

Administrative expenses are recognized as follows: expenses are fully expensed on a monthly basis as incurred.

Selling expenses are recognized as follows: expenses are fully expensed on a monthly basis as incurred.

Borrowing costs

Costs to discharge obligations under loans and borrowings received are recognized and disclosed in accordance with Accounting Statement 15/2008, *Accounting for Borrowing Costs*.

Costs to discharge obligations under loans and borrowings received are recorded in other expenses in accounting records and financial statements in the reporting period to which they relate, except for the portion to be included in the cost of the investment asset.

An investment asset is an item of property that needs an extended period of time to be prepared for intended use and requires significant expenses to complete its purchase, construction and/or production. Investment assets consist of work-in-progress and construction-in-progress, which will subsequently be recognized as fixed assets (including land plots), intangible assets or other non-current assets.

Additional borrowing costs are included in other expenses on a straight-line basis over the loan (credit agreement) term.

Obligations under loans and borrowings received are recorded in the financial statements as long-term obligations (with contractual maturities of more than 12 months) and short-term obligations (with contractual maturities of up to 12 months). Long-term loans and borrowings are reclassified to short-term loans and borrowings if their remaining contractual maturity is less than 12 months.

Cash and cash equivalents, recognition of cash flows

Cash and cash equivalents

For the purpose of the cash flow statement, the Company's cash includes cash equivalents which are short-term, highly liquid financial investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. In particular, the Company includes in cash equivalents demand deposits with credit institutions and/or deposits maturing in three months or less, and highly liquid bank promissory notes maturing in less than three months. For the purpose of the balance sheet, the Company includes cash equivalents in financial investments.

Reporting cash flows on a net basis

Cash flows are presented on a net basis in the cash flow statement when they reflect the activities of counterparties rather than those of the entity, and/or when proceeds from one party give rise to respective payments to another party. In particular, the Company presents the following cash flows on a net basis:

- a) Cash flows of a commissioner or an agent associated with the commissioning or agent services (other than fees for such services)
- b) Indirect taxes included in receipts from customers and clients, payments to suppliers and contractors and payments to the budget of the Russian Federation or compensations from the budget
- c) Receipts from a counterparty on account of utility payments and making such payments under a lease arrangement or similar relations
- d) Payments for freight transportation where equivalent compensations are received from a counterparty.

Cash flows are also presented on a net basis in the cash flow statement when their turnover is quick, amounts are large, and maturities are short. In particular, the Company presents the following cash flows on a net basis:

- a) Related cash payments and receipts in connection with bank cards
- b) Purchase and resale of financial investments
- c) Short-term financial investments (usually with a maturity period of three months or less) using borrowed funds.

Foreign currency cash flows

For the purpose of the cash flow statement, foreign currency cash flows are translated into Russian rubles at the official rate of the foreign currency to Russian ruble set by the Central Bank of the Russian Federation (the CBR) as at the date of payment or receipt. In case of insignificant changes in the official rate of the foreign currency to the Russian ruble established by the CBR, foreign currency amounts related to a large number of homogeneous transactions may be translated into Russian rubles at the average rate for a month or a shorter period.

Where the Company in the ordinary course of business exchanges foreign currency for Russian rubles immediately after receiving such foreign currency, the cash flow is presented in the cash flow statement as the amount of Russian rubles actually received, without translating the foreign currency. Where the Company in the ordinary course of business exchanges Russian rubles for a required amount in foreign currency shortly before an intended payment in foreign currency, the cash flow is presented in the cash flow statement as the amount of Russian rubles actually paid, without translating the foreign currency.

Balances of cash and cash equivalents denominated in foreign currency at the beginning and end of the reporting period are recorded in the cash flow statement in the amount in Russian rubles determined in accordance with Accounting Statement 3/2006, *Accounting for Assets and Liabilities Whose Value is Expressed in Foreign Currency*. The difference arising on the translation of the Company's cash flows and balances of cash and cash equivalents denominated in foreign currency at exchange rates ruling at different dates is recorded in the cash flow statement separately from cash flows from operating, investing and financing activities as effect of changes in the exchange rate between the foreign currency and the Russian ruble.

Assets and liabilities denominated in foreign currency

Assets and liabilities denominated in foreign currency are recorded in accordance with Accounting Statement 3/2006, *Accounting for Assets and Liabilities Whose Value is Expressed in Foreign Currency*.

Exchange gains and losses are recognized in accounting records and financial statements in the reporting period in which a liability is settled or for which financial statements have been prepared.

Exchange gains and losses are taken to the Company's financial result as either other income or other expenses, except for exchange gains and losses arising from share (pooled) capital contributions. Such exchange gains and losses are taken to additional paid-in capital. Exchange gains and losses are recognized on a net basis as other income or expenses.

Official exchange rates of the CBR as at 31 December 2018 were as follows:

US dollar - 69.4706 Russian rubles

Euro – 79.4605 Russian rubles.

Official exchange rates of the CBR as at 31 December 2017 were as follows:

US dollar - 57.6002 Russian rubles

Euro – 68.8668 Russian rubles.

Official exchange rates of the CBR as at 31 December 2016 were as follows:

US dollar - 60.6569 Russian rubles

Euro – 63.8111 Russian rubles.

Other

Expenses related to future periods but incurred by the Company in the reporting period are recorded on the balance sheet in accordance with asset recognition criteria set by accounting regulations and are written off based on the procedure for writing off the value of the relevant asset type. In the accounting records, such expenses are recorded in Account 97, Prepaid expenses. If such expenses are non-current, they are included in line Other non-current assets of the balance sheet, except for their current portion maturing within 12 months after the reporting date. Such current portion and initially short-term expenses are included in line Other current assets of the balance sheet.

Changes in accounting policies

The Company made no significant changes to the 2018 accounting policies. The Company does not plan any changes to the 2019 accounting policies, except as required by law.

3. RESTATEMENT OF THE 2018 FINANCIAL STATEMENTS

These financial statements for 2018 were restated and replace initial financial statements of the Company signed on 1 April 2019. The Company revised its financial statements for 2018 due to the correction of material errors and reclassification in the financial statements and posted the following changes. The Company:

1. Restated deferred tax asset of RUB 3,764 thousand due to a correction of forecasts for the following five years
2. Corrected payables of RUB 10,534 thousand related to goods in transit
3. Included financial investments (other than cash equivalents) that mature in three months or less of RUB 260,244 thousand in cash equivalents
4. Reclassified accounts payable of RUB 7,953 thousand to accounts receivable
5. Accrued an additional provision for legal claims of RUB 51,740 thousand
6. Corrected an exchange difference of RUB 1,288 thousand that was erroneously allocated to revenue
7. Netted other exchange gains and losses in the amount of RUB 11,513 thousand
8. Reclassified accounts payable of RUB 1,909 thousand to provisions.

Respective changes in the balance sheet as at 31 December 2018 were as follows:

Notes	Item	Balance sheet line	31 December 2018 (as previously reported)	Restatements	31 December 2018 (as restated)
[1]	Deferred tax assets	1180	22,204	(3,764)	18,440
[2]	Inventories	1210	66,568	10,534	77,102
[3]	Financial investments	1240	260,244	(260,244)	-
[3]	Cash and cash equivalents	1250	6,142	260,244	266,386
[4]	Accounts receivable	1230	217,468	7,953	225,421
[2], [4], [8]	Accounts payable	1520	237,301	16,578	253,879
[5], [8]	Provisions	1540	90,514	53,649	144,163

Respective changes of the statement of income for 2018 are as follows:

Notes	Item	Line of the statements of income	For 2018 (as previously reported)	Restatements	For 2018 (as restated)
[1]	Change in deferred tax assets	2450	3,720	(3,764)	(44)
[5]	Current income tax	2410	(1,521)	(51,740)	(53,261)
[6]	Revenue	2110	1,444,666	1,288	1,445,954
[7]	Other income	2340	33,736	(11,513)	22,223
[6], [7]	Other expenses	2350	(194,859)	10,225	(184,634)

In accordance with the information above, the breakdowns of the Explanatory Notes were restated to ensure compatibility.

Restated financial statements will be presented for approval of the Company's participants; approval deadline has not been determined yet.

4. FIXED ASSETS AND INCOME-BEARING INVESTMENTS IN TANGIBLE ASSETS

Fixed assets and income-bearing investments in tangible assets, their movements and accumulated depreciation are presented in Table 1.1 of the Explanatory Notes to the balance sheet and the statement of income in the table form.

As at 31 December 2018, the gross carrying amount of fully depreciated fixed assets was RUB 75,481 thousand (31 December 2017: RUB 75,230 thousand, 31 December 2016: RUB 34,355 thousand).

Changes in historical costs of fixed assets recorded on initial recognition (supplementary construction, retrofitting, refurbishment, partial liquidation or revaluation of a fixed asset) are described in Table 1.3 of the Explanatory Notes to the balance sheet and the statement of income in the table form.

Information on construction in progress and movements in construction in progress as well as on uncompleted transactions to acquire or upgrade, etc., any fixed assets is presented in Table 1.2 of the Explanatory Notes to the balance sheet and the statement of income in the table form.

Information on other usage of fixed assets during the reporting period is presented in Table 1.4 of the Explanatory Notes to the balance sheet and the statement of income in the table form.

5. FINANCIAL INVESTMENTS

As at 31 December, short-term loans issued were as follows:

Borrower (by maturity)	Amount maturing within 12 months after the reporting date			Maturity	Annual interest rate	Collateral received
	2018	2017	2016			
SMRC Automotives Techno Minority Holdings B.V.	-	130,957	-			
Total short-term loans issued	-	130,957	-			

6. INVENTORIES

Information on inventories and their movements during the reporting period is presented in Table 3.1 of the Explanatory Notes to the balance sheet and the statement of income in the table form.

7. ACCOUNTS RECEIVABLE

Information on accounts receivable and their movements during the reporting period is presented in Table 4.1 of the Explanatory Notes to the balance sheet and the statement of income in the table form. Turnovers do not include accounts receivable recorded and repaid in the same reporting period.

8. CASH AND CASH EQUIVALENTS

As at 31 December, cash and cash equivalents consisted of the following:

	2018	2017	2016
RUB-denominated cash on hand and balances with banks	2,593	14,858	18,309
Foreign currency-denominated balances with banks	3,549	22	2,345
Total cash on the balance sheet	6,142	14,880	20,654
Cash equivalents (deposits)	260,244	-	-
Total cash included in the cash flow statement	266,386	14,880	20,654

As at 31 December, the Company has no cash in letters of credit.

9. OTHER ASSETS

As at 31 December, other assets consisted of the following:

Types of assets	2018		2017		2016	
	Non-current	Current	Non-current	Current	Non-current	Current
Cash blocked by the bank due to the bank guarantee	-	-	18,704	-	18,704	-
Prepaid expenses		944		444		562
Total	-	944	18,704	444	18,704	562

The Company did not incur expenses in acquiring non-exclusive rights and licenses.

10. CHARTER CAPITAL

	Charter capital (RUB '000)	Treasury shares
31 December 2016	56	56
Increase (decrease) in charter capital	-	-
Movement in treasury shares	-	-
31 December 2017	56	56
Increase (decrease) in charter capital	-	-
Movement in treasury shares	-	-
31 December 2018	56	56

As at 31 December 2018, 31 December 2017 and 31 December 2016, the percent of shares fully paid up was 100%.

11. LOANS AND BORROWINGS

As at 31 December, loans and borrowings consisted of the following:

Item	2018		2017		2016	
	Short-term loans and borrowings	Long-term loans and borrowings	Short-term loans and borrowings	Long-term loans and borrowings	Short-term loans and borrowings	Long-term loans and borrowings
Borrowings	—	—	—	—	—	—
Interest payable	—	—	—	—	224	—
Total loans and borrowings	—	—	—	—	224	—

In 2018, 2017 and 2016 borrowing costs included in other expenses amounted to RUB 120 thousand, RUB 18 thousand and RUB 6,119 thousand, respectively.

12. PROVISIONS

Movements in provisions are presented below:

	Unused vacations	Audit of the financial statements	Annual bonus	Reimbursement of losses incurred by the suppliers during the project Renault Fluence	Intellectual property	Annual maintenance	Bonus to customers	Provisions for legal claims	Total
31 December 2016	2,257	2,312	11,217	14,160	13,933	—	—	—	43,879
Recognized in the reporting period	4,276	2,250	8,842	—	—	1,930	48,207	—	65,505
Reversed against costs or accounts payable recognized	(2,257)	(2,312)	(11,217)	(8,012)	—	—	—	—	(23,798)
Written-off as	—	—	—	—	(13,933)	—	—	—	(13,933)

	Unused vacations	Audit of the financial statements	Annual bonus	Reimbursement of losses incurred by the suppliers during the project Renault Fluence	Intellectual property	Annual maintenance	Bonus to customers	Provisions for legal claims	Total
excessive or as recognition criteria are no longer met									
31 December 2017	4,276	2,250	8,842	6,148	–	1,930	48,207	–	71,653
Recognized in the reporting period	3,434	2,250	7,772	–	–	1,909	76,803	51,740	143,908
Reversed against costs or accounts payable recognized	(4,276)	(2,250)	(8,842)	–	–	(1,930)	(48,207)	–	(65,505)
Written-off as excessive or as recognition criteria are no longer met	–	–	–	(5,893)	–	–	–	–	(5,893)
31 December 2018	3,434	2,250	7,772	255		1,909	76,803	51,740	144,163

As at 31 December, provisions were as follows:

Included in the total amount of provisions:	2018	2017	2016
Long-term	–	–	–
Short-term	144,163	71,653	43,879
Total	144,163	71,653	43,879

Provision for unused vacations

The Company has created a provision for employee vacations unused as at 31 December 2018. The provision balance as at 31 December 2018 is expected to be used in the first half of 2019. Management believes that the actual amount of vacation expenses will not exceed the amount of the unused vacation provision disclosed in the financial statements as at 31 December 2018.

Provision for audit of financial statements

In 2018, the Company created a provision for audit of financial statements based on the signed agreement.

Provision for annual maintenance of production equipment

In 2018, the Company created this provision based on the signed agreement.

Provision for bonuses to customers

In 2018, the Company made this provision as it was probable that the Company would have to pay bonuses to customers on the basis of the signed price reduction agreement. Bonus for 2018 will be provided to customers as a lower selling price in 2019.

Provisions for legal claims

Management assess provisions for legal claims at the end of each reporting period. The Company recognizes provisions for legal claims when management believes that if the governmental authorities challenge the Company's position, the additional liabilities are more likely to arise than not. Such estimate is based on interpretations of the laws enacted or substantively enacted as at the end of the reporting period, as well as on any known court ruling or other decisions on the matter. Provisions are recorded on the basis of management's best estimate of expenses to discharge the liabilities as at the end of the reporting period.

13. ACCOUNTS PAYABLE

Accounts payable and their movements in the reporting period are disclosed in Table 4.3 of the Explanatory Notes to the balance sheet and the statement of income in the table form. Turnovers do not include accounts payable recorded and settled in the same reporting period.

As at 31 December 2018, trade accounts payable of RUB 134,976 thousand (31 December 2017: RUB 105,228 thousand;

31 December 2016: RUB 93,356 thousand), were denominated in foreign currency, mainly in euro.

Accounts payable to state non-budgetary funds

As at 31 December, the Company has no accounts payable to state non-budgetary funds.

Taxes and levies payable

As at 31 December, taxes and levies payable consisted of the following:

	2018	2017	2016
Value-added tax	39,901	9,507	8,265
Property tax	485	1	540
Transport tax	–	1	1
Total taxes and levies payable	40,386	9,509	8,806

Interest is accrued on the principal amount of overdue tax for each day of delay based on a three-hundredth of the current refinancing rate of the CBR, which was 7.75% as at 31 December 2018 (31 December 2017: 7.75%; 31 December 2016: 10%).

As at 31 December 2018, 2017 and 2016, the Company did not have any overdue insurance contributions, taxes and levies payable.

14. INCOME AND OPERATING EXPENSES

The following tables present information on revenue (net) from sales of goods, products, work and services (less VAT, excise taxes and similar fiscal payments) (paragraph 3 of Accounting Statement 9/99), the cost of goods, products, work and services sold, as well as the selling and administrative expenses (Accounting Statement 10/99):

Revenue and cost of sales

Type of activity	Revenue from sales of goods, products, work and services, net (less VAT, excise taxes and other similar payments)	Cost of the goods, products, work and services sold	Gross profit
Sales of plastic automobile components	1,213,038	(859,227)	353,811
Total for 2017	1,213,038	(859,227)	353,811
Sales of plastic automobile components	1,445,954	(1,038,746)	407,208
Total for 2018	1,445,954	(1,038,746)	407,208

Information on the cost of goods (work, services) produced and sold during the reporting period broken down by cost item is presented in Table 5 of the Explanatory Notes to the balance sheet and the statement of income in the table form.

Selling expenses

Selling expenses comprised the following:

Selling expenses	2018	2017
Materials	5,382	4,556
Transport	2,079	2,062
Total selling expenses	7,461	6,618

Administrative expenses

Administrative expenses consisted of the following:

Administrative expenses	2018	2017
Outsourcing services	142,393	139,268
Payroll	67,414	61,632
Payroll taxes	16,084	15,319
Lease	11,653	9,880
Transport	7,273	5,300
Advisory services	3,331	6,030
Third party services	4,894	4,315
Business travel	2,823	2,093
Taxes and levies	2,331	1,657
Insurance	1,798	1,371
Materials	1,767	2,106
Premises cleaning expenses	902	857
Communication, Internet	843	777
Utilities	782	656
Other	7,936	5,676
Total administrative expenses	272,224	256,937

15. OTHER INCOME AND EXPENSES

In 2018 and 2017, other income and expenses consisted of the following:

Other income	Income for 2018	Income for 2017
Interest receivable	3,399	807
Exchange differences arising from foreign currencies purchase and sale and restatements of balances at currency settlement accounts, as well as exchange differences arising from restatements of liabilities	1,799	393
Income from services rendered and claims against suppliers, other	20,424	32,980
Total other income	25,622	34,180

Other expenses	Expenses 2018	Expenses 2017
Research and development	177,215	64,723
Expenses related to non-sale services rendered and third-party services	699	23,129
Interest paid by the Company for the use of funds received (loans, borrowings)	120	18
Bank fees	3,124	2,742
Losses and shortage identified in stocktaking	1,364	4,295
Non-recoverable VAT	76	30
Prior period expenses identified in the reporting period	–	3,537
Expenses related to tests of raw materials and finished products	760	1,037
Expenses in the form of accounts receivable written off	–	236
Other	1,396	1,737
Total other expenses	184,754	101,484

16. CHANGES IN ACCOUNTING ESTIMATES

Information on accounting estimates and their changes during the reporting period is presented in Table 6 of the Explanatory Notes to the balance sheet and the statement of income in the table form. Turnovers do not include accounts receivable recorded and repaid in the same reporting period.

Changes in the accounting estimates will have no significant effect on the financial statements for future periods.

17. INCOME TAX

Current income tax charge for 2018 and 2017, calculated in accordance with Accounting Statements 18/02, is reconciled to loss before tax as follows:

		2018	2017
Profit (loss) before tax per accounting records	[1]	(31,609)	22,952
Nominal income tax expense (benefit)	[2]=[1]*[9]	6,322	4,590
Permanent differences of the reporting period:	[3]	279,034	4,847
Accrual of probable tax risks resulting from the advisory fees of the group companies		256,700	
Non-deductible expenses		18,850	10,930
Reversal of provision for intellectual property		–	(13,933)
Shortages identified at stocktaking		1,364	4,295
Prior period expenses identified in the reporting period		–	3,537
Interest expense on cash (loans and borrowings) received from an affiliated entity		120	18
Temporary differences of the reporting period:	[4]	25,103	37,381
Provision for discounts and bonuses to customers, non-deductible		28,596	48,207
Provision for future audit expenses, non-deductible		–	(19)
Provision for annual bonuses and compensation to the Company's employees, non-deductible		(1,069)	(2,375)
Fixed assets amounting from RUB 40 thousand to RUB 100 thousand written off in tax accounting records and depreciated in accounting records		280	(571)
Other		(2,704)	(7,861)
Taxable profit (loss) per tax records	[5]= [1]+[3]+ [4]	272,528	65,180
Utilization of prior year losses		(6,223)	(29,331)
Income tax rate, %	[6]	20%	20%
Income tax	[7]=[5]*[1]	53,261	7,170

	31 December 2018	31 December 2017	31 December 2016	Maturity
Deferred tax asset	18,440	18,484	27,908	2019
Deferred tax liability	221	114	–	2019-2022

18. RELATED PARTIES

In the course of its business, the Company enters into transactions with legal entities and individuals, which are related parties.

For the most part, transactions with related parties consist of:

- Purchase and sale of goods, work and services
- Purchase and sale of fixed and other assets
- Financial transactions, including provision of loans
- Other transactions involving the transfer (receipt) of assets, provision (consumption) of services or accrual (discharge) of liabilities (whether for payment or any other consideration).

For the purpose of these financial statements, the Company identified the following related parties in accordance with Accounting Statement 11/2008, *Related Party Disclosures*:

No.	Legal entity or related party (full name)	Registration address	Nature of relationship	Share of the related party in the Company, %
1.	SMRC Automotive Holdings Netherlands B.V.	Netherlands	General founders' meeting	99.75%
2.	SMRC Automotives Techno Minority Holdings B.V.	Netherlands	General founders' meeting	0.25%

No.	Legal entity or related party (full name)	Registration address	Nature of relationship	Share of the related party in the Company, %
3.	SMRC Automotive Modules France SAS	France	Company is controlled by the same group as the Company	–
4.	SMRC Automotive Solutions Slovakia, s.r.o.	Slovakia	Company is controlled by the same group as the Company	–
5.	SMRC Smart Interior Systems Germany GmbH	Germany	Company is controlled by the same group as the Company	–
6.	SMRC Automotive Interiors	Spain	Company is controlled by the same group as the Company	–
7.	SMRC Automotive Poland	Poland	Company is controlled by the same group as the Company	–
8.	SMRC Fabricacao e Comercio de Produtos Automotivos do Brasil Ltda	Brazil	Company is controlled by the same group as the Company	–

Balances, terms, conditions and form of settlements for transactions not closed as at 31 December were as follows:

Nature of relationship and debt type	2018	2017	2016	Settlement terms and conditions	Form of settlement
Accounts receivable					
SMRC Automotive Solutions Slovakia, s.r.o.	2,439	–	–	Average market prices	Wire transfer
SMRC Fabricacao e Comercio de Produtos Automotivos do Brasil Ltda	–	–	38	Average market prices	Wire transfer
Outstanding loans issued					
SMRC Automotives Techno Minority Holdings B.V.	–	130,957	–	Average market rates	Wire transfer
Accounts payable					
SMRC Automotive Modules France SAS	522	453	343	Average market prices	Wire transfer
SMRC Automotive Holdings Netherlands B.V.	61,161	30,706	53,693	Average market prices	Wire transfer
SMRC Automotive Solutions Slovakia, s.r.o.	–	–	516	Average market prices	Wire transfer
Loans and borrowings					
SMRC Automotives Techno Minority Holdings B.V.	–	–	224	Average market rates	Wire transfer

Type and scope of the Company's transactions with related parties were as follows:

Nature of relationship and type of transactions	2018	2017
Sale of goods, work and services to (excluding VAT)		
SMRC AUTOMOTIVE SOLUTIONS SLOVAKIA S.R.O.	7,273	–
Purchase of goods, work and services from (without VAT)		
SMRC AUTOMOTIVE HOLDINGS NETHERLANDS B.V.	319,555	223,032
SMRC AUTOMOTIVE FRANCE SAS	3,709	77
SMRC AUTOMOTIVE SOLUTIONS SLOVAKIA S.R.O.	7,144	5,482
Financial transactions, including loans from related parties:		
SMRC AUTOMOTIVES TECHNO MINORITY HOLDINGS B.V.	18,284	37,971
Financial transactions, including loans to related parties and deposits placed with related parties		
SMRC AUTOMOTIVES TECHNO MINORITY HOLDINGS B.V.	10,526	217,249

Types and scope of significant cash flows between the Company and its related parties:

Nature of relationship and type of transactions	2018	2017
Cash proceeds from related parties (current operations):		
SMRC AUTOMOTIVES TECHNO MINORITY HOLDINGS B.V.	164,933	86,403
SMRC AUTOMOTIVE SOLUTIONS SLOVAKIA S.R.O.	4,805	–
Cash transfers to related parties (current operations):		
SMRC AUTOMOTIVE HOLDINGS NETHERLANDS B.V.	293,208	237,187
SMRC AUTOMOTIVES TECHNO MINORITY HOLDINGS B.V.	25,722	–
REYDEL AUTOMOTIVE SLOVAKIA	7,165	6,019
REYDEL AUTOMOTIVE FRANCE SAS	3,687	–

As at 31 December 2018, 31 December 2017 and 31 December 2016, the Company did not provide any collateral to related parties to secure the Company's obligations.

As at 31 December 2018, 31 December 2017 and 31 December 2016, the Company did not issue or provide any promissory notes, on which the underlying counterclaims against third parties were not settled.

As at 31 December 2018, 31 December 2017 and 31 December 2016, the Company did not receive any guarantees as collateral from related parties.

As at 31 December 2018, 31 December 2017 and 31 December 2016, the Company did not have any property pledges received from related parties as collateral for their obligations.

In 2017 and 2018, the Company paid the following compensations to key management personnel (on an aggregate basis and by type of payment):

	2018	2017
Short-term benefits (payroll, accrued payroll taxes and other compulsory payments, performance bonuses, vacation, medical treatment, medical care, utilities, etc.)	7,304	4,935

The composition of the Board of Directors and the executive body is provided in Note 1 General information of the Explanatory Notes.

19. CONTINGENCIES

Factors affecting the Company's financial position

Operating environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent on these reforms and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy is negatively affected by sanctions imposed on Russia by a number of countries. The ruble interest rates remain high. The combination of the above resulted in reduced access to capital, a higher cost of capital and uncertainty regarding economic growth, which could negatively affect the Company's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

Taxation

Russian tax, currency and customs law allows for various interpretations and is subject to frequent changes. Interpretation by the Company's management of the legislation in place when applicable to the Company's transactions and activities may be challenged by the appropriate regional or federal authorities.

In 2018, further implementation of mechanisms aimed at countering the use of low tax jurisdictions and aggressive tax planning structures for tax evasion, as well as the calibration of certain parameters of the Russian tax system, occurred. In particular, these changes included further development of the concepts of beneficial ownership and tax residency of legal entities by place of actual business activity, as well as the approach to taxation of controlled foreign companies in Russia. Apart from that, the VAT general rate will increase to 20% in 2019, and providers of foreign electronic services will be required to register with the Russian tax authorities for VAT purposes.

The Russian tax authorities continue to actively cooperate with their foreign counterparts as part of the cross-border tax information exchange so that in international terms corporate activities would be more transparent and require detailed consideration to support the economic objective of the international structure as part of tax control procedures.

These changes and recent trends in applying and interpreting certain provisions of Russian tax legislation indicate that the tax authorities may take a tougher stance in interpreting the law and reviewing tax returns. The tax authorities may thus challenge transactions and accounting methods that they have never challenged before. As a result, significant taxes, penalties and interest may be accrued. It is not possible to determine amounts of potential claims or evaluate the probability of a negative outcome. Fiscal periods remain open to review by tax authorities for a period of three calendar

years immediately preceding the year of review. Under certain circumstances, the tax authorities may review earlier tax periods.

According to management, they had properly construed the respective legislation as at 31 December 2018, and the probability that the Company will retain its position with regard to tax, currency and customs legislation is thus assessed as high.

Transfer pricing

The Russian tax authorities have the right to impose additional tax liabilities and penalties based on the rules stipulated in the transfer pricing legislation, if the price/margin in controlled transactions differs from the market level. The list of controlled transactions mainly includes transactions between related parties.

Requirements related to tax control of prices and preparation of transfer pricing documentation apply to cross-border transactions between related parties (without any thresholds), certain foreign transactions with global exchange-traded commodities, transactions with entities located in low-tax jurisdictions, as well as transactions between related parties in domestic market if revenue from transactions between Russian entities for the corresponding calendar year exceeds RUB 1 billion, or less in certain cases. Domestic transactions are not recognized as controlled transactions if, for example, both parties are registered in one constituent entity of the Russian Federation, do not have losses, do not have separate subdivisions in other constituent entities of the Russian Federation or outside the Russian Federation, etc. However, not all domestic transactions are eligible for exemptions from price control. In the event of additional tax accruals, a mechanism for introducing offsetting adjustments of tax liabilities may be applied if certain legal requirements are met.

From 2019, the threshold for cross-border transactions subject to tax control is RUB 60 million. In addition, transactions between related parties in the domestic market for more than RUB 1 billion will be subject to tax control only if controlled transaction parties apply different income tax rates or at least one of them either applies a special tax regime, or is exempt from income tax, or participates in a regional investment project, or meets other criteria as stipulated by legislation.

New legislation requiring the preparation of documents on multinational corporations (MNC) applies to financial years beginning on or after 1 January 2017 and allows country-by-country reports to be submitted voluntarily for financial years beginning in 2016. The new legislation sets out a three-tiered approach to preparing transfer pricing documentation (master file, local file¹ and country-by-country report) and requires notification of participation in an MNC. These rules apply to MNCs with consolidated revenue of RUB 50 billion or more in the financial year preceding the reporting period if the parent company is deemed to be a Russian tax resident or the MNC's consolidated revenue exceeds the statutory threshold for the preparation of country-by-country reports for the foreign state where the parent company is deemed to be a resident.

In 2018, the Company determined its tax liabilities in connection with controlled transactions based on the actual prices of those transactions.

The federal executive body in charge of the oversight and control of tax matters may review prices/margins in controlled transactions and impose additional tax liabilities if it disagrees with the prices applied by the Company in those transactions, unless the Company is able to support the arm's length pricing of the transactions by submitting relevant transfer pricing documentation that meets legislative requirements (local file).

Other contingencies

Contingencies, which were identified by management as at the reporting date as contingencies arising from different interpretations of laws and regulation and which were not provided for in the financial statements of the Company may amount from RUB 0 to RUB 230,931 thousand. With respect to these contingencies, there is also an uncertainty as to when these liabilities become due because it depends on the occurrence/ non-occurrence of one or more uncertainties beyond the Company's control.

20. SUBSEQUENT EVENTS AFTER 31 DECEMBER 2018

After the reporting period, there were no events that require adjustment or disclosure in the financial statements in accordance with Accounting Statement 7/98, *Subsequent Events*.

¹ Local file is obligatory for preparation only with respect to cross-border transactions performed after 2018. For earlier periods, transfer pricing documentation is prepared under the general rules applicable to controlled transactions.

21. BUSINESS RISKS

1. *Potentially significant business risks inherent in the Company's activities*

In the course of its business operations, the Company is exposed to industry, legal and other internal and external factors (material conditions, events, circumstances, actions), giving rise to various risks that may have a material effect on the Company's financial position and financial performance.

The Company is exposed to financial, legal, country and regional, reputational and other risks.

2. *Risk management mechanism*

The Company's management oversees the management of the above risks in order to minimize potential adverse effects on the Company's financial position and financial performance.

The General Director, the Board of Directors, representatives of the parent company of the Company review and agree policies for managing these risks which are summarized below.

3. *Financial risks*

The Company is exposed to market risk, credit risk and liquidity risk.

3.1 *Market risk*

Market risk is the risk that movements in certain market parameters may adversely impact the Company. Market parameters comprise the following types of risks: interest rate risk, foreign currency risk, commodity price and price index risk, and other price risks, such as equity risk. The Company's balance sheet items affected by market risk include mainly loans and borrowings, trade and other receivables and payables, cash and deposits, investments and derivative financial instruments.

Interest rate risk

The Company's assets and liabilities mainly bear fixed interest rates. Accordingly, management believes that the Company is not exposed to interest rate risk in relation to its assets and liabilities.

Foreign currency risk

The Company purchases goods and raises significant borrowings denominated in foreign currencies, mainly in euro. The Company seeks to bring its financial liabilities in foreign currency in line with net sales, thus mitigating foreign currency risk. The Company is not engaged in any hedging activity to mitigate foreign currency risks of the Company's operations.

3.2 *Credit risk*

Credit risk is the risk that a counterparty will not meet its obligations under loans issued to it or an agreement with a customer (including purchases of bonds, promissory notes, deferrals and payments in installments for the goods sold, work performed or services rendered), leading to a financial loss. The Company is exposed to credit risk arising from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, etc.

Credit risk exposure

The maximum exposure to credit risk as at 31 December is the carrying amount of each type of assets presented below:

	2018	2017	2016
Other non-current assets (cash blocked by the bank due to the bank guarantee) (Note 9)	–	18,704	18,704
Accounts receivable (Note 7)	181,968	183,735	227,254
Short-term financial investments (Note 5)	–	130,957	–
Cash and cash equivalents (Note 8)	266,386	14,880	20,654
Total	448,354	348,276	266,612

Impairment losses

The need to recognize impairment is analyzed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred losses. Doubtful (including overdue) receivables, impaired loans issued, the fair value of debt investments and receivables at the reporting date, where the fair value differs from the present value and can be practically determined, are presented in Notes 5 and 7 of the Explanatory Notes. The Company did not receive any collateral for accounts receivable.

3.3 Liquidity risk

Liquidity risk is related to the Company's ability to settle in full and in due time its financial liabilities existing at the reporting date, namely, trade payables, loans and borrowings payable to lenders (including bonds, promissory notes), etc.

A summary of undiscounted cash flows based on contractual maturities of financial liabilities, including estimated interest payments and excluding potential offset settlements, are presented below. Payments included in the analysis are not expected to occur significantly earlier, or in significantly different amounts.

Year ended 31 December 2018	On demand	Less than 1 month	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
Accounts payable (Note 13)				132,694			243,345
Other liabilities (Note 12)				144,163			144,163
Total				276,857			387,508

Year ended 31 December 2017	On demand	Less than 1 month	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
Accounts payable (Note 13)				118,778			134,815
Other liabilities (Note 12)				71,653			71,653
Total				190,431			206,468

Year ended 31 December 2016	On demand	Less than 1 month	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
Loans and borrowings (Note 11)	224						224
Accounts payable (Note 13)				104,426			162,582
Other liabilities (Note 12)				43,879			43,879
Total	224			148,304			206,685

Information on the fair value of financial liabilities as at the reporting date, if it differs from the present value and is practically determinable, is disclosed in Notes 11 and 13 of the Explanatory Notes. The Company did not provide collateral to related or third parties, and the use of unsettled assets for planned purposes is not subject to any restrictions.

4. Other risks

4.1 Legal risks

Risks arising from changes in currency regulations

Domestic market:

The Company considers risks arising from possible changes in currency regulations as insignificant. Due to the policy of liberalizing currency regulations, risks arising from changes in currency legislation are decreasing.

Foreign market:

Legal risks arising from changes in currency regulations in the foreign market do not have any material effect on the Company's activities due to an insignificant volume of the Company's foreign operations.

Risks arising from changes in tax legislation

Domestic market:

Russian tax legislation is subject to varying interpretations and changes occurring frequently. The Company regularly monitors current changes in tax legislation with due consideration given to workshops and meetings with leading experts in this field.

Recent events within the Russian Federation suggest that the tax authorities may take a more assertive position in their interpretation of tax legislation and tax calculations. The tax authorities may thus challenge transactions and accounting methods that they have never challenged before. As a result, significant additional taxes, penalties and fines may be assessed. Fiscal periods remain open to review by tax authorities for a period of three calendar years immediately preceding the year of review. Under certain circumstances, the tax authorities may review earlier accounting periods.

Foreign market:

Legal risks arising from changes in tax legislation in the foreign market do not have any material effect on the Company's activities due to an insignificant volume of related operations.

Risks from changes in customs regulations and duties

Domestic market:

A part of the Company's equipment is imported and/or produced using foreign-made components. Changes in customs regulations and duties may expose the Company to risks arising from an increase in the value of purchased fixed assets and result in extended terms of delivery of required equipment and/or spare parts, which, in its turn, may lead to increased costs for the Company and make the risk of failures in the network technology infrastructure more probable.

Foreign market:

Legal risks arising from changes in customs regulations and duties in the foreign market do not have any material effect on the Company's activities due to an insignificant volume of the Company's foreign operations.

4.2 Country and regional risks

The Company mainly operates in the Central Federal District of Russia, which is characterized by risks arising from the country's overall political and economic environment.

The future stability of the Russian economy is largely dependent upon economic reforms, development of the legal, tax and regulatory frameworks, and the effectiveness of financial and monetary measures undertaken by the government of the Russian Federation.

The current political situation in the country is relatively unstable due to sanctions imposed on Russia by certain countries, the overall geopolitical situation in Russia, as well as fluctuations in crude oil prices. This, in turn, negatively affects the Russian economy as a whole. In particular, this results in volatility of the Russian ruble and brings forth the necessity of economic, tax, political and other reforms.

While the Russian Government has introduced a range of stabilization measures to provide liquidity and support the refinancing of foreign debt owed by Russian banks and companies, there continues to be uncertainty regarding access to capital and its cost for the Company and its counterparties, which could affect the Company's financial position, results of operations and business prospects. Volatility on capital markets may result in a significant deterioration of liquidity in the banking sector, and tighter lending conditions in Russia.

Overall, the Company cannot exercise any significant impact on the local economic conditions. However, if the situation in the country or the region of the Russian Federation where the Company operates changes for the Company for the worse, the Company will make every effort to mitigate the negative implications on its financial position and financial performance.

The risks of military conflict, state of emergency or strike in the country or the region where the Company operates are deemed to be low and, therefore, should not be seen as circumstances that may have a significant effect on the Company's activities. In order to prevent strikes, the Company ensures favorable working conditions and fulfills all of its obligations to employees. In order to mitigate the risk of a terrorist attack, the Company has taken additional safety and security measures at its facilities.

Risks related to the geographical characteristics of the region where the Company operates, including an increased threat of natural calamities, possible cut of transportation due to remoteness and difficulty to reach the sites are assessed as insignificant.

4.3 *Reputational risks*

The Company's management believes that currently there are no facts that could have a significant negative impact on the loss of the Company's customers (clients) resulting from deterioration of the public opinion related to the quality of its goods (work, services) produced and sold, timelines of supplying goods, performing work (services) and the Company's price fixing practices. Accordingly, the Company estimates reputational risks as insignificant.

In the course of its business operations, the Company is exposed to industry, legal and other internal and external factors (material conditions, events, circumstances, actions), giving rise to various risks that may have a material effect on the Company's financial position and financial performance.

A.P. Nechiporenko, General Director
23 July 2019