

Impressum

Publisher:
AD Plastik d.d.
Matoševa 8, 21210 Solin

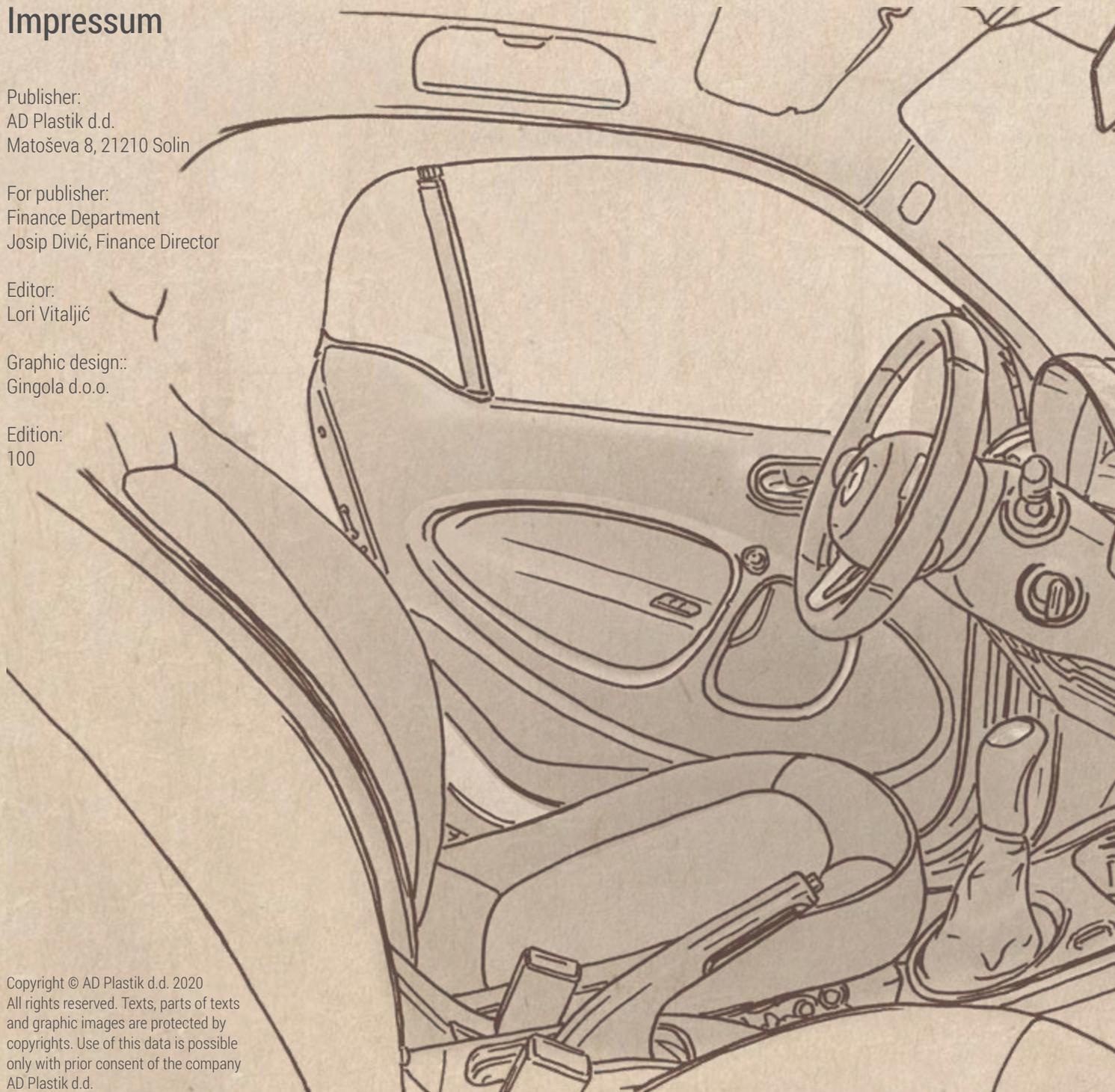
For publisher:
Finance Department
Josip Divić, Finance Director

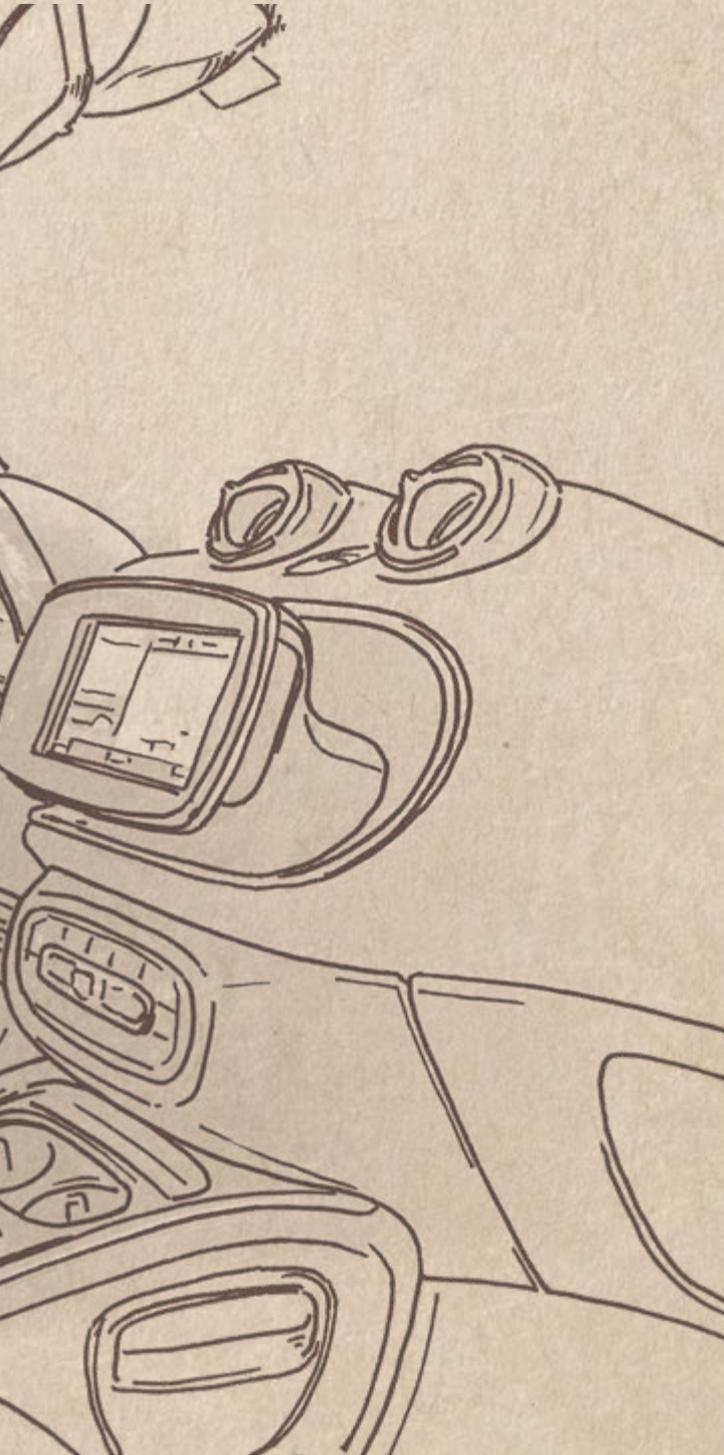
Editor:
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Graphic design:.
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Edition:
100

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Introduction

We are the leading company for development and production of interior and exterior automotive components in Croatia and one of the leading companies in Eastern Europe. We have over thirty-five years of experience in the automotive industry world, and the passion and knowledge of our employees are embedded in the development and realization of every product we make for the world's most famous automakers. Our corporate culture is based on sustainability, encouraging cooperation and recognizing excellence. We are a multinational company with eight production sites in five countries and our operations extend to five continents, in more than twenty countries.

We collaborate with our customers from the early stage of development to the final product. We use modern tools and techniques and apply specific expertise, skills and experience. Focusing on customer needs, high quality, competitiveness of products and services are our core values.

We base our corporate culture on sustainability, encouraging cooperation and recognizing excellence while improving the quality standards of our products, services and practices. Corporate social responsibility is a part of our business model and one of the most important components of development policy.

We want to give all our stakeholders a better understanding of the automotive industry and our business operations, therefore, in the Integrated Annual Report, we transparently and thoroughly present financial results, social, environmental and economic impacts, governance, material activities impact on company results and business risk management. By quality review of financial and non-financial performance indicators of the company's business, we improve our transparency and contribute to the trust of our stakeholders.

We present you the third Integrated Annual Report of the AD Plastik Group in which you will find information about the company and its business operations in 2019 from a financial and socially responsible point of view. It contains the Report by Management of the Company, Sustainability Report and Annual Financial Statements as of December 31, 2019.

Your opinion on the importance of corporate social responsibility topics that we report on is extremely important to us, so we invite you to help us improve the following report by completing a survey on our website.

A brief overview in numbers



12.81%

EBITDA MARGIN



6.66%

NET PROFIT MARGIN



EUR 214.9 million

NEW DEALS SEALED



5

COUNTRIES



8

PRODUCTION SITES



2,953

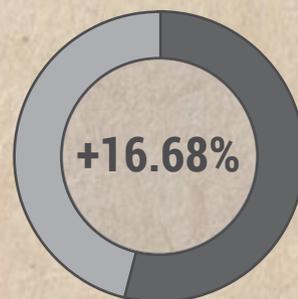
EMPLOYEES

as of December 31, 2019



HRK 1,541.65 million

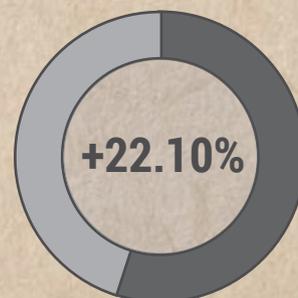
OPERATING REVENUE



compared to the previous year

HRK 197.47 million

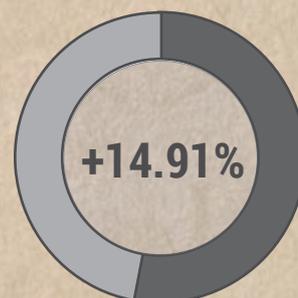
EARNINGS BEFORE INTEREST,
TAXES, DEPRECIATION AND
AMORTIZATION (EBITDA)



compared to the previous year

HRK 102.64 million

NET PROFIT





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Annual Financial Statement 2019

Letter from the President of the Management Board

Dear stakeholders,

another successful business year is behind us, as confirmed by the business results achieved, as well as awards and recognitions we have been receiving. In 2019, AD Plastik Group's operating revenue increased by 16.68 percent compared to the previous year, amounting to over HRK 1.5 billion. EBITDA recorded a growth of 22.10 percent and net profit grew by 14.91 percent.

In this Integrated Report, we want to bring you closer to our business, to familiarize you with the most important activities during the year, the results and way of managing economic, social and environmental impacts.

Despite the challenges in the global automotive market, we have been successfully achieving the set development guidelines within the industry to which we belong, thus ensuring the smooth growth and achievement of the desired results. Thanks to our business strategy and the activities we have been carrying out, our growth trend is still above market trends, which confirms the correctness of the decisions we make.



The results we achieve are a great motivation, but at the same time the obligation and responsibility towards all the stakeholders we influence with our business. We have set ambitious plans and goals, and increasingly complex business operations and business opportunities require a high level of focus from us. Through our development and investments, we contribute to the achievement of the sustainable development goals that are an integral part of our business strategy.

Unstoppable changes in the market, investments in research and development of new, more environmentally friendly materials and new technologies, encourage us to constantly improve business and management. By using new materials, we contribute to reducing vehicle emissions globally, and in-house R&D is focused on making further progress in these areas. In addition to the successful economic topics management, our success is reflected in the quality management of social and environmental topics.

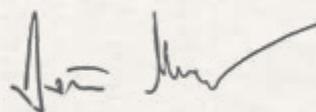
The past year has been extremely challenging for our production sites, especially in Croatia. We have successfully started a serial production regarding new and very significant projects including the most significant Twingo, Clio 5, Ford Puma and redesigned Smart. We have filled the capacities in Croatia, and new deals sealed for the Russian market worth EUR 157.9 million will significantly fill the capacities of our Russian production sites also. We have also sealed new deals amounting to EUR 57 million in the European market, and in the past year we have been intensively working on integrating a new Hungarian company into the Group, and preparations of our production sites in Russia for acceptance of new projects lie ahead of us.

The automotive industry has been rapidly changing and advancing, and as one of the most important backbones of the economy, it has a significant role to play in scientific and technological achievements. The increasing impact of high technologies integrated into serial production of vehicles is aimed primarily at improving end-user safety, environmental protection and sustainable development. As members of an industry with such high standards, we are aware of the need for constant changes,

trend monitoring and competency upgrading. Exactly this is an opportunity for strong development in all business segments.

Aware of our impact and the importance of corporate social responsibility, sustainability principles have been included in every segment of our work, about which you can read in more detail in this report. By cooperating with all our stakeholders, we have been creating a solid foundation for the future and further development. We pay special attention to our employees because they are the most valuable resource of the Company. With quality management and continuous improvement of human resources development at all production sites, we have been creating a motivating business environment. With high standards of quality of products and services, we have ensured our customers reliable cooperation and contribute to the safety of end users of vehicles. We have been introducing continuous improvements in corporate governance and business transparency to the satisfaction of all stakeholders. We contribute to the development and well-being of the communities in which we operate, while taking care of the local population. We operate in harmony with our environment, so we pay special attention to the environment and its protection.

We have taken the safe step into another business year, but the spread of the COVID-19 virus has put us all ahead of significant challenges. We take all the measures at AD Plastik Group in order to preserve the health of our employees, but we also care about the sustainability of our business. This situation is sure to change a lot, but every crisis is an opportunity to learn and improve. I can confidently promise that we will do everything in our power to maintain our existing positions and continue our business in the manner of a responsible employer. I believe that we will justify your trust even in these complex times.



Marinko Došen
President of the Management Board

The automotive industry

If you follow the developments and forecasts of the automotive industry, you will certainly not get bored. The transformations that take place in the automotive world are so fast and dynamic that they sometimes seem unreal. The fact is that cars give us freedom of movement, and the demands and behaviors of their end-users have been unstopably changing. We operate in times of creating different mobility habits.

The percentage of carsharing and autonomous driving services is projected to grow significantly over the next ten years, and for car manufacturers and their suppliers, this means a comprehensive preparation and reorganization of the way they have been operating so far. Known work models need to be adapted to the times to come - automated and autonomous driving, electrification, vehicle connectivity to other systems, and the design of significantly lighter vehicles. Innovations in the automotive industry are more and more focused on end-users and their individual needs.

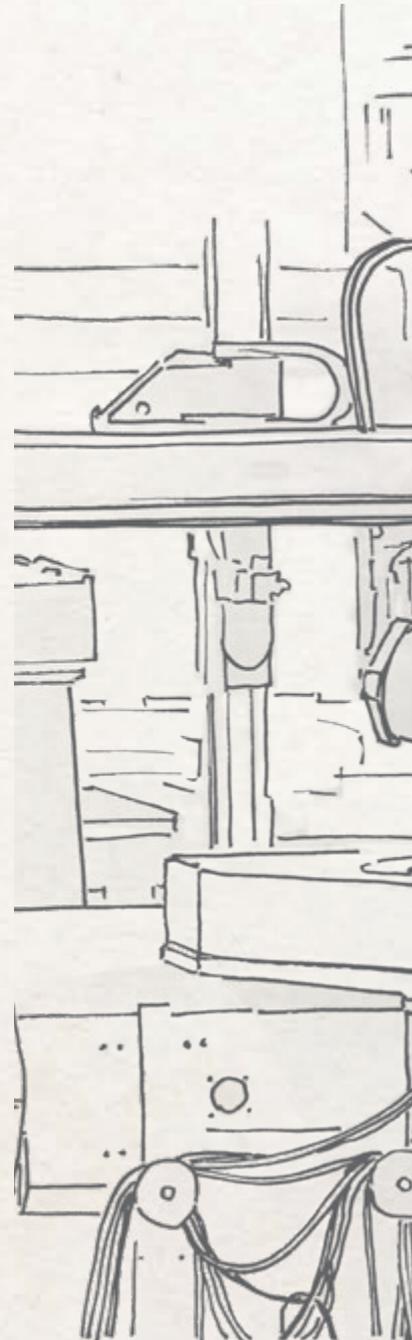
In addition to safety and comfort, digitalization, sustainability, efficiency and cost savings have a significant impact on the development of the industry itself. We currently have different types of propulsion engines on the market, and in regard of the increasing environmental awareness, car manufacturers and their suppliers are facing a number of new challenges. European vehicles are thus the cleanest, safest and quietest in the world, using reduced amounts of energy and water in their production, releasing less carbon dioxide and generating less waste over the entire lifecycle of the product.

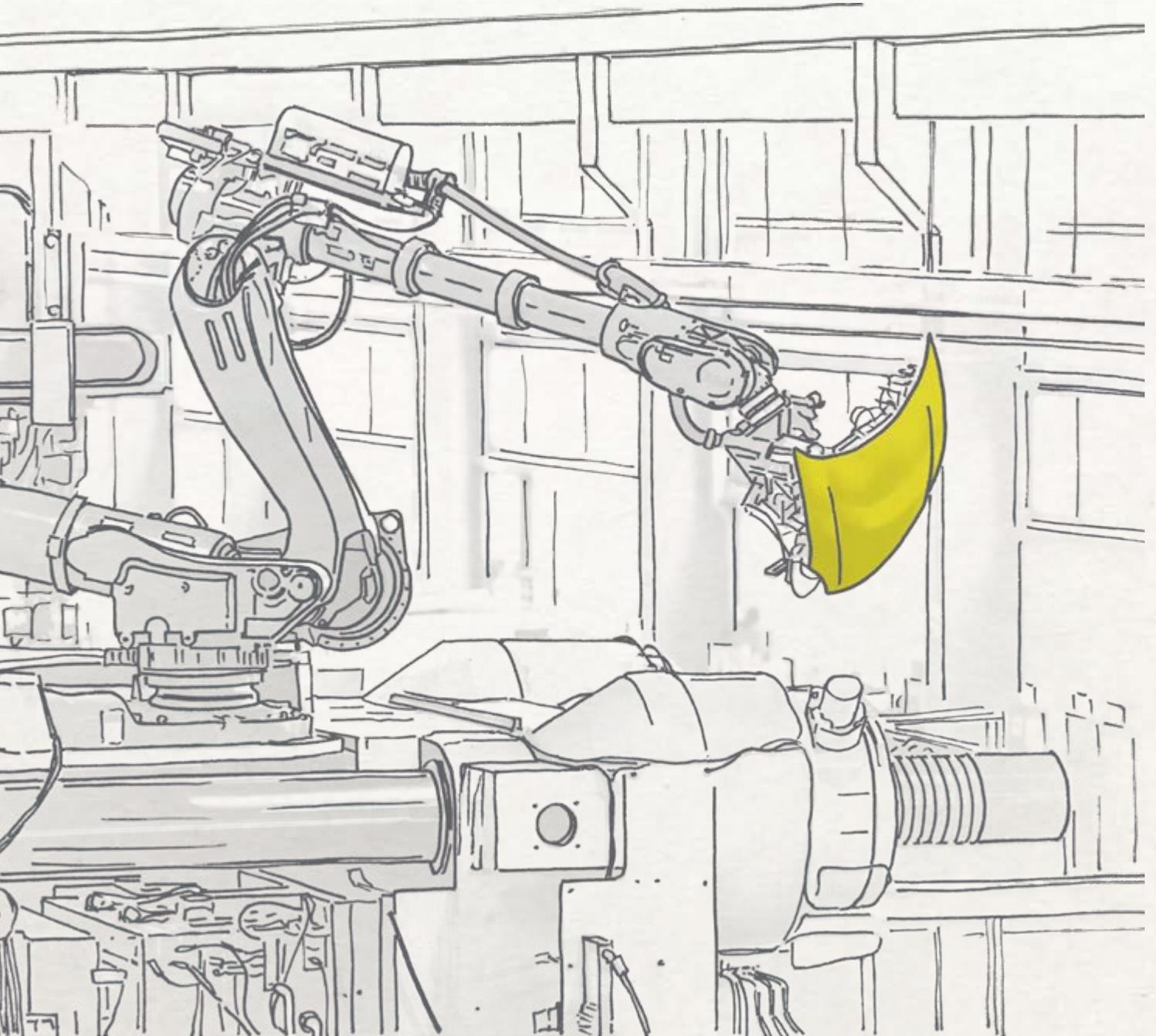
Car manufacturers and their suppliers need to invest more and more in the automation of their processes and this consequently brings a change in the structure of the staff. Much more attention needs to be paid to education and training, and

the new generation of employees in the automotive industry will be significantly more digitally oriented. The need for the number of engineers within the industry has also been growing significantly, and the time taken between the R&D phase and the production of a particular product will be greatly reduced in perspective.

Either way, there is no fear regarding developing and manufacturing plastic components in the cars of the future. Their share will be increasing as a result of continuous work on reducing the weight of vehicles and, consequently, reducing emissions of the green house gases. Polymeric materials will be developed and new, better quality and more environmentally friendly solutions will be found, but they will certainly be the basis for the production of most interior and exterior components due to their formability, mechanical and other characteristics and recyclability.

In addition to the research and development of new materials, the production of automotive components is becoming more and more complex. It involves the mounting of assemblies of the final product, with the decoration of surfaces by painting or applying decorative layers of other materials. Such demands, however challenging they may be, due to the value added of invested own work and knowledge, bring in significantly higher revenue and profit. The challenges brought by new global trends to AD Plastik Group are an opportunity for further development and growth of the business. The experience, knowledge and technologies we possess allow us to compete smoothly in the global automotive market. Our primary goal is to meet the demands of all stakeholders in this demanding environment, above all our customers and end-users of vehicles, employees and shareholders. We focus our development activities on key industry trends - reducing vehicle weight, safety, sustainability and efficiency.





The most important events in 2019

Five new vehicles with our grab handles

New deals with total value of EUR 46.8 million have been sealed for the European market. Thus, various components for several vehicle models of PSA and FCA Group will be produced at the AD Plastik Group's plants. The production of most components regarding which deals have been sealed should start already next year and projects will last four to ten years.

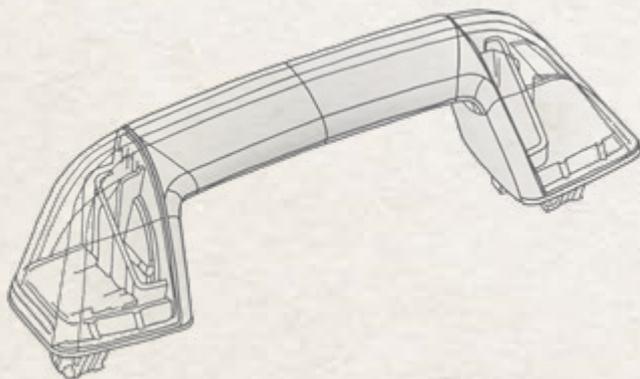
Grab handles for several vehicle models of PSA Group, namely Peugeot 208, Peugeot 2008, Citroen DS3 Crossback and Opel Corsa will be produced and this project is

worth **EUR 20 million**. Grab handles are one of the products that PSA Group wants to standardize for several vehicle models, which is an additional opportunity to improve cooperation with this manufacturer.

New Jeep Compass, vehicle from the FCA Group family, will also be decorated with our grab handles and this deal is worth **EUR 6.8 million**. The increase in existing quantities and new deals sealed will fill capacities of the Mladenovac plant, where grab handles for PSA Group vehicles will be produced for the first time.

Deal worth **EUR three million** has been sealed on production of side trims for one of the best-selling models, Citroen C3. A deal on production of inner engine covers for the vehicle Opel Adam Crossback has been sealed in the amount of **EUR 1.4 million**. Opel is a new member of PSA Group and this is the first deal sealed with this customer since their merger. Production of speaker brackets worth **EUR 1.7 million** for the vehicles Citroen Picasso and C-Elysee will start already next year.

A large number of interior components and air ducts will be produced for the new generation of electric Fiat 500e at AD Plastik Group factories. Unlike its predecessor, this model will be produced in Europe and it should appear on a much larger number of world markets. This project is worth **EUR 13.9 million** and it is another electric vehicle in our portfolio.



Components for Audi, BMW and Suzuki from the Hungarian factory

First deals sealed for the Hungarian factory since its integration are among new deals sealed for the European market with a total value of **EUR 10.2 million**.

Deals have been sealed for the Hungarian market for the vehicles Suzuki Vitara and S Cross, Audi A3, Audi A3 CC and BMW 3 with a total value of **EUR 3.6 million**.

Deals on production of cooling fan trims have been sealed for the vehicles Vitara and S Cross with Suzuki, deals on production of side trims and bumper components have been sealed with the customer Alro for Audi vehicles and deal on production of headliner trims has been sealed with the customer SMP for the vehicles BMW 3.

New deals with the long-standing customers Renault Group and Hella have also been sealed, namely, the production of radar brackets for the vehicle Renault Traffic with a total value of **EUR 1.5 million**, as well as light housings for the vehicles Nissan Navara and Volvo V40 with a total value of **EUR 5.1 million**.

New deals worth EUR 71.4 million for Renault in Russia

New deals with the Renault-Nissan-AvtoVAZ Alliance for the Russian market with a total value of **EUR 71.4 million** have been sealed. More than 80 different exterior components will be produced at the plant in Togliatti, which will expand its injection moulding capacities due to new deals.

In addition to the production of exterior components, referring to bumper components, rocker panels, mudguards and underbody covers, an experienced team of Group engineers is also responsible for the development of a large number

of components on which the deal was sealed. In this manner we have strengthened our position as a development supplier of the injection-moulded components of the Renault-Nissan-AvtoVAZ Alliance.

New deals refer to the third generation of Logan and Sandero vehicles produced in Russia under the Renault name at the AvtoVAZ Togliatti factory. The new generation of these vehicles will be produced in Romania, Russia, Algeria, Morocco and Colombia under a common global name and appearance.

Renault Logan and Sandero are a sedan and compact version of the same vehicle, and they are among the twenty best-selling vehicles in the Russian market. Therefore, really high expectations for redesigned models, whose sales are estimated at over 140,000 vehicles annually only in Russia, are not surprising. The start of serial production is planned in the second quarter of 2021, and the estimated duration of the project is eight years.

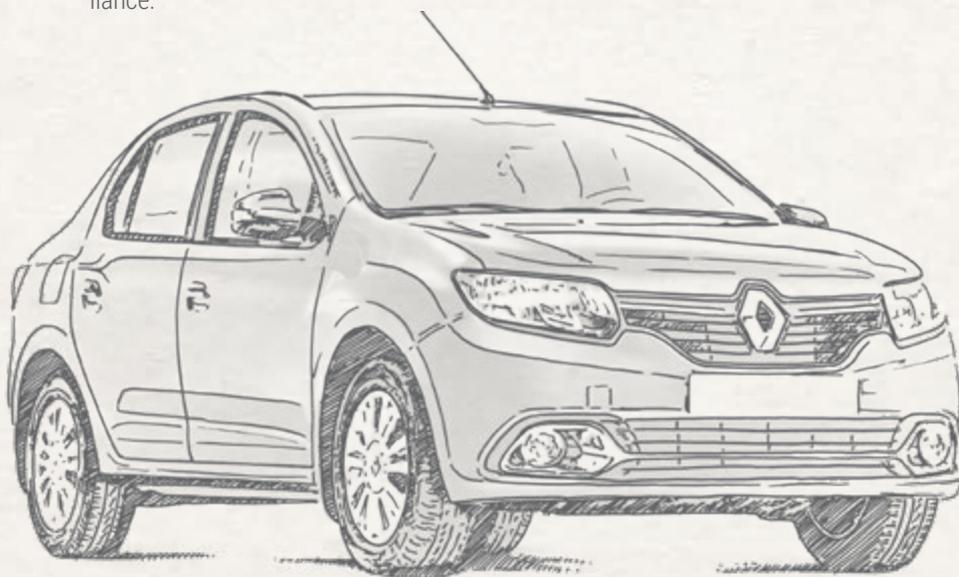
New deals in Russia worth another EUR 40 million

AD Plastik Group has sealed new deals worth another **EUR 40 million** in the Russian market namely the production of outer belts and static seals for various vehicle models of the Renault-Nissan-AvtoVAZ Alliance.

Static seals set for the new vehicle model Lada Granta and outer belts for Renault Logan and Sandero will be produced at the plant AD Plastik Togliatti. These deals have been sealed in cooperation with the

world-renowned Hutchinson Group, which derives a large part of its total revenue namely from operations related to the segment of development and production of seals. It will be responsible for the development, while AD Plastik Group will be responsible for the industrialization and serial production of the products on which the deals have been sealed.

A superior team of experts with expertise and years of experience in the Hutchinson Group's R&D, and years of experience and knowledge of manufacturing processes within the AD Plastik Group, create business synergy that will surely result in successful and long-term cooperation.



The most important events in 2019 (continued)

New deals also for VW

New deals worth **EUR 46.5 million** in the Russian market for various vehicle models have been sealed. A successful cooperation with the Renault-Nissan-AvtoVAZ Alliance has been continued, with which deals worth **EUR 24 million** have been sealed for the new Granta Square model, the successor to the currently best-selling model in the Russian market, Lada Granta. Headliners, underbody covers, mudguards and rear skirts will be produced for this vehicle at AD Plastik Togliatti plant. Granta Square will be produced in three versions, namely version Sedan, the Sportback compact version and the upgraded off road version Cross. The Granta has been accepted as the most affordable family vehicle in the Russian market,

offering the best ratio of comfort, equipment and price. The production of new vehicle models is aimed on constant increase in their quality, thus the emphasis regarding Granta Square has been set on improvements in the acoustics and visual impression of the interior and exterior of the vehicle. As this vehicle is one of the most popular in the Russian market this cooperation, accordingly, is especially important for AD Plastik Group.

After already agreed cooperation regarding Renault Logan and Sandero vehicles, a deal on the production of headliners worth **EUR 12 million** has been additionally sealed for these models. The start of

serial production of the vehicles of the Renault-Nissan-AvtoVAZ Alliance, is planned for the second and third quarters of 2021, with an estimated project duration of eight years.

Successful cooperation has been continued also with the Volkswagen Group in the Russian market, thus new deals worth **EUR 10.5 million** have been sealed for Volkswagen Tarek and Škoda Karoq vehicles. Trunk side trims will be produced for these vehicle models at AD Plastik Kaluga plant and the start of serial production of the vehicles is planned for the end of 2020 with the estimated duration of seven years.



New term of the President of the Management Board for Marinko Došen

Decision on the appointment of Marinko Došen as President of the Management Board for another five-year term, after his current term of office expires, was made at the meeting of the Supervisory Board held in September.

Based on the successful results and the improvement of the company's business achieved in the past period, this decision has been made in order to ensure the continuity of the Management Board's work and the achievement of the company's long-term business goals.

Current term of office of Marinko Došen began on July 20, 2016 and runs until July 20, 2020, while the appointment of other members of the Management Board will be decided upon before the expiration of the existing term.



Once again winner in the category of large companies

CSR Index Awards were presented for the 12th time at the annual corporate social responsibility conference. AD Plastik won the award in the category of large companies again this year.

"We are proud that our continuous work and progress have been recognized by the professional public and I hereby thank for the award. First of all, I want to thank all of our employees who have most of the credit for the fact that social responsibility is part of our day-to-day business," said **Marinko Došen**, president of the Management Board of AD Plastik Group, while receiving this significant recognition.

The awards are given to companies for the best achievements in corporate social

responsibility, and they are organized by the Croatian Business Council for Sustainable Development (HR BCSD) and the Croatian Chamber of Economy. Companies have been awarded in nine categories and more than one hundred competed this year.

The CSR Index enables companies to objectively manage, monitor, measure and interpret their own specific impacts. Using this tool, it is more visible for the companies what is being done well regarding their stakeholders and compared to other companies, and potential areas for improvement are indicated. In order to ensure their own sustainability and development, companies in all aspects of their business and in all relationships must show continuously good results.

AD Plastik Tisza

As part of an integration process, Tisza Automotive Kft. officially changed its name to AD Plastik Tisza Kft. The company has been operating under a new name since November 4, 2019, and all

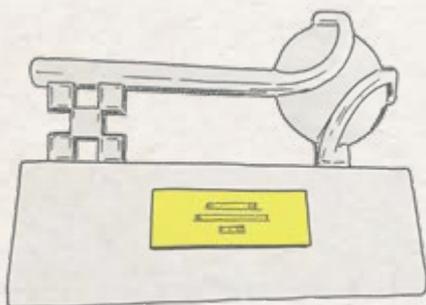
other company data have remained unchanged.

All contracts and agreements signed with the company Tisza Automotive Kft. are valid and remain in force. By the further

integration of AD Plastik Tisza into the Group's system its development and business improvement in all segments will be continued.

The most important events in 2019 (continued)

The best large exporter in 2018



At the 14th Convention of Croatian Exporters held under the title Role of export in modern economic policy, the Golden Key, award presented to the most successful Croatian exporters, was awarded for the twelfth time. The Golden Key for the best large exporter in 2018 was awarded to AD Plastik and the Prime Minister of the Republic of Croatia Andrej Plenković presented the award to the President of the Management Board Marinko Došen.

“This acknowledgment is a confirmation that we have set our plans well and that we have been directing our business in the right direction, but for us it is above all the obligation to be even better in the

future. We welcome the measures and initiatives taken by the Government in order to help us exporters facilitate business in an extremely demanding global market. I believe that in the future the Government will be even more decisive in supporting Croatian production and export, which are the cornerstones of the economy. In order to successfully operate in the global markets, we ought to be competitive, and this is possible only with the reduction of the tax and cost burden of business. We also look forward to and support the introduction of the euro, as it will greatly facilitate the business for the exporters,” pointed out **Marinko Došen** on this occasion.

Share of the year

At the ceremony of the **Zagreb Stock Exchange Awards** in Zagreb, AD Plastik was presented with the Share of the Year award chosen by the public. On behalf of the company award was accepted by Finance Director **Josip Divić** who said on this occasion: “It is an extreme honor and pleasure for me to receive this award and I want to thank everyone who voted for us. First of all, I would like to emphasize that this is a recognition to all employees of AD Plastik Group. The results achieved are the consequence of a joint effort of all our employees. We are delighted by this award for a number of reasons, most notably because it comes from the general public, which recognized us among the fierce competition. We strive and work hard and

this has been recognized in the market. Despite the record operating revenue we generated last year, we expect to exceed that result by the end of the year. For us, this was a very intense business year in which the serial production regarding large projects, the new Twingo and Smart, the Clio 5 and Ford Puma, began. Apart from that, since the beginning of the year, we have sealed new deals amounting to EUR 215 million that will enable us to continue our stable operations in the future. The award we have received is a confirmation of successful work, and I can only promise that it will not slow us down or make us lazy, in fact, it will only be an additional incentive for us to be even better.”



Croatia’s Big Security Award



As part of the 13th Conference of Croatian Security Managers held in Opatija, Croatia’s Big Security Awards 2019 were presented at the ceremony. AD Plastik won the award in the category “Achievement and Development of Security in Corporations”, which was awarded for the successful integration of information and cyber security business processes.

“This award is extremely important to us. It confirms that our efforts and investments in raising corporate security level have been recognized by the professional public. AD Plastik operates in a very

demanding global automotive market that has very high corporate and security standards set. The results we achieve, as well as the awards we receive, give us the right to think that we are successful in this,” said Marinko Došen, thanking the expert jury and the organizers for recognizing the efforts and results of AD Plastik.

Croatia’s Big Security Award is awarded in 12 categories to individuals, companies, institutions and the local community for a significant contribution to achieving and developing the security of the Republic of Croatia.

Third prize award for the best investor relations

For the tenth consecutive year, business journal Poslovni dnevnik in cooperation with the Zagreb Stock Exchange has been awarding companies with the best investor relations. This year, the awards were presented again in Rovinj as part of the eighth joint conference of the Zagreb Stock Exchange and the fund industry entitled “Challenge of Change”. The award for the third ranking company went to AD Plastik, and expressing gratitude to the organizers and participants Marinko Došen, President of the Management Board, said: “The award is extremely important to us because it is about recognition by a professional financial public. Our business

in the global marketplace requires the respect and continuous improvement of high standards of corporate governance. The effort we put in has been recognized, and for us it is always motive to be even better.”

Companies from the CROBEX index and those listed on the Zagreb Stock Exchange’s Prime and Official Market enter the competition. The award winners are decided on the basis of statistical criteria relating to the issuer’s compliance with the Stock Exchange Rules and on the basis of a survey conducted among participants of the capital market.



The most important events in 2019 (continued)

Investor Day

Investor Day was held at AD Plastik Group's plant in Jankomir, Zagreb for the first time, where business results for 2018 and the first quarter of 2019 were presented, as well as plans and expectations for the current year. All members of the Management Board of AD Plastik Group were answering the questions of interested investors, after which a tour of the painting line was organized.

„We were acquainted with the results in a great measure, but we got answers to some additional questions. Tour of the plant thrilled us most because now it is a little bit clearer to all of us how it actually looks like,“ said one of the present representatives.

Another Investor Day was also held in late October.

AD Plastik Group in New York

Zagreb and Ljubljana Stock Exchange held the first presentation of their markets and issuers in the United States. The event was held in New York, at NASDAQ, the world's second largest stock exchange, in cooperation with the world-renowned Auerbach Grayson investment company, with exceptionally good responsiveness of American investors. This is the first time that the presentation of the Croatian and Slovenian capital markets has been organized outside Europe.

Croatian companies AD Plastik Group, Arena Hospitality Group, Atlantic Group, Podravka and Valamar Riviera, as well as Slovenian companies Krka, Petrol and Triglav Group have presented themselves to investors.

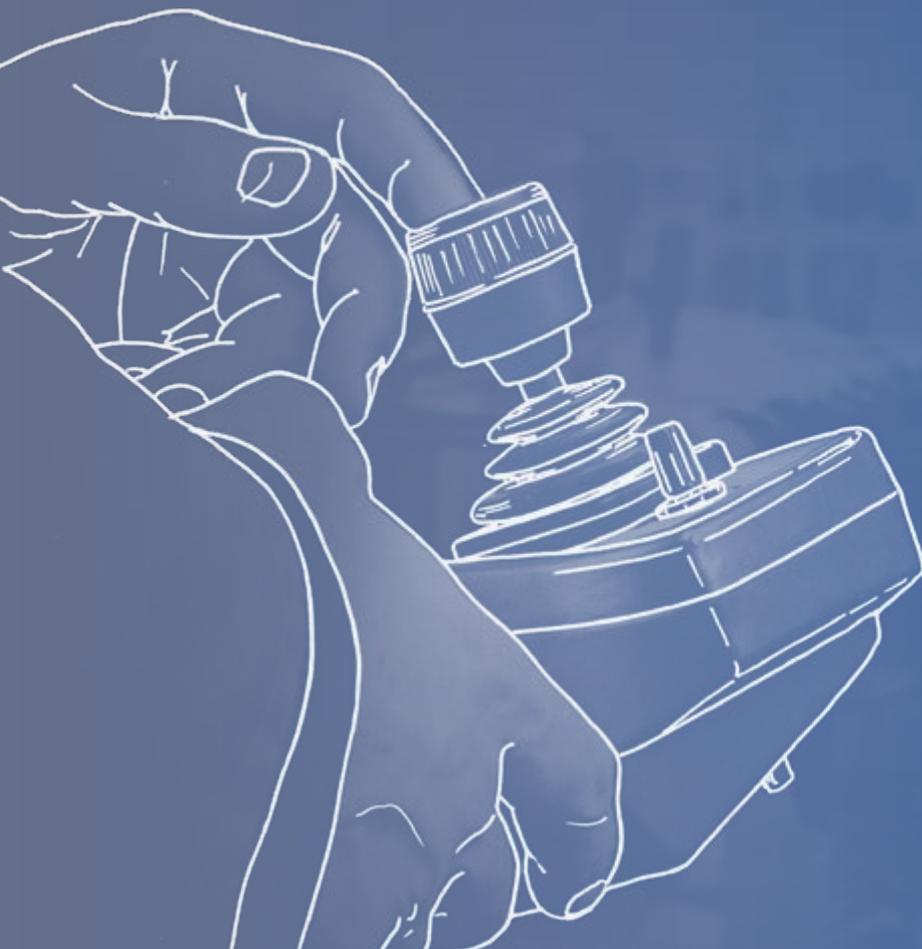
The leading Croatian independent investment company, Intercapital, presented the Croatian and Slovenian markets and their potential to the event participants, and the companies in summary held more than 60 individual meetings with American investors.



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Business

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Mission, vision, key values



ADP Vision

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

ADP Mission

By introducing innovative solutions and constantly improving the development and quality of products, we contribute to the success of our customers. We achieve our goals as an ethical, responsible and preferable employer. We conduct business in harmony with the environment to the satisfaction of all our stakeholders and we are acknowledged by shareholders as a reliable company desirable for investing in for the long term.

Key values



Reliability

We base relationships with all our stakeholders on trust, open and honest communication. Building long-term partnerships with all stakeholders is based on mutual respect.



Innovativeness

Our ideas, creativity and technologies help us to achieve constant progress in order to keep up with world trends. This way we contribute to the improvement and development of the company, thus confirming our position in the global market.



Respect

Employees are the greatest value and they hold the key role in the company's business. They are being treated fairly and with respect regardless of their job position and location of work. They are encouraged to take initiative, make decisions and govern with quality.



Quality

Developing and maintaining the highest standards of quality and safety in every segment of business are at the heart of our business success and our stakeholders' satisfaction.



Responsibility

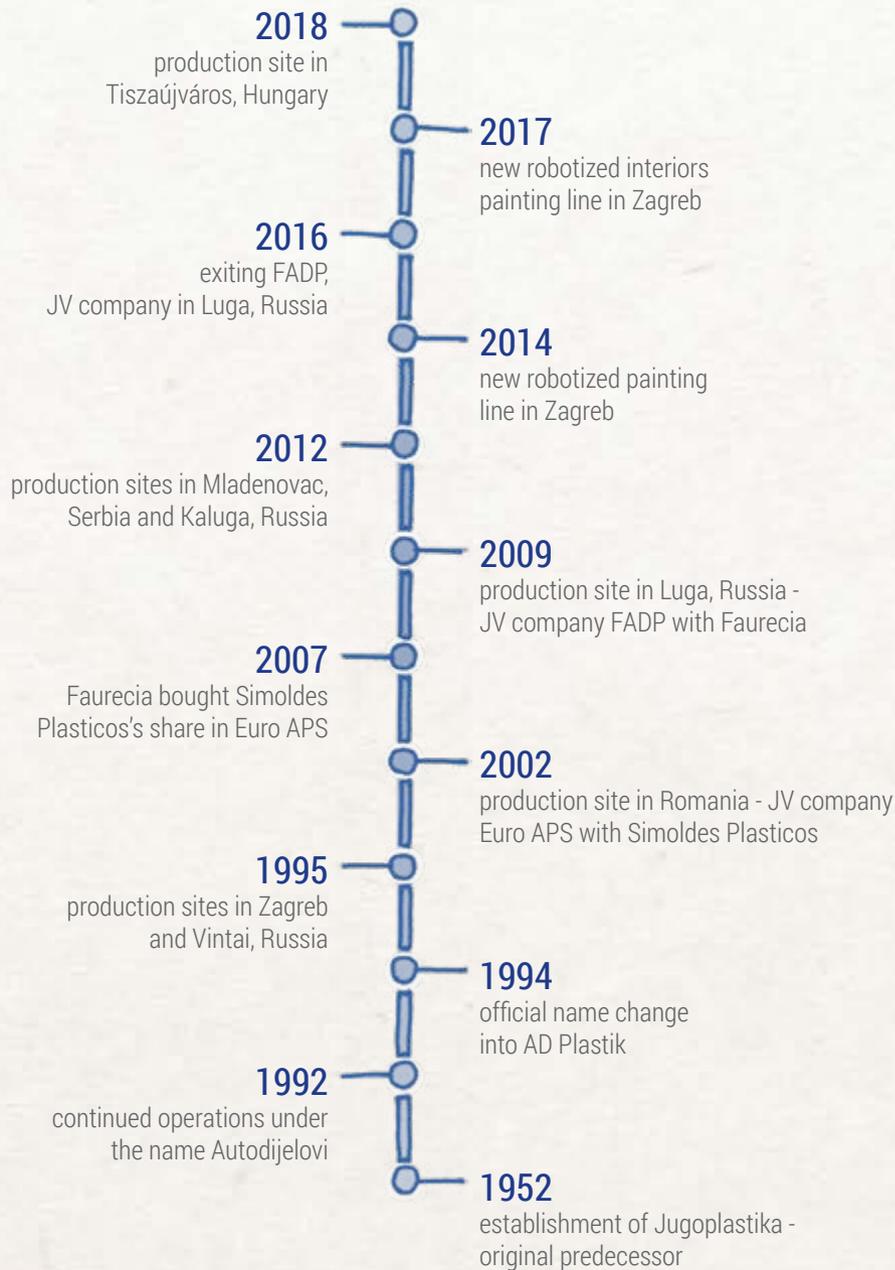
Responsibility is a prerequisite for the company's development, growth and results. We demonstrate it every day through our approach towards each individual, work partners, stakeholders and actions aimed at the society, nature and the community in which we operate.



Togetherness

Mutual collaboration at all levels based on trust, making clear and swift decisions and taking responsibility is encouraged. Exchange of ideas and knowledge, multiculturalism, mutual respect and solidarity are the key ideas of developing togetherness.

Company history



Production sites



- | | |
|---|--|
| 1 AD Plastik d.d. - company's headquarters
AD Plastik, Solin, Croatia | 5 ZAO AD Plastik Kaluga
Kaluga, Russian Federation |
| 2 AD Plastik, Zagreb I, Croatia | 6 ADP d.o.o.
Mladenovac, Republic of Serbia |
| 3 AD Plastik, Zagreb II, Croatia | 7 AD Plastik Tisza Kft.
Tiszaújváros, Hungary |
| 4 AO AD Plastik Togliatti
Vintai, Samara, Russian Federation | 8 JV - Euro Auto Plastic Systems S.R.L.
Mioveni, Romania |

Overview of markets and customers



- | | | |
|-------------|---------|------------|
| Argentina | Hungary | Slovakia |
| Brazil | Morocco | Slovenia |
| Czech Rep. | Mexico | Spain |
| France | Germany | Turkey |
| India | Poland | UK |
| Italy | Romania | Uzbekistan |
| South Korea | Russia | Venezuela |
| China | Serbia | Taiwan |

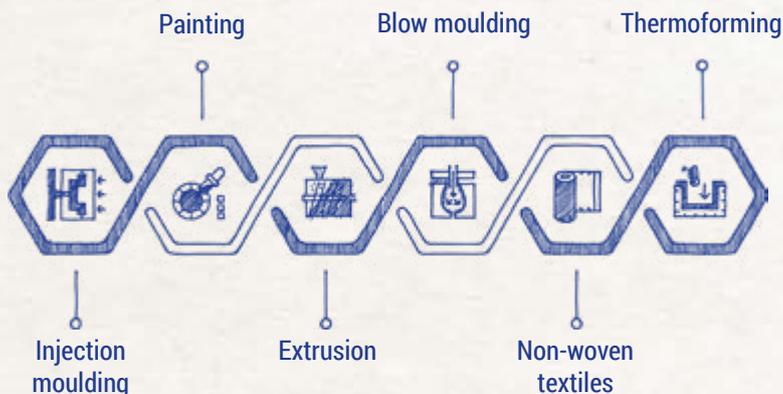


Technologies and products

Many years of experience in the production of automotive components and the knowledge we possess, allow us the flexibility and responsiveness we need to meet our customers' needs and goals. As a quality and reliable partner to our customers from design to delivery of the products themselves, we follow global trends and significant technological advances.

New materials and technologies, digitalization, robotization, safety and quality, are the trends of the automotive industry to which we adapt every day. Through continuous research and development of materials and technologies, we contribute to the sustainable development goals of the automotive industry - **reduced vehicle weight, increased comfort, better safety and adaptability.**

Injection moulding, painting, extrusion, blow moulding, non-woven textile and thermoforming are key technologies in our production processes.

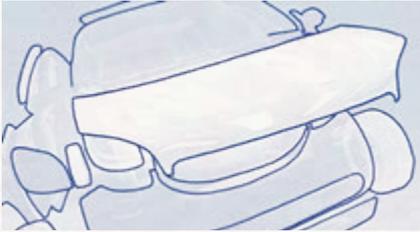


Geographic availability of technologies

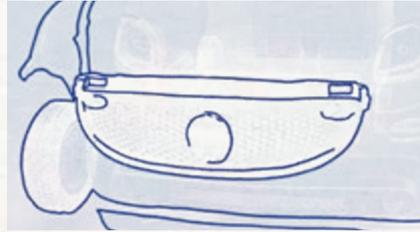
<p>INJECTION MOULDING</p> 	<ul style="list-style-type: none"> • CROATIA Solin Zagreb I Zagreb II 	<ul style="list-style-type: none"> • RUSSIA Kaluga Vintai 	<ul style="list-style-type: none"> • SERBIA Mladenovac 	<ul style="list-style-type: none"> • HUNGARY Tiszaújváros
<p>PAINTING</p> 	<ul style="list-style-type: none"> • CROATIA Zagreb I 			
<p>THERMOFORMING AND NON-WOVEN TEXTILES</p> 			<ul style="list-style-type: none"> • RUSSIA Vintai Kaluga (Thermoforming) 	<ul style="list-style-type: none"> • SERBIA Mladenovac (Thermoforming)
<p>EXTRUSION</p> 	<ul style="list-style-type: none"> • CROATIA Solin 	<ul style="list-style-type: none"> • RUSSIA Vintai 		
<p>BLOW MOULDING</p> 			<ul style="list-style-type: none"> • SERBIA Mladenovac 	<ul style="list-style-type: none"> • HUNGARY Tiszaújváros

Key products

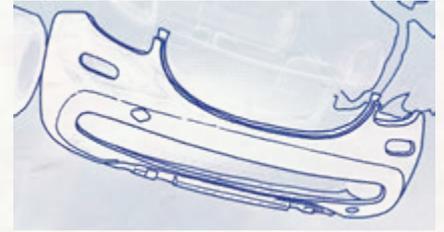
Exterior components



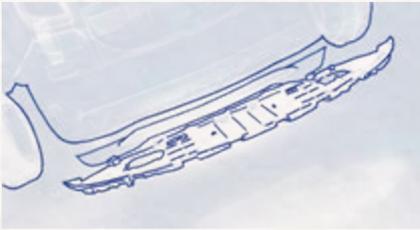
Hood



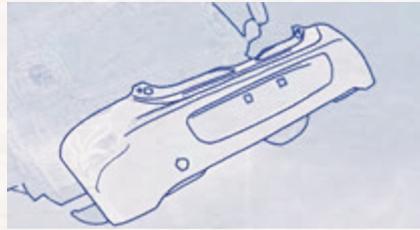
Upper Grille



Front Bumper



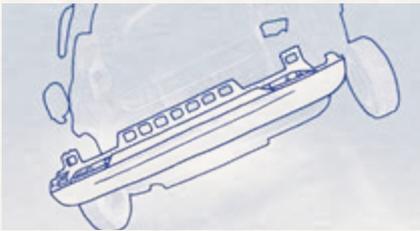
Deflector



Rear Bumper



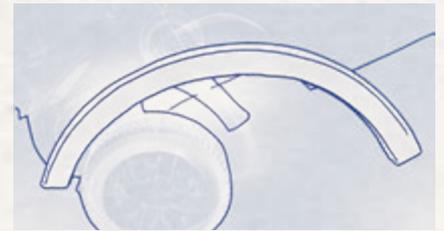
Wheel Arch Housing



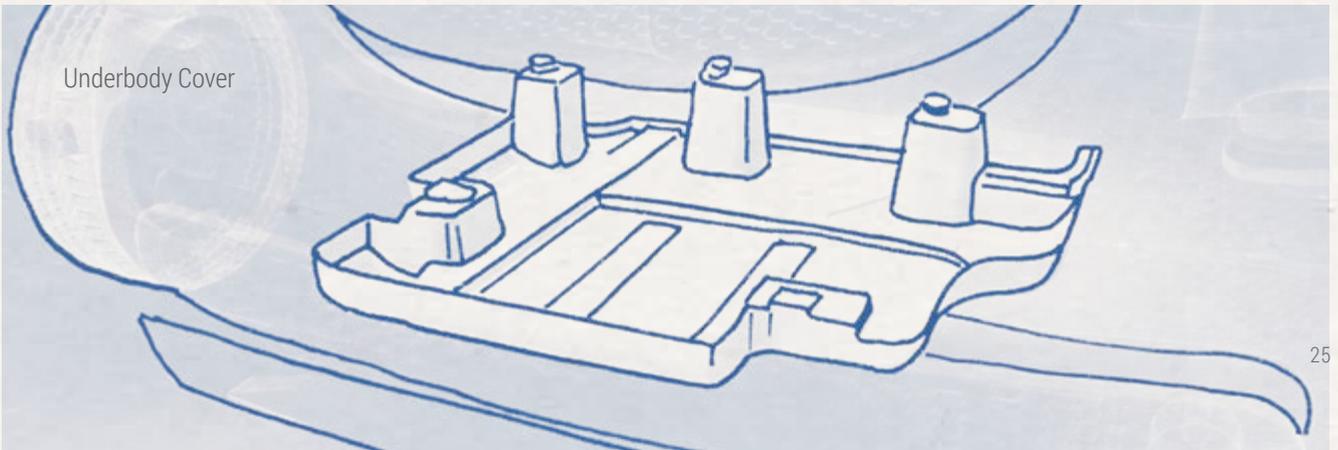
Rear Skirt



Front Fender



Front Fender Protector

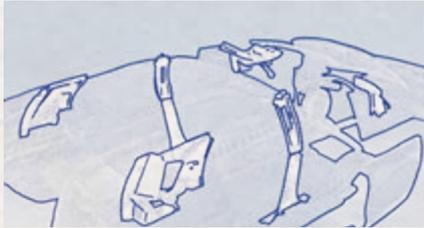


Underbody Cover

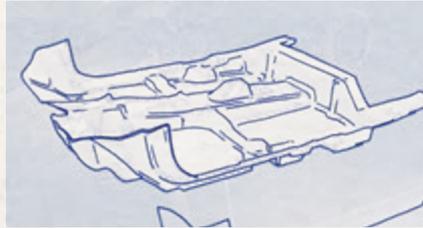
Technologies and products (continued)

Key products (continued)

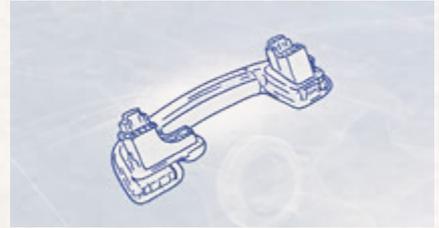
Interior components



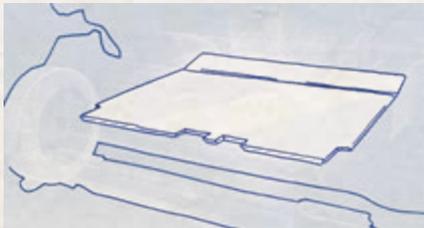
Hard trims



Floor Carpet



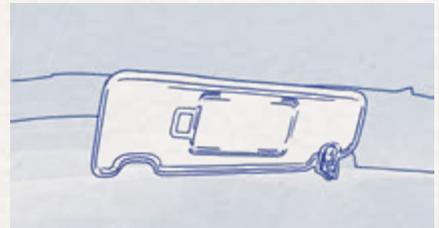
Grab Handle



Trunk Carpet



Headliner



Sunvisor



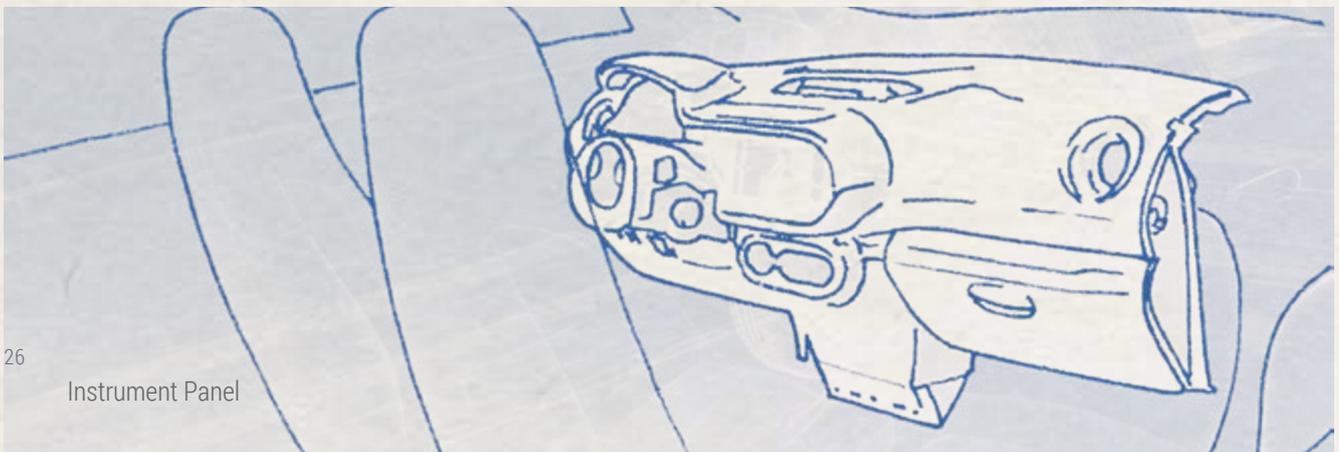
Parcel Shelf



Trunk Side Trim

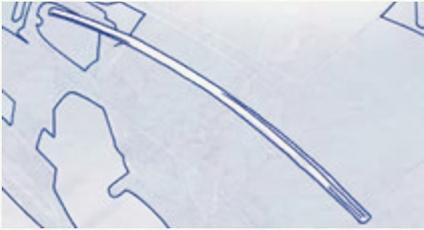


Door Panels

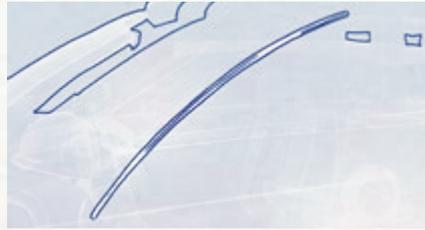


26 Instrument Panel

Seals



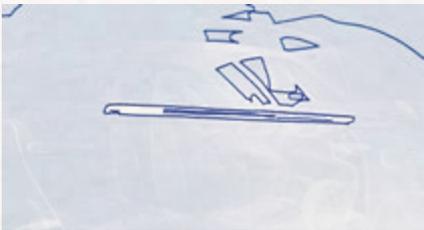
Roof Moulding



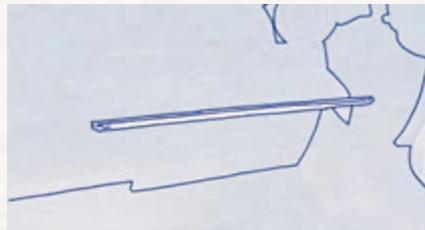
Windshield Finisher



Glass Run Channel



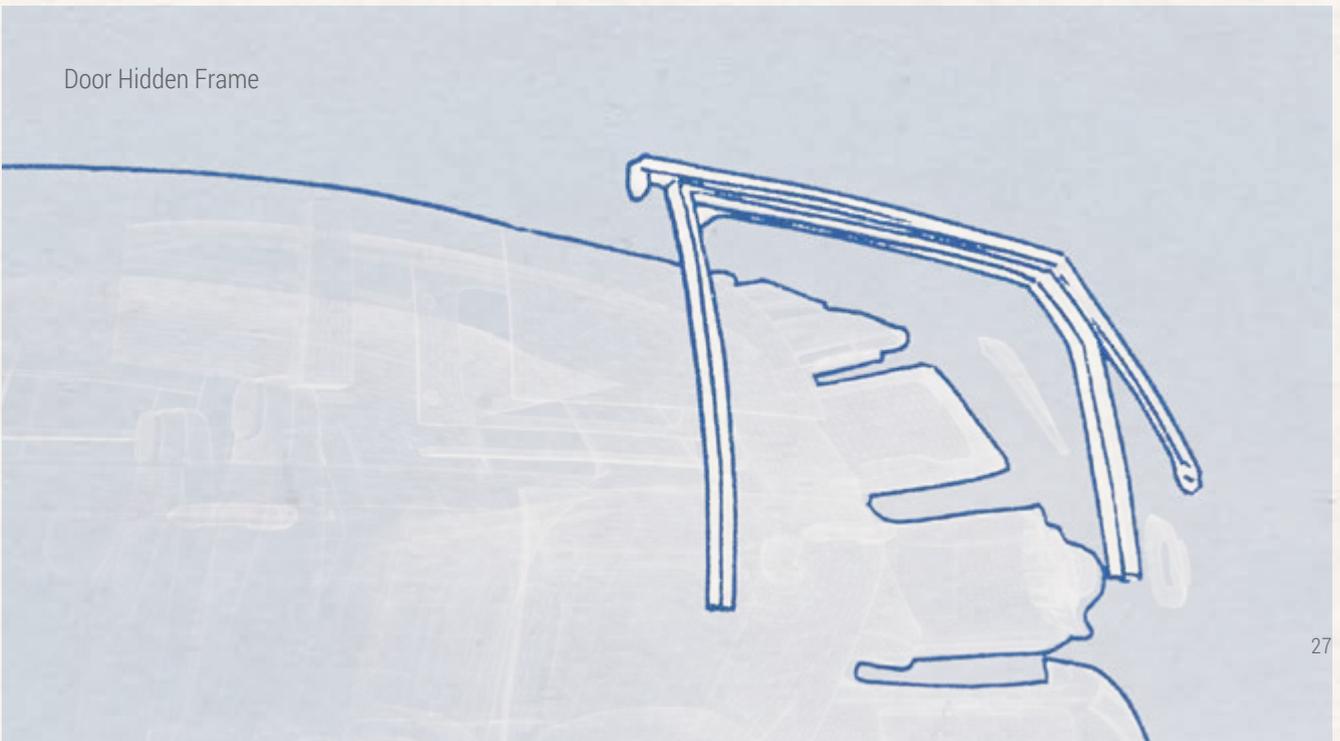
Outer Belt



Inner Belt



Bellow Belt



Research and development

We continue to work closely with our customers from the early stages of development to serial production, anticipating their needs, market expectations and the trends of the industry in which we operate. Using modern tools and techniques, specific knowledge, skills and experience, and key technologies, we achieve our customers' requirements and set corporate goals. As the production of value-added components and modules is one of our strategic determinants, we have been developing and improving automated product assemblies by various forms and by welding and adhesive bonding technologies. Long-standing partnership with customers results in the sustainable development of us as suppliers and our customers. Thus, in 2019, we continued to explore the possibilities of implementing new technologies available in the market and we are ready to face new challenges by implementing activities in accordance with the main guidelines of the auto industry and our customers.

We are primarily focused on the following:

- product weight reduction by using modern engineering tools for product design and validation, new production technologies and equipment (mucell, chemical foaming, gas assisted moulding) and materials (lightweight, multi-component moulding).
- improvement of visual (perceived quality) and tactile product properties with the possibility of personalizing vehicle interior and exterior (painting, decorating with foils - Hot stamping, IMD, FIM, INS), textile coating, lighting (ambient light)
- improvement of technology of assembling different products and materials, taking into account the process of disposal and recycling (adhesion, welding, assembly according to shape)
- development of interior painting technology
- automation/robotization and digitization of production processes





Research and development importance and activities

The automotive industry faces several important challenges, rapid growth, complex market expectations and the growing impact of high technologies. Primarily, this refers to electronic and IT technologies which need to be integrated into the serial production of cars, all with the aim of improving safety, environmental protection and sustainable development. When materials and the desire to design and produce lighter, environmentally more friendly, more competitive, visually more attractive and technologically more superior products are added to this, then the importance of research and development is undoubtedly great.

The knowledge and skills of the automotive industry have been changing rapidly and we need to adapt to them in order to be successful. The automotive industry has always been one of the main drivers of development and research, as well as the economic growth of society.

The four key trends in the auto industry that complement each other are autonomous driving, the interconnectedness and interactivity of passengers, vehicles and the environment, carsharing and electrification. Therefore, car manufacturers, as well as their suppliers, are aware of the importance and the need to change and upgrade key competences within development.

Research and development (continued)

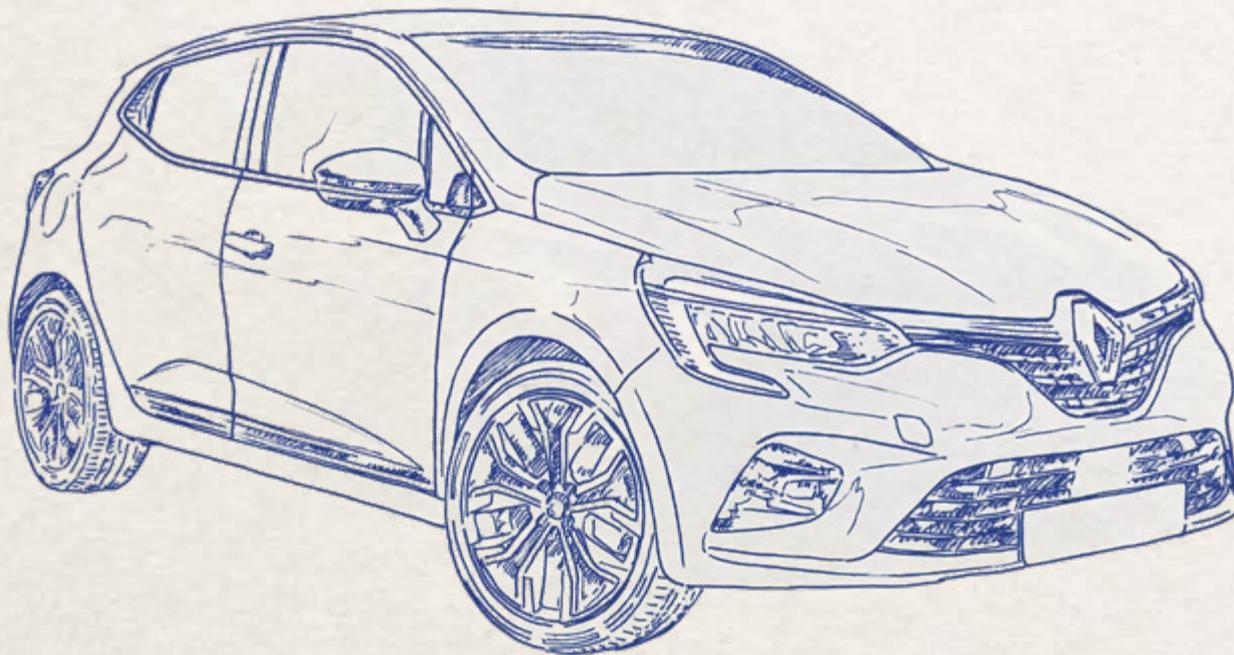
Autonomous driving

Although it will take a while for autonomous driving to take over the primacy of the road, the automotive industry has been evolving in this direction by building already today complex electronic systems inside the car. An autonomous vehicle sees the world through sensors and its whole concept rests on their reliability and radars. The main function of this vehicle is driver comfort and safety.

During the past year, one of the most important and largest projects of the AD Plastik Group was the Renault Clio 5, which was

awarded as one of the safest vehicles. Our development team, in collaboration with external partners, has been involved in defining, manufacturing and industrializing a product that emits radar beams and a reflection scattering detection device. Namely they ensure the reliable operation of the sensors, thereby affecting the safety of the vehicle itself.

Such projects confirm the quality of our development team and certainly lead us towards new projects and vehicles of the future.





Robustness, safety and comfort

Aware of the importance of owning and improving specific skills that contribute to the development, testing and ultimately delivery of robust automotive components, our development team worked continuously on improving existing and learning new skills throughout the reporting period.

During the development process, product optimization is crucial, with as few design changes as possible, while meeting the high technical and quality requirements of customers. In 2019, a large number of development projects were completed in which advanced software knowledge and engineering simulations played a significant role. With our knowledge of software skills, we confirm our status as a reliable development partner on the automotive industry map.

In addition to the increasingly demanding safety conditions, the comfort of car users is becoming more and more emphasized. By acquiring Actran Vibro Acoustics software and educating our engineers, we have provided improvements also in this segment of product development. With the help of the aforementioned software and the acquired knowledge, at an early stage of product development we can evaluate its acoustic performance, all with the aim of providing comfort to the end user and meeting the required customer criteria.

Successful cooperation with the Ford development team during 2019 confirms to us the importance of continuous development of our competences. Predicting and calculating the thermal expansion of an extremely long product that needed to fit perfectly with adjacent parts, laden with extreme temperatures, was very specific and demanding, but was successfully solved thanks to new knowledge.

Research and development (continued)

Carsharing and connectivity

Carsharing and connectivity as well as transferring focus from technologies to end user, will bring about significant changes in the development of the automotive industry, as well as in the manufacturing itself.

In addition to comfort and personalized design, automotive components need to provide more and more functionality that interfere with the world of electronics, artificial intelligence and the electrochemistry. Following developments within the industry, we have launched a pilot project to develop prototype tools and products that have the visual ability to adapt to end-user desires and use ambient lighting. The next step is to apply printed electronic circuits to the product that also have a functional role, such as soft touch control of light, temperature, opening/closing car windows and the like.



Lightweight and recyclable materials

Choosing the right materials is key to quality product development. Cooperating with customers and global suppliers of materials, materials with specific characteristics are defined and selected in order for final product to meet the strict criteria of sustainable development and environmental conservation.

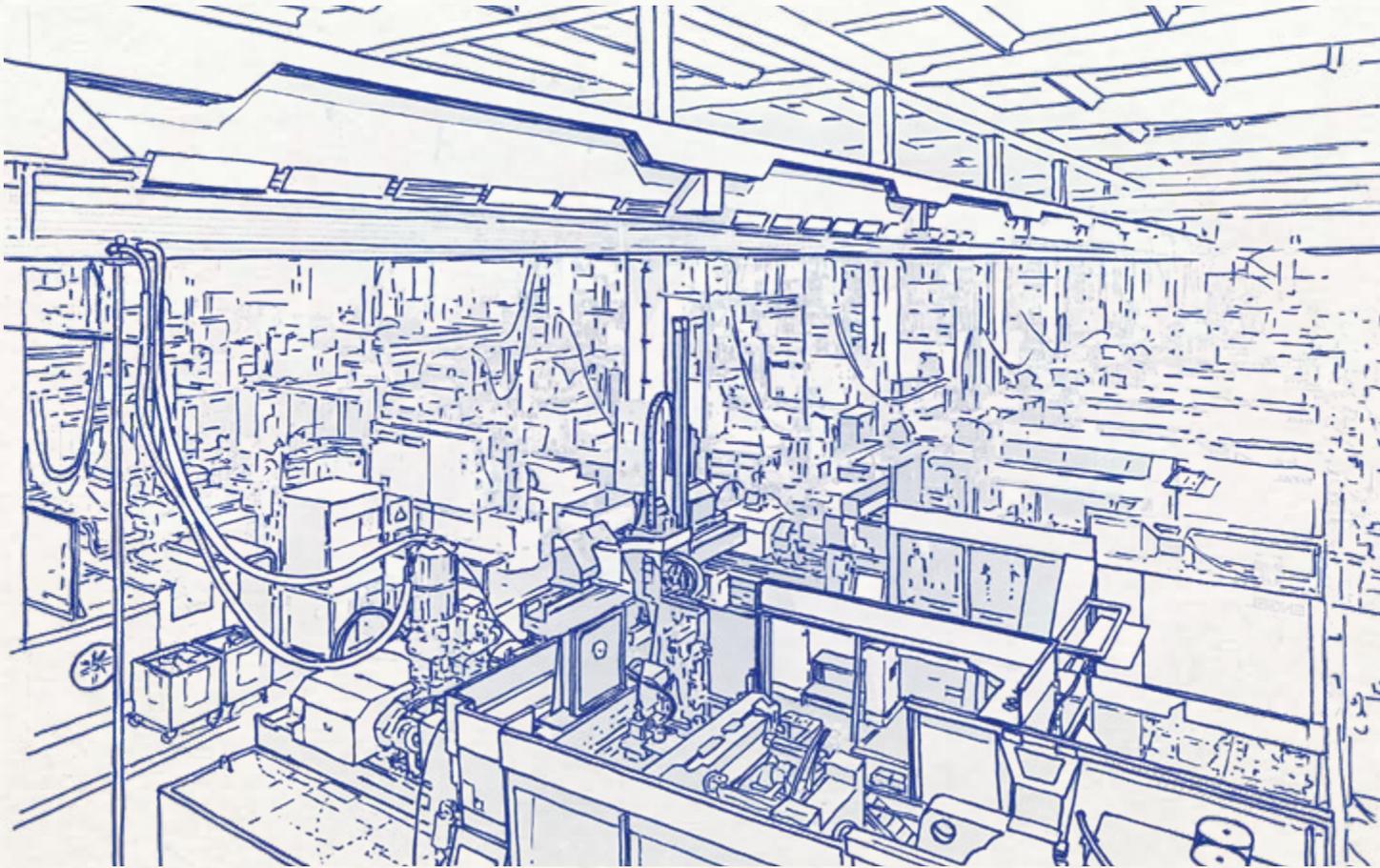
There is a growing use of bio-based materials as well as recyclable materials that need to meet the clear quality requirements of our customers. The most significant example of using bio-based material over the past year has been in the production of Clio 5 instrument panel, using NAFILean™ hemp-based material.

In the reporting period, cooperation was started with suppliers on the development of lightweight materials, the potential application of which is planned in gas-assisted injection moulding. The ultimate goal is to obtain material that would provide less product weight and satisfactory visual aspects.

In 2019, the project for the extrusion of expanded TPE material was successfully implemented in order to apply it in the manufacture of semi-dynamic seals and to reduce the weight of glass run channels.



Production and sales



Digital transformations initiate the trends in the automotive industry, and end-user expectations have been increasing. Technology innovations are the drivers of all changes, and the industry itself is one of those changing rapidly and succinctly. It has made significant strides in the past few years, but technological development and advancement are only bringing about new changes. Safety, sustainable mobility, drive connectivity and advanced driver assistance systems are just some of the steps towards autonomous driving.

Maximum energy efficiency and the highest environmental standards are prerequisites for survival in the automotive industry. Clean production, reducing the amount of water and energy in vehicle

production, significantly lower carbon dioxide emissions and the amount of waste within the process are global trends for industry manufacturers and suppliers.

The automotive industry is certainly the most significant pillar of the global economy in terms of its contribution. It has a unique role to play in bringing together significant scientific and technological developments around the world and it drives the growth and performance of international business.

AD Plastik Group is a part of the global automotive industry and readily faces new business challenges in the field of development.

Production and sales (continued)

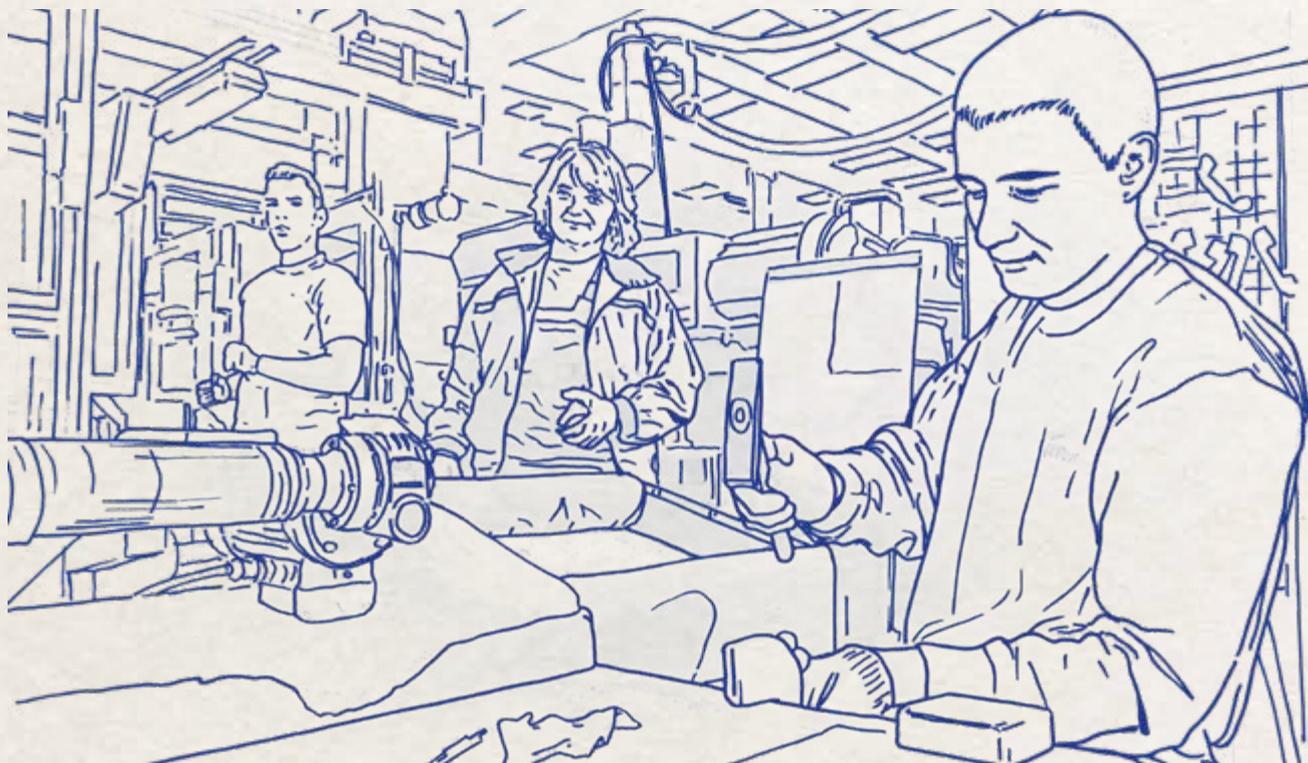
Major projects in 2019 per technologies

Although the last year was marked by the industrialization and start of serial production for the Company key projects, it did not lag behind the year 2018 in terms of quantity of active projects. In the automotive industry, a specific project opens at the time of sealing a specific deal, and closes three months after the start of serial production. Projects include all the necessary preparatory actions and their main activities include defining products, manufacturing tools and devices, transferring tools and devices to production sites, defining processes and specific packaging, and preparing production sites for serial production.

In the reporting period, AD Plastik Group had 97 active projects, and during the year 31 new projects were opened, of which 30 were development projects and one of general purpose. The new projects, including ten projects for Russia, include a total of 151

new tools, of which 114 are related namely to the Russian market. This indicates the importance and focus of the work of the project department on this particular market.

During the year, 26 projects for the European market and six projects for the Russian market were closed. The serial production of a significant number of components in Solin and Zagreb has begun for four new vehicle models that make up a large share in the realization of these factories. For the Clio 5, redesigned Twingo and Smart nine quite challenging projects were closed in the past year. For the three projects related to exterior components we are a Tier 1 supplier, and in addition to injection moulding technology with simple assemblies, the painting technology and the Hot Stamping technology are also represented. Regarding interior components projects for the aforementioned vehicles, including



the Clio 5 spoiler, we are a Tier 2 supplier to our old partners Faurecia, SMRC, Grupo Antolin and Farplas. Interior components projects are notable for their complex mounting on devices incorporating milling, ultrasonic welding, laser and vibration welding technologies. Production processes for 136 injection moulding tools have been successfully established, all of these projects include also the assembly, while part of the products is also being painted.

In the past year, a very significant project for the production of decorative mouldings for the Ford Puma vehicle was closed. The production of embossed mouldings takes place in Solin, and the painted mouldings of fenders and doors are produced in Zagreb. The complexity of this project was manifested also by the opening of a brand new production hall in Zagreb for the purpose of assembly. These projects have been completed in accordance with the customer's time plans.

Although they refer to a smaller number of products, the largest number of open projects in recent years concerns the PSA Group, which continued also in the reporting period. One of their more demanding projects in 2019 is the speaker bracket project for which a sophisticated robotic unit was purchased to apply PUR to a plastic semi-finished product. This equipment has been installed, tested and put into operation at the Solin production site, where almost all PSA Group products are also being produced.

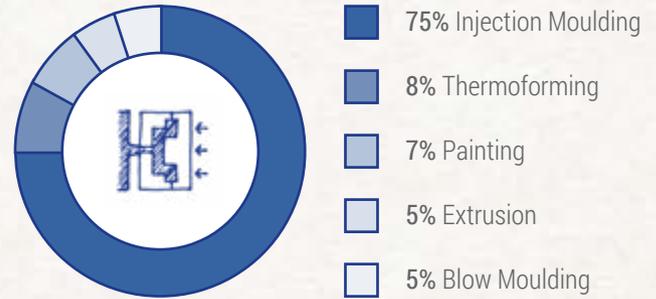
New project of injection moulded and blow moulded instrument panel components for Fiat 500 electric vehicle was opened in 2019 and production will take place in Solin and Mladenovac.

During the year, serial deliveries for the Škoda Rapid in Kaluga began, closing a number of projects that included also different technologies such as injection moulding, 2K injection moulding, gas assisted injection moulding and thermoforming.

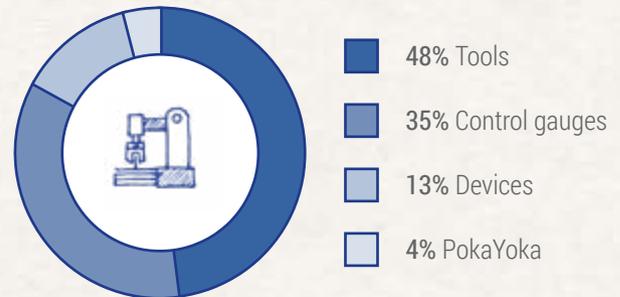
Nine new and very significant projects for Square and Granta vehicles have been opened for the Togliatti plant, which with its 109 tools will significantly influence the layout of the plant itself and the work of the project department in the coming period.

During 2019, 16 projects were active in Hungary for various customers (Suzuki, Bentley, BMW, Audi, Mercedes, Škoda) and their number has expanded. For Suzuki and Bentley, we are a Tier 1 supplier, and in other projects we are a Tier 2 supplier. Five new projects were opened and five of them were closed during the year, ending the year with 11 active projects in Hungary.

Technologies in projects in 2019



Manufacturing equipment in 2019 projects

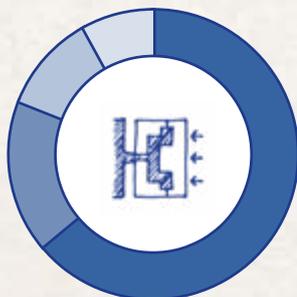


The number of 97 projects in the observed period includes 544 tools in the making, 148 devices, 50 PokaYoka and 400 control gauges. In the course of the year, 32 projects were closed, more precisely, their serial production began, thus ending the year with 65 active projects.

Production and sales (continued)

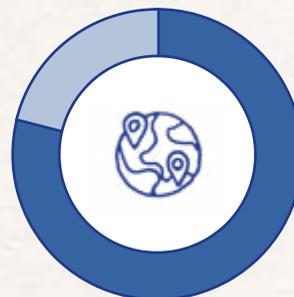
Overview of revenue by technologies and production sites

By technologies



- 68% Injection Moulding + Blow Moulding
- 16% Painting
- 8% Thermoforming + non-woven textiles
- 8% Extrusion

By markets



- 79.27% EU+Serbia
- 20.73% Russia



European Union + Serbia

There were 15.3 million new cars registered in the EU market, so despite the unfavorable movements during the year, and thanks to an increase in activity in the last quarter, an overall growth of 1.2 percent was recorded. In the observed period, the German market grew by five percent, French by 1.9 percent, while the Italian market grew by 0.3 percent. The number of newly registered vehicles dropped by 2.4 percent in the UK and 4.8 percent in Spain. Volkswagen Group continues to hold the largest market share with 24.5 percent and volume growth of 3.3 percent. They are followed by the PSA Group with a 15.6 percent share, with a volume decrease of 1.3 percent, while the Renault Group has a market share of 10.5 percent and the volume increase of 0.9 percent.



Source of data: *Acea.be*

The customer list is arranged alphabetically

BMW

Currently in production: injection moulded exterior components, headliner trims

Technologies: injection moulding, painting

Sales Markets: Germany, Hungary

Nominations won in 2019: headliner trims for BMW 3

FCA Group

Currently in production: air ducts, grab handles, underbody covers, painted interior and exterior components

Technologies: blow moulding, injection moulding, painting

Sales Markets: Serbia, Italy, Poland, Mexico, Brazil

Nominations won in 2019: grab handles Jeep Compass, interior components and air ducts for Fiat 500e electric vehicle

Ford

Currently in production: side fender and bumper claddings, front and rear bumpers air diffusers, wheel arch liners, front and rear wheel deflectors, painted exterior components

Technologies: injection moulding, painting

Sales Markets: Germany, Spain, Romania, Russia, Turkey

Nominations won in 2019: decorative door trims for Focus Active and Puma Vignale.

Hella

Currently in production: headlamp housings

Technologies: injection moulding and assembly

Sales Markets: Slovenia

Nominations won in 2019: headlamp housings production

Production and sales (continued)

European Union + Serbia (continued)

MSC - Magyar Suzuki Corporation

Currently in production: front cover, air ducts, liquid tanks, injection moulded exterior components

Technologies: injection moulding, blow moulding, chrome plating of injection moulded components

Sales Markets: Hungary, Japan

Nominations won in 2019: cooling fan trims for Vitara and S Cross



PSA Group

Currently in production: grab handles, glass run channels, speaker brackets, screens, camera brackets, camera covers, extractors and toothing belt protecting cover

Technologies: injection moulding, extrusion, painting and blow moulding

Sales Markets: France, Spain, Czech Republic, Slovakia, Germany, Argentina, Brazil, Russia

Nominations won in 2019: speaker brackets for the vehicles Citroen Picasso and C-Elysee, decorative trims for Citroen C3, grab handles (Peugeot 208, Peugeot 2008, Citroen DS3 Crossback and Opel Corsa), inner engine covers for Opel Adam Crossback

Renault Group

Currently in production: painted exterior components, injection moulded components, motor fans, headliners, painted and unpainted decorative trims, all exterior spare parts and grab handles, spoilers

Technologies: injection moulding, painting, headliner thermoforming, hot stamping

Sales Markets: Slovenia, France, Spain, South Korea

Nominations won in 2019: radar brackets for Renault Traffic

VW Grupa

Currently in production: grab handles, weatherstrip seals and injection moulded exterior components

Technologies: extrusion, injection moulding and assembly

Sales Markets: Germany, Hungary, Slovakia

Nominations won in 2019: exterior door panels and bumper components for Audi vehicles

Euro APS, JV Romania

Dacia

Currently in production: sunvisors and headliners, carpets

Technologies: injection moulding, thermoforming

Sales Markets: Romania

Russia

The number of newly registered cars in this market decreased by 2.3 percent, more precisely, 1.8 million new cars were registered in total. The most important automakers in Russia are the Renault-Nissan-AvtoVAZ Alliance, with a 36.3 percent market share, which recorded a decline by 1.4 percent over the observed period.

Kia has a 12.8 percent share in the Russian market and it decreased by 0.7 percent, Volkswagen Group with a 12.3 percent share grew by 2.6 percent and Hyundai Group with a 10.3 percent market share recorded a 0.5 percent year-over-year growth.

The customer list is arranged alphabetically

AvtoVAZ

Currently in production: headliners, carpets, injection moulded interior and exterior components, static seals, air ducts, parcel shelves

Technologies: thermoforming, injection moulding and extrusion

Sales Markets: Russia, Brazil, Columbia, Mexico

Nominations won in 2019: injection moulded exterior components, outer belts and headliners for the vehicles Logan and Sandero (export Brazil) and static seals, headliners, mudguards and rear bumper protectors for the vehicle Lada Granta

FordSollers

Currently in production: headliners

Technologies: thermoforming

Sales Markets: Russia

GM-VAZ

Currently in production: headliners, static seals

Technologies: thermoforming and extrusion

Sales Markets: Russia

Nissan

Currently in production: injection moulded exterior components

Technologies: injection moulding

Sales Markets: Russia

PCMA (Peugeot Citroen Mitsubishi Automotive)

Currently in production: injection moulded exterior components and parcel shelves

Technologies: injection moulding and thermoforming

Sales Markets: Russia

Nominations won in 2019: injection moulded exterior components for Peugeot Partner and Citroen Berlingo

Renault

Currently in production: headliners, carpets, injection moulded interior and exterior components, parcel shelves, static seals, air ducts

Technologies: thermoforming, injection moulding, extrusion

Sales Markets: Russia

Volkswagen

Currently in production: injection moulded exterior and interior components, trunk side trims

Technologies: injection moulding, thermoforming, extrusion

Sales Markets: Russia

Nominations won in 2019: trunk side trims for the vehicles VW Tarek and Škoda Karoq

Corporate governance

Corporate matrix



Governance in the AD Plastik Group

In accordance with the mission and vision of AD Plastik Group, we constantly strive to develop, prosper and improve the business to the satisfaction of all our stakeholders. The Company's Management Board considers corporate social responsibility and high standards of corporate governance to be the only correct way to run a business and business activities are based on this.

With the aim of long-term growth and development of the company, the achievement of successful financial results, high transparency of operations, efficiency, investing in the development of competencies, competitiveness, quality and reliability are in the focus of attention. At the same time, many years of awareness and constant development of social responsibility at all levels are undoubtedly the choice of the company and all its employees. Aware of our responsibility, we have been continuously pursuing activities that contribute to the goals of sustainable development.

We promote fair business, safe working conditions, employee education, equality and equal pay and respect for human rights. We choose our business partners according to the values of the company and require them to adhere to the AD Plastik Group Code of Business Conduct and Policies. We want to be a positive example in the environment where we operate and we build our reputation on responsibility and credibility.

With the aim of quality and continuous monitoring, continuous improvement of corporate social responsibility and involvement in operational processes, the Corporate Social Responsibility Committee operates within the Company. It is composed of managerial staff or direct subordinates from eight different areas, most important for sustainable development. The Committee is directly responsible to the President of the Management Board, who together with the Management Board is also responsible for approving the AD Plastik Group's Integrated Annual Report.

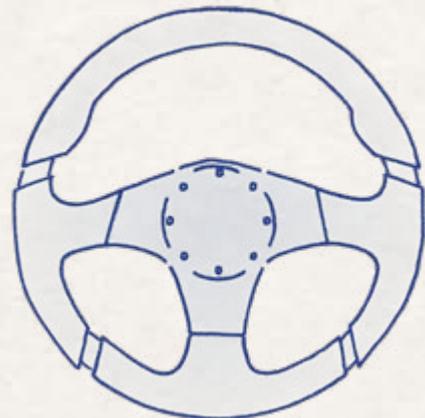
The most important topics of social responsibility are delegated to the highest functions within the company and, as agreed with the Management Board, improvements are being made to the corporate social responsibility strategy and its implementation

throughout the entire Group. The Committee is obliged to inform the Management Board of the results of its work, strategy and plans and regularly submit proposals for improvement. Other employees are also involved in the work of the Committee, as appropriate, depending on their areas of work and their potential contribution to the implementation of the planned activities.

The Committee regularly communicates with employees to obtain feedback on their interests and possible improvements. Surveys among stakeholders are being conducted, and an ongoing online survey on the importance of economic, social and environmental topics has been available on the company's website since the end of 2019.

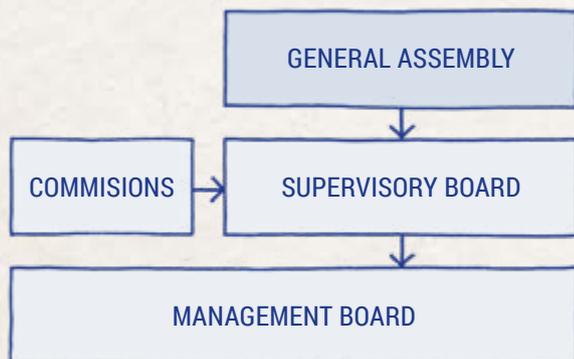
At their meetings the Committee members define the goals for the upcoming period, monitor their implementation and work on improvements and development on an ongoing basis. In the AD Plastik Group, the reporting period was marked by topics related to ecology, and among other activities, an internal campaign "Let's choose responsibly" was carried out.

We have also highlighted ecology as a topic in the preparation of this report, which is printed on recycled paper and drawings were used instead of photos. In this way, we want to remind also every one of you who reads this report of the importance of preserving the nature that surrounds us.



Corporate governance (continued)

Governance structure



The Company's corporate governance structure is based on a dualist system consisting of a Management Board and a Supervisory Board. The four key functions of the company are constituted by the Management Board, Supervisory Board, together with General Assembly and the Audit Committee.

General Assembly

In the affairs of a joint stock company, the shareholders exercise their rights at the General Assembly which is competent to make decisions on the following issues: election and dismissal of members of the Supervisory Board, appropriation of profit, granting clearance to the members of the Management Board and the Supervisory Board, auditor appointment, amendments to the Charter, increase and decrease in the share capital as well as on other issues for which it is competent in accordance with law provisions.

On January 31, 2019, an extraordinary General Assembly meeting was held at which it was decided upon the election of two new members of the Supervisory Board.

A regular meeting of the General Assembly was held on July 11, 2019 at which, in accordance with the Company Act and Company Charter, the Assembly was informed on the Annual report on the state of AD Plastik Group for 2018 and the report of the Supervisory Board on the conducted supervision of business management of the Group and the decisions on appropriation of profit, dividend payment, granting clearance to the members of the Management Board and the Supervisory Board, appointment of the Auditor and election of a member of the Supervisory Board were adopted.

Supervisory Board

The Supervisory Board is responsible for supervising the Company's business operations management, representing the company with regard to the Management Board and making decisions on matters that do not fall within the competence of the General Assembly. Direct management of the Company is not performed by the Supervisory Board, but it directs the Management Board in making strategic decisions and setting the management framework. The Charter of the Company also gives additional powers to the Supervisory Board, and thus it defines that certain types of business can be performed only with the prior consent of the Supervisory Board.

The Supervisory Board has seven members, four of whom are elected by the General Assembly, one is appointed by the Workers' Council, and two are appointed by a shareholder - Open Joint Stock Company Holding Autokomponenti, St. Petersburg, Russia. All members are elected for a term of four years and can be re-elected.

Four regular and two extraordinary meetings of the Supervisory Board were held in 2019. All members participated in the decision-making process at the meetings, either physically or in writing, as provided for in the Rules of Procedure of the Supervisory Board, which are available at the Company's website.

Members of the Supervisory Board

Dmitry Leonidovich Drandin, President

- in 2019 he was reappointed to a new term from **October 19, 2019 to October 19, 2023**
- appointed by the shareholder Open Joint Stock Company Holding Autokomponenti

Ivica Tolić, Vice President

- current mandate from **July 20, 2016 to July 20, 2020**
- appointed by the General Assembly

Igor Anatolyevich Solomatin, member

- in 2019 he was reappointed to a new term from **July 24, 2019 to July 24, 2023**
- appointed by the General Assembly

Nadezhda Anatolyevna Nikitina, member

- in 2019, she was reappointed to a new term from **October 19, 2019 to October 19, 2023**
- appointed by the shareholder Open Joint Stock Company Holding Autokomponenti

Robert Kuhta, member

- current mandate from **October 30, 2017 to October 30, 2021**
- appointed by the Workers' Council

Ivka Bogdan, member

- current mandate from **January 31, 2019 to January 31, 2023**
- appointed by the General Assembly

Bože Plazibat, member

- current mandate from **January 31, 2019 to January 31, 2023**
- appointed by the General Assembly

At the end of 2018, two members of the Supervisory Board, Zoja Crnečki and Hrvoje Jurišić, resigned from membership for personal reasons starting from the day of the extraordinary General Assembly. The extraordinary General Assembly was held on January 31, 2019, when their term of office ended, within which new members of the Supervisory Board Ivka Bogdan and Bože Plazibat were elected.

Statement on the remuneration policy for members of the Supervisory Board

Pursuant to the decision of the General Assembly, a remuneration for work of Supervisory Board members has been determined. The President shall receive a remuneration in the amount of 1.5 gross average monthly salary of employee in AD Plastik d.d. per each Supervisory Board meeting and other members shall be given remuneration in the amount of one gross average monthly salary. The calculation is determined on the basis of gross average monthly salary of company's employee, achieved in the three months prior to the payment of this remuneration. Remuneration shall be paid after each Supervisory Board meeting.

Supervisory Board's Committees

The Supervisory Board has formed three committees representing its advisory and subsidiary bodies. At their meetings, the committees make recommendations to the Supervisory Board, thus enabling it with their work to deal with more complex issues in a more efficient and higher-quality manner.

Committees:

- Audit Committee, four members
- Remuneration committee, three members
- Appointment Committee, three members

Audit Committee is responsible for monitoring the financial reporting process, the accuracy and consistency of accounting policies, making recommendations on the conditions of engagement of the external auditor, reviewing the effectiveness of the external auditor, and indirectly the acting of the Management Board and the Supervisory Board in accordance with the recommendations of the external auditor.

President:

Ivica Tolić

Members:

Bože Plazibat
Dmitry Leonidovich Drandin
Igor Anatolyevich Solomatin

Corporate governance (continued)

Governance structure (continued)

Supervisory Board Committees (continued)

The Company meets the requirement of Article 104 of the Zagreb Stock Exchange Rules, pursuant to which at least one member of the Audit Committee must be independent.

In 2019, four Audit Committee meetings were held, namely on March 21, May 23, September 5 and December 12. All members of the Audit Committee attended decision-making at all meetings, either physically or in writing.

The reports on the implementation of the Annual Internal Audit Plan, the implementation of the Non-Audit Services Policy for 2018, the conducted supervision of the statutory audit, and the consolidated and non-consolidated annual financial statements for 2018, as well as making recommendations for adoption of these reports, payment of dividends and appointment of auditors for 2019 were discussed and decided upon at the meetings and on that basis the Audit Committee issued recommendations to the Supervisory Board for their adoption.

Remuneration Committee proposes to the Supervisory Board a policy of remuneration of the Management Board, awards for members of the Supervisory Board to be decided by the General Assembly, and appropriate form and content of contracts with the members of the Management Board.

President:
Ana Luketin

Members:
Dmitry Leonidovich Drandin
Ivica Tolić

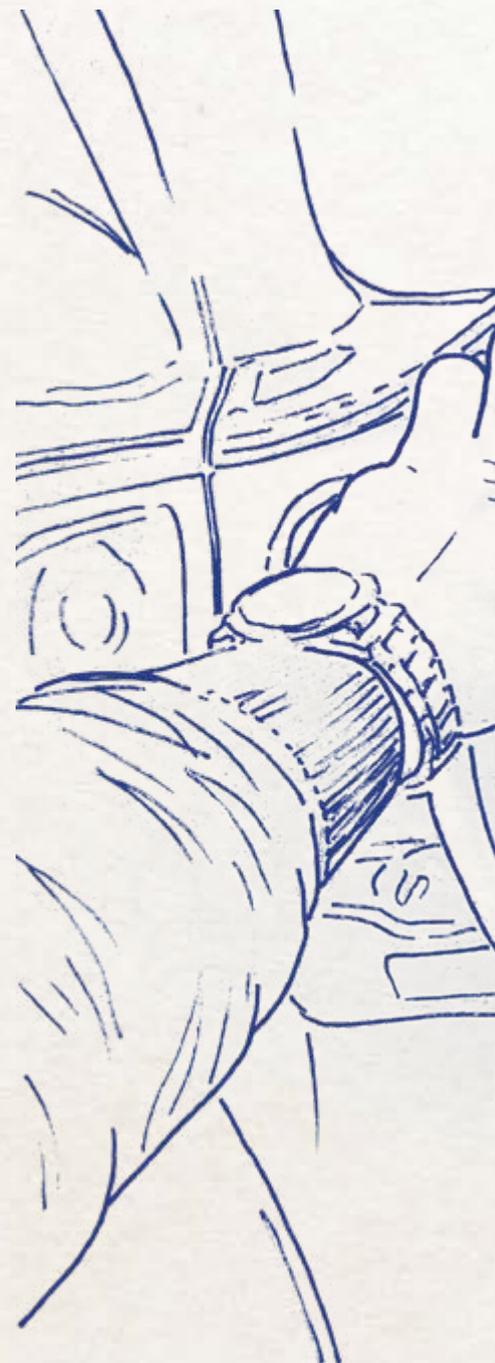
In 2019, two meetings were held and were attended by all members of the Committee who participated in the decision-making. At the meetings decisions were made on proposals on remuneration of all members of the Management Board for the achieved goals, in accordance with the managerial contracts, and on the managerial contract of the President of the Management Board.

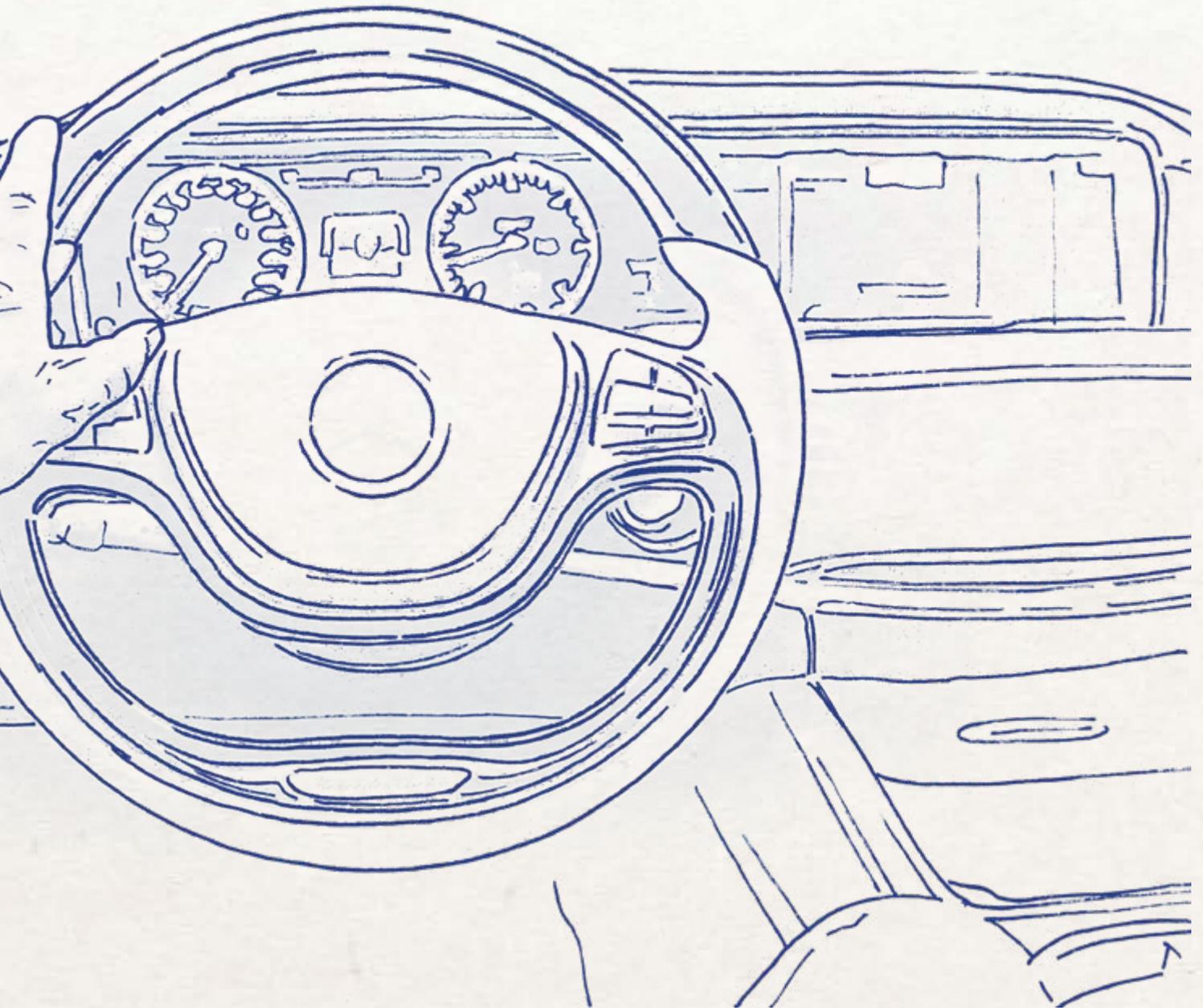
Appointment Committee nominates candidates for members of the Management and Supervisory Boards and assesses the quality of the Supervisory and Management Boards' work. When nominating members, the Committee meets the objectives set out in the Diversity Policy regarding the election of the Supervisory and Management Boards' members.

President:
Ivica Tolić

Members:
Nenad Škomrlj
Dmitry Leonidovich Drandin

Two meetings were held in 2019 and all committee members attended the decision-making process at both meetings, either physically or in writing. The proposals of the candidates of the Supervisory Board and Audit Committee were decided at the meetings and the recommendation on the appointment of the President of the Management Board for another term of office was made.





Corporate governance (continued)

Governance structure (continued)

Management Board

The Company's Management Board is the leading body that conducts the entire business on its own responsibility. It is appointed and repealed by the Supervisory Board.

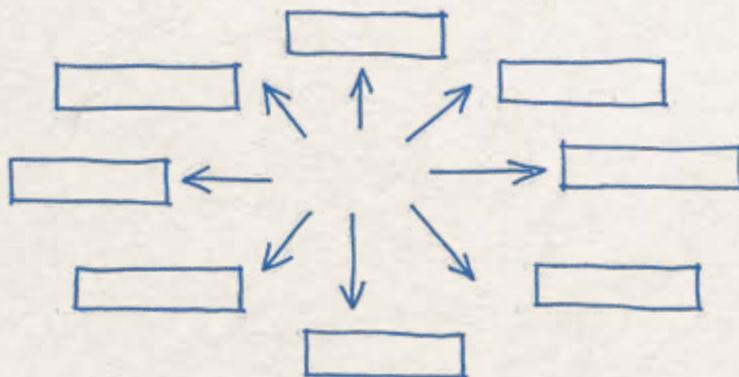
The main tasks of the Management Board are to represent the company, prepare financial statements and submit them to the Supervisory Board for approval, together with the decision on the appropriation of profit, regularly submit to the Supervisory Board business report, prepare and convene a regular annual meeting of the General Assembly and submit business reports and define corporate functions and their tasks. The Management Board is responsible for the quality management of business risks, and it checks the economic, environmental and social impacts of the company at the regular meetings.

At its regular meetings, the Supervisory Board estimates and evaluates the performance of the Management Board on the basis of business performance indicators and the maintenance and building of a positive reputation of the company in all relevant publics.

In accordance with the Charter, Management Board may be comprised of three to eight members and the current Management Board has three members. The mandate of the Management Board's members lasts up to five years with the possibility of reelection without limiting the number of mandates. Each member of the Management Board represents the Company independently and individually and the members are elected in accordance with their expertise and the necessary experience.

In addition to the basic criterion of professionalism, the Company implements the Succession Plan in accordance with the Diversity Policy of the Management Board and the Supervisory Board members, which is published on the company's website.

When selecting candidates, choice is based on those who have experience and knowledge in the field of industry, but also on those who are aware of the size of the company and all the tasks set by the mission and vision. A good candidate for the highest management bodies must match the profile pursued by the Management Board and the Supervisory Board. In this regard, personal qualities and integrity are extremely important.





Marinko Došen, President of the Management Board

- born on March 25, 1963
- Management Board member since February 6, 2015
- current mandate
from July 20, 2016 to July 20, 2020
- new mandate
from July 21, 2020 to July 21, 2025

He was born in Rijeka where he graduated from the Faculty of Engineering and obtained the title of mag. ing. mech. He completed an MBA programme at the Zagreb School of Business, orientation Petroleum and during his career, he has attended several additional seminars and professional training courses in the country and abroad. He began his career at the Croatian petrochemical industry as an intern, and from 1997 to 2004 he performed multiple managerial and executive functions, including the post of the President of the Management Board of DINA. Afterwards, as the Director of the investment company Coca-Cola Bottling Energy, he managed the construction of several energy projects in Hungary. He was the Executive Director and Member of the Management Board of the company Trast, one of the leading logistics companies in Croatia, after which as the President of the Management Board he managed the project for the operative restructuring of the company Mirna, Rovinj.

He came to AD Plastik Group in 2012 as a Managing Director of the company ZAO PHR (today AO AD Plastik Togliatti) in Russia and he was appointed President of the Management Board in 2015.

He is specialized in change management and crisis management.



Katija Klepo,

member of the Management Board in charge of Sales and Strategic Purchasing

- born on August 9, 1969
- Management Board member since February 20, 2008
- current mandate **from July 20, 2016 to July 20, 2020**

She graduated from the Faculty of Economics, University of Split and began her business career at AD Plastik in 1994, in the Department of Price Calculations. She has worked as a Manager of Economic Affairs and Assistant Executive Director of the development of other programmes, purchasing and finances. When the Controlling and Internal Audit Service was formed, she became its head, and was charged with financial supervision of all the companies within the AD Plastik Group. In February 2008, following her position of the Director of Controlling and Internal Audit, she became a Member of the Management Board of AD Plastik Group, which is a position she still holds today.

Mladen Peroš,

member of the Management Board in charge of Development, Research and Tool Purchasing

- born on July 3, 1968
- Management Board member since November 9, 2011
- current mandate **from July 20, 2016 to July 20, 2020**

He graduated from the Faculty of Mechanical Engineering and Naval Architecture in Zagreb, orientation Engines and Motor Vehicles and he began his business career as a Construction Engineer at the Department of Research & Development at the company Končar EVA in Zagreb. In June 1999, he joined the AD Plastik team as a Construction Engineer at the Department of Construction. His career within the company advanced quickly, thus he soon became a Project Manager, Director of Construction, Director of Development, Assistant to the Member of the Management Board for Commerce and Development, and Member of the Management Board for Commerce and Development. During that period he spent significant time in Russia developing the market and launching newly formed companies. From July 2012 to February 2015 he was President of the Management Board of AD Plastik Group, after which he has been working as Member of the Management Board.



No member of the Management Board may be appointed member of the Management or Supervisory Boards of another company that operates in the same line of work as the Company, without the consent of the Supervisory Board. They may also not, without its consent, take part in the decision-making process or closing legal deals if their legal representative, procurator or proxy of the other contracting party is their blood relative, spouse, cohabiting partner or in-law relative up to the second degree. Members of the Management Board may not take part in the decision-making process connected with any legal affair in which there is a conflict of interest between the members of the Management Board and the Company. The Management Board members are obliged to inform the other members of

the Management Board, as well as the Supervisory Board of the circumstances of the conflict of interest, whether or not they take part in the decision-making process or closing of the legal deal. They are obliged to state all relevant facts regarding the nature of their relationship with the other contracting party and their own estimate on the existence of conflict of interest.

28 meetings of the Management Board were held in the reporting period. The total remuneration for the members of the Supervisory Board and the Management Board and the Executive Directors for 2019 amounted to HRK 14,165,000.

Statement on the remuneration policy for members of the Management Board

The employment contract for the members of the Management Board defines their rights and obligations based on the performance of their function, as follows:

- monthly salary of the members of the Management Board
- annual bonus (remuneration) based on successful achievement of set objectives, in which case members of the Management Board are entitled to a bonus in the amount of at least one and up to five average monthly salaries, that is at least three and up to twelve average monthly salaries regarding President of the Management Board. Decision on bonus payment is made by the Supervisory Board, depending on the degree and scope of achieving the set objectives. The President of the Management Board has an additional bonus contracted for achievement of the targeted increase in the share price.
- the bonus is paid in shares of the company or in cash
- life insurance policy with an annual premium in the amount of EUR 3,000

- right to use an official vehicle 24 hours a day
- severance payment in the event of the termination of the mandate, unless the member was repealed prior to the expiry of mandate due to reasons caused by his/her fault or resigned himself/herself

According to the Remuneration Committee proposals, at the meeting held on May 23, 2019 the Supervisory Board made a decision on remuneration of the Management Board members based on the successful business in 2018 and the achievement of all goals set in managerial contracts. Management Board members have been remunerated with 1000 Company's shares, while the President of the Management Board has been remunerated with 1600 Company's shares, all in accordance with the provisions of the existing managerial contracts.

At the meeting of the Supervisory Board held on September 5, 2019, the decision was made to appoint the President of the Management Board, Marinko Došen, for a new term of five years.

Corporate governance (continued)

Management



Branko Durdov
Group Production Operations
Advisor



Ivana Filipović
Executive Director of Quality



Hrvoje Jurišić
Executive Director of
Research and Development



Ana Luketin
Executive Director of
Legal Affairs



Denis Miletić
Executive Director of
Production and Logistics



Mira Pavić
Executive Director of
Human Resources and
Corporate Architecture



Edo Bacci
Technical Director of the
Production site Solin



Marko Cambj
Director of Projects



Leo Bočkaj
Director of
Strategic Purchasing of
Investments and Services



Zlatko Bogadi
Director of the
Production site Zagreb



Tomislav Čepić
Manufacturing Director of the
Production site Zagreb



Josip Divić
Finance Director



Daniela Džidara
Production Quality Director



Mate Gojsalić
Development Director for
injection moulded and blow
moulded components



Krešimir Jurun
Director of
Controlling and Accounting



Nino Kačanski
Managing Director of
AD Plastik Kaluga



Andrija Kalajžić
Managing Director of
ADP Mladenovac



Jadranka Konta
Director of Occupational Safety
and General Affairs



Iva Koprčina Perković
Director of Internal Audit



Daniel Kovač
Managing Director of
AD Plastik Tisza



Alexandr Lebed
Managing Director of
AD Plastik Togliatti



Igor Lončar
Technical Director of the
Production site Zagreb



Antica Perković
Director of Strategic
Purchasing of Materials



Matko Serdarević
Director of the
Production site Solin



Ivan Šobot
Development Director for
Extruded Components



Toni Štambuk
Sales Director for
EU and other markets



Jurica Vuković
IT Director



Dragan Vuletin
Development Quality Director

Corporate functions

The goals and tasks of corporate functions are defined by the Management Board and each corporate function has a clearly defined executive level or a corresponding management level that directly reports to the highest management body. The Management Board is reported about progress and task execution at regular meetings, corporate functions propose improvements on individual topics and existing governance methods are regularly analysed and more advanced methods are proposed. Business and governance improvements are an integral part of company's adopted strategies and plans.

The corporate functions of AD Plastik Group are the following ones: Controlling, Internal Audit, Human Resources, Research &

Development, Sales, Strategic Purchasing, Central Logistics, Finance, Legal Affairs, Corporate Architecture, IT, Occupational Health and Safety, Quality System and Production.

Regular consultations with individual stakeholders are conducted by the management, which is obliged to provide feedback to the Management Board. The Management Board occasionally, in accordance with the requirements and needs of the stakeholders, organizes consultations with certain Group's stakeholders. Improving the collective knowledge of all relevant issues related to company's business and its sustainable development are an integral part of regular business operations.

Management of subsidiaries (data as of December 31, 2019)

AO AD Plastik Togliatti, Russian Federation

Lebed Alexandr Vladimirovich - Managing Director

Supervisory Board

- Matko Serdarević - president
- Denis Miletić
- Branko Durdov
- Marko Cambj
- Josip Divić

ZAO AD Plastik Kaluga, Russian Federation

Nino Kačanski - Managing Director

Supervisory Board

- Denis Miletić - president
- Branko Durdov
- Matko Serdarević
- Marko Cambj
- Josip Divić

ADP d.o.o., Mladenovac, Republic of Serbia

- Andrija Kalajžić - Managing Director

Supervisory Board

- Mladen Peroš - president
- Denis Miletić
- Ana Luketin

Other representatives

- Katia Zelić
- Josip Divić

AD Plastik d.o.o., Novo Mesto, Republic of Slovenia

Mladen Sopčič - Managing Director

AD Plastik Tisza Kft., Tiszaújváros, Republic of Hungary

Daniel Kovač - Managing Director

Supervisory Board

- Zlatko Bogadi - president
- Ivana Filipović
- Josip Divić

Corporate governance (continued)

Governance structure (continued)

Corporate Governance Code Statement

- 1 In the reporting period AD Plastik has applied the Corporate Governance Code, edition 2010 (hereinafter: the Code) published on the official website of Zagreb Stock Exchange, www.zse.hr.
 - The Company has not adopted its own corporate governance code in its regular business operations, instead it has implemented recommendations and guidelines prescribed by the Code of Zagreb Stock Exchange.
 - The Corporate Governance Code Statement, signed by all members of the Management Board, is an integral part of the AD Plastik Group's Integrated Annual Report, which is also available on the websites of the Company and the Zagreb Stock Exchange.

- 2 In the reporting period, there have been minor deviations from individual recommendations, stated in the Statement, as follows:
 - An information on all remunerations and other receivings from the company or related parties of each individual member of the Management Board or the Supervisory Board, including the structure of remuneration, is not specified in the Report by the Company in detail, but in summary for key personnel.
 - Most members of the Audit Committee are not independent members of the Supervisory Board. All members of the Audit Committee are also members of the Supervisory Board, in which case the Audit Committee shall be exempted from the requirement of independence as prescribed by the Audit Law in Article 65, paragraph 7.
 - The Company does not use the means of modern communication technology to participate and vote at the General Assembly, because in practice the current voting method has been confirmed as the optimal solution.

- 3 Internal control is performed by Controlling and Internal Audit Services. Controlling Department informs the Management Board on conducted control and Internal Audit Service informs the Audit Committee and Management Board.

Internal Audit Service is an independent and objective assurance and consulting activity that is governed by value added philosophy with the intent to improve company's business operations. It helps the company in meeting its goals through a systematic and disciplined approach of assessing the effectiveness of risk management of the company, control and corporate governance.

The scope of work of Internal Audit Service refers to research, testing and evaluation of the efficiency of the internal control systems, reporting on established results and proposing solutions to the management, as well as to risk management and Company's assets protection.

- 4 Ten significant indirect and direct shareholders are listed on page 58 of this report. The Company has no holders of securities with special control rights, nor holders of securities with limitations on voting rights of a certain percentage or number of votes. The Company has no specific rules on appointment and revocation of appointment of Management Board members, nor specific rules on authority of Management Board members. The Company Charter prescribes that two members of the Supervisory Board are appointed by the shareholder Open Joint Stock Company „Holding Autokomponenti“ from St. Petersburg, Russia.

The provisions of Corporations Act and Company Charter are applied on all aforementioned relations.

On July 20, 2017, the General Assembly gave authorisation to the Management Board to acquire own shares on behalf of the Company for the period of five years.

On December 31, 2019, the Company owned 69,058 own shares.

5 The General Assembly is competent for making decisions on the following issues: electing and removal from office of Supervisory Board members, appropriation of profit, granting clearance to Management Board members, appointing auditors, amending the Charter, increasing and reducing share capital and on other issues under its responsibility as regulated by the law. Shareholders exercise their rights via the General Assembly. Activities of the General Assembly are regulated by the Corporations Act and the Rules of Procedure for the General Assembly published on the Company's website (www.adplastik.hr).

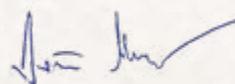
6 Members of the Management Board and Supervisory Board are listed on pages 43, 47 and 48 of this report. In accordance with the Corporations Act and the Company's Charter, the Management Board makes decisions at the meetings of the Management Board. In 2019, 28 meetings of the Management Board were held, which is in line with good corporate practices. In accordance with the Act and the Rules of Procedure for the Supervisory Board, the Company has 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. The Committees are as follows: Audit Committee, Remuneration Committee and the Appointment Committee.

7 The objective of the diversity policy of AD Plastik Group applied on the Company managing bodies is to establish necessary standards ensuring the diversity of the Management and Supervisory Boards members. This improves the quality of their work and enables them to make better management decisions. Appointment criteria are candidates' skills and experience, industry knowledge, personal qualities and integrity, while diversity criteria such as gender, age, length of service and individual differences in professional and personal experience are also taken into consideration.

In the reporting period the Management Board of the Company consists of the President of the Management Board and two members. Balance has been established on the criteria of skills, experience and competences, as can be seen from the CV of the members of the Management Board.

The Supervisory Board consists of seven members, three of whom are Russian citizens, while four members are Croatian citizens. With respect to the gender criteria, the Supervisory Board consists of two women and five men, and the age criteria was fulfilled by having a good age balance ranging from 39 to 69 years of age.

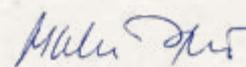
Marinko Došen, president of the Management Board



Katija Klepo, member of the Management Board



Mladen Peroš, member of the Management Board



Corporate governance (continued)

Ethics and integrity

Standards of ethical conduct are defined in the Code of Business Conduct and Policies of the AD Plastik Group. The brochure is distributed to employees at all production sites, and each new employee receives a copy when they are hired. It has been translated into four languages, Croatian, Russian, Serbian and Hungarian, the official languages of the countries where the Group's production sites are located. In this way, all employees are made aware of the ethical behavior that the Company promotes, its values, vision and mission. The Code of Business Conduct is binding on all employees, and it also prescribes how to report conduct that is not in line with the Company's values.

The code and policies are digitally available on the intranet, and they have also been published on the Company's website in order for other stakeholders to be familiar with them.

Among others, we have a prescribed Group-wide Anti-Corruption Policy that clearly defines zero tolerance for all forms of bribery and corruption. Employees are required to report any form or suspicion of corruption to their direct superiors, Human Resources or Legal Affairs Department. In 2019, as before, there were no statements about any events on suspicion of corruption, business cooperations with partners weren't terminated for this reason, and no anti-corruption disputes were initiated.

The Anti-Monopoly Policy respects the basic principles of free market competition and, accordingly, forbids coordinated actions, agreements and decisions of associations of entrepreneurs that

aim to or result in a disruption of market competition and which place the company in an advantageous position in relation to the competition and customers. In the reporting period no disputes regarding the violation of the free market competition principles were initiated nor finished.

It is important to point out that our suppliers are also required to comply with the AD Plastik Group Code of Business Conduct, and the Sustainable Supplier Management Policy is also among the policies. We aim to cooperate with business partners who share our vision and business values, so we encourage our suppliers to follow corporate social responsibility guidelines. Regular questionnaires and periodic audits we conduct help us monitor and evaluate their full respect for human rights and the principles of sustainable development.

The Company does not participate in lobbying activities or providing financial or non-cash political contributions to political parties or goals. In this way the Company excludes itself from improper influence on the political system. We advocate the public advocacy of various policies through business and interest organizations, public appearances, expert discussions or direct suggestions and comments to the competent authorities.

Corporate Social Responsibility is indisputably an integral part of the development strategy of AD Plastik Group, through which we ensure a clear business objective to the satisfaction of all stakeholders.



ADPL Share

The capital market is influenced by global challenges throughout the entire year. Trade disputes between the US and China, Brexit, a slowdown in leading economies and the announcement of a recession have negatively impacted investor sentiment, while record low interest rates have contributed to activity growth. With the announcement of the first phase of sealing trade deals between the US and China in mid-December, investor optimism was recorded, resulting in double-digit growth in leading global stock indices at the end of the year. This has also had an impact on the automotive sector, which is why a recovery in the share prices of world-famous suppliers has been recorded.

Global economic trends have also affected the trends in the domestic capital market, which nevertheless recorded a 38 percent increase in share turnover and an increase in almost all share indices. The total share turnover amounted to HRK 2.2 billion.

The ADPL share price as of December 31, 2019 amounted to HRK 191, representing an increase of 8.5 percent compared to the same date last year. As a result, the market capitalization increased to HRK 802.1 million. Price ranged from the lowest HRK 166.5 to the highest which amounted to HRK 195, while the average price in the observed period amounted to HRK 179.8. Crobex grew by 15.4 percent over the same period

The turnover amounted to HRK 62.4 million, which was by 15.8 percent more than in the previous year, while the trading volume was higher by 19.6 percent.

A dividend of HRK 12.5 per share was voted, that is a total of HRK 51.7 million was paid. This resulted in a dividend yield of 7.1 percent.

Share trend

ADPL (in HRK)	2018	2019	Index
Final price	176.0	191.0	108.5
Average price	185.8	179.8	96.8
The highest price	203.0	195.0	96.1
The lowest price	169.0	166.5	98.5
Volume	290,281	347,060	119.6
Turnover	53,921,185	62,414,666	115.8
Market capitalization	739,126,784	802,120,544	108.5
P/E	8.2	7.7	93.7
EPS	21.5	24.9	115.8
ROE	11.7%	12.5%	84 bps

As of December 31, 2019, the share has been trading at a P/E of 7.7. With growth in profit, earnings per share (EPS) increased by 15.8 percent, amounting to HRK 24.9 in this reporting period,

as opposed to the previous year when it amounted to HRK 21.5. Return on equity (ROE) was at 12.5 percent, while it was 11.7 percent a year ago.

ADPL Share (continued)

ADPL share price and CROBEX index movement in 2019

+8.5% ADPL

+15.4% CROBEX



The Company acquired 5,280 own shares in the observed period, which is 0.1 percent of the share capital at a total acquisition cost of HRK 903.3 million. The acquisition of shares is carried out in accordance with the decision of the General Assembly of July 20, 2017 for the purpose of rewarding management and employees. During the year, 7,224 shares were disposed, or 0.2 percent of the share capital, and as of December 31, 2019, the Company owned 69,058 shares, which is 1.6 percent of the share capital. Through the Employee Stock Ownership Programme ESOP employees own a total of 45,150 shares, representing 1.1 percent of the share capital of the Company.

In addition to the Crobex, Crobexind and Crobex10 indices, the ADPL share has been included in two new indices, CrobexPrime and AdriaPrime, since 2019. Just under 70 percent of the shares are available on the market, and Interkapital vrijednosni papiri d.o.o. carries out the activities of a market maker, providing the support to the Company shares turnover.

Throughout the year, the highest standards of transparency and corporate governance of the Prime Market, in which our shares have been listed since December 2018, have been met. The invested effort has been recognized by the investment public, as confirmed by the third prize of the business journal Poslovnik dnevnik and the Zagreb Stock Exchange for the best investor relations and the Zagreb Stock Exchange award for the Share of the Year.

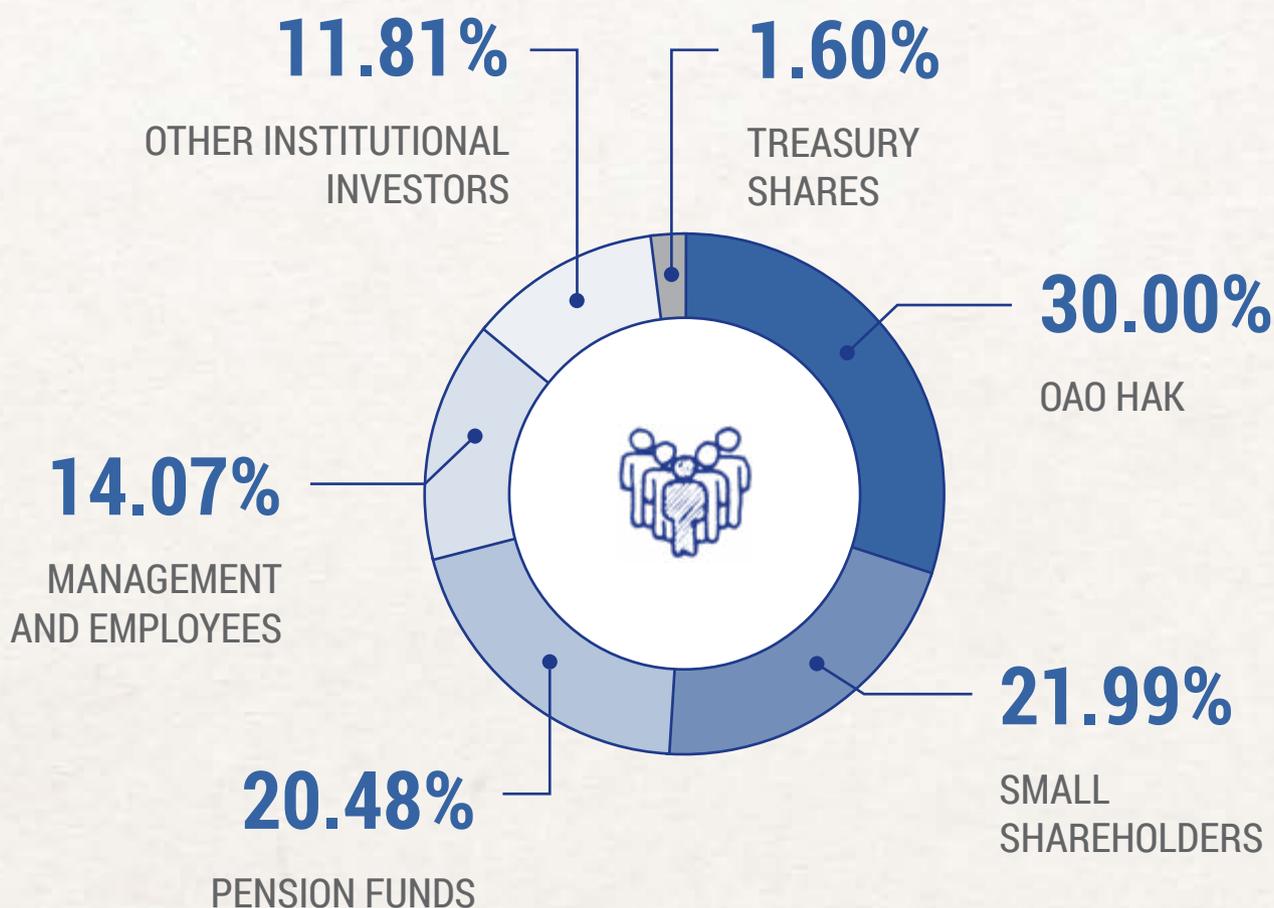
Continuity in further improving the quality of reporting and transparency, in increasing the visibility of the Company in domestic and foreign capital markets, and in creating added value through the implementation of business plans are our daily commitment. Next year the main focus will be also on the implementation of the new Corporate Governance Code of the HANFA and the Zagreb Stock Exchange as well as on preparations for the introduction of an unique financial reporting format (XBRL) adopted by the European Union through the Transparency Directive (2013/50/EU).

Ownership structure

The share capital of AD Plastik amounts to HRK 419,958,400, and is divided into 4,199,584 shares with a nominal value of HRK 100. The Company has no majority owner and the largest single owner is a shareholder OAO Holding Avtokomponenti with a 30 percent share in the share capital. It is followed by small shareholders with 22 percent and pension funds with 20.5 percent, which makes 72.5 percent of shares in total. The rest is split between management and employees (14.1 percent) and other

institutional investors (11.8 percent), and some of the shares are in the treasury (1.6 percent). Shareholders exercise their rights through the General Assembly and the Supervisory Board in accordance with the legislation of the Republic of Croatia.

In 2019, the most significant change in the ownership structure was the growth of the share of small shareholders of 1.7 percent and the exit from the ownership structure of Erste Plavi MPF category B with the sale of the share of 1.2 percent.



ADPL Share (continued)

	Shareholder	Number of shares	Share
■	1 OAO HAK	1,259,875	30.00%
■	2 Small shareholders	923,418	21.99%
■	3 Pension funds	860,222	20.48%
	Addiko Bank d.d. / Raiffeisen MPF category B	314,704	7.49%
	Addiko Bank d.d. / Raiffeisen VPF	205,458	4.89%
	Addiko Bank d.d. / PBZ CO MPF category B	121,980	2.90%
	HPB d.d. / Capital fund	116,541	2.78%
	Raiffeisen MPF category B	45,242	1.08%
	Others	56,297	1.34%
□	4 Management and employees	590,974	14.07%
	ADP ESOP	45,150	1.08%
	Others	545,824	13.00%
□	5 Other institutional investors	496,037	11.81%
	Erste bank d.d. / Joint custodial account for a foreign legal entity	105,349	2.51%
	PBZ d.d. / State Street client account	62,388	1.49%
	PBZ d.d. / Joint custodial account of a client	41,937	1.00%
	Splitska banka d.d./ OTP index fund	39,597	0.94%
	Zagrebačka banka d.d. / State street bank	38,787	0.92%
	Others	207,979	4.95%
■	6 Treasury shares	69,058	1.64%
	Total	4,199,584	100.00%

10 largest shareholders

The ten largest shareholders hold 56.24 percent of the Company's shares. In 2019, a share change can be seen regarding Zagrebačka banka d.d. / State street bank and trust company, which, having reduced the number of shares by 15,978 (0.4 share percent), withdrew from the top ten shareholders. Thus Raiffeisen MPF category A entered the top ten without a share

change. PBZ d.d. / State street client recorded a decline in number of shares by 10,000 shares (0.2 share percent), treasury shares recorded a decrement by 1,944 shares (0.05 share percent), while Raiffeisen VPF registered growth by 1,574 shares (0.04 share percent).

Events Calendar on Zagreb Stock Exchange

In accordance with the Zagreb Stock Exchange Rules, AD Plastik Group published the 2020 Events Calendar at the end of the business year. It contains major events such as the dates of publication of the financial statements, General Assembly

meeting, dividend payment and other activities associated with investor relations. Any change or update of the calendar shall be published as soon as it is made and not later than one week before the event itself.

Date	
26 Feb 2020	Unaudited Annual Report for 2019
19 Mar 2020	Supervisory Board meeting
24 Apr 2020	Audited 2019 Annual Report
28 Apr 2020	Financial statement for the first quarter of 2020
30 Apr 2020	Presentation of the Annual Report 2019 and results for the first three months of 2020 to interested financial analysts and public representatives
28 May 2020	Supervisory Board meeting
16 Jul 2020	General Assembly
27 Jul 2020	Dividend payment (if voted at the General Assembly)
29 Jul 2020	Financial statement for the second quarter of 2020 and semi-annual financial statement for 2020
3 Sep 2020	Supervisory Board meeting
28 Oct 2020	Financial statement for the third quarter of 2020 and nine month financial statement for 2020
30 Oct 2020	Presentation of the results for the first nine months of 2020
17 Dec 2020	Supervisory Board meeting

The dates listed are subject to change.

Financial results 2019

AD Plastik Group is comprised of the following companies in the reporting period:

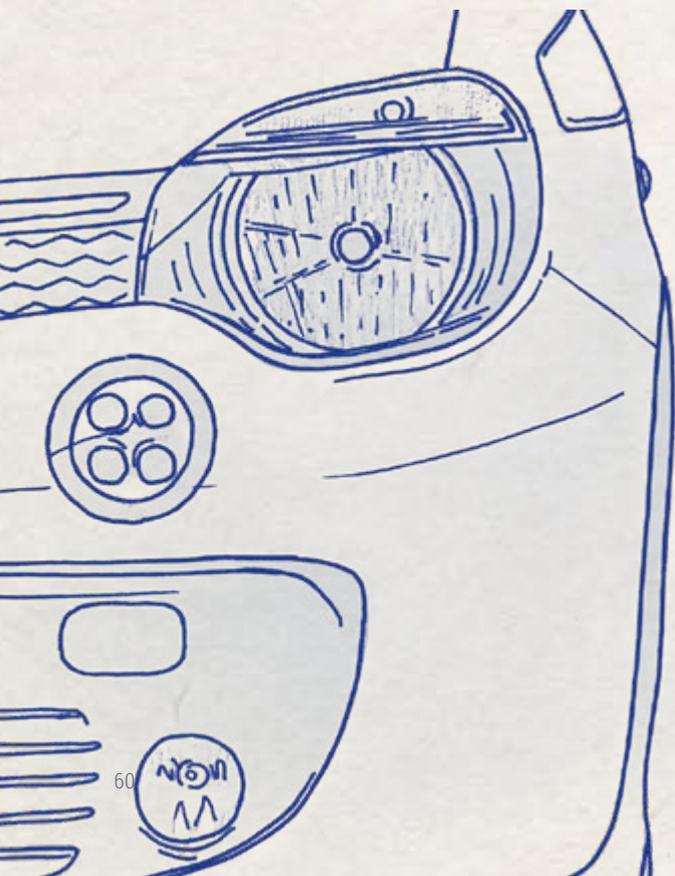
AD Plastik d.d., Croatia
 AO AD Plastik Togliatti, Russia
 ZAO AD Plastik Kaluga, Russia
 ADP d.o.o., Serbia
 AD Plastik Tisza Kft., Hungary
 AD Plastik d.o.o., Slovenia

(hereinafter: AD Plastik Group)

The audited results for 2019 indicate the continuation of successful operations with the achievement of the set plans for revenue and profit growth. The year was marked by the preparations and the start of serial productions regarding significant projects of the AD Plastik Group, primarily the Clio 5 and Ford Puma, as well as the redesigned Twingo and Smart models. New deals worth EUR 214.9 million have been sealed for the European and Russian markets, ensuring further growth and development of the Company. Investments worth HRK 161.8 million realized in the observed period are mostly related to the expansion of capacities for acceptance of new projects in Croatia and partly in Russia.

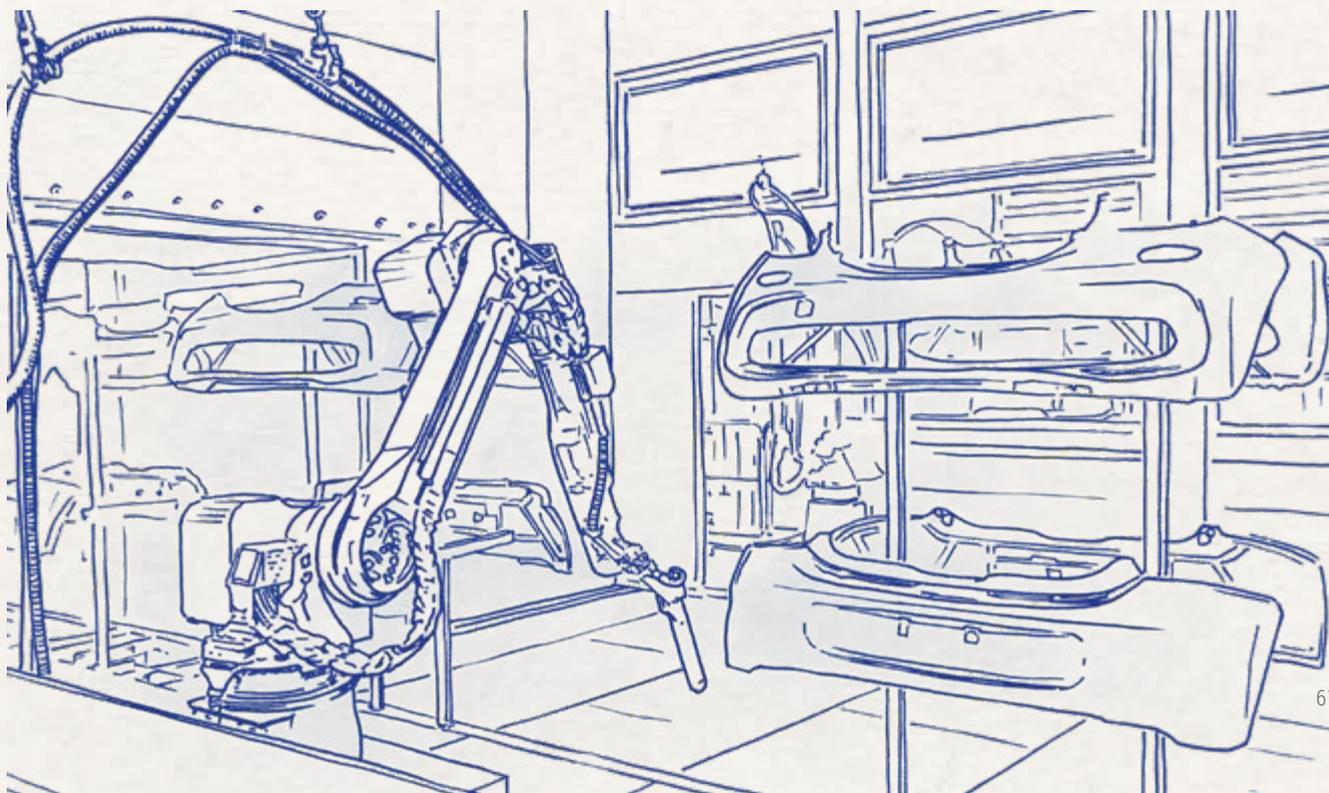
Despite the significant investment cycle, the growth of operating business has improved net financial debt ratios relative to EBITDA, amounting to 2.23 at the Group level and 3.10 at the parent company level. The Group's operating revenue realized amounted to HRK 1.5 billion, representing a growth of 16.7 percent, while in the parent company it has grown by 17.2 percent and amounted to HRK 1.1 billion. Revenue growth is largely driven by revenue from tools of the Renault Group, Ford and PSA Group in the parent company as well as the revenue of the Hungarian company AD Plastik Tisza. AD Plastik Group continues to grow above the market trends in which it operates, which confirms the correctness of previous business decisions and set strategy.

In the reporting period Group's EBITDA margin amounted to 12.8 percent, that is 11 percent in the parent company. Group's EBITDA amounted to HRK 197.5 million and it grew by 22.1 percent compared to the same period last year, while in the parent company it grew by 49.6 percent and it amounted to HRK 121.3 million. Start of serial production of new vehicle models and tool sales regarding these vehicles have also greatly influenced the profitability growth. In the reporting period IFRS 16 has been applied, which had a positive impact on EBITDA amounting to HRK 9.4 million. AD Plastik Group has realized profit amounting to HRK 102,6 million, thus having realized growth of 14.9 percent, while profit amounting to HRK 90.1 million, realized in the parent company, was slightly higher compared to the same period last year. The profit growth is not fully accompanied by the growth of the operating business in the parent company due to the lower dividend income from the affiliated company paid in the amount of eighty percent as well as the impact of the impairment of the financial share of the subsidiary company in 2018.



Key performance indicators

Indicators (in HRK 000)	AD Plastik Group			AD Plastik d.d.		
	2018	2019	Index	2018	2019	Index
Operating revenue	1,321,254	1,541,647	116.68	944,974	1,107,594	117.21
Sales revenue	1,298,447	1,509,217	116.23	927,965	1,085,118	116.94
Operating expenses	1,250,387	1,454,583	116.33	916,903	1,052,968	114.84
EBITDA	161,726	197,465	122.10	81,113	121,339	149.59
Net profit	89,320	102,639	114.91	88,961	90,146	101.33
NFD	381,117	440,470	115.57	309,951	376,589	121.50
NFD/EBITDA	2.36	2.23	94.66	3.82	3.10	81.22
EBITDA margin	12.24%	12.81%	57 bps	8.58%	10.96%	237 bps
Net profit margin	6.76%	6.66%	-10 bps	9.41%	8.14%	-128 bps
ROE	11.65%	12.49%	84 bps	12.45%	11.98%	-47 bps
CAPEX	114,938	161,766	140.74	86,698	136,602	157.56



Financial results 2019 (continued)

Operating revenue of AD Plastik Group per markets



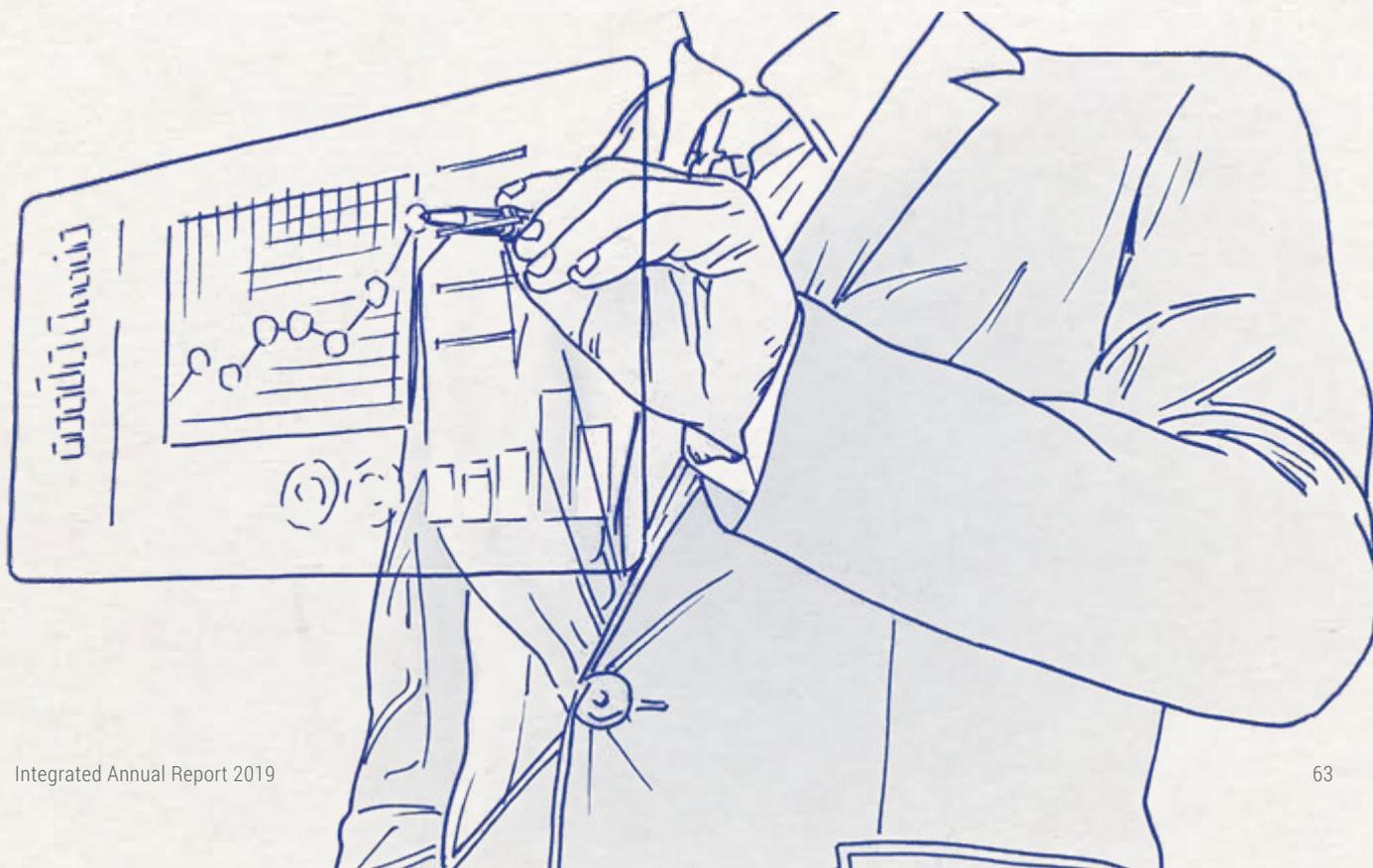
- Revenue of AD Plastik Group in EU and Serbian markets has increased by 24.71%
- Revenue of AD Plastik Group in Russia has decreased by 6.37%

Operating revenue of the AD Plastik Group in EU and Serbian markets increased by 24.7 percent compared to the last year, amounting to HRK 1.22 billion, representing 79.3 percent of the Group's total revenue. AD Plastik Group generates revenue above the market trends in these markets, primarily due to the start of serial production of the redesigned Twingo and the new Clio 5, generated revenue from tools and revenue of the Hungarian company AD Plastik Tisza. The key customers of AD Plastik Group in these markets are Renault Group, FCA Group, PSA Group and Ford. In the reporting period, new deals were sealed for PSA Group, FCA Group, Hella, Suzuki, Audi and BMW, totaling EUR 57 million.

In the Russian market, revenue amounted to HRK 319.6 million, which was by 6.4 percent less than in the previous year. The slightly lower realized revenue are a consequence of a very significant realization of tool revenue in the previous year. Revenue from the Russian market account for 20.73 percent of the Group's revenue, and Russian companies fully generate their revenue in that market. Key customer of AD Plastik Group in this market is Renault-Nissan-AvtoVAZ Alliance, while the share of Volkswagen Group is becoming more and more significant. New deals worth EUR 157.9 million were sealed in this market in the reporting period for the Renault-Nissan-AvtoVAZ Alliance and the Volkswagen Group. The most significant deals worth EUR 91.4 million refer to the new Renault Sandero and Logan models, which are among the 15 best-selling vehicles in the Russian market. New deals worth EUR 56 million have been sealed for the new Lada Granta, Russia's best-selling vehicle. These deals ensure significant capacity filling and further development and growth of the Company in this market.

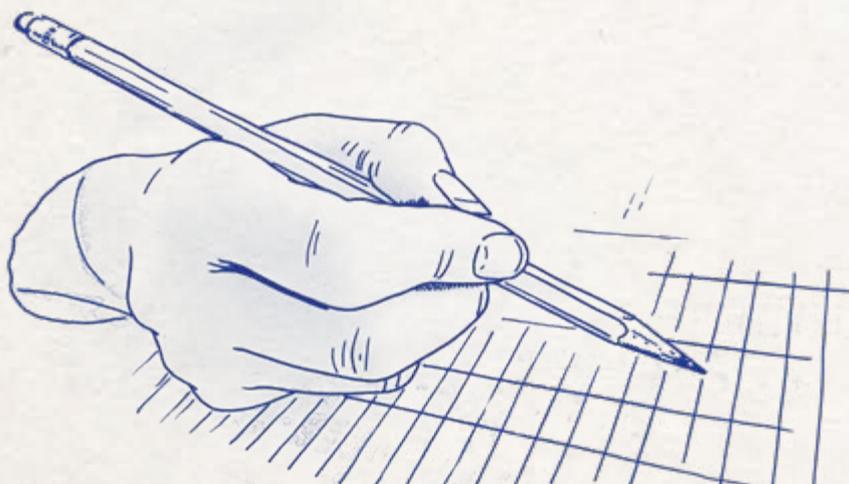
Operating expenses

Operating expenses (in HRK 000)	AD Plastik Group			AD Plastik d.d.		
	2018	2019	Index	2018	2019	Index
OPERATING EXPENSES	1,250,387	1,454,583	116.33	916,903	1,052,968	114.84
Changes in the value of work in process and finished products	-4,222	467	-11.05	-2,432	-1,252	51.50
Material costs	859,547	993,065	115.53	657,935	763,911	116.11
Staff costs	230,878	260,359	112.77	156,333	168,826	107.99
Amortization	90,858	110,400	121.51	53,042	66,712	125.77
Other costs	56,806	72,501	127.63	42,508	42,464	99.89
Provisions	5,009	1,972	39.37	4,705	2,039	43.33
Other operating expenses	11,511	15,819	137.42	4,812	10,268	213.37



Financial results 2019 (continued)

Net financial result



Net financial result at the Group level was more favorable due to the lower negative exchange rate differences, which were partly a result of the decline in foreign currency exposure of Russian companies and partly of the strengthening of the Russian ruble exchange rate compared to December 31, 2018. The parent

company's net financial result was slightly less favorable mostly due to lower dividend income from the affiliated company as well as effect of impairment of the financial share of the subsidiary company in 2018.

Net financial result (in HRK 000)	AD Plastik Group			AD Plastik d.d.		
	2018	2019	Index	2018	2019	Index
FINANCIAL REVENUE	19,905	27,742	139.37	78,468	49,606	63.22
Positive exchange rate differences	19,523	27,302	139.85	7,613	4,988	65.52
Interest income	377	434	115.12	4,051	4,242	104.71
Dividends	5	6	100.00	54,536	40,376	74.04
Increase in the value of the financial share of the subsidiary company	-	-	-	12,268	-	-
Other revenue	-	-	-	-	-	-
FINANCIAL EXPENSES	53,829	41,834	77.72	17,988	13,782	76.62
Negative exchange rate differences	43,605	28,689	65.79	9,095	4,709	51.78
Interest expenses	10,224	13,145	128.58	8,893	9,073	102.02
Financial result	-33,924	-14,092	41.54	60,480	35,824	59.23

Financial position

The Group's net financial debt as of December 31, 2019 amounted to HRK 440.5 million and the parent company's debt amounted to HRK 376.6 million. It increased compared to the last year due to the financing of investments in the parent company and temporary financing of part of the tools for new projects. With the increase in profitability, the NFD/EBITDA indicator became more

favorable and it amounted to 2.23 at the Group level, or 3.10 in the parent company. Group's debt ratio was almost unchanged compared to the end of the previous year and it amounted to 0.49, that is 0.46 in the parent company. The return on equity (ROE) amounted to 12.5 percent at the Group level or 12 percent in the parent company.

Abbreviated balance sheet (in 000 HRK)	AD Plastik Group			AD Plastik d.d.		
	2018	2019	Index	2018	2019	Index
ASSETS	1,566,778	1,684,503	107.51	1,331,640	1,426,678	107.14
Noncurrent assets	1,001,601	1,088,231	108.65	911,298	978,057	107.33
Current assets	513,352	525,907	102.45	370,424	380,361	102.68
Prepaid expenses and accrued income	51,825	70,366	135.77	49,917	68,260	136.75
LIABILITIES	782,628	825,355	105.46	598,486	654,641	109.38
Provisions	19,292	19,633	101.77	16,460	16,622	100.98
Noncurrent liabilities	277,670	245,991	88.59	206,328	184,184	89.27
Current liabilities	477,268	552,910	115.85	369,975	449,667	121.54
Accrued expenses and deferred income	8,397	6,822	81.24	5,723	4,168	72.83
CAPITAL	784,151	859,148	109.56	733,153	772,037	105.30

Investments 2019

AD Plastik Group invested HRK 161.77 million in the reporting period, which is significantly higher than the year before when HRK 114.94 million was invested. Over HRK 130 million was invested in tangible assets while nearly HRK 31 million was invested in intangible assets.

Investments were mostly related to production sites in Croatia, namely in new machines and expansion of capacities for realization of new projects. Ongoing investments are necessary to keep up with technological and other industry trends and thus a prerequisite for achieving the planned sales growth in the short and medium term.

Financial results 2019 (continued)

AD Plastik Group with consolidation of the corresponding part of ownership in the affiliated company

In order to present a clearer picture of business, a comparable, shortened, consolidated profit and loss account of AD Plastik Group for 2018 and 2019 has been created, with profit and loss

account of the affiliated company Euro Auto Plastic Systems s.r.l. Mioveni, Romania (50 percent of ownership of AD Plastik d.d.).

in 000 HRK

Positions	2018	2019	Index
OPERATING REVENUE	1,723,474	1,929,235	111.94
OPERATING EXPENSES	1,593,504	1,790,867	112.39
Material costs	1,099,230	1,228,265	111.74
Staff costs	283,555	311,608	109.89
Amortization	97,135	119,848	123.38
Other costs	113,585	131,146	115.46
FINANCIAL REVENUE	19,905	27,742	139.37
FINANCIAL EXPENSES	54,222	44,015	81.17
TOTAL REVENUE	1,743,380	1,956,977	112.25
TOTAL EXPENSES	1,647,727	1,834,882	111.36
Profit before taxation	95,653	122,095	127.64
Profit tax	6,333	19,456	307.24
PROFIT OF THE PERIOD	89,320	102,639	114.91
EBITDA	227,104	258,216	113.70

Operating revenue of AD Plastik Group with consolidated corresponding part of ownership in affiliated company amounted to HRK 1,929.2 million, recording a growth of 11.9 percent. EBITDA

amounted to HRK 258.2million and it grew by 13.7 percent compared to the previous year.

Abbreviated P/L and Balance Sheet of the affiliated company EAPS

P/L in HRK 000

Positions	2018	2019	Index
Operating revenue	827,197	802,508	97.02
Operating expenses	708,993	699,902	98.72
Net financial result	-786	-4,360	554.42
Profit before taxation	117,418	98,246	83.67
Profit tax	17,701	16,792	94.87
Profit of the period	99,717	81,454	81.68

Balance sheet in HRK 000

Positions	2018	2019	Index
Noncurrent assets	65,441	99,009	151.29
Current assets	309,884	288,623	93.14
TOTAL ASSETS	375,325	387,632	103.28
Capital+reserves	171,146	185,459	108.36
Long-term liabilities and provisions	14,449	1,317	9.12
Current liabilities	189,730	200,855	105.86
TOTAL LIABILITIES	375,325	387,632	103.28

The Company primarily generates revenue in Romanian market and, apart from that, Euro APS supplies its products to the markets of Algeria, Morocco, Iran, Brazil, Colombia, South Africa, Russia etc. Results of the affiliated company have been included in the results of AD Plastik Group by equity method. Revenue and profit generated in the reporting period are lower due to the high base of the previous year, in which significant other revenue was

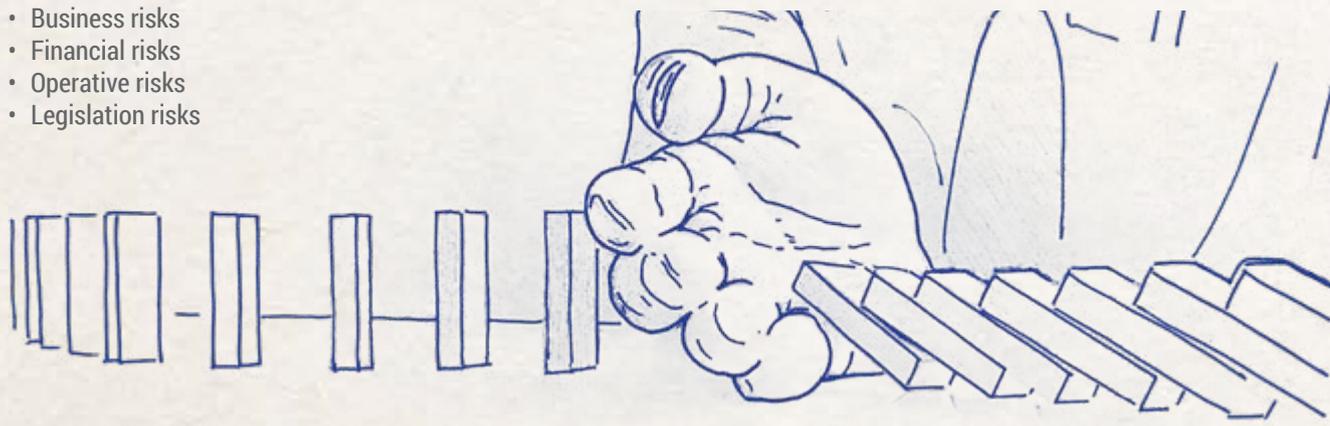
generated from the provisions cancellation. The affiliated company has no financial liability towards AD Plastik d.d. nor loan obligations towards external entities. In the reporting period, the company voted to pay dividends in the total amount of HRK 80.68 million, which is just over eighty percent of the profit generated in 2018, while the rest has been allocated to retained earnings.

Risks related to business

The risks we face in everyday business are divided into business, financial, operative and legislation risks. Any risk can have a positive or negative impact on the Company's business, and namely risk management is one of the key instruments for identifying opportunities and responding to changes in a timely manner.

Risk types:

- Business risks
- Financial risks
- Operative risks
- Legislation risks



Business risks

Business risks are determined by the business environment in which the Company operates, by the cyclical nature of the industry and regular business policies and decisions. They are present in everyday business activities of the Company and they directly affect its stability and maintaining competitive advantage.

Business environment risk

AD Plastik Group operates in the global market, thus being exposed to various business environment risks. Therefore, the macroeconomic, political and social stability of the countries in which we operate are important for business and have direct consequences on the Company results. Our companies are located in Croatia, Russia, Serbia, Hungary and Romania, and we fully place our products in foreign markets. Product sales are influenced by various factors such as trends in the automotive market, levels of disposable income, personal consumption, and the like. Major changes in the macroeconomics of the countries in which we operate, such as increment of the prices of energy sources, interest rates, tax burdens and the like, would adversely affect business performance and competitiveness. Global political stability directly influences the movements of the world economy, and consequently the demand, that is, the sale of cars, and thus our business results. We can manage these risks in a limited way, but we disperse them by conducting our business in different countries. Investing in the opening of new markets, continuous monitoring of macroeconomic and long-term market indicators are activities we constantly carry out.

Risk of non-fulfillment of contractual obligations

AD Plastik Group, according to contractual obligations, should deliver the product to the customer according to defined quality standards and in accordance with the agreed deadlines. Therefore, it is necessary to ensure the timely purchase of the necessary raw materials and the smooth flow of the production process. Thus, we are exposed to the risks of supplier not fulfilling its obligations and production downtime due to unforeseen circumstances, which can jeopardize the fulfillment of obligations towards customer. This may result in termination of cooperation with the customer and thus adversely affect business results. We manage this by regular evaluation of our suppliers by monitoring the quality and stability of delivery parameters and securing supplies, while our customers continuously audit all processes at our production sites. In the past year, a total of 49 customer audits were successfully conducted at all Group production sites.

Risk of competition

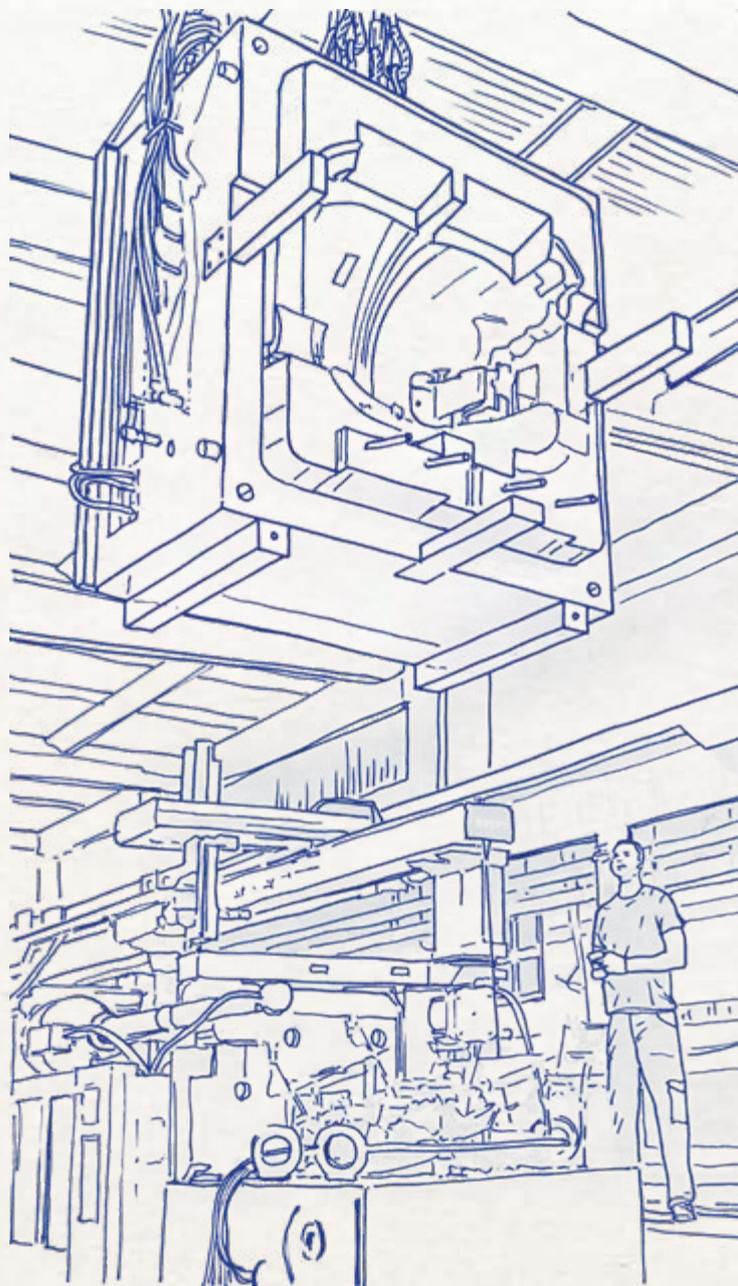
There is a fierce competition in the market between suppliers in the automotive industry. There are many factors that affect competitiveness, primarily the price and quality of the products. Price competitiveness is significantly influenced by the distance of production sites of customers and suppliers, especially regarding larger volume products with higher transportation costs. Keeping pace with technological changes is a prerequisite for maintaining competitiveness in the market. Partnerships with customers and years of quality and reliability based collaboration are extremely important. Almost all of our factories are located close to their main customers, and over the years we have positioned ourselves in the demanding automotive market as a supplier of high reliability, cost and technical competitiveness. This, together with flexibility and long-standing partnerships with customers, ensures us an equal position with other suppliers.

Risk of depending on one customer

AD Plastik Group generates most of its revenue from the Renault Group, which poses a risk to business in the event of significant disruption to this customer's business. This risk has continuously been reduced by increasing the revenue share of other customers and introducing new ones. Thus, in the past few years, Renault Group's share in the total revenue has been reduced from 69 percent to 58 percent with the growth of FCA Group, PSA Group, Ford and Daimler shares. The customer portfolio has been further expanded with new customers such as Suzuki, Bentley, Rehau and others. Our strategy is to further reduce exposure to the Renault Group.

Technological risk

Technology is of great importance in the quality, added value and price of the product itself. The automotive industry is unavoidably focused on investing and development of new products and technologies in order to preserve and enhance the competitiveness. Falling behind on technological development reduces competitiveness and weakens the acquired market position, reduces the chances of concluding future deals and consequently adversely affects business results of the Company. Therefore, we have been constantly monitoring trends and investing in new technologies while taking care of their environmental impact.



Risks related to business (continued)

Financial risks

Financial risks refer to all risks that may impair the financial stability of the Company. Such risks include, for example, significant changes in exchange rates, rising interest rates, delays in collection of receivables and others. The management of these risks is centralized and implemented in Finance Department within the parent company. The financial risks of the business are monitored and managed through internal risk reports in which exposures are analyzed by degree and size of risk. On this basis, activities are undertaken with the aim of effective risk management. The Finance Department also manages activities in the domestic and international financial markets and consolidates the cash flows of Group members.

Financial risks we are exposed to include:

- Currency risk
- Interest rate risk
- Price risk
- Credit risk
- Liquidity risk
- Risk related to the share



Financial risk management

Currency risk

Currency risk occurs during the exposure to unexpected changes in the exchange rate between two currencies and it includes transaction and balance risk. The transaction risk represents the risk of negative impact of currency rate on cash flow from commercial activities, while lower values of net monetary funds in foreign currencies as a result of changes in currency rates represent balance risk.

AD Plastik Group operates in several different countries so it is also exposed to the risks of changes in the exchange rates of their currencies. For the most part, we are exposed to changes in the exchange rate of the euro and the Russian ruble, since we generate our revenue mostly in the markets of the EU and Russia. A strong kuna adversely affects the revenue of the parent company,

which derives almost all of its revenue in euros. We partly manage this risk by forward transactions euro – kuna. In Russia more significant changes in the exchange rate of the ruble are coordinated with customers on a regular basis through changes in sale prices, that is, we use natural hedging. Currency risk exposure of Russian companies has been reduced by refinancing payables in euro towards the parent company, namely through commercial bank loan in rubles, which has had a positive effect on the financial result through lower negative exchange rate differences. Currency risk is also present in the presentation of the business operations of foreign subsidiaries, which are presented in kunas in consolidated reports. The Group is less exposed to changes in the Serbian dinar, Hungarian forint and Romanian leu.

Interest rate risk

It represents a risk related to the changes in value of a financial instrument due to changes in market interest rates. AD Plastik Group is exposed to interest rate risk resulting from credit indebtedness and from assets generating revenue from interest rates of approved loans of the parent company to subsidiaries. Interest rate risk is minimal regarding credit indebtedness because we have contracted loan arrangements almost entirely at a fixed interest rate. The interest rate on the assets we earn is connected to the decisions of the Croatian National Bank on the interest rates between subsidiaries.

Price risk

There are four types of price risk that a company may be exposed to: price, quantity, cost and political risk. Price risk arises from unfavorable trends in the price of goods in the market, while quantity risk is related to their availability in the market and demand affecting the price. If costs increase due to unfavorable trends of raw material prices, ie input data from the market, a cost risk occurs. Political risk stems from changes in regulations and laws that directly affect the price of goods as well as their availability.

Group's business operations are exposed to price risk, which is associated with changes in prices of key raw materials and materials, transport, other production costs as well as with strong pressure from competitors and customers. This risk is reduced by open product price calculation present in the automotive industry, according to which changes in price of raw materials, materials and other costs are adjusted with customers on a monthly, quarterly or semi-annual level (depending on the customer).

Credit risk

The risk of financial loss arising from the fact that one contracting party fails to meet its financial obligations on time and thereby jeopardizes the other party's market position is called credit risk.

The Company assets exposed to credit risk consist mainly of trade receivables and loans. We continuously monitor and analyze the business of our customers and evaluate their financial condition. The Group's business policy is to cooperate with financially stable companies, so cooperation with reputable customers makes collection risk minimal and we realize receivables within agreed deadlines. The five largest customers of AD Plastik Group are Revoz Slovenia, Reydel France, AvtoVAZ Russia, Hella Slovenia and Renault Russia. The loans are approved to subsidiaries and the credit risk is under the control of the Company.

Liquidity risk

The liquidity risk represents the danger that the Company will not be able to convert assets into liquid assets in the short term, that is it will not be able to meet its obligations towards its creditors.

Based on operational business plans, financial commitments and investment needs, the Finance Department plans the Group's future cash needs on a monthly, quarterly and annual basis. Based on these plans, decisions are made to place surplus funds in deposits or to cover short-term sources of financing, credit lines for capital investments are provided, and we have ensured favorable credit lines that enable the quick withdrawal of short-term funds to cover risks from the operating business. On a daily basis, we monitor the realization of planned cash flows, the level of liabilities and the available funds.

Risks related to business (continued)

Financial risk management (continued)

Risks related to the share

With good business results we continually raise the value of the Company. Thanks to an open and transparent communication, timely disclosure of all information important for making investment decisions, we raise the Company's reputation in the investment public. In addition to financial information, we also publish a non-financial annual report that is becoming increasingly important to potential investors. Despite this, there is a risk that the share price will not correlate with the results achieved and the actions taken. This depends most on the liquidity of the market in which the Company's shares are listed, but also on the macroeconomic

trends of the countries in which we operate and global economic trends. Any negative factors, such as the US-China trade disputes, can create a negative sentiment among investors and thus affect the decline in the share price. This potentially poses a risk to investors who cannot sell their shares at a fair price at any time. We can manage these risks in a very limited way. In addition to a continuous focus on meeting set business plans, we have been working to increase the Company visibility by increasing our coverage and presence at investor conferences where we present our business results and plans.



Business Plan for 2020

In the last quarter of 2019, we drew up a business plan for 2020 focused on further growth and development, all based on the Group's strategic goals. After the start of the serial production regarding significant projects at the Croatian factories, we focused our plans on high capacity utilization and raising business efficiency, while in the Russian market we are fully focused on preparing for the start of production regarding large projects on which deals were sealed during 2019. Our long-term and permanent goal is to diversify customer portfolio and continuously enhance the AD Plastik Group's market position as a reliable, high-quality and flexible development supplier of automotive components.

We will not present the planned business growth targets for 2020 in this report, because, with regard to the impact of the COVID-19 virus pandemic, a force majeure that has emerged globally in the meantime, they will change. As the consequences of this crisis cannot yet be accurately measured, first and foremost due to the fact that the crisis itself is not over and it is impossible to predict its duration, it is impossible to calculate its impact on the business of AD Plastik Group at this time.

Circumstances have changed significantly, and as a company we have been taking all measures possible to adapt to the situation as much as possible and minimize the impact on our business.

Our primary goal at the moment is the safety and health of our employees, but we also work on a daily basis with the goal to maintain the vitality of the Company.

At the time of publication of this report, most of our customers temporarily stopped their production, so our factories also temporarily stopped their business operations, accordingly.

We have been adapting to new conditions and preparing our factories for the start of production in accordance with all prescribed measures and good practices, and we expect that our customers will launch their production in the shortest time possible.

2020



02

Sustainability Report

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Profile

AD Plastik Group has been reporting regularly on sustainable business since 2012 and this is the seventh sustainability report and the third in a row Integrated Annual Report of the Group, which contains the Company's financial and non-financial business report.

The business and the calendar year are concordant, and the Company reports in one-year cycles. This report covers the period from January 1, 2019 to December 31, 2019, and the Integrated Annual Report for 2018 was published in April 2019.

The Sustainability Report contains data from all AD Plastik Group business sites and it has been created in accordance with GRI (Global Reporting Initiative) standards and a core reporting option has been selected.

It has been verified by a professional and independent institution - the Croatian Business Council for Sustainable Development and it will be published on the websites of the Company's at www.adplastik.hr, the Zagreb Stock Exchange at www.zse.hr and UN Global Compact at www.unglobalcompact.org/participation/report/cop.

It can be provided to all interested stakeholders upon request in electronic or printed form.

Contact person:

Zoja Crnečki

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Identification of material topics and boundaries

Taking into account the specifics of our business activity, strategy, mission, vision, policies and results of stakeholder impact analysis, material topics for reporting have been identified and the boundaries have been set.

We included all major stakeholders in the analysis: customers, employees, shareholders, the financial public, suppliers, local and state administration, professional associations, academic society and the wider social community.

In order to complement reporting, we maintain ongoing communication with our stakeholders. We continuously consult with stakeholders, and we conduct a stakeholder survey once a year. At the end of 2019, an online survey questionnaire was uploaded to the Company's new website, allowing a larger number of interested stakeholders to express their opinion on reporting throughout the entire year.

Given the results of the survey, conducted among different Company stakeholders, on the importance of particular topics that we reported in 2018, the materiality boundaries of individual topics have been changed over this reporting period. This relates to the topics of non-discrimination, diversity and equal opportunities, workplace safety and employment of local people.



Global
Reporting
Initiative™

Economic Standards

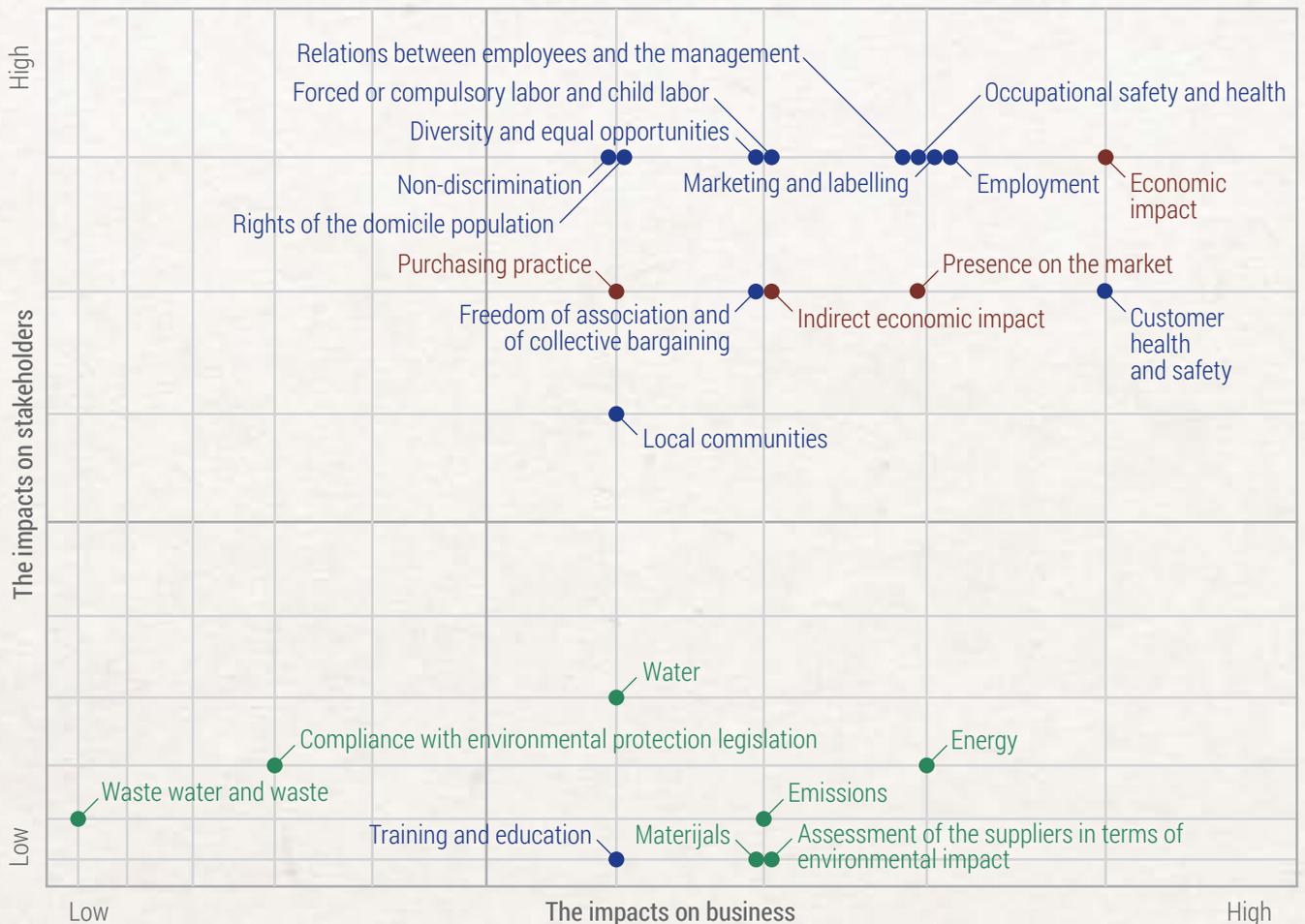
- Economic impact
- Presence on the market
- Indirect economic impact
- Purchasing practice

Environmental standards

- Materials
- Energy
- Water
- Emissions
- Waste water and waste
- Compliance with environmental protection legislation
- Assessment of the suppliers in terms of environmental impact

Social standards

- Employment
- Relations between employees and the management
- Occupational safety and health
- Training and education
- Diversity and equal opportunities
- Non-discrimination
- Freedom of association and of collective bargaining
- Local communities
- Customer health and safety
- Marketing and labelling
- Forced or compulsory labor and child labor
- Rights of the domicile population



Stakeholders

We consider the opinion and involvement of our stakeholders important because they help us understand their needs. Through transparent and continuous communication, we jointly contribute to the development, progress and improvement of the Company's corporate social responsibility, which is undeniably our choice. We adapt our methods and frequency of communication to our stakeholders, and most often we use occasional meetings, consultations and audits.

All individuals, associations, organizations or companies that have, or may have, a significant interest in our business are our stakeholders. This includes our employees, customers, shareholders, the financial public, suppliers, partners, local and state administration, professional associations, academic community and the wider community. Stakeholders' opinion on the way of reporting is extremely important to us because it helps us in our ongoing efforts to be better.

We maintain the most intense and frequent communication with our employees and customers. Sustainable development for our customers is a prerequisite for business cooperation and with most of them we have a signed agreement or guidance on compliance with the rules of corporate social responsibility in the automotive industry. Annual audits by agencies like EcoVadis and Achilles Automotive, which monitor our progress, are demanding procedures that encourage us to continuously develop the corporate social responsibility.



We conduct a survey among stakeholders once a year, and in the reporting period it was conducted in the last quarter. The survey included customers, suppliers, employees, educational institutions, associations, professional associations, local and state institutions. The Company's new website, launched at the end of the year, features an online survey for the assessment of sustainability report which can be filled by stakeholders during the entire

year. We believe that this will contribute to the further enhancement of cooperation.

Stakeholder consultation is the responsibility of the Corporate Social Responsibility Committee, and other experts in specific areas within the Company are involved if necessary. The Company's Management Board is regularly informed about the results of the work and proposals for improvements.

Results of the survey

The survey was conducted in all stakeholder groups and the results show continuity of their interest, satisfaction with the choice of material topics and the way of reporting. It covers social, economic and environmental topics, and the results show that our stakeholders are most interested in the social ones, more precisely the areas of customer health and safety, compliance with

regulations, anti-corruption, the fight against child labor and occupational safety and health.

Compared to the previous period, the interest of stakeholders in child labor and forced labor and the rights of the domicile population has increased.



Stakeholders (continued)

Customers

Customers are one of the most important stakeholder groups with the ability to influence the decisions and policies of the Company. In the automotive industry, customers and suppliers develop partnerships throughout the entire collaboration to maximize the quality of the final product. They are also the stakeholders which have been mostly involved in enhancing sustainability reporting and which have been conducting annual audits through authorized global agencies in accordance with signed Sustainable Development Guidelines. They check and process the information and data on which they base their business choices. The audit results are reflected on customer satisfaction, vehicle user safety and overall business performance.

Types of counselling and frequency

- Visits/meetings (regularly)
- Audits (whenever necessary)
- Written communication (regularly)
- Satisfaction assesment (regularly via specialised portals)
- Official website (regularly)
- Sustainability report (annually)

During the reporting period a total of 49 audits by customers were held, viz. two in Solin, 27 in Zagreb, six in Mladenovac and Vintai each and four in Kaluga and Tiszaújváros each.



Employees

The most important resource of our Company are the employees and that is why we strive to create an environment where they are satisfied and motivated. The emphasis is on their personal and professional development and the promotion of knowledge and specific skills required to work in the auto industry, through numerous internal and external educations. We hire candidates whose values match those of the Company, while contributing to the diversity of new ideas and approaches with their particularities. By developing our own potentials, we create an advantage in the labor market, and through effective communication we encourage employees to increase their own and organizational productivity with their ideas.

In the reporting period, communication within the Company took place through multiple channels at the individual, operational and corporate levels. A research of motivation and satisfaction was conducted. Six times a year we publish internal newsletter ADP News through which we regularly inform our employees about the current topics in all Group members. If necessary, individual consultations of employees with their supervisors and HR department are made, and information concerning all employees is presented on bulletin boards, intranet and via email.

With the aim of raising the level of cohesion in our teams, we have been constantly working on designing activities to develop employee connectivity. In this way, we want to create a more comfortable working atmosphere, increase employee awareness and involvement. Thus, in 2019, employees in Croatia participated in humanitarian activities and represented the Company at B2B races held in Zagreb and Split. We also continued good practices of employee rewarding, trainings, chat rooms, team building, as well as various informal gatherings such as matches, holiday receptions and the like. On the occasion of ADP Day, we have organized a number of activities at all Group production sites, such as Open Doors Day for the families of employees, with an interactive play about nature and environment conservation for the youngest ones.

Types of counselling and frequency

- Research of organizational climate and satisfaction (annually)
- Notifications via e-mail (regularly)
- Notifications via bulletin boards (whenever necessary)
- Internal newsletter (bimonthly)
- Intranet (regularly)
- Sustainability report (annually)
- Informal gatherings (regularly)
- Individual counselling (whenever necessary)



Stakeholders (continued)

Trade unions and the Workers' Council

An important channel of communication of the Management Board towards employees are the trade unions and the Workers' Council, which are regularly informed of all important information on business, changes, plans and new deals. Maintenance of good relations and transparent communication have been continued in the previous reporting period. They are also involved in making decisions that are important for the position of employees and they represent their interests, and a member of the Workers' Council is a member of the Supervisory Board and thus the employees are involved in the supervision of the work of the Company. Good social dialogue is focused on achieving common goals - through continuous improvement of working conditions and employee satisfaction.

Types of counselling and frequency

- Meetings/negotiation (whenever necessary)
- Internal newsletter (bimonthly)
- Intranet (regularly)
- Sustainability report (annually)
- Operating report to the Workers' Council (quarterly, in conformity with the Labour Act)

In 2019, the Collective Agreement concluded in 2018 for a period of two years was in force in Croatia. In Vintai, amendments to the Collective Agreement were signed, and in Tiszaújváros the long tradition of good social dialogue was continued and the Collective Agreement was signed for a year. Collective agreements represent 85.4 percent of employees at the Group level.





Shareholders



Shareholders are undoubtedly one of the most important publics in a joint stock company. We base our significant focus on building quality shareholder relationships on transparency and trust. The financial statements and the sustainability reports contain all relevant information on the basis of which the shareholders obtain a complete picture of the business and future of AD Plastik Group. Through the announcements on the Zagreb Stock Exchange website and our own website, we inform our shareholders about new business-relevant deals, as well as any other information that may be relevant in making share-related decisions. The long-term strategy of the Company is aimed at raising shareholder satisfaction through increasing the value of the Company and regular payment of an attractive dividend.

Types of counselling and frequency

- Annual financial statement (annually)
- Sustainability report (annually)
- Financial statements (quarterly)
- Shareholders' General Assembly (annually and whenever necessary)
- Official website (regularly)
- Notifications (whenever necessary)
- Communication via e-mail (whenever necessary)

As in previous reporting periods, in the past year, we have endeavored to improve communication with shareholders and increase transparency through timely provision of all relevant information related to the Company's operations.

Stakeholders (continued)

Suppliers and partners

The influence of suppliers on the success of the Company has always been very significant. The role of suppliers in the automotive industry is one of the key components of a successful business system. A quality supplier management system and regular activities in line with it bring us better financial results, a firmer position in the demanding market, customer appreciation, ensuring competitiveness resulting from better material cost management, reduction of waste materials through in-house recycling processes and preference of the purchase of "green" materials as well as the recognition of the wider community and other stakeholders interested in the business of the Company.

A supplier management system consists of a set of individual procedures through which we provide access to an approved supplier database only to those companies that are willing to comply with the guidelines defined in the Sustainable Supplier Management Policy. They should respect these guidelines also during the duration of the business partnership, work on improving their value system and thus participate in building a common platform for progress and sustainable development.

Types of counselling and frequency

- Assessment of suppliers (monthly)
- Surveys and questionnaires (annually)
- Visits (whenever necessary)
- Audits (according to plan and whenever necessary)
- Communication via e-mail (whenever necessary)
- Sustainability report (annually)

The agreed further activities plans stem from the procedures implemented.





Financial public



The financial public makes an extremely important public of the AD Plastik Group to which we include investors and creditors. Partnerships with the financial public are based on an open communication and transparent reporting, and by timely sharing of all relevant information, we enable its participants to make the right business decisions. The comprehensiveness of the information provided by the financial statements and the sustainability reports, announcements relevant to the Company's operations, presentation of results and announcements of expectations give our financial public a complete picture of the Company's operations and facilitate decision making.

Types of counselling and frequency

- Annual financial statement and report (annually)
- Sustainability report (annually)
- Financial statements (quarterly)
- Investor Day (half-yearly)
- Official website (regularly)
- Notifications (whenever necessary)
- Communication via e-mail (whenever necessary)

By increasing transparency by entering the Zagreb Stock Exchange's Prime Market, improving financial and non-financial reporting, sharing all information relevant to the business and plans for the future, we want to improve communication with the financial public and make it easier for them to make decisions regarding the AD Plastik Group.

Stakeholders (continued)

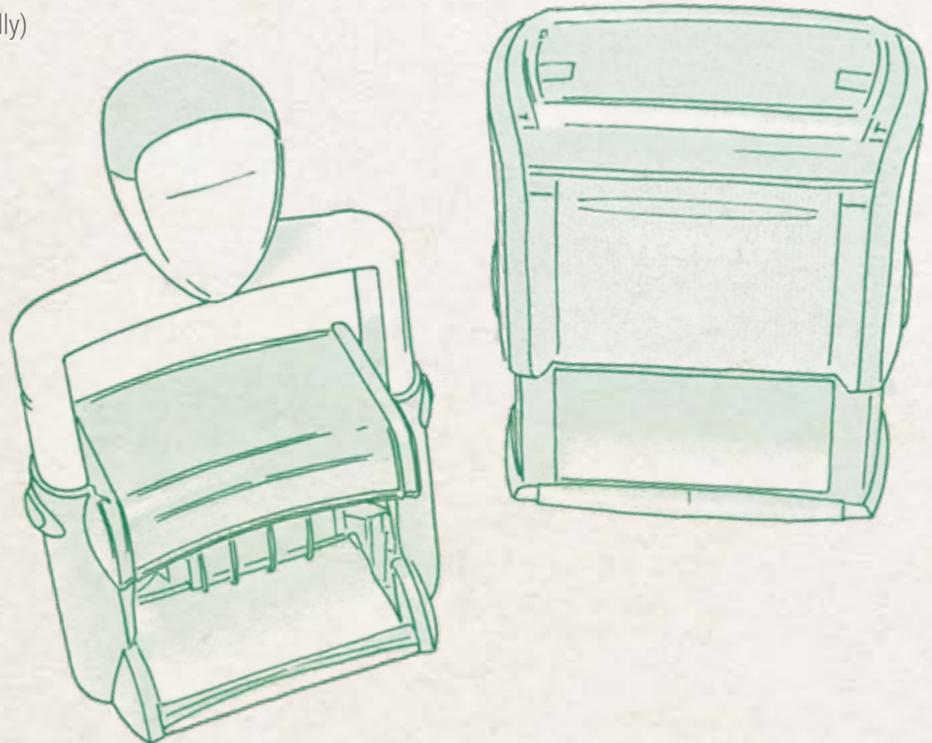
State and local administration bodies

As a large and successful global company, we strive to contribute to society as a whole by advocating for improved business conditions, a business environment and sustainable economic growth. Through cooperation with local and state administration bodies, we contribute to development and social communities in all the countries in which we operate, all in accordance with Company policies and capabilities.

Types of counselling and frequency

- Participation at public gatherings and conferences (whenever necessary)
- Participation at meetings and consultations in institutions (whenever necessary)
- Memberships in associations and organizations (regularly)
- Visits (whenever necessary)
- Sustainability report (regularly, annually)

During the reporting period, the Company's Management Board responded promptly and in the best business manner to all inquiries and initiatives related to change in legislation, launching new projects and improving the business climate in Croatia in general. The Company leaders participated in several working groups for drafting strategic documents, presenting their views at international economic forums, defending the interests of industry (especially exporters), removal of barriers in business, encouraging further development of production, commenting on laws and new financing programs and assistance to entrepreneurs. The President of the Management Board Marinko Došen participated in the meeting of the working groups within the Croatian-Russian Intergovernmental Commission in Moscow.





Stakeholders (continued)

Community

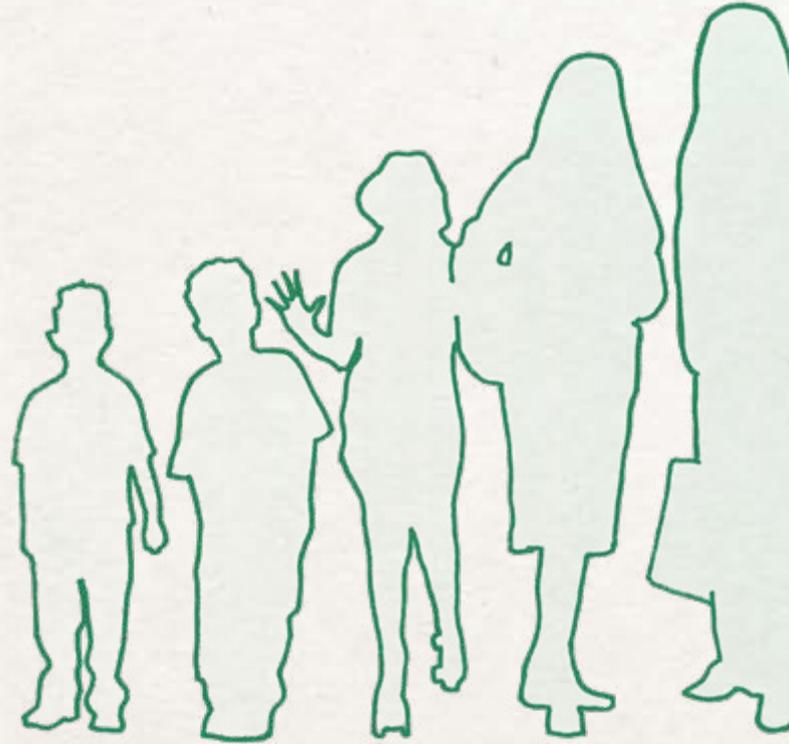
In addition to its significant economic impact, AD Plastik Group contributes to the development of the community in all the countries in which it operates through its corporate culture and openness to cooperation. We employ local population to which we provide decent work and additional education. We regularly participate in projects, initiatives, conferences, forums, roundtables and activities that have a positive impact on the community and the economy. We regularly cooperate with the university community, professional and citizen associations, and we provide significant support to the community and its projects through donations and sponsorships. We organize Open Doors Days for different stakeholder groups within the community.

Types of counselling and frequency

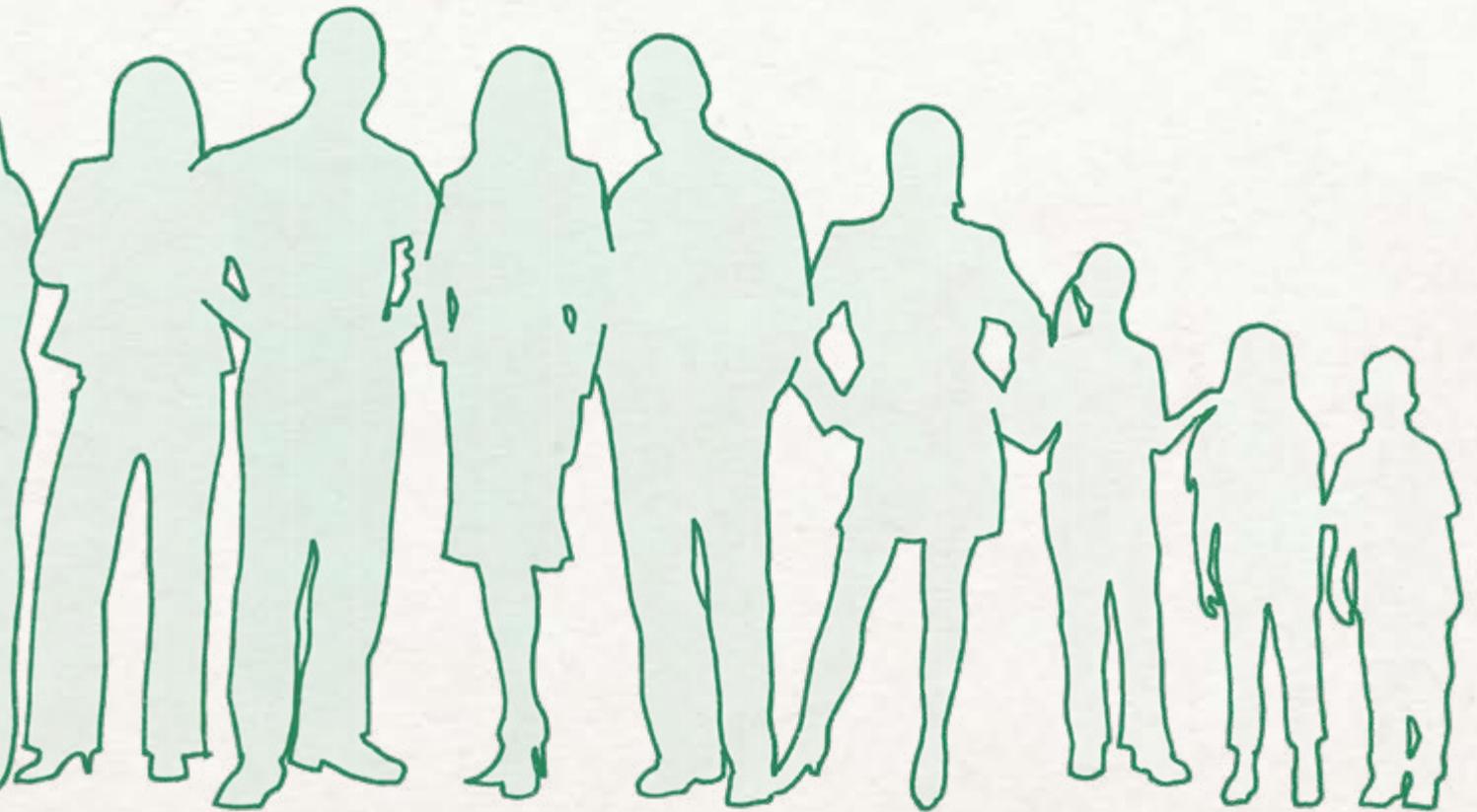
- Participation at conferences (whenever necessary)
- Memberships (regularly)
- Open Doors Days (whenever necessary)
- Visits (whenever necessary)
- Sustainability report (annually)

During the reporting period, representatives of the Company participated in a series of economic events on the topic of competitiveness, exports, monetary policy, corporate social responsibility, financial operations and corporate governance.

- 2019 CFO Conference - a panel entitled "Leadership during Extraordinary Times" – attended by Marinko Došen
- Investment Forum of Southern Croatia – a roundtable entitled "Creating a positive investment environment" – attended by Marinko Došen
- Conference "Smart ones know what export is for" - a roundtable entitled "EU vs. the rest of the world" – attended by Marinko Došen
- Panel entitled "Procurement 2020 - Croatia, EU, World" – attended by Denis Miletović



- Consulting "Internal Audit and Control" – a panel entitled "Experience in conducting an internal audit" – attended by Igor Kundid
- Conference entitled "Education 4.0. - industry-tailored school" – a panel attended by Hrvoje Jurišić
- "Corporate Governance Quality" Conference – a panel attended by Marinko Došen
- Lider's Club of Exporters - "Energy sources prices as a significant factor in (un)competitiveness of exports" - attended by Marinko Došen
- Conferences of Croatian Security Managers - a panel "Economy and Security" – Marinko Došen
- Roundtable entitled "November 3 - the day from which women work for free until the end of the year - why?" – attended by Katija Klepo



- Conference entitled “Croatian Financial Institutions Day” - a panel attended by Marinko Došen
- CSR Conference - a panel attended by Marinko Došen
- Conference “Women in Business” – a roundtable “Extra Mile - Lifelong Learning” – attended by Katija Klepo
- Study visit of members of the Croatian Business Council for Sustainable Development to AD Plastik, Zagreb

In the reporting period, we continued our successful cooperation with colleges and high schools, in order to familiarize future professionals with the real work environment. We have also continued the tradition of facilitating student practices in our factories, so that 29 students gained their first work experience within our Group.

The Solin factory was visited by the students of the Technical School from Solin, the Sustainable Development High School, as

well as the students of the elementary schools of Brda, Ravne njive and Pujanke. At the sites in Zagreb and Solin, we also hung out with many students. Students from the Faculty of Economics, Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture and the Faculty of Chemistry and Technology in Split, as well as from the Faculty of Mechanical Engineering and Naval Architecture from Zagreb visited our plants. For the third time, we hosted MBA students from Pennsylvania State University. We were also visited by students from the College of Personnel and Inspection Management.

As a sign of quality cooperation between students and AD Plastik Group, at the Teaching base day in Split, we received a Recognition for excellent cooperation.

We also aroused great interest at the job fair in Tiszaújváros where we first introduced ourselves.

Stakeholders (continued)

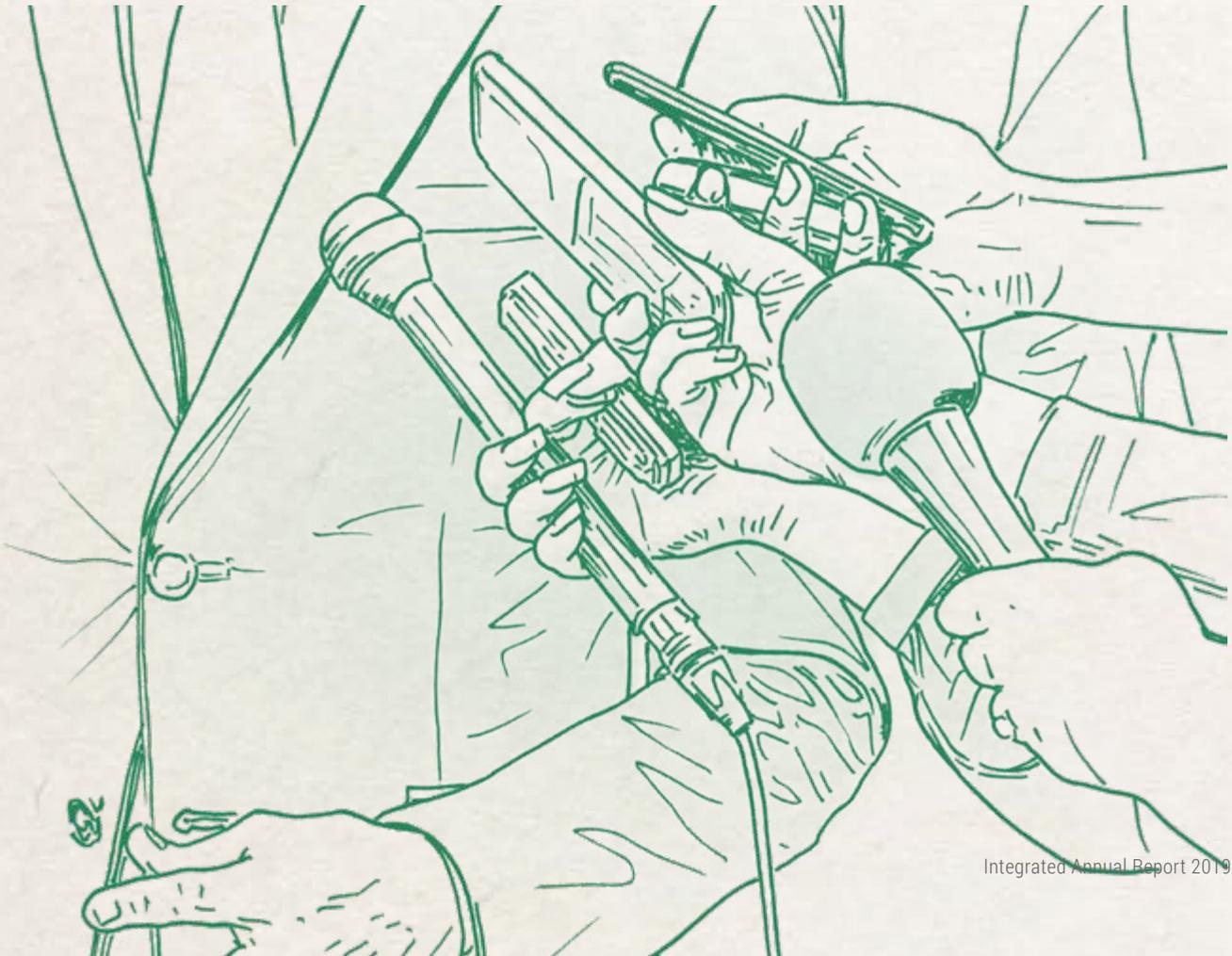
Media

The media are an especially important public because they influence the creation of public opinion and the reputation of the Company in the wider public. Through the media, we regularly convey all important information that affects our business and the society in which we operate to all interested stakeholders. We respond in a timely manner to inquiries from media representatives and in accordance with our business strategy, we provide clear, accurate and timely information.

Types of counselling and frequency

- Press releases (regularly)
- Statements (regularly)
- Media conferences (whenever necessary)
- Visits (whenever necessary)
- Panels (occasionally)

In the past year, we have continued our ongoing communication with the media, primarily by sending regular announcements, answering queries and making statements on topics related to the Company's business, but also those that contribute to the development of the economy and society as a whole.



Employees

Employees are one of the most important resources that contribute to the achievement of our business interests and goals. That is why we have been constantly working on aligning HR development and management strategies with the Company strategy. We aim to attract, recruit, motivate and develop our human potentials, which are fundamental drivers of Company success. To prepare for the future, we develop an individualized approach to our employees.

Satisfaction and favorable working conditions are key factors in employee efficiency and engagement. Human resources management involves conducting research activities and the analysis of employee motivational factors. Therefore, we conduct regular group and individual interviews with our employees and satisfaction surveys that give us the best picture of their perceptions, needs and preferences, as well as space for further advancement. Based on this knowledge, we refine our activity plans that aim to build a supportive work atmosphere that contributes to promoting employee well-being.

All employees contribute to the work and advancement of the Company with their knowledge, skills and abilities, and our task is to help them reach their potential. We develop guidelines for each employee's professional and personal development to guide them in their further career development. Since we recognize and respect diversity, we cherish the right to equal opportunities in all activities and programs.

We ensure optimal working conditions that, to the greatest extent possible, create



a comfortable working environment for the benefit of every employee, but also for the work efficiency. The greatest proof of our success are the satisfied employees who spend their entire working life within the Company. We maintain this corporate climate by recognizing commitment and competence, rewarding performance, fostering collegiality and respect for employees.

We have been constantly working on enhancements and improvements and investing in infrastructure improvements within the entire Group. In the reporting period, among other things, we improved the air-conditioning in production facilities, upgraded the parking lot in Solin, redesigned the offices of internal logistics and IT, porter's lodge, atrium, measuring room and part of the offices at the Zagreb

site. We have also introduced air conditioning in the living room, dressing room and dining room and renovated a kitchen for employees in Zagreb.

AD Plastik Group as of December 31, 2019 employed the total of 2,953 people, out of which 1,659 in Croatia, 757 in Russia, 337 in Hungary, 194 in Serbia and 6 in Slovenia. Most employees are between 36 and 40 years old. Most women are in the age group 36-40 and men in the age group 31-35.

The trend in the number of employees in the Group has been steadily growing for several years in a row, and the reason for the significant increase during 2019 is the increased number of employments due to new deals in Zagreb and Solin.

Employees (continued)

Share of employees of AD Plastik Group by region and type of employment contract

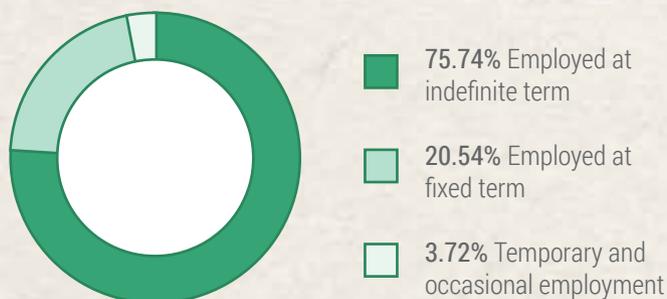
Number of employees of the AD Plastik Group by region and type of employment contract for 2019

As of December 31, 2019		Employees with a contract			Employed in total	Share 2019
State	Site	Indefinite term	Fixed term	Temporary and occasional employment*		
Croatia	Solin and Zagreb	1033	626	11	1659	56,18%
Serbia	Mladenovac	190	4	0	194	6,57%
Slovenia	Novo Mesto	6	0	0	6	0,20%
Russia	Kaluga	232	0	0	232	7,86%
	Togliatti	525	0	0	525	17,78%
Hungary	Tiszaujvaros	337	0	103	337	11,41%
TOTAL		2323	630	114	2953	

* Temporary employment agencies, student services, vouchers and services contracts

Share of employees of AD Plastik Group by type of contract

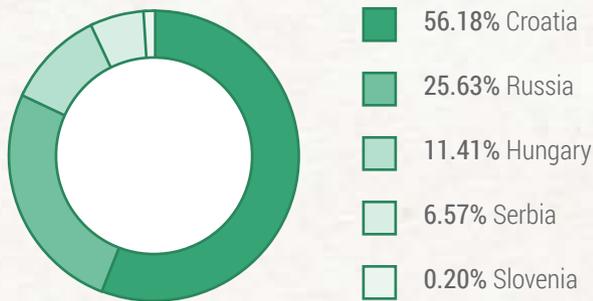
The share of various types of contracts of the employees of AD Plastik Group in 2019



Over the last reporting period, the vast majority of total employees still have an indefinite term contract, namely 75.74% of employees, while a fixed-term contract have 20.54% of employees. In 2019, the share of temporary staff increased slightly due to the increased need for new employment in Croatia and the use of various available sources of workforce due to significant changes in the Croatian labor market.

The share of employees of AD Plastik Group by country of operation

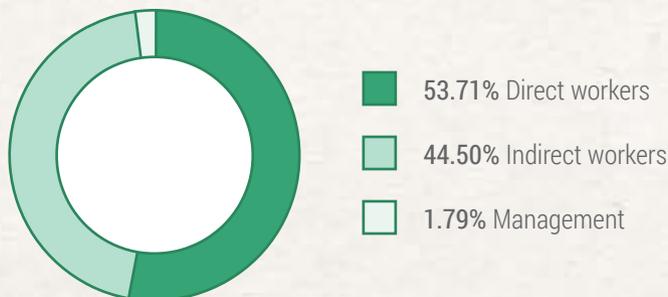
The share of employees of AD Plastik Group by state of operation in 2019



During 2019, the share of employees by country of operation did not change significantly, more precisely, the largest number of employees still refers to Croatia, namely 56.18 percent. This share has increased by almost five percent, thanks to the already mentioned increase in job volume and the need for additional employment.

Employees of AD Plastik Group by type of performed work

The share of employees of AD Plastik Group by type of work in 2019



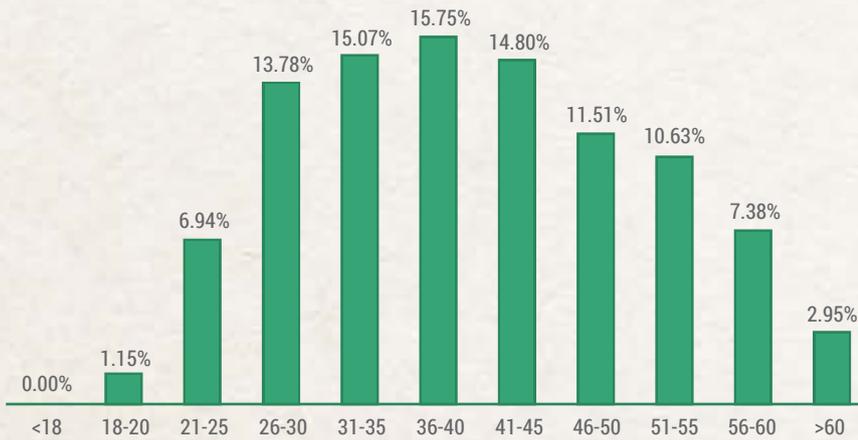
On the basis of the type of work they perform, employees of the Group are divided into management (the Management Board and top management consisting of executive directors, directors and assistants), indirect workers (administration employees and production administration employees), and direct workers (workers in production).

In the reporting period, the share of direct employees, which still have the largest share in the total number of employees, slightly increased.

Employees (continued)

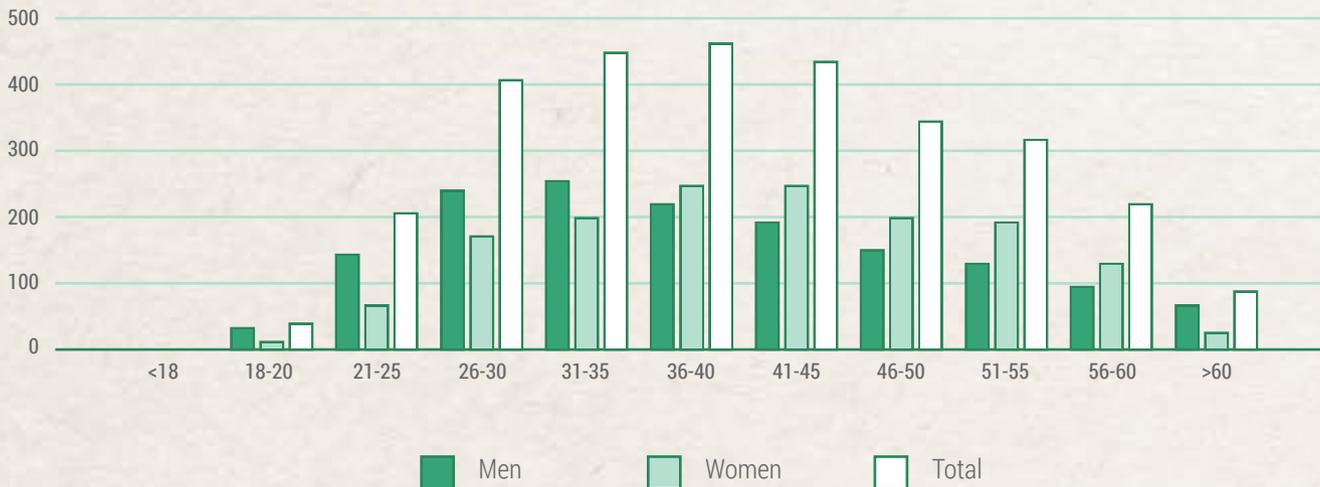
Share of employees of AD Plastik Group by age and gender

Age structure of AD Plastik Group's employees in 2019

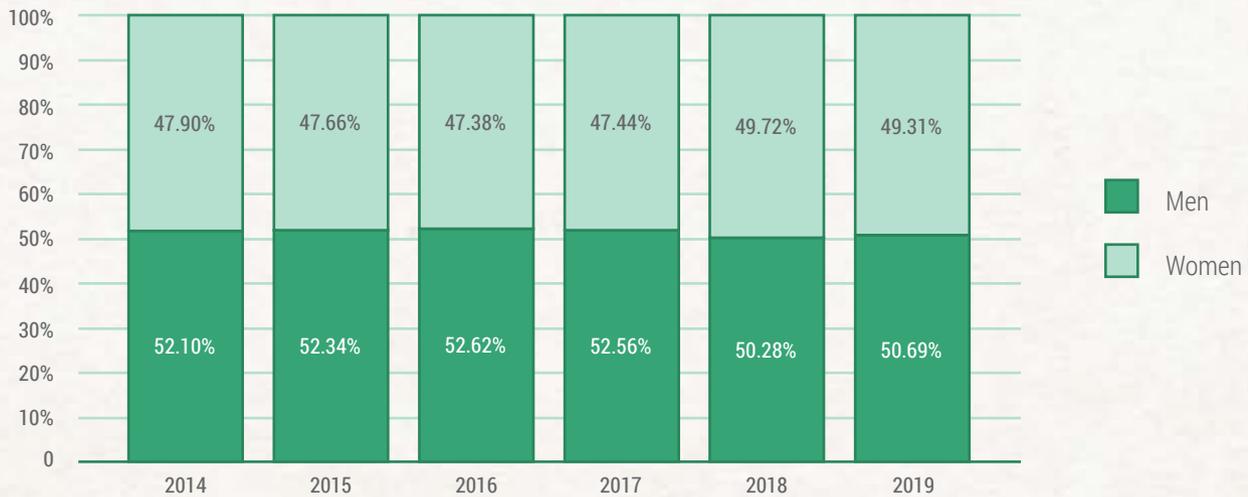


In 2019, the age group 36-40 was the most numerous one, which is a change compared to the previous reporting period. The majority of employees, 59.40 percent of them, belongs to the range from 26 to 45 years of age. The smallest number of employees is in the age group 18-20, while the number of employees over 60 has increased slightly. The average age of women in the Group is 42 years and men 39 years.

Gender structure of employees of AD Plastik Group by age



Gender structure of employees of AD Plastik Group in 2014, 2015, 2016, 2017, 2018 and 2019



In the structure of employees by gender during 2019, women made 49.31 percent of employees, while men made 50.69 percent, which shows that there were no significant changes.

We continue to implement gender equality policy by supporting diversity and equal opportunities in the recruitment and formation of our teams.

Percentage of the total number of employees covered by collective agreements

In the reporting period, we continued our positive social dialogue with employees. In Hungary, collective bargaining with trade unions was conducted and a new Collective Agreement was signed. Amendments to the Collective Agreement were signed in Vintai, and in Croatia, a Collective Agreement signed for two years in the previous reporting period was applied.

Collective agreements cover all employees in Croatia, Vintai in Russia and Hungary, accounting for 85.4 percent of the total AD Plastik Group employees. For other employees, the rights and obligations are governed by different regulations in accordance with legal provisions.



Supplier chain

We divide suppliers into suppliers of basic materials, auxiliary materials, packaging, suppliers of tools and equipment, and service providers. Basic materials include all materials that are processed in our production processes, such as injection moulding, painting, thermoforming, extrusion and blow moulding. They consist of all polymers (PP, PA, ABS, POM, TPE, PE, etc.), paints, solvents, textiles, adhesives, glass roving and PUR. Auxiliary materials represent all components that are installed in our product in various assembly procedures, and are made up of all the binding elements such as screws, buckles, various finished products, insulation, cables, lights, etc.

The packaging is divided into consumable and returnable packaging, and the consumables include cardboard boxes of different sizes and plastic packaging material. The proportion of this type of packaging is reduced in favor of a higher proportion of returnable packaging that can be used repeatedly and for different products.

Tools and molds are, in addition to machines and other equipment, the necessary means of work with which we produce all our products. Services that affect the quality of our products include calibration of measuring and testing equipment, control services, product selection services and the like. All the above mentioned materials, tools, equipment and services that affect product quality are subject to all supplier monitoring processes according to the standards of the auto industry, and also to the CSR guidelines set out in the Sustainable Supplier Management Policy document.

Prior to joining an approved supplier base, the following basic requirements should be met:

- possessing a business system certification, environmental protection certification, or
- positive self-assessment questionnaires, including questions about corporate social responsibility,
- positive financial statement for the previous period.

This is followed by the usual procedure, which is carried out through the prescribed procedures and reference documents:

- Sustainable supplier management policy
- CII-6 purchasing procedure
- Supplier selection procedure ADP-KOM-PR-1013
- Supplier assesment ADP-KOM-PR-1007
- Self-assesment questionnaire for concerning conformity with the guidelines for corporate social responsibility

The Company policy is to maintain long-term partnerships with customers and suppliers. By formalizing contractual obligations, the stability of the supply chain is partly achieved, but cooperation is based primarily on quality, reliability and mutual trust.

In the observed period, approximately 165 working meetings were held with suppliers. Several of them were devoted to the topic of developing new materials that contribute to reducing the weight of the final product, and thus reducing the consumption of materials or the weight of the vehicle itself. Technical development workshops with suppliers, with the cooperation of the development department, are planned in the forthcoming period.

In 2019, a dozen audits were conducted at supplier production sites and 285 suppliers were processed through a questionnaire. 15 new suppliers were introduced at the Group level, with no negative environmental and social impacts identified.

No overall supplier assessment of the impact on society was conducted during 2019. The CSR self-assessment questionnaire contains questions in the area of impact on society, however, according to the GRI guidelines, we conducted an assessment only regarding suppliers for the factories in Croatia. Out of a total of 152 suppliers evaluated on the basis of a questionnaire, no results were observed that would require termination of business relationship due to their negative impact on the society.

Supplier chain (continued)

The share of local suppliers in the total value of purchasing

In the observed period, the structure of the suppliers for factories in Croatia was changed, mainly due to the start of serial production for two new projects. They are suppliers of various components for the automotive industry and most of them have previously passed the validation by our customers. Nevertheless, we also conducted our own verification procedures, including an environmental and social impact assessment during which no suppliers with potentially negative environmental and social impacts were recorded.

The share of local suppliers in the total value of purchasing has a slight upward trend due to the share of local suppliers in Russia.

In Croatia and Serbia, in terms of local suppliers, we have mostly reached the maximum due to the lack of required materials in these markets and their slower development. The proportion is significantly higher in terms of service providers.

AD Plastik, Croatia

The financial share of local suppliers compared to import ones declined slightly during 2019, although the overall value of purchasing was higher due to the increase in production. The relationship between local and import suppliers is on the import side, due to the lack of materials needed for production in this market, primarily injection moulding granules, paints and finished components for installation.



ADP Mladenovac, Serbia

There were no significant changes compared to the previous period in the number of local suppliers, but due to reduced production, their share increased slightly. Opportunities for localizing higher purchasing values in this market are still limited due to the poorly developed production of raw materials for the automotive industry.



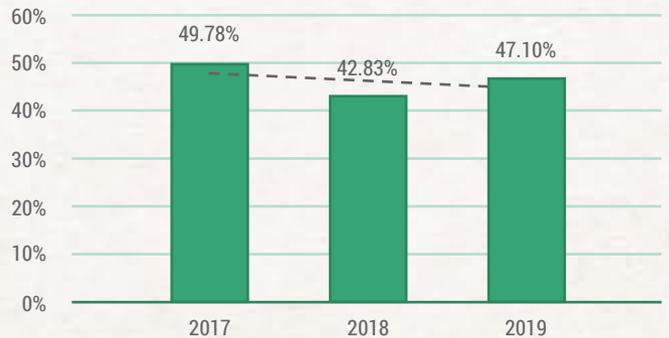
AD Plastik Togliatti, Russia

The share of local suppliers increased due to the conducted validation of local materials. The localization of the material has been proceeded at a satisfactory pace and is in line with customer requirements.



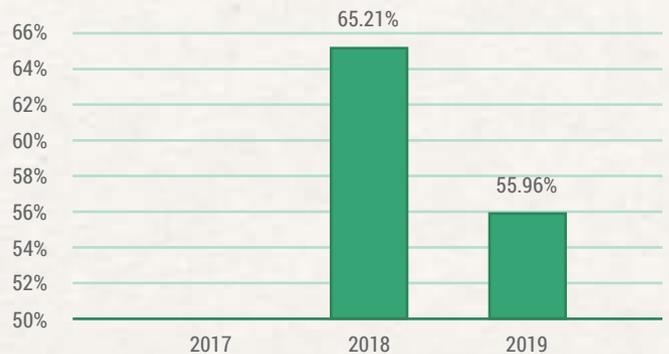
AD Plastik Kaluga, Russia

The share of local suppliers is still below fifty percent, although it has increased compared to the previous year. Activities aimed at localizing the purchase of raw materials are still being pursued in the framework of possibilities, given the development of Russian suppliers of granules and other types of materials. Priority in selection is given to local suppliers if they meet all material quality requirements.



AD Plastik Tisza, Hungary

The automotive market, in terms of availability of material suppliers, is significantly more developed in Hungary. The factory itself is located in an industrial zone with several significant Hungarian granule manufacturers (PP, HDPE), which enables close cooperation of new materials development and reduction of logistics and other costs. If we look at the suppliers of materials, the share of local ones is higher compared to the imported ones, although it has decreased compared to the previous year due to changes in the structure of materials.



Obligations towards external initiatives

By participating in the work of various associations estimated as the ones with a respectable reputation in society, we strengthen the influence of entrepreneurs in promoting the strategic interests of the economy, entrepreneurship and exports and encourage the necessary changes. With our contribution to the work of various bodies, associations and institutions, we directly contribute to the development of the community in which we operate.

- President of the Management Board Marinko Došen is a member of the Assembly of the Croatian Chamber of Economy and the Management Board Member Mladen Peroš is the deputy president of the Economic Council of the County Chamber Split.
- We have a leading role in the work of the national Plastics and Rubber Industry Association and Community of manufacturers of parts and accessories for the automotive industry of the Croatian Chamber of Economy and the regional Vocational Plastics and Rubber Manufacturing Group of the County Chamber Split.
- Marinko Došen is the president of the Business Council for Economic Cooperation with the Russian Federation.
- We represent the interests of exporters and raise awareness of their influence on the Croatian economy within the Croatian Exporters' Association, whose Vice President is Marinko Došen, and via membership in the Club of Exporters.
- We are the founders of the cluster of automotive parts manufacturers, AD Klaster, which brings together leading automotive parts manufacturers in Croatia, and Marinko Došen is the President of the Assembly, while the Advisor for Relations with State Institutions and Funds Zoja Crnečki is the Director of AD Klaster.
- Zoja Crnečki is the President of the Management Committee of the Croatian Competitiveness Cluster for Automotive Sector.
- Marinko Došen is a diversity ambassador and also the Vice President of the HR BCSD Assembly.
- We actively participate in the work of Community for Corporate Social Responsibility, Community for Environmental Protection in the Economy and Community for the Human Resources Development of the Croatian Chamber of Economy and this way we want to advance and promote corporate social responsibility.
- We are members of the Economic Council of the Faculty of Mechanical Engineering and Naval Architecture of the University of Zagreb, Thematic Innovation Council for Transport and Mobility, aimed at strategic management and guidelines for the development of a thematically priority area.
- We are the signatories of the Code of Business Ethics of the Croatian Chamber of Economy and the United Nations Global Compact Initiative, thus we have committed to promote and support the ten principles of the UNGC and we also promote the seventeen sustainable development global goals.





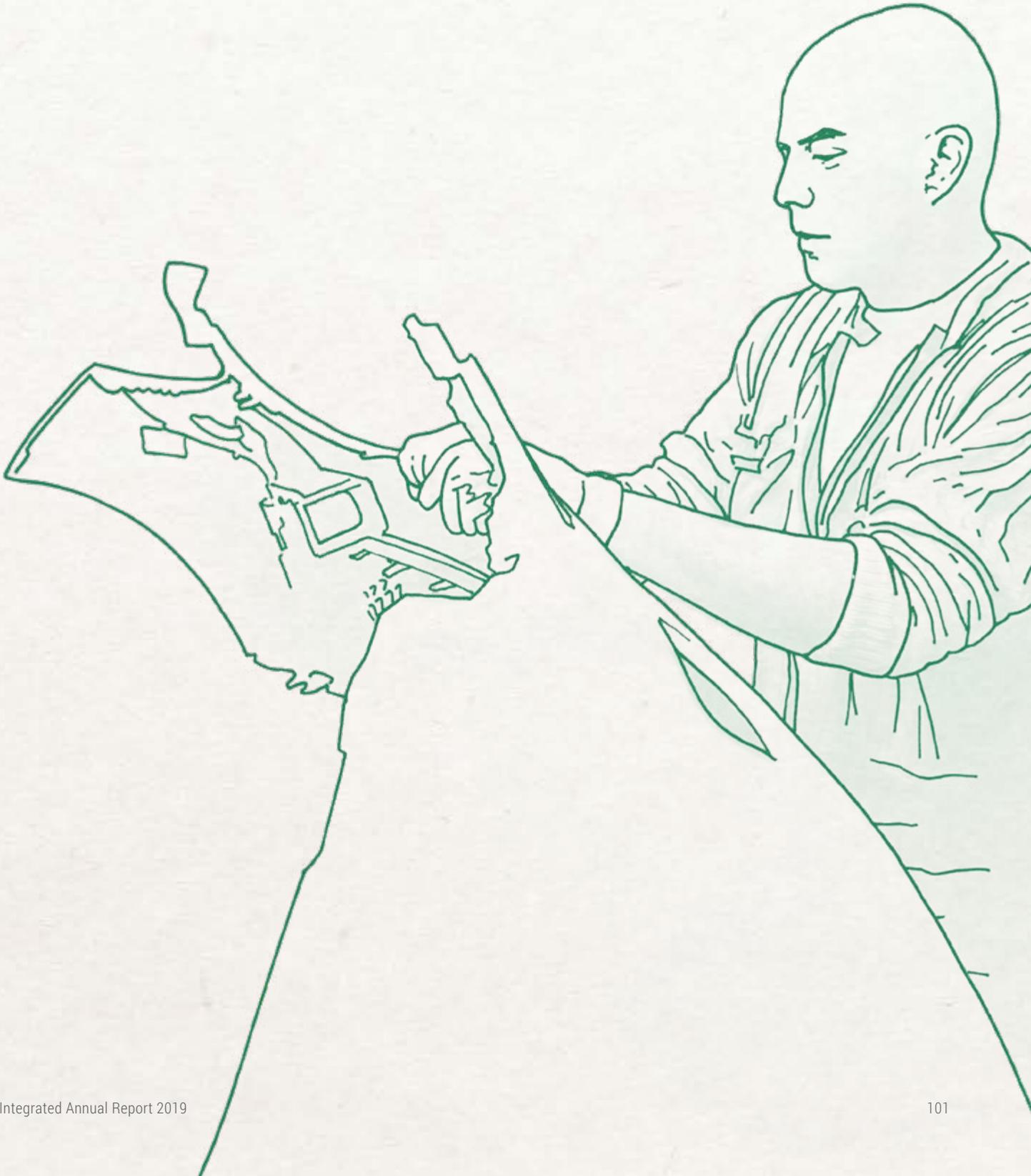
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Economy

Direct, generated and distributed economic value

The reporting year was another extremely successful business year for AD Plastik Group. Thus, the directly generated economic value of the Group increased by as much as 16.7 percent compared to the previous year and amounted to HRK 1,541.65 million. The main reasons for such significant growth lie in the growth of revenue from tools, new projects and the Hungarian company AD Plastik Tisza. In the same period, the distributed economic value increased significantly - by 17.4 percent, amounting to HRK 1,421.21 million in 2019. While the operating expenses and community investments costs are accompanied by a percentage increase in revenue, ie directly generated economic values, other elements of distributed economic value have specific characteristics.

Employee salaries and benefits in 2019 have been growing to a lesser extent than revenue themselves, while payments to capital providers and the state have been growing to a much greater

extent. The main reason for the growth for the providers of capital lies in the amount of the dividend voted and paid, which amounted to HRK 12.5 per share, which was an increase of 25 percent compared to the previous year. Payments to the state have been increasing primarily due to the payment of income taxes and the realization of deferred tax liabilities in Russian companies. With this growth of directly generated and distributed economic values, the retained economic value also increased by 9.3 percent and amounted to HRK 120.43 million.

Through continued revenue growth and adequate operating expenses management at the Group level, we strive to distribute the newly generated value to our shareholders, employees and the community as much as possible, while retaining and investing a portion of the newly generated value to ensure the future growth and development of the Company to the satisfaction of all stakeholders.

Direct, generated and distributed economic value in HRK 000

	2015	2016	2017	2018	2019
Directly generated economic value	1,025,395	935,750	1,090,140	1,321,254	1,541,647
Sales revenue	1,002,363	913,383	1,069,061	1,298,446	1,509,216
Other revenue	23,032	22,367	21,079	22,808	32,431
Economic value distributed	934,820	869,253	995,077	1,211,022	1,421,214
Operating costs	716,810	613,353	722,522	906,981	1,043,061
Salaries and benefits to employees	187,560	181,044	210,790	253,485	300,690
Payments to capital providers	29,653	74,018	51,473	51,566	64,396
Payments to the state	647	652	9,719	-1,419	12,584
Community investments	150	186	572	408	483
Economic value retained	90,575	66,497	95,063	110,232	120,433

Pensions

In accordance with the regulations, the pension contribution rate in Croatia is 20 percent of the contribution base, and all employees in Croatia are registered and included in the pension fund. Employer pays pension contributions on behalf and at the expense of employees. In the reporting period, there were no changes to pension regulations in Croatia.

Also in Russia and Hungary all employees are registered and included in the state pension fund. The rate of payments in Russia is 22 percent up to the limit of RUB 1,150,000.00, and as soon as the limit is reached, 10 percent is paid. In Hungary, the rate of payments is 10 percent.

In Serbia, all employees are registered with the state PIO fund. Fourteen percent from the gross salary is paid to the fund at the expense of the employee and 12 percent at the expense of the employer. Employees receive a 0.4 percent supplement for past work per full year of service, counting the existing employer. At the time of retirement, two average gross salaries are paid in conformity with legislation.

In AD Plastik Group, we have no organised pension funds within the Company.

Basic wages

In AD Plastik Group, the basic wage of employees is set depending on the job position and is equal for all employees who work at a particular job position, regardless of their gender or any other characteristic of the employee. The wage for a particular job position is set according to legislation of a specific country and internal documents of the Company that define wages in accordance with job descriptions, other additions to the wage, compensations and stimulations. Additional rewards to employees are set out in internal rules.

Gross wages

In all countries where we operate, the minimum initial wage is greater than or equal to the minimum wages guaranteed by the law. In 2019, the statutory minimum wage in Croatia was HRK 3,750.00 gross, and the initial gross wage in AD Plastik was HRK 3,807.47 regardless of gender. In the Kaluga Oblast in Russia a prescribed minimum gross wage amounts to 11,980 rubles, and the initial gross wage in AD Plastik Kaluga was 20,800.00 rubles regardless of gender. The Samara Oblast in Russia has prescribed a minimum gross wage of 11,280 rubles, and the initial gross wage in AD Plastik Togliatti was 14,480.00 rubles regardless of gender. In Serbia, the average minimum gross wage is RSD 36,365.48 regardless of gender, as is the initial gross wage in the ADP, Mladenovac. In Hungary, a minimum gross wage of 149,000.00 HUF is prescribed, and the initial gross wage in AD Plastik Tisza is 150,000.00 HUF regardless of gender.



Economy (continued)

Financial assistance

In 2019, financial assistance from the Government was received in the parent company and in the Serbian subsidiary in the total amount of HRK 12.5 million. The parent company received a total of HRK 12.1 million, while HRK 9.4 million of that amount was received in the form of tax relieves for the investment and capital investments in the previous years, while grants in the amount of HRK 2.7 million were received for projects funded from European structural and investment funds for the project „Pilot Painting Line for Experimental Industrial Researches, Development and Innovations“.

Subsidiary in Serbia received HRK 0.46 million in tax relieves in terms of employment of long-term unemployed staff and investment in previous years. The amount and intensity of financial assistance provided by the Government depends on their policies and programs and the capital investments of the companies. Companies within the AD Plastik Group actively monitor tenders for grants and accordingly plan, or adjust, as far as possible, their investment plans.

Financial assistance received from the government in HRK 000

	2015	2016	2017	2018	2019
Tax reliefs	5,190	0	3,834	6,110	9,827
Aid	5,851	0	5,147	4,345	2,700
Total	11,041	0	8,980	10,455	12,527

Significant indirect economic impacts

AD Plastik Group has a significant impact on the environment in which it operates. The intensities and types of indirect economic impacts that the Group members have on the environment are different, that is, specific in accordance with the environment in which they operate and the activities they engage in. A positive influence on the increase in the number of job positions in the supply chain is evident at all the Group's sites.

The Group's revenue growth stems primarily from new deals, ie growth in production volume, which in turn is directly reflected in the expansion of the supply chain and, consequently, in the increase in the number of job positions in the chain. Improving

social conditions is also one of the indirect economic impacts we have in business environments, primarily in the form of a reduction in unemployment rates in locations where such rate is more significant, but also in the creation of job positions specific for the automotive industry. In Croatia, where the Group's R&D department is located and the most sophisticated and advanced technologies are used, there is a significant impact on improving the skills and knowledge within the professional community. This is primarily achieved through cooperation and partnerships with educational institutions, which is also an excellent channel for recruiting the best staff.



The share of senior management recruited from the local community in significant places of operation

In 2019, senior management consisted of 53 employees, 48 of whom were from the local community. This accounts for 91 per cent of the share of local population in the AD Plastik Group's highest structure.

Senior management consists of Management Board Members and top management, ie the executive directors and directors. We define local recruitment as the recruitment of people who live in the county, ie district or region in which certain members of the

Group operate. Accordingly, significant place of operation means the seat of operation of each member of the Group.

The largest share of employees and of senior management consists of the local population. At the same time, we encourage the mobility and development of our own experts and managers and, through internal recruitment, we facilitate the development of an international career within the Group. In this way, we develop and store Company knowledge, enabling the sharing of best practices within the Group.



Environment

Environmental responsibility is an integral part of the development policy of the AD Plastik Group and of the automotive industry as a whole. Without a clear and unconditional focus on improving the environmental protection, it is not possible to be part of the supply chain within this industry. Due to the impact of vehicles on the atmosphere, special attention is paid to reducing emissions, namely the development of lighter products. The environmental orientation of our Company is also reflected in the long-standing implementation of the ISO 14001 environmental management system.

We continually manage and control our environmental impact and with good planning, make sure that we burden it as little as possible, while taking care of the rational use of natural resources and energy. We pay close attention to environmental protection in accordance with the Sustainable Development Guidelines and use the best available tools as preventative protection measures to avoid possible risks and damage to the environment.

We apply the Group-wide precautionary principle, through which we avoid any possible risk of using new technology until there is complete knowledge and understanding of its impact on the environment and human health.

Materials

Thermoplastic organic polymers are the basic raw materials of our technological processes, which we mold into the final product by using injection moulding, extrusion and thermoforming technologies. In addition, the most common raw materials are paints, varnishes and solvents based on volatile organic compounds, which are applied by painting technology to individual components. In addition to their environmental impact, incoming materials are a very important item in customer requirements and relationships with suppliers. All incoming materials, as well as our final products, are made in accordance with the customer's technical specifications. They are regularly tested and controlled according to control plans and laboratory testings. These procedures are clearly defined by the internal procedures and instructions of the product and process development service, production and quality control service, in accordance with the requirements of IATF 16949 standard.

Being aware of the environmental impact of materials, together with our customers we have been constantly exploring the possibility of using bio plastics and other alternative materials that are recyclable. We have been also exploring the possibility of using water-based paints, varnishes and solvents with significantly less negative environmental impact.

In accordance with the policies of quality, environmental protection and sustainable supplier management, we manage this material topic with regular efforts that we invest in research and



development of new products, namely the possibility of using alternative materials in production that will not affect the quality of the final product.

In 2019, 3,215 tonnes more of thermoplastic organic polymers were consumed due to the increase in production compared to the previous year, and 113,9 tonnes more of paints, varnishes and solvents. It is important to emphasize that in the period observed, we continued to apply a chemical leasing model that takes care of the entire life cycle of organic solvents used in painting technology in Zagreb. Namely, we hand over the waste solvents to an authorized repository that regenerates the waste solvent and returns it purified to the painting process. The amount of this recovered solvent used in 2019 was 191 t.

The tables show the amount of material used in tonnes by sites of the Group, the recycled material in tonnes, and the percentage of recycled material used.

Due to the consumption of volatile organic compounds in an amount greater than 200 tonnes/year, we have submitted a request to the competent ministry for obtaining an environmental permit at the site in Zagreb during 2018. In 2019, a public hearing and insight as well as a public presentation of the Expert grounds for obtaining a permit were conducted. In the absence of any objection, proposal or opinion, the issue of the permit is expected in the first quarter of 2020, in accordance with usual procedures.

Material used by weight or quantity

Material	Site	2017	2018	2019
PP/PE/PES (t)	Solin, Zagreb	11,372	12,560	13,411
	Vintai	2,641	2,467	3,675
	Kaluga	1,671	1,965	2,498
	Mladenovac	780	594	1,225
	Tiszaújváros	0	1,757	1,749
	TOTAL		16,464	19,343
Paint, varnish, solvents (t)	Solin, Zagreb	321	435	647
	Vintai	8,5	11,63	21
	Kaluga	15,3	0,18	2,8
	Mladenovac	290	286	176
	Tiszaújváros	0	0	0
	TOTAL		634.8	732.81

Recycled incoming material (t)

Material	Site	2017	2018	2019
PP/PE/PES paint, varnish, solvents (t)	Solin, Zagreb	2,705	1,737	1,919
	Vintai	260	198	356
	Kaluga	110	131	104
	Mladenovac	25	0	0
	Tiszaújváros		0	192
	TOTAL		3,100	2,066

Percentage of material used that is recycled incoming material (%)

Material	Site	2017	2018	2019
PP/PE/PES paint, varnish, solvents (t)	Solin, Zagreb	23.80	13.37	13.65
	Vintai	9.84	8.03	9.69
	Kaluga	6.58	6.66	4.16
	Mladenovac	3.20	0.00	0.00
	Tiszaújváros		0.00	10.98
	TOTAL		19	10.14

Environment (continued)

Energy

Energy is an important material topic of the AD Plastik Group, not only in terms of consumption and cost, but primarily because of its direct environmental impact. As this is the main energy source used in the business for the operation of production machines and heating and cooling devices, we keep systematic records and monitor its consumption. The monitoring is carried out at the Group level in accordance with the prescribed internal documents and ISO 14001 environmental management and ISO 50001 energy management standards. These standards were the backbone and basis for the development of an energy efficiency program that has clearly set goals by 2021.

Planned energy efficiency targets for 2020:

- Continuation of the process of replacing worn-out installations
- Continuation of the process of replacing the lighting by more energy-efficient ones
- Continuation of the process of replacing worn-out skylights on the roofs of buildings
- Continuation of the installation process of motion sensors for automatic switching off of lighting
- Continuation of the process of installing Energy Saving software to improve the performance of the injection moulding machines

At all sites of the Group, technical services regularly conduct preventative inspections of installed technical facilities for energy

distribution and production and propose improvement measures.

The share of electricity in total energy consumption within the Group in 2019 was the same as in the previous year and amounted to 79.26 percent.

For the purpose of operating the boiler room, through which we receive thermal energy, we use fuel oil and natural gas for paint shops in Zagreb. The gas is used to activate the plastic surface by flame for better paint adhesion and for the purpose of burning volatile organic compounds on incinerators. This results in a significant reduction in the emission levels of volatile organic compounds to below 20 mg/Nm³. Other energy sources include liquefied

petroleum gas for forklift trucks and gasoline and diesel fuel for official vehicles.

In 2019, we continued the activities of replacing old lighting fixtures with LED lighting, installing high-speed roll up doors in storage areas to reduce airflow and energy waste, and of purchasing new more energy-efficient machines. At the sites in Zagreb and Mladenovac we replaced all the old forklifts with electric ones, and in Solin and Kaluga we installed a new energy efficient cooling and heating system for production plants.

Total energy consumption within the organization reflects the consumption of electricity, natural gas, liquefied petroleum gas and fuel oil.

Consumption of energy inside the organization (GJ)

Site	2017	2018	2019
Solin	38,024	43,011	40,755
Zagreb	75,016	76,707	90,054
Vintai	26,408	26,012	23,759
Kaluga	16,360	16,071	17,302
Mladenovac	16,829	17,341	14,486
Tiszaújváros	0	19,008	19,784
TOTAL	172,637	198,150	206,140

	2017	2018	2019
Electric energy (GJ)	131,524	157,067	163,094
Natural gas (GJ)	34,786	38,116	39,631
Liquefied petroleum gas (GJ)	6,005	2,742	2,969
Heating oil (GJ)	322	225	410
TOTAL	172,637	198,150	206,104



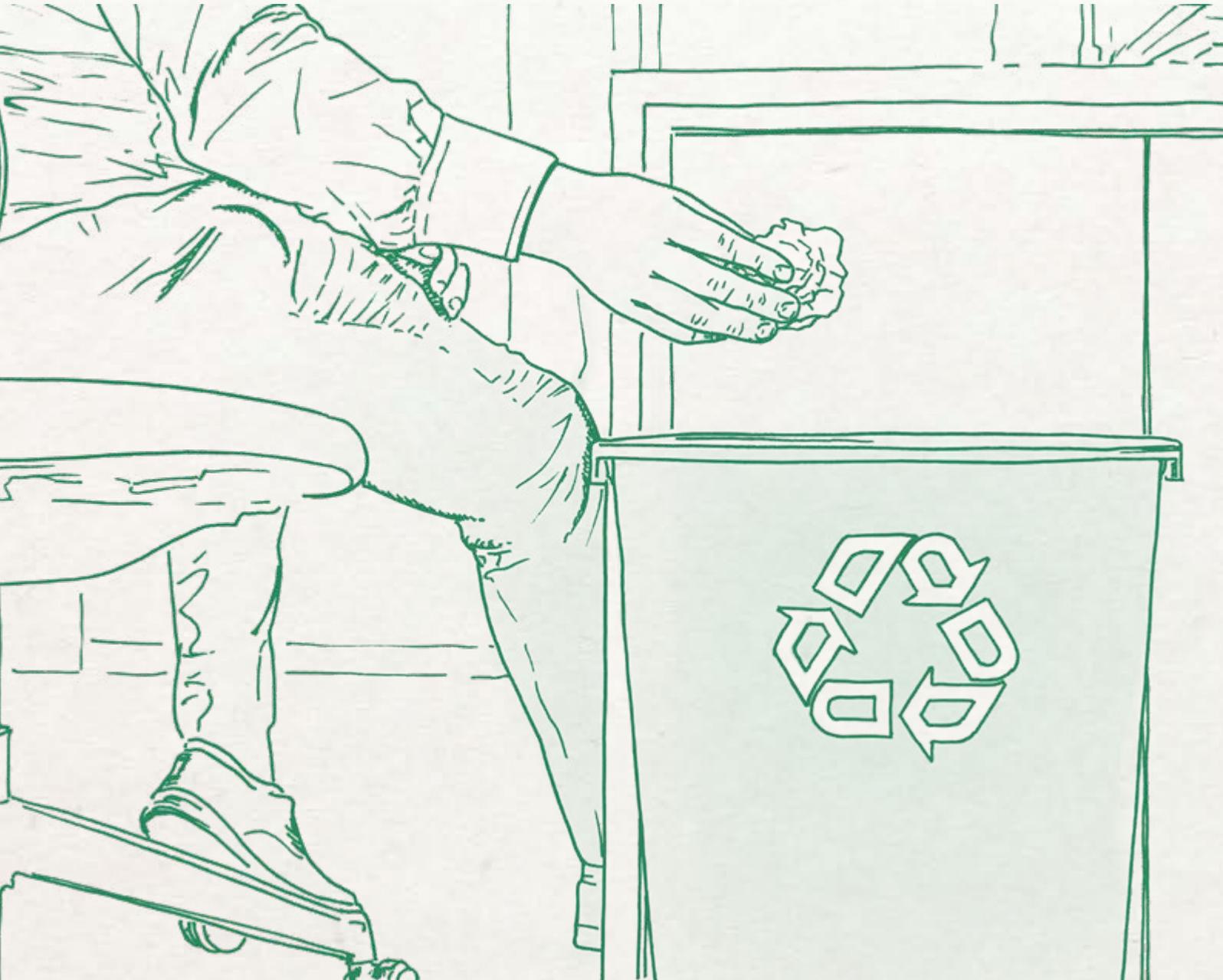
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Environment (continued)

Energy (continued)

Consumption of energy outside the organization (GJ)

Energy consumption outside the organization shows fuel consumption (diesel and petrol) for vehicles owned by the Group during business trips.

Site	2017	2018	2019
Solin	2,242	3,262	3,361
Zagreb	410	392	493
Vintai	4,409	4,246	4,093
Kaluga	216	205	55
Mladenovac	132	65	148
Tiszaújváros	0	0	1,070
TOTAL	7,409	8,170	9,220

Energy intensity (kWh/kg of the product)

We measure energy intensity by the ratio of total energy consumption inside the organization (kWh) and the total weight of delivered product (kg). The reason for its growth during 2019 at the Solin and Zagreb production sites was the increased energy consumption for the development of new products and technical trials. Energy spent on technical trials referred to the development products which are not being supplied, so energy intensity has increased.

Site	2017	2018	2019
Solin, Zagreb	2.97	2.56	2.71
Vintai	2.16	2.30	1.81
Kaluga	1.45	2.15	1.92
Mladenovac	2.21	3.27	3.19
Tiszaújváros	0.00	0.00	3.19
TOTAL	2.56	2.53	2.54



Water

Taking care of the environment in which we operate is an integral part of our development strategy, and since water has a significant impact on the sustainability of the planet we live on, it is highly valued on the Group's scale of material topics. With day-to-day care of water consumption and the state of the internal water supply system, we manage the consumption of this valuable resource. Water supply to our production sites is done by connecting to the public water supply system, and in Zagreb via our own well. Water is used to cool machines and products (cooling water) and is not discharged into the drainage system because it circulates in a closed circuit and gets refilled as needed. At the Zagreb paint shop, we also use water as a water curtain in the process of applying paints and varnishes, also in a closed recirculating system, which is refilled as needed. We also use it to heat the units of hot air preparation for heating work rooms and as sanitary water. Continuous operation of the water supply system is supervised by the technical services of each production site, in accordance with internal acts, procedures and instructions.

The waste water from our plants is not discharged into the public drainage system and it is not contaminated so we do not need water recycling system. We monitor the water consumption by direct measurements on the water meter. With regard to water consumption, we do not have negative environmental impact and do not endanger the capacities of local water wells.

Solin site is supplied with water from the source of the Jadro River with a capacity of 9.0 m³/s, Zagreb from the internal water supply system of the city of Zagreb with a capacity of 4.5 m³/s, Mladenovac from the internal water supply system of the city Mladenovac, which receives water from artesian wells (55 wells) the capacity per source of which is 2-5 l/s. Vintai is supplied with water from the wells of Vintai settlement with a capacity of 1.5 m³/s, and Kaluga from the internal water supply system of the city of Kaluga with a capacity of 180 m³/h.

The table shows the amount of water consumed per source. In 2019, water consumption was in line with the plan and there was no significant deviation compared to the previous period.

Water consumption per source (m³)

Site	Consumption of water from public water supply (m ³)			Consumption of water from private well (m ³)		
	2017	2018	2019	2017	2018	2019
Solin	41,305	45,779	41,506	0	0	0
Zagreb	10,915	12,405	12,416	8,176	7,405	7,790
Vintai	5,949	8,148	6,767	0	0	0
Kaluga	3,194	2,686	2,275	0	0	0
Mladenovac	4,691	3,074	3,921	0	0	0
Tiszaújváros	0	1,628	831	0	0	0
TOTAL	66,054	73,720	67,716	8,176	7,405	7,790

Environment (continued)

Emissions

Due to its potential environmental and economic impacts, the management of gas emissions into the atmosphere is an important segment of business within the Group. The supervision and certification of the ISO 14001 environmental management system and ISO 50001 energy management system, allow us to evaluate our performance. Internal documents prescribe the supervision and management of activities related to gas emissions.

We regularly monitor emissions into the atmosphere from fixed sources, which we report to in accordance with legal regulations in the field of air protection. The weights of the emissions into the air are determined directly from the measurement or indirectly from calculations based on the fuel consumption or the substance emitted. Regular maintenance of energy distribution and production systems, as well as systems for the regenerative incineration of volatile organic compounds, is the basis for reducing emissions to the environment. Their automatic control monitors consumption parameters and contributes to a more efficient use of low emission resources.

Emissions in the atmosphere include CO₂, NO₂, SO₂ and CO emissions arising from the combustion of energy sources needed for the operation of boiler rooms, regenerative incinerator and forklifts, as well as emissions from the production of electricity necessary for the operation of the plant. Technical services take care of and continually propose improvement measures to increase energy efficiency.

The table shows the total direct and indirect emissions of greenhouse gases. Direct emissions were generated by combustion of fuel oil, natural gas and liquefied petroleum gas, while indirect emissions were generated by the production of electricity purchased from distributors.

Total direct and indirect greenhouse gas emissions according to mass (t CO₂*)

Site	2017		2018		2019	
	Direct greenhouse gas emissions according to mass	Indirect greenhouse gas emissions according to mass	Direct greenhouse gas emissions according to mass	Indirect greenhouse gas emissions according to mass	Direct greenhouse gas emissions according to mass	Indirect greenhouse gas emissions according to mass
Solin	283	2,226	24	2,623	35	3,096
Zagreb	1,526	3,003	1,405	3,187	1,652	4,686
Vintai	546	1,724	73	1,899	62	1,740
Kaluga	251	934	248	894	301	918
Mladenovac	290	916	368	837	24	808
Tiszaújváros	0	0	0	1,179	167	1,288
TOTAL	2,896	8,803	2,118	10,619	2,241	12,536

* t CO₂ - Emission data calculated according to national standard

Total direct and indirect greenhouse gas emissions according to mass (t CO₂*)

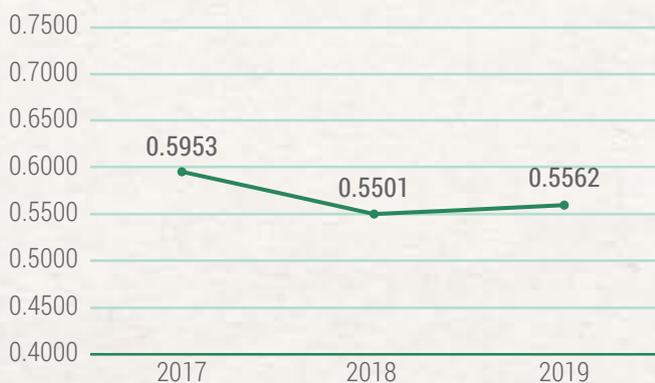
	2017	2018	2019
Direct greenhouse gas emissions according to mass	2,896	2,118	2,241
Indirect greenhouse gas emissions according to mass	8,803	10,619	12,536
TOTAL	11,699	12,737	14,777

* t CO₂ - Emission data calculated according to national standard

Greenhouse gas emission intensity (kg CO₂ / kg product)

Site	2017	2018	2019
Solin, Zagreb	0.68	0.56	0.71
Vintai	0.57	0.54	0.49
Kaluga	0.37	0.52	0.49
Mladenovac	0.57	0.57	0.66
Tiszaújváros	0.00	0.00	0.84
TOTAL	0.60	0.55	0.56

Diagram of greenhouse gas emission intensity represents the ratio of total direct and indirect greenhouse gas emissions per kilogram of delivered product (kg CO₂/kg of delivered product).



In 2019, the number of total indirect emissions into the atmosphere increased compared to the previous period, primarily due to the purchase of electricity wholly obtained from non-renewable sources. Namely, in the previous period, we purchased 20 percent of electricity from renewable sources in Solin and Zagreb. Likewise, during 2019, we conducted planned energy efficiency activities.

Refrigerants whose chemical composition deplete the ozone layer are an integral part of conditioning equipment and fire extinguishers. We regularly maintain the equipment and monitor its correctness and refrigerant content. Control is carried out by authorized service technicians, and we keep the records of implementation on the service cards. During 2019, new cooling equipment was purchased at most of the Group's production sites, increasing the amount of R410A by 186 kg. We also disposed of 272 kg of R407C in Zagreb, 90 kg of R407C in Kaluga and 16 kg of R407C in Tiszaújváros by disposing of old equipment.

In the reporting period there was no uncontrolled releasing of active substances in the environment, and there were no fires, i.e. releasing of 227ea active substance due to fire suppressing activities.

Environment (continued)

Emissions (continued)

Refrigerant quantity in equipment (kg)

	2018							2019						
	R22	R407C	R404C	R410A	R505	R134A	227ea	R22	R407C	R404C	R410A	R505	R134A	227ea
Solin	128	9	4	60	4	127	40	128	9	4	102	4	127	40
Zagreb	120	1392	0	18	0	120	0	120	1120	0	151	0	120	0
Vintai	0	40	0	0	0	0	0		40	0	0	0	0	0
Kaluga	0	180	0	0	0	0	0	0	90	0	0	0	0	0
Mladenovac	8	77	0	3	0	0	164	8	81	0	3	0	0	164
Tiszaújváros	0	16	0	0	0	0	0	0	0	0	11	0	0	0
TOTAL	256	1714	4	81	4	247	204	256	1300	4	267	4	247	204

Active substance quantity in the equipment (kg)

	2017	2018	2019
R22	256	256	256
R407C	1712	1714	1300
R404C	4	4	4
R410A	18	81	267
R505	4	4	4
R134A	247	247	247
227ea	204	204	204

In addition to the CO₂ emissions reported under direct emissions, we also monitor the NO₂, SO₂ and CO emissions at our plants caused by heat energy generation in our boiler rooms. On the painting line exhaust vents in Zagreb, we also measure emissions of volatile organic compounds, VOC.

In the observed period, the measured values of emissions from stationary sources were in compliance with the statutory provisions. In order to reduce the negative impact on the environment caused by volatile organic compounds, on the exhaust vents of regenerative incinerators of painting lines in Zagreb 272.89 t of volatile organic compounds were combusted.

NO_x,SO_x and other relevant air emissions according to type and mass (t)

	2017				2018				2019			
	NO ₂	SO ₂	CO	VOC	NO ₂	SO ₂	CO	VOC	NO ₂	SO ₂	CO	VOC
Solin	0.025	0.060	0.150	0.000	0.011	0.033	0.000	0.000	0.019	0.061	0.260	0.000
Zagreb	1.340	0.000	0.092	5.812	0.874	0.000	0.576	9.651	0.932	0.000	0.097	11.240
Vintai	4.523	0.024	0.427	0.000	4.523	0.024	0.427	0.000	4.523	0.024	0.427	0.000
Kaluga	0.001	0.000	0.266	0.000	0.001	0.000	0.266	0.000	0.004	0.000	0.191	0.000
Mladenovac	0.906	0.000	0.720	0.000	0.915	0.000	0.600	0.000	0.292	0.000	0.143	0.000
Tiszaújváros				0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	6.795	0.084	1.655	5.812	6.324	0.057	1.869	9.651	5.770	0.085	1.118	11.240

Emission data calculated according to national standard

The planned targets of reduction in emissions in the atmosphere are directly linked to the energy efficiency targets for 2020 as outlined in this report.



Environment (continued)

Waste water and waste

Waste and waste water management is an indispensable part of the daily operations of the Group. Aware of their environmental impact, and in accordance with positive legal regulations, professional environmental protection services are organized at all production sites. All sites have implemented the ISO 14001 environmental management system, and during regular successful certification audits we successfully confirm our commitment regarding this topic.

Sanitary wastewater, rain water from roof surfaces and handling surfaces are discharged into the public drainage system after treatment at the oil and grease separators. Sampling and testing of wastewater by authorized laboratories is carried out regularly at the points of discharge into the public drainage system, in accordance with water permits. Process wastewater is not discharged into the public drainage system because it is a closed, recirculated and controlled system without discharge, supplemented, if necessary, with clean water (lost part due to evaporation). At the paint shop in Zagreb, just below the cabins where the painting is carried out, a system for accepting dispersed paint that was not applied to the products was implemented. There is a process water flow system (water curtain) below the floor grille of the cabin that accepts particles of dispersed paint. There is a vertical air flow from ceiling-to-floor in the cabins that pushes paint particles under the floor grille into the water curtain. After accepting a certain concentration of paint, the water is discharged to a

central pool where solid particles of paint are separated from the water. A coagulation system is used there to separate the paint. The pumps accurately dosage a certain amount of coagulant and defoamer that bind to the paint particles, losing their adhesive properties. The water is constantly stirred in the pool to prevent the effect of sedimentation or flotation. Such water is brought to the decanter (centrifugal separator) by the pump and piping system where the paint residues are separated from the water. Separated paint is disposed of as hazardous waste and purified water is returned to the pool and further to the cabins. If necessary, the system is supplemented with additional water supply from the water supply system. In case of need to remove process water from the system for maintenance and the like, an authorized company is invited to pump it and remove it from the production site as hazardous waste. Water consumption is thus minimal and does not burden wastewater with pollution.

The analyses have shown that in the past year the quality of wastewater was in accordance with legally prescribed parameters at all production sites. The reports on the quality of waste water are submitted to national competent authorities responsible for environmental protection. In 2019, there were no significant outpours of hazardous substances that could have significant negative impacts on the environment with potential adverse effects on the soil, water, air, biodiversity and human health.

The table below shows data on the quantities of waste water discharged and its destination.

Amount of discharged water (m³) and its destination

	2017	2018	2019	Destination of discharged waste water
Solin	41,305	38,779	41,506	Adriatic Sea/Mediterranean Sea
Zagreb	5,015	8,305	8,471	Sava River/Danube River/Black Sea
Vintai	5,949	8,148	6,767	Volga River/Caspian Sea
Kaluga	3,194	2,686	2,275	Oka River/Volga River/Caspian Sea
Mladenovac	4,691	3,074	3,921	Veliki Lug River/Danube River/Black Sea
Tiszaújváros		1,772	831	Tisza River/ Danube River/Black sea
TOTAL	60,154	62,764	63,771	

According to the waste classification, non-hazardous and hazardous waste is generated from our production processes and it is collected in appropriate containers. Waste containers are labeled with the appropriate waste name and catalog number. Licensed waste disposal companies regularly collect and dispose of waste for further disposal. The records on the produced waste and the waste delivered for further disposal are kept according to legally prescribed documentation.

Non-hazardous waste refers to: packaging waste (cardboard, plastic foil), wood packaging, plastic waste, waste scrap metal and waste from processed textile fibres.

Hazardous waste refers to: waste paints and varnishes, waste solvents, waste sludge from paints and varnishes, packaging tainted with hazardous substances, electronic and electrical waste, waste hydraulic oils, water sludge, separator sludge, waste printing cartridges, fluorescent tubes, absorbents, filtering materials, greasy rags and gloves.

In order to reduce the negative impact of waste on the environment, 1,372.07 tonnes of waste (47.94 percent) were submitted to licensed waste disposal company in 2019. Of these, there were 1,106.72 tonnes of non-hazardous waste and 265.35 tonnes of hazardous waste. Non-hazardous waste submitted for recycling referred to waste plastic packaging foil and waste packaging cardboard. It is important to point out that during the year we distilled part of organic contaminated hazardous solvent at our plant in Zagreb. At the same time, 228.92 tonnes of organic contaminated solvent was submitted to licensed waste disposal company which regenerates and recycles it for reuse in production process as purified organic solvent.

Considering the physicochemical properties, the remaining waste was disposed of by the following methods: waste storage before applying any disposal method (27.30 percent), using waste mostly as fuel or other method for generating energy (1.48 percent), physical and chemical waste processing (0.35 percent), waste incineration on land (0.036 percent) and waste disposal at specially prepared landfills (22.89 percent).

Total waste mass according to type (t)

	2017		2018		2019	
	non-hazardous	hazardous	non-hazardous	hazardous	non-hazardous	hazardous
Solin	193.758	15.025	207.92	21.45	286.69	24.32
Zagreb	543.26	398.87	543.00	416.20	683.75	567.69
Vintai	470	4.16	542.03	5.16	501.37	35.00
Kaluga	294.00	2.00	307.20	4.50	248.40	13.65
Mladenovac	214.80	15.30	239.14	11.59	234.00	11.34
Tiszaújváros			88.62	0.70	254.00	2.00
TOTAL	1.715.82	435.36	1.927.91	459.60	2.208.21	654.00

Waste mass refers to the amount recorded in the waste production and management logbook, obtained by direct weighing

Environment (continued)

Waste water and waste (continued)

Non-hazardous waste (t)

Waste disposal methods	Solin	Zagreb	Vintai	Kaluga	Mladenovac	Tiszaújváros
Recycling	159.68	399.92	501.37	0.00	0.00	45.75
Waste storage before applying any disposal method	0.00	242.03	0.00	89.00	117.00	0.00
Using waste mostly as fuel or other method for generating energy	0.00	0.00	0.00	0.00	0.00	0.00
Physical and chemical waste processing	0.00	0.00	0.00	0.00	0.00	0.00
Waste incineration on land	1.02	0.00	0.00	0.00	0.00	0.00
Waste disposal at specially prepared landfills	125.99	41.80	0.00	159.40	117.00	208.25
TOTAL	286.69	683.75	501.37	248.40	234.00	254.00

Hazardous waste (t)

Waste disposal methods	Solin	Zagreb	Vintai	Kaluga	Mladenovac	Tiszaújváros
Recycling	0.00	228.87	34.89	0.05	0.44	1.10
Waste storage before applying any disposal method	2.07	320.39	0.11	0.00	10.90	0.00
Using waste mostly as fuel or other method for generating energy	20.35	18.33	0.00	3.70	0.00	0.00
Physical and chemical waste processing	0.10	0.00	0.00	9.90	0.00	0.00
Waste incineration on land	0.00	0.00	0.00	0.00	0.00	0.00
Waste disposal at specially prepared landfills	1.80	0.10	0.00	0.00	0.00	0.90
TOTAL	24.32	567.69	35.00	13.65	11.34	2.00

Waste mass (t)

Waste disposal methods	2017	2018	2019
Recycling	692.28	892.63	1,372.07
Waste storage before applying any disposal method	458.75	355.03	781.50
Using waste mostly as fuel or other method for generating energy	36.03	21.14	42.38
Physical and chemical waste processing	32.07	19.06	10.00
Waste incineration on land	84.12	28.20	1.02
Waste disposal at specially prepared landfills	847.94	1,071.45	655.24
TOTAL	2,151.18	2,387.51	2,862.21

Waste mass refers to the amount recorded in the waste production and management logbook, obtained by direct weighing

The cause of the increase in waste in 2019 is a significant increase in production volume.

Goals realized in 2019

- Wastewater quality testing was conducted at all production sites in accordance with the requirements related to the water permit
- Water permit was obtained for the Solin production site
- Waste disposal tank was purchased

Goals for 2020

- To initiate a water permit obtaining for the Zagreb production site
- To conduct wastewater quality tests at all production sites in accordance with the water permit
- To develop a method for recycling waste from painted plastic products (cleaning painted secondary raw material from paint and returning to the production process) in collaboration with an external supplier

Environmental protection expenditures and investments

Environmental protection expenditures and investments in total (€)

Site	2017		2018		2019	
	Environmental protection expenditures	Environmental protection investments	Environmental protection expenditures	Environmental protection investments	Environmental protection expenditures	Environmental protection investments
Solin	27,163	80,934	45,415	31,147	66,903	287,984
Zagreb	114,650	19,330	149,493	58,644	206,571	187,339
Vintai	47,635	4,857	45,063	4,108	1,919	1,166
Kaluga	1,174	0	1,512	0	1,031	0
Mladenovac	30,217	2,716	40,498	700	34,395	600
Tiszaújváros			26,953	0	37,649	0
TOTAL	220,839	107,837	308,934	94,599	348,468	477,089

Environmental protection expenditures in 2019

- Removal and disposal of hazardous and non-hazardous waste
- Measurement of air emissions from immovable sources
- Wastewater and hazardous waste analyses
- External noise measurement
- Testing impermeability of the wastewater system
- Water protection fees
- Water regulation fees
- Fees towards Environmental Protection and Energy Efficiency Fund

Environmental protection investments in 2019

- Replacing old lighting units with the new LED bulbs
- Installation of high-speed roll up doors in the production and storage areas
- Installation of fire alarms
- Purchase of a safety cabinet for the storage of hazardous chemicals
- Arrangement of the hydrant network
- Purchase of the cooling unit
- Purchase of oil storage tanks
- Purchase of a waste disposal tank

Environment (continued)

Environmental impact assessment of suppliers

Environmental impact assessment of suppliers for existing suppliers is carried out regularly once a year and it is mandatory when choosing a new supplier. One of the criteria for selecting new suppliers is obtaining environmental management certificate ISO 14001. If the supplier does not have the appropriate certificate and for some reason it is not possible to find an alternative supplier, the supplier is audited by a self-assessment questionnaire containing questions from the environmental management system. As a long-term measure, a timetable for the introduction of an environmental management system from material suppliers is required. All new suppliers that affect the quality of our products have been verified using environmental impact criteria. In the observed period, there were no suppliers with whom business relationships were terminated due to negative environmental impact, and no suppliers were found to have actual or potential negative environmental impacts.



AD Plastik Croatia

In Croatia, we have monitored 152 suppliers in terms of environmental impact, all of which are evaluated annually and the ratings are recorded on the Company's internal portal. Of the assessed 152, 107 suppliers have ISO14001 environmental management system certificate, while others have been checked using a self-assessment questionnaire.

Number and share of suppliers with ISO 14001



ADP Mladenovac, Serbia

In Serbia, we have evaluated 25 suppliers in terms of environmental impact, and 16 of them are ISO 14001 certified.

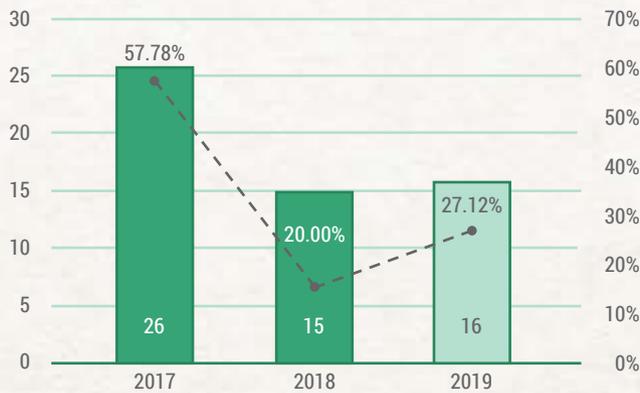
Number and share of suppliers with ISO 14001



AD Plastik Togliatti, Russia

In Togliatti, we have evaluated 59 suppliers, out of which only 16 are ISO 14001 certified. Non-certified suppliers are evaluated using a self-assessment questionnaire.

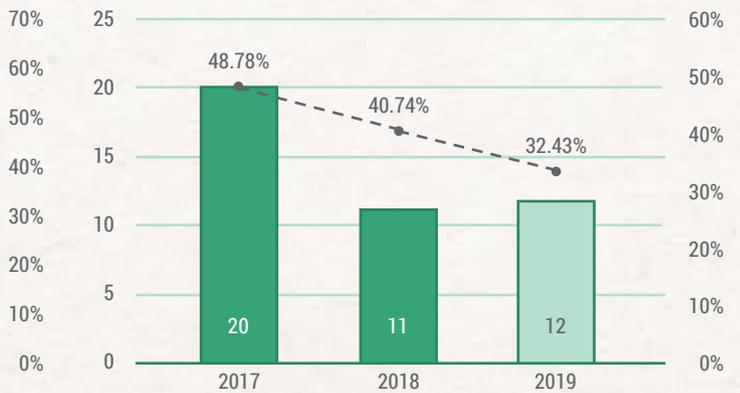
Number and share of suppliers with ISO 14001



AD Plastik Kaluga, Russia

In Kaluga, 27 suppliers were evaluated in 2019 regarding environmental management criteria and 11 of them are certified, while the rest were evaluated using a self-assessment questionnaire. The decline in the number of certified suppliers is the result of a change in the structure of suppliers caused by the completion of production of some vehicles in that market.

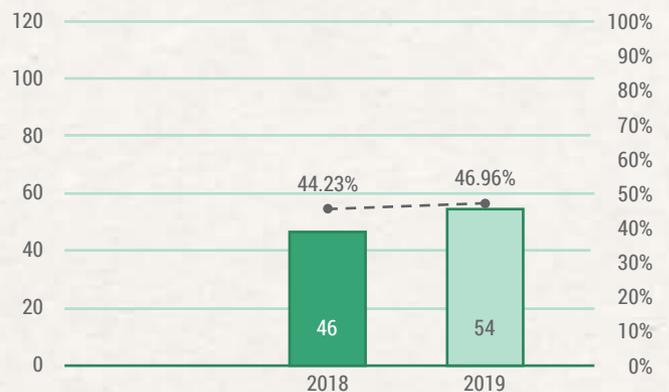
Number and share of suppliers with ISO 14001



AD Plastik Tisza, Hungary

In Hungary, we have evaluated a total of 115 suppliers in 2019, out of which 54 are ISO14001 certified, which is the next best result after Croatia.

Number and share of suppliers with ISO 14001



Environment (continued)

Compliance with environmental protection regulations

In order to comply with all environmental laws and regulations, professional services have been set up at all Group production sites to ensure the day-to-day implementation and enforcement of environmental legal obligations. They regularly inform management of the impact of their business activities on improving the environmental protection. In all plans and strategic business decisions, sustainable development and environmental management are important prerequisites to be taken care of. We have implemented the ISO 14001 standard as the basis of the environmental management system at all production sites.

We carry out the procedure of compliance assessment with the applicable legal and other binding requirements on a regular basis, and especially when introducing new production processes, technologies, equipment, plants, new and alternative raw materials. We confirm the positive effect of environmental care by the successful certification of the system according to the ISO 14001 standard. No violations of laws and regulations in the field of environmental protection have been identified after conducted inspection controls.

In 2019, an external audit of ISO14001 standard was successfully carried out at all Group's production sites and no non-compliances were identified. In November 2019, a coordinated inspection control was conducted in Zagreb by the following inspections: environmental, fire, water, electric, sanitary, occupational safety and pressure vessels. Environmental protection inspection control was also conducted in Mladenovac.

Inspection controls at both sites have confirmed compliance with the laws and regulations and accordingly there were no fines or non-pecuniary sanctions.

Climate change

The climate change that has been occurring causes problems for the nature that surrounds us, the population as well as the economy. We have been witnessing changes in weather conditions that have consequences for the environment, wildlife, as well as human health. AD Plastik Group, as an automotive supplier, through continuous improvement of its products development, has been continuously contributing to the reduction of vehicle weight, and thus of the emissions, reducing in that way their impact on climate change.

The company's risks resulting from climate change are a potential damage to property and infrastructure, downtime in the supply chain and an increased number of employee health problems. Accordingly, we carry out adaptations and reconstructions of facilities, continuous improvements in working and air-conditioning conditions at all production sites, improvement of information security, as well as educations and informing employees about the consequences of climate change, impact on its reduction and health.



Society

Recruitment

In order to keep up with the dynamic labor market, we have been constantly monitoring changes and adapting to them in a timely manner. Negative demographic trends have been reducing the number of working-age population in recent years, while reducing the unemployment rate. At the same time, the lack of employees in certain industries has been reinforced by the emigration flows of young and educated staff.

One of the biggest challenges of today's world, including our Company, is the increased fluctuation in the labor market and finding and retaining experts. Based on continuous analysis of our own performance and changes in the market, in the reporting period we used tools that help us find and recruit staff, but also retain and motivate them. We have introduced Recommendation and Buddy programs that aim to motivate employees to participate in team empowerment and expansion. By rewarding our employees for the candidates' recommendations, according to well-defined criteria, we have achieved a positive impact. Likewise, the empowerment of the process of introducing production workers to business by rewarding employees being their mentors has had a positive impact on employee motivation and fluctuation.

Belonging to the automotive industry sets us apart from the competition, as we belong to an extremely dynamic and attractive industry, which is very interesting for potential employees from a wider range of occupations. The opportunity for professional development at our partners' plants, world-renowned car manufacturers, is an additional motivator when hiring. This is just one of the factors that makes us a desirable employer.

We have been constantly working to build greater visibility in the labor market and to achieve competitiveness with regard to other employers. Thinking one step ahead, we strive to present our business to potential future candidates, thus for many years we have been successfully cooperating with a large number of educational institutions. Numerous high school and college students

visit our Company, we actively participate in job fairs and similar events, conduct professional internships and provide mentors for students' seminar papers, bachelor's thesis and master thesis.

We carry out recruitments in accordance with the short-term and medium-term business plan, and in order to be as efficient as possible, we have constantly been updating our existing internal candidate bases and also using external sources. In addition to planning and managing the recruitment process, we have actively been working to retain employees. A key part of human resources management is to promote employee career development as well as mobility within the Group. All employees who work based on fixed-term contract or part-time have equal privileges and rights as employees working full-time.



Society (continued)

Recruitment (continued)

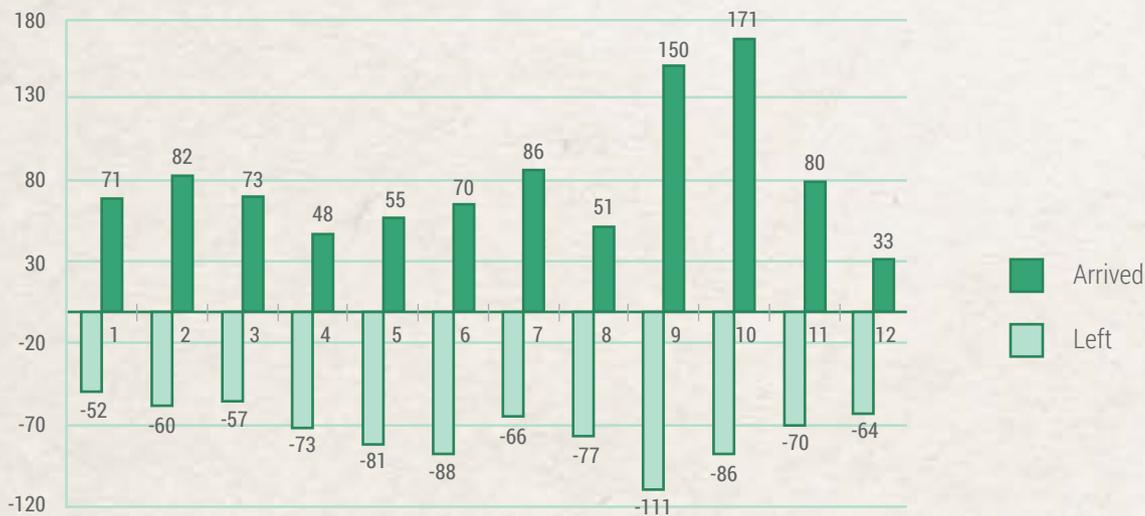
AD Plastik Group's number of employees trends



The trend indicates a planned and sustainable increase in the number of employees over the years, and in the second half of 2019 more direct employees were employed at production sites in Croatia. This coincided with exceptional mobility and dynamics in the labor market, and a similar trend has emerged in other countries of our business.

In order to respond effectively and flexibly to changes in the labor market and to continuously provide a pool of quality candidates, we implement new recruitment tools which positively affect the fluctuation of new employees.

Number of employees who joined or left AD Plastik Group in 2019



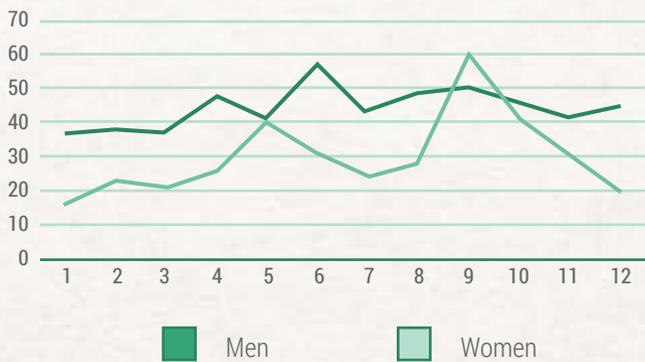
Total rate of employees fluctuation in AD Plastik Group for 2019



The dynamics of monthly fluctuation during the reporting period mostly followed the trend of the previous years. The highest rate of monthly fluctuation was in September, amounting to 3.79 percent, which was the highest rate in the last four years. This does not represent a dysfunctional fluctuation in overall numbers, but it does indicate labor market trends that are taken into account when planning future recruitments.

As in previous years, the overall rate of women's fluctuation was lower, but during September and October a greater fluctuation of women was observed. The greatest fluctuation was in Russia, and the overall rate of fluctuation of employees with employment contract for an indefinite period was higher.

Employees leaving the Group in 2019, by gender



Employees leaving the Group in 2019, by region



Employees leaving the Group in 2019, by type of contract

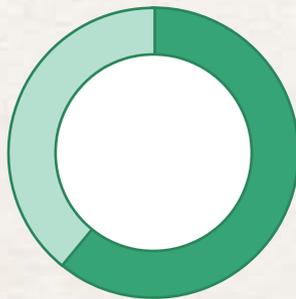


- Total employees who left
- Contract for an indefinite period
- Contract for a definite period

Society (continued)

Recruitment (continued)

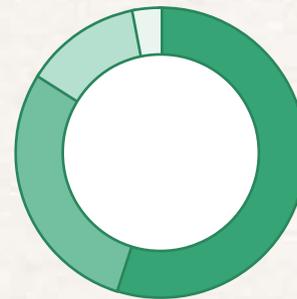
Total employees joining AD Plastik Group in 2019, by gender



In 2019, the largest share of new employment was in Croatia, followed by Russia and Hungary. Compared to the previous year, this is a significant increase in Croatia's share due to the new deals we have mentioned, and employment in Russia and Serbia has decreased somewhat. There is also a slight increase in the share of newly employed men by 61 percent, while newly employed women account for 39 percent.

Harmonizing family and business life is becoming an increasingly difficult task for parents, especially young mothers. This is why we are constantly developing a culture of encouraging fathers to use maternity leave. All employees of the Group are entitled to maternity and parental leave in accordance with the rules of the state of business.

Total employees joining AD Plastik Group in 2019, by region



In 2019 the right to parental leave was used by 104 female employees and five male employees of the Group, and 41 female employees and one male employee returned to work from parental leave. The total number of employees who have returned to work after the end of parental leave and who have remained employed for 12 months after returning to work is 29 female employees and one male employee. To ensure employee satisfaction, we pay special attention to family-based policies. Regardless of parental status, all employees have equal opportunities for development. Aware of changes in gender roles, we continue to promote gender equality.

Maternity and parental leave in 2019		Total number of employees	Total number of employees exercising their right to maternity and parental leave in 2019	Total number of employees returning to work after the end of parental leave in 2019	Total number of employees returning to work after the end of parental leave and remaining employed 12 months after returning to work
AD Plastik d.d.	men	929	2	1	1
	women	730	38	17	7
ADP d.o.o., Mladenovac	men	132	0	0	0
	women	62	5	1	1
ZAO AD Plastik Kaluga	men	88	0	0	0
	women	144	7	2	2
AO AD Plastik Togliatti	men	197	0	0	0
	women	328	42	17	15
ADP d.o.o., Novo Mesto	men	4	0	0	0
	women	2	0	0	0
AD Plastik Tisza Kft., Tiszaújváros	men	147	3	0	0
	women	190	12	4	4
AD Plastik Group	men	1497	5	1	1
	women	1456	104	41	29
	total	2953	109	42	30

Employees are regularly informed of important business developments, changes within the Group, plans and new deals, through various channels of internal communication. The tools we use are internal newsletter ADP News, bulletin boards, mail notifications, intranet, meetings and gatherings, and we have been constantly working on improvements and development. Since the employee representative is a member of the Company's Supervisory Board, employees are informed in a timely manner of any important changes in business that can significantly affect them. The

statutory timeframes that prescribe the minimum period in which employees have to be informed of significant changes in operations, depending on the countries of operation of the Group, are being respected. They can vary from eight days to a maximum of three months, and most often employees are informed before the prescribed deadlines. We provide timely information to employees and good social dialogue practices continuously, and they help us manage changes that affect employees and the community in which we operate.

Society (continued)

Occupational safety and health

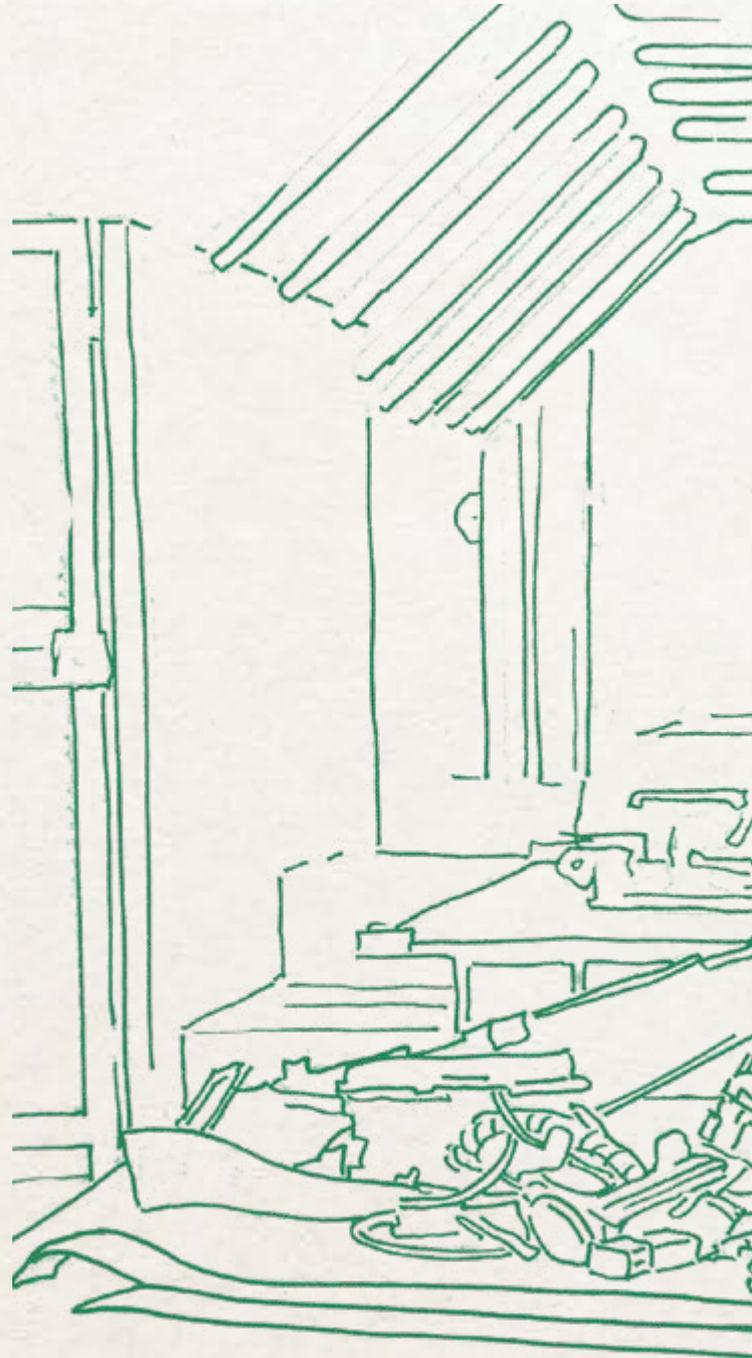
Employee care and providing safe and healthy working conditions have been conducted in an organized manner as part of occupational safety at all Group's production sites. The ISO 45001 Health and Safety Management System has been implemented and professional services continuously monitor the implementation of the Health and Safety Policy.

Assessment of the risks and workplace dangers has been conducted in all parts of the work organization and work processes. Potential hazards have been reduced to the lowest level using the best techniques and technologies. We have been constantly improving working conditions and providing a more comfortable and more quality work environment.

In order to improve occupational safety, the Occupational Safety and Health Committee and the Commission for improving occupational safety and health of employees have been established. The Committee is composed of persons authorized by the employer, occupational health professionals, occupational medicine specialist, trustees and employee coordinators. At the committee meetings, the state is reviewed and measures are taken to more effective implementation and organization of occupational safety and health with the aim of preventive action. The results of their work are the elimination and reduction of part of the injuries at work.

All issues related to occupational safety were also agreed with the representatives of the trade unions and the Workers' Council during 2019.

Within the project "Living Healthy" co-financed by the European Social Fund, the Ministry of Health and the Croatian Institute of Public Health, production sites in Solin and Zagreb became actively involved in the project "Health and Workplace" in 2019. The goal of this project is to create a work environment that motivates employees to adopt healthy habits, promote occupational health and show positive concern for employee health. As part of the project, a lecture on smoking addiction was held in Solin and Zagreb in December, and the Teaching Institute of Public Health has conducted non-smoking schools. Blood pressure, blood sugar and fat measurements, as well as body mass index and health risk assessments have also been organized. Smokers have also measured carbon monoxide level in exhaled air.





01



02



03



Society (continued)

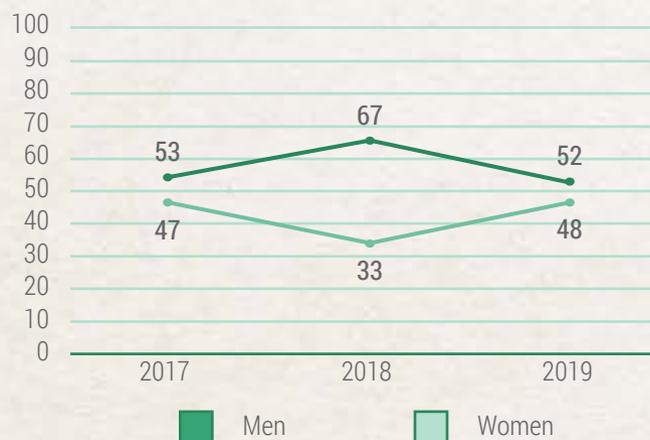
Occupational safety and health (continued)

Rate of injuries, occupational diseases, lost days and absences and number of deaths connected with accidents at work

Site	2017				2018				2019			
	Number of injuries	Number of professional diseases	Number of lost days	Number of deaths	Number of injuries	Number of professional diseases	Number of lost days	Number of deaths	Number of injuries	Number of professional diseases	Number of lost days	Number of deaths
Solin	10	0	277	0	17	0	422	0	20	0	493	0
Zagreb	6	0	85	0	15	0	207	0	19	0	305	0
Vintai	0	0	0	0	0	0	0	0	0	0	0	0
Kaluga	0	0	0	0	0	0	0	0	0	0	0	0
Mladenovac	7	0	240	0	6	0	266	0	4	0	125	0
Tiszaújváros					22	0	227	0	26	0	578	0
TOTAL	23	0	602	0	60	0	1122	0	69	0	1501	0

Injury rate by gender (%)

Parameter	2017	2018	2019
IR (injury rate)	0.96	2.09	2.38
ODR (occupational disease rate)	0.00	0.00	0.00
LDR (lost days rate)	0.09	0.18	0.20
AR (absentee rate due to death case)	0.00	0.00	0.00





There were 69 workplace injuries during the reporting period, nine of which were serious injuries and ten occurred during the employees arrival to work/departure from work. These injuries do not have permanent consequences on the health of employees, and there were no injuries resulting in death nor occupational diseases. A total of 1501 working days was lost due to injuries and depending on the cause and way the injuries occurred, they were caused by collision of worker with an object and fall in the same plane. Compared to the previous period, the total number of injuries as well as the total number of lost working days has increased. There were no workplace injuries at Vintai and Kaluga production sites.



Information safety

In 2019, the development of advanced information security measures in line with good European and world practices and customer requirements was continued. Aware that our production processes are the basis for continuous improvement, innovation and customer satisfaction, we continued systematic approach to information security management also this year:

- We have redefined safety measures in accordance with risk analysis, and have introduced safety measures that best suit our industry, environment and culture.
- We have raised awareness at all levels of management and planned to continuously raise awareness depending on the specificities of individual processes.
- We have increased the internal control capacities of the information safety management system, which included also external education mechanisms, which we will continue to do in future periods

- For cyber security measures, the Security Operations Center has been upgraded, which monitors standards of the first, second and third levels of problem and incident management.
- A new recovery site has been additionally built and integrated into the system, supporting all information and communication processes by a redundant work model.

The goals and measures we implement are followed by the activities of corporate safety and governance as well as the business goals of the Company, and thus we ultimately ensure continuity of production and protection of confidential information, business ones and those relating to the personal data of all employees.

The Bureau Veritas Certification Company has completed an audit according to the ISO/IEC 27001:2013 standard that has been successfully completed.

Society (continued)

Training and education

Employee education and training is an important determinant of the Company's human resources development strategy. In 2019, 109 trainings were held with the aim of gaining new knowledge, continual progress in quality of work and monitoring customer requirements. Emphasis was placed on training in the field of automotive industry methods and tools, as well as expertise in engineering and technology. The average number of training hours per employee was 38 hours, maintaining last year's level. Educational groups are divided into: methods and tools of the automotive industry, installed technologies and means of work, expert knowledge, professional knowledge, IT knowledge, personal competences development, foreign languages, occupational health and safety, environmental protection, quality standards and installed processes.

Significant professional educational activities during 2019:

- Abaqus – basic and advanced module
- Catia – basic and advanced module
- Design to cost
- Product audit - VDA 6.5
- APQP/PPAP, GPDS, capacity planning - Ford
- Product and safety compliance
- CFA and CFA academy

- Education: one PhD

- Improvement of foreign languages and IT tools like MS Excel, MS Project and Power BI are organized throughout the entire year.

Auditor educations on techniques and methods of conducting audits and quality systems have been continuously carried out at all sites. In order to achieve the positive effects of audit, the competences of internal auditors have been monitored with special care and they have been upgraded and refined. Auditor training for IATF 16949, ISO 50001, ISO 27001 and ISO 45001 standards was conducted during 2019.

Mentorship

Through the mentoring system, we ensure the retention and sharing of knowledge in the Company, which has several positive effects. This is the recognition to professional staff – mentors and young promising staff gets a structured access to knowledge and skills. During 2019, 14 mentoring programs were followed.



Structured annual interviews with employees

Structured annual interviews with employees are ongoing at all production sites. Basic principles of employee development management are feedback on quality of work, sharing of information between managers, employees and human resources and planning of employee development activities for future periods.

Total number of employees who received a performance and individual development assessment in 2019:

- Engineers and highly educated staff (men 9.62%, women 7.71%)
- Other operators and staff (men 10.59%, women 12.41%)
- Production workers (men 13.19%, women 21.18%)



Integration – introducing new employees to the business

The introduction of new employees to the business environment is carried out in a structured way, in order to increase the level of their expertise to demanding competencies as soon as possible and to train themselves to work independently. We also carry out similar activities for employee development during job rotation in various specialist fields.

Introduction to business begins with creating an integration programs with individual topics and goals that allow more experienced colleagues to help and guide new colleagues with performing their work assignments. In addition to getting acquainted with their service and colleagues, new employees are introduced to other services through presentations and workshops.

In order to improve introduction to business, in 2019 we introduced the **Buddy program** and continued the **Starter program**.

The **Starter program** is a one-year internship program for master engineers of technical and technological orientation without working experience. Program is aimed to empower the Company by strengthening the competencies of newly hired employees in the following areas: production, industrialization of development projects, project management and product and process development. Production thus has become the basis for further career development of engineers, and greater satisfaction with the introduction to the business has been created. Work models are work-based learning, feedback on work at the end of each module and a gradual expansion of responsibility.

Starters/interns worked in ten different areas throughout 2019, with a focus on production operations, and with the help of their mentors, they gained a broad picture of the connection of business activities. This program has proven to be very effective in the context of sharing knowledge and preparation for the future workplace, and the trainees have gained the necessary Company knowledge and experience in key areas through the work.

The **Buddy program** aims to strengthen the process of introducing the production workers to business and to have a positive impact on employee fluctuation. In the reporting period, 60 employees were selected for the buddy role. They received high marks from their colleagues and thus justified the trust bestowed upon them, and in the conducted surveys, the new employees confirmed their contribution when being introduced to the business.

Society (continued)

Training and education (continued)

Project management

We encourage additional self-actualization, motivation to learn and broaden one's knowledge with the help of a model where employees are given the opportunity to take on the role of a project manager. Taking on a new role, employees have the opportunity to take advantage of their other competences and knowledge and to further develop themselves personally. 15 projects were monitored in the reporting period, out of which five was closed.

A survey of motivation and satisfaction

We conduct an annual reserach on employee satisfaction and motivation, and in 2019 the survey was focused on areas of work organization, interpersonal relationships and working conditions. Survey results and employee comments are guidelines for further activity planning to increase satisfaction and motivation. Working conditions and occupational safety and health since the last reporting period have been defined as priorities and top management has been involved in the improvement activities. Employees who do not feel the conflict between private and business life are more satisfied and productive employees, but also more responsible members of society.

Health management

In order to educate employees and prevent the consequences, we have conducted trainings and workshops on health and healthy living habits. During the observed period, workshops under the title "Health Workshop" were held, focused on the prevention and protection of health, production ergonomics and educational consultations with a physical therapist focused on the proper posture and prevention of spinal diseases. In order to promote a healthy lifestyle in Croatia, we have joined the project Company – Friend of Health within which we have conducted educational lectures and public health workshops for all employees.

Human Rights Protection Policies and Procedures - Education

We continually promote diversity and non-discrimination policies and raise awareness of the importance of these policies and their implementation in workshops. In 2019, one workshop on diversity was held in Zagreb, attended by 24 employees.





Rewarding

AD5 model - rewarding excellence

We continuously implement the AD5 model of excellence rewarding throughout the year in order to identify and reward employees who stood out with their work and engagement within the work environment. 364 employees were rewarded at Zagreb, Solin and Mladenovac production sites, which is almost the same number of rewarded employees as in the previous period.



Monitoring work performance - Management by objectives

At the AD Plastik's sites in Kaluga and Vintai continuous processes of management by goals have been set. Organizational goals are transformed into the goals of each employee, and their achievement brings the award in the form of bonuses.

Ideas for improvement

This project encourages and recognizes the initiative and creativity of employees with the aim of continuous improvement of products, processes and the organization as a whole at all sites of the Group. The 2019 novelty is a software platform that captures the ideas of employees, thus creating a positive competitive atmosphere between production sites. During 2019, 116 improvements proposed by employees were implemented.

Society (continued)

Employee development in numbers

Average number of training hours per employee gender and category

	women	men
Management (top and middle)	53	47
Engineers and staff with higher education	63	67
Other operators and staff	26	22
Employees in production	31	39

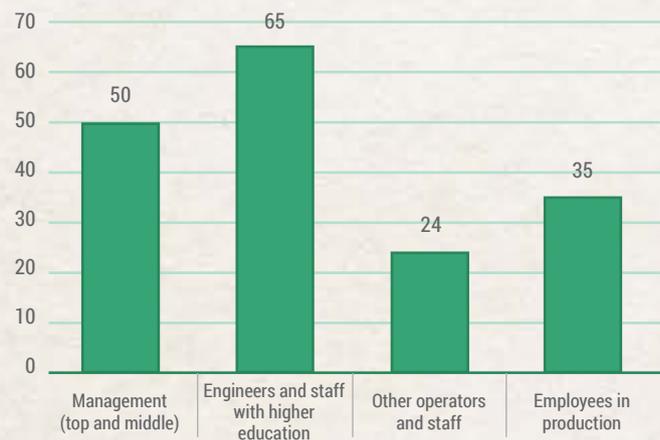


Share of different programmes in 2019

- 44% Methods and tools of the auto industry
- 17% Professional knowledge
- 13% Foreign languages
- 8% Soft skills
- 6% IT knowledge
- 6% Occupational safety and health
- 5% Professional knowledge
- 1% Installed technologies and means of work



Average number of training hours per employee category



Diversity and equal opportunities

In the management structure of AD Plastik Group, the largest percentage of women is employed in the middle management (42.71 percent), then in the line management (39.84 percent), and the smallest percentage is employed in the top management (26.42 percent). In comparison to the previous reporting period, the percentage of women in top and line management somewhat decreased, and increased in the middle management. Within the management-leading structure the share of women amounted to 36.91. There were no significant changes in the observed period and a good ratio of men and women employed was maintained.

For many years we have been developing a culture of promoting diversity and ensuring equal opportunities for all employees.

Principles that ensure respect for the personal integrity of each individual have been integrated into the processes of management, recruitment and promotion. Promoting diversity brings numerous benefits to the Company such as innovativeness, creativity, greater employee involvement and the like. Since prejudices are often subliminal and difficult to influence, we have been carrying out ongoing activities to raise awareness of the benefits of diversity. We organize educations on diversity and non-discrimination, and our employees respond positively and readily accept the information learned. We plan to devote more time to analyzing recruitment data in order to identify possible envisaged groups and increase their representation, as well as to organize more workshops on diversity, equal opportunities and inclusion topics.

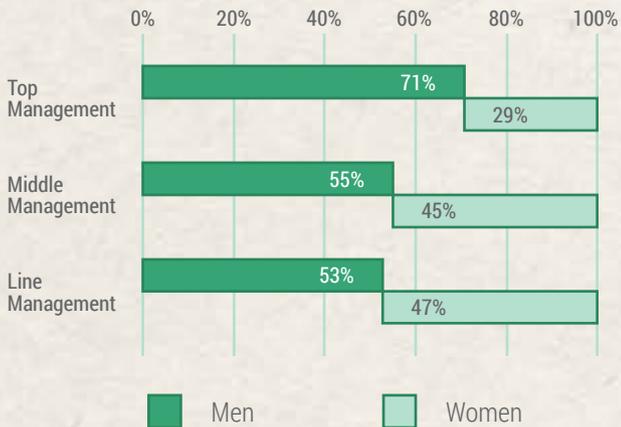


Society (continued)

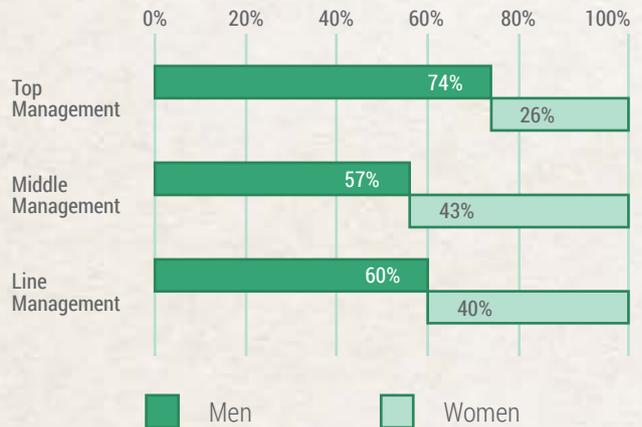
Diversity and equal opportunities (continued)



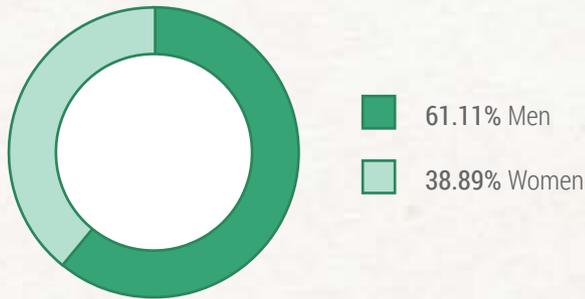
Gender structure of AD Plastik Group's Management in 2018



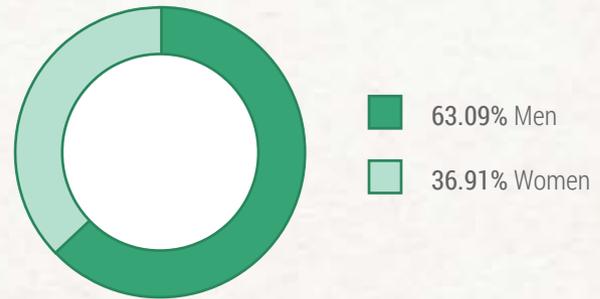
Gender structure of AD Plastik Group's Management in 2019



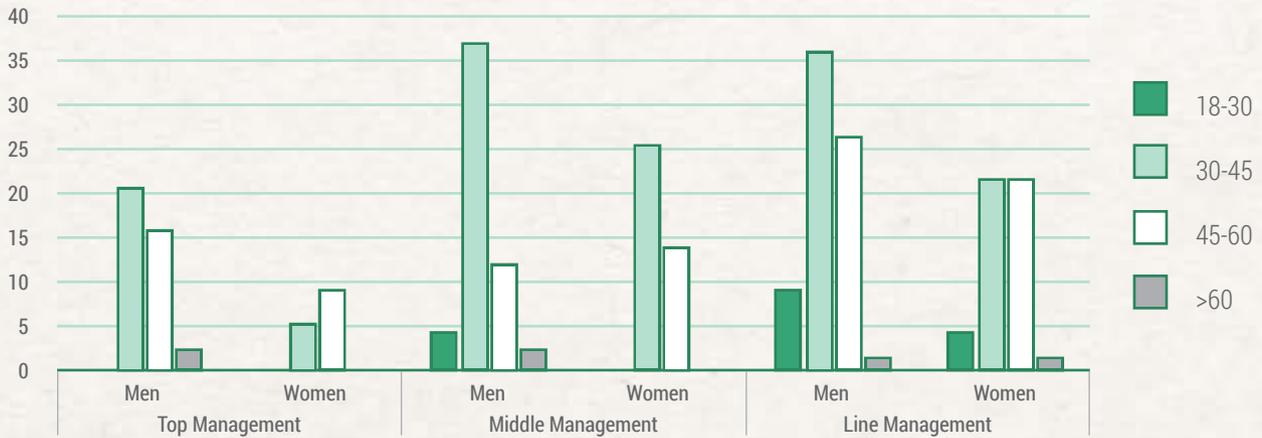
Gender structure of top and middle management of AD Plastik Group 2018



Gender structure of top and middle management of AD Plastik Group 2019



Age structure of management-leading positions of AD Plastik Group in 2019



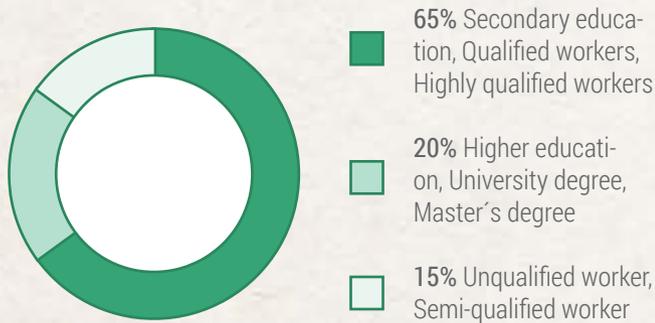
As in the previous reporting period, in the structure of management-leading positions by age for 2019, employees between 30 and 50 years of age prevail, with their share accounting for 69.49 percent. In middle and line management, the share of male

employees aged 30-45 has increased significantly. The share of employees over the age of 50 in management positions accounted for 24.26 percent at the Group level.

Society (continued)

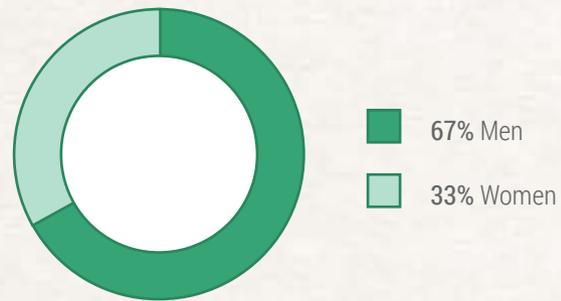
Diversity and equal opportunities (continued)

Educational structure of AD Plastik Group employees in 2019



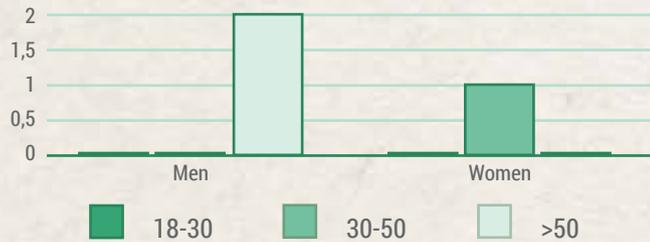
Due to the increased employment of direct employees, there was a slight change in the structure of employees in the educational structure, so the share of employees with secondary education increased from 63 to 65 percent.

AD Plastik Group's Management Board structure for 2019

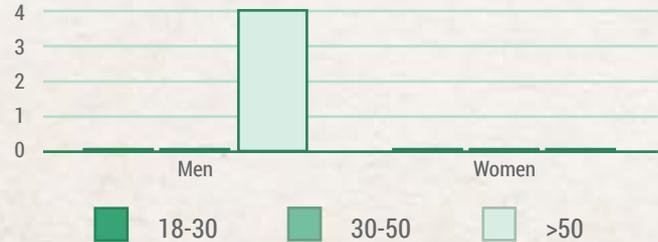


The structure of the Management Board remained unchanged in 2019, so the share of women amounted to 33 percent, while all members are men in the structure of the Audit Committee.

AD Plastik Group's Management Board structure for 2019



AD Plastik Group's Audit Committee structure for 2019



Human rights

All employees of the AD Plastik Group are aware of their rights to the equal right to respect and dignity, regardless of their race, religion, gender, age, national origin, political beliefs, sexual orientation, marital status, disability or any other personal attribute. Employees should treat each other with respect and dignity, and no form of discrimination or harassment in the workplace is tolerated, and every report is considered with the utmost seriousness and care.

In case of receipt of a report on violation of rights prescribed by the code, a procedure shall be initiated in which the circumstances of the reported event shall be investigated, the justification of the report shall be determined and appropriate measures shall be taken in regard to the reported employee.

During the reporting period, two new disputes regarding labor relations were initiated and resolved. In 2019, one dispute, initiated before the beginning of the reporting period, was resolved. Three cases of discrimination were reported, and after the procedure, it was found that there was no discrimination in two cases, while one was found to be discriminatory and appropriate warning measures were taken against the employee.

In the previous reporting period, as in previous periods, no employment contract was signed with persons under the age of 15 or under 18 years of age in the Group. In this way, we transparently support the ban on child labor and monitor the application of principles in all countries where we conduct business. Control mechanisms for verification of the age of candidates for employment are prescribed, thus reducing the risk of hiring persons under the age of 15 and 18.

All agreements with customers contain human rights clauses. We also oblige our suppliers to respect human rights and a standard purchase agreement form has been created containing the abovementioned human rights clauses including provisions on prohibition of child and forced labor, referring explicitly to the implementation of conventions (ILO 138, 29 and 105). In this sense, a general tool agreement was made with the same provisions as well as agreement form for conveyors.

Customer health and safety

Vehicle homologation is governed by standards that include the safety of passengers and pedestrians, by the criteria for compliance with environmental requirements and those which ensure that the products do not pose a risk to human health. During the realization of new projects, product development and implementation of new production technologies, we take into account all customer requirements as well as standards and legal norms in the auto industry.

We constantly monitor all changes, market requirements for improvements and enhancements, and in accordance with increasingly stringent regulations, we ensure the preconditions for successful implementation of product validation, with an emphasis on the health and safety of end users. Specific requirements are implemented and followed by traceability records throughout the lifecycle of the product itself. All products undergo validation and approval processes by the car manufacturer, be it the functionality itself or ergonomics of the product, up to specific VOC tests, aldehydes, odors and banned substances tests. In addition to testing products in approved laboratories, for each product through the IMDS system chemical composition is indicated and approved by the car manufacturer.

In the reporting period, there were no cases of non-compliance with regulations regarding the impact of products on the health and safety of customers.



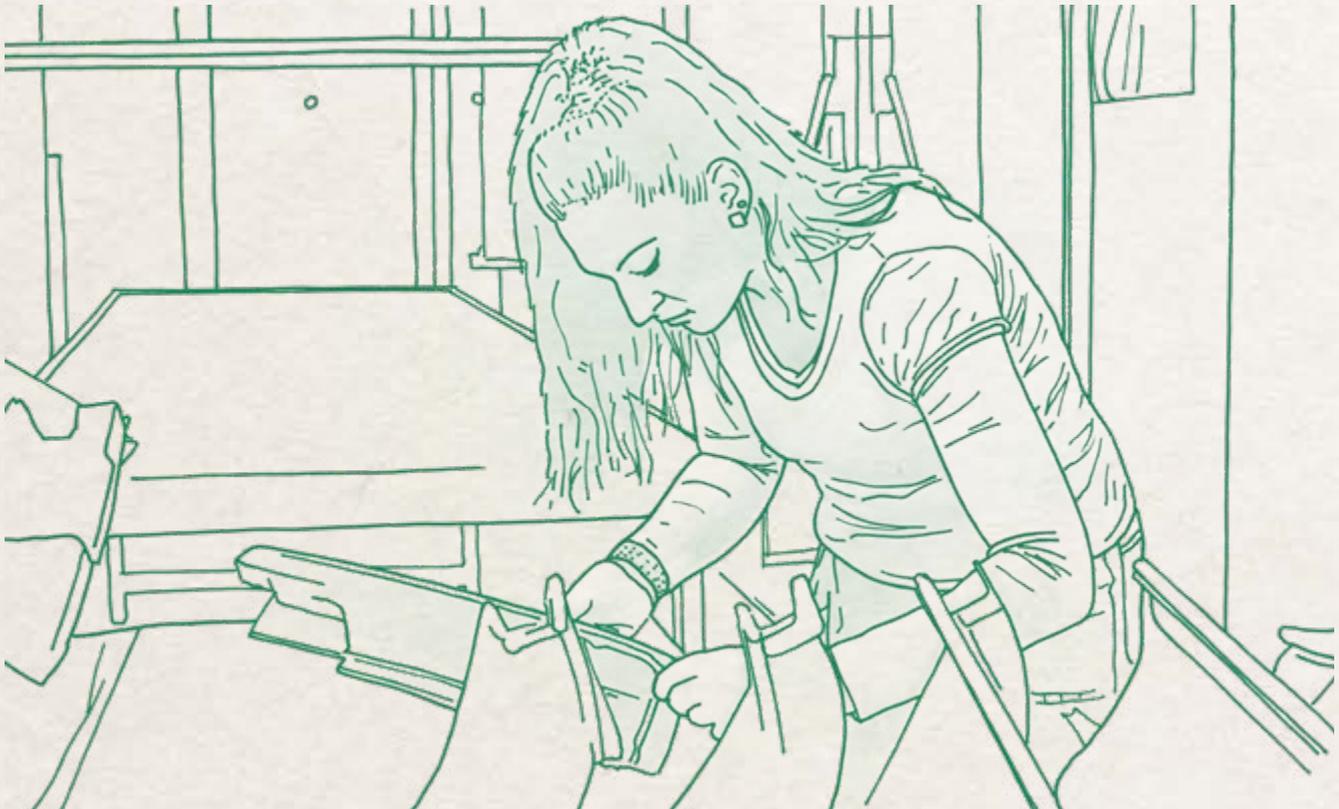
Society (continued)

Labelling of products and services

In order to provide our customers with a guarantee of complete protection for end-users of vehicles, products are labeled in accordance with the prescribed standards, whether for regulatory or safety characteristics. Throughout the product life cycle, labeling ensures complete traceability of all its information, production method, control of production parameters, specification of materials and embedded components, exact production and delivery times. Traceability helps greatly in the lack of information across the various supply chains, as well as in the monitoring of warranty data and in meeting customer requirements for safety. In order for traceability to be effective, we implement the APEX Barcode System, a software solution linked to the Group's business information system. The product labels and traceability system make

it easy to access the serial numbers of all items found to be defective or their functionality is questionable and there is a potential risk to the end-customer.

An example of complete data traceability is the instrument panel in vehicle interiors, where avoiding of any potential risk associated with compromising the safety characteristics of the products and production process is ensured and correctness when testing airbag opening is guaranteed. The APEX system archives all process parameter data, information about the material used and the batch of material, specific controls for all process characteristics and parameters that the product goes through, from the material entry into the process to delivery.



Certificates

According to international standards the certification for AD Plastik Group is carried out by the Bureau Veritas Certification (BVC) certification company at all production sites except at the AD Plastik Tisza site where the certification is conducted by Det Norske Veritas (DNV).

Glossary:

- IATF 16949 – Automotive Quality Management System
- ISO 14001 – Environmental Management System
- ISO 45001 – Occupational Safety and Health Management System
- ISO 50001 – Energy Management System
- ISO 27001 – Information Security Management System



Transition audits from OHSAS 18001 standard to ISO 45001 were conducted in 2019 at Solin, Zagreb and Mladenovac production sites, and a transition at the Kaluga site is planned in 2020. At the same time, recertification audits were successfully conducted at all production sites and sites have valid certificates as indicated in the table.

	IATF 16949 valid until	ISO 14001 valid until	ISO 45001 valid until	ISO 50001 valid until	ISO 27001 valid until
Solin Croatia	May 27, 2021	July 1, 2022	September 21, 2020	November 27, 2022	January 3, 2022
Zagreb Croatia	May 27, 2021	July 1, 2022	September 21, 2020	November 27, 2022	January 3, 2022
Vintai Russia	April 3, 2021	October 18, 2020			
Kaluga Russia	February 15, 2021	July 4, 2022	OHSAS 18001 October 15, 2020		
Mladenovac Serbia	September 7, 2021	June 15, 2021	April 1, 2022	February 14, 2020	January 3, 2022
Tiszaújváros Hungary	March 11, 2021	August 31, 2020			

Society (continued)

ADP Activities

We encourage the Company's unique organizational culture by promoting and realizing common values and thus creating a sense of belonging.

ADP Day

On the occasion of ADP Day, celebrated on April 22 we have organized an Open Doors Days for our employees' families at all Group production sites. We also organized children's play "Eco Patrol" for the youngest ones at Zagreb and Solin production sites.

Chat Room

Open communication is the way to mutual success, which is why we regularly organize a Chat Room with the Management Board for our employees on the occasion of ADP Day. They can personally share their thoughts, suggestions and questions with individual members of the Management Board. In this way, we improve mutual communication and exchange of opinions, and together we create a more comfortable business environment.

Team building

Each year, the number of participants in the annual team building organized for the management of the entire group increases. In 2019, a two-day gathering was organized on the islands of Šolta and Brač. In addition to a rich entertainment program, joint tours and gatherings, a New York Stock Exchange program was organized. The increasing response of managers confirms to us how much this form of socializing contributes to togetherness, mutual trust and cooperation.

B2B RUN

We have continued our traditional participation in B2Run races in Split and Zagreb and achieved very good group and individual results. Our runners, whose number has almost doubled, are the best evidence of how motivating these team activities are.

Holiday environment

We regularly organize holiday gatherings at all production sites, and on the occasion of Christmas holidays we organize corporate receptions and events within the factories.



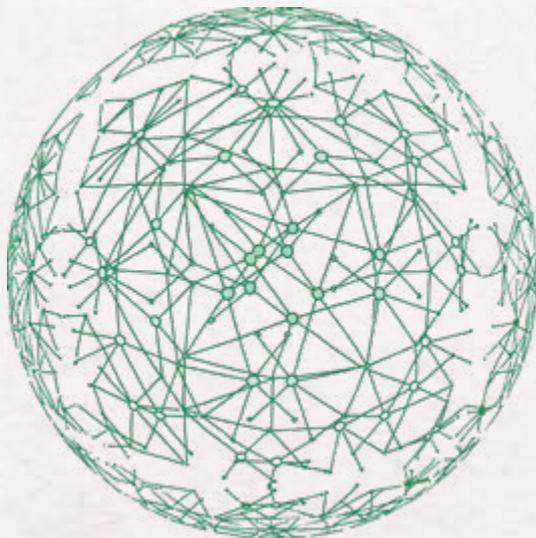


Sport activities

Employees from different production sites organize sports gatherings and trainings, and the Company helps organize matches and competitions.

Highschool and college students

We organize regular visits of highschool and college students to our production sites.



Community

Day of family, Love and Faithfulness

Day of Family, Love and Faithfulness is traditionally celebrated in Russia in July, and a family photo contest was held on that occasion at the AD Plastik Togliatti factory.

Green Spring

Spring cleaning is regularly carried out at our site in Vintai.

Hooray! Holidays!

AD Plastik Togliatti held a children's drawing contest called "Hooray! Holidays!". The children of the employees cheered with honorary diplomas and awards and together with their parents immersed themselves once more in their summer memories.

Let's choose responsibly!

Through an intern campaign on socially responsible behavior, this year we drew attention to the environmental impact of plastic waste. Due to the insufficiently responsible behavior of each individual, such waste ends up unnecessarily in nature. It is easier to change some established habits if we become aware of how much we can truly help the planet we live on. Apart from posters with clear messages, all employees received reusable canvas tote bags.

Society (continued)

Sponsorships and Donations

Sponsorships and donations are provided in accordance with a procedure that is an integral part of the Rulebook on Donations and Sponsorships, which is published on the Company's website. We are guided by the principles of corporate social responsibility also when managing sponsorships and donations. We want to be a good and reliable partner to the community in which we operate, and we strive to recognize its needs.

At its regular meetings, the Committee on Donations and Sponsorship reviews requests received, selects projects in accordance with the Company's strategy, and proposes them for adoption to the Management Board with appropriate justifications.

Sponsorships

- International Scientific Conference "Challenges of Europe"
- Conference "Challenges of change 2019"
- Conference on Corporate Social Responsibility
- Celebration of the 100th anniversary of the Faculty of Mechanical Engineering and Naval Architecture, Zagreb
- Assembly of chemists and chemical engineers with international participation
- Split Basketball Club - development of young players
- Water polo club Jadran - functioning of the entire sports facility
- Concert by maestro Ivo Pogorelić as part of the Piano Loop Festival

Donations

Humanitarian Action and Health

- Association „Red Noses“ - support for the Children's program „Intensive Smile“ and realization of the regular visits to the KBC Split
- Nora Šitum Foundation - treatment of Mila Rončević
- Foundation „Drop for a Waterfall“ - realization of the humanitarian concert "I can do anything"
- County Association of persons with cerebral palsy and polio – for organization of a summer camp in Veli Lošinj
- The County League against cancer-Split – organization of the event „Race for The Cure THINK PINK“
- Association of women with cancer and treated of cancer „We are Not Alone“ - support for the project of transporting women to chemotherapy "You are not alone - you are coming with us!"
- Association for children „Project happiness“ – helping children with learning, health and social problems
- Department of Urology of KBC Split - support in the procurement of laparoscopic pillar with equipment for laparoscopic and endoscopic operations
- Rotary Club Split Novi - for the foundation „Wave of Kindness“, procurement of respirators and incubators for the Department of Neonatology at the Clinic for Female Diseases of KBC Split
- Rotary Club Solin - support for the charity campaign "Together for the youngest ones"

Education, culture and sports

- Computer donation to the School of Economics in Split
- Computer donation to Split 3 Elementary School
- Computer donation to Vrgorac Elementary School
- Water Polo Club Bura - assistance with the purchase of sports equipment
- Chess Club Novi Zagreb - travel and accommodation costs at the European Championships U 10 for cadet Andrej Gal
- Solin Handball Club - support for the finals of the Croatian Championship for younger children and younger cadets
- Split Physical Society - support for the participation of students of graduate and undergraduate courses from the PMF Department of Physics at the International Conference of Physics Students (ICPS)
- City of Solin - support for organizing events within Solin City Day
- Parents' Association Step by Step - Conference of the CAP Program for Prevention of Violence Among and Against Children
- Institute for European and Globalization Studies - organizing the International Forum #Robotsarecoming
- Conference "Sustainable Development Goals - An Opportunity for a Better and Sustainable Croatia"

Other

Comparative Table of GRI and Global Compact Indicators

	UNGC principle	COR UNGC	Page
General publication			
Strategy and analysis			
102-14 Statement by the President of the Management Board			8, 9
102-15			68-73
Organizational profile, governance, ethics and integrity			
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102-40 to 102-44	Principle 3	12	78-90,95
Reporting Practice			
102-45 to 102-56			60, 66, 76, 77, 147, 148, 150
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Economy			
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201-2			68-73
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202-1 to 202-2	Principle 6		103,105
203-1 to 203-2		8, 9	104
204-1		8	98, 99
205-1 to 205-3	Principle 10	8, 12	54
206-1			54



	UNGC principle	COR UNGC	Page
Specific material topics			
Environment			
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302-1 to 302-3	Principle 7, 8 and 9	7, 9, 12, 13, 14, 15	108-110
303-1	Principle 7, 8 and 9	6, 9, 12, 14, 15	111
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307-1	Principle 7, 8 and 9	6, 13, 14, 15	120-122
308-1 to 308-2	Principle 7, 8 and 9	6, 7, 12, 13, 14, 15	120,121
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402-1	Principle 6	8, 12	127
403-1 to 403-4	Principle 3	3	128-131
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405-1 to 405-2	Principle 6	5	103, 137-140
406-1	Principle 1 and 6	5, 8	141
407-1		8	84
408-1	Principle 4 and 5	5	141
412-2	Principle 1 and 2	5, 8	141
413-1	Principle 8	4, 8, 9, 17	88, 89, 146
414-1 to 414-2	All Principles	8, 12	97
415-1		8,12	54
416-1 to 416-2	Principle 1, 7 and 8	3	141
417-1	Principle 9	12	142

Other (continued)

Tasks Achieved in 2019

- Creating a new website of the Group
- Self-assessment questionnaire on the Company website
- Training the Management on the application of the Diversity and Non-Discrimination Policy
- Obtaining water permit for Solin production site
- Conducting waste water quality testing in accordance with the water permit, at all sites
- Reporting on types of waste according to methods of disposal



Unrealized - explanations

- Supplementation of self-assessment questionnaire for suppliers in order to cover all important sustainability criteria - for better efficiency, we wanted to include the requirements of all our customers, to avoid unnecessary further adjustments. The questionnaire is in the final stages and application has been postponed for the next year.
- Implementation of new measures in the area of identification of employees and visitors' movements - the project documentation for the system has been created, the contract with the supplier has been signed and installation of the necessary equipment has begun.
- Upgrading video surveillance system - the project documentation for the technical protection system has been created, the contract with the supplier has been signed, and the installation of the necessary equipment has begun.
- Obtaining the environmental permit for production sites in Zagreb – public hearing and inspection as well as presentation of the Expert Base regarding which there were no objections, proposals or opinions registered have been carried out, and in accordance with the procedure the permit will be issued in 2020.
- E-corner for production workers (Zagreb and Solin) – it is in the final stage of implementation.

Tasks for 2020

- To launch the system of implementation of new measures in the area of identification of employees and visitors' movement
- To upgrade video surveillance system
- To obtain the environmental permit for production sites in Zagreb
- To start activities for obtaining a water permit at Zagreb and Mladenovac production sites
- To survey suppliers at all production sites according to a new self-assessment questionnaire
- E-corner for production workers (Zagreb and Solin)
- Internal campaign to raise awareness of social responsibility
- Collaboration with primary schools - introducing eighth graders to STEM professions in AD Plastik Group

Opinion by the Commission of the Management Council of HR BCSD

AD Plastik Group has once again fulfilled its obligation to report on sustainability and submitted a request to the HR BCSD Commission for an opinion on the quality and compliance with the requirements of the GRI Standard. It should be emphasized that AD Plastik Group has been reporting on a continuous basis for many years, and the legal obligation is not the reason why this Company has decided to make public its non-financial impact data. Publication of impact data is an effort by the Company to be transparent to stakeholders, take responsibility for all positive and negative impacts arising from its operations, open to advice and comments by the stakeholders and commit to continuous progress.

In evaluating the report, the HR BCSD Expert Commission primarily seeks the latter – evidence for continuous progress. In addition to confirming that this year's report also fully meets the requirements of the GRI Standards core reporting level, we also confirm that we have found countless evidence for continuous progress, evidence that this Company has been tirelessly looking for ways to bring its non-financial impacts to the maximum compliance with the Sustainable Development Goals and circular economy requirements, in order to contribute to the achievement of sustainable development.

By the very look at the report, we were pleasantly surprised by the excellent design that linked the recycled paper and the very little paint used for the illustrations, all in line with efforts to reduce environmental impact and the rational use of resources. In addition, the report is clearly arranged, easily readable and tailored to different interests so that all the readers can easily find the area of interest if they do not want to read everything.

Regarding the first part, which brings the annual financial statement of the Company, we can note that this year, as well as a number of years before, AD Plastik Group recorded excellent business results. The Group's revenue and profit, deals ensuring the business continuity, and the positive evaluation by some of the most powerful representatives of the automotive industry with which it cooperates are by themselves evidence that AD Plastik Group's standards are at the very top of global best practice in terms of business as well as non-financial impacts.

Progress is evident in the letter by the President of the Management Board, in which a major part of the content is devoted to sustainability topics and efforts, plans and results namely in this area.

The strength of the Company can most easily be assessed by insights into R&D practices. In this regard the AD Plastik Group shows very specific activities in the development of alternative materials that should be more acceptable from the perspective of disposal and recycling. Alternative solutions have been developed in order to offer the production of car parts that meet the strict quality and safety standards in a highly dynamic, constantly changing and evolving environment. AD Plastik Group is exceptionally successful in this segment as it successfully develops and offers new solutions in the market in the view of new materials. An example is the recyclable material that has been successfully applied to produce instrument panel for the new Renault Clio 5.

AD Plastik Group contributes to responsible business with its activities, makes efforts to ensure work safety and safe working conditions and the continuous education of employees. It applies diversity policy through equal remuneration for work of equal value. In order to be included in the supplier list, suppliers must accept and implement the AD Plastik Group Code of Business Conduct and all its policies.

In order to monitor and implement activities aimed at implementing corporate social responsibility and contributing to the Sustainable Development Goals, a Corporate Social Responsibility Committee operates in the AD Plastik Group. The Committee is comprised of the management staff and the relevant experts representing the departments and knowledge crucial for sustainable development. The Committee directly reports to the President of the Management Board, who together with the Management Board is responsible for approving the AD Plastik Group's Integrated Annual Report. The most important topics of corporate social responsibility are delegated to the highest functions within the Company and in agreement with the Management Board, improvements are being made to the CSR strategy and its implementation within the Group. The Committee reports to the Board on the results on the achievement of sustainable development, the implementation of the strategy and plans.

AD Plastik Group also provides a full range of evidence of continuous work with employees, educations, consultations and measures aimed at raising awareness and informing and, consequently, motivating employees to act positively. One such measure is the internal "Let's Choose Responsibly" campaign, through which the AD Plastik Group raises awareness among its employees of the importance of responsible use of resources and the avoidance of the use of a single-use plastic.

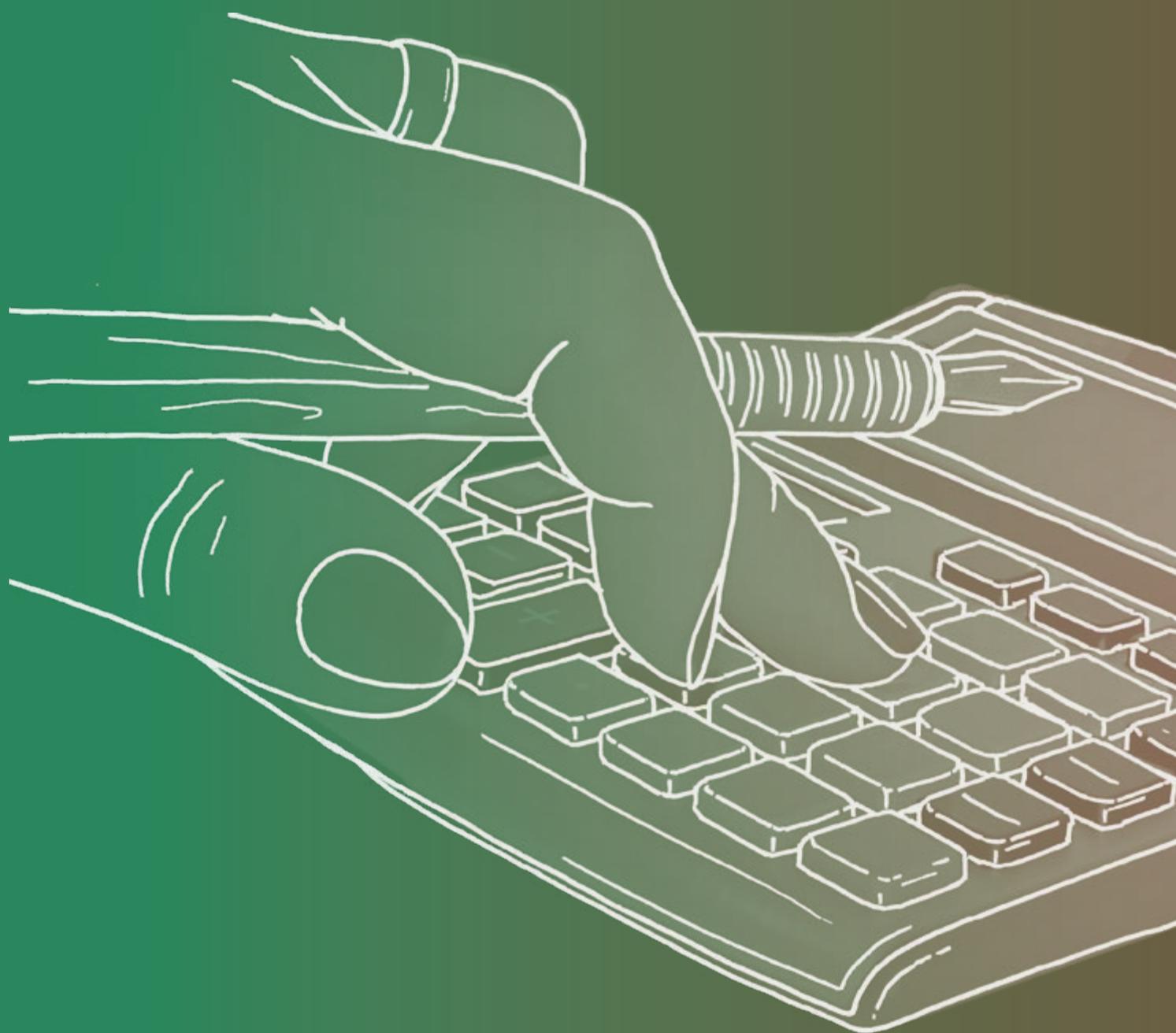
Significant attention has been paid to the stakeholders in the report and they are dealt with in great detail. As a possible improvement, the Expert Commission proposes to inform the readers in greater detail about how stakeholders are involved in defining the content of the report and what aspects of the survey and other stakeholder interactions have resulted in an impact table on which also the content of the Report is based.

There are also several evidences that AD Plastik Group selects its suppliers responsibly and that suppliers are required to implement sustainable management policies in order to remain on the supplier list. However, it would be interesting to know more about what the Sustainable Supplier Management Policy contains and what are the criteria that suppliers must meet.

The environmental indicators of the AD Plastik Group are generally positive, but it has been noticed that energy consumption has increased. While this is very likely due to the increase in production intensity, it would be a good idea to explain it and also to explain why there was an increase in energy intensity.

Finally, we would like to see more data in the next report required by the Standard GRI-103 Management Approach for all key areas of sustainability management.

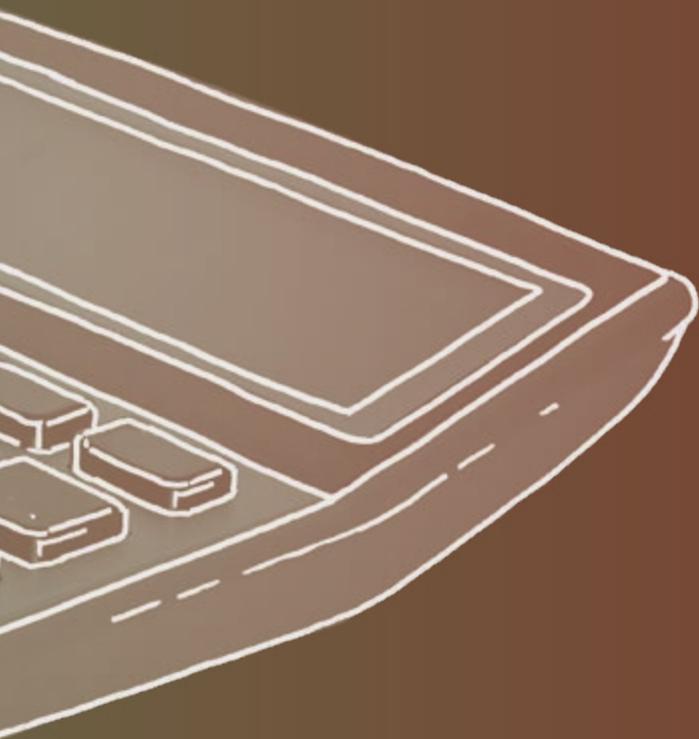
Regardless of the fact that there is always room for improvements, the HR BCSD Expert Commission assesses the AD Plastik Group report to be excellent, better than the previous one and one of the highest quality reports published so far in the Croatian language. Congratulations to AD Plastik Group and we hope that they will take into consideration the improvement suggestions by the Committee and that we will have the opportunity to record further progress in their reporting next year.



03

Annual Financial Statement 2019

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AD Plastik d.d., Solin and Its Subsidiaries

Consolidated Financial Statements For the Year Ended 31 December 2019

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Responsibility of The Management Board for the consolidated financial statements

Pursuant to the Accounting Act of the Republic of Croatia, the Management Board is responsible for ensuring that consolidated 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 and its subsidiaries ("the Group") for that period.

After making enquiries, the Management Board has a reasonable expectation that the Group 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:

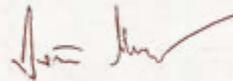
- selecting and then consistently applying suitable accounting policies;
- making reasonable and prudent judgements and estimates;
- following applicable accounting standards and disclosing and explaining any material departure in the financial statements;
- preparing the financial statements on the going concern basis unless it is inappropriate to presume that 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 Group and its' compliance with the Croatian Accounting Act. The above stated responsibility includes the responsibility for accuracy of the Management Report, which is an integral part of separate financial statements. The Management Board is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of embezzlement and other irregularities.

Signed on behalf of the Management Board

For AD Plastik d.d. Solin by:

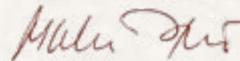
Marinko Došen, President of the Management Board



Katija Klepo, Member of Management Board



Mladen Peroš, Member of Management Board



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

14 April 2020

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of AD Plastik d.d. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and 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 (IFRSs).

Basis for Opinion

We conducted our audit in accordance with the Audit Act and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

This version of the auditor's report is a translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the auditor's report takes precedence over translation.

The company was registered at Zagreb Commercial Court: MBS 030022053; paid-in initial capital: Kn 44,900.00; Board Members: Marina Tonžetić and Dražen Nimčević; Bank: Zagrebačka banka d.d., Trg bana Josipa Jelačića 10, 10 000 Zagreb, bank account no. 2360000-1101896313; SWIFT Code: ZABHR2X IBAN: HR2723600001101896313; Privredna banka Zagreb d.d., Radnička cesta 50, 10 000 Zagreb, bank account no. 2340009-1110098294; SWIFT Code: PBZGHR2X IBAN: HR3823400091110098294; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, bank account no. 2484008-1100240905; SWIFT Code: RZBHR2X IBAN: HR1024840081100240905.

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INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Consolidated financial statements (continued)

Key Audit Matter

Key audit matter is that matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a basis for a separate opinion on that matter.

Key Audit Matter	How we addressed the matter during our audit
<p>Revenue from domestic and foreign sales (Note 4 to the statement of comprehensive income)</p> <p>According to the disclosures made in Note 4, the revenue from foreign and domestic sales of the Group for the financial year ended 31 December 2019 amounted to HRK 1,509,216 thousand (2018: HRK 1,298,446 thousand).</p> <p>Revenue from domestic and foreign sales is measured at the fair value of the consideration received or receivable for products, goods or services sold in the ordinary course of the Group's operations, in accordance with IFRS 15. Revenue from domestic and foreign sales is recognized net of value-added tax and discounts.</p> <p>The Group recognizes revenue from domestic and foreign sales when the amount of the revenue can be measured reliably, when future benefits will flow into the Group and when the Group relinquishes control over the finished goods inventory.</p> <p>Revenue from domestic and foreign sales is an important measure used to evaluate the performance of the Group. There is a risk that the amount of revenue presented is higher than the revenue actually generated by the Group.</p> <p>Given the potential effect of an incorrect calculation of revenue from domestic and foreign sales, we have determined the correct calculation of revenue to be one of the key audit matters.</p>	<p>We evaluated whether management had appropriately applied the requirements of IFRS 15 by performing the following audit procedures:</p> <ul style="list-style-type: none"> • Review and verification of the applied revenue recognition accounting policy, in line with IFRS 15: Revenue from contracts with customers; • Gaining an understanding of the control surroundings and internal controls established by the Management Board in the revenue recognition process; • Assessment of design adequacy and examination of implementation of identified internal controls relevant for the revenue recognition process at the Company level; • We evaluated the automated internal control procedure for the completeness and accuracy of the revenues is the automated three-way match at the Company level. • Substantive testing of selected sample of recognized revenue from domestic and foreign sales by verifying whether the invoiced amounts have been accurately recorded by the Group and in the correct period. <p>We determined that the applicable accounting policies and the revenue recognition policies were appropriate, and that the revenue is accurately recognized.</p>

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Consolidated financial statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the Management Report and the Corporate Governance Statement, which are included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examination of whether the Management Report and Corporate Governance Statement includes required disclosures as set out in the Articles 21, 22 and 24 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in the Article 22 and 24 of the Accounting Act.

Based on the procedures performed during our audit, to the extent we are able to assess it, we report that:

- 1) Information included in the other information is, in all material respects, consistent with the attached consolidated financial statements.
- 2) Management Report has been prepared, in all material respects, in accordance with the Article 21 and 24 of the Accounting Act.
- 3) Corporate Governance Statement has been prepared, in all material aspects, in accordance with the Article 22, paragraph 1, items 3 and 4 of the Accounting Act, and includes also the information from the Article 22, paragraph 1, point 2, 5, 6 and 7 and the Article 24, paragraph 2

Based on the knowledge and understanding of the Group and its environment, which we gained during our audit of the consolidated financial statements, we have not identified material misstatements in the other information.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Consolidated financial statements (continued) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine the matter that is of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This version of the auditor's report is a translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the auditor's report takes precedence over translation.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements

Other reporting obligations as required by Regulation (EU) No. 537/2014 of the European Parliament and the Council and the Audit Act

We were appointed as the statutory auditor of the Group by the General Assembly of the Company on 11 July 2019 to perform audit of accompanying consolidated financial statements. Our total uninterrupted engagement has lasted 10 years and covers period 1 January 2010 to 31 December 2019.

We confirm that:

- our audit opinion on the accompanying consolidated financial statements is consistent with the additional report issued to the Audit Committee of the Group on 14 April 2020 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

There are no services, in addition to the statutory audit, which we provided to the Company and its controlled undertakings, except for those mentioned within the annual report.

The engagement partner on the audit resulting in this independent auditor's report is Marina Tonžetić.



Marina Tonžetić

Director and Certified auditor

Deloitte d.o.o.

Zagreb, 14 April 2020
Radnička cesta 80,
10 000 Zagreb,
Croatia

Consolidated statement of comprehensive income For the year ended 31 December 2019

(All amounts are expressed in thousands of kunas)

	Notes	2019	2018
Sales	4	1,509,216	1,298,446
Other income	5	32,431	22,808
Total income		1,541,647	1,321,254
(Decrease)/increase in the value of work in progress and finished products	25	(467)	4,222
Cost of raw material and supplies	6	(730,769)	(663,263)
Cost of goods sold	7	(170,892)	(103,433)
Service costs	10	(91,404)	(92,851)
Staff costs	8	(300,690)	(253,485)
Depreciation and amortisation	9	(110,400)	(90,858)
Other operating expenses	11	(47,989)	(45,710)
Provisions for risks and charges	12	(1,972)	(5,009)
Total operating expenses		(1,454,583)	(1,250,387)
Profit from operations		87,064	70,867
Financial income	13	27,742	19,905
Financial expenses	14	(41,834)	(53,829)
(Loss) from financing activities		(14,092)	(33,924)
Share in the profit of associates	15	40,727	49,859
Profit before taxation		113,699	86,802
Income tax expense	16	(11,060)	2,518
Profit for the year		102,639	89,320

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

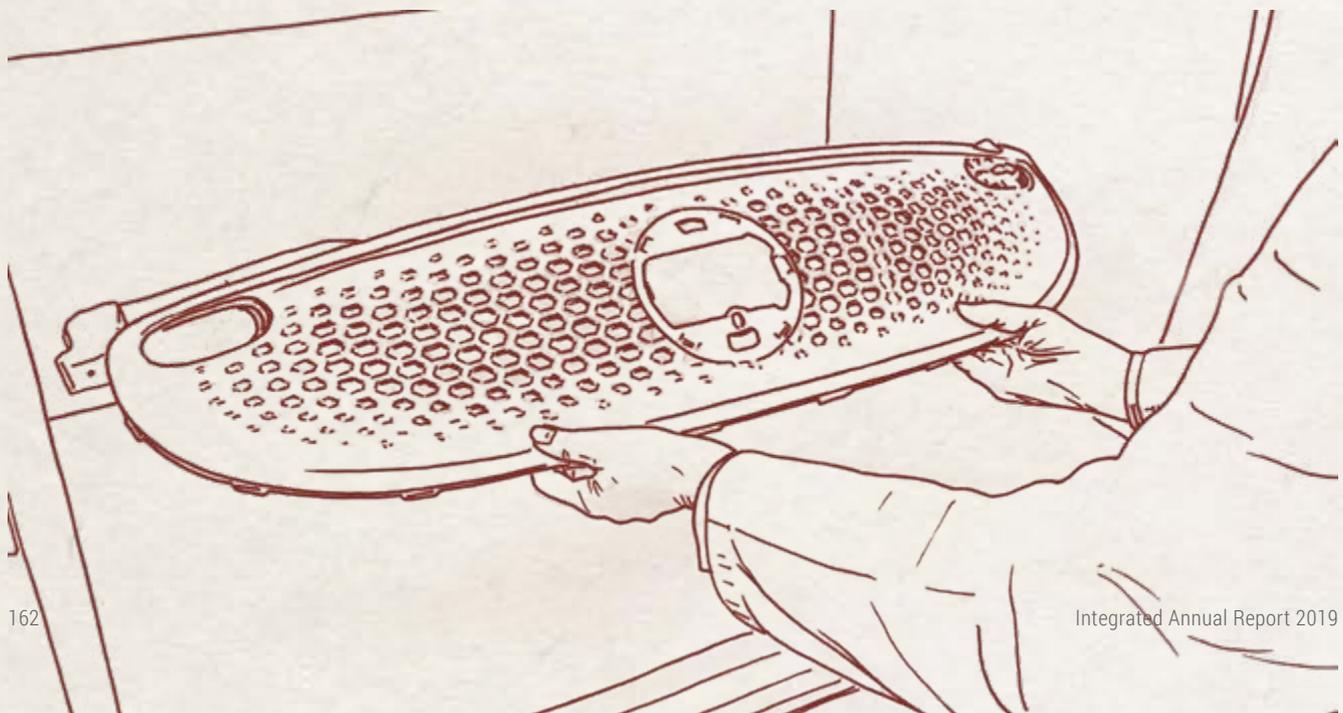
Consolidated statement of comprehensive income

For the year ended 31 December 2019 (continued)

(All amounts are expressed in thousands of kunas)

	Notes	2019.	2018.
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of a foreign operation	17	9,118	(2,306)
Accruals of foreign exchange differences from the current year, net		10,138	(12,743)
Other comprehensive income/(loss) for the year, net		19,256	(15,049)
Total comprehensive income for the year		121,895	74,271
Profit attributable to:			
Equity holders of the Company		102,639	89,320
Non-controlling interests		-	-
Total comprehensive income attributable to:			
Equity holders of the Company		121,895	74,271
Non-controlling interests		-	-
Basic and diluted earnings per share (in kunas and lipas)	18	24.85	21.51

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



Consolidated statement of financial position At 31 December 2019

(All amounts are expressed in thousands of kunas)

Assets	Notes	31.12.2019	31.12.2018
Non-current assets			
Intangible assets	19	105,032	110,790
Goodwill	40	26,543	25,432
Property, plant and equipment	20	786,906	708,583
Right-of-use asset	21	15,898	-
Investment property	22	57,214	57,269
Investments in associates	23	92,507	92,150
Other financial assets	24	62	62
Long-term receivables		1	31
Deferred tax assets	16	4,068	7,284
Total non-current assets		1,088,231	1,001,601
Current assets			
Inventories	25	207,059	230,892
Trade receivables	26	270,207	219,322
Other receivables	27	21,217	26,690
Current financial assets	28	353	110
Cash and cash equivalents	29	27,071	36,338
Prepaid expenses and accrued income	30	70,365	51,825
Total current assets		596,272	565,177
TOTAL ASSETS		1,684,503	1,566,778

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

Consolidated statement of financial position

For the year ended 31 December 2019 (continued)

(All amounts are expressed in thousands of kunas)

Equity and liabilities	Notes	31.12.2019	31.12.2018
Capital and reserves			
Share capital	31	419,958	419,958
Capital reserves		192,394	192,309
General reserves		31,282	(35,025)
Retained earnings and profit of the year		215,514	206,908
Total equity		859,147	784,150
Long-term provisions	32	3,830	3,708
Long-term borrowings	33	237,906	277,670
Lease liabilities	34	8,085	-
Total non-current liabilities		249,821	281,378
Advances received	35	38,144	72,522
Trade payables	36	236,955	223,953
Short-term borrowings	37	232,141	147,820
Other current liabilities	38	37,655	32,973
Lease liabilities	34	8,015	-
Short-term provisions	32	15,803	15,585
Accrued expenses and deferred income	39	6,822	8,397
Total current liabilities		575,535	501,250
Total liabilities		825,356	782,628
TOTAL EQUITY AND LIABILITIES		1,684,503	1,566,778

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 2019

(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Legal and statutory reserves	General reserves	Reserve from re-valuation of long-term fixed assets	Reserves from accruals of foreign exchange differences	Reserves for own shares	Own shares	Retained earnings	Exchange differences on translation of foreign operation	Total equity attributable to the equity holders of the parent	Non-controlling interests	Total
Balance at 31 December 2018	419,958	192,309	7,165	2,806	7,406	(20,520)	22,123	(12,123)	206,908	(41,881)	784,151	-	784,151
Profit for the year	-	-	-	-	-	-	-	-	102,639	-	102,639	-	102,639
Other comprehensive income for the year, net of income tax	-	-	-	-	-	10,138	-	-	-	9,118	19,256	-	19,256
Total comprehensive income for the year	-	-	-	-	-	10,138	-	-	102,639	9,118	121,896	-	121,896
Realization of recognised exchange differences	-	-	-	-	-	4,364	-	-	-	-	4,364	-	4,364
Realization of revaluation effect	-	-	-	-	(7,406)	-	-	-	7,406	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(51,676)	-	(51,676)	-	(51,676)
Purchase of own shares	-	-	-	-	-	-	(905)	(905)	-	-	(905)	-	(905)
Release of own shares	-	85	-	1,234	-	-	(1,234)	1,234	-	-	1,318	-	1,318
Release of legal reserves	-	-	(917)	-	-	-	-	-	917	-	-	-	-
Reserves for not written off costs of development	-	-	-	50,680	-	-	-	-	(50,680)	-	-	-	-
Balance at 31 December 2019	419,958	192,394	6,248	54,720	-	(6,018)	20,889	(11,794)	215,514	(32,763)	859,147	-	859,147

Under Croatian Accounting Act, Article 19, Paragraph 14, AD Plastik d.d. has made reserves for not written off development costs stated in assets. 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 2019 (continued)

(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Legal and statutory reserves	General reserves	Reserve from re-valuation of long-term fixed assets	Reserves from accruals of foreign exchange differences	Reserves for own shares	Own shares	Retained earnings	Exchange differences on translation of foreign operation	Total equity attributable to the equity holders of the parent	Non-controlling interests	Total
Balance at 31 December 2017	419,958	192,108	6,260	21,610	16,974	(17,974)	3,319	(3,319)	150,427	(39,575)	749,788	-	749,788
Retained earnings adjustment (IFRS 9 impact)	-	-	-	-	-	-	-	-	(160)	-	(160)	-	(160)
Balance at 1 January 2018 (after adjustment for IFRS 9)	419,958	192,108	6,260	21,610	16,974	(17,974)	3,319	(3,319)	150,267	(39,575)	749,628	-	749,628
Profit for the year	-	-	-	-	-	-	-	-	89,320	-	89,320	-	89,320
Other comprehensive income for the year, net of income tax	-	-	-	-	-	(12,742)	-	-	-	(2,306)	(15,049)	-	(15,049)
Total comprehensive income for the year	-	-	-	-	-	(12,742)	-	-	89,320	(2,306)	74,271	-	74,271
Realization of recognised exchange differences	-	-	-	-	-	10,197	-	-	-	-	10,197	-	10,197
Realization of revaluation effect	-	-	-	-	(9,568)	-	-	-	9,568	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(41,342)	-	(41,342)	-	(41,342)
Purchase of own shares	-	-	-	(11,554)	-	-	11,554	(11,554)	-	-	(11,554)	-	(11,554)
Release of own shares	-	201	-	2,749	-	-	(2,749)	2,749	-	-	2,951	-	2,951
Creation of statutory reserves	-	-	905	-	-	-	-	-	(905)	-	-	-	-
Creation of reserves for purchase of own shares	-	-	-	(10,000)	-	-	10,000	-	-	-	-	-	-
Balance at 31 December 2018	419,958	192,309	7,165	2,806	7,406	(20,520)	22,123	(12,123)	206,908	(41,881)	784,151	-	784,151

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

Consolidated statement of cash flows

For the year ended 31 December 2019

(All amounts are expressed in thousands of kunas)

Cash flows from operating activities	Notes	2019	2018
Profit for the year		102,639	89,320
Adjusted for:			
Income tax (expense)/credit	16	11,060	(2,518)
Depreciation and amortisation	9	110,400	90,858
Write off of property, plant and equipment, and intangible assets	11	1,306	1,235
Interest expense and net exchange rates recognised in profit or loss	13,14	14,844	34,306
Dividends and share in profit of associates	13,15	(40,733)	(49,864)
Gain from sale of property, plant and equipment and intangible assets	5	(7,445)	(936)
Revenues from forward contract	13	(312)	-
Interest income	13	(434)	(377)
Increase in long-term and short-term provisions (net)	32	341	2,992
(Increase) in accrued income and prepaid expenses	30	(18,540)	(21,962)
(Decrease) in accrued expenses and deferred income	39	(1,575)	(7,006)
Income from collected previously written-off trade receivables	5	(559)	(852)
Profit from operations before working capital changes		170,992	135,196
Decrease/(increase) in inventories	25	23,833	(46,912)
(Increase)/decrease in current and non-current receivables		(42,837)	22,351
(Decrease)/increase in current payables		(10,205)	57,661
Interest paid		(13,299)	(10,817)
Income tax paid		(8,380)	-
Net cash generated from operating activities		120,104	157,479
Cash flows from investing activities			
Investment in subsidiary		(1)	(70,758)
Interest received		429	536
Purchases of property, plant and equipment	20	(130,819)	(87,834)
Purchases of intangible assets	19	(30,947)	(27,104)
Proceeds from the sale of plant and equipment, and intangible assets		11,273	4,805
Given loans		(260)	-
Proceeds from government grants		2,700	4,345
Proceeds from received deposits and decrease in deposits	33	-	600
Proceeds from given loans		327	3,900
Dividends received		40,346	54,452
Net cash (used in) investing activities		(106,952)	(117,058)

Consolidated statement of cash flows

For the year ended 31 December 2019 (continued)

(All amounts are expressed in thousands of kunas)

Cash flows from financing activities	Notes	2019.	2018.
Purchase of treasury shares		(905)	(11,554)
Dividends paid		(51,676)	(41,342)
Proceeds from received short-term and long-term borrowings	33,37	174,934	224,500
Repayment of short-term and long-term borrowings	33,37	(135,048)	(185,306)
Leases repayment		(9,724)	(603)
Net cash used in financing activities		(22,419)	(14,305)
Net (decrease)/increase in cash and cash equivalents		(9,267)	26,116
Cash and cash equivalents at the beginning of the year		36,338	10,222
Cash and cash equivalents at the end of the year	29	27,071	36,338

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



Notes to the consolidated financial statements For the year ended 31 December 2019

1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and amendments effective in current year

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

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Group's financial statements except in application of IFRS 16. Starting balance on 1 January 2019 of right-of-use assets and lease liabilities was (in thousands HRK):

Right-of-use assets	24,144
Lease liabilities	24,144

1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

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

- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to References to the Conceptual Framework in IFRS Standards** adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group in the period of initial application.

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 for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at 14 April 2020:

- **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 17 „Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 “Business Combinations”** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- **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 deferred indefinitely until the research project on the equity method has been concluded).

1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group in the period of initial application.

2. 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 year.

2.1. Statement of compliance

Consolidated financial statements are prepared in accordance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards (IFRSs), as adopted by the European Union.

2.2. Basis of preparation

Consolidated financial statements are prepared on a historical cost basis. 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 2019, and the results of its operations for the year then ended. The accounting policies are consistently applied by all the Group entities.

2.3. Basis of consolidation

Accompanying consolidated financial statements comprise of Company's financial statements and entities under its control, including entities of special purpose, and its i.e. their subsidiaries. The control principle sets out the following three elements of control:

- power over the investee;
- exposure, or rights, to variable returns from involvement with the investee; and
- the ability to use power over the investee to affect the amount of those returns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Basis of consolidation (continued)

The Company re-evaluates the existence of its control when the facts and circumstances indicate that one or more of the above-mentioned control elements have occurred.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

2.4. 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.

Revenue is stated net of value added tax, estimated returns, rebates and discounts. 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.

Income from sale of products

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. Sales to customers with whom self-invoicing has been arranged are recognised upon receiving from such a customer the confirmation of delivery, i.e. when significant risks are transferred to the customer.

Income from the manufacture of tools for a known customer

Accrued revenues from tools 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 estimates that the transfer of significant risks and benefits from the ownership of tools, gauges and other devices is met at the time of „SOP“ (Start Of Production), i.e. start of the mass production on them. At that point Group recognizes revenue from the sale of tools. Costs of modification, completion and similar tool costs Group recognizes as an increase in inventory value as part of inventory process.

Interest income

Interest income is recognised on a pro rata 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 when accrued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5. 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 recognised in profit or loss in the period in which they are incurred.

2.6. 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 profit and loss for the year. At 31 December 2019, the official exchange rate of the Croatian kuna against 1 Euro (EUR) was HRK 7,44258 (31 December 2018: 7,417575 HRK for EUR 1).

Translation reserves

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 – Reserves from accruals of foreign exchange differences.

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

2.7. Income tax expense

Current tax

Income tax expense is based on taxable profit for the year and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7. Income tax expense (continued)

Deferred tax

Deferred tax is calculated 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.

2.8. 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 profit or loss in the period in which they occur. Depreciation commences on putting an asset into use.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8. Property, plant and equipment, and intangible assets (continued)

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:

Tangible and intangible assets	Depreciation rates in 2019	Depreciation rates in 2018
Buildings	1.50	1.50
Machinery	7.00	7.00
Tools, furniture, office and laboratory equipment and accessories, measuring and control instruments	10.00	10.00
Vehicles	20.00	20.00
IT equipment	20.00	20.00
Other	10.00	10.00
Projects	20.00	20.00
Software	20.00	20.00

2.9. Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of a business at the acquisition date. Goodwill generated by acquisition of a subsidiary 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. Impairment losses on goodwill are not reversed. Gains and losses from the sale of a business include the net book value of goodwill, which relates to the sold business.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

2.10. Investment property

Investment property is property held to earn rentals or for capital appreciation, or both. Investment properties are measured at cost, which includes transaction costs. After initial measurement, investment properties are measured at cost less accumulated depreciation and impairment losses.

All of the Group's property interests held under operating leases are accounted for as investment properties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10. Investment property (continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use as well as when no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

2.11. 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.

2.12. Investments in associates

An associate is an entity over which the Group has significant influence, 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 profit and loss 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.

2.13. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13. Inventories (continued)

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.

2.14. 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 assets 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 profit and loss for the year.

2.15. 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.

2.16. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16. 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.

2.17. Termination, long-service and other employee benefits

(a) Pension-related 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.

2.18. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18. Financial instruments (continued)

Investments are recognised and derecognised on a trade date basis 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.

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

Impact of IFRS 9 - Financial Instruments

In 2018, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. Group elected not to restate comparatives and recognize any adjustments to the carrying amounts of financial assets and liabilities in opening retained earnings as of the date of initial application of IFRS 9 standard. Key indicators included in model for calculation of financial instruments impairment are:

- Probability of Default 2.38% (2.33% in 2018) and
- Loss Given Default 56.04% (46.10% in 2018).

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.

Impairment of financial assets

Financial assets are assessed for indications of impairment at each date of the statement of financial position. A financial asset is 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18. Financial instruments (continued)

Impairment of financial assets (continued)

Impairment loss on a financial asset is recognised by reducing the carrying amount of the asset 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 recorded as income for the period.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset have expired, when the asset is transferred and when 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 underlying contractual arrangement.

2.19. 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.

2.20. Events after the reporting date

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21. Segment reporting

The Group monitors and presents the results of its principal operating segments separately. The segment reporting is based on identified geographical areas. Certain financial information about the geographical segments are presented in Note 4.

The Group presents the revenue by geographical location, but does not monitor information about the long-term assets and the revenue generated in those areas from external customers.

2.22. Leases

IFRS 16 „Leases“ was issued by the IASB in January 2016. The standard replaces IAS 17 „Leases“ for reporting periods commencing on or after 1 January 2019.

IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and instead, introduces a single lessee accounting model. Lessor accounting under IFRS 16 is basically unchanged compared to the IAS 17. Lessors will continue to distinguish between operating and finance type of leases.

IFRS 16 sets the principles for recognition, measurement, presentation and disclosure of leases. Leases are recognised by the present value of the lease payments and showed either as lease assets (right-of-use assets) or together with property, plant and equipment. Lessees also recognise a financial liability representing its obligation to make future lease payments. Lessees are required to recognise separately interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees are also required to re-measure lease liability due to certain events (e.g. a change in lease term, a change in future lease payments, resulting from a change in an index or discounting rate). The standard includes two recognition exemptions for lessees: „low-value“ leases (e.g. tablets and personal computers) and „short-term“ leases (leases which ends within 12 months). Low-value leases are considers assets with value lower than 5,000 USD.

The Group has chosen to apply the standard using a cumulative catch-up approach.

At the date of transition lease liability are calculated as outstanding liability for existing leases using incremental borrowing rate. The right-of-use assets are measured at the amount of the lease liability, adjusted by amount of the prepaid or accrued lease payments.

Right-of-use assets and lease liabilities will be reported separately in the statement of financial position. The Group has elected not to apply the requirements of IFRS 16 for low-value leases (e.g. printers) and short-term leases (e.g. apartments). Detailed movement of right of use assets are presented in Note 21 and movements of lease liability in Note 34.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23. Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination (IFRS 3), (ii) held for trading, or (iii) it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23. Financial liabilities (continued)

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, 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 Note 2.8, 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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 profit and loss for the year. Group applies the simplified approach according to IFRS 9 and recognises lifetime expected credit losses for trade receivables.

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.

Accounting treatment of tools

According to the information available to the Group, tools are treated as inventory and are recognized in Group's Statement of financial position from the date of purchase to the date of start of production of mass deliveries to customers (SOP – Start Of Production). Date of start of production of mass deliveries shall be the date when significant risks and rewards of ownership of tools are transferred to the buyer.

Goodwill impairment

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Provision for legal claims

There are a number of legal actions which have arisen from the regular course of operations. Management makes estimates of probable outcomes of the legal actions and recognises provisions for the liabilities that may arise to the Group in respect of claims. The Group recognises a provision in the total expected amount of outflows of economic benefits as a result of the court case, which is generally the claim amount plus the estimated related legal costs and penalty interest (if applicable), if it is more likely than not, based on the opinion of management after consultation with legal advisers, that the outcome of the court case will be unfavourable for the Group. The Group does not recognise provisions for court cases or the expected related legal costs and penalty interest (if applicable) in cases where management estimates that an unfavourable outcome of the court case is less likely than a favourable outcome for the Group.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Provision for legal claims (continued)

Where indications exist of a possible settlement in relation to a particular court case, a provision is recognised, based on the best estimate of management made in consultation with its legal advisers, in the amount of the expected settlement less any existing amounts already provided for in relation to that particular court case.

Useful life of Projects

The Management of the Company considers it appropriate to amortize the development part of the Projects for an average duration of five years. The Management believes that the described period represents the average duration of the production cycle to which the described Projects are concerned.

4. SEGMENT INFORMATION

(in thousands of kunas)

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:

	2019	2018
Slovenia	518,462	447,171
Russia	312,283	338,894
France	244,786	189,915
Hungary	101,494	43,464
Germany	90,599	82,633
Romania	80,618	21,089
United Kingdom	43,002	26,730
Italy	37,337	51,417
Spain	21,961	20,991
Serbia	21,899	38,059
Croatia	12,675	13,860
Other countries	24,100	24,223
	1,509,216	1,298,446

5. OTHER INCOME

(in thousands of kunas)

	2019	2018
Gain from sale of non-current tangible and intangible assets	7,445	936
Income from product development	3,953	880
Service sales – cardboard packaging	3,790	5,892
Income from consumption of own products and services	3,385	1,123
Rental income	2,721	3,171
Income from the sale of services to tenants	1,293	1,555
Income from validation and laboratory testing	930	684
Income from invoicing recharged costs	893	1,209
Income from transport services	682	89
Income from collected bad debts (Note 26)	559	813
Income from additional processing	475	174
Income from damages and insurance	390	393
Income from maintaining safety stock	372	883
Income from waste management services	356	442
Income from inventory surpluses	236	351
Income from the quality control	228	199
Income from reversed provisions	124	942
Other operating income	4,599	3,072
	32,431	22,808

6. COST OF RAW MATERIAL AND SUPPLIES

(in thousands of kunas)

	2019	2018
Direct materials	665,023	603,202
Other raw material and supplies	33,553	34,480
Electricity	32,193	25,581
	730,769	663,263

7. COST OF GOODS SOLD

(in thousands of kunas)

	2019	2018
Cost of tools sold	155,865	90,599
Cost of trade goods and spare parts sold	15,027	12,834
	170,892	103,433

8. STAFF COSTS

(in thousands of kunas)

	2019	2018
Net wages and salaries	162,912	144,506
Taxes and contributions out of salaries	56,763	49,286
Contributions on salaries	40,684	37,086
Other staff costs	40,331	22,607
	300,690	253,485

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

9. DEPRECIATION AND AMORTISATION

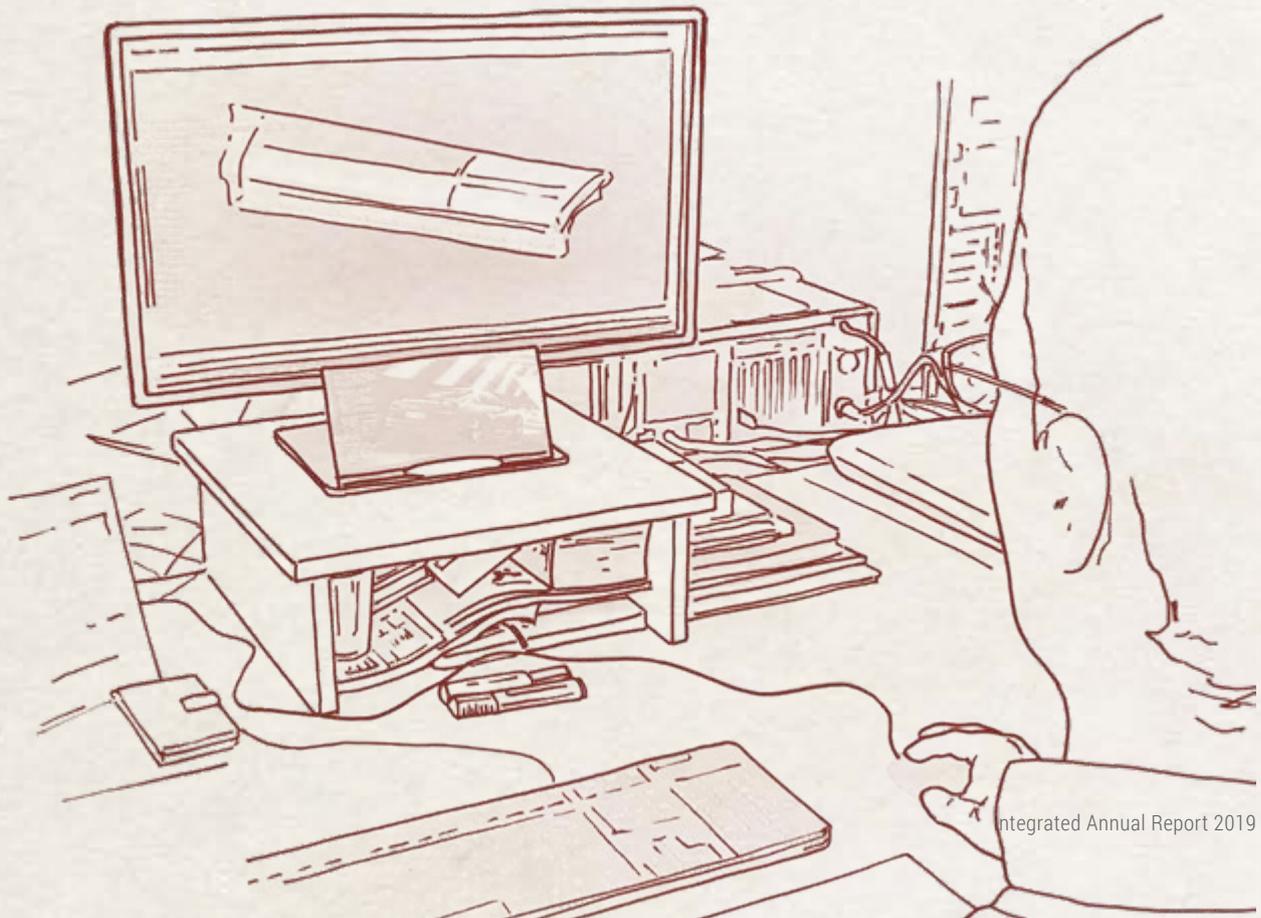
(in thousands of kunas)

	2019	2018
Depreciation of property, plant and equipment (Note 20)	66,103	57,803
Amortisation of intangible assets (Note 19)	34,184	32,111
Depreciation of right of use (IFRS 16; Note 21)	9,163	-
Depreciation of investment property (Note 22)	950	944
	110,400	90,858

10. SERVICE COST

(in thousands of kunas)

	2019	2018
Transport	54,169	47,015
Current and preventive maintenance of machinery	14,548	13,783
Rental costs	4,644	12,428
Royalty fees	3,649	3,811
Municipal utility fees	1,920	1,485
Telecommunication and information system costs	1,901	1,618
Water supply	1,354	1,510
Forwarding and shipping costs	383	456
Intermediation costs	152	2,524
Other service costs	8,684	8,221
	91,404	92,851



11. OTHER OPERATING EXPENSES

(in thousands of kunas)

	2019	2018
Intellectual service cost	9,689	8,993
Customer complaints	6,095	9,403
Other non-material expenses	4,364	3,460
Cost of unusable inventories and inventory shortage costs	3,327	-
Entertainment	2,795	2,411
Insurance premiums	2,557	2,186
Other taxes, duties and fees	1,859	3,378
Professional training costs	1,695	1,484
Communal fees for the use of construction plots	1,528	1,564
Property tax	1,524	1,099
Bank and transaction charges	1,468	1,292
Tangible and intangible assets write-off (Notes 19 and 20)	1,306	1,235
Workplace health and safety	932	774
Measuring equipment and laboratory tests	615	602
Gifts, donations and sponsorships	483	408
Cost of goods provided free of charge	479	443
Withholding tax	474	391
Support to employees and their families	464	358
Forest reproduction levies	296	253
Other expenses	6,039	5,976
	47,989	45,710

In Professional training costs in 2019 is included cost in amount of 10 thousands kunas from Company Deloitte d.o.o.

12. PROVISIONS FOR RISKS AND CHARGES

(in thousands of kunas)

	2019	2018
Vacation provisions (Note 32)	1,812	421
Provisions for jubilee awards and retirement benefits (Note 32)	143	2,159
Litigation provision (Note 32)	17	-
Employee bonus provisions (Note 32)	-	2,429
	1,972	5,009

13. FINANCIAL REVENUE

(in thousands of kunas)

	2019	2018
Foreign exchange gains	26,990	19,523
Interest income	434	377
Forward contract income	312	-
Dividends	6	5
	27,742	19,905

14. FINANCIAL EXPENSES

(in thousands of kunas)

	2019	2018
Foreign exchange losses	28,689	43,605
Interest expense	12,720	10,224
Interest expense on lease liabilities (IFRS 16)	425	-
	41,834	53,829

15. SHARE IN THE PROFIT FROM INVESTMENTS IN ASSOCIATES

(in thousands of kunas)

	2019	2018
Share in the profit of associates recognised as income	40,727	49,859
	40,727	49,859

16. INCOME TAX

(in thousands of kunas)

Income tax comprises the following:

	2019	2018
Deferred tax	1,644	(5,045)
Current tax	9,416	2,527
	11,060	(2,518)

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

	2019	2018
Balance at 1 January	7,284	711
Acquisition of Tisza Automotive Kft.	-	(1,091)
(Reversal)/recognition of deferred tax assets	(3,216)	7,664
Balance at 31 December	4,068	7,284

16. INCOME TAX (continued)

(in thousands of kunas)

Deferred tax assets arise from the following:

2019	Opening balance	Charged to the statement of compr. income	Closing balance
<i>Temporary differences:</i>			
Provisions for jubilee awards and termination benefits	1,003	(292)	711
Reserves from translation of foreign currencies, net	5,803	(3,345)	2,458
Movements in reserves on revaluation of property, plant and equipment and intangible fixed assets	(2,114)	2,114	-
Deferred tax liabilities from allocation of purchase price on fair value of Tisza Automotive Kft.	(1,011)	169	(842)
Deferred tax assets from carried-over tax losses	4,701	(1,842)	2,859
Differences between tax depreciation rates and accounting depreciation rates	(1,098)	(20)	(1,118)
Balance at 31 December	7,284	(3,216)	4,069

2018	Opening balance	Acquisition of Tisza Automotive	Credited to the statement of compr. income	Closing balance
<i>Temporary differences:</i>				
Provisions for jubilee awards and termination benefits	563	-	440	1,003
Reserves from translation of foreign currencies, net	6,060	-	(257)	5,803
Movements in reserves on revaluation of property, plant and equipment and intangible fixed assets	(5,074)	-	2,960	(2,114)
Deferred tax liabilities from allocation of purchase price on fair value of Tisza Automotive Kft.	-	(1,091)	80	(1,011)
Deferred tax assets from carried-over tax losses	213	-	4,488	4,701
Differences between tax depreciation rates and accounting depreciation rates	(1,051)	-	(47)	(1,098)
Balance at 31 December	711	(1,091)	7,664	7,284

16. INCOME TAX (continued)

(in thousands of kunas)

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

	2019	2018
Accounting profit before tax and deferred taxation	113,699	86,802
Effect of tax base increasing items	25,007	42,525
Effect of tax base decreasing items	(76,084)	(112,230)
Tax base	62,622	17,097
Tax at the weighted average rate	18,822	8,284
Tax reliefs	(9,405)	(5,757)
<i>Income tax expenses before effects of deferred taxation</i>	<i>9,416</i>	<i>2,527</i>
Deferred tax recognised in profit or loss	1,644	(5,045)
Income tax expense	11,060	(2,518)

17. EXCHANGE DIFFERENCES FROM TRANSLATION OF FOREIGN OPERATIONS AND RESERVES FROM ACCRUALS OF FOREIGN EXCHANGE DIFFERENCES – TRANSACTIONS WITH SUBSIDIARIES

(in thousands of kunas)

	Reserves from accruals of foreign exchange differences – transactions with subsidiaries		Exchange differences from translation a foreign operations – transactions with subsidiaries	
	2019	2018	2019	2018
Balance at beginning of the year	(20,520)	(17,974)	(41,881)	(39,575)
Exchange differences from translation of foreign operations	-	-	9,118	(2,306)
Accruals of foreign exchange differences from the current year	12,672	(15,928)	-	-
Income tax	(2,534)	3,186	-	-
Exchange differences from translation of foreign operations, net	10,138	(12,742)	9,118	(2,306)
Realization of exchange differences	4,364	10,197	-	-
Balance at end of year	(6,018)	(20,520)	(32,763)	(41,881)

18. EARNINGS PER SHARE

(in thousands of kunas)

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.

	2019	2018
Net profit attributable to the shareholders of the Group in thousands of kunas	102,639	89,320
Weighted average number of shares	4,129,554	4,152,183
Basic and diluted earnings per share (in kunas and lipas)	24.85	21.51



19. INTANGIBLE ASSETS

(in thousands of kunas)

	Licences	Software	Projects	Other intangible assets	Customer contracts	Intangible assets under development	Total
Cost							
Balance at 31 December 2017	654	7,368	226,384	1,829	-	20,153	256,388
Acquisition of Tisza Automotive Kft.	-	1,551	8,666	91	10,226	1,681	22,214
Additions	-	-	-	-	-	27,104	27,104
Assets put into use	-	3,070	10,472	279	-	(13,821)	-
Disposals	-	-	(2,035)	-	-	-	(2,035)
Write off	-	(77)	(69)	-	-	(1,137)	(1,283)
Effect of exchange differences	(7)	(34)	(3,623)	(29)	-	(219)	(3,912)
Balance at 31 December 2018	647	11,878	239,795	2,170	10,226	33,761	298,477
Additions	-	-	-	-	-	30,947	30,947
Assets put into use	-	1,833	28,589	5,332	-	(35,754)	-
Disposals	-	-	(2,108)	-	-	-	(2,108)
Write off	-	-	(1,768)	-	-	(76)	(1,844)
Effect of exchange differences	6	(78)	1,372	17	-	80	1,397
Balance at 31 December 2019	653	13,633	265,881	7,519	10,226	28,958	326,870
Accumulated amortisation							
Balance at 31 December 2017	654	5,623	144,962	141	-	-	151,380
Acquisition of Tisza Automotive Kft.	-	1,384	5,509	81	-	-	6,974
Charge for the year (Note 9)	-	1,537	29,795	31	748	-	32,111
Disposals	-	-	(10)	-	-	-	(10)
Write off	-	(70)	-	-	-	-	(70)
Effect of exchange differences	(7)	(30)	(2,650)	(8)	-	-	(2,696)
Balance at 31 December 2018	647	8,444	177,605	245	748	-	187,689
Charge for the year (Note 9)	-	2,261	29,629	500	1,794	-	34,184
Disposals	-	-	(303)	-	-	-	(303)
Write off	-	-	(728)	-	-	-	(728)
Effect of exchange differences	6	(76)	1,062	4	-	-	995
Balance at 31 December 2019	653	10,629	207,265	749	2,542	-	221,838
Net book value							
At 31 December 2018	-	3,434	62,190	1,925	9,478	33,761	110,790
At 31 December 2019	-	3,004	58,616	6,770	7,684	28,958	105,032

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

20. PROPERTY, PLANT AND EQUIPMENT

(in thousands of kunas)

	Land	Buildings	Plant and equipment	Assets under development	Other tangible assets	Prepayments for tangible assets	Total
Cost							
Balance at 31 December 2017	134,690	312,536	751,273	32,877	763	2,606	1,234,746
Acquisition of Tisza Automotive Kft.	2,754	32,318	69,939	869	1,581	526	107,987
Additions	-	-	-	78,658	-	9,176	87,834
Assets put into use	-	17,940	57,503	(72,890)	296	(2,848)	-
Disposals	(568)	-	(5,023)	-	-	-	(5,591)
Write off and retirements	-	(10)	(2,092)	-	(110)	-	(2,212)
Decrease based on government grants	-	-	-	(534)	-	-	(534)
Transferred to investment property (Note 22)	(904)	(4,847)	-	-	-	-	(5,750)
Effect of exchange differences	(472)	(10,954)	(48,686)	(54)	(86)	(663)	(60,915)
Balance at 31 December 2018	135,501	346,983	822,913	38,926	2,444	8,797	1,355,564
Additions	-	-	-	129,884	-	935	130,819
Assets put into use	925	27,949	127,453	(148,218)	154	(8,264)	-
Disposals	-	-	(7,471)	-	(6)	-	(7,477)
Write off and retirements	-	(190)	(2,828)	-	(6)	-	(3,024)
Transferred to investment property (Note 22)	(12)	(503)	-	-	-	-	(515)
Effect of exchange differences	421	9,636	33,724	49	73	923	44,826
Balance at 31 December 2019	136,835	383,874	973,791	20,641	2,659	2,391	1,520,193
Accumulated depreciation							
Balance at 31 December 2017	-	80,421	504,380	-	393	-	585,194
Acquisition of Tisza Automotive Kft.	-	1,487	50,684	-	1,581	-	53,753
Charge for the year (Note 9)	-	9,597	48,069	-	137	-	57,803
Disposals	-	-	(3,423)	-	-	-	(3,423)
Write off and retirements	-	(10)	(2,069)	-	(110)	-	(2,190)
Transferred to investment property (Note 22)	-	(1,850)	-	-	-	-	(1,850)
Effect of exchange differences	-	(1,966)	(40,287)	-	(53)	-	(42,306)
Balance at 31 December 2018	-	87,678	557,353	-	1,949	-	646,980
Charge for the year (Note 9)	-	12,108	53,806	-	189	-	66,103
Disposals	-	-	(5,447)	-	(6)	-	(5,454)
Write off and retirements	-	(1)	(2,828)	-	(6)	-	(2,834)
Effect of exchange differences	-	2,480	25,982	-	29	-	28,493
Balance at 31 December 2019	-	102,266	628,866	-	2,155	-	733,287
Net book value							
At 31 December 2018	135,501	259,305	265,559	38,926	495	8,797	708,583
At 31 December 2019	136,835	281,608	344,925	20,641	504	2,391	786,906

Total value of liabilities under financial leases at December 31 2019 amounts to HRK 1,138 thousand (31 December 2018: HRK 2,106 thousand). From assets mentioned above, pledged assets are lands with book value of (in thousand HRK) 130,285 (in 2018: 129,931), buildings 221,974 (in 2018: 204,864) and plant and equipment 59,108 (in 2018: 33,713)

21. RIGHT OF USE ASSETS

(in thousands of kunas)

	Land	Buildings	Plant and equipment	Total
Cost				
Balance at 1 January 2019	164	15,268	8,654	24,086
Additions	23	605	320	948
Effect of exchange differences	25	30	(28)	27
Balance at 31 December 2019	212	15,903	8,946	25,061
Accumulated depreciation				
Balance at 1 January 2019	-	-	-	-
Charge for the year (Note 9)	18	5,567	3,578	9,163
Balance at 31 December 2019	18	5,567	3,578	9,163
Net book value				
At 31 December 2019	194	10,336	5,368	15,898

Amounts recognised in profit and loss

	2019	2018
Depreciation expense on right of use assets (Note 9)	9,163	-
Interest expense on lease liabilities (Note 14)	425	-
Expense relating to short-term leases (Note 10)	2,664	-
Expense relating to leases of low value (Note 10)	1,324	-
Expenses relating to variable lease payments not included in the measurement of lease liability (Note 10)	656	-
Total	14,232	-

22. INVESTMENT PROPERTY

(in thousands of kunas)

	Land	Buildings	Total
Cost			
At 31 December 2017	15,881	51,771	67,652
Reclassified from property, plant and equipment (Note 20)	904	4,846	5,750
Effect of exchange differences	-	(426)	(426)
At 31 December 2018	16,785	56,191	72,976
Reclassified from property, plant and equipment (Note 20)	12	503	515
Effect of exchange differences	-	358	358
At 31 December 2019	16,797	57,051	73,848
Accumulated depreciation			
At 31 December 2017	-	12,887	12,887
Reclassified from property, plant and equipment (Note 20)	-	1,850	1,850
Charge for the year (Note 9)	-	944	944
Effect of exchange differences	-	26	26
At 31 December 2018	-	15,707	15,707
Reclassified from property, plant and equipment (Note 20)	-	-	-
Charge for the year (Note 9)	-	950	950
Effect of exchange differences	-	(23)	(23)
At 31 December 2019	-	16,634	16,634
Net book value			
At 31 December 2018	16,785	40,484	57,269
At 31 December 2019	16,797	40,417	57,214

In 2019, the part of the building used to rent office space was reclassified. Income from the rental of the building in 2019 amounts to HRK 2,341 thousand (in 2018 HRK 2,274 thousand), and the depreciation charge for the year amounts to HRK 950 thousand (in 2018 HRK 944 thousand).

23. INVESTMENTS IN ASSOCIATES

(in thousands of kunas)

Name of associate	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment, HRK'000	
			2019	2018	2019	2018
Euro Auto Plastic Systems	Manufacture of other motor vehicle spare parts and accessories	Mioveni, Romania	50.00%	50.00%	92,507	92,150
Total					92,507	92,150

Name of associate	Country of incorporation and business	Amount of equity investment	Share in the result for the year 2018 (Note 15)	Dividends paid	Amount of equity investment
		31.12.2017			31.12.2018
Euro Auto Plastic Systems	Mioveni, Romania	96,822	49,859	(54,531)	92,150
Total		96,822	49,859	(54,531)	92,150

Name of associate	Country of incorporation and business	Amount of equity investment	Share in the result for the year 2019 (Note 15)	Dividends paid	Amount of equity investment
		31.12.2018			31.12.2019
Euro Auto Plastic Systems	Mioveni, Romania	92,150	40,727	(40,370)	92,507
Total		92,150	40,727	(40,370)	92,507

Euro Auto Plastic Systems s.r.l. is considered to be associate since the management of its operations is under the control of Faurecia Automotive Holdings s.a.s.

24. OTHER FINANCIAL ASSETS

(in thousands of kunas)

	31.12.2019	31.12.2018
Other financial assets	62	62
Long-term loans to unrelated companies	-	68
Current portion of long-term loan receivables (Note 28)	-	(68)
	62	62

25. INVENTORIES

(in thousands of kunas)

	31.12.2019	31.12.2018
Raw material and supplies on stock	99,540	90,735
Tools	31,818	47,250
Finished products	27,660	28,127
Advances for inventory	24,949	40,505
Work in progress	16,477	15,597
Merchandise on stock	6,615	8,678
	207,059	230,892

Changes in value of inventories of finished products and work in progress shown in profit and loss of the period include 54 thousands kunas of positive exchange differences from the translation of foreign operations.

26. TRADE RECEIVABLES

(in thousands of kunas)

	31.12.2019	31.12.2018
Foreign trade receivables	267,727	217,475
Domestic trade receivables	6,010	5,579
Impairment allowance on receivables	(3,530)	(3,732)
	270,207	219,322

The average credit period on sales is 62 days (2018: 64 days). The Group has provided impairment 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.

26. TRADE RECEIVABLES (continued)

(in thousands of kunas)

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

	2019	2018
Balance at beginning of the year	1,129	1,295
Written-off during the year	-	(166)
Collected during the year	-	-
Total impairment allowance on domestic trade receivables	1,129	1,129
Balance at beginning of the year	2,603	1,310
New impairments and write-offs during the year	357	560
Collected during the year (Note 5)	(559)	(813)
Acquisition of Tisza Automotive Kft.	-	1,546
Total impairment allowance on foreign trade receivables	2,401	2,603
Total impairment allowance	3,530	3,732

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

	31.12.2019	31.12.2018
0 - 365 days	171	137
Over 365 days	3,359	3,595
	3,530	3,732

Ageing analysis of receivables not impaired:

	31.12.2019	31.12.2018
0 – 365 days	268,575	219,031
Over 365 days	1,632	291
	270,207	219,322

27. OTHER RECEIVABLES

(in thousands of kunas)

	31.12.2019	31.12.2018
Receivables from the State and State institutions	18,323	16,804
Prepayments made	2,685	9,498
Due from employees	180	305
Other receivables	29	83
	21,217	26,690

28. CURRENT FINANCIAL ASSETS

(in thousands of kunas)

	31.12.2019	31.12.2018
Interest receivable	353	41
Current portion of given long-term loans (Note 24)	-	68
Deposits	-	1
	353	110

29. CASH AND CASH EQUIVALENTS

(in thousands of kunas)

	31.12.2019	31.12.2018
Current account balance	27,020	36,299
Cash in hand	51	39
	27,071	36,338

30. PREPAID EXPENSES AND ACCRUED INCOME

(in thousands of kunas)

	31.12.2019	31.12.2018
Other accrued income on tools	58,280	39,786
Prepaid expenses	2,580	3,624
Accrued sales income	1,855	-
Other accrued income	7,650	8,415
	70,365	51,825

31. 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 (2018: HRK 419,958 thousand; 4,199,584 shares, with a nominal value of HRK 100.00 each).

32. PROVISIONS

(in thousands of kunas)

	Short-term		Long-term	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Vacation accrual	8,354	6,242	-	-
Employee bonuses	6,317	6,304	-	-
Retirement benefits	123	2,013	2,226	2,326
Jubilee awards (long-service benefits)	392	458	1,604	1,382
Legal actions	617	568	-	-
	15,803	15,585	3,830	3,708

Movement in provisions is presented as follows:

	Jubilee awards (long-service benefits)	Termination and retirement benefits	Legal actions	Vacation accrual	Employee bonuses	Total
At 1 December 2018	1,785	2,205	768	6,429	4,212	15,399
Acquisition of Tisza Automotive Kft.	51	41	-	810	-	902
Increase of provisions	4	2,155	-	421	2,429	5,009
Other	-	(62)	(200)	(1,418)	(337)	(2,017)
At 31 December 2018	1,840	4,339	568	6,242	6,304	19,293
Payments	-	(1,887)	-	-	-	(1,887)
Increase/(decrease) of provisions	156	(13)	17	1,812	-	1,972
Other	-	(90)	32	300	13	255
At 31 December 2019	1,996	2,349	617	8,354	6,317	19,633

Other movement in provisions refer to accruals of foreign exchange differences and on other staff and operating expenses.

32. PROVISIONS (continued)

Long-service and termination benefits

Defined benefit plan

According to the Union (Collective) Agreement, the Group has the obligation to pay long-service (jubilee awards), retirement-related and other benefits to employees. The Group operates a defined benefit plan for qualifying employees. Benefits payable upon retirement and long-service benefits are defined in the Collective Agreement and employment agreements. 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 arising from long-service benefits and benefits payable upon retirement is determined using the Projected Credit Unit method and serves as the basis for arriving at the past and current service costs, the interest expense and the actuarial gain or loss.

33. LONG-TERM BORROWINGS AND OTHER NON-CURRENT LIABILITIES (in thousands of kunas)

	31.12.2019	31.12.2018
Long-term borrowings	349,306	348,721
Deposits received	600	600
Long-term commodity credits provided by suppliers	1,905	2,357
	351,811	351,678
Current portion of long-term borrowings (Note 37)	(113,905)	(74,008)
	237,906	277,670

Long-term borrowings 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 equipment and payment instruments. The majority of existing long-term loans are paid quarterly.

In 2019, the weighted average interest rate on the long-term loans was 2.57 percent (2018: 2.48 %). The Group regularly meets all its obligations arising from the loans and observes all the conditions specified in the underlying contracts.

33. LONG-TERM BORROWINGS AND OTHER NON-CURRENT LIABILITIES (continued)

(in thousands of kunas)

Movements in long-term borrowings during the year:

	2019	2018
Balance at 1 January	277,670	204,298
New loans raised	56,733	131,501
Acquisition of Tisza Automotive Kft.	-	31,719
Deposits received	-	600
Exchange differences, net	2,976	(3,220)
Repayments of received loans	(12,271)	(7,217)
Reclassification to short-term (Note 36)	(87,202)	(80,011)
Balance at 31 December	237,906	277,670

34. LEASE LIABILITIES – IFRS 16

(in thousands of kunas)

	2019	2018
Balance at 1 January	24,089	-
Additions	948	-
Interest expense on lease liabilities	425	-
Payments	(9,389)	-
Effect of exchange differences	27	-
Total lease liabilities	16,100	-
Long-term lease	8,085	-
Short-term lease	8,015	-

35. ADVANCES RECEIVED

(in thousands of kunas)

	31.12.2019	31.12.2018
Foreign customers	38,144	72,522
	38,144	72,522

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

36. TRADE PAYABLES

(in thousands of kunas)

	31.12.2019	31.12.2018
Foreign trade payables	191,034	175,415
Domestic trade payables	45,921	48,538
	236,955	223,953

Average payment period for trade payables during 2019 equalled to 82 days (2018: 75 days).

37. SHORT-TERM BORROWINGS

(in thousands of kunas)

	31.12.2019	31.12.2018
Short-term loans - principal payable	117,742	73,152
Current portion of long-term borrowings (Note 33)	113,905	74,008
Short-term borrowings - interest payable	494	660
	232,141	147,820

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. Most of the total balance of the short-term borrowings represent 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 1.57% (2018: 2.05 %).

37. SHORT-TERM BORROWINGS (continued)

(in thousands of kunas)

	2019	2018
Balance at 1 January	147,820	141,962
New loans raised	118,201	92,999
Acquisition of Tisza Automotive Kft.	-	14,418
Reclasification on current portion of long-term borrowings (Note 33)	87,202	80,011
Invoiced interest	12,721	10,224
Exchange differences	1,848	(2,888)
Interest paid	(12,874)	(10,817)
Repayments of received loans	(122,777)	(178,089)
Balance at 31 December	232,141	147,820

38. OTHER CURRENT LIABILITIES

(in thousands of kunas)

	31.12.2019	31.12.2018
Due to the State and State institutions	21,635	19,102
Amounts due to employees	14,778	12,678
Other current liabilities	1,242	1,193
	37,655	32,973

39. ACCRUED EXPENSES AND DEFERRED INCOME

(in thousands of kunas)

	31.12.2019	31.12.2018
Other current liabilities	6,485	7,115
Accrued tool expenses	337	518
Due to the State and State institutions	-	764
	6,822	8,397

40. GOODWILL

(in thousands of kunas)

	31.12.2019	31.12.2018
Goodwill resulting from acquisition of Tisza Automotive Kft.	18,014	18,014
Goodwill resulting from acquisition of KZA	8,529	7,418
	26,543	25,432

Recognized goodwill relates to:

- the difference between fair value of net assets of KZA and the value paid for the purchase of KZA by ZAO AD Plastik Kaluga, and
- the difference between fair value of the net assets of Tisza Automotive Kft. and the value paid for the purchase of Tisza Automotive Kft. by AD Plastik d.d. Solin.

Movement of goodwill:

	2019	2018
At 1 January	25,432	8,670
Acquisition of Tisza Automotive Kft. (Note 41)	-	18,014
Effect of exchange differences	1,111	(1,252)
At 31 December	26,543	25,432

41. BUSINESS COMBINATIONS – ACQUISITION OF TISZA AUTOMOTIVE KFT.

On 26 July 2018, AD Plastik Group acquired 100% of ownership in Tisza Automotive Kft., Tiszaújváros, Hungary, and obtained management control of the company.

Cost of acquisition is determined as the reimbursement amount transferred to previous owners at 70,959 thousand kunas. Cash acquired by this combination is 201 thousand kunas.

41. BUSINESS COMBINATIONS – ACQUISITION OF TISZA AUTOMOTIVE KFT. (continued)

(in thousands of kunas)

	Book value on date of acquisition	Increases / (Decreases)	Fair value on date of acquisition
Intangible assets	5,013	10,226	15,239
Property, plant and equipment	52,450	1,785	54,235
Deferred tax assets	-	-	-
Stocks	28,640	104	28,744
Trade receivables	38,427	-	38,427
Cash and cash equivalents	202	-	202
Accrued assets	1,100	-	1,100
Total acquired assets	125,832	12,115	137,947
Long-term liabilities	(31,719)	-	(31,719)
Deferred tax liabilities	-	(1,090)	(1,090)
Provisions	(902)	-	(902)
Short-term liabilities	(50,172)	-	(50,172)
Accrued liabilities	(1,119)	-	(1,119)
Total acquired liabilities	(83,912)	(1,090)	(85,002)
Total acquired net assets	41,920	11,025	52,945

Estimated fair value of assets on date of acquisition was above the book value on positions Property, plant and equipment by 1.785 thousand kunas and on position Stocks by 104 thousand kunas.

Value of Customer relationships, i.e. signed contracts with buyers was estimated by MPEE (Multi-period Excess Earnings) method at 10.226 thousand kunas and allocated on position Intangible assets (Note 19).

Deferred tax liabilities generated by the acquisition are 1.090 thousand kunas (Note 16).

Goodwill generated by the acquisition is calculated as the difference between the Cost of acquisition and the Fair value of Total acquired net assets and amounts to 18.014 thousand kunas (Note 40).

42. RELATED PARTY TRANSACTIONS

(in thousands of kunas)

The total remuneration provided to the members of the Supervisory Board, the Management Board and executive directors in 2019 amounts to HRK 17,939 thousand (2018: HRK 15,814 thousand).

Receivables and payables for goods, services and interest	Receivables		Payables	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Euro APS, Romania	4,368	4,729	8	-
Sankt-Peterburgskaya investicionnaya kompaniya	-	-	164	122
	4,368	4,729	172	122

Purchase transactions	Income		Expenses	
	2019	2018	2019	2018
Operating and financing income and expenses				
Euro APS, Romania	13,659	11,379	8	-
Sankt-Peterburgskaya investicionnaya kompaniya	-	-	649	122
	13,659	11,379	657	122

Receivables and payables for loans	Receivables		Payables	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Sankt-Peterburgskaya investicionnaya kompaniya	-	-	37,213	37,088
	-	-	37,213	37,088

Sankt-Peterburgskaya investicionnaya kompaniya is member of Group in which is also company OAO Holding Autokomponenti. Company OAO Holding Autokomponenti holds 30% of shares in Company AD Plastik d.d.

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(in thousands of kunas)

43.1. Gearing ratio

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

	31.12.2019	31.12.2018
Short-term borrowings (Note 37)	232,141	147,820
Long-term borrowings (Note 33)	237,306	277,070
Cash and cash equivalents (Note 29)	(27,071)	(36,338)
Deposits (Note 28)	-	(1)
Net debt	442,376	388,551
Equity	859,148	784,271
Net debt-to-equity ratio	51.49%	49.54%

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued) (in thousands of kunas)

Net debt includes commodity credits provided by suppliers in the amount of HRK 1,905 thousand (31 December 2018: HRK 7,434 thousand) (Note 33).

Equity consists of share capital, reserves, own shares, retained earnings and profit for the year.

43.2. Categories of financial instruments

	31.12.2019	31.12.2018
Financial assets	325,537	306,254
Loans and receivables (Notes 24,26,27)	298,466	269,916
Cash and cash equivalents and deposits (Notes 28 and 29)	27,071	36,338
Financial liabilities	777,266	735,836
Borrowings and deposits (Notes 33 and 37)	470,047	425,490
Trade and other payables (Notes 34,35,37)	307,219	310,346

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.

43.3. 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 the middle exchange rates of the Croatian National Bank:

As at 31 December	Assets		Liabilities		Net FX position	
	2019	2018	2019	2018	2019	2018
RUB	1,590	1,383	-	-	1,590	1,383
CZK	865	604	-	-	865	604
USD	111	575	194	117	(84)	458
GBP	24	95	5	462	19	(367)
EUR	442,737	445,774	767,402	766,066	(324,665)	(320,292)
CHF	1	-	-	-	1	-
	445,328	448,431	767,602	766,645	(322,273)	(318,214)

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(in thousands of kunas)

Foreign currency sensitivity analysis

Foreign currency risk note includes exchange rate exposure of all monetary positions in all companies of the Group, which generate foreign exchange differences in separate reports of those companies.

On 31 December 2019, if EUR were to depreciate/appreciate by 1% compared to HRK, assuming all other variables remain unchanged, net profit of the Group for 2019 would be 1,964 thousand kunas (2018.: 1,967 thousand kunas) higher/(lower), because of positive/(negative) foreign exchange differences generated by conversion of trade receivables, cash and cash equivalents, trade payables and loans received denominated in EUR.

On 31 December 2019, if RUB were to depreciate/appreciate by 1% compared to EUR, assuming all other variables remain unchanged, net profit of the Group for 2019 would be 392 thousand kunas (2018.: 486 thousand kunas) (lower)/higher, because of (negative)/positive foreign exchange differences generated by conversion of trade receivables, cash and cash equivalents, trade payables and loans received denominated in EUR.

43.4. 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.

2019	Weighted average interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total	Book value
Assets								
Non-interest bearing	-	153,574	145,393	26,154	1	62	325,184	325,184
Interest bearing	-	-	-	353	-	-	353	353
		153,574	145,393	26,507	1	62	325,537	325,537
Liabilities								
Non-interest bearing	-	118,339	133,595	47,200	8,685	-	307,819	307,819
Interest bearing	2.35%	4,222	25,001	225,048	222,919	11,333	488,523	469,447
		122,561	157,996	272,248	231,604	11,333	795,742	777,266
2018								
Assets								
Non-interest bearing	-	135,815	131,718	38,518	32	62	306,145	306,145
Interest bearing	6.00%	1	-	70	42	-	113	111
		135,816	131,718	38,588	73	62	306,257	306,254
Liabilities								
Non-interest bearing	-	125,127	99,369	85,738	112	-	310,346	310,346
Interest bearing	2.40%	6,212	19,204	126,533	266,417	29,976	448,342	425,490
		131,339	118,574	212,271	266,529	29,976	758,689	735,836

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

43.5. Fair value of financial instruments

Fair value is the price that would be generated from the sales of some item of an asset or paid for transferring some liability in a fair transaction between market participants at the measurement date, regardless of whether it would be directly visible or evaluated by applying some other valuation technique. At 31 December 2019 and 31 December 2018 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.

44. EVENTS AFTER THE REPORTING PERIOD

The rapid development of the COVID-19 virus and its social and economic impact in Croatia and globally may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. In particular management expects global pandemic could impact on the assumptions and estimates used in determining value of financial assets and ultimately on adjustment of their carrying values. At this stage management is not able to reliably estimate the impact as events are unfolding day-by-day and the inability to predict the duration of a pandemic. At the date of issue of financial statements, most of our customers temporarily halted their production, and accordingly, our factories were temporarily closed and workers were sent on annual leave. According to available customer announcements at the date of publication of this report, customer factories are planned to open by the end of April 2020. Group has taken necessary risk protection measures and adjusted its operations to the crisis in the industry. Operating costs have been reduced to what is necessary in the current circumstances, all with the aim of managing business continuity and continuing production immediately after receiving orders from customers. Group has applied for available government incentive measures related to the COVID-19 pandemic, the most significant of which is expected to be in the form of employee wage grants. The amount of incentives is not possible to predict as it will depend on the degree of reduction in the Group's revenue.

45. CONTINGENT LIABILITIES

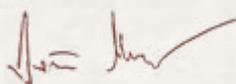
Based on the Management's estimate, the Group had no material contingent liabilities at 31 December 2019 and 31 December 2018 which would require to be disclosed in the notes to the consolidated financial statements. The Company had no capital expenditure commitments contracted at 31 December 2019 which would require to be disclosed in the notes to the financial statements. As at 31 December 2019 and 31 December 2018 there were no material legal actions with a potential negative outcome for the Group other than those reflected in these consolidated financial statements.

46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Management Board of AD Plastik d.d. and authorised for issue on 14 April 2020.

For AD Plastik d.d., Solin:

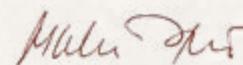
Marinko Došen,
President of the Management Board



Katija Klepo,
Member of Management Board



Mladen Peroš,
Member of Management Board



AD Plastik d.d., Solin

Separate Financial Statements For the Year Ended 31 December 2019

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Responsibility of the Management Board for the separate financial statements

Pursuant to the Accounting Act of the Republic of Croatia, the Management Board is responsible for ensuring that separate financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (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 separate financial statements.

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

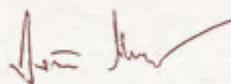
- selecting suitable accounting policies and then applying them consistently;
- making reasonable and prudent judgements and estimates;
- following applicable accounting standards and disclosing and explaining any material departure in the separate financial statements; and
- preparing the separate financial statements under the going concern principle unless it is inappropriate to presume that the Company 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 their compliance with the Croatian Accounting Act. The above stated responsibility includes the responsibility for accuracy of the Management Report, which is an integral part of separate financial statements. The Management Board is also responsible for safeguarding the assets of the Company, and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board

For AD Plastik d.d. Solin by:

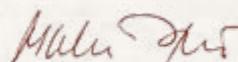
Marinko Došen, President of the Management Board



Katija Klepo, Member of Management Board



Mladen Peroš, Member of Management Board



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

14 April 2020

INDEPENDENT AUDITOR'S REPORT

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

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Report on the Audit of the Separate Financial Statements

Opinion

We have audited the financial statements of AD Plastik d.d., Solin (the Company), which comprise the unconsolidated statement of financial position as at 31 December 2019, and the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

Basis for Opinion

We conducted our audit in accordance with the Audit Act and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

This version of the auditor's report is a translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the auditor's report takes precedence over translation.

The company was registered at Zagreb Commercial Court: MBS 030022053; paid-in initial capital: Kn 44,900.00; Board Members: Marina Tonžetić and Dražen Nimčević; Bank: Zagrebačka banka d.d., Trg bana Josipa Jelačića 10, 10 000 Zagreb, bank account no. 2360000-1101896313; SWIFT Code: ZABHR2X IBAN: HR2723600001101896313; Privredna banka Zagreb d.d., Radnička cesta 50, 10 000 Zagreb, bank account no. 2340009-1110098294; SWIFT Code: PBZGHR2X IBAN: HR3823400091110098294; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, bank account no. 2484008-1100240905; SWIFT Code: RZBHHR2X IBAN: HR1024840081100240905.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on the Audit of the Separate Financial Statements (continued)

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How we addressed the matter during our audit
<p>Revenue from domestic and foreign sales (Note 4 to the statement of comprehensive income)</p> <p>According to the disclosures made in Note 4, the revenue from foreign and domestic sales of the Company for the financial year ended 31 December 2019 amounted to HRK 1,085,118 thousand (2018: HRK 927,965 thousand).</p> <p>Revenue from domestic and foreign sales is measured at the fair value of the consideration received or receivable for products, goods or services sold in the ordinary course of the Company's operations. Revenue from domestic and foreign sales is recognized net of value-added tax and discounts.</p> <p>The Company recognizes revenue from domestic and foreign sales when the amount of the revenue can be measured reliably and when future benefits will flow into the Company. Therefore, assets are transferred when (or as) the customer obtains control of that asset.</p> <p>Revenue from domestic and foreign sales is an important measure used to evaluate the performance of the Company. There is a risk that the amount of revenue presented is higher than the revenue actually generated by the Company.</p> <p>Given the potential effect of an incorrect calculation of revenue from domestic and foreign sales, we have determined the correct calculation of revenue to be one of the key audit matters.</p>	<p>We evaluated whether management had appropriately applied the requirements of IFRS 15 by performing the following audit procedures:</p> <ul style="list-style-type: none"> • Review and verification of the applied revenue recognition accounting policy, in line with IFRS 15 Revenue from contracts with customers; • Gaining an understanding of the control surroundings and internal controls established by the Management Board in the revenue recognition process; • Assessment of design adequacy and examination of implementation of identified internal controls relevant for the revenue recognition process; • We evaluated the automated internal control procedure for the accuracy of the revenues is the automated three-way match. • Substantive testing of selected sample of recognized revenue from domestic and foreign sales by verifying whether the invoiced amounts have been accurately recorded by the Company. <p>We determined that the applicable accounting policies and the revenue recognition policies were appropriate.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on the Audit of the Separate Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How we addressed the matter during our audit
<p>Accounting for related-party transactions and disclosures (Note 30 to the statement of profit or loss)</p> <p>During the financial year the Company entered into significant transactions with its subsidiaries and associates, which are considered to be its related companies. According to the disclosures made in Note 30, at 31 December 2019 the Company's exposure with respect to receivables from its related companies amounts to HRK 185,090 thousand (2018: HRK 198,317 thousand) and its liabilities to related parties amount to HRK 48,413 thousand (2018: HRK 46,225 thousand).</p> <p>Based on the unconsolidated statement of comprehensive income, the Company's operating income from related companies amounts to HRK 67,486 thousand (2018: HRK 70,621 thousand) and its operating expenses with respect to related companies amount to HRK 68,627 thousand (2018: HRK 69,872 thousand). Other related-party transactions include financial income in the amount of HRK 44,607 thousand (2018: HRK 58,521 thousand) and financial expenses in the amount of HRK 649 thousand (2018: HRK 122 thousand).</p> <p>In addition to the transactions involving related companies, the Company also transacted with the members of its Supervisory and Management Boards as well as its executive directors, who also qualify as related parties. Transactions with related parties are recorded based on the economic substance of the transactions, rather than their legal form. The Company recognizes transactions with related parties in accordance with the International Financial Reporting Framework related accounting standards that form part of the International Financial Reporting Standards, as adopted in the European Union. Given the significant amount of transactions that the Company incurs with its related parties, and since the Company's related parties are not domiciled in the same country as the Company, we have determined that the accounting and disclosure of related party transactions to be one of the key audit matters.</p>	<p>In order to respond to related party related risks identified as a key audit matter, we have designed audit procedures enabling us to obtain relevant and appropriate audit evidence for us to conclude on the matter. We have performed the following related-party audit procedures:</p> <ul style="list-style-type: none"> • Review and verification of the applied related party accounting policies, in line with the applicable accounting framework; • Gaining an understanding of the control surroundings and internal controls established by the Management Board in the related-party accounting, identification and disclosure processes; • Substantive testing of all identified related party transactions, which included: <ul style="list-style-type: none"> • Reviewing the external expert's report to confirm that an assessment has been performed relating to the arm's length nature of related party transactions • Assessing steps performed by the Management Board in order to properly account for all related party transactions; • Obtaining confirmation letters from all related parties, and reconciling them against the balances and transactions recorded by the Company; • Where no response obtained, performing alternative audit procedures on a sample basis by identifying subsequent receipts and disbursements and reconciling them against recorded amounts; • Determining appropriateness and sufficiency of disclosure of related party transactions in accordance with IAS 24: Related Parties. <p>We determined that the applicable accounting policies for recording related party transactions were appropriately applied and that the related party disclosures were sufficient.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the separate financial statements and our auditor's report.

Our opinion on the separate financial statements does not cover the other information.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the Management Report and the Corporate Governance Statement, which are included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examination of whether the Management Report and Corporate Governance Statement includes required disclosures as set out in the Articles 21 and 22 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in the Article 22 of the Accounting Act.

Based on the procedures performed during our audit, to the extent we are able to assess it, we report that:

- 1) Information included in the other information is, in all material respects, consistent with the attached separate financial statements.
- 2) Management Report has been prepared, in all material respects, in accordance with the Article 21 of the Accounting Act.
- 3) Corporate Governance Statement has been prepared, in all material aspects, in accordance with the Article 22, paragraph 1, items 3 and 4 of the Accounting Act, and includes also the information from the Article 22, paragraph 1, point 2, 5, 6 and 7

Based on the knowledge and understanding of the Company and its environment, which we gained during our audit of the separate financial statements, we have not identified material misstatements in the other information.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRSs and for such internal control as Management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements

Other reporting obligations as required by Regulation (EU) No. 537/2014 of the European Parliament and the Council and the Audit Act

We were appointed as the statutory auditor of the Company by the General Assembly on 11 July 2019 to perform audit of accompanying separate financial statements. Our total uninterrupted engagement has lasted 10 years and covers period 1 January 2010 to 31 December 2019.

We confirm that:

- our audit opinion on the accompanying separate financial statements is consistent with the additional report issued to the Audit Committee of the Company on 14 April 2020 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

There are no services, in addition to the statutory audit, which we provided to the Company and its controlled undertakings.

The engagement partner on the audit resulting in this independent auditor's report is Marina Tonžetić.

Marina Tonžetić

Director and Certified auditor



Deloitte d.o.o.

14 April 2020
Radnička cesta 80,
10 000 Zagreb,
Croatia

Separate statement of comprehensive income for the year ended 31 December 2019

(All amounts are expressed in thousands of kunas)

	Notes	2019	2018
Sales	4	1,085,118	927,965
Other income	5	22,476	17,009
Total income		1,107,594	944,974
Increase in the value of work in progress and finished products		1,252	2,432
Cost of raw material and supplies	6	(491,305)	(445,141)
Cost of goods sold	7	(206,527)	(143,103)
Service costs	8	(66,079)	(69,691)
Staff costs	9	(193,346)	(174,870)
Depreciation and amortisation	10	(66,712)	(53,042)
Other operating expenses	11	(28,212)	(28,783)
Provisions for risks and charges (net)	12	(2,039)	(4,705)
Total operating expenses		(1,052,968)	(916,903)
Profit from operations		54,626	28,071
Financial income	13	49,606	78,468
Financial expenses	14	(13,782)	(17,988)
Profit from financing activities		35,824	60,480
Profit before taxation		90,450	88,551
Income tax expense	15	(304)	410
Profit for the year		90,146	88,961
Total comprehensive income for the year		90,146	88,961
Earnings per share			
Basic and diluted earnings per share (in kunas and lipas)	16	21.83	21.43

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

Separate statement of financial position At 31 December 2019

(All amounts are expressed in thousands of kunas)

Assets	Notes	31.12.2019	31.12.2018
Non-current assets			
Intangible assets	17	84,090	84,219
Property, plant and equipment	18	569,852	495,472
Right-of-use assets	19	13,716	-
Investment property	20	54,406	54,676
Investments in subsidiaries and associates	21	149,367	149,366
Other financial assets	22	88,089	81,856
Long-term receivables	23	17,813	44,680
Deferred tax assets	15	725	1,029
Total non-current assets		978,058	911,298
Current assets			
Inventories	24	96,990	140,476
Trade receivables	25	236,687	187,432
Other receivables	26	15,723	19,970
Current financial assets	27	22,662	6,410
Cash and cash equivalents	28	8,298	16,136
Prepaid expenses and accrued income	29	68,260	49,917
Total current assets		448,620	420,341
TOTAL ASSETS		1,426,678	1,331,639

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

Separate statement of financial position

At 31 December 2019 (continued)

(All amounts are expressed in thousands of kunas)

Shareholders' equity and liabilities	Notes	31.12.2019	31.12.2018
Shareholders' equity and liabilities			
Share capital	30	419,958	419,958
Capital reserves		191,988	191,903
General reserves		69,945	18,936
Retained earnings		-	13,395
Profit for the year		90,146	88,961
Total shareholders' equity		772,037	733,153
Long-term provisions	31	3,642	3,438
Long-term borrowings and deposits	32	177,344	206,328
Lease liabilities	33	6,840	-
Total non-current liabilities		187,826	209,766
Advances received	34	20,717	59,309
Trade payables	35	195,074	168,163
Short-term borrowings	36	208,986	126,031
Other current liabilities	37	17,877	16,472
Lease liabilities	33	7,013	-
Short-term provisions	31	12,980	13,022
Accrued expenses	38	4,168	5,723
Total current liabilities		466,815	388,720
Total liabilities		654,641	598,486
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,426,678	1,331,639

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

Separate statement of changes in shareholders' equity For the year ended 31 December 2019

(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Legal reserve	General reserves	Reserves for own (treasury) shares	Own (treasury) shares	Retained earnings	Total
Balance at 31 December 2018	419,958	191,903	6,129	2,806	22,124	(12,124)	102,356	733,152
Profit for the year	-	-	-	-	-	-	90,146	90,146
Other comprehensive income for the year, net of income taxes	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	90,146	90,146
Dividends paid	-	-	-	-	-	-	(51,676)	(51,676)
Purchase of own (treasury) shares	-	-	-	-	-	(905)	-	(905)
Disposal of own (treasury) shares	-	85	-	1,234	(1,234)	1,234	-	1,319
Reserves for not written off costs of development	-	-	-	50,680	-	-	(50,680)	-
Balance at 31 December 2019	419,958	191,988	6,129	54,720	20,890	(11,795)	90,146	772,036

Under Accounting Act, Article 19, Paragraph 14, AD Plastik d.d. has made provisions for not written off development costs stated in Assets. The accompanying accounting policies and notes form an integral part of these separate financial statements.



Separate statement of changes in shareholders' equity For the year ended 31 December 2019 (continued)

(All amounts are expressed in thousands of kunas)



	Share capital	Capital reserves	Legal reserve	General reserves	Reserves for own (treasury) shares	Own (treasury) shares	Retained earnings	Total
Balance at 31 December 2017	419,958	191,702	6,129	21,611	3,319	(3,319)	56,261	695,661
Impact of IFRS 9 application	-	-	-	-	-	-	(1,524)	(1,524)
Balance at 1 January 2018 (after the adoption of IFRS 9)	419,958	191,702	6,129	21,611	3,319	(3,319)	54,737	694,137
Profit for the year	-	-	-	-	-	-	88,961	88,961
Other comprehensive income for the year, net of income taxes	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	88,961	88,961
Dividends paid	-	-	-	-	-	-	(41,342)	(41,342)
Purchase of own (treasury) shares	-	-	-	(11,554)	11,554	(11,554)	-	(11,554)
Disposal of own (treasury) shares	-	201	-	2,749	(2,749)	2,749	-	2,950
Creation of reserves for purchase of own (treasury) shares	-	-	-	(10,000)	10,000	-	-	-
Balance at 31 December 2018	419,958	191,903	6,129	2,806	22,124	(12,124)	102,356	733,152

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

Separate statement of cash flows

For the year ended 31 December 2019

(All amounts are expressed in thousands of kunas)

Cash flows from operating activities	Notes	2019	2018
Profit for the year		90,146	88,961
Adjusted for:			
Income tax	15	304	(410)
Depreciation and amortisation	10	66,712	53,042
Write-off of property, plant and equipment and intangible assets	17	1,040	1,137
Interest expense and exchange rates recognised in profit or loss	13, 14	9,107	10,375
Dividend income	13	(40,376)	(54,536)
Revenues from forward contract	13	(312)	-
Gain from sale of property, plant and equipment and intangible assets	5	(4,037)	(765)
Interest income	13	(4,242)	(4,051)
Increase of value of financial share in a subsidiary	13	-	(12,268)
Increase in long-term and short-term provisions (net)	31	162	4,364
Trade receivables written-off and reversals net	11,5	363	(358)
(Decrease) of accrued expenses and deferred income	37	(1,555)	(4,430)
(Increase)of accrued income and prepaid expenses	29	(18,343)	(21,989)
Profit from operations before working capital changes		98,969	59,072
Decrease/(Increase) in inventories	24	43,485	(64,691)
(Increase)/decrease in current and non-current trade receivables		(74,537)	75,463
Decrease in other receivables	26	4,247	8,289
Increase in trade payables	34	27,223	20,609
(Decrease)/increase of advances received	33	(38,592)	53,542
Increase/(decrease) in other current liabilities	36	2,726	(14)
Interest paid	36	(9,437)	(9,611)
Cash flows from operating activities		54,084	142,659
Cash flows from investing activities			
Investment in subsidiary	21	(1)	(70,959)
Interest received		825	305
Purchase of property, plant and equipment	18	(107,688)	(60,592)
Purchase of intangible assets	17	(28,914)	(26,106)
Given loans		(260)	-
Proceeds from sale of property, plant and equipment and intangible assets		6,449	3,504
Proceeds from repaid principal of loans given		31,148	18,652
Proceeds from received deposits	32	-	600
Proceeds from government grants		2,701	4,345
Dividends received		40,346	54,452
Cash (used) from investing activities		(55,394)	(75,799)

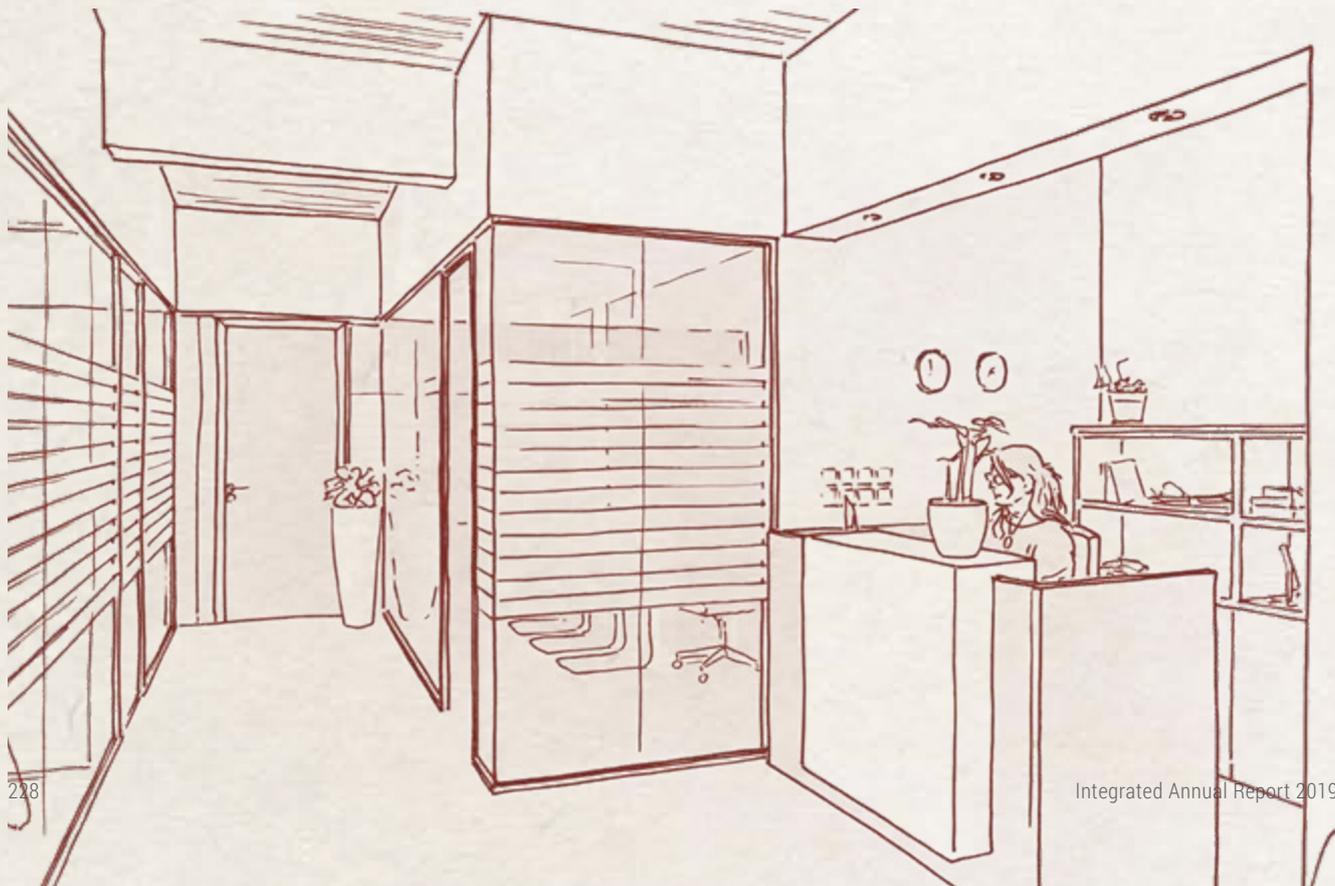
Separate statement of cash flows

For the year ended 31 December 2019 (continued)

(All amounts are expressed in thousands of kunas)

Cash flows from financing activities	Notes	2019	2018
Purchase of own (treasury) shares		(905)	(11,554)
Dividends paid		(51,676)	(41,342)
Proceeds from borrowings	32, 36	148,555	154,870
Repayment of borrowings	35	(94,609)	(155,371)
Repayment of lease		(7,893)	(471)
Cash used in financing activities		(6,528)	(53,868)
(Decrease)/increase in cash and cash equivalents, net		(7,838)	12,992
Cash and cash equivalents at the beginning of the year		16,136	3,144
Cash and cash equivalents at the end of the year	28	8,298	16,136

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



Notes to the separate financial statements For the year ended 31 December 2019

1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and amendments effective in current year

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

- **IFRS 16 “Leases”** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 “Financial Instruments” - Prepayment Features with Negative Compensation** – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 19 “Employee Benefits” - Plan Amendment, Curtailment or Settlement** – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 “Investments in Associates and Joint Ventures” - Long-term Interests in Associates and Joint Ventures** – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2015 -2017)”** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- **IFRIC 23 “Uncertainty over Income Tax Treatments”** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Company's financial statements except in application of IFRS 16.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

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

- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to References to the Conceptual Framework in IFRS Standards** adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

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 for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at 14 April 2020:

- **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 17 “Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 “Business Combinations”** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),

1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- **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 deferred indefinitely until the research project on the equity method has been concluded).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

2. 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 year.

2.1. Statement of compliance

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

2.2. Basis of preparation

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

The preparation of the separate financial statements in accordance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards (IFRSs) effective in European Union requires from the Management Board 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 separate financial statements of the Company represent aggregate amounts of assets, liabilities, capital and reserves of the Company as of 31 December 2019, and the results of operations for the year then ended.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 21.

2.3. 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.

Revenue is stated net of value added tax, estimated returns, rebates and discounts. 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.

Income from sale of products

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. Sales to customers with whom self-invoicing has been arranged are recognised upon receiving from such a customer the confirmation of delivery, i.e. when significant risks are transferred to the customer.

Income from the manufacture of tools for a known customer

Accrued revenues from tools 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 estimates that the transfer of significant risks and benefits from the ownership of tools, gauges and other devices is met at the time of „SOP“ (Start Of Production), i.e. start of the mass production on them. At that point Company recognizes revenue from the sale of tools. Costs of modification, completion and similar tool costs Company recognizes as an increase in inventory value as part of inventory process.

Interest income

Interest income is recognised on a pro rata temporis 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 when accrued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4. Borrowing costs

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

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

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

2.5. 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 2019, the official exchange rate of the Croatian kuna against 1 Euro (EUR) was HRK 7,44258 (31 December 2018: 7,417575 HRK for EUR 1).

2.6. Income tax

Current tax

Income tax expense is based on taxable profit for the year and 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. The income tax rate for year 2018. and 2019 amounts to 18 %.

Deferred tax

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 income tax rate applicable to deferred tax assets is 18 %.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6. Income tax (continued)

Deferred tax (continued)

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.

2.7. Plant, 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 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:

Property, plant and equipment, and intangible assets	Depreciation rates in 2019	Depreciation rates in 2018
Buildings	1.50	1.50
Machinery	7.00	7.00
Tools, furniture, office and laboratory equipment, 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
Software	20.00	20.00

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8. 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.

2.9. 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 separate financial statements using the cost method of accounting.

An associate is an entity over which the Company has significant influence and usually 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 cost method of accounting.

2.10. Inventories

Inventories of raw material and spare parts are stated at the lower of cost and net realisable value, whichever is lower. 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.

2.11. Trade receivables and prepayments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11. Trade receivables and prepayments (continued)

Impairment is recognised 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 assets 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.

2.12. 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.

2.13. 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14. Termination, long-service and other employee benefits

(a) Pension-related 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. The contributions paid 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.

2.15. 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 accounting policies below.

Investments are recognized and derecognized on a trade date basis, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15. Financial instruments (continued)

Impact of IFRS 9 - Financial Instruments application

In 2018., the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. Company elected not to restate comparatives and recognize any adjustments to the carrying amounts of financial assets and liabilities in opening retained earnings as of the date of initial application of IFRS 9 standard. Key indicators included in model for calculation of financial instruments impairment in 2019 are:

- Probability of Default 2,38% (2,33% in 2018) and
- Loss Given Default 56,04% (46,10% in 2018).

Loans and receivables

Trade, loan and other receivables with 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, where 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.

Impairment of financial assets

Financial assets are assessed for indications of impairment at each date of the statement of financial position. A financial asset 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.

Impairment loss on a financial asset is recognised by reducing the carrying amount of the asset 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15. Financial instruments (continued)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset have expired, when the asset is transferred and when substantially all the risks and rewards of ownership of the asset are passed onto 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 underlying contractual arrangement.

2.16. Contingencies

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

2.17. Events subsequent to the date of the statement of financial position

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. Subsequent events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

2.18. Segment reporting

The Company monitors and presents the results of its principal operating segments separately. The segment reporting is based on identified geographical areas. Certain financial information about the geographical segments are presented in Note 4.

The Company presents the revenue by geographical location, but does not monitor information about the long-term assets and the revenue generated in those areas from external customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19. Leases

IFRS 16 „Leases“ was issued by the IASB in January 2016. The standard replaces IAS 17 „Leases“ for reporting periods commencing on or after 1 January 2019.

IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and instead, introduces a single lessee accounting model. Lessor accounting under IFRS 16 is basically unchanged compared to the IAS 17. Lessors will continue to distinguish between operating and finance type of leases.

IFRS 16 sets the principles for recognition, measurement, presentation and disclosure of leases. Leases are recognised by the present value of the lease payments and showed either as lease assets (right-of-use assets) or together with property, plant and equipment. Company also recognises a financial liability representing its obligation to make future lease payments. Lessees are required to recognise separately interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees are also required to re-measure lease liability due to certain events (e.g. a change in lease term, a change in future lease payments, resulting from a change in an index or discounting rate). The standard includes two recognition exemptions for lessees: „low-value“ leases (e.g. tablets and personal computers) and „short-term“ leases (leases which ends within 12 months). Low-value leases are considers assets with value lower than 5.000 USD.

The Company has chosen to apply the standard using a cumulative catch-up approach.

At the date of transition lease liability are calculated as outstanding liability for existing leases using incremental borrowing rate. The right-of-use assets are measured at the amount of the lease liability, adjusted by amount of the prepaid or accrued lease payments. Right-of-use assets and lease liabilities will be reported separately in the statement of financial position.

The Company has elected not to apply the requirements of IFRS 16 for low-value leases (e.g. printers) and short-term leases (e.g. apartments). Detailed movement of right of use assets are presented in Note 19 and movements of lease liability in Note 33.

2.20. Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination (IFRS 3), (ii) held for trading, or (iii) it is designated as at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20. Financial liabilities (continued)

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 2, the Management Board is 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 intangible assets, impairment of receivables, and actuarial estimates. 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 and intangible assets

As described in Note 2.7., the Company reviews the estimated useful lives of property, plant and equipment and intangible assets 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 all unused tax losses to the extent that it is probable that taxable profit will be available against which the related tax benefit could be realised. In determining the amount of deferred taxes that can be recognised significant judgement is required, which is based on the probable quantification of time and level of future taxable profits, together with the future tax planning strategy. In 2017, deferred tax assets were recognised in respect of tax differences available for utilisation.

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. Company applies the simplified approach according to IFRS 9 and recognises lifetime expected credit losses for trade receivables.

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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Accounting treatment of tools

According to the information available to the Company, tools are treated as inventory and are recognized in Company's Statement of financial position from the date of purchase to the date of start of production of mass deliveries to customers (SOP– Start Of Production). Date of start of production of mass deliveries shall be the date when significant risks and rewards of ownership of tools are transferred to the buyer.

Provision for legal claims

There are a number of legal actions which have arisen from the regular course of operations. Management makes estimates of probable outcomes of the legal actions and recognises provisions for the liabilities that may arise to the Company in respect of claims. The Company recognises a provision in the total expected amount of outflows of economic benefits as a result of the court case, which is generally the claim amount plus the estimated related legal costs and penalty interest (if applicable), if it is more likely than not, based on the opinion of management after consultation with legal advisers, that the outcome of the court case will be unfavourable for the Company. The Company does not recognise provisions for court cases or the expected related legal costs and penalty interest (if applicable) in cases where management estimates that an unfavourable outcome of the court case is less likely than a favourable outcome for the Company.

Where indications exist of a possible settlement in relation to a particular court case, a provision is recognised, based on the best estimate of management made in consultation with its legal advisers, in the amount of the expected settlement less any existing amounts already provided for in relation to that particular court case.

Useful life of Projects

The Management of the Company considers it appropriate to amortize the development part of the Projects for an average duration of five years. The Management believes that the described period represents the average duration of the production cycle to which the described Projects are concerned.

4. SALES

(in thousands of kunas)

	2019	2018
Foreign sales	1,072,443	914,105
Domestic sales	12,675	13,860
	1,085,118	927,965

4. SALES (continued)

Segment revenue analysis by country:

	2019	2018
Slovenia	505,095	432,190
France	244,087	189,415
Germany	83,984	77,157
Romania	80,072	20,639
Russia	42,029	45,746
Italy	37,337	51,417
Serbia	32,828	54,334
Spain	21,950	20,991
Others	37,736	36,076
	1,085,118	927,965

5. OTHER INCOME

(in thousands of kunas)

	2019	2018
Gain from sale of long-term assets	4,037	765
Service income – cardboard packaging	3,790	5,892
Income from consumption of own products and services	3,315	1,100
Income from product development	3,077	394
Rental income	2,493	2,366
Income from the sale of services to tenants	1,293	1,555
Income from validation and laboratory testing	930	684
Income from transport services	682	89
Income from additional processing	475	174
Income from damages and insurance	378	391
Income from maintaining safety stock	372	883
Income from waste management services	278	378
Income from the quality control	228	199
Income from reversal of provisions for unused vacation, pensions and retirement	21	279
Other operating income	1,107	1,860
	22,476	17,009

6. COST OF RAW MATERIAL AND SUPPLIES

(in thousands of kunas)

	2019	2018
Direct materials	445,007	398,304
Other raw material and supplies	24,027	28,851
Electricity	22,271	17,986
	491,305	445,141

7. COST OF GOODS SOLD

(in thousands of kunas)

	2019	2018
Cost of tools sold	111,903	34,409
Cost of merchandise	61,641	68,729
Cost of materials sold	28,514	35,052
Re-export costs	2,618	4,317
Other costs of goods sold	1,851	596
	206,527	143,103

8. SERVICE COSTS

(in thousands of kunas)

	2019	2018
Transport	39,387	36,575
Current maintenance and preventive maintenance of machinery	7,420	6,953
Rental and lease costs	3,713	10,512
Royalty fees	3,649	3,811
Communal fee	1,710	1,315
Engineering services costs	1,626	1,701
Water	1,189	1,327
Info-communication costs	1,153	1,147
Other service costs	6,232	6,350
	66,079	69,691

9. STAFF COSTS

(in thousands of kunas)

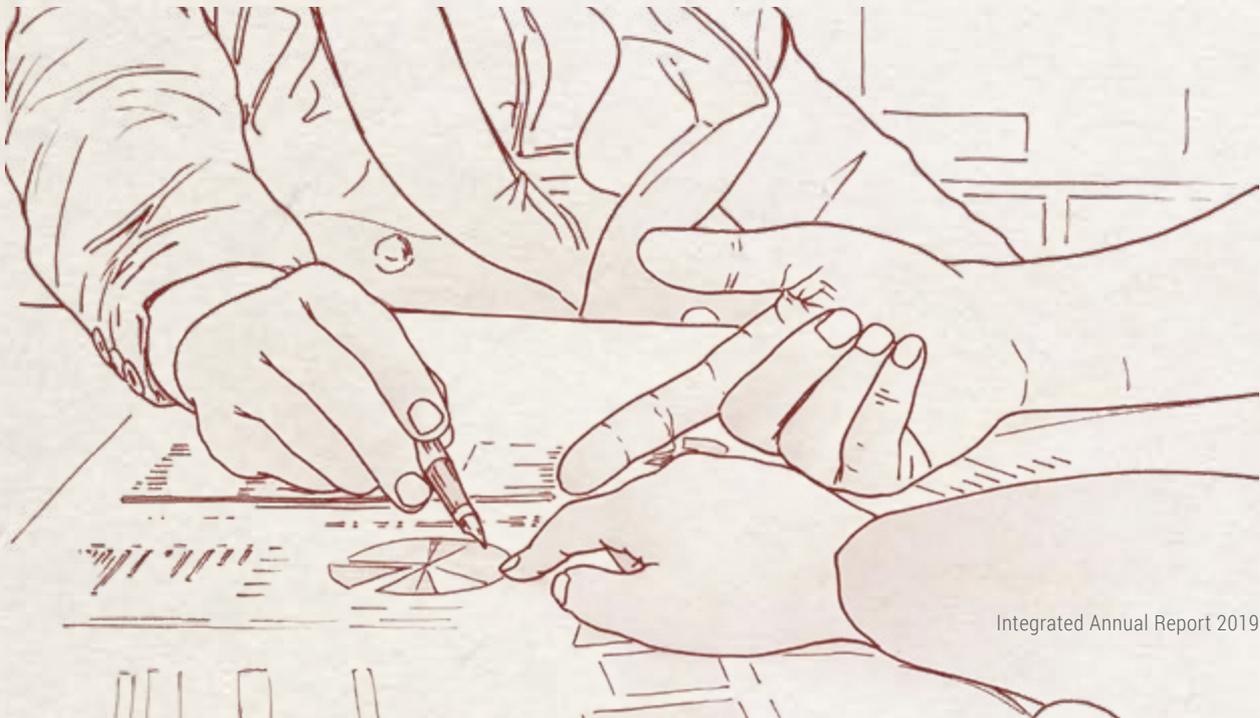
	2019	2018
Net wages and salaries	105,630	96,592
Taxes and contributions out of salaries	40,541	37,556
Contributions on salaries	22,655	22,185
Other staff costs	24,520	18,537
	193,346	174,870

Other staff costs comprise jubilee awards, termination benefits, per diems, overnight accommodation costs and business travel costs, commuting costs and other business-related costs.

10. DEPRECIATION AND AMORTISATION

(in thousands of kunas)

	2019	2018
Depreciation of property, plant and equipment (Note 18)	32,187	27,063
Amortisation of intangible assets (Note 17)	26,198	25,198
Depreciation of right of use (IFRS 16; Note 19)	7,542	-
Depreciation of investment property (Note 20)	785	781
	66,712	53,042



11. OTHER OPERATING EXPENSES

(in thousands of kunas)

	2019	2018
Intellectual service cost	5,624	6,625
Customer complaints	4,497	8,658
Cost of unusable inventories and inventory shortage costs	3,145	-
Other non-material costs	2,756	1,421
Communal fees for the use of construction plots	1,528	1,564
Insurance premiums	1,442	1,329
Professional training costs	1,267	1,208
Intangible assets write-off (Note 17)	1,040	1,137
Entertainment	792	1,029
Measuring equipment and laboratory tests	573	598
Gifts, donations and sponsorships	482	408
Support to employees and their families	464	358
Bank and transaction charges	393	388
Receivables impairment	363	-
Forest reproduction levies	296	253
Withholding tax	242	67
Cost of goods provided free of charge	192	367
Penalties for missing handicapped employment quotas	153	392
Damages reimbursement	139	85
Workplace health and safety	122	167
Other expenses	2,702	2,729
	28,212	28,783

In Professional training costs in 2019 is included cost in amount of 10 thousands kunas to Company Deloitte d.o.o.

12. PROVISIONS FOR RISKS AND CHARGES

(in thousands of kunas)

	2019	2018
Vacation provisions, net (Note 31)	1,821	-
Provisions for jubilee benefits, net (Note 31)	218	173
Employee bonus provisions (Note 31)	-	2,429
Retirement / termination benefits, net (Note 31)	-	2,103
	2,039	4,705

13. FINANCIAL INCOME

(in thousands of kunas)

	2019	2018
Dividend income	40,376	54,536
Foreign exchange gains	4,676	7,613
Interest income	4,242	4,051
Income from forward contracts	312	-
Increase in value of financial share of a subsidiary AD Plastik Kaluga	-	12,268
	49,606	78,468

14. FINANCIAL EXPENSES

(in thousands of kunas)

	2019	2018
Interest expense	8,732	8,893
Foreign exchange losses	4,709	9,095
Interest expense on lease liabilities	341	-
	13,782	17,988

15. INCOME TAX

(in thousands of kunas)

Income tax comprises the following:

	2019	2018
Deferred tax	(304)	410
	(304)	410

15. INCOME TAX (continued)

(in thousands of kunas)

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

	2019	2018
Balance at 1 January	1,029	619
(Reversal)/recognition of deferred tax assets	(304)	410
Balance at 31 December	725	1,029

Deferred tax assets arise from the following:

2019	Opening balance	(Charged) to statement of comprehensive income, net	Closing balance
<i>Temporary differences:</i>			
Provisions for jubilee service and termination benefits	1,029	(304)	725
Balance at 31 December	1,029	(304)	725

2018	Opening balance	Credited to statement of comprehensive income, net	Closing balance
<i>Temporary differences:</i>			
Provisions for jubilee service and termination benefits	619	410	1,029
Balance at 31 December	619	410	1,029



15. INCOME TAX (continued)

(in thousands of kunas)

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

	2019	2018
Accounting profit before tax	90,450	88,551
Effect of tax base increasing items	10,313	16,327
Effect of tax base decreasing items	(48,749)	(71,025)
Tax base	52,014	33,853
Tax at the rate of 18%	9,363	6,094
Tax reliefs	(9,363)	(6,094)
Deferred tax recognised in profit or loss	304	(410)
Income tax expense	304	(410)

The effective income tax rate in Republic of Croatia in year 2019 was 18%.

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, having thus met the prerequisites for the utilization of the tax incentives for 2019.

16. EARNINGS PER SHARE

(in thousands of kunas)

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.

	2019	2018
Net profit (in HRK '000)	90,146	88,961
Weighted average number of shares	4,129,554	4,152,183
Basic and diluted earnings per share (in kunas and lipas)	21.83	21.43

17. INTANGIBLE ASSETS

(in thousands of kunas)

	Software	Projects	Other intangible assets	Intangible assets under development	Total
Cost					
Balance at 31 December 2017	6,945	199,629	-	16,388	222,962
Additions	-	-	-	26,106	26,106
Transfer from assets under development	3,002	9,041	279	(12,322)	-
Disposals	-	(2,035)	-	-	(2,035)
Write-off	-	-	-	(1,137)	(1,137)
Balance at 31 December 2018	9,947	206,635	279	29,035	245,896
Additions	-	-	-	28,914	28,914
Transfer from assets under development	736	26,962	5,332	(33,030)	-
Disposals	-	(2,107)	-	-	(2,107)
Write-off	-	(1,768)	-	-	(1,768)
Balance at 31 December 2019	10,683	229,722	5,611	24,919	270,935
Accumulated amortisation					
Balance at 31 December 2017	5,258	131,232	-	-	136,490
Charge for the year (Note 10)	1,606	23,585	7	-	25,198
Disposals	-	(10)	-	-	(10)
Balance at 31 December 2018	6,864	154,807	7	-	161,678
Charge for the year (Note 10)	2,028	23,492	678	-	26,198
Disposals	-	(303)	-	-	(303)
Write-off	-	(728)	-	-	(728)
Balance at 31 December 2019	8,892	177,268	685	-	186,845
Net book value					
At 31 December 2018	3,083	51,829	272	29,035	84,219
At 31 December 2019	1,791	52,454	4,926	24,919	84,090

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.

18. PROPERTY, PLANT AND EQUIPMENT

(in thousands of kunas)

	Land	Buildings	Plant and equipment	Assets under development	Total
Cost					
Balance at 31 December 2017	131,402	221,851	405,373	35,552	794,178
Additions	-	-	-	60,592	60,592
Transfer from assets under development	-	13,881	46,619	(60,500)	-
Disposals	(567)	-	(1,032)	-	(1,599)
Retirements	-	-	(926)	-	(926)
Decrease based on government grants	-	-	-	(534)	(534)
Transfer to investment property (Note 20)	(904)	(4,847)	-	-	(5,751)
Balance at 31 December 2018	129,931	230,886	450,034	35,109	845,960
Additions	-	-	-	107,688	107,688
Transfer from assets under development	365	20,455	104,277	(125,097)	-
Disposals	-	-	(3,257)	-	(3,257)
Retirements	-	-	(2,180)	-	(2,180)
Transfer to investment property (Note 20)	(12)	(503)	-	-	(515)
Balance at 31 December 2019	130,284	250,838	548,874	17,700	947,696
Accumulated depreciation					
Balance at 31 December 2017	-	68,482	258,604	-	327,086
Charge for the year (Note 10)	-	3,290	23,773	-	27,063
Disposals	-	-	(885)	-	(885)
Retirements	-	-	(926)	-	(926)
Transfer to investment property (Note 20)	-	(1,850)	-	-	(1,850)
Balance at 31 December 2018	-	69,922	280,566	-	350,488
Charge for the year (Note 10)	-	3,510	28,677	-	32,187
Disposals	-	-	(2,651)	-	(2,651)
Retirements	-	-	(2,180)	-	(2,180)
Balance at 31 December 2019	-	73,432	304,412	-	377,844
Net book value					
At 31 December 2018	129,931	160,964	169,468	35,109	495,472
At 31 December 2019	130,284	177,406	244,462	17,700	569,852

Total amount of liabilities under financial leases at 31 December 2019 amounts to HRK 1,076 thousand (31 December 2018: HRK 1,557 thousand). Total amount of financial leases was used to finance plant and equipment. From assets mentioned above, pledged assets are lands with book value of (in thousand HRK) 130,284 (in 2018: 129,931), buildings 177,406 (in 2018: 160,964) and plant and equipment 51,664 (in 2018: 33,713)

19. RIGHT OF USE ASSETS

(in thousands of kunas)

	Buildings	Plants and equipment	Total
Cost			
Balance at 1 January 2019	15,004	5,474	20,478
Additions	460	320	780
Balance at 31 December 2019	15,464	5,794	21,258
Accumulated depreciation			
Balance at 1 January 2019	-	-	-
Charge for the year (Note 10)	5,226	2,316	7,542
Balance at 31 December 2019	5,226	2,316	7,542
Net book value			
At 31 December 2019	10,238	3,478	13,716

Amounts recognised in profit or loss

	2019	2018
Depreciation expense on right of use assets	7,542	-
Interest expense on lease liabilities	341	-
Expense relating to short-term leases	1,940	-
Expense relating to leases of low value	1,228	-
Expenses relating to variable lease payments not included in the measurement of lease liability	545	-
Total	11,596	-

20. INVESTMENT PROPERTY

(in thousands of kunas)

	Land	Buildings	Total
Cost			
Balance at 31 December 2017	15,881	47,353	63,233
Transferred from property, plant and equipment (Note 18)	904	4,846	5,750
Balance at 31 December 2018	16,785	52,199	68,984
Transferred from property, plant and equipment (Note 18)	12	503	515
Balance at 31 December 2019	16,797	52,702	69,499
Accumulated depreciation			
Balance at 31 December 2017	-	11,677	11,677
Transferred from property, plant and equipment (Note 18)	-	1,850	1,850
Charge for the year (Note 10)	-	781	781
Balance at 31 December 2018	-	14,308	14,308
Transferred from property, plant and equipment (Note 18)	-	-	-
Charge for the year (Note 10)	-	785	785
Balance at 31 December 2019	-	15,093	15,093
Net book value			
Balance at 31 December 2018	16,785	37,891	54,676
Balance at 31 December 2019	16,797	37,609	54,406

In 2018 the part of the building used to rent office space was reclassified. Income from the rental of the building in 2019 amounts to HRK 2,316 thousand (2018: HRK 2,202 thousand), and the depreciation charge for the year 2019 amounts to HRK 785 thousand (2018: HRK 781 thousand).

21. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

(in thousands of kunas)

Set out below are details of the Company'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	
			31.12.2019	31.12.2018	31.12.2019	31.12.2018
AD Plastik Tisza Kft.	Manufacture of other vehicle spare parts	Tiszaújváros, Hungary	100.00 %	100.00 %	70,959	70,959
ZAO AD Plastik Kaluga	Manufacture of other vehicle spare parts and accessories	Kaluga, Russian Federation	100.00 %	100.00 %	36,503	36,503
ADP d.o.o.	Manufacture of other vehicle spare parts and accessories	Mladenovac, Serbia	100.00 %	100.00 %	15,014	15,014
AO AD Plastik Togliatti	Manufacture of other vehicle spare parts and accessories	Samara, Russian Federation	100.00 %	99.99 %	5,078	5,077
AD Plastik d.o.o.	Manufacture of other vehicle spare parts and accessories	Novo Mesto, Slovenia	100.00 %	100.00 %	58	58
					127,612	127,611

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, in HRK '000	
			31.12.2019	31.12.2018	31.12.2019	31.12.2018
Euro Auto Plastic Systems	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	50.00 %	50.00 %	21,755	21,755
					21,755	21,755
Total investments in subsidiaries and associates					149,367	149,366

Ad Plastik d.d., Solin has a 50-percent equity share in Euro Auto Plastic Systems, but has no control over the entity. However, the company is treated as an associate.

21. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (continued)

(in thousands of kunas)

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

AD PLASTIK d.o.o., Novo Mesto, Slovenia	31.12.2019	31.12.2018
Total assets	3,609	3,603
Total liabilities	(148)	(143)
Net assets	3,461	3,460
Share in the net assets of the subsidiary	100.00%	100.00%

AO AD Plastik Togliatti, Samara, Russian Federation	31.12.2019	31.12.2018
Total assets	135,622	137,674
Total liabilities	(86,318)	(116,045)
Net assets	49,304	21,629
Share in the net assets of the subsidiary	100.00%	99.99%

ZAO AD Plastik Kaluga, Kaluga, Russian Federation	31.12.2019	31.12.2018
Total assets	140,192	104,519
Total liabilities	(124,409)	(105,319)
Net assets	15,783	(800)
Share in the net assets of the subsidiary	100.00%	100.00%

ADP d.o.o, Mladenovac, Serbia	31.12.2019.	31.12.2018.
Total assets	79,313	87,333
Total liabilities	(66,663)	(74,850)
Net assets	12,650	12,483
Share in the net assets of the subsidiary	100.00%	100.00 %

AD Plastik Tisza Kft., Tiszaújváros, Hungary	31.12.2019.	31.12.2018.
Total assets	123,508	136,745
Total liabilities	(87,851)	(93,886)
Net assets	35,657	42,859
Share in the net assets of the subsidiary	100.00%	100.00%

22. OTHER FINANCIAL ASSETS

(in thousands of kunas)

	31.12.2019	31.12.2018
Long-term loans to subsidiaries	100,679	81,794
Other financial assets	62	62
Long-term loans to unrelated companies	-	68
Current portion of long-term loan receivables (Note 27)	(12,652)	(68)
	88,089	81,856

Long-term investment loans were granted to the subsidiaries with maturities from four to eight years and an interest rate of 3.42 %.

23. LONG-TERM RECEIVABLES

(in thousands of kunas)

	31.12.2019	31.12.2018
AO AD Plastik Togliatti, Russia	14,820	14,191
ZAO AD Plastik Kaluga, Russia	2,993	30,489
	17,813	44,680

24. INVENTORIES

(in thousands of kunas)

	31.12.2019	31.12.2018
Raw material and supplies on stock	56,596	52,092
Prepayments for tools	11,897	33,958
Finished products	13,629	14,714
Work in progress	7,905	5,573
Merchandise on stock	3,628	3,748
Tools	3,335	30,391
	96,990	140,476

There was no impairment allowance on inventories at 31 December 2019.

25. TRADE RECEIVABLES

(in thousands of kunas)

	31.12.2019	31.12.2018
Foreign trade receivables	232,064	183,068
Domestic trade receivables	6,008	5,579
Impairment allowance on receivables	(1,385)	(1,215)
	236,687	187,432

The average credit period on sales is 74 days (2018: 97 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.

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

	2019	2018
Balance at beginning of the year	1,127	1,293
Amounts written-off in total during the year	-	(166)
Total impairment allowance on domestic trade receivables	1,127	1,127
Balance at beginning of the year	88	27
IFRS 9 first adoption	-	104
Movements based on IFRS 9 expected credit losses calculation for year end	170	(43)
Total impairment allowance on foreign trade receivables	258	88
Total impairment allowance	1,385	1,215

All receivables provided against are under litigation or included in bankruptcy estate. The maturity of the receivables can be analysed as follows:

	31.12.2019	31.12.2018
0 - 365 days past due	170	137
Over 365 days	1,215	1,078
	1,385	1,215

25. TRADE RECEIVABLES (continued)

(in thousands of kunas)

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

	31.12.2019	31.12.2018
0 - 365 days past due	59,991	71,372
Over 365 days past due	12,358	3,488
	72,349	74,860

The majority of the receivables past due beyond 365 days comprise amounts owed by the subsidiaries.

26. OTHER RECEIVABLES

(in thousands of kunas)

	31.12.2019	31.12.2018
Receivables from the State and State institutions	13,970	10,789
Domestic prepayments made	897	4,114
Foreign prepayments made	827	4,911
Amounts due from employees	27	135
Other receivables	2	21
	15,723	19,970

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.

27. CURRENT FINANCIAL ASSETS

(in thousands of kunas)

	31.12.2019	31.12.2018
Current portion of long-term loan receivables (Note 22)	12,652	68
Interest receivables	9,698	6,341
Forward contract	312	-
Other deposits	-	1
	22,662	6,410

Interest receivables mostly relate to loans given to subsidiaries.

28. CASH AND CASH EQUIVALENTS

(in thousands of kunas)

	31.12.2019	31.12.2018
Foreign account balance	8,229	16,015
Current account balance	41	107
Cash in hand	28	14
	8,298	16,136

29. PREPAID EXPENSES AND ACCRUED INCOME

(in thousands of kunas)

	31.12.2019	31.12.2018
Accrued income on tools	58,280	39,786
Accrued sales income	1,855	-
Prepaid operating expenses	923	2,541
Other accrued income	7,202	7,590
	68,260	49,917

30. SHARE CAPITAL

Subscribed capital amounts to HRK 419,958 thousand and consists of 4,199,584 shares, with a nominal value of HRK 100 per share (2018: HRK 419,958 thousand, comprising 4,199,584 shares, with a nominal value of HRK 100 each).

31. LONG-TERM AND SHORT-TERM PROVISIONS

(in thousands of kunas)

	Short-term		Long-term	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Vacation accrual	6,007	4,186	-	-
Employee bonuses	5,990	5,990	-	-
Termination benefits	91	1,980	2,038	2,057
Jubilee awards (long-service benefits)	293	298	1,604	1,381
Legal cases	599	568	-	-
	12,980	13,022	3,642	3,438

31. LONG-TERM AND SHORT-TERM PROVISIONS (continued)

(in thousands of kunas)

Movement in provisions was as follows:

	Jubilee Awards	Retirement/termination benefits	Legal cases	Vacation accrual	Employee bonuses	Total
Balance at 1 January 2019	1,679	4,037	568	4,186	5,990	16,460
Increase/(decrease) in provisions, net	218	(1,908)	31	1,821	-	162
Balance at 31 December 2019	1,897	2,129	599	6,007	5,990	16,622

	Jubilee Awards	Retirement/termination benefits	Legal cases	Vacation accrual	Employee bonuses	Total
Balance at 1 January 2018	1,506	1,934	767	4,328	3,561	12,096
Increase/(decrease) in provisions, net	173	2,103	(199)	(142)	2,429	4,364
Balance at 31 December 2018	1,679	4,037	568	4,186	5,990	16,460

Defined benefit plan

According to the Collective Agreement, the Company has the obligation to pay long-service (jubilee awards), retirement-related and other benefits to employees. The Company operates a defined benefit plan for qualifying employees. Benefits payable upon retirement and long-service benefits are defined in the Union Agreement and employment agreements. 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 arising from long-service benefits and benefits payable upon retirement is determined using the Projected Credit Unit method and serves as the basis for arriving at the past and current service costs, the interest expense and the actuarial gain or loss.

Key assumptions used in calculating the required provisions are the discount rate of 2.49 % and the fluctuation rate of 9.96 %.

32. LONG-TERM BORROWINGS AND DEPOSITS

(in thousands of kunas)

	31.12.2019	31.12.2018
Long-term borrowings	278,821	267,993
Long-term commodity credits provided by suppliers	843	5,671
Liabilities for received deposits	600	600
	280,264	274,264
Current portion of long-term borrowings (Note 36)	(102,920)	(67,936)
Total long-term borrowings	177,344	206,328

Long-term borrowings 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. Majority of the long-term loans are repayable on a quarterly basis.

In 2019, the weighted average interest rate on the long-term loans was 1.93 %. 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:

	2019	2018
Balance at 1 January	206,328	202,445
New loans raised	42,233	69,463
Received deposits	-	600
Foreign exchange differences	479	(1,476)
Reclassification to short-term loans (Note 36)	(71,696)	(64,704)
Total long-term borrowings	177,344	206,328

33. LEASE LIABILITIES – IFRS 16

(in thousands of kunas)

	2019	2018
Balance at 1 January	20,478	-
Additions	780	-
Interest expense on lease liabilities	341	-
Payments	(7,746)	-
Total lease liabilities	13,853	-
Long-term lease	6,840	-
Short-term lease	7,013	-

34. ADVANCES RECEIVED

(in thousands of kunas)

	31.12.2019	31.12.2018
Foreign customers	20,717	59,309
	20,717	59,309

35. TRADE PAYABLES

(in thousands of kunas)

	31.12.2019	31.12.2018
Foreign trade payables	149,153	119,626
Domestic trade payables	45,921	48,537
	195,074	168,163

In 2019, the average days payables outstanding was 86 (2018: 78 days).

36. SHORT-TERM BORROWINGS

(in thousands of kunas)

	31.12.2019	31.12.2018
Short-term borrowings – principal payable	105,587	57,526
Current portion of long-term borrowings (Note 32)	102,920	67,936
Short-term borrowings – interest payable	479	569
	208,986	126,031

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. Majority of the total balance of the short-term borrowings are approved overdrafts on current accounts, with the limits renewable on an annual basis.

In 2019, the weighted average interest rate on the short-term loans was 1.53 %.

The Company fulfils all its obligations under the loans regularly.

	2019	2018
Balance at 1 January	126,031	133,455
Reclassification from long-term loans (Note 32)	71,696	64,704
New loans raised	106,322	85,407
Interest invoiced	8,732	8,893
Exchange rate differences	(90)	(1,446)
Interest paid	(9,096)	(9,611)
Principal repaid	(94,609)	(155,371)
Balance at 31 December	208,986	126,031

37. OTHER CURRENT LIABILITIES

(in thousands of kunas)

	31.12.2019	31.12.2018
Amounts due to employees	10,897	9,128
Due to the State and State institutions	6,888	7,313
Other current liabilities	92	31
	17,877	16,472

38. ACCRUED EXPENSES

(in thousands of kunas)

	31.12.2019	31.12.2018
Other current liabilities	3,831	5,185
Accrued tool expenses	337	538
	4,168	5,723

39. RELATED-PARTY TRANSACTIONS

(in thousands of kunas)

Transactions with related companies were as follows:

Receivables and payables for goods, services and interest	Receivables		Payables	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
ADP d.o.o. Mladenovac, Serbia	24,121	25,755	6,185	4,792
ZAO AD Plastik Kaluga, Russia	41,868	54,500	542	606
AO AD Plastik Togliatti, Russia	13,342	32,314	-	66
Euro APS, Romania	4,030	3,737	8	63
AD Plastik d.o.o., Slovenia	-	-	3,423	2,600
AD Plastik Tisza Kft., Hungary	3	217	878	888
Sankt-Peterburgskaya investicionaya kompaniya	-	-	164	122
	83,364	116,523	11,200	9,137

Receivables and payables for loans	Receivables		Payables	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
ZAO AD Plastik Kaluga, Russia	68,230	39,099	-	-
ADP d.o.o. Mladenovac, Serbia	20,844	20,610	-	-
AO AD Plastik Togliatti, Russia	12,652	22,085	-	-
Sankt-Peterburgskaya investicionaya kompaniya, Russia	-	-	37,213	37,088
	101,726	81,794	37,213	37,088

Sankt-Peterburgskaya investicionnaya kompaniya is member of Group in which is also company OAO Holding Autokomponenti. Company OAO Holding Autokomponenti holds 30% of shares in Company AD Plastik d.d.

39. RELATED-PARTY TRANSACTIONS (continued)

(in thousands of kunas)

Purchase transactions	Income		Expenses	
	2019	2018	2019	2018
Operating income and expenses				
AO AD Plastik Togliatti, Russia	20,949	18,764	-	169
ZAO AD Plastik Kaluga, Russia	19,018	22,058	1,031	737
ADP d.o.o. Mladenovac, Serbia	15,584	21,878	59,535	65,741
Euro APS, Romania	10,731	7,704	8	-
AD Plastik Tisza Kft., Hungary	1,203	217	5,974	1,195
AD Plastik d.o.o., Slovenia	1	-	2,079	2,030
	67,486	70,621	68,627	69,872

Financial transactions	Income		Expenses	
	2019	2018	2019	2018
Financial income and expenses				
Euro APS, Romania	40,370	54,519	-	-
ZAO AD Plastik Kaluga, Russia	2,224	1,792	-	-
AO AD Plastik Togliatti, Russia	1,191	1,012	-	-
ADP d.o.o. Mladenovac, Serbia	822	1,198	-	-
AD Plastik d.o.o., Slovenia	-	-	-	-
AD Plastik Tisza Kft., Hungary	-	-	-	-
Sankt-Peterburgskaya investicionaya kompaniya	-	-	649	122
	44,607	58,521	649	122

The total remuneration provided to the members of the Supervisory Board, the Management Board and executive directors in 2019 amounts to HRK 14,165 thousand (2018: HRK 12,499 thousand).

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(in thousands of kunas)

40.1. Gearing ratio

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

	31.12.2019	31.12.2018
Short-term borrowings (Note 36)	208,986	126,031
Long-term borrowings (Note 32)	176,744	205,728
Cash and cash equivalents (Note 28)	(8,298)	(16,136)
Deposits (Note 27)	-	(1)
Net debt	377,432	315,622
Equity	772,037	734,319
Net debt-to-equity ratio	48.89%	42.98%

Net debt includes commodity loans in the amount of HRK 843 thousand (31 December 2018: HRK 5,671 thousand) (Note 32).

Equity consists of share capital, reserves, own shares, retained earnings and profit for the year.

40.2. Categories of financial instruments

	31.12.2019	31.12.2018
Financial assets	387,263	379,647
Trade receivables (Note 25)	236,687	187,432
Given loans and other financial assets (Notes 22, 27)	100,741	81,856
Non-current trade receivables (Note 23)	17,813	44,680
Cash and cash equivalents and deposits (Note 28)	8,298	16,136
Other receivables and other financial assets	23,724	49,543
Financial liabilities	626,963	568,990
Loans and deposits received (Notes 32, 36)	386,330	332,359
Trade and other payables	240,633	236,631

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(in thousands of kunas)

40.2. Categories of financial instruments (continued)

Other receivables include the balances from the following line items in the statement of financial position: other receivables less receivables from the State, and other financial assets.

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 on loans and receivables designated at fair value through the statement of comprehensive income

40.3. 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	Assets		Liabilities		Net FX position	
	2019	2018	2019	2018	2019	2018
RUB	1,590	1,383	-	-	1,590	1,383
CZK	865	604	-	-	865	604
USD	106	162	11	93	95	69
GBP	19	41	5	302	14	(261)
EUR	377,576	366,402	475,027	456,491	(97,451)	(90,089)
	380,156	368,592	475,043	456,886	(94,887)	(88,294)

Foreign currency sensitivity analysis

On 31 December 2019, if EUR were to depreciate/appreciate by 1% compared to HRK, assuming all other variables remain unchanged, net profit of the Company for 2019. would be 975 thousand kunas (2018.: 901 thousand kunas) higher/(lower), because of positive/(negative) foreign exchange differences generated by conversion of trade receivables, cash and cash equivalents, trade payables and loans received denominated in EUR.

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(in thousands of kunas)

40.4. 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.

2019	Weighted average interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total	Book value
Assets								
Non-interest bearing	-	103,542	103,161	51,934	17,813	62	276,512	276,512
Interest bearing	3.42%	87	688	12,506	75,190	37,197	125,668	110,689
		103,629	103,849	64,440	93,003	37,259	402,180	387,201
Liabilities								
Non-interest bearing	-	95,718	109,153	28,922	7,440	-	241,233	241,233
Interest bearing	1.83%	1,581	21,480	192,207	174,022	10,210	399,500	386,330
		97,299	130,633	221,129	181,462	10,210	640,733	627,563
2018								
Assets								
Non-interest bearing	-	97,629	84,334	64,744	44,680	62	291,449	291,449
Interest bearing	3.96%	1	588	8,166	61,911	32,575	103,241	88,135
		97,630	84,922	72,910	106,591	32,637	394,690	379,584
Liabilities								
Non-interest bearing	-	100,064	71,192	65,263	112	-	236,631	236,631
Interest bearing	2.31%	1,633	14,973	115,453	188,737	26,462	347,258	332,359
		101,697	86,165	180,716	188,849	26,462	583,889	568,990

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

40.5. 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. Fair value is the price that would be generated from the sales of some item of an asset or paid for transferring some liability in a fair transaction between market participants at the measurement date, regardless of whether it would be directly visible or evaluated by applying some other valuation technique. At 31 December 2019, the carrying amounts of cash, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments match their fair values.

41. EVENTS SUBSEQUENT TO THE REPORTING DATE

The rapid development of the Covid-19 virus and its social and economic impact in Croatia and globally may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. In particular management expects global pandemic could impact on the assumptions and estimates used in determining value of financial assets and ultimately on adjustment of their carrying values. At this stage management is not able to reliably estimate the impact as events are unfolding day-by-day and the inability to predict the duration of a pandemic. At the date of issue of financial statements, most of our customers temporarily halted their production, and accordingly, our factories were temporarily closed and workers were sent on annual leave. According to available customer announcements at the date of publication of this report, customer factories are planned to open by the end of April 2020. The Company has taken necessary risk protection measures and adjusted its operations to the crisis in the industry. Operating costs have been reduced to what is necessary in the current circumstances, all with the aim of managing business continuity and continuing production immediately after receiving orders from customers. The company has applied for available government incentive measures related to the COVID-19 pandemic, the most significant of which is expected to be in the form of employee wage grants. The amount of incentives is not possible to predict as it will depend on the degree of reduction in the Group's revenue.

42. CONTINGENT LIABILITIES AND CAPITAL EXPENDITURE COMMITMENTS

Based on the Management's estimate, the Company had no material contingent liabilities at 31 December 2019 which would require to be disclosed in the notes to the financial statements. The Company had no capital expenditure commitments contracted at 31 December 2019 which would require to be disclosed in the notes to the financial statements. As at 31 December 2019 there were no material legal actions outstanding against the Company with an expected negative outcome other than those reflected in these separate financial statements.

43. APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS

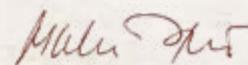
These separate financial statements were approved by the Management Board of AD Plastik d.d. and authorised for issue on 14 April 2020.

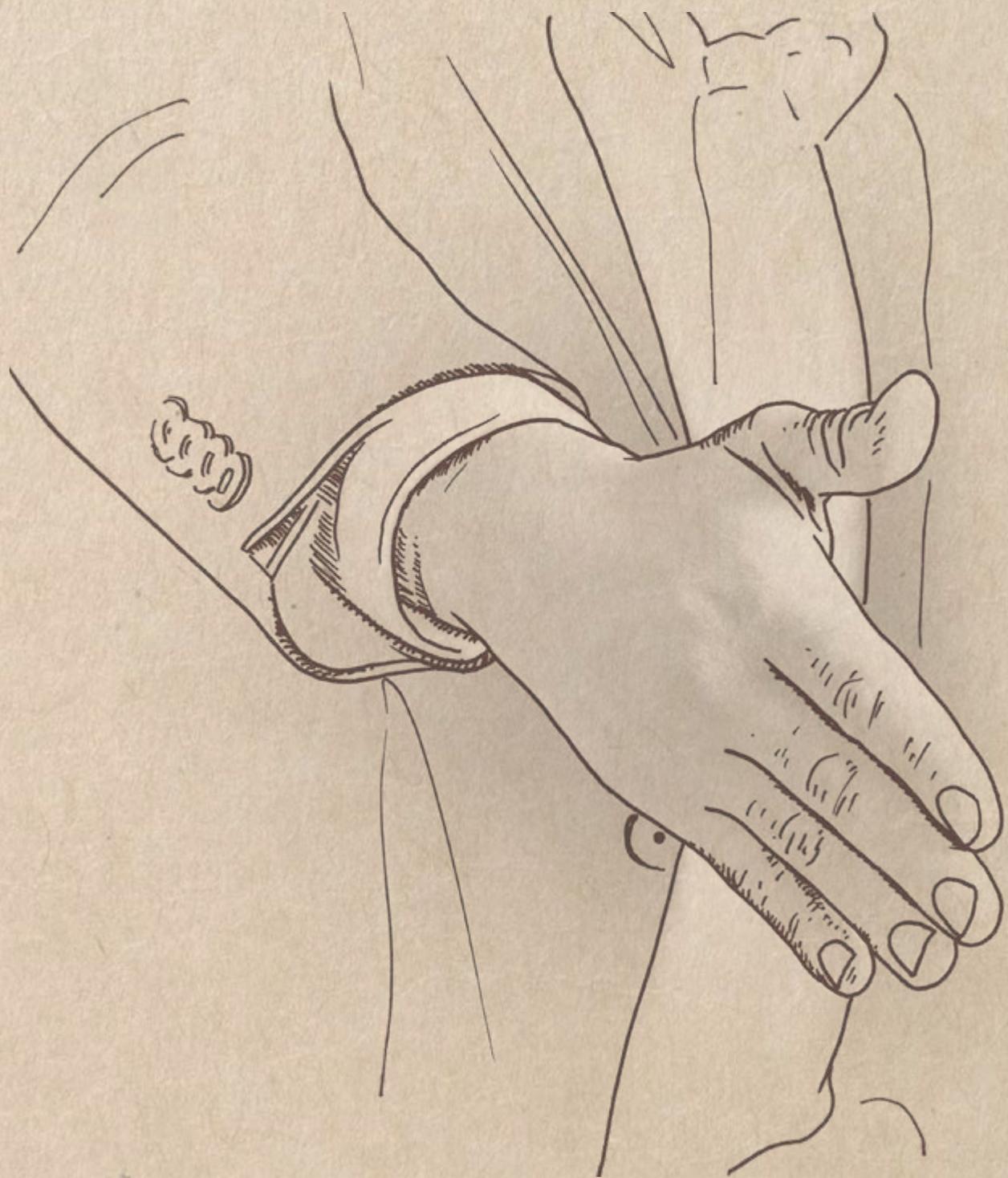
For AD Plastik d.d. Solin:

Marinko Došen,
President of the Management Board

Katija Klepo,
Member of Management Board

Mladen Peroš,
Member of Management Board





Your needs. Our drive.

