

# 2015

ANNUAL REPORT



Revenue of over a billion HRK in 2015.

1,025,395

Operating income (in thsd. of HRK)

114,879

EBITDA (in thsd. of HRK)

46,222

Net profit (in thsd. of HRK)

409,010

Net financial debt

11.20%

EBITDA margin

4.51%

Net profit margin

#### Who are we ?

- a multinational company with more than 30 years of experience in the automotive industry
- eight production sites in four countries
- more than 2,100 employees (without JV)

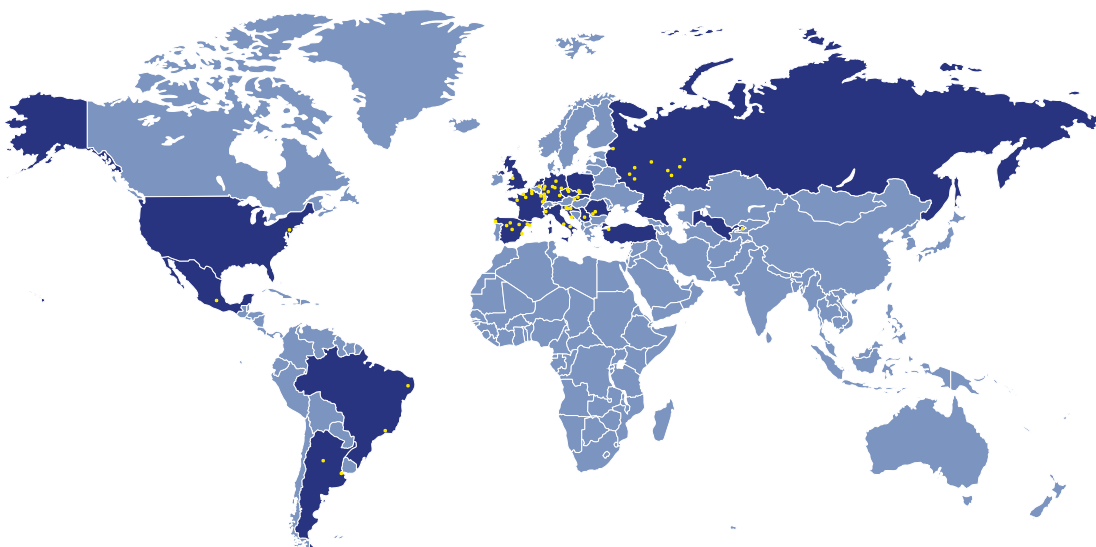
#### What we do ?

- one of the leading companies for the development and production of automotive components in Eastern Europe

#### Where are we ?

- our headquarters is in Solin, Croatia
- Croatia, Serbia, Russia, Romania

#### Market overview



Argentina  
Brazil  
Czech Republic  
France  
Germany  
Italy  
Mexico  
Poland  
Romania  
Russia  
Serbia  
Slovakia  
Slovenia  
Spain  
Turkey  
United Kingdom  
United States  
Uzbekistan



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# Strategic report





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# Letter from the President of the Management Board

In 2015 we've made a significant turnaround in managing AD Plastik and achieved good operating results which confirmed the validity of our chosen direction. We will continue to implement the changes we had started during the last year with a goal to increase competitiveness, efficiency and profitability, and in order to meet the challenges of a very demanding automotive industry market.

Despite a complex and challenging situation in Russia we have increased operating revenues of AD Plastik Group by 14% compared to the same period in 2014, while operating expenses of the Group have increased by only 9%. This increased profitability resulted in the EBITDA margin of 11.2%, which in 2014 amounted to 5.88%. Cash flow optimisation measures have resulted in the reduction of the Company's debt level by 69.4 million kuna and in improved liquidity of our Company.

AD Plastik Group is a multinational company with more than thirty years of experience in the automotive industry, with a vision of becoming the market leader in the manufacture of automobile components in Eastern Europe and expanding our business to new markets. I am sure our knowledge, experience and quality will make this vision a reality. We are continuously improving the development process and quality of our products, in accordance with our designated market requirements, and to the satisfaction of all our stakeholders.

We use various manufacturing technologies and materials such as injection moulding, painting, blow moulding, thermoforming, production of non-woven textiles and extrusion. Our Company manufactures parts for 90 types of vehicles, with some of our most important customers with whom we developed a successful cooperation being: Renault, Nissan, Peugeot, Citroen, Toyota, Ford, Opel, VW, BMW, Dacia, Daimler, VAZ, GM-VAZ, Daewoo, Fiat-Chrysler, Mitsubishi, Alfa Romeo, Maserati and others. We are the largest manufacturer of automobile parts in Croatia and we export 100% of our products. Overall, we employ more than 2,100 workers, with over 1,200 workers just in Croatia.

Automotive industry has undergone many changes in its history, and is still changing today so it could adapt to an increasingly demanding market. That is why AD Plastik is investing significant resources in research and development, which is the foundation for the future of the automotive industry. We have over one hundred engineers in this segment to ensure all innovations and trends are followed and to keep us one step ahead of our competitors. Today we are seeing an increase in use of natural or part-natural recyclable materials, with the automotive industry's imperative shift to creating lighter cars and thus reducing fuel consumption and emissions. This especially applies to electric vehicles which are increasingly present on the automotive market. For example, using lightweight materials with good acoustic characteristics is extremely important for hybrid

*"Despite market challenges and a difficult economic environment, we achieved revenue of over one billion kuna which proved the correctness of our chosen business model."*



vehicles. Our speciality components made from materials with significantly better sound-insulating properties than normal car parts are being installed in the electric Smart car. The automotive industry is increasingly replacing metal with plastic, which is one opportunity we as a Company must seize.

To be an active participant in the automotive supply chain, one of the main preconditions is to meet extremely high quality, environmental protection and sustainable business standards. Sustainable business is a key component of operational and development policy of our Company.

*"AD Plastik employees are our greatest asset, and their knowledge, experience and skills are responsible for survival and success of the Company. Therefore, we find it extremely important that every individual understands the direction we are taking and how we plan to achieve desired objectives."*

Every day we are improving internal communication within the Company and systematically work on educating our employees because investing in our employees and their expertise is one of the basic requirements for market survival. We consider the Company's reward system as extremely important in order to ensure that everyone's hard work and dedication is properly recognized and reinforced, and that is why we introduced a new system for rewarding our employees late last year.

One of the highest priorities in our business is building partnerships with our customers, which means involving them in all stages of project creation - from the initial development to mass production and sales. AD Plastik Group won several new nominations in the previous year for which additional information is available in this report, and our plans for this year also foresee further growth.

Our strategy is to improve and expand the automotive industry program and become a developmental supplier of strategic technologies and products, as well as achieving greater results and growing organically and through Group acquisitions. Further expansion in existing and new markets, diversification of customers, continued investment in research and development with the aim of developing new technologies and manufacturing products of high added value and further increase in the quality of products - these are our key objectives.

*"We would like to be recognized as the company that keeps its word when it comes to achieving results and to be recognized as a transparent, responsible and promising company on the capital market."*

Our shares are listed on the regulated Zagreb Stock Exchange market, so we as a Company are committed to continuous risk management and fulfilling our financial obligations.

The main objective for 2016 is attaining further growth of sales revenue, increasing the EBITDA margin to 12% and continued reduction of loan liabilities according to our business plan for 2016. In order to improve profitability and to achieve planned business results for 2016, our key objectives are growth in existing markets, improving efficiency and strengthening our financial stability, as well as opening new business markets and increasing share value to the satisfaction of our shareholders.

Changes we are planning to implement are significant, but with our clear vision they will undoubtedly be successful. This is evident from our past business results, and we are sure to have many successful years ahead of us. AD Plastik is a quality and reliable partner, which is exactly what we plan to further develop in the future.



Marinko Došen  
President of the Management Board



# Company history



## 1952

Founding of Jugoplastika - original predecessor of AD Plastik, considered the leader of economic growth through its community involvement and operations at that time. The majority of production was focused on consumer products, but the Company readily reacted, accepted market challenges and started production of plastic car components. Separated plants used new technologies and operated in accordance with revised development perspectives, which eventually caused the migration of the car component production plant from Split to Solin.

## 1992

During turbulent war times, AD Plastik, as it is known today, successfully separated from Jugoplastika and continued operations under the name Autodijelovi. It was a challenging period in which finding new solutions and possibilities became a necessity. Privatization was also initiated that same year, and the Company officially changed its name to AD Plastik in 1994 and is still operating under that name today.

## 1995

A successful partnership with the Revoz plant in Slovenia enabled AD Plastik to cooperate with Renault, one of the largest car manufacturers in Europe. To maintain competitiveness and further develop a successful cooperation with Revoz, AD Plastik changed its business strategy and opened a plant in Zagreb which is still active today on two locations. At the same time, AD Plastik founded a company in Russia, based in Samara, and purchased its first plant in Vintai.



# 2002

Based on Renault's decision on the take-over, modernization and development of the Dacia production line in Pitesti and the expected sales growth of OEM, AD Plastik opened a production site in Romania, which is considered one of the more important strategic decisions in Company's development. The Company was founded as a Joint Venture (JV) with the Portuguese Simoldes Plasticos, which sold 50% of its share to the French Faurecia in 2007. Today, EuroAPS produces almost all interior and exterior vehicle components for Romanian car models and exports products for Renault to other countries where the Renault Group produces similar vehicles.



1990

2000

2010

2020

# 2009

AD Plastik, together with Faurecia, established a second Joint Venture company in Luga, Russia, under the name FADP. This move strengthened its position in the Russian market. It coincided with the entry of many of the world's biggest car manufacturers to the Russian market, such as Renault, Peugeot, Ford, Nissan and others, most of which initially and naturally turned to AD Plastik as the producer of parts for new models of their vehicles.

# 2012

New companies and production facilities were established in Serbia and Russia, in accordance with business plans and strategic objectives of AD Plastik. ADP Mladenovac was established in order to achieve a successful cooperation with FIAT, whose plant is located in Kragujevac. The Mladenovac plant is particularly important because it enabled the production of non-woven textiles as raw material for wallpaper thermoforming. The Company's contracted works with Renault, Nissan, Peugeot and Mitsubishi Groups facilitated the opening of its third plant in Kaluga, Russia.

# 2014

Opening of the newest and most modernly equipped, automated and robotised painting line in Jankomir, Zagreb, with a key role in the Edison project regarding the exterior products for Renault Twingo and Smart vehicles. Technologically advanced equipment installed in the new painting line has greatly contributed to increasing the environmental standards at AD Plastik, which is an important element of the socially responsible management strategy of the Company.

# About us

AD Plastik Group is a multinational company with more than thirty years of experience in the automotive industry, and eight production sites in four countries.

We are the leading company in the development and manufacture of interior and exterior car components in Croatia and one of the leading companies in Eastern Europe.

In addition to the two Croatian plants in Zagreb and Solin, where the Company has its headquarters, AD Plastik Group has plants in Serbia, Russia and Romania. Overall, we employ more than 2,100 workers, with over 1,200 workers just in Croatia.

Thirty years of history saw us grow, develop and overcome a variety of challenges, and gave us the specific maturity that we have today. Looking at our own past enables us to thread safely in the present, because today we can be proud of our continuous business operations based on tradition, knowledge, capacities, exceptional expertise and commitment of every employee. We cooperate with our customers from the early development stages to the finished product, using modern tools and techniques and applying specific professional know-how, skills and experience.

Long-term survival in the demanding automotive industry serves as confirmation of the quality of our business, primarily due to high-quality employees and incessant investments in the development and improvement of technology. Focusing on customer needs, while maintaining high quality and competitiveness of products and services, is a prerequisite for the survival and development of any company.

# >30

years of experience in  
the automotive industry

# >2,100

employees





# Mission and Vision

## ADP Vision

To be the market leader in the development and production of automotive components in Eastern Europe and to expand our business into new markets.

## ADP Mission

By creating innovative and creative solutions and constantly improving research and product development, we want to contribute to the quality of the final product and the success of our customers. We meet our objectives by applying the principles of corporate social responsibility and business ethics to the satisfaction and benefit of all our stakeholders - employees, business partners, customers, and our shareholders.

8

production sites

4

countries





# Key values

## Reliability

Relationships with all of our stakeholders are based on trust, open and honest communication. Continuous long-term partnerships with all our stakeholders are based on mutual respect.

## Excellence

We strive to meet the highest quality standards across all business segments, including products, work methods or competences of employees performing it.

## Innovation

We use our own ideas and creativity on a daily basis to improve and develop the Company and each segment within it, keeping up with developments and trends in the world market.

## Responsibility

The responsibility is ours and is an important prerequisite for Company's development, growth and performance. We express it every day through our relations with each individual, work, partners, stakeholders and our actions aimed at society, nature and the community in which we operate.

## Commitment

Loyalty, productivity and satisfaction highlight the commitment we are trying to encourage together with a conscious business approach. We want our employees to identify with the Company and its values.

## Togetherness

We encourage mutual cooperation on all levels and teamwork that is essential for the development and growth of the Company, but also of every individual. Sharing ideas and knowledge, multiculturalism, mutual respect and solidarity are key ideas of our developing togetherness.

# Strategy

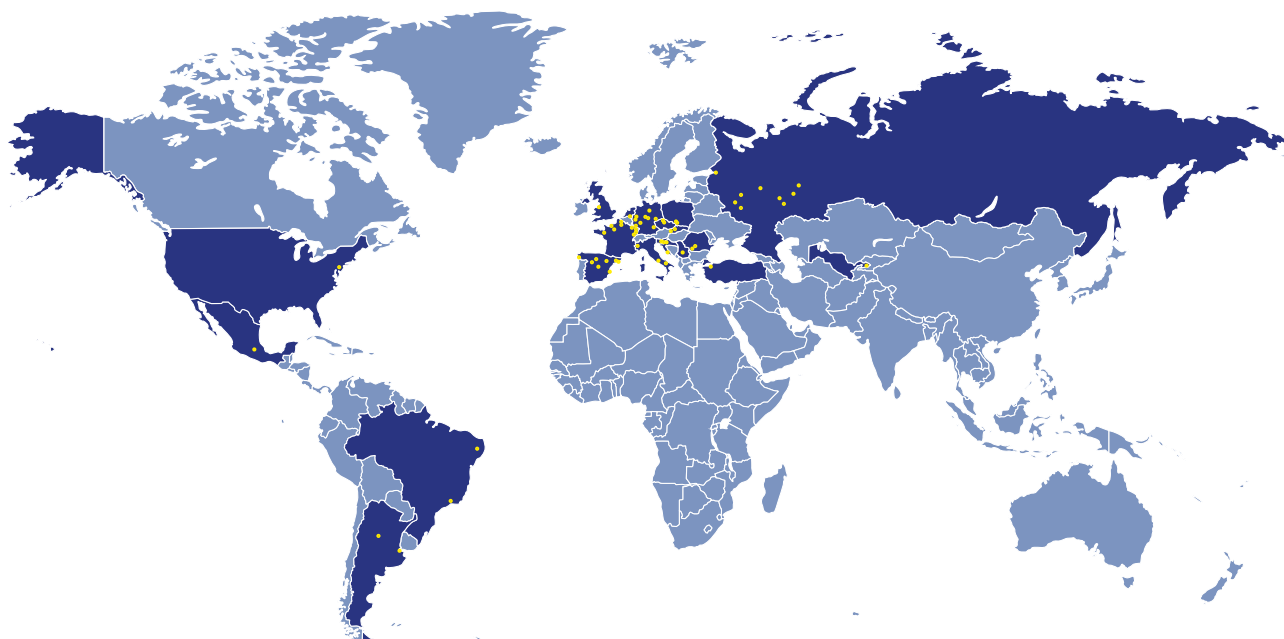
AD Plastik Group's strategy involves the expansion and improvement of our automotive industry programmes and becoming a Tier 1 supplier of strategic technologies and products. Creating and managing commercial relations with suppliers and subcontractors to ensure competitive prices of materials, tools, equipment and services is one of our key strategic objectives, as well as achieving greater results organically and through Group acquisitions.

In doing so, we want to diversify customers and markets and improve developmental recognition. Creating conditions for stimulating growth and development through optimal management of human resources to the satisfaction of our employees and all other stakeholders is absolutely necessary. We plan to achieve strategic objectives by continuously increasing production sites efficiency and strengthening our financial stability and optimising the balance sheet structure, while ensuring the maximum return on investment for our investors.

Ultimately, AD Plastik Group's long-term strategy is to improve the satisfaction of shareholders by increasing the share value and paying attractive dividends.



# Overview of markets and customers



## Argentina

- Córdoba
- Buenos Aires

## Brazil

- Pernambuco
- Porto Real

## Czech Republic

- Kolín
- Mladá Boleslav

## France

- Batilly
- Douai
- Hambach
- Mulhouse
- Poissy
- Rennes
- Sandouville
- Sevelnord
- Sochaux

## Germany

- Bochum
- Cologne
- Eisenach
- Kassel
- Mosel
- Regensburg
- Ruesselsheim
- Saarlouis
- Wolfsburg

## Italy

- Cassino
- Melfi
- Mirafiori

## Mexico

- Cuautitlán

## Poland

- Gliwice
- Tychy

## Romania

- Craiova
- Mioveni

## Russia

- Izhevsk
- Kaluga
- Moscow
- Naberezhnye Chelny
- Nizhny Novgorod
- Saint Petersburg
- Togliatti
- Ulyanovsk

## Serbia

- Kragujevac

## Slovakia

- Bratislava
- Trnava

## Slovenia

- Ljubljana
- Novo Mesto

## Spain

- Barcelona
- Madrid
- Palencia
- Valencia
- Valladolid
- Vigo
- Zaragoza

## Turkey

- Bursa

## UK

- Ellesmere Port

## USA

- Detroit

## Uzbekistan

- Asaka



ALFA ROMEO



AVTOVAZ



BMW



CHRYSLER



CITROËN



DACIA



DAEWOO

DAIMLER

DAIMLER



FIAT



FORD



GM



JEEP



KAMAZ



MASERATI



MITSUBISHI



NISSAN



OPEL



PEUGEOT



RENAULT



SMART



ŠKODA



TOYOTA



UAZ




VOLKSWAGEN

# Production sites



**1** AD Plastik.....Solín, Croatia

- Headquarters, R&D
- employees.....638
- facility area .....26 618 m<sup>2</sup>



**2** AD Plastik.....Zagreb I, Croatia

- employees.....413
- facility area .....24 136 m<sup>2</sup>



**3** AD Plastik.....Zagreb II, Croatia

- employees.....152
- facility area .....7 336 m<sup>2</sup>



**4** ADP.....Mladenovac, Serbia

- employees.....186
- facility area .....13 952 m<sup>2</sup>



**5** ADP Kaluga.....Kaluga, Russia

- employees.....213
- facility area .....8 524 m<sup>2</sup>



**6** AD Plastik.....Vintai, Russia

- employees.....529
- facility area .....24 500 m<sup>2</sup>



**7** FADP.....Luga, Russia

- Joint Venture
- ADP .....40 %



**8** EAPS.....Mioveni, Romania

- Joint Venture
- ADP .....50 %





# Technologies

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# Technologies

## Injection moulding

Injection moulding is a technology in which the molten thermoplastic material is injected under pressure into a mould, i.e., pre-made injection moulding tools.

Injection moulding has the following advantages: high productivity, mass production and automation possibilities, minimal additional operations and material loss, precision manufacturing, possibility of injecting on other materials and using various fillers to change material properties. Quality design of tools and products, proper selection of materials and corresponding parameters of the injection process are basic prerequisites for creating a quality product.



### Sites

Solin, Croatia

- 40 IMMs.....50 - 2,300 t

Zagreb I, Croatia

- 11 IMMs.....400 - 3,200 t

Zagreb II, Croatia

- 9 IMMs.....800 - 2,000 t

Vintai, Russia

- 9 IMMs.....400 - 1,600 t

Kaluga, Russia

- 8 IMMs.....100 - 2,700 t

Mladenovac, Serbia

- 2 IMMs.....420 t



# Technologies

A

## Painting

### Sites

Zagreb I, Croatia

- 1 automated painting line

The process of painting plastic products is done in a totally automated and robotised painting line in Zagreb. Most common products processed using this technology include vehicle bumpers, front covers and fenders. Painting plastic components can be technologically divided into several sections: preparing products for painting which includes cleaning and flame cleaning, painting products with primer, transparent base paint and varnish, drying, control, additional processing and storage, and later on assembly and packaging for delivery to the customer.



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# Technologies

## Non-woven textile

Non-woven textile is a flexible flat product which is fixed mechanically, by needle-punching or with bonding agents. Most commonly used fibres in the production of wallpaper have a fineness of 6 to 17 dtex.

Non-woven textile technology is used at our Vintai, Samara site in Russia and the Mladenovac site in Serbia.

### Sites

Vintai, Russia

- 1 non-woven textile line

Mladenovac, Serbia

- 3 non-woven textile lines



# Technologies

A

## Thermoforming

### Sites

#### Vintai, Russia

- 2 headliner production lines
- 2 carpet production lines
- 2 trunk shelf production lines
- 4 water jets

#### Kaluga, Russia

- 1 headliner production line
- 1 carpet production line
- 1 sun visor production line
- 1 water jet

#### Mladenovac, Serbia

- 1 headliner production line
- 1 water jet

Thermoforming technology is based on permanent forming of materials at specific temperatures and under specific pressure.

There are two types of the thermoforming process: moulding in a hot or cold tool.

- **Cold tool** is used to form products such as passenger compartment carpet, cargo compartment carpet, trunk shelf, side lining, lining on the fifth door, etc.
- **Hot tool** is used to form products such as headliner lining - this technology is used in our plants in Serbia, Russia and Romania



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# Technologies

## Extrusion

Extrusion is a manufacturing method which involves continuous processing of plastic materials. This procedure softens starting materials which are then plasticized, homogenised and finally formed into the desired shape or profile. Most commonly used materials in the extrusion process are polypropylene, thermoplastic elastomers, polymers, plastomers, duromers, and elastomers.



### Sites

Solin, Croatia

- 4 TPE lines
- 4 IMM (vertical)

Vintai, Russia

- 6 TPE lines
- 12 IMM (vertical)





# Technologies

## Blow moulding

### Site

Mladenovac, Serbia

- 3 blowers

Extrusion blow moulding can be used to produce a variety of shapes of various dimensions.

Most commonly used materials in the blow moulding process are polyethylene and polypropylene, but polyamide, thermoplastic elastomer (TPE) and thermoplastic vulcanisates (TPV) can also be used.

High density polyethylene (HDPE) is used for the production of air ducts.



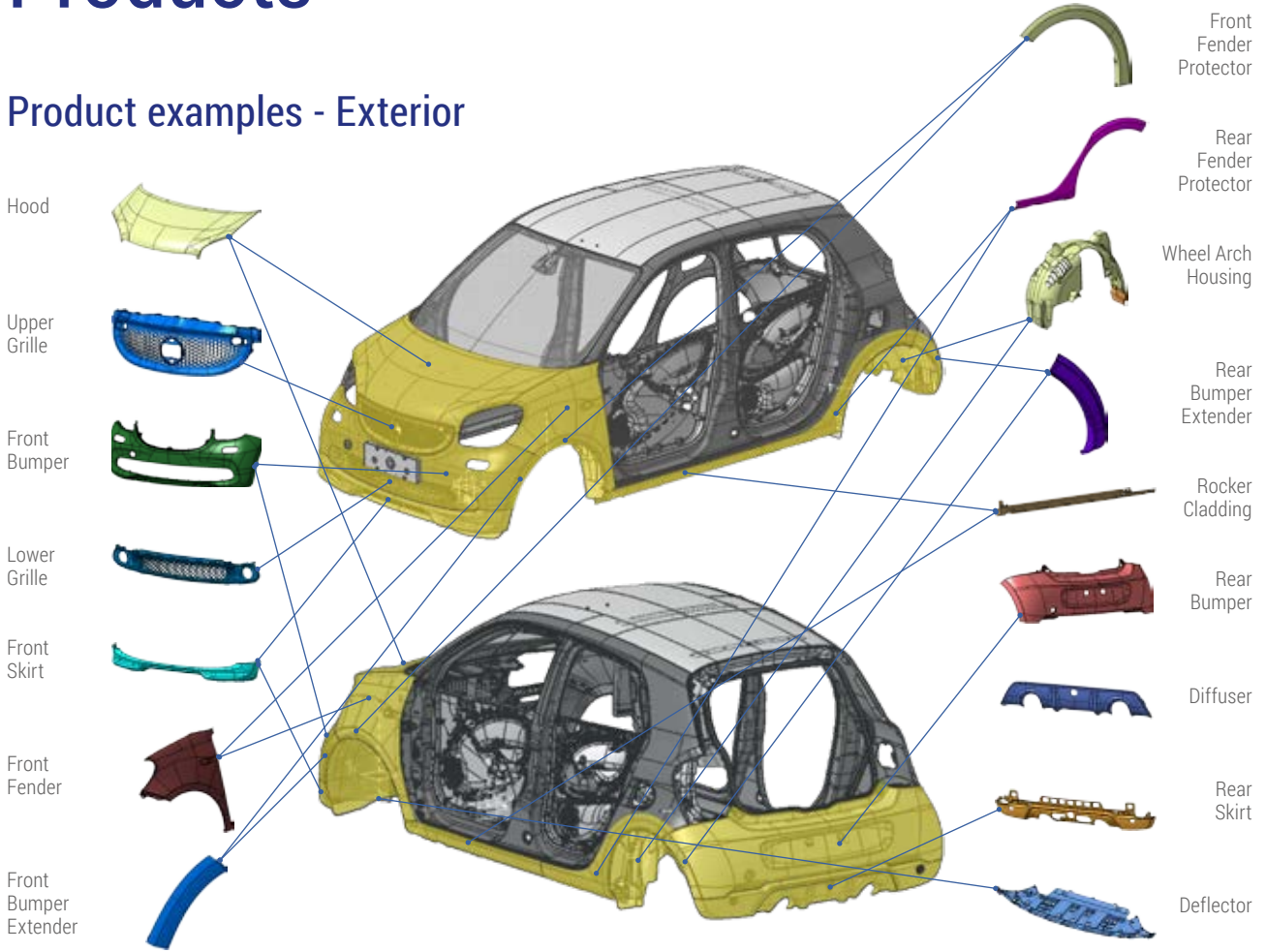
# Technologies

## Key technologies by manufacturing sites

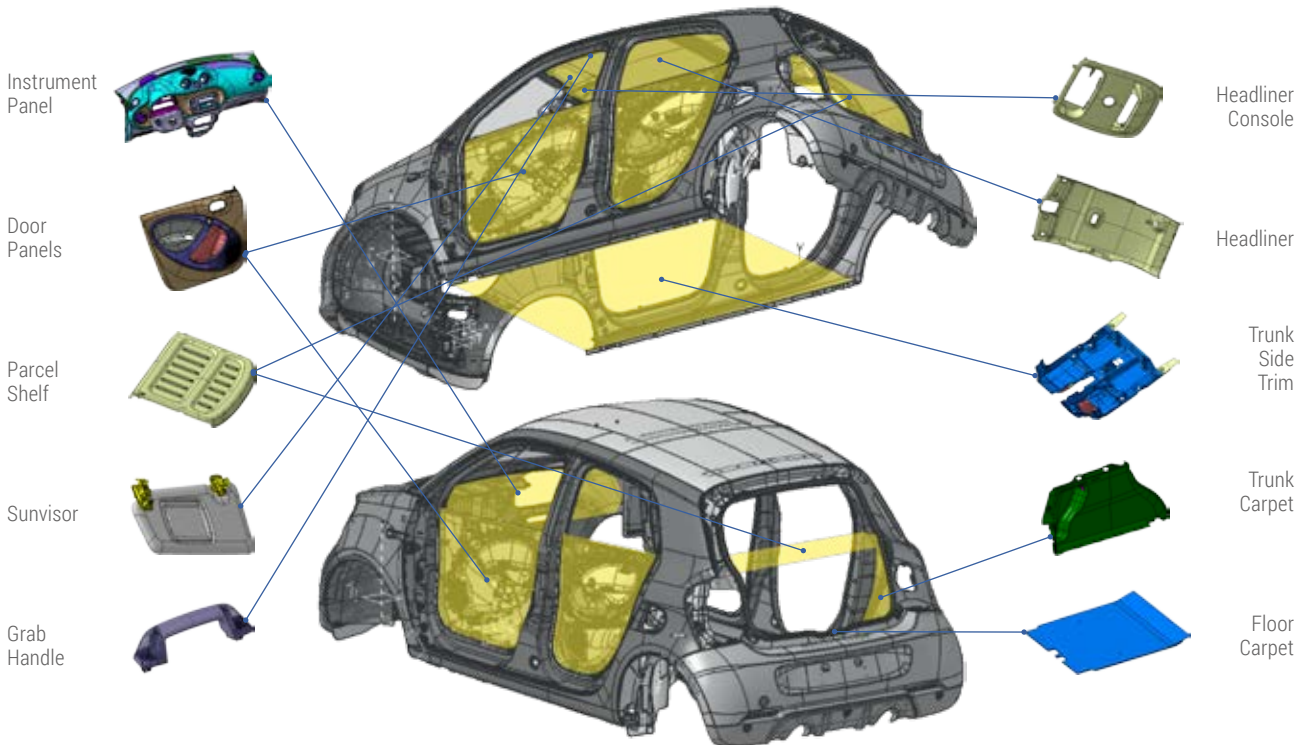
						
	Injection moulding	Painting	Non-woven textile	Thermoforming	Extrusion	Blow moulding
<b>Solin</b> Croatia	40 IMMs 50 - 2,300 t				4 lines (TPE) 4 IMM (vertical)	
<b>Zagreb I</b> Croatia	11 IMMs 400 - 3,200 t	1 automatic painting line				
<b>Zagreb II</b> Croatia	9 IMMs 800 - 2,000 t					
<b>Vintai</b> Russia	9 IMMs 400 - 1,600 t		1 non-woven textile line	2 headliner lines 2 carpet lines 2 parcel shelf lines 4 water jets	6 TPE lines 12 IMM (vertical)	
<b>Kaluga</b> Russia	8 IMMs 100 - 2,700 t			1 headliners lines 1 carpets line 1 sun visors line 1 water jet		
<b>Mladenovac</b> Serbia	2 IMMs 420 t		3 non-woven textile lines	1 headliners line 1 water jet		3 blow moulding machine

# Products

## Product examples - Exterior



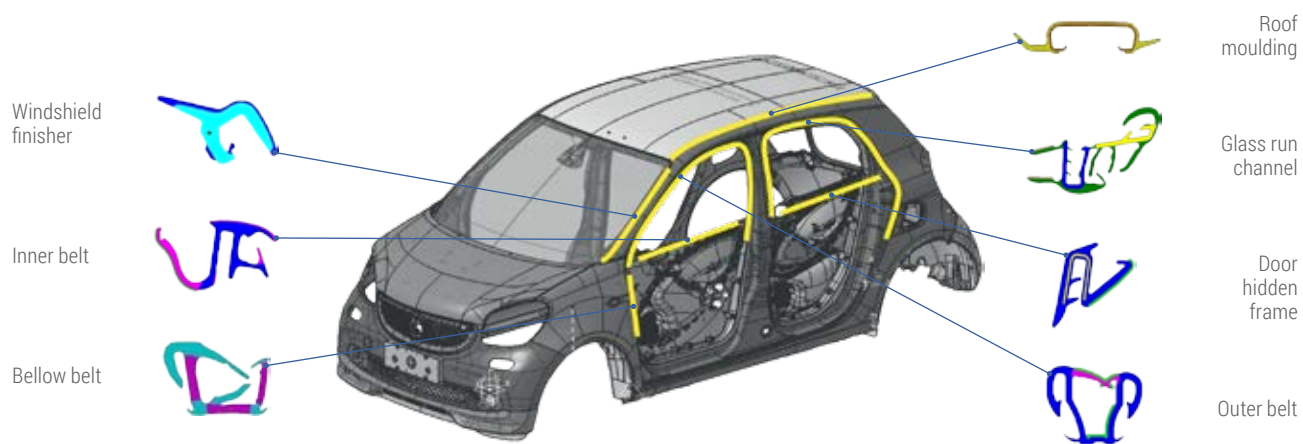
## Product examples - Interior





# Products

## ➤ Product examples - Sealing systems



# Key products by manufacturing sites

A

## Zagreb

- Painted bumpers (front and rear)
- Painted hoods
- Instrument panel
- Door lining
- Lights housing

## Solin

- Grabhandles
- Steering wheel padding
- Plastic headliner lining
- Extruded profiles
- Wheel arch liners

## Mladenovac

- Grabhandles
- Headliners
- Air ducts
- Non-woven textile

## Vintai, Samara

- Extruded profiles
- Column panels
- Headliners
- Shelves
- Passenger compartment carpet

## Kaluga

- Bumpers (front and rear)
- Sill (threshold) lining
- Headliners
- Passenger and cargo compartment carpet
- Wheel arch liners
- External sill lining





# Logistics

Logistics is in direct contact with customers on a daily basis and is among the first to learn about their needs and satisfaction levels - information which logistics shares with others within the Company.

## Internal logistics

Internal logistics is part of the organizational structure of working units in all locations and manages customer orders, logistics flows in specific plants, inventories, production planning and customer deliveries.

## Central logistics

Central logistics services are:

- central planning
- operational purchasing
- logistics engineering
- B2B processes

Central logistics is primarily tasked with coordinating Internal Logistics, standardising logistics processes and procedures among working units and subsidiaries. It supports Internal logistics in the management of service quality, transportation costs and materials inventory. Central logistics manages the optimisation of logistic flows, packaging in all projects and packaging optimisation in all plants. It manages, supervises and approves EDI communication with all customers for all sites and subsidiaries, orders all materials for the Parent Company and some materials for its subsidiaries.

## ADP Team

*"I am pleased to have been given the opportunity to collaborate with a broad range of ex-perts and develop my knowledge and skills. The dynamic atmosphere, work challenges and good teamwork have all contributed to my personal and professional development through-out the past two years. I am extremely motivated and happily accept each new challenge."*

**Goran Bašić**

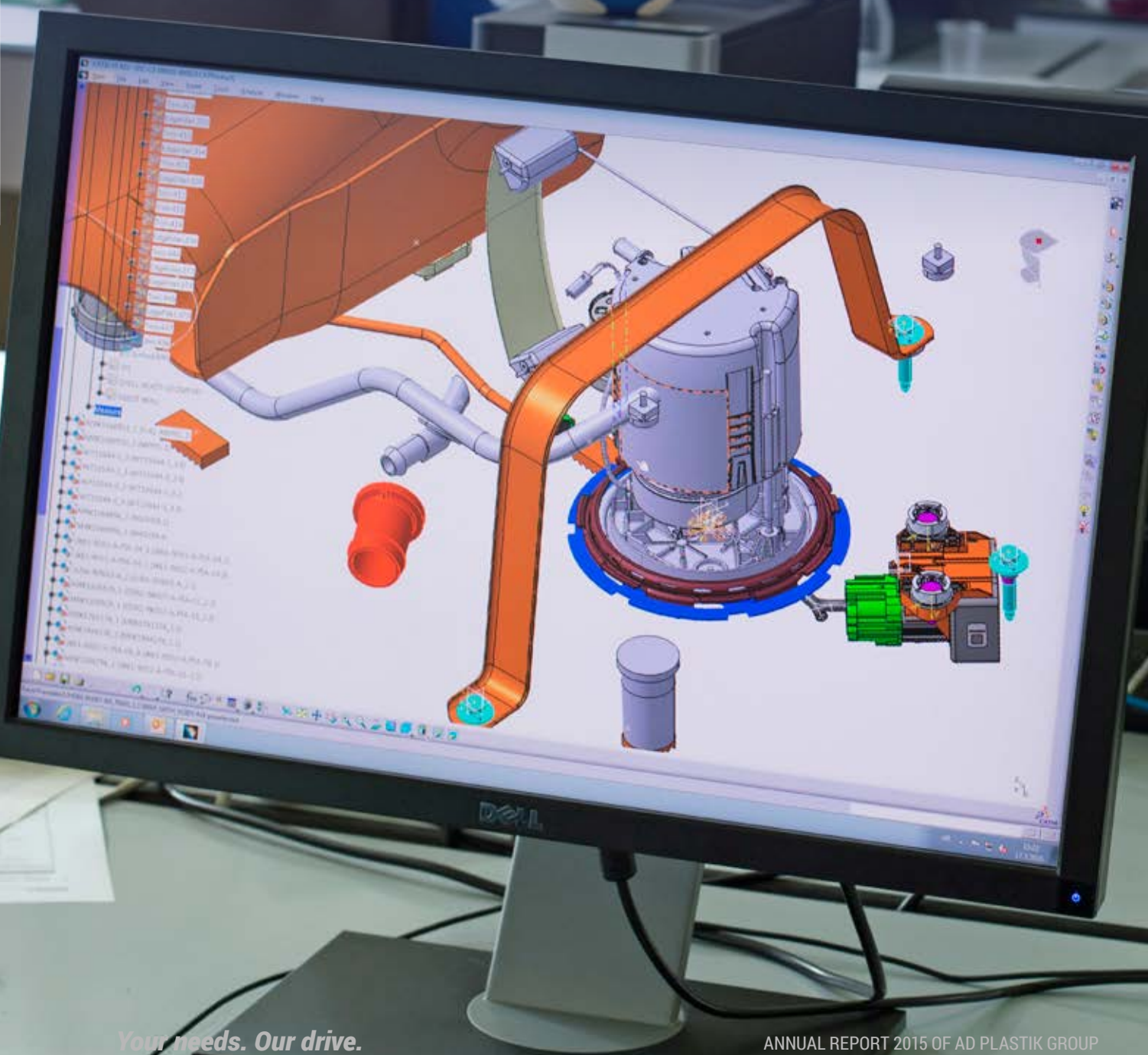
Logistics Technician  
Central logistics





# Research and development

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# Research and development

## Research and development importance and activities

Research and development has a very special role in the automotive industry due to the dynamic market that is constantly seeking advanced products. Car manufacturers can gain an advantage over their competitors, and thus increase sales and profits, by using advanced products. The market is continuously introduced to companies that offer new and advanced products and it is extremely important to follow trends and offer customers products that are similar or better. Research and development activities performed by the Company have to be at least as good and intense as those of its competition to ensure growth in the automotive industry market.

In accordance with the stated market requirements, our Company has invested significant resources in research and development, bearing in mind that such activities are the foundation for future growth. The result of our continuous investment in research and development is the fact that today AD Plastik is a reliable and stable partner for nearly all global automobile manufacturers.

The Company has invested in research and development almost 4% of total revenue in 2015, which highlights the importance of said area in the organization. Research and development department of AD Plastik Group employs more than 100 engineers with modern systems and tools at their disposal.

**4%** of total revenue invested in Research and development

**>100** engineers



# Research and development

## Systems and tools

Catia  
Enovia PDM/PLM  
Abaqus/CAE  
NX9  
Teamcenter  
GOM Inspect  
Moldflow



Computer software is one of the basic research and development tools used for product analysis and creating new solutions. Online databases are an important source of information on innovations and market trends, and our engineers can access global services that provide detailed and reliable information on all products that are installed in cars throughout the world.

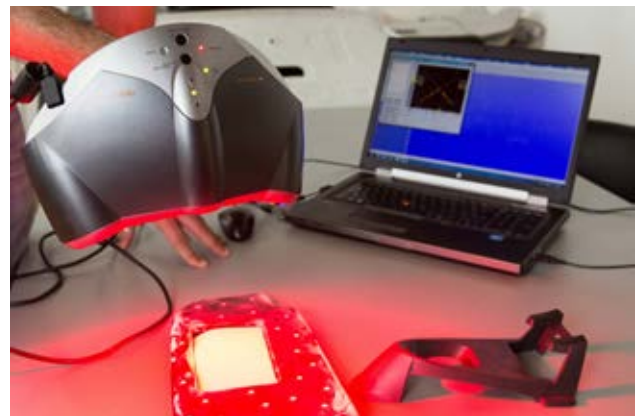
Constructors use several different 3D design software solutions, most important of which is CATIA. Numerical analysis software tools are used for simulating product behaviour.

Developing new products is a lengthy process, and in some cases can last several years. Several products are generally developed at the same time and they often do not have a lot of common elements. Monitoring projects and making progress on individual product development stages is an extremely complex process which is why a software solution Enovia is used for its management.

Developing new products in this day and age is unthinkable without a 3D printer for creating prototypes which will be presented to the customer so they can view and experience new products during the vehicle's development stage.



Digitalization of existing products is also considered a standard research and development practice in the automotive industry which is why our engineers use a 3D scanner to scan different models of existing or new products, transfer the images to a digital format and analyse them further using a computer.



**Your needs. Our drive.**

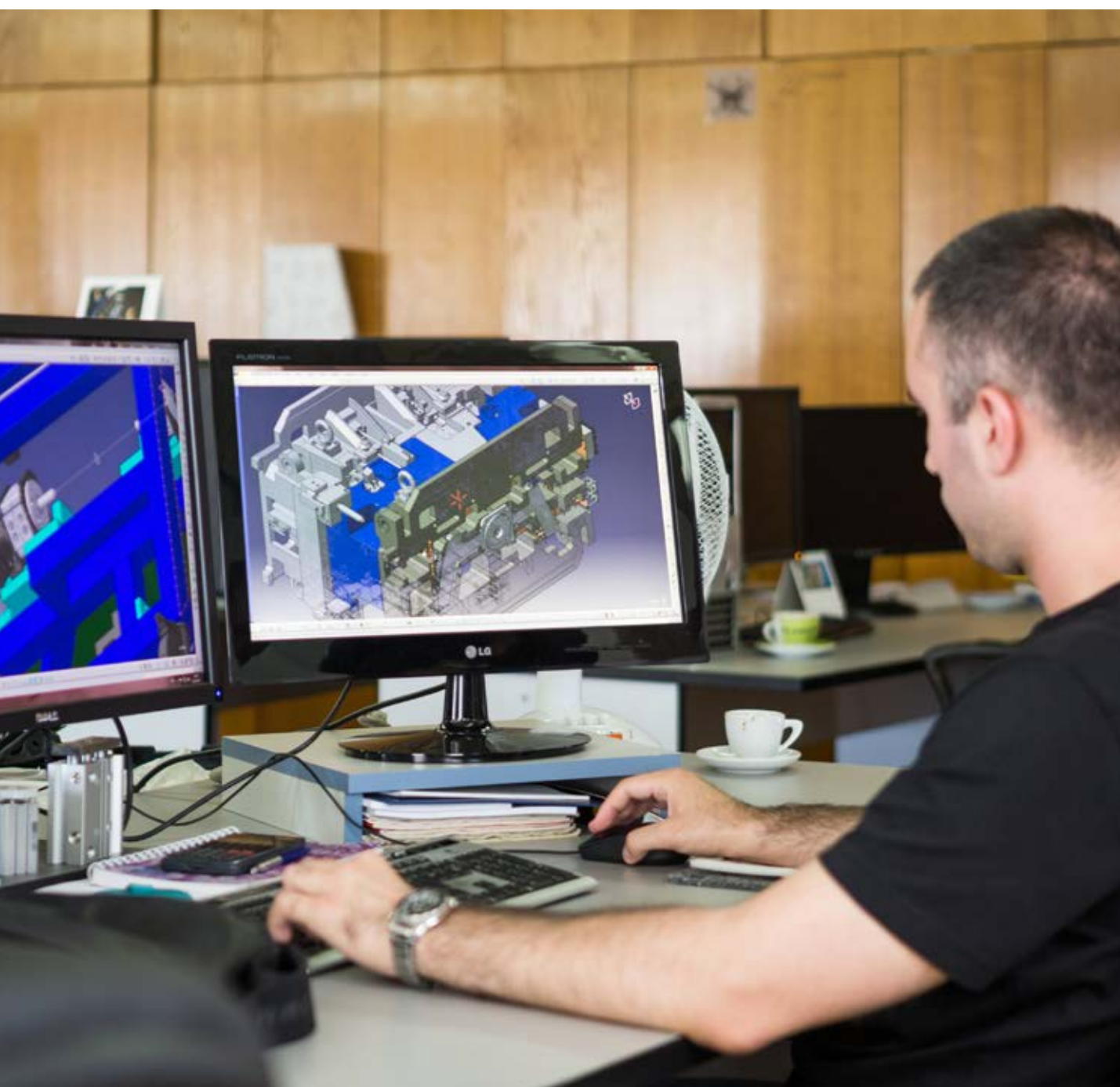


# Research and development

## Systems and tools

➔ Automotive industry has undergone many changes in its history, and is still changing today so it could adapt to an increasingly demanding market. Research and development has also changed accordingly by adjusting the organisational structure, cooperation models, activity management, equipment and tools, etc. AD Plastik Group monitors trends in the automotive industry and applies them regularly in its organization.

In 2015, the Company formed an independent organisational unit called Product and Process Research whose employees are engaged in creating new products that are offered to customers as prototypes. These products are in market demand and have to meet certain statutory or quality standards.



# Research and development

## Ecology



### Low emissions

Emissions are a global problem and all major industrial countries adopted specific rules on the limitation of emissions. A large proportion of emissions are combustion products from car engines and that is why the automotive industry is characterised as a major atmosphere polluter. Therefore, the automotive industry is the biggest advocate of zero emissions in its efforts to change said public perception. Cars manufactured in recent years have low emission levels, with the trend quickly gravitating toward zero emissions. Ultimately, our roads will mostly be populated with electric vehicles or fuel cell drive vehicles that will not release harmful gases into the atmosphere.

### Reducing vehicle weight

In order to attain the desired objective it is necessary to reduce the weight of future cars, so even today the priority is set on so-called lightweight materials. Car constructors have been given the priority task of reducing the weight of vehicles, and to improve performance at the same time. Vehicle weight is reduced by decreasing the mass on each component, but it is much more difficult to influence the weight reduction of dynamically loaded components such as engine parts and the chassis. Therefore, a compromise has to be made using specific interior and exterior components where the designers can choose lighter materials to compensate for heavier engines. This is even more noticeable with electric vehicles which use a very heavy set of batteries.

# Research and development

## Composite materials

AD Plastik Group is ready to meet new market demands by researching new and lighter materials and developing lighter components. We already offer components made from light-weight materials such as non-woven textile components for interiors and exteriors. Non-woven textiles and respective components are continuously being researched by our engineers since making progress in this segment is one of our major set objectives. We are following all current automotive trends regarding the development of these materials and can offer innovative solutions to our customers.

Special importance in reducing the weight of vehicles is given to components made of composite sandwich panels. Application of these materials in car production has been observed only recently, although they have been used in the production of special vehicles for quite some time. These materials are already being installed in some of the most advanced mass-produced vehicles such as the BMW i8. They are increasingly being used by other vehicle manufacturers, indicating that composite sandwich panels will become a very important material in the future automotive industry. Our experts research

these materials for the purpose of manufacturing interior car components, as well as exterior components in the near future. Foam and multilayer materials have great potential for reducing the mass of existing products. Our Company is constantly improving its products with new production techniques and new processes.

There is a growing demand for components with excellent acoustic characteristics to prevent unwanted loudness and noise when using hybrid vehicles, which are sold in ever increasing quantities, in their electronic drive mode. AD Plastik has been installing components in some electric vehicles like the Smart car which have significantly better sound-insulating properties than standard components. Our engineers are investigating the impact materials have on acoustic properties which also includes foam materials with excellent acoustic characteristics for manufacturing car roofs.

Non-woven textiles have excellent insulating properties, as do the sandwich panels made from foam materials for interior roofs that we currently manufacture for the electric Smart car.





# Research and development

## Recycling materials



### ADP Team

*"New ideas and creativity combined with experience and knowledge drive career development within the ADP Group, which is extremely important to every young employee. We can contribute to the progress and development of the company in the demanding automotive industry market, but primarily contribute to our personal development which is extremely motivating."*

**Ante Bilić**

Coordinator of Product and Process Research and Development

In the near future, every car part that ended its life span should be usable as raw material for future production. This will greatly impact environmental protection efforts. Therefore, it is extremely important to substitute existing materials with new recyclable materials, especially natural materials. AD Plastik has recognised the processing of natural "green" materials as an important business element. Many car parts are currently manufactured using a certain percentage of natural materials, which reduces the environmental impact due to the possibility of re-using such materials.

Research and development provides an advantage in a demanding and dynamic auto-mobile market and therefore AD Plastik prioritizes it. Car manufacturers are no longer able to focus their research and development activities on individual car parts, but rather focus on core activities and leave research and development of specific components to suppliers.

Our development guideline is to offer a product to the customers that will provide them with an advantage over the competition through research and development. Such business policies guarantee success and longevity of our company.

# Sustainability and corporate social responsibility

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# Sustainability and CSR

## Environmental protection and occupational safety

The automotive industry in which we operate has very large demands for quality, adherence to high standards of environmental protection and operational sustainability. This is just one of many basic preconditions for participating in the supply chain of leading global car manufacturers.

The Company's headquarters is located in the ecologically sensitive and culturally-historically significant area, which makes our responsibility for the natural and business environments even more pronounced. Continuous responsibility and awareness of the environmental protection and occupational health and safety are the foundation of AD Plastik Group's business policy.



### ISO 14001

Awareness that our Company has of sustainability is reflected in our commitment to establish the Environmental Management System according to ISO 14001, which we have implemented in some production sites more than 10 years ago.

### OHSAS 18001

ADP Mladenovac is the third AD Plastik Group site which has been certified in accordance with OHSAS 18001 - Occupational Health and Safety Management. Mladenovac site obtained the OHSAS 18001 certification in 2015.

The application of these international standards enables us to design business management policies and set objectives while taking into account legal and other binding requirements.





# Sustainability and CSR

## Environmental protection and occupational safety



➔ We regularly monitor and measure environmental impact of all our production sites, and also regularly monitor and supervise health and safety of all our employees. Our plants had not suffered any significant spills of hazardous substances that could have significant negative impacts on the environment, with possible adverse effects on soil, water, air, biodiversity and health. A systematic effort for avoiding accidents is directly linked to internal regulations and operating instructions, and supervision of their implementation is regularly monitored.

Monitoring and measuring  
environmental impact

Basic raw materials used in manufacturing processes include granulated polypropylene, polyethylene, paints, varnishes and organic solvents. All products have confirmed quality and attributes and are safe, and healthy to use.

Declared quality

Special attention and care is given to proper and useful product labels and ensuring the availability of all necessary information regarding proper handling and use. Disposal of products after the end of the exploitation period is done in accordance with legal provisions. The Group complies with all other regulations and standards related to products. We are aided by our many years of experience, knowledge and skills we have acquired.

Since most of our products are made from plastic materials, we pay special attention to improving the recyclability of plastic vehicle components at the end of their life cycle in full co-operation with our customers. Car manufacturers have developed recycling indicators for vendors that enable life cycle assessments and integration of recycling possibilities from the design stage, customer negotiations, measuring progress and improvements to environmentally friendly design. All our products meet such requirements set by our customers. ➔



# Sustainability and CSR

## Environmental protection and occupational safety

- ➔ Health and safety of end users is considered an integral part of our activities, so each of our products must pass special tests carried out by car manufacturers to ensure that all car components are completely safe for the end customer.



### Energy

We use direct and indirect energy for powering our production facilities. Consumption of direct energy in the AD Plastik Group means the consumption of gas and fuel oil for heating, diesel fuel for power generators and fuel for motor vehicles from the Group's fleet. Consumption of indirect energy means the consumption of electrical and thermal energy for central heating.

Data on direct and indirect energy consumption varies and is directly related to the production volume. A number of initiatives have been undertaken within the Company in order to use energy more effectively and were proved to be effective in reducing consumption. Undertaken initiatives included turning of lighting and work equipment when leaving workspaces, fitting cooling stations, installation of systems for monitoring peak power and energy consumption, installation of equipment for audio and video conferencing, installing new energy-efficient production equipment, performing energy audits of buildings, replacing diesel forklifts with gas forklifts, dismissing old and procuring new official vehicles with better CO2 emission factors.



# Sustainability and CSR

## Water

Water is provided by the public water supply system and, to a lesser extent, from own sources located at the AD Plastik Zagreb site. Water for technological processes in closed recirculation systems is used for cooling machines/tools, and for water curtains and air humidification when applying paints and varnishes. Reduced water consumption in 2015 is the result of many years of employee training on rational use and quick responses in cases of water supply accidents and failures.

Waste water is divided into domestic waste water, industrial waste water and storm water. Industrial waste water is drained through settling tanks and fat and oil separators into the internal drainage system, while the waste water from paint shops is not drained (recirculation). Waste water drains through the sewer into the public sewerage system and to the urban water purifier, and water drained from the AD Plastik Group plants has no negative impact on biodiversity and associated habitats and is not drained into protected areas.





# Sustainability and CSR

A

## Water

➔ We do not emit substances that deplete the ozone layer from our production processes, and there were no refrigerant emissions from equipment owned by AD Plastik Group in 2015. Direct emissions of greenhouse and other gases due to the consumption of heating energy are measured regularly. We also regularly measure emissions of volatile organic compounds at the discharge outlet of the manufacturing plant paint shop. All air emissions are in accordance with the air protection regulations.

The Group acts responsibly with regard to its business process waste, in full accordance with the law, by-laws and internal procedures. Separate waste collection and proper disposal is an integral part of daily waste management activities of the Company.

Waste is classified and collected in separate containers at the place of origin and is submitted for further disposal to authorised waste collectors. Records are kept on waste disposal in accordance with statutory documents. Weight data on waste delivered for disposal were obtained by weighing during delivery to authorised collectors and used for reporting to competent state authorities.



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# Sustainability and CSR

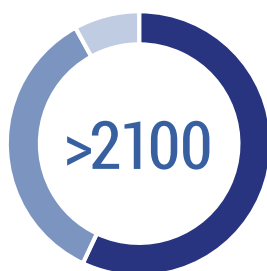
## Human resources

### Vision and objectives

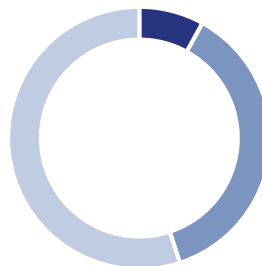
Creating conditions for stimulating growth and development through optimal management of human resources to the satisfaction of our employees and all other stakeholders is absolutely necessary.

### ADP today

AD Plastik Group employs a total of 2,134 persons, of which 1,203 are employed in Croatia, 186 in Serbia, 742 in Russia and 3 in Slovenia. The largest share of AD Plastik Group employees are in Croatia, most of which are between the ages of 30 and 35, which refers to both women and men.



■ Croatia .....	57%
■ Russia .....	35%
■ Serbia .....	8%



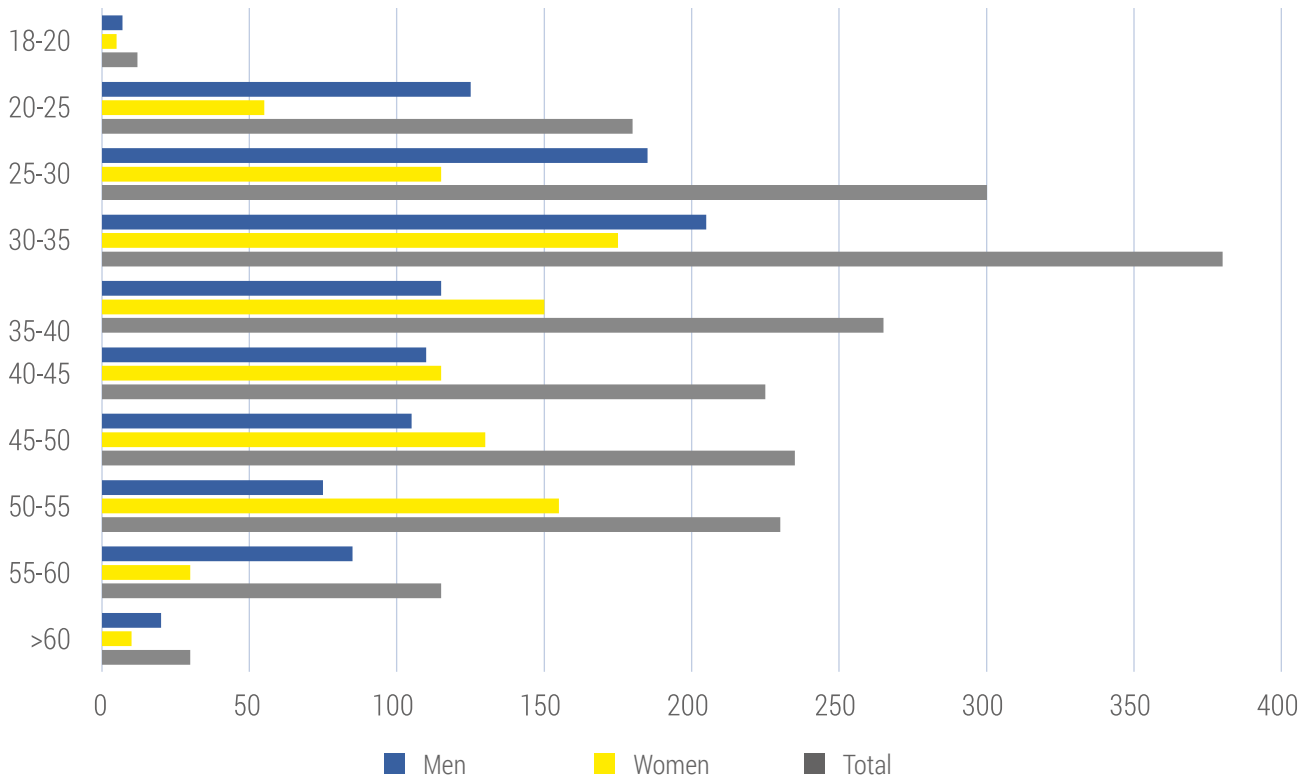
■ Management .....	8%
■ Indirect workers .....	37%
■ Direct workers .....	55%



# Sustainability and CSR

## Human resources

Age structure



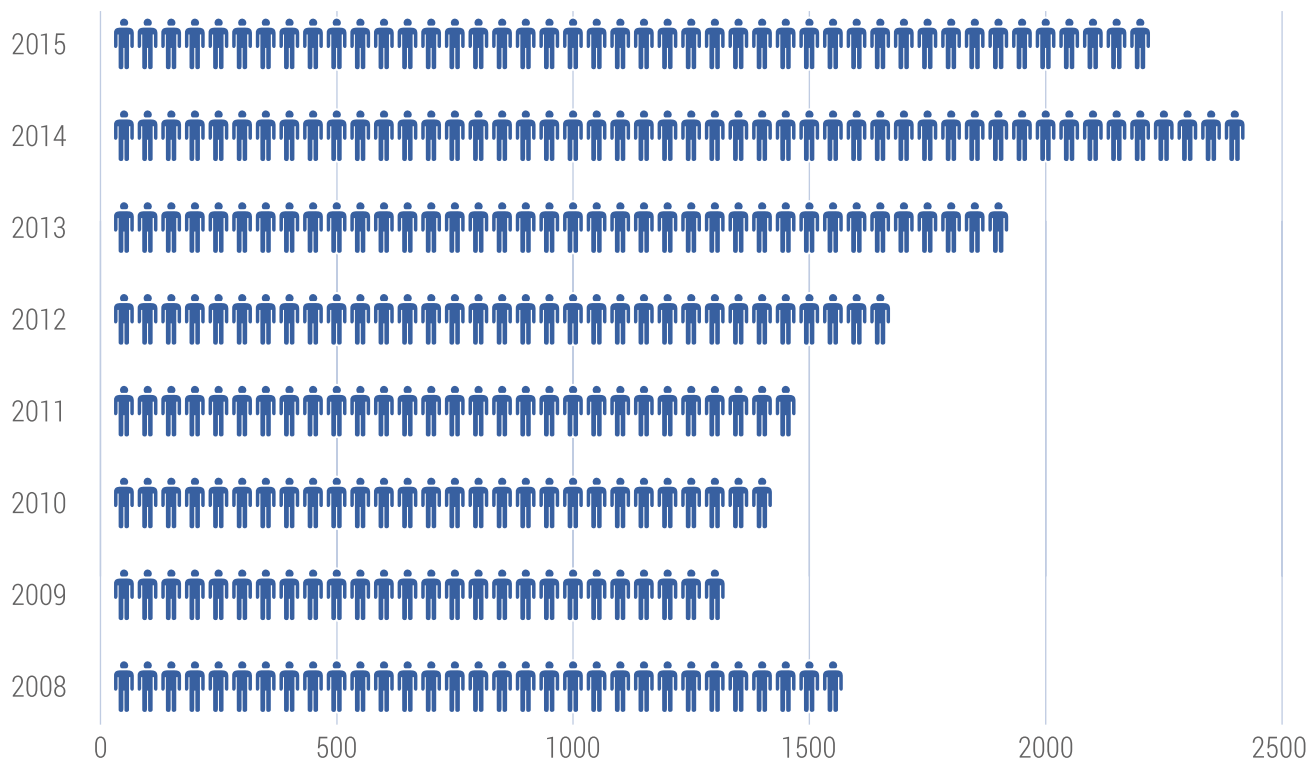


# Sustainability and CSR

## Human resources

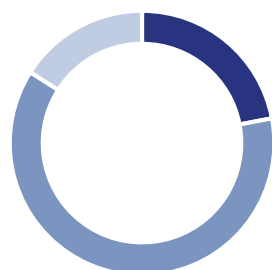
### Employee trends

Trends regarding the number of AD Plastik Group employees represent an indicator of adapting business operations to changes in the Russian market, thus despite increased results we observed a slight drop in the number of employees in the previous period.



### Educational structure

Given the fact that we are manufacturers of car components, the largest proportion of our employees are direct workers, which affects the educational structure of employees.



■ 1, 2, 3.....22%  
 ■ 4, 5, 6 .....62%  
 ■ 7, 8 .....16%

- 1 Advanced Specialist Training
- 2 University Degree
- 3 Master of Science
- 4 Secondary Education Degree
- 5 Skilled
- 6 Highly Skilled
- 7 Unskilled
- 8 Semi-skilled



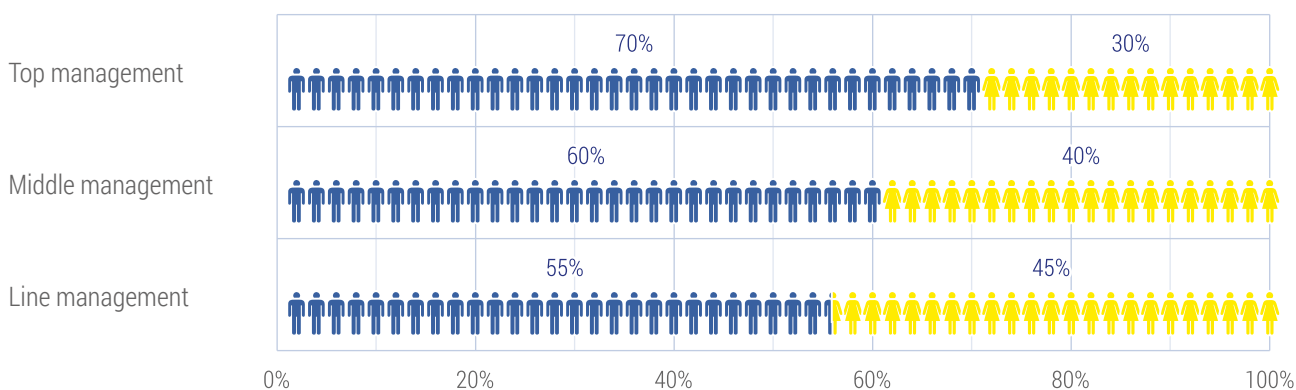
# Sustainability and CSR

## Human resources



### Gender structure

The proportion of women in managerial structures varies; there are 30% of women in top management, but the biggest percentage of women is employed in line management with 45%.



# Sustainability and CSR

## Human resources

### Career management

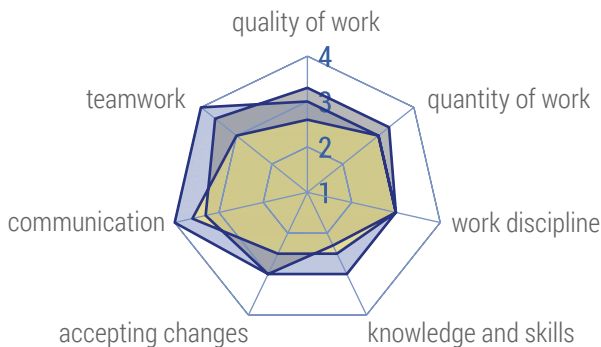
The goal of this programme is to enable each new employee (either from external or internal sources) to become operational as soon as possible and to gain a better understanding of his role and contribution to the Company's success.

In 2015, we launched 120 integration processes just in Croatia.

Series of activities related to employee evaluation with regard to quality and quantity of work were undertaken in 2015. All results were integrated with development plans of individuals, groups and teams. Among these, the following two evaluation models were highlighted:

#### a) 360° method

Employee evaluation (except direct workers) was conducted at the Zagreb production site for the purpose of determining the competency status of workers, identifying talents and defining development plans.



#### b) AD5 - reward model

In the last quarter of 2015 we began to implement a new model of rewarding employees with excellent work results related to main activities of specific departments/sectors in the observed period. During the first round 82 employees were rewarded and a number of additional activities were implemented with regard to their promotion.



AD5 - reward model

Integration processes

Evaluation of work performance

Evaluation using the 360° method





# Sustainability and CSR

## Human resources

### Development and education

#### Continuing education - developing competences

The distribution of invested time according to specific knowledge greatly depends on type of activity. What everyone has in common, regardless of the type of activity, is a concern for the health and safety of employees. During 2015, we increased investments in specific customer requirements by 265%, in management skills by 219%, while investments in existing technologies increased by 119%.

#### Mentoring

For the third year in a row we continue with successful mentoring practices in which experienced and highly competent individuals (mentors) share their expert and managerial skills with highly educated employees who are already working for the Company. Based on the estimated developmental potential, the Company guides their careers and prepares them for more demanding and responsible positions. Thus, the Company uses own employees to ensure competent and motivated professionals and managers for its future development.

In collaboration with mentors we have raised the level of professional competence in 2015 by approx. 60% in key business areas such as technology and operational functions, research and development and commercial operations.



#### Internal training

Internal coaches are just like mentors, the leverage of employee development to ensure competitive advantage of AD Plastik in the market. During the year a number of interesting educations are being organized and they are all published once a year in the Catalogue of internal training placed on the Intranet site of the company. Internal coaches are hired from different locations of the Group.



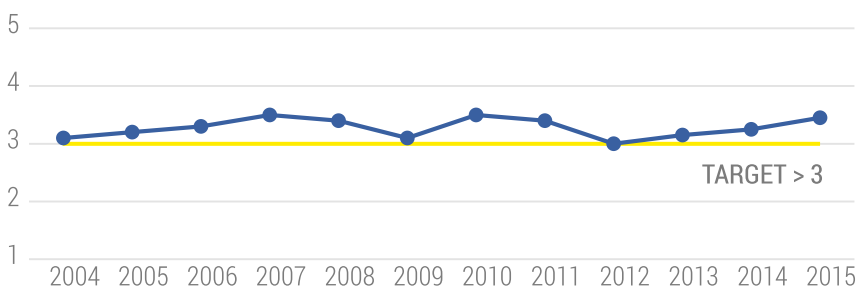
# Sustainability and CSR

## Human resources



### Annual work climate survey

Regular annual work climate survey has shown that AD Plastik employees are most satisfied with competences of their immediate superiors and colleagues, indicating that the Company has high-quality and competent employees. Necessary actions were initiated in cooperation with management to further increase employee satisfaction, taking into account the needs of employees and the Company.



# Sustainability and CSR

## Human resources



### ADP Team

*"I'm just happy I got the chance to work in a company where every day is meaningful for my personal and professional development and motivates me to cope with all future challenges."*

**Ivna Juranić**

Employment Coordinator  
Human Resources

### External activities

AD Plastik is open to summer traineeships that students are required to complete as part of educational programmes. In 2015, 17 students and pupils attended practice in different departments of the Company. Our goal is to take a structured approach to student practice implementation as an excellent source of evaluation and the opportunity to recruit excellent students. Students who receive excellent evaluations by AD Plastik practice leaders are entered into the ADP talent database.

Our experts are often also mentors in preparing seminar and graduation papers so in 2015 a total of seven students prepared their thesis in Solin.

In order to be recognised as a desirable employer for career development, AD Plastik is regularly present at Career days and continues to have good cooperation with universities in the year 2015. In addition to organising regular visits by student organizations, we formalised our cooperation by signing the contract with the Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture in Split (FESB) and Faculty of Chemical Technology at Split University.

As one of the largest regional employers we are aware of the unemployment problem, support the activities of the Croatian Employment Service and actively participate in Job fairs.

### Employer branding

AD Plastik will further implement a series of activities in 2016 aimed at strengthening the commitment of employees and their involvement in the culture and strategy of the Company.





# Sustainability and CSR

## Sustainability reports

### Annual Sustainable Business Report

With the aim of fully integrating sustainability into our business we created the first Annual Sustainability Report in 2015 in accordance with the Global Reporting Initiative (GRI).

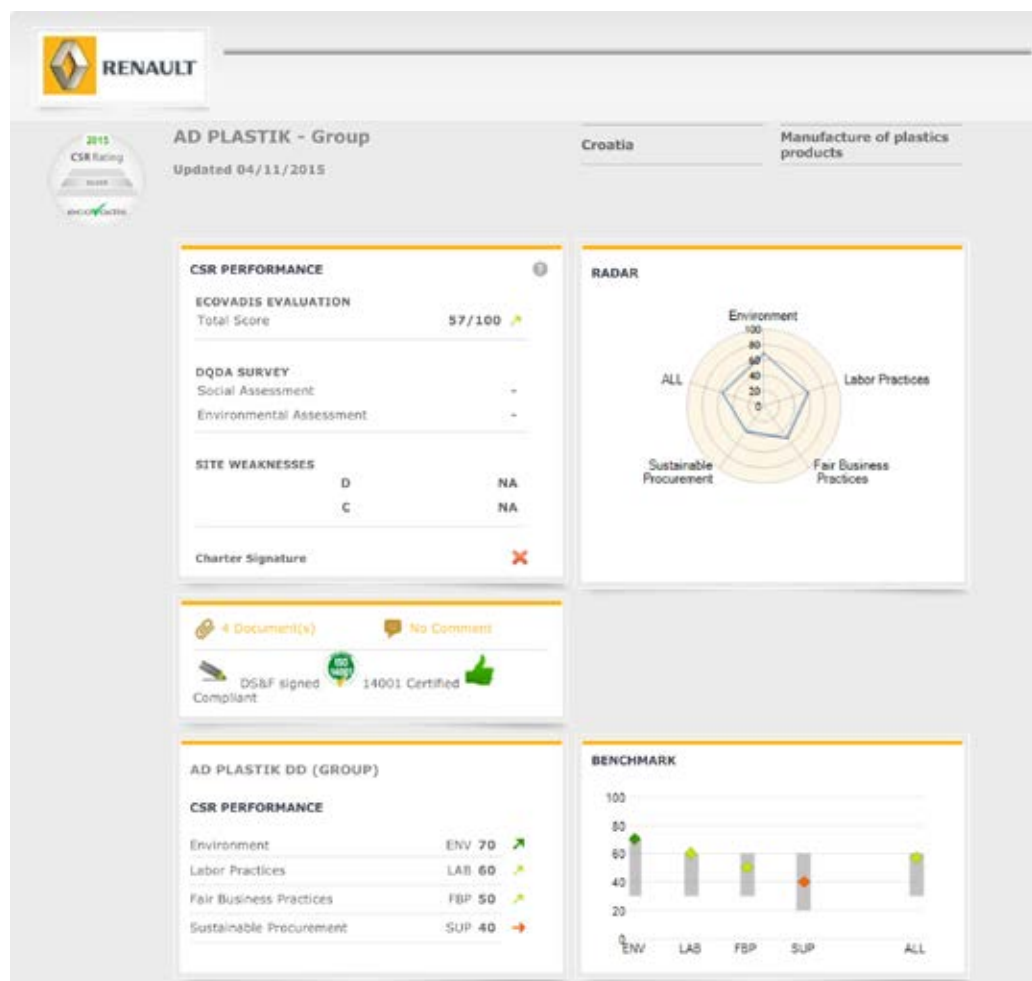


# Sustainability and CSR

## Annual Sustainable Business Report

EcoVadis

During the regular assessment performed by EcoVadis, agency employed by Renault to conduct the assessment, the Sustainable Business Report of AD Plastik Group has shown significant improvement in the last year, with the biggest progress reported in the environmental protection field.



Indeks DOP

United Nations Global Compact

# Quality Management System

- 51 ISO certificates
- 51 Quality control
- 54 Audits





# Quality Management System

## ISO certificates



	ISO TS 16949:2009 valid till	ISO 14001:2004 valid till	OHSAS 18001:2007 valid till
<b>Solin, Croatia</b>	20. May 2016.	1. July 2016.	9. October 2017.
<b>Zagreb, Croatia</b>	22. May 2016.	1. July 2016.	9. October 2017.
<b>Samara, Russia</b>	1. April 2017.	18. October 2017.	
<b>Kaluga, Russia</b>	9. December 2016.		
<b>Mladenovac, Serbia</b>	1. September 2018.	15. June 2018.	20. December 2018.

## Quality control

### Incoming quality control

AD Plastik conducts incoming quality control of raw materials before the start of production, and evaluates suppliers once a year. This includes monitoring supplier performance (accuracy of delivery and quality of supplied materials), based on which supplier audits will be carried out in order to raise the quality of our processes.

Suppliers of raw materials also deliver a certificate which guarantees quality, and periodic laboratory testing (of raw materials) or dimensional measurements are carried out which internally confirm the quality of incoming materials.

### Product quality control

To ensure that every product meets high quality standards and customer requirements, quality control is implemented from the start in all required processes and provides a management system. Its role is particularly important in the preparation of necessary work documentation, harmonization and improvement of processes, conducting audits and resolving complaints.

To ensure production quality management system, AD Plastik regularly audits processes and [→](#)

# Quality Management System

## Quality control

- products to determine whether they meet set customer criteria and inspects the validity of measuring equipment, i.e., measuring method which guarantees the accuracy of data (MSA). Process audits are planned and implemented on the basis of risk assessment or customer requests, while product audits are conducted annually for each product.

Quality control takes part in the auditing process performed by external customers and certification companies in a way that animates teams within the Company and submits corrective actions according to possible incompatibilities established during the audits.

In the case of comments or official complaints made by the customer, quality control contacts the customer and presents him with an overview of undertaken activities via the portals. It internally manages the group tasked with analysing the com- →



# Quality Management System

## Quality control



### ADP Team

*“Working in a multinational environment enabled my personal growth and I consider time spent in Russia as an intrinsic part of what I am today. The work that I do today is demanding and requires great commitment, however, everyday dynamic and working in multidisciplinary teams makes this job interesting and motivating.”*

**Ivana Filipović**

Head of Quality Control  
Plant Zagreb

plaint, determining its causes and reasons for non-disclosure, and prepares an activity plan based on its findings. Such plan must guarantee that the error will not happen again by applying the methodology prescribed by automotive industry standards.

Quality control department is responsible for creating and updating necessary manufacturing documentation that provides clear criteria for specific quality of products so that workers would get a clear understanding what is a proper (OK), and what is a defective (NOK) product.

In the case of new projects or problem escalation, quality control implements a temporary QW (Quality wall - products are 100% inspected before delivery), analyses results and manages the team that will define corrective measures for guaranteeing the quality of products without the 100% inspection.

Quality control department prepares and sends monthly reports on the PPM results, number of complaints and all indicators on the basis of which we evaluate customers and such reports are then used to continuously introduce changes in order to improve and enhance overall quality. Quality control department created a new plant layout in 2015, performed standardization of jobs and conducted weekly workshops with production workers.

### Quality Control in 2015

- Introduced operating system changes
- Improved and enhanced storage and tracking of materials
- Improved prediction and monitoring costs
- Introduced workshops to further improve quality

### Planned improvements in 2016

- Optimize manufacturing process documentation
- Restructure and redesign the local database
- Continue with the global improvement of 5S plant/standardization



# Quality Management System

## Audits in 2015

### Quality system audits

An audit is a systematic, independent and documented process for obtaining evidence and gaining a fair overview of the quality system in accordance with system norms, customer requirements and internal regulations.

- **Internal audits** are carried out within the organization by trained employees (auditors) who are acting independently from the area that is being audited. All system elements are inspected with regard to their compliance with industry norms and standards and specific customer requirements and activities in accordance with prescribed procedures and their effectiveness. Results of internal system audits form the basis for reviewing the effectiveness of the entire system and taking measures for continuous improvement.
- **External audits** are conducted by independent certification institutions and our customers. External audits of the quality system, environmental protection, and health and safety are carried out by an independent certification Company Bureau Veritas Certification (BVC).

Internal quality system audits

External quality system audits

### Audit process

- An **internal process audit** is used to determine whether the product meets quality requirements, is the process mastered and capable and whether the working and environmental conditions are satisfactory. An annual internal process audit plan is created. Audit is carried out according to the Process Audit Questionnaire by trained auditors.
- **External process audits** are carried out by our customers.

Internal process audits

External process audits

### Product audits

Product audits are used to determine if the product meets all quality requirements for delivery, such as dimensions, functionality, packaging and labelling in accordance with the control plan. An annual internal product audit plan is created for products manufactured in series. The plan is updated during the year in accordance with the condition of the product (changes in the process, possibly dismissal of products, complaints, scrap, tools, machines, people, etc.) Product audit results are recorded on the Product Audit form.

# Industry and competition

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# Industry and competition

## European market

By analysing results achieved by the automotive industry companies in the European market we can conclude that market is currently stabilising, which is visible in the growth of sales results in all countries for the first time after 6 years. The EU has experienced a strong increase in registrations of new passenger cars in 2015 by as much as 9% - biggest jump in 25 years. Most of this growth can be attributed to Spain (+21%) and Italy (+15%) where new vehicle registrations are still well below the numbers seen in the years before the crisis. France, Germany and Great Britain markets are also growing, but at a much lower rate. Registration numbers are expected to grow by approx. 4% in 2016 and 2017. When observing the number of vehicle registrations per 1,000 inhabitants, we can see a great potential for increased demand for new cars in Eastern Europe.

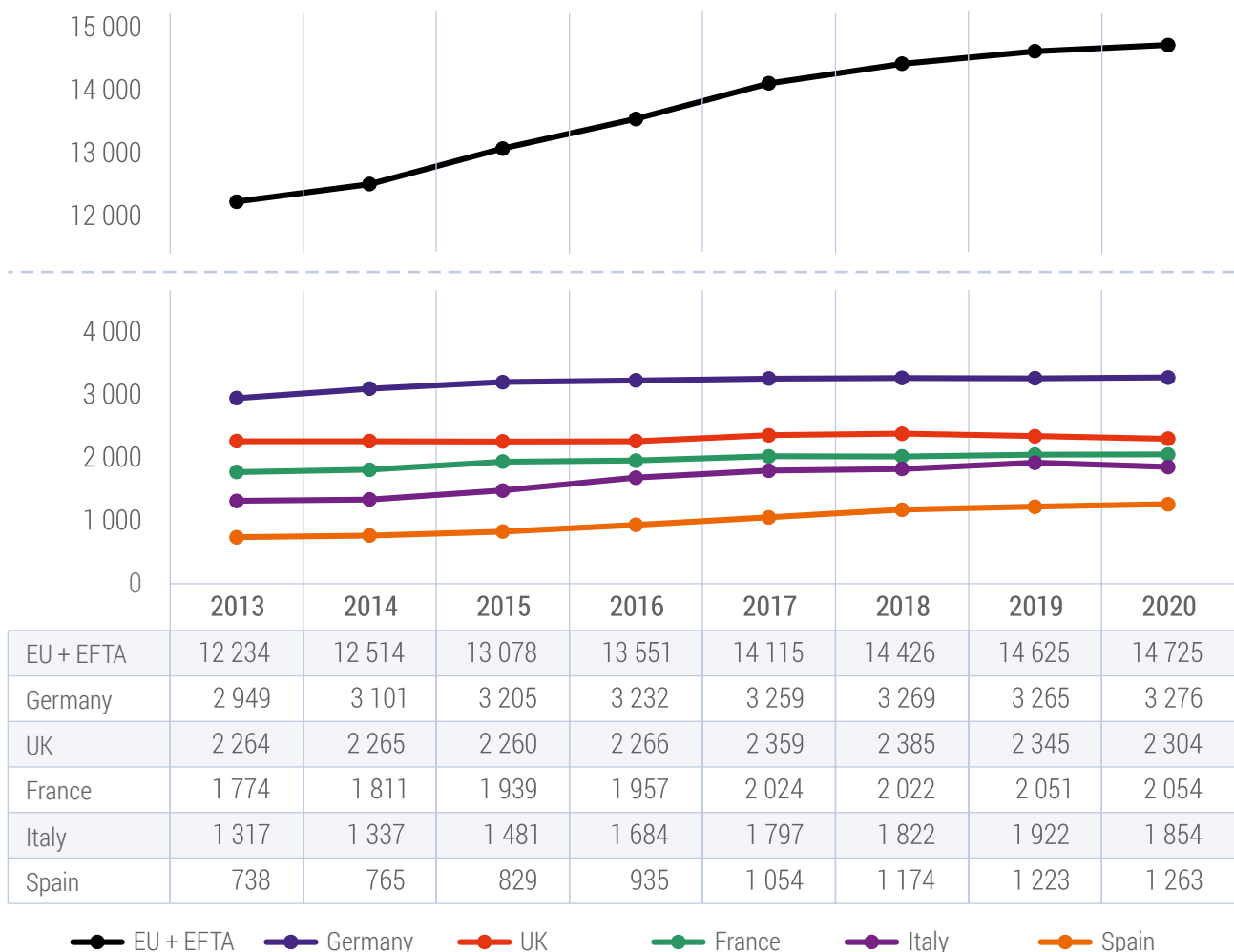
Market stabilization

# 9%

Increased number of new vehicle registrations

Record automotive industry revenue was achieved by Germany, who is an absolute leader in this market with 64% of stated revenue coming from exports. [➔](#)

### Growth assessment of the European market by 2020





# Industry and competition

- ➔ VW Group manufactured 3 million vehicles to become the European market leader with a constant growth in all markets in Europe.

PSA gained a 9% increase of its business, but analysts have announced even better results in the coming period based on the popularity of certain Peugeot and Citroen models. This is supported by PSA's investment in additional capacity at Sochaux and Mulhouse plants.

The RSA Group recorded a highest increase of all major OEMs in Europe by 9.2%. Market growth was also influenced by the affiliated company Dacia with an increase of 22.4% and raising its standard of quality and quantity thanks to cooperation with Nissan.

Ford recorded a growth of 7.4% and an even stronger continuation of this positive trend is expected.

FCA Group increased its business by 6%, primarily based on cooperation with Chrysler (Jeep) and the successful launch of the new Jeep Renegade and 500X in the currently most attractive segment - mini SUV.



## Russian market

Car sales in Russia decreased by 50% in three years with the declining sales trend continuing into 2015. Oil prices, GDP, devaluation of the ruble and loss of purchasing power are all causes of declining automotive market and it is expected that the Russian economy will remain in recession during the following year.

All key OEMs in Russia recorded a drop in sales and Renault also recorded a decrease of approx. 40%, while, for example, GM closed two plants in Russia.

# Business

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# Business operations in 2015

## Foreign market

AD Plastik sells the entire production assortment to our customers, OEMs and Tier 1 manufacturers in the automotive industry on the international market. Croatian and Serbian exports are largely related to the EU market, with some exports going to overseas countries. Russian companies from the AD Plastik Group sell their production assortment exclusively on the market of the Russian Federation.

>1

Billion HRK

For the first time in its history, AD Plastik Group has sold products in the excess of one billion kuna. Such production volumes secure our place among the major business partners in the automotive component manufacturers market and our position on the list of recognised suppliers when dealing with new or potential customers.

Revenue growth is all the more significant when considering further decline of the Russian automotive market in 2015. EU and Serbian markets achieved increased sales, while the Russian market continued to decline, although significantly slower than in 2014.

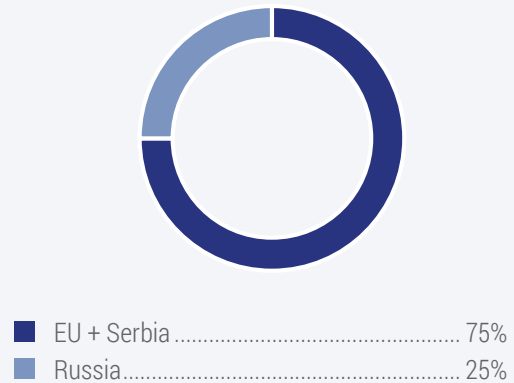
## Edison Project

The Edison Project had the greatest impact on increased production in the past year, and is certainly a confirmation of AD Plastik abilities and a good platform for the realization of new business opportunities in the future.

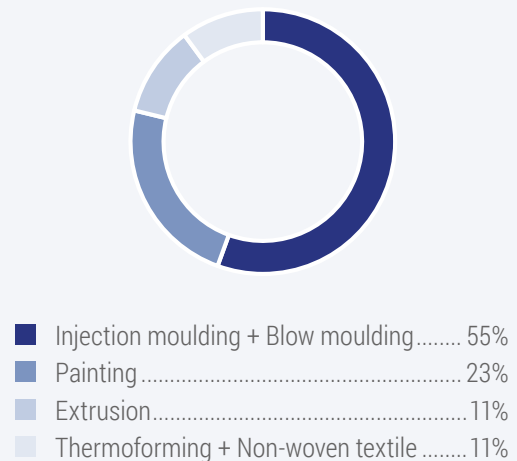
During 2015 we began to mass produce new projects under the Renault, PSA and Ford programmes.

The following pages contain a list of our customers.

Overview of revenue by locations



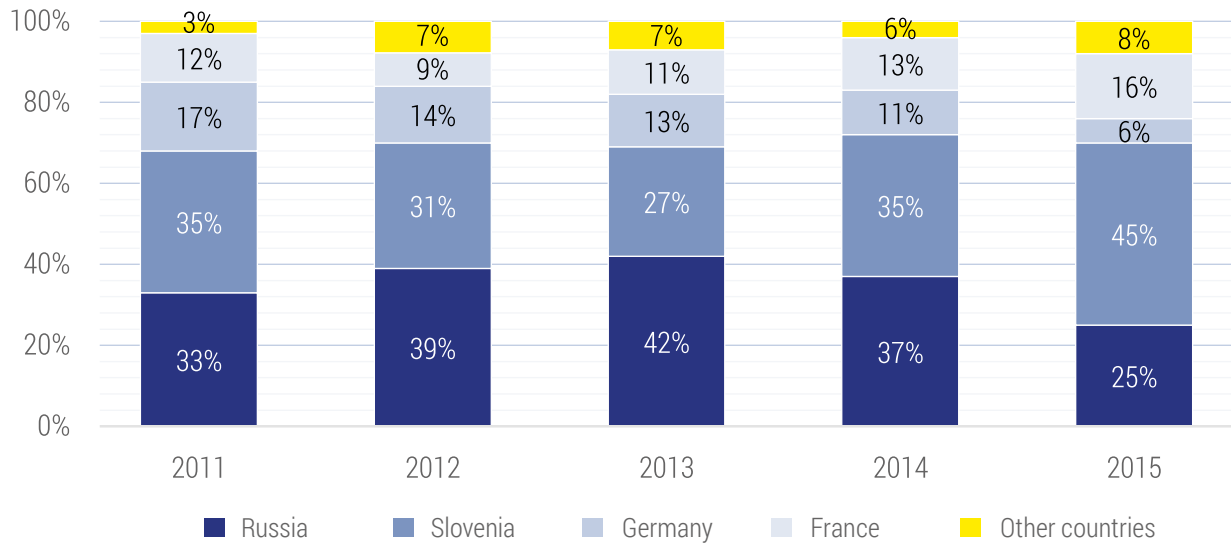
Overview of revenue by technology



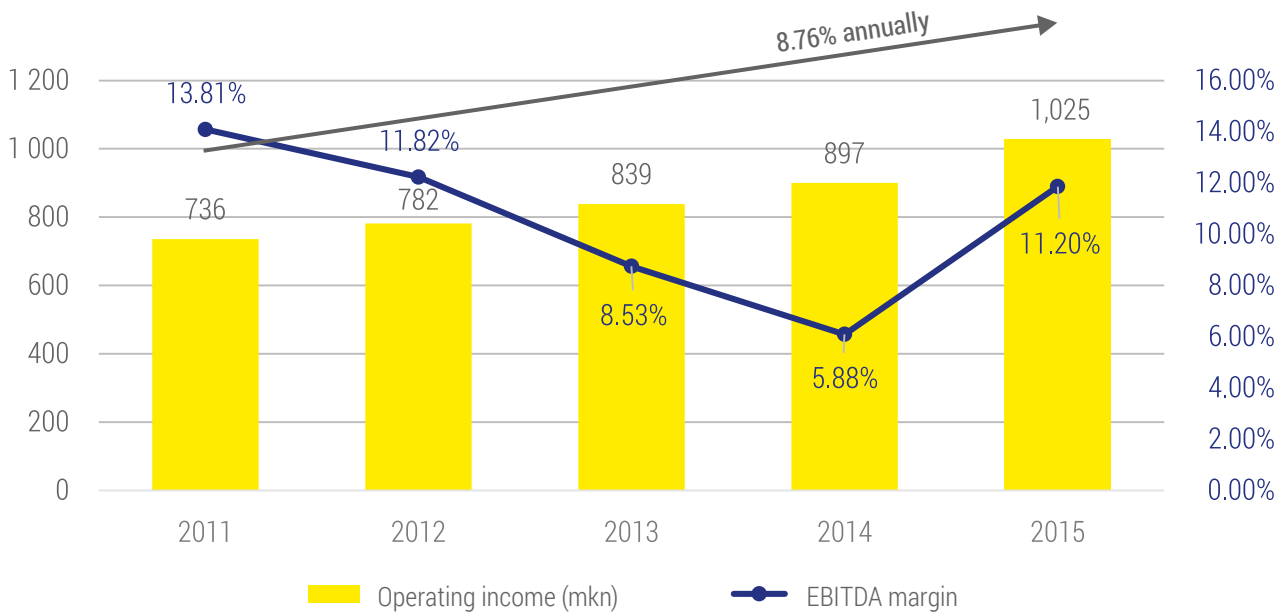


# Business operations in 2015

## Overview of revenue by markets



## Revenues, EBITDA



# Business operations in 2015

## Europe + Serbia

list of customers is sorted alphabetically

FCA	
Currently in production:	air ducts, grabhandles, vehicle underbody protection
Technologies:	blow moulding and injection moulding
Sales market:	Serbia, Italy, Poland
Nominations won in 2015:	air ducts for the Alfa Romeo Giulia air ducts and interior components for the Maserati Levante grabhandles for the North and South America markets
Ford	
Currently in production:	wheel arch liners, protection under the engine, headliner spoiler components
Technologies:	injection moulding
Sales market:	Spain, Germany, Romania, Russia
Nominations won in 2015:	wheel arch liners, rear wheel deflectors and B column panels for the new Fiesta wheel arch liners for the S-Max Vignale fifth door water drainage conduits for the S-Max
Grupo Antolin	
Currently in production:	door panels
Technologies:	injection moulding, UV welding
Sales market:	Slovenia
Hella	
Currently in production:	headlamp housings
Technologies:	injection moulding, assembly
Sales market:	Slovenia
PSA	
Products:	grabhandles, glass guides, speaker carrier and screens
Technologies:	injection moulding and extrusion
Sales market:	France, Spain, Czech Republic, Slovakia, Argentina, Brazil, China, Russia



# Business operations in 2015

## ➔ Europe + Serbia

list of customers is sorted alphabetically

### Reydel

Currently in production:	instrument panel, steering wheel trim, console knob and handbrake
Technologies:	injection moulding, UV welding
Sales market:	Slovenia, France

### RSA

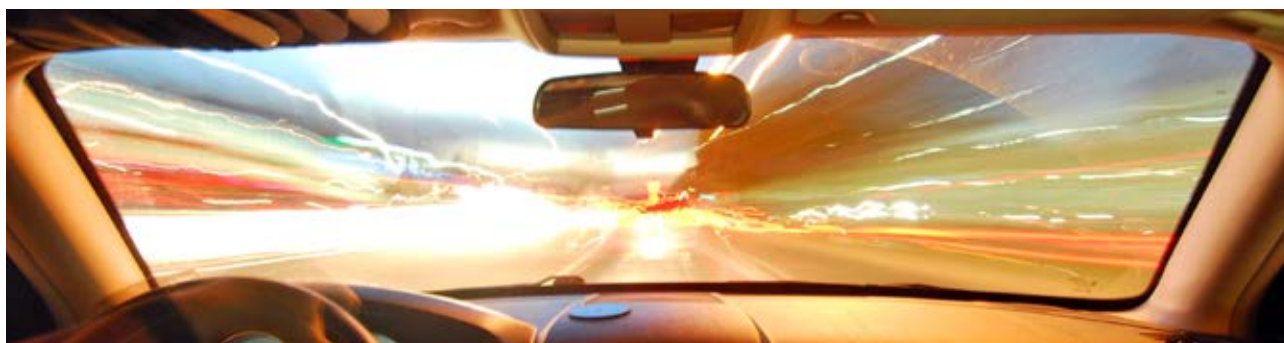
Currently in production:	painted exteriors, injection moulded components, motor fans, headliner coverings, painted and unpainted decorative trims, all exterior spare parts
Technologies:	injection moulding, painting, thermoforming headliner (assembly)
Sales market:	Slovenia, France, France
Nominations won in 2015:	painted decorative trims for limited series vehicles painted decorative trims for vehicle doors

### VW

Currently in production:	scrapers
Technologies:	extrusion
Sales market:	Germany
Nominations won in 2015:	Wind shield scrapers for the Touareg

### Webasto

Currently in production:	headliners trims, sunroof parts
Technologies:	injection moulding and painting
Sales market:	Germany, Slovakia





# Business operations in 2015

## Euro APS, JV Romania

list of customers is sorted alphabetically

Dacia	
Currently in production:	sunvisors and headliner
Technologies:	injection moulding, thermoforming
Sales market:	Romania
Nominations won in 2015:	headliner for the new Duster <ul style="list-style-type: none"> <li>vehicle manufacturing sites: Romania, Colombia</li> </ul>

## Russia

list of customers is sorted alphabetically

AvtoVAZ	
Currently in production:	headliner, carpet, moulded interior and exterior positions, static seals, air ducts
Technologies:	thermoforming, moulding and extrusion
Sales market:	Russia
Ford	
Nominations won in 2015:	headliner for Ford Transit <ul style="list-style-type: none"> <li>vehicle manufacturing sites: Russia</li> </ul>
GM-VAZ	
Currently in production:	headliner, static seals
Technologies:	thermoforming and extrusion
Sales market:	Russia
Nissan	
Currently in production:	moulded exterior positions
Technologies:	injection moulding
Sales market:	Russia

# Business operations in 2015

## ➔ Russia

list of customers is sorted alphabetically

### PCMA (Peugeot Citroen Mitsubishi Automotive)

Currently in production: moulded exterior positions  
Technologies: injection moulding  
Sales market: Russia

### Renault

Currently in production: headliner, carpets, moulded interior and exterior positions, cargo space shelves  
Technologies: thermoforming, injection moulding  
Sales market: Russia

### VAZ

Nominations won in 2015: grille and speaker carrier for the Logan/Sandero/Duster  
• vehicle manufacturing sites: Russia



# Business operations in 2015

## Supplier relations

Due to specificities of automotive industry, and in order to even be considered a part of supply chain, certain standards must be maintained. Just as we need to meet standards set by our customers, our suppliers must also meet required standards that include, for example, the selection of material and equipment suppliers, the selection of service providers and so forth, notwithstanding standards applied during the process of development, primarily in mass production. During selection, suppliers must meet the minimum requirements that relate to the existence and maintenance of due quality management systems governed by ISO 9001 standard, as well as comply with provisions on environmental protection and corporate social responsibility.

The evaluation of suppliers according to criteria related to quality, environmental protection and compliance with the provisions on corporate social responsibility management systems is carried out twice a year. The evaluation of other criteria related to the quality of service providers (criteria for quality and delivery of material) and compliance with automotive industry standards is carried out once a month.

### ADP Team

*"I received great support and encouragement from not only my superior, but my colleagues with whom I work every day. As a matter of fact, they taught me that the positive outcome of each task depends on responsible approach and, often, open communication between colleagues. I had the opportunity to work with top experts from various fields who have helped me to mature professionally from the first day as an AD Plastik employee."*

**Mario Barunica**  
Production Technologist  
Plant Zagreb





# Five-year plan

Market analysis indicates the need for an increased specialization in developmental technologies, while OEM trends regarding development identify opportunities for expanding into new markets. In the next five-year period, AD Plastik Group plans to achieve the proposed targeted organic growth of at least 6% and further improve due business profitability. Organic growth refers to existing sites and customers, amidst no significant recovery of the Russian market compared to 2015. The current developmental technologies, quality, competitiveness and previous experience of AD Plastik in the development and industrialization of automotive industry production all make strong arguments for achieving these goals.

During 2015 AD Plastik Group began the implementation of 23 new projects whose production will begin on all sites it operates in 2016 or later. These new projects are the result of the quality and competitiveness of services, as well as partnerships formed with our customers. They guarantee the achieve-

ment of planned growth and are aimed at existing programmes including Renault, Ford, PSA, VW and new customers Alfa Romeo and Maserati. Attracting new customers was the result of specialization in strategic products and proposed new solutions that increased competitiveness of these products and at the same time made AD Plastik Group a global supplier operating even in remote areas.

Stabilising the business in 2015 created conditions for further expansion and growth of the Group, as well as for financing of potential acquisitions. AD Plastik Group will during 2016 define the development of new markets, with a goal to become the sole or majority owner of potential acquisitions.

One of key goals for period 2016 - 2020 will be a further reduction of Company's indebtedness and due optimization of balance sheet structure. We plan to realize the financing of new acquisitions by combining our own funds with bank borrowings in the ratio of 50-50.





# Business risks

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# Business risks

## Business risks

### Business environment risks

Business activities of AD Plastik Group are, in addition to production located in Croatia, Serbia, the Russian Federation and Romania, based on the export of products to foreign customers, organised on a global level. Political stability at both global and regional level, as well as the stability of countries in which we operate, therefore represent an important factor in our business stability and directly influence Company's results.

Macroeconomic trends on Croatian and Russian market, along with the exchange rate and the price of goods and services in particular, directly affect Company's competitiveness on the global market where we place our products and where we obtain raw materials and intermediate goods. Due to strong presence of Company's product placement on foreign markets, major changes in macroeconomics of countries where production takes place (increasing interest rates, the growth of the exchange rate of the HRK against EUR and RUR, increasing energy prices, the growth of tax burden and the like) could negatively reflect on business performance and the ability to regularly meet obligations.

Business environment risks include political, macroeconomic and social risks on all markets where the Group operates with a direct impact on the business that the Company cannot affect while acting individually.

Political risk refers to all risks associated with a possible political instability in a certain country. Since AD Plastik Group operates in different countries, it has the ability to diversify such risks, what nonetheless largely depends on the type of risk in countries where individual companies operate. Macroeconomic risks affect business activities of every Company, although the strength of such influence primarily depends on the cyclical nature of the industry in which the Company operates.

AD Plastik Group operates in a relatively diverse business environment. Since the sale of Group's product range is affected by such macroeconomic variables as private consumption, levels of disposable personal income and trends in the trade of vehicles, the Company must continuously monitor the aforementioned macroeconomic factors. We pay special attention to unfavourable macroeconomic trends on the Russian market.

### Default risk

The production of automotive parts demands a high level of products' quality, and accuracy in keeping delivery deadlines and ordered quantities. Supplier's failure to meet contractual obligations may cause disturbances in the fulfilment of individual company obligations that can result in the loss of customers, and therefore exert negative impact on operating results. A special business focus and responsibility are thus paid to the accuracy in the fulfilment of contractual obligations to customers.

Macroeconomic trends

Risk diversification





## Business risks

### Technological risk



Technological changes (changes in technological processes related to production and overall business, application of new materials etc.) require constant monitoring and due investing in the adoption of new technologies in order to preserve and enhance the competitiveness of products. Arrested technological development can reduce competitiveness and weaken the position attained on the market. The market holds a fierce competition between manufacturers operating in automotive industry. The relegation of customers of certain products in that match implies not only a loss of jobs but also various business problems. Group's strategy for preventing the occurrence of such situations aims at reducing the representation provided to a single customer and the diversification of production programme into a number of different programmes and products.

## Financial risks

### Interest rate risk



Interest rate risk is the risk implying 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 implies that the interest cost of an instrument will fluctuate over time.

Group's exposure to interest rate risk is low, as it holds no financial instruments at variable rates.

### Credit risk

The Group is exposed to credit risk through loans (trade receivables). Since loans are granted to subsidiaries, due credit risk is under the control of the Company. Trade receivables are corrected for the amount of net allowance for bad and doubtful accounts.

Five largest customers of the Group include:

- Revoz Slovenia
- Visteon Germany
- OAO Avtovaz Russia
- Peugeot Citroen Automobiles France
- Renault France

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

# Business risks

## Financial risk management

Activities performed by the Company and the Group expose them to various financial risks.

Such risks consist of market risks, which include:

- foreign currency risk
- fair value interest rate risk and price risk
- credit risk
- liquidity risk
- cash flow interest rate risk.

Although neither the Company nor the Group implement a formal risk management programme, the AD Plastik Finance Department manages the overall risk management.

Finance Department provides services for various Group activities, coordinates access to domestic and international financial markets, monitors financial risks related to business, and manages such risks through internal reports on risks that analyse the exposure by the degree and magnitude of certain

risk. The Company strives to reduce effects of these risks to a minimum.

The obligation to repay borrowings used by the Group, stipulated by contracts that contain a currency clause, is dependent on the trend of the exchange rate of the HRK against EUR or the exchange rate of RUR against EUR, and trends in interest rates.

Negative aspects of exchange rates related to borrowings are compensated by the fact that we generate the majority of our revenue in one currency (EUR, Russian companies in RUR).

### Price risk management

The largest markets on which the Group provides its services and sells its products comprise of the EU market and the market of the Russian Federation.

Group's management determines the prices of its services for each foreign market separately.



# Business risks

## Financial risk management

### Foreign currency risk management



Since the Group undertakes certain transactions denominated in foreign currencies, it is exposed to exchange rate fluctuations. The Group is primarily exposed to exchange rate fluctuations of EUR and RUR. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of a period.

Foreign sales on the EU market were mainly realised in the euro currency. Sales on the Russian market were realised in the rouble. Most long-term and short-term loans were stipulated by contracts that contain a currency clause, that is they are linked to the euro. Besides euro, the Company is also exposed to the exchange of currencies RUR and RSD.

### Liquidity risk management



Ultimate responsibility for liquidity risk management bears 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.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet all obligations. The Group aims to maintain flexibility in funding by keeping the committed credit lines available.

Cash flow forecasting is performed at the operating segment level and is considered for aggregation at the Group level. The Group continuously monitors liquidity to ensure sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Such forecasting takes into consideration Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.



# AD Plastik in the Croatian capital market

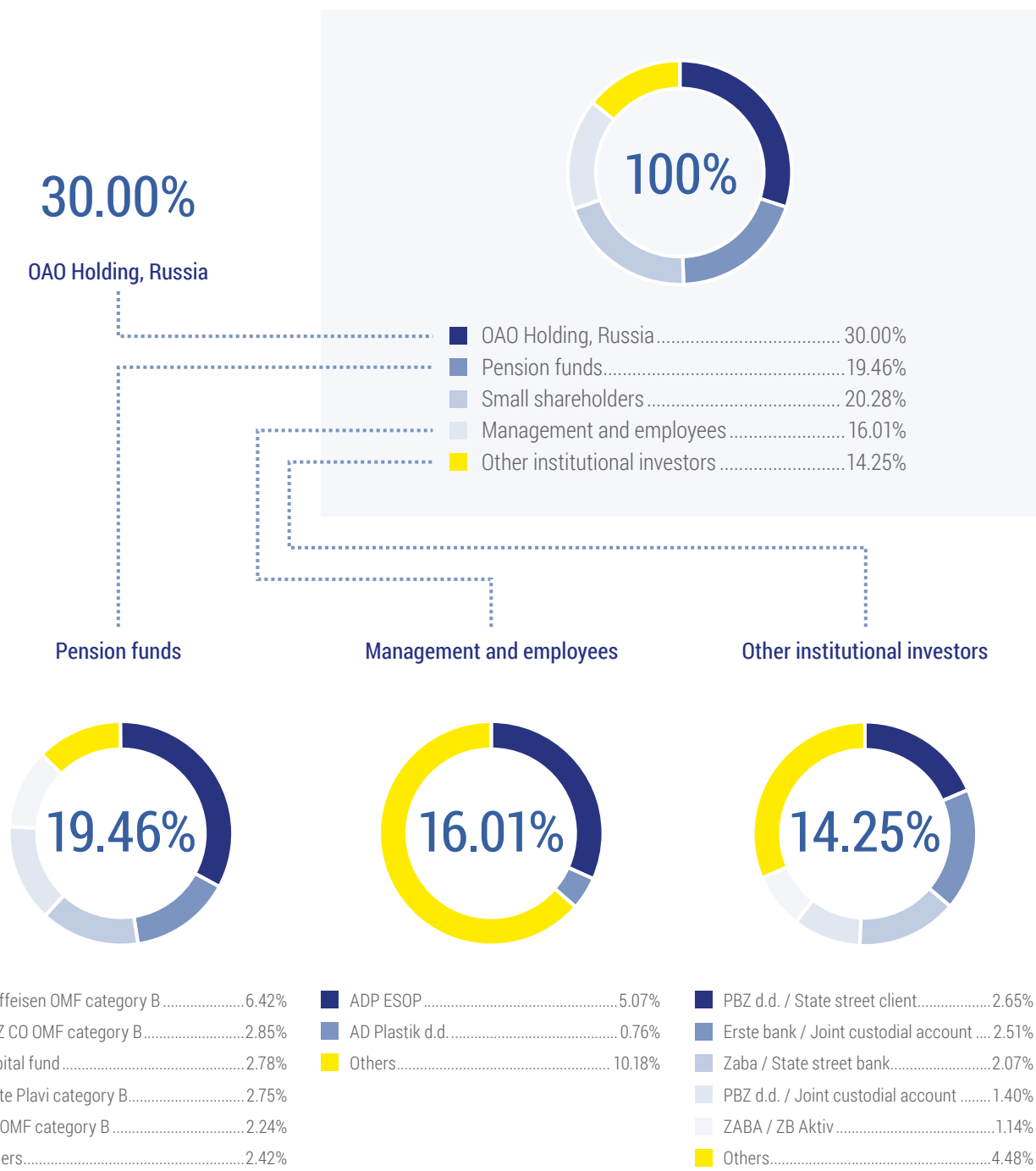
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# AD Plastik in the Croatian capital market

## Ownership structure

The equity capital of AD Plastik d.d. amounts to HRK 419,958,400, and it is divided in 4,199,584 shares of the nominal value of HRK 100.00. The shareholders are legal and natural persons from the Republic of Croatia that realise their interests through General Assembly and the Supervisory Board in accordance with the legislation of the Republic of Croatia.



# AD Plastik in the Croatian capital market

## Overview of the 10 largest shareholders as of 31 December 2015

The Company has no majority shareholder, the largest shareholder is the Open Joint Stock Company "Holding Autokomponenti" from St. Petersburg, Russia, which owns 1,259,875 shares representing a 30% share of the equity capital of the Company. There were no significant changes in the ownership structure in 2015.

Owner/account holder	Balance	%
OAD HOLDING AUTOKOMPONENTI	1,259,875	30.00
HYPO ALPE-ADRIA-BANK d.d. / RAIFFEISEN OMF - B CATEGORY	269,462	6.42
ADP-ESOP d.o.o.	212,776	5.07
HYPO ALPE-ADRIA-BANK d.d. / PBZ CO OMF - B CATEGORY	119,640	2.85
HRVATSKA POŠTANSKA BANKA d.d. / KAPITALNI FOND d.d.	116,541	2.78
SOCIETE GENERALE - SPLITSKA BANKA d.d. / ERSTE PL OMF - B CATEGORY	115,353	2.75
PBZ D.D.	111,366	2.65
ERSTE & STEIERMARKISCHE BANK D.D.	105,349	2.51
SOCIETE GENERALE - SPLITSKA BANKA d.d. / AZ OMF - B CATEGORY	93,900	2.24
ZAGREBAČKA BANKA d.d.	86,777	2.07
<b>TOTAL</b>	<b>2,491,039</b>	<b>59.34</b>

### Dividend:

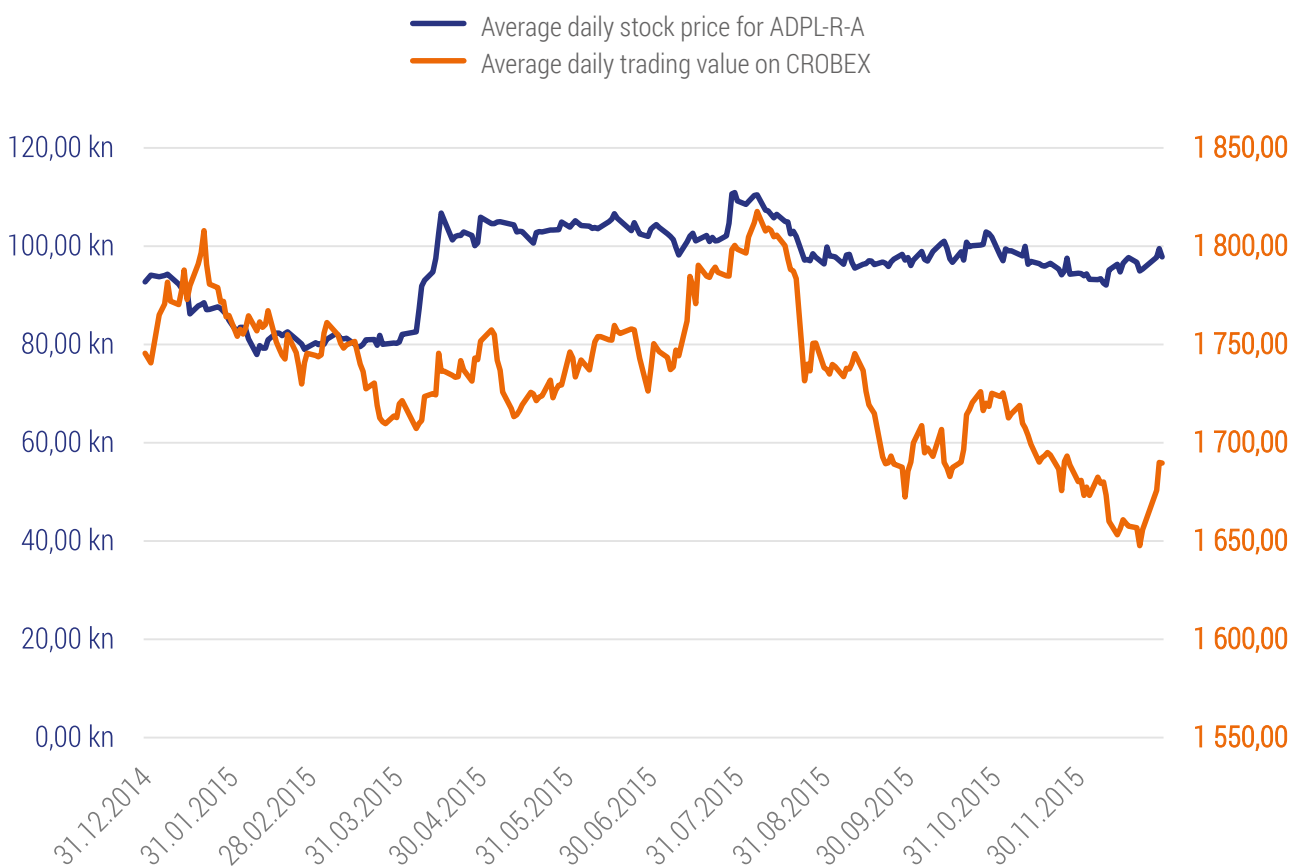
No dividend was paid in 2015.



# AD Plastik in the Croatian capital market

## Information on the share ADPL-R-A

Movement of average daily stock price for ADPL-R-A and Crobex from 1 January 2015 to 31 December 2015



## Stock exchange trading calendar

Month	Date	Financial statements	Supervisory Board and General Assembly
<b>1</b>	28. 01. 2016.		Meeting of the Supervisory Board
<b>2</b>	No later than 15. 02. 2016.	Unaudited financial statements of AD Plastik Group for 2015	
	22. 02. 2016.		Meeting of the Supervisory Board
<b>4</b>	No later than 29. 04. 2016.	Audited and consolidated financial statements of AD Plastik Group for 2015	
	No later than 29. 04. 2016.	Corporate Governance Code Annual Questionnaire for the company AD Plastik D.d. for 2015	
	No later than 29. 04. 2016.	Management Interim Report of the AD Plastik Group for the first quarter of 2016	
<b>5</b>	24. i 25. 05. 2016.		Meeting of the Supervisory Board
<b>7</b>	14. 07. 2016.		General Assembly 2016
	14. 07. 2016.		Meeting of the Supervisory Board
	No later than 29. 07. 2016.	Management Interim Report of the AD Plastik Group for the second quarter of 2016	
<b>10</b>	No later than 28. 10. 2016.	Management Interim Report of the AD Plastik Group for the third quarter of 2016	
<b>11</b>	24. 11. 2016.		Meeting of the Supervisory Board

All financial statements are published on the website [www.zse.hr](http://www.zse.hr) and [www.adplastik.hr](http://www.adplastik.hr).

# AD Plastik in the Croatian capital market

## Investor relations

AD Plastik considers transparency and quality of business reporting through regular and timely disclosures of requested information the basis for maintaining a high level of communication with domestic and foreign investors, as well as with existing and potential investors. The high quality of financial and business communication is an important segment of our Group that consists of taking into account the attitude of the investment community towards companies that show only the highest level of transparency in relation to investors.

AD Plastik continuously strives to further enhance relations with existing and potential investors, while respecting due regulatory requirements. Investor relations policies are based on timely disclosure and communication of truthful, clear and complete information, especially those related to financial results, goals, strategies and development of AD Plastik Group. One of the communication tools that we use, which represents a confirmation of our clear and open communication strategy with the investor public, is the Investor day, which is organised every September in order to provide answers to all questions of interested investors.

AD Plastik shares are listed on the Official Market of the Zagreb Stock Exchange under the stock ticker ADPL-R-A. In March 2012 we have signed the Agreement on Market Making with Erste Bank, and in May 2013 with *Interkapital vrijednosni papiri*.

Investors day

Erste bank

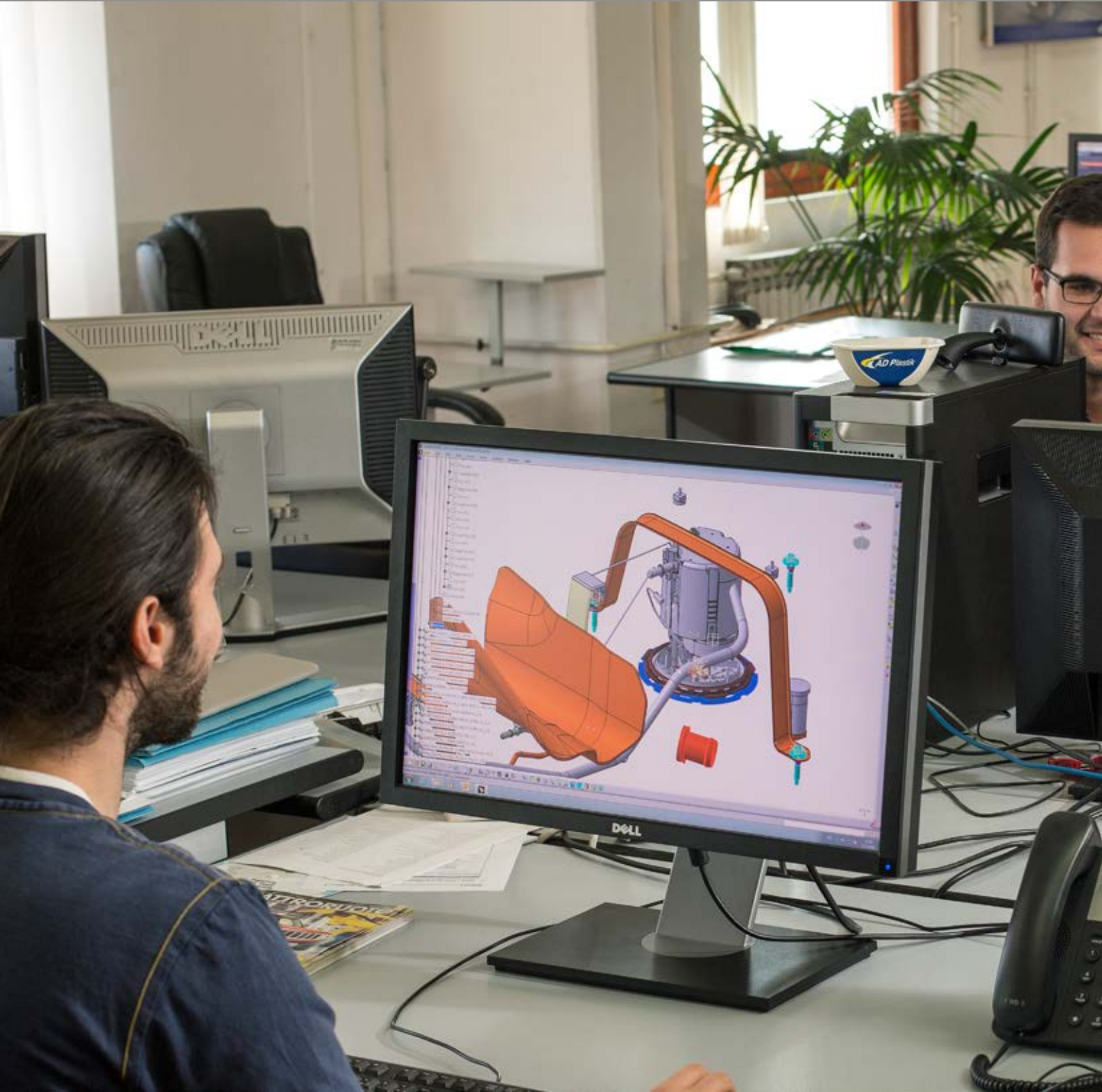
Interkapital





# Corporate governance

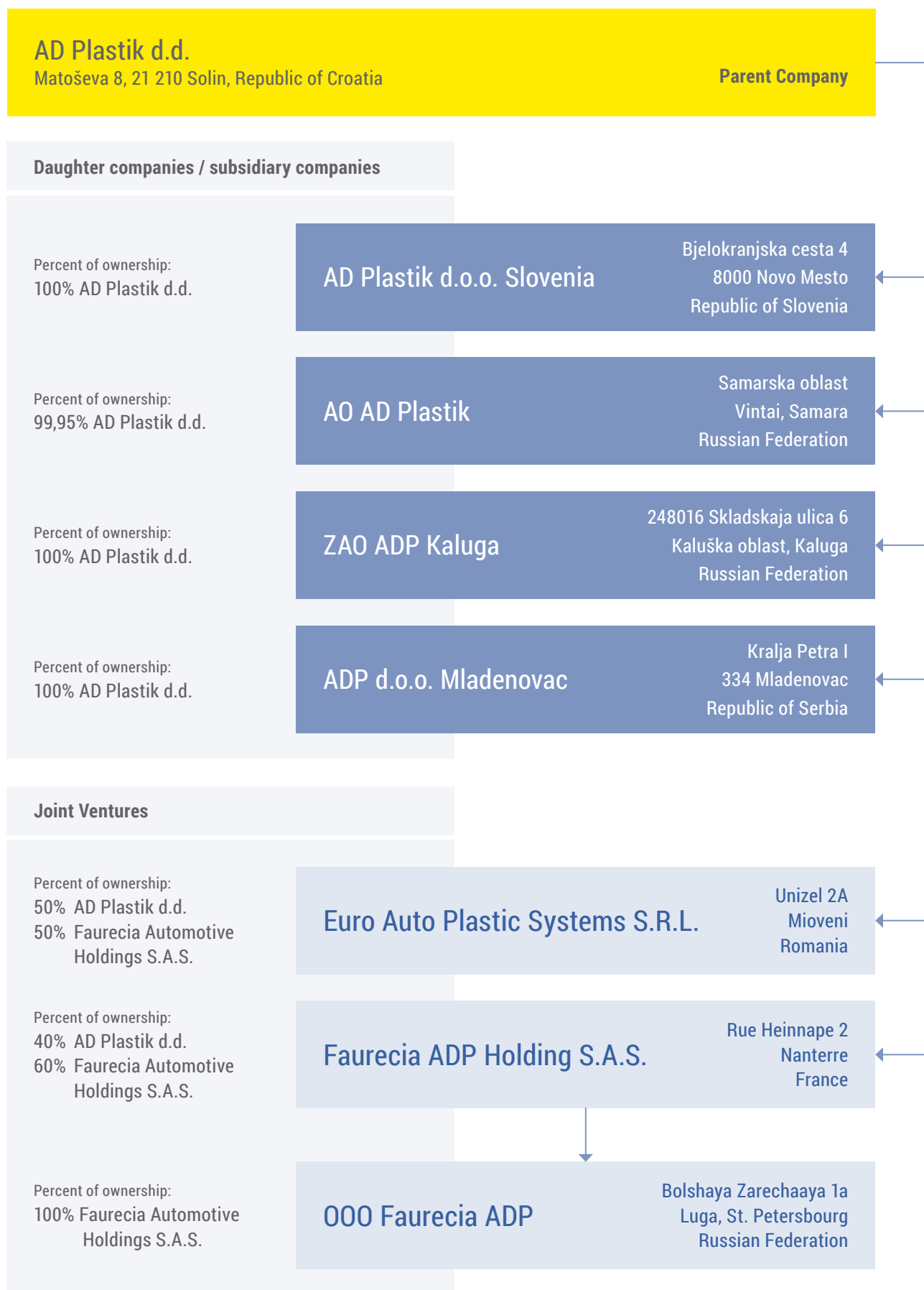
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# Corporate matrix





# Governance in the AD Plastik Group

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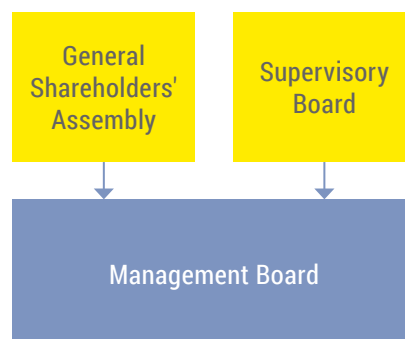
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# Governance in the AD Plastik Group

## Structure of corporate governance

The structure of AD Plastik corporate governance is based on a dual system, which consists of the Management Board and the Supervisory Board. Management and Supervisory Board together with the General Assembly form the three fundamental Company bodies in accordance with Company Statute and Companies Act.



## General Assembly

Shareholders that partake in the business of joint stock companies can exercise their rights at the General Assembly. A regular General Assembly held on 23 July 2015 had, according to the Companies Act and the Company Statute, adopted the following decisions:

- on the acceptance of AD Plastik Group Annual Report for the year 2014
- on the acceptance of Supervisory Board report on the supervision of AD Plastik Group business activities for the year 2014
- on the use of profit for other reserves
- on granting the relieve from duty to Management and Supervisory Board members
- on the appointment of Auditor
- on the election of two AD Plastik Supervisory Board members

## Supervisory Board

AD Plastik Supervisory Board consists of seven members.

- four members of the Supervisory Board are elected by the General Assembly for a term of four years and are eligible for re-election
- one member of the Supervisory Board is appointed by the Works Council for a term of four years
- two members of the Supervisory Board are appointed by the shareholder - Open joint stock Company Holding Autokomponenti, Saint Petersburg, Russia, for a term of four years and are eligible for reappointment

In accordance with the General Assembly Decision of 23 July 2015, the AD Plastik Supervisory Board re-elected **Mario Grgurinović** and **Igor Solomatin Anatoljevič** for a term of four years, with due mandate starting on 23 July 2015.

According to the Companies Act, Works Council has on the meeting held on 2 June 2015 appointed **Dolores Čerina** as its representative to the Supervisory Board, for a term of four years, with due mandate starting on 2 June 2015.

According to the Company Statute, Open joint stock company "Holding Autokomponenti" reached on 15 October 2015 a decision on the appointment of **Dmitrij Leonidovič Drandin** and **Nadezhda Anatolyevna Nikitina** as members of the Supervisory Board for a term of four years, with due mandate starting on 19 October 2015.

In accordance with previously published Calendar, the Supervisory Board held 5 regular meetings in 2015.

General Assembly

Workers' Council

Holding Autokomponenti

Meetings in 2015

# Governance in the AD Plastik Group

## Members of the Supervisory Board

President

**Josip Boban**

President of the Supervisory Board

Josip Boban was born in Split in 1946. He graduated from the Faculty of Mechanical Engineering and Naval Architecture in Zagreb, and began his professional experience as a maths teacher at the Split grammar school "Marko Marulić".

One year after graduation he gained employment in Jugoplastika, as an intern in unit for motor vehicle accessories.

He started his sixteen-year career in Jugoplastika as a technologist for motor vehicle accessories and was afterwards promoted to motor vehicle accessories production manager; automotive industry development and product cooperation manager; director of sector for development, design, construction, production and maintenance of tools; assistant director of automotive industry development; and finally the director of development in the company Autodijelovi.

Following the separation of the company Autodijelovi from the company Jugoplastika in 1991, Josip Boban became the director of the newly established company. Shortly after its foundation, Autodijelovi changed its name to AD Plastik where Boban first acted as general director and was afterwards promoted to the President of the Management Board, the function he kept until his retirement.

He became the President of the AD Plastik Supervisory Board after his retirement.

During his successful career in the automotive industry, Mr. Boban served as the long-time President of the Association of Automotive Parts and Automotive Industry Equipment Manufacturers; as Vice President of the Economic Council at the Croatian Chamber of Economy, where he still acts as an active member; and as the President of the association Cluster of Automotive Parts Manufacturers.

Vice President

**Nikola Zovko**

Vice President

Members

**Marijo Grgurinović**

**Dmitrij Leonidović Drandin**

**Nadežda Anatoljevna Nikitina**

**Igor Anatoljevič Solomatin**

**Dolores Čerina**





# Governance in the AD Plastik Group

## Remuneration policy for Supervisory Board members

According to the Company Statute, Supervisory Board members may be remunerated for their work in the amount specified by the General Assembly in due decision for the business year in which such remuneration shall be paid, depending on business results and the position of the Company.

General Assembly Decision

In the year 2015, the decision on the payment of remuneration to members of the Supervisory Board was not made.

According to the Decision of regular AD Plastik General Assembly of 18 July 2008, remuneration for Supervisory Board members was set as follows:

- President of the Supervisory Board shall receive a remuneration in the amount of 1.5 gross average monthly salaries per each meeting of the Supervisory Board
- other members of the Supervisory Board shall receive a remuneration in the amount of 1 gross average monthly salary per each meeting of the Supervisory Board

The amount of remuneration is determined on the basis of gross average monthly salaries in AD Plastik achieved in the three months prior to the payment of such remuneration.

Remuneration amount

Remuneration is paid after each meeting of the Supervisory Board.

The aforementioned decision entered into force upon its adoption and shall be applied starting from 1 July 2007.

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## Supervisory Board Committees

In accordance with the Companies Act and the Rules of Procedure of the Supervisory Board, AD Plastik established three committees whose activities assist the work of the Supervisory Board by preparing decisions that shall later be taken by the Supervisory Board, and supervising their implementation.

These committees are as follows:

- Audit Board
- Remuneration Committee
- Appointment Committee

The Audit Board has four members, while the Remuneration Committee and the Appointment Committee each have three members.

At least one member of such committee or board must be a member of the Supervisory Board. ➔

# Governance in the AD Plastik Group

## Supervisory Board Committees



### Audit Board

**Chair:** Nikola Zovko  
Audit Board performs a detailed analysis of financial reports, provides support to the accounting department and supports the establishment of effective internal control in the Company.

**Members:** Nenad Škomrlj  
Dmitrij Leonidovič Drandin  
Anatolij Janovskis  
To this end, it performs the following activities:

- monitors the effectiveness of internal control, internal audit and risk management system
- oversees the audit performance of annual financial and consolidated reports
- discusses plans and annual internal audit reports, as well as significant issues related to this field

### Remuneration Committee

**Chair:** Ana Luketin  
It proposes to the Supervisory Board, in particular, as follows:

- remuneration policy for the Management Board
- remuneration of Supervisory Board members, as determined by the General Assembly

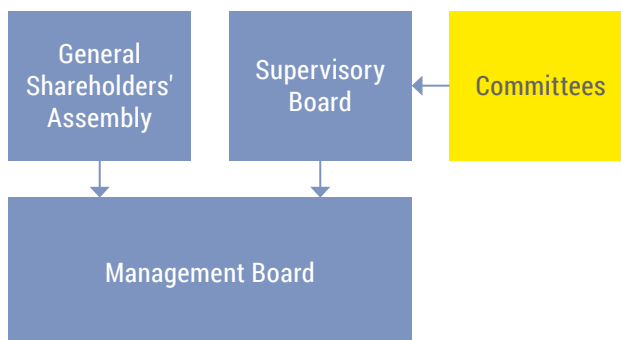
**Members:** Dmitrij Leonidovič Drandin  
Nikola Zovko  
• appropriate form and content of contracts with Supervisory Board members

### Appointment Committee

**Chair:** Nikola Zovko  
It performs the following activities, and in particular:

- proposes candidates for members of the Management Board and the Supervisory Board

**Members:** Nenad Škomrlj  
Dmitrij Leonidovič Drandin  
• discusses the Management Board policy on the appointment of senior management positions  
• assesses the quality of Supervisory Board and Management Board activities.



# Governance in the AD Plastik Group

## Management Board

### Marinko Došen

President of the Management Board

- born on 25 March 1963
- Management Board member since 6 February 2015
- current mandate from 6 February 2015 to 19 July 2016

Marinko Došen was born in Rijeka in 1963. He graduated from the Faculty of Engineering in Rijeka and gained the Master of Science degree in Mechanical Engineering. He completed his MBA degree in Petroleum Studies at the Zagreb School of Business in 1993.

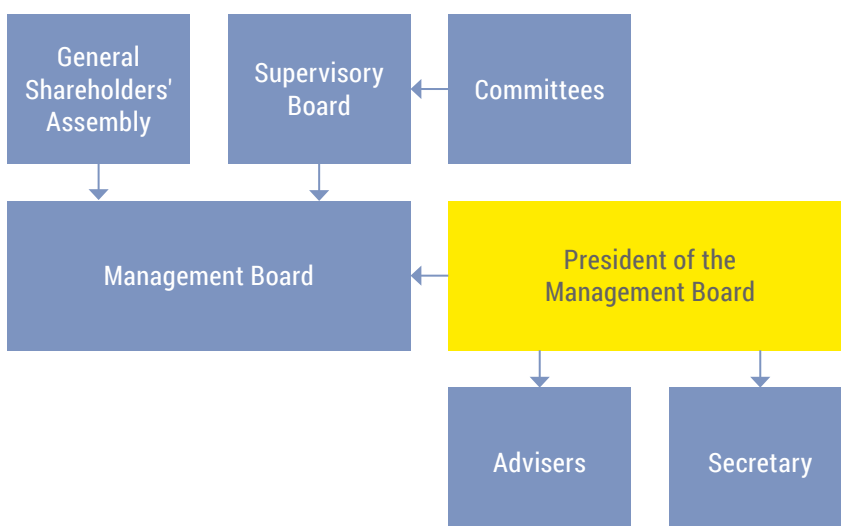
He began his career in Croatian petrochemical industry as an intern in the company DINA d.d. (DIOKI d.d.). From 1997 to 2004 he held several managerial and executive positions, including the position of the President of the Management Board in DINA d.d.

Afterwards, he was appointed the chair of the investment company Coca-Cola Bottling Energy Ltd. He managed the construction of several energy projects in Hungary.

From 2007 to 2010 he served as the executive director and management board member of the company Trast d.d., one of the leading logistics companies in the Republic of Croatia.

He later acted as the chief of management board of the company Mirna d.d. Rovinj for two years, where he led the project of company's operational restructuring.

He came to AD Plastik in 2012 and served as the general director of the plant in Togliatti until the appointment as the President of the Management Board.





# Governance in the AD Plastik Group

## Management Board

### Ivica Tolić

Board Member for Legal Affairs, Occupational Health and Safety and General Affairs

- born on 29 May 1951
- Management Board member since 10 December 2001
- current mandate from 19 July 2012 to 19 July 2016



### Mladen Peroš

Board Member for Sales, Research and Development

- born on 03 July 1968
- Management Board member since 09 November 2011
- current mandate from 06 February 2015 to 19 July 2016



### Katija Klepo

Board Member for Finance and Accounting

- born on 09 August 1969
- Management Board member since 20 February 2008
- current mandate from 19 July 2012 to 19 July 2016



### Denis Fusek

Board Member for Business Organization, Informatics and Controlling

- born on 23 June 1966
- Management Board member since 26 September 2013
- current mandate from 26 September 2013 to 19 July 2016



### Hrvoje Jurišić

Board Member for Production and Logistics

- born on 11 April 1984
- Management Board member since 26 September 2013
- current mandate from 26 September 2013 to 19 July 2016



Management Board held 34 sessions in 2015.

# Governance in the AD Plastik Group

## Remuneration policy for Management Board members

Management Board members have concluded the so called managerial contracts with AD Plastik, which define the rights and obligations of Management Board members as follows:

- monthly salary is specified as the net amount that depends on adhering to the time-table defined by the Collective Agreement
- annual bonus (remuneration) is based on gross profit realised at the level of ADP Group
  - such bonus shall equal one month's salary when the gross profit amounts to at least 80% to 100% of planned amount
  - such bonus may amount to more than one salary when the gross profit amounts to more than 100% of planned amount.
- life insurance policy with the annual premium in the amount of EUR 3,000
- right to use an official vehicle, salary remuneration etc.

In addition, managerial contracts shall include provisions on the following:

- trade secrets
- prohibition of competition
- duration and termination of the contract
- severance payment in the event of the termination of the mandate, unless due member was removed prior to the expiry of mandate or he himself resigns.



The total amount of remuneration paid to Supervisory Board and Management Board members, and Executive Directors, amounted to HRK 11,605,880 in 2015.

# Governance in the AD Plastik Group

## Application of corporate governance principles

AD Plastik Group bases its business activities on good corporate governance practices; and by implementing everyday business practices, strategies, Company policies and internal regulations aims to contribute to transparent and efficient business operation and establish better relations in the environment where it operates. AD Plastik Group has by the Corporate Governance Code defined the rules of business conduct that aim to ensure the avoidance of conflicts of interest and any form of corruption, as well as to assume obligations under international law to respect human rights. Given that AD Plastik shares are listed on the Official Market of the Zagreb Stock Exchange, AD Plastik d.d. applies the Corporate Governance Code issued by Zagreb Stock Exchange. By regularly submitting annual surveys published on the official website of the Zagreb Stock Exchange ([www.zse.hr](http://www.zse.hr)) and on the Company's website ([www.adplastik.hr](http://www.adplastik.hr)), AD Plastik conclusively demonstrates its commitment to adhere to the principles of corporate governance and social responsibility.

In 2015 AD Plastik complied with the provisions of the Code, with the following deviation: the Company did not adopt the Statement on the remuneration policy for the Management Board and Supervisory Board.



Internal control in AD Plastik is conducted by the Controlling and Internal Audit Department. Controlling subsequently informs the Management Board, whereas the Internal Audit department informs the Management Board and the Audit Board about conducted monitoring. Such informing is provided through the report on conducted monitoring. Supervision and coordination of business reporting by the Controlling include encouraging communication between different 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; and forecasting the impact of external and internal changes in the overall business of the Company.

The scope of internal audit activities includes as follows:

- assessing and making recommendations on corporate governance processes
- evaluation of adequacy and effectiveness of controls encompassing organization's governance, operations, and information system
- monitoring the realization of set goals and compliance with prescribed policies, operating procedures and working instructions
- reporting and providing opinions on different applications in various areas of business, anticipating and managing risks, and protecting Company's assets.

Main features of risk management are described in the section Business risks.

By signing the Code of Business Ethics issued by the Croatian Chamber of Commerce, AD Plastik d.d. committed to exhibit responsible and ethical behaviour as a necessary precondition for effective functioning of the market. Defining ethical criteria contributes to more transparent and efficient business operations.



# Financial statements





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# Financial statements of AD Plastik Group

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The Supervisory Board have not yet considered and determined the financial statements, but shall give its decision at the meeting scheduled in May.



# Financial statements of AD Plastik Group

## Financial results in 2015

Company's Management Board presented the Annual Report on business operations for 2015 with focus on the Independent Auditor's Report on the status of the Company AD Plastik d.d. and AD Plastik Group, as well as important events that occurred during the year.

Group's income statements, submitted as part of the Independent Auditor's Report, for the period include due data on the following Companies:

- AD Plastik d.d. Croatia
- ADP d.o.o. Serbia
- AD Plastik d.o.o. Slovenia
- AO AD Plastik, Russia
- ZAO AD Plastik Kaluga, Russia

(hereinafter: AD Plastik Group)

Revenue of more than  
1,000,000,000 kuna

In 2015 AD Plastik Group has recorded a total consolidated revenue of more than billion kuna for the first time. →



# Financial statements of AD Plastik Group

## Financial results in 2015

➔ Business results indicate the accomplishment of goals set by the Management Board in 2015, that is, compared to 2014 there has been a substantial increase in operating revenue of 14% at the level of AD Plastik Group.

AD Plastik d.d. recorded a growth of as much as 25%. Despite aggravating external factors, primarily in the Russian Federation, a modest increase of 9% in operating expenses was recorded.

Last year was marked by rationalization and reorganization of AD Plastik Group business operations, as the basis for creating added value for shareholders. The result of such activities was the restoration of EBITDA margins at levels adequate for the industry in which the Group operates. For the reporting period, the EBITDA margin of 11.20% was recorded, that is EBITDA amounted to 114.9 million kuna.

The increase in revenue, greater efficiency of operations and rationalization of expenses resulted in significant increase of Group's profit after taxation. AD Plastik Group's net profit increased from 4.9 million kuna in 2014 to 46.2 million kuna in 2015. ➔

# 14%

Growth of operating revenues

# 9%

Growth of operating expenses



# Financial statements of AD Plastik Group

## Financial results in 2015

**46.2** mil. HRK

Net profit

**-69.4** mil. HRK

Reduction in loan liabilities

➔ It is important to emphasise that we have invested significant efforts in the reduction of AD Plastik Group's indebtedness, and fully realised devised plans in the area of financial activities of both the Company and the Group as a whole. Credit indebtedness of AD Plastik Group as of 31 December 2015 amounted to 423.7 million kuna, which represents a reduction in loan liabilities of 69.4 million kuna compared to the end of last year. During the year 2015 a loan restructuring has been made and a part of the short-term loan liabilities has been restructured into a long-term loan liabilities. We must emphasize that this greatly improved liquidity indicators, even though plans for 2016 included a number of additional activities to further consolidate AD Plastik Group in the segment of financial operations.

Goals set for business operations in 2015 included increasing AD Plastik Group's profitability, improving overall cost efficiency, higher sales and an increase in capacity utilization in Croatia and Serbia. We are pleased to say that they were achieved.

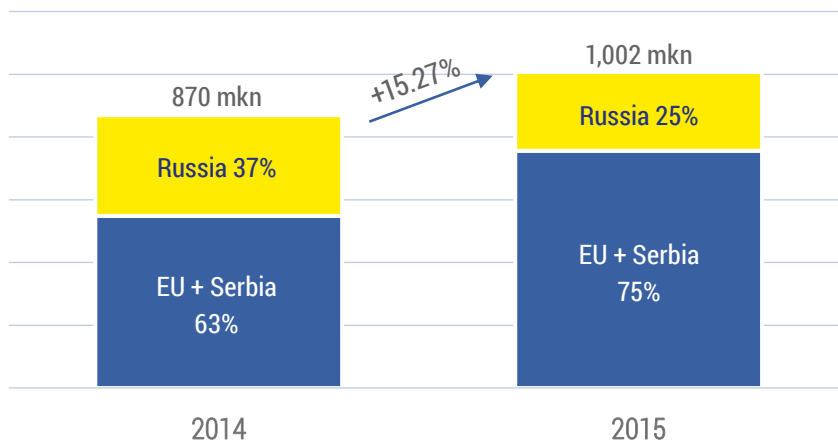




# Financial statements of AD Plastik Group

## Sales by markets

Sales revenue



### EU and Serbian market

- AD Plastik Group's increase of revenue on the markets of the EU and Serbia increased by 36.35%, while the EU automotive market reported an increase of approx. 9%.

The markets of the EU and Serbia have in 2015 reported an increase of revenue of 36.35% compared to the year 2014. An increase in sales compared to the previous year was the result of a further increase in utilization of production capacities in Croatia achieved within the project Edison and other projects for customers PSA and Ford in plants Solin and Zagreb in Croatia, as well as in plant Mladenovac in Serbia. In addition, Serbia had, compared to the same period of the previous year, expanded product portfolio and started the delivery of grab handles and blow moulded products to new destinations in Italy and Poland.

Solin, Zagreb, Mladenovac

### Russian market (subsidiaries)

- Even though AD Plastik Group reported a decrease of revenue by 20.83% in Russia, the Russian automotive market recorded a decrease of 35.7% in the same period.

Total production and sales realised in Vintai (Samara) and Kaluga factories are intended for Russian market. The decrease of 35.7% on the total automotive market in Russia in 2015 was significantly higher than the decrease of sales in our factories due to smaller decrease in production of makes and models of vehicles by manufacturers with whom we cooperate. To this we must add new projects whose production began this year - Renault Duster Phase 2, new Qashqai and Lada Vesta, which are now not only in demand on the Russian market but also winning nominations for new Ford operations.

Vintai (Samara), Kaluga

# Financial statements of AD Plastik Group

## Associated companies

Euro APS,  
FADP Holding,  
Center for research and development of  
automotive industry

Associated companies include Romanian company Euro APS, French company FADP Holding France (with a factory in Russia) and Center for research and development of automotive industry. Associated companies did not report major changes in business operations in the last quarter of 2015.

The Romanian company has a full-capacity production. Most of the deliveries were related to serial deliveries made to Dacia factory in Romania, while a smaller part of deliveries were related to sites in Morocco, Algeria, Iran and other markets where models Logan, Sandero and Duster are manufactured.

Sales realised in Russian company decreased in comparison with the same period of the previous year in line with current trends on the Russian market. The main customers are Ford, Nissan and Hyundai.

For the purpose of achieving a clearer picture of AD Plastik Group business activities, we have prepared an abbreviated consolidated income statement on Group for 2014 and 2015 with the accompanying consolidated income statements of associated companies Euro APS Romania, FADP Russia and Center for research and development of automotive industry in which AD Plastik d.d. has 50%, 40% and 24% ownership respectively.

### AD Plastik Group income statement

With consolidation of belonging ownership shares in Euro APS, FADP and Center for research and development of automotive industry for 2014 and 2015 in thousands of HRK.

Positions	2014	2015	Index
<b>OPERATING REVENUES</b>	<b>1,394,929</b>	<b>1,468,167</b>	<b>105</b>
Sales revenue	1,357,826	1,442,040	106
Other sales revenue	37,103	26,127	70
<b>OPERATING EXPENSES</b>	<b>1,347,610</b>	<b>1,363,038</b>	<b>101</b>
Material costs	825,285	851,251	103
Staff costs	225,203	228,812	102
Amortization	75,761	87,267	115
Other costs	221,361	195,707	88
<b>FINANCIAL REVENUE</b>	<b>33,491</b>	<b>120,559</b>	<b>360</b>
<b>FINANCIAL EXPENSES</b>	<b>69,091</b>	<b>167,660</b>	<b>243</b>
<b>TOTAL REVENUE</b>	<b>1,428,420</b>	<b>1,588,726</b>	<b>111</b>
<b>TOTAL EXPENSES</b>	<b>1,416,203</b>	<b>1,530,698</b>	<b>108</b>
Profit before tax	12,218	58,028	475
Profit tax	7,301	11.806	162
<b>PROFIT OF THE PERIOD</b>	<b>4,917</b>	<b>46,222</b>	<b>940</b>
<b>EBITDA</b>	<b>123,080</b>	<b>192,397</b>	<b>156</b>

Associated companies do not have any financial liabilities arising from credits to outside subjects, except liabilities arising from credits obtained from the owner.

# Financial statements of AD Plastik Group

Solin, April 2016

## Interim Management's Statement of Responsibility

The financial statements of AD Plastik Group and the company AD Plastik d.d. Solin are prepared in accordance with the International Financial Reporting Standards (IFRS) and the Croatian Law on Accounting.

The consolidated financial statements of AD Plastik Group and the financial statements of the company AD Plastik d.d. for the period from January 1 to December 31, 2015, give a complete and true review of the assets and liabilities, profit and loss, financial position and business activities of the issuers and companies included in the consolidation as a whole.

The management report for the period until December 31, 2015, contains an accurate and true display of the development and results of the business activities of the Company with a description of the most significant risks and uncertainties to which the Company is exposed.

President of  
the Management Board



Marinko Došen

Member of  
the Management Board for  
finance and accounting



Katija Klepo

The Company is registered at the Court Register of the Commercial Court of Split  
under the Registered Company Number (MBS): 060007090  
Company Identification Number (OIB): 48351740621  
IBAN: HR04 2340 0091 1101 5371 1, Privredna banka Zagreb d.d., Zagreb

The capital stock in the amount of HRK 419,958,400 was paid in full.  
AD Plastik issued a total of 4,199,584 of ordinary shares, in nominal amount of HRK 100.  
President of the Management Board: Marinko Došen  
Management Board members: Mladen Peroš, Ivica Tolić, Katija Klepo, Denis Fusek, Hrvoje Jurišić  
President of the Supervisory Board: Josip Boban



# Auditor's reports

## AD Plastik d.d., Solin and its subsidiaries

Consolidated financial statements together with Independent Auditor's Report  
for the year ended 31 December 2015

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## AD Plastik d.d., Solin

Unconsolidated financial statements together with Independent Auditor's Report  
for the year ended 31 December 2015

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## AD Plastik d.d., Solin and its subsidiaries

Consolidated financial statements together with Independent Auditor's Report  
for the year ended 31 December 2015

## Responsibility for the financial statements

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

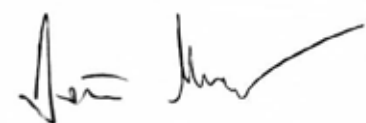
After making enquiries, the Management has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

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

- suitable accounting policies are selected and then applied consistently;
- making reasonable and prudent judgements and estimates;
- following applicable accounting standards and disclosing and explaining any material departure in the financial statements;
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Company and the Group and their (njegovu) compliance with the Croatian Accounting Act. The Management 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 Board:



Marinko Došen

President of the Management Board

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

23 April 2016



## 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 its subsidiaries (jointly referred to as "the Group"), which comprise the consolidated statement of financial position as of 31 December 2015, and the related consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated 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

The Management Board is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the 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 consolidated 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 consolidated 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 an entity'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 entity'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.

Društvo upisano u sudski registar Trgovačkog suda u Zagrebu: MBS 030022053; uplaćen temeljni kapital: 44.900,00 kuna; članovi uprave: Eric Daniel Olcott and Branislav Vrtačnik; poslovna banka: Zagrebačka banka d.d., Paromlinska 2, 10 000 Zagreb, ž. račun/bank account no. 2360000-1101896313; SWIFT Code: ZABAH2X IBAN: HR27 2360 0001 1018 9631 3; Privredna banka Zagreb d.d., Račkoga 6, 10 000 Zagreb, ž. račun/bank account no. 2340009-1110098294; SWIFT Code: PBZGHR2X IBAN: HR38 2340 0091 1100 9829 4; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, ž. račun/bank account no. 2484008-1100240905; SWIFT Code: RZBHHR2X IBAN: HR10 2484 0081 1002 4090 5

Deloitte se odnosi na Deloitte Touche Tohmatsu Limited, pravnu osobu osnovanu sukladno pravu Ujedinjenog Kraljevstva Velike Britanije i Sjeverne Irske (izvorno "UK private company limited by guarantee"), i mrežu njegovih članova, od kojih je svaki zaseban i samostalan pravni subjekt. Molimo posjetite [www.deloitte.com/hr/o-nama](http://www.deloitte.com/hr/o-nama) za detaljni opis pravne strukture Deloitte Touche Tohmatsu Limited i njegovih tvrtki članica.

Member of Deloitte Touche Tohmatsu Limited

## Independent Auditor's Report (continued)

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group at 31 December 2015, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

### Other legal and regulatory requirements

Pursuant to Article 18 of the Accounting Act, the Management Board is also responsible for preparing an annual report.

Our responsibility is to express an opinion, based on our audit, about whether the annual report is consistent with the consolidated financial statements. We have applied procedures in accordance with International Standards on Auditing solely to assess whether the information published in the Annual Report is consistent, in all material respects, with that presented in the consolidated 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 audit performed by us 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 consolidated financial statements at 31 December 2015.

Deloitte d.o.o.

  
Branislav Vrtačnik, President of the Board



Darko Horvat, Certified Auditor

Zagreb, Croatia

23 April 2016

Društvo upisano u sudski registar Trgovačkog suda u Zagrebu: MBS 030022053; uplaćen temeljni kapital: 44.900,00 kuna; članovi uprave: Eric Daniel Olcott and Branislav Vrtačnik; poslovna banka: Zagrebačka banka d.d., Paromlinska 2, 10 000 Zagreb, ž. račun/bank account no. 2360000-1101896313; SWIFT Code: ZABHR2X IBAN: HR27 2360 0001 1018 9631 3; Privredna banka Zagreb d.d., Račkoga 6, 10 000 Zagreb, ž. račun/bank account no. 2340009-1110098294; SWIFT Code: PBZGHR2X IBAN: HR38 2340 0091 1100 9829 4; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, ž. račun/bank account no. 2484008-1100240905; SWIFT Code: RZBHHR2X IBAN: HR10 2484 0081 1002 4090 5

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Member of Deloitte Touche Tohmatsu Limited

Consolidated statement of comprehensive income  
For the year ended 31 December 2015

(All amounts are expressed in thousands of kunas)

	Notes	2015	2014
Sales	6	1,002,363	869,553
Other income	7	23,032	27,924
<b>Total income</b>		<b>1,025,395</b>	<b>897,477</b>
(Decrease)/Increase in the value of work in progress and finished products		(593)	4,893
Cost of raw material and supplies	8	(482,238)	(434,918)
Cost of goods sold	9	(52,627)	(36,227)
Service costs	12	(72,702)	(66,209)
Staff costs	10	(187,560)	(182,196)
Depreciation and amortisation	11	(73,198)	(58,990)
Other external expenses	13	(90,373)	(116,976)
Other operating expenses	14	(18,870)	(9,496)
Provisions for risks and charges	15	(5,553)	(3,420)
<b>Total operating expenses</b>		<b>(983,714)</b>	<b>(903,539)</b>
<b>Profit from operations</b>		<b>41,681</b>	<b>(6,062)</b>
Financial income	16	121,454	41,403
Financial expenses	17	(153,231)	(63,179)
Share in the profit of associates	18	36,458	32,899
<b>Profit from financing activities</b>		<b>4,681</b>	<b>11,123</b>
<b>Profit before taxation</b>		<b>46,362</b>	<b>5,061</b>
Income tax expense	19	(140)	(144)
<b>Profit for the year</b>		<b>46,222</b>	<b>4,917</b>



Consolidated statement of comprehensive income (continued)  
For the year ended 31 December 2015

(All amounts are expressed in thousands of kunas)

Items that may be included subsequently in profit or loss:	2015.	2014.
Exchange differences on translation of a foreign operation, net	(7,415)	(99,062)
Items that will not be included subsequently in profit or loss		
Change in the revaluation reserve of non-current assets, net	(18,963)	42,500
<b>Total other comprehensive loss, net of tax</b>	<b>20</b>	<b>(56,562)</b>
<b>Total comprehensive income / (loss) for the year</b>	<b>19,844</b>	<b>(51,645)</b>
Profit attributable to:		
Equity holders of the Company	46,225	4,930
Non-controlling interests	(3)	(13)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	19,858	(51,626)
Non-controlling interests	(14)	(19)
Basic and diluted earnings per share (in kunas and lipas)	21	11.09

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

Consolidated statement of financial position  
At 31 December 2015

(All amounts are expressed in thousands of kunas)

	Notes	31.12.2015.	31.12.2014. (re-stated)	1.1.2014. (restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	22	125,980	126,747	95,714
Goodwill	40	7,612	8,908	13,495
Property, plant and equipment	23	695,404	746,047	725,491
Investments in associates	24	86,508	92,666	101,012
Other financial assets	25	46,085	52,626	54,334
Long-term receivables		14,176	8,459	-
Deferred tax assets	19	22,399	15,568	-
<b>Total non-current assets</b>		<b>998,164</b>	<b>1,051,021</b>	<b>990,046</b>
<b>Current assets</b>				
Inventories	26	97,786	94,315	94,793
Trade receivables	27	143,744	207,409	148,435
Other receivables	28	34,209	48,528	62,554
Current financial assets	29	6,116	15,539	27,144
Cash	30	12,384	7,806	28,943
Prepaid expenses and accrued income	31	45,190	85,289	184,903
<b>Total current assets</b>		<b>339,429</b>	<b>458,886</b>	<b>546,772</b>
<b>TOTAL ASSETS</b>		<b>1,337,593</b>	<b>1,509,907</b>	<b>1,536,818</b>

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

Consolidated statement of financial position (continued)  
At 31 December 2015

(All amounts are expressed in thousands of kunas)

	Bilješka	31.12.2015.	31.12.2014. (re-stated)	1.1.2014. (restated)
<b>Equity</b>				
Share capital	32	419,958	419,958	419,958
Reserves		142,277	169,200	223,890
Retained earnings		14,500	12,398	31,288
Profit for the year		46,225	4,930	27,661
Non-controlling interests		(4)	(7)	9
<b>Total equity</b>		<b>622,956</b>	<b>606,479</b>	<b>702,806</b>
Long-term provisions	33	3,483	1,990	2,652
Long-term borrowings	34	262,592	212,344	255,816
Other non-current liabilities	34	28,488	26,239	226
Deferred tax liabilities	19	-	-	387
<b>Total non-current liabilities</b>		<b>294,563</b>	<b>240,573</b>	<b>259,081</b>
Advances received	35	23,613	57,224	94,660
Trade payables	36	180,511	270,425	156,085
Short-term borrowings	37	163,100	285,343	239,963
Other current liabilities	38	26,623	28,587	20,611
Short-term provisions	33	8,607	7,606	7,581
Accrued expenses and deferred income	39	17,620	13,670	56,031
<b>Total current liabilities</b>		<b>420,074</b>	<b>662,855</b>	<b>574,931</b>
<b>Total liabilities</b>		<b>714,637</b>	<b>903,428</b>	<b>834,012</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,337,593</b>	<b>1,509,907</b>	<b>1,536,818</b>

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



Consolidated statement of changes in shareholders' equity  
For the year ended 31 December 2015

(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Legal reserves	General reserves	Revaluation reserve (arisen on privatisation)	Reserve from revaluation of tangible and intangible fixed assets	Reserve from revaluation of long-term receivables / liabilities	Reserves for own shares	Treasury shares	Retained earnings	Total equity attributable to the equity holders of the parent	Non-controlling interests	Total
<b>Balance at 31 December 2013</b>	<b>419,958</b>	<b>183,509</b>	<b>6,143</b>	<b>24,051</b>	<b>8,490</b>	<b>1,696</b>	<b>-</b>	<b>4,753</b>	<b>(4,753)</b>	<b>58,949</b>	<b>702,796</b>	<b>9</b>	<b>702,805</b>
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)
Allocation of a part of 2013 profit	-	-	-	9,177	-	-	-	-	-	(9,177)	-	-	-
Correction of equity investment	-	-	-	(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
<b>Balance at 31 December 2014</b>	<b>419,958</b>	<b>183,513</b>	<b>6,140</b>	<b>25,922</b>	<b>8,490</b>	<b>51,867</b>	<b>(82,580)</b>	<b>2,945</b>	<b>(2,945)</b>	<b>17,329</b>	<b>630,639</b>	<b>(7)</b>	<b>630,632</b>
Correction of prior period	-	-	-	-	-	(7,671)	(16,482)	-	-	-	(24,153)	-	(24,153)
Correction of the net profit for the year	-	-	-	-	-	-	-	-	-	(1,957)	(1,957)	-	(1,957)
<b>Balance at 31 December 2014 (restated)</b>	<b>419,958</b>	<b>183,513</b>	<b>6,140</b>	<b>25,922</b>	<b>8,490</b>	<b>44,196</b>	<b>(99,062)</b>	<b>2,945</b>	<b>(2,945)</b>	<b>15,372</b>	<b>604,529</b>	<b>(7)</b>	<b>604,522</b>

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

## Consolidated statement of changes in shareholders' equity (continued)

For the year ended 31 December 2015

(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Legal reserves	General reserves	Revaluation reserve (arisen on privatisation)	Reserve from revaluation of tangible and intangible fixed assets	Reserve from revaluation of long-term receivables / liabilities	Reserves for own shares	Treasury shares	Retained earnings	Total equity attributable to the equity holders of the parent	Non-controlling interests	Total
<b>Balance at 31 December 2014 (as restated)</b>	<b>419,958</b>	<b>183,513</b>	<b>6,140</b>	<b>25,922</b>	<b>8,490</b>	<b>44,196</b>	<b>(99,062)</b>	<b>2,945</b>	<b>(2,945)</b>	<b>15,372</b>	<b>604,529</b>	<b>(7)</b>	<b>604,522</b>
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	6	6
Exchange differences	-	(31)	(1)	-	-	(12,059)	(7,415)	1	(1)	(9,502)	(29,008)	-	(29,008)
Dividends paid	-	-	-	(56)	-	-	-	-	-	-	(56)	-	(56)
Valuation of own shares	-	-	-	-	-	-	-	162	(162)	-	-	-	-
Revaluation	-	-	-	-	-	(6,904)	-	-	-	8,630	1,726	-	1,726
Purchase of own (treasury) shares	-	-	-	(456)	-	-	-	-	-	-	(456)	-	(456)
Profit for the year	-	-	-	-	-	-	-	-	-	46,225	46,225	(3)	46,222
<b>Balance at 31 December 2015</b>	<b>419,958</b>	<b>183,482</b>	<b>6,139</b>	<b>25,410</b>	<b>8,490</b>	<b>25,233</b>	<b>(106,477)</b>	<b>3,108</b>	<b>(3,108)</b>	<b>60,725</b>	<b>622,960</b>	<b>(4)</b>	<b>622,956</b>

The changes in the shareholders' equity of the Group also include the correction of HRK 1,957 thousand to the 2014 result with respect to balances recognised by subsidiaries subsequent to the publication of the 2014 audits report issued for the Group. The balance comprises value adjustment of receivables at ADP Mladenovac (HRK 567 thousand) and the recognition of differences arisen from the reconciliation of the tax records of ADP Kaluga with the Russian tax authorities (HRK 1,390 thousand). Since the total amount of the correction is not material for the Group, the figures disclosed for 2014 were not restated.

Correction of equity in 2014 in the amount of HRK 24,153 thousand relates to the subsequently determined fair value of the net assets whose acquisition is described in Note 40.

<b>Cash flows from operating activities</b>	<b>2015</b>	<b>2014</b>
<b>Profit for the year</b>	46,222	4,917
Income tax expense	140	144
Depreciation and amortisation	73,198	58,990
Net book value of retired assets	64,957	12,303
Value adjustment of investments in associates	-	258
Increase/(decrease) in long-term and short-term provisions	2,494	(637)
Share in the profit of associates	(35,781)	(32,899)
<b>Profit from operations before working capital changes</b>	<b>151,230</b>	<b>43,076</b>
(Increase)/decrease in inventories	(3,471)	478
Decrease/(increase) in short-term and long-term receivables	47,183	(201,232)
Decrease in other receivables	14,319	14,026
(Decrease)/increase in trade payables	(89,914)	114,340
Decrease of advances received	(33,611)	(37,436)
(Decrease)/Increase in other short-term and long-term liabilities	(154)	7,964
Decrease in accrued expenses and deferred income	3,950	(42,361)
Decrease in accrued income and prepaid expenses	40,099	99,614
<b>Cash generated from operations</b>	<b>129,631</b>	<b>1,531</b>
(Purchase)/sale of own shares	(456)	1,273
Dividends from associates	41,963	40,987
Increase/(decrease) in deposits	6,836	(9,130)
Decrease of short-term and long-term borrowings	9,128	22,443
Purchases of property, plant and equipment	(84,021)	(25,475)
Purchases of intangible assets	(26,428)	(44,282)
Investments in associates	24	-
<b>Cash used in investing activities</b>	<b>(53,002)</b>	<b>(14,184)</b>
Dividends paid	(56)	(33,343)
Proceeds from received short-term and long-term borrowings	116,906	151,889
Repayments of short-term and long-term borrowings	(188,901)	(123,968)
<b>Cash used in financing activities</b>	<b>(72,051)</b>	<b>(5,422)</b>
<b>Net cash increase/(decrease) of cash and cash equivalents</b>	<b>4,578</b>	<b>(21,137)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>7,806</b>	<b>28,943</b>
<b>Cash and cash equivalents at end of the year</b>	<b>12,384</b>	<b>7,806</b>

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

## 1. General information

The company AD Plastik d.d., Solin, a public limited company for the production of motor vehicle spare parts and accessories and of plastic masses (abbreviated firm: AD PLASTIK d.d.), was established by a decision of the Founding Assembly dated 15 June 1994 following the transformation of the socially-owned entity Autodijelovi – Solin pursuant to the decision on the transformation of ownership and the Decision of the Croatian Privatisation Fund No. 01-02/92-06/392 of 6 December 1993. The Company is a 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 by a contribution 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 100,00 each. Under the Share Transfer Agreement of 29 June 2009 OAO Spik transferred the shares of the AD Plastik d.d. to OAO Group Aerokosmicheskoe Oborudovanie, St. Petersburg which transferred those shares to OAO HAK, Sankt Petersburg.

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

### 1.1. Principal business

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

- manufacture of motor vehicle spare parts and accessories;
- production and trade in medical supplies for one-off application made of plastic masses: plastic syringes for one-off application; infusion sets; transfusion sets; disposable hemodialysis needles, and others.
- representation of foreign companies;
- 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, organisation, efficiency and controls, management information, etc.;
- management consulting (agronomists and agricultural economists, on farms, etc.);
- purchase and sale of goods;
- trade intermediation 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 (ZAO) ADP Luga, established by an Articles of Association of the Closed-end Company ADP LUGA of 26 March 2007.

In early 2012 ZAO ADP Luga, Luga, changed both its official name and registered seat to ZAO AD Plastik, 248016, Skladskaja ulica 6, Kaluška oblast, Russian Federation. Ad Plastik d.d. Solin, holds all the Company's shares and is the sole owner of the Company.

The company's registered activities comprise the following:

- development, manufacture and delivery of production parts for automotive industry;
- manufacture and delivery of plastic products; and
- 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.

On 6 July 2015 the company was renamed to public limited company AO AD Plastik (abbreviated firm: AO ADP).

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

The company's registered activities comprise the following:

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

3. AD Plastik d.o.o., Novo Mesto, 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 motor vehicle parts; and
- wholesale and retail trade, and trade mediation.

4. 4) Production and trade company AD Plastik d.o.o. Mladenovac (Varoš), Kralja Petra I 334, Serbia, established on 6 December 2011. The principal activity of the company comprises 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 equipments, ships and aircraft;
- services of other transport agencies;
- business and management consulting services.

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

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

The principal activities of the associate are as follows:

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

3. Centar za istraživanje i razvoj automobilske industrije d.o.o. established on 22 July 2015 in the Republic of Croatia, with the registered seat in Zagreb, Jankomir 5.

The equity share of AD Plastik d.d., Solin, in the associate is 24 percent.

The principal activities of the associate are as follows:

- automotive industry research and development;
- trade intermediation on domestic and international markets;
- purchase and sale of goods;
- representation of foreign firms;
- consulting and mediation in the design, construction, production and distribution of products and services;
- production of parts for the automotive industry

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

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

## 1. General information (continued)

### 1.4. Number of staff

At 31 December 2015, the number of staff employed was 2,913 (31 December 2014: 3,139).

	2015.	2014.
AD Plastik d.d.	1.203	1.283
AO AD Plastik/ZAO PHR	529	706
AD Plastik d.o.o. Novo Mesto	3	3
ADP d.o.o. Mladenovac	186	172
ZAO AD Plastik Kaluga	213	189
EURO Auto Plastik Systems	610	593
FADP Holding	169	193
Centar za istraživanje i razvoj	-	-

### 1.5. Management and corporate governance

	Mandate	
<b>Members of the Supervisory Board:</b>		
Josip Boban (President)	From 19 July 2012	to 19 July 2016
Nikola Zovko (Vice President)	From 19 July 2012	to 19 July 2016
Dolores Čerina	From 02 June 2015	to 02 June 2019
Marijo Grgurinović	From 23 July 2015	to 23 July 2019
Solomatin Igor Anatoljevič	From 23 July 2015	to 23 July 2019
Drandin Dmitrij Leonidovič	From 19 October 2015	to 19 October 2019
Nikitina Nadežda Anatoljevna	From 19 October 2015	to 19 October 2019
<b>The members of the Company's Management Board are as follows:</b>		
Marinko Došen (President)	From 06 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
Mladen Peroš	From 06 February 2015	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 international financial reporting standards

### Adoption of new amendments to the existing Standards and Interpretations effective for the current financial period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for current financial period:

- **Amendments to various standards "Improvements to IFRSs from the 2011–2013 Cycle"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (applicable to annual periods beginning on or after 1 January 2015.),
- **IFRIC 21 "Levies"**, adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014.).

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

### Amendments to the existing standards issued by IASB and adopted by the European Union, but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure Initiative - adopted by the EU on 18 December 2015 (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 Amortisation - adopted by the EU on 2 December 2015 (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 - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016).

## 2. Adoption of new and revised international financial reporting standards (continued)

**Amendments to the existing standards issued by IASB and adopted by the European Union, but not yet effective (continued):**

- **Amendments to IAS 19 "Employee Benefits"** – Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015)
- **Amendments to IAS 27 "Presentation of Financial Statements"** – Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards "Improvements to IFRSs from the 2010-2012 Cycle"**, 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 - adopted by the EU on 17 December 2014 (applicable to annual periods beginning on or after 1 February 2015),
- **Amendments to various standards "Improvements to IFRSs from the 2012-2014 Cycle"**, resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IFRS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2014 (applicable to annual periods beginning on or after 1 January 2016.)

## 2. Adoption of new and revised international financial reporting standards (continued)

### **New Standards and amendments to the existing Standards issued by IASB, but not yet adopted by the EU**

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board ('IASB') except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at 23 April 2016 (the effective dates stated below are for IFRS in full):

- **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), – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 15 "Revenue from Contracts with Customers"** and further amendments (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded),

The Management Board anticipates the adoption of these standards and interpretations in the financial statements of the Company in the periods in which they become effective, but without any material impact on the financial statements in the period of initial application.

### 3. Summary of significant accounting policies

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

#### 3.1. Statement of compliance

These financial statements are prepared in accordance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards ('IFRS') effective on 23rd April, 2016 in 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 the financial statements in accordance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards ('IFRSs') 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 consolidated financial statements of the Group represent aggregate amounts of assets, liabilities, capital and reserves of the Group as of 31 December 2015, 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. Parent has control over the subsidiary if, based on its control, is exposed to variable returns and has the capability to influence the variable returns of the subsidiary.

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



### 3. Summary of significant accounting policies (continued)

#### 3.4. Revenue recognition

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

Revenues are stated net of value added tax, estimated returns, discounts and rebates. The Group recognises revenue when the amount of the revenue can be measured reliably and when it is probable that future economic benefits will flow into the Group.

Product sales are recognized when the products are delivered to, and accepted by the customer and when the significant risks and rewards associated with the ownership of a product are transferred to the customer.

##### **Income from the manufacture of tools for a known customer**

Accrued revenues are matched with contracts that are specifically concluded for developing an asset, or a group of assets, closely linked and interdependent on the design, technology and function, or their final use or application. The Group is required to recognize revenue according to the stage of completion of a contractual performance. Pursuant to IAS 11, when the outcome of a production contract can be estimated reliably, the revenue and costs associated with the contract should be recognized according to the stage of completion of the contractual performance at the date of the statement of financial position.

##### **Interest income**

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

#### 3.5. Borrowing costs

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

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

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

## 3. Summary of significant accounting policies (continued)

### 3.6. Foreign currency transactions

Transactions in foreign currencies are translated into Croatian kunas at the rates of exchange in effect at the dates of the transactions. Cash, receivables and payables denominated in foreign currencies are retranslated at the rates of exchange in effect at the date of the statement of financial position. Gains and losses arising on translation are included in the statement of comprehensive income for the year. At 31 December 2015, the official exchange rate of the Croatian kuna against 1 euro (EUR) was HRK 7.635047 (31 December 2014: HRK 7.661471 for 1 EUR).

### 3.7. Income tax expense

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

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 rate expected to apply to taxable profit in the period in which the liability is expected to be settled or the asset realised, based on the tax rates in effect at the date of the statement of financial position.

The measurement of deferred tax liabilities and assets reflects the amount that the Group expects, at the date of the statement of financial position, to recover or settle the carrying amounts of its assets and liabilities.

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

### 3. Summary of significant accounting policies (continued)

#### 3.8. Property, plant and equipment, and intangible assets

Property, plant and equipment as well as intangible assets are recognised at purchase cost and subsequently reduced by accumulated depreciation/amortisation. The purchase cost comprises the purchase price, import duties and non-refundable sales taxes (on property, plant and equipment) and any directly attributable costs of bringing an asset to its working condition and location for its intended use, such as employee remuneration, professional fees directly arising from putting an asset into its working condition, test costs (for intangible assets), as well as all other costs directly attributable to bringing an asset to a condition 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 an increase of expected future economic benefits to be derived from the use of an item of property, plant and equipment 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 property, plant and equipment or intangible assets are included in the statement of comprehensive income in the period in which 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, property, plant and equipment and intangible assets under development over the estimated useful life of the asset using the straight-line method as follows:

	Depreciation rates in 2015	Depreciation rates in 2014
<b>Tangible and intangible assets</b>		
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
Others	10.00	10.00
Projects	20.00	20.00

Goodwill represents the excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the subsidiary at the acquisition date. Goodwill is presented as an intangible asset.

Goodwill is tested for impairment annually or more often if the events and circumstances that indicate potential impairment occur. Goodwill is measured as cost of acquisition less accumulated losses due to impairment. Losses that occurred due to impairment of goodwill are not reversed. Gains and losses from sale of the subsidiary include net book value of goodwill which relates to sold subsidiary.

For the purpose of impairment test, goodwill is allocated to those individual cash generating units for which it is reasonable to expect that the benefit of goodwill will occur.

## 3. Summary of significant accounting policies (continued)

### 3.9. Impairment of property, plant and equipment, and intangible assets

At each reporting date the Group reviews the carrying amounts of its property, plant and equipment as well as of its intangible assets to determine whether there is an indication that the assets have suffered an impairment loss. 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 Group 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 and an ownership interest from 20 to 50 percent, but no control over the entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control over those policies.

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

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

### 3.11. Inventories

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

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

Small inventory is written off when put in use.

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

Merchandise on stock is recognised at purchase cost.



### 3. Summary of significant accounting policies (continued)

#### 3.12. Trade receivables and prepayments

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

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

Management determines the level of impairment allowance for doubtful receivables based on a specific review of the recoverability of amounts owed by strategic customers of the ADP Group and of the overall ageing 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 (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognised as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

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

### 3. Summary of significant accounting policies (continued)

#### 3.15. Termination, long-service and other employee benefits

##### (a) Pension obligations and post-employment benefits

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

##### (b) Termination benefits

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

##### (c) Regular retirement 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. Actuarial gains and losses are recognised in the period in which they arise.

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

### 3. Summary of significant accounting policies (continued)

#### 3.16. Financial instruments

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

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

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

#### Loans and receivables

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

#### Financial assets available for sale (AFS)

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

#### Effective interest method

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

### 3. Summary of significant accounting policies (continued)

#### 3.16. Financial instruments (continued)

##### Impairment of financial assets

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

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

##### Derecognition of financial assets

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

##### Classification as debt or equity

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



### 3. Summary of significant accounting policies (continued)

#### 3.16. Financial instruments (continued)

##### Revaluation reserves

A part of the Group companies have elected the revaluation method as a method of subsequent measurement. When the carrying amount of such assets increases on revaluation, the increase is recognized in other comprehensive income and accumulated within equity as a revaluation reserve. Revaluation is performed with sufficient regularity to ensure that the carrying amount does not differ materially from the one that would be measured at fair value at the date of the statement of financial position. On derecognition of such an asset (as a result of retirement or disposal), the revaluation reserve accumulated in equity relating to that asset can be transferred directly to retained earnings.

The Group may have a monetary item as an amount receivable from, or payable to a foreign entity. An item neither planned to be settled nor likely to arise in the foreseeable future is essentially part of the entity's net investment in a foreign operation and accounted for in accordance with IAS 21. The Group recognizes foreign exchange differences arising from monetary items that are part of the net foreign investment initially in other comprehensive income and accumulates them under a separate component of equity - revaluation reserves.

On disposal of a net investment in a foreign operation, the entire balance of exchange differences is transferred from equity to profit or loss (as a reclassification adjustment).

#### 3.17. Contingencies

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

#### 3.18. Događaji nakon datuma izvještaja o financijskom položaju

Events after the date of the statement of financial position that provide additional information about the Group'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.

#### 3.19. Objava segmentalne analize

Group keeps records and publishes business results for its basic business segments. Segments divided according to geographical position are the basis for segment reporting. Certain financial information for each geographical position are presented in Note 5.

Group presents its revenue according to geographical position, but it does not keep records information about non-current assets and revenue from external buyers generated in those areas.

## 4. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

### Useful life of property, plant and equipment

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

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

A deferred tax asset is recognized for unused tax losses only to the extent that it is probable that the related tax benefit will be realised. In determining the amount of deferred taxes that can be recognised significant judgements are required, which are based on the probable quantification of time and level of future taxable profits, together with the future tax planning strategy. In 2015, deferred tax assets on available tax differences were recognised.

### Impairment allowance on trade receivables

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

### Actuarial estimates used in determining the retirement benefits

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

## 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:

	2015	2014
Slovenia	307,814	301,571
Russia	255,129	320,777
France	159,719	111,101
Germany	114,510	91,897
Other countries	165,191	44,207
	<b>1,002,363</b>	<b>869,553</b>

## 6. Sales

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

	2015	2014
Foreign sales	972,189	794,580
Domestic sales	30,174	74,973
	<b>1,002,363</b>	<b>869,553</b>

## 7. Other income

	2015	2014
Income from consumption of own products and services	1,773	1,377
Income from bonuses provided by suppliers	1,447	2,222
Income from reversal of provisions for long-service benefits	1,302	1,568
Income from reversal of retirement benefit provisions	688	1,084
Income from reversal of unused vacation provisions	141	-
Income from sale of assets	297	5,487
Income from damages collected	15	789
Other operating income	17,369	15,397
	<b>23,032</b>	<b>27,924</b>

Other operating income consist mostly of compensations for damages, overstock and other extraordinary income.

## 8. Cost of raw material and supplies

	2015	2014
Cost of direct and auxiliary materials	429,985	394,632
Electricity	19,441	18,332
Other raw material and supplies	32,812	21,954
	<b>482,238</b>	<b>434,918</b>

## 9. Cost of goods sold

	2015	2014
Cost of goods and spare parts sold	27,601	5,994
Cost of direct material sold	18,338	3,388
Cost of goods sold	6,661	21,789
Other costs of goods sold	27	5,056
	<b>52,627</b>	<b>36,227</b>



## 10. Staff costs

	2015	2014
Net wages and salaries	104,781	101,837
Taxes and contributions out of salaries	36,571	32,582
Contributions on salaries	28,508	29,188
Other staff costs	17,700	18,589
	<b>187,560</b>	<b>182,196</b>

Other staff costs comprise per diems, overnight accommodation costs and business travel costs, costs of commutation and reimbursement of other business related costs.

## 11. Depreciation and amortisation

	2015	2014
Depreciation (Note 23)	54,489	46,877
Amortisation (Note 22)	18,709	12,113
	<b>73,198</b>	<b>58,990</b>

## 12. Service cost

	2015	2014
Transport	25,329	23,911
Know-how costs	10,693	51
Rental costs	9,966	8,099
Current and preventive maintenance of machinery	5,847	3,236
Municipal utility fees	3,293	1,631
Tool modification costs	2,115	1,219
Telecommunication and information system costs	1,365	1,958
Water supply	1,261	1,090
Forwarding and shipping costs	551	672
Other service costs	12,282	24,342
	<b>72,702</b>	<b>66,209</b>

### 13. Other external expenses

	2015	2014
Temporary service costs - tools	46,569	83,572
Professional service cost	6,277	5,436
Customer complaints	3,953	841
Net book value of disposed property, plant and equipment	2,842	3,919
Insurance premiums	2,165	3,024
Bank charges	2,118	2,126
Payment operation charges	1,902	1,457
Communal fees for the use of construction plots	1,706	1,588
Cost of goods provided free of charge	920	762
Entertainment and hospitality	733	701
Other fees (Supervisory Board)	716	483
Professional training and literature	638	618
Occupational Health and Safety service costs	572	526
Other external expenses	19,262	11,923
	<b>90,373</b>	<b>116,976</b>

### 14. Other operating expenses

	2015	2014
Property tax	208	1,472
Other operating expenses	18,662	8,024
	<b>18,870</b>	<b>9,496</b>

Other operating expenses consist mostly of damages paid, shortfalls and other extraordinary expenses.

## 15. Provisions for risks and charges

	2015	2014
Provisions under actuarial calculations	3,483	1,990
Litigation provisions	1,710	370
Vacation accruals	-	1,039
Other provisions for risks and charges	360	21
	<b>5,553</b>	<b>3,420</b>

## 16. Finance revenue

	2015	2014
Foreign exchange gains	111,741	30,540
Interest income	9,675	9,301
Other financial income	38	1,562
	<b>121,454</b>	<b>41,403</b>

## 17. Financial expenses

	2015	2014
Foreign exchange losses	123,634	35,405
Interest expense	29,597	25,762
Other financial expenses	-	2,012
	<b>153,231</b>	<b>63,179</b>

## 18. Share in the profit from investments in associates

	2015	2014
Share in the profit of associates recognised as income	47,392	40,227
Share in the loss of associates recognised as an expense	(10,934)	(7,328)
	<b>36,458</b>	<b>32,899</b>

## 19. Income tax

Income tax comprises the following:

	2015	2014
Deferred tax	299	(132)
Current tax	(439)	(12)
	<b>(140)</b>	<b>(144)</b>

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

	2015	2014
<b>Balance at 1 January</b>	<b>15,568</b>	<b>(397)</b>
Recognised deferred tax assets	6,831	15,955
<b>Balance at 31 December</b>	<b>22,399</b>	<b>15,568</b>



## 19. Income tax (continued)

Deferred tax assets arise from the following:

2015.	Opening balance	Charged to the statement of comprehensive income	Closing balance
<i>Temporary differences:</i>			
Provisions for long-service and termination benefits	3,806	237	4,043
Reserves from translation of foreign currencies, net	24,766	1,854	26,619
Movements in reserves on revaluation of property, plant and equipment and intangible fixed assets	(13,004)	4,741	(8,263)
<b>Balance at 31 December</b>	<b>15,568</b>	<b>6,831</b>	<b>22,399</b>
2014.	Opening balance	Credited to the statement of comprehensive income	Closing balance
<i>Temporary differences:</i>			
Provisions for long-service and termination benefits	1,992	1,814	3,806
Reserves from translation of foreign currencies, net	-	24,766	24,766
Movements in reserves on revaluation of tangible and intangible fixed assets	(2,379)	(10,625)	(13,004)
<b>Balance at 31 December</b>	<b>(387)</b>	<b>15,955</b>	<b>15,568</b>

## 19. Income tax (continued)

Reconciliation between the accounting and tax results is shown as follows:

	2015	2014
<b>Accounting profit before tax</b>	<b>46,362</b>	<b>5,061</b>
Effect of tax base increasing items	6,330	7,554
Effect of tax base decreasing items	(2,425)	(2,946)
<b>Tax base</b>	<b>50,267</b>	<b>9,669</b>
Tax at the weighted average rate	5,322	2,663
Tax reliefs	(4,883)	(2,651)
<b>Income tax expense</b>	<b>439</b>	<b>12</b>

On 24 October 2012 the parent 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 40/2013).

As a result, the parent company made investments in fixed assets in 2015, having thus met the prerequisites for the utilization of the tax incentives for 2015.

The Tax Administration performed at the parent company a supervisory audit of the calculation, recognition, filing and payment of the value-added tax and corporate income tax in the period from 1 January to 31 December 2013. The audit was carried out at the business premises of the taxpayer and the Office for Large Taxpayers of the Tax Administration of the Republic of Croatia in the period from 27 October 2014 to 19 June 2015.

On 19 June 2015, a 'no-objection' tax audit findings report was issued.

## 20. Other comprehensive income

	31.12.2015.	31.12.2014.
<b>Balance at beginning of the year</b>	<b>(56,562)</b>	-
Exchange differences on translation of a foreign operation	(9,269)	(123,828)
Movements in reserves on revaluation of tangible and intangible fixed assets	(23,704)	53,125
Income tax on exchange rate losses from translation of a foreign operation and changes in the revaluation reserve	6,594	14,141
<b>Balance at end of year</b>	<b>(82,940)</b>	<b>(56,562)</b>

## 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 Group as treasury shares. The basic earnings per share equal the diluted earnings per share, as there are currently no share options that would potentially increase the number of issued shares.

	2015	2014
Net profit attributable to the shareholders of the Group	46,222	4,917
Weighted average number of shares	4,168	4,168
<b>Basic and diluted earnings per share (in kunas and lipas)</b>	<b>11.09</b>	<b>1.18</b>

## 22. Intangible assets

	Licence	Software	Projects	Total
<b>Cost</b>				
<b>Balance at 31 December 2013</b>	<b>55</b>	<b>7,773</b>	<b>188,973</b>	<b>196,801</b>
Additions	-	19	44,263	44,282
Disposals and retirements	-	-	(1,136)	(1,136)
<b>Balance at 31 December 2014</b>	<b>55</b>	<b>7,792</b>	<b>232,100</b>	<b>239,947</b>
Additions	-	650	25,778	26,428
Disposals and retirements	-	-	(8,499)	(8,499)
<b>Balance at 31 December 2015</b>	<b>55</b>	<b>8,442</b>	<b>249,379</b>	<b>257,876</b>
<b>Accumulated amortisation</b>				
<b>Balance at 31 December 2013</b>	<b>-</b>	<b>2,674</b>	<b>98,413</b>	<b>101,087</b>
Charge for the year	-	1,610	10,503	12,113
Disposals and retirements	-	-	-	-
<b>Balance at 31 December 2014</b>	<b>-</b>	<b>4,284</b>	<b>108,916</b>	<b>113,200</b>
Charge for the year	-	950	17,759	18,709
Disposals and retirements	-	-	(13)	(13)
<b>Balance at 31 December 2015</b>	<b>-</b>	<b>5,234</b>	<b>126,662</b>	<b>131,896</b>
<b>Net book value</b>				
<b>At 31 December 2015</b>	<b>55</b>	<b>3,208</b>	<b>122,717</b>	<b>125,980</b>
<b>At 31 December 2014</b>	<b>55</b>	<b>3,508</b>	<b>123,184</b>	<b>126,747</b>

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



## 23. Property, plant and equipment

	Land	Buildings	Plant and equipment	Assets under construction	Others	Total
<b>Cost</b>						
<b>Balance at 31 December 2013</b>	<b>143,636</b>	<b>309,742</b>	<b>502,607</b>	<b>133,704</b>	<b>1,549</b>	<b>1,091,238</b>
Additions	-	150	-	90,261	2,463	92,874
Transfer from assets under development	-	4,468	126,173	(130,641)	-	-
Disposals and retirements	(1,244)	(9,589)	(6,929)	-	-	(17,762)
<b>Balance at 31 December 2014</b>	<b>142,392</b>	<b>304,771</b>	<b>621,851</b>	<b>93,324</b>	<b>4,012</b>	<b>1,166,350</b>
Additions	-	-	31,852	27,130	1,335	60,317
Transfer from assets under development	-	37,416	45,574	(82,990)	-	-
Disposals and retirements	(1,259)	(11,076)	(61,468)	(3,392)	(147)	(77,342)
<b>Balance at 31 December 2015</b>	<b>141,133</b>	<b>331,111</b>	<b>637,809</b>	<b>34,072</b>	<b>5,200</b>	<b>1,149,325</b>
<b>Accumulated depreciation</b>						
<b>Balance at 31 December 2013</b>	<b>-</b>	<b>72,820</b>	<b>305,652</b>	<b>-</b>	<b>1,549</b>	<b>380,021</b>
Charge for the year 2014	-	5,848	39,934	-	1,095	46,877
Disposals and retirements	-	-	(6,595)	-	-	(6,595)
<b>Balance at 31 December 2014</b>	<b>-</b>	<b>78,668</b>	<b>338,991</b>	<b>-</b>	<b>2,644</b>	<b>420,303</b>
Charge for the year 2015	-	4,139	50,072	-	278	54,489
Disposals and retirements	-	-	(20,871)	-	-	(20,871)
<b>Balance at 31 December 2015</b>	<b>-</b>	<b>82,807</b>	<b>368,192</b>	<b>-</b>	<b>2,922</b>	<b>453,921</b>
<b>Net book value</b>						
<b>At 31 December 2015</b>	<b>141,133</b>	<b>248,304</b>	<b>269,617</b>	<b>34,072</b>	<b>2,278</b>	<b>695,404</b>
<b>At 31 December 2014</b>	<b>142,392</b>	<b>226,103</b>	<b>282,860</b>	<b>93,324</b>	<b>1,368</b>	<b>746,047</b>

At 31 December 2015, the net book value of tangible assets pledged as collateral with commercial banks amounts to HRK 360,948 (31 December 2014: HRK 392,904 thousand), and the outstanding balance of short-term and long-term borrowings secured by those assets is HRK 374,740 thousand (31 December 2014: HRK 352,110 thousand).

## 24. Investments in associates

Name of associate	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment, HRK'000	
			2015	2014	2015	2014
EURO AUTO PLASTIC SYSTEMS	Manufacture of other motor vehicle spare parts and accessories	Mioveni, Romania	50,00%	50,00%	86,481	81,732
FAURECIA ADP HOLDING	Manufacture of other motor vehicle spare parts and accessories	Nanterre, France	40,00%	40,00%	-	10,934
CENTAR ZA ISTRAŽIVANJE I RAZVOJ AUTOMOBILSKIH INDUSTRIJE	Automotive industry research and development	Zagreb, Croatia	24,00 %	-	27	-
					<b>86,508</b>	<b>92,666</b>

Name of associate	Country of incorporation and business	Amount of equity investment 31.12.2013.	Share in the result for the year 2014	New investments made during the period	Dividends paid	Amount of equity investment 31.12.2014.
EURO AUTO PLASTIC SYSTEMS	Mioveni, Romania	82,492	40,227	-	(40,987)	81,732
FAURECIA ADP HOLDING	Nanterre, France	18,262	(7,328)	-	-	10,934
<b>Total</b>		<b>100,754</b>	<b>32,899</b>	<b>-</b>	<b>(40,987)</b>	<b>92,666</b>

Name of associate	Country of incorporation and business	Amount of equity investment 31.12.2014.	Share in the result for the year 2015	New investments made during the period	Dividends paid	Amount of equity investment 31.12.2015.
EURO AUTO PLASTIC SYSTEMS	Mioveni, Romania	81,732	46,712	-	41,963	86,481
FAURECIA ADP HOLDING	Nanterre, France	10,934	(10,934)	-	-	-
CENTAR ZA ISTRAŽIVANJE I RAZVOJ AUTOMOBILSKIH INDUSTRIJE	Zagreb, Croatia	-	3	24	-	27
<b>Total</b>		<b>92,666</b>	<b>35,781</b>	<b>24</b>	<b>41,963</b>	<b>86,508</b>

## 25. Other financial assets

	31.12.2015.	31.12.2014.
Long-term loans to associates	37,735	44,156
Long-term loans to unrelated companies	9,788	11,543
Other financial assets	62	64
Current portion of long-term loan receivables	(1,500)	(3,137)
	<b>46,085</b>	<b>52,626</b>

Long-term loans have been provided to associated companies at an interest rate of 20.16 percent (2014: 12.79% – 20.34 %) and mature in 2017, whereas long-term loans to third parties have been provided at an interest rate of 6.00 percent (2014: 6.00 %), with the ultimate maturity in 2021.

## 26. Inventories

	31.12.2015.	31.12.2014.
Raw material and supplies on stock	65,039	67,176
Finished products	18,576	18,787
Merchandise on stock	9,907	1,705
Work in progress	4,264	6,647
	<b>97,786</b>	<b>94,315</b>

## 27. Trade receivables

	31.12.2015.	31.12.2014.
Foreign trade receivables	140,470	206,143
Domestic trade receivables	6,662	9,835
Impairment allowance on receivables	(3,388)	(8,569)
	<b>143,744</b>	<b>207,409</b>

The average credit period on sales is 69 days (2014: 72 days). The Group 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 Group seeks and obtains from its domestic customers debentures as collateral for receivables, which are issued in the amount of the receivables.

Set out below is an analysis of major trade receivables:

	31.12.2015.	31.12.2014.
Revoz, Slovenia	30,061	57,883
OAO Avtovaz, Russia	18,489	31,784
Reydel Automotive France, France	15,570	36,586
Grupo Antolin, Czech Republic	8,754	21,487
FCA Melfi, Italy	7,015	2,040
Peugeot Citroen SA, France	6,668	5,524
EURO APS, Romania	4,883	3,961
Hella Saturnus, Slovenia	6,160	6,779
Renault, France	6,063	2,130
Smart Brabus GmbH, Germany	4,228	-
Ford Espana, Spain	3,553	4,490
Mandeks, Croatia	2,281	-
United Automobile Group, Russia	2,187	2,646
Ford Werke, Germany	2,069	3,544
FCA Poland S.A., Poland	1,864	-
Plastic Components and Modules, Italy	1,681	-
GM-Avtovaz, Russia	1,470	1,858
Nissan, Russia	1,456	286
Other debtors	22,680	34,980
<i>Less: impairment allowance on trade receivables</i>	<i>(3,388)</i>	<i>(8,569)</i>
	<b>143,744</b>	<b>207,409</b>



## 27. Trade receivables (continued)

Movements in the impairment allowance on doubtful trade receivables are presented as follows:

	2015	2014
Balance at beginning of the year	7,417	8,890
Amounts collected or written-off during the year	(4,056)	(1,473)
<b>Total impairment allowance on domestic trade receivables</b>	<b>3,361</b>	<b>7,417</b>
Balance at beginning of the year	1,152	1,271
Amounts collected or written-off during the year	(1,125)	(119)
<b>Total impairment allowance on foreign trade receivables</b>	<b>27</b>	<b>1.152</b>
<b>Total impairment allowance</b>	<b>3,388</b>	<b>8,569</b>

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

	31.12.2015.	31.12.2014.
Over 365 days	3,388	8,569
	<b>3,388</b>	<b>8,569</b>

Ageing analysis of receivables past due but not impaired:

	31.12.2015.	31.12.2014.
0 – 365 days	19,430	8,126
Over 365 days	-	1,254
	<b>19,430</b>	<b>9,380</b>

## 27. Trade receivables (continued)

Receivables from associated companies:

	31.12.2015.	31.12.2014.
Trade receivables	4,883	3,961
	<b>4,883</b>	<b>3,961</b>

## 28. Other receivables

	31.12.2015.	31.12.2014.
Prepayments made	19,158	24,190
Receivables from the State and state institutions institutions	10,182	18,097
Due from employees	382	482
Other receivables	4,487	5,759
	<b>34,209</b>	<b>48,528</b>

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

Prepayments made comprise mainly prepayments for purchases of production equipment and tools.

## 29. Current financial assets

	31.12.2015.	31.12.2014.
Short-term loans	2,259	3,209
Current portion of given long-term loans	1,500	3,137
Deposits	2,357	9,193
	<b>6,116</b>	<b>15,539</b>

Short-term loans to unrelated companies represent a loan given to Autocentar-Merkur d.d., Zagreb, with an interest rate of 7.2 percent, which is due in the last quarter of 2016.

Deposits relate to a of AO ADP/ZAO PHR for a term of six months and with an interest rate of 9.22 percent.

## 30. Cash

	31.12.2015.	31.12.2014.
Current account balance	12,384	7,806
	<b>12,384</b>	<b>7,806</b>

## 31. Prepaid expenses and accrued income

Accrued income in the amount of HRK 31,739 thousand (31 December 2014: HRK 64,248 thousand) relates to the value of investment made in the manufacture of tools for a known customer. Income from the manufacture of tools is recognised using the stage-of-completion method to determine the amount of income and costs attributable to a certain period.

	31.12.2015.	31.12.2014.
Other accrued income on tools	31,739	64,248
Prepaid expenses	7,280	14,444
Other accrued income	6,171	6,597
	<b>45,190</b>	<b>85,289</b>

## 32. Share capital

Subscribed capital amounts to HRK 419,958 thousand and consists of 4,199,584 shares, with a nominal value of HRK 100.00 per share (2014: HRK 419,958 thousand; 4,199,584 shares, with a nominal value of HRK 100,00 each).

Shareholders holding over 2 percent of the shares at 31 December 2015 were as follows:

Shareholder	Headquarters	Number of shares	Ownership in %	Type of account
OA0 HOLDING AUTOKOMPONENTI	Saint Petersburg, Russia	1,259,875	30.00%	Primary account
HYPO ALPE-ADRIA-BANK d.d. / RAIFFEISEN B-CATEGORY MANDATORY PENSION FUND	Zagreb, Croatia	269,462	6.42%	Pension fund
ADP-ESOP d.o.o.	Zagreb, Croatia	212,776	5.07%	Primary account
HYPO ALPE-ADRIA-BANK d.d. / PBZ CROATIA OSIGURANJE B-CATEGORY MANDATORY PENSION FUND	Zagreb, Croatia	119,640	2.85%	Custody account
HRVATSKA POŠTANSKA BANKA D.D./ KAPITALNI FOND d.d.	Zagreb, Croatia	116,541	2.78%	Custody account
SOCIETE GENERALE-SPLITSKA BANKA d.d. / ERSTE PLAVI B-CATEGORY MANDATORY PENSION FUND	Split, Croatia	115,353	2.75%	Pension fund
PBZ d.d.	Zagreb, Croatia	111,366	2.65%	Custody account
ERSTE & STEIERMARKISCHE BANK d.d.	Zagreb, Croatia	105,349	2.51%	Custody account
SOCIETE GENERALE-SPLITSKA BANKA d.d. / AZ B-CATEGORY MANDATORY PENSION FUND	Split, Croatia	93,900	2.24%	Pension fund
ZAGREBAČKA BANKA d.d.	Zagreb, Croatia	86,777	2.07%	Custody account
Other shareholders	-	1,708,545	40.66%	-
<b>Total:</b>		<b>4,199,584</b>	<b>100.00%</b>	



### 33. Provisions

	Short-term		Long-term	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Jubilee awards (long-service benefits)	-	-	1,759	1,302
Retirement/termination benefits	-	-	1,724	688
Legal actions	5,430	3,720	-	-
Provisions for taxes	-	51	-	-
Vacation accrual	2,631	3,197	-	-
Other provisions	546	638	-	-
	<b>8,607</b>	<b>7,606</b>	<b>3,483</b>	<b>1,990</b>

Movement in provisions is presented as follows:

	Jubilee awards (long- service benefits)	Termina- tion and retire- ment benefits	Legal actions	Provi- sions for taxes	Vacation accrual	Other provi- sions	Total
<b>At 1 January 2014</b>	<b>1,568</b>	<b>1,084</b>	<b>3,351</b>	<b>1,105</b>	<b>2,158</b>	<b>967</b>	<b>10,233</b>
Increase/(de- crease) of provi- sions	(266)	(396)	369	(1,054)	1,039	(329)	(637)
<b>At 31 December 2014</b>	<b>1,302</b>	<b>688</b>	<b>3,720</b>	<b>51</b>	<b>3,197</b>	<b>638</b>	<b>9,596</b>
Increase/(de- crease) of provi- sions	457	1,036	1,710	(51)	(566)	(92)	2,494
<b>At 31 December 2015</b>	<b>1,759</b>	<b>1,724</b>	<b>5,430</b>	<b>-</b>	<b>2,631</b>	<b>546</b>	<b>12,090</b>

## 33. Provisions (continued)

### Long-service and termination benefits

#### Defined benefit plan

According to the Union Agreement, the Company has the obligation to pay long-service (jubilee awards), retirement and other benefits to its 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 3.65% and the rate of fluctuation of 3.96%.

## 34. Long-term borrowings and other long-term debt

	31.12.2015.	31.12.2014.
Long-term borrowings	340,517	301,471
Current portion of long-term borrowings (Note 37)	(77,925)	(89,127)
	<b>262,592</b>	<b>212,344</b>
Long-term borrowings for purchase of machinery	28,488	26,239
	<b>291,080</b>	<b>238,583</b>

Long-term borrowings are mainly those realized through programs of HBOR and are used to finance capital investments and development projects. Instruments of collateral provided for the for long-term loans include mortgage on real estate and/or equipment and payment instruments. The existing long-term loans are ultimately repayable in the period 31 March 2016 – 31 December 2021.

In 2015, the weighted average interest rate on the long-term loans in 2015 was 4.40 percent.

The Group regularly meets all its obligations arising from the loans and observes all the conditions specified in the underlying contracts.

Movements in long-term borrowings during the year:

	2015	2014
<b>Balance at 1 January</b>	<b>212,344</b>	<b>255,816</b>
New loans raised	116,906	80,496
Amounts repaid	(66,658)	(123,968)
<b>Balance at 31 December</b>	<b>262,592</b>	<b>212,344</b>

## 35. Advances received

	31.12.2015.	31.12.2014.
Foreign customers	16,441	57,224
Domestic customers	7,172	-
	<b>23,613</b>	<b>57,224</b>

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

## 36. Trade payables

	31.12.2015.	31.12.2014.
Foreign trade payables	99,987	219,295
Domestic trade payables	80,524	51,130
	<b>180,511</b>	<b>270,425</b>

Average payment period for trade payables during 2015 equaled to 95 days (2014: 85 days).

## 37. Short-term borrowings

	31.12.2015.	31.12.2014.
Short-term loans - principal payable	84,108	194,548
Current portion of long-term borrowings (Note 34)	77,925	89,127
Short-term borrowings - interest payable	1,067	1,668
	<b>163,100</b>	<b>285,343</b>

The short-term borrowings were used to finance development projects and for working capital purposes. Instruments of collateral provided for the short-term borrowings are payment instruments. The largest portion of the total short-term borrowings consists of revolving facilities and approved overdrafts on current accounts with the limits renewable on an annual basis.

The short-term borrowings represent loans provided by commercial banks, with an average interest rate of 5.49 percent.

## 38. Other current liabilities

	31.12.2015.	31.12.2014.
Due to the State and State institutions	15,042	11,618
Amounts due to employees	9,899	10,174
Liabilities in respect of the share in the result	28	-
Other current liabilities	1,654	6,796
	<b>26,623</b>	<b>28,588</b>



### 39. Accrued expenses and deferred income

	31.12.2015.	31.12.2014.
Accrued tool expenses	15,400	13,075
Due to the State and State institutions	29	256
Other current liabilities	2,191	339
	<b>17,620</b>	<b>13,670</b>

### 40. Goodwill

	31.12.2015.	31.12.2014.
Goodwill	7,612	8,908
	<b>7,612</b>	<b>8,908</b>

Recognised goodwill relates to the difference between the net assets of KZA and the value paid for the purchase of KZA by ZAO AD Plastik Kaluga.

Pursuant to International Financial Reporting Standard 3 "Business Combinations", the Group has at 31 December 2013 recognized the business combination at provisional amounts because the fair values of identifiable assets, liabilities and contingent liabilities of the acquiree could be determined only provisionally. The Group acquired the control of the acquiree at 31 December 2013 and has completed the recognition of the business combination within 12 months of the acquisition. Due to that, the value of goodwill has been adjusted in the statement of financial position at December 31, 2013.

Goodwill trend in a year can be presented as follow:

	2015	2014
<b>At 1 January</b>	<b>8,908</b>	<b>13,495</b>
FX differences	(1,296)	(4,587)
<b>At 31 December</b>	<b>7,612</b>	<b>8,908</b>

### 41. Remuneration paid to the members of the supervisory board, management board and executive directors

The total remuneration provided to the members of the Supervisory Board, the Management Board and executive directors in 2015 amounts to HRK 15,576 thousand (2014: HRK 14.350 thousand).

## 42. Financial instruments and risk management

### 42.1 Gearing ratio

The Group's gearing ratio, expressed as the ratio of net debt to equity, is as follows:

	31.12.2015.	31.12.2014.
Short-term borrowings	163,100	285,343
Long-term borrowings	262,592	212,344
Cash and cash equivalents	(12,384)	(7,806)
<b>Net debt</b>	<b>413,308</b>	<b>489,881</b>
Equity	622,956	606,478
<b>Net debt-to-equity ratio</b>	<b>66.35%</b>	<b>80.77%</b>

### 42.2 Categories of financial instruments

	31.12.2015.	31.12.2014.
<b>Financial assets</b>		
Loans and receivables	320,656	407,130
Cash and cash equivalents	12,384	7,806
<b>Financial liabilities</b>		
Trade and other payables	215,705	344,619
Borrowings	425,692	497,687

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. Excluded from the balance are amounts receivable from and payable to the state.

### 42.3 Financial risk management objectives

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

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

## 42. Financial instruments and risk management (continued)

### 42.4 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.

### 42.5. 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.

### 42.6. 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 six largest customers of the Group are Revoz, Slovenia; OAO Avtovaz, Russia; Reydel Automotive France; Grupo Antolin, Czech Republic; Hella Saturnus, Slovenia; and Peugeot Citroen Automobiles, France. Revenues generated by the sales to these business partners make up over 80 percent of the total sales. In 2015 the Company generated 62.20% percent of its sales from its major customer, Renault and its subsidiaries (2014: 64.52%).

It is the policy of the Company to transact with financially sound companies where the risk of default is minimised.

## 42. Financial instruments and risk management (continued)

### 42.7. Foreign currency risk management

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

As at 31 December	Assets		Liabilities		Net FX position	
	2015	2014	2015	2014	2015	2014
EUR	131,250	185,189	587,527	509,896	(456,277)	(324,707)
RUR	90,612	103,993	57,868	43,696	32,744	60,297
RSD	3,744	24,496	-	2,290	3,744	22,206
USD	356	649	1,029	792	(673)	(143)
GBP	3	-	239	157	(236)	(157)
CHF	-	-	-	-	-	-
JPY	-	-	-	-	-	-
	<b>225,965</b>	<b>314,327</b>	<b>646,663</b>	<b>556,831</b>	<b>(420,698)</b>	<b>(242,504)</b>

### Foreign currency sensitivity analysis

The Group is mainly exposed to the risk of changes in the exchange rates for the euro (EUR) and the Russian rouble (RUR). The following table details the Group's sensitivity to a 2 percent change of the Croatian kuna against the euro and a 10 percent change of the Croatian kuna against the Russian rouble in 2015 and 2014. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and their translation at the year-end. A negative figure below indicates a decrease in profit and a positive figure where the Croatian kuna changes against the relevant currency for the percentage specified above.

	EUR impact	
	2015	2014
Change in exchange differences (2%)	+/- 9.119	+/- 4.445

	RUR impact	
	2015	2014
Change in exchange differences (10%)	+/- 3.275	+/- 6.166



## 42. Financial instruments and risk management (continued)

### 42.8. 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.

		Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
<b>2015</b>	Weighted average interest rate						
Assets							
Non-interest bearing		65,184	74,935	41,952	-	86,508	268,579
Interest bearing	9.48%	41	-	4,887	65,435	1,709	72,072
		<b>65,225</b>	<b>74,935</b>	<b>46,839</b>	<b>65,435</b>	<b>88,217</b>	<b>340,651</b>
Liabilities							
Non-interest bearing	4.62%	84,468	81,151	46,535	3,551	-	215,705
Interest bearing		3,693	25,960	145,108	280,770	37,022	492,553
		<b>88,161</b>	<b>107,111</b>	<b>191,643</b>	<b>284,321</b>	<b>37,022</b>	<b>708,258</b>
<b>2014</b>							
Assets							
Non-interest bearing		21,293	41,741	191,071	-	92,666	346,741
Interest bearing	11.56%	225	11,780	9,471	51,871	2,368	75,715
		<b>21,518</b>	<b>53,521</b>	<b>200,542</b>	<b>51,871</b>	<b>95,034</b>	<b>422,486</b>
Liabilities							
Non-interest bearing		38,726	19,713	237,927	48,253	-	344,619
Interest bearing	6.48%	5,557	52,697	248,139	201,674	44,861	552,928
		<b>44,283</b>	<b>72,410</b>	<b>486,066</b>	<b>249,927</b>	<b>44,861</b>	<b>897,547</b>

## 42. Financial instruments and risk management (continued)

### 42.9. 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 the price quoted on a stock exchange or arrived at using the discounted cash flow method.

At 31 December 2015, 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 assets and liabilities.

## 43. Events after the reporting period

An Extraordinary Meeting of the Shareholders of the parent company was held on 6 April 2016, at which a decision was adopted to distributed a dividend of HRK 4 per share out of the Company's retained (undistributed) earnings and other reserves from 2014. The dividends will be paid on 22 April 2016.

## 44. Contingent liabilities

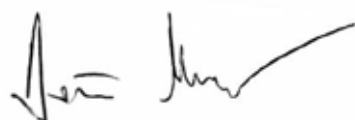
Based on the Management's estimate, the Group had no material contingent liabilities at 31 December 2015 which would require to be disclosed in the notes to the financial statements.

As at 31 December 2015 there were no material legal actions with a potential negative outcome for the Group other than those reflected in these financial statements.

## 45. Approval of the financial statements

These financial statements were approved by the Management Board of AD Plastik d.d. and authorised for issue on 23 April 2016.

For AD Plastik d.d., Solin:



Marinko Došen

President of the Management Board

## AD Plastik d.d., Solin

Unconsolidated financial statements together with Independent Auditor's Report  
for the year ended 31 December 2015

## Responsibility for the financial statements

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

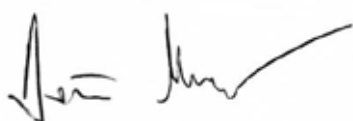
After making enquiries, the Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the Management Board is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making reasonable and prudent judgements and estimates;
- following applicable accounting standards and disclosing and explaining any material departure in the financial statements;
- preparing the financial statements under the going concern principle unless it is inappropriate to presume that the Company will continue in business.

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

Signed on behalf of the Management Board by:



Marinko Došen

President of the Management Board

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

23 April 2016

## Independent Auditor's Report

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

We have audited the accompanying unconsolidated financial statements of AD Plastik d.d., Solin ("the Company"), which comprise the unconsolidated statement of financial position as of 31 December 2015, and the unconsolidated related statement of comprehensive income, unconsolidated statement of changes in shareholders' equity and unconsolidated 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

The Management Board is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with International Financial Reporting Standards as adopted by the 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 unconsolidated 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 unconsolidated 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 an entity'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 entity'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.

Registered at the Commercial Court in Zagreb: Reg. No: 030022053; - Registered capital paid in: HRK 44,900.00; Management: Eric Daniel Olcott and Branislav Vrtačnik; business bank: Zagrebačka banka d.d., Paromlinska 2, 10 000 Zagreb, ž. račun/bank account no. 2360000-1101896313; SWIFT Code: ZABHR2X IBAN: HR27 2360 0001 1018 9631 3; Privredna banka Zagreb d.d., Račkoga 6, 10 000 Zagreb, ž. račun/bank account no. 2340009-1110098294; SWIFT Code: PBZGHR2X IBAN: HR38 2340 0091 1100 9829 4; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, ž. račun/bank account no. 2484008-1100240905; SWIFT Code: RZBHR2X IBAN: HR10 2484 0081 1002 4090 5

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Member of Deloitte Touche Tohmatsu Limited



## Independent Auditor's Report (continued)

### Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the financial position of the company AD Plastik d.d., Solin, at 31 December 2015, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

### Other legal and regulatory requirements

Pursuant to Article 18 of the Accounting Act, the Management Board is also responsible for preparing an annual report.

Our responsibility is to express an opinion, based on our audit, about whether the annual report is consistent with the unconsolidated financial statements. We have applied procedures in accordance with International Standards on Auditing solely to assess whether the information published in the Annual Report is consistent, in all material respects, with that presented in the unconsolidated 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 unconsolidated financial statements at 31 December 2015.

Deloitte d.o.o.

  
Branislav Vrtačnik, President of the Board

  
Darko Horvat, Certified Auditor

Zagreb, Croatia

23 April 2016

Registered at the Commercial Court in Zagreb; Reg. No: 030022053; - Registered capital paid in: HRK 44,900.00; Management: Eric Daniel Olcott and Branislav Vrtačnik; business bank: Zagrebačka banka d.d., Paromlinska 2, 10 000 Zagreb, ž. račun/bank account no. 2360000-1101896313; SWIFT Code: ZABAHR2X IBAN: HR27 2360 0001 1018 9631 3; Privredna banka Zagreb d.d., Račkoga 6, 10 000 Zagreb, ž. račun/bank account no. 2340009-1110098294; SWIFT Code: PBZGHR2X IBAN: HR38 2340 0091 1100 9829 4; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, ž. račun/bank account no. 2484008-1100240905; SWIFT Code: RZBHHR2X IBAN: HR10 2484 0081 1002 4090 5

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Unconsolidated statement of comprehensive income  
For the year ended 31 December 2015

(All amounts are expressed in thousands of kunas)

	Notes	2015	2014
Sales	6	753,704	598,399
Other income	7	14,325	16,296
<b>Total income</b>		<b>768,029</b>	<b>614,695</b>
(Decrease) / increase in the value of work in progress and finished products		(3,256)	3,573
Cost of raw material and supplies	8	(365,394)	(270,684)
Cost of goods sold	9	(56,203)	(53,247)
Service costs	10	(55,908)	(44,176)
Staff costs	11	(133,677)	(112,557)
Depreciation and amortisation	12	(42,878)	(33,301)
Other operating expenses	13	(76,394)	(82,418)
Provisions for risks and charges	14	(5,194)	(3,399)
Impairment of non-current financial assets	15	(30,220)	(36,777)
<b>Total operating expenses</b>		<b>(769,124)</b>	<b>(632,986)</b>
<b>Profit from operations</b>		<b>(1,095)</b>	<b>(18,291)</b>
Financial income	16	65,388	64,007
Financial expenses	17	(32,041)	(32,848)
<b>Financial income</b>		<b>33,347</b>	<b>31,159</b>
<b>Profit before taxation</b>		<b>32,252</b>	<b>12,868</b>
Income tax expense	18	299	(144)
<b>Profit for the year</b>		<b>32,551</b>	<b>12,724</b>
<b>Items that may be included subsequently in profit or loss:</b>			
Exchange differences on translation of a foreign operation, net	19	(12,273)	(32,707)
<b>Total comprehensive income / (loss) for the year</b>		<b>20,278</b>	<b>(19,983)</b>
Earnings per share			
Basic and diluted earnings per share (in kunas and lipas)	20	7,81	3,05

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

Unconsolidated statement of financial position  
At 31 December 2015

(All amounts are expressed in thousands of kunas)

	Notes	31.12.2015	31.12.2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	21	99,186	95,025
Property, plant and equipment	22	511,442	518,082
Investments in subsidiaries and associates	23	66,155	96,352
Other financial assets	24	121,108	135,830
Long-term receivables	25	212,619	193,060
Deferred tax assets	18	11,968	8,575
<b>Total non-current assets</b>		<b>1,022,478</b>	<b>1,046,924</b>
<b>Current assets</b>			
Inventories	26	50,539	56,882
Trade receivables	27	117,553	175,094
Other receivables	28	24,716	33,978
Current financial assets	29	17,569	18,856
Cash and cash equivalents	30	3,414	1,801
Prepaid expenses and accrued income	31	36,922	62,507
<b>Total current assets</b>		<b>250,713</b>	<b>349,118</b>
<b>TOTAL ASSETS</b>		<b>1,273,191</b>	<b>1,396,042</b>

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

Unconsolidated statement of financial position (continued)  
At 31 December 2015

(All amounts are expressed in thousands of kunas)

	Notes	31.12.2015.	31.12.2014.
<b>Equity</b>			
Share capital	32	419,958	419,958
Reserves		192,463	192,627
Profit for the year		32,551	12,724
<b>Total capital employed</b>		<b>644,972</b>	<b>625,309</b>
Long-term provisions	33	3,483	1,990
Long-term borrowings	34	265,343	201,208
<b>Total non-current liabilities</b>		<b>268,826</b>	<b>203,198</b>
Advances received	35	10,805	55,988
Trade payables	36	163,556	223,828
Short-term borrowings	37	147,381	258,000
Other current liabilities	38	14,302	12,525
Short-term provisions	33	8,062	6,917
Accrued expenses and deferred income	39	15,287	10,277
<b>Total current liabilities</b>		<b>359,393</b>	<b>567,535</b>
<b>Total liabilities</b>		<b>628,219</b>	<b>770,733</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,273,191</b>	<b>1,396,042</b>

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

Unconsolidated statement of changes in shareholders' equity  
For the year ended 31 December 2015

(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Legal reserve	General reserves	Revaluation reserve (arisen on privatisation)	Reserve from revaluation of non-current tangible assets	Reserve from revaluation of non-current receivables	Reserves for own shares	Treasury shares	Retained earnings	Total
<b>Balance at 31 December 2013 - as restated</b>	<b>419,958</b>	<b>183,076</b>	<b>6,129</b>	<b>15,472</b>	<b>8,490</b>	<b>1,696</b>	<b>-</b>	<b>4,753</b>	<b>(4,753)</b>	<b>42,520</b>	<b>677,341</b>
Dividends paid	-	-	-	-	-	-	-	-	-	(33,343)	(33,343)
Allocation of a part of 2013 profit	-	-	-	9,177	-	-	-	-	-	(9,177)	-
Valuation of own shares	-	-	-	-	-	-	-	(1,808)	1,808	-	-
Sale of own shares	-	-	-	1,273	-	-	-	-	-	-	1,273
Profit for the year	-	-	-	-	-	-	-	-	-	12,724	12,724
Comprehensive loss for the year	-	-	-	-	-	-	(32,686)	-	-	-	(32,686)
<b>Balance at 31 December 2014</b>	<b>419,958</b>	<b>183,076</b>	<b>6,129</b>	<b>25,922</b>	<b>8,490</b>	<b>1,696</b>	<b>(32,686)</b>	<b>2,945</b>	<b>(2,945)</b>	<b>12,724</b>	<b>625,309</b>



Unconsolidated statement of changes in shareholders' equity (continued)  
For the year ended 31 December 2015

(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Legal reserve	General reserves	Revaluation reserve (arisen on privatisation)	Reserve from revaluation of non-current tangible assets	Reserve from revaluation of non-current receivables	Reserves for own shares	Treasury shares	Retained earnings	Total
<b>Balance at 31 December 2014</b>	<b>419,958</b>	<b>183,076</b>	<b>6,129</b>	<b>25,922</b>	<b>8,490</b>	<b>1,696</b>	<b>(32,686)</b>	<b>2,945</b>	<b>(2,945)</b>	<b>12,724</b>	<b>625,309</b>
Correction of general reserves	-	-	-	(56)	-	-	-	-	-	-	(56)
Allocation of a part of 2014 profit	-	-	-	-	-	-	-	-	-	-	-
Valuation of own shares	-	-	-	-	-	-	-	162	(162)	-	-
Purchase of own (treasury) shares	-	-	-	(456)	-	-	-	-	-	-	(456)
Profit for the year	-	-	-	-	-	-	-	-	-	32,551	32,551
Comprehensive loss for the year	-	-	-	-	-	-	(12,376)	-	-	-	(12,376)
<b>Balance at 31 December 2015</b>	<b>419,958</b>	<b>183,076</b>	<b>6,129</b>	<b>25,410</b>	<b>8,490</b>	<b>1,696</b>	<b>(45,062)</b>	<b>3,107</b>	<b>(3,107)</b>	<b>45,275</b>	<b>644,972</b>

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

Unconsolidated statement of cash flows  
For the year ended 31 December 2015

(All amounts are expressed in thousands of kunas)

Cash flows from operating activities	2015.	2014.
<b>Profit for the year</b>	<b>32,551</b>	<b>12,724</b>
<b>Adjusted by:</b>		
Income tax expense	(299)	144
Depreciation and amortisation	42,878	33,301
Value adjustment of investments in subsidiaries and associates	30,220	37,113
Net book value of retired property, plant and equipment	6,698	333
Net book value of retired intangible assets	5,338	-
Interest expense	23,534	20,692
Interest income	(14,368)	(14,307)
Increase in long-term and short-term provisions	2,638	746
<b>Profit from operations before working capital changes</b>	<b>129,190</b>	<b>90,746</b>
Decrease/(increase) in inventories	6,343	(19,531)
Decrease/(increase) in current and non-current trade receivables	34,216	(128,063)
Decrease in other receivables	10,651	26,057
(Decrease)/increase in trade payables	(60,272)	116,133
Decrease of advances received	(45,183)	(21,530)
Increase/(decrease) in other current liabilities	2,131	(35)
Increase/(decrease) in accrued expenses and deferred income	5,010	(8,056)
Decrease in accrued income and prepaid expenses	25,585	56,596
Interest paid	(23,944)	(20,657)
<b>Cash flows from operating activities</b>	<b>83,727</b>	<b>91,660</b>
New investments in subsidiaries and associates	(23)	-
Interest received	1,275	5,788
Purchases of property, plant and equipment	(28,462)	(43,056)
Purchases of intangible assets	(23,973)	(44,283)
Long-term loans	-	(37,936)
Proceeds from given long-term and short-term loans	16,437	-
Increase in deposits	(428)	-
<b>Cash used in investing activities</b>	<b>(35,174)</b>	<b>(119,487)</b>

Unconsolidated statement of cash flows (continued)  
For the year ended 31 December 2015

(All amounts are expressed in thousands of kunas)

<b>Cash flows from financing activities</b>	2015.	2014.
(Purchase)/sale of treasury shares	(456)	1,273
Dividends paid	-	(33,343)
Proceeds from long-term borrowings	116,906	75,941
Proceeds from short-term borrowings	63,631	136,656
Repayment of short-term borrowings	(174,250)	(85,981)
Repayment of long-term borrowings	(52,771)	(79,449)
<b>Cash (used in)/generated from financing activities</b>	<b>(46,940)</b>	<b>15,097</b>
<b>Increase/(decrease) in cash and cash equivalents, net</b>	<b>1,613</b>	<b>(12,730)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,801</b>	<b>14,531</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>3,414</b>	<b>1,801</b>

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

## 1. General information

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

By decision of the General Shareholders' Assembly dated 21 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 September 2007, the increase of the share capital by HRK 125,987,500., 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 and consists of 4,199,584 shares, with a nominal amount of HRK 100,00 each. Under the Share Transfer Agreement of 29 June 2009 OAO Spik transferred the shares of the AD Plastik d.d. to OAO Group Aerokosmicheskoe Oborudovanie, St. Petersburg, which transferred those shares to OAO HAK, Sankt Petersburg.

The Company have been included in the listing of public limited companies on the Official Market of the Zagreb Stock Exchange since 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; disposable hemodialysis needles, and others.
- Representation of foreign companies;
- 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, organisation, efficiency and controls, management information, etc.;
- management consulting (agronomists and agricultural economists, on farms, etc.);
- purchase and sale of goods;
- trade intermediation on domestic and international markets;
- use of hazardous chemicals; and
- treatment of hazardous and non-hazardous waste.

### 1.2. Number of staff

At 31 December 2015, the number of staff employed was 1,203 (31 December 2014: 1,283).

### 1.3. Management and corporate governance

	Mandate	
<b>Members of the Supervisory Board:</b>		
Josip Boban (President)	From 19.07.2012	to 19.07. 2016
Nikola Zovko (Vice President)	From 19.07.2012	to 19.07. 2016
Dolores Čerina	From 02.06.2015	to 02.06.2019
Marijo Grgurinović	From 23.07.2015	to 23.07.2019
Solomatin Igor Anatoljevič	From 23.07.2015	to 23.07.2019
Drandin Dmitrij Leonidovič	From 19.10.2015	to 19.10.2019
Nikitina Nadežda Anatoljevna	From 19.10.2015	to 19.10.2019
<b>The members of the Company's Management Board are as follows:</b>		
Marinko Došen (President)	From 06.02.2015	to 19.07.2016
Ivica Tolić	From 19.07.2012	to 19.07.2016
Katija Klepo	From 19.07.2012	to 19.07.2016
Mladen Peroš	From 06.02.2015	to 19.07.2016
Denis Fusek	From 26.09.2013	to 19.07.2016
Hrvoje Jurišić	From 26.09.2013	to 19.07.2016



## 2. Adoption of new and revised international financial reporting standards

### Adoption of new amendments to the existing Standards and Interpretations effective for the current financial period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for current financial period:

- **Amendments to various standards "Improvements to IFRSs from the 2011–2013 Cycle"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (applicable to annual periods beginning on or after 1 January 2015),
- **IFRIC 21 "Levies"**, adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

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

### Amendments to the existing standards issued by IASB and adopted by the European Union, but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure Initiative - adopted by the EU on 18 December 2015 (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 Amortisation - adopted by the EU on 2 December 2015 (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 - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),

## 2. Adoption of new and revised international financial reporting standards (continued)

### Amendments to the existing standards issued by IASB and adopted by the European Union, but not yet effective (continued)

- **Amendments to IAS 19 "Employee Benefits"** – Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015)
- **Amendments to IAS 27 "Presentation of Financial Statements"** – Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards "Improvements to IFRSs from the 2010-2012 Cycle"**, 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 - adopted by the EU on 17 December 2014 (applicable to annual periods beginning on or after 1 February 2015),
- **Amendments to various standards "Improvements to IFRSs from the 2012-2014 Cycle"**, resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IFRS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2014 (applicable to annual periods beginning on or after 1 January 2016),

## 2. Adoption of new and revised international financial reporting standards (continued)

### New Standards and amendments to the existing Standards issued by IASB, but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board ('IASB') except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at 23 April 2016 (the effective dates stated below are for IFRS in full):

- **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), – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 15 "Revenue from Contracts with Customers"** and further amendments (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded).

The Management Board anticipates the adoption of these standards and interpretations in the financial statements of the Company in the periods in which they become effective, but without any material impact on the financial statements in the period of initial application.

### 3. Summary of significant accounting policies

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

#### 3.1. Statement of compliance

The financial statements are prepared in accordance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards ('IFRS') adopted by the European Union.

#### 3.2. Basis of preparation

The Company maintains its accounting records in the Croatian language, in Croatian Kuna and in accordance with Croatian laws and the accounting principles 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') 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 2015, and the results of operations for the year then ended. The consolidated financial statements AD Plastik d.d. and its subsidiaries for the year ended 31 December 2015 were issued on 23 April 2016.

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 of 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. Details of the investments in subsidiaries and associates are presented in Note 23.

## 3. Summary of significant accounting policies (continued)

### 3.3. 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. The Company recognises revenue when the amount of the revenue can be measured reliably and when it is probable that future economic benefits will flow into the Company.

Product sales are recognized when the products are delivered to, and accepted by the customer and when the significant risks and rewards associated with the ownership of a product are transferred to the customer.

#### Income from the manufacture of tools for a known customer

Accrued revenues are matched with contracts that are specifically concluded for developing an asset, or a group of assets, closely linked and interdependent on the design, technology and function, or their final use or application. The Company is required to recognize revenue according to the stage of completion of a contractual performance. Pursuant to IAS 11, when the outcome of a production contract can be estimated reliably, the revenue and costs associated with the contract should be recognized according to the stage of completion of the contractual performance at the date of the statement of financial position.

#### Interest income

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

### 3.4. Borrowing costs

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

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

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



### 3. Summary of significant accounting policies (continued)

#### 3.5. Foreign-currency transactions

Transactions in foreign currencies are translated into Croatian kunas at the rates of exchange in effect at the dates of the transactions. Cash, receivables and payables denominated in foreign currencies are retranslated at the rates of exchange in effect at the date of the statement of financial position. Gains and losses arising on translation are included in the statement of comprehensive income for the year. At 31 December 2015, the official exchange rate of the Croatian kuna against 1 euro (EUR) was HRK 7,635047 (31 December 2014: HRK 7,661471 for EUR 1).

#### 3.6. Income tax

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

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 rate expected to apply to taxable profit in the period in which the liability is expected to be settled or the asset realised, based on the tax rates in effect at the date of the statement of financial position.

The measurement of deferred tax liabilities and assets reflects the amount that the Company expects, at the date of the statement of financial position, to recover or settle the carrying amounts of its assets and liabilities.

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

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

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

### 3. Summary of significant accounting policies (continued)

#### 3.7. Property, plant and equipment, and intangible assets

Property, plant and equipment as well as intangible assets are recognised at purchase cost and subsequently reduced by accumulated depreciation/amortisation. The purchase cost comprises the purchase price, import duties and non-refundable sales taxes (for tangible assets) and any directly attributable costs of bringing an asset to its working condition and location for its intended use, such as employee remuneration, professional fees directly arising from putting an asset into its working condition, test costs (for intangible assets), as well as all other costs directly attributable to bringing an asset to a condition 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 an increase of expected future economic benefits to be derived from the use of an item of property, plant and equipment 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 property, plant and equipment or intangible assets are included in the statement of comprehensive income in the period in which 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, property, plant and equipment and intangible assets under development over the estimated useful life of the asset using the straight-line method as follows:

	Depreciation rates in 2015	Depreciation rates in 2014
<b>Property, plant and equipment, and intangible assets</b>		
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
Others	10,00	10,00
Projects	20,00	20,00

### 3. Summary of significant accounting policies (continued)

#### 3.8. Impairment of property, plant and equipment, and intangible assets

At each reporting date the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is an indication that the assets have suffered an impairment loss. 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, The Company's assets are also allocated to individual cash-generating units or, if this is not possible, 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 subsidiaries and associates

A subsidiary is an entity over which the Company has effective control over financial and operating policy decisions of the Company. The results, assets and liabilities of subsidiaries are incorporated in these financial statements using the equity method of accounting.

An associate is an entity over which the Company has significant influence and an ownership interest from 20 to 50 percent, but no control over the entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control over those policies. The results of operations of associates are incorporated in these financial statements using the equity method of accounting.

#### 3.10. Inventories

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

Small inventory is written off when put in use.

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

Merchandise on stock is recognised at purchase cost.

## 3. Summary of significant accounting policies (continued)

### 3.11. Trade receivables and prepayments

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

Impairment is made whenever there is objective evidence that the Company will not be able to collect all amounts due according to the originally agreed terms. 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 determines the level of impairment allowance for doubtful receivables based on a specific review of the recoverability of amounts owed by strategic customers of the ADP Group and of the overall ageing 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 (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

### 3. Summary of significant accounting policies (continued)

#### 3.13. Provisions (continued)

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

#### 3.14. Termination, long-service and other employee benefits

##### (a) Pension obligations and 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 recognised as salary expense when accrued. The Company does not have any other retirement benefit plan and, consequently, has no other obligations in respect of the retirement benefits for its employees. In addition, the Company is not obliged to provide any other post-employment benefits.

##### (b) Termination benefits

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

##### (c) Regular termination benefits

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

##### (d) Long-term employee benefits

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

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



## 3. Summary of significant accounting policies (continued)

### 3.15. Financial instruments

Financial assets and financial liabilities included in the accompanying financial statements consist of cash and cash equivalents, marketable securities, trade and other receivables, trade and other payables, long-term receivables, loans, borrowings and investments. The details of the recognition and measurement of those items are presented in the corresponding accounting 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. They are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss in the statement of comprehensive income.

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

#### Loans and receivables

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

#### Effective interest method

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

### 3. Summary of significant accounting policies (continued)

#### 3.15 Financial instruments (continued)

##### Impairment of financial assets

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

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

##### Derecognition of financial assets

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

##### Classification as debt or equity

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

##### Reserves from translation of foreign currencies

An entity may have a monetary item as an amount receivable from, or payable to a foreign entity. An item neither planned to be settled nor likely to arise in the foreseeable future is essentially part of the entity's net investment in a foreign operation and accounted for in accordance with IAS 21. The Company recognizes foreign exchange differences arising from monetary items that are part of the net foreign investment initially in other comprehensive income and accumulates under a separate component of equity - revaluation reserves.

On disposal of a net investment in a foreign operation, the entire balance of exchange differences is transferred from equity to profit or loss.

### 3. Summary of significant accounting policies (continued)

#### 3.16. Contingencies

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

#### 3.17. Events subsequent to the reporting date

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

#### 3.18. Segment reporting

Company keeps records and publishes business results for its basic business segments. Segments divided according to geographical position are the basis for segment reporting. Certain financial information for each geographical position are presented in Note 5.

Company presents its revenue according to geographical position, but it does not keep records information about non-current assets and revenue from external buyers generated in those areas.

## 4. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

### Useful life of property, plant and equipment

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

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

A deferred tax asset is recognized only to the extent that it is probable that the related tax benefit will be realised. In determining the amount of deferred taxes that can be recognised significant judgement is required, which are based on the probable quantification of time and level of future taxable profits, together with the future tax planning strategy. In 2015, deferred tax assets were recognised in respect of available tax differences.

### 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.

## 5. Segment information

Segment revenue analysis by country:

	2015.	2014.
Slovenia	432,542	269,934
France	106,456	56,606
Germany	52,304	121,469
Russia	21,430	80,149
Italy	20,601	2,943
Spain	15,239	7,404
Romania	12,537	12,147
Czech Republic	8,590	26,524
Others	84,005	21,223
	<b>753,704</b>	<b>598,399</b>

## 6. Sales

	2015.	2014.
Foreign sales	747,747	588,846
Domestic sales	5,957	9,553
	<b>753,704</b>	<b>598,399</b>

## 7. Other income

	2015.	2014.
Income from co-financing	3,774	1,095
Income from consumption of own products, goods and services	1,773	1,377
Income from bonuses provided by suppliers	1,447	2,222
Income from reversal of provisions for long-service benefits	1,302	1,568
Income from reversal of retirement benefit provisions	688	1,084
Income from reversal of unused vacation days accruals, net	567	-
Income from damages collected	15	622
Other operating income	4,759	8,328
	<b>14,325</b>	<b>16,296</b>



## 8. Cost of raw material and supplies

	2015.	2014.
Direct materials	153,782	133,091
Indirect materials	167,753	107,312
Electricity	14,182	13,699
Direct packaging	12,479	10,216
Preventive maintenance of machinery	2,630	1,817
Gas for heating in the production process	1,655	1,604
Other materials	1,442	1,191
Regular maintenance of machinery	975	1,115
Other raw material and supplies	10,496	639
	<b>365,394</b>	<b>270,684</b>

## 9. Cost of goods sold

Cost of goods sold in the amount of HRK 56,203 thousand (2014: HRK 53,247 thousand) relate mainly to the purchase cost of tools, equipment and intermediary products for the start-up of new production and projects in subsidiaries.

	2015.	2014.
Cost of merchandise	31,871	15,182
Cost of materials sold	16,916	15,214
Re-export costs	6,661	21,789
Cost of spare parts sold	728	982
Other costs of goods sold	27	80
	<b>56,203</b>	<b>53,247</b>

## 10. Service cost

	2015.	2014.
Transport	29,722	26,306
Rental costs	8,236	5,963
Current maintenance and servicing costs - machinery and tools	3,741	3,041
Know-how costs	3,187	51
Tool modification costs	2,115	1,219
Regular and preventive maintenance costs - buildings	1,108	849
Communal fees	1,012	1,000
Telecommunication and information system costs	938	1,104
Water supply	871	678
Forwarding and shipping costs	135	575
Other service costs	4,843	3,390
	<b>55,908</b>	<b>44,176</b>

## 11. Staff costs

	2015.	2014.
Net wages and salaries	71,720	58,763
Taxes and contributions out of salaries	29,883	24,484
Contributions on salaries	17,930	14,691
Other staff costs	14,144	14,619
	<b>133,677</b>	<b>112,557</b>

Other staff costs comprise per diems, overnight accommodation costs and business travel costs, costs of commutation and reimbursement of other business related costs.

## 12. Depreciation and amortisation

	2015.	2014.
Depreciation (Note 22)	28,404	25,225
Amortisation (Note 21)	14,474	8,076
	<b>42,878</b>	<b>33,301</b>

### 13. Other operating expenses

	2015.	2014.
Temporary and occasional service costs - tools	41,672	55,217
Professional service cost	6,295	4,038
Other non-material costs	5,323	3,492
Customer complaints	3,518	841
Bank and payment operation charges	2,787	2,502
Net book value of tangible and intangible fixed assets	2,555	3,919
Insurance premiums	1,834	1,537
Communal fees for the use of construction plots	1,561	1,526
Cost of goods provided free of charge	920	762
Professional training costs	531	360
Entertainment and hospitality	524	552
Measuring equipment and laboratory tests	518	317
Support to employees and their families	233	124
Forest reproduction levies	209	169
Water management fee	171	161
Gifts, donations and sponsorships of up to 2 % of prior-period revenue	150	235
Other expenses	7,593	6,666
	<b>76,394</b>	<b>82,418</b>

### 14. Provisions for risks and charges

	2015.	2014.
Provisions for long-service and retirement benefits	3,483	1,990
Litigation provision (net)	1,711	370
Vacation accruals, net	-	1,039
	<b>5,194</b>	<b>3,399</b>

## 15. Impairment of long-term financial assets

The Company, based on impairment indicators, recognised impairment of its investment in FADP in the amount of HRK 30,220 thousand (2014: HRK 36,777 thousand in respect of ADP Kaluga) based on the related discounted cash flows of the financial assets. As a result, the carrying amount of the investment in FADP Holding amounts to nil.

## 16. Financial income

	2015.	2014.
Dividend income	41,969	40,998
Interest income	14,368	14,307
Foreign exchange gains	9,050	7,973
Other financial income	1	729
	<b>65,388</b>	<b>64,007</b>

The dividends consist mainly of dividends received from associate EURO APS, Romania, in the amount of HRK 41,963 thousand (2014: HRK 40,987 thousand).

## 17. Finance costs

	2015.	2014.
Interest expense	23,534	20,692
Foreign exchange losses	8,507	11,773
Other financial expenses	-	383
	<b>32,041</b>	<b>32,848</b>

## 18. Income tax

Income tax comprises the following:

	2015.	2014.
Deferred tax	299	(132)
Current tax	-	(12)
	<b>299</b>	<b>(144)</b>

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

	2015.	2014.
Balance at 1 January	8,575	530
Deferred tax assets recognised	3,393	8,045
<b>Balance at 31 December</b>	<b>11,968</b>	<b>8,575</b>

Deferred tax assets arise from the following:

2015.	Opening balance	Credited / (charged) to statement of comprehensive income	Closing balance
<i>Temporary differences:</i>			
Provisions for long-service and termination benefits	398	299	697
Reserves from translation of foreign currencies, net	8,177	3,068	11,245
Reclassification adjustment in respect of gains on translation of a foreign operation	-	26	26
<b>Balance at 31 December</b>	<b>8,575</b>	<b>3,393</b>	<b>11,968</b>
2014.	Opening balance	Credited / (charged) to statement of comprehensive income	Closing balance
<i>Temporary differences:</i>			
Provisions for long-service and termination benefits	530	(132)	398
Reserves from translation of foreign currencies, net	-	8,177	8,177
<b>Balance at 31 December</b>	<b>530</b>	<b>8,045</b>	<b>8,575</b>



## 18. Income tax (continued)

Reconciliation between the accounting and tax results is shown as follows:

	2015.	2014.
<b>Accounting profit before tax</b>	<b>32,252</b>	<b>12,868</b>
Effect of tax base increasing items	36,552	44,331
Effect of tax base decreasing items	(44,394)	(43,944)
<b>Tax base</b>	<b>24,410</b>	<b>13,255</b>
Tax at the rate of 20%	4,882	2,651
Tax reliefs	(4,882)	(2,639)
Income tax expense	-	12

The income tax rate effective in the Republic of Croatia for the years 2015 and 2014 was 20 percent.

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 40/2013).

As a result, the Company made investments in fixed assets in 2015, having thus met the prerequisites for the utilization of the tax incentives for 2015.

The Tax Administration performed a supervisory audit of the calculation, recognition, filing and payment of the value-added tax and corporate income tax in the period from 1 January to 31 December 2013. The audit was carried out at the business premises of the taxpayer and the Office for Large Taxpayers of the Tax Administration in the period from 27 October 2014 to 19 June 2015.

On 19 June 2015, a 'no-objection' tax audit findings report was issued.

Pursuant to the tax regulations, the tax authorities may at any time inspect the Company's books and records within three years subsequent to the year in which the tax liability is reported and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

## 19. Exchange differences on translation of a foreign operation, net

	31.12.2015.	31.12.2014.
Balance at beginning of the year	(32,686)	-
Exchange differences on translation of a foreign operation	(15,341)	(40,884)
Income tax on exchange rate losses from translation of a foreign operation	3,068	8,177
Exchange differences on translation of a foreign operation, net	(12,273)	(32,707)
Reclassification adjustment for (losses)/gains from translation of a foreign operation recognised in profit or loss	(103)	21
<b>Balance at end of year</b>	<b>(45,062)</b>	<b>(32,686)</b>

## 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. The basic earnings per share equal the diluted earnings per share, as there are currently no share options that would potentially increase the number of issued shares.

	2015.	2014.
Net profit attributable to the shareholders (in HRK'000)	32,551	12,724
Weighted average number of shares	4,167,822	4,167,822
<b>Basic and diluted earnings per share (in kunas and lipas)</b>	<b>7,81</b>	<b>3,05</b>

## 21. Intangible assets

	Licences	Software	Projects	Total
<b>Cost</b>				
<b>Balance at 31 December 2013</b>	<b>55</b>	<b>5,424</b>	<b>126,753</b>	<b>132,232</b>
Additions	-	19	44,264	44,283
<b>Balance at 31 December 2014</b>	<b>55</b>	<b>5,443</b>	<b>171,017</b>	<b>176,515</b>
Additions	-	205	23,768	23,973
Disposals and retirements			(5,351)	(5,351)
<b>Balance at 31 December 2015</b>	<b>55</b>	<b>5,648</b>	<b>189,434</b>	<b>195,137</b>
<b>Accumulated amortisation</b>				
<b>Balance at 31 December 2013</b>	<b>-</b>	<b>1,802</b>	<b>71,612</b>	<b>73,414</b>
Charge for the year (Note 12)	-	1,610	6,466	8,076
<b>Balance at 31 December 2014</b>	<b>-</b>	<b>3,412</b>	<b>78,078</b>	<b>81,490</b>
Charge for the year (Note 12)	-	888	13,586	14,474
Disposals and retirements			(13)	(13)
<b>Balance at 31 December 2015</b>	<b>-</b>	<b>4,300</b>	<b>91,651</b>	<b>95,977</b>
<b>Net book value</b>				
<b>At 31 December 2015</b>	<b>55</b>	<b>1,348</b>	<b>97,783</b>	<b>99,186</b>
<b>At 31 December 2014</b>	<b>55</b>	<b>2,031</b>	<b>92,939</b>	<b>95,025</b>

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

## 22. Property, plant and equipment

	Land	Buildings	Plant and equipment	Assets under construction	Others	Total
<b>Cost</b>						
<b>Balance at 31 December 2013</b>	<b>139,976</b>	<b>228,350</b>	<b>320,302</b>	<b>98,670</b>	<b>1,915</b>	<b>789,213</b>
Additions	-	150	-	42,423	483	43,056
Transfer from assets under development	-	-	77,422	(77,422)	-	-
Disposals and retirements	-	-	(6,929)	-	-	(6,929)
<b>Balance at 31 December 2014</b>	<b>139,976</b>	<b>228,500</b>	<b>390,795</b>	<b>63,671</b>	<b>2,398</b>	<b>825,340</b>
Additions	-	-	-	27,130	1,332	28,462
Transfer from assets under development	-	37,416	45,574	(82,990)	-	-
Disposals and retirements	-	-	(26,886)	-	-	(26,886)
<b>Balance at 31 December 2015</b>	<b>139,976</b>	<b>265,916</b>	<b>409,483</b>	<b>7,811</b>	<b>3,730</b>	<b>826,916</b>
<b>Accumulated depreciation</b>						
<b>Balance at 31 December 2013</b>	<b>-</b>	<b>64,778</b>	<b>222,726</b>	<b>-</b>	<b>1,124</b>	<b>288,628</b>
Charge for the year (Note 12)	-	3,426	21,632	-	167	25,225
Disposals and retirements	-	-	(6,595)	-	-	(6,595)
<b>Balance at 31 December 2014</b>	<b>-</b>	<b>68,204</b>	<b>237,763</b>	<b>-</b>	<b>1,291</b>	<b>307,258</b>
Charge for the year (Note 12)	-	3,938	24,239	-	227	28,404
Disposals and retirements	-	-	(20,188)	-	-	(20,188)
<b>Balance at 31 December 2015</b>	<b>-</b>	<b>72,142</b>	<b>241,814</b>	<b>-</b>	<b>1,518</b>	<b>315,474</b>
<b>Net book value</b>						
<b>At 31 December 2015</b>	<b>139,976</b>	<b>193,774</b>	<b>167,669</b>	<b>7,811</b>	<b>2,212</b>	<b>511,442</b>
<b>At 31 December 2013</b>	<b>139,976</b>	<b>160,296</b>	<b>153,032</b>	<b>63,671</b>	<b>1,107</b>	<b>518,082</b>

At 31 December 2015 the estimated value of land and buildings pledged as collateral with commercial banks amounts to HRK 340,166 thousand (31 December 2014: HRK 362,504 thousand), and the balance of short-term and long-term borrowings covered by the collateral amounts to HRK 340,347 thousand (31 December 2014: HRK 303,989 thousand).

## 23. Investments in subsidiaries and associates

Set out below are details of the Group's 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, in HRK'000	
			31.12.2015	31.12.2014	31.12.2015	31.12.2014
<b>ZAO AD Plastik Kaluga</b>	Manufacture of other vehicle spare parts and accessories	Kaluga, Russian Federation	100.00%	100.00%	24,236	24,236
<b>ADP d.o.o.</b>	Manufacture of other vehicle spare parts and accessories	Mladenovac, Serbia	100.00%	100.00%	15,013	15,014
<b>AO ADP / ZAO PHR</b>	Manufacture of other vehicle spare parts and accessories	Samara, Russian Federation	99.95%	99.95%	5,069	5,069
<b>AD PLASTIK d.o.o.</b>	Manufacture of other vehicle spare parts and accessories	Novo Mesto, Slovenia	100.00%	100.00%	58	58
					<b>44,376</b>	<b>44,377</b>

In 2015 ZAO PHR, Russia, was renamed to AO ADP, Russia.

Further information about subsidiaries partly owned by the Company, but in which the Company holds a significant non-controlling interest is set out in the following table:

Name of associate	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment, HRK'000	
			31.12.2015	31.12.2014	31.12.2015	31.12.2014
<b>EURO AUTO PLASTIC SYSTEMS</b>	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	50.00%	50.00%	21,755	21,755
<b>FAURECIA ADP HOLDING</b>	Manufacture of other vehicle spare parts and accessories	Nanterre, France	40.00%	40.00%	-	30,220
<b>CENTAR ZA ISTRAŽIVANJE I RAZVOJ AUTOMOBILSKE INDUSTRIJE d.o.o.</b>	Automotive industry research and development	Zagreb, Croatia	24.00%	-	24	-
					<b>21,779</b>	<b>51,975</b>
<b>Total investments in subsidiaries and associates</b>					<b>66,155</b>	<b>96,352</b>

Centar za istraživanje i razvoj automobilske industrije d.o.o., Croatia, established in 2015, is engaged in the research and development in the automotive industry.

All the associates referred to above are presented in the accompanying consolidated financial statements using the equity method.



## 23. Investments in subsidiaries and associates (continued)

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

<b>AD PLASTIK d.o.o., Novo Mesto, Slovenia</b>	31.12.2015.	31.12.2014.
Total assets	11,203	19,510
Total liabilities	(8,107)	(15,386)
Net assets	3,096	4,124
<b>Share in the net assets of the subsidiary</b>	<b>100.00%</b>	<b>100.00%</b>
<b>AO ADP / ZAO PHR, Samara, Russian Federation</b>	31.12.2015.	31.12.2014.
Total assets	153,062	193,918
Total liabilities	(189,757)	(214,422)
Net assets	(36,695)	(20,504)
<b>Share in the net assets of the subsidiary</b>	<b>99.95%</b>	<b>99.95%</b>
<b>ZAO AD Plastik Kaluga, Kaluga, Russian Federation</b>	31.12.2015.	31.12.2014.
Total assets	118,351	177,839
Total liabilities	(137,670)	(159,239)
Net assets	(19,319)	18,600
<b>Share in the net assets of a subsidiary</b>	<b>100.00%</b>	<b>100.00%</b>
<b>ADP d.o.o, Mladenovac, Serbia</b>	31.12.2015.	31.12.2014.
Total assets	85,383	90,260
Total liabilities	(79,098)	(84,457)
Net assets	6,285	5,803
<b>Share in the net assets of a subsidiary</b>	<b>100.00%</b>	<b>100.00%</b>

## 24. Other financial assets

	31.12.2015.	31.12.2014.
Long-term loans to subsidiaries	75,024	83,204
Long-term loans to associates	37,734	44,156
Long-term loans to unrelated companies	9,788	11,543
Other financial assets	62	64
Current portion of long-term loan receivables	(1,500)	(3,137)
	<b>121,108</b>	<b>135,830</b>

Long-term investment loans were granted to the subsidiaries and associates which mature in a period of four years and bear interest at a rate from 6.0 % to 22.34 %.

## 25. Long-term receivables

	31.12.2015.	31.12.2014.
AO ADP, Russia	127,598	118,141
ADP Kaluga, Russia	70,845	66,460
FADP Holding, Russia	14,176	8,459
	<b>212,619</b>	<b>193,060</b>

The Company has concluded with its subsidiaries contracts on deferred payment of the receivables which fall due in 2017; hence, they are classified as non-current.

## 26. Inventories

	31.12.2015.	31.12.2014.
Raw material and supplies on stock	29,068	34,101
Finished products	9,812	11,473
Spare parts	6,007	5,861
Work in progress	3,416	5,012
Merchandise on stock	2,224	431
Small items and packaging	12	4
	<b>50,539</b>	<b>56,882</b>

## 27. Trade receivables

	31.12.2015.	31.12.2014.
Foreign trade receivables	114,279	173,828
Domestic trade receivables	6,662	9,835
Impairment allowance on receivables	(3,388)	(8,569)
	<b>117,553</b>	<b>175,094</b>

The average credit period on sales is 79 days (2014: 85 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 collateral for receivables, which are issued in the amount of the receivables.

Structure of the trade receivables:

	31.12.2015.	31.12.2014.
Revoz, Slovenia	27,918	57,883
Reydel Automotive France, France	15,570	40,180
Grupo Antolin, Czech Republic	8,754	21,487
Peugeot Citroen SA, France	6,668	5,524
Hella Saturnus Slovenia	6,160	6,779
Renault, France	6,010	2,130
FCA Melfi, Italy	5,976	2,040
EURO APS, Romania	4,880	3,961
Smart Brabus, Germany	4,228	-
Ford Espana, Spain	3,553	4,490
Mandeks, Croatia	2,281	-
Ford Werke, Germany	2,069	3,544
FCA Poland, Poland	1,864	-
Plastic Components and Modules, Italy	1,681	-
FCA Italy, Italy	1,085	341
Automobile Dacia, Romania	808	448
Daimler AG, Germany	779	1,483
Peugeot Citroen ES, Spain	658	1,788
Other debtors	19,999	31,586
<i>Less: impairment allowance on trade receivables</i>	<i>(3,388)</i>	<i>(8,569)</i>
	<b>117,553</b>	<b>175,094</b>

## 27. Trade receivables (continued)

In 2015 Visteon Deutschland was acquired by Reydel AutoAutomotive France.

The total balance of other debtors in the amount of HRK 19,999 thousand (31 December 2014: HRK 31,586 thousand) includes balances owed by subsidiaries in the total amount of HRK 11,244 thousand (31 December 2014: HRK 16,190 thousand) for delivered tools, equipment, intermediate products, services and interest.

Movements in the impairment allowance on doubtful trade receivables can be presented as follows:

	31.12.2015.	31.12.2014.
Balance at beginning of the year	7,417	7,417
Amounts collected or written-off during the year	(4,056)	-
<b>Total impairment allowance on domestic trade receivables</b>	<b>3,361</b>	<b>7,417</b>
Balance at beginning of the year	1,152	1,271
Amounts collected or written-off during the year	(1,125)	(119)
<b>Total impairment allowance on foreign trade receivables</b>	<b>27</b>	<b>1,152</b>
<b>Total impairment allowance</b>	<b>3,388</b>	<b>8,569</b>

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

	31.12.2015.	31.12.2014.
0 - 365 days	-	-
Over 365 days	3,388	8,569
	<b>3,388</b>	<b>8,569</b>

Ageing analysis of receivables past due but not impaired can be presented as follows:

	31.12.2015.	31.12.2014.
0 - 365 days	48,665	102,636
Over 365 days	9,502	106,907
	<b>58,167</b>	<b>209,543</b>

Receivables past due beyond 365 days which were not impaired amount to HRK 9,502 thousand (31 December 2014: HRK 106,907 thousand), with the major part in the amount of HRK 8,545 thousand (31 December 2014: HRK 105,175 thousand) comprising receivables from companies in which AD Plastik d.d. has a majority share and control over the collection of the receivables.

## 27. Trade receivables (continued)

Receivables from related companies:

	31.12.2015.	31.12.2014.
Trade receivables	7,958	14,362
Interest receivable	3,286	1,828
	<b>11,244</b>	<b>16,190</b>

In 2015 the Company converted portions of receivables from its subsidiaries into long-term receivables due in 2017.

## 28. Other receivables

	31.12.2015.	31.12.2014.
Foreign prepayments made	18,132	20,404
Receivables from the State and state institutions	5,254	9,297
Domestic prepayments made	1,026	3,883
Amounts due from employees	302	414
Other receivables	2	-
	<b>24,716</b>	<b>33,978</b>

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

## 29. Current financial assets

	31.12.2015.	31.12.2014.
Short-term loans to subsidiaries	13,369	13,415
Other short-term loans	2,259	2,291
Current portion of long-term loan receivables	1,500	3,137
Other deposits	441	13
	<b>17,569</b>	<b>18,856</b>

Short-term loans to subsidiaries represent loans with an average interest rate of 7 percent.

Other short-term loans to unrelated companies represent a loan given to Autocentar-Merkur d.d., Zagreb, with an interest rate of 7.2 percent, which is due in the last quarter of 2016.



### 30. Cash and cash equivalents

	31.12.2015.	31.12.2014.
Foreign account balance	2,862	1,256
Current account balance	547	527
Cash in hand	5	18
	<b>3,414</b>	<b>1,801</b>

### 31. Prepaid expenses and accrued income

	31.12.2015.	31.12.2014.
Accrued income on tools	26,020	44,183
Prepaid operating expenses	6,617	12,561
Other accrued income	4,285	5,763
	<b>36,922</b>	<b>62,507</b>

Accrued income in the amount of HRK 26,020 thousand (31 December 2014: HRK 44,183 thousand) relates to the manufacture of tools for a known customer. Income from the manufacture of tools is recognised using the stage-of-completion method to determine the amount of income and costs attributable to a certain period.

## 32. Share capital

Subscribed capital amounts to HRK 419,958 thousand and consists of 4,199,584 shares, with a nominal value of HRK 100,00 per share (2014: HRK 419,958 thousand, comprising 4,199,584 shares, with a nominal value of HRK 100 each).

Shareholders with over 2 percent of the shares at 31 December 2015 were as follows:

Shareholder	Headquarters	Number of shares	Ownership in %	Type of account
OA0 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
HYPO ALPE-ADRIA-BANK D.D. / PBZ CROATIA OSIGURANJE MANDATORY PENSION FUND	Zagreb, Croatia	119,640	2.85%	Pension fund
HRVATSKA POŠTANSKA BANKA D.D./ KAPITALNI FOND D.D.	Zagreb, Croatia	116,541	2.78%	Pension fund
SOCIETE GENERALE-SPLITSKA BANKA D.D. / ERSTE PLAVI MANDATORY PENSION FUND	Split, Croatia / Zagreb, Croatia	115,353	2.75%	Pension fund
PBZ D.D. / STATE STREET CLIENT	Zagreb, Croatia	111,366	2.65%	Custody account
ERSTE & STEIERMAERKISCHE BANK d.d. / JOINT CUSTODY ACCOUNT FOR A FOREIGN LEGAL PERSON	Zagreb, Croatia	105,349	2.51%	Custody account
SOCIETE GENERALE-SPLITSKA BANKA D.D. / AZ B-CATEGORY MANDATORY PENSION FUND	Split, Croatia / Zagreb, Croatia	93,900	2.24%	Pension fund
ZAGREBAČKA BANKA D.D./STATE STREET BANK AND TRUST COMPANY, BOSTON	Zagreb, Croatia / Boston, USA	86,777	2.07%	Custody account
OTHER SHAREHOLDERS		1,708,545	40.66%	
<b>Total</b>		<b>4,199,584</b>	<b>100%</b>	

### 33. Long-term and short-term provisions

	Short-term		Long-term	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Legal actions	5,431	3,720	-	-
Vacation accrual	2,631	3,197	-	-
Jubilee awards (long-service benefits)	-	-	1,759	1,302
Retirement/termination benefits	-	-	1,724	688
	<b>8,062</b>	<b>6,917</b>	<b>3,483</b>	<b>1,990</b>

	Jubilee awards	Retirement /termination benefits	Legal actions	Vacation accrual	Total
<b>Balance at 1 January 2015</b>	<b>1,302</b>	<b>688</b>	<b>3,720</b>	<b>3,197</b>	<b>8,907</b>
Increase/(decrease) in provisions	457	1,037	1,711	(567)	2,638
<b>Balance at 31 December 2015</b>	<b>1,759</b>	<b>1,725</b>	<b>5,431</b>	<b>2,630</b>	<b>11,545</b>

#### 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 3.65% and the rate of fluctuation of 3.96%.

## 34. Long-term borrowings

	31.12.2015.	31.12.2014.
Long-term borrowings	304,249	280,520
Long-term loans for purchased machinery	19,263	15,870
	<b>323,512</b>	<b>296,390</b>
Current portion of long-term borrowings	(58,169)	(95,182)
<b>Total long-term borrowings</b>	<b>265,343</b>	<b>201,208</b>

Long-term borrowings are mainly those realized through programs of HBOR and are used to finance capital investments and development projects. Instruments of collateral provided for the for long-term loans include mortgage on real estate and/or equipment and payment instruments. All the long-term loans are repayable on a quarterly basis and are ultimately repayable in the period 31 March 2015 – 31 December 2021.

In 2015, the weighted average interest rate on the long-term loans was 3.66 percent.

The Company regularly meets all its obligations arising from the loans and observes all the conditions specified in the underlying contracts.

Movements in the long-term borrowings during the year were as follows:

	2015.	2014.
Balance at 1 January	201,208	204,716
New loans raised	116,906	75,941
Amounts repaid	(52,771)	(79,449)
<b>Total long-term borrowings</b>	<b>265,343</b>	<b>201,208</b>

## 35. Advances received

	31.12.2015.	31.12.2014.
Foreign customers	10,378	55,988
Domestic customers	427	-
	<b>10,805</b>	<b>55,988</b>

## 36. Trade payables

	31.12.2015.	31.12.2014.
Foreign trade payables	118,534	172,698
Domestic trade payables	45,022	51,130
	<b>163,556</b>	<b>223,828</b>

Average number of payment to suppliers in 2015 was 103 (in 2014: 101) days

## 37. Short-term borrowings

	31.12.2015.	31.12.2014.
Short-term borrowings – principal payable	87,955	160,006
Current portion of long-term borrowings	58,169	95,182
Short-term borrowings – interest payable	1,257	1,668
Other short-term financial liabilities	-	1,144
	<b>147,381</b>	<b>258,000</b>

The short-term borrowings were used to finance development projects and for working capital purposes. Instruments of collateral provided for the short-term borrowings are payment instruments. Of the total balance of the short-term borrowings, 40 percent represent revolving facilities and approved overdrafts on current accounts with the limits renewable on an annual basis.

In 2015, the weighted average interest rate on the short-term loans was 5.45 percent.

The Company fulfils all its obligations under the loans regularly.

	2015.	2014.
Balance at 1 January	258,000	207,325
New loans raised	63,631	136,656
Amounts repaid	(174,250)	(85,981)
<b>Balance at 31 December</b>	<b>147,381</b>	<b>258,000</b>



### 38. Other current liabilities

	31.12.2015-	31.12.2014.
Amounts due to employees	8,045	7,971
Due to the State and State institutions	6,218	4,516
Other current liabilities	39	38
	<b>14,302</b>	<b>12,525</b>

### 39. Accrued expenses and deferred income

	31.12.2015.	31.12.2014.
Accrued tool expenses	14,611	6,511
Input VAT on prepayments made	29	256
Other current liabilities	647	3,510
	<b>15,287</b>	<b>10,277</b>

## 40. Related-party transactions

Transactions with related companies were as follows:

### Receivables and payables for goods, services and interest

	Receivables		Liabilities	
	31.12.2015.	31.12.2014.	31.12.2015.	31.12.2014.
AO ADP, Rusija / ZAO PHR, Rusija	127,598	126,516	5,468	9,206
AO ADP, Russia / ZAO PHR, Russia	70,845	66,460	545	1,774
ZAO ADP KALUGA, Russia	14,176	8,459	-	-
FADP Holding, France	11,244	7,783	4,440	5,028
ADP d.o.o. Mladenovac, Serbia	4,880	3,961	-	-
EURO APS, Romania	9	32	1,695	2,538
AD Plastik d.o.o., Slovenia	3	-	8	-
	<b>228,755</b>	<b>213,211</b>	<b>12,156</b>	<b>18,546</b>

### Trading transactions

<i>Operating income and expenses</i>	Income		Expenses	
	2015.	2014.	2015.	2014.
AO ADP, Russia / ZAO PHR, Russia	35,496	48,362	9,399	16,421
ZAO ADP KALUGA, Russia	16,832	34,599	5,490	7,783
ADP d.o.o. Mladenovac, Serbia	13,727	6,684	5,717	1,438
EURO APS, Romania	11,001	49,587	-	108
FADP Holding, France	9,169	8,372	-	-
Centar za istraživanje i razvoj, Croatia	234	-	-	-
AO ADP, Russia / ZAO PHR, Russia	2	-	1	-
	<b>86,461</b>	<b>147,604</b>	<b>20,607</b>	<b>25,750</b>

## 40. Related-party transactions (continued)

### Financial transactions

<i>Finance income and finance costs</i>	Income		Expenses	
	2015.	2014.	2015.	2014.
EURO APS, Romania	41,963	40,987	-	-
FADP Holding, France	8,199	7,912	-	-
ZAO ADP KALUGA, Russia	2,349	2,393	-	-
AO ADP, Russia / ZAO PHR, Russia	1,600	1,636	-	-
ADP d.o.o. Mladenovac, Serbia	1,461	1,469	-	-
AD Plastik d.o.o., Slovenia	-	-	87	335
	<b>55,572</b>	<b>54,397</b>	<b>87</b>	<b>335</b>

The total remuneration provided to the members of the Supervisory Board, the Management Board and executive directors in 2015 amounts to HRK 11,605 thousand (2014: HRK 10,948 thousand).

## 41. Financial instruments and risk management

### 41.1 Gearing ratio

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

	31.12.2015.	31.12.2014.
Short-term borrowings	147,381	258,000
Long-term borrowings	265,343	201,208
Cash and cash equivalents	(3,414)	(1,801)
<b>Net debt</b>	<b>409,310</b>	<b>457,407</b>
Equity	644,972	625,309
<b>Net debt-to-equity ratio</b>	<b>63.46%</b>	<b>73.15%</b>

Equity consists of share capital, reserves and retained profit.

## 41. Financial instruments and risk management (continued)

### 41.2. Categories of financial instruments

	31.12.2015.	31.12.2014.
<b>Financial assets</b>	<b>345,261</b>	<b>452,632</b>
Investments in subsidiaries and associates	66,155	96,352
Loans	121,108	135,830
Trade receivables	117,553	175,094
Other receivables	37,031	43,555
Cash and cash equivalents	3,414	1,801
<b>Financial liabilities</b>	<b>595,169</b>	<b>747,033</b>
Loans	412,724	459,208
Trade and other payables	182,445	287,825

Other receivables include the balances from the following line items in the statement of financial position: 'Other receivables' and 'Current financial assets', less amounts receivable from the State.

Trade and other payables include the balances from the following line items in the statement of financial position: 'Trade payables', 'Advances received' and 'Other current liabilities', less amounts owed to the State.

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.

### 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 analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company seeks to minimise the effects of these risks. The Company does not enter into, or trade in financial instruments, including derivative financial instruments, for speculative purposes.

### 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. Financial instruments and risk management (continued)

### 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.

### 41.6. Credit risk

The Company is exposed to credit risk in respect of given loans and trade receivables. Loans have been granted to a subsidiary and an associate of the Company, and as such the credit risk is under the control of the Company. Trade receivables are presented net of allowance for bad and doubtful accounts.

The largest six customers of the Company are as follows: Revoz, Slovenia; Hella Saturnus, Slovenia; Reydel, Germany; Peugeot Citroen, France; Grupo Antolin, Germany; and Ford Motor Werke, Germany. Operating income generated from the sales made to the business partners represents over 90 percent of the total operating income. In 2015 the Company generated 55.67 percent of its sales from its major customer, Renault and its subsidiaries (2014: 48.64 %).

It is the policy of the Company to transact with financially sound companies where the risk of default is minimised.



## 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 the middle exchange rates of the Croatian National Bank:

At 31 December	Property insurance		Liabilities		Net FX position	
	2015	2014	2015	2014	2015	2014
EUR	502,570	433,926	277,557	449,900	225,013	(15,974)
RUR	84,086	91,319	215	1	83,871	91,318
USD	8,476	649	463	792	8,013	(143)
RSD	3,744	3,744	-	-	3,744	3,744
GBP	3	1	239	157	(236)	(156)
	<b>598,879</b>	<b>529,639</b>	<b>278,474</b>	<b>450,850</b>	<b>320,405</b>	<b>78,789</b>

### Foreign currency sensitivity analysis

The Company is mainly exposed to the risk of changes in the exchange rates for the euro (EUR) and the Russian rouble (RUR). The following table details the Company's sensitivity to a 2-percent change of the Croatian kuna against the euro and a 10-percent change of the Croatian kuna against the Russian rouble in 2015 and 2014. The sensitivity analysis includes only outstanding foreign-currency denominated monetary items and their translation at the year-end. A negative figure below indicates a decrease in profit, and a positive figure an increase in profit where the Croatian kuna changes against the relevant currencies by the percentages specified above.

	EUR impact	
	2015	2014
Change in exchange differences (2 %)	+/- 4,519	+/- 354

	RUR impact	
	2015	2014
Change in exchange differences (10 %)	+/- 8,607	+/- 9,143

## 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 its 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 and can be required to pay.

		Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
<b>2015</b>	<b>Weighted average interest rate</b>						
Assets							
Non-interest bearing		39,063	55,777	41,952	-	66,217	203,009
Interest bearing	9.48%	937	1,792	24,389	128,273	6,237	161,628
		<b>40,000</b>	<b>57,569</b>	<b>66,341</b>	<b>128,273</b>	<b>72,454</b>	<b>364,637</b>
Liabilities							
Non-interest bearing		74,594	68,635	35,665	3,551	-	182,445
Interest bearing	4.34%	3,510	22,632	134,692	264,258	37,022	462,114
		<b>78,104</b>	<b>91,267</b>	<b>170,357</b>	<b>267,809</b>	<b>37,022</b>	<b>644,559</b>
<b>2014</b>	<b>Weighted average interest rate</b>						
Assets							
Non-interest bearing		12,070	17,848	169,898	-	96,352	296,168
Interest bearing	8.82%	370	2,587	17,677	136,415	6,615	163,664
		<b>12,440</b>	<b>20,435</b>	<b>187,575</b>	<b>136,415</b>	<b>102,967</b>	<b>459,832</b>
Liabilities							
Non-interest bearing		24,840	15,184	199,548	48,253	-	287,825
Interest bearing	4.52%	4,484	48,162	244,676	139,029	42,153	478,504
		<b>29,324</b>	<b>63,346</b>	<b>444,224</b>	<b>187,282</b>	<b>42,153</b>	<b>766,329</b>

## 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 the price quoted on a stock exchange or arrived at using the discounted cash flow method.

At 31 December 2015, the carrying amounts of cash, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments match their fair values.

## 42. Events subsequent to the reporting date

An Extraordinary Meeting of Shareholders was held on 6 April 2016, at which a decision was adopted to distributed a dividend of HRK 4 per share out of the retained (undistributed) earnings and other reserves from 2014. The dividends will be paid on 22 April 2016.

## 43. Contingent liabilities

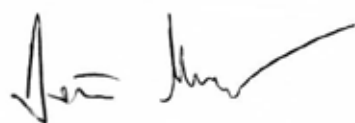
Based on the Management's estimate, the Company had no material contingent liabilities at 31 December 2015 which would require to be disclosed in the notes to the financial statements.

As at 31 December 2015 there were no material legal actions outstanding against the Company other than those reflected in these financial statements.

## 44. Approval of the financial statements

These financial statements were approved by the Management Board of AD Plastik d.d. and authorised for issue on 23 April 2016.

For AD Plastik d.d., Solin:



Marinko Došen

President of the Management Board

***Your needs. Our drive.***

**SOLIN, APRIL 2016**

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