ANNUAL REPORT OF GROUP AD PLASTIK INC.

FOR YEAR 2012

Summary:

I. THE MANAGEMENT REPORT ON BUSINESS IN 2012 2

1. General report 3

- *a) Financial highlights* 3
- *b) Address to shareholders: Mr. Mladen Peroš, Chairman of the Board* 4
- *c) Managment in AD Plastik Group* 5
- *d) Organizational structure of AD Plastik Group* 6
- *e) Ownership structure* 7
- *f) Information on the share ADPL-R-A* 7
- *g) Declaration on the implementation of corporate governance code* 9

2. Review of operations in 2012 and the development plan of AD Plastik Group 10

- *a) Business overview in 2012* 10
- *b) Financial reports with consolidated affiliated companies* 13
- *c) Financial indicators* 14
- *d) Market and expected development of AD Plastik Group* 15
- *e) Future growth drivers* 16
- *f) Commitment to quality* 17
- *g) The most significant changes in the balance sheet positions of AD Plastik Group* 19

II. STATEMENT OF PERSONS RESPONSIBLE FOR THE PREPARATION OF ANNUAL REPORTS 20

III. AUDITED REPORTS 21

- *a) Consolidated financial statements AD Plastik d.d., Solin and its subsidiaries*
- *b) Unconsolidated financial statements AD Plastik d.d., Solin*

IV. DECISION PROPOSAL ABOUT ACCEPTANCE OF THE ANNUAL FINANCIAL STATEMENTS 139

V. DECISION PROPOSAL ABOUT USAGE OF NET INCOME 140

VI. ADDRESS BOOK 141

I. THE MANAGEMENT REPORT ON BUSINESS IN 2012

1. GENERAL REPORT

a) FINANCIAL HIGHLIGHTS

Image 1.Sales revenue of AD Plastik Group since 2009-2012 and average growth rate of revenues (in mil.of HRK)

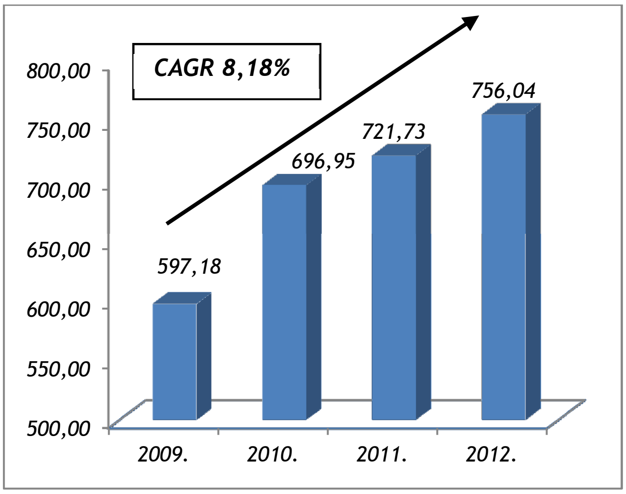


Image 2.Total operating revenues of AD Plastik Group since 2009-2012 and average growth rate of revenues (in mil.of HRK)

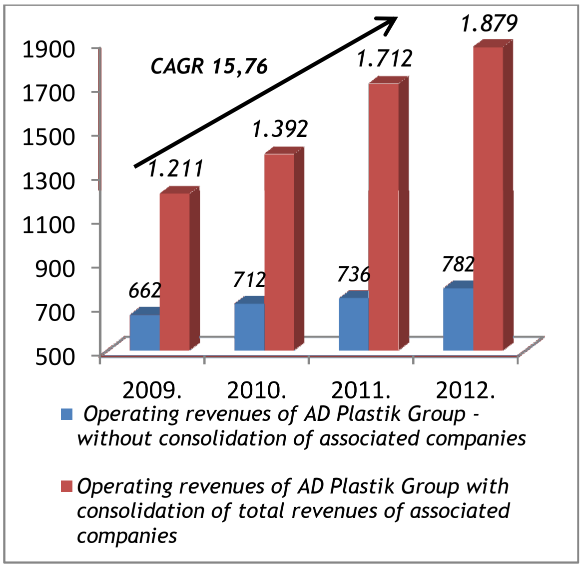
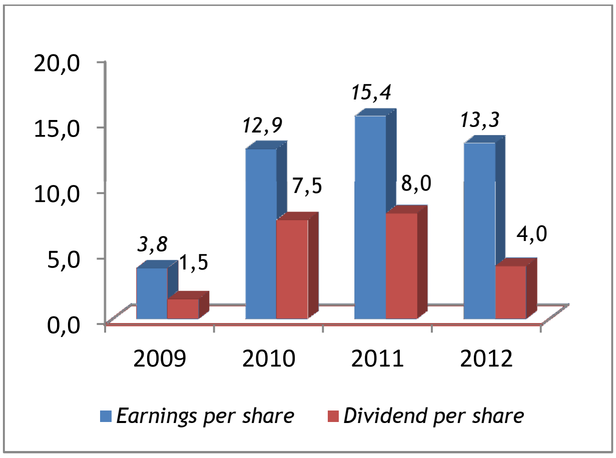


Image 3. Earnings per share and dividend per share since 2009-2012 (in HRK)



** Refers to the advance dividend*

Image 4. Return on equity (ROE) of AD Plastik Group since 2009-2012.

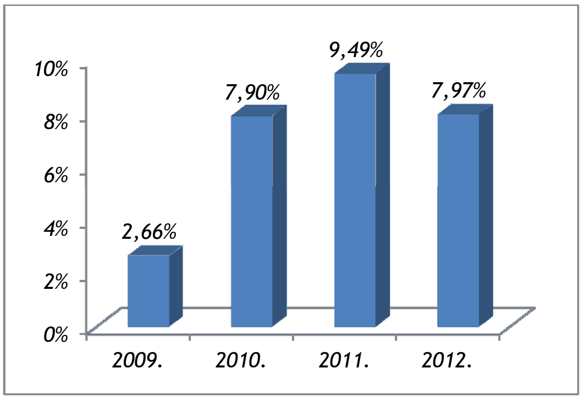


Image 5. Sales revenus of AD Plastik Group per markets

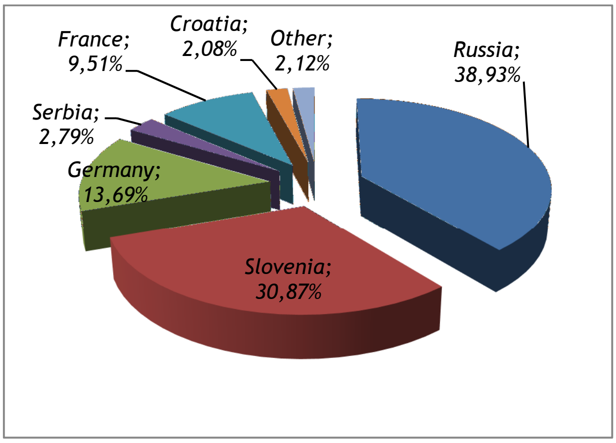
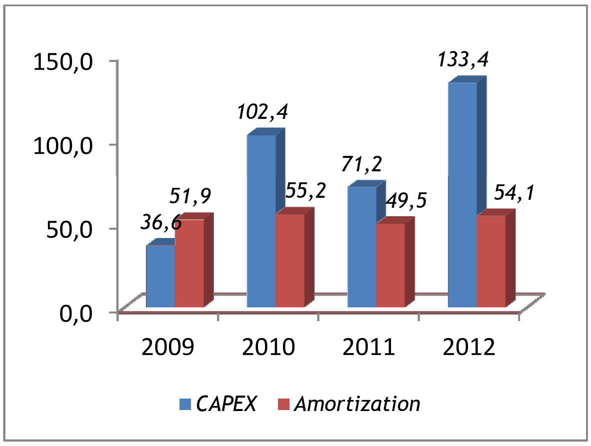


Image 6. Capital expenditures (CAPEX) and amortization of AD Plastik Group since 2009- 2012 (in mil.of HRK)



b) ADDRESS TO SHAREHOLDERS: MR. MLADEN PEROŠ, CHAIRMAN OF THE BOARD

Dear shareholders,

I am extremely honored to address you for the first time as the Chairman of the Board of AD Plastik. After more than 20 years at the forefront of AD Plastik, in July of the previous year mr.Boban stepped down from the position of Chairman of the Board, and on this occasion, the Supervisory Board has entrusted me with managing the company.

We can evaluate AD Plastik Group's business year 2012 as the year focused on further business expansion and increase in revenue, despite the challenges that the current situation in the European auto industry sets before us. Despite unfavorable macroeconomic conditions we successfully launched the production in our new companies, ADP Mladenovac in Serbia and ADP Kaluga in Russia.The process of starting production on these locations contributed to the increase in operating costs, which resulted in reduction of margins at the level of Group.

In the previous year we concluded a significant number of new business ventures for plastic components of exteriors and interiors that are being used in new versions of the vehicles Renault Twingo and Smart within the project Edison (cooperation of Renault and Daimler). We started with the capital investments necessary for the successful realization of this project. According to existing information from the buyer, the start of serial production of the new veichle is expected in the first part of 2014. Project Edison ensures long-term strategic positioning, stability and increase in revenue for AD Plastik in Croatia. For the companies under our ownership in Russia, ZAO PHR Tolyatti and ADP Kaluga, we concluded business ventures for new veichles and buyers (Renault, Nissan, PSA and Mitsubishi). In that way, along with capital investments started, we provided an increase in revenues for the companies, and also an increase in revenues for AD Plastik Group and a good strategic positioning for stable business expansion.

In the following medium-term period, due to the expansion of AD Plastik Group, a significant amount of time we invest in creating an organizational structure, and human resources development which is an important prerequisite to achieve the set goals. In the second half of the year we established the Steering Committees for the companies, that together with Supervisory Boards of subsidiaries, control business and enable the safe development and growth of the Group.

Despite the complex economic situation, I believe that we will welcome the end of the following year with a successfully realized plans and projects which will strengthen our company in the conquered markets, and in the following period provide the further growth and development to get satisfaction of our buyers, shareholders, employees and all business partners.

Respectfully,

Mladen Peroš

Chairman of the Management Board

c) MANAGING IN AD PLASTIK GROUP

1. Parent company (AD Plastik, Inc.)

Within parent company act the following bodies: the General Assembly, the Supervisory Board and the Managment Board.

The General Assembly

General Assebmly of shareholders of AD Plastik Inc. is consisted of shareholders eligible to vote, by the rule: one share – one vote. There are no shareholders who would have preferred shares.

The Supervisory Board

On 31.12.2012 the Supervisory Board had six members, and they were mr.Josip Boban, the Chairman, mr.Nikola Zovko, deputy of Chairman, mr.Marijo Grgurinović, member, and three members that represent the largest of individual shareholders OAO „Holding Autokomponenti“ (mr.Dmitrij Leonidovich Drandin, mrs. Nadezhda Anatolyevna Nikitina and mr.Igor Antoljevich Solomatin). The Supervisory Board established Appointment Committee, Remuneration Committee and Audit Committee.

The Managment Board

The members of the Board and its Chairman are appointed and removed by the Supervisory Board. Their term of office lasts up to five years after which they can be reappointed.

On 31.12.2012. the Board consisted of three members: mr. Mladen Peroš, Chairman of the Board, mrs.Katija Klepo, member of the Board for controlling and mr. Ivica Tolić, member of the Board for legal affairs and corporate communications.

2. Subsidiaries and associated companies

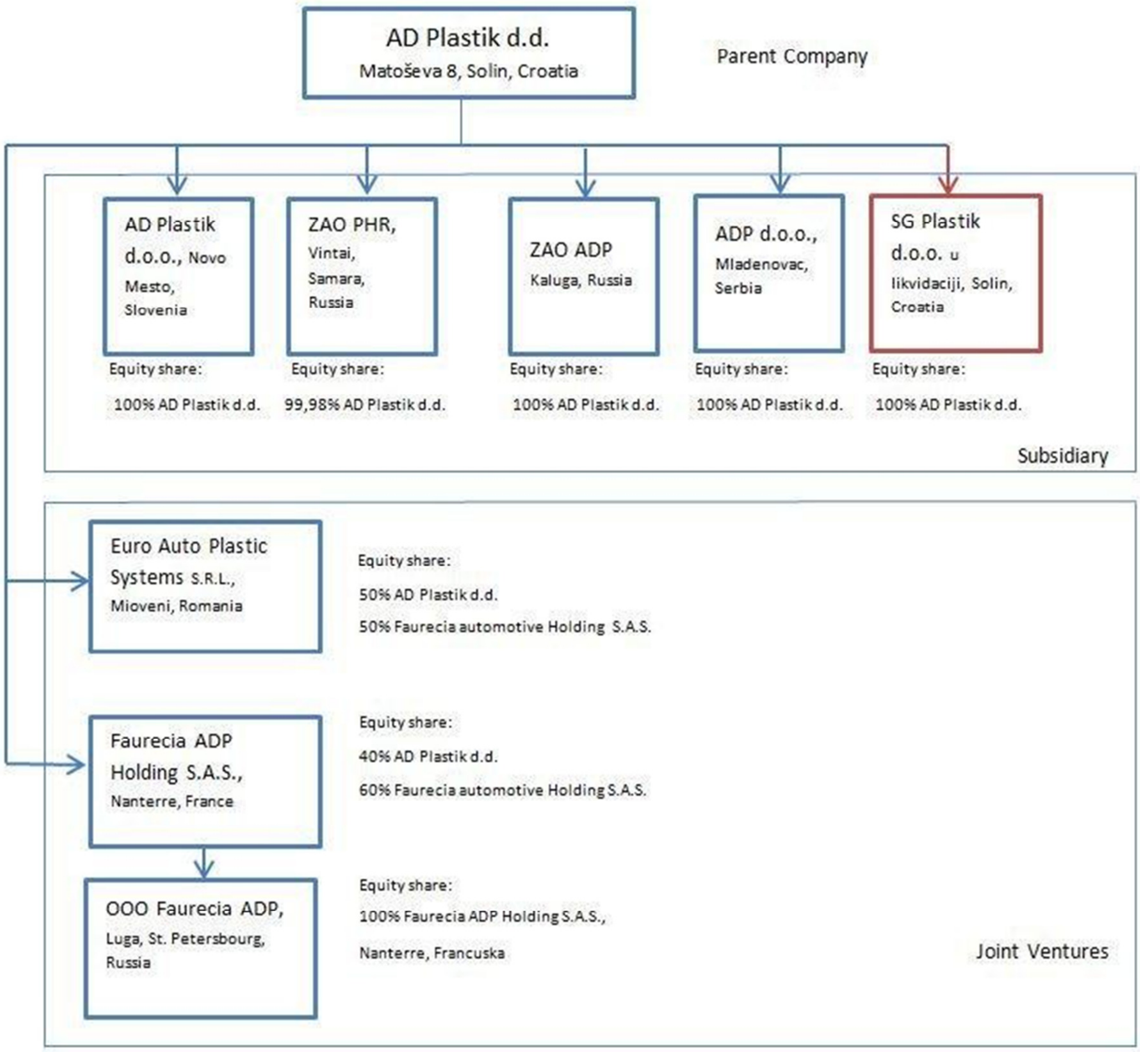
The bodies of subsidiaries and associated companies are: The Assembly; The Supervisory Board; General Manager; Executive Bodies of subsidiaries and associated companies are established and act in accordance with the laws of the state in whose territory is the headquarter of company in question, pursuant to the basic laws of these societies.

d) ORGANIZATIONAL STRUCTURE OF AD PLASTIK GROUP

AD Plastik Inc. is the largest Croatian manufacturer for automotive plastic components. The activity of AD Plastik in Croatia is the production of plastic components for interiors and exteriors of automobiles. The production in Croatia takes place at locations in Solin, the headquarter, and in Zagreb, Jankomir. Apart from production in Croatia, the company has plants organized as companies, with the status of legal person, in Slovenia, Serbia, Romania and three of them in Russia (in Tolyatti, Kaluga and Luga).

Information on ownership by subsidiaries and associated companies are shown in the following image.

Image 7. AD Plastik Inc. with all its subsidiaries and associated companies



e) OWNERSHIP STRUCTURE

The equtity capital of AD Plastik Inc. amounts to 419.958.400,00 HRK, and it is divided in 4.199.584 shares of the nominal value of 100,00 HRK.
The shareholders are legal and natural persons from Croatia and abroad, that realize their interests through General Assembly and Supervisory Board in accordance with the legislation of the Republic of Croatia.

Table 1.Ownership structure of AD Plastik Inc. on 31.12.2012

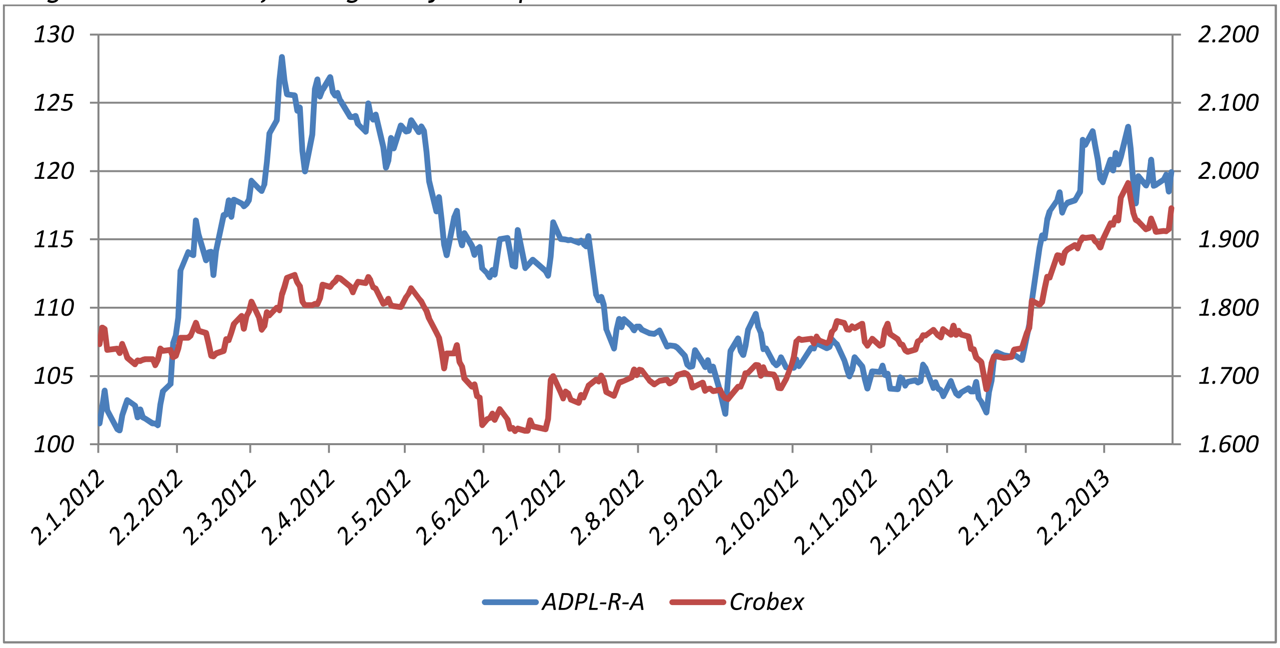
OWNER	31.12.2012.
OAO HOLDING AUTOKOMPONENTI	30,00%
HYPO ALPE-ADRIA-BANK D.D./ RAIFFEISEN OBVEZNI MIROVINSKI FOND	6,13%
ADP-ESOP D.O.O.	5,23%
PBZ D.D./ CUSTODY ACCOUNT	3,78%
ERSTE & STEIERMARKISCHE BANK D.D./ CUSTODY ACCOUNT	2,63%
BAKIĆ NENAD	2,56%
BOBAN JOSIP	1,73%
HYPO ALPE-ADRIA-BANK D.D./ RAIFFEISEN DOBROVOLJNI MIROVINSKI FOND	1,33%
ERSTE & STEIERMARKISCHE BANK D.D./CSC	1,26%
ACM POTHVATI D.O.O.	1,24%
OTHER	44,11%

During 2012 the company acquired a total of 41,500 of its own shares. In September of 2012, the company disposed 4,962 of its own shares for the purpose of rewarding employees of the company for the successful work of these employees in 2011. On 31.12.2012 the company had 40.281 of its own shares, which makes 0,96 % of the company capital.

f) INFORMATION ON THE SHARE ADPL-R-A

Shares are listed on the Official Market of the Zagreb Stock Exchange. Stock ticker is ADPL-R-A. In March 2012 AD Plastik Inc. and Erste Bank have signed the Agreement on Market Making.

Image 8. Movement of average daily stock price ADPL-R-A and Crobex since 01.01.2012. – 28.02.2013.



Source: ZSE

The total turnover achieved by share trading of AD Plastik Inc. in 2012 amounted to 105.338.736,68 HRK, while the turnover for 2011 amounted to 134.818.736,00 HRK. Out of all shares listed on the Zagreb Stock Exchange, the share ADPL-R-A was ranked seventh by achieved turnover in 2012.

Dividend

In 2012 the Company paid the dividend in the amount of 8,00 HRK per one share, out of that 2,47 HRK per share was paid in february, and a difference of 5,53 HRK was paid in August.

Financial calendar

Announcement of results for the I quarter of 2013:
on 30.04.2013.
The General Assembly of AD Plastik Inc. will be held:
on ***18.07.2013.***
Announcement of results for the first half of 2013:
on ***30.07.2013.***
Announcement of results for the III quarter and first nine months of 2013:
on ***30.10.2013.***
Announcement of results for the IV quarter and twelve months of 2013:
on ***14.02.2014.***

Note: Data from financial calendar are subject to change.

Contact person for investors:
Stjepan Laća, Corporate Communications Manager, phone: 021/206-401, fax: 021/275-401,
e-mail: stjepan.laca@adplastik.hr

g) DECLARATION ON THE IMPLEMENTATION OF CORPORATE GOVERNANCE

APPLICATION OF THE CODE

Ad Plastik Inc. Solin (hereinafter: the Company) applies the Corporate Governance Code, which was written by the Croatian Agency for Supervision of Financial Services (hereinafter: Hanfa) and the Zagreb Stock Exchange Inc. Zagreb, and it was adopted by the decision of Hanfa on April 26th, 2008 and published in the Official Gazette of the Republic of Croatia no. 46/07, as well as on the website of the Zagreb Stock Exchange (hereinafter: the Code).

DEVIATIONS FROM THE APPLICATION OF CORPORATE GOVERNANCE CODE MADE BY HANFA AND ZAGREB STOCK EXCHANGE

In 2012 the Company complied with the provisions of the Code, with certain exceptions, occurred primarily because of the process of coordinating practices of the Company with the rules of the Code.
Deviations from the Code were the following:
● In 2012 Board members and Supervisory Board members have not acquired or disposed shares of the Company, and that is why on websites of the Company and Zagreb Stock Exchange was not necessary to publish such information.
● The Supervisory Board is not composed of independent members.
● Information on all revenues and compensations that a member of the Board receives from the Company were collectively published within the Annual Report of the Company.

Description of certain deviations from the Code and reasons for the stated deviations the Company explains in detail in the answers to the annual questionnaire that makes an integral part of the Code and which has been delivered and published on the websites of the Zagreb Stock Exchange, as well as on the Company's own website.

INTERNAL SUPERVISION AND RISK MANAGEMENT

Internal supervision in the Company is conducted by the Controlling department which informs the Management Board through the report on the conducted monitoring (findings and suggestions of improvement).
Supervision and coordination of Management business reporting on business results include:
● encouraging communication between the functions of the Company, and coordination with the preparation of report and analysis of business results;
● evaluating the overall business efficiency, and proposing guidelines for improvement;
● giving orders and determination of preventive and corrective activities,
● forecasting the impact of external and internal changes in the overall business of the Company.
In 2012 is made a decision on establishing an Internal Audit Service, and its realization is planned during 2013.

SIGNIFICANT SHAREHOLDERS IN THE COMPANY
The Company has no majority owner. The largest shareholder is the Open joint stock company, OAO „Holding Autokomponenti“ from Saint Petersburg, Russian Federation, which owns 1.259.875 shares which represents 30% of the equity capital of the Company.
During 2012 there were no significant changes in the ownership structure. The ownership structure is presented within this Report, under point I.1.e. in the table 1.
Note: Information on the composition of the Board and the Supervisory Board is indicated under point I.1.c. Managment of AD Plastik Group within this Report.

2) REVIEW OF OPERATIONS IN 2012 AND THE DEVELOPMENT PLAN OF AD PLASTIK GROUP

a) BUSINESS OVERVIEW IN 2012

In the year 2012 AD Plastik Group managed to achive 4,75% of sales revenue growth compared with the same period last year. This result should be seen in the light of the situation on automotive market in Europe. The situation is best described by following data from ACEA (European Automobile Manufacturers Association), the number of new car registrations in Europe in the year 2012 dropped to lowest level since the year 1995.

Given the conditions described above net profit of AD Plastik Group in the reporting period was 56,02 million HRK, while in the year 2011 net profit was 64,67 million HRK. The main reasons for the decrease in net profit margin are:

- ***Operating costs of new acquisitions have been present since the beginning of the year, while they started generating revenue in the third quarter and with slightly less volume than planned;***
- ***Decrease in revenue in the parent company, as a result of decrease in car sales in the European Union;***
- ***Increase in depreciation for 4,5 million HRK as a result of an increase in investment in fixed assets.***

The review of financial results of each company and the most important events of 2012 are presented below.

Parent company

In 2012 AD Plastik Inc. achieved a net profit of 44,77 million HRK, which represents a reduction of 13,6 % compared to the profit achieved in 2011. Likewise, in 2012 was recorded a correction of sales revenue of 8,99% compared to the year before.

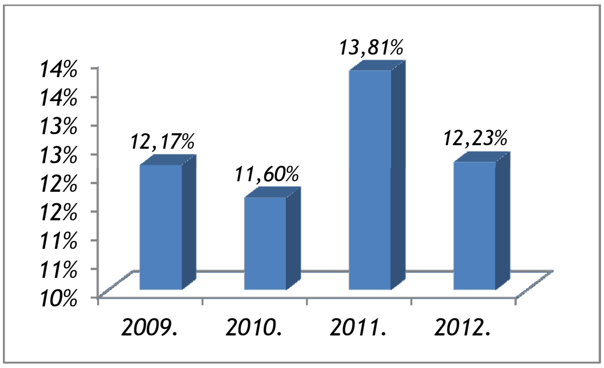
The largest part of sales revenue AD Plastik Inc. achieved in foreign market, that makes about 97% of entire sales revenue. The most significant export market of parent company is the European Union market, in which were dominating above described circumstances that led to these results.

*The most important events in **parent company** for the year 2012 are:*

- *Our largest customers (Renault, Peugeot & Citroen, hereinafter: PSA) in the reporting period decreased the production compared to initial plans. It is important to emphasize that customers frequently changed plans, and this required extreme flexibility in managing costs;*
- *Activities regarding preparations for Edison project were started. We chose the supplier of new painting line and in late November the construction of the building for the new painting line started and it is planned to be finished by the end of the second quarter of 2013;*
- *Throughout the whole year we also had preparations for other projects for customers - Renault, PSA, FORD, VAZ, Nissan, Mitsubishi and other...; In Croatia, in late September it was brought the new Law on the promotion of investments and improvement of investment environment. AD Plastik Inc. applies for these subsidies, expecting to get subsidies in the form of an exemption from paying income tax;*
- *In February, parent company AD Plastik Inc., Solin paid advanced dividend for 2011 in the amount of HRK 2,47 per share, and the*

remaining part of the dividend in amount of HRK 5,53 per share was paid in August.

Image 9. EBITDA margin of AD Plastik Group for the period of 2009-2012.



AD Plastik Novo Mesto, Slovenia

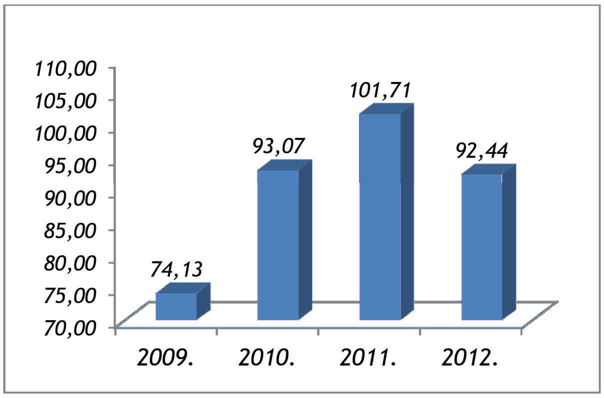
In the reporting period AD Plastik Novo Mesto recorded a decrease in operating revenue of 3,2% compared to the 2011. Likewise, it was recorded a net profit fall of 0,87 million HRK in 2011 to 0,36 million HRK in 2012. Realized EBITDA (Earnings before interest, taxes, depreciation and amortization, hereinafter: EBITDA) in the observed period amounted to 1,49 million HRK.

ADP Mladenovac, Serbia

ADP Mladenovac entered into register of companies in December of 2011, and its business started in Februar of 2012. In first year in business this company achieved net profit of 17,9 thousands HRK with total operating revenues of 21,22 million HRK. In the observed period, the company achieved EBITDA of 5,53 million HRK.

In the reporting period we bought equipment from M-Prointexa and we have taken over an existing manufacturing of building insulation. After renovating site and installing the necessary equipment, in July started a serial production as well as the deliveries to Fiat. In 2012 ADP Mladenovac Ltd. Successfully applied to the competent authorities of the Republic of Serbia, to encourage investment and employment, so in the middle of 2012 it was concluded the Agreement on the allocation of funds for direct investments.

Image 10. EBITDA of AD Plastik Group since 2009 until 2012 (in million HRK)



ADP Kaluga, Russia

ADP Kaluga was established and started with the production in 2012. After the renovation of rented site and installation of necessary equipment, in the third quarter the company started with serial production and product sales. Total revenues realized in the reporting period amounted to 9,8 million HRK and it was realized a net financial loss of 6,46 million HRK. In the first year of operations EBITDA amounted to 6,2 million HRK. This result is consequence of increased costs associated with starting a business, while the realization of reveneues started only in the third quarter.

Throughout the third quarter we won nominations for injection molded parts of exteriors and components of bumpers for Dacia Duster and Nissan versions of the same vehicle, for the injected positions of the exterior for Mitsubishi Outlander and part of molded positions for PSA. Sales activities are continuing on the basis of further completion and expansion of installed capacities.

ZAO AD Plastik, Kaluga at the end of 2012 resolved the issue of ownership over the site, with an area of 7.547 m2 with belonging land, which has been used under a lease contract.

Image 11. Locations of AD Plastik's plants in Russia and the largest manufacturers of automobiles near plants

ZAO PHR, Tolyatti, Russia

The growth of new car sales in Russia was mostly reflected in this company and it was achieved revenue growth greater than planned. Compared to the operating revenues from 2011 in the reporting period was recorded an increase in operating revenues of 59,9% and they amounted to 292,4 million HRK. The net profit increased in 47,61% compared to the previous year, and it amounted to 15,72 million HRK. In 2012 EBITDA amounted to 36,91 million HRK.

In the second quarter we won nominations for the new Dacia Logan which will be produced in AvtoVAZ. Initiated the process of preparation of the company for a new project. It was modified the existing production plant layout with the expansion of capacities.

Start of production for this car is planned for the second half of the year 2013 and in full year of production the expected additional revenue should be about 20 million EUR per year.

In early July, the company refinanced the loan through EBRD in rubles (equivalent to 7 million EUR), with this loan company significantly decreased the previous currency risk.

EAPS, Pitesti, Romania

The company Euro APS in 2012 operated in accordance with the business plan, but it was recorded a reduction of operating revenues of 8,6 % in 2012 compared to 2011, and the operating revenues amounted to 652 million HRK. In the same period was achieved a net profit of 58,65 million HRK, and the share belonging to AD Plastik Group is 50%.

In September, the company successfully started the production of parts for the new model Dacia Logan 2, with this model Dacia kept a trend of launching a new model every year, the full effect of the realization of a new vehicle is expected during 2013.

FADP, Luga, Russia

Increase in new automobiles sales in Russia positively reflected on the company FADP, that recorded an increase in operating revenues of 31,93 % in 2012 compared to the previous year, and the revenues amounted to 444,99 million HRK. Net profit of the company in the reporting period amounted to 0,39 million HRK.

In the year 2012, company achieved full capacity utilization of the facility, and most of the activities were focused on cost optimization and increase of profitability

b) FINANCIAL REPORTS OF AD PLASTIK GROUP WITH CONSOLIDATED FINANCIAL STATEMENTS OF ASSOCIATED COMPANIES EURO APS AND FADP

With the aim of getting a clearer picture of bussines of AD Plastik Group, we prepared abbreviated financial reports of AD Plastik Group with consolidated financial statements of associated companies Euro APS and FADP for 2011 and 2012, in which AD Plastik has 50%, that is 40 % of ownership. We compared these reports to the financial reports of AD Plastik Group without consolidation of associated companies. In these abbreviated financial reports, further in this Report, Euro APS and FADP are consolidated on the basis of the belonging ownership share which AD Plastik Group has in this company.

Table 2. Profit and loss account of AD Plastik Group for 2011 and 2012 and in thousands of HRK

Positions	AD Plastik Group with consolidation of belonging part of ownership in EURO APS and FADP	AD Plastik Group - without consolidation of associated companies	AD Plastik Group with consolidation of belonging part of ownership in EURO APS and FADP	AD Plastik Group - without consolidation of associated companies
	2011.	**2011.**	**2012.**	**2012.**
OPERATING REVENUES	**1.223.160**	**736.416**	**1.281.207**	**781.715**
Sales revenues	1.201.883	721.730	1.255.623	756.035
Other operating revenues	21.277	14.686	25.585	25.680
OPERATING EXPENSES	**1.132.595**	**684.182**	**1.194.870**	**743.415**
Material expenses	703.527	418.860	793.530	493.991
Staff costs	178.410	123.999	191.548	134.109
Amortization	62.730	49.482	69.712	54.136
Other expenses	187.929	91.841	140.081	61.179
FINANCIAL INCOME	**26.144**	**30.844**	**24.240**	**33.607**
FINANCIAL EXPENSES	**41.345**	**40.210**	**44.648**	**41.225**
SHARE OF PROFIT FROM ASSOCIATED COMPANIES	638	27.681	-42	29.793
TOTAL REVENUE	**1.249.941**	**794.941**	**1.315.580**	**845.114**
TOTAL EXPENSES	**1.173.940**	**724.392**	**1.249.182**	**784.640**
Profit before taxation	76.001	70.549	65.886	60.474
Profit tax	11.333	5.881	9.861	4.449
PROFIT FOR THE PERIOD	**64.663**	**64.663**	**56.017**	**56.017**

As can be seen from Table 2, business revenues of AD Plastik Group with consolidated belonging ownership share in Euro APS and FADP recorded an increase for 4,75% compared to the previous year and in total they amounted 1,28 billion HRK.

It is important to emphasize that the associated companies have no financial liabilities arising from credits, besides the credits of the owners themselves in this company (that is Faurecia and AD Plastik). Total liabilities arising from credits of AD Plastik Group with belonging part of ownership in Euro APS and FADP are equal to total liabilities of AD Plastik Group without consolidation of associated companies and they amount in total to 328,40 million HRK.

Table 3. Balance sheet of AD Plastik Group with consolidation of financial reports of belonging part of ownership in Euro APS and FADP for 2011 and 2012 in thousands of HRK

A/P	Code	Positions	AD Plastik Group with consolidation of belonging part of ownership in EURO APS and FADP	AD Plastik Group with consolidation of belonging part of ownership in EURO APS and FADP
			2011.	2012.
ASSETS	A.	Fixed assets	737.731	796.864
	B.	Current assets	535.325	543.875
	C.	prepayment & accrued inc.	116.165	102.496
	A+B+C	**TOTAL ASSETS**	**1.389.222**	**1.443.234**
LIABILITIES	A.	Capital and Reserves	721.188	708.324
	B.	Long-term liabilities	89.835	201.690
	C.	Provisions	16.461	12.575
	D.	Short-term liabilities	559.530	518.929
	E.	deferred pay. of costs & future inc.	2.208	1.717
	F=Σ(A-E)	**TOTAL LIABILITIES**	**1.389.222**	**1.443.234**

c) FINANCIAL RATIOS

Below we are presenting the calculation of selected financial ratios for AD Plastik Group with consolidation of belonging part of ownership in Euro APS and FADP for AD Plastik Group without consolidation of associated companies.

Table 4. Financial ratios of AD Plastik Group in 2012 in thousands of HRK

Ratio	AD Plastik Group with consolidation of belonging part of ownership in EURO APS and FADP	AD Plastik Group - without consolidation of associated companies
	2012.	2012.
Business revenues	1.281.207	781.715
Net profit	56.017	56.017
Assets	1.443.234	1.303.876
Net financial debt (Long-term +short-term liabilities to banks - money - financial assets)	249.564	295.389
Debt-service ratio (Liabilities/ Assets)	50,93%	46,09%
EBIT (earnings before interest and taxes)	86.337	38.300
EBITDA (earnings before interest and taxes depreciation and amortization)	156.049	92.436
EPS (earnings per share)	13,3	13,3
Price/Sales	0,35	0,57
Price/EBITDA	2,86	4,82
Net financial debt/EBITDA	1,60	3,20

Note: For the calculation of share price we used an average price of ADPL-R-A on the day 31.12.2012

d) MARKET AND EXPECTED DEVELOPMENT OF AD PLASTIK GROUP

During last 18 months, AD Plastik has won huge content of new business ventures on all markets.
The objective now is to develop future activities based on the following strategy:

- *Continuously improve and expand existing business in our facilities close to the customers' plants (ex. Croatia, Serbia…);*
- *Extend the customers' portfolio (as already started with Fiat, Mitsubishi, VW…) and the share of these buyers in the realization of AD Plastik Group;*
- *Develop sustainable business based on our existing portfolio of products and technologies with one target: deliver same kind of product or technology to minimum two different buyers and provide minimum two technologies per buyer;*
- *Take advantage of our locations in eastern Europe (with lower labour costs) to win new businesses with Value Added such as painted parts or assembled sub-systems;*
- *Increase our percentage of projects for which we are Tier1 (supplier of first category for automobile manufacturers), increasing our development skills and securing our future business.*

For this reasons, in the future it is necessary the further strengthening of:

- *Databases to assist the development engineering in performing comparisons and in increasing our development capabilities for targeted products / technologies;*
- *Supply base consolidation in order to optimize inquiries and to get a better entry price for materials and complete services;*
- *Project management skills (new managers and adapted training) will ensure better profitability;*
- *Potential partnerships currently investigated will open new possibilities and reinforce our commercial approach;*
- *Development Effectiveness, because more than ever in a global market, will emerge a need for monitoring our buyers at their locations (for example, in Russia, Serbia, etc.)*

e) FUTURE GROWTH DRIVERS

- ***Parent company*** ***-*** *Edison project with the start of serial production in 2014.* ***Total planned revenue*** *during the realization of this project is expected to exceed 190 million euros.*

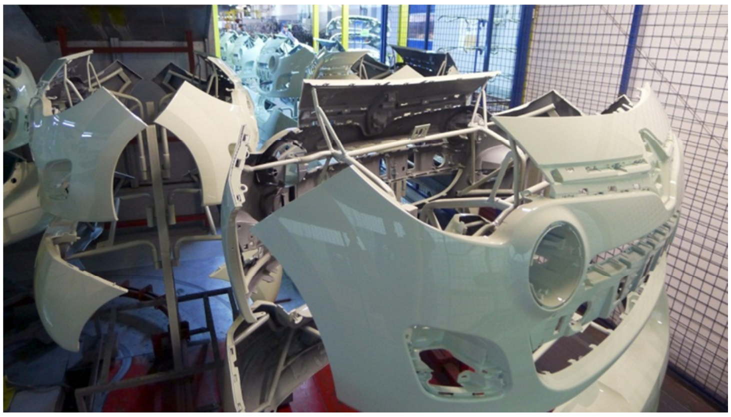
- ***ZAO PHR Tolyatti, Russia*** ***-*** *project X52 begins (Dacia Logan and Sandero). Start of production in second half of 2013.* ***Expected additional yearly revenue around 20 million euros****.*

- ***ADP Mladenovac, Serbia*** ***– Fiat production plan for 2013 amounts to 120.000 vehicles, compared to 2012, when amounted to 27.000 vehicles (full capacity)****;*

  - *Expansion of production outside the auto industry;*

- ***ADP Kaluga, Rusija*** ***-*** ***ADP Kaluga, Russia*** ***-*** *beside agreed production for Renault and PSA, reaching business cooperation and concluding agreements with other OEM`s in the Kaluga region (VW, Mitsubishi) and increasing capacity through production line Renault in Moscow (Avtoframos).*

Image 12.Product of AD Plastik - the front bumper



f) COMMITMENT TO QUALITY

The global automotive industry demands the highest level of product quality, productivity and competitiveness, and also continious improvements. So the company could achieve these objectives, the majority of automotive manufacturers demand from their suppliers that they are certified according to quality management standard for suppliers in the automotive sector, better known as ISO/TS 16949.

The global automotive industry demands the highest level of product quality, productivity and competitiveness, and also continious improvements. So the company could achieve these objectives the majority of automotive manufacturers demand from their suppliers that they are certified according to quality management standard for suppliers in the automotive sector, better known as ISO/TS 16949.

This certification is issued for a period of three years and it must be confirmed once a year by the IATF (International Automotive Task Force). The plants in Solin and Zagreb are certified according to this standard valid until May 2013. Earlier this year is conducted an audit by independent authorized institution according to this standard and both of the plants will receive a new certification that will be valid for the following three years.

Plants in Tolyatti and Mladenovac also have this certification, while tha plant in Kaluga is in the process of preparation for obtaining this certification.

Image 13. ISO/TS 16949 certification for the AD Plastik plant in Solin


BUREAU VERITAS Certification

Certificate of Approval

AD Plastik d.d., RJ Solin

ISO/TS 16949 - Third edition

SCOPE

PERMITTED EXCLUSION(S)

PRODUCTS DELIVERED

One of the objectives of the quality is taking care of environmental protection for the purpose of permanent reduction of negative environmental impact. Standard ISO 14001:2004 specifies the requests for enviromental managing system and provides a framework that company follows to ensure an effective environmental management system.

Image 14. ISO/TS 16949 certification for the AD Plastik plant in Zagreb


BUREAU VERITAS Certification

Certificate of Approval

AD Plastik d.d., RJ Zagreb

ISO/TS 16949 - Third edition

SCOPE

PERMITTED EXCLUSION(S)

PRODUCTS DELIVERED

ISO 14001:2004 provides assurance to company management and employees, and to all other stakeholders that in the company an environmental impact of business is being measured in order to prevent environmental pollution.

Both of the AD Plastik plants in Croatia are certified according to this standard. Production plant in Solin is certified until July this year, while the plant in Zagreb is certfied untill July next year. Plants in Tolyatti and Mladenovac also have this certification, while the plant in Kaluga is in the process of preparation for obtaining this certification.

Image 15. ISO 14001:2004 certification for the AD Plastik plant in Solin


BUREAU VERITAS Certification

Certification

AD PLASTIK d.d.

MATOŠEVA 8
SOLIN, CROATIA

STANDARD

ISO 14001:2004

SCOPE OF SUPPLY

MANUFACTURING OF PLASTIC PARTS FOR AUTOMOTIVE INDUSTRY AND PACKAGING FOR FOOD INDUSTRY

Image 16. ISO 14001:2004 certification for the AD Plastik plant in Zagreb


BUREAU VERITAS Certification

Certification

AD PLASTIK D.D., RJ ZAGREB

JANKOMIR 8.B.
ZAGREB, CROATIA

STANDARD

ISO 14001:2004

SCOPE OF SUPPLY

MANUFACTURING OF PARTS FOR AUTOMOTIVE INDUSTRY; INJECTION MOULDED, PAINTED AND NOT PAINTED INTERIOR AND EXTERIOR PARTS

Apart from the ISO certifications above mentioned, AD Plastik has Ford Q1 certification. This program of Ford demands from their suppliers and with it confirms: capable system, continuous improvement, monitoring performances and the most important of all – buyer satisfaction. Our plant in Solin an Tolyatti have the status Q1 for the buyer Ford.

Image 17. Certication Q1 of the buyer Ford

As a recognition for successful business in 2012, AD Plastik Inc. from Solin, is named the best large Croatian company by the Croatian Chamber of Economy (CCE) for 2012.

Image 18. Golden marten, the award of CCE

In order to elevate the existing level of awareness of the responsibility for sustainability to a higher level, AD Plastik decided to create and publicate the Sustainable Business Report for year 2012. That Report is focused on improving communication of AD Plastik with all their stakeholders and it was published on the websites of the company.

g) THE MOST SIGNIFICANT CHANGES IN THE BALANCE SHEET POSITIONS OF AD PLASTIK GROUP

In the Group`s balance sheet positions relative to December 31st, 2011 the greatest changes were recorded in these positions:

- ***(AOP 003) Intangible assets (increase 19,42 mil. HRK) - due to increased investment in new projects that are in operation of future revenues;***
- ***(AOP 010) Tangible assets (increase 59,81 mil. HRK) - due to increased investments primarily in fixed assets in preparation as a result of increased investment activities;***
- ***(AOP 026) Loans, deposits and other, long-term (reduction 7,62 mil. HRK) - due to repayments of loans from ADP-ESOP Ltd.***
- ***(AOP 035) Inventories (increase 10,99 mil. HRK) - due to increased production in ZAO PHR and in new locations Mladenovac and Kaluga;***
- ***(AOP 045) Trade receivables (increase of 21,02 mil. HRK) - mostly due to increased sales in the last two months in companies from Russia;***
- ***(AOP 046) (AOP 046) Receivables from participating parties (an increase of 9,03 mil. HRK) - largely due to loans to associated company FADP ;***
- ***(AOP 048) Receivables from government and other institutions (an increase of 15,80 mil. HRK) - mostly due to claims for VAT (Value Added Tax) from parent company;***
- ***(AOP 049) Other receivables (increase of 16,86 mil. HRK) – due to advance payment to suppliers of tools mainly in parent company;;***
- ***(AOP 056) Loans, deposits and similar short-term (a reduction of 43,79 mil. HRK) – due to use of own funds in the realization of the investment cycle;***
- ***(AOP 058) Cash and cash equivalents (increase 5,05 mil. HRK) - because of increased investment activity, the higher level of liquidity is needed;***
- ***(AOP 083) Long-term liabilities to banks (increased by 121,78 mil. HRK) - due to external financing for the realization of the investment cycle;***
- ***(AOP 097) liabilities for advances (reduction of 22,71 million HRK) compared to 2011, in 2012 there were fewer tool modifications which resulted in cost reduction for tools;***

Results of associated companies EAPS Romania and FADP Holding France are included in the Group under the equity method.

Gross fee paid to the auditor for conducted audit of financial reports in 2012 amounted to 433.873,00 HRK.

II. STATEMENT OF PERSONS RESPONSIBLE FOR THE PREPARATION OF ANNUAL REPORT

II. According to the best of my knowledge:

1. *Revised financial reports of AD Plastik Group and the Company AD Plastik Inc. Solin (hereinafter: the Companies) for the period of 01.01. - 31.12.2012., have been prepared in accordance with the application of corresponding financial reporting standards, they give a true and fair view of the assets and liabilities, profit and loss, a financial position and business of the issuer and the companies included in the consolidation as a whole.*

2. *Managing report gives a true view of development of results and business and the position of the issuer and companies included in the consolidation, with the description of key risks and uncertainties to which the issuer and the company are exposed as a whole.*

3. *This report may contain certain statements concerning the future business of AD Plastik Group and the Company. The above forward-looking statements reflect the current views of the Company regarding future events and they are based on assumptions and they subject to risks and uncertainties. A large number of factors can cause that the actual results, performance or achievements of AD Plastik Group or the Company can be different from the results or performances expressed or implied in these forward-looking statements.*

Accounting Department Manager

Marica Jakelić

Marica Jakelić

Board Member for Finances, Accounting and Controlling

Katija Klepo

Klepo

AD-PLASTIK
AD Plastik
24
d.d. SOLIN

III. AUDITED REPORTS

III.a AD Plastik d.d., Solin and its subsidiaries

Consolidated financial statements and

Independent Auditor's Report

For the year ended

31 December 2012

Contents **Page**

Contents	Page
Responsibility for the financial statements	1
Independent Auditor's Report	2-3
Consolidated statement of comprehensive income	4
Consolidated statement of financial position	5-6
Consolidated statement of changes in shareholders' equity	7
Consolidated statement of cash flows	8
Notes to the consolidated financial statements	9-56

Pursuant to the Accounting Act of the Republic of Croatia, the Management is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("the IFRSs"), which give a true and fair view of the financial position and results of operations of AD Plastik d.d., Solin ("the Company") and its subsidiaries ("the Group") for that year.

After making appropriate enquiries, the Management has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management continues to prepare the financial statements on a going-concern basis.

In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and the Group and must also ensure that the financial statements comply with the Accounting Act. The Management Board is also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management by:

AD-PLASTIK
AD Plastik
24
d.d. SOLIN

Mladen Peroš, President of the Management Board

AD Plastik d.d., Solin
Matoševa 8
21210 Solin
Republic of Croatia

23 April 2013

Deloitte d.o.o.
ZagrebTower
Radnička cesta 80
10 000 Zagreb
Croatia
Personal Identification
No. (OIB): 11686457780

Tel: +385 (0) 1 2351 900
Fax: +385 (0) 1 2351 999
www.deloitte.com/hr

Independent Auditor's Report

To the Owners of AD Plastik d.d., Solin

We have audited the accompanying consolidated financial statements of AD Plastik d.d. Solin ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position at 31 December 2012, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the preparation and fair presentation of the financial statements 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 internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditor's Report (continued)

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group at 31 December 2012, and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Branislav Vrtačnik, Certified Auditor, Board Member

Deloitte d.o.o., Zagreb

Zagreb, 23 April 2013 by:

(All amounts are expressed in thousands of kunas)

	Notes	31.12.2012	31.12.2011
Sales	6	756,035	721,730
Other income	7	25,680	14,686
Total income		**781,715**	**736,416**
Increase in the value of work in progress and finished products		(527)	(973)
Cost of raw material and supplies	8	(387,909)	(345,680)
Cost of goods sold	9	(43,549)	(26,273)
Service costs	12	(62,006)	(47,880)
Staff costs	10	(151,554)	(142,637)
Depreciation and amortisation	11	(54,136)	(49,482)
Other external expenses	13	(37,638)	(62,895)
Other operating expenses	14	(3,993)	(7,466)
Provisions for risks and charges	15	(2,103)	(2,842)
Total operating expenses		**(743,415)**	**(684,182)**
Profit from operations		**38,300**	**52,234**
Financial income	16	33,606	58,525
Financial expenses	17	(41,225)	(40,210)
Equity income	16	29,793	-
Net profit from financial activities		**22,174**	**18,315**
Profit before taxation		**60,474**	**70,549**
Income tax expense	18	(4,449)	(5,881)
Profit for the year		**56,025**	**64,668**
Other comprehensive income		-	-
Total comprehensive income		**56,025**	**64,668**
Profit attributable to:			
Equity holders of the Company		56,017	64,663
Non-controlling interests		8	5
Total comprehensive income attributable to:			
Equity holders of the Company		56,017	64,663
Non-controlling interests		8	5

The accompanying accounting policies and notes form an integral part of these financial statements.

(All amounts are expressed in thousands of kunas)

	Notes	31.12.2012	31.12.2011
ASSETS			
Non-current assets			
Intangible assets	20	60,811	41,387
Tangible assets	21	597,798	537,993
Investments in associates	22	86,235	84,334
Other financial assets	23	70,107	75,272
Deferred tax assets	18	2,687	994
Total non-current assets		**817,638**	**739,980**
Current assets			
Inventories	24	83,985	72,996
Trade receivables	25	185,996	155,946
Other receivables	26	78,341	45,435
Current financial assets	27	21,959	34,983
Cash	28	13,462	36,042
Prepaid expenses and accrued income	29	102,495	116,165
Total current assets		**486,238**	**461,567**
TOTAL ASSETS		**1,303,876**	**1,201,547**

The accompanying accounting policies and notes form an integral part of these financial statements.

(All amounts are expressed in thousands of kunas)

	Notes	31.12.2012	31.12.2011
Equity			
Share capital	30	419,958	419,958
Reserves		238,638	218,938
Profit for the year		56,017	64,663
Non-controlling interests		16	12
Total equity		**714,629**	**703,571**
Long-term provisions	31	2,498	4,829
Long-term borrowings	32	201,618	79,842
Other non-current liabilities	32	71	69
Total non-current liabilities		**204,187**	**84,740**
Advances received	33	98,539	121,247
Trade payables	34	123,784	120,630
Short-term borrowings	35	126,712	130,575
Other current liabilities	36	25,431	28,191
Short-term provisions	31	8,877	10,385
Accrued expenses and deferred income	37	1,717	2,208
Total current liabilities		**385,060**	**413,236**
Total liabilities		**589,247**	**497,976**
TOTAL EQUITY AND LIABILITIES		**1,303,876**	**1,201,547**

The accompanying accounting policies and notes form an integral part of these financial statements.

(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Legal reserves	Reserves for own shares	Treasury shares	Retained earnings	Total equity attribute-able to the equity holders of the Company	Non-controlling interests	Total
Balance at 31 December 2010	**419,958**	**187,480**	**6,140**	**11,360**	**(11,360)**	**45,561**	**659,139**	**41**	**659,180**
Changes in non-controlling interests	-	-	-	-	-	-	-	(34)	(34)
Exchange differences on investments in foreign subsidiaries	-	3,989	3	-	-	(4,659)	(667)	-	(667)
Dividends paid	-	-	-	-	-	(30,672)	(30,672)	-	(30,672)
Valuation of own shares	-	-	-	114	(114)	-	-	-	-
Distributions to employees	-	1,608	-	(1,962)	1,962	354	1,962	-	1,962
Sale of own shares	-	229	-	(9,134)	9,134	8,905	9,134	-	9,134
Profit for the year	-	-	-	-	-	64,663	64,663	5	64,668
Balance at 31 December 2011	**419,958**	**193,306**	**6,143**	**378**	**(378)**	**84,152**	**703,559**	**12**	**703,571**
Changes in non-controlling interests	-	-	-	-	-	-	-	(4)	(4)
Exchange differences on investments in foreign subsidiaries	-	428	-	-	-	(7,576)	(7,148)	-	(7,148)
Dividends paid	-	-	-	-	-	(33,566)	(33,566)	-	(33,566)
Valuation of own shares	-	-	-	(351)	351	-	-	-	-
Distributions to employees	-	-	-	(524)	524	524	524	-	524
Sale of own shares	-	-	-	4,773	(4,773)	(4,773)	(4,773)	-	(4,773)
Profit for the year	-	-	-			56,017	56,017	8	56,025
Balance at 31 December 2012	**419,958**	**193,734**	**6,143**	**4,276**	**(4,276)**	**94,778**	**714,613**	**16**	**714,629**

The accompanying accounting policies and notes form an integral part of these financial statements.

(All amounts are expressed in thousands of kunas)

Cash flows from operating activities

	31.12.2012	31.12.2011
Profit for the year	**56,025**	**64,668**
Income tax expense	4,449	5,881
Depreciation and amortisation	54,136	49,482
Gains from sale of assets	2,488	1,322
Impairment allowance on trade receivables	-	582
Increase in long-term and short-term provisions	(3,839)	(331)
Profit from operations before working capital changes	**113,259**	**121,604**
Increase in inventories	(10,989)	(15,530)
Increase in trade receivables	(30,050)	(4,133)
(Increase)/decrease in other receivables	(32,904)	4,295
Decrease in trade payables	3,154	27,482
(Increase)/decrease in advances received	(22,708)	38,833
(Increase)/decrease in other current liabilities	(16,054)	1,592
(Increase)/decrease in accrued expenses and deferred income	(491)	503
Increase/(decrease) in prepaid expenses	13,670	(40,616)
Cash generated from operations	**16,887**	**134,030**
Sale of own shares	(4,773)	9,134
Investments in subsidiaries	(1,901)	(11,493)
Purchases of property, plant and equipment, and intangible assets	(135,853)	(71,197)
Investments in Funds	2,800	8,278
Short-term loans	-	(29,267)
Long-term loans	-	(49,051)
Received short-term loans	15,389	-
Cash used in investing activities	**(124,338)**	**(143,596)**
Dividends paid	(33,566)	(30,672)
Bonuses	524	-
Loans	207,330	185,115
Repayments of borrowings	(89,417)	(173,786)
Cash generated from/(used in) financing activities	**84,871**	**(19,343)**
Net cash flow	**(22,580)**	**(28,909)**
At 1 January	36,042	64,951
Net cash inflow	(22,580)	(28,909)
At 31 December	13,462	36,042

The accompanying accounting policies and notes form an integral part of these financial statements.

1. GENERAL INFORMATION

The company AD Plastik d.d., Solin, a public limited company for the production of motor vehicle spare parts and accessories and of plastic masses (abbreviated firm: AD PLASTIK d.d.), was established by a decision of the Founding Assembly dated 15 June 1994 following the transformation of the socially-owned entity Autodijelovi – Solin pursuant to the decision on the transformation of ownership and the Decision of the Croatian Privatisation Fund No. 01-02/92-06/392 of 6 December 1993. The Company is the legal successor of the socially-owned entity Autodijelovi and, according to the decision of the Commercial Court in Split No. Fi 6215/94 of 28 June 1994, assumed all of its assets and liabilities as of the date of registration in the court register.

By decision of the General Shareholders' Assembly dated 21.06.2007, the Statute of the Company of 8 July 2004 was amended and a decision was made to increase the share capital of the Company in cash. Pursuant to the Decision No. Tt-07/2145-3 of 25.09.2007, the increase of the share capital by HRK 125,987,500.00, effected by OAO Saint Petersburg Investment Company was registered, and the total subscribed capital now amounts to HRK 419,958,400.00 and consists of 4,199,584 shares, with a nominal amount of HRK 100.00 each. By the Share Transfer Agreement of 29 June 2009 OAO Spik transferred the shares of the AD Plastik d.d. to OAO Group Aerokosmicheskoe Oborudovanie, St. Petersburg, which transferred those shares to OAO HAK, Sankt Petersburg.

The Company shares were included in the listing of public limited companies on the Official Market of the Zagreb Stock Exchange on 1 October 2010.

1.1. Principal business

The primary activity of the Company comprises manufacture of motor vehicle spare parts and accessories. The registered activities of the Company comprise the following:

- manufacture of motor vehicle spare parts and accessories;
- production and trade in medical supplies for one-off application made of plastic masses: plastic syringes for one-off application; infusion sets; transfusion sets; hemodialysis needles; urine bags, and others.
- representation of foreign firms
- international forwarding and shipping
- production of finished textile products other than clothing;
- production of synthetic rubber in primary forms;
- production of glues and jellies;
- production of rubber and plastic products;
- production of metal products other than machinery and equipment;
- construction and repair of leisure and sports boats;
- production of chairs and seats;
- production of sports equipment;
- recycling of non-metal waste and scrap;
- computer and related activities;

1. GENERAL INFORMATION (CONTINUED)

1.1. Principal business (continued)

- providing advice, guidance and operational assistance to legal entities;
- designing of accounting systems, materials accounting software, budgeting control procedures;
- advice and assistance to legal entities in connection with planning, organisation, efficiency and controls, management information, etc.;
- management consulting (agronomists and agroeconomists, on farms, etc.);
- purchase and sale of goods;
- trade mediation on domestic and international markets;
- use of hazardous chemicals; and
- treatment of hazardous and non-hazardous waste.

1.2. Consolidated subsidiaries

1) Closed-end company ADP Luga, established by an Articles of Association of the Closed-end Company ADP LUGA of 26 March 2007.
   Subsidary ZAO ADP Luga, Luga has change name and headqueater of the Company at the begining of FY 2012 in ZAP AD Plastik Kaluga, 248016, Skladskaja street 6, Kaluskla oblast, Russion Federation. AD Plastik d.d. has all shares and it is 100% owner.

The Company's registered activities comprise the following:

- development, manufacture and delivery of production parts for automotive industry;
- manufacture and delivery of plastic products
- commercial (retail and wholesale trade, commission sales) and other activities.

1. GENERAL INFORMATION (CONTINUED)

1.2. Consolidated subsidiaries (continued)

2) Closed-end foreign investment company PHR (abbreviated firm: ZAO PHR), established on 25 April 1995 and operating under the Constitution of the Russian Federation and the Federal Act on Incorporations. Its registered seat is in Russia, Samara, Krasnoglinski Raion, the village of Vintaj.

The company AD Plastik d.d., Solin, has an equity share of 99.95 percent.

The Company's registered activities comprise the following:

- production of node and accessory sets for cars as ordered by AO Avto VAZ and other legal entities;
- transportation services;
- brokerage, dealer, distribution, consignment, commission, agency and acquisition sale services, and other activities;

3) ADP Novo Mesto, d.o.o., Slovenia, established in 1997 and fully owned by Ad Plastik d.d., Solin.

The registered activities of the Company comprise the following:

- production of various products made of plastic masses;
- production of vehicle parts;
- wholesale and retail trade, and trade mediation.

4) ADP d.o.o., Mladenovac (Varoš), Kralja Petra I 334, Serbia, established on 6 December 2011. The principal activity of the company comprise manufacture of other parts and additional accessories for motor vehicles, foreign trade and foreign trade services.The Company is fully owned by AD Plastik d.d., Solin.

5) SG Plastik d.o.o., Solin, was established by AD Plastik d.d. Solin, and SG Technologies GmbH, Buschfeld, Germany, for market research and mediation services, as registered in the court register of the Commercial Court in Split under the number Tt-06/1310-4, on 27 June 2006. The Company is fully owned by AD Plastik d.d., Solin.

Because of problems in the operations caused by the economic crisis, the business cooperation with the entities of the Sargumi Group was discontinued, and the General Shareholders' of the Company adopted in their meeting of 19 October 2011 a decision to start liquidation proceedings, which was registered at the Commercial Court in Split on 28 November 2011.

1. GENERAL INFORMATION (CONTINUED)

1.3. Associated companies

1) EURO Auto Plastik Systems s.r.l., Romania, established on 20 August 2002 as a limited liability company with its registered seat in Romania, Mioveni, ul. Uzinei, No. 2A.

The equity share of AD Plastik d.d., Solin, in the company is 50 percent.

The principal activities of the associate are as follows:
- manufacture of motor vehicle and motor parts and accessories;
- production of items made of plastics;
- trade mediation in vehicles, industrial equipments, ships and aircraft;
- services of other transport agencies;
- business and management consulting services.

2) FADP Holding, Nanterre, established on 30 April 2010 by Faurecia Automotive Holding S.A.S., Nanterre, France, and AD Plastik d.d. Solin, Croatia.

The equity share of AD Plastik d.d., Solin, in the associate is 40 percent.

The principal activities of the associate are as follows:
- holding all the shares of the Russian incorporation OOO FAURECIA, renamed to OOO Faurecia ADP in 2010,
- performance of all legal, commercial, financial, industrial and operational activities directly or indirectly for the benefit of the principal purpose of the Company.

3) Faurecia AD Plastik Automotive Romania SRL, Mioveni, established on 26 November 2003 by Faurecia Automotive Holding S.A.S., Nanterre, France, and AD Plastik d.d. Solin, Croatia.

The equity share of AD Plastik d.d., Solin, is 49 percent in share caital of Faurecia AD Plastik Automotive Romania SRL.

The principal activities of the associate are as follows:
- trade in motor vehicle and motor parts and accessories;
- market research;
- business and management consulting.

(All amounts are expressed in thousands of kunas)

1. GENERAL INFORMATION (CONTINUED)

1.3. Associated companies (continued)

An associate is an entity over which the Group has significant influence but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Commonly, an equity share from 20 to 50 percent represents an investment in an associate.

In these consolidated financial statements, investments in associates are presented under the equity method.

1.4. Number of staff

At 31 December 2012, the number of staff employed was 2,711 (2011: 2,489).

	2012.	**2011.**
AD Plastik d.d.	830	872
ZAO ADP Luga	-	3
ZAO PHR	661	490
AD Plastik d.o.o.	29	41
SG Plastik d.o.o.	-	-
ADP d.o.o. Mladenovac	75	-
ZAO ADP Kaluga	137	-
EURO APS	652	658
FADP	327	425

(All amounts are expressed in thousands of kunas)

1. GENERAL INFORMATION (CONTINUED)

1.5. Management and corporate governance

	Mandate	
Members of the Supervisory Board:		
Josip Boban (Chairman)	From 19.07.2012	To 19.07.2016
Nikola Zovko (Deputy Chairman)	From 19.07.2012	To 19.07.2016
Marijo Grgurinović	From 14.07.2011	To 14.07.2015
Igor Anatoljevič Solomatin	From 14.07.2011	To 14.07.2015
Tomislav Dulić	From 11.09.2008	To 11.09.2012
Drandin Dmitrij Leonidovič	From 19.10.2011	To 19.10.2015
Nikitina Nadežda Anatoljevna	From 19.10.2011	To 19.10.2015
Members of the Management Board:		
Mladen Peroš (President)	From 19.07.2012	To 19.07.2016
Ivica Tolić	From 19.07.2012	To 19.07.2016
Katija Klepo	From 19.07.2012	To 19.07.2016

2. ADOPTION OF NEW AND REVISED STANDARDS

Adoption of new and revised standards

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

- Amendments to IAS 1 "Presentation of financial statements" **- Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012),**
- Amendments to IAS 1 Presentation of Financial Statements **(as part of the Annual Improvements to IFRSs 2009-2011 Cycle issued in May 2012) (annual periods beginning on or after 1 January 2013),**
- Amendments to IFRS 7 Disclosures **– Transfers of Financial Assets,**
- Amendments to IAS 12 "Income Taxes" - Deferred Tax: Recovery of Underlying Assets **(effective for annual periods beginning on or after 1 January 2012).**

The adoption of the amended and revised Standards and Interpretation has not lead to changes in the Group's accounting policies.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Adoption of new and revised standards

Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements the following Standards, revisions and Interpretations were in issue but not yet effective:

- IFRS 9 “Financial Instruments” **(effective for annual periods beginning on or after 1 January 2013),**
- IFRS 10 “Consolidated Financial Statements” **(effective for annual periods beginning on or after 1 January 2013)**
- IFRS 11 “Joint Arrangements” **(effective for annual periods beginning on or after 1 January 2013),**
- IFRS 12 “Disclosures of Involvement with Other Entities” **(effective for annual periods beginning on or after 1 January 2013),**
- IFRS 13 “Fair Value Measurement” **(effective for annual periods beginning on or after 1 January 2013),**
- IAS 19 “Employee Benefits” (revised in 2011) **(effective for annual periods beginning on or after 1 January 2013),**
- IAS 27 (revised in 2011) “Separate Financial Statements” **(effective for annual periods beginning on or after 1 January 2013),**
- IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures” **(effective for annual periods beginning on or after 1 January 2013),**
- **Amendments to IFRS 7 “Financial Instruments: Disclosures”- Transfers of Financial Assets and Financial Liabilities** (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 10 “Consolidated Financial Statements” **(effective for annual periods beginning on or after 1 January 2013)**
- Amendments to IFRS 11 “Joint Arrangements” **(effective for annual periods beginning on or after 1 January 2013)**
- Amendments to IFRS 12 “ Disclosure of Interests in Other Entities” **(effective for annual periods beginning on or after 1 January 2013)**
- Amendments to IAS 32 “Offsetting Financial Assets and Financial Liabilities” **(effective for annual periods beginning on or after 1 January 2014),**
- IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine” **(effective for annual periods beginning on or after 1 January 2013).**

The Group has elected not to adopt these Standards, revisions and Interpretations in advance of their effective dates and anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the consolidated financial statements in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Set out below are the principal accounting policies consistently applied in the preparation of the financial statements for the current and prior years.

3.1. Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards and Croatian laws.

3.2. Basis of preparation

The financial statements of the Group have been prepared on the historical cost basis, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and Croatian laws.

The Group maintains its accounting records in the Croatian language, in Croatian Kuna and in accordance with Croatian laws and the accounting principles and practices observed by enterprises in Croatia.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRSs) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. These consolidated financial statements have been prepared under the assumption that the Group will continue as a going concern.

The consolidated financial statements of the Group represent aggregate amounts of assets, liabilities, capital and reserves of the Group as of 31 December 2012, and the results of its operations for the year then ended. Some of the financial captions have been reclassified in these financial statements compared to the prior year, as the management is of the opinion that the reclassification provides a better presentation of the financial statements as a whole.

The accounting policies are consistently applied by all the Group entities.

3.3. Basis of consolidation

The consolidated financial statements of the Group comprise the consolidated financial statements of the Company and its subsidiaries.

Subsidiaries are entities controlled by the Company. Control is present when the Company is entitled to determine, directly or indirectly, the financial and business policies of the investee so as to derive benefits from its operations. The financial statements of the subsidiaries are included in the Group financial statements on a consolidated basis from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for products, goods or services sold in the regular course of operations.

Revenues are stated net of value added tax, estimated returns, discounts and rebates. Revenue is recognised when the amount of the revenue can be measured reliably and when future economic benefits are expected to flow into the Group.

Product sales are recognised when the products are delivered to, and accepted by the customer and when the collectability of the receivables is virtually certain.

Income from the manufacture of tools for a known customer

Income from the manufacture of tools is recognised using the stage-of-completion method to determine the amount of income and costs attributable to a certain period.

Interest income

Interest income is recognised on a time basis, using the effective interest method. Interest earned on balances with commercial banks (demand and term deposits) is credited to income for the period as it accrues. Interest on trade debtors is recognised as income upon settlement.

3.5. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are included in profit or loss in the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6. Foreign currency transactions

Transactions in foreign currencies are translated into Croatian kunas at the rates of exchange in effect at the dates of the transactions. Cash, receivables and payables denominated in foreign currencies are retranslated at the rates of exchange in effect at the date of the statement of financial position. Gains and losses arising on translation are included in the statement of comprehensive income for the year. At 31 December 2012, the official exchange rate of the Croatian kuna against 1 euro (EUR) was HRK 7.545624 (31 December 2011: HRK 7.53042 for 1 EUR).

3.7. Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognised in the income statement, except where it relates to items recognised directly in equity, in which case it is also recognised in equity. Current tax represents tax expected to be paid on the basis of taxable profit for the year, using the tax rate enacted at the balance sheet date, adjusted by appropriate prior-period items.

Under Croatian tax regulations, group entities are not subject to taxation on a consolidated bases, and tax losses cannot be transferred within group entities. Subsidiaries are subject to taxation in their respective jurisdictions.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates in effect at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the amount that the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred taxes are not discounted and are classified in the balance sheet as non-current assets and/or non-current liabilities. Deferred tax assets are recognised only to the extent that it is probable that the related tax benefit will be realised. At each balance sheet date, the Company reviews the unrecognised potential tax assets and the carrying amount of the recognised tax assets.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities.

In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over cost.

(All amounts are expressed in thousands of kunas)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Property, plant and equipment, and intangible assets

Tangible fixed assets are recognised initially at cost and subsequently at cost less accumulated depreciation. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable sales taxes and any directly attributable costs of bringing an asset to its working condition and location for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Where it is obvious that expenses incurred resulted in increase of expected future economic benefits to be derived from the use of an item of tangible or intangible assets in excess of the originally assessed standard performance of the asset, they are added to the carrying amount of the asset. Gains or losses on the retirement or disposal of tangible fixed assets are included in the statement of comprehensive income in the period they occur. Depreciation commences on putting an asset into use. Depreciation is provided so as to write down the cost or revalued amount of an asset over the estimated useful life of the asset using the straight-line method as follows:

	Depreciation rate in 2012	**Depreciation rate in 2011**
1. Tangible assets		
Buildings	1.50-4.00	1.50-4.00
Machinery	7.00-10.00	7.00-10.00
Tools, furniture, office and laboratory equipment and accessories, measuring and control instruments	10.00-20.00	10.00-20.00
Vehicles	20.00	20.00
IT equipment	20.00	20.00
Other	10.00	10.00
2. Intangible assets	20.00	20.00

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9. Impairment

At each reporting date the Gruop reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3.10. Investments in associates

An associate is an entity over which the Company has significant influence but which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under this method, the Group's share in the profit or loss of associates is recognised in the income statement from the date of acquisition of significant influence until the date on which significant influence is lost.

Investments are recognised initially at cost and are subsequently adjusted by the changes in the acquirer's share of the net profit of the investee. Where the Group's share of losses in an associate is equal to or higher than the equity investment in the associate, no further losses are recognised, except where the Group has assumed an obligation or committed to make a payment on behalf of the associate.

3.11. Inventories

Inventories of raw material and spare parts are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less all variable selling costs.

Cost of work in progress and finished products comprises the cost of raw material and supplies, direct labour and other costs and the portion of overheads directly attributable to work in progress.

Small inventory is written off when put in use.

The cost of product inventories i.e. the production costs is based on direct material used, the cost of which is determined using the weighted average cost method, then direct labour costs, and fixed overheads at the actual level of production which approximates the normal capacities, as well as variable overheads that are based on the actual use of the production capacities. Merchandise on stock is recognised at purchase cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12. Trade receivables and prepayments

Trade debtors and prepayments are carried at nominal amounts less an appropriate allowance for impairment for uncollectible amounts.

Impairment is made whenever there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability of bankruptcy proceedings at the debtor, or default or delinquency in payment are considered objective evidence of impairment. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The impairment losses on trade receivables are recognised in the income statement within 'Expenses'.

Management provides for doubtful receivables based on a review of the overall ageing of all receivables and a specific review of significant individual amounts receivable. The allowance for amounts doubtful of collection is charged to the statement of comprehensive income for the year.

3.13. Cash and cash equivalents

Cash comprises account balances with banks, cash in hand, deposits and securities at call or with maturities of less than three months.

3.14. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognised as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the date of the statement of financial position, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15. Termination, long-service and other employee benefits

(a) Obligations in respect of retirement and other post-employment benefits

In the normal course of business the Group makes payments, through salary deductions, to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recognised as salary expense when accrued. The Group does not operate any other retirement benefit plan and, consequently, has no other obligations in respect of the retirement benefits for its employees. In addition, the Group is not obliged to provide any other post-employment benefits.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date. The Group recognises its termination benefit obligations in accordance with applicable union agreements.

(c) Regular termination benefits

Benefits falling due more than 12 months after the reporting date are discounted to their present value.

(d) Long-term employee benefits

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actual gains and losses are recognised in the period in which they arise.

Past service cost is recognised immediately to the extent that the benefits are already vested. Otherwise, it is amortised on a straight-line basis over certain period until the benefits become vested.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16. Financial instruments

Financial assets and financial liabilities included in the accompanying financial statements consist of cash and cash equivalents, marketable securities, trade and other receivables, trade and other payables, long-term receivables, loans, borrowings and investments. The details of the recognition and measurement of those items are presented in the corresponding policies.

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets available for sale

Financial assets available for sale are classified as current assets if the management intends to realise those assets within 12 months from the date of the statement of financial position. Every purchase and sale transaction in recognised on the settlement date. Investments are recognised initially at cost, which represents the fair value of the consideration given, including transaction costs. Available-for-sale investments are subsequently measured at fair value, with no deduction of transaction costs, by reference to their market prices prevailing at the date of the statement of financial position. Investments whose fair values cannot be determined are carried at cost and reviewed for impairment at each reporting date.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability, and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16. Financial instruments (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each date of the statement of financial position. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of a financial asset is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17. Contingencies

Contingent liabilities have not been recognised in these financial statements. They are not disclosed unless the possibility of outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but it is disclosed when the inflow of economic benefits becomes probable.

3.18. Events subsequent to the reporting date

Events after the date of the statement of financial position that provide additional information about the Company's position at that date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Areas of estimation include, but are not limited to, depreciation periods and residual values of property, plant and equipment, and of intangible assets, value adjustment of inventories, impairment of receivables, and litigation provisions. The key areas of estimation in applying the Company's accounting policies that had a most significant impact on the amounts recognized in the financial statements were as follows:

Useful life of property, plant and equipment

As described in the Note 3.8, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Property, plant and equipment are recognised initially at cost, less accumulated depreciation.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Availability of taxable profits against which the deferred tax assets could be recognised

A deferred tax asset is recognized only to the extent that it is probable that the related tax benefit will be realised. In determining the amount of deferred taxes that can be recognised significant judgements are required, which are based on the probable quantification of time and level of future taxable profits, together with the future tax planning strategy.

Impairment allowance on trade receivables

Management provides for doubtful receivables based on a review of the overall ageing of all receivables and a specific review of significant individual amounts receivable. The allowance for amounts doubtful of collection is charged to the statement of comprehensive income for the year.

Actuarial estimates used in determining the retirement benefits

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions about discount rates, future salary increases and the mortality or fluctuation rates. Because of the long-term nature of those plans, there is uncertainty surrounding those estimates.

(All amounts are expressed in thousands of kunas)

5. SEGMENT INFORMATION

The Group has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Segment revenue and results

Segment revenue analysis by country:

	31.12.2012	**31.12.2011**
Slovenia	232,059	250,840
Russia	292,648	237,999
Germany	102,906	121,274
France	71,506	83,876
Croatia	15,600	16,478
Romania	12,968	7,534
Other countries	28,348	3,829
	756,035	**721,830**

6. SALES

Sales represent amounts receivable (excluding excise and similar duties) for goods sold and services rendered.

	31.12.2012	**31.12.2011**
Foreign sales	736,662	693,492
Domestic sales	19,373	28,238
	756,035	**721,730**

(All amounts are expressed in thousands of kunas)

7. OTHER INCOME

	31.12.2012	31.12.2011
Income from sale of inventories	14,795	-
Rental income	3,861	2,478
Income from bonuses provided by suppliers	2,392	2,698
Income from consumption of own products, goods and services	1,155	1,018
Income from recharged service costs	566	1,830
Income from damages collected	224	183
Income from sale of assets	-	3,493
Income from sale of own shares	-	2,941
Other operating income	2,687	45
	25,680	**14,686**

8. COST OF RAW MATERIAL AND SUPPLIES

	31.12.2012	31.12.2011
Direct materials	352,450	326,060
Electricity	14,436	14,538
Other expenses	21,023	5,082
	387,909	**345,680**

9. COST OF GOODS SOLD

	31.12.2012	31.12.2011
Cost of goods sold	41,377	24,082
Cost of spare parts sold	623	528
Cost of direct material sold	384	1,162
Other costs of goods sold	1,165	501
	43,549	**26,273**

(All amounts are expressed in thousands of kunas)

10. STAFF COSTS

	31.12.2012	31.12.2011
Net wages and salaries	83.541	76,248
Taxes and contributions out of salaries	27.461	26,471
Contributions on salaries	23.107	21,280
Bonuses for employees	-	1,960
Other staff costs	17,445	16,678
	151,554	**142,637**

Other staff costs comprise various supports, transportation costs, per diems, overnight accommodation costs and business travel costs, reimbursement of a portion of costs for the use of personal cars for business purposes and other business related costs.

11. DEPRECIATION AND AMORTISATION

	31.12.2012	31.12.2011
Depreciation	37,918	32,163
Amortisation	16,218	17,319
	54,136	**49,482**

(All amounts are expressed in thousands of kunas)

12. SERVICE COSTS

	31.12.2012	**31.12.2011**
Transport	29,127	25,296
Rental costs	9,139	6,106
Regular and preventive maintenance costs - machinery	6,790	3,765
Telecommunications and information system costs	1,858	1,108
Forwarding and shipping costs	903	1,121
Communal fees	872	1,181
Water supply	862	1,037
Tool modification costs	727	987
Commissions	288	2,149
Other expenses	11,440	5,130
	62,006	**47,880**

(All amounts are expressed in thousands of kunas)

13. OTHER EXTERNAL EXPENSES

	31.12.2012	31.12.2011
Temporary service costs - manufacture of tools	16,822	40,848
Professional service cost	5,280	5,052
Bank charges	2,798	2,409
Insurance premiums	1.713	1,092
Communal fees for the use of construction plots	1.439	1,425
Cost of goods provided free of charge	867	805
Payment operation charges	849	505
Professional training costs	436	512
Other fees (Supervisory Board)	397	607
Entertainment	375	783
Customer complaints	327	198
Translation service costs	215	175
Gifts for employees' children	212	574
Occupational Health and Safety service costs	206	190
Water management fee	169	164
Forest reproduction levies	164	317
Net book value of disposed intangible fixed assets	-	27
Net book value of disposed intangible fixed assets	-	26
Other non-material costs	2.344	2,473
Other external costs	3.025	4,713
	37.638	**62,895**

Most of other external costs comprise manufacturing of tools for the production of car spare parts per orders of the ultimate car manufacturers and include the cost of the tools, tool modification services, transportation and other handling charges.

14. OTHER OPERATING EXPENSES

	31.12.2012	31.12.2011
Property tax	1.740	1,565
Other expenses	2,253	5,901
	3.993	**7,466**

(All amounts are expressed in thousands of kunas)

15. PROVISIONS FOR RISKS AND CHARGES

	31.12.2012	31.12.2011
Provisions under actuarial calculations	1,707	1,661
Vacation accruals	348	934
Litigation provisions	38	247
Provisions for bonuses - employees	10	-
	2,103	**2,842**

16. FINANCIAL INCOME

	31.12.2012	31.12.2011
Dividend income	29,793	27,681
Foreign exchange gains	16,739	21,246
Interest income	14,323	6,418
Other finance revenue	2,544	3,180
	63,399	**58,525**

17. FINANCIAL EXPENSES

	31.12.2012	31.12.2011
Foreign exchange losses	17,143	26,060
Interest expense	16,879	9,988
Other finance costs	7,203	4,162
	41,225	**40,210**

(All amounts are expressed in thousands of kunas)

18. INCOME TAX

Income tax comprises the following:

	31.12.2012	31.12.2011
Current tax	6,142	6,104
Deferred tax	(1,693)	(223)
	4,449	**5,881**

Deferred tax, as presented in the statement of financial position, is as follows:

	31.12.2012	31.12.2011
Balance at 1 January	994	771
Deferred tax assets recognised	1,693	223
Balance at 31 December	**2,687**	**994**

(All amounts are expressed in thousands of kunas)

18. INCOME TAX (CONTINUED)

Deferred tax assets arise from the following:

2012	**Opening balance**	**Credited / (Charged) to statement of comprehensive income**	**Closing balance**
Temporary differences:			
Provisions for long-service and termination benefits	994	1,693	2,687
Balance at 31 December	**994**	**1,693**	**2,687**

2011	**Opening balance**	**Credited / (Charged) to statement of comprehensive income**	**Closing balance**
Temporary differences:			-
Provisions for long-service and termination benefits	771	223	994
Balance at 31 December	771	**223**	**994**

(All amounts are expressed in thousands of kunas)

18. INCOME TAX (CONTINUED)

The relationship between the accounting profit and tax losses carried forward can be shown as follows:

	31.12.2012	31.12.2011
Group profit	**60,474**	**70,549**
70% of entertainment expenses	200	426
30 % of the cost of use of private cars	419	378
Taxable deficits	3	-
Costs of forced collection of taxes and other levies	-	27
Fines and penalties	3	72
Interest from related-party relationships	660	2
Written-off receivables	19	261
Provisions	1,674	3,105
Other taxable revenues	77	1,962
Tax base increasing items	**3,055**	**6,233**
Dividend income	(27,897)	(26,817)
Subsequent collection of written-off receivables	(14)	(101)
Other operating expenses from prior periods	-	(1,487)
Other non-taxable revenues	(2,234)	(39)
Government grants for training and education	(246)	(229)
Tax base decreasing items	**(30,391)**	**(28,673)**
Income tax base before the utilisation of tax losses brought forward	33,138	48,109
Tax base	**33,138**	**48,109**
Tax at the weighted average rate	8,025	9,122
Tax reliefs	(3,576)	(3,241)
Current tax liability	**4,449**	**5,881**

(All amounts are expressed in thousands of kunas)

18. INCOME TAX (CONTINUED)

On 24 October 2012 the Company filed with the Ministry of Economy the Application for Incentive Measures for the investment project "Expansion of Production for the Purpose of Export of Car Industry Products", in accordance with the Act on Investment Promotion and Development of Investment Climate (OG 111/2012 and 28/2013) and the Investment Promotion and Development of Investment Climate (OG 40 of 5 April 2013).

As a result, the Company made investments in fixed assets in November and December 2012, having thus met the prerequisites for the utilistation of the tax incentives for 2012.

The Application meets the requirements set out in the above-mentioned regulations, the required capital investments were made, and the Company uses the tax incentives in its 2012 financial statements on a valid basis.

19. EARNINGS PER SHARE

Basic earnings per share are determined, by dividing the Group's net profit by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares redeemed and held by the Company as treasury shares. There were no circumstances that would give rise to a dilution of the earnings per share reported above.

	31.12.2012	**31.12.2011**
Net profit attributable to the Company shareholders	56,025	64,668
Weighted average number of shares	4,159,303	4,195,841
Basic earnings per share (in HRK)	**13.47**	**15.41**

(All amounts are expressed in thousands of kunas)

20. INTANGIBLE ASSETS

	Licences	Software	Projects	Total
Cost				
Balance at 31 December 2010	**67**	**3,108**	**102,932**	**106,107**
Additions	-	315	14,835	**15,150**
Disposals and retirements	(12)	-	-	**(12)**
Balance at 31 December 2011	**55**	**3,423**	**117,767**	**121,245**
Additions	-	47	35,595	**35,642**
Disposals and retirements		-	-	**-**
Balance at 31 December 2012	**55**	**3,470**	**153,362**	**156,887**
Accumulated depreciation				
Balance at 31 December 2010	-	**698**	**61,841**	**62,539**
Charge for the year	-	629	16,690	**17,319**
Balance at 31 December 2011	-	**1,327**	**78,531**	**79,858**
Charge for the year	-	208	16,010	**16,218**
Balance at 31 December 2012	**-**	**1,535**	**94,541**	**96,076**
Net book value				
At 31 December 2012	**55**	**1,935**	**58,821**	**60,811**
At 31 December 2011	**55**	**2,096**	**39,236**	**41,387**

Projects comprise investments in the development of new products that are expected to generate revenue in future periods. Consequently, the costs are amortised over the period in which the related economic benefits flow into the Group.

(All amounts are expressed in thousands of kunas)

21. TANGIBLE ASSETS

	Land	Buildings	Plant and equipment	Assets under construction	Other	Total
Cost						
Balance at 31 December 2010	**134,620**	**260,837**	**391,288**	**3,796**	**3,622**	**794,163**
Additions	759	22,194	15,776	17,055	263	56,047
Transfer from assets under development	-	1,663	2,486	(4,249)	100	-
Disposals and retirements	-	-	(1,310)	-	-	(1,310)
Balance at 31 December 2011	**135,379**	**284,694**	**408,240**	**16,602**	**3,985**	**848,900**
Additions	1,291	11,251	35,540	52,129	-	100,211
Transfer from assets under development	3,306	1,196	8,232	(12,981)	247	-
Disposals and retirements	-	-	(2,038)	-	(2,683)	(4,721)
Balance at 31 December 2012	**139,976**	**297,141**	**449,974**	**55,750**	**1,549**	**944,390**
Accumulated depreciation						
Balance at 31 December 2010	-	**54,861**	**223,297**	-	**586**	**278,744**
Charge for the year 2011	-	4,319	27,167	-	677	32,163
Balance at 31 December 2011	**-**	**59,180**	**250,464**	**-**	**1,263**	**310,907**
Charge for the year 2012	-	6,222	31,410	-	286	37,918
Disposals and retirements	-	-	(2,233)	-	-	(2,233)
Balance at 31 December 2012	**-**	**65,402**	**279,641**	**-**	**1,549**	**346,592**
Net book value						
At 31 December 2012	**139,976**	**231,739**	**170,333**	**55,750**	**-**	**597,798**
At 31 December 2011	**135,379**	**225,514**	**157,776**	**16,602**	**2,722**	**537,993**

At 31 December 2012, the net book value of tangible assets pledged as collateral with commercial banks amounts to HRK 306,598 thousand, and the balance of short-term and long-term loans secured by those assets is HRK 266,165 thousand.

(All amounts are expressed in thousands of kunas)

22. INVESTMENTS IN ASSOCIATES

Name of associate	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment, HRK'000	
			2012	2011	2012	2011
EURO AUTO PLASTIC SYSTEMS	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	50.00%	50.00%	68,285	66,778
FAURECIA AD PLASTIK ROMANIA (FAAR)	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	49.00%	49.00%	258	258
FAURECIA ADP HOLDING	Manufacture of other vehicle spare parts and accessories	Nanterre, France	40.00%	40.00%	17,692	17,298
					86,235	**84,334**

Name of associate	Country of incorporation and business	Amount of equity investment 31.12.2011	Share in the result for the year 2012	Dividends paid	Amount of equity investment 31.12.2012
EURO AUTO PLASTIC SYSTEMS	Mioveni, Romania	66,778	29,399	(27,892)	68,285
FAURECIA AD PLASTIK ROMANIA (FAAR)	Mioveni, Romania	258		-	258
FAURECIA ADP HOLDING	Nanterre, France	17,298	394	-	17,692
		84,334	**29,793**	**27,892**	**86,235**

(All amounts are expressed in thousands of kunas)

23. OTHER FINANCIAL ASSETS

	31.12.2012	31.12.2011
Long-term loans to associates	55,333	53,309
Long-term loans to unrelated companies	17,118	24,738
Other financial assets	64	64
Current portion of long-term loan receivables	(2,408)	(2,839)
	70,107	**75,272**

A long-term investment loan with a variable interest and maturity in 2014 was granted to an associate. Loan has been secured with adequate collaterals.

24. INVENTORIES

	31.12.2012	31.12.2011
Raw material and supplies on stock	54,085	39,899
Merchandise	14,768	19,473
Finished products	11,622	11,093
Work in progress	2,000	2,531
Predujmovi za zalihe	1,007	-
Dugotrajna imovina namijenjena prodaji	503	-
	83,985	**72,996**

(All amounts are expressed in thousands of kunas)

25. TRADE RECEIVABLES

	31.12.2012	31.12.2011
Foreign trade receivables	183,598	152,959
Domestic trade receivables	14,420	15,027
Impairment allowance on receivables	(12,022)	(12,040)
	185,996	**155,946**

The average credit period on sales is 78 days. The Company has provided for all for all receivables handed over to the courts for collection, regardless of the past due period, as well as for all receivables that are past due and assessed as doubtful of collection.

The Company seeks and obtains from its domestic customers debentures as collaterals in the amount of the receivables.

Set out below is an analysis of major trade receivables:

	31.12.2012	31.12.2011
Revoz, Slovenia	43,566	56,234
Visteon Deutschland, Germany	17,989	31,061
OAO Avtovaz, Russia	56,507	30,181
Peugeot Citroen Automobiles, France	5,338	5,689
Renault SAS , France	6,498	5,802
Other debtors	68,120	39,019
	198,018	**167,986**

(All amounts are expressed in thousands of kunas)

25. TRADE RECEIVABLES (CONTINUED)

Movements in the impairment allowance on domestic trade receivables were as follows:

	31/12/2012	31.12.2011
Balance at beginning of the year	10,245	9,719
Additionally impaired during the year	-	598
Amounts collected or eliminated during the year	(4)	(72)
Total impairment allowance on domestic trade receivables	**10,241**	**10,245**
Balance at beginning of the year	1,795	1,739
Additionally impaired during the year	-	200
Amounts collected or eliminated during the year	(14)	(144)
Total impairment allowance on foreign trade receivables	**1,781**	**1,795**
Total impairment allowance	**12,022**	**12,040**

All receivables provided for are under litigation or included in bankruptcy estate. Ageing analysis of impaired receivables:

	31.12.2012	31.12.2011
0 - 1096 days	622	640
Over 1096 days	11,400	11,400
	12,022	**12,040**

Ageing analysis of receivables past due but not impaired:

	31.12.2012	31.12.2011
1 - 365 days	9,238	6,625
Over 365 days	1,644	1,856
	10,882	**8,481**

(All amounts are expressed in thousands of kunas)

25. TRADE RECEIVABLES (CONTINUED)

Receivables from associated companies

	31.12.2012	31.12.2011
Interest receivable	16,574	6,911
Trade receivables	3,919	4,549
	20,493	**11,460**

26. OTHER RECEIVABLES

	31.12.2012	31.12.2011
Prepayments made	36,450	22,845
Receivables from the State and state institutions institutions	35,062	19,266
Due from employees	988	736
Other receivables	5,841	2,588
	78,341	**45,435**

Amounts due from the State and state institutions comprise receivables from the State Budged in respect of VAT refund, refunds from the Croatian Health Insurance Fund and similar.

Foreign prepayments comprise prepayments made for purchases of production equipment and tools.

27. CURRENT FINANCIAL ASSETS

	31.12.2012	31.12.2011
Short-term loans to subsidiaries	18,547	14,977
Current portion of long-term loan receivables	2,408	2,839
Other short-term loans	1,000	6,790
Short-term investments in investment funds	-	2,800
Other deposits	4	7,577
	21,959	**34,983**

28. CASH

	31.12.2012	31.12.2011
Current account balance	12,560	7,512
Deposits with a term of up to 3 months	902	28,530
	13,462	**36,042**

29. PREPAID EXPENSES AND ACCRUED INCOME

Accrued income in the amount of HRK 95,861 thousand (2011: HRK 110,035 thousand) represent amounts relating to the manufacture of tools for a known customer. Income from the manufacture of tools is recognised using the stage-of-completion method to determine the amount of income and costs attributable to a certain period.

	31.12.2012	31.12.2011
Other accrued income on tools	95,861	110,035
Other accrued income	3,117	3,214
Prepaid operating expenses	3,517	2,916
	102,495	**116,165**

30. SHARE CAPITAL

Subscribed capital amounts to HRK 419,958 thousand and consists of 4,199,580 shares, with a nominal value of HRK 100.00 per share (2011: HRK 419,958 thousand, 4,199,580 shares, with a nominal value of HRK 100 each).

The shareholders with over 2 percent of the shares at 31 December 2012 were as follows:

Shareholder	Headquarters	Number of shares	Ownership in %	Type of account
OAO Holding Autokomponenti	Saint Petersburg, Russia	1,259,875	30.00%	Primary account
HYPO ALPE-ADRIA-BANK d.d./RAIFFEISEN MANDATORY PENSION FUND	Zagreb, Croatia	257,362	6.13%	Pension fund
ADP-ESOP d.o.o.	Zagreb, Croatia	219,312	5.23%	Primary account
PBZ d.d.	Zagreb, Croatia	158,812	3.78%	Custody account
ERSTE & SEIERMARKISCHE BANK d.d.	Zagreb, Hrvatska	110,349	2.63%	Custody account
Bakić Nenad	Zagreb, Croatia	107.498	2,56%	Primary account
Total:		**2,113,648**	**50.33%**	

31. PROVISIONS

	Short-term:		Long-term:	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Jubilee awards (long-service benefits)	-	-	1,718	1,897
Retirement benefits	1,411	1,050	780	2,007
Legal actions	3,389	3,838	-	-
Tax disputes	347	-	-	-
Vacation accrual	2,258	2,508	-	925
Bonuses to employees	400	1,960	-	-
Other provisions	1,072	1,029	-	-
	8,877	**10,385**	**2,498**	**4,829**

	Jubilee awards	Retirem-ents	Court disputes	Taxes	Vacation days	Bonus	Other	Total
Balance 1 January 2012	**1.897**	**3.057**	**3.838**	**-**	**3.433**	**1.960**	**1.029**	**15.214**
Increase/(decrease) in provision	(179)	(866)	(449)	347	(1.175)	(1.560)	43	(3.839)
Balance 31 December 2012	**1.718**	**2.191**	**3.389**	**347**	**2.258**	**400**	**1.072**	**11.375**

31. PROVISIONS (CONTINUED)

Long-service and termination benefits

Defined benefit plan

According to the Collective Agreement, the Company has the obligation to pay long-service (jubilee awards), retirement and other benefits to employees. The Company operates a defined benefit plan for qualifying employees. Retirement and long-service benefits are defined in the Union Agreement. No other post-retirement benefits are provided.

Long-service benefits are paid for full years of service in the month of the current year in which the service is determined as completed.

The present value of defined benefit obligations and the related current and past service cost have been determined using the Projected Credit Unit method.

Key assumptions used in calculating the required provisions are the discount rate of 4.58% and the rate of fluctuation of 4.68 %.

(All amounts are expressed in thousands of kunas)

32. NON-CURRENT LIABILITIES

	31.12.2012	31.12.2011
Long-term borrowings	251,247	113,989
Current portion of long-term borrowings	(49,629)	(34,147)
	201,618	**79,842**
Other non-current liabilities	71	69
	201,689	**79,911**

Long-term borrowings comprise HBOR investment loans and long-term loans from commercial banks with interest rate of 4.53%. AD Plastik d.d. services regularly all of its obligations under those borrowings, in line with the terms and conditions of the underlying loan agreements.

Movements in long-term borrowigs during the year:

	2012	2011
Balance at 1 January	79,842	123,170
New loans raised	207,330	20,000
Amounts repaid	(85,554)	(63,328)
Total long-term borrowings	**201,618**	**79,842**

(All amounts are expressed in thousands of kunas)

33. ADVANCES RECEIVED

	31.12.2012	31.12.2011
Foreign customers	98,240	120,254
Domestic customers	299	993
	98,539	**121,247**

Advances received from foreign customers represent cash advanced for ordered tools.

34. TRADE PAYABLES

	31.12.2012	31.12.2011
Foreign trade payables	100,865	103,612
Domestic trade payables	22,919	17,018
	123,784	**120,630**

35. CURRENT FINANCIAL LIABILITIES

	31/12/2012	31.12.2011
Short-term borrowings - principal payable	75,233	94,858
Current portion of long-term borrowings	49,629	34,147
Short-term borrowings - interest payable	1,850	1,568
Other short-term financial liabilities	-	2
	126,712	**130,575**

Short-term borrowings represent revolving facilities provided by commercial banks with an interest rate of 4.53%.

(All amounts are expressed in thousands of kunas)

36. OTHER CURRENT LIABILITIES

	31.12.2012	31.12.2011
Due to the State and State institutions	10,631	24,366
Amounts due to employees	8,243	3,163
Dividends payable	374	658
Other current liabilities	6,183	4
	25,431	**28,191**

37. ACCRUED EXPENSES AND DEFERRED INCOME

	31.12.2012	31.12.2011
Due to the State and State institutions	481	972
Other current liabilities	1,236	1,236
	1,717	**2,208**

(All amounts are expressed in thousands of kunas)

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

38.1. Gearing ratio

The Company's gearing ratio, expressed as the ratio of net debt to equity, can be expressed as follows:

	31.12.2012	**31.12.2011**
Short-term borrowings	126,712	130,575
Long-term borrowings	201,618	79,842
Cash and cash equivalents	13,462	36,042
Net debt	314,868	174,375
Equity	714,629	703,571
Net debt-to-equity ratio	44.06%	24.78%

(All amounts are expressed in thousands of kunas)

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

38.2. Categories of financial instruments

	31.12.2012	31.12.2011
Financial assets		
Loans and receivables	407,576	331,421
Financial assets at fair value through profit or loss	-	10,300
Cash and cash equivalents	13,462	36,042
Financial liabilities		
Trade payables	237,194	245,771
Borrowings	328,330	210,417

At the reporting date there are no significant concentrations of credit risk for loans and receivables designated at fair value through the statement of comprehensive income. Receivables and liabilities toward Governmnet are not included in stated amounts.

38.3. Financial risk management objectives

The Treasury function of the Group provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Company seeks to minimise the effects of these risks. The Group uses hedging instruments to hedge its exposure to currency risk on a part of the borrowings.

38.4. Price risk management

The largest markets on which the Group provides its services and sells its products comprise the EU market and the market of the Russian Federation. The management determines the prices of its products separately for domestic and foreign markets by reference to the market prices.

38.5. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate, which applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost of an instrument will fluctuate over time. The interest rate risk exposure is low, as there are no financial instruments at variable rates.

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

38.6. Credit risk

The Group is exposed to credit risk through loans and trade receivables. Loans are granted to its subsidiaries and as such credit risk is under the control of the Company. Trade receivables are presented net of allowance for bad and doubtful accounts.

The five largest customers of the Company are Revoz, Slovenia; Visteon, Germany; OAO Avtovaz, Russia; Peugeot Citroen Automobiles, France and Renault, France. Revenues generated by the sales to these business partners represent 87 percent of the total sales.

It is the policy of the Group to transact with financially sound companies where there is no risk of collection.

(All amounts are expressed in thousands of kunas)

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

38.7. Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The carrying amounts of the Group's foreign-currency denominated monetary assets and monetary liabilities at the reporting date are provided in the table below using exchange rates of the Croatian National Bank:

At 31 December

	Assets		**Liabilities**		**Net position**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
EUR	18,710	166,588	50,255	258,740	(31,545)	(92,152)
RUR	727,536	68,287	271,332	443	456,204	67,844
USD	58	337	84	307	(26)	30
GBP	6	13	4	21	2	(8)
CHF	-	-	3	17	(3)	(17)
RSD	70,321	-	2,834		67,487	-
	816,631	**235,225**	**324,512**	**259,528**	**492,119**	**(24,303)**

Foreign currency sensitivity analysis

The Group is mainly exposed to the countries using EUR and RUR as their currency. The following table details the Company's sensitivity to a 2-percent decrease of the Croatian kuna in 2012 and 2011 against the stated currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end. A negative number below indicates a decrease in profit and and a positive number below indicates an increase in profit where the Croatian kuna changes against the relevant currency for the percentage specified above.

	EUR impact	
	2012	**2011**
Change in exchange differences	(4,761)	(1,837)

	RUR impact	
	2012	**2011**
Change in exchange differences	1,711	245

(All amounts are expressed in thousands of kunas)

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

38.8. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management Board. The Group manages its liquidity using banking facilities (overdrafts) and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can require payment i.e. can be required to pay.

2012	**Average interest rate**	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Assets							
Non-interest bearing		39.840	58.179	91.095	10.344	86.235	285.693
Interest bearing	9.95%	7.836	13.721	28.125	102.065	6.505	158.252
		47.676	**71.900**	**119.220**	**112.409**	**92.740**	**443.945**
Liabilities							
Non-interest bearing		42.420	23.463	84.229	92.124	-	242.236
Interest bearing	4.53%	3.221	24.255	130.431	204.721	-	362.628
		45.641	**47.718**	**214.660**	**296.845**	**-**	**604.864**
2011							
Assets							
Non-interest bearing		79.769	89.141	35.237	11.423	84.334	299.904
Interest bearing	8.73%	6.538	2.501	36.380	83.132	14.205	142.756
		86.307	**91.642**	**71.617**	**94.555**	**98.539**	**442.660**
Liabilities							
Non-interest bearing		29.608	80.046	13.404	108.191	-	231.249
Interest bearing	4.30%	20.689	8.244	111.196	80.940	5.870	226.939
		50.297	**88.290**	**124.600**	**189.131**	**5.870**	**458.188**

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

38.9. Fair value of financial instruments

Financial instruments held to maturity in the ordinary course of business are carried at the lower of cost and net amount less repaid portion.

The fair value represents the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, except in the event of a forced sale or liquidation. The fair value of a financial instrument is its quoted market price, or the amount obtained using the discounted cash flow method.

At 31 December 2012, the carrying amounts of cash, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their fair values due to the short-term maturity of these financial instruments.

39. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board of AD Plastik d.d. and authorised for issue on 23 April 2013.

For **AD Plastik d.d.** Solin:

AD-PLASTIK AD Plastik 24 d.d. SOLIN

Mladen Peroš
President of the Management Board

III.b AD Plastik d.d., Solin

Unconsolidated financial statements

and Independent Auditor's Report

For the year ended

31 December 2012

Contents

Page

Responsibility for the financial statements	1
Independent Auditor's Report	2-3
Unconsolidated statement of comprehensive income	4
Unconsolidated statement of financial position	5-6
Unconsolidated statement of changes in shareholders' equity	7
Unconsolidated statement of cash flows	8
Notes to the unconsolidated financial statements	9-56

Pursuant to the Accounting Act of the Republic of Croatia, the Management is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("the IFRSs"), which give a true and fair view of the financial position and results of operations of AD Plastik d.d., Solin (the "Company") for that year.

The Company has also prepared its consolidated financial statements in accordance with International Financial Reporting Standards.After making appropriate enquiries, the Management has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management continues to prepare the financial statements on a going-concern basis.

In preparing those financial statements, the responsibilities of the Management Board of the Company include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis, unless it is inappropriate to assume that the Company will continue as a going concern.

The Management Board of the Company is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and must also ensure that the financial statements comply with the Accounting Act. The Management is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management by:

Mladen Peroš, President of the Management Board

AD Plastik d.d., Solin
Matoševa 8
21210 Solin
Republic of Croatia

23 April 2013

Deloitte d.o.o.
ZagrebTower
Radnička cesta 80
10 000 Zagreb
Croatia
Personal Identification
No. (OIB): 11686457780

Tel: +385 (0) 1 2351 900
Fax: +385 (0) 1 2351 999
www.deloitte.com/hr

Independent Auditor's Report

To the Owners of AD Plastik d.d., Solin

We have audited the accompanying unconsolidated financial statements of AD Plastik d.d. Solin ("the Company"), which comprise the statement of financial position at 31 December 2012, and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the preparation and fair presentation of the financial statements 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 internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditor's Report (continued)

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2012, and the results of its operations and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Branislav Vrtačnik, Certified Auditor, Board Member

Deloitte d.o.o., Zagreb

Zagreb, 23 April 2013

AD Plastik d.d., Solin
Unconsolidated statement of comprehensive income
For the year ended 31 December 2012
(All amounts are expressed in thousands of kunas)

	Notes	31.12.2012	31.12.2011
Sales	5	507,571	557,692
Other income	6	8,888	11,008
Total income		**516,459**	**568,700**
Decrease in the value of work in progress and finished products		(1,262)	1,625
Cost of raw material and supplies	7	(221,728)	(263,554)
Cost of goods sold	8	(66,366)	(26,270)
Service costs	9	(37,380)	(40,362)
Staff costs	10	(99,252)	(106,797)
Depreciation and amortisation	11	(37,711)	(39,625)
Other operating expenses	12	(34,019)	(63,380)
Provisions for risks and charges	13	(1,449)	(737)
Total operating expenses		**(499,167)**	**(539,100)**
Profit from operations		**17,292**	**29,600**
Finance revenue	14	50,877	61,472
Finance cost	15	(22,955)	(36,215)
Profit from financing activities		**27,922**	**25,257**
Profit before taxation		**45,214**	**54,857**
Income tax expense	16	(447)	(3,021)
Profit for the year		**44,767**	**51,836**
Other comprehensive income		-	-
Total comprehensive income		**44,767**	**51,836**

The accompanying accounting policies and notes form an integral part of these financial statements.

(All amounts are expressed in thousands of kunas)

	Notes	31.12.2012	31.12.2011
ASSETS			
Non-current assets			
Intangible assets	18	38,716	36,409
Tangible assets	19	426,153	425,254
Investments in subsidiaries and associates	20	139,676	127,259
Other financial assets	21	89,230	128,182
Deferred tax assets	16	441	888
Total non-current assets		**694,216**	**717,992**
Current assets			
Inventories	22	30,973	34,962
Trade receivables	23	183,243	122,953
Other receivables	24	57,637	49,698
Current financial assets	25	38,633	37,713
Cash and cash equivalents	26	7,255	29,719
Prepaid expenses and accrued income	27	102,145	116,103
Total current assets		**419,886**	**391,148**
TOTAL ASSETS		**1,114,102**	**1,109,140**

(All amounts are expressed in thousands of kunas)

	Notes	31.12.2012	31.12.2011
Equity			
Share capital	28	419,958	419,958
Reserves		214,084	200,063
Profit for the year		44,767	51,836
Total equity		**678,809**	**671,857**
Long-term provisions	29	2,201	3,388
Long-term borrowings	30	110,180	79,842
Total non-current liabilities		**112,381**	**83,230**
Advances received	31	103,843	109,718
Trade payables	32	76,351	84,720
Short-term borrowings	33	124,975	125,336
Other current liabilities	34	8,629	22,715
Short-term provisions	29	7,458	9,356
Accrued expenses and deferred income	35	1,656	2,208
Total current liabilities		**322,912**	**354,053**
Total liabilities		**435,293**	**437,283**
TOTAL EQUITY AND LIABILITIES		**1,114,102**	**1,109,140**

The accompanying accounting policies and notes form an integral part of these financial statements.

(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Legal reserves	Reserves for own shares	Treasury shares	Retained earnings	Total
Balance at 31 December 2010 - as restated	**419,958**	**191,424**	**6,129**	**11,360**	**(11,360)**	**22,086**	**639,597**
Dividends paid	-	-	-	-	-	(30,672)	(30,672)
Valuation of own shares	-	-	-	114	(114)	-	-
Distributions to employees	-	1,608	-	(1,962)	1,962	354	1,962
Sale of own shares	-	229	-	(9,134)	9,134	8,905	9,134
Profit for the year	-	-	-	-	-	51,836	51,836
Balance at 31 December 2011	**419,958**	**193,261**	**6,129**	**378**	**(378)**	**52,509**	**671,857**
Dividends paid	-	-	-	-	-	(33,566)	(33.566)
Valuation of own shares	-	-	-	(351)	351	-	-
Distributions to employees	-	-	-	(524)	524	524	524
Purchase of own shares	-	-	-	4.773	(4,773)	(4,773)	(4,773)
Profit for the year	-	-	-	-	-	44,767	44,767
Balance at 31 December 2012	**419,958**	**193,261**	**6,129**	**4.276**	**(4,276)**	**59,461**	**678,809**

The accompanying accounting policies and notes form an integral part of these financial statements.

(All amounts are expressed in thousands of kunas)

Cash flows from operating activities	**31.12.2012**	**31.12.2011**
Profit for the year	**44,767**	**51,836**
Income tax expense	447	3,021
Depreciation and amortisation	37,710	39,651
(Gains) / loss from sale of assets	(195)	515
Impairment allowance on trade receivables	-	582
Interest expense	9,545	9,433
Interest income	(13,248)	(11,521)
Increase in long-term and short-term provisions	(3,085)	2,519
Profit from operations before working capital changes	**75,941**	**96,036**
Decrease in inventories	3,989	2,203
(Increase) / decrease in trade receivables	(60,290)	25,848
Increase in amounts due from the state	(3,376)	(1,493)
Decrease / (increase) in other receivables	4,330	(10,793)
(Decrease) / increase in trade payables	(8,369)	18,393
(Decrease) / increase in advances received	(5,875)	29,288
(Decrease) / increase in other current liabilities	(13,707)	21,396
(Decrease) / increase in accrued expenses and deferred income	(552)	503
Decrease / (increase) in prepaid expenses	13,958	(40,576)
Income tax paid	-	(1,170)
Payments made under a tax decision	-	(4,731)
Interest paid	(9,924)	(8,994)
Cash generated (used in)/from operations	**(3,875)**	**125,910**
Investments in subsidiaries	(12,417)	(19)
Interest received	4,355	11,521
Purchases of property, plant and equipment, and intangible assets	(40,721)	(20,240)
Investments in Funds	2,800	(8,278)
Short-term loans	2,073	(6,990)
Long-term loans	33,159	(65,574)
Cash used in investing activities	**(10,751)**	**(89,580)**
Purchase of own shares	(4,773)	-
Bonuses to employees	524	-
Dividends paid	(33,566)	(30,672)
Proceeds from borrowings	248,620	139,229
Repayment of borrowings	(218,643)	(173,786)
Cash used in financing activities	**(7,838)**	**(65,229)**
Net cash flow for the year	**(22,464)**	**(28,899)**
At 1 January	29,719	58,618
Net cash inflow	(22,464)	(28,899)
At 31 December	**7,255**	**29,719**

The accompanying accounting policies and notes form an integral part of these financial statements.

1 GENERAL INFORMATION

The company AD Plastik d.d., Solin, a public limited company for the production of motor vehicle spare parts and accessories and of plastic masses (abbreviated firm: AD PLASTIK d.d.), was established by a decision of the Founding Assembly dated 15 June 1994 following the transformation of the socially-owned entity Autodijelovi – Solin pursuant to the decision on the transformation of ownership and the Decision of the Croatian Privatisation Fund No. 01-02/92-06/392 of 6 December 1993. The Company is the legal successor of the socially-owned entity Autodijelovi and, according to the decision of the Commercial Court in Split No. Fi 6215/94 of 28 June 1994, assumed all of its assets and liabilities at the date of registration in the court register.
By decision of the General Shareholders' Assembly dated 21/06/2007, the Statute of the Company of 8 July 2004 was amended and a decision was made to increase the share capital of the Company in cash. Pursuant to the Decision No. Tt-07/2145-3 of 25/09/2007, the increase of the share capital by HRK 125,987,500.00, effected by OAO Saint Petersburg Investment Company (Sankt-Peterburške investicijske kompanije, OAO SPIK) was registered, and the total subscribed capital now amounts to HRK 419,958,400.00 and consists of 4,199,584 shares, with a nominal amount of HRK 100.00 each. By the Share Transfer Agreement of 29 June 2009 OAO Spik transferred the shares of the AD Plastik d.d. to OAO Group Aerokosmicheskoe Oborudovanie, St. Petersburg, which transferred those shares to OAO HAK, Sankt Petersburg.
The Company shares were included in the listing of public limited companies on the Official Market of the Zagreb Stock Exchange on 1 October 2010.

1.2. Principal business

The primary activity of the Company comprises manufacture of motor vehicle spare parts and accessories. The registered activities of the Company comprise the following:

- manufacture of motor vehicle spare parts and accessories;
- production and trade in medical supplies for one-off application made of plastic masses: plastic syringes for one-off application; infusion sets; transfusion sets; hemodialysis needles; urine bags, and others.
- representation of foreign firms
- international forwarding and shipping
- production of finished textile products other than clothing;
- production of synthetic rubber in primary forms;
- production of glues and jellies;
- production of rubber and plastic products;
- production of metal products other than machinery and equipment;
- construction and repair of leisure and sports boats;
- production of chairs and seats;
- production of sports equipment;
- recycling of non-metal waste and scrap;
- computer and related activities;
- providing advice, guidance and operational assistance to legal entities;

(All amounts are expressed in thousands of kunas)

1. GENERAL INFORMATION (CONTINUED)

- designing of accounting systems, materials accounting software, budgeting control procedures;
- advice and assistance to legal entities in connection with planning, organisation, efficiency and controls, management information, etc.;
- management consulting (agronomists and agroeconomicsts, on farms, etc.);
- purchase and sale of goods;
- trade mediation on domestic and international markets;
- use of hazardous chemicals; and
- treatment of hazardous and non-hazardous waste.

1.3. Number of staff

At 31 December 2012, the number of staff employed was 830 (2011: 872).

1.4. Management and corporate governance

	Mandate	
Members of the Supervisory Board:		
Josip Boban (Chairman)	From 19.07.2012	To 19.07.2016
Nikola Zovko (Deputy Chairman)	From 19.07.2012	To 19.07.2016
Marijo Grgurinović	From 14.07.2011	To 14.07.2015
Igor Anatoljevič Solomatin	From 14.07.2011	To 14.07.2015
Tomislav Dulić	From 11.09.2008	To 11.09.2012
Drandin Dmitrij Leonidovič	From 19.10.2011	To 19.10.2015
Nikitina Nadežda Anatoljevna	From 19.10.2011	To 19.10.2015

Members of the Management Board:

Mladen Peroš (President)	From 19.07.2012	To 19.07.2016
Ivica Tolić	From 19.07.2012	To 19.07.2016
Katija Klepo	From 19.07.2012	To 19.07.2016

2. ADOPTION OF NEW AND REVISED STANDARDS

Adoption of new and revised standards

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

- Amendments to IAS 1 "Presentation of financial statements" **- Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012),**
- Amendments to IAS 1 Presentation of Financial Statements **(as part of the Annual Improvements to IFRSs 2009-2011 Cycle issued in May 2012) (annual periods beginning on or after 1 January 2013),**
- Amendments to IFRS 7 Disclosures **– Transfers of Financial Assets,**
- Amendments to IAS 12 "Income Taxes" - Deferred Tax: Recovery of Underlying Assets **(effective for annual periods beginning on or after 1 January 2012).**

The adoption of the amended and revised Standards and Interpretations has not lead to any changes in the Company's accounting policies.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Adoption of new and revised standards

Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements the following Standards, revisions and Interpretations were in issue but not yet effective:

- IFRS 9 “Financial Instruments” **(effective for annual periods beginning on or after 1 January 2013),**
- IFRS 10 “Consolidated Financial Statements” **(effective for annual periods beginning on or after 1 January 2013)**
- IFRS 11 “Joint Arrangements” **(effective for annual periods beginning on or after 1 January 2013),**
- IFRS 12 “Disclosures of Involvement with Other Entities” **(effective for annual periods beginning on or after 1 January 2013),**
- IFRS 13 “Fair Value Measurement” **(effective for annual periods beginning on or after 1 January 2013),**
- IAS 19 “Employee Benefits” (revised in 2011) **(effective for annual periods beginning on or after 1 January 2013),**
- IAS 27 (revised in 2011) “Separate Financial Statements” **(effective for annual periods beginning on or after 1 January 2013),**
- IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures” **(effective for annual periods beginning on or after 1 January 2013),**
- **Amendments to IFRS 7 “Financial Instruments: Disclosures”- Transfers of Financial Assets and Financial Liabilities** (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 10 “Consolidated Financial Statements” **(effective for annual periods beginning on or after 1 January 2013)**
- Amendments to IFRS 11 “Joint Arrangements” **(effective for annual periods beginning on or after 1 January 2013)**
- Amendments to IFRS 12 “ Disclosure of Interests in Other Entities” **(effective for annual periods beginning on or after 1 January 2013)**
- Amendments to IAS 32 “Offsetting Financial Assets and Financial Liabilities” **(effective for annual periods beginning on or after 1 January 2014),**
- IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine” **(effective for annual periods beginning on or after 1 January 2013).**

The Company has elected not to adopt these Standards, revisions and Interpretations in advance of their effective dates and anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Company in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Set out below are the principal accounting policies consistently applied in the preparation of the financial statements for the current and prior years.

3.17. Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards and Croatian laws.

3.18. Basis of preparation

The financial statements of the Company have been prepared on the historical cost basis, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and Croatian laws.

The Company maintains its accounting records in the Croatian language, in Croatian Kuna and in accordance with Croatian laws and the accounting principles and practices observed by enterprises in Croatia.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRSs) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The financial statements of the Company represent aggregate amounts of assets, liabilities, capital and reserves of the Company as of 31 December 2012, and the results of operations for the year then ended. Consolidated financial statements AD Plastik d.d. and subsidiaries for the year ended 31 December 2012 have been issued on 23rd April 2013.

The Company also prepares its consolidated financial statements in accordance with International Financial Reporting Standards, which include the financial statements of the Company as the parent and the financial statements of the subsidiaries controlled by the Company. In these financial statements, investments in entities controlled by the Company or in which the Company has significant influence are carried at cost less impairment if any. For a full understanding of the financial positions of the Company and its subsidiaries as a group, and the results of their operations and their cash flows for the year, users are advised to read the consolidated financial statements of the Group AD Plastik d.d. (“the Group”). Details of the investments are presented in Note 20.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for products, goods or services sold in the regular course of operations.

Revenues are stated net of value added tax, estimated returns, discounts and rebates. Revenue is recognised when the amount of the revenue can be measured reliably and when future economic benefits are expected to flow into the Company.

Product sales are recognised when the products are delivered to, and accepted by the customer and when the collectability of the receivables is virtually certain.

Income from the manufacture of tools for a known customer

Income from the manufacture of tools is recognised using the stage-of-completion method to determine the amount of income and costs attributable to a certain period.

Interest income

Interest income is recognised on a time basis, using the effective interest method. Interest earned on balances with commercial banks (demand and term deposits) is credited to income for the period as it accrues. Interest on trade debtors is recognised as income upon settlement.

3.4. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are included in profit or loss in the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5. Foreign currency transactions

Transactions in foreign currencies are translated into Croatian kunas at the rates of exchange in effect at the dates of the transactions. Cash, receivables and payables denominated in foreign currencies are retranslated at the rates of exchange in effect at the date of the statement of financial position. Gains and losses arising on translation are included in the statement of comprehensive income for the year. At 31 December 2012, the official exchange rate of the Croatian kuna against 1 euro (EUR) was HRK 7.545624 (31 December 2011: HRK 7.53042 for EUR 1).

3.6. Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognised in the income statement, except where it relates to items recognised directly in equity, in which case it is also recognised in equity. Current tax represents tax expected to be paid on the basis of taxable profit for the year, using the tax rate enacted at the balance sheet date, adjusted by appropriate prior-period items.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates in effect at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the amount that the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred taxes are not discounted and are classified in the balance sheet as non-current assets and/or non-current liabilities. Deferred tax assets are recognised only to the extent that it is probable that the related tax benefit will be realised. At each balance sheet date, the Company reviews the unrecognised potential tax assets and the carrying amount of the recognised tax assets.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities.

In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

(All amounts are expressed in thousands of kunas)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7. Property, plant and equipment, and intangible assets

Tangible fixed assets are recognised initially at cost and subsequently at cost less accumulated depreciation. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable sales taxes and any directly attributable costs of bringing an asset to its working condition and location for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Where it is obvious that expenses incurred resulted in increase of expected future economic benefits to be derived from the use of an item of tangible or intangible assets in excess of the originally assessed standard performance of the asset, they are added to the carrying amount of the asset. Gains or losses on the retirement or disposal of tangible fixed assets are included in the statement of comprehensive income in the period they occur. Depreciation commences on putting an asset into use. Depreciation is provided so as to write down the cost or revalued amount of an asset over the estimated useful life of the asset using the straight-line method as follows:

	Depreciation rates in 2012	**Depreciation rates in 2011**
3. Tangible assets		
Buildings	1.50	1.50
Machinery	7.00	7.00
Tools, furniture, office and laboratory equipment and accessories, measuring and control instruments	10.00	10.00
Vehicles	20.00	20.00
IT equipment	20.00	20.00
Other	10.00	10.00
4. Intangible assets	20.00	20.00

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Impairment

At each reporting date the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3.9. Investments in associates

An associate is an entity over which the Company has significant influence but which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity cost of accounting.

3.10. Inventories

Inventories of raw material and spare parts are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less all variable selling costs.

Cost of work in progress and finished products comprises the cost of raw material and supplies, direct labour and other costs and the portion of overheads directly attributable to work in progress.

Small inventory is written off when put in use.

The cost of product inventories i.e. the production costs is based on direct material used, the cost of which is determined using the weighted average cost method, then direct labour costs, and fixed overheads at the actual level of production which approximates the normal capacities, as well as variable overheads that are based on the actual use of the production capacities.

Merchandise on stock is recognised at purchase cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Trade debtors and prepayments

Trade debtors and prepayments are carried at nominal amounts less an appropriate allowance for impairment for uncollectible amounts.

Impairment is made whenever there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability of bankruptcy proceedings at the debtor, or default or delinquency in payment are considered objective evidence of impairment. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The impairment losses on trade receivables are recognised in the income statement within 'Expenses'.

Management provides for doubtful receivables based on a review of the overall ageing of all receivables and a specific review of significant individual amounts receivable. The allowance for amounts doubtful of collection is charged to the statement of comprehensive income for the year.

3.12. Cash and cash equivalents

Cash comprises account balances with banks, cash in hand, deposits and securities at call or with maturities of less than three months.

3.13. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognised as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the date of the statement of financial position, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14. Termination, long-service and other employee benefits

(a) Obligations in respect of retirement and other post-employment benefits

In the normal course of business the Company makes payments, through salary deductions,to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Company does not have any other retirement benefit plan and, consequently, has no other obligations in respect of the retirement benefits for its employees. In addition, the Company is not obliged to provide any other post-employment benefits.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date. The Company recognises its termination benefit obligations in accordance with the applicable Union Agreement.

(c) Regular termination benefits

Benefits falling due more than 12 months after the reporting date are discounted to their present value.

(d) Long-term employee benefits

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actual gains and losses are recognised in the period in which they arise.

Past service cost is recognised immediately to the extent that the benefits are already vested. Otherwise, it is amortised on a straight-line basis over certain period until the benefits become vested.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15. Financial instruments

Financial assets and financial liabilities included in the accompanying financial statements consist of cash and cash equivalents, marketable securities, trade and other receivables, trade and other payables, long-term receivables, loans, borrowings and investments. The details of the recognition and measurement of those items are presented in the corresponding policies.

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets available for sale

Financial assets available for sale are classified as current assets if the management intends to realise those assets within 12 months from the date of the statement of financial position. Every purchase and sale transaction in recognised on the settlement date. Investments are recognised initially at cost, which represents the fair value of the consideration given, including transaction costs. Available-for-sale investments are subsequently measured at market value, with no deduction of transaction costs, by reference to their market prices prevailing at the date of the statement of financial position. Investments whose fair values cannot be determined are carried at cost and reviewed for impairment at each reporting date.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability, and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15. Financial instruments (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each date of the statement of financial position. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of a financial asset is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16. Contingencies

Contingent liabilities have not been recognised in these financial statements. They are not disclosed unless the possibility of outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but it is disclosed when the inflow of economic benefits becomes probable.

3.17. Events subsequent to the reporting date

Events after the date of the statement of financial position that provide additional information about the Company's position at that date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Areas of estimation include, but are not limited to, depreciation periods and residual values of property, plant and equipment, and of intangible assets, value adjustment of inventories, impairment of receivables, and litigation provisions. The key areas of estimation in applying the Company's accounting policies that had a most significant impact on the amounts recognized in the financial statements were as follows:

Useful life of property, plant and equipment

As described in the Note 3.7, the Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Property, plant and equipment are recognised initially at cost, less accumulated depreciation.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Availability of taxable profits against which the deferred tax assets could be recognised

A deferred tax asset is recognized only to the extent that it is probable that the related tax benefit will be realised. In determining the amount of deferred taxes that can be recognised significant judgements are required, which are based on the probable quantification of time and level of future taxable profits, together with the future tax planning strategy. In 2012, deferred tax assets on available tax differences were recognised.

Impairment allowance on trade receivables

Management provides for doubtful receivables based on a review of the overall ageing of all receivables and a specific review of significant individual amounts receivable. The allowance for amounts doubtful of collection is charged to the statement of comprehensive income for the year.

Actuarial estimates used in determining the retirement benefits

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions about discount rates, future salary increases and the mortality or fluctuation rates. Because of the long-term nature of those plans, there is uncertainty surrounding those estimates.

(All amounts are expressed in thousands of kunas)

5. SALES

Sales represent amounts receivable (excluding excise and similar duties) for goods sold and services rendered.

	31.12.2012	31.12.2011
Foreign sales	491,971	538,265
Domestic sales	15,600	19,427
	507,571	**557,692**

6. OTHER INCOME

	31.12.2012	31.12.2011
Income from bonuses provided by suppliers	2,392	2,698
Income from consumption of own products, goods and services	1,155	1,018
Income from sale of Property, pland and equipment	997	3,751
Income from damages collected	224	183
Income from sale of own shares	-	2,941
Other operating income	4,120	417
	8,888	**11,008**

Other business income in major part relate to reversal of accrual for bonuses to employees in the amount HRK 1,047 thousand (2011: HRK zero), jubilee awards in the amount HRK 711 thousand (2011: HRK 39 thousand), retirement benefits in the amount HRK 476 thousand (2011: HRK zero) and vacation days in the amount HRK 250 thousand (2011: HRK 655 thousand).

(All amounts are expressed in thousands of kunas)

7. COST OF RAW MATERIAL AND SUPPLIES

	31.12.2012	31.12.2011
Direct materials	111,978	137,148
Indirect materials	78,567	93,010
Electricity	11,281	12,163
Direct packaging	8,351	10,349
Preventive maintenance of machinery	1,859	2,014
Gas for heating in the production process	1,631	1,732
Other materials	1,099	1,239
Regular maintenance of machinery	643	818
Other expenses	6,319	5,081
	221,728	**263,554**

8. COST OF GOODS SOLD

Cost of goods sold in the amount of HRK 66,366 thousand (2011: HRK 26,270 thousand) relate in major part on purchase cost of tools, equipment and material for start up of new production and projects in subsidaries.

	31.12.2012	31.12.2011
Re-export costs	55,194	23,132
Cost of direct material sold	4,384	1,162
Cost of merchandise	4,410	946
Cost of spare parts sold	1,213	528
Other costs of goods sold	1,165	502
	66,366	**26,270**

(All amounts are expressed in thousands of kunas)

9. SERVICE COSTS

	31.12.2012	31.12.2011
Transport	19,545	20,496
Rental costs	5,227	5,184
Regular and preventive maintenance costs - machinery	3,735	3,849
Regular and preventive maintenance costs - buildings	945	587
Telecommunications and information systems	917	937
Communal fees	867	992
Water supply	862	950
Forwarding and shipping costs	736	893
Tool modification costs	532	987
Commissions	288	2,149
Other expenses	3,726	3,338
	37,380	**40,362**

10. STAFF COSTS

	31.12.2012	31.12.2011
Net wages and salaries	51,892	54,258
Taxes and contributions out of salaries	21,622	22,607
Contributions on salaries	12,973	13,564
Provision for bonuses	11	1,960
Other staff costs	12,754	14,408
	99,252	**106,797**

Other staff costs comprise per diems, overnight accommodation costs and business travel costs, reimbursement of a transporation costs to work and other business related costs.

11. DEPRECIATION AND AMORTISATION

	31.12.2012	31.12.2011
Depreciation	22,484	22,727
Amortisation	15,227	16,898
	37,711	**39,625**

(All amounts are expressed in thousands of kunas)

12. OTHER OPERATING EXPENSES

	31.12.2012	31.12.2011
Temporary service costs - tools	16,822	40,848
Professional service cost	4,484	4,850
Other non-material costs	2,344	2,473
Bank charges	1,780	1,750
Communal fees for the use of construction plots	1,439	1,425
Insurance premiums	1,086	1,092
Cost of goods provided free of charge	867	805
Payment operation charges	849	505
Other fees (Supervisory Board)	397	607
Professional training costs	289	287
Entertainment	288	595
Customer complaints	225	198
Translation service costs	215	175
Gifts for employees' children	212	574
Occupational Health and Safety service costs	173	190
Water management fee	169	164
Forest reproduction levies	164	317
Other expenses	2,216	6,525
	34,019	**63,380**

Most of other external costs comprise manufacturing of tools for the production of car spare parts per orders of the ultimate car manufacturers and include the cost of the tools, tool modification services, transportation and other handling charges.

13. PROVISIONS FOR RISKS AND CHARGES

	31.12.2012	31.12.2011
Provisions under actuarial calculations	1,411	1,145
Vacation accruals	-	(655)
Litigation provisions	38	247
	1,449	**737**

(All amounts are expressed in thousands of kunas)

14. FINANCE REVENUE

	31.12.2012	**31.12.2011**
Dividend income	27,897	26,817
Interest income	13,248	11,521
Foreign exchange gains	7,188	20,131
Other finance revenue	2,544	3,003
	50,877	**61,472**

15. FINANCE COSTS

	31.12.2012	**31.12.2011**
Interest expense	9,545	9,433
Foreign exchange losses	6,207	22,851
Other finance costs	7,203	3,931
	22,955	**36,215**

Other finance costs relates to forward agreements which have been signed for the purpose of the protection of the change in exchange rate of RUB.

(All amounts are expressed in thousands of kunas)

16. INCOME TAX

Income tax comprises the following:

	31.12.2012	31.12.2011
Current tax	-	3,242
Deferred tax	447	(221)
	447	**3,021**

Deferred tax, as presented in the Statement of financial position, is as follows:

	31/12/2012	31/12/2011
Balance at 1 January	888	667
Deferred tax assets recognised	(447)	221
Balance at 31 December	**441**	**888**

Deferred tax assets arise from the following:

2012	**Opening balance**	**Credited / (Charged) to statement of comprehensive income**	**Closing balance**
Temporary differences:			-
Provisions for long-service and termination benefits	888	(447)	441
Balance at 31 December	**888**	**(447)**	**441**

2011	**Opening balance**	**Credited / (Charged) to statement of comprehensive income**	**Closing balance**
Temporary differences:			-
Provisions for long-service and termination benefits	667	221	888
Balance at 31 December	**667**	**221**	**888**

(All amounts are expressed in thousands of kunas)

16. INCOME TAX (CONTINUED)

The relationship between the accounting profit and tax losses carried forward can be shown as follows:

	31.12.2012	31.12.2011
Profit for the year	**45,214**	**54,857**
70% of entertainment expenses	200	426
30 % of the cost of use of private cars	419	378
Taxable deficits	3	-
Costs of forced collection of taxes and other levies	-	27
Fines and penalties	3	72
Interest from related-party relationships	660	2
Written-off receivables	19	261
Provisions	1,674	3,105
Other taxable revenues	77	1,962
Tax base increasing items (PD Return Form)	**3,055**	**6,233**
Dividend income	(27,897)	(26,817)
Subsequent collection of written-off receivables	(14)	(101)
Other operating expenses from prior periods	-	(1,487)
Other non-taxable revenues	(2,234)	(39)
Government grants for training and education	(246)	(229)
Tax base decreasing items (PD Return Form)	**(30,391)**	**(28,673)**
Income tax base before the utilisation of tax losses brought forward	17,878	32,417
Tax losses brought forward	-	-
Tax base	**17,878**	**32,417**
Tax at the rate of 20%	3,576	6,483
Tax reliefs	(3,576)	(3,241)
Current tax liability	**-**	**3,242**

16. INCOME TAX (CONTINUED)

The income tax rate effective in the Republic of Croatia for the years 2012 and 2011 was 20%.
On 24 October 2012 the Company filed with the Ministry of Economy the Application for Incentive Measures for the investment project "Expansion of Production for the Purpose of Export of Car Industry Products", in accordance with the Act on Investment Promotion and Development of Investment Climate (OG 111/2012 and 28/2013) and the Investment Promotion and Development of Investment Climate (OG 40 of 5 April 2013).
As a result, the Company made investments in fixed assets in November and December 2012, having thus met the prerequisites for the utilistation of the tax incentives for 2012.
The Application meets the requirements set out in the above-mentioned regulations, the required capital investments were made, and the Company uses the tax incentives in its 2012 financial statements on a valid basis.

There is no formal procedure in Croatia for determining the final taxes upon filing the corporate income and value-added tax returns. However, tax returns are subject to inspection by the Tax Authorities at any time over the next three years from the end of the year for which the tax returns have been filed.

Deferred tax assets recognised arise on the temporary differences in provisions for retirement and long-service benefits.

17. EARNINGS PER SHARE

Basic earnings per share are determined, by dividing the Company's net profit by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares redeemed and held by the Company as treasury shares. There were no circumstances that would give rise to a dilution of the earnings per share reported above.

	31.12.2012	**31.12.2011**
Net profit attributable to the Company shareholders	44,767	51,836
Weighted average number of shares	4,159,303	4,195,841
Basic earnings per share (in HRK)	**10.76**	**12.35**

(All amounts are expressed in thousands of kunas)

18. INTANGIBLE ASSETS

	Licences	Software	Projects	Total
Cost				
Balance at 31 December 2010	**67**	**758**	**100,845**	**101,670**
Additions	-	315	11,961	**12,276**
Disposals and retirements	(12)	-	-	(12)
Balance at 31 December 2011	**55**	**1,073**	**112,806**	**113,934**
Additions	-	47	17,487	**17,534**
Disposals and retirements	-	-	-	**-**
Balance at 31 December 2012	**55**	**1,120**	**130,293**	**131,468**
Accumulated amortisation				
Balance at 31 December 2010	**-**	**423**	**60,178**	**60,601**
Charge for the year	-	234	16,664	**16,898**
Disposals and retirements	-	-	26	**26**
Balance at 31 December 2011	**-**	**657**	**76,868**	**77,525**
Charge for the year	-	208	15,019	**15,227**
Balance at 31 December 2012	**-**	**865**	**91,887**	**92,752**
Net book value				
At 31 December 2012	**55**	**255**	**38,406**	**38,716**
At 31 December 2011	**55**	**416**	**35,938**	**36,409**

Projects comprise investments in the development of new products that are expected to generate revenue in future periods. Consequently, the costs are amortised over the period in which the related economic benefits flow into the Company.

(All amounts are expressed in thousands of kunas)

19. TANGIBLE ASSETS

	Land	Buildings	Plant and equipment	Assets under construction	Other	Total
Cost						
Balance at 31 December 2010	**134,620**	**225,027**	**308,417**	**723**	**2,215**	**671,002**
Additions	759	-	-	7,205	-	**7,964**
Transfer from assets under development	-	1,663	2,486	(4,249)	100	**-**
Disposals and retirements	-	-	(1,310)	-	-	**(1,310)**
Balance at 31 December 2011	**135,379**	**226,690**	**309,593**	**3,679**	**2,315**	**677,656**
Additions	1,291	-	-	21,896	-	**23,187**
Transfer from assets under development	3,306	1,196	8,232	(12,981)	247	**-**
Disposals and retirements	-	-	(2,038)	-	-	**(2,038)**
Balance at 31 December 2012	**139,976**	**227,886**	**315,787**	**12,594**	**2,562**	**698,805**
Accumulated depreciation						
Balance at 31 December 2010	**-**	**54,564**	**175,445**	**-**	**473**	**230,482**
Charge for the year	-	3,390	18,765	-	572	**22,727**
Disposals and retirements	-	-	(807)	-	-	**(807)**
Balance at 31 December 2011	-	**57,954**	**193,403**	-	**1,045**	**252,402**
Charge for the year	-	3,405	18,849	-	230	**22,484**
Disposals and retirements	-	-	(2,234)	-	-	**(2,234)**
Balance at 31 December 2012	**-**	**61,359**	**210,018**	**-**	**1,275**	**272,652**
Net book value						
At 31 December 2012	**139,976**	**166,527**	**105,769**	**12,594**	**1,287**	**426,153**
At 31 December 2011	**135,379**	**168,736**	**116,190**	**3,679**	**1,270**	**425,254**

At 31 December 2012, the net book value of tangible assets pledged as collateral with commercial banks amounts to HRK 292,292 thousand, and the balance of short-term and long-term loans secured by those assets is HRK 235,155 thousand.

(All amounts are expressed in thousands of kunas)

20. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Name of subsidiary	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment, HRK'000	
			2012	2011	2012	2011
AD PLASTIK d.o.o.	Manufacture of other vehicle spare parts and accessories	Novo Mesto, Slovenia	100.00%	100.00%	204	204
ZAO PHR	Manufacture of other vehicle spare parts and accessories	Samara, Russian Federation	99.95%	99.95%	13,465	13,465
ZAO AD Plastik Kaluga	Manufacture of other vehicle spare parts and accessories	Kaluga, Russian Federation	100.00%	100.00%	61,012	61,012
SG PLASTIK d.o.o. in liquidation	Business and other management consultancy	Solin, Republic of Croatia	100.00%	100.00%	250	250
ADP d.o.o.	Manufacture of other vehicle spare parts and accessories	Mladenovac, Serbia	100.00%	100.00%	12,434	17
					87,365	**74,948**

Subsidary ZAO ADP Luga has change name and headquater at the beginning of FY 2012 in ZAO AD Plastik Kaluga, Kaluga.

Name of associate	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment, HRK'000	
			2012	2011	2012	2011
EURO AUTO PLASTIC SYSTEMS	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	50.00%	50.00%	21,755	21,755
FAURECIA AD PLASTIK ROMANIA (FAAR)	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	49.00%	49.00%	330	336
FAURECIA ADP HOLDING	Manufacture of other vehicle spare parts and accessories	Nanterre, France	40.00%	40.00%	30,220	30,220
					52,311	**52,311**
Total investments in subsidiaries and associates					**139,676**	**127,259**

Set out below is a summary of financial information about the subsidiaries:

AD PLASTIK d.o.o., Novo Mesto, Slovenia	**31.12.2012**	**31.12.2011**
Total assets	71,261	68,539
Total liabilities	67,958	65,598
Net assets	3,303	2,941
Share in the net assets of the associate	**100.00%**	**100.00%**

(All amounts are expressed in thousands of kunas)

20. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (CONTINUED)

ZAO PHR, Samara, Russian Federation	31.12.2012	31.12.2011
Total assets	214,513	156,203
Total liabilities	178,093	128,453
Net assets	36,420	27,750
Share in the net assets of the associate	**99.95%**	**99.95%**

ZAO AD Plastik Kaluga, Kaluga, Russian Federation	31.12.2012	31.12.2011
Total assets	84,367	44,898
Total liabilities	46,216	1,845
Net assets	38,151	43,053
Share in the net assets of the associate	**100.00%**	**100.00%**

SG PLASTIK d.o.o. in liquidation , Solin, Croatia	31.12.2012	31.12.2011
Total assets	515	512
Total liabilities	5	1
Net assets	510	511
Share in the net assets of the associate	**100.00%**	**100.00%**

ADP d.o.o, Mladenovac, Serbia	31.12.2012	31.12.2011
Total assets	64,809	15,587
Total liabilities	51,073	15,601
Net assets	13,736	(14)
Share in the net assets of the associate	**100.00%**	**100.00%**

(All amounts are expressed in thousands of kunas)

21. OTHER FINANCIAL ASSETS

	31.12.2012	31.12.2011
Long-term loans to associates	55,333	53,309
Long-term loans to subsidiaries	22,508	53,478
Long-term loans to unrelated companies	17,118	24,739
Other financial assets	64	64
Current portion of long-term loan receivables	(5,793)	(3,408)
	89,230	**128,182**

Long-term loans to subsidiaries and associates comprise long-term investment loans which bear interest at a rate of 7.0% - 12.4% on loans with a currency protection clause, repayable over five years.

(All amounts are expressed in thousands of kunas)

22. INVENTORIES

	31/12/2012	31/12/2011
Raw material and supplies on stock	15,430	18,049
Finished products	8,177	8,850
Spare parts	5,025	5,646
Work in progress	1,745	2,333
Small items and packaging	3	4
Merchandise	593	80
	30,973	**34,962**

23. TRADE RECEIVABLES

	31.12.2012	31.12.2011
Foreign trade receivables	181,045	119,966
Domestic trade receivables	14,220	15,027
Impairment allowance on receivables	(12,022)	(12,040)
	183,243	**122,953**

The average credit period on sales is 98 days. The Company has provided for all for all sued debtors, regardless of the past due period, as well as for all receivables that are past due and assessed as doubtful of collection.

The Company seeks and obtains from its domestic customers debentures as collaterals in the amount of the receivables.

(All amounts are expressed in thousands of kunas)

23. TRADE RECEIVABLES (CONTINUED)

Set out below is an analysis of major trade receivables:

	31.12.2012	31.12.2011
Visteon Deutschland, Germany	17,989	30,358
Revoz, Slovenia	5,819	24,535
Hella Saturnus Slovenia	4,692	5,703
Euro Auto Plastic Systems, Romania	3,919	4,549
Ford, Germany	2,471	3,225
Belje, Croatia	1,204	1,291
Peugeot Citroen Automobiles, France	994	1,017
Mecaplast, France	876	2,041
Zvijezda; Croatia	632	815
Other debtors	156,669	61,459
	195,265	**134,993**

Other debtors in the amount HRK 156,669 thousand (2011: HRK 61,459 thousand) relates to receivables from subsidaries in the amount HRK 118,731 thousand (2011: HRK 52,131 thousand) which relates to delivered tools, equipment, material and services.

(All amounts are expressed in thousands of kunas)

23. TRADE RECEIVABLES (CONTINUED)

Movements in the impairment allowance on domestic trade receivables were as follows:

	31.12.2012	**31.12.2011**
Balance at beginning of the year	10,245	9,719
Additionally impaired during the year	-	598
Amounts collected or eliminated during the year	(4)	(72)
Total impairment allowance on domestic trade receivables	**10,241**	**10,245**
Balance at beginning of the year	1,795	1,739
Additionally impaired during the year	-	200
Amounts collected or eliminated during the year	(14)	(144)
Total impairment allowance on foreign trade receivables	**1,781**	**1,795**
Total impairment allowance	**12,022**	**12,040**

All receivables provided against are under litigation or included in bankruptcy estate. Ageing analysis of impaired receivables:

	31.12.2012	**31.12.2011**
0 - 1096 days	622	640
Over 1096 days	11,400	11,400
	12,022	**12,040**

Ageing analysis of receivables past due but not impaired:

	31.12.2012	**31.12.2011**
1 - 365 days	65,346	24,880
Over 365 days	12,430	1,892
	77,776	**26,772**

In aging structure of due receivables above 365 days in the amount HRK 12,430 thousand majority relates to receivables from companies in which AD Plastik d.d. has majority share and control over collection of receivables.

(All amounts are expressed in thousands of kunas)

23. TRADE RECEIVABLES (CONTINUED)

Receivables from related companies

	31.12.2012	31.12.2011
Trade receivables	118,731	51,729
Interest receivable	-	402
	118,731	**52,131**

Company has transferred part of related party receivables in FY 2013 in long term loan with maturity date of 7 years and interest rate 7%.

24. OTHER RECEIVABLES

	31.12.2012	31.12.2011
Foreign prepayments made	24,945	15,099
Due from the state	20,300	16,926
Domestic prepayments made	11,505	7,746
Amounts due from employees	887	9,927
	57,637	**49,698**

Amounts due from the State and state institutions comprise receivables from the State Budged in respect of VAT refund, refunds from the Croatian Health Insurance Fund and similar. Domestic and foreign prepayments comprise prepayments made for purchases of production equipment and tools.

25. CURRENT FINANCIAL ASSETS

	31.12.2012	31.12.2011
Short-term loans to associates	18,547	14,977
Short-term loans to subsidaries	13,288	7,505
Current portion of long-term loan receivables	5,793	6,790
Other short-term loan	1,000	3,408
Other deposits	5	2,800
Short-term loans to funds	-	2,161
Transit guarantee deposit funds	-	72
	38,633	**37,713**

(All amounts are expressed in thousands of kunas)

26. CASH AND CASH EQUIVALENTS

	31.12.2012	31.12.2011
Foreign account balance	6,268	583
Deposits with a term of up to 3 months	902	28,530
Current account balance	74	587
Cash in hand	11	19
	7,255	**29,719**

27. PREPAID EXPENSES AND ACCRUED INCOME

Accrued income in the amount of HRK 95,861 thousand (2011: HRK 110,035 thousand) relates to the manufacture of tools for a known customer. Income from the manufacture of tools is recognised using the stage-of-completion method to determine the amount of income and costs attributable to a certain period.

	31.12.2012	31.12.2011
Other accrued income on tools	95,861	110,035
Other accrued income	3,117	3,214
Prepaid operating expenses	3,167	2,854
	102,145	**116,103**

(All amounts are expressed in thousands of kunas)

28. SHARE CAPITAL

Subscribed capital amounts to HRK 419,958 thousand and consists of 4,199,580 shares, with a nominal value of HRK 100.00 per share (2011: HRK 419,958 thousand, 4,199,580 shares, with a nominal value of HRK 100 each).

The shareholders with over 2 percent of the shares at 31 December 2012 were as follows:

Shareholder	**Headquarters**	**Number of shares**	**Ownership in %**	**Type of account**
OAO Holding	Saint Petersburg, Russia	1,259,875	30.00%	Primary account
HYPO ALPE-ADRIA-BANK d.d./ RAIFFEISEN MANDATORY PENSION FUND	Zagreb, Croatia	257,362	6.13%	Pension fund
ADP-ESOP d.o.o.	Zagreb, Croatia	219,752	5.23%	Primary account
PBZ d.d.	Zagreb, Croatia	158,812	3.78%	Custody account
ERSTE & STEIERMARKISCHE BANK d.d.	Zagreb, Croatia	110,349	2.63%	Custody account
BAKIĆ NENAD	Zagreb, Croatia	107,498	2.56%	Primary account
Total:		**2,113,648**		

(All amounts are expressed in thousands of kunas)

29. PROVISIONS

	Short-term:		Long-term:	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
Jubilee awards (long-service benefits)	-	-	1,421	1,897
Termination benefits	1,411	1,050	780	1,491
Legal actions	3,389	3,838	-	-
Vacation accrual	2,258	2,508	-	-
Bonuses to employees	400	1,960	-	-
	7,458	**9,356**	**2,201**	**3,388**

	Jubilee awards (long-service benefits)	**Termination benefits**	**Legal actions**	**Vacation accrual**	**Bonuses**	**Total**
Balance at 1 January 2012	**1,897**	**2,541**	**3,838**	**2,508**	**1,960**	**12,744**
Increase/(decrease) in provisions	(476)	(350)	(449)	(250)	(1,560)	(3,085)
Balance at 31 December 2012	**1,421**	**2,191**	**3,389**	**2,258**	**400**	**9,659**

29. PROVISIONS (CONTINUED)

Defined benefit plan

According to the Union Agreement, the Company has the obligation to pay long-service (jubilee awards), retirement and other benefits to employees. The Company operates a defined benefit plan for qualifying employees. Retirement and long-service benefits are defined in the Union Agreement. No other post-retirement benefits are provided.

Long-service benefits are paid for full years of service in the month of the current year in which the service is determined as completed.

The present value of defined benefit obligations and the related current and past service cost have been determined using the Projected Credit Unit method.

Key assumptions used in calculating the required provisions are the discount rate of 4.58% and the rate of fluctuation of 4.68%.

(All amounts are expressed in thousands of kunas)

30. LONG-TERM BORROWINGS

	31.12.2012	31.12.2011
Long-term borrowings	159,809	113,988
	159,809	**113,988**
Current portion of long-term borrowings	(49,629)	(34,146)
Total long-term borrowings	**110.180**	**79,842**

Long-term borrowings comprise HBOR investment loans as well as long-term loans from commercial banks with average interest rate of 4.53%. AD Plastik d.d. services regularly all of its obligations under those borrowings, in line with the terms and conditions of the underlying loan agreements.

Movements in long-term borrowings during the year:

	2012	2011
Balance at 1 January	79,842	123,170
New loans raised	174,523	20,000
Amounts repaid	(144,185)	(63,328)
Total long-term borrowings	**110,180**	**79,842**

31. ADVANCES RECEIVED

	31.12.2012	31.12.2011
Foreign customers	103,544	108,725
Domestic customers	299	993
	103,843	**109,718**

(All amounts are expressed in thousands of kunas)

32. TRADE PAYABLES

	31.12.2012	31.12.2011
Foreign trade payables	53,432	67,702
Domestic trade payables	22,919	17,018
	76,351	**84,720**

33. SHORT-TERM BORROWINGS

	31.12.2012	31.12.2011
Short-term borrowings - principal payable	71,639	89,621
Current portion of long-term borrowings	49,629	34,147
Short-term borrowings - interest payable	1,794	1,568
Other short-term financial liabilities	1,913	-
	124,975	**125,336**

Short-term loans represent loans provided by commercial banks with the average interest rate of 4.53%.

	2012	2011
Balance at 1 January	125,336	143,223
New loans raised	74,097	118,229
Amounts repaid	(74,458)	(136,116)
Total short term loans	**124,975**	**125,336**

(All amounts are expressed in thousands of kunas)

34. OTHER CURRENT LIABILITIES

	31.12.2012	31.12.2011
Due to the State and State institutions	3,300	17,596
Amounts due to employees	5,289	5,080
Other current liabilities	40	39
	8,629	**22,715**

35. ACCRUED EXPENSES AND DEFERRED INCOME

	31.12.2012	31.12.2011
Due to the State and State institutions	481	972
Other current liabilities	1,175	1,236
	1,656	**2,208**

(All amounts are expressed in thousands of kunas)

36. RELATED-PARTY TRANSACTIONS

The transactions carried out with related companies are summarized below:

Trade receivables and payables

	Receivables		Liabilities	
	2012	**2011**	**2012**	**2011**
AD PLASTIK d.o.o. , Slovenia	23,845	17,366	83	8
ZAO PHR, Russia	73,070	34,765	206	212
ZAO ADP KALUGA , Russia	17,847	-	-	-
ADP d.o.o., Serbia	3,969	-	-	-
	118,731	**52,131**	**289**	**220**

<u>Trading transactions</u>

	Income		Expenses	
Operating income and expenses	**2012**	**2011**	**2012**	**2011**
AD PLASTIK d.o.o. , Slovenia	145,475	157,589	-	202
ZAO PHR, Russia	73,892	49,967	9,252	2,590
ZAO ADP KALUGA , Russia	18,078	-	121	-
SG PLASTIK d.o.o.in liquidation, Croatia	-	4	-	-
ADP d.o.o. Serbia	3,961	-	1,598	-
	241,406	**207,560**	**10,971**	**2,792**

(All amounts are expressed in thousands of kunas)

36. RELATED-PARTY TRANSACTIONS (CONTINUED)

Financial transactions

	Income		**Expenses**	
Financial income and expenses	**2012**	**2011**	**2012**	**2011**
ZAO PHR, Russia	3,151	15,967	121	3,522
ZAO ADP KALUGA , Russia	742	4,975	1,034	4,480
AD PLASTIK d.o.o. , Slovenia	407	461	670	282
ADP d.o.o. Serbia	37	-	-	-
	4,337	**21,403**	**1,825**	**8,284**

Directors' and executives' remuneration

	31.12.2012	**31.12.2011**
Salaries	9,844	9,142
	9,844	**9,142**

(All amounts are expressed in thousands of kunas)

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

37.1 Gearing ratio

The Company's gearing ratio, expressed as the ratio of net debt to equity, can be expressed as follows:

	31.12.2012	**31.12.2011**
Short-term borrowings	124,975	125,336
Long-term borrowings	110,810	79,842
Cash and cash equivalents	7,255	29,719
Net debt	228,530	175,459
Equity	678,809	671,857
Net debt-to-equity ratio	**33.67%**	**26.12%**

(All amounts are expressed in thousands of kunas)

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

37.2. Categories of financial instruments

	31.12.2012	31.12.2011
Financial assets	**495,374**	**478,597**
Investments in subsidiaries and associates	139,676	127,259
Loans	89,230	128,182
Trade receivables	183,243	122,953
Other receivables	75,970	60,185
Financial assets at fair value through profit or loss (statement of comprehensive income)	-	10,300
Cash	7,255	29,718
Financial liabilities	**420,677**	**404,735**
Loans	235,155	205,178
Trade payables	185,522	199,557

At the reporting date there are no significant concentrations of credit risk for loans and receivables designated at fair value through the statement of comprehensive income. Receivables and liabilities toward Governmnet are not included in stated amounts.

37.3. Financial risk management objectives

Company's Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company seeks to minimise the effects of these risks. The Company does not enter into, or trade in financial instruments, including derivative financial instruments, for speculative purposes.

37.4. Price risk management

The largest markets on which the Company provides its services and sells its products comprise the EU market and the market of the Russian Federation. The management determines the prices of its products separately for domestic and foreign markets by reference to the market prices.

37.5. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate, which applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost of an instrument will fluctuate over time. The interest rate risk exposure is low, as there are no financial instruments at variable rates.

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

37.6. Credit risk

The Company is exposed to credit risk through loans and trade receivables. Loans are granted to its subsidiaries and as such credit risk is under the control of the Company. Trade receivables are presented net of allowance for bad and doubtful accounts.

The eight largest customers of the Company are AD Plastik Slovenia, Visteon Germany, Hella Saturnus Slovenia, ZAO PHR Russia, Revoz Slovenia, ZAO AD Plastik Kaluga Russia, Ford Motor Germany and EURO APS Romania. Revenues generated by the sales to these business partners represent 91.90 percent of the total sales.

It is the policy of the Company to transact with financially sound companies where there is minimized risk of collection.

(All amounts are expressed in thousands of kunas)

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

37.7. Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The carrying amounts of the Company's foreign-currency denominated monetary assets and monetary liabilities at the reporting date are provided in the table below using exchange rates of the Croatian National Bank:

At 31 December	Assets		Liabilities		Net position	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
EUR	29,907	207,968	39,215	219,139	(9,308)	(11,171)
RUR	513,880	83,105	18,059	32,412	495,821	50,693
USD	58	337	84	307	(26)	30
GBP	6	13	4	21	2	(8)
CHF	-	-	3	17	(3)	(17)
	543,851	**291,423**	**57,365**	**251,896**	**486,486**	**39,527**

Foreign currency sensitivity analysis

The Company is mainly exposed to the countries using EUR and RUR as their currency. The following table details the Company's sensitivity to a 2-percent decrease of the Croatian kuna in 2012 and 2011 against the stated currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end. A negative number below indicates a decrease in profit and a positive number below indicates an increase in profit where the Croatian kuna changes against the relevant currency for the percentage specified above.

	EUR impact	
	2012	**2011**
Change in exchange differences	(1,405)	(223)

	RUR impact	
	2012	**2011**
Change in exchange differences	1,860	183

(All amounts are expressed in thousands of kunas)

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

37.8. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management Board. The Company manages its liquidity using banking facilities (overdrafts) and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Company can require payment i.e. can be required to pay.

2012	Average interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Assets							
Non-interest bearing		27,281	25,906	174,648	-	139,676	367,511
Interest bearing	9.95%	1,007	2,787	42,672	104,896	6,505	157,867
		28,288	**28,693**	**217,320**	**104,896**	**146,181**	**525,378**
Liabilities							
Non-interest bearing		23,318	8,515	61,526	92,123	-	185,482
Interest bearing	4.53%	3,215	18,277	107,741	110,810	-	240,043
		26,533	**26,792**	**169,267**	**202,933**	**-**	**425,525**

2011	Average interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Assets							
Non-interest bearing		76,987	83,876	24,580	-	127,259	312,702
Interest bearing	8.73%	7,180	8,410	54,805	124,281	21,312	215,988
		84,167	**92,286**	**79,385**	**124,281**	**148,571**	**528,690**
Liabilities							
Non-interest bearing		29,608	59,730	13,404	96,662	-	199,404
Interest bearing	4.3%	22,257	8,244	102,390	80,940	5,870	219,701
		51,865	**67,974**	**115,794**	**177,602**	**5,870**	**419,105**

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

37.9. Fair value of financial instruments

Financial instruments held to maturity in the ordinary course of business are carried at the lower of cost and net amount less repaid portion.

The fair value represents the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, except in the event of a forced sale or liquidation. The fair value of a financial instrument is its quoted market price, or the amount obtained using the discounted cash flow method.

At 31 December 2012, the carrying amounts of cash, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their fair values due to the short-term maturity of these financial instruments.

38. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board of AD Plastik d.d. and authorised for issue on 23 April 2013.

For **AD Plastik d.d.** Solin:

AD-PLASTIK AD Plastik 24 d.d. SOLIN

Mladen Peroš
President of the Management Board

IV. DECISION PROPOSAL

Pursuant to clause 300 d. Companies Act and clause 29 of AD PLASTIK`s Inc., Solin, Statue, the Supervisory Board of AD PLASTIK dd Solin, OIB: 48351740621, on 28/05/2013. year brings

DECISION

About acceptance of the Annual financial statements of AD PLASTIK Inc. and consolidated annual financial statements of the Group
AD PLASTIK for 2012. Year

I. Acceptance of the Annual Report of Ad PLASTIK Inc. for 2012. year as follows:

1. Balance with the sum of assets and liabilities of	*kn 1,114,101,233.00*
2. Second Profit and loss data:	
-Total revenues	*kn 567,335,838.00*
- Total expenditure	*kn 522,121,080.00*
- Profit before taxation of	*kn 45,214,758.00*
- Income tax	*kn 447,430.00*
- Profit for the year	*kn 44,767,328.00*
3. Statement of Cash Flows for 2012. year with data on the Net decrease in cash and cash equivalents of	*kn 5,165,910.00*
4. Notes to Financial Statements	

II. Acceptance of the Consolidated Financial Statements of Group AD PLASTIK for 2012. year as follows:

1. Balance with the sum of assets and liabilities of	*kn 1,303,875,873.00*
2. Profit and loss data:	
- Total revenues of	*kn 845,114,356.00*
- Total expenditure	*kn 784,639,909.00*
- Profit before taxation of	*kn 60,474,447.00*
- Income tax	*kn 4,449,212,00*
- Profit for the year	*kn 56,025.235.00*
- Minority interest income	*kn 7,839.00*
- Net income Group	*kn 56,017,396.00*
3. Statement of Cash Flows for 2012. year with data on the Net decrease in cash and cash equivalents of	*kn 5,047,458.00*

Supervisory Board
President

V. DECISION PROPOSAL

Pursuant to clause 275. Part 1, point 2 Companies Act and clause 33 of AD Plastik Inc, Solin, Statute, Supervisory Board of AD Plastik Solin on day __.07.2013. brings:

DECISION
About usage of Net income

Net income of AD Plastik, Solin from year 2012., after tax, is 44,767,327.69 kuna and is being used on following:

1. Dividend payout	*33,274,424.00 kn*
2. Other reserves	*11,492,903.69 kn*

General assembly

President

VI. ADDRESS BOOK

Management Board Parent company
MLADEN PEROŠ, Chairman of the Management Board
Matoševa 8, 21210 Solin, Croatia
Phone +385 21 20 65 00,
Fax. + 385 21 20 64 95
e-mail: mladen.peros@adplastik.hr

KATIJA KLEPO, Board Member responisble for finance, accounting and controlling
Matoševa 8, 21210 Solin, Croatia
Phone +385 21 20 64 88,
Fax. + 385 21 20 64 89
e-mail: katija.klepo@adplastik.hr

IVICA TOLIĆ, Board Member responisble for legal affairs and corporate communications
Matoševa 8, 21210 Solin, Croatia
Phone +385 21 20 64 88,
Fax. + 385 21 20 64 89
e-mail: ivica.tolic@adplastik.hr

Subsidiaries abroad
ZAO PHR
443057 SAMARA
Krasnoglinski rajon
Zas. Vintai
RUSSIAN FEDERATION
Phone +7 846 978 1234,
Fax. + 7 846 978 1231
e-mail: marinko.dosen@adplastik.ru

AD PLASTIK Ltd.
Belokranjska 4, 8000 Novo Mesto,
REPUBLIC OF SLOVENIA
Phone +386 7 337 9820,
Fax. + 386 7 337 9821
e-mail: mladen.sopcic@siol.net

EURO APS s.r.l.
115400 Mioveni, Judetul Arges, Strada Uzinei 2A,
ROMANIA
Phone +40 755 016 858
e-mail: euroaps@euroaps.ro

ZAO ADP KALUGA
Skladskaja 6, Kaluška ob.
Kaluga
RUSSIAN FEDERATION
Phone: + 7 1372 218 10
e-mail: igor.rosandic@adplastik.hr

FAURECIA ADP HOLDING S.A.S
Rue Heinnape 2
Nanterre
FRANCE
Phone: +33 1 72 36 73 07
e-mail: rosette.freguin@faurecia.com

ADP MLADENOVAC
Ulica Kralja Petra I 334,
SERBIA
Phone: +381 11 8230 969
e-mail: ivan.ristic@adp.rs