



Financial statements

PK Cables do Brasil Indústria e Comércio Ltda.

March 31, 2020
with Independent Auditor's Report
on Financial Statements

PK Cables do Brasil Indústria e Comércio Ltda.

Financial statements

March 31, 2020 and December 31, 2018

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A free translation from Portuguese into English of Independent Auditor's Report on Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil

Independent Auditor's Report on Financial Statements

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

Qualified opinion

We have audited the financial statements of PK Cables do Brasil Indústria e Comércio Ltda. (Company), which comprise the statement of financial position at March 31, 2020 and the respective statements of profit or loss, comprehensive loss, changes in equity and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting practices.

In our opinion, except for the effects of the matter described in the section titled "Basis for a qualified opinion", the financial statements referred to above present fairly, in all material respects, the Company's financial position at March 31, 2020, the performance of its operations and its cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil.

Basis for a qualified opinion

The Company recorded a balance of deferred income tax recoverable for R\$27,447 in the statement of financial position as described in Note 12.a. Company management's prospective projections did not assess the effect of additions and exclusions to establish net pretax profit for the tax calculation base. The historical records of calculations of the Company's income tax indicate that, had management considered the effect of additions and exclusions on the tax calculation base on its projections, it would have been necessary to record an allowance for losses amounting to R\$ 16,872 on the Company's deferred income tax recoverable, whereupon net loss for the period would have increased, whilst equity would have decreased by the same amount.

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

Other matters

Audit of corresponding values

The financial statements of PK Cables do Brasil Ltda. for the year ended December 31, 2018 were not examined by us nor by other independent auditor.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil and for such internal controls 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, where applicable, matters related to going concern and using the going concern basis of accounting when preparing its financial statements, 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 financial statements

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

As part of the audit conducted in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess risks of material misstatements 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 one resulting from error, as fraud may involve override of internal controls, collusion, forgery, intentional omissions or misrepresentations.

- Gain an understanding of internal controls 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 controls.
- 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 substantial doubt about the Companies' 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.
- We evaluated the overall presentation, structure and contents of the financial statements, including disclosures and whether the financial statements reflect the corresponding transactions and events in a manner compatible with the objective of 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.

Curitiba, July 29, 2020

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

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

PK Cables do Brasil Indústria e Comércio Ltda.

Statement of financial position
March 31, 2020 and December 31, 2018
(In thousands of reais - R\$)

	Notes	03/31/2020	12/31/2018 (Unaudited)
Assets			
Current assets			
Cash and cash equivalents	4	53,612	2,473
Trade accounts receivable	5	20,016	66,763
Inventories	6	63,308	45,547
Advances to suppliers		2,520	1,462
Taxes recoverable	7	8,293	4,085
Other assets		751	219
Total current assets		148,500	120,549
Noncurrent assets			
Taxes recoverable	7	1,582	1,440
Deferred income tax and social contribution	12	27,447	31,234
Judicial deposits	13	553	736
Permanent assets			
Property, plant and equipment	8	29,827	33,408
Intangible assets		141	243
Total noncurrent assets		59,550	67,062
Total assets		208,050	187,610

See accompanying notes.

PK Cables do Brasil Indústria e Comércio Ltda.

Statement of financial position
March 31, 2020 and December 31, 2018
(In thousands of reais - R\$)

	Notes	03/31/2020	12/31/2018 (Unaudited)
Liabilities and equity			
Current liabilities			
Trade accounts payable	9	42,658	29,540
Labor and social charges	10	7,902	7,987
Tax charges		41	1,962
Leasing payable	12	2,377	-
Other payables		2,828	1,355
Total current liabilities		55,806	40,844
Noncurrent liabilities			
Related parties	11	106,952	91,016
Leasing payable	12	692	-
Provision for contingencies	14	3,073	1,551
Total noncurrent liabilities		110,717	92,567
Equity	15		
Capital		325,443	325,443
Accumulated losses		(283,916)	(271,244)
Total equity		41,527	54,199
Total liabilities and equity		208,050	187,610

See accompanying notes.

PK Cables do Brasil Indústria e Comércio Ltda.

Statement of profit or loss

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais)

	Notes	01/01/2019 to 03/31/2020	12/31/2018 (Unaudited)
Net operating revenue	16	473,497	281,989
Selling cost	17	(387,072)	(229,771)
Gross profit		86,425	52,218
Operating expenses			
General and administrative	17	(69,671)	(39,572)
Selling	17	(2,616)	(1,992)
Other operating income, net	17	16,531	5,675
Operating income before financial results		30,669	16,329
Financial results, net	18	(38,218)	(18,524)
Loss before income tax		(7,549)	(2,195)
Current and deferred income tax and social contribution	13	(5,123)	(612)
Loss for the year		(12,672)	(2,807)

See accompanying notes.

PK Cables do Brasil Indústria e Comércio Ltda.

Statement of comprehensive loss

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais)

	01/01/2019 to 03/31/2020	12/31/2018 (Unaudited)
Loss for the year	(12,672)	(2,807)
Other comprehensive results	-	-
Total comprehensive loss for the year	<u>(12,672)</u>	<u>(2,807)</u>

See accompanying notes.

PK Cables do Brasil Indústria e Comércio Ltda.

Statement of changes in equity
March 31, 2020 and December 31, 2018
(In thousands of reais - R\$)

	Capital	Accumulated loss	Total
At December 31, 2017 (unaudited)	325,443	(268,437)	57,006
Loss for the year	-	(2,807)	(2,807)
At December 31, 2018 (unaudited)	325,443	(271,244)	54,199
Loss for the year	-	(12,672)	(12,672)
At March 31, 2020	325,443	(283,916)	41,527

See accompanying notes.

PK Cables do Brasil Indústria e Comércio Ltda.

Statement of cash flows

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais)

	01/01/2019 to 03/31/2020	12/31/2018 (Unaudited)
Cash flows from operating activities		
Loss for the year	(12,672)	(2,807)
Deferred taxes	3,787	386
Depreciation and amortization	22,032	5,348
Provision for contingencies	1,522	1,551
Allowance for doubtful accounts	233	(1,559)
Allowance for obsolescence	875	(1,002)
Unrealized foreign exchange differences on intercompany loans	23,687	9,754
Interest on leasing	365	-
Interest on intercompany loans	6,408	5,992
Disposal of PPE and intangibles	686	-
Write-off of the allowance for non-recoverable losses	(5,455)	-
Gains on disposals of PPE	(3,187)	-
	38,281	17,663
Increase/decrease in assets and liabilities		
Trade accounts receivable	46,515	15,268
Inventories	(18,636)	(11,208)
Advance to suppliers	(1,058)	(253)
Taxes recoverable	(4,350)	(1,146)
Judicial deposits	183	56
Other assets	(532)	(1)
Trade accounts payable	13,118	1,211
Labor and social charges	(85)	1,095
Tax charges	(1,921)	(1,697)
Related parties	717	1,252
Other charges	1,473	(2,223)
Net cash from operating activities	73,704	20,017
Cash flows from investing activities		
Acquisitions of PPE and intangibles	(15,847)	(13,988)
Disposals of PPE	8,642	-
Net cash used in investing activities	(7,205)	(13,988)
Cash flows from financing activities		
Payment of leasing	(484)	-
Payment of intercompany loans	(14,876)	(9,385)
Net cash used in financing activities	(15,360)	(9,385)
Net increase (decrease) in cash and cash equivalents	51,139	(3,356)
Cash and equivalents at beginning of year	2,473	5,829
Cash and equivalents at end of year	53,612	2,473
Net increase (decrease) in cash and cash equivalents	51,139	(3,356)

See accompanying notes.

PK Cables do Brasil Indústria e Comércio Ltda.

Notes to financial statements

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais, except when otherwise indicated)

1. Operations

PK Cables do Brasil Indústria e Comércio Ltda. ("Company"), with headquarters in the town of Campo Alegre, State of Santa Catarina, Rodovia SC 301, 4.195, Bairro Frágoso, CEP 89294-000, engages in:

- a) Production of electrical materials for automotive vehicles and other parts intended for the automotive industry and for the production of tractors, harvesters, self-propelled agricultural and road machinery;
- b) Provision of consulting services to customers for the development and enhancement of the application of products manufactured or sold by the Company; and
- c) Equity holding in other companies as a shareholder or member.

On December 12, 2019 the Company's members approved the board's proposal to change the Company's fiscal year closing date from December 31 to March 31, thus seeking to align the closing date of fiscal year with that of its controlling group.

Ongoing concern

At March 31, 2020 and December 31, 2018 the Company's results had a significant adverse impact from the economic crisis over the last years, leading to downturn in the automotive industry in Brazil. In 2019 the automotive industry started improving, however, due to the COVID-19 pandemic, a new economic downturn has been seen since March 2020, which may put on hold the plan for improvement of Company's results.

The Company's Management is taking several measures to reduce operating costs and maximizing efforts to participate in the provision of new projects with the automakers to achieve economic and financial balance. In addition, Management has taken the following actions to mitigate the impacts of COVID-19 on the Company's operations:

- The Company has been advancing customers' trade bills with banks for protection of the Company's cash flows;
- Reduction of direct and indirect labor for the production lines of customers that had undergone cuts in production volumes;

PK Cables do Brasil Indústria e Comércio Ltda.

Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais, except when otherwise indicated)

1. Operations--Continued

Ongoing concern--Continued

- Suspension of the employment contract for 60 days, according to Provisional Measure 936, for the productive lines of customers who had a high inventory and reduced production volume due to the pandemic;
- Reduction in the workload of departments not related to production volume, as determined in MP 936;
- Negotiation of discounts for all fixed cost contracts (e.g.: rentals) during the pandemic period;
- Use of benefits provided by the government, such as discounting the S system and postponing tax payments.

It should be noted that controller PKC WIRING SYSTEMS OU is firmly committed to business viability, recognized by the contributions already made over the last few years and to continue making investments to maintain the Company's operations.

2. Accounting practices

The financial statements were prepared and are being presented in accordance with the accounting practices adopted in Brazil, which comprise the pronouncements of the Brazilian FASB (CPC).

On July 29, 2020 Company management authorized the issuance of financial statements.

All pieces of significant information on the financial statements themselves, and only them, are being disclosed and consist of those used by the Company management in its activities.

2.1 Functional currency and reporting currency

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

2.2 Measurement basis

The financial statements were prepared in view of the historical cost, except for the derivative financial instruments measured at fair value.

PK Cables do Brasil Indústria e Comércio Ltda.

Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais, except when otherwise indicated)

2. Accounting practices--Continued

2.3 Significant accounting practices

The Company applied the accounting practices described below consistently with all the periods and years disclosed in these financial statements.

a. Comparability of the financial statements

Due to the change in the fiscal year closing date mentioned in Note 1, the financial statements for March 31, 2020 disclose the results of Company operations for the fifteen-month period from January 1, 2019 to March 31, 2020, thus not being comparable with the prior year.

b. Foreign currency

Foreign currency transactions

Foreign currency transactions are converted to the respective functional currencies of the Company's entities at the exchange rates ruling on the dates of the transactions.

Monetary assets and liabilities denominated and determined in foreign currencies at the date of the statement of financial position are re-converted to the functional currency at the exchange rate ruling on that date. Nonmonetary assets and liabilities measured at fair value in foreign currency are re-converted to the functional currency at the exchange rate ruling on the date the fair value was determined. Nonmonetary items measured at historical cost in foreign currency are converted at the exchange rate ruling on the date of the transaction. The differences in foreign currencies resulting from conversion are usually recognized in the statement of profit or loss.

c. Operating revenue

Sale of goods

Operating revenue is recognized whenever (i) the most significant risks and benefits inherent to the ownership of goods are transferred to the buyer, (ii) economic and financial benefits are likely to inure to the Company, (iii) the associated costs and the possible return of goods can be reliably estimated, (iv) there is no continuous involvement with goods sold, and (v) the value of revenue can be reliably measured. Revenue is measured net of returns, commercial discounts and bonuses.

PK Cables do Brasil Indústria e Comércio Ltda.

Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais, except when otherwise indicated)

2. Accounting practices--Continued

2.3 Significant accounting practices--Continued

d. Taxation

Revenues, expenses and assets are recognized net of taxes on sales, except when:

- taxes on sales incurred on the purchase of assets or services are not recoverable from tax authorities, case in which the tax on sales is recognized as an integral part of the cost of acquisition of asset or of expense item, as the case may be;
- receivables and payables are presented together with the value of taxes on sales.

Net value of taxes on sales recoverable or payable is included as a component of receivables and payables in the statement of financial position.

Revenues from sales and services are subject to the following taxes and contributions:

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

The statement of profit or loss discloses revenues net of these taxes. Credits from non-cumulative taxation of PIS/COFINS are disclosed net of cost of products sold in the statement of profit or loss.

e. Benefits to employees

Short-term benefits to employees

Short-term benefits to employees are recognized as personnel expenses, as the corresponding service is provided. Liabilities are recognized for the amount of expected payment, should the Company have a present legal obligation to pay that amount in connection with the past services provided by the employee, and the obligation can be reliably estimated.

PK Cables do Brasil Indústria e Comércio Ltda.

Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais, except when otherwise indicated)

2. Accounting practices--Continued

2.3 Significant accounting practices--Continued

f. Finance income and finance costs

The Company's finance income and finance costs comprise:

- Interest income;
- Interest expenses;
- Net gains and losses on financial assets measured at fair value through P&L;
- Net gains and losses on foreign exchange differences on financial assets and liabilities.

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

g. Income tax and social contribution

Current and deferred income tax and social contribution for the year are calculated at 25% rates, plus 10% on taxable profit in excess of R\$ 240 for income tax and 9% on taxable profit for social contribution on net profit.

Expenses with income tax and social contribution comprise current and deferred income tax and social contribution.

(i) Expenses with current income tax and social contribution

Current tax expense is the estimated tax payable or recoverable on taxable profit or loss for the year and any adjustment to taxes payable in connection with prior years. The amount of current taxes payable or recoverable is recognized in the statement of financial position as tax asset or liability at the best estimate of the expected value of taxes payable or recoverable that reflects the uncertainties of their calculation, if applicable, measured at the tax rates announced at the date of the statement of financial position.

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

PK Cables do Brasil Indústria e Comércio Ltda.

Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais, except when otherwise indicated)

2. Accounting practices--Continued

2.3 Significant accounting practices--Continued

g. Income tax and social contribution--Continued

(ii) Deferred income tax and social contribution expenses

Deferred tax assets and liabilities are recognized in relation to the temporary differences between book values of assets and liabilities for financial statement purposes and those used for taxation purposes. The changes in deferred tax assets and liabilities for the year are recognized as deferred income tax and social contribution expenses.

Deferred tax assets and liabilities are measured at the rates expected to be applied to the temporary differences when reversed, at the rates announced up to the date of the statement of financial position.

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

h. Inventories

Inventories are measure at the cost and net realizable value, whichever is lower. The cost of inventories is based on the weighted average cost method.

i. Property, plant and equipment

(i) Recognition and measurement

PPE items are measured at the historical cost of acquisition or construction, net of accumulated depreciation and any accumulated impairment losses.

Whenever significant parts of a PPE item have different useful lives, they are recorded as separate items (major components) of PPE.

Any gains and losses on the disposal of a PPE item are recognized in the statement of profit or loss.

(ii) Subsequent costs

Subsequent costs are capitalized only when future economic benefits associated with expenses are likely to be earned by the Company.

PK Cables do Brasil Indústria e Comércio Ltda.

Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais, except when otherwise indicated)

2. Accounting practices--Continued

2.3 Significant accounting practices--Continued

i. Property, plant and equipment--Continued

(iii) Depreciation

Depreciation is calculated to amortize the cost of PPE items, net of estimated net book values, under the straight-line method based on the estimated useful life of the items. Depreciation is recognized in the statement of profit or loss. Land is not depreciated.

The estimated useful lives of PPE are as follows:

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

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

j. Financial instruments

The Company classifies non-derivative financial assets into the following categories: financial assets measured at fair value through P&L and loans and receivables.

The Company classifies non-derivative financial liabilities into the following categories: financial liabilities measured at fair value through P&L and other financial liabilities.

(i) Non-derivative financial assets and liabilities – recognition and de-recognition

The Company recognizes loans and receivables and debt instruments initially on the date they were originated. All other financial assets and liabilities are recognized on the trading date when the entity becomes an integral part of the contractual provisions of the instruments.

PK Cables do Brasil Indústria e Comércio Ltda.

Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais, except when otherwise indicated)

2. Accounting practices--Continued

2.3 Significant accounting practices--Continued

j. Financial instruments--Continued

(i) Non-derivative financial assets and liabilities – recognition and de-recognition--Continued

The Company de-recognizes a financial asset whenever the contractual rights of cash flows of the asset expire or whenever the Company transfers the rights to receipt of contractual cash flows on a financial asset in a transaction in which substantially all risks and benefits of ownership of the financial asset are transferred. Any participation created or retained by the Company in transferred financial assets is recognized as a separate asset or liability.

The Company de-recognizes a financial liability whenever its contractual obligation is withdrawn, cancelled or expired.

Financial assets or liabilities are offset, and the net value disclosed in the statement of financial position, when and only when, the Company currently has a legally enforceable right to offset the values and intends to settle them net or realize the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets - measurement

Financial assets measured at fair value through P&L

A financial asset is classified as measured at fair value through P&L if designated as such upon initial recognition. Transaction costs are recognized in P&L as incurred. These assets are measured at fair value, and changes in fair value are recognized in P&L for the year.

Loans and receivables

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

PK Cables do Brasil Indústria e Comércio Ltda.

Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais, except when otherwise indicated)

2. Accounting practices--Continued

2.3 Significant accounting practices--Continued

j. Financial instruments--Continued

(ii) Non-derivative financial assets - measurement--Continued

Cash and cash equivalents

In the statements of cash flows, cash and cash equivalents include negative balances of overdraft facilities immediately due and an integral part of the Company's cash management.

(iii) Non-derivative financial liabilities - measurement

A financial liability is classified as measured at fair value through P&L if designated as such upon initial recognition. The transaction costs are recognized in P&L as incurred. These financial liabilities are measured at fair value, and changes in fair value are recognized in P&L for the year.

Other non-derivative financial liabilities are initially measured at fair value, net of any directly attributable transaction costs. After the initial recognition, these financial liabilities are measured at amortized cost under the effective interest method.

k. Capital

Units of interest are classified as equity.

l. Impairment

(i) Non-derivative financial assets

Financial assets not classified as financial assets at fair value through P&L are assessed at each date of the statement of financial position to determine whether there is objective evidence of impairment.

Objective evidence that financial assets were impaired includes:

- Debtor's default or delays;
- Restructuring of a value due to the Company in conditions that would be not accepted in normal conditions;

PK Cables do Brasil Indústria e Comércio Ltda.

Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais, except when otherwise indicated)

2. Accounting practices--Continued

2.3 Significant accounting practices--Continued

I. Impairment--Continued

(i) Non-derivative financial assets --Continued

- Indications that the debtor or issuer will go bankrupt or put under examinership;
- Negative changes in the status of payments by debtors or issues;
- Disappearance of an active market for the instrument due to financial difficulties; or
- Observable data indicating a decline in the measurement of cash flows expected from a group of financial assets.

Financial assets measured at amortized cost

The Company considers evidence of impairment of assets measured at amortized cost both at individual and collective level. All individually significant assets are assessed as to impairment. Those individually not subject to impairment are then assessed collectively as to any impairment that may have occurred, but have not yet been identified. Assets which are not individually significant are assessed collectively as to impairment based on the grouping of assets with similar risk characteristics.

When assessing impairment collectively, the Company uses historical trends of the recovery period and of loss values incurred, adjusted to reflect the Management's judgment if the current economic and credit conditions are such that actual losses will probably be higher or lower than those suggested by the historical trends.

An impairment loss is calculated as the difference between the book value and the present value of estimated future cash flows, discounted at the original effective interest rate of the asset. Losses are recognized in P&L and reflected in a provision account. When the Company considers that there are no reasonable expectations for recovery, values are written off. When a subsequent event indicates a loss decrease, the provision is reversed through P&L.

(ii) Non-financial assets

The book values of Company's non-financial assets are revised at each date of the statement of financial position in order to determine whether there is an indication of impairment. Should such indication occur, the recoverable value is then estimated.

PK Cables do Brasil Indústria e Comércio Ltda.

Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais, except when otherwise indicated)

2. Accounting practices--Continued

2.3 Significant accounting practices--Continued

I. Impairment--Continued

(ii) Non-financial assets--Continued

Impairment losses are reversed only to the extent that the new book value of the asset does not exceed the book value that would have been determined, net of depreciation or amortization, if the impairment had not been recognized.

m. Statement of cash flows

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

n. New or revised pronouncements applied for the first time in 2019

• CPC 06 (R2) Leases

Effective since January 1, 2019 CPC 06 (R2) – Leases, issued by Brazilian FASB (CPC) is equivalent to international standard IFRS 16 – Leases. CPC 06 (R2) establishes the principles for recognition, presentation and disclosure of leases and requires lessees to account for all leases according to a sole model of statement of financial position.

CPC 06 (R2) establishes the principles for recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases according to a sole model of statement of financial position, similar to the recording of finance lease according to IAS 17. The standard includes two elective exemptions of recognition for lessees – Leases of “low value” assets (e.g., personal computers) and short-term leases (e.g. leases that do not contain a purchase option and lease terms of 12 months or less). In these cases, the lessee should recognize the lease payments associated with those leases as expense on a straight-line basis over the lease term or on another systematic basis. The lessee should apply another systematic basis if such basis better represents the lessee’s standard benefit.

PK Cables do Brasil Indústria e Comércio Ltda.

Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais, except when otherwise indicated)

2. Accounting practices--Continued

2.3 Significant accounting practices--Continued

n. New or revised pronouncements applied for the first time in 2019--Continued

- **CPC 06 (R2) Leases--Continued**

Lessees should also remeasure the lease liability if there is a change in the future lease payments resulting from the change in index or rate used to determine these payments. The lessee should recognize the remeasurement value of the lease liability as an adjustment to the right-of-use asset.

Transition approach

Company management opted for the simplified retrospective transition approach, which does not affect retained earnings (equity) on the date of first-time adoption, as the amount of right-of-use asset is equal to the lease liability payable brought to present value and allows using practical means.

Impacts on the statement of financial position

The accounts of the statement of financial position were changed by the recognition of future commitments arising from the contracts in the leasing scope. Upon the first-time adoption, the right-of-use asset is equal to the lease liability payable adjusted to present value. The balance of leased asset was recorded in right-of-use assets, and finance lease liability was included in the balance of leases payable. The significant impacts for the Company are described in Notes 8 and 12.

- **CPC 22 (IFRIC 23) Uncertainties as to tax treatments**

This interpretation clarifies how to apply the recognition and measurement requirements of CPC 32 Income Taxes (IAS 12 Income Taxes) in case of uncertainty as to the income tax treatments.

In these circumstances, the entity should recognize and measure its current or deferred tax asset or liability, applying the requirements of CPC 32 / IAS 12 based on the taxable profit (tax loss), on tax bases, on unused tax losses, on unused tax credits and on tax rates, determined as a basis in this interpretation.

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Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais, except when otherwise indicated)

2. Accounting practices--Continued

2.3 Significant accounting practices--Continued

n. New or revised pronouncements applied for the first time in 2019--Continued

- **CPC 22 (IFRIC 23) Uncertainties as to tax treatments--Continued**

This interpretation went into effect on January 1, 2019. The Company did not find any significant impacts on its financial statements in connection with the application of this interpretation.

3. Significant accounting judgments, estimates and assumptions

Judgments

Preparing the Company's financial statements requires management to make judgments and estimates and to adopt assumptions that affect the values of revenues, expenses, assets and liabilities, as well as the disclosures of contingent liabilities at the date of the financial statements. However, the uncertainty as to these assumptions and estimates might lead to results requiring a significant adjustment of book value of the asset or liability affected in future periods.

When applying the Company's accounting practices, management made the following judgments that have a more significant effect on the values recognized in the financial statements:

Estimates and assumptions

The main assumptions relating to sources of uncertainty in future estimates and other important sources of uncertainty in estimates at the date of the statement of financial position, involving a significant risk of causing a material adjustment in book value of assets and liabilities in future years, are discussed as follows.

Taxes

Deferred tax recoverable is recognized for unused tax losses to the extent that a taxable profit available is likely to allow the use of such losses. The management's significant judgment is required to determine the deferred tax value recoverable that can be recognized, based on the probable period and level of future taxable profit.

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Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais, except when otherwise indicated)

3. Significant accounting judgments, estimates and assumptions--Continued

Estimates and assumptions--Continued

Taxes--Continued

There are uncertainties as to the interpretation of complex tax regulations and for the value and at the time of future taxable results. Given the broad aspect of business relationship and the long-term nature and complexity of existing contractual instruments, differences between actual results and assumptions adopted or future changes to those assumptions might require future adjustments in tax revenue and expense already recorded. The Company establishes provisions based on reasonable estimates for possible consequences of audits by the tax authorities of the jurisdictions where the Company operates. The value of those provisions is based on a number of factors, such as experience in prior tax audits and different interpretation of tax regulations by the taxable entity and by the tax authority in charge. These different interpretations can arise from a number of matters, depending on the conditions in force in the respective domicile of the Company.

Fair value of financial instruments

Whenever the fair value of financial assets and liabilities disclosed in the statement of financial position cannot be obtained from active markets, it is determined using the assessment techniques, including the discounted cash flow method. The data of those methods is based on that adopted by the market, whenever possible. However, if not viable, a certain degree of judgment is required to establish fair value. The judgment includes considerations on data used as, for example, liquidity risk, credit risk and volatility. Changes in the assumptions on these factors affect the fair value of the financial instruments.

The Company recognizes a provision for tax, civil and labor claims. The assessment of likelihood of loss includes the assessment of evidence available, hierarchy of laws, case law available, the most recent decisions handed down by courts and their significance in the legal system, as well as the assessment of external lawyers. The provisions are revised and adjusted to take into consideration changes in the circumstances, i.e. applicable statutes of limitation, conclusions of tax audits or additional exposures found in light of new matters or decisions of courts.

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Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais, except when otherwise indicated)

3. Significant accounting judgments, estimates and assumptions--Continued

Estimates and assumptions--Continued

Uncertainties on assumptions and estimates

Information on uncertainties as to assumptions and estimates that have a significant risk of resulting in a material adjustment in the year is included in the following notes to financial statements:

Note 05 – Trade accounts receivable (allowance for doubtful accounts);

Note 08 – Property, plant and equipment (useful life and book value); and

Note 14 – Recognition and measurement of provision for contingencies: main assumptions on the likelihood and significance of cash outflows.

Note 18 – Financial instruments.

4. Cash and cash equivalents

	03/31/2020	12/31/2018 (Unaudited)
Cash and banks	53,612	2,473
	<u>53,612</u>	<u>2,473</u>

The volume of funds from financial institutions comprises credits that will be used by Company management in its financial and operational activities.

5. Trade accounts receivable

	Note	03/31/2020	12/31/2018 (Unaudited)
Trade accounts receivable - domestic		95,314	89,967
Trade accounts receivable – domestic – related parties	11	416	60
(-) Factoring of receivables		(74,689)	(22,472)
(-) Allowance for doubtful accounts		(1,025)	(792)
		<u>20,016</u>	<u>66,763</u>

The factoring of receivables (redemption of trade bills) by the Company does not have any right of recourse by the financial institution.

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Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais, except when otherwise indicated)

5. Trade accounts receivable--Continued

The aging list of trade accounts receivable is broken down as follows:

	03/31/2020	12/31/2018 (Unaudited)
Falling due	93,928	86,868
Past due up to 30 days	782	1,407
Past due from 31 to 180 days	111	1,278
Past due for more than 181 days	909	474
	<u>95,730</u>	<u>90,027</u>

The movement of the allowance for doubtful accounts for the year was as follows:

	03/31/2020	12/31/2018 (Unaudited)
Opening balance	(792)	(2,351)
Supplementary allowance	(2,571)	(2,742)
Reversal of the allowance	2,338	4,301
Closing balance	<u>(1,025)</u>	<u>(792)</u>

6. Inventories

	Notes	03/31/2020	12/31/2018 (Unaudited)
Raw materials		44,043	32,240
Work in process		9,125	6,210
Finished products		7,439	4,609
Spare parts		3,036	2,165
Tooling		1,650	2,372
Inventories in transit – related parties	11	2,970	2,054
Others		34	11
(-) Allowance for obsolescence		<u>(4,989)</u>	<u>(4,114)</u>
		<u>63,308</u>	<u>45,547</u>

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Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018
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6. Inventories--Continued

The movement of the allowance for obsolescence for the year was as follows:

	03/31/2020	12/31/2018 (Unaudited)
Opening balance	(4,114)	(3,994)
Supplementary allowance	(875)	(152)
Reversal of the allowance	-	32
Closing balance	(4,989)	(4,114)

7. Taxes recoverable

	03/31/2020	12/31/2018 (Unaudited)
State VAT (ICMS) on PPE	2,623	2,091
Federal VAT (IPI)	2,529	2,198
Income taxes	3,441	865
Social contribution on net profit	1,268	318
Others	14	53
	9,875	5,525
Current	8,293	4,085
Noncurrent	1,582	1,440
	9,875	5,525

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Notes to financial statements--Continued
Fifteen-month period ended March 31, 2020 and year ended December 31, 2018
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8. Property, plant and equipment

a. Movement of cost and depreciation

	Buildings	Machinery and equipment	IT equipment	Furniture and fixtures	Vehicles	Tools	Leasehold improvements	Construction in progress	Right of use (i) and (ii)	Total
Cost or evaluation:										
At January 1, 2018 - unaudited	-	43,167	4,469	9,659	363	1,583	1,038	-	-	60,279
Acquisitions	-	11,262	1,069	565	-	57	169	1,137	-	14,259
Disposals	-	(155)	(100)	(17)	(91)	-	-	(256)	-	(619)
At December 31, 2018 - unaudited	-	54,274	5,438	10,207	272	1,640	1,207	881	-	73,919
Acquisitions	-	8,924	1,462	924	-	17	971	1,281	5,188	18,767
Disposals	(5,455)*	(544)	(598)	-	-	-	-	(310)	-	(6,907)
Write-off of the provision for value recoverable	-	-	-	-	-	-	-	-	-	-
Transfers	-	1,127	5	-	-	-	59	(1,191)	-	5,455
At March 31, 2020	-	63,781	6,307	11,131	272	1,657	2,237	628	5,188	91,234
Depreciation:										
At January 1, 2018 - unaudited	-	(24,422)	(3,337)	(6,295)	(66)	(1,352)	(99)	-	-	(35,571)
Depreciation for the year	-	(3,828)	(442)	(694)	(66)	(113)	(103)	-	-	(5,246)
Disposals	-	134	94	11	67	-	-	-	-	306
At December 31, 2018 - unaudited	-	(28,116)	(3,685)	(6,978)	(65)	(1,465)	(202)	-	-	(40,511)
Depreciation for the year	-	(15,717)	(770)	(2,456)	(65)	(86)	(329)	-	(2,239)	(21,662)
Disposals	-	200	566	-	-	-	-	-	-	766
At March 31, 2020	-	(43,633)	(3,889)	(9,434)	(130)	(1,551)	(531)	-	(2,239)	(61,407)
At March 31, 2020	-	20,148	2,418	1,697	142	106	1,706	661	2,949	29,827
At December 31, 2018 - unaudited	-	26,158	1,753	3,229	207	175	1,005	881	-	33,408

In 2019 the Company sold a property (industrial complex) located in the city of Itajubá, in the State of Minas Gerais. The value of R\$ 8,642 regarding the sale was fully received by the Company in the fiscal year itself, and the asset was fully written off during the period (refer to Note 17).

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Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais, except when otherwise indicated)

8. Property, plant and equipment--Continued

b. Useful life and net book value

From time to time the Company revises the estimated useful life and net book value of the main categories of PPE.

c. Impairment

The recoverable value of PPE is analyzed at least once a year. From January 1, 2019 to March 31, 2020, Company management did not identify any indications that PPE could pose recoverability problems.

d. Right of use

This consists of the impact from the adoption of CPC 06 (R2) effective since January 1, 2019. Refer to Note 2.3.

(i) Breakdown of the right of use

Description	Useful life (years)	03/31/2020
Real properties	2 to 5	2,337
IT equipment	1	133
Vehicles	3	479
Total		2,949

(ii) Movement of right of use

Balance at 12/31/2018	-
(+) First-time adoption - CPC 06 (R2)	5,188
Balance at 01/01/2019	5,188
(+) Addition of right of use	-
(-) Accumulated depreciation	(2,239)
Balance at 03/31/2020	2,949

(iii) PPE acquisitions during the period did not affect Company's cash:

	03/31/2020
Adoption - CPC 06 (R2) - Leases	5,188
Total	5,188

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Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

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9. Trade accounts payable

	03/31/2020	12/31/2018 (Unaudited)
Suppliers – domestic market	38,823	27,026
Suppliers – foreign market	3,626	2,412
Other suppliers	209	102
	<u>42,658</u>	<u>29,540</u>

10. Labor and social charges

	03/31/2020	12/31/2018 (Unaudited)
Accrual for vacation pay and related charges	3,160	3,329
Accrual for 13th monthly pay and related charges	1,396	-
Accrual for bonuses and rewards	1,141	2,583
Payroll charges – INSS	1,531	1,404
Payroll charges – FGTS	358	460
Other personnel charges	316	211
	<u>7,902</u>	<u>7,987</u>

11. Related parties

Assets	Nature of the operation	Note	03/31/2020	12/31/018 (Unaudited)
MS 1001 - MOTHERSON SUMI SYSTEMS	Commercial	(i)	8	-
MS 1002 - MOTHERSON SUMI SYSTEMS	Commercial	(i)	2	-
MS 1004 - MOTHERSON SUMI SYSTEMS	Commercial	(i)	6	-
MS 1009 - MSSL MIDEAST FZE	Commercial	(i)	3	-
MS 1013 - MSSL WH SYSTEM THAILAND	Commercial	(i)	3	1
MS 1015 - MOTHERSON SUMI SYSTEMS	Commercial	(i)	1	-
MS 1018 - MGWL INDIA	Commercial	(i)	16	-
MS 1023 - MOTHERSON SUMI SYSTEMS	Commercial	(i)	33	-
MS 1025 - MOTHERSON SUMI SYSTEMS	Commercial	(i)	2	-
MS 1041 - MSSL SBU1A	Commercial	(i)	26	-
PKC EESTI AS	Commercial	(i)	131	46
PKC GROUP LITHUANIA UAB	Commercial	(i)	-	8
PKC GROUP POLAND SP. ZOO	Commercial	(i)	2	5
PKC WIRING SYSTEMS LLC – SERBIA	Commercial	(i)	183	-
Total accounts receivable		5	<u>416</u>	<u>60</u>
PK EESTI	Commercial	(i)	2,346	1,706
AEES INC	Commercial	(i)	37	-
PKC POLAND	Commercial	(i)	245	3
PKC SEGU	Commercial	(i)	342	345
Total inventories in transit		6	<u>2,970</u>	<u>2,054</u>
Total assets			<u>3,386</u>	<u>2,114</u>

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Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

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11. Related parties--Continued

Liabilities	Nature of the operation	Note	03/31/2020	12/31/2018 (Unaudited)
AEES INC	Commercial	(i)	84	-
MS 1005 - MOTHERSON SUMI SYSTEMS	Commercial	(i)	-	3
MS 1008 - MSSL JAPAN LIMITED	Commercial	(i)	18	-
MS 1030 - MSSL GMBH	Commercial	(i)	-	4
PKC EESTI AS	Commercial	(i)	3,113	2,388
PKC GROUP LITHUANIA UAB	Commercial	(i)	7	307
PKC GROUP POLAND SP. ZOO	Commercial	(i)	320	15
PKC SEGU SYSTEM ELEKTRIK GMBH	Commercial	(i)	448	556
Total accounts payable			3,990	3,273
PKC WIRING SYSTEMS OU	Financial	(ii)	102,962	87,743
Total intercompany loan			102,962	87,743
			106,952	91,016

P&L	Nature of the operation	Note	03/31/2020	12/31/2018 (Unaudited)
MSSL MIDEAST (FZE)	Commercial	(i)	2	-
MOTHERSON SUMI SYSTEM LTD.	Commercial	(i)	220	42
MOTHERSON - MSSL - MS1012	Commercial	(i)	-	139
MOTHERSON - MSSL - MS1001	Commercial	(i)	67	-
MSSL WH SYSTEM THAILAND CO LTD	Commercial	(i)	2	1
PKC EESTI RM	Commercial	(i)	440	149
PKC SERVIA - MP	Commercial	(i)	17	-
PKC POLAND	Commercial	(i)	46	68
AEES INC	Commercial	(i)	-	1
PKC GROUP LITHUANIA UAB - SPAR	Commercial	(i)	-	5
MS1018 - MGWL INDIA	Commercial	(i)	60	-
MS1002 - MOTHERSON SUMI SYSTEMS LTD	Commercial	(i)	5	-
MS1025 - MOTHERSON SUMI SYSTEMS LTD	Commercial	(i)	2	-
MS1004 - MOTHERSON SUMI SYSTEMS LTD SBU	Commercial	(i)	14	-
MS 1041 - MSSL SBU1A	Commercial	(i)	22	-
Total revenue		15	897	405
PKC EESTI	Commercial	(i)	16,161	11,211
PKC POLAND	Commercial	(i)	1,251	106
PKC SEGU	Commercial	(i)	10,021	583
AEES INC	Commercial	(i)	178	-
Total cost			27,611	11,900

i. The commercial transactions between related parties refer to purchases and sales of inputs and products and are carried out in the same conditions as those of transactions entered into with unrelated third parties.

ii. Contributions by parent PKC WIRING SYSTEMS OU to maintain the Company's operations since 2013. Contracts are traded in euros at annual average interest of 7.45% p.a. No payment schedule has been set. Payments are made when the Parent Company places an order. These contributions to Company's capital are due to be made in the future.

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Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

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11. Related parties--Continued

Management fees

From January 1, 2019 to March 31, 2020 the Company recognized its directors' global compensation amounting to R\$ 426 (R\$ 491 for 2018).

12. Leases payable

a) Breakdown

Descriptions - Units	Annual rate	Maturity	03/31/2020
Buildings	11,25%	2019 – 2022	2,442
Computers	11,25%	2019 – 2021	137
Vehicles	11,25%	2019 – 2022	490
Total			3,069
Current liabilities			2,377
Noncurrent liabilities			692
Total			3,069

b) Movement

Balance at 12/31/2018	-
(+) First-time adoption - IFRS 16 / CPC 06 (R2)	3,188
(-) Consideration	(484)
(+) Interest incurred	365
Balance at year end	3,069

13. Income tax and social contribution

a. Deferred income tax and social contribution arise as follows:

	03/31/2020	12/31/2018 (Unaudited)
Deferred IRPJ on tax loss carryforward	19,773	19,773
Deferred CSSL on tax loss carryforward	7,118	7,118
Temporary differences	371	4,343
Others	185	-
	27,447	31,234

Deferred taxes were recorded in view of their probable perspectives of realization in accordance with the history and expected realization of the Company's prior-year temporary differences and losses on income tax and social contribution carryforward.

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Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

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13. Income tax and social contribution--Continued

b. Reconciliation of the effective rate

Reconciliation of the effective rate

	12/31/2020	12/31/2018 (Unaudited)
Income before income tax and social contribution	(7,549)	(2,195)
Statutory rates	34%	34%
IRPJ and CSLL calculated at statutory rates	2,567	746
Adjustments for calculation of effective IRPJ and CSLL		
Free gifts, donations and fines	(62)	(63)
Management bonus	(206)	(203)
Transfer price adjustment	-	(133)
Offsetting of losses on income tax and social contribution carryforward	(664)	(102)
Unrecorded deferred taxes	3,515	-
Other net permanent (additions) exclusions	(27)	367
IRPJ and CSLL calculated	<u>5,123</u>	<u>612</u>
Current	1,336	118
Deferred	3,787	494
IRPJ and CSLL in P&L	<u>5,123</u>	<u>612</u>

14. Provision for contingencies

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

Based on information from its legal advisors and analysis of pending legal claims, Company management established provisions for R\$ 3,073 (R\$ 1,551 at December 31, 2018), deemed to be sufficient to cover probable losses on claims in progress.

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Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

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14. Provision for contingencies--Continued

The movement of the provision for civil, labor and tax risks is as follows:

	03/31/2020	12/31/2018 (Unaudited)
Balance at the beginning of the year	1,551	-
Additions	2,019	1,551
Reversal/realization	(497)	-
Balance at year end	3,073	1,551

Based on the opinion of the Company's legal advisors, claims with possible likelihood of not prevailing at trial amount to R\$ 43,148 (R\$ 36,976 at December 31, 2018), for which no provision was established, since the accounting practices adopted in Brazil do not require it to be recorded.

	03/31/2020	12/31/2018 (Unaudited)
Tax	43,148	33,700
Labor	642	3,276
Total	43,790	36,976

Judicial deposits restricted and non-restricted to proceedings for which a provision has been established, classified in the noncurrent assets group, are as follows:

	03/31/2020	12/31/2018 (Unaudited)
Judicial deposit	553	736
	553	736

On October 5, 2018 delinquent tax collection proceedings were initiated by the State of Paraná seeking to collect ICMS debts in connection with the disallowance of previously unused matching credits supposedly undue from January 2006 to December 2008. In summary, the disallowance of credits took place, since the State of Paraná understood that the PKC operation was covered by the tax deferral, while it was encompassed by the suspension of the state tax, case in which the use of matching credits is expressly authorized by the state legislation. After the Company offers a bank guarantee, court expressly recognized the suspension of the delinquent tax collection proceedings in connection with Annulment Action served under no. 0002378-26.2018.8.16.0179. Accordingly, there is no need to tender a new defense on the same matter. Currently, the Company was informed that the guarantee given was definitively accepted (issuance of notice of seizure). The amount of claim updated at March 31, 2020 is R\$ 43,148 (R\$ 34,536 at December 31, 2018).

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Notes to financial statements--Continued
Fifteen-month period ended March 31, 2020 and year ended December 31, 2018
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15. Equity

a. Capital

The Company's capital amounts to R\$ 325,443 at March 31, 2020 and December 31, 2018, fully paid up, comprises units of interest worth R\$ 1.00 each, which can be broken down as follows (expressed in reais):

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

16. Net operating revenue

	Note	03/31/2020	12/31/2018 (Unaudited)
Gross revenue			
Sale of goods		596,632	369,289
Sale of tools		17,276	1,992
Related parties		897	405
	11	614,805	371,686
Taxes on sales			
PIS and COFINS on sales		(53,950)	(33,755)
ICMS on sales		(71,738)	(43,825)
INSS on sales		-	(6,020)
Other taxes on sales		(665)	(580)
		(126,353)	(84,180)
Returns and rebates			
Return of sales		(14,955)	(5,517)
		(14,955)	(5,517)
Net revenue		473,497	281,989

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Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

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17. Expenses by function and nature

	03/31/2020	12/31/2018 (Unaudited)
Selling cost	(387,072)	(229,771)
Selling expenses	(2,616)	(1,992)
General and administrative expenses	(69,671)	(39,572)
Other operating revenue, net	16,531	5,675
	<u>(442,828)</u>	<u>(265,660)</u>
Production inputs and parts	(268,593)	(166,780)
Personnel expenses	(128,907)	(71,833)
Freights	(15,060)	(9,911)
Depreciation and amortization	(22,032)	(5,348)
Rents	(1,756)	(2,619)
Services provided	(10,429)	(6,878)
Sale of goods	8,642	103
Disposal of Itajubá plant	(5,455)	-
Write-off of allowance for non-recoverable loss	5,455	-
Other expenses	(4,693)	(2,394)
	<u>(442,828)</u>	<u>(265,660)</u>

18. Finance income and costs, net

	03/31/2020	12/31/2018 (Unaudited)
Finance income		
Discounts obtained	60	32
Short-term investment yield	2	38
Interest received	92	8
	<u>154</u>	<u>78</u>
Finance costs		
Interest on intercompany loans	(6,408)	(5,992)
Interest on leasing	(365)	-
Charges on factoring of receivables	(4,436)	-
Other finance costs	(568)	(906)
	<u>(11,777)</u>	<u>(6,898)</u>
Foreign exchange differences, net	(26,595)	(11,704)
Net finance costs	<u>(38,218)</u>	<u>(18,524)</u>

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Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais, except when otherwise indicated)

19. Financial instruments

a. Financial risk management

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

Credit risk is the risk of the Company incurring financial losses, in case a customer or a counterparty in a financial instrument fails to comply with its contractual obligations. This risk arises mainly from Company's trade accounts receivable and financial instruments.

The book value of financial assets represents maximum exposure of the credit.

Trade accounts receivable and other receivables

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

The Company recorded an allowance for losses that represents estimated losses on 'Trade accounts receivable and other receivables'.

Cash and cash equivalents

The Company's cash and cash equivalents amount to R\$ 53,612 at March 31, 2020 (R\$ 2,473 at December 31, 2018). Cash and cash equivalents are maintained with prime banks and financial institutions.

Financial instruments

Derivative financial instruments are taken out with prime banks and financial institutions.

b. Liquidity risk

Liquidity risk is the risk of the Company finding difficulties to fulfill obligations involving its financial liabilities that are settled with payments in cash or with other financial asset. The Company's approach in managing liquidity is to guarantee, to the possible extent, which will always have sufficient liquidity to fulfill its obligations on due date, both in ordinary conditions e.g. stress, without causing unacceptable losses or risk of harming the Company's reputation.

PK Cables do Brasil Indústria e Comércio Ltda.

Notes to financial statements--Continued

Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais, except when otherwise indicated)

19. Financial instruments--Continued

c. Market risk

Market risk is the risk of changes in market prices – such as exchange rates and prices of commodities – affecting Company gains or the value of its financial instruments. Market risk management aims to control exposures to market risks within acceptable parameters, and at the same time optimize the return.

The Company engages derivatives to manage market risks. All these operations are carried out in view of the guidelines set by Company management.

Exchange risk

The Company is exposed to exchange risk arising from the difference between the currencies in which the sales and loans are denominated, and the respective functional currency of the Company, which is the Real (R\$). The Company's transactions are primarily denominated in R\$, USD and EUR.

20. Insurance coverage

The Company makes it a policy to take out insurance for assets subject to risks for amounts deemed to be sufficient to cover claims, if any, considering the nature of its activity. The risk assumptions adopted, given their nature, are not an integral part of the scope of an audit of financial statements, whereupon they were not examined by independent auditors.

21. Subsequent events

Due to local and global impacts from Covid-19 (Coronavirus), there are uncertainties as to the economy in Brazil and abroad. Up to the present date of issuance of the financial statements, the Company has been monitoring and assessing the possible impacts of Coronavirus in Brazil and in the world, mainly in relation to its direct sales and supply chain.

Company management believes that, up to the present date, there are no material indications that its ongoing concern will be adversely affected.

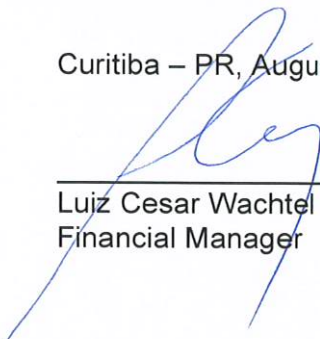
PK Cables do Brasil Indústria e Comércio Ltda.

Notes to financial statements--Continued

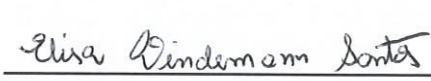
Fifteen-month period ended March 31, 2020 and year ended December 31, 2018

(In thousands of reais, except when otherwise indicated)

Curitiba – PR, August 10, 2020



Luiz Cesar Wachtel Junior
Financial Manager



Elisa Lindemann dos Santos
Accountant CRC PR-077290/O-1