

Independent auditor's report  
on the financial statements of  
**SMRC Automotive Technology RU LLC**  
for 2019

*May 2020*

**Independent auditor's report  
on the financial statements of  
SMRC Automotive Technology RU LLC**

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**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

***Opinion***

We have audited the financial statements of SMRC Automotive Technology RU LLC (the Company), which comprise the balance sheet as at 31 December 2019, statement of income for 2019 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 2019 and its financial performance and its cash flows for 2019 in accordance with the rules on 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 (including International Independence Standards) (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 for the financial statements***

Management is responsible for the preparation and fair presentation of the 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.

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

## **Translation of the original Russian version**

### ***Auditor's responsibilities for the audit of the financial statements***

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

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

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

## **Translation of the original Russian version**

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.

A.V. MILINOV  
Partner  
Ernst & Young LLC

25 May 2020

### ***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, 1<sup>st</sup> 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-regulatory organization of auditors Association "Sodruzhestvo".  
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

**Balance sheet**  
at December 31, 2019

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 / Private property  
 Unit of measure: RUR thousand  
 Location (address): 248926, Russia, Kaluga, 1st Avtomobilny proezd, 7

|                         | CODES      |
|-------------------------|------------|
| Form (OKUD)             | 0710001    |
| Date (day, month, year) | 31.12.19   |
| OKPO                    | 89695041   |
| TIN                     | 4027091073 |
| OKVED 2                 | 29.32      |
| OKOPF /                 | 65 / 23    |
| OKFS                    |            |
| OKEI                    | 384        |

Financial statements subject to obligatory audit  YES  NO

Name of the audit organization / surname, name, patronymic (if any)  
of the individual auditor Ernst and Young LLC

Taxpayer identification number of the auditing organization / surname, name, patronymic (if any) of  
the individual auditor \_\_\_\_\_

Primary State Registration Number of audit organization / individual auditor \_\_\_\_\_

TIN 7709383532  
OGRN / OGRNIP 1027739707203

| Note                             | Indicator  | Code | At December 31,<br>2019 | At December 31,<br>2018 | At December 31,<br>2017 |
|----------------------------------|--|------|-------------------------|-------------------------|-------------------------|
| <b>ASSETS</b>                    |  |      |                         |                         |                         |
| <b>I. NON-OPERATIONAL ASSETS</b> |  |      |                         |                         |                         |
| 1                                | Fixed assets .....   | 1150 | 235,287                 | 152,420                 | 182,246                 |
| II_16                            | Deferred tax assets .....                                    | 1180 | 29,163                  | 18,440                  | 18,484                  |
| II_8                             | Other non-current assets .....                               | 1190 | -----                   | -----                   | 18,704                  |
|                                  | TOTAL for Section I .....                                    | 1100 | 264,450                 | 170,860                 | 219,434                 |
| <b>II. OPERATIONAL ASSETS</b>    |  |      |                         |                         |                         |
| 3                                | Inventory .....  | 1210 | 635,708                 | 77,102                  | 77,050                  |
| 0                                | VAT on acquired assets .....                                 | 1220 | 75,610                  | 12,215                  | 6,567                   |
| 4.1                              | Accounts receivable .....                                    | 1230 | 285,226                 | 225,421                 | 196,936                 |
| 2, II_4                          | Financial investments (excluding for cash equivalents) ..... | 1240 | -----                   | -----                   | 130,957                 |
| II_7                             | Cash and cash equivalents .....                              | 1250 | 41,101                  | 266,386                 | 14,880                  |
|                                  | Other current assets .....                                   | 1260 | 25,381                  | 944                     | 444                     |
|                                  | TOTAL for Section II .....                                   | 1200 | 1,063,026               | 582,068                 | 426,834                 |
|                                  | BALANCE .....  | 1600 | 1,327,476               | 752,928                 | 646,268                 |

| Note                             | Indicator  | Code | At December 31,<br>2019 | At December 31,<br>2018 | At December 31,<br>2017 |
|----------------------------------|--|------|-------------------------|-------------------------|-------------------------|
| <b>CAPITAL AND LIABILITIES</b>   |  |      |                         |                         |                         |
| <b>III. CAPITAL AND RESERVES</b> |  |      |                         |                         |                         |
| II_9                             | 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 | (932,290)               | (782,244)               | (697,223)               |
|                                  | TOTAL for Section III .....  | 1300 | 204,619                 | 354,665                 | 439,686                 |
| <b>IV. LONG-TERM LIABILITIES</b> |  |      |                         |                         |                         |
| II_16                            | Loans and borrowings .....   | 1410 | -----                   | -----                   | -----                   |
|                                  | Deferred tax liabilities .....   | 1420 | 622                     | 221                     | 114                     |
|                                  | Provisions .....   | 1430 | -----                   | -----                   | -----                   |
|                                  | Other long-term liabilities .....  | 1450 | -----                   | -----                   | -----                   |
|                                  | TOTAL for Section IV .....   | 1400 | 622                     | 221                     | 114                     |
| <b>V. SHORT-TERM LIABILITIES</b> |  |      |                         |                         |                         |
| II_10                            | Loans and borrowings .....   | 1510 | 486,003                 | -----                   | -----                   |
| 4.3                              | Accounts payable .....   | 1520 | 496,672                 | 253,879                 | 134,815                 |
|                                  | Deferred income .....  | 1530 | -----                   | -----                   | -----                   |
| 6, II_11                         | Provisions .....   | 1540 | 139,560                 | 144,163                 | 71,653                  |
|                                  | Other short-term liabilities .....   | 1550 | -----                   | -----                   | -----                   |
|                                  | TOTAL for Section V .....  | 1500 | 1,122,235               | 398,042                 | 206,468                 |
|                                  | BALANCE .....  | 1700 | 1,327,476               | 752,928                 | 646,268                 |

Chief Executive \_\_\_\_\_ Nechiporenko A.P.  
(signature) (printed name)

Date May 25, 2020

## Statement of income

for year 2019

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 / Private property  
 Unit of measure: RUR thousand

| C O D E S               |            |
|-------------------------|------------|
| Form (OKUD)             | 0710002    |
| Date (day, month, year) | 31.12.19   |
| OKPO                    | 89695041   |
| TIN                     | 4027091073 |
| OKVED 2                 | 29.32      |
| OKOPF/                  | 65         |
| OKFS                    | 23         |
| OKEI                    | 384        |

| Notes    | Indicator  | Code | For 2019    | For 2018    |
|----------|--|------|-------------|-------------|
| II_13    | Revenue .....  | 2110 | 1,280,664   | 1,445,954   |
| 5, II_13 | Cost of sales .....  | 2120 | (1,002,632) | (1,038,746) |
|          | Gross profit (loss).....   | 2100 | 278,032     | 407,208     |
| 5, II_13 | Selling expenses .....   | 2210 | (5,677)     | (7,461)     |
| 5, II_13 | Administrative expenses .....  | 2220 | (236,837)   | (272,224)   |
|          | Profit (loss) from operations.....   | 2200 | 35,518      | 127,523     |
|          | Income from participation in other organizations.....  | 2310 | -----       | -----       |
| II_14    | Interest receivable .....  | 2320 | 2,077       | 3,399       |
| II_14    | Interest payable .....   | 2330 | (1,712)     | (120)       |
| II_14    | Other income .....   | 2340 | 76,199      | 22,223      |
| II_14    | Other expenses .....   | 2350 | (272,450)   | (184,634)   |
|          | Profit (loss) before taxation .....  | 2300 | (160,368)   | (31,609)    |
| II_16    | Current profit tax .....   | 2410 | -----       | (53,261)    |
| II_16    | incl. Permanent tax liabilities (assets) .....   | 2421 | 21,752      | 55,807      |
| II_16    | Deferred tax liabilities change .....  | 2430 | (401)       | (107)       |
| II_16    | Deferred tax assets change .....   | 2450 | 10,723      | (44)        |
|          | Other.....   | 2460 | -----       | -----       |
|          | Net profit (loss).....   | 2400 | (150,046)   | (85,021)    |
|          | 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 | (150,046)   | (85,021)    |
|          | <b>FOR REFERENCE</b>   |      |             |             |
|          | Basic earnings (loss) per share .....  | 2900 | -----       | -----       |
|          | Diluted earnings (loss) per share .....  | 2910 | -----       | -----       |

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

Date May 25, 2020

## Statement of changes in capital

for \_\_\_\_\_ year 2019

Organization SMRC Automotive Technology RU LLC

Taxpayer identification number \_\_\_\_\_

Type of activity Production of automobile parts, accessoriesOrganizational-legal form/  
form of ownership Limited Liability Company / Private propertyUnit of measure: RUR thousand

Form (OKUD) \_\_\_\_\_

Date (day, month, year) 31.12.19

OKPO \_\_\_\_\_

TIN \_\_\_\_\_

OKVED 2 \_\_\_\_\_

OKOPF/OKFS \_\_\_\_\_

OKEI \_\_\_\_\_

C O D E S

0710004

31.12.19

89695041

4027091073

29.32

65 / 23

384

## I. Change in capital

| Indicator                                       | Code | Charter capital | Treasury shares | Additional capital | Reserve capital | Retained earnings (loss) | Total     |
|---|------|-----------------|-----------------|--------------------|-----------------|--------------------------|-----------|
| Capital at December 31, 2017                    | 3100 | 56              | -----           | 1,136,853          | -----           | (697,223)                | 439,686   |
| <b>For 2018</b>                                 |      |                 |                 |                    |                 |                          |           |
| Increase in Capital - total:                    | 3210 | -----           | -----           | -----              | -----           | -----                    | -----     |
| incl.   |      |                 |                 |                    |                 |                          |           |
| net profit.....                                 | 3211 | X               | X               | X                  | X               | -----                    | -----     |
| 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 | -----           | -----           | -----              | -----           | (85,021)                 | (85,021)  |
| incl.   |      |                 |                 |                    |                 |                          |           |
| net losses.....                                 | 3221 | X               | X               | X                  | X               | (85,021)                 | (85,021)  |
| 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, 2018 .....              | 3200 | 56              | -----           | 1,136,853          | -----           | (782,244)                | 354,665   |
| <b>For 2019</b>                                 |      |                 |                 |                    |                 |                          |           |
| 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 .....        | 3216 | -----           | -----           | -----              | -----           | -----                    | -----     |
| Decrease in Capital - total:                    | 3320 | -----           | -----           | -----              | -----           | (150,046)                | (150,046) |
| incl.   |      |                 |                 |                    |                 |                          |           |
| net losses.....                                 | 3321 | X               | X               | X                  | X               | (150,046)                | (150,046) |
| 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, 2019 .....              | 3300 | 56              | -----           | 1,136,853          | -----           | (932,290)                | 204,619   |



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

| Indicator   | Code | At December 31,<br>2017 | Capital change for 2018     |                         | At December<br>31, 2018 |
|---|------|-------------------------|-----------------------------|-------------------------|-------------------------|
|   |      |                         | due to net<br>profit/(loss) | due to other<br>factors |                         |
| <b>Capital - total</b>  |      |                         |                             |                         |                         |
| before adjustment   | 3400 | -----                   | -----                       | -----                   | -----                   |
| Adjustment incl.  |      |                         |                             |                         |                         |
| Accounting policy change  | 3410 | -----                   | -----                       | -----                   | -----                   |
| errors correction   | 3420 | -----                   | -----                       | -----                   | -----                   |
| after adjustment  | 3500 | -----                   | -----                       | -----                   | -----                   |
| incl.:  |      |                         |                             |                         |                         |
| <b>Retained earnings</b>  |      |                         |                             |                         |                         |
| before adjustment   | 3401 | -----                   | -----                       | -----                   | -----                   |
| Adjustment incl.  |      |                         |                             |                         |                         |
| Accounting policy change  | 3411 | -----                   | -----                       | -----                   | -----                   |
| errors correction   | 3421 | -----                   | -----                       | -----                   | -----                   |
| after adjustment  | 3501 | -----                   | -----                       | -----                   | -----                   |
| <b>other items of capital for which adjustments have been made:</b><br>(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,<br>2019 | At December 31,<br>2018 | At December<br>31, 2017 |
|------------------|------|-------------------------|-------------------------|-------------------------|
| Net assets ..... | 3600 | 204,619                 | 354,665                 | 439,686                 |

Chief Executive

\_\_\_\_\_  
(signature)Nechiporenko A.P.

(printed name)

Date May 25, 2020

## Statement of cash flows

for year 2019

|   |   |                         |            |
|---|---|-------------------------|------------|
| Organization                                    | <u>SMRC Automotive Technology RU LLC</u>            | Form (OKUD)             | 0710005    |
| Taxpayer identification number                  |   | Date (day, month, year) | 31.12.19   |
| Type of activity                                | <u>Production of automobile parts, accessories</u>  | OKPO                    | 89695041   |
| Organizational-legal form/<br>form of ownership | <u>Limited Liability Company / Private property</u> | TIN                     | 4027091073 |
| Unit of measure: <u>RUR thousand</u>            |   | OKVED 2                 | 29.32      |
|   |   | OKOPF/<br>OKFS          | 65 / 23    |
|   |   | OKEI                    | 384        |

| Indicator   | Code | For 2019    | For 2018    |
|---|------|-------------|-------------|
| <b>Cash flows from operating activities</b>   |      |             |             |
| Cash receipts from - total.....   | 4110 | 1,316,620   | 1,652,533   |
| including:  |      |             |             |
| the sale of products, goods, work and services.....   | 4111 | 1,300,895   | 1,596,276   |
| rental payments, license payments, royalties, comission and other similar payments.....   | 4112 | -----       | -----       |
| the resale of financial investments.....  | 4113 | -----       | -----       |
| other receipts.....   | 4119 | 15,725      | 56,257      |
| Cash disbursements for - total.....   | 4120 | (1,949,788) | (1,527,463) |
| including:  |      |             |             |
| suppliers (contractors) for raw materials, other materials, work and services.....  | 4121 | (1,584,368) | (1,318,209) |
| in connection with payment to employees.....  | 4122 | (123,482)   | (125,418)   |
| interest on debt obligations.....   | 4123 | (1,084)     | (119)       |
| corporate income tax.....   | 4124 | (6,533)     | (4,522)     |
| other payments.....   | 4129 | (234,321)   | (79,195)    |
| Net cash flows from operating activities.....   | 4100 | (633,168)   | 125,070     |
| <b>Cash flows from investing activities</b>   |      |             |             |
| Cash receipts from - total.....   | 4210 | -----       | 146,648     |
| including:  |      |             |             |
| the sale of non-current assets (except for financial investments).....  | 4211 | -----       | -----       |
| the sales of shares in other organizations (participating interests).....   | 4212 | -----       | -----       |
| repayment of loans granted, from sale of debt securities (or rights of monetary claims from other parties).....                                 | 4213 | -----       | 145,803     |
| participating interest in other organizations.....  | 4214 | -----       | 845         |
| other receipts.....   | 4219 | -----       | -----       |
| Cash disbursements for - total.....   | 4220 | (86,036)    | (23,867)    |
| including:  |      |             |             |
| purchase, construction, modernisation, reconstruction and preparation for use of non-current assets.....  | 4221 | (86,036)    | (13,341)    |
| 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)    |
| interest paid on debt securities, included in the cost of investment asset.....   | 4224 | -----       | -----       |
| other payments.....   | 4229 | -----       | -----       |
| Net cash flows from investing activities.....   | 4200 | (86,036)    | 122,781     |
| <b>Cash flows from financing activities</b>   |      |             |             |
| Cash proceeds received from - total.....  | 4310 | 497,080     | 18,284      |
| including:  |      |             |             |
| proceed from loans and borrowings.....  | 4311 | 497,080     | 18,284      |
| 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)    |
| 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)    |
| Other payments.....   | 4329 | -----       | -----       |
| Net cash flows from financing activities.....   | 4300 | 497,080     | 3,206       |
| Net cash flows for the reporting period.....  | 4400 | (222,124)   | 251,057     |
| Balance of cash and cash equivalents as of the beginning of the reporting period.....   | 4450 | 266,386     | 14,880      |
| Balance of cash and cash equivalents as of the end of the reporting period.....   | 4500 | 41,101      | 266,386     |
| Effect of changes in the exchange rate of foreign currency to the ruble.....  | 4490 | (3,161)     | 449         |

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

Date May 25, 2020

## 1. Fixed assets

## 1.1. Existence and movement of fixed assets

| Indicator  | Code | Period    | At the beginning of the year |                          | Additions | Disposals |                          | Depreciation charge | Revaluation |                          | Transfers between categories (types) |                          | At the end of the period |                          |
|--|------|-----------|------------------------------|--------------------------|-----------|-----------|--------------------------|---------------------|-------------|--------------------------|--------------------------------------|--------------------------|--------------------------|--------------------------|
|  |      |           | Cost                         | Accumulated depreciation |           | Cost      | Accumulated depreciation |                     | Cost        | Accumulated depreciation | Cost                                 | Accumulated depreciation | Cost                     | Accumulated depreciation |
|  |      |           |                              |                          |           |           |                          |                     |             |                          |                                      |                          |                          |                          |
| <b>Fixed assets (excluding of income-bearing investments in tangible assets) - total</b> | 5200 | for 20 19 | 406,923                      | (258,866)                | 27,819    | -----     | -----                    | (39,016)            | -----       | -----                    | -----                                | -----                    | 434,742                  | (297,882)                |
|  | 5210 | for 20 18 | 388,889                      | (219,058)                | 19,583    | (1,549)   | 1,409                    | (41,217)            | -----       | -----                    | -----                                | -----                    | 406,923                  | (258,866)                |
| including: (group of fixed assets)   | 5201 | for 20 19 | 400,241                      | (255,217)                | 25,957    | -----     | -----                    | (37,686)            | -----       | -----                    | -----                                | -----                    | 426,198                  | (292,903)                |
| <i>machinery and equipment</i>   | 5211 | for 20 18 | 383,290                      | (216,377)                | 18,246    | (1,295)   | 1,295                    | (40,135)            | -----       | -----                    | -----                                | -----                    | 400,241                  | (255,217)                |
|  | 5202 | for 20 19 | 6,682                        | (3,649)                  | 1,862     | -----     | -----                    | (1,330)             | -----       | -----                    | -----                                | -----                    | 8,544                    | (4,979)                  |
| <i>other</i>   | 5212 | for 20 18 | 5,599                        | (2,681)                  | 1,337     | (254)     | 114                      | (1,082)             | -----       | -----                    | -----                                | -----                    | 6,682                    | (3,649)                  |

## 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 2019 | 4,363                        | 163,373                | (41,490) | (27,819)                                  | 98,427                   |
|  | 5250 | for 2018 | 12,415                       | 14,385                 | (2,854)  | (19,583)                                  | 4,363                    |
| including: (group of fixed assets)   | 5241 | for 2019 | 2,790                        | 114,203                | -----    | (27,819)                                  | 89,174                   |
| <i>fixed assets in installation</i>  | 5251 | for 2018 | 12,244                       | 10,129                 | -----    | (19,583)                                  | 2,790                    |
| <i>advances paid for fixed assets</i>  | 5242 | for 2019 | 1,573                        | 49,170                 | (41,490) | -----                                     | 9,253                    |
|  | 5252 | for 2018 | 171                          | 4,256                  | (2,854)  | -----                                     | 1,573                    |

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

| Indicator   | Code | For 20 19 | For 20 18 |
|---|------|-----------|-----------|
| Increase in the value of fixed assets as a result of additional construction, enhancement, reconstruction - total | 5260 | -----     | 5,273     |
| including: (fixed asset)  | 5261 | -----     | -----     |
| <i>machinery and equipment</i>  | 5262 | -----     | 5,273     |
| .....   | 5263 | -----     | -----     |
| .....   | 5264 | -----     | -----     |
| Decrease in the value of fixed assets as a result of partial liquidation - total                                  | 5270 | -----     | -----     |
| including: (fixed asset)  | 5271 | -----     | -----     |
| .....   | 5272 | -----     | -----     |
| .....   | 5273 | -----     | -----     |
| .....   | 5274 | -----     | -----     |

**1.4. Other uses of fixed assets**

| Indicator   | Code | At 31 December 20 19 | At 31 December 20 18 | At 31 December 20 17 |
|---|------|----------------------|----------------------|----------------------|
| 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                | 1,743                | 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 |                        | Additions | Changes for the period  |                        |   |  | At the end of the period                             |                         |       |                        |
|--------------------------------------|----------------|--------|------------------------------|------------------------|-----------|-------------------------|------------------------|---|--|--|-------------------------|-------|------------------------|
|                                      |                |        | Cost                         | Accumulated adjustment |           | 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 |       |                        |
| <b>Long-term - total</b>             | 5301 for 20 19 |        | -----                        | -----                  | -----     | -----                   | -----                  | -----   | -----                                  | -----  | -----                   | ----- |                        |
|                                      | 5311 for 20 18 |        | -----                        | -----                  | -----     | -----                   | -----                  | -----   | -----                                  | -----  | -----                   | ----- |                        |
| <b>Short-term - total</b>            | 5305 for 20 19 |        | -----                        | -----                  | -----     | -----                   | -----                  | -----   | -----                                  | -----  | -----                   | ----- |                        |
|                                      | 5315 for 20 18 |        | 130,957                      | -----                  | 11,243    | (150,306)               | -----                  | 8,106   | -----                                  | -----  | -----                   | ----- |                        |
| including: (group, type)             |                |        |                              |                        |           |                         |                        |   |  |  |                         |       |                        |
| <i>loans issued</i>                  | 5306 for 20 19 |        | -----                        | -----                  | -----     | -----                   | -----                  | -----   | -----                                  | -----  | -----                   | ----- |                        |
| <i>loans issued</i>                  | 5316 for 20 18 |        | 130,957                      | -----                  | 11,243    | (150,306)               | -----                  | 8,106   | -----                                  | -----  | -----                   | ----- |                        |
| <b>Financial investments - total</b> | 5300 for 20 19 |        | -----                        | -----                  | -----     | -----                   | -----                  | -----   | -----                                  | -----  | -----                   | ----- |                        |
|                                      | 5310 for 20 18 |        | 130,957                      | -----                  | 11,243    | (150,306)               | -----                  | 8,106   | -----                                  | -----  | -----                   | ----- |                        |

## 2.2. Other uses of financial investments

| Indicator  | Code | At 31 December 20 19 | At 31 December 20 18 | At 31 December 20 17 |
|--|------|----------------------|----------------------|----------------------|
| Financial investments pledged as collateral - total                          | 5320 | -----                | -----                | -----                |
| including: (group, type)   |      |                      |                      |                      |
| .....  | 5321 | -----                | -----                | -----                |
| .....  | 5322 | -----                | -----                | -----                |
| .....  | 5323 | -----                | -----                | -----                |
| Financial investments transferred to third parties (except for sale) - total | 5325 | -----                | -----                | -----                |
| including: (group, type)   |      |                      |                      |                      |
| .....  | 5326 | -----                | -----                | -----                |
| .....  | 5327 | -----                | -----                | -----                |
| .....  | 5328 | -----                | -----                | -----                |
| 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 19 | 77,102                       | -----                    | 1,357,823              | (799,217) | -----                    | -----             | x                                    | x                        | 635,708 | -----                    |
|                          | 5420 | for 20 18 | 77,050                       | -----                    | 717,990                | (717,938) | -----                    | -----             | x                                    | x                        | 77,102  | -----                    |
| including: (group, type) |      |           |                              |                          |                        |           |                          |                   |                                      |                          |         |                          |
| raw materials            | 5401 | for 20 19 | 58,030                       | -----                    | 817,554                | -----     | -----                    | -----             | (798,665)                            | -----                    | 76,919  | -----                    |
| raw materials            | 5421 | for 20 18 | 55,084                       | -----                    | 716,917                | -----     | -----                    | -----             | (713,971)                            | -----                    | 58,030  | -----                    |
| finished goods           | 5402 | for 20 19 | 19,072                       | -----                    | -----                  | (799,217) | -----                    | -----             | 798,665                              | -----                    | 18,520  | -----                    |
| finished goods           | 5422 | for 20 18 | 17,999                       | -----                    | 1,073                  | (707,565) | -----                    | -----             | 707,565                              | -----                    | 19,072  | -----                    |
| production equipment     | 5403 | for 20 19 | -----                        | -----                    | 540,269                | -----     | -----                    | -----             | -----                                | -----                    | 540,269 | -----                    |
| production equipment     | 5423 | for 20 18 | 3,967                        | -----                    | -----                  | (10,373)  | -----                    | -----             | 6,406                                | -----                    | -----   | -----                    |

**3.2. Pledged inventory**

| Indicator  | Code | At <u>31 December</u><br><u>20 19</u> | At 31 December<br><u>20 18</u> | At 31 December<br><u>20 17</u> |
|--|------|---------------------------------------|--------------------------------|--------------------------------|
| Inventory unpaid at the reporting date - total         | 5440 | -----                                 | -----                          | -----                          |
| including: (group, type)                               |      |                                       |                                |                                |
| .....  | 5441 | -----                                 | -----                          | -----                          |
| .....  | 5442 | -----                                 | -----                          | -----                          |
| .....  | 5443 | -----                                 | -----                          | -----                          |
| .....  | 5444 | -----                                 | -----                          | -----                          |
| Inventory pledged as collateral under contract - total | 5445 | -----                                 | -----                          | -----                          |
| including: (group, type)                               |      |                                       |                                |                                |
| .....  | 5446 | -----                                 | -----                          | -----                          |
| .....  | 5447 | -----                                 | -----                          | -----                          |
| .....  | 5448 | -----                                 | -----                          | -----                          |
| .....  | 5449 | -----                                 | -----                          | -----                          |

**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 |  | 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 |  | Debs recorded under contractual terms    | Amount of provision for doubtful debts |                                  |                              |
| Long-term accounts receivable - total  | 5501 | for 20 19 | -----                            | -----                        | -----  | -----                                 | -----     | -----                       | -----              | -----                                    | -----                                    | -----                                  | -----                            | -----                        |
|  | 5521 | for 20 18 | -----                            | -----                        | -----  | -----                                 | -----     | -----                       | -----              | -----                                    | -----                                    | -----                                  | -----                            | -----                        |
| Short-term accounts receivable - total | 5510 | for 20 19 | 225,421                          | -----                        | 287,353  | -----                                 | (227,548) | -----                       | -----              | -----                                    | -----                                    | -----                                  | 285,226                          | -----                        |
|  | 5530 | for 20 18 | 196,936                          | -----                        | 228,162  | -----                                 | (199,677) | -----                       | -----              | -----                                    | -----                                    | -----                                  | 225,421                          | -----                        |
| including: (type)                      |      |           |                                  |                              |  |                                       |           |                             |                    |  |  |  |                                  |                              |
| customers                              | 5511 | for 20 19 | 181,968                          | -----                        | 158,277  | -----                                 | (181,968) | -----                       | -----              | -----                                    | -----                                    | -----                                  | 158,277                          | -----                        |
| customers                              | 5531 | for 20 18 | 183,735                          | -----                        | 181,968  | -----                                 | (183,735) | -----                       | -----              | -----                                    | -----                                    | -----                                  | 181,968                          | -----                        |
| bad debt allowances                    | 5512 | for 20 19 | (2,741)                          | -----                        | -----  | -----                                 | 614       | -----                       | -----              | -----                                    | -----                                    | -----                                  | (2,127)                          | -----                        |
| bad debt allowances                    | 5532 | for 20 18 | (2,741)                          | -----                        | -----  | -----                                 | -----     | -----                       | -----              | -----                                    | -----                                    | -----                                  | (2,741)                          | -----                        |
| advances issued                        | 5513 | for 20 19 | 31,983                           | -----                        | 53,489   | -----                                 | (31,983)  | -----                       | -----              | -----                                    | -----                                    | -----                                  | 53,489                           | -----                        |
| advances issued                        | 5533 | for 20 18 | 7,509                            | -----                        | 31,983   | -----                                 | (7,509)   | -----                       | -----              | -----                                    | -----                                    | -----                                  | 31,983                           | -----                        |
| settlements with accountable persons   |      | for 20 19 | 44                               | -----                        | 390  | -----                                 | (44)      | -----                       | -----              | -----                                    | -----                                    | -----                                  | 390                              | -----                        |
| settlements with accountable persons   |      | for 20 18 | 131                              | -----                        | 44   | -----                                 | (131)     | -----                       | -----              | -----                                    | -----                                    | -----                                  | 44                               | -----                        |
| other                                  |      | for 20 19 | 11,166                           | -----                        | -----  | -----                                 | (11,166)  | -----                       | -----              | -----                                    | -----                                    | -----                                  | -----                            | -----                        |
| other                                  |      | for 20 18 | -----                            | -----                        | 11,166   | -----                                 | -----     | -----                       | -----              | -----                                    | -----                                    | -----                                  | 11,166                           | -----                        |
| taxes and fees                         |      | for 20 19 | 3,001                            | -----                        | 75,197   | -----                                 | (3,001)   | -----                       | -----              | -----                                    | -----                                    | -----                                  | 75,197                           | -----                        |
| taxes and fees                         |      | for 20 18 | 8,302                            | -----                        | 3,001  | -----                                 | (8,302)   | -----                       | -----              | -----                                    | -----                                    | -----                                  | 3,001                            | -----                        |
| Total                                  | 5500 | for 20 19 | 225,421                          | -----                        | 287,353  | -----                                 | (227,548) | -----                       | -----              | -----                                    | -----                                    | x                                      | x                                | 285,226                      |
|  | 5520 | for 20 18 | 196,936                          | -----                        | 228,162  | -----                                 | (199,677) | -----                       | -----              | -----                                    | -----                                    | x                                      | x                                | 225,421                      |

**4.2. Overdue accounts receivable**

| Indicator         | Code | At 31 December 20 19             |                 | At 31 December 20 18             |                 | At 31 December 20 17             |                 |
|-------------------|------|----------------------------------|-----------------|----------------------------------|-----------------|----------------------------------|-----------------|
|                   |      | Recorded under contractual terms | Carrying amount | Recorded under contractual terms | Carrying amount | Recorded under contractual terms | Carrying amount |
| Total             | 5540 | -----                            | -----           | -----                            | -----           | -----                            | -----           |
| including: (type) |      |                                  |                 |                                  |                 |                                  |                 |
| .....             | 5541 | -----                            | -----           | -----                            | -----           | -----                            | -----           |
| .....             | 5542 | -----                            | -----           | -----                            | -----           | -----                            | -----           |
| .....             | 5543 | -----                            | -----           | -----                            | -----           | -----                            | -----           |
| .....             | 5544 | -----                            | -----           | -----                            | -----           | -----                            | -----           |

## 4.3. Existence and movement of accounts payable

| Indicator                           | Код  | Period    | Balance at the beginning of the year | Changes for the period  |                                       |           |                             | Balance at the end of the period |
|-------------------------------------|------|-----------|--------------------------------------|---|---------------------------------------|-----------|-----------------------------|----------------------------------|
|                                     |      |           |                                      | Additions   |                                       | Disposals |                             |                                  |
|                                     |      |           |                                      | As a result of business operations (outstanding amount under transaction/operation) | Interest, fines and other charges due | Settled   | Charged to financial result |                                  |
| Short-term accounts payable - total | 5560 | for 20 19 | 253,879                              | 426,406   | -----                                 | (183,613) | -----                       | 496,672                          |
|                                     | 5580 | for 20 18 | 134,815                              | 253,879   | -----                                 | (134,815) | -----                       | 253,879                          |
| including: (type)                   |      |           |                                      |   |                                       |           |                             |                                  |
| suppliers                           | 5561 | for 20 19 | 143,228                              | 426,406   | -----                                 | (143,227) | -----                       | 426,407                          |
| suppliers                           | 5581 | for 20 18 | 118,778                              | 143,228   | -----                                 | (118,778) | -----                       | 143,228                          |
| taxes and fees                      | 5562 | for 20 19 | 40,386                               | -----   | -----                                 | (40,386)  | -----                       | -----                            |
| taxes and fees                      | 5582 | for 20 18 | 9,509                                | 40,386  | -----                                 | (9,509)   | -----                       | 40,386                           |
| advances received                   | 5563 | for 20 19 | 82,913                               | -----   | -----                                 | -----     | -----                       | 82,913                           |
| advances received                   | 5583 | for 20 18 | 7,703                                | 82,913  | -----                                 | (7,703)   | -----                       | 82,913                           |
| VAT on advances                     |      | for 20 19 | (12,648)                             | -----   | -----                                 | -----     | -----                       | (12,648)                         |
| VAT on advances                     |      | for 20 18 | (1,175)                              | (12,648)  | -----                                 | 1,175     | -----                       | (12,648)                         |
| .....                               |      | for 20 19 | -----                                | -----   | -----                                 | -----     | -----                       | -----                            |
| .....                               |      | for 20 18 | -----                                | -----   | -----                                 | -----     | -----                       | -----                            |
| .....                               |      | for 20 19 | -----                                | -----   | -----                                 | -----     | -----                       | -----                            |
| .....                               |      | for 20 18 | -----                                | -----   | -----                                 | -----     | -----                       | -----                            |
| Total                               | 5550 | for 20 19 | 253,879                              | 426,406   | -----                                 | (183,613) | -----                       | 496,672                          |
|                                     | 5570 | for 20 18 | 134,815                              | 253,879   | -----                                 | (134,815) | -----                       | 253,879                          |

## 4.4. Overdue accounts payable

| Indicator         | Code | At 31 December 20 19 | At 31 December 20 18 | At 31 December 20 17 |
|-------------------|------|----------------------|----------------------|----------------------|
| Total             | 5590 | -----                | -----                | -----                |
| including: (type) |      |                      |                      |                      |
| .....             | 5591 | -----                | -----                | -----                |
| .....             | 5592 | -----                | -----                | -----                |
| .....             | 5593 | -----                | -----                | -----                |
| .....             | 5594 | -----                | -----                | -----                |



**5. Production costs**

| Indicator  | Code | For 20 19 | For 20 18 |
|--|------|-----------|-----------|
| Material costs   | 5610 | 798,655   | 709,540   |
| Payroll  | 5620 | 97,376    | 98,520    |
| Social insurance contributions   | 5630 | 27,443    | 26,206    |
| Depreciation and amortization  | 5640 | 39,016    | 41,217    |
| Other costs and expenses   | 5650 | 283,208   | 441,875   |
| Total by type of expenses  | 5660 | 1,245,698 | 1,317,358 |
| Changes in balances (increase [-]) of work in progress, finished goods, etc. | 5670 | -----     | 1,073     |
| Changes in balances (decrease [+]) of work in progress, finished goods, etc. | 5680 | (552)     | -----     |
| Total expenses for ordinary operations                                       | 5600 | 1,245,146 | 1,318,431 |

**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 |
|--|------|--------------------------------------|------------|----------|---------------------------------|----------------------------------|
| <b>Provisions - total</b>  | 5700 | 144,163                              | 87,597     | (92,168) | (32)                            | 139,560                          |
| including:   |      |                                      |            |          |                                 |                                  |
| <i>unused vacation</i>   | 5701 | 3,434                                | 4,556      | (3,434)  | -----                           | 4,556                            |
| <i>statutory audit</i>   | 5702 | 2,250                                | 1,893      | (2,250)  | -----                           | 1,893                            |
| <i>annual bonuses</i>  | 5703 | 7,772                                | 6,170      | (7,772)  | -----                           | 6,170                            |
| <i>provisions for the risk of compensation for losses to suppliers (Renault Fluence project (L38))</i> | 5704 | 255                                  | -----      | -----    | (32)                            | 223                              |
| <i>provision for annual equipment maintenance</i>  | 5705 | 1,910                                | -----      | (1,910)  | -----                           | -----                            |
| <i>bonuses to customers</i>  | 0    | 76,802                               | 74,978     | (76,802) | -----                           | 74,978                           |
| <i>estimated liabilities arising from legislation</i>  | 0    | 51,740                               | -----      | -----    | -----                           | 51,740                           |
| <i>(type of commitment)</i>  | 0    | -----                                | -----      | -----    | -----                           | -----                            |
| <i>(type of commitment)</i>  | 0    | -----                                | -----      | -----    | -----                           | -----                            |

## 7. Government grants

| Indicator                             | Code | For 20 <u>19</u>             |                          | For 20 <u>18</u>       |                        |
|---------------------------------------|------|------------------------------|--------------------------|------------------------|------------------------|
| Government grants received - total    | 5900 | 10,403                       |                          | -----                  |                        |
| including:                            |      |                              |                          |                        |                        |
| for current expenses                  | 5901 | 10,403                       |                          |                        |                        |
| for investments in non-current assets | 5905 |                              |                          |                        |                        |
|                                       |      | At the beginning of the year | Received during the year | Repaid during the year | At the end of the year |
| Government loans - total              |      |                              |                          |                        |                        |
| 20 <u>19</u>                          | 5910 | -----                        | -----                    | -----                  | -----                  |
| 20 <u>18</u>                          | 5920 | -----                        | -----                    | -----                  | -----                  |
| including:                            |      |                              |                          |                        |                        |
| (description of purpose)              |      |                              |                          |                        |                        |
| 20 <u>19</u>                          | 5911 | -----                        | -----                    | -----                  | -----                  |
| 20 <u>18</u>                          | 5921 | -----                        | -----                    | -----                  | -----                  |
| (description of purpose)              |      |                              |                          |                        |                        |
| 20 <u>19</u>                          | 5912 | -----                        | -----                    | -----                  | -----                  |
| 20 <u>18</u>                          | 5922 | -----                        | -----                    | -----                  | -----                  |
| (description of purpose)              |      |                              |                          |                        |                        |
| 20 <u>19</u>                          | 5913 | -----                        | -----                    | -----                  | -----                  |
| 20 <u>18</u>                          | 5923 | -----                        | -----                    | -----                  | -----                  |
|                                       |      |                              |                          |                        |                        |
|                                       |      |                              |                          |                        |                        |

Chief Executive

(signature)

\_\_\_\_\_. Nechiporenko A.P.

(printed name)

May 25, 2020

## EXPLANATORY NOTES TO THE BALANCE SHEET AND THE STATEMENT OF INCOME of SMRC Automotive Technology Ru LLC for 2019

These Explanatory Notes constitute an integral part of the annual financial statements of SMRC Automotive Technology Ru LLC (hereinafter, the “Company”) for the 2019 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 2019, the Company employed an average of 101 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 Auzépy                  | Member of the Board of Directors | None                    |                              |
| Amit Bhakri                  | Member of the Board of Directors | None                    |                              |
| Anton Pavlovich Nechiporenko | General Director                 | RUB 6,935 thousand      | Payroll                      |

As at 31 December 2019, 31 December 2018 and 31 December 2017, the Company has no individuals classified as beneficial owners for the purpose of Federal Law No. 115-FZ.

These financial statements have been prepared on paper and signed by the Company’s General Director on 25 May 2020.

### 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 11 April 2018), as well as applicable Accounting Statements. The Company’s financial statements for 2019 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 vacations 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:

| <b>Fixed asset group</b>                                 | <b>Useful lives</b> |
|--|---------------------|
| 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, *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 the 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 with 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 the decline.

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

### **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 the 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 the 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 the 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 payment 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.

Official exchange rates of the CBR as at 31 December 2019 were as follows:

- US dollar — 61.9057 Russian rubles
- Euro — 69.3406 Russian rubles

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



### 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 the *Other non-current assets* line 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 the *Other current assets* line of the balance sheet.

### Changes in accounting policies in 2019

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.

### Planned changes in accounting policies for 2020

On 1 January 2020, new versions of the following accounting statements become effective:

- Accounting Statement 13/2000, *Accounting for Government Assistance*
- Accounting Statement 16/02, *Disclosure of Discontinued Operations*
- Accounting Statement 18/02, *Accounting for Income Tax of Organizations*

## **3. 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 2019, the gross carrying amount of fully depreciated fixed assets was RUB 133,773 thousand (31 December 2018: RUB 75,481 thousand, 31 December 2017: RUB 75,230 thousand).

Changes in historical costs of fixed assets recorded on initial recognition (supplementary construction, retrofitting, refurbishment, partial liquidation or revaluation of fixed assets) 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 is presented in Table 1.4 of the Explanatory Notes to the balance sheet and the statement of income in the table form.

## **4. FINANCIAL INVESTMENTS**

Information on financial investments and their movements in 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.

### Loans issued

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

| <b>Borrower<br/>(by maturity)</b>                    | <b>Amount maturing within 12 months<br/>after the reporting date</b> |             |                | <b>Maturity</b> | <b>Annual<br/>interest rate</b> | <b>Collateral<br/>received</b> |
|--|--|-------------|----------------|-----------------|---------------------------------|--------------------------------|
|  | <b>2019</b>  | <b>2018</b> | <b>2017</b>    |                 |                                 |                                |
| SMRC Automotives<br>Techno Minority<br>Holdings B.V. | -  | -           | 130,957        |                 |                                 |                                |
| <b>Total short-term loans<br/>issued</b>             | -  | -           | <b>130,957</b> |                 |                                 |                                |

As at 31 December 2019, loans issued of RUB 0 thousand (31 December 2018: RUB 0 thousand, 31 December 2017: RUB 130,957 thousand) were denominated in foreign currency (mainly in euros).

## 5. 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.

## 6. 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.

As at 31 December 2019, trade accounts receivable of RUB 6,328 thousand (31 December 2018: RUB 2,439 thousand, 31 December 2017: RUB 0 thousand) were denominated in foreign currency (mainly in euros).

## 7. CASH AND CASH EQUIVALENTS

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

|   | 2019          | 2018           | 2017          |
|---|---------------|----------------|---------------|
| RUB-denominated cash on hand and balances with banks  | 40,672        | 2,593          | 14,858        |
| Foreign currency-denominated balances with banks      | 429           | 3,549          | 22            |
| <b>Total cash on the balance sheet</b>                | <b>41,101</b> | <b>6,142</b>   | <b>14,880</b> |
| Cash equivalents (deposits)                           | -             | 260,244        | -             |
| <b>Total cash included in the cash flow statement</b> | <b>41,101</b> | <b>266,386</b> | <b>14,880</b> |

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

## 8. OTHER ASSETS

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

| Types of assets                                    | 2019        |               | 2018        |            | 2017          |            |
|--|-------------|---------------|-------------|------------|---------------|------------|
|  | Non-current | Current       | Non-current | Current    | Non-current   | Current    |
| Cash blocked by the bank due to the bank guarantee | -           | 23,700        | -           | -          | 18,704        | -          |
| Prepaid expenses                                   | -           | 1,681         | -           | 944        | -             | 444        |
| <b>Total</b>                                       | -           | <b>25,381</b> | -           | <b>944</b> | <b>18,704</b> | <b>444</b> |

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

## 9. CHARTER CAPITAL

|  | Charter capital (RUB '000) | Treasury shares |
|--|----------------------------|-----------------|
| <b>At 31 December 2017</b>             | 56                         | 56              |
| Increase (decrease) in charter capital | -                          | -               |
| Movement in treasury shares            | -                          | -               |
| <b>At 31 December 2018</b>             | 56                         | 56              |
| Increase (decrease) in charter capital | -                          | -               |
| Movement in treasury shares            | -                          | -               |
| <b>At 31 December 2019</b>             | 56                         | 56              |

As at 31 December 2019, 31 December 2018 and 31 December 2017, the percent of shares fully paid up was 100%.

## 10. LOANS AND BORROWINGS

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

| Item                              | 2019                            |                                | 2018                            |                                | 2017                            |                                |
|-----------------------------------|---------------------------------|--------------------------------|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
|                                   | 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                        | 485,384                         | –                              | –                               | –                              | –                               | –                              |
| Interest payable                  | 619                             | –                              | –                               | –                              | –                               | –                              |
| <b>Total loans and borrowings</b> | <b>486,003</b>                  | –                              | –                               | –                              | –                               | –                              |

In 2019 and 2018, interest accrued on loans and borrowings, which was included in other expenses, amounted to RUB 1,712 thousand and RUB 120 thousand, respectively.

The carrying amounts of short-term loans and borrowings were denominated in the following currencies (balance in thousands of rubles as at 31 December):

|              | 2019           | 2018 | 2017 |
|--------------|----------------|------|------|
| EUR          | 486,003        | –    | –    |
| <b>Total</b> | <b>486,003</b> | –    | –    |

## 11. PROVISIONS

Movements in provisions are presented below.

|  | Unused vacations | Audit of financial statements | Annual bonus | Reimbursement of losses incurred by suppliers under Renault Fluence project | Annual maintenance | Bonus to customers | Provisions for legal claims | Total           |
|--|------------------|-------------------------------|--------------|---|--------------------|--------------------|-----------------------------|-----------------|
| <b>At 31 December 2017</b>   | <b>4,276</b>     | <b>2,250</b>                  | <b>8,842</b> | <b>6,148</b>  | <b>1,930</b>       | <b>48,207</b>      | –                           | <b>71,653</b>   |
| Recognized in the reporting period                                 | 3,434            | 2,250                         | 7,772        | –   | 1,910              | 76,802             | 51,740                      | 143,908         |
| Reversed against costs or accounts payable recognized              | (4,276)          | (2,250)                       | (8,842)      | –   | (1,930)            | (48,207)           | –                           | (65,505)        |
| Reversed as excessive or as recognition criteria are no longer met | –                | –                             | –            | (5,893)   | –                  | –                  | –                           | (5,893)         |
| <b>At 31 December 2018</b>   | <b>3,434</b>     | <b>2,250</b>                  | <b>7,772</b> | <b>255</b>  | <b>1,910</b>       | <b>76,802</b>      | <b>51,740</b>               | <b>144,163</b>  |
| Recognized in the reporting period                                 | 4,556            | 1,893                         | 6,170        | –   | –                  | 74,978             | –                           | <b>87,597</b>   |
| Reversed against costs or accounts payable recognized              | (3,434)          | (2,250)                       | (7,772)      | –   | (1,910)            | (76,802)           | –                           | <b>(92,168)</b> |
| Reversed as excessive or as recognition criteria are no longer met | –                | –                             | –            | (32)  | –                  | –                  | –                           | <b>(32)</b>     |
| <b>At 31 December 2019</b>   | <b>4,556</b>     | <b>1,893</b>                  | <b>6,170</b> | <b>223</b>  | –                  | <b>74,978</b>      | <b>51,740</b>               | <b>139,560</b>  |

As at 31 December, provisions were as follows:

|   | 2019           | 2018           | 2017          |
|---|----------------|----------------|---------------|
| <b>Included in the total amount of provisions</b> |                |                |               |
| Long-term   | –              | –              | –             |
| Short-term  | 139,560        | 144,163        | 71,653        |
| <b>Total</b>                                      | <b>139,560</b> | <b>144,163</b> | <b>71,653</b> |

### **Provision for unused vacations**

The Company has created a provision for employee vacations unused as at 31 December 2019. The provision balance as at 31 December 2019 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 2019.

### **Provision for audit of financial statements**

In 2019, the Company created a provision for audit of financial statements based on a signed agreement.

### **Provision for annual maintenance of production equipment**

In 2019, the Company did not create the provision.

### **Provision for bonuses to customers**

The Company made this provision in 2019, as it was probable that the Company would have to pay bonuses to customers on the basis of a signed price reduction agreement. The bonus for 2019 will be provided to customers as a lower selling price in 2020.

### **Provisions for legal claims**

Management assesses 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, additional liabilities are more likely to arise than not. Such an 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.

## **12. 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 2019, trade accounts payable of RUB 406,904 thousand (31 December 2018: RUB 134,976 thousand; 31 December 2017: RUB 105,228 thousand) were denominated in foreign currency, mainly in euros.

### **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:

|                                       | <b>2019</b> | <b>2018</b>   | <b>2017</b>  |
|---------------------------------------|-------------|---------------|--------------|
| Value added tax                       | –           | 39,901        | 9,507        |
| Property tax                          | –           | 485           | 1            |
| Transport tax                         | –           | –             | 1            |
| <b>Total taxes and levies payable</b> | –           | <b>40,386</b> | <b>9,509</b> |

Interest is accrued on the principal amount of overdue tax (overdue for up to 30 calendar days) for each day of delay based on a three-hundredth of the current refinancing rate of the CBR. Interest on amounts overdue for more than 30 calendar days is accrued based on a one-hundred-and-fiftieth of the refinancing rate of the CBR, which was 7.75% as at 31 December 2019 (31 December 2018: 7.75%; 31 December 2017: 10%).

As at 31 December 2019, 2018 and 2017, the Company did not have any overdue insurance contributions, taxes or levies payable.

### 13. 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 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 goods, products, work and services sold | Gross profit   |
|--|---|---|----------------|
| Sales of plastic automobile components | 1,280,664   | (1,002,632)                                     | 278,032        |
| <b>Total for 2019</b>                  | <b>1,280,664</b>  | <b>(1,002,632)</b>                              | <b>278,032</b> |

| Type of activity                       | Revenue from sales of goods, products, work and services, net (less VAT, excise taxes and other similar payments) | Cost of goods, products, work and services sold | Gross profit   |
|--|---|---|----------------|
| Sales of plastic automobile components | 1,445,954   | (1,038,746)                                     | 407,208        |
| <b>Total for 2018</b>                  | <b>1,445,954</b>  | <b>(1,038,746)</b>                              | <b>407,208</b> |

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              | 2019         | 2018         |
|-------------------------------|--------------|--------------|
| Materials                     | 4,780        | 5,382        |
| Transport                     | 897          | 2,079        |
| <b>Total selling expenses</b> | <b>5,677</b> | <b>7,461</b> |

#### Administrative expenses

Administrative expenses consisted of the following:

| Administrative expenses              | 2019           | 2018           |
|--------------------------------------|----------------|----------------|
| Outsourcing services                 | 104,427        | 142,393        |
| Payroll                              | 62,993         | 67,414         |
| Payroll taxes                        | 16,589         | 16,084         |
| Transport                            | 14,658         | 7,273          |
| Advisory services                    | 7,435          | 3,331          |
| Other                                | 30,735         | 35,729         |
| <b>Total administrative expenses</b> | <b>236,837</b> | <b>272,224</b> |

#### 14. OTHER INCOME AND EXPENSES

In 2019 and 2018, other income and expenses consisted of the following:

| Other income  | Income – 2019 | Income – 2018 |
|---|---------------|---------------|
| Interest receivable   | 2,077         | 3,399         |
| Exchange differences arising from foreign currency purchases and sales and restatements of balances on currency settlement accounts, as well as exchange differences arising from restatements of liabilities | 42,951        | 1,799         |
| Income from property received free of charge  | 11,851        | 1,949         |
| Government grants   | 10,403        | –             |
| Other   | 10,994        | 18,475        |
| <b>Total other income</b>   | <b>78,276</b> | <b>25,622</b> |

| Other expenses   | Expenses – 2019 | Expenses – 2018 |
|--|-----------------|-----------------|
| Research and development   | 258,557         | 177,215         |
| Interest paid by the Company for the use of funds received (loans, borrowings) | 1,712           | 120             |
| Bank fees  | 3,000           | 3,124           |
| Losses and shortages identified in stocktaking                                 | 5,764           | 1,364           |
| Non-recoverable VAT  | 204             | 76              |
| Expenses related to tests of raw materials and finished products               | 2,086           | 760             |
| Other  | 2,839           | 2,095           |
| <b>Total other expenses</b>  | <b>274,162</b>  | <b>184,754</b>  |

#### 15. 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.

#### 16. INCOME TAX

Current income tax charge for 2019 and 2018, calculated in accordance with Accounting Statement 18/02, is reconciled to loss before tax as follows:

|   |                       | 2019             | 2018            |
|---|-----------------------|------------------|-----------------|
| <b>Profit (loss) before tax per accounting records</b>  | [1]                   | <b>(160,368)</b> | <b>(31,609)</b> |
| Nominal income tax expense (benefit)  | [2] = [1] * [9]       | 32,074           | 6,322           |
| <b>Permanent differences of the reporting period:</b>   | [3]                   | <b>108,758</b>   | <b>279,034</b>  |
| Provisions for legal claims   |                       | 87,389           | 256,700         |
| Non-deductible expenses   |                       | 13,893           | 18,850          |
| Shortages identified at stocktaking   |                       | 5,764            | 1,364           |
| Interest expense on cash (loans and borrowings) received from an affiliated entity  |                       | 1,712            | 120             |
| <b>Temporary differences of the reporting period:</b>   | [4]                   | <b>51,610</b>    | <b>25,103</b>   |
| Provision for discounts and bonuses to customers, non-deductible  |                       | (1,824)          | 28,596          |
| Provision for future audit expenses, non-deductible   |                       | (357)            | –               |
| Provision for annual bonuses and compensation to the Company's employees, non-deductible  |                       | (1,602)          | (1,069)         |
| Fixed assets amounting to RUB 40 thousand to RUB 100 thousand written off in tax accounting records and depreciated in accounting records |                       | (2,003)          | 280             |
| Other   |                       | 19,570           | (2,704)         |
| Income tax loss for the current year  |                       | 37,826           | –               |
| <b>Taxable profit (loss) per tax records</b>  | [5] = [1] + [3] + [4] | –                | <b>272,528</b>  |
| Utilization of prior year losses  |                       | –                | (6,223)         |
| Income tax rate, %  | [6]                   | 20%              | 20%             |
| <b>Income tax</b>   | [7] = [5] * [1]       | –                | <b>53,261</b>   |

|                        | At 31 December<br>2019 | At 31 December<br>2018 | At<br>31 December 20<br>17 | Maturity |
|------------------------|------------------------|------------------------|----------------------------|----------|
| Deferred tax asset     | 29,163                 | 18,440                 | 18,484                     | 2020     |
| Deferred tax liability | 622                    | 221                    | 114                        | 2020-23  |

## 17. 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, works 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%  |
| 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 | –  |
| 9.  | SMRC India  | India                | 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:

| <b>Nature of relationship and type of assets/liabilities</b>           | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>Settlement terms and conditions</b>  | <b>Form of settlement</b> |
|--|-------------|-------------|-------------|---|---------------------------|
| <b>Accounts receivable, including other accounts receivable</b>        |             |             |             |   |                           |
| SMRC Automotive Solutions Slovakia, s.r.o.                             | –           | 2,439       | –           | Settlements are made on an arm's length basis usually in 45-60 days after the shipment (based on the contractual terms) | Wire transfer             |
| <b>Loans issued and placed deposits, including interest receivable</b> |             |             |             |   |                           |
| SMRC Automotives Techno Minority Holdings B.V.                         | –           | –           | 130,957     | Short-term loans; all borrowed funds may be fully or partially repaid at any time                                       | Wire transfer             |
| <b>Accounts payable</b>  |             |             |             |   |                           |
| SMRC Automotive Modules France SAS                                     | 164,178     | 522         | 453         | Settlements are made on an arm's length basis usually in 45-60 days after the shipment (based on the contractual terms) | Wire transfer             |
| SMRC Automotive Holdings Netherlands B.V.                              | 34,051      | 61,161      | 30,706      | Settlements are made on an arm's length basis usually in 45-60 days after the shipment (based on the contractual terms) | Wire transfer             |
| SMRC Automotive Solutions Slovakia, s.r.o.                             | 1,663       | –           | –           | Settlements are made on an arm's length basis usually in 45-60 days after the shipment (based on the contractual terms) | Wire transfer             |
| SMRC SMART INTERIOR SYSTEMS, Germany                                   | 117,314     | –           | –           | Settlements are made on an arm's length basis usually in 45-60 days after the shipment (based on the contractual terms) | Wire transfer             |
| SMRC Automotive Interiors, Spain                                       | 381         | –           | –           | Settlements are made on an arm's length basis usually in 45-60 days after the shipment (based on the contractual terms) | Wire transfer             |
| <b>Loans and borrowings, including interest accrued</b>                |             |             |             |   |                           |
| SMRC Automotives Techno Minority Holdings B.V.                         | 486,003     | –           | –           | Short-term loans; all borrowed funds may be fully or partially repaid at any time, loan in euros                        | Wire transfer             |



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

| Nature of relationship and type of transaction   | 2019    | 2018    |
|--|---------|---------|
| <b>Sale of goods, work and services to (excluding VAT)</b>   |         |         |
| SMRC AUTOMOTIVE SOLUTIONS SLOVAKIA S.R.O.  | 1,747   | 7,273   |
| SMRC Fabricacao e Comer  | 124     | –       |
| SMRC India   | 160     | –       |
| <b>Purchase of goods, work and services from (excluding VAT)</b>   |         |         |
| SMRC AUTOMOTIVE HOLDINGS NETHERLANDS B.V.  | 423,679 | 319,555 |
| SMRC AUTOMOTIVE FRANCE SAS   | 188,525 | 3,709   |
| SMRC AUTOMOTIVE SOLUTIONS SLOVAKIA S.R.O.  | 11,074  | 7,144   |
| SMRC Automotive Interiors Spain, S.L.  | 381     | –       |
| SMRC SMART INTERIOR SYSTEMS GERMANY GmbH   | 328,110 | –       |
| <b>Purchase of fixed, intangible and other assets (excluding VAT)</b>                                      |         |         |
| SMRC AUTOMOTIVE FRANCE SAS   | 67,744  | –       |
| <b>Financial transactions, including loans from related parties</b>  |         |         |
| SMRC Automotives Techno Minority Holdings B.V.   | 497,080 | 18,284  |
| <b>Financial transactions, including loans to related parties and deposits placed with related parties</b> |         |         |
| SMRC AUTOMOTIVES TECHNO MINORITY HOLDINGS B.V.   | –       | 10,526  |

Significant cash flows between the Company and its related parties were as follows:

| Nature of relationship and type of transaction                   | 2019    | 2018    |
|--|---------|---------|
| <b>Cash proceeds from related parties (operating activities)</b> |         |         |
| SMRC AUTOMOTIVE SOLUTIONS  | 4,054   | 4,805   |
| <b>Cash transfers to related parties (operating activities)</b>  |         |         |
| SMRC AUTOMOTIVE HOLDINGS NETHERLANDS B.V.                        | 382,108 | 293,208 |
| SMRC AUTOMOTIVE FRANCE SAS                                       | –       | 3,686   |
| SMRC AUTOMOTIVE SOLUTIONS SLOVAKIA S.R.O.                        | 9,298   | 7,165   |
| SMRC AUTOMOTIVES TECHNO MINORITY HOLDINGS B.V.                   | 1,084   | 119     |
| <b>Cash proceeds from related parties (investing activities)</b> |         |         |
| SMRC AUTOMOTIVES TECHNO MINORITY HOLDINGS B.V.                   | –       | 146,649 |
| <b>Cash transfers to related parties (investing activities)</b>  |         |         |
| SMRC AUTOMOTIVE MODULES  | 45,496  | –       |
| SMRC AUTOMOTIVES TECHNO MINORITY HOLDINGS B.V.                   | –       | 10,526  |
| <b>Cash proceeds from related parties (financing activities)</b> |         |         |
| SMRC AUTOMOTIVES TECHNO MINORITY HOLDINGS B.V.                   | 497,080 | 18,284  |
| <b>Cash transfers to related parties (financing activities)</b>  |         |         |
| SMRC AUTOMOTIVES TECHNO MINORITY HOLDINGS B.V.                   | –       | 15,078  |

As at 31 December 2019, 31 December 2018 and 31 December 2017, the Company did not provide any collateral to third parties to secure the liabilities of related parties.

As at 31 December 2019, 31 December 2018 and 31 December 2017, the Company did not issue or provide any promissory notes to related parties which did not settle their reciprocal obligations.

As at 31 December 2019, 31 December 2018 and 31 December 2017, the Company did not receive any guarantees as collateral from related parties.

As at 31 December 2019, 31 December 2018 and 31 December 2017, the Company did not have any property pledges received from related parties as collateral for their obligations.

In 2019 and 2018, the Company paid the following compensations to key management personnel (on an aggregate basis and by type of payment):

|  | 2019  | 2018  |
|--|-------|-------|
| <b>Short-term benefits</b> (payroll, accrued payroll taxes and other compulsory payments, performance bonuses, vacation, medical treatment, medical care, utilities, etc.) | 6,935 | 7,304 |

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

## 18. 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. 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 2019, 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 or permanent establishment, as well as the approach to taxation of controlled foreign companies in Russia. Apart from that, the VAT general rate increased to 20% in 2019, and providers of foreign electronic services are 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.

Russia has adopted the legislation on international automatic exchange of information and documentation relating to multinational corporations (MNCs), requiring the preparation of documents on MNCs for financial years beginning on or after 1 January 2017. The new legislation sets out a three-tiered approach to preparing transfer pricing documentation (master file, local file and country-by-country report) and requires the filing of a notice on participation in MNCs. 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.

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 assessed. 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 2019, 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.

Starting 1 January 2019, the threshold for cross-border transactions subject to transfer pricing control was set at RUB 60,000 thousand. The threshold for transactions involving the external trade of goods as part of global exchange trading and transactions with companies located in low-tax jurisdictions was set at RUB 60,000 thousand. Starting 1 January 2019, most domestic transactions are no longer subject to transfer pricing control. Prices in domestic related-

party transactions yielding income of over RUB 1 billion will be subject to tax control only to the extent that the parties to the controlled transaction apply different income tax rates, or at least one of the parties applies a special tax regime, or is exempt from income tax, or participates in a regional investment project, or falls under other statutory criteria. In addition, domestic transactions are not deemed controlled if, for example, both parties are registered in one constituent entity of the Russian Federation, do not incur 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 qualify for exemptions from price control. In case of additional tax assessments, counter adjustment of tax liabilities can be used, provided that certain legislation requirements are met.

Intragroup transactions, which are no longer subject to TP regulations from 2019, may nevertheless be reviewed by the regional tax authorities to identify potential unjustified tax benefits; TP methods may be applied to determine the amounts of additional taxes.

The legislation regulating the preparation of documents on multinational corporations (MNCs) applies to financial years beginning on or after 1 January 2017. The legislation sets out a three-tiered approach to preparing transfer pricing documentation (master file, local file and country-by-country report) and requires the filing of a notice on participation in the MNCs. These rules apply to MNCs with consolidated revenue of RUB 50,000 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 2019, 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 regulations and which were not provided for in the financial statements of the Company may amount to RUB 0 to RUB 280 million. With respect to these contingencies, there is also an uncertainty as to when these liabilities become due because their maturity depends on the occurrence/non-occurrence of one or more future uncertainties beyond the Company's control.

## **19. SUBSEQUENT EVENTS AFTER 31 DECEMBER 2019**

At the end of 2019, China first reported COVID-19 cases. At the end of the year, the World Health Organization received reports of a limited number of cases of an unknown virus. During the first months of 2020, the virus spread all over the world and its negative impact gained momentum. Although at the date of issuing these financial statements the situation is still evolving, it seems that its negative impact on global trade and on the Company may be far more serious than originally anticipated. The Company is exposed to risks of changes in exchange rates of certain currencies which were weakened; the stock market plummeted and commodity prices declined. Management believes that this outbreak belongs to the category of non-adjusting events after the reporting date.

With the situation still evolving, management believes that it is currently impractical to quantify the potential effect of this outbreak on the Company.

Management will continue to monitor the potential effect of these events and will take all measures to mitigate their potential consequences.

There were no other events that require adjustment or disclosure in the financial statements in accordance with Accounting Statement 7/98. The Company has had no events after 31 December 2019 that are significant and can impact the results presented in its financial statements.

## **20. 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 Company's parent 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 risk: 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 euros. 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.

The Company's foreign currency risk exposure as at 31 December was as follows (in thousands of rubles):

|                             | 2019      | 2018      | 2017    |
|-----------------------------|-----------|-----------|---------|
| EUR- denominated assets     | (6,328)   | (7,720)   | 130,995 |
| USD-denominated liabilities | –         | –         | 3,076   |
| EUR-denominated liabilities | (926,290) | (134,976) | 102,152 |
| Risk, net, USD              | –         | –         | (3,076) |
| Risk, net, EUR              | (919,962) | (127,256) | 28,843  |

#### Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in USD and EUR exchange rates, with all other variables held constant (in particular, interest rates). The impact on the Company's profit before tax is due to gains and losses from translating assets and liabilities denominated in foreign currencies. The Company's exposure to foreign currency changes in all other currencies is not material.

|      | Strengthening of RUB (weakening of foreign exchange rate) | Effect on profit before tax |
|------|---|-----------------------------|
| 2019 |   |                             |
| USD  | +/-10.89%   | –                           |
| EUR  | +/-12.74%   | +/- 117,203                 |
| 2018 |   |                             |
| USD  | -/+20.61%   | –                           |
| EUR  | -/+ 15.38%  | +/- 19,572                  |
| 2017 |   |                             |
| USD  | -/+11%  | +/- 338                     |
| EUR  | -/+12.5%  | +/- 3,605                   |

### 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 accounts receivable) 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.

|  | 2019           | 2018           | 2017           |
|--|----------------|----------------|----------------|
| Other current assets (cash blocked by the bank due to the bank guarantee) (Note 8)     | 23,700         | –              | –              |
| Other non-current assets (cash blocked by the bank due to the bank guarantee) (Note 8) | –              | –              | 18,704         |
| Settlements with customers (Note 6)  | 158,277        | 181,968        | 183,735        |
| Short-term financial investments (Note 4)  | –              | –              | 130,957        |
| Cash and cash equivalents (Note 7)   | 41,101         | 266,386        | 14,880         |
| <b>Total</b>   | <b>223,078</b> | <b>448,354</b> | <b>348,276</b> |

#### 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 7 and 9 of the Explanatory Notes. The Company did not receive any collateral for accounts receivable.

#### Trade accounts receivable

Management determines risk concentration by reference to receivables from particular customers as percentage of total accounts receivable.

As at 31 December 2019, the Company had two customers (31 December 2018: two customers; 31 December 2017: two customers) that owed more than RUB 156,132 thousand in total, or approximately 55% of total accounts receivable (31 December 2018: 73%, 31 December 2017: 90%).

### 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 accounts payable, 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, is presented below. Payments included in the analysis are not expected to occur significantly earlier, or in significantly different amounts.

| Year ended 31 December 2019    | 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 10) |           |                   |                    | 486,003          |              |              | 486,003          |
| Accounts payable (Note 12)     |           |                   |                    | 496,672          |              |              | 496,672          |
| Other liabilities (Note 11)    |           |                   |                    | 139,560          |              |              | 139,560          |
| <b>Total</b>                   |           |                   |                    | <b>1,122,235</b> |              |              | <b>1,122,235</b> |

| 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 12)  |           |                   |                    | 253,879        |              |              | 253,879        |
| Other liabilities (Note 11) |           |                   |                    | 144,163        |              |              | 144,163        |
| <b>Total</b>                |           |                   |                    | <b>398,042</b> |              |              | <b>398,042</b> |

| 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 12)  |           |                   |                    | 134,815        |              |              | 134,815        |
| Other liabilities (Note 11) |           |                   |                    | 71,653         |              |              | 71,653         |
| <b>Total</b>                |           |                   |                    | <b>206,468</b> |              |              | <b>206,468</b> |

#### **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 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 number 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

25 May 2020