ANNUAL REPORT OF GROUP AD PLASTIK

SUMMARY

I. MANAGEMENT REPORT ON BUSINESS IN 2014

1. GENERAL INFORMATION

a) FINANCIAL HIGHLIGHTS

Image 1. Sales revenue of AD Plastik Group for the 2009-2014 and average growth rate of revenues (in mil.of HRK)

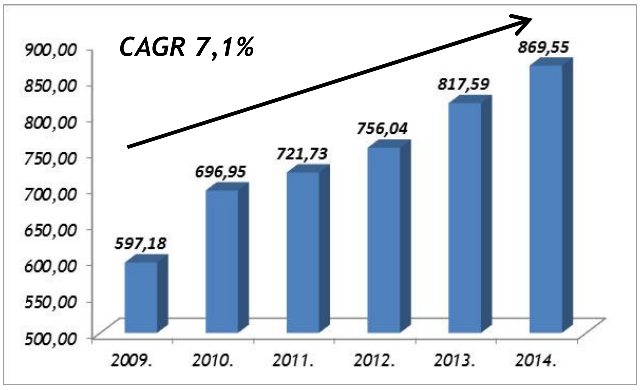


Image 2. Total operating revenues of AD Plastik Group for the period 2010-2014 (in mil.of HRK)

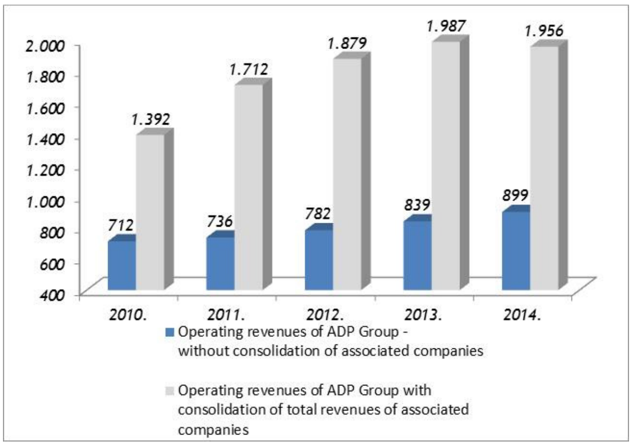


Image 3. Earnings per share and dividend per share for period 2009-2014 (in HRK)

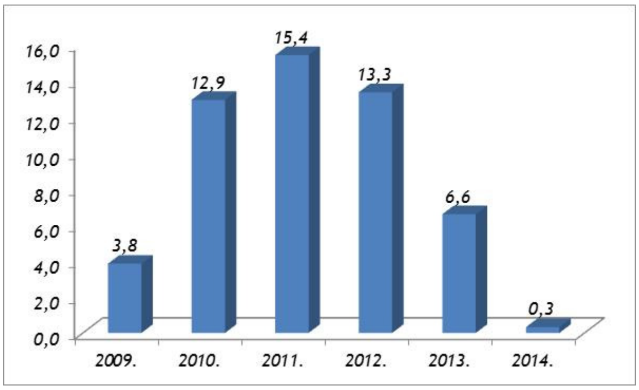


Image 4. EBITDA margin of AD Plastik Group for period 2009-2014.

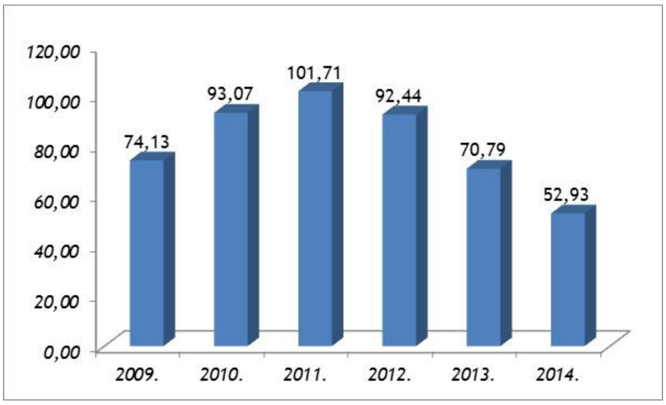


Image 5.CAPEX & EBITDA from 2006. to 2014. (in mil. HRK)

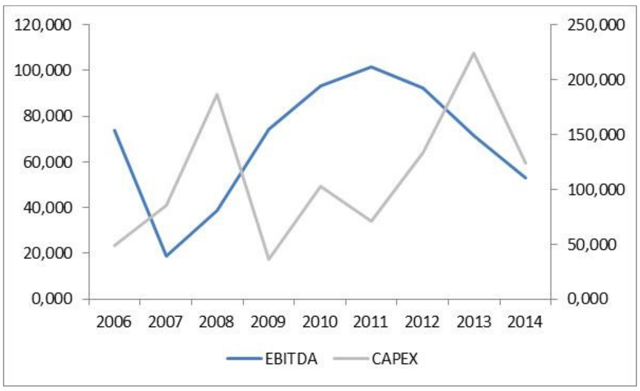
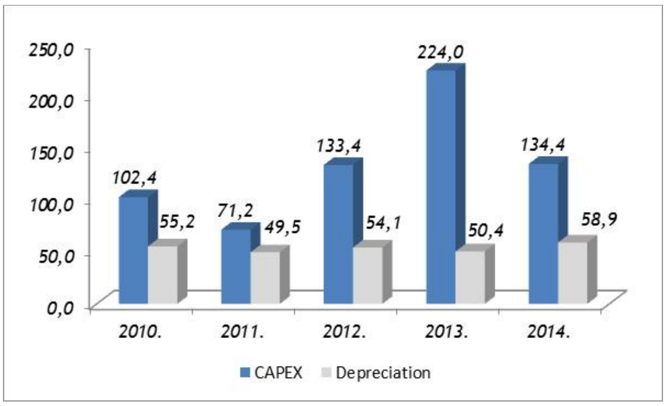


Image 6. Capital expenditures (CAPEX) and depreciation of AD Plastik Group since 2010- 2014 (in mil.of HRK)



b) ADDRESS TO SHAREHOLDERS: MARINKO DOŠEN, PRESIDENT OF THE BOARD

It is my honor and pleasure to address you as as the new President of the Board of AD Plastik, which is a great responsibility, but also a great business challenge. After six years of consecutive decline in car sales in the European Union, which represents the largest market for AD Plastik Group, finally occured the market stabilization and the achieved sales growth in EU in the amount of 5,6% in 2014.

The stabilization of the European market, unfortunately, is not accompanied by a stabilization of the Russian market, on which certain geopolitical events have caused considerable disruptions, which directly affected the business of our plants in Russia.

Objective market conditions in Russia have resulted in a significant reduction in car sales in general and resulted in weakening of Russian ruble exchange rate, which is why the results of the Group for the previous year are far below expected ones. On the other side, running in and start of serial production for Renault Twingo, Smart 2S and Smart 4S, that is three vehicles from the project Edison, have marked the operations of the parent company and our plant in Mladenovac in the previous year. A successful start of sales of mentioned car models in the market has generated the growth of production in Croatia and therefore the increase in sales revenues at the level of ADP Group. Late last year, most of the development projects in which we have invested run in, and according to our expectations this will lead to an increase in revenue and profit this year compared to the previous year. Due to the current situation in Russia a certain number of companies has left Russia, including the part of our competitors, which has opened up the opportunity to increase our market share and gain new customers. Future development is expected through an organic expansion, which is continued through the primary revenue growth of more than 25% on the Croatian market, while at the level of the Group we expect a revenue growth of 12% in the current year. Our expectations are ambitious, but I am convinced that they are also justified because the serial production of the components for Edison project vehicles and the market growth in the European Union are a sufficient generator of growth in revenue and profit in the following year. We expect that this will be a year of positive steps forward, and return on investment we had over the last two and a half years.

I am convinced that we will welcome the end of the current year with successfully achieved objectives, the planned revenue growth and profitability, which will strengthen the position of AD Plastik on the existing and open opportunities in new markets. Realizing the goals set we will not only contribute to further growth and development of our company, but above all, to the satisfaction of our customers, shareholders and employees.

In addition to this, this year we shall pay special attention to the development and implementation of the strategy of corporate social responsibility and communication with all our stakeholders in order to improve their satisfaction.

Sincerely,

Marinko Došen, President of the Board

c) ORGANIZATION PROFILE

AD Plastik Inc. is the largest Croatian manufacturer for automotive plastic components. The company was founded in 1992, by separating from the former Jugoplastika, and in 1996 is formed as a Inc., under the current name. It was privatized in 2001, on the basis of so called employee share ownership program, which has been successfully realized. Therefore, today the employees of AD Plastik are the owners of almost a fifth of the shares of their company.
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 the development center, and in Zagreb, Jankomir. Apart from production in Croatia, the company has plants organized as companies, with the status of legal person, in Serbia, three plants in Russia (near Samara, Saint Petersburg and in Kaluga), in Slovenia and Romania.
The largest buyers whith who AD Plastik and other members of the Group successfully develop long-term business cooperation are Renault, Nissan, PSA, Ford, Opel, VW, Dacia, Daimler, VAZ, Daewoo, Fiat, Mitsubishi.

d) MANAGING IN AD PLASTIK GROUP

Parent company (AD Plastik, Inc.)

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

General Assembly

The work of General Assembly is regulated by Companies Act, Company Statute and Rules of Procedure of General Assembly. At the General Assembly have the right to participate the shareholders who apply to participate in the General Assembly, no later than six days before the meeting in written form to the Legal Services of the Company or to the public notary whose official seat corresponds to the Company's headquarters. The shareholders who apply must also submit evidence in written form of owning shares on the 21 (twentyfirst) day before the meeting of General Assembly issued by the Central Depository and Clearing Company.
The right to participate in the General Assembly have representatives and proxies of shareholders which applied for their participation in accordance with previously mentioned conditions.

Supervisory board

The Supervisory Board is responsible for appointing and removing Board members, and for supervising the businesses of the Company in accordance with Companies Act, Company Statute and Rules of Procedure of the Supervisory Board of the Company. In accordance with the Provisions of the Company Statute, the Supervisory Board consists of seven members.
However, during the reporting year the representative of Works Council was not elected as a member of Supervisory Board, so during the whole 2013, the Supervisory Board had six members, with term of office until:
Josip Boban, the Chairman, 19.07.2016.
Nikola Zovko, deputy of Chairman, 19.07.2016.
Marijo Grgurinović, member, 14.07.2015.
Dmitrij Leonidovič Drandin, member, 19.10.2015.

Nadezhda Anatolyevna Nikitina, member, 19.10.2015.
Igor Antoljevič Solomatin, member, 14.07.2015.

The Supervisory Board established Appointment Committee, Remuneration Committee and Audit Committee.
The members of Appointment Committee are:
Nikola Zovko,economist, Chairman
Dmitrij Leonidovič Drandin,economist
Nenad Škomrlj, jurist

Members of Audit Committee are:
Nikola Zovko,economist, Chairman
Nenad Škomrlj,jurist, deputy of Chairman
Anatolij Janovskis, economist
Dmitrij Leonidovič Drandin, economist

Member of Remuneration Committee are:
Ana Luketin,jurist, Chairman
Dmitrij Leonidovič Drandin,economist
Nikola Zovko, economist

The Management 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 31.12.2014 the Board consisted of five members: Mr. Mladen Peroš, Chairman of the Board, Mrs. Katija Klepo, member of the Board for Finance and Accounting, Mr. Ivica Tolić, member of the Board for legal affairs and corporate communications, Mr. Denis Fusek, member of the Board for Business organization, Informatics and Kontrolling, and Mr.Hrvoje Jurišić, as member of the Board for Development.

Changes in the Management since February 2015

On 5th of February 2015 Marinko Došen was appointed as **President of the Board**, while Mladen Peroš was appointed as Board Member for Development and Commercial affairs. Hrvoje Jurišić was appointed as Board Member for Production and Logistics.

Term of office of all the members of the Board lasts until 19th of July 2016.

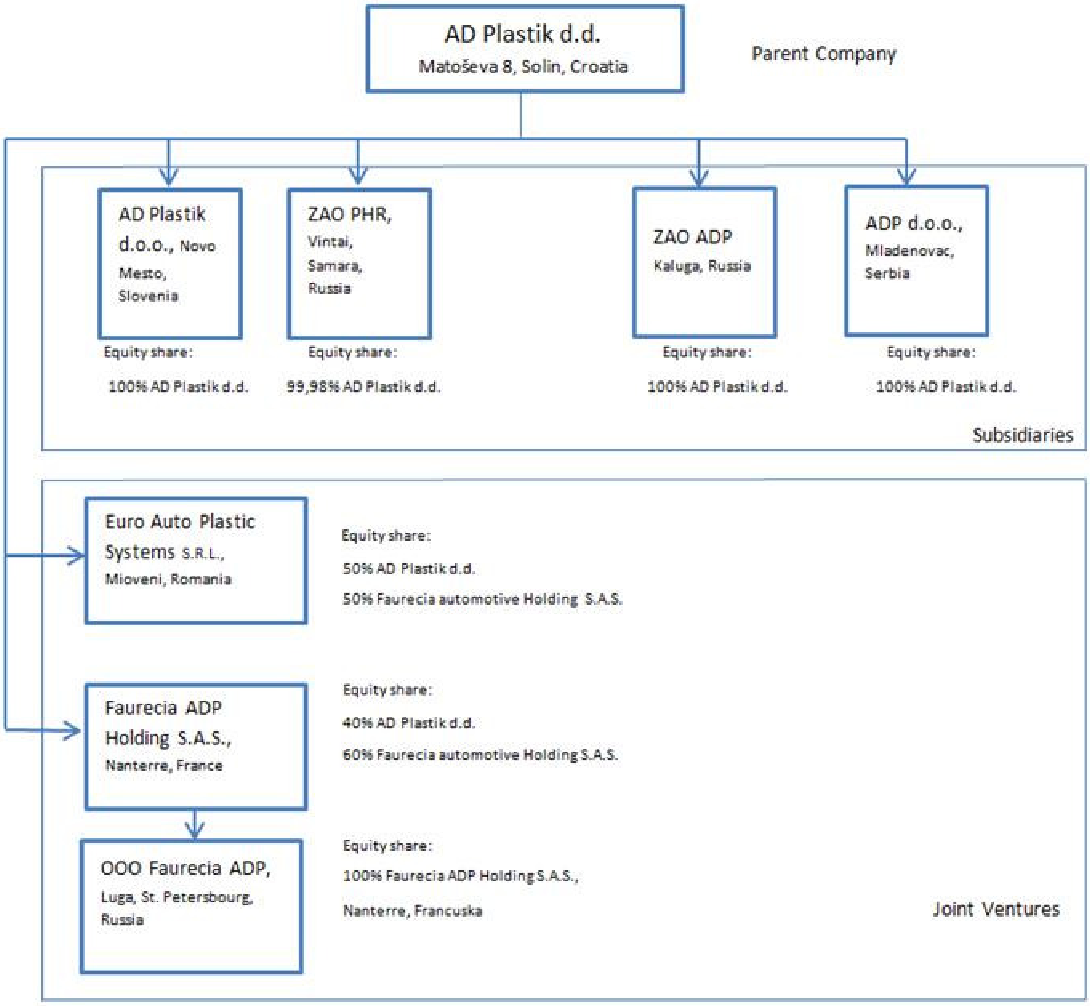
Subsidiaries and affiliated companies

The bodies of subsidiaries and affiliated companies are: The Assembly; The Supervisory Board; General Manager. Bodies of subsidiaries and affiliated 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.

e) STRUCTURE OF AD PLASTIK GROUP

Information on the structure of AD Plastik Group is shown in the following image.

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



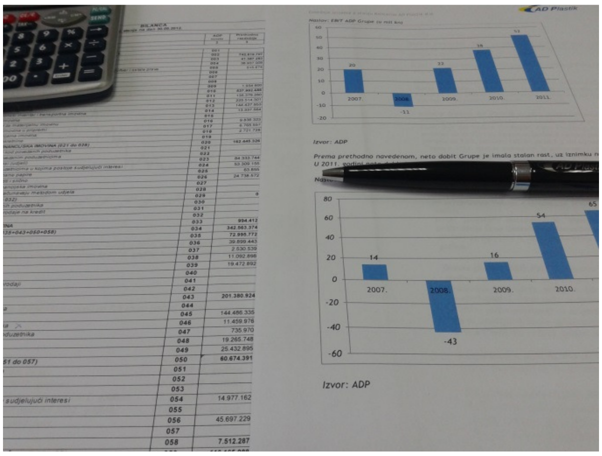
f) OWNERSHIP STRUCTURE

The equity 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 2014.

S.N.	Owner	Number of shares	Percent of ownership
1.	OAO HOLDING AUTOKOMPONENTI	1.259.875	30,00%
2.	HYPO ALPE-ADRIA-BANK D.D./ RAIFFEISEN OBVEZNI MIROVINSKI FOND KATEGORIJE B	269.462	6,42%
3.	ADP-ESOP D.O.O.	212.776	5,07%
4.	PBZ D.D./STATE STREET CLIENT ACCOUNT	120.892	2,88%
5.	HYPO ALPE-ADRIA-BANK D.D./ PBZ CROATIA OSIGURANJE OBVEZNI MIROVINSKI FOND KATEGORIJE B	119.640	2,85%
6.	SOCIETE GENERALE-SPLITSKA BANKA D.D./ ERSTE PLAVI OBVEZNI MIROVINSKI FOND KATEGORIJE B	115.353	2,75%
7.	HRVATSKA POŠTANSKA BANKA D.D./ KAPITALNI FOND D.D.	111.541	2,66%
8.	ERSTE & STEIERMARKISCHE BANK D.D./ZBIRNI SKRBNIČKI RAČUN ZA STRANU PRAVNU OSOBU	110.349	2,63%
9.	SOCIETE GENERALE-SPLITSKA BANKA D.D./ AZ OMF KATEGORIJE B	93.900	2,24%
10.	ZAGREBAČKA BANKA D.D./STATE STREET BANK AND TRUST COMPANY, BOSTON	80.207	1,91%
11	OTHERS	1.705.589	40,61%

During 2014 the company disposed 6.000 shares. On 31.12.2014 the company had 31.762 of its own shares, which makes 0,756% of the company capital.

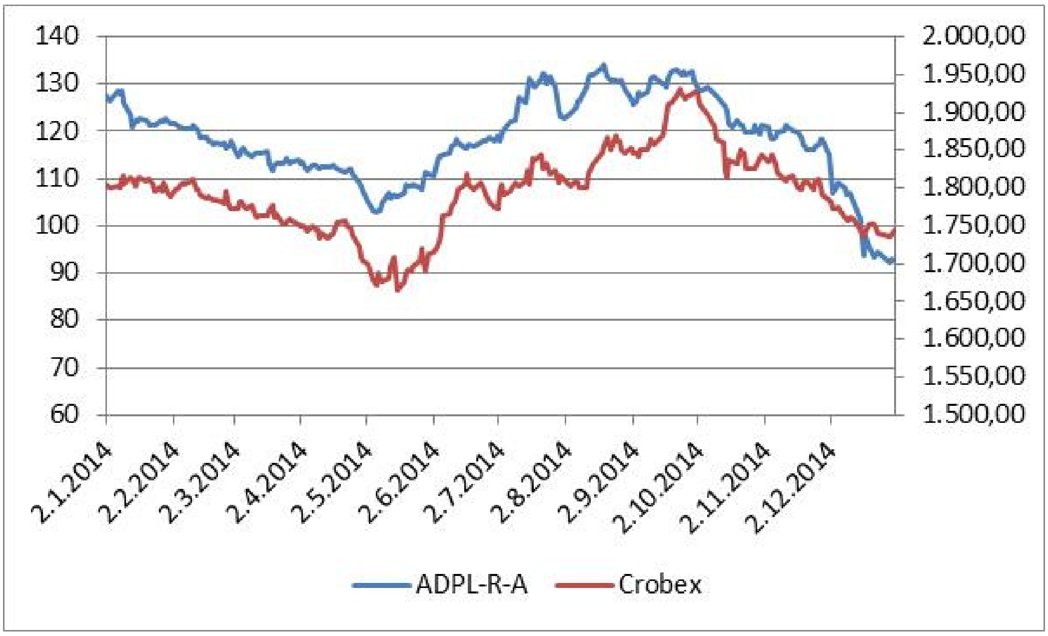


f) INFORMATION ON THE SHARE ADPL-R-A

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. In May 2013 AD Plastik Inc. and Interkapital vrijednosni papiri have also signed the Agreement on Market Making.

Image 8. Movement of average daily stock price ADPL-R-A and Crobex since 01.01.2013 – 31.12.2014.



Source: ZSE

The total turnover achieved by share trading of AD Plastik Inc. in 2014 amounted to 123.978.180 HRK, while the turnover for 2013 amounted to 91.478.496 HRK. Out of all shares listed on the Zagreb Stock Exchange, the share ADPL-R-A was ranked seventh by achieved turnover in 2014.

Dividend

In 2012 the Company paid the dividend in the amount of 8,00 HRK per one share, out of that 4,00 HRK per share was paid in february, and a difference of 4,00 HRK was paid in August.

Financial calendar

Announcement of results for the I quarter of 2015: **30.04.2015**
The General Assembly of AD Plastik Inc.will be held: on **24.07.2015**
Announcement of results for the first half of 2015:on **30.07.2015**
Announcement of results for the III quarter and first nine months of 2015: on **30.10.2015**
Announcement of results for the IV quarter and twelve months of 2015: on **14.02.2016**

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

h) DECLARATION ON THE IMPLEMENTATION OF CORPORATE GOVERNANCE CODE

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 2013 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:

- Information on all earnings and compensation which a member of the Board receives from the Company are summary published as part of the Annual Report of the Company.
- The Company did not adopt the Statement on the remuneration policy for the Management Board and Supervisory Board

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 2013 was establihsed the Internal Audit Service, whose activities began in 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 2013 there were no significant changes in the ownership structure. The ownership structure is presented within this Report, under point I.1.f. in the table 1.

2) REVIEW OF OPERATIONS IN 2014 AND THE DEVELOPMENT PLAN OF AD PLASTIK GROUP

a) BUSINESS OVERVIEW IN 2014

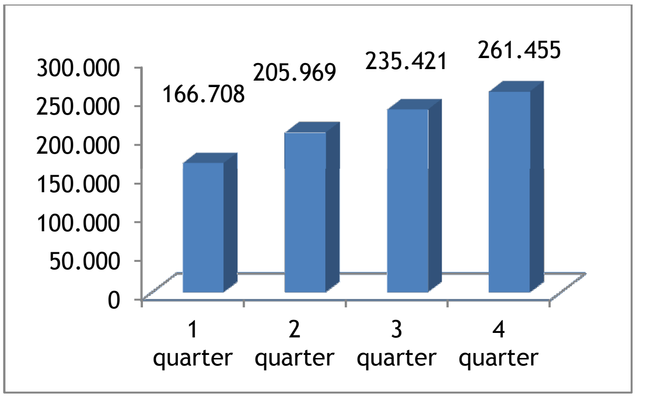
In 2014 AD Plastik Group (hereinfter: ADP Group) recorded an increase in sales revenue of 6,4%, compared to the previous year due to the sales growth in Croatia.
A large investment cycle which began in 2012 was completed in late 2014 by the handover of development projects to the serial production.

The main reasons because of which in 2014 the profitability did not increase compared to the year 2013 are the following:

- **Deterioration in market conditions and decrease in sales on the russian market;**
- **Significant depreciation of the Russian ruble within the meaning of sales prices in Russia;**
- **Adjustment of serial production related to a large number of development projects and new products.**

A successful start of sales of new models of automobiles on the market has generated the growth of production in Croatia and therefore the increase in sales revenues at the level of ADP Group. This is evident from the dynamics of sales revenue growth per quarter in 2014 as shown in image 1. If we compare the revenues of the first and last quarter of the reporting year **an increase in sales revenue of more than 50%** is recorded.

Image 9. Sales revenue for ADP Group without associated companies EAPS and FADP in 2014 per quarters in (000) HRK



Expectations in 2015

In 2015 we expect a **further revenue growth** for ADP Group of **at least 12%** despite predictions of a further decline in new car sales in Russia. Moreover, we expect a revenue increase in Croatia more than 25%. According to the above mentioned information we also expect an increase in profitability/**EBITDA margin of at least 9%.**

Credit indebtedness of AD Plastik Group at the end of the reporting year amounted to 493 million HRK which represents a reduction in loan liabilities of 17,6 milion HRK compared to the end of third quarter. With regard to the completion of a significant investment cycle in 2014 we expect to reduce loan liabilities by the end of 2015. We plan to reduce the indicator **net financial debt/ EBITDA of the Group** with the consolidation of the corresponding part of ownership of EAPS and FADP from the level of **3,35** at the end of 2014 to less than **2,8** in 2015. Also, we are negotiating with the banks in order to continue the process of refinancing the part of short-term loans to convert them into long-term loans.

Parent company

The serial production of all three vehicles for the project Edison (Renault Twingo, Daimler Smart 2S and 4S) started during 2014. Furthermore, the company started with the serial production regarding projects for the customers Hella, PSA, Ford, VW and Webasto (BMW). These projects ensure a high capacity utilization for the plants in Croatia.
In the parent company was recorded an increase in sales revenue of 13,9% in the reporting year compared to the previous year.
According to the decision of the Ministry of Economy, based on realized investments in Croatia for the project Edison, it is planned the use of reduced rate of income tax (from 20% to 0%).

In the final audit report was made an impairment of a part of financial investments in ADP Kaluga for the amount of 36,8 million HRK.

ADP Mladenovac, Serbia

In the reporting period compared to 2013 ADP Mladenovac recorded an increase of operating revenue of 42,0% that is 44,9 milion HRK.

The serial production of headliners for the project Edison and grab handels for Fiat, Italy started in 2014. The realization of grab handles project for the customers Renault and Fiat/Chrysler for several vehicles and locations is in process.
The company increased the volume of deliveries of raw material for the production of carpets for our plants PHR in Russia and EAPS in Romania.
In the fourth quarter was made a deal for the production of blow molded products for the customer Fiat, Polland; the start of serial production is planned for the third quarter of 2015. The expected revenue from this deal amounts to approximately 2,4 milion EUR during the complete duration of this project.
Furthermore, new deals for Alfa Romeo and Maserati were made. The expected revenue from this deal amounts to approximately 7 milion EUR during the complete duration of this project; the start of serial production is planned for the first quarter of 2016.

ZAO PHR (ADP Togliatti) & ADP Kaluga

In 2013 operating revenues of the company PHR amounted to 238 milion HRK, which represents a decrease of 13% compared to the previous year. Due to market disturbances and economic situation in Russia the planned increase in sales in 2014 was not achieved which resulted in 25% lower revenues than planned and in unused capacities.

In 2014 occurred a significant depreciation of the Russian ruble by 50% that is by 37% in the last quarter only which negatively affected the business of Russian plants.

In order to be protected from exchange rate volatility and negative impact on business the following measures were taken:

- Monthly changes of prices were agreed with the customers in December (before on a quarterly basis)
- Revaluation of fixed assets was performed
- Intensified activities on localization of raw materials

The total realized operating revenues of the company ADP Kaluga in the reporting year amounted to 98,9 milion HRK, which represents an increase of 26.78% compared to the previous year, despite the aforementioned market disturbances.

EURO APS, Romania

In the reporting year was realized a growth of operating revenues, compared to the previous year, in the amount of 1,72% that is 810 milion HRK.

In the reporting period was achieved a stabile production and a growth in sales compared to the prevoius year as the result of an increase in serial deliveries of the models Sandero and Duster and an increase in delivered quantities for Morocco, Algeria, Iran and other markets.

FADP Luga, Russia

In the reporting year was recorded a decrease of operating revenues of 30% compared to the prevoius year. The main reason is the decrease of volumes of the current model Ford Focus. The activities of plant preparation for the acceptance of new projects (interior positions for the vehicles Ford Fiesta an Ecosport, and Nissan X-trail) are in process.

b) **FINANCIAL REPORTS OF AD PLASTIK GROUP WITH CONSOLIDATED FINANCIAL STATEMENTS OF AFFILIATED 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 2012 and 2013, in which AD Plastik has 50%, that is 40 % of ownership.

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 has in this company.

Table 2. Profit and loss account of AD Plastik Group with consolidation of belonging ownership share in Euro APS and FADP for 2013 and 2014 in thousands of HRK

Positions	*ADP Group with consolidation of belonging part of ownership in EURO APS and FADP*	*ADP Group with consolidation of belonging part of ownership in EURO APS and FADP*
	2013.	***2014.***
OPERATING REVENUES	***1.369.868***	***1.394.929***
Sales revenue	*1.334.867*	*1.357.826*
Other revenues	*35.001*	*37.103*
OPERATING EXPENSES	***1.289.131***	***1.347.610***
Material expenses	*776.217*	*825.285*
Staff costs	*214.224*	*225.203*
Amortization	*68.450*	*75.761*
Other expenses	*230.241*	*221.361*
FINANCIAL REVENUES	***15.749***	***33.491***
FINANCIAL EXPENSES	***61.654***	***69.091***
TOTAL REVENUE	***1.385.618***	***1.428.420***
TOTAL EXPENSES	***1.350.785***	***1.416.203***
Profit before taxation	*34.833*	*12.218*
Profit tax	*7.181*	*7.301*
PROFIT FOR THE PERIOD	***27.652***	***4.917***

As can be seen from Table 2, operating revenue of AD Plastik Group with consolidated belonging ownership share in Euro APS and FADP recorded an increase in 1,8% % compared to the previous year and in total they amounted to 1,39 billion HRK.

Total loan liabilities of AD Plastik Group with the belonging ownership share in Euro APS and FADP are equal to the total loan liabilities of AD Plastik Group without consolidation of affiliated companies.

The affiliated companies do not have financial loan liabilites towards external subjects, except for the loan liabilities towards the owners (that is Faurecia and AD Plastik).

Table 3. *Balance sheet of AD Plastik Group with consolidation of financial reports of belonging part of ownership in Euro APS and FADP for 2013 and 2014 in thousands of HRK*

A/P	Code	Positions	ADP Group with consolidation of belonging part of ownership in EURO APS and FADP	ADP Group with consolidation of belonging part of ownership in EURO APS and FADP
			2013.	**2014**
ASSETS	A.	Fixed assets	934.158	1.023.017
	B.	Current assets	522.881	568.989
	C.	Prepayment & accrued inc.	186.394	90.394
	A+B+C	**TOTAL ASSETS**	**1.643.433**	**1.682.399**
LIABILITIES	A.	Capital and Reserves	692.306	626.554
	B.	Long-term liabilities	285.234	222.335
	C.	Provisions	8.074	9.769
	D.	Short-term liabilities	600.097	806.740
	E.	Deferred pay. Of costs & future inc.	57.722	17.001
	F(A+E)	**TOTAL LIABILITIES**	**1.643.433**	**1.682.399**

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 affiliated companies.

From the consolidated statement is evident that EBITDA (Earnings before interest, taxes, depreciation and amortization) in 2014 compared to the 2013 for AD Plastik Group with consolidation of belonging part of ownership in Euro APS and FADP was minimally corrected for 17,5% and it amounts to 123,1 milion HRK, in contrast to 156,05 milion HRK which was the amount in 2012.

The main reason for decrease in EBITDA is a decrease in EBITDA of ADP Group.

Table 4. Financial ratios of AD Plastik Group in 2014 in thousands of HRK

Indicator	ADP Group with consolidation of belonging part of ownership in EURO APS and FADP	AD Plastik Group - without consolidation of associated companies
	2014.	2014.
Business revenues	1.394.929	899.864
Net financial debt	411.966	476.066
EBITDA (earnings before interest and taxes, depreciation and amortization)	123.080	52.926
Price (share price)/Sales (revenue)	0,24	0,37
Price (share price)/EBITDA	2,74	6,37
Net financial debt/EBITDA	3,35	8,99

Note: For the calculation of share prices we used an average price of ADPL-R-A on 31.03.2015

d) MARKET AND EXPECTED DEVELOPMENT OF AD PLASTIK GROUP

After year 2013 during which European sales decreased by – 1,7%, analysts were expecting slight improvement for 2014. Due to new models launched and marketing operations from many OEMs, sales increased globally by 5 % in Western Europe in 2014.
This global performance was not impacting all European countries in the same way, big variations could be observed from one country to the other, even German brands were affected by certain instability.

In the meantime Russian market, due to different reasons collapsed and global car sales dropped down by – 10 % in 2014. A particularly large impact on the market had a decrease of value of the Russian ruble against the EUR, more specially during 2nd half of the year, severely impacting profitability at the same time AD Plastik was launching a large number of new products.

Year 2014 has been important year for AD Plastik with launch of new Renault-Daimler platform replacing both Twingo and Smart (for 2 & for 4), for which content was huge, with all exterior painted parts, all major interior parts (instrument panel, door panels & headliners) and some technical parts (cooling system support). It was the way to develop new relationships with Daimler as a customer and this also ensured the additional deliveries of painted products for the vehicle Citan in Maubeuge and getting CCC certificates necessary for the commercialization of products in China

Acquisition of grab handle orders from Renault & Fiat reinforced AD Plastik position on this product range and will open new challenges with deliveries to Chrysler in USA and Renault in Asia. Additional possibilities are still on going with VW group on similar products.
FCA (Fiat Chrysler Automotive) is now a key customer for AD Plastik, who is delivering 7 of their plants and recently got new order from Maserati.

At the same time, AD Plastik has been nominated by Ford as a development supplier for wheel arch liners for C platform (Mondeo).
Production of extruded weather strips for VW Golf after the initial 20%, will achieve 80% of total volumes in Q3/2015.

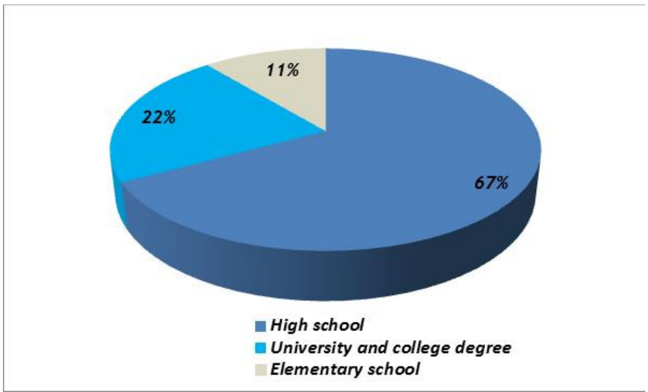
More than ever, customer portfolio diversification is key for the future development of AD Plastik activities, with special focus on German market and opportunities to get orders from LCV brands.
Sales in Europe in first quarter of 2015 are showing positive trend and expectations from analysts for global 2015 are around + 3% compared with 2014.

Car sales in the Russian market, despite the strengthening and stabilization of ruble,is not recovering and some OEMs have announced temporary production stoppage; in these conditions analysts forecast – 25 % in Russia. Activities are taking place to adapt to new market conditions with efficient use and optimization of installed capacities and continuous improvements of business processes.

e) EMPLOYEES

During the previous year we employed the employess belonging to the different structure - from professional staff to direct production employees which account for the largest number. On 31.12.2014 AD Plastik Inc. had 1283 employees in its two plants, located Solin and Zagreb, and the average age of employees was 39.90 years.

Image 15. Structure of education of employees on 31.12.2014.



Although during the process of employment it is important to consider knowledge and skills to perform the job, we also take into account the fitting of the candidates into the organizational culture.
We continue with the trend of investing in our employess through various processes from introduction to work to mentorships, as well as targeted trainings to raise the competences and to acquire the professional, managerial knowledge and skills applicable in the automotive industry. The topics are specific, that is adjusted to tthe plant and the expressed needs.
The aforementioned is also supported by the annual testing of the working climate which has shown that the employees are mostly satisfied with the competence of their immediate superiors and colleagues which confirms that the company has quality staff which is able to cope with business

challenges. Fluctuation rate is still low and for 2014 amounts to 0,74%.

By an applicable collective agreement, employment rules and firm adherence to regulations we guarantee respect for labor rights and freedom of association.

f) ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY

Preservation and protection of the environment is an inevitable part of business policy of AD Plastik Group. Functioning according to the principles of environmental protection and sustainable development is our permanent commitment and obligation.

Care for environment is the result of coordinated activities of all business processes in the company.Compliance with legal regulations and other mandatory requirements are continuously monitored and supervised.

During 2014, we updated operational emergency plans in case of a sudden water pollution, Regulations about treatment of all types of waste from technological process and sludge from wastewater treatment processes, Rules of procedure and maintenance of facilities for discharge and pre-treatment of waste water. Also, on location Solin test on tightness of fuel oil tank was conducted and new water permit was approved from authorities. Location Zagreb was connected to the public sewerage system, and in May we obtained Solution on the work of the plant below the limit indicators. All planned testing of emissions to air and water have been conducted and all were in compliance with applicable regulations, also reports on environmental emissions were submitted to the competent authorities. In the previous period there weren`t any sudden harmful emissions into the environment.

In the reporting period, our employees were trained in the field of environmental protection. As part of the educational program they participated in the TAIEX seminar "for the CLP-mixtures practical application" organized by the Association for the chemical industry.

AD Plastik Group has a fundamental policy against corruption (Code of Business Conduct), during the reporting period no objections to the violatin of the Code have been received. In the previous year AD Plastik has performed the education of middle and senior management on the subject of Anti-bribery and corruption measures, within which was shown a desirable behavior in problematic situations demonstrated by use of practical examples.

In October last year AD Plastik Inc. received an award from Renault for outstanding contribution in the field of corporate social responsibility.

This year AD Plastik Group will publish a Sustainable Business Report for 2013 and 2014 within which socially responsible activities will be described in more detail.

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, 2013 the greatest changes were recorded in these positions:

- **(AOP 003) Intangible assets (increase of 31,0 milion HRK) - due to the increased investments in development projects;**
- **(AOP 013 and AOP 017) Plants and machinery and Tangible assets in progress (increase of 84,8 milion HRK and decrese of 41,7 milion HRK) - mainly due to putting into use the new paintshop and other equipment related to the new projects;**
- **(AOP 045) Trade receivables (increase of 65,2 milion HRK) - due to increased sales;**
- **(AOP 059) Prepayments and accrued income (decrease of 99,6 milion HRK) - due to the realization of new projects which includes the sales of finished tools;**
- **(AOP 086 and 096) Long-term and Short-term debts towards financial institutions (decrease of 37,1 milion HRK and increase of 37,1 milion HRK) - due to the obligation in accordance with IAS to transfer all the long-term liabilites maturing in the next year into the short-term liabilites;**
- **(AOP 098) Accounts payable (increase of 114,3 milion HRK) - partly due to the increase in production and inventory in Croatia and disturbances in Russia;**
- **(AOP 106) Deferred payment of costs and future income (decrease of 39,2 milion HRK) - mostly due to the sales of finished tool for new projects.**

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

Gross salary paid to the auditor for conducted audit of financial reports in 2014 amounted to 603.416 HRK.

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

According to the best of my knowledge:

1. Revised financial reports of AD Plastik Group and the Company AD Plastik Inc. Solin for the period of 01.01. - 31.12.2014, 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 quite 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 and Accounting

Katija Klepo

Klepo

AD-PLASTIK AD Plastik 24 d.d. SOLIN

III. AUDITED REPORTS

AD Plastik d.d., Solin and its subsidiaries

Consolidated financial statements and

Independent Auditor's Report

For the year ended

31 December 2014

Contents **Page**

Pursuant to the Croatian Accounting Act, the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which give a true and fair view of the state of affairs and results of AD Plastik d.d. (”the Company“) and subsidiaries (”the Group“) for that period.

After making enquiries, the Board 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 Board continues to adopt the going concern basis in preparing the financial.

In preparing those financial statements, the responsibilities of the 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 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 Croatian Accounting Act. The 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

Marinko Došen

President of the Management Board

AD PLASTIK d.d.
Matoševa 8
21210 Solin
Republic of Croatia

23 April 2015

Deloitte.

Independent Auditor's Report

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

We have audited the accompanying financial statements of AD Plastik d.d., Solin ("the Company") and subsidiaries ("the Group") which comprise the balance sheet as at 31 December 2014, and the income statement for the year than ended, 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 adopted by European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 judgment, 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 internal control relevant to the Company's 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 Company's internal control. 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.

Deloitte.

Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the as of 31 December 2014, and the results of its operations and its cash flows for the year then ended in accordance with the International Financial Reporting Standards adopted by the European Union.

Report on Other Legal and Regulatory Requirements

The management is also responsible for the preparation of the Annual Report in accordance with the requirements of the Accounting Law.

Our responsibility is to issue an opinion on the consistency of the Annual Report with the financial statements based on our audit. Our procedures have been conducted in accordance with the International Standards on Auditing and limited solely to assessing of whether information disclosed in the Annual Report and presented in the financial statements is consistent, in all material respects, with the relevant financial statements. We have not audited any data or information other than the financial information obtained from the financial statements and accounting ledgers. We believe that the performed audit provides a reasonable basis for our audit opinion.

In our opinion, the financial information presented in the Annual Report is consistent, in all material respects, with the aforementioned financial statements as of 31 December 2014.

Deloitte d.o.o., Zagreb
Branislav Vrtačnik, President of the Board, Certified Auditor

Zagreb, Republic of Croatia

23 April 2015

(All amounts are expressed in thousands of kunas)

	Notes	2014	2013
Sales	6	869,553	817,591
Other income	7	27,924	18,180
Total income		**897,477**	**835,771**
Increase in the value of work in progress and finished products		4,893	7,195
Cost of raw material and supplies	8	(434,918)	(377,099)
Cost of goods sold	9	(36,227)	(32,244)
Service costs	12	(66,209)	(54,819)
Staff costs	10	(182,196)	(165,658)
Depreciation and amortization	11	(58,990)	(50,370)
Other external expenses	13	(116,976)	(131,128)
Other operating expenses	14	(9,496)	(6,487)
Provisions for risks and charges	15	(3,420)	(3,952)
Total operating expenses		**(903,539)**	**(814,562)**
Profit from operations		**(6,062)**	**21,209**
Financial income	16	41,403	24,049
Financial expenses	17	(63,179)	(58,560)
Equity income	18	32,899	41,708
Net profit from financial activities		**11,123**	**7,197**
Profit before taxation		**5,061**	**28,406**
Income tax expense	19	(144)	(754)
Profit for the year		**4,917**	**27,652**

(All amounts are expressed in thousands of kunas)

Other comprehensive income			
Exchange differences on translating foreign operations after income tax		(95,144)	-
Reserves from the revaluation of tangible fixed assets		62,714	-
Net other comprehensive income	20	(32,430)	-
Total comprehensive income		**(27,513)**	**27,652**
Profit attributable to:			
Equity holders of the Company		4,930	27,661
Non-controlling interests		(13)	(9)
Total comprehensive income attributable to:			
Equity holders of the Company		(27,495)	27,661
Non-controlling interests		(18)	(9)
Basic and diluted earnings per share	21	1.18	6.64

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

(All amounts are expressed in thousands of kunas)

	Notes	31.12.2014	31.12.2013
ASSETS			
Non-current assets			
Intangible assets	22	152,138	121,104
Tangible assets	23	755,636	711,217
Investments in associates	24	92,666	101,012
Other financial assets	25	52,626	54,334
Long-term receivables		8,459	-
Deferred tax assets	19	13,650	1,992
Total non-current assets		**1,075,175**	**989,659**
Current assets			
Inventories	26	94,315	94,793
Trade receivables	27	207,409	148,435
Other receivables	28	48,528	62,554
Current financial assets	29	15,539	27,144
Cash	30	7,806	28,943
Prepaid expenses and accrued income	31	85,289	184,903
Total current assets		**458,886**	**546,772**
TOTAL ASSETS		**1,534,061**	**1,536,431**

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

(All amounts are expressed in thousands of kunas)

	Notes	31.12.2014	31.12.2013
Equity			
Share capital	32	419,958	419,958
Reserves		193,353	223,890
Retained earnings		12,398	31,288
Profit for the year		4,930	27,661
Non-controlling interests		(7)	9
Total equity		**630,632**	**702,806**
Long-term provisions	33	1,990	2,652
Long-term borrowings	34	212,344	255,816
Other non-current liabilities	34	26,239	226
Total non-current liabilities		**240,573**	**258,694**
Advances received	35	57,224	94,660
Trade payables	36	270,425	156,085
Short-term borrowings	37	285,343	239,963
Other current liabilities	38	28,588	20,611
Short-term provisions	33	7,606	7,581
Accrued expenses and deferred income	39	13,670	56,031
Total current liabilities		**662,856**	**574,931**
Total liabilities		**903,429**	**833,625**
TOTAL EQUITY AND LIABILITIES		**1,534,061**	**1,536,431**

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

Consolidated Statement of Changes in Equity
For the year ended 31 December 2014
(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Legal reserves	General reserves	Reserves from the revaluation (conversion)	Reserves from the revaluation of tangible fixed assets	Reserves on revaluation of long-term receivables	Reserves for own shares	Treasury shares	Retained earnings	Total equity attributeable to the equity holders of the Company	Non-controlling interests	Total
Balance at 31 December 2012	**419,958**	**183,549**	**6,143**	**14,730**	**8,490**	**1,696**	**-**	**4,276**	**(4,276)**	**80,047**	**714,613**	**16**	**714,629**
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	2	2
Exchange differences	-	(40)	-	-	-	-	-	-	-	(18,851)	(18,891)	-	(18,891)
Dividends paid	-	-	-	(347)	-	-	-	-	-	(33,274)	(33,621)	-	(33,621)
The distribution of the profit from 2012	-	-	-	11,493	-	-	-	-	-	(11,493)	-	-	-
Valuation of own shares	-	-	-	-	-	-	-	787	(787)	-	-	-	-
Distributions to employees	-	-	-	310	-	-	-	(310)	310	-	310	-	310
Accumulated income tax after deduction	-	-	-	(2,135)	-	-	-	-	-	-	(2,135)	-	(2,135)
Profit for the year	-	-	-	-	-	-	-	-	-	42,520	42,520	(9)	42,511
Balance at 31 December 2013	**419,958**	**183,509**	**6,143**	**24,051**	**8,490**	**1,696**	**-**	**4,753**	**(4,753)**	**58,949**	**702,796**	**9**	**702,805**

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	General reserves	Reserves from the revaluation (conversion)	Reserves from the revaluation of tangible fixed assets	Reserves on revaluation of long-term receivables	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 2013	**419,958**	**183,509**	**6,143**	**24,051**	**8,490**	**1,696**	**-**	**4,753**	**(4,753)**	**58,949**	**702,796**	**9**	**702,805**
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(3)	(3)
Exchange differences	-	4	(3)	(37)	-	-	(82,580)	-	-	(4,030)	(86,646)	-	(86,646)
Dividends paid	-	-	-	-	-	-	-	-	-	(33,343)	(33,343)	-	(33,343)
The distribution of the profit from 2013	-	-	-	9,177	-	-	-	-	-	(9,177)	-	-	-
Accumulated share	-	-	-	(8,542)	-	-	-	-	-	-	(8,542)	-	(8,542)
Valuation of own shares	-	-	-	-	-	-	-	(1,808)	1,808	-	-	-	-
Revaluation	-		-	-	-	50,171	-	-	-	-	50,171	-	50,171
Sale of own shares	-	-	-	1,273	-	-	-	-	-	-	1,273	-	1,273
Profit for the year	-	-	-	-	-	-	-	-	-	4,930	4,930	(13)	4,917
Balance at 31 December 2014	**419,958**	**183,513**	**6,140**	**25,922**	**8,490**	**51,867**	**(82,580)**	**2,945**	**(2,945)**	**17,329**	**630,639**	**(7)**	**630,632**

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	2014	2013
Profit for the year	**4,917**	**27,652**
Income tax expense	144	754
Depreciation and amortization	58,990	50,370
Net book value of disposed assets	2,714	40,856
Decrease in long-term and short-term provisions	(637)	(1,142)
Decrease in corrections of trade receivables, net	(1,795)	(1,658)
Shares in profit/loss from investments in associates	(32,641)	(41,707)
Profit from operations before working capital changes	**31,692**	**75,125**
Decrease/(Increase) in inventories	478	(10,808)
(Increase)/decrease in trade receivables	(113,991)	39,219
Decrease in other receivables	14,026	15,787
Increase in trade payables	114,340	32,301
Decrease in advances received	(37,436)	(3,870)
Increase/(decrease) in other short-term and long-term liabilities	33,978	(8,917)
(Decrease)/increase in accrued expenses and deferred income	(42,361)	54,314
Decrease/(increase) in prepaid expenses	99,614	(82,408)
Cash generated from operations	**100,340**	**110,743**
Sale of own shares	1,273	-
Dividends from associates	40,987	26,930
Incease in depozit	(9,184)	-
Increase in long-term liabilities	(8,459)	-
Approved short-term and long-term loans	22,497	-
Purchases of property, plant and equipment, and intangible assets	(137,157)	(264,938)
Proceeds short-term loans	-	10,588
Cash used in investing activities	**(90,043)**	**(227,420)**
Dividends paid	(33,342)	(33,621)
Bonuses	-	310
Paid withholding tax	-	(2,135)
Received short-term and long-term loans	125,786	293,218
Repayments of borrowings	(123,968)	(125,614)
Cash (used)/generated from financing activities	**(31,434)**	**132,158**
Net cash flow	**(21,137)**	**15,481**
At 1 January	**28,943**	**13,462**
Net cash (outflow)/inflow	(21,137)	15,481
At 31 December	**7,806**	**28,943**

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 Privatization 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 June 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 July 2007, the increase of the share capital by HRK 125,987,500, effected by OAO Saint Petersburg Investment Company was registered, and the total subscribed capital now amounts to HRK 419,958,400 and consists of 4,199,584 shares, with a nominal amount of HRK 100 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 on 4th of August 2011 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;
- providing advice, guidance and operational assistance to legal entities;

1. GENERAL INFORMATION (CONTINUED)

1.1. Principal business (continued)

- designing of accounting systems, materials accounting software, budgeting control procedures;
- advice and assistance to legal entities in connection with planning, organization, 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.
   Subsidiary ZAO ADP Luga, Luga has change name and headquarter of the Company at the beginning of FY 2012 in ZAP AD Plastik Kaluga, 248016, Skladskaja street 6, Kaluskla oblast, Russian 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%.

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) Company for production and trade 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.

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 equipment, 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 Company 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.

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.

(All amounts are expressed in thousands of kunas)

1. GENERAL INFORMATION (CONTINUED)

1.4. Number of staff

At 31 December 2014, the number of staff employed was 3,139 (31 December 2013: 2,813).

	2014	2013
AD Plastik d.d.	1,283	894
ZAO PHR	706	704
AD Plastik d.o.o.	3	23
ADP d.o.o. Mladenovac	172	136
ZAO ADP Kaluga	189	181
EURO APS	593	616
FADP	193	259

(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 July 2012	To 19 July 2016
Nikola Zovko (Deputy Chairman)	From 19 July 2012	To 19 July 2016
Marijo Grgurinović	From 14 July 2011	To 14 July 2015
Igor Anatoljevič Solomatin	From 14 July 2011	To 14 July 2015
Drandin Dmitrij Leonidovič	From 19 October 2011	To 19 October 2015
Nikitina Nadežda Anatoljevna	From 19 October 2011	To 19 October 2015
Members of the Management Board:		
Mladen Peroš (President)	From 19 July 2012	To 5 February 2015
Mladen Peroš (Member)	From 6 February 2015	To 19 July 2016
Marinko Došen (Chairman)	From 6 February 2015	To 19 July 2016
Ivica Tolić	From 19 July 2012	To 19 July 2016
Katija Klepo	From 19 July 2012	To 19 July 2016
Denis Fusek	From 26 September 2013	To 19 July 2016.
Hrvoje Jurišić	From 26 September 2013	To 19 July 2016

2. 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 (IFRIC) that are adopted by Europen Union are effective for the current period:

- **IFRS 10 "Consolidated Financial Statements",** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 11 "Joint Arrangements",** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 12 "Disclosures of Interests in Other Entities**", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 27 (revised in 2011) "Separate Financial Statements",** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures**", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities"** – Transition Guidance, adopted by the EU 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised 2011) "Separate Financial Statements"** – Investment Entities, adopted by the EU 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 32 "Financial instruments: presentation"** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 36 "Impairment of assets"** – Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU 19 November 2014 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"**– Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU 19 November 2014(effective for annual periods beginning on or after 1 January 2014).

The adoption of these amendments to existing standards, revisions and interpretations has not led to any changes in accounting policies.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Standards and Interpretations in issue not yet adopted

IFRSs currently adopted by the EU do not differ significantly from the rules set by the International Accounting Standards Board ("IASB"), except for the following standards, amendments to standards and interpretations whose adoption by the EU 23 April 2015 has not yet been decided:

- IFRS 9 "Financial Instruments" **(effective for annual periods beginning on or after 1 January 2018),**
- IFRS 14 "Regulatory Deferral Accounts" **(effective for annual periods beginning on or after 1 January 2016),**
- IFRS 15 "Revenue from Contracts with Customers" **(effective for annual periods beginning on or after 1 January 2017),**
- Amendments to IFRS 11 "Joint Arrangements" **– Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),**
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" **- Clarification of Acceptable Methods of Depreciation and Amortization (effective for annual periods beginning on or after 1 January 2016),**
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" **- Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),**
- Amendments to IAS 19 "Employee Benefits" **- Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),**
- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014).

The Entity anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Entity 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 Croatian laws and International Financial Reporting Standards (IFRS) adopted by the European Union.

3.2. Basis of preparation

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 Croatian laws and International Financial Reporting Standards (IFRSs) adopted by European union; requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on the information available as at the date of preparation of the financial statements, and actual results could differ from those estimates.

The consolidated financial statements of the Group represent aggregate amounts of assets, liabilities, capital and reserves of the Group as of 31 December 2014, 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 unrealized 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 recognized 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 recognized 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

Accrued revenues are tied to contracts that are specifically concluded contracts for creating an asset or group of assets which is closely linked and interdependent on the draft, technology and function or their final use or application. The Company is required to recognize income according to the stage of completion of contract activity. In accordance with IAS 11, when the result of contract on drafting can be estimated reliably, revenue and costs associated with the contract should be recognized according to the stage of completion of the contracted activities on the date of statement of financial position.

Interest income

Interest income is recognized 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 recognized 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 capitalization.

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 2013, the official exchange rate of the Croatian kuna against 1 euro (EUR) was HRK 7.661471 (31 December 2013: HRK 7.637643 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 recognized in the income statement, except where it relates to items recognized directly in equity, in which case it is also recognized 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 realized, 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 tax liabilities and assets are not discounted and are classified in the balance sheet as non-current assets and/or non-current liabilities. Deferred tax assets are recognized only to the extent that it is probable that the related tax benefit will be realized. At each balance sheet date, the Company reviews the unrecognized potential tax assets and the carrying amount of the recognized 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 recognized 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, other than land, tangible and intangible assets under construction over the estimated useful life of the asset using the straight-line method as follows:

	Depreciation rate in 2014	**Depreciation rate in 2013**
1. 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
Projects	20.00	20.00

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9. Impairment

At each reporting date the Group 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 recognized in the income statement from the date of acquisition of significant influence until the date on which significant influence is lost.

Investments are recognized 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 recognized, 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 realizable value. Cost is determined using the weighted-average cost method. Net realizable 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 labor 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 labor 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 recognized 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.

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 with individual approach to strategic buyers of ADP Group and the age structure of other current receivables. 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 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 recognized as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

The amount recognized 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 recognized 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 recognizes 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 recognized in the period in which they arise.

Past service cost is recognized immediately to the extent that the benefits are already vested. Otherwise, it is amortized 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 recognized and derecognized 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 amortized cost using the effective interest method, less any impairment. Interest income is recognized 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 realize those assets within 12 months from the date of the statement of financial position. Every purchase and sale transaction in recognized on the settlement date. Investments are recognized 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 amortized 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 amortized 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 derecognizes 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 recognizes 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 recognize the financial asset and also recognizes a collateralized 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. Financial instruments (continued)

Revaluation reserves

Part of Group's subsidiaries chosen, for fixed assets, revaluation as a method of subsequent measurement. When the carrying value of these assets increased as a result of a revaluation, the increase is recognized in other comprehensive income and is cumulatively recorded in equity as a revaluation reserve. Revaluation of these assets is carried out with sufficient regularity so that the carrying amount does not differ materially from those to which would be determined using fair value at the date of the statement of financial position. At the moment of derecognition of assets (where the assets are withdrawn from use or is stolen) revaluation surplus is included in equity, and that applies to this property, can be directly transferred to retained earnings.

The Group may have a monetary item that is receivable or liability towards the foreign entity. An item for which settlement is neither planned nor likely to occur in the foreseeable future, is essentially part of the entity's net investment in a foreign operation and according to accounting is accounted for in accordance with IAS 21. The Group initially recognizes foreign exchange differences arising from monetary items that are part of the net foreign investments within other comprehensive income and accumulates in a separate component of equity - revaluation reserves.

During sale of the net investment in a foreign operation, the total amount of foreign exchange losses is transferred from equity to profit or loss (as a reclassification adjustment).

3.17. Contingencies

Contingent liabilities have not been recognized 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 recognized 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 judgments, 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 recognized 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 recognized 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 recognized

A deferred tax asset is recognized only to the extent that it is probable that the related tax benefit will be realized. In determining the amount of deferred taxes that can be recognized significant judgments 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 2014, deferred tax assets on available tax differences were recognized.

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:

	2014	**2013**
Russia	320,777	346,659
Slovenia	301,571	220,750
Germany	91,897	106,287
France	111,101	90,753
Other countries	44,207	53,142
	869,553	**817,591**

6. SALES

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

	2014	**2013**
Foreign sales	860,000	803,601
Domestic sales	9,553	13,990
	869,553	**817,591**

(All amounts are expressed in thousands of kunas)

7. OTHER INCOME

	2014	2013
Income from sale of assets	5,487	2,027
Income from bonuses provided by suppliers	2,222	1,534
Income from the reversal of provisions for jubilee	1,568	1,421
Income from consumption of own products, goods and services	1,377	1,116
Income from the reversal of provisions for pensions	1,084	780
Income from damages collected	789	118
Revenue from the tax return	-	4,431
Other operating income	15,397	6,573
	27,924	**18,180**

8. COST OF RAW MATERIAL AND SUPPLIES

	2014	2013
Direct materials	394,632	332,227
Electricity	18,332	19,044
Other expenses	21,954	25,828
	434,918	**377,099**

9. COST OF GOODS SOLD

	2014	2013
Cost of goods sold	21,789	18,083
Cost of spare parts sold	5,994	6,595
Cost of direct material sold	3,388	6,113
Other costs of goods sold	5,056	1,453
	36,227	**32,244**

(All amounts are expressed in thousands of kunas)

10. STAFF COSTS

	2014	2013
Net wages and salaries	101,837	94,616
Taxes and contributions out of salaries	32,582	29,908
Contributions on salaries	29,188	26,528
Other staff costs	18,589	14,606
	182,196	**165,658**

Other staff costs comprise daily allowances, transportation and overnight accommodation costs on business travel, reimbursement of a portion of costs for the use of personal cars for business purposes and other business related costs.

11. DEPRECIATION AND AMORTISATION

	2014	2013
Depreciation	46,877	41,205
Amortization	12,113	9,165
	58,990	**50,370**

(All amounts are expressed in thousands of kunas)

12. SERVICE COSTS

	2014	2013
Transport	23,911	23,500
Rental costs	8,099	8,318
Regular and preventive maintenance costs - machinery	3,236	7,480
Telecommunications and information system costs	1,958	1,627
Communal fees	1,631	1,682
Tool modification costs	1,219	1,837
Water supply	1,090	1,085
Forwarding and shipping costs	672	429
Know-how costs	51	518
Other expenses	24,343	8,343
	66,209	**54,819**

(All amounts are expressed in thousands of kunas)

13. OTHER EXTERNAL EXPENSES

	2014	2013
Temporary service costs - manufacture of tools	83,572	102,976
Professional service cost	5,436	5,931
Insurance premiums	3,024	3,187
Bank charges	2,126	1,512
Communal fees for the use of construction plots	1,588	1,337
Payment operation charges	1,457	960
Customer complaints	841	647
Cost of goods provided free of charge	762	622
Representation	701	298
Professional training costs	618	266
Occupational Health and Safety service costs	526	302
Other fees (Supervisory Board)	483	1,668
Forest reproduction levies	189	149
Water management fee	161	209
Translation service costs	41	81
Other external costs	15,451	10,983
	116,976	**131,128**

14. OTHER OPERATING EXPENSES

	2014	2013
Property tax	1,472	1,687
Other expenses	8,024	4,800
	9,496	**6,487**

(All amounts are expressed in thousands of kunas)

15. PROVISIONS FOR RISKS AND CHARGES

	2014	**2013**
Provisions under actuarial calculations	1,990	2,652
Vacation accruals, net	1,039	1,004
Litigation provisions, net	370	-
Other provisions	21	296
	3,420	**3,952**

16. FINANCIAL INCOME

	2014	**2013**
Foreign exchange gains	30,540	12,804
Interest income	9,301	10,829
Other finance revenue	1,562	416
	41,403	**24,049**

17. FINANCIAL EXPENSES

	2014	**2013**
Foreign exchange losses	35,405	38,620
Interest expense	25,762	19,940
Other finance costs	2,012	-
	63,179	**58,560**

18. SHARES IN PROFIT / LOSS FROM INVESTMENTS IN ASSOCIATES

	2014.	**2013.**
Income from share of profit of associates	40.227	41.708
Expenses from the share of loss from associates	(7.328)	-
	32.899	**41.708**

(All amounts are expressed in thousands of kunas)

19. INCOME TAX

Income tax comprises the following:

	2014	**2013**
Deferred tax	132	695
Current tax	12	59
	144	**754**

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

	2014	**2013**
Balance at 1 January	**1,992**	**2,687**
Deferred tax assets increase/(decrease)	11,658	(695)
Balance at 31 December	**13,650**	**1,992**

(All amounts are expressed in thousands of kunas)

19. INCOME TAX (CONTINUED)

Deferred tax assets arise from the following:

2014	**Opening balance**	**Credited to statement of comprehensive income**	**Closing balance**
Temporary differences:			
Provisions for long-service and termination benefits	1,992	(655)	1,337
Provisions from the translation of foreign currencies, net	-	24,856	24,856
Provisions for revaluation reserves of tangible and intangible assets	-	(12,543)	(12,543)
Balance at 31 December	**1,992**	**11,658**	**13,650**

2013	**Opening balance**	**In favor to statement of comprehensive income**	**Closing balance**
Temporary differences:			
Provisions for long-service and termination benefits	2,687	(695)	1,992
Balance at 31 December	**2,687**	**(695)**	**1,992**

(All amounts are expressed in thousands of kunas)

19. INCOME TAX (CONTINUED)

Reconciliation of accounting and tax expense for the year:

	2014	2013
Profit before tax	**5,061**	**28,406**
Tax base increasing items	7,554	4,973
Tax base decreasing items	(2,946)	(29,365)
Tax base	**9,669**	**4,014**
Tax at the weighted average rate	2,795	4,361
Tax reliefs	(2,651)	(3,607)
Current tax liability	**144**	**754**

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 2014, having thus met the prerequisites for the utilization of the tax incentives for 2014.

(All amounts are expressed in thousands of kunas)

20. OTHER COMPREHENSIVE INCOME

	31.12.2014.	31.12.2013.
Balance at beginning of year	-	-
Exchange differences on translation of foreign operations	(107,455)	-
Changes of revaluation reserves of long-term tangible and intangible assets	62,714	-
Income tax at the foreign exchange losses from the translation of foreign operations	12,311	-
Balance at end of year	**(32,430)**	**-**

21. 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. Diluted earnings per share are equal to basic earnings.

	2014	2013
Net profit attributable to the Company shareholders	4,917	27,652
Weighted average number of shares	4,167,822	4,161,822
Basic earnings per share (in HRK)	**1.18**	**6.64**

(All amounts are expressed in thousands of kunas)

22. INTANGIBLE ASSETS

	Licenses	Software	Projects	Total
Cost				
Balance at 31 December 2012	**55**	**3,470**	**153,362**	**156,887**
Additions		4,303	84,449	**88,752**
Disposals and retirements			(23,448)	**(23,448)**
Balance at 31 December 2013	**55**	**7,773**	**214,363**	**222,191**
Additions	-	19	44,264	**44,283**
Disposals and retirements	-	-	(1,136)	**(1,136)**
Balance at 31 December 2014	**55**	**7,792**	**257,491**	**265,338**
Accumulated depreciation				
Balance at 31 December 2012	**-**	**1,535**	**94,541**	**96,076**
Charge for the year	-	1,139	8,026	**9,165**
Disposals and retirements	-	-	(4,154)	**(4,154)**
Balance at 31 December 2013	**-**	**2,674**	**98,413**	**101,087**
Charge for the year	-	1,610	10,503	**12,113**
Disposals and retirements	-	-	-	**-**
Balance at 31 December 2014	**-**	**4,284**	**108,916**	**113,200**
Net book value				
At 31 December 2014	**55**	**3,508**	**148,575**	**152,138**
At 31 December 2013	**55**	**5,099**	**115,950**	**121,104**

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

(All amounts are expressed in thousands of kunas)

23. TANGIBLE ASSETS

	Land	Buildings	Plant and equipment	Assets under construction	Other	Total
Cost						
Balance at 31 December 2012	**139,976**	**297,141**	**449,974**	**55,750**	**1,549**	**944,390**
Additions	3,660	11,977	60,255	100,294	-	176,186
Transfer from assets under development	-	624	5,836	(6,460)	-	-
Disposals and retirements	-	-	(13,458)	(15,880)	-	(29,338)
Balance at 31 December 2013	**143,636**	**309,742**	**502,607**	**133,704**	**1,549**	**1,091,238**
Additions	-	150	-	90,261	2,463	92,874
Transfer from assets under development	-	4,468	126,173	(130,641)	-	-
Disposals and retirements	(1,244)	-	(6,929)	-	-	(8,173)
Balance at 31 December 2014	**142,392**	**314,360**	**621,851**	**93,324**	**4,012**	**1,175,939**
Accumulated depreciation						
Balance at 31 December 2012	**-**	**65,402**	**279,641**	**-**	**1,549**	**346,592**
Charge for the year 2013	-	7,418	33,787	-	-	41,205
Disposals and retirements	-	-	(7,776)	-	-	(7,776)
Balance at 31 December 2013	**-**	**72,820**	**305,652**	**-**	**1,549**	**380,021**
Charge for the year 2014	-	5,848	39,934	-	1,095	46,877
Disposals and retirements	-	-	(6,595)	-	-	(6,595)
Balance at 31 December 2014	**-**	**78,668**	**338,991**	**-**	**2,644**	**420,303**
Net book value						
At 31 December 2014	**142,392**	**235,692**	**282,860**	**93,324**	**1,368**	**755,636**
At 31 December 2013	**143,636**	**236,922**	**196,955**	**133,704**	**-**	**711,217**

At 31 December 2014, the net book value of tangible assets pledged as collateral with commercial banks amounts to HRK 392,904 thousand (31 December 2013: HRK 333,868 thousand), and the balance of short-term and long-term loans secured by those assets is HRK 352,110 thousand (31 December 2013: HRK 403.092 thousand).

(All amounts are expressed in thousands of kunas)

24. INVESTMENTS IN ASSOCIATES

Name of associate	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment, HRK'000	
			2014	2013	2014	2013
EURO AUTO PLASTIC SYSTEMS	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	50.00%	50.00%	81,732	82,492
FAURECIA AD PLASTIK ROMANIA (FAAR)	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	49.00%	49.00%	-	258
FAURECIA ADP HOLDING	Manufacture of other vehicle spare parts and accessories	Nanterre, France	40.00%	40.00%	10,934	18,262
					92,666	**101,012**

Subsidiary "Faurecia AD Plastik Romania (FAAR)" from Romania was liquidated and booked from business accounts in May 2014.

Name of associate	Country of incorporation and business	Amount of equity investment	Share in the result for the year 2012	Dividends paid	Amount of equity investment
		31.12.2012			**31.12.2013**
EURO AUTO PLASTIC SYSTEMS	Mioveni, Romania	68,285	41,137	(26,930)	82,492
FAURECIA AD PLASTIK ROMANIA (FAAR)	Mioveni, Romania	258	-	-	258
FAURECIA ADP HOLDING	Nanterre, France	17,692	571	-	18,262
Total		**86,235**	**41,708**	**(26,930)**	**101,012**

Name of associate	Country of incorporation and business	Amount of equity investment	Share in the result for the year 2013	Dividends paid	Amount of equity investment
		31.12.2013			**31.12.2014**
EURO AUTO PLASTIC SYSTEMS	Mioveni, Romania	82,492	40,227	(40,987)	81,732
FAURECIA AD PLASTIK ROMANIA (FAAR)	Mioveni, Romania	258	-	-	-
FAURECIA ADP HOLDING	Nanterre, France	18,262	(7,328)	-	10,934
Total		**101,012**	**32,899**	**(40,987)**	**92,666**

(All amounts are expressed in thousands of kunas)

25. OTHER FINANCIAL ASSETS

	31.12.2014	31.12.2013
Long-term loans to associates	44,156	50,103
Long-term loans to unrelated companies	11,543	14,508
Other financial assets	64	64
Current portion of long-term loan receivables	(3,137)	(10,341)
	52,626	**54,334**

Long-term loans to associated companies are given with interest rate of 12.79 to 20.34% (2013: 12.68 to 13.09%) with maturity in 2016, while Long term loans given to third parties with an interest rate of 6.00% (in 2013: 6.00%) with final maturity in 2021.

26. INVENTORIES

	31.12.2014	31.12.2013
Raw material and supplies on stock	67,176	64,277
Finished products	18,787	17,812
Work in progress	6,647	3,688
Merchandise	1,705	8,198
Advances for inventories	-	818
	94,315	**94,793**

(All amounts are expressed in thousands of kunas)

27. TRADE RECEIVABLES

	31.12.2014	31.12.2013
Foreign trade receivables	206,143	146,164
Domestic trade receivables	9,835	12,635
Impairment allowance on receivables	(8,569)	(10,364)
	207,409	**148,435**

The average credit period on sales is 72 days (2013: 68 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:

	31.12.2014	31.12.2013
Revoz, Slovenia	57,883	5,371
Visteon Deutschland, Germany	36,586	21,670
OAO Avtovaz, Russia	31,784	24,012
Grupo Antolin, Germany	21,487	-
Hella Saturnus, Slovenia	6,779	-
Peugeot Citroen Automobiles, France	5,524	5,695
Other debtors	55,935	102,051
	215,978	**158,799**

(All amounts are expressed in thousands of kunas)

27. TRADE RECEIVABLES (CONTINUED)

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

	31/12/2014	31.12.2013
Balance at beginning of the year	8,890	10,241
Amounts collected or eliminated during the year	(1,463)	(1,351)
Total impairment allowance on domestic trade receivables	**7,427**	**8,890**
Balance at beginning of the year	1,474	1,781
Amounts collected or eliminated during the year	(332)	(307)
Total impairment allowance on foreign trade receivables	**1,142**	**1,474**
Total impairment allowance	**8,569**	**10,364**

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

	31.12.2014	31.12.2013
0 – 365 days	-	524
Over 365 days	8,569	9,840
	8,569	**10,364**

Ageing analysis of receivables past due but not impaired:

	31.12.2014	31.12.2013
1 - 365 days	8,126	9,619
Over 365 days	1,254	1,354
	9,380	**10,973**

(All amounts are expressed in thousands of kunas)

27. TRADE RECEIVABLES (CONTINUED)

Receivables from associated companies

	31.12.2014	31.12.2013
Trade receivables	3,961	4,072
Interest receivable	-	7,845
	3,961	**11,917**

28. OTHER RECEIVABLES

	31.12.2014	31.12.2013
Prepayments made	24,190	39,618
Receivables from the State and state institutions	18,097	15,447
Due from employees	482	597
Other receivables	5,759	6,892
	48,528	**62,554**

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.

29. CURRENT FINANCIAL ASSETS

	31.12.2014	31.12.2013
Other short-term loans	3,209	-
Current portion of long-term loan receivables	3,137	10,341
Short-term loans to subsidiaries	-	16,794
Other deposits	9,193	9
	15,539	**27,144**

Other short-term loans to third parties are related to the loan granted to the company Autocentar-Merkur d.d., Zagreb with 7.2% interest rate, with a maturity in the first quarter of 2015.

Other deposits relate to deposit of the company ZAO PHR at an interest rate of 17%.

(All amounts are expressed in thousands of kunas)

30. CASH

	31.12.2014	31.12.2013
Current account balance	7,806	28,492
Deposits with a term of up to 3 months	-	451
	7,806	**28,943**

31. PREPAID EXPENSES AND ACCRUED INCOME

Accrued income in the amount of HRK 64,248 thousand (31 December 2013: HRK 171,896 thousand) represent amounts relating to the manufacture of tools for a known customer. Income from the manufacture of tools is recognized using the stage-of-completion method to determine the amount of income and costs attributable to a certain period.

	31.12.2014	31.12.2013
Other accrued income on tools	64,248	171,896
Prepaid operating expenses	14,444	10,004
Other accrued income	6,597	3,003
	85,289	**184,903**

(All amounts are expressed in thousands of kunas)

32. 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 (31 December 2013: 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 2014 were as follows:

Shareholder	Headquarters	Number of shares	Ownership in %	Type of account
OAO Holding Autokomponenti	Sankt-Peterburg, Russia	1,259,875	30.00%	Primary account
HYPO ALPE-ADRIA-BANK D.D./RAIFFEISEN MANDATORY PENSION FUND	Zagreb, Croatia	269,462	6.42%	Pension fund
ADP-ESOP D.O.O.	Zagreb, Croatia	212,776	5.07%	Primary account
PBZ D.D. / STATE STREET CLIENT	Zagreb, Croatia	120,892	2.88%	Custody account
HYPO ALPE-ADRIA-BANK D.D./PBZ CROATIA OSIGURANJE MANDATORY PENSION FUND	Zagreb, Croatia	119,640	2.85%	Pension fund
SOCIETE GENERALE-SPLITSKA BANKA D.D. / ERSTE PLAVI OMF	Split, Croatia	115,353	2.75%	Pension fund
HRVATSKA POŠTANSKA BANKA D.D./ KAPITALNI FOND D.D.	Zagreb, Croatia	111,541	2.66%	Pension fund
ERSTE & SEIERMARKISCHE BANK d.d./ZBIRNI SKRBNIČKI RAČUN ZA STRANU PRAVNU OSOBU	Zagreb, Croatia	110,349	2.63%	Custody account
SOCIETE GENERALE-SPLITSKA BANKA D.D. / AZ OMF KATEGORIJE B	Split, Croatia	93,900	2.24%	Pension fund
Total:		**2,413,788**	**57.50%**	

(All amounts are expressed in thousands of kunas)

33. PROVISIONS

	Short-term: 31 December 2014	Short-term: 31 December 2013	Long-term: 31 December 2014	Long-term: 31 December 2013
Jubilee awards	-	-	1,302	1,568
Retirement benefits	-	-	688	1,084
Legal actions	3,720	3,351	-	-
Tax disputes	51	1,105	-	-
Vacation accrual	3,197	2,158	-	-
Other provisions	638	967	-	-
	7,606	**7,581**	**1,990**	**2,652**

	Jubilee awards	Retirements	Court disputes	Taxes	Vacation days	Other	Total
Balance 1 January 2013	**1,718**	**2,191**	**3,389**	**347**	**2,258**	**1,072**	**11,375**
Increase/(decrease) in provision	(150)	(1,107)	(38)	758	(100)	(105)	(1,142)
Balance 31 December 2013	**1,568**	**1,084**	**3,351**	**1,105**	**2,158**	**967**	**10,233**
Increase/(decrease) in provision	(266)	(396)	369	(1,054)	1,039	(329)	(637)
Balance 31 December 2014	**1,302**	**688**	**3,720**	**51**	**3,197**	**638**	**9,596**

33. 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 4.18% and the rate of fluctuation of 5.90 %.

(All amounts are expressed in thousands of kunas)

34. NONURRENT LIABILITIES

	31.12.2014	31.12.2013
Long-term borrowings	301,471	366,501
Current portion of long-term borrowings	(89,127)	(110,685)
	212,344	**255,816**
Other non-current liabilities	26,239	226
	238,583	**256,042**

Long-term loans are mainly used to finance capital investments and development projects. Provided collaterals for long-term loans are mortgages on real estates and/or equipment and instruments of payment. All long-term loans are repayable on a quarterly basis, repayment of existing long-term loans is in the period March 31st, 2015 – December 31st, 2021.

The average interest rate on long-term loans in 2014 amounted to 4.28%.

The Group regularly performs all obligations from these loans, respecting all the conditions of the contract.

Movements in long-term borrowings during the year:

	2014	2013
Balance at 1 January	255,816	201,618
New loans raised	80,496	179,677
Amounts repaid	(123,968)	(125,479)
Balance at 31 December	**212,344**	**255,816**

(All amounts are expressed in thousands of kunas)

35. ADVANCES RECEIVED

	31.12.2014	31.12.2013
Foreign customers	57,224	94,575
Domestic customers	-	85
	57,224	**94,660**

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

36. TRADE PAYABLES

	31.12.2014	31.12.2013
Foreign trade payables	219,295	129,442
Domestic trade payables	51,130	26,643
	270,425	**156,085**

37. CURRENT FINANCIAL LIABILITIES

	31.12.2014	31.12.2013
Short-term borrowings - principal payable	194,548	127,614
Current portion of long-term borrowings	89,127	110,685
Short-term borrowings - interest payable	1,668	1,664
	285,343	**239,963**

Short-term loans were used to finance development projects and for working capital. Provided collaterals for short-term loans are instruments of payment. Of the total amount of short-term loans 40% of short-term loans is related to the revolving frames and approved overdrafts on accounts with the annual renewal of limits.

Short-term borrowings represent loans provided by commercial banks with an interest rate of 5.78%.

(All amounts are expressed in thousands of kunas)

38. OTHER CURRENT LIABILITIES

	31.12.2014	31.12.2013
Due to the State and State institutions	11,618	11,060
Amounts due to employees	10,174	8,624
Liabilities arising from the share in results	-	28
Other current liabilities	6,796	899
	28,588	**20,611**

39. ACCRUED EXPENSES AND DEFERRED INCOME

	31.12.2014	31.12.2013
Accrued tool expenses	13,075	54,566
Due to the State and State institutions	256	372
Other current liabilities	339	1,093
	13,670	**56,031**

(All amounts are expressed in thousands of kunas)

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

40.1. Gearing ratio

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

	31.12.2014	**31.12.2013**
Short-term borrowings	280,555	239,963
Long-term borrowings	212,344	255,816
Cash and cash equivalents	7,806	28,943
Net debt	485,093	466,836
Equity	635,420	702,806
Net debt-to-equity ratio	76.34%	66.42%

(All amounts are expressed in thousands of kunas)

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

40.2. Categories of financial instruments

	31.12.2014	31.12.2013
Financial assets		
Loans and receivables	407,130	378,032
Cash and cash equivalents	7,806	28,943
Financial liabilities		
Trade payables and other	344,619	260,296
Borrowings	492,899	495,779

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 Government are not included in stated amounts.

40.3. 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 analyze 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 minimize the effects of these risks. The Group uses hedging instruments to hedge its exposure to currency risk on a part of the borrowings.

40.4. 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.

40.5. 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.

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

40.6. 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 minimized risk of collection.

(All amounts are expressed in thousands of kunas)

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

40.7. Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies and is exposed to exchange rate fluctuations. 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	
	2014	2013	2014	2013	2014	2013
EUR	185,189	139,524	509,896	401,300	(324,707)	(261,776)
RUR	103,993	130,594	43,696	86,361	60,297	44,233
RSD	24,496	7,595	2,290	3,215	22,206	4,380
USD	649	395	792	107	(143)	288
RON	-	2,555	-	-	-	2,555
GBP	-	47	157	62	(157)	(15)
CHF	-	-	-	-	-	-
JPY	-	-	-	4	-	(4)
	314,327	**280,710**	**556,831**	**491,049**	**(242,504)**	**(210,339)**

Foreign currency sensitivity analysis

The Group is mainly exposed to the countries using EUR and RUR as their currency. The following table analyzes Group's sensitivity to exchange rate reduction of 2% compared to the € and the reduction of the exchange rate of 10% compared to RURU in 2014 and 2013. 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	
	2014	2013
Change in exchange differences (2%)	+/- 4,445	+/- 39,987

	RUR impact	
	2014	2013
Change in exchange differences (10%)	+/- 6,166	+/- 11,730

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

40.8. 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.

2014	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		21,293	41,741	191,071	-	92,666	346,741
Interest bearing	11.56%	225	11,780	4,471	49,671	2,018	68,165
		21,518	**53,521**	**195,542**	**49,671**	**94,684**	**414,936**
Liabilities							
Non-interest bearing		38,726	19,713	237,927	48,253	-	344,619
Interest bearing	6.48%	4,557	51,697	242,139	151,649	42,857	492,899
		43,283	**71,410**	**480,066**	**199,902**	**42,857**	**837,518**
2013							
Assets							
Non-interest bearing		39,540	37,110	147,834	-	101,012	325,497
Interest bearing	11.56%	74	-	19,776	58,180	3,448	81,478
		39,614	**37,110**	**167,610**	**58,180**	**104,460**	**406,975**
Liabilities							
Non-interest bearing		33,756	20,034	119,471	87,035	-	260,296
Interest bearing	6.48%	3,780	53,819	189,769	223,768	24,643	495,779
		37,536	**73,853**	**309,240**	**310,803**	**24,643**	**756,075**

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

40.9. 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 2014, 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 and liabilities.

41. EVENTS AFTER THE REPORTING PERIOD

From December 31st, 2014 no business events or transactions have incurred that could have a significant impact on the financial statements as at and for the period then ended, or that are of such importance to the Company that would require disclosure in the notes to the financial statements.

42. CONTINGENT LIABILITIES

According to estimates made by Group's Management Board, as at December 31st. 2014 the Group has no significant contingent liabilities that would require disclosure in the notes to the financial statements.

As at December 31st, 2014 no significant litigation has been conducted against the Group in which the failure is expected and which has not been presented in the financial statements.

43. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board of AD Plastik d.d. and authorized for issue on 23 April 2015.

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

AD-PLASTIK AD Plastik 24 d.d. SOLIN

Marinko Došen
President of the Management Board

AD Plastik d.d., Solin

Unconsolidated financial statements

and Independent Auditor's Report

For the year ended

31 December 2014

Contents

Responsibility for the financial statements

Pursuant to the Croatian Accounting Act, the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which give a true and fair view of the state of affairs and results of AD Plastik d.d. Solin (”the Company”) for that period.

After making enquiries, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the 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 will continue in business.

The Board 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 Croatian Accounting Act. The Board 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:

Marinko Došen,

President of the Management Board

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

23 April 2015

Independent Auditor's Report

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

We have audited the accompanying financial statements of AD Plastik d.d., Solin ("the Company") which comprise the balance sheet as at 31 December 2014, and the income statement for the year than ended, 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, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 unconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's 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 Company's internal control. 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 unconsolidated 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)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company AD Plastik d.d., Solin as of 31 December 2014, and the results of its operations and its cash flows for the year then ended in accordance with the International Financial Reporting Standards adopted by the European Union.

Report on Other Legal and Regulatory Requirements

The management is also responsible for the preparation of the Annual Report in accordance with the requirements of the Accounting Law.

Our responsibility is to issue an opinion on the consistency of the Annual Report with the financial statements based on our audit. Our procedures have been conducted in accordance with the International Standards on Auditing and limited solely to assessing of whether information disclosed in the Annual Report and presented in the financial statements is consistent, in all material respects, with the relevant financial statements. We have not audited any data or information other than the financial information obtained from the financial statements and accounting ledgers. We believe that the performed audit provides a reasonable basis for our audit opinion.

In our opinion, the financial information presented in the Annual Report is consistent, in all material respects, with the aforementioned financial statements as of 31 December 2014.

Deloitte d.o.o., Zagreb
Branislav Vrtačnik, President of the Board, Certified Auditor

Zagreb, Republic of Croatia

23 April 2015

Unconsolidated statement of comprehensive income
For the year ended 31 December 2014
(All amounts are expressed in thousands of kunas)

	Notes	2014	2013
Sales	6	598,399	525,513
Other income	7	16,296	15,098
Total income		**614,695**	**540,611**
Increase in the value of work in progress and finished products		3,573	2,996
Cost of raw material and supplies	8	(270,684)	(203,004)
Cost of goods sold	9	(53,247)	(49,053)
Service costs	10	(44,176)	(32,521)
Staff costs	11	(112,557)	(102,774)
Depreciation and amortization	12	(33,301)	(30,002)
Other operating expenses	13	(82,418)	(96,804)
Provisions for risks and charges	14	(3,399)	(2,652)
Impairment of financial assets	15	(36,777)	-
Total operating expenses		**(632.986)**	**(513,814)**
Profit from operations		**(18,291)**	**26,797**
Finance revenue	16	64,007	50,333
Finance cost	17	(32,848)	(34,700)
Profit from financing activities		**31,159**	**15,633**
Profit before taxation		**12,868**	**42,430**
Income tax expense	18	(144)	90
Profit for the year		**12,724**	**42,520**
Other comprehensive income, net	19	(32,707)	-
Total comprehensive income		**(19,983)**	**42,520**
Total comprehensive income per share (in kunas and lipas)	20	**3.05**	**10.22**

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

(All amounts are expressed in thousands of kunas)

ASSETS	Notes	31.12.2014	31.12.2013 (restated)	01.01.2013 (restated)
Non-current assets				
Intangible assets	21	95,025	58,818	38,716
Tangible assets	22	518,082	500,585	426,153
Investments in subsidiaries and associates	23	96,352	133,464	131,134
Other financial assets	24	135,830	97,894	89,230
Long-term receivables	25	193,060	-	-
Deferred tax assets	18	8,575	530	441
Total non-current assets		**1,046,924**	**791,291**	**685,674**
Current assets				
Inventories	26	56,882	37,351	30,973
Trade receivables	27	175,094	211,782	183,243
Other receivables	28	33,978	48,079	57,637
Current financial assets	29	18,856	87,908	38,633
Cash and cash equivalents	30	1,801	14,531	7,255
Prepaid expenses and accrued income	31	62,507	119,103	102,145
Total current assets		**349,118**	**518,754**	**419,886**
TOTAL ASSETS		**1,396,042**	**1,310,045**	**1,105,560**

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

Unconsolidated statement of financial position (continued)
At 31 December 2014
(All amounts are expressed in thousands of kunas)

	Notes	31.12.2014	31.12.2013 (restated)	01.01.2013 (restated)
Equity				
Share capital	32	419,958	419,958	419,958
Reserves		192,627	214,863	205,542
Profit for the year		12,724	42,520	44,767
Total equity		**625,309**	**677,341**	**670,267**
Long-term provisions	33	1,990	2,652	2,201
Long-term borrowings	34	201,208	204,716	110,180
Total non-current liabilities		**203,198**	**207,368**	**112,381**
Advances received	35	55,988	77,518	103,843
Trade payables	36	223,828	107,695	76,351
Short-term borrowings	37	258,000	207,325	124,975
Other current liabilities	38	12,525	8,956	8,629
Short-term provisions	33	6,917	5,509	7,458
Accrued expenses and deferred income	39	10,277	18,333	1,656
Total current liabilities		**567,535**	**425,336**	**322,912**
Total liabilities		**770,733**	**632,704**	**435,293**
TOTAL EQUITY AND LIABILITIES		**1,396,042**	**1,310,045**	**1,105,560**

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

(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Legal reserves	General reserves	Reserves from the revaluation (conversion)	Reserves from the revaluation of tangible fixed assets	Reserves on revaluation of long-term receivables	Reserves for own shares	Treasury shares	Retained earnings	Total
Balance at 31 December 2012 - initially stated	**419,958**	**183,2076**	**6,129**	**14,693**	**8,490**	**1,696**	**-**	**4,276**	**(4,276)**	**44,767**	**678,809**
Correction of results for the previous years	-	-	-	(8,542)	-	-	-	-	-	-	(8,542)
Balance at 31 December 2012 - as restated	**419,958**	**183,076**	**6,129**	**6,151**	**8,490**	**1,696**	**-**	**4,276**	**(4,276)**	**44,767**	**670,267**
Dividends paid	-	-	-	(347)	-	-	-	-	-	(33,274)	(33,621)
The distribution part of the profit from 2012	-	-	-	11,493	-	-	-	-	-	(11,493)	-
Valuation of own Shares	-	-	-	-	-	-	-	787	(787)	-	-
Distributions to employees in shares	-	-	-	310	-	-	-	(310)	310	-	310
Correction of withholding tax (Note 4.1.)	-	-	-	(2,135)	-	-	-	-	-	-	(2,135)
Profit for the year	-	-	-	-	-	-	-	-	-	42,520	42,520
Balance at 31 December 2013 – as restated	**419,958**	**183,076**	**6,129**	**15,472**	**8,490**	**1,696**	**-**	**4,753**	**(4,753)**	**42,520**	**677,341**

(All amounts are expressed in thousands of kunas)

Status at 31 December 2013 - restated	**419,958**	**183,076**	**6,129**	**15,472**	**8,490**	**1,696**	**-**	**4,753**	**(4,753)**	**42,520**	**677,341**
Dividends paid	-	-	-	-	-	-	-	-	-	(33,343)	(33,343)
The distribution part of the profit from 2013	-	-	-	9,177	-	-	-	-	-	(9,177)	-
Valuation of own shares	-	-	-	-	-	-	-	(1,808)	1,808	-	-
Revaluation reserve (goods, services, etc.)	-	-	-	-	-	-	(32,686)	-	-	-	(32,686)
Sale of own shares	-	-	-	1,273	-	-	-	-	-	-	1,273
Profit for the year	-	-	-	-	-	-	-	-	-	12,724	12,724
Balance at 31 December 2014	**419,958**	**183,076**	**6,129**	**25,922**	**8,490**	**1,696**	**(32,686)**	**2,945**	**(2,945)**	**12,724**	**625,309**

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

(All amounts are expressed in thousands of kunas)

Cash flows from operating activities	31.12.2014	31.12.2013
Profit for the year	**12,724**	**42,520**
Adjusted:		
Income tax expense	144	(90)
Depreciation and amortization of plant, equipment and intangible assets	33,301	30,002
Increase in deferred tax assets	(8,358)	-
Increase in deferred tax liabilities	169	-
Impairment of investments in subsidiaries	37,113	-
Net book value of disposed assets	333	29,531
Interest expense	20,692	21,154
Interest income	(14,307)	(8,988)
Impairment of receivables, net	(1,795)	(1,658)
Increase/(decrease) in long-term and short-term provisions	746	(1,498)
Profit from operations before working capital changes	**80,762**	**110,973**
Increase in inventories	(19,531)	(6,378)
Increase in trade receivables	(118,211)	(26,881)
Decrease/(increase) in other receivables	26,189	(3,340)
Increase in trade payables	116,133	31,344
Decrease in advances received	(21,530)	(26,325)
Decrease in other current liabilities	(35)	(2,024)
(Decrease)/increase in accrued expenses and deferred income	(8,056)	16,677
Decrease / (increase) in prepaid expenses	56,596	(16,958)
Interest paid	(20,657)	(20,938)
Cash generated from operations	**91,660**	**56,134**
Investments in subsidiaries	-	(2,330)
Interest received	5,788	21,885
Purchases of property, plant and equipment, and intangible assets	(87,339)	(154,067)
Received short term loans, net	-	(4,455)
Received long term loans, net	(37,936)	(53,482)
Cash used in investing activities	**(119,487)**	**(192,449)**

(All amounts are expressed in thousands of kunas)

	2014	2013
Cash flows from financing activities		
Purchase of own shares	1,272	-
Bonuses to employees	-	310
Dividends paid	(33,342)	(33,621)
Received long-term loans	75,941	179,677
Received short-term loans	136,656	108,167
Proceeds from borrowings	(85,981)	(25,817)
Repayment of borrowings	(79,449)	(85,141)
Cash in flow from financing activities	**15,097**	**143,575**
Net cash flow for the year	**(12,730)**	**7,276**
At 1 January	14,531	7,255
Net cash (outflow) /inflow	(12,730)	7,276
At 31 December	**1,801**	**14,531**

The accompanying accounting policies and notes form an integral part of these unconsolidated 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 Privatization 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, which on August 04th, 2011 transferred shares to OAO HAK from 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, 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;

1. GENERAL INFORMATION (CONTINUED)

- designing of accounting systems, materials accounting software, budgeting control procedures;
- advice and assistance to legal entities in connection with planning, organization, 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 2014, the number of staff employed was 1,283 (31 December 2013: 894).

1.4. Management and corporate governance

	Mandate	
Members of the Supervisory Board:		
Josip Boban (Chairman)	From 19 July 2012	To 19 July 2016
Nikola Zovko (Deputy Chairman)	From 19 July 2012	To 19 July 2016
Marijo Grgurinović	From 14 July 2011	To 14 July 2015
Igor Anatoljevič Solomatin	From 14 July 2011	To 14 July 2015
Drandin Dmitrij Leonidovič	From 19 October 2011	To 19 October 2015
Nikitina Nadežda Anatoljevna	From 19 October 2011	To 19 October 2015

Members of the Management Board:

Mladen Peroš (President)	From 19 July 2012	To 5 Februrary 2015
Mladen Peroš (member)	From 6 Februrary 2015	To 19 July 2016
Marinko Došen (President)	From 6 Februrary 2015	To 19 July 2016
Ivica Tolić	From 19 July 2012	To 19 July 2016
Katija Klepo	From 19 July 2012	To 19 July 2016
Denis Fusek	From 26 September 2013	To 19 July 2016
Hrvoje Jurišić	From 26 September 2013	To 19 July 2016

2. 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 (IFRIC) that are adopted by European Union are effective for the current period:

- **IFRS 10 "Consolidated Financial Statements",** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 11 "Joint Arrangements",** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 12 "Disclosures of Interests in Other Entities**", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 27 (revised in 2011) "Separate Financial Statements",** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures**", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities"** – Transition Guidance, adopted by the EU 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised 2011) "Separate Financial Statements"** – Investment Entities, adopted by the EU 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 32 "Financial instruments: presentation"** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 36 "Impairment of assets"** – Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU 19 November 2014 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"**– Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU 19 November 2014(effective for annual periods beginning on or after 1 January 2014).

The adoption of these amendments to existing standards, revisions and interpretations has not led to any changes in accounting policies nor has affected the Company's profit in the current or previous year.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Standards and Interpretations in issue not yet adopted

IFRSs currently adopted by the EU do not differ significantly from the rules set by the International Accounting Standards Board ("IASB"), except for the following standards, amendments to standards and interpretations whose adoption by the EU 23 April 2015 has not yet been decided:

- • IFRS 9 "Financial Instruments" **(effective for annual periods beginning on or after 1 January 2018),**
- IFRS 14 "Regulatory Deferral Accounts" **(effective for annual periods beginning on or after 1 January 2016),**
- • IFRS 15 "Revenue from Contracts with Customers" **(effective for annual periods beginning on or after 1 January 2017),**
- Amendments to IFRS 11 "Joint Arrangements" **– Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),**
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" **- Clarification of Acceptable Methods of Depreciation and Amortization (effective for annual periods beginning on or after 1 January 2016),**
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" **- Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),**
- Amendments to IAS 19 "Employee Benefits" **- Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),**
- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014).

The Entity anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Entity 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 the Accounting Act of the Republic of Croatia and International Financial Reporting Standards (IFRS) that were adopted by Europen Union.

3.18. Basis of preparation

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

The preparation of the financial statements in accordance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards ('IFRSs') that are adopted in Europen Union, requires from management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on the information available as at the date of preparation of the financial statements, and actual results could differ from those estimates.

The financial statements of the Company represent aggregate amounts of assets, liabilities, capital and reserves of the Company as of 31 December 2014, 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 2014 have been issued on 23rd April 2015.

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 in subsidiaries and associates are presented in Note 23.

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 recognized 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 recognized 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

Accrued revenues are tied to contracts that are specifically concluded contracts for creating an asset or group of assets which is closely linked and interdependent on the draft, technology and function or their final use or application. The Company is required to recognize income according to the stage of completion of contract activity. In accordance with IAS 11, when the result of contract on drafting can be estimated reliably, revenue and costs associated with the contract should be recognized according to the stage of completion of the contracted activities on the date of statement of financial position.

Interest income

Interest income is recognized 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 recognized 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 capitalization.

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 2014, the official exchange rate of the Croatian kuna against 1 euro (EUR) was HRK 7.661471 (31 December 2013: HRK 7.637643 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 recognized in the income statement, except where it relates to items recognized directly in equity, in which case it is also recognized 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 realized, 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 tax liabilities and assets are not discounted and are classified in the balance sheet as non-current assets and/or non-current liabilities. Deferred tax assets are recognized only to the extent that it is probable that the related tax benefit will be realized. At each balance sheet date, the Company reviews the unrecognized potential tax assets and the carrying amount of the recognized 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 recognized 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 other than land, tangible and intangible assets in preparation, over the estimated useful life of the asset using the straight-line method as follows:

	Depreciation rates in 2014	**Depreciation rates in 2013**
2. 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
Projects	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. In these financial statements, the results, assets and liabilities of subsidiaries are measured at cost.

An associate is an entity over which the Company has significant influence and share ownership from 20 to 50%, but not control. Significant influence is the power to participate in making decisions on the financial and operating policies of an entity in which the investment is made, but does not represent control or joint control over those policies. In these financial statements, the results of operations of associates are represented by equity method.

3.10. Inventories

Inventories of raw material and spare parts are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average cost method. Net realizable 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 labor 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 labor 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 recognized 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.

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 with individual approach to strategic buyers of ADP Group and according the age structure of other current receivables. 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 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 recognized as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13. Provisions (continued)

The amount recognized 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.

3.14. 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 recognizes 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 recognized in the period in which they arise.

Past service cost is recognized immediately to the extent that the benefits are already vested. Otherwise, it is amortized 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 recognized and derecognized 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 amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortized 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 amortized 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 derecognizes 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 recognizes 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 recognize the financial asset and also recognizes a collateralized 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.

Reserves from translation of foreign currencies

An entity may have a monetary item that is receivable or liability towards the foreign entity. An item for which settlement is neither planned nor likely to occur in the foreseeable future, is essentially part of the entity's net investment in a foreign operation and according to accounting is accounted for in accordance with IAS 21 The company initially recognizes foreign exchange differences arising from monetary items that are part of the net foreign investments within other comprehensive income and accumulates in a separate component of equity - revaluation reserves.

During sale of the net investment in a foreign operation, the total amount of foreign exchange losses is transferred from equity to profit or loss (as a reclassification adjustment). This is applied from January 01st, 2014.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16. Contingencies

Contingent liabilities have not been recognized 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 recognized 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 judgments, 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 recognized 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 recognized initially at cost, less accumulated depreciation.

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

A deferred tax asset is recognized only to the extent that it is probable that the related tax benefit will be realized. In determining the amount of deferred taxes that can be recognized significant judgments 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 2014, deferred tax assets on available tax differences were recognized.

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. INFORMATION ABOUT SEGMENTS

Segment revenue analysis by country:

	2014	**2013**
Slovenia	269,934	223,171
Germany	121,469	92,816
Russia	80,149	101,164
France	56,606	52,058
Czech Republic	26,524	15,148
Others	43,717	41,156
	598,399	**525,513**

(All amounts are expressed in thousands of kunas)

6. SALES

	2014	2013
Foreign sales	588,846	511,523
Domestic sales	9,553	13,990
	598,399	**525,513**

7. OTHER INCOME

	2014	2013
Income from bonuses provided by suppliers	2,222	1,534
Income from reversal of provisions for long-service benefits	1,568	1,421
Income from consumption of own products, goods and services	1,377	1,116
Income from co-financing	1,095	-
Income from reversal of retirement benefit provisions	1,084	780
Income from damages collected	622	118
Income from refunds under the tax decision	-	4,431
Income from reversal of vacation accruals for unused vacation days		100
Other operating income	8,328	5,598
	16,296	**15,098**

(All amounts are expressed in thousands of kunas)

8. COST OF RAW MATERIAL AND SUPPLIES

	2014	2013
Direct materials	133,091	95,598
Indirect materials	107,312	77,831
Electricity	13,699	10,914
Direct packaging	10,216	8,879
Preventive maintenance of machinery	1,817	1,527
Gas for heating in the production process	1,604	1,413
Other materials	1,191	835
Regular maintenance of machinery	1,115	511
Other expenses	639	5,496
	270,684	**203,004**

9. COST OF GOODS SOLD

Cost of goods sold in the amount of HRK 53,247 thousand (2013: HRK 49,053 thousand) relate in major part on purchase cost of tools, equipment and material for start up of new production and projects in subsidiaries.

	2014	2013
Re-export costs	21,789	35,909
Cost of merchandise	15,182	5,297
Cost of direct material sold	13,349	6,113
Cost of spare parts sold	982	1,298
Other costs of goods sold	1,945	436
	53,247	**49,053**

(All amounts are expressed in thousands of kunas)

10. SERVICE COSTS

	2014	2013
Transport	26,306	15,973
Rental costs	5,963	5,457
Regular and preventive maintenance costs - machinery	3,041	3,115
Tool modification costs	1,219	503
Telecommunications and information systems	1,104	990
Communal fees	1,000	638
Regular and preventive maintenance costs - buildings	849	656
Water supply	678	900
Forwarding and shipping costs	575	339
Know-how costs	51	111
Other expenses	3,390	3,839
	44,176	**32,521**

11. STAFF COSTS

	2014.	2013.
Net wages and salaries	58,763	54,269
Taxes and contributions out of salaries	24,484	22,612
Contributions on salaries	14,691	13,567
Other staff costs	14,619	12,326
	112,557	**102,774**

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

12. DEPRECIATION AND AMORTISATION

	2014	2013
Depreciation (note 22)	25,225	22,539
Amortization (note 21)	8,076	7,463
	33,301	**30,002**

13. OTHER OPERATING EXPENSES

	2014	2013
Temporary service costs - tools	55,217	75,092
Professional service cost	4,038	5,739
Other non-material expenses	3,492	1,895
Insurance premiums	1,537	1,895
Communal fees for the use of construction plots	1,526	1,337
Payment operation charges	1,399	822
Bank charges	1,103	820
Customer complaints	841	647
Cost of goods provided free of charge	762	622
Entertainment	552	233
Professional training costs	360	266
Occupational Health and Safety service costs	173	115
Forest reproduction levies	169	149
Water management fee	161	209
Translation service costs	40	81
Other expenses	11,048	7,321
	82,418	**96,804**

14. PROVISIONS FOR RISKS AND CHARGES

	2014	2013
Provisions under actuarial calculations	1,990	2,652
Vacation accruals, net	1,039	-
Litigation provisions, net	370	-
	3,399	**2,652**

15. IMPAIRMENT OF LONG-TERM FINANCIAL ASSETS

The Company has prepared the discounted cash flows of the subsidiary ADP Kaluga under which the impairment of the investment has been conducted to the amount of 36,777 thousand kuna.

(All amounts are expressed in thousands of kunas)

16. FINANCE REVENUE

	2014	2013
Dividend income	40,998	26,937
Interest income	14,307	8,988
Foreign exchange gains	7,973	14,408
Other finance revenue	729	-
	64,007	**50,333**

17. FINANCE COSTS

	2014	2013
Interest expense	20,692	21,154
Foreign exchange losses	11,773	13,546
Other finance costs	383	-
	32,848	**34,700**

18. INCOME TAX

Income tax comprises the following:

	2014	2013
Current tax	(132)	90
Deferred tax	(12)	-
	(144)	**90**

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

	31/12/2014	31/12/2013
Balance at 1 January	**530**	**440**
Recognized deferred tax assets	8,045	90
Balance at 31 December	**8,575**	**530**

18. INCOME TAX (CONTINUED)

Deferred tax assets arise from the following:

2014	**Opening balance**	**Credited / (Charged) to statement of comprehensive income**	**Closing balance**
Temporary differences:			
Provisions for long-service and termination benefits	530	(132)	398
Provisions from the translation of foreign currencies, net	-	8,177	8,177
Balance at 31 December	**530**	**8,045**	**8,575**

2013	**Opening balance**	**Credited / (Charged) to statement of comprehensive income**	**Closing balance**
Temporary differences:			
Provisions for long-service and termination benefits	440	90	530
Balance at 31 December	**440**	**90**	**530**

(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:

	2014	2013
Profit for the year	**12,868**	**42,430**
Effect of tax increase	44,331	4,972
Effect of tax decrease	(43,944)	(29,365)
Tax base	**13,255**	**18,037**
Tax at the rate of 20%	2,651	3,607
Tax reliefs	(2,507)	(3,607)
Current tax liability	**144**	**(90)**

18. INCOME TAX (CONTINUED)

The income tax rate effective in the Republic of Croatia for the years 2014 and 2013 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 during 2014, having thus met the prerequisites for the utilization of the tax incentives for 2014.

The Tax Office has not performed a supervision of the income tax returns of the Company. In accordance with tax regulations, the Tax Office may at any time inspect the books and records of the Company for a period of three years following the year in which the tax liability was reported and may impose additional tax assessments and penalties. Company's Management Board is not aware of any circumstances that could lead to potential material liabilities in this respect.

(All amounts are expressed in thousands of kunas)

19. RESERVES FROM TRANSLATION OF FOREIGN CURRENCY

	31.12.2014	31.12.2013
Status at the beginning of the year	-	-
Exchange differences on translation of a foreign operations	(40,884)	-
Income tax at the exchange rate losses from translation of a foreign operations	8,177	-
Status at the end of the year	**(32,707)**	**-**

20. 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.

	2014	2013
Net profit attributable to the Company shareholders	12,724	42,520
Weighted average number of shares	4,167,822	4,161,822
Average weighted earnings per share (in kunas and lipas)	**3.05**	**10.22**

(All amounts are expressed in thousands of kunas)

21. INTANGIBLE ASSETS

	Licenses	Software	Projects	Total
Cost				
Balance at 31 December 2012	**55**	**1,120**	**130,293**	**131,468**
Additions	-	4,303	34,248	**38,551**
Disposals and retirements	-	-	(15,140)	**(15,140)**
Balance at 31 December 2013	**55**	**5,423**	**149,401**	**154,879**
Additions	-	19	44,264	**44,283**
Balance at 31 December 2014	**55**	**5,442**	**193,665**	**199,162**
Accumulated amortization				
Balance at 31 December 2012	**-**	**865**	**91,887**	**92,752**
Charge for the year	-	938	6,525	**7,463**
Disposals and retirements	-	-	(4,154)	**(4,154)**
Balance at 31 December 2013	**-**	**1,803**	**94,258**	**96,061**
Charge for the year	-	1,610	6,466	**8,076**
Balance at 31 December 2014	**-**	**3,413**	**100,724**	**104,137**
Net book value				
At 31 December 2014	**55**	**2,029**	**92,941**	**95,025**
At 31 December 2013	**55**	**3,620**	**55,143**	**58,818**

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

(All amounts are expressed in thousands of kunas)

22. TANGIBLE ASSETS

	Land	Buildings	Plant and equipment	Assets under construction	Other	Total
Cost						
Balance at 31 December 2012	**139,976**	**227,886**	**315,787**	**12,594**	**2,562**	**698,805**
Transfer from assets under development	-	462	13,098	101,956	-	**115,516**
Disposals and retirements	-	-	(10,177)	(15,880)	(647)	**(26,704)**
Balance at 31 December 2013	**139,976**	**228,348**	**318,708**	**98,670**	**1,915**	**787,617**
Additions	-	150	-	42,423	483	**43,056**
Transfer from assets under development	-	-	77,422	(77,422)	-	**-**
Disposals and retirements	-	-	(6,929)	-	-	**(6,929)**
Balance at 31 December 2014	**139,976**	**228,498**	**389,201**	**63,671**	**2,398**	**823,744**
Accumulated depreciation						
Balance at 31 December 2012	-	**61,359**	**210,018**	**-**	**1,275**	**272,652**
Charge for the year	-	3,418	18,889	-	232	**22,539**
Disposals and retirements	-	-	(7,776)	-	(383)	**(8,159)**
Balance at 31 December 2013	**-**	**64,777**	**221,131**	**-**	**1,124**	**287,032**
Charge for the year	-	3,426	21,632	-	167	**25,225**
Disposals and retirements	-	-	(6,595)	-	-	**(6,595)**
Balance at 31 December 2014	**-**	**68,203**	**236,168**	**-**	**1,291**	**305,662**
Net book value						
At 31 December 2014	**139,976**	**160,295**	**153,033**	**63,671**	**1,107**	**518,082**
At 31 December 2013	**139,976**	**163,571**	**97,577**	**98,670**	**791**	**500,585**

The net book value of land and buildings pledged as collateral with commercial banks as of 31 December 2014 in the amount of HRK 362,504 thousand (31 December 2013: HRK 303,468 thousand), and the balance of short-term and long-term borrowings covered by the collateral which amounts to HRK 303,989 thousand (2013: HRK 319,408 thousand).

(All amounts are expressed in thousands of kunas)

23. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The following are basic information about material subsidiaries at the end of the reporting period:

Name of subsidiary	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment	
			31.12.2014	31.12.2013	31.12.2014	31.12.2013
AD PLASTIK d.o.o.	Manufacture of other vehicle spare parts and accessories	Novo Mesto, Slovenia	100.00%	100.00%	58	204
ZAO PHR	Manufacture of other vehicle spare parts and accessories	Samara, Russian Federation	99.95%	99.95%	5,069	5,069
ZAO AD Plastik Kaluga	Manufacture of other vehicle spare parts and accessories	Kaluga, Russian Federation	100.00%	100.00%	24,236	61,012
ADP d.o.o.	Manufacture of other vehicle spare parts and accessories	Mladenovac, Serbia	100.00%	100.00%	15,014	15,014
					44,377	**81,153**

The following table shows the additional information about the subsidiaries that are partially owned by the Company, but in which the Company has significant material non-controlling interests:

Name of associate	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment	
			31.12.2014	31.12.2013	31.12.2014	31.12.2013
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%	-	336
FAURECIA ADP HOLDING	Manufacture of other vehicle spare parts and accessories	Nanterre, France	40.00%	40.00%	30,220	30,220
					51,975	**52,311**
Total investments in subsidiaries and associates					**96,352**	**133,464**

In the accompanying consolidated financial statements all these associates are calculated using the equity method.

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

AD PLASTIK d.o.o., Novo Mesto, Slovenia	**31.12.2014**	**31.12.2013**
Total assets	19,510	48,323
Total liabilities	15,386	44,901
Net assets	4,124	3,422
Share in the net assets of the associate	**100.00%**	**100.00%**

(All amounts are expressed in thousands of kunas)

23. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (CONTINUED)

ZAO PHR, Samara, Russian Federation	**31.12.2014**	**31.12.2013**
Total assets	193,918	240,991
Total liabilities	214,422	218,628
Net assets	(20,504)	22,363
Share in the net assets of the associate	**99.95%**	**99.95%**

ZAO AD Plastik Kaluga, Kaluga, Russian Federation	**31.12.2014**	**31.12.2013**
Total assets	177,839	173,655
Total liabilities	159,239	151,147
Net assets	18,600	22,508
Share in the net assets of the associate	**100.00%**	**100.00%**

ADP d.o.o, Mladenovac, Serbia	**31.12.2014**	**31.12.2013**
Total assets	90,260	78,444
Total liabilities	84,457	64,849
Net assets	5,803	13,595
Share in the net assets of the associate	**100.00%**	**100.00%**

(All amounts are expressed in thousands of kunas)

24. OTHER FINANCIAL ASSETS

	31.12.2014	31.12.2013
Long-term loans to subsidiaries	83,204	78,039
Long-term loans to associates	44,156	50,103
Long-term loans to unrelated companies	11,543	14,508
Other financial assets	64	64
Current portion of long-term loan receivables	(3,137)	(44,820)
	135,830	**97,894**

Long-term loans to subsidiaries and associates comprise long-term investment loans which bear interest at a rate of 7.0 % - 12.43% on loans, repayable over five years.

25. LONG-TERM RECEIVABLES

During the year, the Company turned short-term receivables in long-term receivables total value of 193,060 thousand kuna (December 31st, 2013 kuna 0) relating to companies within ADP Group (ZAO PHR 118,141 thousand kuna, ADP Kaluga 66,460 thousand kuna , Faurecia ADP Holding 8,459 thousand kuna), and maturity is in 2016.

26. INVENTORIES

	31.12.2014	31.12.2013
Raw material and supplies on stock	34,101	19,254
Finished products	11,473	11,064
Spare parts	5,861	4,603
Work in progress	5,012	1,854
Merchandise	431	575
Small items and packaging	4	1
	56,882	**37,351**

(All amounts are expressed in thousands of kunas)

27. TRADE RECEIVABLES

	31.12.2014	31.12.2013
Foreign trade receivables	173,828	209,511
Domestic trade receivables	9,835	12,635
Impairment allowance on receivables	(8,569)	(10,364)
	175,094	**211,782**

The average credit period on sales is 85 days (2013: 77 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.

Set out below is an analysis of major trade receivables:

	31.12.2014.	31.12.2013.
Revoz, Slovenia	57,883	5,371
Visteon Deutschland, Germany	36,586	21,670
Grupo Antolin, Germany	21,487	-
Hella Saturnus, Slovenia	6,779	4,945
Peugeot Citroen SA, France	5,524	5,695
Ford Espana, Spain	4,490	-
EURO APS, Romania	3,961	153
Reydel Automotive France, France	3,594	-
Ford Werke, Germany	3,544	1,955
Renault, France	2,130	2,594
Peugeot Citroen ES, Spain	1,788	-
Toyota Peugeot,	1,300	-
Other debtors	34,598	179,763
	183,664	**222,146**

Other debtors in the amount HRK 34,598 thousand (31 December 2013: HRK 179,763 thousand) relates to receivables from subsidiaries in the amount HRK 16,158 thousand which relates to delivered tools, equipment, material and services.

(All amounts are expressed in thousands of kunas)

27. TRADE RECEIVABLES (CONTINUED)

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

	31.12.2014	31.12.2013
Balance at beginning of the year	8,890	10,241
Amounts collected or eliminated during the year	(1,463)	(1,351)
Total impairment allowance on domestic trade receivables	**7,427**	**8,890**
Balance at beginning of the year	1,474	1,781
Amounts collected or eliminated during the year	(332)	(307)
Total impairment allowance on foreign trade receivables	**1,142**	**1,474**
Total impairment allowance	**8,569**	**10,364**

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

	31.12.2014	31.12.2013
0 - 365 days	-	-
Over 365 days	8,569	10,364
	8,569	**10,364**

Ageing analysis of receivables past due but not impaired:

	31.12.2014	31.12.2013
1 - 365 days	102,636	102,174
Over 365 days	106,907	41,482
	209,543	**143,656**

In aging structure of due receivables above 365 days in the amount HRK 106,907 thousand (31.12.2013: HRK 41,482 thousand) majority relates to receivables from companies in which AD Plastik d.d. has majority share and control over collection of receivables, in the amount of HRK 105,175 thousand (31.12.2013: HRK 30,128 thousand) and control over collection of receivables.

(All amounts are expressed in thousands of kunas)

27. TRADE RECEIVABLES (CONTINUED)

Receivables from related companies

	31.12.2014	31.12.2013
Trade receivables	14,362	142,701
Interest receivable	1,828	1,204
	16,190	**143,905**

In 2014 the Company turned part of the receivables from subsidiaries into long-term receivables with maturity in 2016.

28. OTHER RECEIVABLES

	31.12.2014	31.12.2013
Foreign prepayments made	20,404	32,181
Due from the state	9,297	7,362
Domestic prepayments made	3,883	7,437
Amounts due from employees	414	537
Other receivables	-	562
	33,978	**48,079**

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.

29. CURRENT FINANCIAL ASSETS

	31.12.2014	31.12.2013
Short-term loans to subsidiaries	13,415	26,285
Other short-term loan	2,291	-
Other deposits	13	9
Short-term loans to associates	-	16,794
Current portion of long-term loan receivables	3,137	44,820
	18,856	**87,908**

Short-term loans to subsidiaries refer to loans with an average interest rate of 7%.

Other short-term loans to third parties are related to the loan granted to the company Autocentar-Merkur d.d., Zagreb with 7.2% interest rate, with a maturity in the first quarter of 2015.

(All amounts are expressed in thousands of kunas)

30. CASH AND CASH EQUIVALENTS

	31.12.2014	31.12.2013
Foreign account balance	1,256	14,346
Current account balance	527	164
Cash in hand	18	21
	1,801	**14,531**

31. PREPAID EXPENSES AND ACCRUED INCOME

	31.12.2014	31.12.2013
Other accrued income on tools	44,183	108,296
Prepaid operating expenses	12,561	7,804
Other accrued income	5,763	3,003
	62,507	**119,103**

Accrued income in the amount of HRK 44,183 thousand (31 December 2013: HRK 108,296 thousand) relates to the manufacture of tools for a known customer. Income from the manufacture of tools is recognized using the stage-of-completion method to determine the amount of income and costs attributable to a certain period.

(All amounts are expressed in thousands of kunas)

32. 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 (31 December 2013: 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 2014 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	269,462	6.42%	Pension fund
ADP-ESOP D.O.O.	Zagreb, Croatia	212,776	5.07%	Primary account
PBZ D.D. / STATE STREET CLIENT	Zagreb, Croatia	120.892	2.88%	Custody account
HYPO ALPE-ADRIA-BANK D.D./PBZ CROATIA OSIGURANJE MANDATORY PENSION FUND	Zagreb, Croatia	119,640	2.85%	Pension fund
SOCIETE GENERALE-SPLITSKA BANKA D.D. / ERSTE PLAVI OMF	Split, Croatia / Zagreb, Croatia	115.353	2.75%	Pension fund
HRVATSKA POŠTANSKA BANKA D.D./ KAPITALNI FOND D.D.	Zagreb, Croatia	111.541	2.66%	Pension fund
ERSTE & STEIERMARKISCHE BANK D.D./ JOINT CUSTODY ACCOUNT FOR A FOREIGN LEGAL PERSON	Zagreb, Croatia	110,349	2.63%	Custody account
SOCIETE GENERALE-SPLITSKA BANKA D.D. / AZ OMF KATEGORIJE B	Split, Croatia / Zagreb, Croatia	93.900	2.24%	Pension fund
Total:		**2,413,788**	**57.50%**	

(All amounts are expressed in thousands of kunas)

33. PROVISIONS

	Short-term:		Long-term:	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**
Jubilee awards	-	-	1,302	1,568
Termination benefits	-	-	688	1,084
Legal actions	3,720	3,351	-	-
Vacation accrual	3,197	2,158	-	-
	6,917	**5,509**	**1,990**	**2,652**

	Jubilee awards	**Termination benefits**	**Legal actions**	**Vacation accrual**	**Total**
Balance at 1 January 2014	**1,568**	**1,084**	**3,351**	**2,158**	**8,161**
Increase/(decrease) in provisions	(266)	(396)	369	1,039	746
Balance at 31 December 2014	**1,302**	**688**	**3,720**	**3,197**	**8,907**

33 .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 4.18% and the rate of fluctuation of 5.90%

(All amounts are expressed in thousands of kunas)

34. LONG-TERM BORROWINGS

	31.12.2014	31.12.2013
Long-term borrowings	259,451	279,099
Trade payables	15,870	-
	275,322	**279,099**
Current portion of long-term borrowings	(74,114)	(74,383)
Total long-term borrowings	**201,208**	**204,716**

Long-term loans are mainly realized through programs of HBOR and are used to finance capital investments and development projects. Provided collaterals for long-term loans are mortgages on real estates and/or equipment and instruments of payment. All long-term loans are repayable on a quarterly basis, repayment of existing long-term loans is in the period March 31st, 2015 – December 31st, 2021.

The average interest rate on long-term loans in 2014 amounted to 3.66%.

The Company regularly performs all obligations from these loans, respecting all the conditions of the contract.

Movements in long-term borrowings during the year:

	2014	2013
Balance at 1 January	204,716	110,180
New loans raised	75,941	179,677
Amounts repaid	(79,449)	(85,141)
Total long-term borrowings	**201,208**	**204,716**

35. ADVANCES RECEIVED

	31.12.2014	31.12.2013
Foreign customers	55,988	77,433
Domestic customers	-	85
	55,988	**77,518**

(All amounts are expressed in thousands of kunas)

36. TRADE PAYABLES

	31.12.2014	31.12.2013
Foreign trade payables	172,698	81,052
Domestic trade payables	51,130	26,643
	223,828	**107,695**

37. SHORT-TERM BORROWINGS

	31.12.2014	31.12.2013
Short-term borrowings - principal payable	181,074	130,208
Current portion of long-term borrowings	74,114	74,383
Short-term borrowings - interest payable	1,668	1,664
Other short-term financial liabilities	1,144	1,070
	258,000	**207,325**

Short-term loans were used to finance development projects and for working capital. Provided collaterals for short-term loans are instruments of payment. Of the total amount of short-term loans 40% of short-term loans is related to the revolving frames and approved overdrafts on accounts with the annual renewal of limits.

The average interest rate on short-term loans in 2014 amounted to 5,66%.

The Company regularly performs all obligations from these loans.

	2014	2013
Balance at 1 January	207,325	124,975
New loans raised	136,656	108,167
Amounts repaid	(85,981)	(25,817)
Total short term loans	**258,000**	**207,325**

(All amounts are expressed in thousands of kunas)

38. OTHER CURRENT LIABILITIES

	31.12.2014	**31.12.2013**
Amounts due to employees	7,971	5,630
Due to the State and State institutions	4,516	3,286
Other current liabilities	38	40
	12,525	**8,956**

39. ACCRUED EXPENSES AND DEFERRED INCOME

	31.12.2014	**31.12.2013**
Accrued tool expenses	6,511	16,909
Due to the State and State institutions	256	372
Other current liabilities	3,510	1,052
	10,277	**18,333**

(All amounts are expressed in thousands of kunas)

40. RELATED-PARTY TRANSACTIONS

The transactions carried out with related companies are summarized below:

Trade receivables and payables

	Receivables		Liabilities	
	31.12.2014	**31.12.2013**	**31.12.2014**	**31.12.2013**
AD PLASTIK d.o.o. , Slovenia	32	13,444	2,538	41
ZAO PHR, Russia	126,516	91,380	9,206	4,933
ZAO ADP KALUGA , Russia	66,460	37,870	1,774	1,440
ADP d.o.o. Mladenovac, Serbia	7,783	1,211	5,028	799
EURO APS, Romania	3,961	4,072	-	32
FADP Holding, France	8,459	17,648	-	-
	213,211	**165,625**	**18,546**	**7,245**

<u>Trading transactions</u>

	Income		Expenses	
Operating income and expenses	**2014**	**2013**	**2014**	**2013**
AD PLASTIK d.o.o. , Slovenia	49,587	103,750	108	799
ZAO PHR, Russia	48,362	63,395	16,421	11,843
ZAO ADP KALUGA , Russia	34,599	32,935	7,783	2,317
ADP d.o.o. Mladenovac, Serbia	6,684	6,478	1,438	985
EURO APS, Romania	8,372	8,173	-	68
FADP Holding, France	-	-	-	-
	147,604	**214,731**	**25,750**	**16,012**

(All amounts are expressed in thousands of kunas)

40. RELATED-PARTY TRANSACTIONS (CONTINUED)

Financial transactions

	Income		Expenses	
Financial income and expenses	**2014**	**2013**	**2014**	**2013**
ZAO PHR, Russia	1,636	2,743	-	96
ZAO ADP KALUGA , Russia	2,393	2,732	-	3,984
AD PLASTIK d.o.o. , Slovenia	-	441	335	940
ADP d.o.o. Mladenovac, Serbia	1,469	698	-	55
EURO APS, Romania	40,987	26,931	-	-
FADP Holding, France	7,912	8,300	-	-
	54,397	**41,845**	**335**	**5,075**

Directors' and executives' remuneration:

	31.12.2014	**31.12.2013**
Salaries	10,948	10,457
	10,948	**10,457**

(All amounts are expressed in thousands of kunas)

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

41.1. Gearing ratio

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

	31.12.2014	**31.12.2013**
Short-term borrowings	258,000	207,325
Long-term borrowings	201,208	204,716
Cash and cash equivalents	(1,801)	(14,531)
Net debt	**457,407**	**397,510**
Equity	625,309	677,341
Net debt-to-equity ratio	**73.15%**	**57.96%**

(All amounts are expressed in thousands of kunas)

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

41.2. Categories of financial instruments

	31.12.2014	31.12.2013
Financial assets	**452,632**	**586,296**
Investments in subsidiaries and associates	96,352	133,464
Loans	138,967	97,893
Trade receivables	175,094	211,782
Other receivables	40,418	128,626
Cash	1,801	14,531
Financial liabilities	**747,033**	**602,923**
Loans	459,208	412,041
Trade payables	287,825	190,882

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 Government are not included in stated amounts.

41.3. 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 analyze 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 minimize the effects of these risks. The Company does not enter into, or trade in financial instruments, including derivative financial instruments, for speculative purposes.

41.4. 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.

41.5. 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.

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

41.6. 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 d.o.o. Slovenia, Hella Saturnus Slovenia, Visteon Germany, ZAO PHR Russia, Peugeot France, ZAO AD Plastik Kaluga Russia, Ford Motor Germany i Revoz Slovenia. 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)

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

41.7. 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	
	2014	2013	2014	2013	2014	2013
EUR	433,926	307,319	449,900	337,426	(15,974)	(30,107)
RUR	91,319	117,304	1	1	91,318	117,303
USD	649	395	792	410	(143)	(15)
GBP	1	47	157	62	(156)	(15)
RON	-	2,555	-	-	-	2,555
JPY	-	-	-	4	-	(4)
RSD	3,744	-	-	-	3,744	-
	529,639	**427,620**	**450,850**	**337,903**	**78,789**	**89,717**

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 to change the exchange rate of 2% compared to the rate of the euro and 10% compared to the rate of the ruble in 2014 and 2013. 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	
	2014	**2013**
Change in exchange differences (2%)	+/- 354	+/- 660

	RUR impact	
	2014	**2013**
Change in exchange differences (10%)	+/- 9,143	+/- 11,730

(All amounts are expressed in thousands of kunas)

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

41.8. 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.

2014	**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		12,070	17,848	169,898	-	96,352	296,168
Interest bearing	8.82%	370	2,587	17,677	129,215	6,615	156,464
		12,440	**20,435**	**187,575**	**129,215**	**102,967**	**452,632**
Liabilities							
Non-interest bearing		24,840	15,184	199,548	48.253	-	287,825
Interest bearing	4.52%	4,484	48,162	224,676	139.029	42,857	459,208
		29,324	**63,346**	**424,224**	**187.282**	**42,857**	**747,033**

2013	**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		24,830	34,409	198,783	-	133,464	391,486
Interest bearing	9.95%	751	6,671	89,494	79,865	18,029	194,810
		25,581	**41,080**	**288,277**	**79,865**	**151,493**	**586,296**
Liabilities							
Non-interest bearing		23,655	15,965	79,994	71,268	-	190,882
Interest bearing	4.53%	3,602	46,219	155,959	168,208	38,053	412,041
		27,257	**62,184**	**235,953**	**239,476**	**38,053**	**602,923**

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

41.9. 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 2014, 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.

42. EVENTS AFTER THE REPORTING PERIOD

From December 31st, 2014 no business events or transactions have incurred that could have a significant impact on the financial statements as at and for the period then ended, or that are of such importance to the Company that would require disclosure in the notes to the financial statements.

43. CONTINGENT LIABILITIES

According to estimates made by Company's Management Board, as at December 31st, 2014 the Company has no significant contingent liabilities that would require disclosure in the notes to the financial statements.

As at December 31st, 2014 no significant litigation has been conducted against the Company in which the failure is expected and which has not been presented in the financial statements.

44. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board of AD Plastik d.d. and authorized for issue on 23 April 2015.

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

AD-PLASTIK AD Plastik 24 d.d. SOLIN

Marinko Došen
President of the Management Board

IV. DECISION PROPOSAL FOR DECISION ON ANNUAL FINANCIAL STATEMENTS ADOPTION

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 28/05/2014. 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 2013. Year

I. Acceptance of the Annual Financial Statements of AD PLASTIK Inc. for 2014 year as follows:

1. Balance with the sum of assets and liabilities	1.396.210.674 HRK
2. Profit and loss account with the data:	
- total revenues	681.090.687 HRK
- total expenditures	668.222.717 HRK
- profit before tax	12.867.970 HRK
- income tax	143.599 HRK
- profit for the year	12.724.371 HRK
3. Cash Flow Statement for the year 2014 with data on the Net decrease in cash and cash equivalents	12.730.527 HRK
4. Notes to Financial Statements	

II. Acceptance of the Consolidated Financial Statements of AD Plastik Group for 2014 year as follows:

1. Balance with the sum of assets and liabilities	1.546.772.703 HRK
2. Profit and loss account with the data:	
- total revenues	981.495.131 HRK
- total expenditures	976.434.578 HRK
- profit before tax	5.060.553 HRK
- income tax	143.599 HRK
- profit for the year	4.916.954 HRK
- loss minority interest	- 12.960 HRK
- net profit of the Group	4.929.914 HRK
3. Cash Flow Statement for the year 2014 with data on the Net decrease in cash and cash equivalents	21.137.477 HRK

President of
the Supervisory Board

Josip Boban

V. DECISION PROPOSAL ABOUT USAGE OF NET INCOME

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 24.07.2014. brings:

DECISION

About usage of Net income

Net income of AD Plastik, Solin from year 2014., after tax, is 12.724.371,00 kuna and is being used for other reserves.

General assembly
President

VI. ADDRESS BOOK

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