

2020

INTEGRATED ANNUAL REPORT



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A brief overview in numbers



13.61%
EBITDA MARGIN

5

COUNTRIES



3.85%
NET PROFIT MARGIN

8

PRODUCTION
SITES



EUR 130.6 million
NEW DEALS SEALED

2,887

EMPLOYEES

as of December 31, 2020



OPERATING REVENUE

HRK 1,218.58 million

-20.9% compared to the previous year

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

HRK 165,89 million

-16.0% compared to the previous year



NET PROFIT

HRK 46,93 million

-49.7% compared to the previous year

Impresum

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100

About AD Plastik Group

AD Plastik Group is a leading company for the development and production of car interior and exterior components in Croatia and one of the leading ones in Eastern Europe. It bases its business on more than thirty-five years of tradition, exceptional expertise and dedicated work of its employees. Passion and knowledge are incorporated into the development and realization of each product, and focusing on customer needs, maintaining high quality and competitiveness strengthens the foundations of further development and success. Professionalism, motivation and dedication are the key reasons for many years of successful survival in the challenging and specific market of the automotive industry.

AD Plastik Group is a multinational company that cooperates with the world's most famous car manufacturers, from the early stages of development to the final product. New materials and technologies, digitalization, robotization, safety and quality, are the trends of the automotive industry to which it adapts every day. The company's operational activities extend to more than twenty countries on five continents.

Corporate social responsibility is one of the most important components of company's development policy, and its corporate culture is based on sustainability, encouraging cooperation and recognizing excellence. A culture of knowledge and experience exchange in a very dynamic, international and multicultural environment is developed and encouraged, improving the quality standards of its products, services and modes of operation.

The demands and behavior of car end users have are unstoppably changing and different mobility habits are being created. Thus, innovations in the automotive industry have been increasingly focusing on their individual needs. Automated and autonomous driving, electrification, vehicle connectivity with other systems and the design of much lighter vehicles are certain and a very near future. These are new opportunities and challenges for the AD Plastik Group as the share of plastic components in the cars of the future will undoubtedly grow.



Letter from the President of the Management Board

Dear stakeholders,

A very unusual, demanding and challenging year lies behind us that we will surely remember for many reasons for a long time. We believe that soon we will all together return to a normal and familiar way of living and conducting business, but some of the changes imposed on us by 2020 will certainly remain permanent.

The global crisis caused by the COVID-19 virus pandemic around the world has also affected our company's business. Realized operating revenue amounted to HRK 1.2 billion and was lower by 20.9 percent, but considering the circumstances and initial forecasts, the results we have been achieving are good. EBITDA in 2020 amounted to HRK 165.89 million and was lower by 16 percent and the realized net profit amounted to HRK 46.93 million at the Group level and recorded a decrease of 49.7 percent compared to the historically record 2019.

In this Integrated Annual Report, we will acquaint you with the most important activities and results of 2020 in the fields of economy, society and the environment. The principles of sustainability are incorporated into all segments of our company's business and aware of our impact, we are especially pleased with the achieved goals in not at all simple circumstances.

The onset of the pandemic and the closure of our customers' factories during March and April confronted us with unprecedented challenges full of uncertainty. As a result, we ourselves were forced to stop production for a while, which was the most difficult period for us. We reacted quickly, took all necessary measures to protect the health of our employees and preserve the sustainability of business. We adjusted our plans very carefully and continued to operate in accordance with the needs of the market and the epidemiological situation. We have reduced investments only to those necessary for the conduction of business, while working on improving several business segments, including corporate governance, which will have a positive impact on our development in the long run.



Integrated Annual Report 2020 | Letter from the President of the Management Board

We have proven our quality, reliability and willingness to face the biggest challenges. At no time did we jeopardize deliveries to our customers, we ensured the company's financial stability, preserved jobs and actively took care of the health and safety of our employees.

Although the automotive industry has been severely affected by the crisis, the development of new vehicle models and plans for the future have not been stopped. This is supported by the figure of EUR 130.6 million of new deals that we sealed last year. Likewise, research and development activities within our company have not been stopped at any point, and changes in the automotive market have been further accelerated. Reducing emissions, developing new technologies, more environmentally friendly materials, greater user safety and environmental protection are even more in focus. Very high standards of sustainable development within the automotive industry have no alternative, so our focus on quality management of economic, but also social and environmental issues is growing stronger.

Cooperation with all stakeholders of the company has always been extremely important to us, and precisely the past year has highlighted its importance in full. Through transparent and continuous communication, we have contributed to trust and the achievement of our goals. By continuing the quality management and development of our employees, we believe that we are developing a desirable business environment and high quality of our products and services even in extraordinary circumstances. We have proven our reliability also to our customers, while not forgetting to take care of the environment, the climate and the community in which we operate. In doing so, we continue to affirm that corporate social responsibility is part of our day-to-day operations and management.

Although it will take some more time to fully stabilize the market and return to pre-crisis figures, a slight recovery is expected and we ended the year with mild but I believe realistic optimism. The challenges posed by the pandemic are still ongoing, so our plans for 2021 are more conservative than in previous years, but we believe in their realization. We have proven our quality, competencies and knowledge in the most difficult moments, and we want to continue in that direction in the future, I believe to the satisfaction of all our stakeholders.



Marinko Došen
President of the Management Board

ECOVADIS

79



Bloomberg ESG score

65.7

CSR Index

658

Automotive industry

The automotive industry has suffered a serious blow with the onset of the pandemic, but accustomed to constant changes and rapid adaptations, key players have seized the opportunity for accelerated transformations.

Although the constant transformations within the automotive industry in recent years have seemed almost unrealistically dynamic, the corona crisis has only confirmed the industry's readiness to take further steps and be able to adapt to rapid changes. Redirecting consumers towards personal mobility that provides freedom of movement will certainly allow the automotive industry to recover faster than expected.

Last year the automotive world was marked by the founding of Stellantis, an alliance formed by merging the FCA and PSA Group, the fourth largest auto group in the world. The merger and the strategy of further joint development of Stellantis for AD Plastik Group, as a long-term supplier of both groups, is a new business challenge and an opportunity to improve cooperation.

At the end of May 2020, the Renault-Nissan-Mitsubishi Alliance, one of the most important customers of the AD Plastik Group, presented its new business model with which they want to ensure recovery and sustainable growth of quantities of their own car models in the global market.

The behavior and requirements of end users of vehicles are changing rapidly and completely different mobility habits are being created. Automated and autonomous driving, electrification and interconnection of vehicles with other systems are no longer a matter of the future, it is the present that requires car manufacturers to be modern digitalized companies with a clear vision of the future. It is no longer a matter of choice, but of survival. Thus, the new generation of employees in the automotive industry will be much more digitally oriented, so the need for the number of engineers within the industry itself is growing.

The development period of new models and automotive components is shrinking, while at the same time modular components used in various vehicle models are also being developed. The development period of new models and automotive components is reducing, and modular components used in various vehicle models are also being developed.

Although there are different types of propulsion engines in the market, environmental awareness is growing and car manufacturers, as well as their suppliers, must adequately respond to market challenges. Innovations are focused on end users and their individual needs, vehicles are becoming lighter, and safety and comfort have no alternative. Ever-improving performance of vehicles and multimedia are changing user experiences and pushing the boundaries of personalization of the vehicle itself, which is the basis for innovative business models within the industry. Government subsidies offered by individual countries as part of the recovery package from pandemic will certainly boost sales of electric and hybrid vehicles.

Process automation is a necessity, and zero-tolerance innovations are the goals of almost all car manufacturers, whether it is emissions, the number of deaths or safety. Consequently, there is no fear for the development and production of plastic automotive components as their share in cars will surely grow. Thus, the reduction of vehicle weight contributes to the reduction of emissions, and the research and development of polymer materials is constantly advancing. Their formability, recyclability, mechanical and other characteristics are very good, and constant work is being done on finding more quality and more environmentally friendly solutions.

In addition to research and development of new materials, the production of automotive components is increasingly complex and involves the mounting of final product assemblies, decoration of surfaces by painting or applying decorative layers of other materials. The development and production of value-added components are one of the strategic determinants of further development and growth of the AD Plastik Group. Experience, knowledge and technologies enable undisturbed competition in the global automotive market, and the main goal of the AD Plastik Group is the satisfaction of all stakeholders, primarily customers, shareholders and employees, and ultimately end users of vehicles.



About the Integrated Report 2020



We present you the fourth in a row Integrated Annual Report of the AD Plastik Group, which contains all relevant information about the company and its business operations in 2020 from financial and socially responsible aspects. It contains business and sustainability reports and annual financial statements as of December 31, 2020.

All stakeholders are to be given a better understanding of the automotive industry and the company's operations, so the Integrated Annual Report transparently and thoroughly presents financial results, social, environmental and economic impacts, management, the impact of material activities on the company's results and business risk management. A quality review of the company's financial and non-financial business indicators improves transparency and contributes to the trust of all stakeholders.

The company's corporate culture is based on sustainability, encouraging cooperation and recognizing excellence, while improving at the same time the quality standards of its products, services and modes of operation. Corporate social responsibility is part of the business model and one of the most important components of the development policy of the AD Plastik Group.

In the reporting period, the company showed by its example that namely responsible behavior towards all stakeholders is one of the key priorities. It was a very intense year in which decisions were made without delay and it required absolute engagement and focus. The extraordinary situation also required extraordinary actions.

Already at the first announcements of the spread of the COVID-19 virus, the development of the situation in all markets has been closely monitored and all necessary preventive actions to protect employee health and rationalize costs have been taken. Scenarios of potential risks have been developed, action and communication plans have been urgently prepared, and the Crisis Management Committee of the Group has been established. At the same time, at all production sites operational Crisis Management Committees were established which reported on a daily basis on the development of the

situation and supervised the implementation and enforcement of protection measures.

In order to protect the health and safety of its employees and ensure the sustainability of operations, the ADP COVID-19 Protocol was developed, containing all the necessary measures and guidelines for behavior and procedures in the new circumstances caused by the pandemic. In order to mitigate potential risks, additional measures and instructions have been prescribed and an effective system of two-way communication with all employees has been established. Internal campaigns were carried out continuously and actively, all necessary protective equipment for employees has been provided, travel and visits have been restricted, work in teams has been introduced and smooth running of production processes has been enabled in compliance with all prescribed measures.

The development and condition of the supply chain at the Group level was monitored on a daily basis, and all necessary activities were taken in order to maintain production continuity. Despite the very demanding conditions, the production processes of the customers were not endangered at any time and all deliveries arrived on time.

In the most difficult period during March and April, communication with key stakeholders took place almost on a daily basis. The primary goals of the company were to preserve the health and safety of employees and to preserve liquidity and financial stability, and it is the results for 2020 that confirm the success of their achievement.

The results achieved are better than the first predictions at the beginning of the pandemic, a larger virus breakthrough inside the production sites has been prevented, financial stability and jobs were preserved, and the capacities of the factories within the group are being filled. Such an outcome could only be achieved through teamwork, with the commitment, understanding, responsibility and togetherness of all employees.

2020 highlights

New deals

Despite the difficult circumstances of operations in the global market, in 2020 AD Plastik Group sealed a total of EUR 130.6 million new deals. EUR 85.3 million of that amount refers to the Russian market, and EUR 45.3 million to the European market.

New deals in the Russian market were sealed for several vehicle models, mostly with the Renault-Nissan-AvtoVAZ Alliance. Regarding some of the products on production of which deals were sealed, AD Plastik Group is also a development supplier, and projects last in the range of six to ten years. As there are several different projects, the beginnings of serial production are planned during the period from 2021 to 2024.

In the European market, new deals have been sealed for existing and also new customers. Their realization will take place in various European production sites of the Group, and the estimated duration of the projects is from two to nine years. The serial production will mostly have started by the end of 2021, while some will begin in 2022 and 2023.

New Management Board

The Supervisory Board appointed three members of the Management Board for a period of five years, and their term of office began on July 21, 2020. Mladen Peroš has been appointed a member of the Management Board for another term, and the new members are Višnja Bijelić and Ivan Čupić. The Management Board consists of four members headed by the President of the Management Board Marinko Došen, whose new term of office was confirmed earlier.

Changes in the Supervisory Board

In 2020, there were changes also in the Supervisory Board, and new members are Sergey Dmitrievich Bodrunov, Alina Viktorovna Koretskaya and Andjelka Čulo. Their terms run for four years and began on July 20, 2020. Sergey Dmitrievich Bodrunov was elected President of the Supervisory Board, and Ivica Tolić was elected his Vice President.

The best Supplier 2019

In 2020, the production site in Solin received the SMRC Gondcourt customer award for the TOP supplier in 2019. The award was received in Gondcourt by the Assistant Director of the production site Solin **Josip Vulić**, who said on that occasion: "I am extremely glad that SMRC recognized our efforts and work because we strive for better and more efficient solutions and creating progress every day. Without the quality and commitment of our employees, this success would not have been possible. As a team we create our success and the contribution of each individual is extremely important. We will resolutely continue in this direction."

Measurement of supplier quality is carried out constantly according to various criteria, on which monthly reports are made. Only suppliers who continuously maintain a level of efficiency and quality better than the requirements of the customers themselves enter the competition for rewards. The Solin factory thus found itself in a very competitive climate of global suppliers who strive for high efficiency and quality.

Green Frog Award for the best Sustainability Report

AD Plastik Group won also the Green Frog Award 2019 for the best Sustainability Report, an award given by Deloitte Croatia for the fifth consecutive year. This year, the Croatian Employers' Association and the Global Compact Network Croatia joined them as full partners in the selection process. The award was taken on behalf of AD Plastik Group by **Zoja Crnečki**, Consultant for Relations with Government Institutions and Funds, who emphasized on this

occasion: "Corporate Social Responsibility is a part of AD Plastik Group's business model and one of the most important components of the company's development policy. Social responsibility is embedded in all our business processes, which contributes to the realization of UNGC's Sustainable Development Goals. We are delighted that our work and positive impact on the environment and society as a whole have been recognized and rewarded."



The best large exporter in 2019

The Golden Key Award for the best large exporter in 2019 was awarded to AD Plastik, which also won the award in the category of Best Exporter to France. The company was nominated in two more categories: Best Exporter to Slovenia and The Most Innovative Exporter.

While taking over the main award, as part of the 15th Convention of Croatian Exporters, President of the Management Board **Marinko Došen** expressed his gratitude to the organizers on behalf of all the winners: "It is a great pleasure and honor for me, but also an obligation for the future to receive

this significant award for the second time in a short period of time. This is the result of the dedicated work of all our employees and constant investment in knowledge, competencies and competitiveness. In 2019 we achieved historically the best business results, for the fifth year in a row we have been achieving double-digit growth in a very demanding industry and we continuously improve all elements of business success. This crisis has slowed us down in further plans, but it will certainly not stop us. Newly sealed deals, over fifty projects we are working on and the capacity utilization that is slowly returning to normal give us the reason for the slight optimism in these rather complex times. Congratulations to all the award winners because exporters really need to be the backbone of the economy".



CSR Index for Social Responsibility Policies of Diversity and Human Rights Protection

AD Plastik Group received the CSR Index award in the category of Social Responsibility Policies of Diversity and Human Rights Protection, and the award was received on behalf of the company by **Ivan Čupić**, a member of the Management Board for Production, Logistics and Quality.

"Human rights protection, diversity and equal opportunities policy are part of the corporate culture we live every day. Fair business, safe working conditions, education and respect for human values are just some of the values that we continuously promote within the company. When this is recognized by the professional public, then it is an additional incentive for us to continue to be even better," said Čupić, thanking for the award.



INDEKS DOP-a
DRUŠTVENO ODGOVORNO POSLOVANJE U HRVATSKOJ





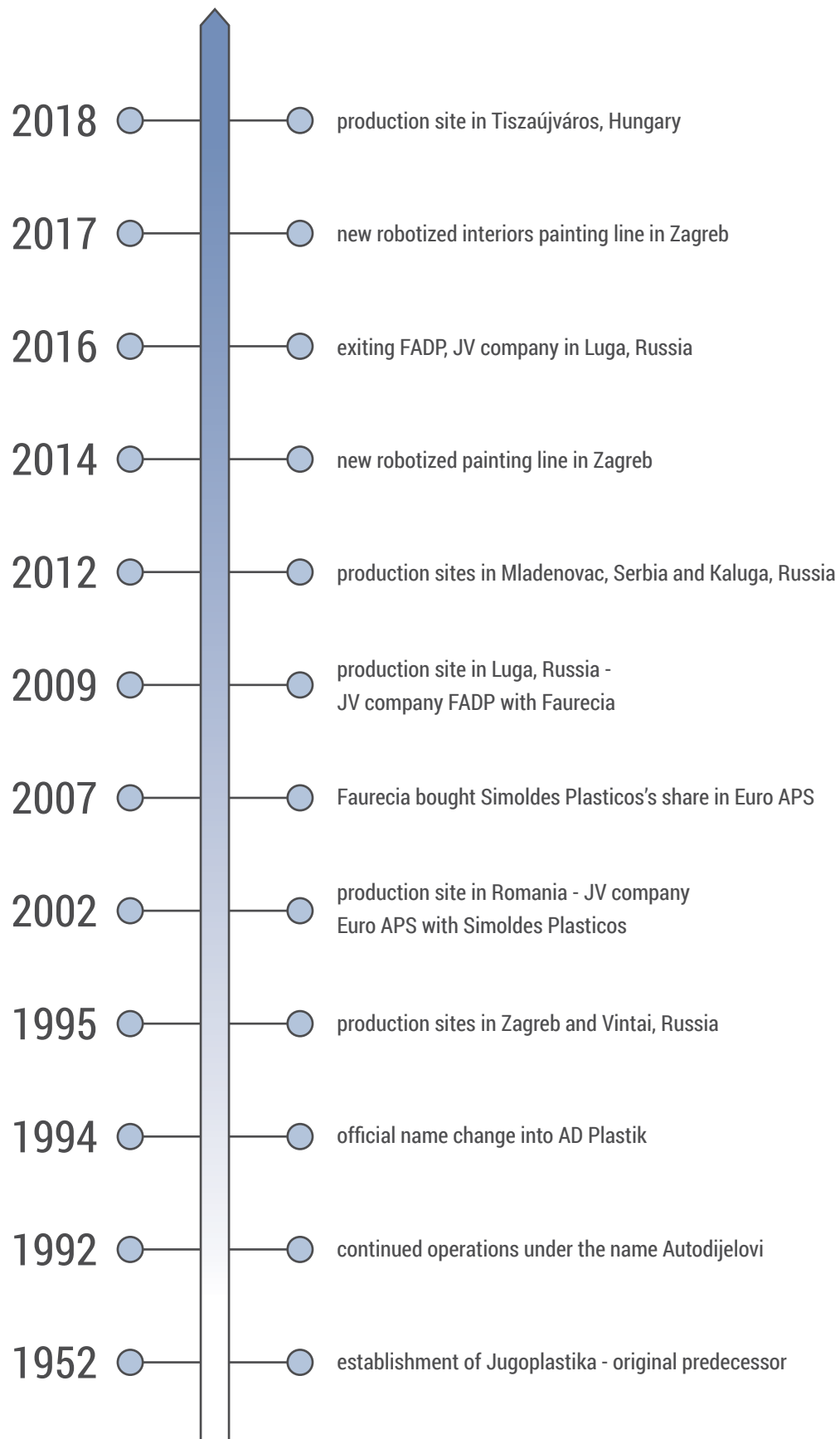
Business

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Mission, vision, key values



Company history



Production sites



1 AD Plastik d.d. - company's headquarters
Matoševa 8, Solin, Croatia

2 AD Plastik, Zagreb I, Croatia

3 AD Plastik, Zagreb II, Croatia

4 AO AD Plastik Togliatti
Vintai, Samara, Russian Federation

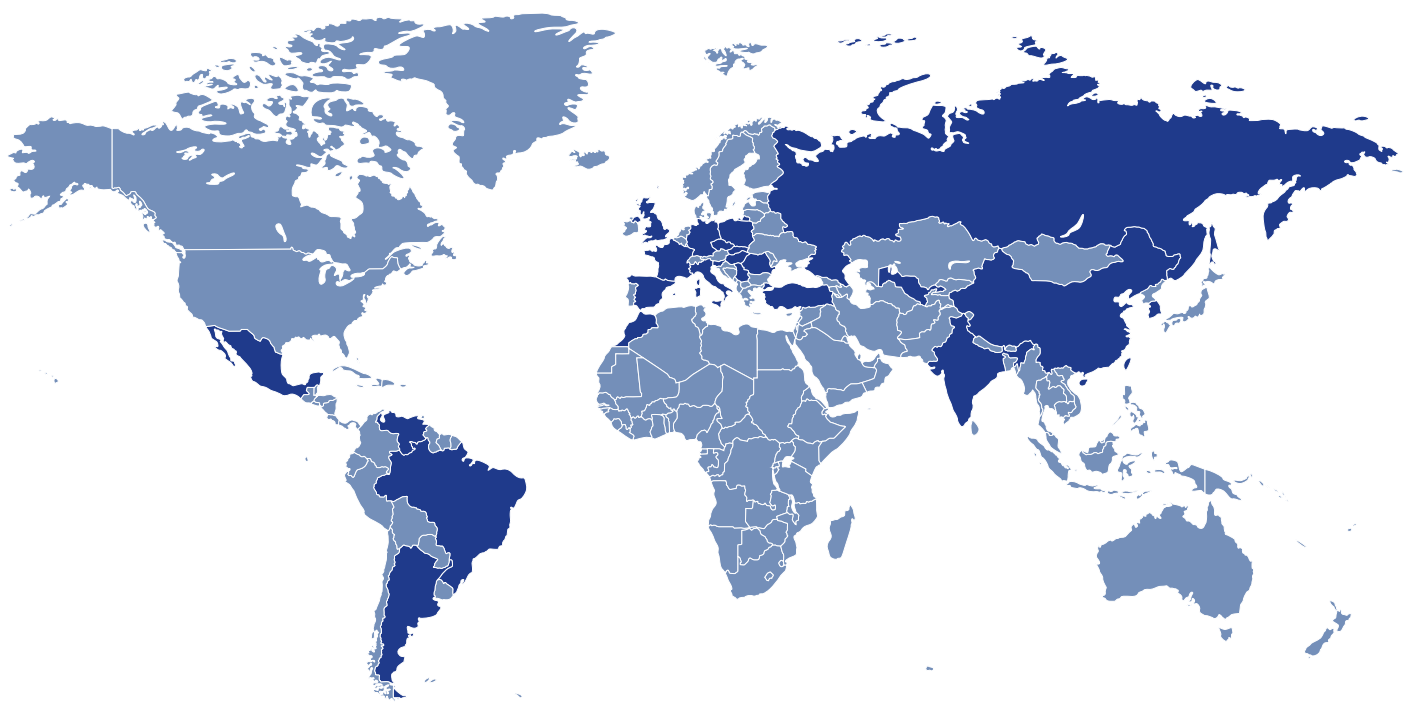
5 ZAO AD Plastik Kaluga
Kaluga, Russian Federation

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

7 AD Plastik Tisza Kft.
Tiszaújváros, Hungary

8 JV - Euro Auto Plastic Systems S.R.L.
Mioveni, Romania

Overview of markets and customers



Europe	Asia	South America	North America	Africa
Czech Republic France Germany Hungary Italy Poland Romania Russia Serbia Slovakia Slovenia Spain UK	China India South Korea Taiwan Turkey Uzbekistan	Argentina Brazil Venezuela	Mexico	Morocco

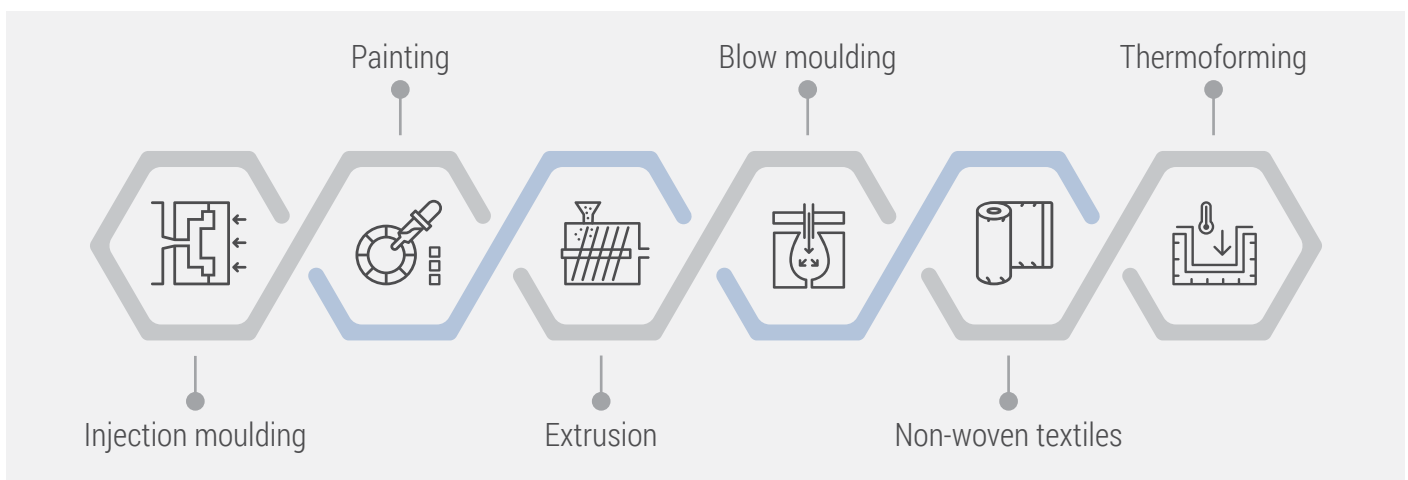


Technologies

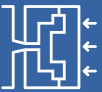



Many years of experience and knowledge provide the necessary flexibility, adaptation and responsiveness to meet the needs of the markets and customers. Since it follows trends and technological improvements, AD Plastik Group is known as a reliable and quality partner. Digitization, robotics, new technologies and materials, safety and quality are some of the most important trends in the automotive industry that the company follows.

In addition to key technologies in its production processes – **injection moulding, painting, extrusion, blow moulding, nonwoven textile and thermoforming**, there are continuous investments in new value-added technologies.

Hot stamping is the final processing of the product by decorative foil application and it is one of the latest technologies introduced into the company's production processes. This made an additional development step forward and expanded the portfolio of services and products that AD Plastik Group offers to its customers.

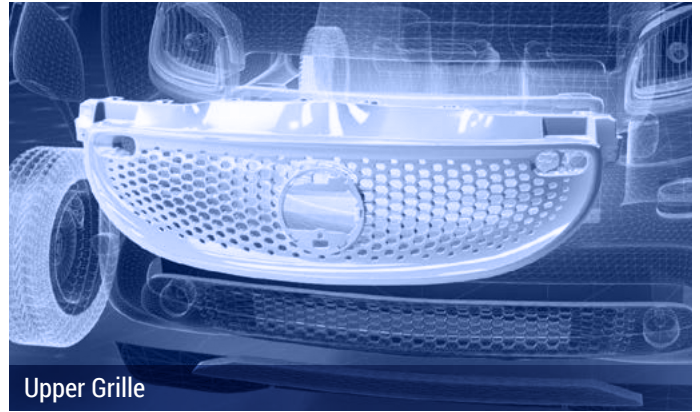


Geographic availability of technologies

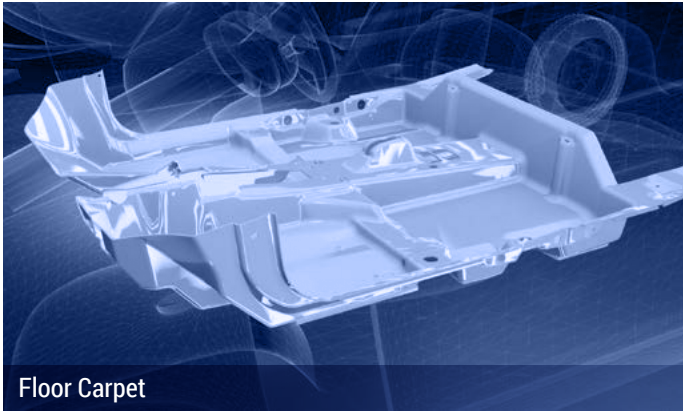
	CROATIA	RUSSIA	SERBIA	HUNGARY
INJECTION MOULDING 	Solin Zagreb I Zagreb II	Kaluga Vintai	Mladenovac	Tiszaújváros
PAINTING 	Zagreb I			
EXTRUSION 	Solin	Vintai		
BLOW MOULDING 			Mladenovac	Tiszaújváros
THERMOFORMING AND NON-WOVEN TEXTILES 		Vintai Kaluga	Mladenovac	

Key products

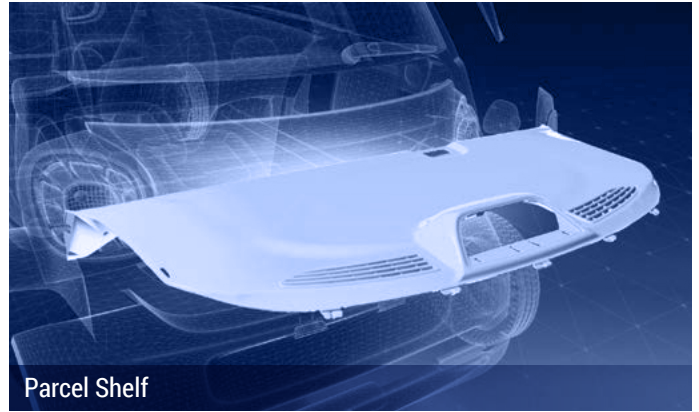
Exterior



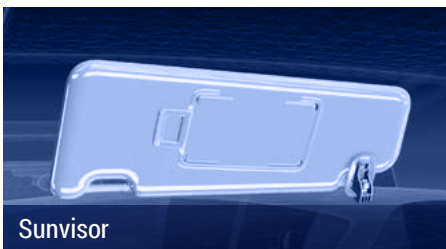
Interior



Floor Carpet



Parcel Shelf



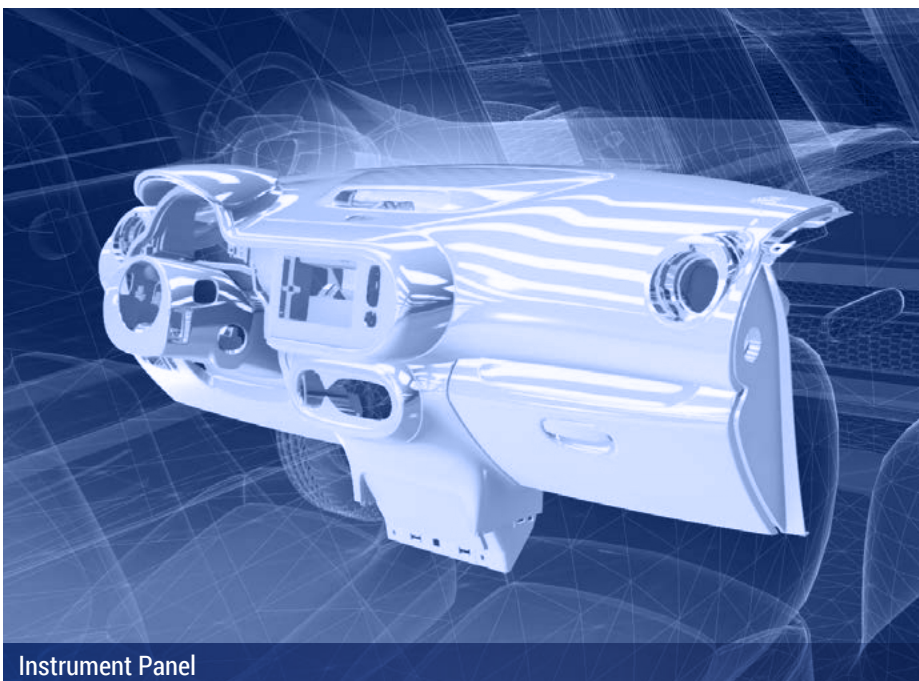
Sunvisor



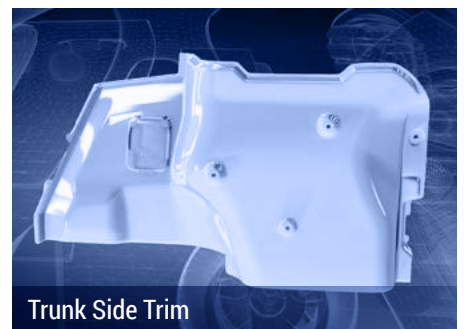
Headliner



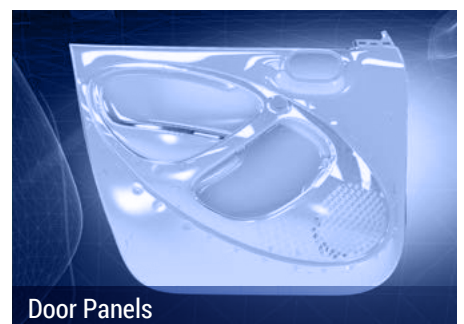
Grab Handle



Instrument Panel

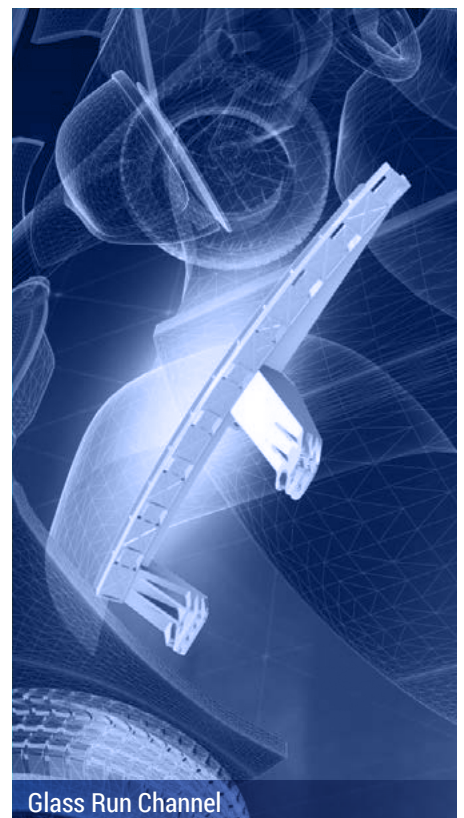
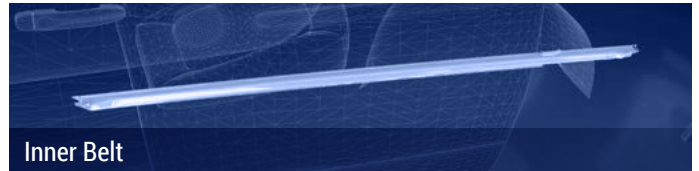
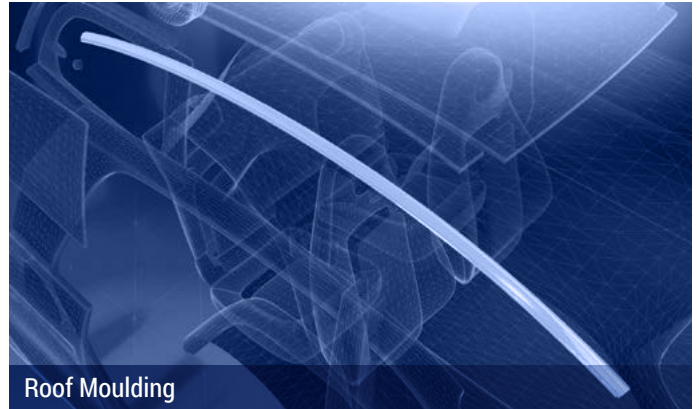
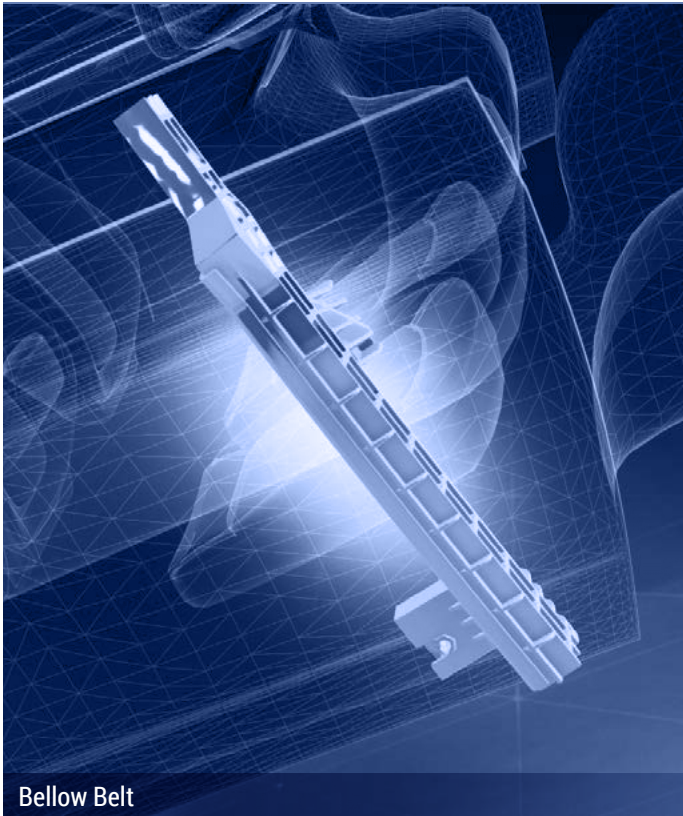


Trunk Side Trim



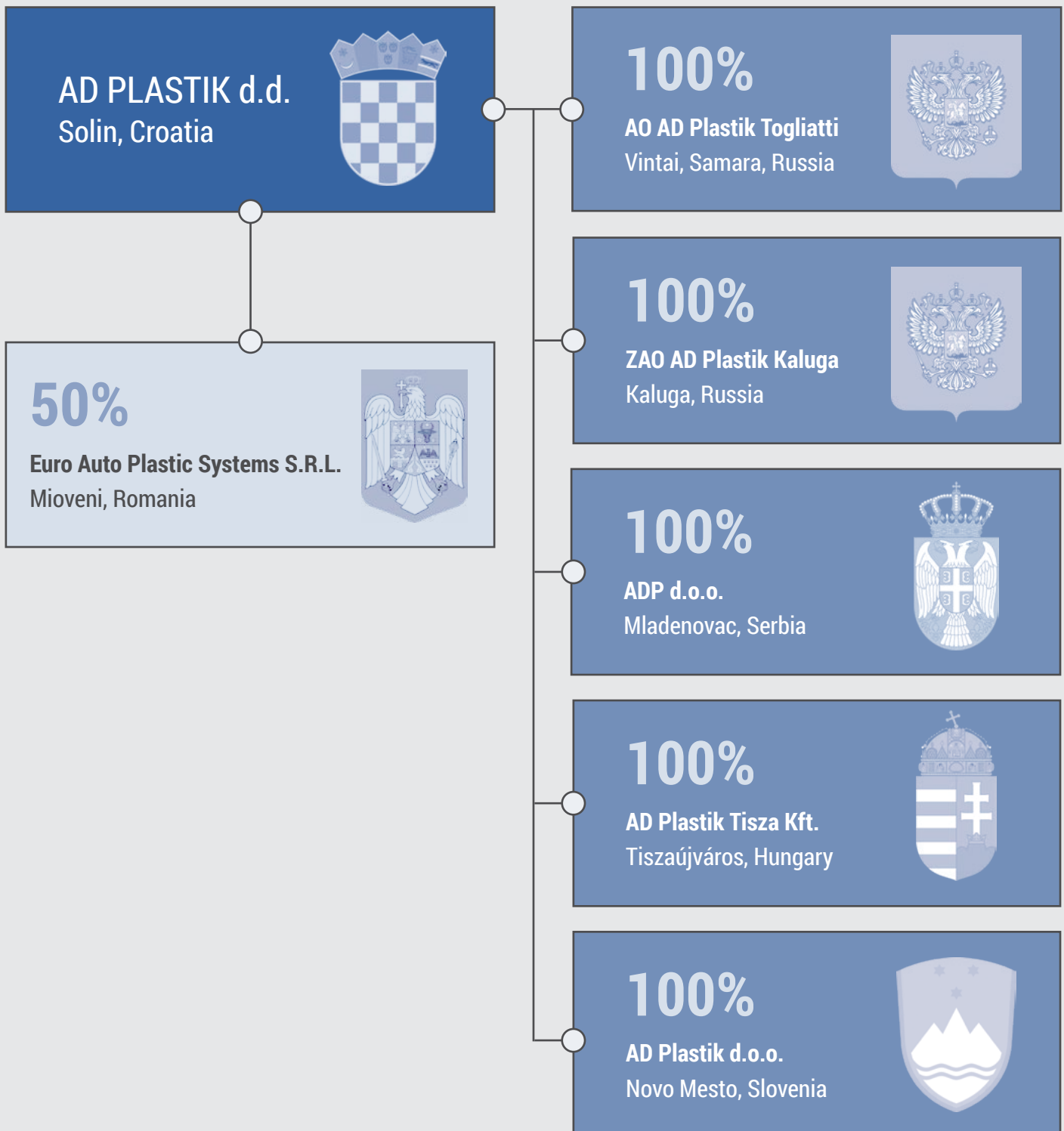
Door Panels

Seals



Corporate governance

Corporate matrix



Governance in the AD Plastik Group

Corporate social responsibility is an unquestionable choice of AD Plastik Group, which has been applied in everyday business for a long time. Although the legal obligation of large entrepreneurs is to report on non-financial aspects, the automotive industry as a whole, including the AD Plastik Group, recognized the importance of sustainable development much earlier. In accordance with the mission and vision of the AD Plastik Group, ethical and socially responsible way of conducting business, community orientation, respect for human and labor rights, environmental protection and cooperation with stakeholders who recognize the same values are part of the business strategy and the only right way for long-term growth of the company. Aware of their responsibilities, they continuously carry out activities that contribute to the goals of sustainable development.

The Corporate Social Responsibility Committee operates within the company and it is composed of management or direct subordinates from eight different areas, the most important ones for the development of corporate social responsibility. The Committee is directly responsible to the President of the Management Board who, together with other Management Board members, analyzes the reports, adopts the Committee's proposals and approves the Integrated Annual Report of AD Plastik Group.

The key strategic goals of sustainable business are regularly communicated among stakeholders. In order to reach improvements and take further steps forward in that segment, constant research and analyses are carried out among employees, depending on the areas of their work and possible contribution to the implementation of certain activities. At the end of each year the Committee defines short-term goals for the next period and monitors their implementation and effectiveness.

Due to the specific circumstances and pandemic of the COVID-19 virus during 2020, health preservation, safety of the employees and the sustainability of business operations were an absolute priority. The Crisis

Management Committee was established, chaired by a member of the Management Board Mladen Peroš, and the company's leaders from the fields of production, sales, quality, occupational safety, human resources, safety, legal affairs, research and development, purchasing, IT, finance and communications participated in its work. The development of the situation in all areas of business and at all production sites was monitored on a daily basis. Accordingly, measures to protect the health of employees and safety of business were prescribed and updated, and their implementation was monitored. At the end of February, an internal campaign was conducted at all production sites on the basic measures of protection against coronavirus, and a special e-mail address and contact telephone number were created for all employee questions. The ADP COVID-19 Protocol with detailed instructions for the behavior of all employees and visitors of the company in various situations was urgently developed and implemented. The instructions were distributed to all employees and displayed in visible places within the factories, customers, suppliers and partners were introduced to them, and the protocol was published also on the company's website. Temperature measurement, distance, constant disinfection of workplaces, use of protective masks and gloves, limited travel, testing and long-distance communication have become everyday life. Although at the very beginning it was not easy to adapt to the new way of operation, especially in production facilities, thanks to constant information, commitment and clear instructions, the sense of security among employees and trust were strengthened.

At the very beginning of the pandemic, risk groups of employees and pregnant women were detected, who were allowed to work from home without delay. New models of work in teams were introduced, with exceptional care being taken of their family circumstances during distribution in teams.

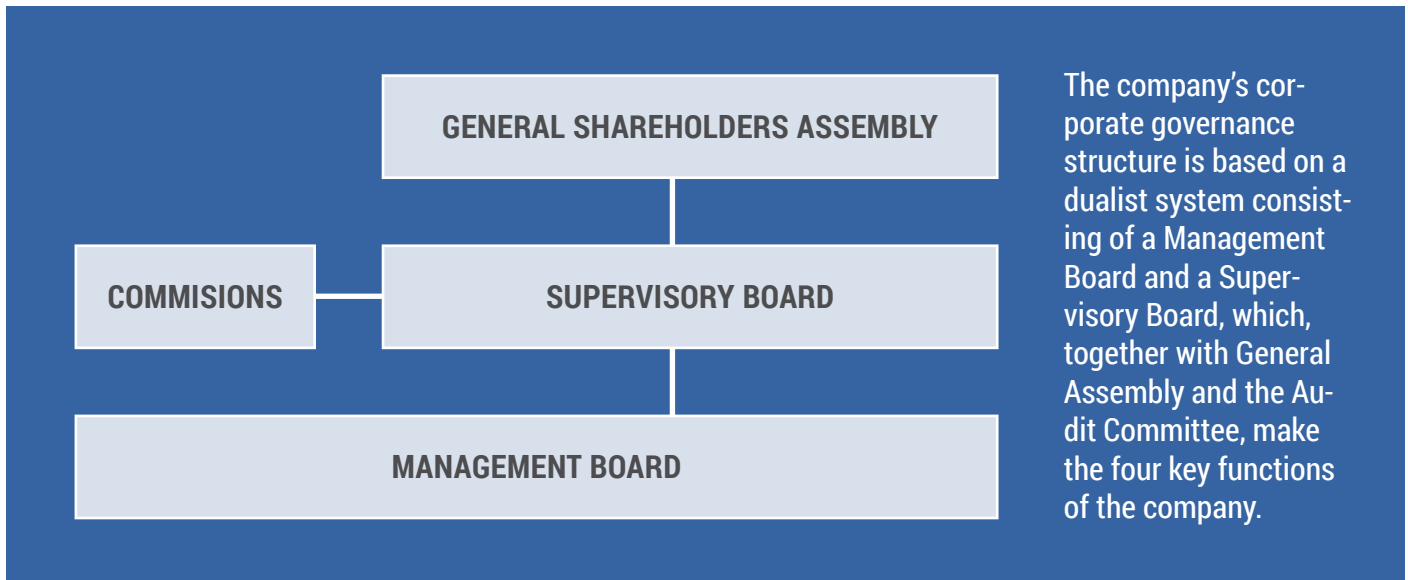
Active communication was maintained with all interested stakeholders, and the company showed its reliability and transparency also through daily communication with customers, suppliers and investors, exchanging information on changes and circumstances and their impact on business.

In line with its capabilities, the company has made its resources available to the community to help those most in need. During the closure of the factories, protective face visors were produced in Solin for donations to medical and civil protection personnel, and one part was later donated also to educational institutions at their request. In addition to the Management Board, which reacted promptly, cooperation and assistance to the community was extremely important also to the employees, who expressed their togetherness in the most difficult moments. Thus, a group of volunteers was also organized within the company to help the elderly and infirm to procure supplies.

Although 2020 was one of the most demanding years, full of uncertainties caused by the pandemic, AD Plastik Group was responded readily and achieved its goals. Jobs and financial stability of the company were preserved.



Governance structure



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 removal from office 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.

A regular meeting of the General Assembly was held on August 24, 2020 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 2019 and the report of the Supervisory Board on the conducted supervision of business management of the Group. Decisions on appropriation of profit, 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 also adopted.

KPMG Croatia d.o.o. from Zagreb was unanimously appointed as the external auditor, for which this is the first year of audit engagement in AD Plastik Group. 2,648,901 votes were represented at the General Assembly, which is 63.07 percent of the total number of shares and share capital of the company.

Supervisory Board

In the dualistic model of corporate governance, the Supervisory Board assumes the function of control, supervision and monitoring of business operations, ie in its work it assumes a supervisory, but also a strategic role. The supervisory actions of the Board consist of a series of activities and mechanisms that protect the interests of shareholders, and so is defined by the Charter that certain types of work can be performed only with their consent. Supervisory Board also participates in strategic activities, primarily by authorizing proposed strategic decisions, evaluating previous strategic decisions and advising and supporting the Management Board in achieving a common vision.

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 - Joint Stock Company Holding Avtokomponenty, St. Petersburg, Russia. All members are elected for a term of four years and can be re-elected.

Six meetings of the Supervisory Board were held in 2020, of which three were regular and three were extraordinary. In accordance with the provisions of the Rules of Procedure on decision-making at the meetings by correspondence, the Supervisory Board once held meeting by correspondence. All members participated in decision-making at the meetings, either physically or by correspondence, 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

Sergey Dmitrievich Bodrunov, President

- new term of office **from July 20, 2020 to July 20, 2024**
- appointed by the shareholder - Joint Stock Company Holding Avtokomponenty

Ivica Tolić, Vice President

- new term of office **from August 24, 2020 to August 24, 2024**
- appointed by the General Assembly

Alina Viktorovna Koretskaya, member

- new term of office **from July 20, 2020 to July 20, 2024**
- appointed by the shareholder - Joint Stock Company Holding Avtokomponenty

Igor Anatolyevich Solomatin, member

- term of office **from July 24, 2019 to July 24, 2023**
- appointed by the General Assembly

Ivka Bogdan, member

- term of office **from January 31, 2019 to January 31, 2023**
- appointed by the General Assembly

Bože Plazibat, member

- term of office **from January 31, 2019 to January 31, 2023**
- appointed by the General Assembly

Andjelka Čulo, member

- new term of office **from May 14, 2020 to May 14, 2024**
- appointed by the Workers' Council

In 2020, there were changes in the composition of the Supervisory Board. In accordance with the provisions of the Company's Charter, Sergey Dmitrievich Bodrunov and Alina Viktorovna Koretskaya were elected members of the Supervisory Board by the shareholder, the joint stock company Holding Avtokomponenty.

At the meeting of the Supervisory Board held on August 4, 2020, Sergey Dmitrievich Bodrunov was elected president of the Supervisory Board.

At its meeting held on May 14, 2020, the Workers' Council decided to recall Robert Kuhta and appoint Andjelka Čulo to the Supervisory Board.

At the General Assembly, Ivica Tolić was re-elected as a member of the Supervisory Board, and at the meeting of the Supervisory Board held on September 3, 2020, he was elected Vice President of the Supervisory Board.



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 of this remuneration is determined on the basis of gross average monthly salary of company's employee,

achieved in the three months prior to its payment. Remuneration shall be paid after each regular meeting and is not related to the company's business results. At the meeting of the Supervisory Board held in December 2020, a new Draft decision on the remuneration of members of the Supervisory Board was adopted, which will be decided upon at the General Assembly, as provided by the provisions of the Companies Act.

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 to deal with more complex issues in a more efficient and higher-quality manner.

Audit Committee	four members
Remuneration Committee	three members
Appointment Committee	three members

Audit Committee

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
Alina Viktorovna Koretskaya
Igor Anatolyevich Solomatin

Remuneration Committee

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:

Igor Anatolyevich Solomatin
Ivica Tolić

In 2020, two meetings were held and all members of the Committee attended decision-making, either physically or by correspondence. At the meetings decisions were made on draft managerial contracts for the members of the Management Board and draft decision on remuneration of members of the Supervisory Board.

Appointment Committee

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
Igor Anatolyevich Solomatin

One meeting was held in 2020 and all committee members attended the decision-making process, either physically or by correspondence. The proposals of candidates for the Supervisory Board, member of the Remuneration Committee and candidates for members of the Management Board were decided upon at the meeting.

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.

Three Audit Committee meetings were held, namely on April 9, July 2, and December 17, 2020. All members of the Audit Committee attended decision-making at all meetings, either physically or by correspondence.

The reports on the implementation of the Annual Internal Audit Plan for 2019, the implementation of the Non-Audit Services Policy for 2019, the conducted supervision of the statutory audit, and the consolidated and non-consolidated annual financial statements for 2019, as well as making recommendations for adoption of these reports, draft decision on appropriation of profit and appointment of auditors for 2020 were discussed and decided upon at the meetings and on that basis the Audit Committee issued recommendations to the Supervisory Board for their adoption.

Management Board



Management Board is the leading body of the company that conducts the entire business on its own responsibility.

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 reports, prepare and convene a regular annual meeting of the General Assembly and submit business reports as well as to 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 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 of the company, Management Board may be comprised of three to eight members and the current Management Board has four members. Term of office of the Management

Board members lasts up to five years with the possibility of reelection without limiting the number of terms. 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, 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 term of office 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 Mirna, Rovinj.

He joined the AD Plastik Group in 2012 as a Managing Director of 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.



Mladen Peroš
Member of the Management Board
for Sales and Projects

born on July 3, 1968
Management Board member since November 9, 2011
current term of office from July 21, 2020 to July 21, 2025

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 shortly upon arrival he became a Project Manager, then Director of Construction, Director of Development, Assistant to the Member of the Management Board for Commerce and Development, and after that 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.



Višnja Bijelić

**Member of the Management Board
for Finance, Controlling and Accounting**

born on July 11, 1965

Management Board member since July 21, 2020

term of office from July 21, 2020 to July 21, 2025

She graduated from the Faculty of Economics in Zagreb, and began her business career at INA – Industrija nafte, where she worked until 2018. As the Head of Financial Activities, in 2000 she moved to Ina's Moscow office where she stayed for three years.

Upon her return to Croatia to the position of Risk Management Director, she introduced credit and financial risk management to Ina. She worked as Treasury Director for six years, after which she took over the development of the portfolio of Oil and Gas Exploration and Production and the Commercial Affairs related to gas.

At the beginning of 2020, she continued to develop her career in AD Plastik Group as an expert in the fields of finance, controlling and accounting, and in July of the same year she became a Member of the Management Board.



Ivan Čupić

**Member of the Management Board
for Production, Logistics and Quality**

born on April 20, 1969

Management Board member since July 21, 2020

term of office from July 21, 2020 to July 21, 2025

He graduated from the Faculty of Chemical Engineering and Technology in Zagreb, and over the years he has attended a series of educations related to the business management system.

He gained his first work experience after his studies exactly at AD Plastik as a Production Technologist, and two years later he became a Quality Manager at the Zagreb production site. For thirteen years, he had worked as a Lead Auditor of business management systems at Lloyd's Register EMEA and he had been a Lead Assessor for quality, environment, energy, occupational safety and health as well as information security management systems in more than 200 companies. He was actively involved in the introduction and verification of the EU ETS system for greenhouse gas emissions trading in Croatia. Ivan is an authorized internationally registered lecturer for business management, business risks management, energy and quality management systems.

From the beginning of 2020, he has been contributing to the development of production, logistics and quality of AD Plastik Group with his knowledge, experience and skills, and seven months later he became a 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 them 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.

49 meetings of the Management Board were held in the reporting period.



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, and the most important ones are:

- monthly salary
- annual bonus (remuneration) can be paid according to achieved results in the business year, ie depending on the degree of realization of certain key business indicators that are determined by individual management contracts. Decision on bonus payment is made by the Supervisory Board, depending on the degree and scope of achieving the set objectives
- the bonus is paid in shares of the company or in cash
- life insurance policy
- right to use an official vehicle 24 hours a day

- severance payment in the event of the termination of term of office, unless the member was repealed prior to the expiry of term of office caused by his/her fault or resigned himself/herself

According to the proposals of the Appointment Committee and the Remuneration Committee, the Supervisory Board made a decision at its meeting held on July 2, 2020 on the appointment of members of the Management Board for a term of five years, starting on July 21, 2020. Mladen Peroš, Višnja Bijelić and Ivan Čupić were appointed members of the Management Board.

After the expiration of the term of office as the member of the Management Board on July 20, 2020, Katija Klepo did not continue working in the Management Board of the company due to personal reasons and was employed as Business Development Advisor to the Management Board.

Corporate functions

		Production	Sales	Finance	Internal Audit
Human Resources	Corporate Architecture	Legal Affairs	Occupational Health and Safety	IT	Safety
Research & Development	Accounting	Purchasing	Logistics	Quality System	Controlling

Each corporate function has a clearly defined management level that directly reports to the highest management body. The Management Board works on improving the collective knowledge on all relevant topics related to the company's business operations and its sustainable development, in accordance with the information of the holders of

corporate functions. Corporate functions propose improvements on individual topics in their business areas 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.

Management conducts regular consultations with individual stakeholders and is obliged to provide feedback to the Management Board. According to the needs and requirements of individual stakeholders of the Group, the Management Board occasionally organizes consultations. 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, 2020)

AO AD Plastik Togliatti Russian Federation

Alexandr Vladimirovich Lebed - 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 Sopčić - Managing Director

AD Plastik Tisza Kft. Tiszaújváros, Republic of Hungary

Tomislav Posezi - Managing Director

Supervisory Board

Zlatko Bogadi - president

Ivana Filipović

Josip Divić

Management

 <p>Leo Bočkaj Assistant to the Management Board in charge of Research and Development</p>	 <p>Matko Serdarević Assistant to the Management Board in charge of Purchasing, IT, Occupational Safety and General Affairs</p>	 <p>Branko Durdov Production Operations Advisor</p>	 <p>Katija Klepo Business Development Advisor</p>	 <p>Ivana Filipović Executive Director of Quality</p>	 <p>Hrvoje Jurišić Executive Director of Research and Development</p>	 <p>Ana Luketin Executive Director of Legal Affairs</p>
 <p>Denis Miletić Executive Director of Production and Logistics</p>	 <p>Mira Pavić Executive Director of Human Resources and Corporate Architecture</p>	 <p>Edo Bacci Technical Director of the Production site Solin</p>	 <p>Stipan Bodrožić Products Development Director</p>	 <p>Zlatko Bogadi Director of the Production site Zagreb</p>	 <p>Marko Cambj Director of Projects</p>	 <p>Tomislav Čepić Manufacturing Director of the Production site Zagreb</p>
 <p>Josip Divić Finance Director</p>	 <p>Daniela Džidara Production Quality Director</p>	 <p>Mate Gojsalić Process Development Director</p>	 <p>Krešimir Jurun Director of Controlling and Accounting</p>	 <p>Nino Kačanski Managing Director of AD Plastik Kaluga</p>	 <p>Andrija Kalajžić Managing Director of ADP, Mladenovac</p>	 <p>Jadranka Konta Director of Occupational Safety and General Affairs</p>
 <p>Iva Koprčina Perković Director of Internal Audit</p>	 <p>Alexandr Vladimirovič Lebed Managing Director of AD Plastik Togliatti</p>	 <p>Igor Lončar Technical Director of the Production site Zagreb</p>	 <p>Antica Perković Director of Strategic Purchasing of Materials</p>	 <p>Tomislav Posezi Managing Director of AD Plastik Tisza</p>	 <p>Josip Suzan Tools, Machines and Equipment Development Affairs Director</p>	 <p>Lidija Škarica Director of Strategic Purchasing of Investments and Services</p>
 <p>Ivan Šobot Development Director for Extruded Components</p>	 <p>Toni Štambuk Sales Director for EU and other markets</p>	 <p>Jurica Vuković IT Director</p>	 <p>Dragan Vuletin Development Quality Director</p>	 <p>Josip Vulić Director of the Production site Solin</p>		

Corporate Governance Code Statement

1. The Company applies the new Corporate Governance Code (hereinafter: the Code) published on the official website of the Zagreb Stock Exchange (www.zse.hr). The Statement on the application of the Code, signed by the members of the Management Board, is an integral part of the Integrated Annual Report of the AD Plastik Group, which can be found on the websites of the company and the Zagreb Stock Exchange.

2. The company operates in accordance with good corporate governance practice and for the most part according to the recommendations of the new Code. Explanations for deviations from individual recommendations and additional adjustments can be found in the Annual Questionnaire of the Corporate Governance Code approved by the Supervisory Board, which is published on the website of the Zagreb Stock Exchange and the company together with this Integrated Annual Report.

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 37 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, Joint Stock Company Holding Avtokomponenty from St. Petersburg, Russia.

The provisions of Companies 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, 2020, the Company owned 69,058 own shares.

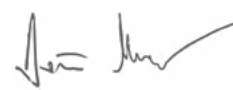
5. The General Assembly is competent for making decisions on the following issues: electing and removal from office of Supervisory Board members, appropriation of profit, granting clearance to Management Board members, appointing auditors, amending the Charter, increasing or reducing share capital and on other issues under its responsibility as regulated by the law. Shareholders exercise their rights via General Assembly. Activities of the General Assembly are regulated by the Companies 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 are listed on pages 28 and 29 of this report. In accordance with the Companies Act and the Company Charter, the Management Board makes decisions at the meetings of the Management Board. In 2020, 49 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 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 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. Diversity in skills and experience, professional competencies, age and gender, contributes to different views on management and the perception of decisions from different aspects before making them. The experience of the members of the Supervisory Board was of great importance in the challenging year of 2020. This is supported also by the average age of members of 59 years, and according to the age criteria a good balance was established, so the age range of the members was from 31 to 69. The Supervisory Board consist of three women and four men, which makes it diverse also by gender criteria. The list of members of the Supervisory Board can be found on page 25 of this report.

In the reporting period the Management Board of the Company consists of the President of the Management Board and three members – two men and one woman. 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.

Marinko Došen,
president of the Management Board



Mladen Peroš,
member of the Management Board



Višnja Bijelić,
member of the Management Board



Ivan Čupić,
member of the Management Board



ADPL Share

The ADPL share has been listed in the Prime Market of the Zagreb Stock Exchange since December 2018 and is part of the Crobex, Crobexindu, Crobex10, CrobexPlus, CrobexPrime, Crobex10tr indexes and the AdriaPrime regional index. Slightly less than 70 percent of the shares are available in the market, and InterCapital Securities Ltd. carries out the activities of a market maker, providing the support to the company's shares turnover.

The share price as of December 31, 2020 amounted to HRK 160 and was lower by 16.2 percent compared to the same day a year earlier. During the year, the price ranged from HRK 93 to HRK 202, which was the highest value before the beginning of the pandemic. The share turnover in the reporting period amounted to HRK 121.2 million, which was 4.3 percent of the total turnover on the Zagreb Stock Exchange. Thus, ADPL is among the ten most liquid issues in 2020 in the domestic capital market.

As of December 31, 2020, the share has been traded at a P/E of 14.1. Lower profit affected the decline in earnings per share (EPS), which in 2020 amounted to HRK 11.4, while in 2019 it amounted to HRK 22.6. Return on equity (ROE) was 5.5 percent, while a year earlier it was 11.2 percent.

As of December 31, 2020, the company owned 69,058 shares, which was 1.6 percent of the share capital. There were no acquisitions or disposals of own shares during the year. Through the Employee Stock Ownership Programme ESOP employees own a total of 43,050 shares, or one percent of the company's share capital. An advance dividend of HRK 4 was paid, and the rest of the profit was allocated to retained earnings and other provisions by the decision of the General Assembly.

Share trend

ADPL (HRK)	2019	2020	Index
Final price (HRK)	191.0	160.0	83.8
Average price (HRK)	179.8	148.3	82.5
The highest price (HRK)	195.0	202.0	103.6
The lowest price (HRK)	166.5	93.0	55.9
Volume	347,060	878,018	253,0
Turnover (HRK)	62,414,666	121,169,950	194,1
Market capitalization (HRK) *	802,120,544	671,933,440	83,8
P/E *	8.5	14.1	166,4
EPS (HRK) *	22.6	11.4	50,3
ROE *	11.2%	5.5%	-579 bps

* In addition to the measures defined by International Financial Reporting Standards (IFRS), AD Plastik Group also uses Alternative Performance Measures (APM) in its reports. An overview and definition of the measures used in this document are provided in the chapter Alternative Performance Measures.



Marija Babić
Accountant, Solin

Thanks to the effort, trust and good communication, working from home did not hinder us in successfully performing all business tasks. The challenges brought by 2020 brought the best out of us, developed teamwork, communication and a willingness to help.



Integrated Annual Report 2020 | Business | ADPL Share | ADPL share price and index CROBEX behavior in 2020

The global pandemic had a strong impact in stock markets around the world, so in March 2020, stock indexes recorded significant losses along with increased turnover. Some world stock indexes recorded a decline by as much as 40 percent in that period, but at the end of the year most of them made up for a significant part of the losses. The impact of the corona crisis was also reflected in the domestic capital market, which followed the trends on world stock exchanges. Share turnover increased by 5.6 percent compared to the previous year and amounted to HRK 2.3 billion. Crobex recorded a decline of 13.8 percent in the reporting period.

In July, the calculation of the new CROBEX10tr stock index began on the Zagreb Stock Exchange, which includes the ten most liquid issues in the domestic capital market, among them the ADPL share. ETF 7CRO is related to this index – a new financial instrument in the domestic capital market, trading of which began in November. The issuer of the ETF is the investment company InterCapital Asset Management.

Throughout the year, the highest standards of transparency and corporate governance have been met, and despite the specific circumstances, the company's activities were aimed also at increasing its visibility in domestic and foreign capital markets.

AD Plastik Group is among four companies on the Zagreb Stock Exchange selected to participate in the European Bank for Reconstruction and Development (EBRD) program, which began in May. The goal of the program is to increase the public availability of analytical materials for small and medium enterprises listed on regional stock exchanges. The program is also in line with the objectives of the European Commission's Capital Markets Union Action Plan, which specifically emphasizes the importance of facilitating access to finance, including risk capital, especially for small and medium-sized enterprises, as one of the five priority areas for market development. Analyses are prepared by Wood & Company, and reports for ADPL are available on the official website of the Program listed-sme.com/hr-HR.

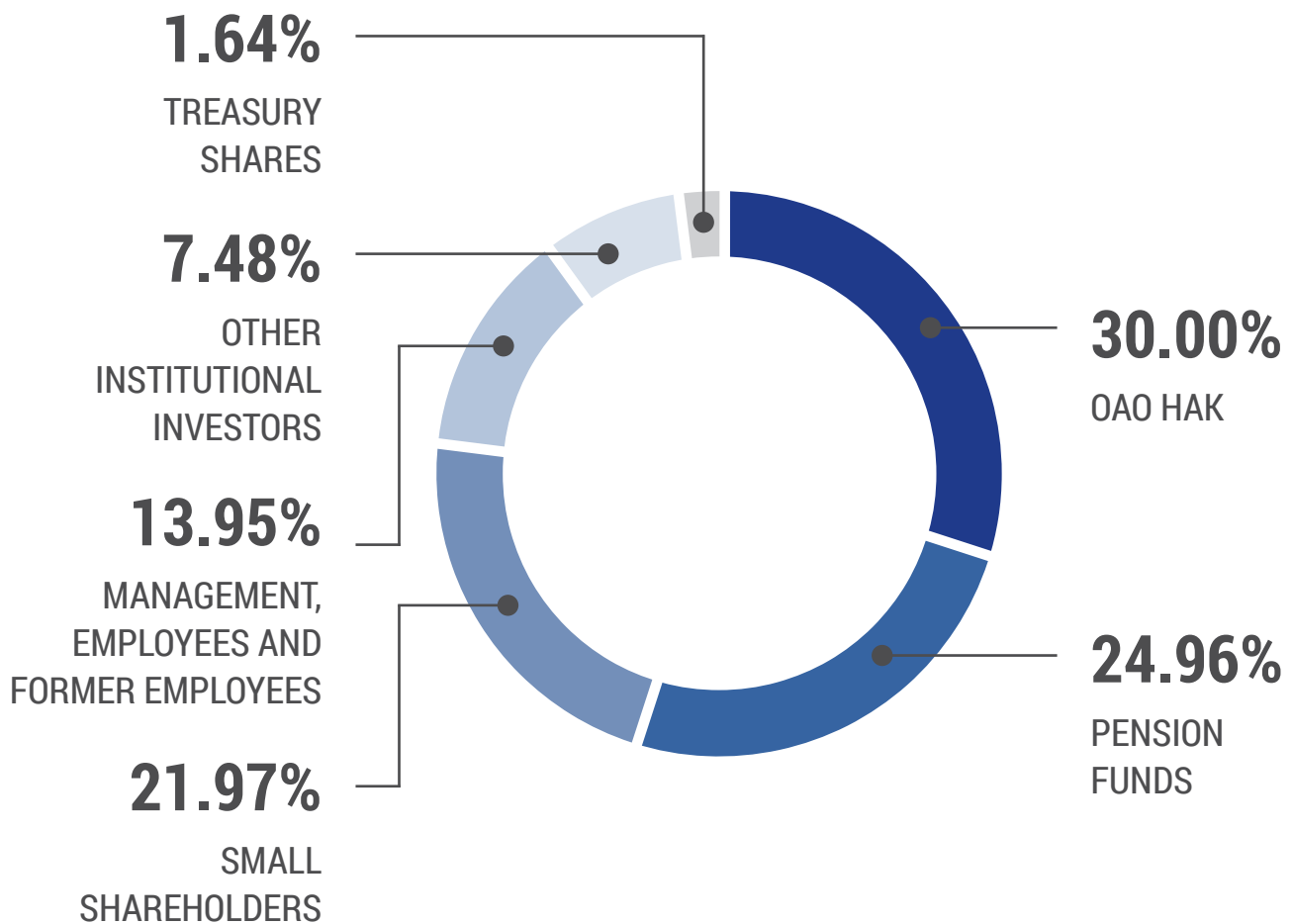
With the increasing emphasis on green investment, besides financial indicators, a non-financial information is becoming equally important parameter for investors in evaluating investments. Companies with implemented ESG practice are becoming more attractive to investors, and AD Plastik Group has been publishing its sustainability reports for the eighth year in a row and is one of the few in the environment to have its ESG score available on Bloomberg. The company's activities in the coming period will be focused on further improvement of non-financial reporting.

ADPL share price and index CROBEX behavior in 2020

-16.2% ADPL -13.8% CROBEX



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 Holding Avtokomponenty with a 30 percent share in the share capital. Shareholders exercise their rights through the General Assembly and the Supervisory Board in accordance with the legislation of the Republic of Croatia.

In 2020, the most significant change in the ownership structure was the growth of the share of pension funds of 4.5 percent and the reduction of other institutional investors by 4.3 percent.

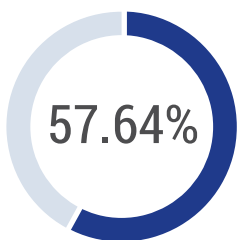


Matija Cindrić
Occupational Safety Manager, Zagreb

If we imagine occupational safety as riding a bicycle that must not stop, then in 2020 it was on a demanding uphill on which it was impossible to predict what would follow behind countless bends - a short break or an even harder climb.

10 largest shareholders

	Shareholder	Number of shares	Share
1	AO Holding Avtokomponenty	1,259,875	30.00
2	Addiko bank d.d. / Raiffeisen MPF category B	454,939	10.83
3	Addiko bank d.d. / Raiffeisen voluntary pension fund	205,458	4.89
4	Addiko bank d.d. / PBZ CO OMF - category B	121,980	2.90
5	Hrvatska poštanska banka d.d. / Capital fund d.d.	116,541	2.78
6	AD Plastik d.d.	69,058	1.64
7	Josip Boban	61,350	1.46
8	Addiko bank d.d. / Raiffeisen MPF category A	45,242	1.08
9	PBZ d.d.- Joint custodial account of a client	43,128	1.03
10	ADP- ESOP d.o.o.	43,050	1.03
		2,420,621	57.64



In 2020, a share change can be seen regarding Raiffeisen MPF category B, which increased the number of shares by 140,235 (3.3 percent). PBZ d.d. / State street client account withdrew from the ten largest shareholders, having reduced the number of shares by 60,453 (1.4 percent) as well as Erste & Steiermarkische bank d.d. / joint custodial account for a foreign legal entity, which withdrew from the ownership structure by selling 105,349 shares (2.51 percent). Thus, ADP-ESOP d.o.o. entered the top ten, with a decrease in the number of shares by 2,100 (0.05 percent) and PBZ d.d./ Joint custodial account of a client by increasing the number of shares by 1,191 (0.03 percent).

Shareholders are one of the most important publics of any joint stock company, therefore the company's commitment to increasing their satisfaction is not surprising. Primarily through increasing the company's value and regular dividend payment, but also through timely and transparent reporting and information, AD Plastik Group continuously improves and develops its relations with shareholders, but also investors and analysts as important business stakeholders. Open communication and sharing comprehensive and relevant information build trust and security in making their business decisions. By two-way communication and listening to their needs, we are continuously working on improvement of communication and activities.

In this very specific reporting period, the company has made great efforts to maintain continuous communication at the highest level. During the pandemic, and especially at its beginning, when economic activities were almost closed, all circumstances relevant to business were informed on a daily basis, and the frequency of communication was almost daily.

Events Calendar on Zagreb Stock Exchange

In accordance with the Zagreb Stock Exchange Rules, AD Plastik Group published the 2021 Events Calendar at the end of the business year 2020.

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	
24 Feb 2021	Unaudited Annual Report for 2020
4 Mar 2021	Supervisory Board meeting
23 Apr 2021	Audited Annual Report 2020
26 Apr 2021	Financial Statement for the first quarter of 2021
30 Apr 2021	Presentation of the Annual Report 2020 and results for the first three months of 2021 to interested financial analysts and public representatives
27 May 2021	Supervisory Board meeting
15 July 2021	General Assembly
27 July 2021	Dividend payment (if voted at the General Assembly)
28 July 2021	Financial Statement for the second quarter of 2021 and Semi-Annual Financial Statement for 2021
2 Sept 2021	Supervisory Board meeting
27 Oct 2021	Financial Statement for the third quarter of 2021 and Financial Statement for nine month 2021
16 Dec 2021	Supervisory Board meeting

Conferences



At the Investment Webcasts held in May and October 2020, AD Plastik Group presented its business and results to domestic and foreign investors.

In December, it participated in the conference Slovenian and Croatian Investor Days, which was jointly organized by the Zagreb and Ljubljana Stock Exchanges in order to improve the visibility of issuers in extraordinary circumstances.

For the first time, AD Plastik Group also participated in Wood's Winter Wonderland EME conference, the largest European conference for emerging capital markets and border markets, held in December.

Investor Days

Despite the pandemic, AD Plastik Group, with the aim of continuous, direct and transparent communication, continued the practice of holding Investor Days. Thus, during 2020, presentations for investors were organized in April and October. At both events, the results were presented by the Finance Director Josip Divić, and the members and the President of the Management Board answered the questions.



Research and development

Through continuous research and development of materials and technologies, AD Plastik Group contributes to the goals of sustainable development of the automotive industry:

**vehicle weight reduction,
greater comfort and safety,
adaptability,
sustainability and
efficiency.**



By working closely with its customers from the early stages of development and design to serial production, their needs, market expectations and industry trends are recognized.

In the reporting period, knowledge, experience and quality were more important than ever. Partnerships with customers and suppliers have fully shown their values. Through joint efforts, in very difficult and dynamic conditions, AD Plastik Group has successfully implemented numerous development projects without difficulties and delays and to the satisfaction of all involved stakeholders. Research activities have been somewhat slowed down due to new circumstances, but are still focused on the strategic goals of improving processes, products and materials.



Research and development importance and activities

The automotive industry has been facing for some time with the great challenges of rapid changes, fast growth of new technologies, and the crisis caused by the pandemic has significantly accelerated transformations. Greater safety, environmentally more friendly, more technologically advanced and visually attractive vehicles are the undisputed future of the automotive industry, and thus the importance of research and development is growing. AD Plastik Group is aware of the need to change and upgrade key competencies within development, so we have been continuously working on improvements.

In order to reduce the greenhouse gas emissions, and thus the weight of the vehicle, it is necessary to choose lighter materials. In cooperation with customers and suppliers, materials with specific characteristics are defined and selected in order for the final products to meet the strict criteria of sustainable development and environmental protection, as well as the desired quality.

Polymeric materials are constantly being developed and new, better quality and more environmentally friendly solutions are being found, but they will certainly be the basis for the production of most interior and exterior components of the future due to their formability, mechanical and other characteristics and recyclability.

Sustainability in development 2020

The use of natural-based fillers in polypropylene injection moulded products reduces the mass and increases the proportion of recyclable components. Thus, for one of Renault Group's vehicles, whose serial production is in progress, hemp-based bio materials are used for the structure of the instrument panel, thus reducing the weight of the product by six percent.

For application of PUR on speaker brackets and door covers for one of Peugeot's vehicles, in the reporting period a one-component ecological material was selected that does not have a harmful impact on the environment and does not contain components that require special handling or storage.

With the introduction of gas assisted injection moulding, significant weight economy is achieved, depending on the type of product, and in Kaluga currently two products are produced using namely this technology. By using it, the weight of the product is reduced by 15 percent.

Thermoformed products are a potential replacement for certain injection-moulded interior and exterior components by lighter and more natural materials. Thus, for some Volkswagen vehicles in Russia, rear door trims are made with thermoforming technology, which directly affects the vehicle weight reduction and consequently the greenhouse gas emissions. A similar example is the production of floor carpet for Duster, which through recycled fibers and reducing the total weight of the product contributes to the same goal.

In order to improve the products in the field of extrusion technology, a different design was approached, more precisely the redistribution of materials within the product enabled the product weight reduction and the application of environmentally friendly materials. With the development of technological equipment, its dimensions have been reduced, which in turn reduces the need for energy and space.

By installing additional equipment on both painting lines in Zagreb, the efficiency of applying new paints and varnishes has been increased and the amount of paints that need to be disposed of has been reduced.



Production and sales



The automotive industry has been affected hard by the corona crisis and although a full recovery will take some time, optimistic indications have emerged already at the end of the year. Somewhat more positive market developments than initially predicted at the beginning of the pandemic have been registered, and this is especially evident in Russia. Although car manufacturers, and consequently their suppliers, were forced to temporarily stop production at the beginning of the pandemic, operations on restructuring and introducing changes were accelerated in order to enable as quick and painless as possible way out of the crisis.

Despite the difficult circumstances, in 2020 new deals worth EUR 130.6 million were sealed. This additionally completed the order book, in which new deals worth over six hundred million euros have been entered in the last four years.

Customers are the most important stakeholders of the AD Plastik Group and long-term partnerships have proven to be very important in 2020, one of the most difficult and demanding years. The dynamics of customers and the development of the epidemiological situation were monitored, and at no time were deliveries to customers endangered. It shows the strength, quality and reliability of the company that is ready to face the hardest challenges.

Major projects in 2020 per technologies

Preparation of projects in the automotive industry is a long process, and the main activities are product definition, production of tools and devices, their transfer to production sites, defining processes, appearance and specific packaging and preparation of production sites for serial production.

Risk management is one of the most important components of project management, and the teams of AD Plastik Group identify, analyze and evaluate most of the risks successfully and in a timely manner, and prepare activities to reduce their impact. Despite quality risk management, the corona crisis has shown how far-reaching unpredictability can be. Infectious diseases are among the ten greatest risks that can affect global prosperity, and at the same time they are not among the risks with the highest probability.

AD Plastik Group successfully closed 33 product and process development projects in the reporting period, and within the set deadlines. This refers to the development, transfer and commissioning of 113 tools, 32 devices, 7 Poka Yoka and 83 control gauges.

Projects are closed three months after the start of serial production.

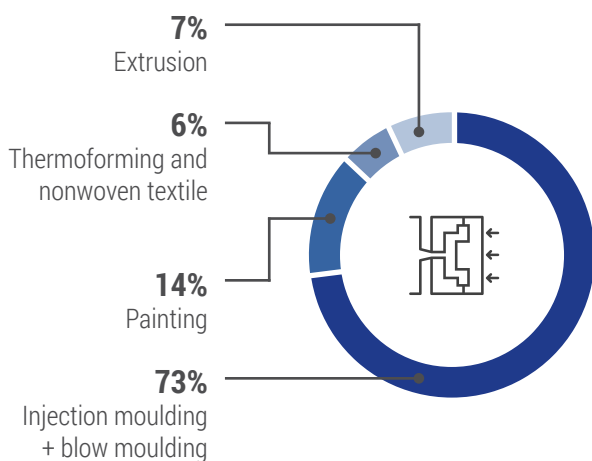
At the same time, industrialization was done for several projects in Russia, whose serial production will begin in the first quarter of 2021. Industrialization implies the preparation and establishment of a serial production process at production sites.

Customers have minimally, or almost not at all, extended their time plans for active projects at a significant stage of development. The stability of the company is reflected in the newly opened projects, so out of a total of 79 active projects, 15 of them started in the observed year. For eight projects, production is planned in Croatia, two of which include also Mladenovac, five will take place in Kaluga, while one newly opened project each in Tisza and Togliatti.

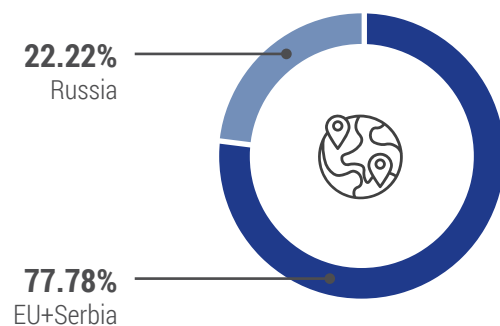
During 2020, even two grab handle projects were opened, which once again confirms the company's expertise in the development and production of this product.

Overview of revenue by technologies and markets

Revenue by technologies



Revenue by markets



The past year has brought a new way of looking at life and work, one had to get used to the physical distance that changed the familiar patterns of teamwork. There is a positive change in the collective awareness of the importance of health that is sure to follow.













Dragan Đurđević
production technologist, Mladenovac

European Union + Serbia

The number of newly registered cars in the EU declined by 23.7 percent in 2020, which is in line with predictions in the amount of 25 percent announced by the ACEA in June. Newly emerging circumstances caused by the pandemic have significantly affected car sales, so in the EU. 9.9 million new vehicles were registered, which is by three million less compared to 2019. Negative trends were recorded in all markets, so Spain recorded a decline of 32.3 percent, Italy 27.9 percent, France 25.5 percent and Germany 19.1 percent.

The Volkswagen Group recorded a decline of 21.6 percent in this period, but still holds the largest market share of 25.6 percent. The PSA Group recorded a decline of 29.3 percent with its market share of 15.2 percent. The Renault Group recorded a 25.6 percent decline in this period and holds an 11.5 percent market share.

The customer list 2020 - currently in production

 FIAT CHRYSLER AUTOMOBILES	FCA Group Technologies: blow moulding, injection moulding, painting Sales Markets: Serbia, Italy, Poland, Mexico, Brazil		Suzuki Technologies: injection moulding, blow moulding, chrome plating of injection molded components Sales Markets: Hungary, Japan
	Ford Technologies: injection moulding, painting Sales Markets: Germany, Spain, Romania, Turkey, Russia		Volkswagen Group Technologies: injection moulding, assembly, extrusion Sales Markets: Germany, Hungary, Slovakia
	HELLA Technologies: injection moulding, UV welding Sales Markets: Slovenia		BMW Technologies: injection moulding Sales Markets: Germany, Hungary
	PSA Group Technologies: blow moulding, injection moulding, painting, extrusion Sales Markets: France, Spain, Czech Republic, Slovakia, Germany, Argentina, Brazil, Russia		Bentley Technologies: injection moulding Sales Markets: Great Britain
	Renault Group Technologies: injection moulding, painting, thermoforming, hot stamping Sales Markets: Slovenia, France, Spain, South Korea		Euro APS, JV Romania Dacia Technologies: injection moulding, thermoforming Sales Markets: Romania

Russia

After initial predictions of a market decline of 23.9 percent according to AEB RUS, the market recovery in the second half of the year significantly reduced that figure, so the decline in new car sales in 2020 amounted to 9.1 percent. There were 1.6 million newly registered vehicles, which is two hundred thousand less than a year earlier. Thus, according to the achieved results, Russia is among the best markets of the automobile industry in the world, and for 2021 it is forecasted a growth of 2.1 percent.

The Renault-Nissan-Mitsubishi Alliance with the largest share of 37.1 percent in the Russian market recorded a decline of 8.1 percent in the reporting period. The Volkswagen Group holds thirteen percent of the market and it recorded a growth of one percent, while Kia recorded a 11.2 percent growth with a twelve percent market share. Hyundai Group, holding 9.9 percent market share, recorded a growth of 9.8 percent compared to the same period last year.



The customer list 2020 - currently in production



Renault Russia

Technologies: injection moulding, thermoforming, extrusion

Sales Markets: Russia and countries of the former USSR, China, Vietnam



Volkswagen Russia

Technologies: injection moulding, gas injection moulding, thermoforming

Sales Markets: Russia, Kazakhstan



AvtoVAZ Russia

Technologies: injection moulding, thermoforming, extrusion, blow moulding

Sales Markets: Russia and countries of the former USSR, China, Vietnam



Ford Sollers

Technologies: injection moulding

Sales Markets: Russia



Mitsubishi Motors

Technologies: injection moulding

Sales Markets: Russia



Nissan Russia

Technologies: injection moulding

Sales Markets: Russia and countries of the former USSR, China, Vietnam



Peugeot

Technologies: injection moulding

Sales Markets: Russia

Supplier chain

The process of managing suppliers according to sustainability guidelines is an indispensable part of business processes in the automotive industry. This implies elaborated procedures that encourage the development of suppliers in terms of corporate social responsibility. Suppliers are acquainted with all the set criteria for their selection through the basic documents of the AD Plastik Group published on the company's website. In addition to the Sustainable Supplier Management Policy, General Terms and Conditions for Purchase and the Questionnaire on Compliance with Corporate Social Responsibility Guidelines, a Supplier Quality Manual was created and published in 2020.

Prior to the selection itself, suppliers get criteria and objectives for which regular monitoring is done during the cooperation in order to monitor development and progress. For the purpose of the environmental care, they are encouraged to use recycled materials and create opportunities for internal recycling and recovery of materials within the given quality requirements.

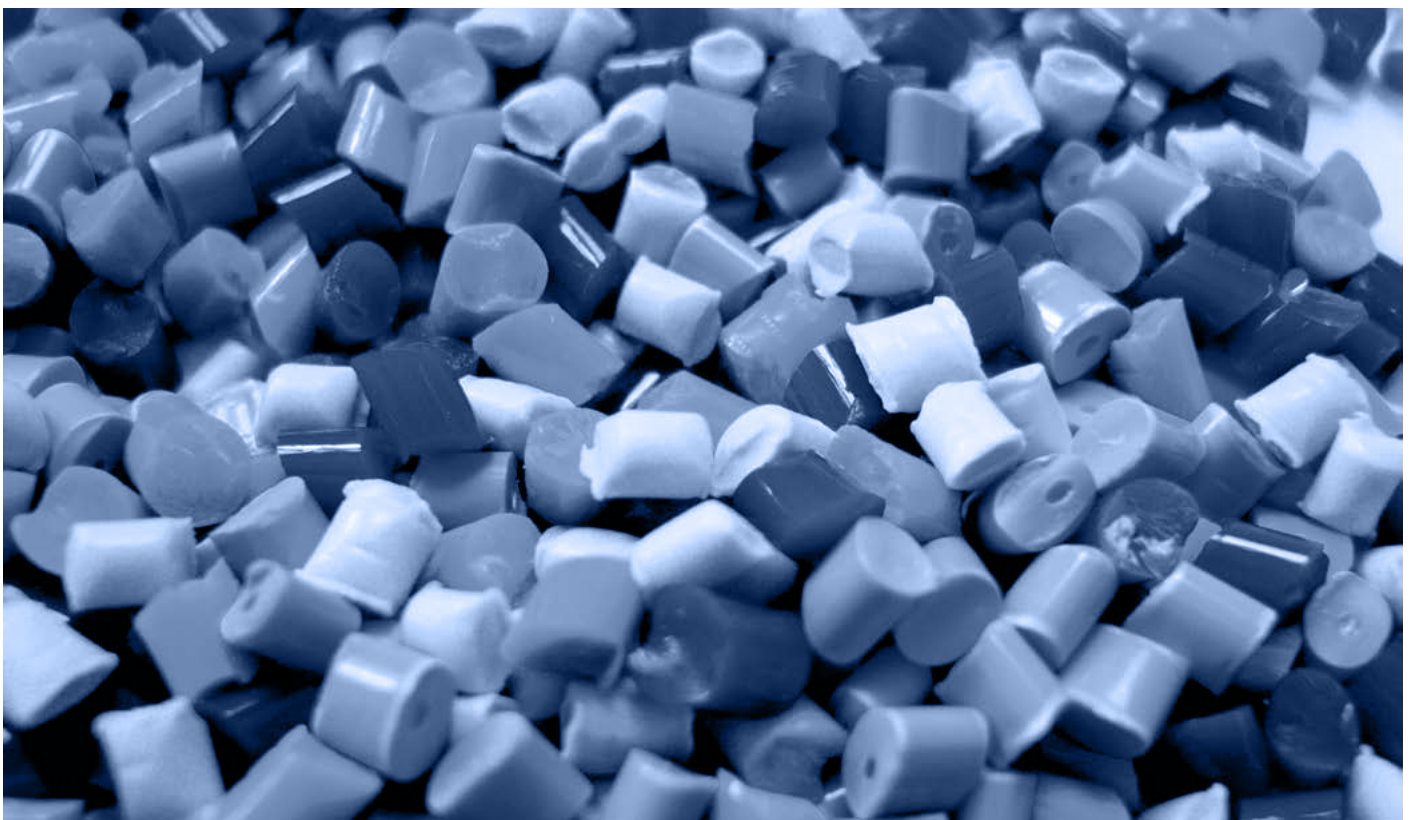
Environmental protection, respect for human rights, prohibition of child labor and all forms of forced labor, the right to association, the fight against corruption and all forms of discrimination are topics that are evaluated regarding suppliers in order to develop corporate social responsibility. All suppliers whose products or services affect the quality of the company's products are subject to strict control processes according to the high standards of the automotive industry, and once a year they are monitored according to sustainability criteria.

AD Plastik Group cooperates with suppliers of basic and auxiliary materials, packaging, tools and equipment and services. As materials, services, components, tools and equipment are very diverse, the company's supplier base is very wide.

Basic and auxiliary materials are procured from recognized suppliers of the automotive industry with the consent of customers. The same applies to tools and equipment for which there is a long-standing tendency to develop local companies that would acquire knowledge in the field of automotive industry through smaller projects.

The supply chain faced major challenges during 2020, but thanks to quick reactions and long-standing and partnership relationships with suppliers, production of AD Plastik Group was not compromised. At the first signs of a pandemic, a special way of almost daily reporting on inventory availability, deliveries and potential risks was agreed upon, and it proved to be very effective. The crisis caused by the pandemic pointed out the shortcomings and will permanently change some things and redirect towards reducing risk, primarily by shortening the supply chain.

Conducting supplier audits in 2020 was not possible due to epidemiological measures, so self-assessment audits were performed and the results were satisfactory as expected, given the strict conditions for supplier selection. A total of 379 suppliers were estimated, covering all material suppliers at all production sites. Adherence to the prescribed policies on the prohibition of child labor and respect for human rights, as well as all other impacts on society, was confirmed.



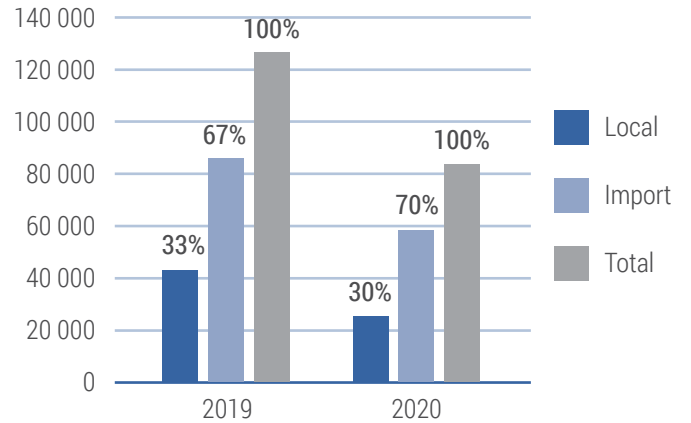
The share of local suppliers in the total value of purchasing



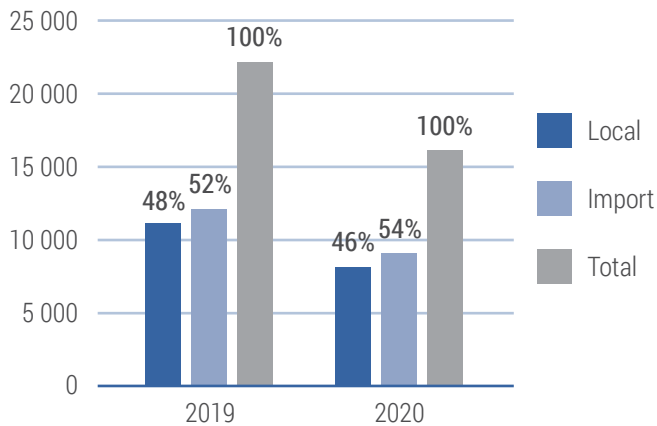
In the observed period, the value of purchasing decreased in all Group members due to the COVID-19 virus pandemic. The structure of suppliers remained almost unchanged as did the share of local suppliers.

The value of the purchasing is shown in thousands of euros.

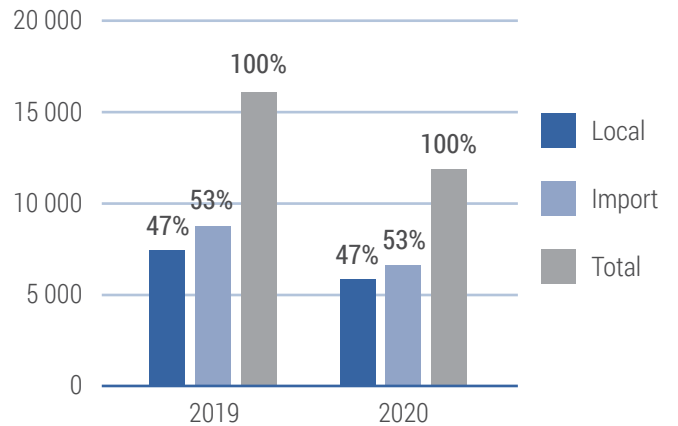
AD Plastik, Croatia



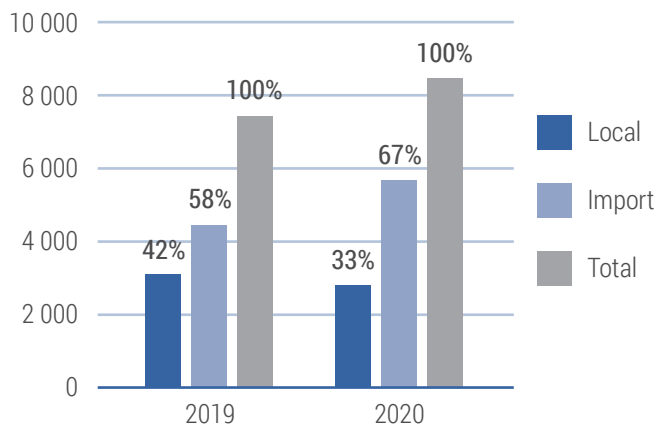
AD Plastik Togliatti, Russia



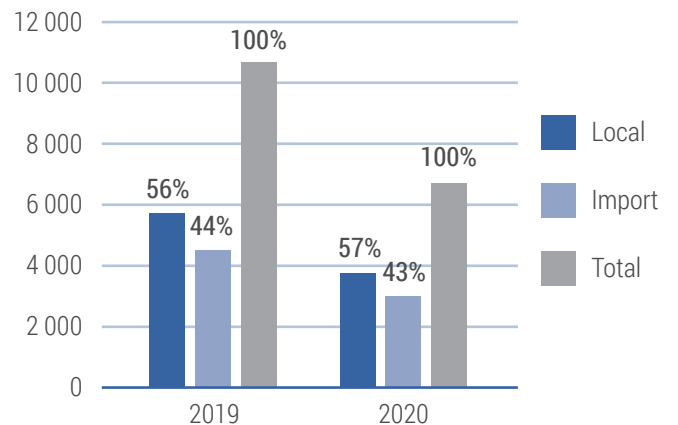
AD Plastik Kaluga, Russia



ADP Mladenovac, Serbia



AD Plastik Tisza, Hungary



Information technology and security

Rapid adaptation to new circumstances, drastically increased displaced work and increment in number of security threats are just some of the activities that, with their significant impact on business and the digital environment, have directly affected IT and information security activities in 2020. It was a demanding test and challenge for information systems, and timely response, dynamism and rapid adaptation were necessary to successfully cope with the new circumstances. In order to protect the health of employees, all necessary measures have been taken and all technical and safety prerequisites have been provided in just a few days in order to enable remote work.

Despite the challenges caused by the pandemic, planned projects for improving certain parts of the information system of the AD Plastik Group were realized in the reporting year. The scope of computer communications infrastructure security surveillance has been increased by up to 90 percent, the data leakage prevention system has been integrated with the security operations center, the computer communications infrastructure has been actively scanned in order to find new vulnerabilities and a video surveillance and access control system has been implemented at Solin and Zagreb production sites. The reporting year was also marked by strong earthquakes that did not affect the computer communications infrastructure, but proved the justification of establishing an alternative location for data processing and storage in Zagreb, which increased the company's resilience to emergency and unforeseen situations.

By implementing a unique backup archiving solution, a central place for storing and managing backups of the Group's information system has been provided. All server infrastructure with data can be quickly

and securely restored from stored archives, thus ensuring business continuity and smooth operations. This minimized the possibility of data loss in case of difficulties or adverse events, as well as a redundant mode of operation that ensures timely communication with customers and uninterrupted production.

The implementation of the new SharePoint portal, a modern and robust system, has provided a platform for fast, secure and transparent collaboration, which is part of the digitalization of the company's internal processes. The introduction of the MSTEams communication tool has improved the quality and speed of communication and further supported the quality and safety of remote work.

New modules and versions of the business system have been implemented, which enable the maximum use of available functionalities and ensure a quick reaction of suppliers to new customer requirements and legal provisions.

In 2020, 4,323 suspicious activities were identified, of which 354 were identified as a potential attack on the information system, and 129 attacks were confirmed. All identified and confirmed attacks were processed and prevented. The most common types of attacks follow general trends in attacker techniques, and mostly include attacks by methods of social engineering (phishing), malicious computer files (malware), and escalation of privileges.

The development of the information system in subsidiaries is ongoing, and in 2020 the emphasis was on network and server aspects of the information system in AD Plastik Tisza.



Quality

Very high quality standards have been set in the automotive industry, and compliance with these standards is a basic precondition for cooperation. AD Plastik Group meets all product quality standards in accordance with customer requirements and expectations. We have been constantly working on improvements and enhancements through comprehensive approach that includes also employee responsibility at all levels. High quality is maintained by monitoring and introducing new technologies and materials into production

processes and by constantly investing in research and development. There has been continuous work on promoting the importance of quality and educating employees about changes, trends and new standards.

Despite difficult business conditions in 2020, AD Plastik Group maintained a high level of quality to the satisfaction of its customers.

Certificates

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

Glossary:

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

Despite the delays and difficult conditions, recertification and supervision audits were successfully conducted in 2020 at all production sites of the AD Plastik Group. The planned recertification IATF audit in AD Plastik Kaluga has been postponed for March 2021 due to the situation.



	IATF 16949 valid until	ISO 14001 valid until	ISO 45001 valid until	ISO 50001 valid until	ISO 27001 valid until
Solin Croatia	November 26, 2021	July 1, 2022	September 21, 2023	November 27, 2022	January 3, 2022
Zagreb Croatia	November 26, 2021	July 1, 2022	September 21, 2023	November 27, 2022	January 3, 2022
Vintai Russia	April 3, 2021	October 18, 2023			
Kaluga Russia	February 15, 2021	July 4, 2022	October 15, 2023		
Mladenovac Serbia	September 7, 2021	June 15, 2021	April 1, 2022	February 14, 2023	January 3, 2022
Tiszaújváros Hungary	March 11, 2021	August 31, 2023			

Integrated Annual Report 2020 | Business | Quality | **Customer health and safety**
| **Labelling of products and services**

Customer health and safety

By complying with all prescribed regulations of the automotive industry, customer health and safety are taken care of. Already when designing the products, their entire life cycle is taken into account and all potential risks to the safety and health of customers are analyzed, thus eliminating all potential risks of the products during use.

By continuous improvement of the quality and safety of products and services, the requirements and needs of the market and customers are monitored. In accordance with increasingly stringent regulations, specific customer requirements are effectively applied and they are monitored by traceability records throughout the product life cycle.

All products undergo validation and approval processes by car manufacturers, and in addition to testing in approved laboratories, also the chemical composition of each product and its components is stated via the IMDS system. This confirms that the products do not contain substances that pose a risk to the health of customers.

No cases of non-compliance with regulations related to the impact of products on the health and safety of customers were recorded in the reporting period.



Labelling of products and services

In order to provide a guarantee of complete protection for end-users of vehicles, products are labeled in accordance with the requirements of the automotive industry. Throughout the product life cycle, labeling ensures complete traceability of all information, production method, specification of materials and embedded components,

exact production and delivery times. In order to make traceability as efficient as possible, the data traceability system is continuously improved, in which all data from the input of materials into the process to the delivery itself are being archived.

As a travel lover, I am sorry that the planned trips did not realize last year. However, I spent more time with the family. At work we have solved many demanding tasks and as a team we have become more connected.



Svetlana Balakina
Production Director, Kaluga

Financial results 2020

AD Plastik Group is comprised of the following companies during 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 d.o.o., Slovenia
AD Plastik Tisza Kft., Hungary

(hereinafter: **AD Plastik Group**)

The impact of the COVID-19 virus pandemic on the world economy marked 2020, and it also affected the business results of the AD Plastik Group. Until the beginning of the pandemic, business operations were carried out in accordance with the set business plans, so at the beginning of the year, the growth trend of business revenue continued, thanks to the serial production of new vehicle models started in 2019. However, already during March and April, due to the epidemiological situation, the factories of almost all car manufacturers were temporarily closed, and consequently the production facilities of the AD Plastik Group were closed too for a while. After that production gradually started and capacities increased in accordance with the activities and dynamics of customers.

The impact of the corona crisis is evident in the business results for 2020, thus the operating revenue of the AD Plastik Group was by 20.9 percent lower than in 2019. Nevertheless, the results are better than the first predictions at the beginning of the crisis, which indicates a slight recovery of the market. Unfavorable movements in the exchange rate of the Russian ruble and high revenue from tools in 2019 also had a negative impact on revenue trends.

In addition to the decline in revenue that negatively affected EBITDA, there are also positive effects of serial production started in 2019, the sale of non-operating assets in the amount of HRK 11.4 million and the use of government grants.

Apart from lower EBITDA, the decline in the Group's net profit is mainly influenced by lower profit of the affiliated Romanian company, as a result of the crisis and unfavorable movements in Russian ruble and Hungarian forint exchange rates.

The results achieved are better than the forecasts reported in the third quarter when the expected revenue decline was 25 percent. This was primarily contributed by increased customer activities, especially in the last quarter of the reporting period, as well as the dividend payment by the Romanian company.

The automotive industry has been hit hard by the corona crisis and it will certainly take a while to return to pre-crisis levels. Still, it is to be expected that more favorable market trends, recorded at the end of the year, will have a positive impact also on the company's operations in 2021. In addition to the protection of the health and safety of employees, sustainable business is a priority also in the coming period. 43 ongoing development projects, completed order books and the announced slight recovery of the market will certainly contribute to the success of the business.



Response to the pandemic

Revised investments and costs

In line with the previous year, an ambitious investment plan has also been set for 2020. With the outbreak of the pandemic, all investments that were not necessary for business operations were revised and postponed, thus in 2020 they amounted to HRK 67.4 million. Operating costs have also been revised and reduced only to necessary ones for the Group's day-to-day operations.



Moratorium on credit obligations

The parent company agreed with commercial banks to defer the payment of long-term loan principal for the period from March to September in the amount of HRK 66.6 million, and the repayment deadline was extended by six months. Companies in Serbia and Hungary used the state measure to defer payment of credit obligations in the amount of HRK 6.7 million. After the expiration of the moratorium, overdue loan liabilities have been regularly settled in all Group companies. The company's liquidity was further strengthened by the sale of non-operating tangible assets in Makarska.

Government grants

The parent company used state grants to preserve jobs and shorten the working week, with a total value of HRK 31.2 million. Grants to preserve jobs were also used by companies in Serbia and Hungary, so the total amount of grants used at the Group level amounted to HRK 33.8 million. In the last quarter, staff costs increased by HRK 12.3 million, i.e. by the amount of grants received after May 1, 2020. This refers to the provisions if the General Assembly votes on the decision on dividend payment from retained earnings at its meeting. Through the use of government grants and the activities undertaken by the Management Board, jobs were preserved, which was one of the main priorities in the reporting period along with safety, financial stability and liquidity.

Key performance indicators

(in thousands of kunas)

Indicators	AD Plastik Group			AD Plastik d.d.		
	2019	2020	Index	2019	2020	Index
Operating revenue	1,541,088	1,218,581	79.07	1,107,594	871,660	78.70
Sales revenue	1,509,217	1,186,766	78.63	1,085,118	844,247	77.80
Operating expenses	1,454,023	1,149,686	79.07	1,052,557	825,630	78.44
EBITDA *	197,465	165,885	84.01	121,749	118,393	97.24
Net profit	93,277	46,929	50.31	80,783	68,633	84.96
NFD *	440,470	335,830	76.24	376,589	294,900	78.31
NFD/EBITDA *	2.23	2.02	90.76	3.10	2.50	80.54
EBITDA margin *	12.81%	13.61%	80 bps	10.99%	13.58%	259 bps
Net profit margin *	6.05%	3.85%	-220 bps	7.29%	7.87%	58 bps
ROE *	11.24%	5.45%	-579 bps	10.62%	8.56%	-206 bps
Capex *	161,766	67,420	41.68	136,602	42,920	31.42

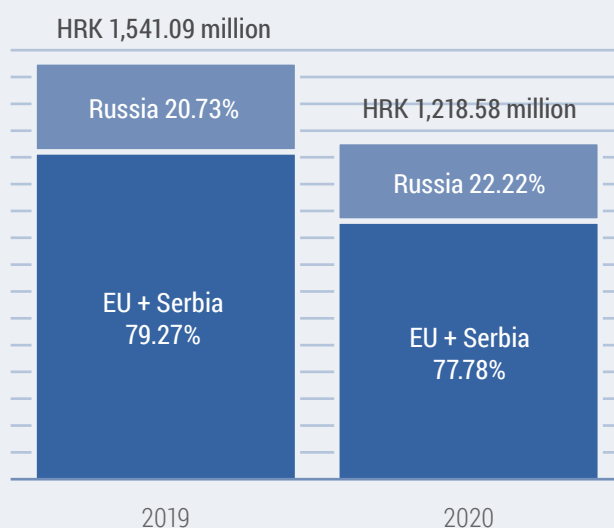
* In addition to the measures defined by International Financial Reporting Standards (IFRS), AD Plastik Group also uses Alternative Performance Measures (APM) in its reports. An overview and definition of the measures used in this document are provided in the chapter Alternative Performance Measures.

Operating revenue per sales markets of AD Plastik Group

AD Plastik Group generated revenue in the amount of HRK 947.8 million on the EU and Serbian markets, i.e. 77.8 percent of the Group's total revenue. Due to the impact of the pandemic and the temporary closure of factories, revenue were lower by 22.9 percent than a year earlier. In the reporting period, new deals were sealed worth EUR 45.3 million in EU and Serbian market.

The impact of the pandemic on the revenue of the AD Plastik Group is also evident in the Russian market. Operating revenue were lower by 13.25 percent compared to the previous year, amounting to HRK 270.7 million. In addition to the corona crisis, revenue trends were also affected by the weakening of the Russian ruble exchange rate, and the Group generated 22.2 percent of total revenue in this market in the reporting period. Russian companies fully generate their revenue in the Russian market, and in the reporting period new deals worth EUR 85.3 million were sealed.

- Revenue of AD Plastik Group in EU and Serbian markets has decreased by 22.88 percent
- Revenue of AD Plastik Group in Russia has decreased by 13.25 percent



Operating expenses

(in thousands of kunas)

Operating expenses	AD Plastik Group			AD Plastik d.d.		
	2019	2020	Index	2019	2020	Index
Changes in the value of work in process and finished products	467	(9,778)	-2,095.77	(1,252)	(3,821)	305.18
Material costs	1,000,447	758,168	75.78	766,887	560,683	73.11
Staff costs	260,359	232,326	89.23	168,826	149,634	88.63
Amortization	110,400	96,991	87.85	66,712	72,363	108.47
Other costs	65,120	37,236	57.18	39,487	28,569	72.35
Provisions	1,972	4,703	238.52	2,039	4,035	197.89
Other operating expenses	15,260	30,041	196.87	9,858	14,167	143.71
OPERATING EXPENSES	1,454,023	1,149,686	79.07	1,052,557	825,630	78.44

Net financial result

In the reporting period, the exchange rates of the Russian ruble and the Hungarian forint have weakened against the euro, which was the main reason for the more unfavorable financial result at the Group

level. The parent company achieved a favorable net financial result, which was largely influenced by the additional dividend paid by the Romanian affiliated company in the last quarter of 2020.

(in thousands of kunas)

Net financial result	AD Plastik Grupa			AD Plastik d.d.		
	2019	2020	Index	2019	2020	Index
FINANCIAL REVENUE	752	362	48.15	44,930	44,067	98.08
Interest income	434	362	83.38	4,242	3,542	83.49
Dividends	6	-	-	40,376	40,525	100.37
Other revenue	312	-	-	312	-	-
FINANCIAL EXPENSES	14,844	31,870	214.70	9,516	12,517	131.53
Negative exchange rate differences	1,699	21,895	1,289.05	33	2,084	6,402.87
Interest expense	13,146	9,975	75.88	9,073	7,207	79.43
Loans impairment (IFRS 9)	-	-	-	410	3,226	786.20
FINANCIAL RESULT	-14,092	-31,508	223.59	35,414	31,550	89.09



Financial position

Net financial debt decreased significantly and amounted to HRK 335.8 million at the Group level, and compared to the end of 2019 it was lower by HRK 104.6 million. In the parent company, it amounted to HRK 295 million, being lower by HRK 81.7 million. The reduction in net financial debt was the result of a reduction in credit liabilities and investments, but also an increased cash position in terms of the sales of non-operating real estate in Makarska, additional dividend payment from the affiliated Romanian company in the last quarter as well as the inflows from the part of tools. The NFD/EBITDA ratio amounted to 2.02 for AD Plastik Group and 2.5 for the parent company. The indebtedness ratio was also improved, amounting to 0.44 at the Group level on December 31, 2020, while a year earlier it amounted to 0.49. At the end of 2020, it was 0.39 in the parent company, as opposed to 0.46 at the end of 2019. In the observed period, a return on equity (ROE) of 5.45 percent was achieved at the Group level, i.e.

8.56 percent in the parent company. As of December 31, 2020, AD Plastik Group had HRK 62.7 million in cash on its account as well as unused short-term credit lines.

In the financial statements of the parent company and the AD Plastik Group for 2019 the deferred tax assets arising from the incentives realized in 2012 for the Edison project, which were used as a tax shield, were recorded. Thus, deferred tax assets in the amount of HRK 26.2 million were recognized and the retained earnings from previous periods were increased by that amount, and the profit for 2019 was reduced by the related income tax in the amount of HRK 9.4 million. Accordingly, the tax for 2020 has been calculated. Adjustments did not result in changes in the overall cash flow statement from operating, investing and financial activities.

(in thousands of kunas)

Abbreviated balance sheet	AD Plastik Group			AD Plastik d.d.		
	31.12.2019	31.12.2020	Index	31.12.2019	31.12.2020	Index
ASSETS	1,688,040	1,541,345	91.31	1,430,215	1,357,618	94.92
Noncurrent assets	1,091,768	980,222	89.78	981,594	935,859	95.34
Current assets	525,907	537,463	102.20	380,361	401,065	105.44
Prepaid expenses and accrued income	70,366	23,661	33.63	68,260	20,695	30.32
LIABILITIES	825,355	680,720	82.48	654,641	529,934	80.95
Provisions	19,633	19,571	99.68	16,622	16,665	100.26
Noncurrent liabilities	245,991	183,611	74.64	184,184	143,172	77.73
Current liabilities	552,910	459,572	83.12	449,667	354,206	78.77
Accrued expenses and deferred revenue	6,822	17,966	263.35	4,168	15,892	381.28
CAPITAL	862,685	860,625	99.76	775,574	827,684	106.72

Investments 2020.

The total value of investments at the level of AD Plastik Group in 2020 amounted to HRK 67.4 million, which was by HRK 94.3 million less than in 2019. Given the uncertainties related to the pandemic and its effects on business, the previously adopted investment plan was revised and the implementation of all unnecessary investments

was postponed. Of the total amount of investments, HRK 52.4 million was invested in tangible assets, and HRK 15 million was invested in intangible assets. Investments in tangible assets mostly relate to the purchase of machinery and equipment necessary for the delivery of products on which deals were sealed.

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 2019 and 2020 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 thousands of kunas)

Positions	2019	2020	Index
OPERATING REVENUE	1,928,676	1,484,384	76.96
OPERATING EXPENSES	1,790,308	1,391,224	77.71
Material costs	1,228,265	904,572	73.65
Staff costs	311,608	277,207	88.96
Amortization	119,848	107,625	89.80
Other costs	130,587	101,819	77.97
FINANCIAL REVENUE	27,742	10,995	39.63
FINANCIAL EXPENSES	44,015	44,038	100.05
TOTAL REVENUE	1,956,418	1,495,379	76.43
TOTAL EXPENSES	1,834,322	1,435,262	78.24
Profit before taxation	122,095	60,117	49.24
Profit tax	28,818	13,189	45.77
PROFIT OF THE PERIOD	93,277	46,929	50.31
EBITDA	258,216	200,785	77.76

HRK 1,484.4 million

Operating revenue of AD Plastik Group with consolidated corresponding part of ownership in affiliated company amounted to HRK 1,484.4 million and were lower by 23 percent compared to the same period in 2019. EBITDA amounted to HRK 200.8 million, which was a decrease of 22.2 percent compared to the year before.

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

P/L

(in thousands of kunas)

Positions	2019	2020	Index
Operating revenue	802,508	541,869	67.52
Operating expenses	-699,902	-493,337	70.49
Net financial result	-4,360	-3,069	70.39
Profit before taxation	98,246	45,463	46.27
Profit tax	-16,792	-5,498	32.74
Profit of the period	81,454	39,964	49.06

Balance sheet

(in thousands of kunas)

Positions	31.12.2019	31.12.2020	Index
Noncurrent assets	99,009	98,236	99.22
Current assets	288,623	244,768	84.81
TOTAL ASSETS	387,632	343,004	88.49
Capital + reserves	171,646	133,167	77.58
Long-term liabilities and provisions	15,131	19,709	130.26
Current liabilities	200,855	190,128	94.66
TOTAL LIABILITIES	387,632	343,004	88.49

The operating revenue of the Romanian affiliated company EAPS amounted to HRK 541.9 million and were by 32.5 percent lower than in 2019. Net profit was lower by 50.9 percent and amounted to HRK 40 million. Despite the demanding business conditions caused by the pandemic, a stable financial position was maintained.

The company has no financial liabilities towards AD Plastik d.d. nor liabilities towards external entities, and as of December 31, 2020, its cash on account amounted to HRK 88.6 million. Investments in this period amounted to HRK 17.7 million.

This company primarily generates revenue in Romanian market and, apart from that, it supplies its products to the markets of Algeria, Morocco, Iran, Brazil, Colombia, South Africa, Russia etc. Its results have been included in the results of AD Plastik Group by equity method, and in the reporting period, the payment of hundred percent of the profit of the company for 2019 was voted and paid out.



Alternative performance measures

In addition to the financial performance measures defined by International Financial Reporting Standards (IFRS), AD Plastik Group also uses certain alternative performance measures in its reports, considering them useful for business performance analy-

sis for investors. Alternative performance measures show a comparative periods so that the company's results can be compared over different periods.

EBITDA and EBITDA margin

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) represents the operating profit (operating revenue minus operating expenses) increased by amortization of tangible and intangible assets. The company also presents an EBITDA margin that represents a percentage of EBITDA relative to operating revenue.

Net profit margin

It is calculated by the ratio of realized net profit and operating revenue. The company uses this measure to track its profitability relative to operating revenue.

Net debt and net debt to EBITDA

Net debt represents the sum of short-term and long-term liabilities to banks and short-term and long-term loans to non-banking companies, minus cash and cash equivalents. AD Plastik Group uses the ratio of net debt to EBITDA as an indicator of financial stability and the company's ability to repay its financial obligations. When calculating the indicators on a quarterly basis, the EBITDA realized in the last four quarters is taken into account.

(in thousands of kunas)

AD Plastik Group	31.12.2020	31.12.2019
Non-bank loans	49,181	42,738
Long-term liabilities to banks	169,611	233,353
Short-term liabilities to banks	179,705	191,450
Cash	-62,667	-27,072
Net financial debt	335,830	440,470

(in thousands of kunas)

AD Plastik d.d.	31.12.2020	31.12.2019
Non-bank loans	37,684	37,213
Long-term liabilities to banks	139,426	176,744
Short-term liabilities to banks	153,458	170,930
Cash	-35,669	-8,298
Net financial debt	294,900	376,589



ROE

This measure is used to monitor the realized return on equity. It is calculated on an annual and quarterly basis. When calculating the indicators on an annual basis, the ratio is the net profit of the current period and the average value of equity (the average value of equity at the end of the reporting period and equity at the beginning of the reporting period). At the quarterly level, it is calculated by the ratio of net profit for the last four quarters and the average value of equity (average value of equity at the end of the reporting period and equity at the end of the same period of the previous year).

Capex

Capital investments are indirect cash flow position and they are related to payments for tangible and intangible assets. This measure is used as an indicator of the use of funds to achieve future economic flows and ensure the distribution of funds in accordance with the Group's strategy.

Debt ratio

The debt ratio is the ratio of total liabilities to total assets. This measure is used to monitor the company's financial risk in terms of growth of liabilities in relation to assets.

Market capitalization

Market capitalization is the total market value of the company, and it is calculated as the product of the total number of shares and the last share price on the day of the reporting period.

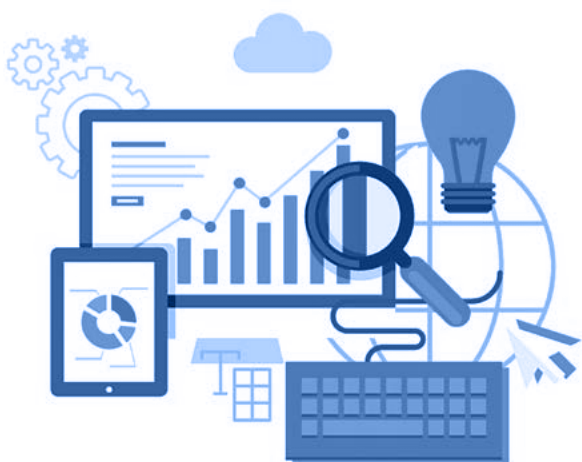
	2020	2019
Last price in the period (HRK)	160	191
Number of shares (in thousands)	4,200	4,200
Market capitalization (in thousands of kunas)	671,933	802,121

EPS and P/E

These measures are used so that investors can analyze the value of the share. Earnings per share (EPS) are calculated by dividing net profit by the weighted average number of shares. The quarterly calculation uses the net profit realized in the last four quarters.

	2020	2019
Net profit of the period (in thousands of kunas)	46,929	93,277
Average weighted number of shares (in thousands)	4,131	4,131
EPS (HRK)	11,4	22,6

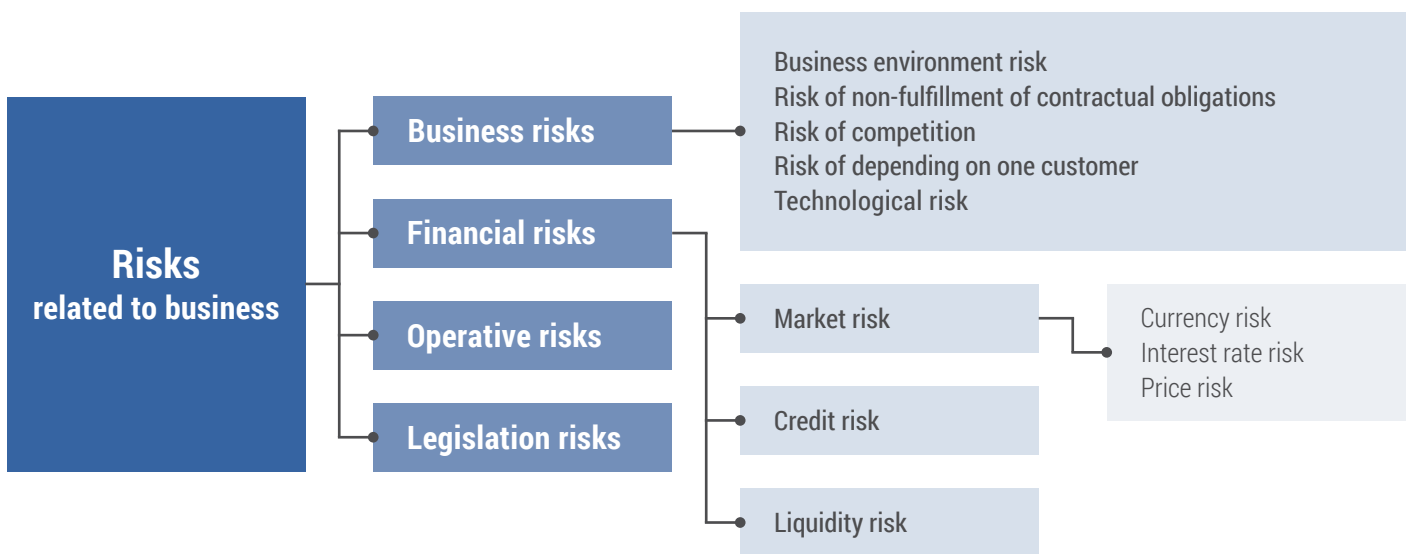
P/E is the ratio of price to earnings per share (EPS). The price represents the share price on the last day of the reporting period, and in the quarterly calculation, net profit represents the realized profit in the last four quarters.



Risks related to business

The AD Plastik Group has identified certain risks that may affect the business and special attention is paid to them when developing the strategy and plans. Timely assessments of risks and their impact on business are crucial for business sustainability. The company's Management Board aims at continuous improvement of risk management

as a basis for successful management of the company as a whole, to the satisfaction of all stakeholders. Any type of risk can have a positive or negative impact on business, and namely risk management is one of the key instruments for identifying opportunities and responding to changes in a timely manner.



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 the stability and maintaining competitive advantage.

Business environment risk

AD Plastik Group operates in the global market, thus being exposed to various business environment risks. The macroeconomic, political and social stability of the countries in which it operates are important for business and have direct consequences on the results. 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 it operates, such as increase in 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 business results. These risks can be managed in a limited way, but the risk is dispersed by conducting business in different countries. Investing in the opening

of new markets, continuous monitoring of macroeconomic and long-term market indicators are activities the company constantly carries out.

The consequences of the pandemic strongly affected the world economy in the reporting period, and one of the direct consequences for the automotive industry was a significantly reduced mobility of the population. In addition to the global decline in economic activity, there was also a decline in demand for new cars. The corona crisis directly affected the company's business results, and the consequences were mitigated by timely reactions such as cost rationalization, reduction and postponement of planned investments, the use of available government subsidies and a moratorium on credit obligations.

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. Prior to that, it is necessary to ensure the timely procurement of the necessary raw materials and the smooth flow of the production process. Thus, it is 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 adversely affect business results.

This risk was particularly emphasized in the reporting period. At the Group level, the development of the pandemic situation and the situation in the supply chain were monitored on a daily basis, and the necessary measures were taken so as not to jeopardize customers' production processes. At no point were they endangered and all deliveries were arriving on time.

This risk is managed by regular evaluation of suppliers, by monitoring the quality parameters and stability of deliveries and securing supplies, while customers continuously audit all processes at production sites of the Group. In the past year, 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. Many factors 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. The automotive industry is a fairly closed system in which customers send their requests for quotations to certain suppliers based on evaluations of previous projects.

Entering a panel of suppliers in the automotive industry is a very difficult and time-consuming process, and therefore the entry of competition is limited and gradual. Almost all Group's factories are located close to the production sites of main customers, and over the years the company has positioned itself as a supplier of high reliability, cost and technical competitiveness. Together with flexibility and long-standing partnerships with customers, this ensures 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 51 percent with the growth of FCA Group, PSA Group and Ford shares. The customer portfolio has been further expanded with new customers such as Suzuki, Rehau, TOGG and others, and the strategy of the company is to further reduce relative exposure to the Renault Group. The trend of merging large car manufacturers reduces the possibility of diversification, but at the same time opens new markets and the possibility of expanding cooperation within individual consortia.

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, trends have been constantly monitored and there are investments in new technologies while taking care of their environmental impact.

Information systems within the automotive industry are used extensively to exchange information with customers and suppliers without time delay. Disruptions in the communication system can cause delays in production and deliveries, so investments are made continuously in new equipment and special measures are taken to minimize the possibility of disruptions in the operation of any part of the IT infrastructure.

The most difficult thing for me was the optimal distribution of work and private time. Our team of hardworking, talented and well-organized people, has successfully overcome all challenges, thanks to great effort and team spirit.



Ádám Török
Production Planning Manager, Tiszaújváros

Financial risks

Financial risks refer to all risks that may impair the financial stability of the company. They 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:

- Market risk
- Credit risk
- Liquidity risk

Market risk

Market risk is the risk of fluctuation of fair value or future cash flows of a financial instrument because of changes in market prices. Price changes often refer to movements in interest rates or exchange rates, but also include changes in the prices of basic products that are necessary for business. Market risk includes three types of risk: currency risk, interest rate risk and other price risk.

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. This risk is partly managed by using forward transactions in currencies that have seasonal exchange rate fluctuations. 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, by using natural hedging. Change in value of net monetary funds in foreign currencies as a result of changes in currency rates represent a balance risk. It is tried to be reduced by balancing open foreign exchange positions by individual currency within balance sheet items. One of the basic measures for balancing the foreign exchange sub-balance is borrowing in the currency in which revenue is generated per individual company.

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, it is exposed to changes in the exchange rate of the euro and the Russian ruble. Due to high volatility during 2020, the Hungarian forint also had a significant impact on the financial result, while changes in the exchange rates of the Serbian dinar and the Romanian lei had a smaller impact. The weakening of the kuna against the euro had a positive effect on the Group's revenue in the reporting period, as most revenue was generated in euros. On the other hand, the significant volatility of the most important currencies had a negative impact on the net financial result.

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 on which it generates revenue from interest rates of approved loans of the parent company to subsidiaries. Interest rate risk is minimal regarding credit indebtedness because contracted loan arrangements almost entirely have a fixed interest rate. Nevertheless, the market situation is regularly monitored and, if necessary, interest rates on existing borrowings are adjusted or refinanced with new borrowings so that the fair value of the interest rate is in line with the most favorable interest rates available in the market. The level of the interest rate on the assets is related to the decisions of the Ministry of Finance on the interest rates level between subsidiaries.

Price risk

There are four types of price risk that a company may be exposed to: price, quantity, cost and political risk. Risk of price 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.

Credit risk

The risk of financial loss which arises when one contracting party fails to meet its financial obligations on time, which jeopardizes the market position of the other party, is called credit risk.

The company assets exposed to credit risk consist mainly of trade receivables and loans. Business of customers is continuously being monitored and analyzed and their financial condition is evaluated. The business policy is to cooperate with financially stable companies, so cooperation with reputable customers makes collection risk minimal and receivables are realized within agreed deadlines. Most of the customers with whom the company cooperates are an important economic factor in their countries of business operations, which has proven to be very important in the previous reporting period. During the crisis caused by the pandemic, almost all customers used the subsidies of their countries to maintain business and liquidity. Despite the challenges, there were no significant delays in regular collection or write-off of receivables in the reporting period. The five largest customers of AD Plastik Group are Revoz, AvtoVAZ, Ford Romania, Faurecia Interior Industrie and SMRC Automotive Modules. Credit risk related to loans granted is under the control of the company as these are loans granted to subsidiaries in which the parent company is the sole owner.

Liquidity risk

Liquidity risk represents the danger of not being able to convert assets into liquid assets in a short time, ie the inability to fulfill the obligations to creditors.

Each company within the Group plans its future cash needs based on operational business plans, financial liabilities and investment needs on a monthly, quarterly and annual basis. Sublimating the received data, the Finance Department prepares the Group's cash flow plan, decisions are made on placing surplus funds in deposits or covering the lack of funds from short-term financing sources, and credit lines for capital investments and project financing are timely provided. The realization of planned cash flows, the level of liabilities and available funds of all Group companies is monitored on a daily basis. Short-term liquidity is provided through contracted credit lines in the amount of ten million euros that were not in use at the end of the reporting year

In 2020, a moratorium was imposed on the repayment of long-term loans as additional means of ensuring liquidity in the amount of HRK 73.3 million between March and September, and the repayment mostly started at the end of September.

The parent company has issued corporate guarantees for the needs of subsidiaries in the following amounts:

- to banks HRK 67,490 thousand
- to customers HRK 22,691 thousand
- to suppliers HRK 12,903 thousand





Operative risks

Risks related to losses arising from inadequate procedures and failed internal processes, human factor, system or external events are called operative risks.

With efficient management, better security (of employees, assets) is achieved, awareness is raised on the importance of existing procedures and/or creating new procedures, on control of key indicators which need to be introduced and systematically monitored, which significantly improves the operational quality, efficiency and transparency.

Operative risks are managed through a process quality system whereby preventive systems of early detection of operative risks and prevention of errors and weaknesses in processes, procedures, potential human errors and/or system errors as well as in unpredictable external events are developed. Aware of the risks of reliability of IT business solutions and business cyber safety, there have been continuous works on improvement, further development and implementation of new technologies into everyday business operations.

In 2020, the ADP COVID-19 Protocol was developed with prescribed measures of behavior within the company, primarily in order to protect the health and safety of employees. In this way, the potential operative risks that could have been caused by a greater penetration of the virus into production facilities were reduced.

Legislation risks

These risks arise from changes in fiscal and other regulations which can directly positively or negatively affect the company results and competitiveness.

In the observed year, there were no changes that would significantly affect the company's operations. In Croatia, the fourth round of tax reform came into force, and the increase in the non-taxable part of the wage from HRK 3,800 to HRK 4,000 had the positive impact on employee earnings. In response to the crisis, Rulebook on Amendments to the General Tax Law was adopted, enabling VAT to be considered paid upon import if the importer is entered in the register of taxpayers, which reduced the dynamic pressure on the company's cash flow. The parent company has been using the tax shield since 2012 based on investments in a new painting line and is expected not to pay profit tax up to and including reports for 2021. In 2020, deferred tax assets of the remaining available amount of the tax shield in the financial statements of the parent company, and thus of the AD Plastik Group, were recorded. This increased the retained earnings of previous periods, while the profit for the period for 2019 and 2020 was reduced by the corresponding tax.

In the reporting period, the non-taxable part of the wage was increased in Serbia from RSD 16,300 to RSD 18,300, which had a positive effect on employee earnings. The minimum wage also increased by 11 percent, which increased the earnings of part of employees. At the same time, pension insurance contributions were reduced by 0.5 percent. In Hungary, wage contributions were reduced from 17.5 to 15.5 percent, and the minimum wage increased by 8 to 8.05 percent. In Russia, there have been no changes in fiscal and other regulations that would affect business in this market.

Business Plan for 2021

Despite the numerous challenges the world economy has been faced with due to the pandemic and the negative trends in the markets, AD Plastik Group has shown its strength and preserved financial stability and profitability.

For 2021, goals have been set that indicate a slight increase in revenue, assuming a favorable development of the situation in the global market and the realization of customer plans.

AD Plastik Group's goals for 2021:

- 3 percent growth in operating revenue compared to 2020
- EBITDA margin higher than 12.5 percent
- Net profit margin higher than 4.5 percent

Investments in 2021 will continue to be at lower levels than before the crisis, so investments in the amount of HRK 90 million are planned. The largest part refers to investments in equipment, devices and tools for contracted projects in the parent and Russian companies, as well as investments in technical, IT and logistics infrastructure.

The number of newly registered vehicles is expected to increase in the markets in which the company operates, but despite this, uncertainties remain regarding the duration and course of the pandemic, but also the consequences that may affect the published forecasts and the dynamics of economic recovery.

The focus of the AD Plastik Group in 2021 will continue to be on preserving financial stability and profitability, and development activities regarding 43 contracted projects in the European and Russian markets will be continued. Over the past four years, new deals in the amount of EUR 638 million have been sealed, which is a good basis for continuation of growth after the end of the crisis.

AD Plastik Group actively continues its positioning in the market as a reliable, high-quality and flexible development supplier of automotive components. Diversification of the customer portfolio and improvement of the market position are long-term and lasting goals of the company.



3%

REVENUE GROWTH



> 12.5%

EBITDA MARGIN



> 4.5%

NET PROFIT MARGIN



A completely unexpected year brought something that no one could prepare for in advance. I was extremely happy when we started production after a temporary shutdown. At first it was unusual to adapt to the new mode of operation, but we knew it was the only right thing to do.



Lidija Jankavić
Production Worker, Zagreb



Sustainability Report

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This is the fourth Integrated Annual Report of the AD Plastik Group and covers the period from January 1, 2020 to December 31, 2020.

It contains data from all AD Plastik Group business entities 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 website of the company, the Zagreb Stock Exchange and the UN Global Compact. It can be provided to all interested stakeholders upon request in electronic or printed form.

The company reports in one-year cycles, and the business and calendar year are concordant. The Integrated Annual Report 2019 was published in April 2020.

Sustainable business has been reported on regularly since 2012 and this is the eighth Sustainability Report of the AD Plastik Group.

Opinion of all stakeholders on the importance of corporate social responsibility topics that are reported is extremely important, therefore, there is a survey on the company's website and by filling it you help to improve the next report.

Contact person:

Megi Drezga Janković

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Sustainability risk management

AD Plastik Group meets very high standards of sustainability in economic, social and environmental topics that are woven into all elements and processes of business and management.

With its responsible business operations, the company contributes to the fight against climate change and negative impacts on sustainability indicators. This is a fundamental principle of the company when making key decisions, which is preceded by an analysis of potential sustainability risks and a plan of their prevention.

In line with its strategy, company is working to increase energy efficiency, reduce greenhouse gas emissions and increase the share of renewable energy sources in total consumption.

A long-term action plan has been developed that will contribute to the improvement of these indicators.

Climate change and the negative impact on the environment are structural changes that are increasingly affecting also economic activities. Therefore, AD Plastik Group has accepted sustainability risk management as its mandatory task and risks are discussed at regular meetings of the Management Board and representatives of the company's Corporate Social Responsibility Committee. The management of individual parts of sustainable business is presented in the company's regular annual integrated reports.

Identification of material topics and boundaries

Material topics have been identified in accordance with the specifics of the business operations, strategy and policies of the company, and their boundaries are modified based on the analysis of the impact on stakeholders.

The results of a survey conducted among various stakeholders of the company in 2020 indicated the need to change the materiality limits for the topics occupational safety and health, training and education, and non-discrimination.

I remember the past year mostly for the closure of factories and for returning to work in new circumstances in which it was unusual and challenging to work. But it was clear to all of us how important the continuation of work activities and compliance with measures were for preserving the health of all of us.



Ivana Svalina
Production Worker, Solin

Integrated Annual Report 2020 | Sustainability Report | Identification of material topics and boundaries

Economic Standards

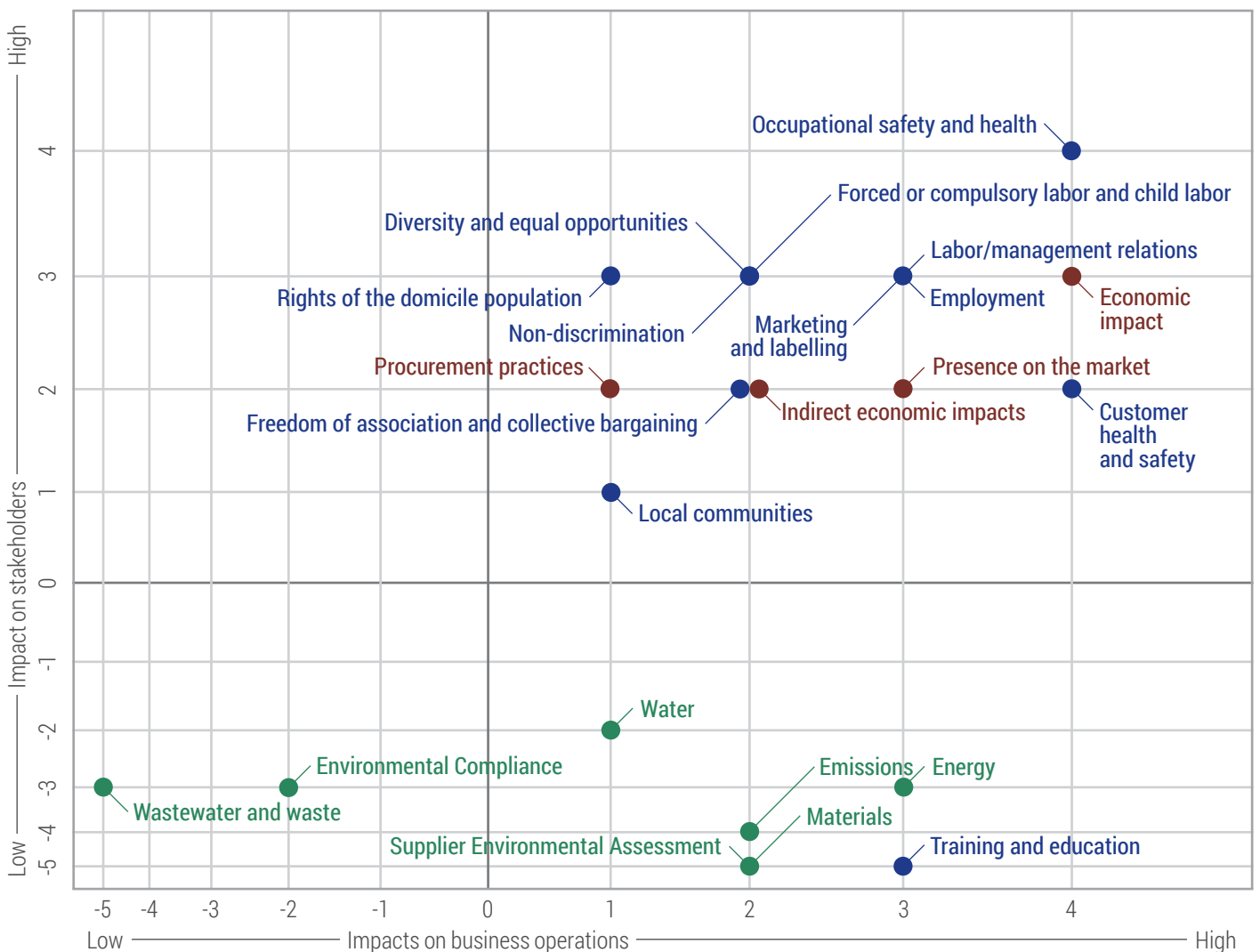
- Economic impact
- Presence on the market
- Indirect economic impacts
- Procurement practices

Environmental standards

- Materials
- Energy
- Water
- Emissions
- Wastewater and waste
- Environmental Compliance
- Supplier Environmental Assessment

Social standards

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



Ethics and integrity

AD Plastik Group operates in accordance with the high standards of ethics and integrity set within the company, and intensively raises the bar in all segments of corporate social responsibility. Fair business, protection of human rights and safe working conditions are only part of the company's corporate culture. According to prescribed standards of ethical conduct, every employee enjoys an equal right to respect and dignity regardless of race, religion, gender, age, national origin, political beliefs, sexual orientation, marital status, disability or any other personal characteristic. No form of harassment, abuse or discrimination in the workplace is tolerated.

AD Plastik Group continuously promotes diversity, non-discrimination and inclusiveness in the workplace and it is among the first companies in Croatia to sign the Diversity Charter, and the President of the Management Board Marinko Došen is a Diversity Ambassador.

The company has created a Code of Business Conduct and Policies, including anti-corruption and antitrust policy, human rights protection policy, corporate security, diversity and equal opportunities, as well as occupational safety and health policies. All contracts with customers and suppliers contain clauses prohibiting child and forced labor, the obligation to comply with all anti-corruption regulations and human rights.

The Code of Business Conduct of AD Plastik Group prescribes the standards on which the ethical behavior of the company is based, ensures mutual respect, honesty, transparency and integrity in daily work with associates and business partners. The Code applies to all business activities of the company and all countries in which it operates and is binding on all employees. It also prescribes rules for reporting behavior that is not in line with the company's values. It is available in five different languages, and is published in digital format on the company's website, thus being available to all interested publics.

As part of the corporate policy of equal opportunities, all employees are provided with training for proper job performance, continuous personal and professional development and educations. The process of promotion within the company is transparent and based solely on experience, competencies and abilities.

In accordance with ILO (International Labor Organization) conventions no. 29 and 105 on forced labor, the freedom of choice in employment is used and at the same time the prohibition of forced and compulsory labor is implemented. The employment of children within the company is strictly prohibited, and the application of the principles at all production sites is monitored by specially prescribed mechanisms that reduce the risks of employment of minors.



Integrated Annual Report 2020 | Sustainability Report | Ethics and integrity

Anti-corruption policy includes activities assessed as being more exposed to the risk of corruption and strict rules of behavior. Zero tolerance attitude has been adopted towards any forms of bribery and corruption.

The sustainable supplier management policy also prescribes and promotes the company's principles, and the only acceptable way of cooperation is the integrity and corporate social responsibility of the other party as well as compliance with regulations and conventions in that area.

Quality management and implementation of policies within the company are reflected also in the fact that in the reporting period there were no reports of any events due to suspicion of corruption, no business cooperation was terminated for this reason and no disputes were initiated due to corruption. No allegation of discrimination was received at Group level, and three new employment disputes were initiated. No procedure relating to conduct contrary to the principle of freedom of competition has been initiated or completed.

The company does not engage in lobbying activities or making financial or non-monetary political contributions to political parties or goals.

In order to increase transparency and contribute to the prevention of corruption, the company has a commission that gives recommendations to the Management Board in accordance with the Rulebook on donations and sponsorships, monitors the implementation of projects and reports on that topic.

Employees in management positions are promoters of ethical business within the company and they are obliged to create a motivating and safe work environment in accordance with the Code of Business Conduct and Policies of the AD Plastik Group.



Ivana Matenda
Development Quality Engineer

We found ourselves in an unfamiliar situation and a cloud of fear that solidified the sense of connection with loved ones. The balance between providing protection and the value of socialization needs to be long-lasting. We must not take anything, especially people, for granted. A little more compassion and attention will come in handy for all of us.

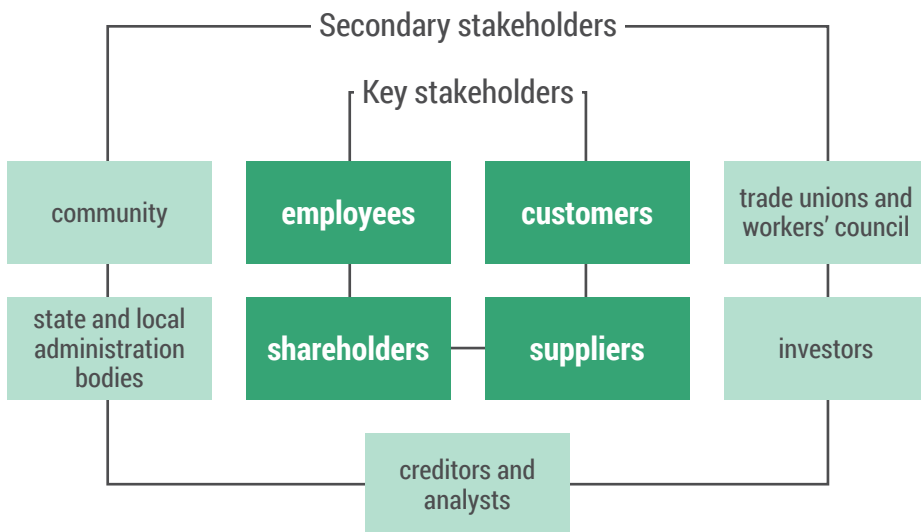
Stakeholders

Through continuous and transparent communication with all its stakeholders, AD Plastik Group contributes to the long-term development and improvement of corporate social responsibility. Two-way communication contributes to a better understanding of the needs of its stakeholders and is the basic premise of success in the field of sustainable development of the company.

Due to the circumstances caused by the pandemic, in 2020 communication with all stakeholder groups was significantly more frequent. In addition to the usually very intensive communication with employees and customers, due to the specific situation, communication with shareholders, suppliers, investors, creditors and analysts as the financial public, unions and even state and local administration bodies was much more frequent.

The good practice of examining stakeholders' opinions on the impact of certain material topics on which the company reports continued, all with the aim of further improvements. The survey is available to all

interested stakeholders, throughout the year, on the website. The Corporate Social Responsibility Committee is in charge of stakeholder consultations, encouragement for inclusion and analysis of results.



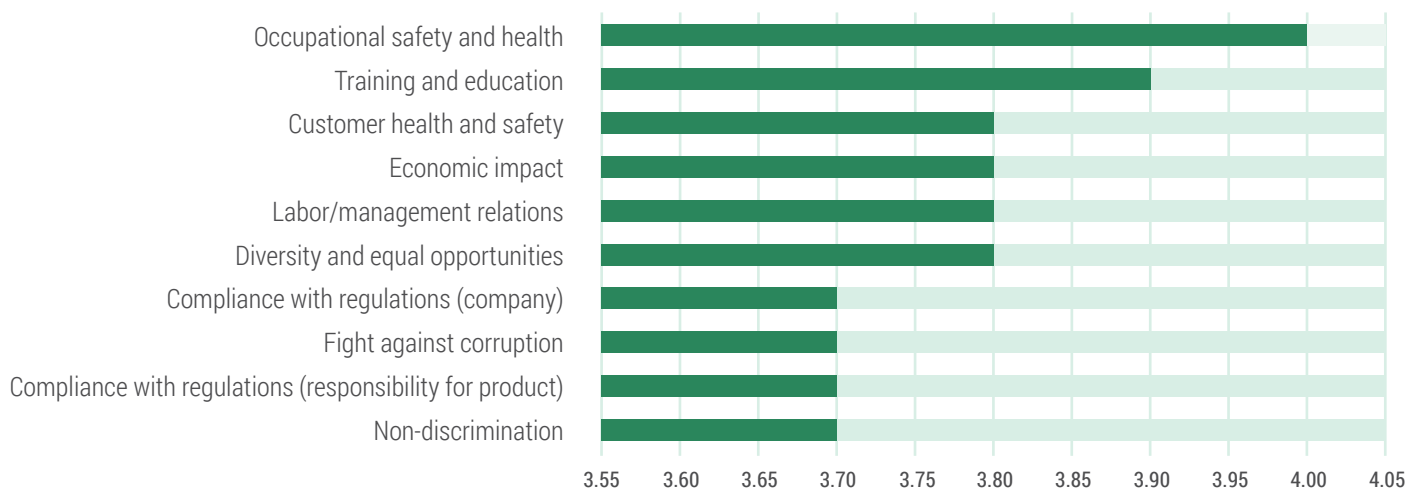
Results of the survey

The survey covers social, economic and environmental topics, and in the reporting period it was filled by representatives of all stakeholder groups. They are mostly interested in all aspects of the business, but the results differ by stakeholder groups depending on their primary interests in the company.

As in previous periods, stakeholders are most interested in social topics. Interest in the topic occupational safety and health has increased significantly, which is to be expected given the circumstances. Interest in training and education reporting has also increased, while it has decreased regarding the

fight against corruption. Labor/management relations, diversity and equal opportunities, economic impact and non-discrimination entered the ten most important topics in contrast to the previous reporting period.

10 most important topics



Types of counselling and frequency

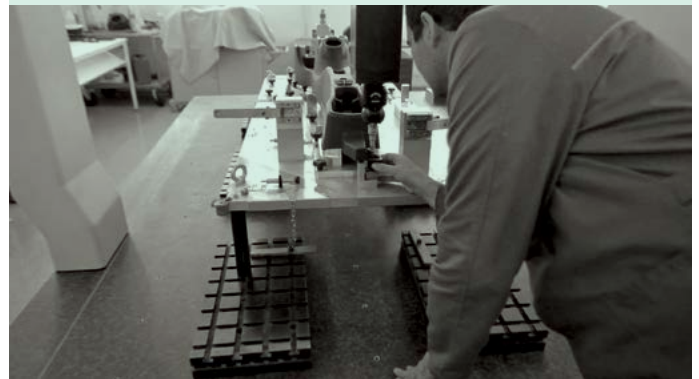
Customers

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



Employees

- Research of organisational climate and satisfaction (annually)
- Notifications via e-mail (regularly)
- Notifications via bulletin boards (regularly)
- ADP News - internal newsletter (bimonthly)
- ADP Mailbox (regularly)
- Intranet (regularly)
- Sustainability report (annually)
- Informal gatherings (regularly)
- Individual counselling (whenever necessary)
- Digital communication tools (regularly)



Shareholders

- Annual financial statements (annually)
- Corporate Social Responsibility Report (annually)
- Financial statements (quarterly)
- Shareholders' General Assembly (annually and whenever necessary)
- Official website (regularly)
- Notifications (whenever necessary)
- Communication via e-mail (whenever necessary)



Suppliers and partners

- Assesment 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)

Investors, creditors and analysts

- Annual financial statement (annually)
- Corporate Social Responsibility Report (annually)
- Financial statements (quarterly)
- Investors Day (semi-annually)
- Investment conferences (several times a year)
- Official website (regularly)
- Notifications (whenever necessary)



Trade unions and the Workers' Council

- 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)



State and local administration bodies

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



Community

- Participation in conferences (whenever necessary)
- Memberships (regularly)
- Open Doors Days (according to the plan)
- Visits (by arrangement)
- Sustainability report (annually)

Employees

Employees are the most important and the most valuable resource of the company and each individual contributes to the work and improvement of the company and better interpersonal relationships with their knowledge, skills and commitment.

By involving employees in the development of the company, by two-way and transparent communication and regular and effective informing, AD Plastik Group builds a stimulating work environment. One of the most important goals is to identify the needs and preferences of each employee in order to direct their personal and professional development as effectively as possible and enable the realization of their potential to the fullest. Improvement of satisfaction and motivation, encouragement of togetherness and respect for diversity, are ongoing tasks of the development strategy of human resources management.

The outbreak of the pandemic and the earthquakes that affected Croatia, fully showed the importance of communication and togetherness within the Group. The primary goal was to react quickly, preserve the health of employees, make the work environment as safe as possible and keep existing jobs.

Accordingly, the Crisis Management Committee was established, which monitored the development of the situation globally and internally on a daily basis, made decisions accordingly and forwarded all necessary information and instructions to employees without delay. The ADP COVID-19 Protocol was developed, with which all employees were acquainted, internal campaigns were urgently carried out at all production sites, additional communication channels were opened and all necessary protective equipment for employees was provided. Pregnant women and at-risk groups of employees were immediately allowed to work from



home, employee traveling was limited and strictly controlled, and work in teams was introduced, taking care of the family circumstances of individuals. Thanks to digital tools, business and information exchange went smoothly. At one point the factories were forced to stop production, and the employees sent home retained all rights and were regularly informed of all changes.

Despite numerous challenges and uncertainties, the ultimate goal has been successfully achieved. Jobs were preserved at all production sites of the AD Plastik Group and there was no significant virus breakthrough at the

sites. Although most informal gatherings during 2020 were delayed due to the epidemiological situation, the togetherness within the company and the commitment of employees stood out more than ever.

In the reporting period, an annual survey of the organizational climate and satisfaction was conducted, and various employee educations were held on digital platforms. AD Plastik Group continuously raises the standards of excellence and the level of competencies in the company and will continue to do so in the future.

Trade unions and the Workers' Council

Trade unions and the Workers' Council regularly inform employees about all important topics and changes in the company, as well as about plans and new deals. They are involved in making decisions important to the position of employees and represent their interests. In the extraordinary circumstances of 2020, transparent and frequent communication and good cooperation were even more important. Despite a very challenging period and market uncertainties, the rights of AD Plastik Group employees, established by collective agreements, have not changed.

In Croatia, the Collective Agreement signed in 2018 with a two-year duration was in force, and at the end of the year, negotiations for the upcoming period began. Collective Agreement signed in 2019 in AD Plastik Togliatti is in force until the end of 2022. In AD Plastik Tisza, a new Collective Agreement was signed in January 2020 for a period of one year, so new negotiations began at the end of the year. Collective agreements apply to 83 percent of AD Plastik Group employees, and the rights and obligations of other employees are regulated by various rulebooks, in accordance with legal provisions. Quality social dialogue contributes to achievement

of common goals, improvement of working conditions and employee satisfaction.

A representative of the Workers' Council is a member of the Supervisory Board, and in that manner the employees are involved in supervising the work of the company.

Each country has prescribed the shortest period in which employees must be notified of important changes in business, from eight days to a maximum of three months, and in AD Plastik Group employees are informed before the stated deadlines.

Number of employees by region and type of employment contract

As of December 31, 2020		Employed with the contract			Employed in total	Share in 2020
State	Site	Indefinite term	Definite term	Temporary and occasional employment*		
Croatia	Solin and Zagreb	1111	435	3	1546	53.55%
Serbia	Mladenovac	184	39	0	223	7.73%
Slovenia	Novo Mesto	5	0	0	5	0.17%
Russia	Kaluga and Togliatti	761	0	0	761	26.36%
Hungary	Tiszaujvaros	352	0	12	352	12.19%
TOTAL		2413	474	15	2887	100%

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

83.15%

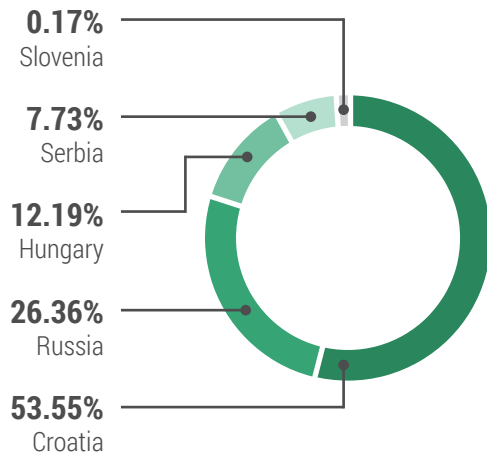
16.33%

0.52%

In 2020, the share of indefinite terms contracts increased and the number of definite term contracts decreased accordingly, and only 12 employees have a part-time contract. The share of temporary employees decreased significantly due to the situation caused by the pandemic and the reduced volume of production in one part of the year.

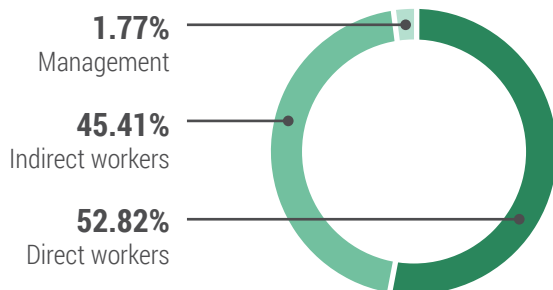


The share of employees by state of operation



Most employees of the AD Plastik Group work in Croatia, and this share decreased by almost three percent compared to the previous reporting period. As a result, the share of employees at other production sites increased.

The share of employees by type of performed work



On the basis of the type of work they perform, employees are divided into management (the Management Board and top management – executive directors and directors), indirect workers (administration employees and production administration employees), and direct workers (workers in production). The share of direct and indirect workers did not change in 2020.



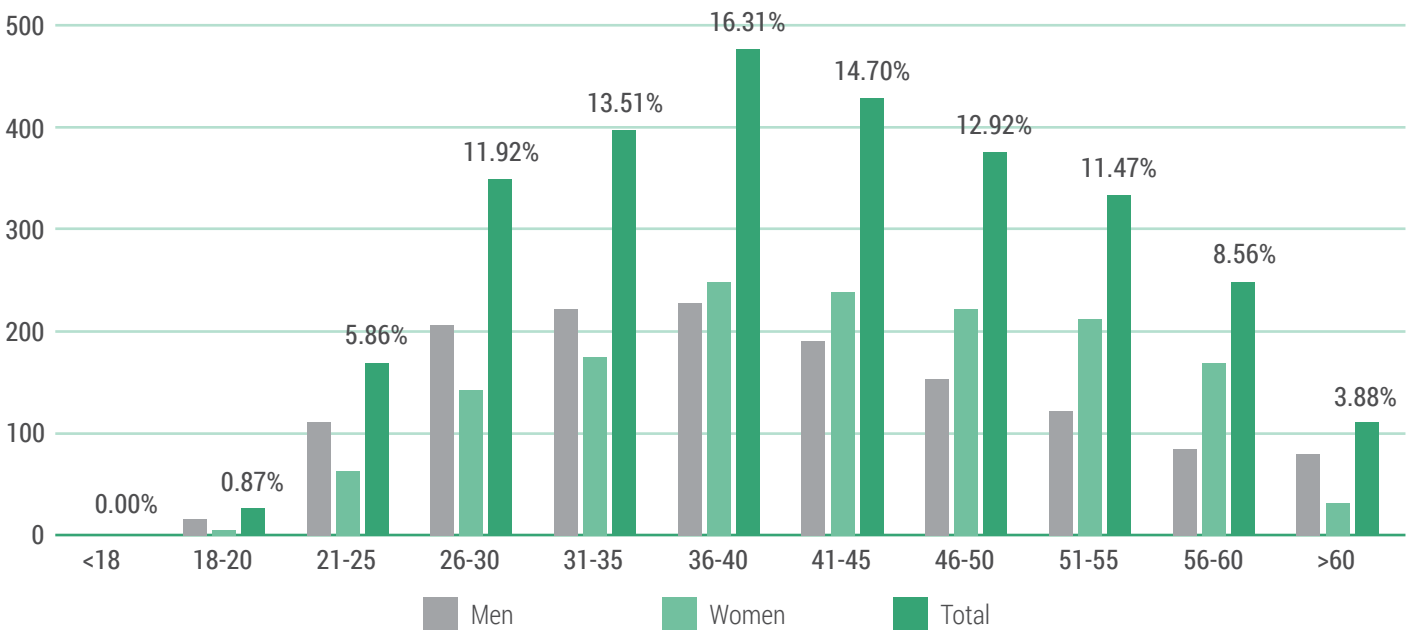
Svetlana Rudaja
Head of Human Resources Department, Kaluga

We have passed a unique experience and an effective stress resistance test that has solidified all those who have successfully passed it. It was a confirmation of Nietzsche's famous saying - What doesn't kill you, makes you stronger.



Age and gender structure of employees

Age and gender structure of employees

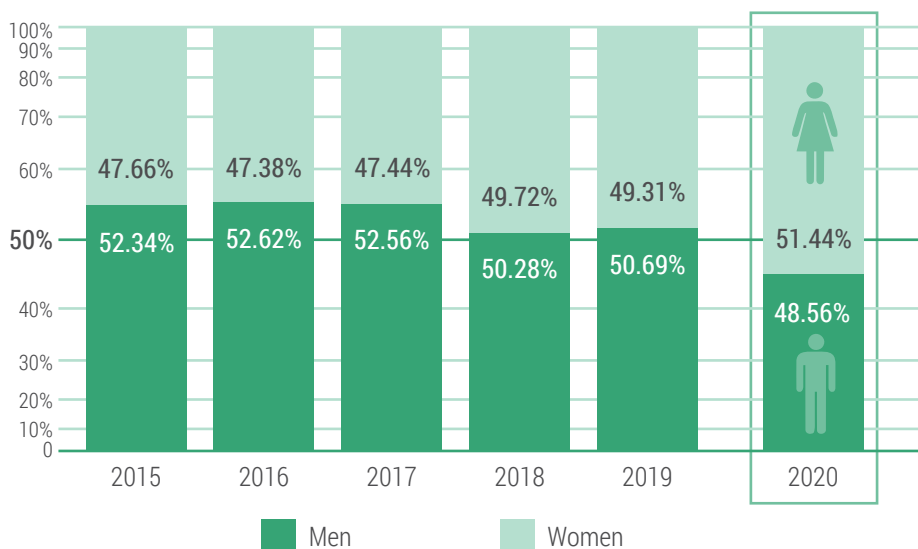


The average age of women is 42 years, and men 40 years, while the total average age of all employees is 41 years.

The largest share of 57.44 percent is made by employees aged 31 to 50.

Compared to the previous period, the number of employees in the groups from 21 to 25 and 26 to 30 years decreased.

Gender structure of employees by years



Following the gender structure of employees in recent years, the balance and equal representation of the genders is evident. For the first time, the share of women in the Group is higher compared to men, which can be explained by the higher fluctuation of men in 2020, and at the same time by slightly increased share of women in new employments.

Employment

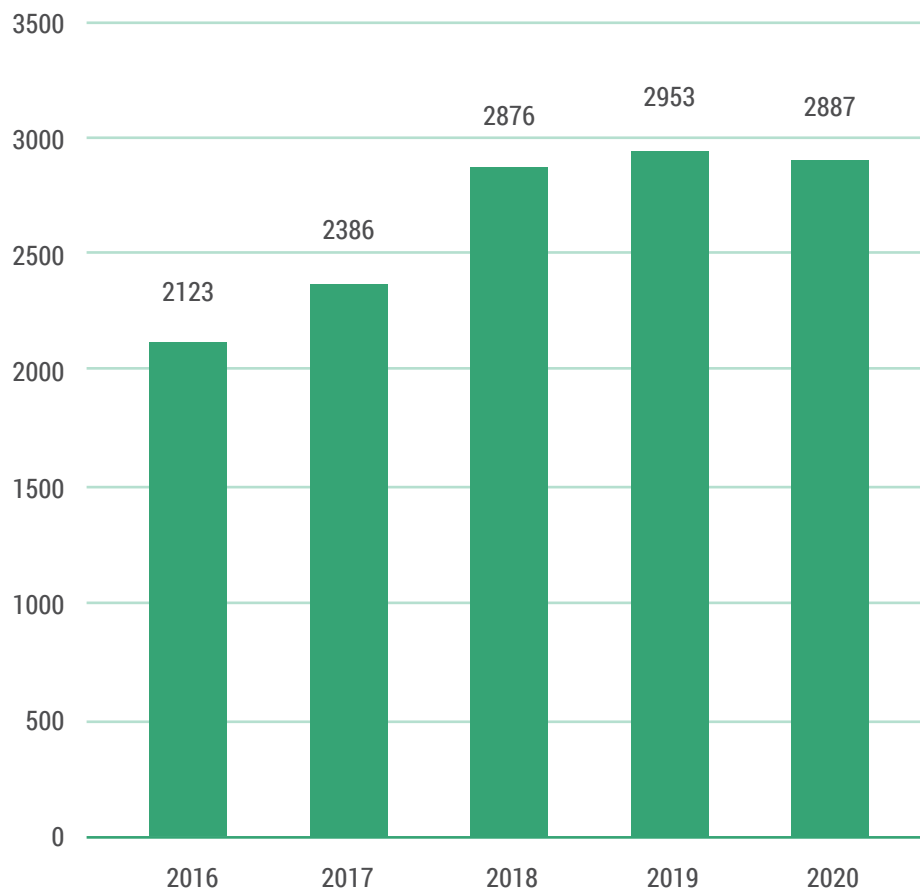
Employment is managed based on annual and medium-term plans that are an integral part of the company's business plans. Part of the planned employment is updated in accordance with the operational plans, which provides flexibility and the necessary speed to respond to changes in business and the labor market. In the first quarter of 2020, intensive employment continued in line with the company's plans, but with the onset of the pandemic, activities were halted. With the increase in operational plans in the third quarter, employment processes continued intensively, and the labor market changed significantly in the meantime. Although the supply of candidates in the labor market has increased significantly, employment was mostly focused on own databases, ie candidates who had previous experience in the company.

In the reporting period, the selection process was digitized and cooperation was initiated with the association Igra (Game), which offers young people coming out of alternative care the opportunities to work and thus facilitates the beginning of independent living. In 2020, one person was employed in production, and the goal is to improve and develop cooperation in various fields.

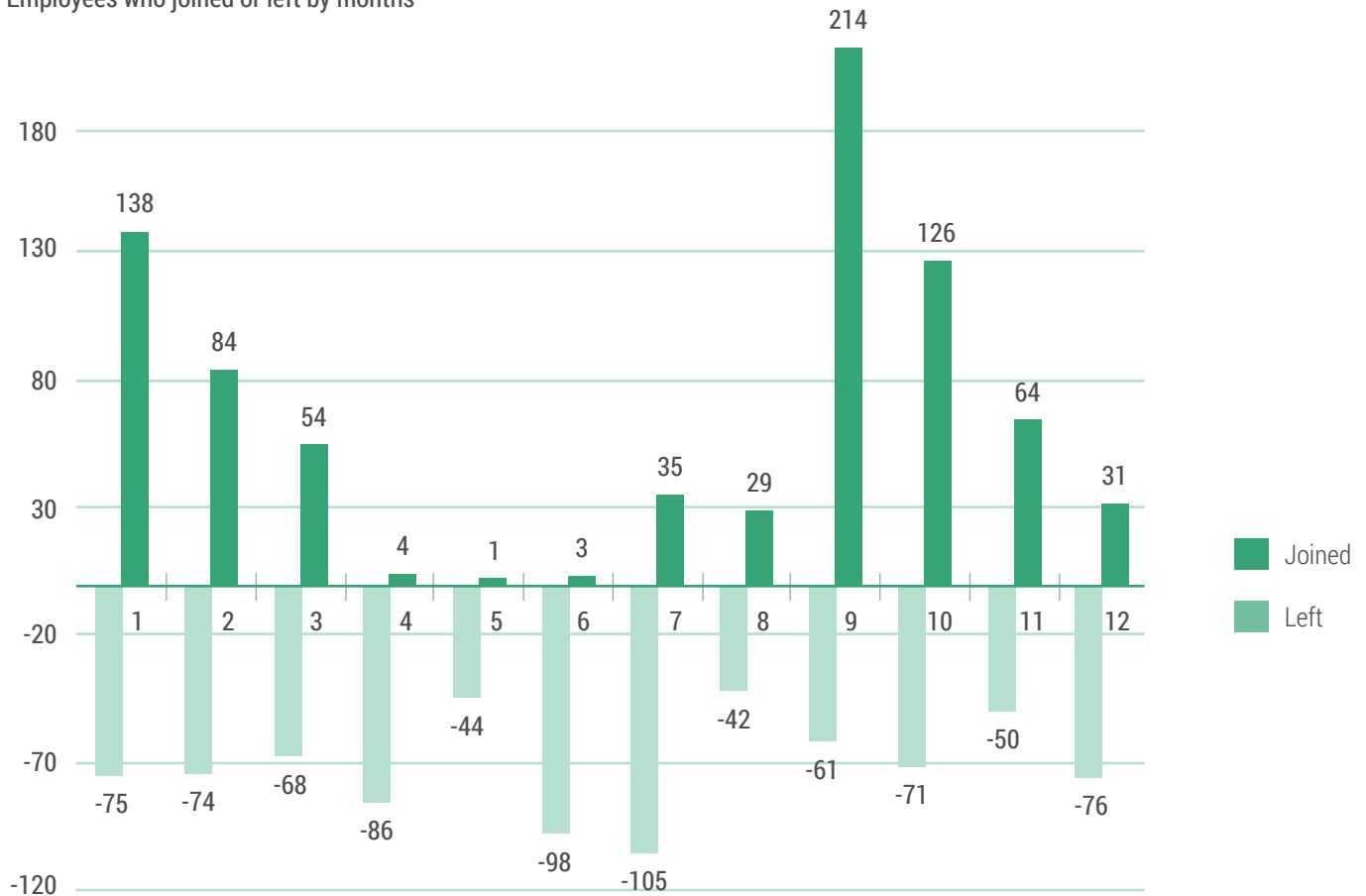
AD Plastik Group employs candidates whose values coincide with the company's values, and at the same time contribute to the diversity of new ideas and approaches with their individual characteristics. As signatories to the Diversity Charter, equal rights and equality are woven into all pores of business, and in particular into the family-conscious company policy and employment. There is always room for improvement, and namely constant improvements for the benefit of employees and the company as a whole are a direction in which the company goes.

Proper balance between business and family commitments is key to achieving a healthy and fulfilled life. Therefore, Human Resources Department activities are aimed at creating a business environment in which all employees have equal possibilities, rights and opportunities, where the criteria for advancement within the company are exclusively excellence, dedication to work, developed work ethic and desire to learn. In addition to carefully planned employment, through daily business operations and the development of strategic plans, various initiatives are implemented in order to promote family-aware company policies.

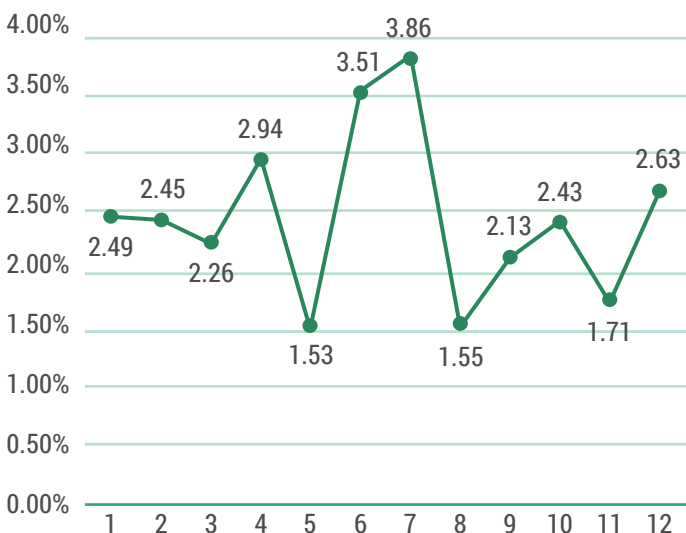
Trend in the number of employees



Employees who joined or left by months



Total rate of employees fluctuation shown per month

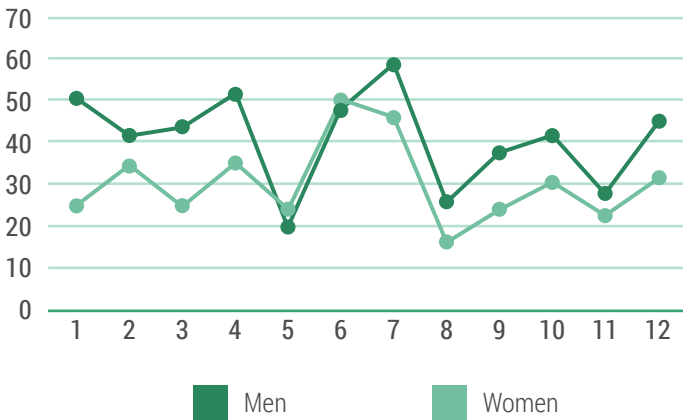


The monthly fluctuation rate during 2020 was significantly more volatile compared to previous years. At the Group level, it reached its highest level in July, while the average monthly fluctuation was lower than a year earlier, as well as the total number of employees who left.

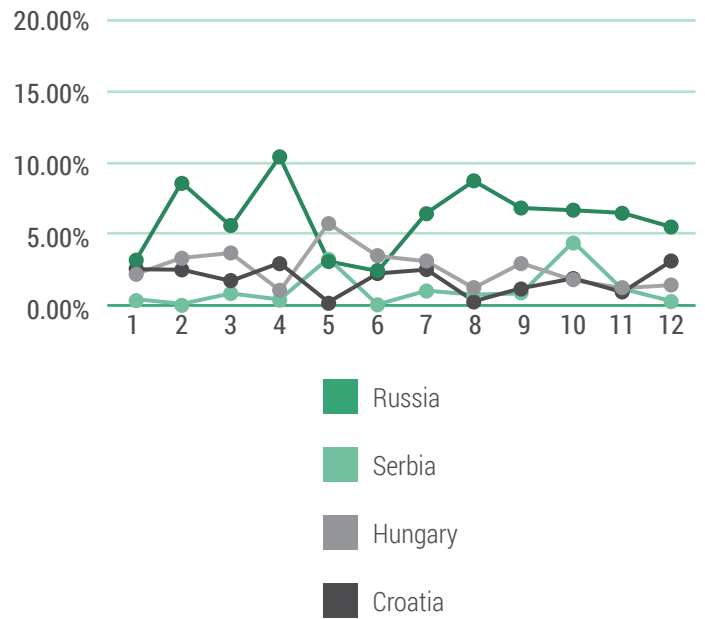
Women typically have lower fluctuation rates than men, which continued also in 2020, except for a short period during May and June. Looking at the regions, the biggest fluctuations were in Russia, which continues the current trend. Fluctuation rates were higher regarding employees with indefinite term contracts, except in June and July.

average monthly fluctuation **2.46%**

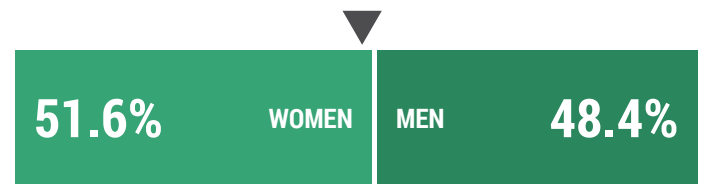
Employee leaving by gender



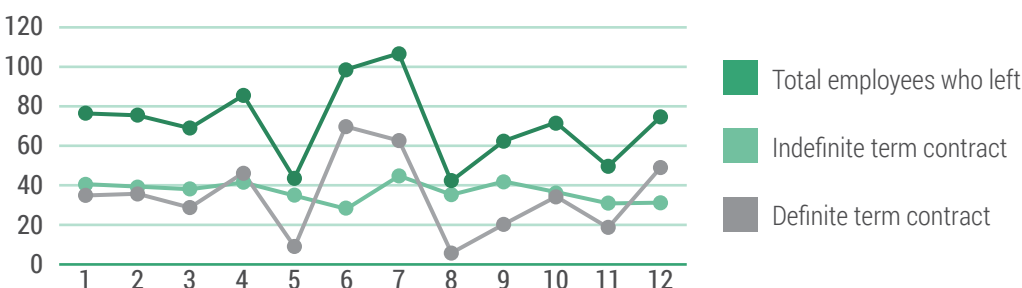
Employees leaving by region



The largest share of new employment was in Croatia, namely 42.69 percent, followed by 31.93 percent in Russia and 17.37 percent in Hungary. Compared to 2019, the share of employment decreased in Croatia and increased at other production sites. The ratio of new employees to gender indicates an increase in the share of women, so in 2020, 51.6 percent of women and 48.4 percent of men were employed.



Employees leaving by type of contract



Integrated Annual Report 2020 | Sustainability Report | Employees | Employment

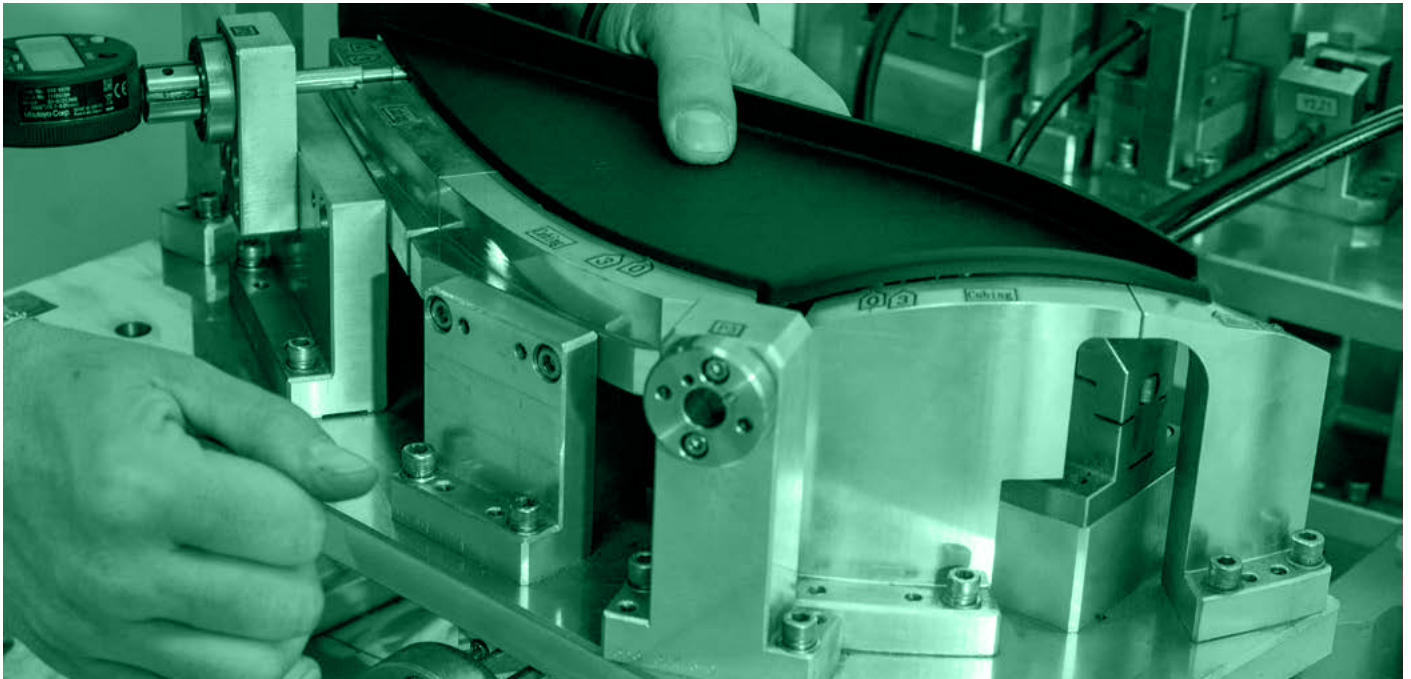
Maternity and parental leave		Total number of employees	Right to maternity and parental leave	Returning to work after the end of maternity leave	Remaining employed one year after returning to work after the end of maternity leave
Solin, Zagreb Croatia	men	831	2	1	1
	women	715	38	11	16
Mladenovac Serbia	men	130	0	0	0
	women	93	4	1	5
Kaluga Russia	men	102	0	0	0
	women	162	14	6	6
Togliatti Russia	men	186	0	0	0
	women	311	35	10	9
Novo Mesto Slovenia	men	3	0	0	0
	women	2	0	0	0
Tiszaújváros Hungary	men	150	6	0	0
	women	202	27	1	0
AD Plastik Group	men	1402	8	1	1
	women	1485	118	29	36
	total	2887	126	30	37

All employees of the AD Plastik Group are entitled to maternity and parental leave in accordance with the regulations of the country of business, and the increased number of men who exercised this right in the reporting period is a positive indicator.

Given that data are collected at the Group level, and the duration of maternity and parental leave varies in countries where business is conducted (from one to three years), return and remaining employed period extend over a longer period.



Occupational safety and health



Employee health and safety is usually a very important material topic of the company, and due to the COVID-19 virus pandemic, this area has become an absolute priority. This is how the stakeholders themselves evaluate it, which is not at all surprising given the situation.

In line with the circumstances, during 2020 the full focus was on preserving the safety and health of employees and all necessary actions were taken to prevent the spread of the virus within the production sites.

Already at the first signs of the pandemic, a Crisis Management Committee was established and the ADP COVID 19 Protocol was drafted, with accompanying instructions for the behavior of employees and visitors. Employees were provided with all necessary protective equipment, temperature measurements were carried out regularly, maintenance of the required distance at workplaces was precisely prescribed, records of potential threats were kept and regular internal audits were conducted. In Zagreb, the Occupational Safety and Health Inspectorate also carried out targeted inspections, and the implementation of all epidemiological measures without irregularities was determined.

The reporting period was mostly marked by the pandemic, and Zagreb was hit also by a strong earthquake. Fortunately, the factory of AD Plastik Group was not damaged and at no time were any of the employees endangered. In order to protect employees and their safety, all facilities and equipment were inspected in detail and all necessary activities were taken immediately after this natural disaster.

Despite the very demanding circumstances, during 2020 all other usual activities of the company also continued unhindered in order to manage this area of work in as quality manner as possible. Risk assessments and workplace hazard assessments were conducted in all parts of the organization and potential identified hazards were minimized. The ultimate goal is to reduce continuously the number of injuries by reducing risks and implementing preventive activities. It is the implementation of preventive activities and constant care for the health of employees at all Group production sites, in accordance with legal regulations and the ISO 45001 standard, that contribute to achieving the ultimate goal and reducing the risk of injuries.

By conducting regular internal audits, the Occupational Safety and Health Department supervises the implementation of all prescribed occupational health and safety measures at all production sites of the Group. With the aim of improvement, analyses and the state of occupational safety and health are discussed at the Occupational Safety and Health Committees appointed by the Management Board. Issues related to employee occupational health and safety are regularly discussed with representatives of trade unions and workers' council, which are also covered by the Collective Agreements. The health status of employees in workplaces with special working conditions and those working at night is regularly monitored and supervised. When hiring, new employees are trained in occupational safety and health, and occasional trainings are organized for all employees. After conducted trainings, their work and acquired knowledge are monitored.

Integrated Annual Report 2020 | Sustainability Report | Employees | Occupational safety and health

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

Site	2018				2019				2020			
	Injuries	Occupational diseases	Lost days	Deaths	Injuries	Occupational diseases	Lost days	Deaths	Injuries	Occupational diseases	Lost days	Deaths
Solin	17	0	422	0	20	0	493	0	7	0	205	0
Zagreb	15	0	207	0	19	0	305	0	16	0	124	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	6	0	266	0	4	0	125	0	1	0	13	0
Tiszaújváros	22	0	227	0	26	0	578	0	16	0	77	0
TOTAL	60	0	1122	0	69	0	1501	0	40	0	419	0

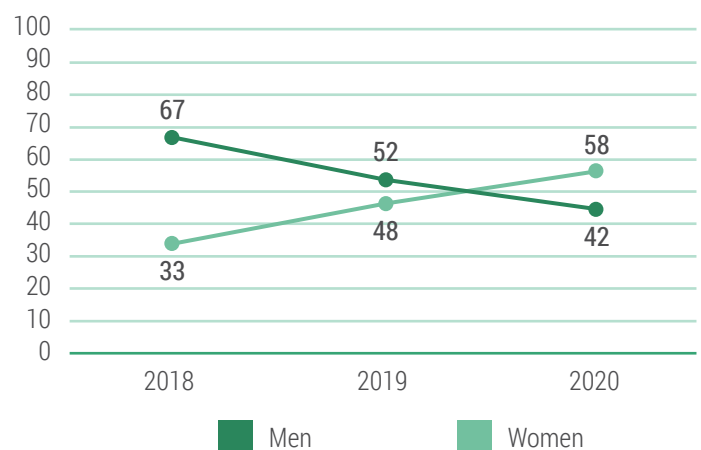
Of the total number of injuries in 2020, 35 were minor, three occurred during arrival to work / departure from work, and two injuries were more severe. Injuries do not have lasting consequences for the health of employees, and the causes were collisions of employees with the object, falls of employees in the same plane and cuts with work tools. Compared to the previous period, the number of injuries and lost

working days has decreased significantly. It is important to point out that no injuries at work have been recorded at the Vintai and Kaluga production sites in the last three years, which is the goal pursued at the Group level.

There have been no recorded injuries, occupational diseases, lost days and absences as well as deaths related to accidents at work of AD Plastik Group suppliers who reside and work at the Group's production sites.

Injury rate by gender (%)

Parameter	2018	2018	2020
IR (injury rate)	2.09	2.38	1.38
ODR (occupational disease rate)	0.00	0.00	0.00
LDR (lost days rate)	0.18	0.20	0.06
IR (rate of lost working hours per 200,000 hours worked)	2.30	2.40	1.50
AR (absentee rate due to death case)	0.00	0.00	0.00



The company regularly implements various programs to support the health and well-being of all employees, and during 2020, due to the circumstances, a large part of them were postponed. In 2020,

sanatorium-resort treatment of two employees was realized in Kaluga on the basis of an agreed cooperation with the Social Insurance Fund.

Training and education

Employee education and development is an important determinant of the AD Plastik Group human resources development strategy. In order to acquire new knowledge, make continuous progress regarding the quality of work and monitor customer requirements, procedures have been defined that take into account the knowledge and skills of employees in a structured way.

In the process of introduction to business, new employees get acquainted with the business environment, their workplace and obligations, but above all with the values of the company and its policies.

The company has several sections of educational programs, primarily external and internal, mentorship and taking on more complex jobs. Priorities are educations in the field of expertise specific to the automotive industry, and special attention is also paid to regulatory educations, training of internal auditors and training according to specific customer requirements.

Educations on the development of management and communication skills for management staff are also regularly conducted.

In the first quarter of 2020, the focus was on the specific customer requirements, namely the PSA Group and Ford, also on educations related to methods and tools, and professional and IT knowledge. With the onset of the pandemic, educations were continued on digital platforms in a somewhat reduced volume, and in the second part of the year the intensity of educations increased. The average number of training hours per employee was 22 hours and it was significantly lower than a year earlier due to mentioned circumstances. A total of 96 educations were realized during the reporting period.



Mentorship

The mentorship system ensures the retention and sharing of knowledge in the company, and during 2020, four mentorship programs were monitored. In this way, young employees gain a structured access to knowledge and skills, and this is also a recognition for professional staff, ie mentors.



Annual interviews with employees

Employee feedback on the quality of work, sharing information between managers, employees and human resources contributes to activity planning and employee development management. During 2020, workshops were organized to raise awareness of the importance of this tool and manner of using it. Annual interviews with employees are conducted at all Group production sites.

Total number of employees who received a performance and individual development assessment in 2020:

Engineers and highly educated staff
(men 15.6 percent and women 15.6 percent)

Other operators and staff
(men 15.5 percent and women 32.1 percent)

Production workers
(men 19.4 percent and women 14.8 percent)

Starter program

During 2020, the implementation of the internship program for master engineers of technical and technological orientation without work experience continued. By acquiring new and specific knowledge, a new generation of experts in the automotive industry is being created. Having completed the program, five young engineers out of ten continued their careers in AD Plastik Group.

Health management

Health workshops have been organized with specific tips for disease prevention and health preservation, as well as improvement of immunity and proper nutrition.

Human Rights Protection

In 2020, eleven employees attended human rights educations. In order to raise awareness of the importance of diversity and non-discrimination and their application, these topics have been partially included also in other education programs.

Rewarding

AD5 - rewarding excellence

At the end of 2020, 90 employees were awarded for their work, engagement and results in a very demanding year.



Monitoring work performance

Continuous goal-based management processes have been set up, and their achievement is rewarded in the form of incentives. Although the targets set in 2020 were revised due to the impact of the pandemic, the employees who achieved them were rewarded with the prescribed incentives.

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 organisation as a whole at all sites of the Group. Due to the pandemic, ten employee ideas were implemented and rewarded in 2020, which is significantly less than the year before.

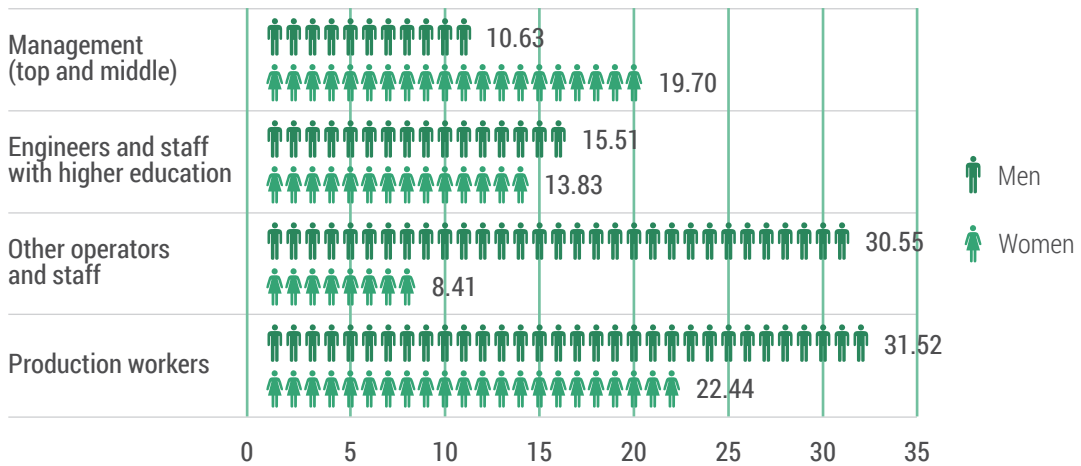
One-time awards

They are awarded periodically for outstanding contribution to work performance. By the decision of the Management Board, this year all employees in Croatia received an award for exceptional contribution to the company in extraordinary circumstances caused by pandemic and earthquakes.

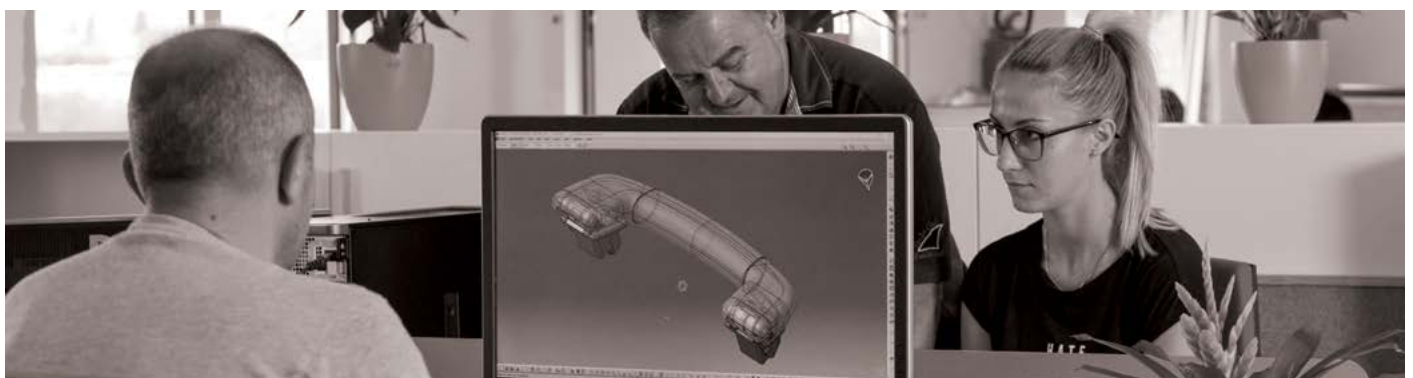
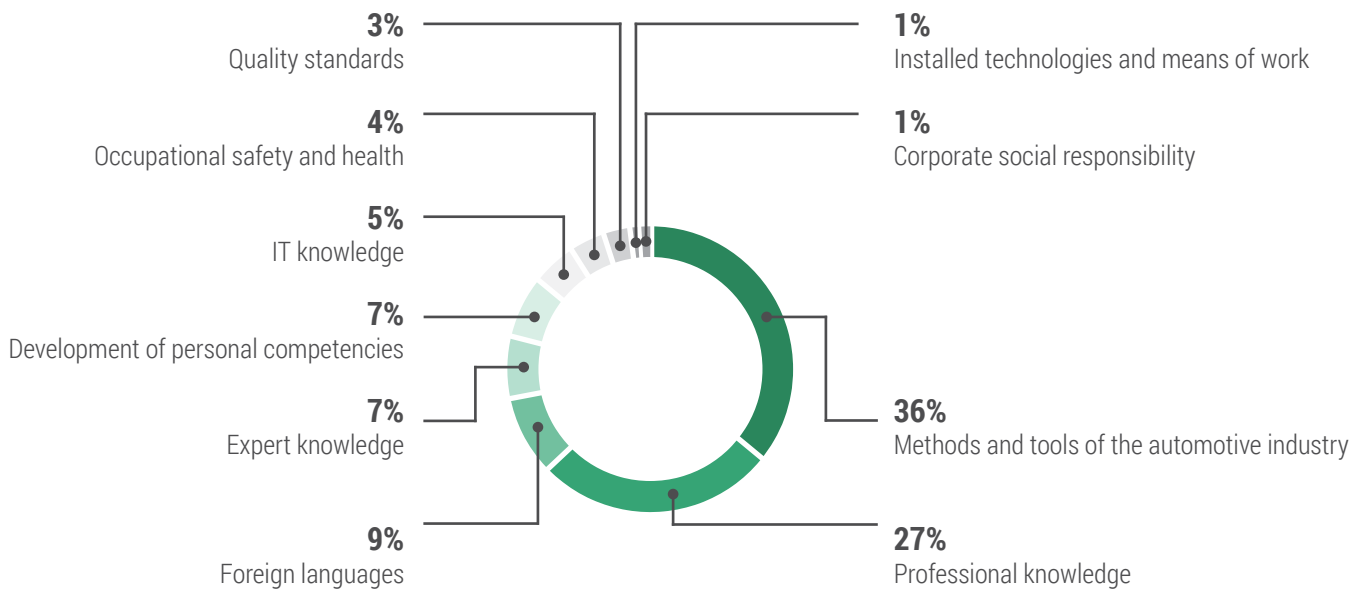


Employee development in numbers

Average number of training hours per employee gender and category

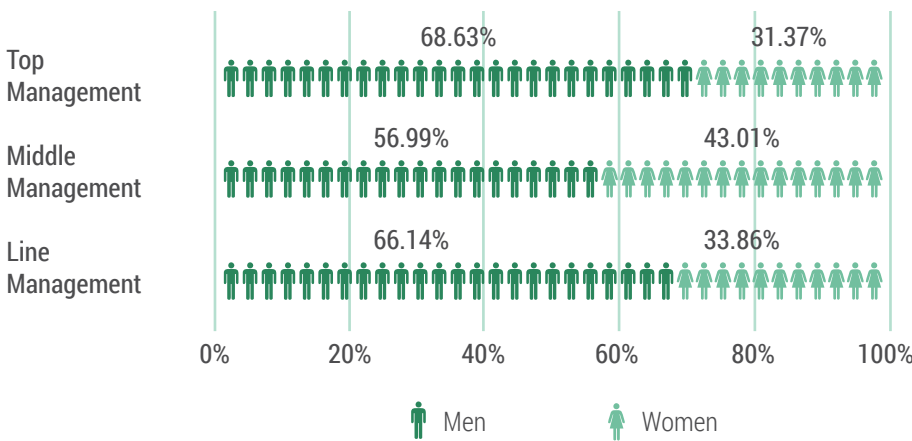


Share of programs



Diversity and equal opportunities

Gender structure of management-leading positions

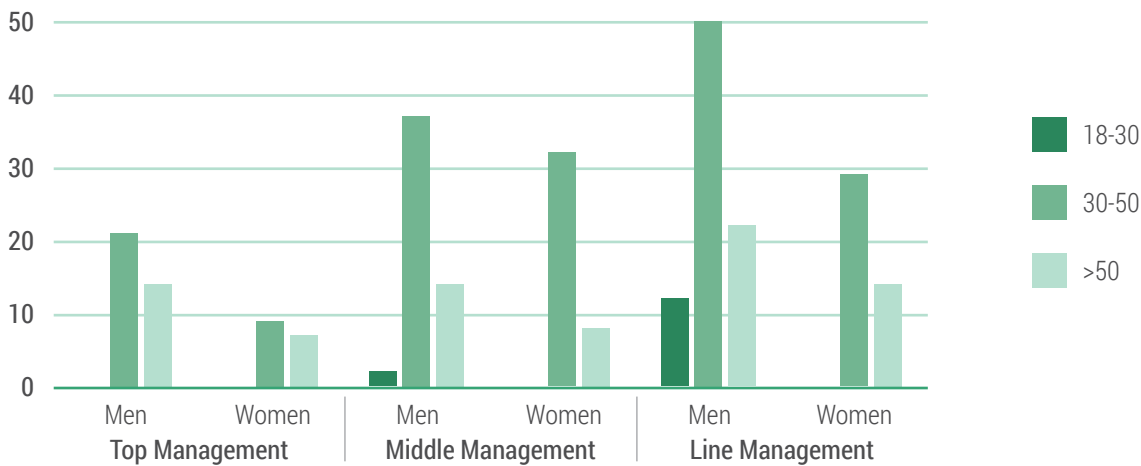


Diversity and equal opportunities as principles that ensure respect for personal integrity are included in management, employment and promotion processes. Activities are aimed at building open and inclusive relationships and a work environment in which every employee feels like an equal member of the company.

During 2020, as part of the workshops for the development of leadership competencies, work was done on raising the awareness of management staff as promoters of ethical business within the company.

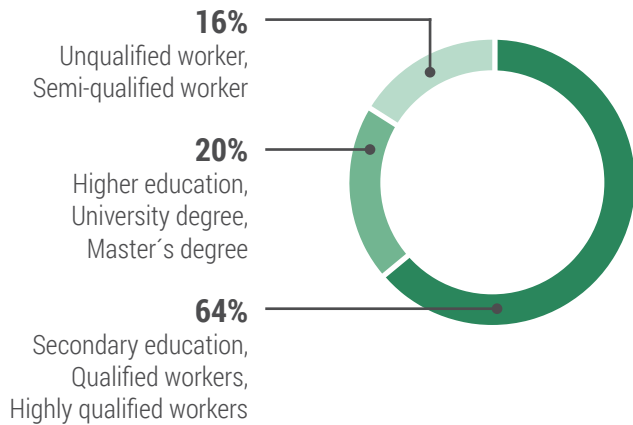
Compared to the previous reporting period, the percentage of women in the management structure increased slightly, so compared to 36.91 percent of women in 2019, this share increased to 38.89 percent.

Age structure of management-leading positions



The structure of management-leading positions has not changed compared to the previous year, so employees aged 30 to 50 still predominate with the share of 65.68 percent. The share of women of this age group in middle management has significantly increased compared to the previous period. The share of employees over the age of 50 at the Group level is 29.15 percent.

Educational structure of employees





Due to the fluctuation of direct workers, there was a minor change in the educational structure of employees, so the share of employees with secondary education decreased slightly.

Management Board structure

Men (50+)		3 (75%)
Women (50+)		1 (25%)

Audit Committee structure

Men (50+)		3 (75%)
Women (30-50)		1 (25%)



Mirko Veselinov
Logistics Coordinator, Mladenovac

We can always find something good in everything bad, with more or less effort. Despite the unpredictable circumstances, we have adapted and responded to all challenges primarily driven by the thought that one day it will all be called "past tense".

ADP activities

A unique organizational culture is built by promoting and achieving the values of the company and creating a sense of belonging.

The COVID-19 virus pandemic has made socializing impossible, but even with a lot of restrictions, every moment has been used to promote togetherness.



ADP Volunteers

Extraordinary circumstances caused by the outbreak of pandemic and earthquakes in Croatia, have brought changes to the well-known life and business everyday and encouraged togetherness and solidarity of employees of the entire Group. Thus, in the reporting period, a number of small volunteer and humanitarian activities were organized to help colleagues and the ones most in need within local communities. Especially noteworthy are our heroes from the street, volunteer firefighters who were the first to come to the rescue after the earthquakes in Croatia.

Kryshki – nevalyashki

Employees of AD Plastik Togliatti participated in a charity event to collect plastic corks of recycling bottles in order to raise funds for the treatment of children.

Collecting paper

AD Plastik Togliatti joined the waste paper collection campaign and the company's employees collected a total of 2,417.5 kilograms of waste paper.

Football league

The team from the Solin factory joined the business football league, which was quickly stopped due to epidemiological measures. The continuation is eagerly awaited...

Table tennis

"Ping-pong" enthusiasts from Hungary tried their strengths during the summer months near the factory. The table tennis hall has become a regular gathering place and pastime for a large part of the ADP employees.

25 years of AD Plastik Togliatti

Modestly and in very unusual circumstances, the employees of the factory celebrated the great anniversary of their existence. Occasional decorations and lunch at an appropriate distance and an organized photo contest made that day different, but the real party is yet to come.

Economy

Direct economic value generated and distributed

The year we report for was everything, but an ordinary year, although in the end it was good for the business of AD Plastik Group. Although worse than originally planned, the results are satisfactory in the given circumstances. Thus, the direct economic value generated of the Group in 2020, compared to the year before, decreased by 20.9 percent and amounted to HRK 1,218.6 million. Such decrease is a direct consequence of the decline in car sales caused by the pandemic. The distributed economic value, which amounted to HRK 1,103.1 million, also decreased significantly, and it was by 23 percent lower than in 2019. All categories of costs that make up the distributed economic

value, except investment in community which is significantly growing, decreased significantly more than the direct economic value generated, which led to an increase in the retained economic value by 6 percent, so it amounted to HRK 115.5 million. The company's goal still remains to distribute as much newly generated value as possible to shareholders, employees and the community through revenue growth, with adequate management of operating costs. Given the circumstances and uncertainties in 2020, less newly generated value was distributed in order to further strengthen the financial stability of the Group.

Direct economic value generated and distributed

(in thousands of kunas)

	2017	2018	2019	2020
Direct economic value generated	1,090,140	1,321,254	1,541,088	1,218,580
Sales revenue	1,069,061	1,298,446	1,509,216	1,186,765
Other revenue	21,079	22,808	31,872	31,815
Economic value distributed	995,077	1,211,022	1,432,132	1,103,095
Operating costs	722,522	906,981	1,048,899	809,552
Wages and benefits to employees	210,790	253,485	296,408	253,513
Payments to capital providers	51,473	51,566	64,396	26,224
Payments to the state	9,719	-1,419	21,946	12,295
Community investments	572	408	483	1,511
Economic value retained	95,063	110,232	108,956	115,485



Integrated Annual Report 2020 | Sustainability Report | Economy | **Direct economic value generated and distributed**



In accordance with the regulations in individual countries and the company's policy, all employees of the Group are registered and included in pension funds. Pension contributions are paid in the name and at the expense of employees. Pension funds within the company are not organized, and employees who work part-time or have a definite term contract have the same privileges and rights as employees with an indefinite term contract.

The rate of pension contribution in Croatia is 20 percent of the contribution base, in Russia it is 22 percent to the amount of 1,292,000.00 rubles, and 10 percent is paid upon its realization. In Hungary, the rate of payments is 10 percent, while in Serbia 14 percent is paid from the gross salary at the expense of employees and 11.5 percent at the expense of the employer.

In all countries of operation, the starting wages of AD Plastik Group employees are higher than the prescribed minimum wages in a particular country or region.

	Prescribed minimum gross wage	Initial gross wage
Croatia	4,062.51 HRK	4,221.41 HRK
Kaluga	12,130 RUB	22,077 RUB
Vintai	12,130 RUB	14,770.00 RUB
Serbia	40,528.51 RSD	40,528.51 RSD
Hungary	161,000.00 HUF	170,000.00 HUF

In AD Plastik Group, the basic wage of employees is set depending on the job position and is equal for all employees, regardless of gender or any other characteristic. It is based on legal regulations and internal documents of each individual company which define wages, additions to the wage, compensations and stimulations. Additional employee rewards are regulated by internal regulations such as the rulebook on rewarding excellence and suggestions for improvement.

Facing the challenges of the pandemic has significantly strengthened relations among colleagues. Although good relations have been nurtured before, last year raised them to an even higher level.



Ferenc Szilágyi
Sales Manager, Tiszaújváros

Financial assistance

Financial assistance received at the Group level in 2020 amounted to HRK 29.3 million and was mostly received by the parent company. The total amount received in Croatia amounted to HRK 26.5 million, of which HRK 19 million relates to subsidies and tax reliefs from measures to preserve jobs and exempt from tax liabilities due to the COVID-19 virus pandemic. The remaining HRK 7.5 million relates to tax reliefs received in the name of investment and capital investments in previous years and non-refundable funds for projects financed from the European Structural and Investment Funds, more precisely for the project "Pilot Painting Line for Industrial Researches, Development and Innovations".

In Serbia, HRK 1.6 million was received as subsidies to preserve jobs as part of COVID-19 measures, while on the same basis, Hungary received HRK 1.2 million.

The majority of financial assistance in the observed year was one-off and related to mitigating the consequences of the pandemic, and government programs are expected in the coming period that will encourage capital investments. These programs will be actively monitored at the Group level and, in accordance with that, investment plans will be planned or adjusted, to the possible extent.

Financial assistance received from the Government (in thousands of kunas)

	2017	2018	2019	2020
Tax reliefs	3,834	6,110	9,827	12,790
Subsidies	5,147	4,345	2,700	16,500
Total	8,980	10,455	12,527	29,289

Taxes

There is no formally adopted tax strategy in AD Plastik Group, but the attitude and tax principles of all business entities within the Group are the same - to respect the legislative framework and good tax practices of the countries where business is conducted, and to correctly calculate and timely settle all tax liabilities. Tax havens or profit transfers within the Group are not used for the purpose of paying lower tax liabilities, but by using available tax reliefs, which are usually related to capital investments and increments in the number of job positions, tax planning is performed in order to optimize them. Since 2018, the parent company has been a signatory to the Agreement on the Acquisition of the Special Status of Taxpayers, which raises transparency in tax management to the highest level and reduces tax risks. By maintaining a partnership with the Tax Administration, they are provided with a comprehensive insight into all relevant facts and circumstances from which tax liabilities or tax risks arise. More detailed information on accounting policies related to taxes and notes is available through the annual financial statements which are an integral part of this integrated report.

Significant indirect economic impacts

Although the impact of AD Plastik Group on the environment in which it operates is significant, the intensities and types of indirect economic impacts of individual members are specific, depending on the environment and activities in which they are engaged. The positive impact on the increase in the number of job positions in the supply chain is visible at all production sites of the Group. The constant growth of revenue in recent years at the Group level arises from new deals, and the growth of production volume directly affects the expansion of the supply chain and thus the increment in the number of job positions in the chain. Unfortunately, in 2020 this effect was absent due to the crisis caused by the pandemic, the decline in car sales and thus the decline in Group revenue.

Improvement of social conditions is also one of the indirect economic impacts of the company in the environments in which it operates, and this is best reflected in the creation of specific job positions related to the automotive industry. In Croatia, there is a particularly significant impact on the improvement of skills and knowledge within the professional community, because Research and Development Department of the Group, which uses the most complex and advanced technologies, is situated in company's headquarters. Ongoing cooperation and partnerships with educational institutions are an excellent channel for recruiting the best staff.

Integrated Annual Report 2020 | Sustainability Report | Economy | **Proportion of senior management**
Integrated Annual Report 2020 | Sustainability Report | **Environment**

Proportion of senior management hired from the local community in significant places of operation

Senior management of AD Plastik Group consists of Management Board members, associates to the Management Board, advisors, executive directors and directors as well as their deputies and associates. Local employment is defined as the employment 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. The largest share of employees and of senior management of the AD Plastik Group consists of the

local population. At the same time, the mobility and development of own experts and managers is encouraged and, through internal employment, development of an international career within the Group is enabled. In this way, company knowledge is stored, enabling the application of best practices.

In 2020, senior management consisted of 51 employees, 47 of whom were from the local community, which accounts for 92 percent of the share of local population in the highest management structure.

Environment

Caring for the environment is an integral part of the mission and one of the core values, but also the responsibilities of the company. By constant monitoring the company's impact on the environment, by improvements that are introduced into processes and by planning activities, potential risks and threats to the environment are avoided. In cooperation with its customers and suppliers, there has been continuous work on finding more environmentally friendly solutions, technologies and materials, all with the aim of reducing emissions from the vehicles themselves and preserving nature.

Part of the company's integrated strategy are greener production processes, rational consumption of natural resources and energy, and quality disposal of wastewater and waste. This is taken into account when making plans, strategies, purchasing new machines, materials and when conducting other activities of the company. The precautionary principle is applied at the Group level, according to which

any possible risk of applying new technology is avoided until there is complete knowledge, ie understanding of its impact on the environment and human health.

In the reporting period, continuous cooperation with customers on material research was continued, all with the aim of increasing the share of bioplastics primarily produced from renewable plant materials. Researches have also continued on the possibility of replacing existing paints, varnishes and solvents based on volatile organic compounds with those based on water, which have significantly less negative effects on the environment. Sustainable energy consumption, more precisely the use of a smaller amount of energy while maintaining the existing performance or increasing its performance, directly affects the improvement of the company's energy efficiency, so analyses are constantly performed and opportunities for improvement are explored. Conscious and conscientious energy management is a permanent obligation and responsibility of AD Plastik Group.



Materials

Material used by weight or quantity

Material	Site	2018	2019	2020
PP/PE/PES (t)	Solin, Zagreb	12,560	13,411	8,762
	Vintai	2,467	3,675	2,173
	Kaluga	1,965	2,498	1,627
	Mladenovac	594	1,225	478
	Tiszaújváros	1,757	1,749	2,088
	TOTAL		19,343	22,558
Paint, varnish, solvents (t)	Solin, Zagreb	435	647	689
	Vintai	11.63	21	11.017
	Kaluga	0.18	2.8	3
	Mladenovac	286	176	0.755
	Tiszaújváros	0	0	0
	TOTAL		732.81	846.8

Materials management is defined in all business processes of the Group and integrated with specific customer requirements, so that the finished products comply with technical specifications, using the best available technologies with the least possible impact on the environment.

Thermoplastic organic polymers are the main raw materials of the company's technological processes, which are shaped into the final product by various technologies. In addition to polymers, the most common materials are paints, varnishes and solvents based on volatile organic compounds used in the product painting technology.

Recycled incoming material (t)

Material	Site	2018	2019	2020
PP/PE/PES paint, varnish, solvents (t)	Solin, Zagreb	1,737	1,919	754
	Vintai	198	356	10
	Kaluga	131	104	102
	Mladenovac	0	0	0
	Tiszaújváros	0	192	241
	TOTAL		2,066	2,571

Waste solvents generated in the painting technology at the production site in Zagreb, in accordance with the Law on Sustainable Management, are disposed of by an authorized supplier who returns them purified and regenerated to the painting process. In 2020, 164 tons of regenerated solvent were used. The company continued to cooperate with the same supplier on the application of the chemical leasing model during 2020.

The reduction in the use of recycled incoming materials in 2020 is a consequence of the reduced production of final products from these materials.

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

Material	Site	2018	2019	2020
PP/PE/PES paint, varnish, solvents (t)	Solin, Zagreb	13.37	13.65	7.97
	Vintai	8.03	9.69	0.45
	Kaluga	6.66	4.16	6.27
	Mladenovac	0.00	0.00	0.00
	Tiszaújváros	0.00	10.98	11.54
	TOTAL	10.14	10.98	7.31

The final products are packaged and transported to customers in returnable metal and plastic packaging, and part is packaged in cardboard packaging that is wrapped with foil before being placed on wooden pallets.

Material used for the packaging of the final product

Site	cardboard	plastic foil	wooden pallets
Solin, Zagreb	114.00	15.00	127.00
Kaluga	102.60	95.00	0.00
Mladenovac	54.00	24.00	76.00
TOTAL	270.60	134.00	203.00

Paper used for office operations purposes

Site	copy paper
Solin, Zagreb	14.33
Kaluga	6.50
Mladenovac	1.03
Tiszaújváros	6.00
TOTAL	27.86

In the reporting period, recycled paper was not used for office operations purposes, but it was used for the production of printed promotional materials.



Energy

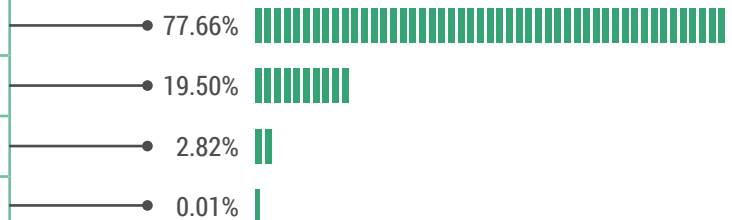
In accordance with internal procedures and instructions, appropriate records of energy consumption monitoring are continuously kept and energy audits are conducted at all production sites.

The main objectives are to identify processes, consumers and energy sources, to determine the current energy performance of plants, equipment, systems and processes of significant energy use, to identify areas of significant energy use and opportunities to improve energy performance. This is the basis for the development of annual programs to reduce energy consumption, ie to use it more efficiently.

Electric energy is the main energy source in the operation of production plants and premises and is necessary for the operation of machines, heating and cooling devices and lighting.

Energy consumption (GJ)

	2018	2019	2020
Electric energy (GJ)	157,067	163,094	147,757
Natural gas (GJ)	38,116	39,631	37,102
Liquefied petroleum gas (GJ)	2,742	2,969	5,367
Heating oil (GJ)	225	410	24
TOTAL	198,150	206,104	190,250



Electric energy consumption in 2020 was slightly reduced compared to the year before, and the purchased electric energy was not obtained from renewable energy sources.

Natural gas is the second most important energy source in business, and is mostly used in painting technology for flaming, ie activating the plastic surface with flame for better adhesion of paint in the painting process and for burning volatile organic compounds on regenerative incinerators.

Other energy sources include liquefied petroleum gas for forklift operation, heating oil for boiler room operation and petrol and diesel fuel for official vehicles.

During 2020, activities of replacing old lighting fixtures with new LED bulbs and installing high-speed roll up doors in storage areas in order to reduce energy loss were continued. More energy-efficient machines and equipment were purchased, equipment for automation of the system of monitoring electric energy consumption in various operating modes was installed, and worn-out installations and skylights on the roofs of buildings were replaced.



Total energy consumption within the organization (GJ)

Site	2018	2019	2020
Solin	43,011	40,755	40,130
Zagreb	76,707	90,054	82,686
Vintai	26,012	23,759	22,727
Kaluga	16,071	17,302	18,404
Mladenovac	17,341	14,486	9,988
Tiszaújváros	19,008	19,784	16,315
TOTAL	198,150	206,140	190,250

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

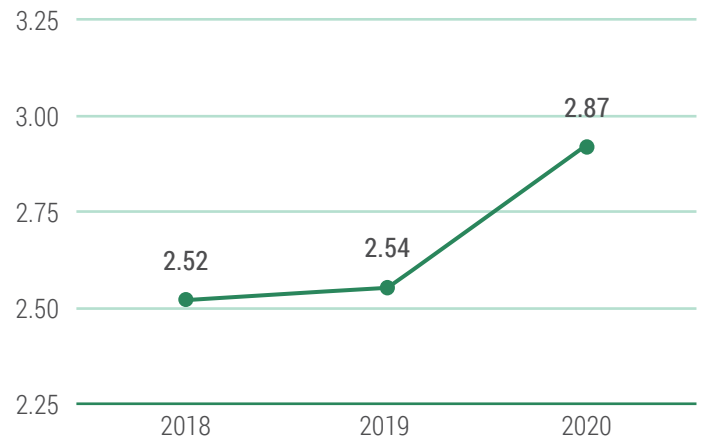
Energy intensity is measured by the ratio of total energy consumption within the organisation (kWh) and the total weight of delivered product (kg). The reason for the increase in energy intensity in 2020 compared to the previous period is the reduced production during March, April and May caused by the pandemic, while energy consumption did not decrease in the same proportion to ensure the smooth operation of the plant.

Energy intensity (kWh/kg of the product)

Site	2018	2019	2020
Solin, Zagreb	2.56	2.71	3.25
Vintai	2.30	1.81	1.86
Kaluga	2.15	1.92	2.00
Mladenovac	3.27	3.19	3.78
Tiszaújváros	0.00	3.19	3.73
TOTAL	2.53	2.54	2.87

Total energy consumption outside the organization (GJ)

Site	2018	2019	2020
Solin	3,262	3,361	2,105
Zagreb	392	493	401
Vintai	4,246	4,093	3,343
Kaluga	205	55	44
Mladenovac	65	148	88
Tiszaújváros	0	1,070	641
TOTAL	8,170	9,220	6,622



Water and wastewater

AD Plastik Group pays significant attention to water protection, as one of the most important natural resources, in order to subordinate its attitude towards the environment in which it operates to its sustainable development.

All production sites of the Group are supplied with water through local connections of the public water supply system used for technological and sanitary purposes. Water sources from surface water sources are not diverted independently, and water supply is not provided from recycled water, water collected in

large tanks, from water sources obtained by desalination of sea water, nor water obtained by collecting rainwater. Water consumption is monitored daily by direct measurements by local water meters at production sites, and the efficiency and correctness of the water supply system is monitored daily. In terms of consumption, the company has no negative impact on the environment and does not jeopardize the capacities of local water wells.

For the water supply of the Zagreb production site, own well is also used, for which a concession was obtained in 2015 for a period of ten years.



Water consumption per source (m³)

Site	Public water supply (m ³)			Private well (m ³)		
	2018	2019	2020	2018	2019	2020
Solin	45,779	41,506	31,339	0	0	0
Zagreb	12,405	12,416	13,329	7,405	7,790	9,136
Vintai	8,148	6,767	6,126	0	0	0
Kaluga	2,686	2,275	2,842	0	0	0
Mladenovac	3,074	3,921	2,429	0	0	0
Tiszaújváros	1,628	831	926	0	0	0
TOTAL	73,720	67,716	56,991	7,405	7,790	9,136



Water consumption in technological processes of production (m³)

Site	2020
Solin, Zagreb	28,534
Vintai	2,029
Kaluga	1,034
Mladenovac	350
Tiszaújváros	370
TOTAL	32,317

Water consumption per kg of product (l/kg of the product)

Site	2020
Solin, Zagreb	2.72
Vintai	0.60
Kaluga	0.40
Mladenovac	0.48
Tiszaújváros	0.30
TOTAL	1.76

AD Plastik Group discharges sanitary wastewater into the public drainage system without prior treatment and rainwater from roof surfaces and handling surfaces after treatment on oil and grease separators. In accordance with the water permit, sampling and testing are regularly carried out in authorized laboratories, and the compliance

of wastewater quality with the legally prescribed parameters is confirmed by regular analyses carried out at all production sites. This was also confirmed by the analyses conducted in 2020, and the quality reports were submitted to the competent state bodies for environmental protection.

Results of wastewater analysis (t)

	Solin	Zagreb	Vintai	Kaluga	Mladenovac	Tiszaújváros	TOTAL
Chemical oxygen demand (COD) of wastewater (t)	3.08	0.38	0.00	0.00	0.05	0.00	3.52
Biochemical oxygen demand (BOD) of wastewater (t)	1.42	0.19	0.00	0.00	0.01	0.00	1.62

Process wastewater is not discharged into the public drainage system because it is a closed, recirculating and controlled system, supplemented, if necessary, with clean water which is lost due to

evaporation. Contaminated substances collected by process water are brought to a centrifugal separator, separated and collected in appropriate containers and disposed of as waste. Wastewater is not recycled at the Group's production sites.

Amount of discharged water (m³) and its destination

	2018	2019	2020	Destination of discharged wastewater
Solin	38,779	41,506	18,804	Adriatic Sea/Mediterranean Sea
Zagreb	8,305	8,471	6,466	Sava River/Danube River/Black Sea
Vintai	8,148	6,767	4,097	Volga River/Caspian Sea
Kaluga	2,686	2,275	1,808	Oka River/Volga River/Caspian Sea
Mladenovac	3,074	3,921	2,079	Veliki Lug River/Danube River/Black Sea
Tiszaújváros	1,772	831	556	Tisza River/ Danube River/Black sea
TOTAL	62,764	63,771	33,810	



The production sites of the AD Plastik Group do not have a negative impact on protected areas because they are not owned, leased or managed by protected areas or in their immediate vicinity, nor in areas of high value in terms of biodiversity.

In 2020, there were no outpours of hazardous substances that could have negative impacts on the environment with potential adverse effects on the soil, water, air, biodiversity and human health.

Emissions

Due to potential environmental and economic impacts, the management of gas emissions into the atmosphere is an important segment of Group's corporate social responsibility. Emission management and control is a regular activity of the Environmental Protection Service. Emissions into the atmosphere from fixed sources are regularly monitored, on which reports are submitted in accordance with legal regulations in the field of air protection. The calculation of the emissions into the air is determined by direct measurements or indirectly by calculations based on the fuel consumption or the quantity of the substance emitted.

Emissions into the atmosphere include CO₂, CH₄, N₂O, NO₂, SO₂ and CO emissions arising from the combustion of energy sources needed

for the operation of plants and technological processes as well as from the production of electric energy necessary for the operation of the plants.

Direct emissions are generated by combustion of fuel oil, natural gas and liquefied petroleum gas, while indirect emissions are generated by the production of electric energy purchased from distributors.

Emissions into the atmosphere from fixed sources are regularly monitored, on which reports are submitted in accordance with legal regulations in the field of air protection. The calculation of the emissions into the air is determined by direct measurements or indirectly by calculations based on the fuel consumption or the quantity of the substance emitted.

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

Site	2018		2019		2020	
	Direct emissions	Indirect emissions	Direct emissions	Indirect emissions	Direct emissions	Indirect emissions
Solin	24	2,623	35	3,096	6	3,077
Zagreb	1,405	3,187	1,652	4,686	1,647	4,111
Vintai	73	1,899	62	1,740	60	1,664
Kaluga	248	894	301	918	262	1,053
Mladenovac	368	837	224	808	196	497
Tiszaújváros	0	1,179	167	1,288	223	954
TOTAL	2,118	10,619	2,241	12,536	2,394	11,356
	12,737		14,777		13,750	

Greenhouse gas emission intensity (kg CO₂ / kg of the product)

* t CO₂ - Emission data calculated according to national standard

Site	2018	2019	2020
Solin, Zagreb	0.56	0.71	0.84
Vintai	0.54	0.49	0.51
Kaluga	0.52	0.49	0.52
Mladenovac	0.57	0.66	0.94
Tiszaújváros	0.00	0.84	0.97
TOTAL	0.55	0.56	0.75

Total direct greenhouse gas emissions CH₄ and N₂O according to mass (t CO₂*)

Site	Direct emissions CH ₄ (t)	Direct emissions CH ₄ expressed in CO _{2eq} (t)	Direct emissions N ₂ O (t)	Direct emissions N ₂ O expressed in CO _{2eq} (t)	Direct emissions CH ₄ and direct emissions N ₂ O expressed in CO _{2eq} (t)
Solin	0.000129	0.0036115	0.0000191	0.0050671	0.0086786
Zagreb	0.028863	0.8081526	0.0028863	0.7648587	1.5730113
Vintai	0.001070	0.0299676	0.0001070	0.0283622	0.0583298
Kaluga	0.004666	0.1306409	0.0004666	0.1236423	0.2542832
Mladenovac	0.003499	0.0976679	0.0003499	0.0927186	0.1903865
Tiszaújváros	0.002592	0.0725669	0.0002592	0.0686793	0.1412462
TOTAL	0.040819	1.142697	0.0040881	1.0833282	2.2259356

* t CO₂ - Emission data calculated according to national standard



Total indirect greenhouse gas emissions regarding business trips (t CO_{2eq} *)

Solin, Zagreb	66,021.53
Vintai	23.98
Kaluga	2.29
Mladenovac	5.34
Tiszaújváros	44.31
TOTAL	66,097.45

* t CO₂ - Emission data calculated according to national standard

Despite all the circumstances, the past year has brought me a positive business experience. I was promoted to a higher position which required quick adaptation and acquisition of new skills and knowledge, and with which I successfully coped.



Tomislav Bogdan
Head of Internal Logistics, Solin

Integrated Annual Report 2020 | Sustainability Report | Environment | Emissions

Of the total amount of direct emissions in 2020, the share of direct emissions of CH₄ and N₂O expressed in CO₂eq is 0.09 percent.

The presentation of the amount of indirect greenhouse gases due to business trips refers to the trips of employees by plane and official vehicle. 99.66 percent of the emissions shown are related to air travel.

As with energy intensity, the increase in emission intensity in 2020 was due to reduced production during March, April and May as a result of the pandemic, while energy consumption did not decrease in the same proportion due to ensuring the smooth operation of the plant.

Refrigerants whose chemical composition deplete the ozone layer are an integral part of conditioning equipment and fire extinguishers. The equipment is regularly serviced by authorized service technicians and implementation records are kept on service cards.

In the reporting period, new refrigeration equipment was purchased in Zagreb, Vintai, Kaluga and Tiszaújváros with a total amount of R407C refrigerant of 179 kg. Equipment with refrigerant R410A in the amount of 73 kg was also purchased in Hungary.

In Zagreb, there was a small uncontrolled loss and replenishment of refrigerant R407C due to the permeability of the heat exchanger, probably as a result of the earthquake.

The company regularly measures NO₂, SO₂ and CO emissions resulting from the production of thermal energy in boiler rooms. On the painting line exhaust vents in Zagreb, emissions of volatile organic compounds, VOC, are also measured. The measured values of emissions from stationary sources in 2020 were in compliance with legal provisions. In order to reduce the negative impact on the environment caused by volatile organic compounds, 295.56 t of volatile organic compounds were combusted on the regenerative incinerators of painting lines exhaust vents in Zagreb.

Refrigerant quantity in equipment (kg) by production sites

	2019							2020						
	R22	R407C	R404C	R410A	R505	R134A	227ea	R22	R407C	R404C	R410A	R505	R134A	227ea
Solin	128	3	4	102	4	125	40	128	3	4	92	4	125	40
Zagreb	120	1,120	0	151	0	0	0	0	1,220	0	151	0	0	0
Vintai	40	0	0	0	0	0	0	0	40	0	0	0	0	0
Kaluga	0	90	0	0	0	0	0	0	113	0	0	0	0	0
Mladenovac	12	81	0	3	0	0	164	12	81	0	3	0	0	164
Tiszaújváros	0	0	0	11	0	0	0	0	16	0	84	0	0	0
TOTAL	300	1,294	4	268	4	125	204	140	1,473	4	330	4	125	204

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

	2018				2019				2020				
	NO ₂	SO ₂	CO	VOC	NO ₂	SO ₂	CO	VOC	NO ₂	SO ₂	CO	VOC	PM(10)
Solin	0.011	0.033	0.000	0.000	0.019	0.061	0.260	0.000	0.001	0.004	0.000	0.000	0.000
Zagreb	0.874	0.000	0.576	9.651	0.932	0.000	0.097	11.240	1.008	0.000	0.626	12.161	0.010
Vintai	4.523	0.024	0.427	0.000	4.523	0.024	0.427	0.000	4.126	0.026	0.000	0.000	0.096
Kaluga	0.001	0.000	0.266	0.000	0.004	0.000	0.191	0.000	0.004	0.000	0.198	0.000	0.000
Mladenovac	0.915	0.000	0.600	0.000	0.292	0.000	0.143	0.000	0.304	0.000	0.147	0.000	0.000
Tiszaújváros	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	6.324	0.057	1.869	9.651	5.770	0.085	1.118	11.240	5.443	0.030	0.971	12.161	0.106

Emission data calculated according to national standard

Waste

Wastewater represents a potentially large loss of resources, materials and energy. Preventing waste generation in an environmentally friendly way is very important business determinant. Proper waste disposal is the task of the company, but also of all employees in order to preserve the environment for future generations.

Thermoplastic organic polymers are the main raw materials of technological processes of injection moulding, extrusion and thermoforming, and in painting technology, agents based on organic solvents are used. Thermoplastic organic polymers do not belong to hazardous materials, and agents based on organic solvents contain up to 70 percent of substances that belong to hazardous materials. After each production phase, visual and metrological control of finished products is performed. Poor quality products are regenerated by grinding and returned to the production process.

Total waste mass according to type directed to disposal (t)

	2018		2019		2020	
	non-hazardous	hazardous	non-hazardous	hazardous	non-hazardous	hazardous
Solin	207.92	21.45	286.69	24.32	270.47	18.83
Zagreb	543.00	416.20	683.75	567.69	557.90	541.69
Vintai	542.03	5.16	501.37	35.00	501.66	37.26
Kaluga	307.20	4.50	248.40	13.65	326.00	9.00
Mladenovac	239.14	11.59	234.00	11.34	134.45	6.72
Tiszaújváros	88.62	0.70	254.00	2.00	188.14	4.63
TOTAL	1,927.91	459.60	2,208.21	654.00	1,978.62	618.13

Non-hazardous waste directed to disposal (t)

Disposal methods	Solin	Zagreb	Vintai	Kaluga	Mladenovac	Tiszaújváros	TOTAL
Recycling	217.14	364.57	0.00	0.00	0.00	53.10	634.81
Waste storage before applying any disposal method	0.96	193.33	0.00	130.00	60.08	135.04	519.41
Using waste mostly as fuel or other method for generating energy	0.00	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	0.00
Waste incineration on land	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Waste disposal at specially prepared landfills	52.37	0.00	501.66	196.00	74.37	0.00	824.40
TOTAL	270.47	557.90	501.66	326.00	134.45	188.14	1,978.62

Recycled non-hazardous waste (t)

Name of waste	quantity
Paper and cardboard packaging	490.758
Plastic packing	78.022
Wooden packaging (wooden pallets)	48.35
Waste scrap metal	17.68
TOTAL	634.81

Stored non-hazardous waste before disposal (t)

Name of waste	quantity
Paper and cardboard packaging	11.92
Plastic packing	37.69
Wooden packaging (wooden pallets)	7.73
Waste scrap metal	17.56
Plastic waste	444.51
TOTAL	519.41

Hazardous waste directed to disposal (t)

Disposal methods	Solin	Zagreb	Vintai	Kaluga	Mladenovac	Tiszaújváros	TOTAL
Recycling	3.32	227.26	0.00	0.00	0.00	4.07	234.65
Waste storage before applying any disposal method	0.00	288.58	0.00	0.00	6.72	0.00	295.30
Using waste mostly as fuel or other method for generating energy	14.10	25.85	0.00	0.00	0.00	0.00	39.95
Physical and chemical waste processing	0.00	0.00	37.26	9.00	0.00	0.24	46.50
Waste incineration on land	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Waste disposal at specially prepared landfills	1.41	0.00	0.00	0.00	0.00	0.33	1.74
TOTAL	18.83	541.69	37.26	9.00	6.72	4.63	618.13

According to the waste classification, non-hazardous and hazardous waste is generated from production processes, which is collected in appropriate containers and given to authorized waste collectors for further disposal. Records on the generated waste handed over for further disposal are kept in accordance with the documentation prescribed by law.

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.

Non-hazardous waste at the landfill (t)

Name of waste	quantity
Plastic waste	151.02
Waste of mixed material	659.18
Construction waste	14.2
TOTAL	824.40

During 2020, 33.48 percent of the total amount of waste was handed over to authorized disposal companies for recycling, of which 634.81 tons of non-hazardous and 234.65 tons of hazardous waste.

Recycled hazardous waste (t)

Name of waste	quantity
Hydraulic oils	7.39
Waste solvents	219.574
Solvent sludge	7.686
TOTAL	234.65

Hazardous waste treated by physico-chemical method (t)

Name of waste	quantity
Hydraulic oils	46.23
Oiled rags	0.2
Fluorescent tubes	0.07
TOTAL	46.50

Weight of hazardous and non-hazardous waste directed to disposal (t)

Disposal methods	2018	2019	2020	share
Recycling	892.63	1.372.07	869.46	33.48%
Waste storage before applying any disposal method	355.03	781.50	814.70	31.37%
Using waste mostly as fuel or other method for generating energy	21.14	42.38	39.95	1.54%
Physico-chemical waste processing	19.06	10.00	46.50	1.79%
Waste incineration on land	28.20	1.02	0.00	0
Waste disposal at specially prepared landfills	1,071.45	655.24	826.14	31.81%
TOTAL	2,387.51	2,862.21	2,596.75	

Hazardous waste used as fuel or other means of generating energy (t)

Name of waste	quantity
Hydraulic oils	39.95
TOTAL	39.95

Hazardous waste stored before disposal (t)

Name of waste	quantity
Hazardous packaging waste	79.85
Oiled rags	33.75
Waste sludge from paints and varnishes	181.04
Packaging under pressure	0.66
TOTAL	295.30

Hazardous waste at the landfill (t)

Name of waste	quantity
Packaging under pressure	0.13
Electronic equipment	0.86
Waste printing cartridges	0.75
TOTAL	1.74

Environmental protection expenditures and investments

Environmental protection expenditures and investments in total (€)

Site	2018		2019		2020	
	Expenditures	Investments	Expenditures	Investments	Expenditures	Investments
Solin	45,415	31,147	66,903	287,984	70,320	125,225
Zagreb	149,493	58,644	206,571	187,339	230,368	668,960
Vintai	45,063	4,108	1,919	1,166	5,630	2,653
Kaluga	1,512	0	1,031	0	407	0
Mladenovac	40,498	700	34,395	600	12,750	0
Tiszaújváros	26,953	0	37,649	0	0	0
TOTAL	308,934	94,599	348,468	477,089	319,475	796,838

Environmental protection expenditures in 2020

- Removal and disposal of hazardous and non-hazardous waste
- Measurement of air emissions from fixed 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 2020

- Continuation of replacing old lighting fixtures with the new LED lighting
- Continuation of installation of high-speed roll up doors in the production and storage areas
- Installation of fire alarms
- Arrangement of the hydrant network
- Reconstruction of process water pipelines
- Purchase of the cooling unit
- Reconstruction of the emergency shutdown system
- Reconstruction of the substation
- Replacement of worn-out skylights on the roofs of buildings
- Purchase of a waste disposal tank

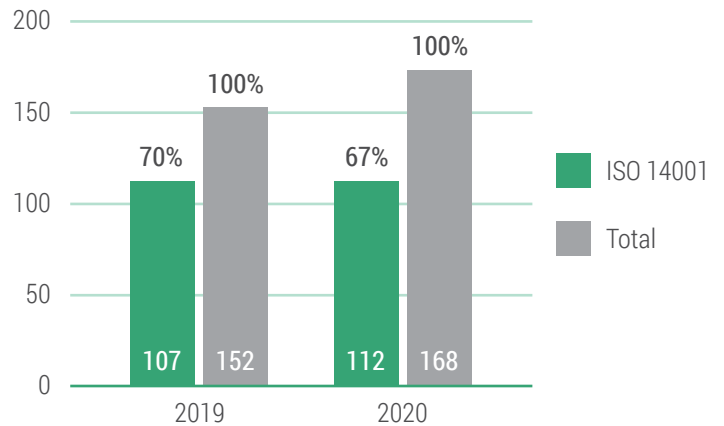


Supplier Environmental Assessment

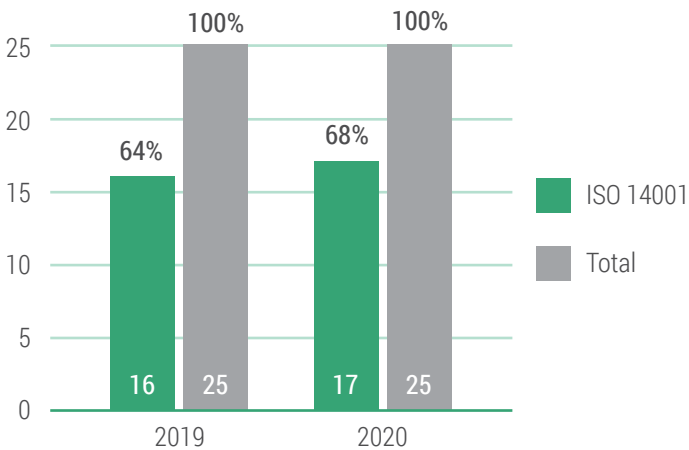
Supplier Environmental Assessment must be carried out when selecting a new supplier, and for existing suppliers it is carried out regularly once a year and the assessments are recorded on the company's internal portal. One of the criteria for selecting new suppliers is the possession of the ISO 14001 environmental protection certificate, and existing suppliers who do not have a certificate are assessed using a self-assessment questionnaire.

In 2020, business relations were not terminated due to the negative impact on the environment with any supplier, nor was it determined that some of the suppliers have actual or potential negative impacts on the environment.

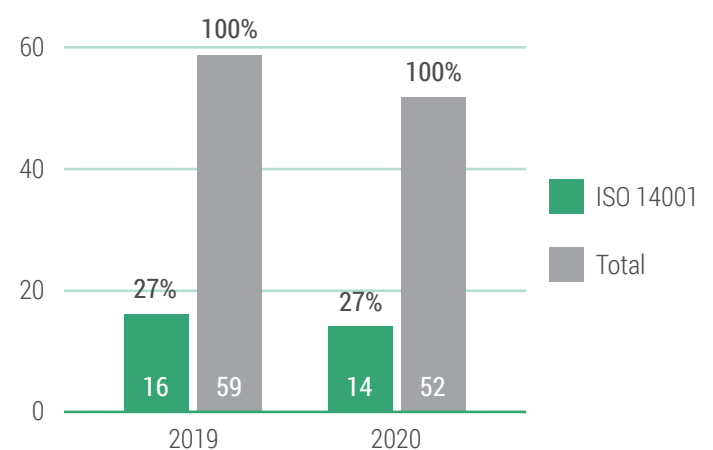
AD Plastik, Croatia



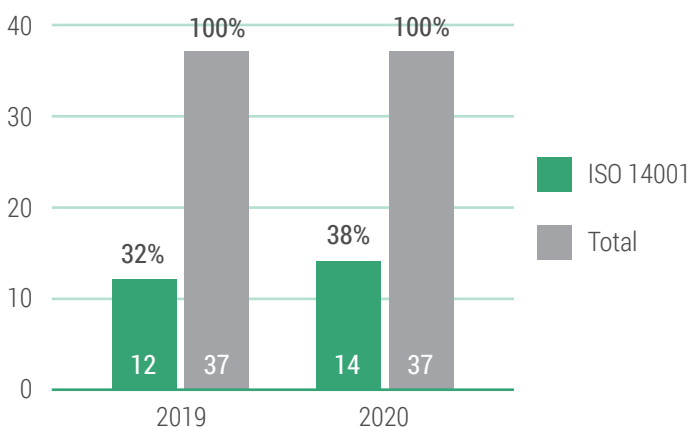
ADP, Mladenovac, Serbia



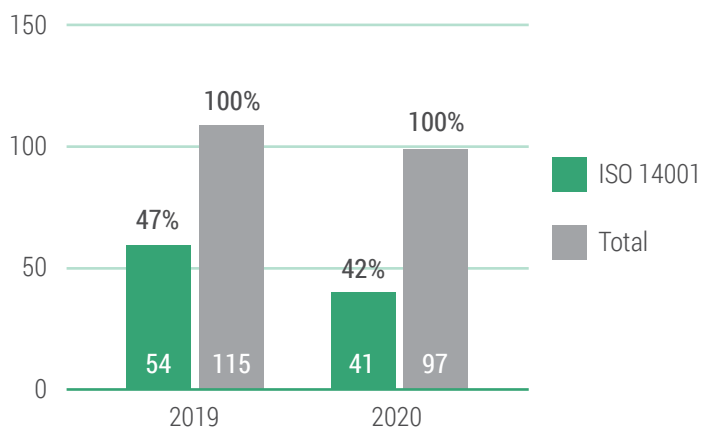
AD Plastik Togliatti, Russia



AD Plastik Kaluga, Russia



AD Plastik Tisza, Hungary



Compliance with environmental protection regulations

Environmental protection is the responsibility and obligation of the company, but also of all its employees, and is woven into all activities and processes. Regulatory amendments and new regulations related to environmental protection are regularly monitored and their up-to-date implementation is taken care of. Also, assessments of compliance with legal and other binding requirements are regularly conducted at all production sites, especially when introducing new processes, materials or technologies.

The Management Board is regularly informed about the impact of business activities on the environment and special care is taken to protect it when making important decisions.

In addition to external system audits as required by ISO 14001 standard, on-site inspections are carried out by inspection bodies. In 2020, no inspections were carried out at any production site.



Community

Conducting business in harmony with the environment is the mission of the AD Plastik Group, which also includes local communities in which all members of the Group have significant economic impact. Employing the local population enables them to work with dignity and have additional education, and the company promotes the sustainable development of the business and the community as a whole. Company representatives publicly advocate for and participate in events that have a positive impact on the community and the economy. Permanent cooperation has been established with the university community as well as cooperation with professional associations and citizens' associations.

New circumstances caused by the pandemic have significantly altered known patterns and changed priorities. It was necessary to react quickly and adapt and be an active part of the community in the new circumstances. In addition to the sustainability of the business, one of the primary goals of the company was to preserve jobs and this was successfully realized.

In the reporting period, representatives of the AD Plastik Group participated in a number of economic events advocating the interests of industry and exporters and encouraging further economic development.

- **Big Plans Day** - panel discussion "Business development and risk management" - participant Marinko Došen
- **15th Convention of Croatian Exporters** - panel discussion "The impact of the corona crisis on the Croatian economy and exports" - participant Marinko Došen
- **7th Export Conference** - panel discussion "Returning to foreign markets - how to move on?" - participant Marinko Došen
- **HANZA HUB panel discussion „Business climate and foreign investments“** - participant Marinko Došen
- **A1 Leadership Talks** - participant Marinko Došen
- **Meeting G2.6** online conference - panel discussion „Stronger than virus“ - participant Marinko Došen
- **Global value chains** - panel discussion "Impact of the COVID-19 virus pandemic on global value chains" participant Zoja Crnečki
- **National exhibition of innovations** - presentation of the results of the EU project "Pilot painting line"
- **Tax conference** - panel discussion "Impact of taxes on investments and employment" - participant Krešimir Jurun

AD Plastik Group cooperates with institutions at the local and national level in accordance with the company's policies and capabilities. During the reporting period, the company's Management Board responded promptly to all initiatives related to combating the pandemic at all Group production sites. It also responded in a timely manner and in the manner of a responsible employer to all inquiries and initiatives related to changes in legislation, new projects, sustainable economic growth and improving the business climate in general. The leaders of the company gave their contribution by participating in several working groups for the development of strategic documents to help entrepreneurs.

Despite the specific and very limiting circumstances, in 2020 the cooperation with educational institutions continued through visits and professional practices in the AD Plastik Group.

At the Group level, 23 professional internships were realized, of which 17 university students internships and six high-school students internships, and three master thesis and one seminar paper were completed with the support of mentors from the company. Due to epidemiological measures, visits to factories were prohibited, so in the reporting period only visit of students from Construction-Energetic and Production Engineering of FESB Split was realized.

In the new and somewhat difficult circumstances, the company traditionally participated in the Carrier and Teaching Base Day in 2020 and presented itself at the virtual Regional Job Fair in Croatia.

In the Russian market, it participated in three job fairs in Togliatti, and presented itself also at the job fair in Tiszaújváros.

In cooperation with UNICEF, AD Plastik Group participated in the project of mapping responsible business practices towards children in accordance with the Children's Rights and Business Principles, the results of which were presented at the final conference on the occasion of World Children's Day. It also participated in the project of the Advisory Board for Children's Rights and Corporate Social Responsibility for the exchange of knowledge and good practices aimed at better respect, protection and realization of children's rights in the business community.



Obligations towards external initiatives



By participating in the work of various associations estimated as the ones with a respectable reputation in society, AD Plastik Group strengthens 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
- 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
- Membership in the Croatian Exporters' Association, whose Vice President is Marinko Došen
- Membership in the Club of Exporters
- Founders of 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 is Zoja Crnečki, the Director of AD Klaster
- Zoja Crnečki is also 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
- Participation 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
- Membership in the Economic Council of the Faculty of Mechanical Engineering and Naval Architecture of the University of Zagreb, Thematic Innovation Council for Transport and Mobility
- AD Plastik Group is the signatory of the Code of Business Ethics of the Croatian Chamber of Economy and the United Nations Global Compact Initiative, thus having committed to promote and support the ten principles of the UNGC and seventeen sustainable development global goals.

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. The principles

of corporate social responsibility are the foundation of the management of sponsorships and donations. The company recognizes the needs of the community in which it operates and wants to be its desirable partner.

Donations

Humanitarian Action and Health

- **Clinical Hospital Center Split - Clinic for Children's Diseases**
Purchase of a medical urodynamics device
- **Production and donation of protective face visors (COVID-19)**
Health organizations, hospitals, civil protection, educational institutions, kindergartens, Red Cross, theaters, CMRS and other associations and organizations
- **Croatian Red Cross**
Assistance to areas affected by the earthquake
- **County Association of persons with cerebral palsy and polio**
organization of a summer camp in Veli Lošinj
- **Voluntary Fire Brigade Selca**
purchase of protective suits and raincoats
- **Children's Association Project Happiness**
helping children with learning, health and social problems

Education, culture and sport

- **Computer donation to the Josip Pupačić Omiš Elementary School**
- **University Department of Professional Studies, University of Split**
donation of licenses for the digital platform for the purpose of online access to the scientific-professional conference CIET 2020
- **Faculty of Mechanical Engineering and Naval Architecture, University of Zagreb**
printing of the monograph: Ivo Alfirević - History of classical mechanics with reference to related sciences
- **Youth water polo club POŠK**
- **Football club Sloga („Harmony“)**
- **Football club Solin**

Sponsorships

- Conference "Challenges of Change 2020"
- Conference of the Croatian Chamber of Economy „Let's support what is sustainable“
- Association of boatmen Saint Ilija Metković
- Monograph of a basketball club „Kraljevica“
- **Water polo club Jadran**
functioning of the entire sports facility



Tasks achieved for 2020

- Video surveillance system upgrade
- Obtaining an environmental permit for production sites in Zagreb
- Obtained water permits at the production sites Zagreb and Mladonovac
- Survey of suppliers at all sites according to the new self-assessment questionnaire
- Internal campaign - coronavirus protection measures
- Launching the system of implementation of new measures in the field of identification of employee and visitor movements - partially realized, completion planned at the beginning of 2021

Not realized due to the pandemic

- Cooperation with elementary schools - introducing eighth grade students to STEM occupations in AD Plastik Group
- E-corner for production workers (Zagreb and Solin)

Tasks for 2021

- Installation of Energy Saving software to improve machine performance
- Installation of high voltage surge arresters for the purpose of high voltage protection
- Development of a method for the regeneration of waste painted plastic products
- Implementation of the Employee Mental Health Support Program
- Launching a corporate volunteering project
- Internal campaign "Let's volunteer!"
- Project "Sustainable Finance and Financial Literacy" for employees



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Opinion by the Commission of the Managing Committee of the Croatian Business Council for Sustainable Development on Integrated Report of AD Plastik Group for 2020

The Integrated Report of AD Plastik Group for 2020 in its non-financial part fully meets the criteria of the GRI Standards for the core option and showed a high degree of transparency, having illustrated a challenging and unusual business year, marked by the crisis caused by the COVID-19 pandemic.

This fourth Integrated Report is characterized by a good knowledge of the components of sustainability, consistency of data and clear descriptions of the results achieved and activities. We confirm that all requirements and guidelines of the reporting principle for determining the content and quality of the report and verification have been complied with. At the same time, the attractiveness and simplicity were not lost so that all stakeholders could gain insight into the company's business operations, as well as the progress made in the field of social responsibility and sustainability.

This year has left its mark in all segments of business and private life, so, looking back, we can analyze quantity of damage which has been done to society. In AD Plastik Group, as well as in more than 90 percent of the world economy, the year was extremely challenging for financial business and a decline in several financial indicators was recorded, which the Group reported transparently in the Integrated Report. For example, operating revenue was lower by 20.2 percent compared to the previous year.

Factories were closed for a while, production processes, investments in research and development, new employment and planned charitable and volunteer activities were stopped. However, the year ended with a smaller loss than expected, and at the end of the year, new employments started again and optimism regarding the business of the coming period grew.

According to the Report, deliveries to customers were not in question at any time, financial stability was ensured, jobs were preserved with active care for the health and safety of employees. Due to the need to protect the health of employees while maintaining production continuity, timely informing and internal communication jumped to the top of the priorities, and great attention in the report was paid to the work of the company's Crisis Management Committee, which reported daily on development of the situation and monitored implementation of epidemiological and other additional protection measures.

AD Plastik Group is an example of a business organization with many years of application of social responsibility and focus on sustainable development, and we believe that namely this strategic commitment has brought benefits in crisis situations, and enabled rapid adjustment and recovery.

The Integrated Report for 2020 has again met expectations, both from the point of view of the exhaustiveness of the content as well as from the point of view of year-over-year-growth in relation with clarity and transparency of presentation of indicators and other supporting information. The report illustrates quality and responsibility that is in line with the reputation of the company which is a leading manufacturer of components for the automotive industry in this part of Europe.

Thanks to its export orientation, AD Plastik Group achieves notable results in Croatian framework, as evidenced by numerous awards in several areas. Last year alone: for Best Large Exporter, Best Supplier, Best Sustainability Report, as well as the CSR Index Award for Social Responsibility Policies of Diversity and Human Rights Protection.

Since there is always room for improvement, we suggest, in accordance with the GRI Standard, separately collected waste to be shown according to the type of material as well as the method of disposal in the coming years. We also suggest that more data on the energy consumed outside the organization should be gradually introduced according to the GRI indicator, although it is a very challenging process. There is also room for improvement in explaining the boundaries of material topics.

The report itself should also try to explain the relatively high share of definite term contracts as well as the high employee fluctuation which may be the result of production needs but certainly deserves an explanation.

Despite the fact that there is room for continuous improvement, the report shows a high degree of understanding in the application of the principles of sustainable development and social responsibility, which is also the reason for the continuous improvement in reporting. Quality communication is based on recognizing the expectations and interests of stakeholders, so we will monitor also the following reports of the AD Plastik Group with extreme attention.

HR BCSD expert group commission
on non-financial reporting





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AD Plastik d.d., Solin and Its Subsidiaries

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The Supervisory Board have not yet considered and determined the financial statements, but shall give its decision at the meeting scheduled in May 2021.

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 AD Plastik d.d. Solin by the members of the Management Board:

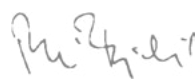
For AD Plastik d.d. Solin by:

Marinko Došen
President of the
Management Board

Mladen Peroš
Member of
Management Board

Višnja Bijelić
Member of
Management Board

Ivan Čupić
Member of
Management Board



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

23 April 2021



Independent Auditors' Report to the shareholders of of AD Plastik d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of AD Plastik d.d. ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position of the Group as at 31 December 2020, and its consolidated statements of comprehensive income, cash flows and changes in equity of the Group for the year then ended, and notes, comprising significant accounting policies and other explanatory information (further referred to as "the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - comparative information

We draw attention to Note 4 to the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2019 has been restated. Our opinion is not modified in respect of this matter.

Other Matter relating to comparative information

The financial statements of AD Plastik d.d. as at and for the years ended 31 December 2019 and 31 December 2018 (from which the statement of financial position as at 1 January 2019 has been derived), excluding the adjustments described in Note 4 to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 14 April 2020 and 18 April 2019, respectively.

As part of our audit of the financial statements as at and for the year ended 31 December 2020, we audited the adjustments described in Note 4 that were applied to restate the comparative information presented as at and for the year ended 31 December 2019 and the statement of financial position as at 1 January 2019. We were not engaged to audit, review, or apply any procedures to the financial statements for the year ended 31 December 2019 or 31 December 2018 (not presented herein) or to the statement of financial position as at 1 January 2019, other than with respect to the adjustments described in Note 4 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 4 are appropriate and have been properly applied.



Independent Auditors' Report to the shareholders of of AD Plastik d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters

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.

REVENUE RECOGNITION

Revenue in 2020: HRK 1,186,765 thousand (2019: HRK 1,509,216 thousand). As at 31 December 2020: trade receivables: HRK 267,661 thousand; accrued income: HRK 21,761 thousand (31 December 2019: trade receivable: HRK 270,207 thousand; accrued income: HRK 67,785 thousand).

Please refer to the Note 2.4 Revenue recognition of Significant accounting policies and Note 5 Segment information in the financial statements.

Key audit matter	How our audit addressed the matter
<p>Revenue is an important measure used to evaluate the performance of the Group. In the year ended 31 December 2020, the Group's principal revenue streams included sales of car parts and customized tools developed by the Group itself. There is a risk that revenue is presented in amounts higher than actually generated by the Group.</p> <p>Revenue comprises the fair value of the consideration received or receivable for sold goods within the normal course of business of the Group. Revenue is recognised when the control of the promised goods has transferred to the customer.</p> <p>Application of revenue recognition principles of the relevant financial reporting standards may be prone to misstatements which is associated with the following factors:</p> <ul style="list-style-type: none"> — The criteria to determine whether a contract exists with a customer requires of the Group to assess whether one or combination of documents like general terms of business, nomination letter, agreement with customer and purchase orders create enforceable rights and obligations as to determine what is and when is achieved the commercial substance of the arrangements. — In addition, such documents may contain multiple performance obligations within one contract like tooling development and manufacturing of spare parts whereby the Group evaluates whether all of these performance obligations are distinct goods and services and whether criteria for revenue recognition is satisfied. 	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> — Obtaining understanding of and evaluating the Group's revenue recognition process, and testing related design and implementation of key internal controls in particular the controls associated with contract approvals, pricing, delivery of products and accounting process; — We utilised our own IT specialists to assess the general IT controls ("GITCs") as to enable us to rely on certain IT application controls; — For a sample of contracts with customers active during the audited year, inspecting contractual provisions and making inquiries of key account managers and relevant finance personnel in order to challenge the Group's: <ul style="list-style-type: none"> ○ Meeting of the contract existence criteria, including, among other things, those relating to the parties' commitment to their obligations and probability of collecting the consideration due; ○ Identification of the contracts which require to be accounted for on a combined basis and of performance obligations within contracts. The procedure included, among other things, assessing whether any changes to the prices as stated in the contracts are standalone prices and whether goods and service per individual arrangement are distinct goods and services;



Independent Auditors' Report to the shareholders of of AD Plastik d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

REVENUE RECOGNITION *(CONTINUED)*

Key audit matter <i>(continued)</i>	How our audit addressed the matter <i>(continued)</i>
<p>— Many contracts with customers entitle customers to price reductions as a result of expected reduction in the Group's costs along its learning curve.</p> <p>— Tooling arrangements are typically contracts or framework agreements between the Group and customer in which the Group builds or receives a tool that is used for the production of customised parts ordered by the customer. Typically, these tools are unique to the customer and cannot be used by any other customer. Such tooling arrangements may vary with respect to transfer of development activities and ownership. In such cases, an assessment is required whether tool arrangement is a sale, a lease or development of its own equipment, whether arrangement contains a lease and whether it is a separate performance obligation from the sale of car parts. The Group has determined that it neither does own or leases tools and thus recognizes revenue from sales tools when revenue recognition criteria is satisfied.</p> <p>— The Group recognises revenue at point in time when control is transferred to the customer.</p> <p>In the wake of the above factors, we considered revenue recognition to be associated with a significant risk of material misstatement in the consolidated financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.</p>	<ul style="list-style-type: none"> ○ Determination of total contract consideration, by reference to contracts with customers and any subsequent modifications to the frame agreement, if any; ○ Determination of the timing of the transfer of control, the resulting pattern of revenue recognition and revenue amounts, by reference to sales invoices, inventory and shipping documents, customer acceptance forms and other documents as appropriate. <p>— For a sample of customers, obtaining confirmations of the amounts receivable outstanding as at the reporting date, and challenging any differences between confirmations received and the Group's records by inspecting the underlying documentation such as invoices, shipping documents, customer acceptance forms and payments made by customers;</p> <p>— Examining whether the Group's revenue recognition-related disclosures in the financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.</p>



Independent Auditors' Report to the shareholders of of AD Plastik d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Other Information

Management is responsible for the other information. The other information comprises the Management Report and Corporate Governance Statement included in the Annual Report of the Group, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether:

- the Management Report has been prepared in accordance with the requirements of Articles 21 and 24 of the Accounting Act,
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and procedures above, in our opinion:

- the information given in the Management Report and Corporate Governance Statement for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report has been prepared, in all material respects, in accordance with the requirements of Articles 21 and 24 of the Accounting Act, respectively;
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report and Corporate Governance Statement. We have nothing to report in this respect.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with EU IFRS, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 the Group's financial reporting process.



Independent Auditors' Report to the shareholders of of AD Plastik d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Independent Auditors' Report to the shareholders of of AD Plastik d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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 financial statements, including the disclosures, and whether the 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 controls 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 Auditors' Report to the shareholders of of AD Plastik d.d. *(continued)*

Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 24 August 2020 to audit the consolidated financial statements of AD Plastik d.d. for the year ended 31 December 2020. Our total uninterrupted period of engagement is one year, covering the year ended 31 December 2020.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 23 April 2021;
- we have not provided any prohibited non-audit services (NASs) referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit.

The engagement partner on the audit resulting in this independent auditors' report is Domagoj Hrkać.

KPMG Croatia d.o.o.

KPMG Croatia d.o.o. za reviziju
Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

23 April 2021

Consolidated statement of comprehensive income

For the year ended 31 December 2020

(in thousands of kunas)

	Notes	2020	2019* (Restated)
Sales	5	1,186,765	1,509,216
Other income	6	31,815	31,872
Total income		1,218,580	1,541,088
Increase/(decrease) in the value of work in progress and finished products	25	9,778	(467)
Cost of raw material and supplies	7	(603,364)	(725,643)
Cost of goods sold	8	(61,537)	(170,892)
Service costs	11	(92,828)	(103,911)
Staff costs	9	(253,513)	(296,408)
Depreciation and amortisation	10	(96,991)	(110,400)
Other operating expenses	12	(48,457)	(46,446)
Provisions for risks and charges	13	(1,823)	(17)
Impairment of trade receivables, (net)		(951)	160
Total operating expenses		(1,149,686)	(1,454,024)
Profit from operations		68,894	87,064
Finance income	14	362	752
Finance expenses	15	(31,870)	(14,844)
(Loss) from financing activities		(31,508)	(14,092)
Share in the profit of associates	23	19,982	40,727
Profit before taxation		57,368	113,699
Income tax expense	16	(10,440)	(20,422)
Profit for the year		46,929	93,277

(in thousands of kunas)

	Notes	2020	2019* (Restated)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of a foreign operation, items for reclassification in P&L	17	(17,694)	9,118
Accruals of foreign exchange differences from the current year, net of tax	17	(16,841)	10,138
Other comprehensive (loss)/income for the year, net of income tax		(34,535)	19,256
Total comprehensive income for the year		12,393	112,533
Profit attributable to:			
Equity holders of the Company		46,929	93,277
Non-controlling interests		-	-
Total comprehensive income attributable to:			
Equity holders of the Company		12,393	112,533
Non-controlling interests		-	-
Basic and diluted earnings per share (in kunas and lipas)	18	11.36	22.58

*Adjustments and reclassifications are stated within Note 4.

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



Consolidated statement of financial position At 31 December 2020

(in thousands of kunas)

Assets	Note	31.12.2020	31.12.2019 (Restated)	1.1.2019 (Restated)
Non-current assets				
Intangible assets	19	85,368	105,032	110,790
Goodwill	40	24,618	26,543	25,432
Property, plant and equipment	20	749,457	786,906	708,583
Right-of-use assets	21	7,726	15,898	-
Investment property	22	24,857	41,022	41,077
Investments in associates	23	71,964	92,507	92,150
Other financial assets	24	62	62	62
Long-term receivables		-	1	31
Deferred tax assets	16	16,170	23,797	36,375
Total non-current assets		980,222	1,091,768	1,014,500
Current assets				
Inventories	25	181,975	207,059	230,892
Trade receivables	26	267,661	270,207	219,322
Other receivables	27	24,261	21,217	26,690
Current financial assets	28	898	353	110
Cash and cash equivalents	29	62,667	27,071	36,338
Prepaid expenses and accrued income	30	23,661	70,365	51,825
Total current assets		561,123	596,272	565,177
TOTAL ASSETS		1,541,345	1,688,040	1,579,677

A special and very unusual year in which work from home and conference calls have become everyday life, and face-to-face contacts almost unthinkable. We adapted quickly and continued to work in the new circumstances because the business has to move on, no matter what.



Gordana Erceg-Sindik
Program Manager, Zagreb

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

(in thousands of kunas)

Equity and liabilities	Note	31.12.2020	31.12.2019. (Restated)	1.1.2019 (Restated)
Shareholders' equity and liabilities				
Share capital	31	419,958	419,958	419,958
Capital and other reserves		213,459	223,676	149,879
Retained earnings		227,208	219,051	227,213
Total shareholders' equity		860,625	862,685	797,049
Long-term provisions	32	4,569	3,830	3,708
Long-term borrowings and other long term liabilities	33	179,874	237,906	277,670
Lease liabilities	34	3,738	8,085	-
Total non-current liabilities		188,181	249,821	281,378
Advances received	35	32,129	38,144	72,522
Trade payables	36	165,111	236,955	223,953
Short-term borrowings	37	219,978	232,141	147,820
Other current liabilities	38	38,112	37,655	32,973
Lease liabilities	34	4,242	8,015	-
Short-term provisions	32	15,001	15,803	15,585
Accrued expenses	39	17,966	6,821	8,397
Total current liabilities		492,539	575,534	501,250
Total liabilities		680,720	825,355	782,628
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,541,345	1,688,040	1,579,677

*Adjustments and reclassifications are stated within Note 4.

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

Consolidated statement of changes in shareholders' equity For the year ended 31 December 2020

(in thousands of kunas)

	Share capital	Capital reserves	Legal, statutory and general reserves	Reserves from accruals of foreign exchange differences	Reserves for own shares	Own shares	Retained earnings	Exchange differences on translation of a foreign operation	Total equity attributable to the equity holders of the parent	Non-controlling interests	Total
Balance at 31 December 2019 (Restated)	419,958	192,394	60,968	(6,018)	20,889	(11,794)	219,051	(32,763)	862,684	-	862,684
Profit for the year	-	-	-	-	-	-	46,929	-	46,929	-	46,929
Other comprehensive income for the year	-	-	-	(16,841)	-	-	-	(17,694)	(34,535)	-	(34,535)
Total comprehensive income for the year	-	-	-	(16,841)	-	-	46,929	(17,694)	12,393	-	12,393
Dividends paid	-	-	-	-	-	-	(16,522)	-	(16,522)	-	(16,522)
Additions to legal reserves	-	-	551	-	-	-	(551)	-	-	-	-
Reserves for unwritten development costs	-	-	21,699	-	-	-	(21,699)	-	-	-	-
Transactions with owners recognized directly in equity	-	-	22,250	-	-	-	(38,772)	-	(16,522)	-	(16,522)
Realization of recognised exchange differences	-	-	-	2,069	-	-	-	-	2,069	-	2,069
Balance at 31 December 2020	419,958	192,394	83,218	(20,790)	20,889	(11,794)	227,208	(50,457)	860,624	-	860,624

*Adjustments and reclassifications are stated within Note 4.

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

(in thousands of kunas)

	Share capital	Capital reserves	Legal, statutory and general reserves	Reserves from accruals of foreign exchange differences	Reserves for own shares	Own shares	Retained earnings	Exchange differences on translation of a 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	9,971	(20,520)	22,123	(12,123)	214,314	(41,881)	784,151	-	784,151
Correction of accounting errors	-	-	-	-	-	-	12,899	-	12,899	-	12,899
Balance at 31 December 2018 (Restated)	419,958	192,309	9,971	(20,520)	22,123	(12,123)	227,213	(41,881)	797,050	-	797,050
Profit for the year (Restated)	-	-	-	-	-	-	93,276	-	93,276	-	93,276
Other comprehensive income for the year (Restated)	-	-	-	10,138	-	-	-	9,118	19,256	-	19,256
Total comprehensive income for the year (Restated)	-	-	-	10,138	-	-	93,276	9,118	112,532	-	112,532
Dividends paid	-	-	-	-	-	-	(51,676)	-	(51,676)	-	(51,676)
Purchase of own shares	-	-	-	-	-	(905)	-	-	(905)	-	(905)
Dismissal of own shares	-	85	1,234	-	(1,234)	1,234	-	-	1,318	-	1,318
Release of legal reserves	-	-	(917)	-	-	-	917	-	-	-	-
Reserves for unwritten development costs	-	-	50,680	-	-	-	(50,680)	-	-	-	-
Transactions with owners recognized directly in equity	-	85	50,997	-	(1,234)	329	(101,439)	-	(51,263)	-	(51,263)
Realization of recognised foreign exchange differences	-	-	-	4,364	-	-	-	-	4,364	-	4,364
Balance at 31 December 2019 (Restated)	419,958	192,394	60,968	(6,018)	20,889	(11,794)	219,051	(32,763)	862,684	-	862,684

*Adjustments and reclassifications are stated within Note 4.

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

Consolidated statement of cash flows

For the year ended 31 December 2020

(in thousands of kunas)

Cash flows from operating activities	Notes	2020	2019* (Restated)
Profit for the year		46,929	93,277
Adjusted for:			
Income tax	16	10,440	20,422
Depreciation and amortisation	10	96,991	110,400
Tangible assets write-off	12	2,917	190
Intangible assets write-off	12	2,969	1,116
Interest expense and exchange rates recognised in profit or loss		18,038	14,554
Share in profit of associates		(19,982)	(40,733)
Revenues from forward contract	14	-	(312)
Gain from sale of property, plant and equipment and intangible assets	6	(480)	(7,445)
Gain from sale of investment property	6	(11,396)	-
Interest income	14	(362)	(434)
Increase in long-term and short-term provisions, net	32	(62)	341
Loss allowance for trade receivables, net	26	951	(160)
Write down and write off of inventories	25	13,099	3,238
Profit from operations before working capital changes		160,052	194,454
Decrease in inventories	25	11,985	20,595
(Increase) in current and non-current trade receivables		(3,415)	(46,009)
(Increase)/decrease in other receivables	27	(3,045)	5,473
(Decrease)/increase in trade payables	36	(77,108)	17,637
(Decrease) of advances received	35	(6,015)	(34,378)
(Decrease)/increase in other current liabilities	38	(457)	6,536
Increase/(decrease) of accrued expenses and deferred income	39	11,144	(1,575)
Decrease/(increase) of accrued income and prepaid expenses	30	46,704	(18,540)
Interest paid	34,37	(9,413)	(13,299)
Income tax paid		(1,502)	(8,380)
Cash flows from operating activities		128,930	122,514

(in thousands of kunas)

Cash flows from investing activities	Notes	2020	2019 (Restated)
Interest received		715	429
Purchase of property, plant and equipment	20	(52,443)	(130,819)
Purchase of investment property	22	(22)	-
Purchase of intangible assets	19	(14,955)	(30,947)
Guarantees given	28	(898)	(260)
Proceeds from sale of property, plant and equipment and intangible assets		3,108	11,273
Proceeds from sale of investment property		24,053	-
Proceeds from repaid principal of loans given		-	327
Dividends received	23	40,517	40,346
Cash (used) from investing activities		75	(109,652)
Cash flows from financing activities			
Purchase of own (treasury) shares		-	(905)
Dividends paid		(16,522)	(51,676)
Proceeds from borrowings	33,37	90,151	174,934
Repayment of borrowings	37	(158,619)	(135,048)
Repayment of lease liabilities	34	(8,436)	(9,724)
Cash used in financing activities		(93,426)	(22,419)
Unrealised exchange rate differences in respect of cash and cash equivalents		17	290
Increase/(decrease) in cash and cash equivalents, net	29	35,596	(9,267)
Cash and cash equivalents at the beginning of the year	29	27,071	36,338
Cash and cash equivalents at the end of the year	29	62,667	27,071

*Adjustments and reclassifications are stated within Note 4.

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

I did not experience the negative impact of the pandemic, I enjoyed spending more time with my family. There were several business restrictions, but thanks to experience, we did not disrupt the delivery time of finished products to customers.



Svetlana Loginova
Head of Production Logistics, Togliatti

Notes to the consolidated financial statements For the year ended 31 December 2020

1. NEW STANDARDS AND AMANDMENTS TO EXISTING NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 (IFRS), as adopted by the European Union.

2.2. Basis of preparation

The Group 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 consolidated financial statements 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 consolidated financial statements of the Group represent aggregate amounts of assets, liabilities, capital and reserves of the Group as of 31 December 2020, and the results of operations for the year that ended.

The financial statements are presented in Croatian Kuna (HRK). All amounts presented in the financial statements are expressed in thousands of HRK unless otherwise stated, and there may be differences of 1 in the totals due to rounding.



2.3. Basis of consolidation

Accompanying consolidated financial statements comprise of the Company's financial statements and the entities under its control. 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
- the ability to use power over the investee to affect the amount of those returns.

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.

Structure of AD Plastik Group in the reporting period is disclosed in the Management Report.

2.4. Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer.

The contract exists only if it is legally enforceable and meets all of the following criteria:

- the contract is approved and the parties are committed to their obligations
- the rights to goods and services and payment terms can be identified
- the contract has commercial substance
- collection of consideration is probable.

The definition of contract as stated above is by combining the clauses of following documentation: the Buyer's General Terms and conditions, the Nomination letter, the Purchase agreement and Purchase order.

The Group has contracts with Buyers (OEM) as Tier 1, with Buyer's suppliers as Tier 2, with subsidiaries and associates. The contracts exist for sales of following goods and services:

- Product sale
- Tooling sale
- R&D activities
- Royalty services
- Technical support services

Contracts do not commit the customer to a specified quantity of products; however, the Group is generally required to fulfil its customer's purchasing requirements for the production life of the vehicle. Contracts do not typically become a performance obligation until the Group receives either a purchase order for a specific number of parts at a specified price. The long-term agreements with customers for specific product may range from five to seven years, contracts may be terminated by customers at any time, while occurred very rarely.

The Group's customers pay for products received in accordance with payment terms that are customary in the industry, typically 90 - 120 days. The Group's contracts with its customers do not have significant financing components.

Tooling and product sales may be contracted in separate agreements, or concluded at different points in time, or may be contracted in one agreement. In either case any binding obligation for the customer with respect to parts is created only upon issuance of purchase orders. Revenue from tooling sale and product sale is recognised at point in time when the control is passed on the buyer.

The Group has determined that royalty and technical support services, tooling and the delivery of product parts are separate and distinct for the customer and therefore constitute separate performance obligations under IFRS 15, when the ownership is transferred.

The prices agreed in the contracts for the single performance obligations are considered to be the stand-alone.

Revenue from sale of products

Product sales are recognized when the products are delivered to, and accepted by the customer and when the control of a product is 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 control is transferred to the customer. Each delivery is considered as performance obligation that is satisfied at point in time. Some of the Group's contracts include variable consideration which take a form of year-to-year price reductions („productivity“), but Group has concluded that those discounts do not give rise to a material right as those decreases are consistent with the pricing pattern in the automotive industry which takes into consideration learning curve effect.

Some contracts with customers include warranty clauses for repair of faulty goods during a specified long-term period and cover of only a product's compliance with agreed specifications. Such warranties granted by the Group are in most cases assurance type warranties recognised in accordance with IAS 37 when the control of product transfers to customers.

Revenue from the manufacture of tools

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 control 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 the Group recognizes revenue from the sale of tools. Costs of modification, completion and similar tool costs are recognised by the Group as an increase in inventory value.

Revenue from royalty and technical services

The Group generates revenues from royalty fees by concluding contracts with affiliates to whom it sells the right to use intellectual property calculated on the amount of products produced by these companies, and for which products the Group has carried out development activities.

The Group generates revenues from technical services on the basis of contracts it has with affiliated companies to which it provides technical consulting services for the needs of development and industrialization.

Revenue from royalty is recognised over time based on the generated sales of customers while revenue for technical support and consultancy services is recognised at point in time when the service is rendered.

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 the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Functional currency for Group is Croatian kuna. Functional currencies for companies included in Group are as follows:

- AD Plastik d.d., Croatia - Croatian kuna
- AD Plastik Tisza Kft. Hungary - Hungarian forint
- ZAO AD Plastik Kaluga, Russian Federation - Russian rouble
- AO AD Plastik Togliatti, Russian Federation - Russian rouble
- ADP d.o.o., Serbia, - Serbian dinar
- AD Plastik d.o.o., Slovenia - Euro

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognised in OCI: foreign currency differences that have been recognised in OCI are reclassified to profit or loss.

2.7. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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.

2.8. 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.

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 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 tax assets and the carrying amount of the recognised tax assets.

2.9. Property, 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. Intangible asset represents capitalized development costs of all Group's projects. 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 2020 (%)	Depreciation rates in 2019 (%)
Buildings	1.50	1.50
Machinery	7.00 – 10.00	7.00 – 10.00
Tools, furniture, office and laboratory equipment, measuring and control instruments	7.00 – 50.00	7.00 – 50.00
Vehicles	20.00	20.00
IT equipment	10.00 - 20.00	10.00 - 20.00
Others	10.00	10.00
Intangible assets - Projects	20.00	20.00
Software	20.00 – 50.00	20.00 – 50.00

Intangible assets based on contracts with customers occurred during the allocation of the purchase price by the acquisition of AD Plastik Tisza Kft. in Hungary, and these intangible assets are amortized at rates ranging from 16.67% to 25.00%.

2.10. 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.

2.11. 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 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 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, the Group'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.

2.12. 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, 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.

Despite everything, it was a productive year that brought a lot of experience and new knowledge, especially in starting new projects on our own. Cooperating remotely with colleagues from Development Department helped a lot, but still these were new circumstances for us. We succeeded and we did a great job.



Olesja Kovaleva
Head of Quality Department, Kaluga

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.

2.14. Other trade receivables and prepayments

Other receivables and prepayments represent receivables and prepayments that are not included in financial instruments, and they are carried at nominal amounts less an appropriate allowance for impairment for estimated irrecoverable amounts.

Impairment is recognised whenever there is objective evidence that the Group 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. The allowance for amounts doubtful of collection is charged to the statement of comprehensive income 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.

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. The contributions paid 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) Long-term employee benefits

Long-term employee benefits represent jubilee awards and post employment benefit obligations. Post employment benefit obligations falling due more than 12 months after the reporting date are discounted to their present value. Jubilee awards are paid in intervals according to time that employee was working for company.

2.18. Financial instruments

Financial assets

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets
- how the performance of the portfolio is evaluated and reported to the Group's management
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Trade receivables are held in the business model of holding for the purpose of collection.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, relevant for the purpose of classifying financial assets at amortised cost, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing the main criterion, i.e. whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The structure of the Group's financial assets is simple and primarily relates to trade receivables without a significant financial component, loans given and short-term deposits in banks at fixed interest rates, while forward contracts are of insignificant amount. This significantly reduces the complexity of the assessment whether the financial assets meet the criterion of 'solely payments of principal and interest'.

Subsequent measurement and gains and losses

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group has mainly classified its financial assets as loans and receivables.

Financial liabilities

Debt securities are initially recognised when they are originated. All other financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Financial liabilities are classified as measured at amortised cost. A financial liability is classified as measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Impairment of non-derivative financial assets

The Group recognises loss allowances for expected credit loss (ECLs) on financial assets measured at amortised cost.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

The Group measures loss allowances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if early warning indicators have been activated in accordance with the Group's policy or contractual terms of the instrument.

The Group considers a financial asset to be fully or partially in default if:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held)
- the financial asset is more than 360 days past due based on historical experience of average market participant.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Expected credit losses measurement

In accordance with IFRS 9, assets that are carried at amortised cost must have attributed expected credit losses (ECL)- formula for calculating the annual ECL is the following:

Probability of default (PD) x Loss given default (LGD) x Exposure at default (EAD).

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 expected credit losses.

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.

The pandemic has shown us that we are just "a small cog in a large machine" and that we cannot control nature. We put a lot of effort and adapted to the new circumstances, but still the best cooperation is when we are all at work places.



Vesna Ilić

Finance and Accounting Officer, Mladenovac

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 are passed onto 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.

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.

2.19. Contingencies

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

2.20. 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 Group'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 consolidated financial statements when material.

2.21. Segment reporting

In the consolidated financial statements, the Group discloses sales revenues grouped by country. When assessing business performance and making decisions on the allocation of resources in accordance with IFRS 8, the Group's Management Board uses the division into two business segments: the EU and Serbia and Russia. In the consolidated financial statements, the Group's operating results, assets and liabilities are presented for above mentioned business segments. The division into segments is based on the Group's presence in the different markets. Transactions between segments relate to sales of materials, revenues from engineering services and royalty revenues.



2.22. Leases

At inception of a contract, Group assesses whether a contract is, or contains lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Group uses the definition of a lease in IFRS 16.

Leases are recognised by the present value of the lease payments and showed either as right-of-use assets or together with property, plant and equipment. Group also recognises a financial liability representing its obligation to make future lease payments. Lessees are recognised 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 HRK 30,000.

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.

2.23. Grants

The Group recognizes grants as income over the period necessary to match them with related costs, for which they are intended to compensate on a systematic basis.

A grant receivable as compensation for costs already incurred is derecognised as income in the period in which it is receivable.

A grant related to income is reported as deduction from the related expense.

2.24. Investment property

Investment property is property held by the Group to earn rentals or for capital appreciation or for both, but not for sale in the ordinary course of business or for administrative purposes.

Investment property is measured initially at its cost, including transaction costs. Subsequently, investment property is stated at cost less accumulated depreciation and any impairment loss.

Investment property is depreciated on a straight-line basis at the rate of 1.5%.

Investment property is derecognised when either it has been disposed of or permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in the income statement in the year of retirement or disposal.

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 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. The key areas of 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:

Measurement of fair values

Certain Group's accounting policies and disclosures require the measurement of fair values, for non-financial assets.

The Group has an established control framework with respect to fair value measurement which assumes the overall responsibility of the Management Board and finance department in relation to the monitoring of all significant fair value measurements and consultation with external experts.

Fair values are measured using information collected from third parties in which case the Board and the finance department assess whether the evidence collected from third parties support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy where such valuations should be classified.

Fair values are categorised into different level in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - inputs other than quoted prices included in level 1, that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - input variables for assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more significant inputs are not based on observable market data, the fair value estimate is included in level 3.

Fair value of investment property

Fair value has been internally determined by the Group based on the income capitalisation method which assumes net sustainable annual lease income which investment property generates or is able to generate during its ordinary course of business. This valuation technique considers the present value of net future cash flows to be generated from the property, taking into account expected rental growth rate, occupancy rate and other costs not borne by the tenants. Among other factors, the discount rate estimation considers the quality of a building and its location, potential tenant's quality and currently achievable lease terms.

Underlying assumptions used in determination of fair value are based on unobservable inputs whereby the most significant ones are yield ranging from 8% to 9% and rent ranging from 4 to 5 eur per sqm. Those inputs are derived from the publications of reputable property valuation companies and on current effective lease contracts of the Group.

Fair value of investment property is included in Level 3 of fair value hierarchy.

Revenue from the sale of tools

Tools are custom made for the customer and cannot be used for other purposes. In accordance with the automotive practice, those contracts may differ with respect to the development of tools and transfer of the title to the customer. In such cases, the Group determines whether tool arrangements are sale, lease or development of own equipment, whether this is a lease arrangement and whether it is separate from the sale of car parts.

The Group has assessed that the sale of car parts is a separate performance obligation from the sale of tools since the customer has the control over the use of tool and unconditional right for payment upon the transfer of control of tool to the customer. Additionally, the development of the tool is not integrated with the production of parts to produce a combined output and those two are not inter-related as tool can be sold without affecting the sale of car parts.

In addition, although in production of parts the Group may continue to use tools that it sold to customers, the Group has concluded that its arrangements do not contain a lease because customers control the use of the asset. In particular, customers, by placing orders, determine whether to produce parts using those tools, in what quantity and also the location of parts' production.

4. ADJUSTMENTS AND RECLASSIFICATION OF PRIOR PERIOD

During 2019, the Group carried out a adjustment of the Group's financial statements for the year ended 31 December, 2019 as shown in the section below. In accordance with the International Accounting Standard ("IAS") 8 Accounting Policies, changes in accounting estimates and errors, this adjustment is corrected by restating each of the affected financial statement line items for the prior period.

Statement of financial position

(in thousands of kunas)

1 January 2019	As previously reported	Correction of error	Reclassification	As restated
Deferred tax asset	7,284	29,091	-	36,375
Investment property	57,269	(16,192)	-	41,077
Other assets	1,502,225	-	-	1,502,225
Total assets	1,566,778	12,899	-	1,579,677
Retained earnings	214,314	12,899	-	227,213
Other capital and reserves	569,836	-	-	569,836
Total capital and reserves	784,150	12,899	-	797,049

(in thousands of kunas)

31 January 2019	As previously reported	Correction of error	Reclassification	Restated
Deferred tax asset	4,068	19,729	-	23,797
Investment property	57,214	(16,192)	-	41,022
Other assets	1,623,221	-	-	1,623,221
Total assets	1,684,503	3,537	-	1,688,040
Retained earnings	215,514	3,537	-	219,051
Other capital and reserves	643,634	-	-	643,634
Total capital and reserves	859,148	3,537	-	862,685

Statement of other comprehensive income

(in thousands of kunas)

For the year ended 31 December 2019	As previously reported	Correction of error	Reclassification	Restated
Other income	32,431	-	(559)	31,872
Cost of raw material and supplies	(730,769)	-	5,126	(725,643)
Service costs	(91,404)	-	(12,507)	(103,911)
Staff costs	(300,690)	-	4,282	(296,408)
Other operating expenses	(47,989)	-	1,543	(46,446)
Provisions for risks and charges, (net)	(1,972)	-	1,955	(17)
Finance income	27,742	-	(26,990)	752
Finance costs	(41,834)	-	26,990	(14,844)
Loss allowance for trade receivables, (net)	-	-	160	160
Income tax	(11,059)	(9,363)	-	(20,422)
Other	1,268,184	-	-	1,268,184
Profit for the period	102,640	(9,363)	-	93,277
Net other comprehensive income	19,256	-	-	19,256
Comprehensive income for the period	121,896	(9,363)	-	112,533

The Group was entitled to a tax incentive on 31 December 2012 on the basis of realized investments in plants and equipment and the fulfilment of the set conditions in accordance with the Investment Act. The Group has achieved tax advantages which are used to reduce corporate tax liabilities in future periods that have not been reported as deferred tax assets on that date. The change in financial data was recorded in the statement of financial position and the statement of changes in equity on 1 January 2019 and the statement of comprehensive income for 2019.

According to IAS 36 "Impairment of assets" the Group tested the investment property for impairment by comparing the carrying value of the asset with its recoverable amount. On investment property, the recoverable amount was lower than the carrying value and the Group, in accordance with IAS 36, accounted the impairment loss. Recoverable amount was determined based on fair value assessment. As a result of this test, the Group identified impairment that should have been recognised at the opening balance of the corresponding period.

The Group adjusted comparative data by adjusting individual financial statement entries for the previous periods. Adjustments did not result in changes in the total statement of cash flows from operating, investment, and financial activities.

Below is the explanation of the prior period adjustments which are shown in other comprehensive income statement. Reclassifications are made to reflect more precisely the nature of the cost in the category in which they are located.

Other income in the prior period decreased by HRK 559 thousand. This adjustment is the result of reclassification of collected amount reversed. In the adjusted prior period the Group stated this reclassification as separate category within income statement „Loss allowance for trade receivables, (net)".

Costs of raw materials and supplies in the prior period decreased by HRK 5,126 thousand. This adjustment is the result of reclassification of the equipment cleaning service cost (HRK 1,904 thousand) and the cost of making tools, devices in own consumption (HRK 3,222 thousand) from the category "Other costs of raw materials and supplies" to „Service costs"/"Other operating expenses".

Service costs in the prior period increased by HRK 12,507 thousand, this adjustment is result of reclassification of the equipment cleaning service cost (HRK 1,904 thousand). Further, three positions from „Other operating expenses“ have been reclassified; intellectual services (HRK 9,689 thousand), laboratory test cost (HRK 615 thousand) and fire services (HRK 299 thousand) to „Service costs“.

Staff costs in prior period decreased by HRK 4,282 thousand. Business trips cost (HRK 6,861 thousand) is reclassified from the category “Other staff costs” to “Other operating expenses”. Furthermore, the cost of assistance to employees and compensation for non-employment of disabled persons (HRK 624 thousand) is reclassified from “Other operating expenses” to “Staff costs”. Also, within “Staff costs” the Group stated employees provisions (HRK 1,955 thousand), in prior period they were stated within “Provisions for risks and charges”.

Other operating expenses in the prior period decreased by HRK 1,543 thousand. Business trips cost (HRK 6,861 thousand) is reclassified from the category “Staff costs” to “Other operating expenses”. Furthermore, the cost of assistance to employees and compensation for non-employment of disabled persons (HRK 624 thousand) is reclassified from “Other operating expenses” to “Staff costs”. Impairment of trade receivables, (HRK 399 thousand, net) have been reclassified from „Other operating expenses“ to separate category within income statement „Loss allowance for trade receivables, (net)“.

Provisions for risks and charges in prior period decreased by HRK 1,955 thousand. Employees provisions (HRK 1,955 thousand) are stated within “Staff costs” and in the prior period they were stated within “Provisions for risks and charges”.

Finance income/costs in prior period decreased/increased by HRK 26,990 thousand. This difference is due to the presentation of exchange rate differences on a net basis.

Within the statement of cash flows of the prior period, the Group reclassified HRK 2,701 thousand government incentives from cash flows from investing activities to cash flows generated by operating activities since they arise from the operational activities of the Group.

5. SEGMENT INFORMATION

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009.

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Year ended 31 December 2020	EU and Serbia	Russia	Total
External income	947,831	270,749	1,218,580
Intra segment income	36,272	327	36,599
Total income	984,103	271,076	1,255,179
EBITDA*	127,324	38,561	165,885
Profit for the year	42,211	4,718	46,929

	EU and Serbia	Russia	Intra - segment effect	Total
Total assets	1,495,998	235,314	(189,967)	1,541,345
Capital and reserves	887,576	39,683	(66,633)	860,626
Liabilities	608,422	195,631	(123,334)	680,719
Total equity and liabilities	1,495,998	235,314	(189,967)	1,541,345

In 2020 the Group generated 16.05% (in 2019. 18.6%) of income from Revoz and 10.0% of income from AvtoVAZ (in 2019. 8.9%).

Year ended 31 December 2019	EU and Serbia	Russia	Total
External income	1,229,000	312,088	1,541,088
Intra segment income	42,256	1,031	43,287
Total income	1,271,256	313,119	1,584,375
EBITDA*	132,214	65,251	197,465
Profit for the year	72,723	20,554	93,277

	EU and Serbia	Russia	Intra - segment effect	Total
Total assets	1,617,538	274,588	(204,086)	1,688,040
Capital and reserves	864,413	65,087	(66,815)	862,685
Liabilities	753,125	209,501	(137,271)	825,355
Total equity and liabilities	1,617,538	274,588	(204,086)	1,688,040

*EBITDA represents profit before income taxes, finance income/costs and depreciation and amortisation.

Sales segmentation by country is shown below:

(in thousands of kunas)

	2020	2019
Slovenia	414,723	518,462
Russia	271,330	312,283
Romania	112,492	80,618
France	108,424	244,786
Hungary	71,745	101,494
Germany	47,826	90,599
Spain	39,043	21,961
Italy	34,605	37,337
United Kingdom	31,973	43,002
Slovakia	20,788	12,491
Serbia	15,236	21,899
Croatia	9,878	12,675
Other	8,703	11,609
	1.186.766	1,509,216

Sales segmentation by type of the product is shown below:

(in thousands of kunas)

	2020	2019
Car parts sales	1,097,980	1,295,767
Revenue from tools	72,750	188,199
Engineering services revenue	7,819	7,895
Merchandise	6,821	13,990
Royalty revenue	1,396	3,366
	1,186,766	1,509,217

6. OTHER INCOME

(in thousands of kunas)

	2020	2019 (Restated)
Gain on disposal of investment property	11,396	-
Rental income and income from the sale of services to tenants	3,718	4,014
Income from damages and insurance	3,633	390
Income from consumption of own products and services	2,718	3,385
Income from maintaining safety stock	2,350	372
Cardboard packaging income	1,389	3,790
Income from invoicing recharged costs	1,030	893
Gain from sale of property, plant and equipment and intangible assets	480	7,445
Other operating income	5,101	11,583
	31,815	31,872

7. COST OF RAW MATERIAL AND SUPPLIES

(in thousands of kunas)

	2020	2019 (Restated)
Direct materials	556,391	665,023
Electricity	27,048	32,193
Other raw material and supplies	19,925	28,427
	603,364	725,643

8. COST OF GOODS SOLD

(in thousands of kunas)

	2020	2019
Cost of tools sold	56,571	155,865
Cost of trade goods and spare parts sold	4,966	15,027
	61,537	170,892

9. STAFF COSTS

(in thousands of kunas)

	2020	2019 (Restated)
Net wages and salaries	147,002	162,912
Taxes and contributions	85,323	97,447
Other staff costs	18,308	34,094
Provisions for employees' bonuses, net (Note 32)	2,010	-
Provisions for termination benefits, net (Note 32)	652	-
Provisions for jubilee awards, net (Note 32)	218	143
Provisions for unused vacation days, net (Note 32)	-	1,812
	253,513	296,408

Other staff costs comprise jubilee awards, bonuses, termination benefits, commuting costs, cost of student service and other business-related costs. The Group included income from reversal of provision for unused vacation days in amount of HRK 4,121 thousand as cost reduction within category "Other staff cost". During lockdown period the employees have used the outstanding vacation days.

In the prior period, reversal of provisions for unused holiday (HRK 4,121 thousand) is stated as „Other staff cost“ reduction. Total staff costs are decreased by state subsidies for employment preservation in 2020 in the amount of HRK 20,507 thousand.

10. DEPRECIATION AND AMORTISATION

(in thousands of kunas)

	2020	2019
Depreciation of property, plant and equipment (Note 20)	58,612	66,103
Amortisation of intangible assets (Note 19)	29,144	34,184
Depreciation of right of use asset (Note 21)	8,500	9,163
Depreciation of investment property (Note 22)	735	950
	96,991	110,400

11. SERVICE COST

(in thousands of kunas)

	2020	2019 (Restated)
Transport	42,966	54,169
Maintenance costs	11,976	12,718
Intellectual services	7,713	9,325
Rental costs	5,231	4,644
Licence fees	4,794	3,649
Software licenses	4,751	4,405
Municipal utility fees	2,748	1,920
Security and fire services	2,651	2,502
Telecommunication and information system costs	1,540	1,500
Water supply	1,103	1,354
Marketing	1,017	1,152
Forwarding and shipping costs	756	383
Other service costs	5,582	6,190
	92,828	103,911

The total amount of charged fees for the audit of consolidated and separate financial statements of AD Plastik d.d. and its subsidiaries for 2020 amounts to HRK 972,986.



12. OTHER OPERATING EXPENSES

(in thousands of kunas)

	2020	2019 (Restated)
Cost of unusable inventories and inventory shortage costs	13,140	3,327
Customer complaints	5,482	6,095
Taxes	4,304	3,857
Capitalised development cost write-off	2,969	1,040
Insurance premiums	2,955	2,557
Membership fees, contributions, municipal utility fees	2,902	1,824
Non-current tangible assets write off	2,888	266
Cost of goods provided free of charge	2,503	479
Business trips	1,782	6,861
Gifts, donations and sponsorships	1,511	483
Safety at work and health services	1,166	932
Bank fees and commissions	920	1,468
Entertainment	875	2,795
Professional training costs	706	1,695
Damages reimbursement	546	157
Other expenses	3,807	12,610
	48,456	46,446

13. PROVISIONS FOR RISKS AND CHARGES

(in thousands of kunas)

	2020	2019 (Restated)
Provisions for warranties (Note 32)	998	-
Provision for legal cases (Note 32)	825	17
	1,823	17



Igor Sergeev

Head of Purchase and Logistics Department, Togliatti

More time at home allowed me to discover new hobbies, and regarding job, this year has brought invaluable experience. We have improved our management skills, learned to protect ourselves and others by following simple rules.

14. FINANCE INCOME

(in thousands of kunas)

	2020	2019 (Restated)
Interest income	362	434
Forward contract income	-	312
Dividends	-	6
	362	752

15. FINANCE COSTS

(in thousands of kunas)

	2020	2019 (Restated)
Foreign exchange losses, net	21,895	1,699
Interest expense	9,702	12,720
Interest expense on lease liabilities	273	425
	31,870	14,844



16. INCOME TAX

Income tax comprises the following:

(in thousands of kunas)

	2020	2019 (Restated)
Current tax	(11)	(9,416)
Deferred tax	(10,429)	(11,006)
	(10,440)	(20,422)

Deferred tax assets arise from the following:

(in thousands of kunas)

2020	Opening balance	Charged to the statement of compr. income	Charged to other compr. income	Closing balance
<i>Temporary differences:</i>				
Provisions for jubilee awards and termination benefits	711	45	-	756
Deferred tax liabilities from allocation of purchase price on fair value of AD Plastik Tisza Kft.	(842)	167	-	(675)
Deferred tax assets from carried-over tax losses	5,317	(1,673)	2,802	6,446
Differences between tax depreciation rates and accounting depreciation rates	(1,118)	41	-	(1,077)
Investment tax credit	16,814	(9,009)	-	7,805
Impairment of Investment property	2,914	-	-	2,914
Balance at 31 December	23,797	(10,429)	2,802	16,170



(in thousands of kunas)

2019 (Restated)	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	3,345	(3,345)	-
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 AD Plastik Tisza Kft.	(1,011)	169	(842)
Deferred tax assets from carried-over tax losses	4,701	616	5,317
Differences between tax depreciation rates and accounting depreciation rates	(1,098)	(20)	(1,118)
Investment tax credit	26,176	(9,362)	16,814
Impairment of Investment property	2,914	-	2,914
Balance at 31 December	33,917	(10,120)	23,797

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

(in thousands of kunas)

	2020	2019 (Restated)
Profit before tax	57,368	113,699
Tax using the Company's domestic tax rate (18%)	10,326	20,466
Effect of tax rates in foreign jurisdictions	480	265
Tax effect of:		
Share of profit of equity-accounted investees reported, net of tax	(3,597)	64
Non-deductible expenses	5,558	3,316
Tax exempt revenue	(1,169)	(4,600)
Tax exempt income	(5,624)	-
Write-off of deferred tax assets	4,460	911
Changes in the assessment of the cost of income tax from previous years	6	-
Profit tax expense	10,440	20,422
Effective tax rate	18.20%	17.96%

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 of foreign operations – transactions with subsidiaries	
	2020	2019	2020	2019
Balance at beginning of the year	(6,018)	(20,520)	(32,763)	(41,881)
Exchange differences from translation of foreign operations	-	-	(17,694)	9,118
Accruals of foreign exchange differences from the current year	(21,051)	12,672	-	-
Income tax	4,210	(2,534)	-	-
Exchange differences from translation of foreign operations, net	(16,841)	10,138	(17,694)	9,118
Realization of exchange differences	2,069	4,364	-	-
Balance at end of year	(20,790)	(6,018)	(50,457)	(32,763)

18. EARNINGS PER SHARE

Basic earnings per share are determined by dividing the Group's net profit by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares redeemed and held by the Group as treasury shares. The basic earnings per share equal the diluted earnings per share, as there are currently no share options that would potentially increase the number of issued shares.

	2020	2019 (Restated)
Net profit (in HRK '000)	46,929	93,277
Weighted average number of shares	4,130,526	4,131,123
Basic and diluted earnings per share (in HRK and lipas)	11.36	22.58

	2020	2019
Issued ordinary shares at 1 January	4,199,584	4,199,584
Effect of treasury shares held	(69,058)	(71,002)
Effect of treasury shares disposed of	-	2,541
Weighted-average number of ordinary shares at 31 December	4,130,526	4,131,123



19. INTANGIBLE ASSETS

(in thousands of kunas)

	Licences and Software	Projects	Other intangible assets	Customer contracts	Intangible assets under development	Prepayments for intangible assets	Total
Cost							
Balance at 31 December 2018	12,525	239,795	2,170	10,226	33,741	20	298,477
Additions	-	-	-	-	30,967	-	30,967
Assets put into use	1,833	28,589	5,332	-	(35,744)	(10)	-
Disposals	-	(2,108)	-	-	-	-	(2,108)
Write off	-	(1,768)	-	-	(76)	-	(1,844)
Effect of exchange differences	(73)	1,372	17	-	58	3	1,377
Balance at 31 December 2019	14,286	265,882	7,519	10,226	28,944	13	326,870
Additions	-	-	-	-	14,900	55	14,955
Assets put into use	1,603	18,183	3	-	(19,778)	(11)	-
Disposals	-	(1,700)	-	-	-	-	(1,700)
Write off	-	(18,547)	-	-	(461)	-	(19,009)
Effect of exchange differences	(320)	(4,420)	3	-	(251)	(7)	(4,994)
Balance at 31 December 2020	15,569	259,397	7,526	10,226	23,354	50	316,122
Accumulated amortisation							
Balance at 31 December 2018	9,091	177,605	245	748	-	-	187,689
Charge for the year (Note 10)	2,261	29,629	500	1,794	-	-	34,184
Disposals	-	(303)	-	-	-	-	(303)
Write off	-	(728)	-	-	-	-	(728)
Effect of exchange differences	(71)	1,062	4	-	-	-	995
Balance at 31 December 2019	11,282	207,265	749	2,542	-	-	221,838
Charge for the year (Note 10)	1,705	24,521	1,123	1,795	-	-	29,144
Disposals	-	(38)	-	-	-	-	(38)
Write off	-	(16,040)	-	-	-	-	(16,040)
Effect of exchange differences	(116)	(4,037)	4	-	-	-	(4,149)
Balance at 31 December 2020	12,871	211,670	1,875	4,338	-	-	230,754
Net book value							
Balance at 31 December 2019	3,004	58,617	6,770	7,684	28,944	13	105,033
Balance at 31 December 2020	2,698	47,727	5,650	5,888	23,354	50	85,368

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 Group. Intangible assets under development mostly consists of capitalised development cost of new products.

In intangible assets in preparation in 2020, the cost of net salaries and wages of HRK 3,906,835, the cost of taxes and contributions from salaries of HRK 1,428,344, and contributions on salaries of HRK 793,997 were capitalized, while the amount of other capitalized costs amounts to HRK 7,392,921.

20. PROPERTY, PLANT AND EQUIPMENT

(in thousands of kunas)

	Land	Buildings	Plant and equipment	Other tangible assets	Assets under development	Prepayments for tangible assets	Total
Cost							
Balance at 31 December 2018	135,501	346,983	822,913	2,444	38,926	8,797	1,355,564
Additions	-	-	-	-	129,884	935	130,819
Assets put into use	925	27,949	127,453	154	(148,218)	(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	73	49	923	44,826
Balance at 31 December 2019	136,835	383,874	973,791	2,659	20,641	2,391	1,520,193
Additions	-	-	-	-	51,586	857	52,443
Assets put into use	194	9,184	54,955	175	(62,544)	(1,963)	-
Disposals	-	-	(4,521)	(10)	-	-	(4,531)
Write off and retirements	-	(4,039)	(10,200)	(275)	-	-	(14,514)
Transferred from investment property (Note 22)	262	2,821	-	-	-	-	3,083
Effect of exchange differences	(956)	(21,334)	(72,713)	(276)	(288)	(361)	(95,929)
Balance at 31 December 2020	136,335	370,506	941,312	2,273	9,395	923	1,460,746
Accumulated depreciation							
Balance at 31 December 2018	-	87,678	557,353	1,949	-	-	646,980
Charge for the year (Note 10)	-	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
Charge for the year (Note 10)	-	5,683	52,760	169	-	-	58,612
Disposals	-	-	(3,554)	(10)	-	-	(3,564)
Write off and retirements	-	(1,659)	(9,755)	(183)	-	-	(11,597)
Transferred from investment property (Note 22)	-	907	-	-	-	-	907
Effect of exchange differences	-	(5,839)	(60,271)	(248)	-	-	(66,357)
Balance at 31 December 2020	-	101,358	608,047	1,883	-	-	711,288
Net book value							
At 31 December 2019	136,835	281,608	344,925	504	20,641	2,391	786,906
At 31 December 2020	136,335	269,148	333,265	390	9,395	923	749,457

From assets mentioned in Note 20 Property, plant and equipment and in Note 22 Investment property, pledged assets are lands with the book value on the date of 31.12.2020 of (all in HRK thousand) 141,792 (31.12.2019: 130,284), buildings 214,983 (31.12.2019: 205,496) and plant and equipment 70,334 (31.12.2019: 51,664). The mentioned assets include land in the net book value of HRK 11,245 thousand and buildings with the net book value of HRK 11,571 thousand that are part of investment property.

21. RIGHT OF USE ASSET

(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	26	47	(35)	38
Balance at 31 December 2019	213	15,920	8,939	25,072
Additions	31	1,208	1,030	2,269
Lease modification, net	-	(564)	(1,696)	(2,260)
Effect of exchange differences	(51)	(103)	(152)	(306)
Balance at 31 December 2020	193	16,461	8,121	24,775
Accumulated depreciation				
Balance at 1 January 2019	-	-	-	-
Charge for the year (Note 10)	18	5,567	3,578	9,163
Effect of exchange differences	1	17	(7)	11
Balance at 31 December 2019	19	5,584	3,571	9,174
Charge for the year (Note 10)	13	5,827	2,660	8,500
Effect of exchange differences	(5)	(85)	(80)	(170)
Lease modification	-	(454)	-	(454)
Balance at 31 December 2020	27	10,872	6,151	17,050
Net book value				
At 31 December 2019	194	10,336	5,368	15,898
At 31 December 2020	166	5,589	1,970	7,725

Amounts recognised in profit and loss

(in thousands of kunas)

	2020	2019
Depreciation expense on right of use assets	8,500	9,163
Interest expense on lease liabilities	273	425
Expense relating to short-term leases	2,428	2,664
Expense relating to leases of low value	1,768	1,324
Expenses relating to variable lease payments not included in the measurement of lease liability	1,034	656
	14,003	14,232

In accordance with IFRS 16, Group has classified leases for land, buildings and plant and equipment as "Right-of-use asset". Within the category "Buildings", the leases of office buildings and warehouses used by the Group in business are located in.. The "Plant and equipment" category includes concluded machines, car and forklift rental agreements.

22. INVESTMENT PROPERTY

(in thousands of kunas)

	Land	Buildings	Total
Cost			
Balance at 31 December 2018 (Restated)	16,785	37,149	53,934
Transferred from property, plant and equipment (Note 20)	12	503	515
Effect of exchange differences	-	358	358
Balance at 31 December 2019 (Restated)	16,797	38,010	54,807
Additions	-	22	22
Transferred to property, plant and equipment (Note 20)	(262)	(2,821)	(3,083)
Disposal	(5,290)	(14,303)	(19,593)
Effect of exchange differences	-	(581)	(581)
Balance at 31 December 2020	11,245	20,327	31,572
Accumulated depreciation			
Balance at 31 December 2018 (Restated)	-	12,856	12,856
Charge for the year (Note 10)	-	950	950
Effect of exchange differences	-	(23)	(23)
Balance at 31 December 2019 (Restated)	-	13,783	13,783
Charge for the year (Note 10)	-	734	734
Transferred to property, plant and equipment (Note 20)	-	(907)	(907)
Disposal	-	(6,936)	(6,936)
Effect of exchange differences	-	40	40
Balance at 31 December 2020	-	6,714	6,714
Net book value			
Balance at 31 December 2019	16,797	24,227	41,024
Balance at 31 December 2020	11,245	13,613	24,858

Income from the rental of the building in 2020 amounts to HRK 2,039 thousand (2019: HRK 2,341 thousand), and the depreciation charge for the year 2020 amounts to HRK 777 thousand (2019: HRK 950 thousand).

At 31 December 2020 the carrying amount approximates the fair value while on 31 December 2019 fair value was higher than carrying amount by HRK 11,396 thousand.

Fair value has been internally determined by the Group based on the income capitalisation method which assumes the sustainable annual lease income which investment property generates or is able to generate during its ordinary course of business. This valuation technique considers the present value of net future cash flows to be generated from the property, taking into account expected rental growth rate, occupancy rate and other costs not borne by the tenants. Among other factors, the discount rate estimation considers the quality of the buildings and their location, potential tenants quality and currently achievable lease terms.

Underlying assumptions used in determination of fair value are based on unobservable inputs whereby the most significant ones are yield ranging from 8% to 9% and rent ranging from 4 to 5 eur per sqm. Those inputs are derived from the publications of reputable property valuation companies and from the current effective lease contracts of the Group.

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	
			2020	2019	2020	2019
Euro Auto Plastic Systems	Manufacture of other motor vehicle spare parts and accessories	Mioveni, Romania	50.00%	50.00%	71,964	92,507
					71,964	92,507

(in thousands of kunas)

Name of associate	Country of incorporation and business	Amount of equity investment	Share in the result for the year 2019	Dividend 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

(in thousands of kunas)

Name of associate	Country of incorporation and business	Amount of equity investment	Share in the result for the year 2020	Dividend paid	Amount of equity investment
		31.12.2019	31.12.2020		
Euro Auto Plastic Systems	Mioveni, Romania	92,507	19,982	(40,525)	71,964
Total		92,507	19,982	(40,525)	71,964

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. The detailed information on the financial position and financial performance is disclosed in the section Business: Financial results 2020 of the Integrated annual report part of which are also these financial statements.

24. OTHER FINANCIAL ASSETS

(in thousands of kunas)

	31.12.2020	31.12.2019
Other financial assets	62	62
	62	62

25. INVENTORIES

(in thousands of kunas)

	31.12.2020	31.12.2019
Raw material and supplies on stock	85,772	99,540
Tools	33,235	33,913
Finished products	31,149	27,660
Prepayments for inventories	14,021	24,949
Work in progress	13,915	16,477
Merchandise on stock	3,882	4,520
	181,975	207,059

The amounts shown under comparative period are different compared to the ones stated in the Integrated annual report for 2019 as a result of the reclassification in the amount of HRK 2,095 thousand between tools and merchandise on stock.

The amount of inventories recognised as an expense during the 2020 was HRK 900,510 thousand (in the 2019 the expense was HRK 1,168,473 thousand).

Total write-down of inventories was in 2020 was HRK 13,099 thousand (in 2019 it was HRK 3,238 thousand).

26. TRADE RECEIVABLES

(in thousands of kunas)

	31.12.2020	31.12.2019
Foreign trade receivables	261,736	263,359
Domestic trade receivables	5,994	6,010
Foreign trade receivables from the associate	4,380	4,368
Impairment loss allowance	(4,449)	(3,530)
	267,661	270,207

The average debtors' days were 73 days in 2020 (2019: 62 days).



The movements in allowance loss in respect of trade receivables are presented as follows:

	(in thousands of kunas)	
	2020	2019
Balance at beginning of the year	3,530	3,732
Movements based on IFRS 9 expected credit losses calculation for year end	1,046	399
Collected during the year	(95)	(559)
Receivables written off	(199)	(70)
Exchange differences	167	28
Total impairment loss allowance	4,449	3,530

Ageing analysis of receivables is shown as follows:

	(in thousands of kunas)	
	31.12.2020	31.12.2019
0-90 days past due	19,958	48,518
91-180 days past due	2,700	8,403
181-365 days past due	2,034	8,791
Over 365 days past due	892	1,589
Not due	242,077	202,906
	267,661	270,207

At 31 December 2020, the carrying amount of the receivables from companies in the same group was HRK 100,235 thousand (2019: HRK 55,755 thousand).

27. OTHER RECEIVABLES

	(in thousands of kunas)	
	31.12.2020	31.12.2019
Receivables from the State and State institutions	21,029	18,323
Prepayments made	3,045	2,685
Due from employees	135	180
Other receivables	53	29
	24,262	21,217

28. CURRENT FINANCIAL ASSETS

(in thousands of kunas)

	31.12.2020	31.12.2019
Receivables for given guarantees	898	-
Interest receivable	-	353
	898	353

29. CASH AND CASH EQUIVALENTS

(in thousands of kunas)

	31.12.2020	31.12.2019
Current account balance	48,923	27,020
Deposits	13,714	-
Cash in hand	30	51
	62,667	27,071

As at 31 December 2020 the amount of HRK 13,714 thousand (31 December 2019: HRK 0 thousand) include short term deposits which bear interest rate ranging from 2.20% to 3.00 %.

30. PREPAID EXPENSES AND ACCRUED INCOME

(in thousands of kunas)

	31.12.2020	31.12.2019
Accrued income on tools	11,424	58,280
Prepaid operating expenses	1,900	2,580
Other accrued income	10,337	9,505
	23,661	70,365

Accrued income presented within this note are trade receivables, as they give right to collect payment from customer, but were not invoiced at the balance sheet date.

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 (2019: HRK 419,958 thousand; 4,199,584 shares, with a nominal value of HRK 100.00 each).

Capital reserves are the differences between the nominal and sale value of shares.

Statutory and general reserves consist of legal and statutory reserves and reserves for unwritten development costs.

Reserves were made by transferring from retained earnings to the position of legal and general reserves in the Group's capital in accordance with the local legislation. The transfer of capitalized development costs to intangible assets is made on the basis of net book value. The treasury share item refers to 69,058 treasury shares as at 31.12.2020.

Reserves for own shares are created based on Board decisions for future purchases of own shares. Retained earnings consists of retained earnings, profit for the year and all the transfers from retained earnings (dividend payments, transfer to reserves). Reserves of accruals foreign exchange have been formed on the basis of accrued exchange rate differences in the Group's capital.

In accordance with the General Assembly decision on 24 August 2020, a decision to use part of the 2019 profit for dividend payments in the amount of HRK 4 per share was adopted. This amount has already been paid in advance in accordance with the Decision of the Management Board of 27 February 2020. Prior to the issuance of financial statements for 2020 (and after the end of the financial year), a decision was made on the payment of dividends from retained earnings in 2019 in the amount of HRK 8 per share (during 2019, a decision was made on the payment of dividends from retained earnings in 2018 in the amount of HRK 12.50 per share).

32. PROVISIONS

(in thousands of kunas)

	Short-term		Long-term	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Vacation accrual	4,101	8,354	-	-
Employee bonuses	8,000	6,317	-	-
Termination and retirement benefits	223	123	2,742	2,226
Jubilee awards (long-service benefits)	336	392	1,827	1,604
Legal actions	1,343	617	-	-
Warranties	998	-	-	-
	15,001	15,803	4,569	3,830

Movement in provisions is presented as follows:

(in thousands of kunas)

	Jubilee awards (long-service benefits)	Termination and retire- ment benefits	Legal actions	Vacation accrual	Employee bonuses	Warranties	Total
Balance at 1 January 2019	1,840	4,339	568	6,242	6,304	-	19,293
Increase/(decrease), net	156	(1,990)	49	2,112	13	-	340
Balance at 31 December 2019	1,996	2,349	617	8,354	6,317	-	19,633
Increase/(decrease), net	167	616	726	(4,253)	1,683	998	(63)
Balance at 31 December 2020	2,163	2,965	1,343	4,101	8,000	998	19,570

The part of the provision included in other staff costs is shown in Note 9.

Jubilee awards and termination benefits

According to the Union (Collective) Agreement, the Group has the obligation to pay long-service (jubilee awards), retirement-related and other benefits to 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.

For employees of the Group, legal contributions for pension insurance are paid. Legal contributions form the basis for pensions paid by the Pension Funds to Group's employees upon their retirement.

All companies within the Group use a discount rate, fluctuation rate and mortality data that are in line with the company's country of residence when calculating provisions.

33. LONG-TERM BORROWINGS AND OTHER NON-CURRENT LIABILITIES

(in thousands of kunas)

	31.12.2020	31.12.2019
Long-term borrowings	259,164	349,306
Deposits received	185	600
Long-term commodity loans provided by suppliers	6,419	1,905
Other	397	-
	266,165	351,811
Current portion of long-term borrowings (Note 37)	(86,291)	(113,905)
	179,874	237,906

From total long term borrowings and deposits in amount of HRK 179,874 thousand at 31.12.2020, HRK 10,859 thousand refers to loans and deposits denominated in HRK currency while HRK 169,015 thousand refers to loans denominated in EUR.

From total long term borrowings and deposits in amount of HRK 237,906 thousand at 31.12.2019, HRK 22,434 thousand refers to loans and deposits denominated in HRK, 11,807 refers to loans and deposits denominated in RUB currency, while HRK 203,665 thousand refers to loans denominated in EUR.

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 (Note 20) and payment instruments. The majority of existing long-term loans are paid quarterly. In 2020, the weighted average interest rate on the long-term loans was 2.11% (2019: 2.57%).

Movements in long-term borrowings during the year:

(in thousands of kunas)

	2020	2019
Balance at 1 January	237,906	277,670
New loans raised	36,887	56,733
Decrease in deposits received	(415)	-
Exchange differences, net	(3,181)	2,976
Reclassification to short-term loans (Note 37)	(91,720)	(99,473)
Balance at 31 December	179,477	237,906

34. LEASE LIABILITIES

(in thousands of kunas)

	2020	2019
Balance at 1 January	16,100	24,089
Additions	2,269	948
Lease modifications, net	(1,807)	-
Interest expense on lease liabilities	273	425
Principal paid	(8,436)	(8,963)
Interest paid	(273)	(425)
Effect of exchange differences	(146)	26
Balance at 31 December	7,980	16,100
Long-term liabilities	3,738	8,085
Short-term liabilities	4,242	8,015

35. ADVANCES RECEIVED

(in thousands of kunas)

	31.12.2020	31.12.2019
Foreign customers	32,129	38,144
	32,129	38,144

Advances received from foreign customers represent cash advanced ordered tools.

36. TRADE PAYABLES

(in thousands of kunas)

	31.12.2020	31.12.2019
Foreign trade payables	128,601	191,034
Domestic trade payables	36,510	45,921
	165,111	236,955

Average payment period for trade payables during 2020 equalled to 79 days (2019: 82 days).

37. SHORT-TERM BORROWINGS

(in thousands of kunas)

	31.12.2020	31.12.2019
Short-term loans – principal payable	131,240	117,742
Current portion of long-term borrowings (Note 33)	86,291	113,905
Short-term commodity loans provided by suppliers	1,590	-
Short-term borrowings – interest payable	858	494
	219,978	232,141

From total short term borrowings in amount of HRK 219,978 thousand at 31.12.2020, HRK 21,252 thousand refers to loans and deposits denominated in HRK currency, 9,382 refers to loans and deposits denominated in RUB currency, while HRK 189,334 thousand refers to loans denominated in EUR. From total short term borrowings in amount of HRK 232,141 thousand at 31.12.2019, HRK 63,654 thousand refers to loans and deposits denominated in HRK currency, 12,880 refers to loans and deposits denominated in RUB currency, while HRK 154,559 thousand refers to loans denominated in EUR.

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 (bills of exchange, promissory notes and corporate guarantee by AD Plastik d.d.)

The short-term borrowings represent loans provided by the commercial banks, with an average interest rate of 1.31% (2019: 1.57 %).

(in thousands of kunas)

	2020	2019
Balance at 1 January	232,141	147,820
New loans raised	53,264	118,201
Reclassification on current portion of long-term borrowings (Note 33)	91,720	99,473
Invoiced interest	9,702	12,721
Exchange differences	911	1,848
Interest paid	(9,140)	(12,874)
Repayments of received loans	(158,619)	(135,048)
Balance at 31 December	219,979	232,141

38. OTHER CURRENT LIABILITIES

(in thousands of kunas)

	31.12.2020	31.12.2019
Due to the State and State institutions	22,559	21,635
Amounts due to employees	14,397	14,778
Other current liabilities	1,157	1,242
	38,113	37,655

39. ACCRUED EXPENSES

(in thousands of kunas)

	31.12.2020	31.12.2019
Other current liabilities	17,438	6,485
Accrued tool expenses	527	337
	17,965	6,822

40. GOODWILL

(in thousands of kunas)

	31.12.2020	31.12.2019
Goodwill resulting from acquisition of AD Plastik Tisza Kft.	18,014	18,014
Goodwill resulting from acquisition of KZA	6,604	8,529
	24,618	26,543

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
- the difference between fair value of the net assets of AD Plastik Tisza Kft. and the value paid for the purchase of AD Plastik Tisza Kft. by AD Plastik d.d. Solin.

Movement of goodwill:

	(in thousands of kunas)	
	2020	2019
At 1 January	26,543	25,432
Effect of exchange differences	(1,925)	1,111
At 31 December	24,618	26,543

In 2020 the Group tested goodwill for impairment which is allocated on cash generating units. In 2020 recoverable amount of each cash generating unit was determined under fair value less cost of the disposal concept. Fair value was determined using income approach and discounted cash flows which require the use of assumptions. The calculations use cash flow projections based on financial budgets covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates which is determined for each cash generating unit separately.

The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

Key assumptions are as follows:

Key assumptions	AD Plastik Tisza Kft. (%)	ZAO AD Plastik Kaluga (%)
Discount rate	8.84	9.47
Terminal growth rate	2.46	1.21

The discount rate was a post-tax measure estimated based on the historical industry average weighted-average cost of capital, with a possible debt leveraging of 39.71% at a market interest rate ranging from 1.43% to 3.79%.

The cash flow projections included specific estimates for three years and a terminal growth rate thereafter. The terminal growth rate was determined based on the estimate of the long-term GDP growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA was estimated taking into account past experience, adjusted as follows new projects with customers either contracted with, announced by or subject to the negotiations with customers.

By performing impairment test of goodwill, the Group has concluded that no impairment should be recognised.

41. RELATED PARTY TRANSACTIONS

Related party transaction were as follows:

(in thousands of kunas)

Receivables and payables for goods, services and interest	Receivables		Payables	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Euro APS, Romania	4,381	4,368	1,657	8
Sankt-Peterburgskaya investicionnaya kompaniya	-	-	166	164
	4,381	4,368	1,823	172

(in thousands of kunas)

Purchase transactions	Income		Expenses	
	2020	2019	2020	2019
Operating and financing income and expenses				
Euro APS, Romania	9,648	13,659	-	8
Sankt-Peterburgskaya investicionnaya kompaniya	-	-	659	649
	9,648	13,659	659	657

(in thousands of kunas)

Receivables and payables for loans	Receivables		Payables	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Sankt-Peterburgskaya investicionnaya kompaniya	-	-	37,684	37,213
	-	-	37,684	37,213

Sankt-Peterburgskaya investicionnaya kompaniya is member of Group in which is also company OAO Holding Autokomponenti. The Company OAO Holding Autokomponenti holds 30% of shares in Company AD Plastik d.d.

The total remuneration provided to the members of the Supervisory Board of AD Plastik d.d. and subsidiaries, The President and members of Management Board, Board Assistants and General directors of subsidiaries in 2020 amounts to HRK 14,826 thousand (in 2019 HRK 15,548 thousand).



42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

42.1. Gearing ratio

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

(in thousands of kunas)

	31.12.2020	31.12.2019
Short-term borrowings (Note 37)	219,978	232,141
Long-term borrowings (Note 33)	179,291	237,306
Cash and cash equivalents (Note 29)	(62,667)	(27,071)
Net debt	336,602	442,376
Equity	860,625	862,685
Net debt-to-equity ratio	39.11%	51.28%

Commodity loans at 31 December 2020 amounted HRK 8,009 thousand (31 December 2019: HRK 1,905 thousand) (Note 33 and Note 37). Above referred amounts are included in the Group's net debt.

Equity consists of share capital, reserves, reserves for own shares, own shares, retained earnings and profit for the year.

Equity in comparative period is increased by HRK 3,537 thousand compared with amount stated in Integrated annual report for 2019. The difference is result of recognition of deferred tax assets and impairment of investment property. Equity adjustment for 2019 had impact on decrease of net debt-to-equity ratio by 0.22 p.p., from 51.49% to 51.28%.

42.2. Categories of financial instruments

(in thousands of kunas)

	31.12.2020	31.12.2019 (Restated)
Financial assets	353,237	365,687
Trade receivables (Note 26)	267,661	270,207
Given loans and other financial assets (Notes 24, 28)	62	414
Non-current trade receivables	-	1
Cash and cash equivalents and deposits (Note 29)	62,667	27,071
Accrued income and other financial assets	22,847	67,994
Financial liabilities	595,217	745,943
Loans and deposits received (Notes 33, 37)	399,455	470,047
Trade, other payables and accruals	187,782	259,796
Lease liabilities (Note 34)	7,980	16,100

Accrued income and other liabilities include: accrued income, other receivables less receivables from the State and advances given.

Amounts shown under the comparative period are different compared with ones stated in Integrated annual report for 2019. Differences can be found under:

- Given loans and other financial assets due adjustment where forward contract (HRK 312 thousand) was included in total amount
- Accrued income and other liabilities due adjustments on other receivables where advances for tools (HRK 24,989 thousand), advances for services (HRK 2,685 thousand), forward contract (HRK 312 thousand) were deducted from total amount and deferred revenue which meet the definition of financial asset under IAS 32 Financial instruments: Presentation (HRK 67,786 thousand) was included in total amount
- Trade, other payables and accruals due adjustment where received advances were deducted (HRK 38,144 thousand) and accrued tool expenses and other accrued expenses were included in total amount (HRK 6,822 thousand).

Trade, other payables and accruals includes: trade payables, lease liabilities, other payables, accrued expenses less payables to the State which includes refund of COVID-19 grants.

Details of concentration of credit risk are included in Note 26 Trade receivables.

Detailed information on credit risk management is stated under chapter Risks related to business in business of the Integrated annual report which integral part are those financial statements.

42.3. 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:

At 31 December	Assets		Liabilities		Net FX position	
	2020	2019	2020	2019	2020	2019
EUR	431,897	442,737	649,595	767,402	(217,698)	(324,665)
CZK	1,017	865	-	-	1,017	865
RON	824	-	-	-	824	-
RUB	-	1,590	-	-	-	1,590
GBP	6	24	5	5	1	19
USD	29	111	32	194	(3)	(84)
CHF	-	1	-	-	-	1
	433,773	445,328	649,632	767,601	(215,859)	(322,274)

In HRK 431,897 thousand of EUR assets and HRK 649,595 EUR liabilities (in 2019 HRK 442,737 thousand) is included exposure on EUR intra Group receivables and loans in amount of HRK 182,220 thousand (in 2019 HRK 193,950 thousand). In addition, the reminder of HRK 101,684 thousand of assets and HRK 127,805 thousand of liabilities as at 31 December 2020 (31 December 2019: HRK 114,309 thousand of assets and HRK 172,291 thousand of liabilities) relates to exposure in domestic currencies.

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 2020, if EUR were to depreciate/appreciate by 1% compared to HRK, assuming all other variables remain unchanged, net profit of the Group for 2020 would be HRK 975 thousand (2019: HRK 1,964 thousand) higher/(lower), because of positive/(negative) foreign exchange differences generated by conversion of trade receivables, cash and cash equivalents, trade payables and loans received originally denominated in euros.

On 31 December 2020, if RUB were to depreciate/appreciate by 10% compared to EUR, assuming all other variables remain unchanged, net profit of the Group for 2020 would be HRK 3,260 thousand (2019: HRK 3,920 thousand) (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.

42.4. 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.

(in thousands of kunas)

2020	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	Carrying amount
Assets								
Non-interest bearing	-	186,261	136,601	16,599	-	62	339,523	339,523
Interest bearing	2.60%	2,084	11,719	-	-	-	13,803	13,714
		188,345	148,320	16,599	-	62	353,326	353,237
Liabilities								
Non-interest bearing	-	105,240	76,537	6,863	185	-	188,825	188,825
Interest bearing	1,65%	39,931	24,796	159,841	181,789	2,262	408,619	398,410
Lease liability		364	730	3,275	4,225	-	8,594	7,982
		145,535	102,063	169,979	186,199	2,262	606,038	595,217
2019 (Restated)								
Assets								
Non-interest bearing	-	158,798	151,968	54,858	1	62	365,687	365,687
Interest bearing	-	-	-	-	-	-	-	-
		158,798	151,968	54,858	1	62	365,687	365,687
Liabilities								
Non-interest bearing	-	117,893	119,144	23,253	600	-	260,819	260,890
Interest bearing	2.35%	4,222	25,001	225,048	222,919	11,333	488,523	468,953
Lease liability		624	1,391	6,258	8,812	-	17,156	16,100
		122,739	145,536	254,559	232,331	11,333	766,498	745,943

From total interest bearing liabilities in amount of HRK 398,410 thousand at 31.12.2020, HRK 31,924 thousand refers to liabilities denominated in HRK currency, HRK 9,142 thousand refers to liabilities denominated in HRK currency while HRK 357,344 thousand refers to liabilities denominated in EUR.

From total interest bearing liabilities in amount of HRK 468,953 thousand at 31.12.2019, HRK 85,463 thousand refers to liabilities denominated in HRK currency, HRK 24,687 thousand refers to liabilities denominated in RUB currency, hrk 1.048 thousand refers to liabilities denominated in HUF currency, while HRK 299,788 thousand refers to liabilities denominated in EUR.

42.5. 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 2020 and 31 December 2019, the carrying amounts of cash, receivables, long-term and short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their fair values due to the short-term maturity of these assets and liabilities.

43. EVENTS AFTER THE REPORTING PERIOD

After 31 December 2020, there were no events that would have a significant impact on the financial statements for the year 2020, respectively they are not of such significance to the Group to require disclosure in the notes to the financial statements.

44. CONTINGENT LIABILITIES

Based on the Management's estimate, the Group had no material contingent liabilities at 31 December 2020 and 31 December 2019 which would require to be disclosed in the notes to the consolidated financial statements. The Group had no capital expenditure commitments contracted at 31 December 2020 which would require to be disclosed in the notes to the financial statements. As at 31 December 2020 and 31 December 2019 there were no material legal actions with a potential negative outcome for the Group other than those reflected in these consolidated financial statements.

45. 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 23 April 2021.

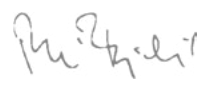
For AD Plastik d.d. Solin by:

Marinko Došen
President of the
Management Board

Mladen Peroš
Member of
Management Board

Višnja Bijelić
Member of
Management Board

Ivan Čupić
Member of
Management Board



AD Plastik d.d., Solin

Separate Financial Statements For the Year Ended 31 December 2020

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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
- 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

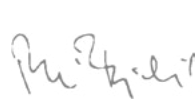
For AD Plastik d.d., Solin by:

Marinko Došen
President of the
Management Board

Mladen Peroš
Member of
Management Board

Višnja Bijelić
Member of
Management Board

Ivan Čupić
Member of
Management Board



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

23 April 2021



Independent Auditors' Report to the shareholders of of AD Plastik d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of AD Plastik d.d. ("the Company"), which comprise the separate statement of financial position of the Company as at 31 December 2020, and the separate statements of comprehensive income, cash flows and changes in equity of the Company for the year then ended, and notes, comprising significant accounting policies and other explanatory information (further referred to as "the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2020 and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - comparative information

We draw attention to Note 4 to the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2019 has been restated. Our opinion is not modified in respect of this matter.

Other Matter relating to comparative information

The financial statements of AD Plastik d.d. as at and for the years ended 31 December 2019 and 31 December 2018 (from which the statement of financial position as at 1 January 2019 has been derived), excluding the adjustments described in Note 4 to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 14 April 2020 and 18 April 2019, respectively.

As part of our audit of the financial statements as at and for the year ended 31 December 2020, we audited the adjustments described in Note 4 that were applied to restate the comparative information presented as at and for the year ended 31 December 2019 and the statement of financial position as at 1 January 2019. We were not engaged to audit, review, or apply any procedures to the financial statements for the year ended 31 December 2019 or 31 December 2018 (not presented herein) or to the statement of financial position as at 1 January 2019, other than with respect to the adjustments described in Note 4 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 4 are appropriate and have been properly applied.



Independent Auditors' Report to the shareholders of AD Plastik d.d. (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

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.

REVENUE RECOGNITION

Sales revenue in 2020: HRK 844,247 thousand (2019: HRK 1,085,118 thousand). As at 31 December 2020: trade receivables: HRK 225,673 thousand; accrued income HRK 20,020 thousand (31 December 2019: trade receivables: HRK 236,687 thousand; accrued income: HRK 67,337 thousand).

Please refer to the Note 2.3 Revenue recognition of Significant accounting policies and Note 5 Sales in the financial statements.

Key audit matter	How our audit addressed the matter
<p>Revenue is an important measure used to evaluate the performance of the Company. In the year ended 31 December 2020, the Company's principal revenue streams included sales of car parts and customized tools developed by the Company.</p> <p>Revenue comprises the fair value of the consideration received or receivable for sold goods within the normal course of business of the Company. Revenue is recognised when the control of the promised goods has transferred to the customer.</p> <p>Application of revenue recognition principles of the relevant financial reporting standards may be prone to misstatements which is associated with the following factors:</p> <ul style="list-style-type: none"> — The criteria to determine whether a contract exists with a customer requires of the Company to assess whether one or combination of documents like general terms of business, nomination letter, agreement with customer and purchase orders create enforceable rights and obligations as to determine what is and when is achieved the commercial substance of the arrangements. — In addition, such documents may contain multiple performance obligations within one contract like tooling development and manufacturing of spare parts whereby the Company evaluates whether all of these performance obligations are distinct goods and services and whether criteria for revenue recognition is satisfied. 	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> — Obtaining understanding of and evaluating the Company's revenue recognition process, and testing related design and implementation of key internal controls in particular the controls associated with contracts approvals, pricing, delivery of products and accounting process; — We utilised our own IT specialists to assess the general IT controls ("GITCs") as to enable us to rely on certain IT application controls; — For a sample of contracts with customers active during the audited year, inspecting contractual provisions and making inquiries of key account managers and relevant finance personnel in order to challenge the Company's: <ul style="list-style-type: none"> ○ Meeting of the contract existence criteria, including, among other things, those relating to the parties' commitment to their obligations and probability of collecting the consideration due; ○ Identification of the contracts which require to be accounted for on a combined basis and of performance obligations within contracts. The procedure included, among other things, assessing whether any changes to the prices as stated in the contracts are standalone prices and whether goods and service per individual arrangement are distinct goods and services;



Independent Auditors' Report to the shareholders of AD Plastik d.d. (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

REVENUE RECOGNITION (continued)

Key audit matter (continued)	How our audit addressed the matter (continued)
<p>— Many contracts with customers entitle customers to price reductions as a result of expected reduction in the Company's costs along its learning curve.</p> <p>— Tooling arrangements are typically contracts or framework agreements between the Company and customer in which the Company builds or receives a tool that is used for the production of customised parts ordered by the customer. Typically, these tools are unique to the customer and cannot be used by any other customer. Such tooling arrangements may vary with respect to transfer of development activities and ownership. In such cases, an assessment is required whether tool arrangement is a sale, a lease or development of its own equipment, whether arrangement contains a lease and whether it is a separate performance obligation from the sale of car parts. The Company has determined that it neither does own or leases tools and thus recognizes revenue from sales tools when revenue recognition criteria is satisfied.</p> <p>— The Company recognises revenue at point in time when control is transferred to the customer.</p> <p>In the wake of the above factors, we considered revenue recognition to be associated with a significant risk of material misstatement in the separate financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.</p>	<ul style="list-style-type: none"> ○ Determination of total contract consideration, by reference to contracts with customers and any subsequent modifications to the frame agreement, if any; ○ Determination of the timing of the transfer of control, the resulting pattern of revenue recognition and revenue amounts, by reference to sales invoices, inventory and shipping documents, customer acceptance forms and other documents as appropriate. <p>— For a sample of customers, obtaining confirmations of the amounts receivable outstanding as at the reporting date, and challenging any differences between confirmations received and the Company's records by inspecting the underlying documentation such as invoices, shipping documents, customer acceptance forms and payments made by customers;</p> <p>Examining whether the Company's revenue recognition-related disclosures in the financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.</p>



Independent Auditors' Report to the shareholders of AD Plastik d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Other Information

Management is responsible for the other information. The other information comprises the Management Report and Corporate Governance Statement included in the Annual Report of the Company, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether:

- the Management Report has been prepared in accordance with the requirements of Article 21 of the Accounting Act,
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and procedures above, in our opinion:

- the information given in the Management Report and Corporate Governance Statement for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report has been prepared, in all material respects, in accordance with the requirements of Articles 21 and 24 of the Accounting Act, respectively;
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report and Corporate Governance Statement. We have nothing to report in this respect.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with EU IFRS, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Independent Auditors' Report to the shareholders of AD Plastik d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- 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 controls.
- 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent Auditors' Report to the shareholders of AD Plastik d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 controls 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 24 August 2020 to audit the separate financial statements of AD Plastik d.d. for the year ended 31 December 2020. Our total uninterrupted period of engagement is one years, covering the year ended 31 December 2020.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 23 April 2021;
- we have not provided any prohibited non-audit services (NASs) referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit.

The engagement partner on the audit resulting in this independent auditors' report is Domagoj Hrkać.

KPMG Croatia d.o.o.

KPMG Croatia d.o.o. za reviziju

Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

23 April 2021

Domagoj Hrkać
Director, Croatian Certified Auditor

Separate statement of comprehensive income For the year ended 31 December 2020

(in thousands of kunas)

	Notes	2020	2019* (Restated)
Sales	5	844,247	1,085,118
Other income	6	27,413	22,476
Total income		871,660	1,107,594
Increase in the value of work in progress and finished products		3,821	1,252
Cost of raw material and supplies	7	(404,068)	(486,179)
Cost of goods sold	8	(90,236)	(206,527)
Service costs	9	(66,232)	(74,180)
Staff costs	10	(168,130)	(190,133)
Depreciation and amortisation	11	(72,363)	(66,712)
Other operating expenses	12	(26,751)	(30,126)
Provisions for risks and charges (net)	13	(1,665)	-
Impairment of trade receivables, (net)	26	(5)	47
Total operating expenses		(825,629)	(1,052,558)
Profit from operations		46,031	55,036
Financial income	14	44,067	44,930
Financial expenses	15	(12,517)	(9,516)
Profit from financing activities		31,550	35,414
Profit before taxation		77,581	90,450
Income tax expense	16	(8,948)	(9,667)
Profit for the year		68,633	80,783
Total comprehensive income for the year		68,633	80,783
Earnings per share Basic and diluted earnings per share (in kunas and lipas)	17	16.62	19.55

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

*Adjustments and reclassifications are stated within Note 4.

Separate statement of financial position At 31 December 2020

(in thousands of kunas)

Assets	Note	31.12.2020	31.12.2019 (Restated)	1.1.2019 (Restated)
Non-current assets				
Intangible assets	18	70,479	84,090	84,219
Property, plant and equipment	19	558,494	569,852	495,472
Right-of-use assets	20	6,577	13,716	-
Investment property	21	22,815	38,214	38,484
Investments in subsidiaries and associates	22	149,367	149,367	149,366
Other financial assets	23	98,047	88,089	81,856
Long-term receivables	24	18,574	17,813	44,680
Deffered tax assets	16	11,506	20,454	30,120
Total non-current assets		935,859	981,595	924,197
Current assets				
Inventories	25	100,389	96,990	140,476
Trade receivables	26	225,673	236,687	187,432
Other receivables	27	14,912	15,723	19,970
Current financial assets	28	24,421	22,662	6,410
Cash and cash equivalents	29	35,669	8,298	16,136
Prepaid expenses and accrued income	30	20,695	68,260	49,917
Total current assets		421,759	448,620	420,341
TOTAL ASSETS		1,357,618	1,430,215	1,344,538

(in thousands of kunas)

Shareholders' equity and liabilities	Note	31.12.2020	31.12.2019 (Restated)	1.1.2019 (Restated)
Share capital	31	419,958	419,958	419,958
Capital reserves		191,988	191,988	191,903
General reserves		91,643	69,945	18,936
Retained earnings		124,095	93,683	115,255
Total shareholders' equity		827,684	775,574	746,052
Long-term provisions	32	3,985	3,642	3,438
Long-term borrowings and deposits	33	139,611	177,344	206,328
Lease liabilities	34	3,164	6,840	-
Other long-term liabilities		397	-	-
Total non-current liabilities		147,157	187,826	209,766
Advances received	35	6,798	20,717	59,309
Trade payables	36	132,420	195,074	168,163
Short-term borrowings	37	191,142	208,986	126,031
Other current liabilities	38	19,680	17,877	16,472
Lease liabilities	34	3,612	7,013	-
Short-term provisions	32	12,680	12,980	13,022
Accrued expenses	39	16,445	4,168	5,723
Total current liabilities		382,777	466,815	388,720
Total liabilities		529,934	654,641	598,486
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,357,618	1,430,215	1,344,538

Adjustments and reclassifications of prior period are disclosed in Note 4.

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 2020

(in thousands of kunas)

	Share capital	Capital reserves	General and legal reserves	Reserves for own (treasury) shares	Own (treasury) shares	Retained earnings	Total
Balance at 31 December 2019	419,958	191,989	60,849	20,890	(11,795)	93,683	775,574
Profit for the year	-	-	-	-	-	68,633	68,633
Total comprehensive income for the year	-	-	-	-	-	68,633	68,633
Dividends paid	-	-	-	-	-	(16,523)	(16,523)
Transactions with the owners of the Company	-	-	-	-	-	(16,523)	(16,523)
<i>Reserves for not written off costs of development</i>	-	-	21,699	-	-	(21,699)	-
Balance at 31 December 2020	419,958	191,989	82,548	20,890	(11,795)	124,094	827,684

	Share capital	Capital reserves	General and legal reserves	Reserves for own (treasury) shares	Own (treasury) shares	Retained earnings	Total
Balance at 31 December 2018 (As previously reported)	419,958	191,904	8,935	22,124	(12,124)	102,356	733,153
Correction of accounting mistakes	-	-	-	-	-	12,900	12,900
Balance at 1 January 2019 (Restated)	419,958	191,904	8,935	22,124	(12,124)	115,256	746,053
Profit for the year (Restated)	-	-	-	-	-	80,783	80,783
Total comprehensive income for the year (Restated)	-	-	-	-	-	80,783	80,783
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
Transactions with the owners of the Company	-	85	1,234	(1,234)	329	(51,676)	(51,262)
<i>Reserves for not written off costs of development</i>	-	-	50,680	-	-	(50,680)	-
Balance at 31 December 2019	419,958	191,989	60,849	20,890	(11,795)	93,683	775,574

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 2020

(in thousands of kunas)

Cash flows from operating activities	Notes	2020	2019 (Restated)
Profit for the year		68,633	80,783
Adjusted for:			
Income tax	16	8,948	9,667
Depreciation and amortisation	11	72,363	66,712
Tangible assets write-off	19	52	-
Intangible assets write-off	18	2,931	1,040
Interest expense and exchange rates recognised in profit or loss		9,792	9,116
Dividend income	14	(40,525)	(40,376)
Revenues from forward contract		-	(312)
Gain from sale of property, plant and equipment and intangible assets	6	(1,313)	(4,037)
Gain from sale of investment property	6	(11,396)	-
Interest income	14	(3,542)	(4,242)
Increase in long-term and short-term provisions (net)	32	43	162
Impairment of loans given, net	15	3,226	410
Impairment of trade receivables, net		5	(47)
Obsolete stock write-off	25	3,223	3,056
Profit from operations before working capital changes		112,440	121,932
(Increase)/decrease in inventories	25	(6,622)	40,429
Increase in current and non-current trade receivables		(7,316)	(74,537)
Decrease in other receivables	27	812	6,948
(Decrease)/increase in trade payables	36	(62,453)	27,223
Decrease of advances received	35	(13,919)	(38,592)
Increase in other current liabilities	38	2,199	2,726
(Decrease)/increase of accrued expenses and deferred income	39	12,386	(1,555)
Decrease/(increase) of accrued income and prepaid expenses	30	47,565	(18,343)
Interest paid	37,34	(7,350)	(9,437)
Cash flows from operating activities		77,742	56,794

(in thousands of kunas)

Cash flows from investing activities	Notes	2020	2019 (Restated)
Investment in subsidiary	22	-	(1)
Interest received		6,930	825
Purchase of property, plant and equipment	19	(28,486)	(107,688)
Purchase of investment property	21	(22)	-
Purchase of intangible assets	18	(14,412)	(28,914)
Guarantees given		(898)	(260)
Proceeds from sale of property, plant and equipment and intangible assets		4,162	6,449
Proceeds from sale of investment property		24,053	-
Proceeds from repaid principal of loans given		-	31,148
Dividends received		40,517	40,346
Cash (used) from investing activities		31,844	(58,095)
Cash flows from financing activities			
Purchase of own (treasury) shares		-	(905)
Dividends paid		(16,522)	(51,676)
Proceeds from borrowings	33,37	52,505	148,555
Repayment of borrowings	37	(110,773)	(94,609)
Repayment of lease principal IFRS 16	34	(7,497)	(7,893)
Cash used in financing activities		(82,287)	(6,528)
Unrealised exchange rate differences in respect of cash and cash equivalents		72	(9)
(Decrease)/increase in cash and cash equivalents	29	27,371	(7,838)
Cash and cash equivalents at the beginning of the year	29	8,298	16,136
Cash and cash equivalents at the end of the year	29	35,669	8,298

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 2020

1. NEW STANDARDS AND AMANDMENTS TO EXISTING NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 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 separate 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 2020, and the results of operations for the year then ended.

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 22.

The financial statements are presented in Croatian Kuna (HRK). All amounts presented in the financial statements are expressed in thousands of kn unless otherwise stated, and there may be differences of 1 in the totals due to rounding.

2.3. Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer.

Contract exists only if it is legally enforceable and meets all of the following criteria:

- the contract is approved and the parties are committed to their obligations
- the rights to goods and services and payment terms can be identified
- the contract has commercial substance
- collection of consideration is probable.

Definition of contract as stated above is by combining the clauses of following documentation: Buyer's General Terms and conditions, Nomination letter, Purchase agreement and Purchase order.

The Company has contracts with Buyers (OEM) as *Tier 1*, with buyer's suppliers as *Tier 2*, with subsidiaries and associates. Contracts exist for sales of following goods and services:

- Product sale
- Tooling sale
- R&D activities
- Royalty services
- Technical services

Contracts do not commit the customer to a specified quantity of products; however, the Company is generally required to fulfill its customers' purchasing requirements for the production life of the vehicle. Contracts do not typically become a performance obligation until the Company receives either a purchase order for a specific number of parts at a specified price. Long-term agreements with customers for specific product may range from five to seven years, contracts may be terminated by customers at any time, while occurred very rarely.

The Company's customers pay for products received in accordance with payment terms that are customary in the industry, typically 90 to 120 days. The Company's contracts with its customers do not have significant financing components.

Tooling and product sales may be contracted in separate agreements, or concluded at different points in time, or may be contracted in one agreement. In either case any binding obligation for the customer with respect to parts is created only upon issuance of purchase orders. Revenue from tooling sale and product sale is recognised at point in time when the control is passed on Buyer.

The Company has determined that royalty and technical support services, tooling and the delivery of product parts are separate and distinct for the customer and therefore constitute separate performance obligations under IFRS 15, when the ownership is transferred.

The prices agreed in the contracts for the single performance obligations are considered to be the stand-alone.

Revenue from sale of products

Product sales are recognized when the products are delivered to, and accepted by the customer and when the control of a product is 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 control is transferred to the customer. Each delivery is considered as performance obligation that is satisfied at point in time. Some of the Company's contracts include variable consideration which take a form of year-to-year price reductions („productivity“), but Company has concluded that those discounts do not give rise to a material right as those decreases are consistent with pricing pattern in automotive industry which takes into consideration learning curve effect.

Some contracts with customers include warranty clauses for repair of faulty goods during a specified long term period and cover of only a product's compliance with agreed specifications. Such warranties granted by the Company are in most cases assurance type warranties recognised in accordance with IAS 37 when the control of product transfers to customers.

Revenue from the manufacture of tools

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 control 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.

Revenue from royalty and technical services

Company generates revenues from licenses by concluding contracts with affiliates to whom it sells the right to use intellectual property calculated on the amount of products produced by these companies, and for which products the Company has carried out development activities.

Revenue from licenses is recognised over time, according to the quantities of products produced by the customer.

Company generates revenues from technical services on the basis of contracts it has with affiliated companies to which it provides technical consulting services. Revenues from technical services is recognised when the service is rendered.

Revenue from royalty is recognised over time based on the generated sales of customers while revenue for technical support and consultancy services is recognised at point in time when the service is rendered.

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 2020, the official exchange rate of the Croatian kuna against 1 Euro (EUR) was HRK 7,536898 (31 December 2019: 7,44258 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 2019. and 2020 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.

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. Property, 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. Intangible asset represent capitalized development costs of all Company's projects. 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 2020 (%)	Depreciation rates in 2019 (%)
Buildings	1.50	1.50
Machinery	7.00 - 10.00	7.00 - 10.00
Tools, furniture, office and laboratory equipment, measuring and control instruments	7.00 – 50.00	7.00 – 50.00
Vehicles	20.00	20.00
IT equipment	10.00 - 20.00	10.00 - 20.00
Others	10.00	10.00
Intangible assets - Projects	20.00	20.00
Software	20.00 – 50.00	20.00 – 50.00

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. Other trade receivables and prepayments

Other trade receivables and prepayments represent receivables and prepayments that are not included in financial instruments, and they are carried at nominal amounts less an appropriate allowance for impairment for estimated irrecoverable amounts.

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 receivables collection estimation. 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.

2.14. 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) Long-term employee benefits

Long-term employee benefits represent jubilee awards and post employment benefit obligations. Post employment benefit obligations falling due more than 12 months after the reporting date are discounted to their present value. Jubilee awards are paid in intervals according to time that employee was working for Company.

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 recognized immediately to the extent that entitlement to benefits has already been acquired. Otherwise, it is amortized proportionately over a period of time until the right to receive benefits is acquired.

2.15. Financial instruments

Financial assets

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.



On initial recognition, a financial asset is classified as measured at amortised cost;

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial assets is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets
- how the performance of the portfolio is evaluated and reported to the Company's management
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. Trade receivables are held in the business model of holding for the purpose of collection.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, relevant for the purpose of classifying financial assets at amortised cost, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing the main criterion, i.e. whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The structure of the Company's financial assets is simple and primarily relates to trade receivables without a significant financial component and loans given.



Zlatko Bogadi
Director of the Production Site Zagreb

The priorities for all of us were the health and safety of ourselves and everyone around us. Physical separation, especially from loved ones, has been the hardest for everyone. But, everything has to come to an end once and for all, even these misfortunes.

Subsequent measurement and gains and losses

Financial assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company has mainly classified its financial assets as loans and receivables.

Financial liabilities

Debt securities are initially recognised when they are originated. All other financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Financial liabilities are measured at amortized cost. A financial liability is classified as measured at amortized cost using the effective interest method. Interest expenses and exchange differences are recognized within profit or loss. Any gain or loss on derecognition is also recognized within profit or loss.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.



Impairment of non-derivative financial assets

The Company recognises loss allowances for expected credit loss (ECLs) on financial assets measured at amortised cost.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if early warning indicators have been activated in accordance with the Company's policy or contractual terms of the instrument.

The Company considers a financial asset to be fully or partially in default if:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held)
- the financial asset is more than 360 days past due based on historical experience of average market participant.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of expected credit losses

In accordance with IFRS 9, assets that are carried at amortized cost must have attributed expected credit losses (ECL)-Formula for calculating yearly ECL is the following:

Probability of default (PD) x Loss given default (LGD) x Exposure at default (EAD)

Company used publicly available information to model ECL for loans, as follows:

Probability of default: Company used latest available Moody's Annual Default Study. Marginal PD for automotive industry was used for every year.

Probability of default used in calculation is shown in the table.

Years	Cumulative probability of default	Marginal probability of default
1	2.37%	2.37%
2	4.79%	2.42%
3	7.11%	2.31%
4	9.26%	2.15%
5	11.30%	2.04%
6	13.17%	1.87%
7	14.92%	1.74%
8	16.62%	1.70%
9	18.16%	1.54%
10	19.26%	1.10%

Loss given default: Company used latest available Moody's Annual Default Study. It was calculated using annual default recoveries percentage. LGD used in 2020 is 68.18%.

Exposure at default: Company calculated it internally taking into account annually repayment schedule for loans for every year of repayment.

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 expected credit losses.

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.

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 financial 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.

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.

2.16. Contingencies

Contingent liabilities have not been recognised in these separate financial statements. They are disclosed if the possibility of outflow of resources embodying economic benefits is possible. 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

In separate financial statements the Company discloses sales revenues grouped by country (Note 5).

When assessing business performance and making decisions on the allocation of resources in accordance with IFRS 8 the Company's Management Board uses the division into two operating segments: EU and Serbia and Russia. In the consolidated financial statements the Group's financial results, assets and liabilities are disclosed for above mentions operating segments.

2.19. Leases

At inception of a contract, Company assesses whether a contract is, or contains lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Company uses the definition of a lease in IFRS 16.

Leases are recognised by the present value of the lease payments and showed either as 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. The Company recognises interest expense on lease liability separately from the depreciation 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 assets with value lower than HRK 30,000.

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 20 and movements of lease liability in Note 34.

2.20. Grants

Company recognizes grants as income over the period necessary to match them with related costs, for which they are intended to compensate on a systematic basis. Receivables from government to reimburse expenses that have already been incurred are recognized in profit or loss in the period in which the receivable is incurred.

A grant related to income is reported as deduction from the related expense in statement of comprehensive income.

2.21. Investment property

Investment property is property held by the Company to earn rentals or for capital appreciation or for both, but not for sale in the ordinary course of business or for administrative purposes.

Investment property is measured initially at its cost, including transaction costs. Subsequently, investment property is stated at cost less accumulated depreciation and any impairment loss.

Investment property is depreciated on a straight-line basis at the rate of 1,5%.

Investment property is derecognised when either it has been disposed of or permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in the income statement in the year of retirement or disposal.

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. 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:

Measurement of fair values

Certain Company's accounting policies and disclosures require the measurement of fair values, for non-financial assets.

The Company has an established control framework with respect to fair value measurement which assumes the overall responsibility of the Management Board and finance department in relation to the monitoring of all significant fair value measurements and consultation with external experts.

Fair values are measured using information collected from third parties in which case the Board and the finance department assess whether the evidence collected from third parties support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy where such valuations should be classified.

Fair values are categorised into different level in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - inputs other than quoted prices included in level 1, that are observable for the asset or liability either directly (ie as prices) or indirectly (ie derived from prices)
- Level 3 - input variables for assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more significant inputs are not based on observable market data, the fair value estimate is included in level 3.

Investments in subsidiaries

In 2020 the Company tested investments in subsidiaries for impairment whereby each subsidiary was determined as a cash generating unit. In 2020 recoverable amount of each generating unit was determined under fair value less cost of the disposal concept. Fair value was determined using income approach and discounted cash flows which require the use of assumptions. The calculations use cash flow projections based on financial budgets covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates which is determined for each subsidiary separately.

The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

Key assumptions are as follows:

Key assumptions	ADP d.o.o.	AD Plastik Tisza Kft.	ZAO AD Plastik Kaluga	AO AD Plastik Togliatti
Discount rate	10.74 %	8.84 %	9.47 %	9.12 %
Terminal growth rate	3.38 %	2.46 %	1.21 %	1.21 %

The discount rate was a post-tax measure estimated based on the historical industry average weighted-average cost of capital, with a possible debt leveraging of 39.71% at a market interest rate ranging from 1.43% to 3.79%.

The cash flow projections included specific estimates for three years and a terminal growth rate thereafter. The terminal growth rate was determined based on the estimate of the long-term GDP growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA was estimated taking into account past experience, adjusted as follows.

- new projects with customers either contracted with, announced by or subject to the negotiations with customers. Increase also includes assumed inflation rate
- increase of revenue as a result of reallocation of manufacturing activities and thus revenue from the Company's to subsidiaries' locations.

Impairment test of investments in subsidiaries confirmed that recoverable amount of investments in all subsidiaries exceeds their carrying amount.

Fair value of investment property

Fair value has been internally determined by the Company based on the income capitalisation method which assumes net sustainable annual lease income which investment property generates or is able to generate during its ordinary course of business. This valuation technique considers the present value of net future cash flows to be generated from the property, taking into account expected rental growth rate, occupancy rate and other costs not borne by the tenants. Among other factors, the discount rate estimation considers the quality of a building and its location, potential tenants quality and currently achievable market lease terms.

Underlying assumptions used in determination of fair value are based on unobservable inputs whereby the most significant ones are yield ranging from 8% to 9% and rent ranging from 4 to 5 eur per sqm. Those inputs are derived from the publications of reputable property valuation companies and on current effective lease contracts of the Company.

Fair value of investment property is classified in level 3 of fair value hierarchy.

Revenue from the sale of tools

Tools are custom made for the customer and cannot be used for other purposes. In accordance with the automotive practice, those contracts may differ with respect to the development of tools and transfer of the title to the customer. In such cases, the Company determines whether tool arrangements are sale, lease or development of own equipment, whether this is a lease arrangement and whether it is separate from the sale of car parts.

The Company has assessed that the sale of car parts is a separate performance obligation from the sale of tools since the customer has the control over the use of tool and unconditional right for payment upon the transfer of control of tool to the customer. Additionally, the development of the tool is not integrated with the production of parts to produce a combined output and those two are not interrelated as tool can be sold without affecting the sale of car parts.

An unpredictable year which, in addition to a number of aggravating circumstances, imposed itself also as a kind of test that gave rise to quality and provided an opportunity to express potentials and flexibility. With a comprehensive response to existing challenges, we have created a testing ground for action in various future crisis situations.



Jurica Vuković
IT Director, Solin

In addition, although in production of parts the Company may continue to use tools that it sold to customers, the Company has concluded that its arrangements do not contain a lease because customers control the use of the asset. In particular, customers, by placing orders, determine whether to produce parts using those tools, in what quantity and also the location of parts' production.

4. ADJUSTMENTS AND RECLASSIFICATION OF PRIOR PERIOD

During 2019, the Company carried out an adjustment of the Company's financial statements for the year ended December 31, 2019 as shown in the section below. In accordance with the International Accounting Standard ("IAS") 8 Accounting Policies, changes in accounting estimates and errors, this adjustment is corrected by restating each of the affected financial statement line items for prior period.

Statement of financial position

(in thousands of kunas)

1 January 2019	As previously reported	Correction of error	Reclassification	As restated
Deferred tax asset	1.029	29.091	-	30.120
Investment property	54.676	(16.192)	-	38.484
Other assets	1.275.934	-	-	1.275.934
Total assets	1.331.639	12.899	-	1.344.538
Retained earnings	102.356	12.899	-	115.255
Other capital and reserves	630.797	-	-	630.797
Total capital and reserves	733.153	12.899	-	746.052

(in thousands of kunas)

31 December 2019	As previously reported	Correction of error	Reclassification	As restated
Deferred tax asset	725	19.729	-	20.454
Investment property	54.406	(16.192)	-	38.214
Other assets	1.371.547	-	-	1.371.547
Total assets	1.426.678	3.537	-	1.430.215
Retained earnings	90.146	3.537	-	93.683
Other capital and reserves	681.891	-	-	681.891
Total capital and reserves	772.037	3.537	-	775.574



Statement of other comprehensive income

(in thousands of kunas)

For the year ended 31 December 2019	As previously reported	Correction of error	Reclassification	Restated
Cost of raw material and supplies	(491,305)	-	5,126	(486,179)
Service costs	(66,079)	-	(8,101)	(74,180)
Staff costs	(193,346)	-	3,213	(190,133)
Other operating expenses	(28,212)	-	(1,914)	(30,126)
Provisions for risks and charges, (net)	(2,039)	-	2,039	-
Financial income	49,606	-	(4,676)	44,930
Financial expenses	(13,782)	-	4,266	(9,516)
Impairment of trade receivables, (net)	-	-	47	47
Income tax	(304)	(9,363)	-	(9,667)
Other	835,607	-	-	835,607
Profit for the period	90,146	(9,363)	-	80,783
Comprehensive income for the period	90,146	(9,363)	-	80,783

The Company was entitled to a tax incentive on 31 December 2012 on the basis of realized investments in plants and equipment and the fulfilment of the set conditions in accordance with the Investment Act. The Company has achieved tax advantages which are used to reduce corporate tax liabilities in future periods that have not been reported as deferred tax assets on that date. The change in financial data was recorded in the statement of financial position and the statement of changes in equity on 1 January 2019 and the statement of comprehensive income for 2019.

According to IAS 36 "Impairment of assets" the Company tested the investment property for impairment by comparing the carrying value of the asset with its recoverable amount. On investment property, the recoverable amount was lower than the carrying value at 1 January 2019 and the Company, in accordance with IAS 36, accounted the impairment loss.

Recoverable amount was determined based on fair value assessment. As a result of this test, the Company identified impairment that should have been recognised at the opening balance of the corresponding period.

The Company adjusted comparative data by adjusting individual financial statement entries for previous periods. Adjustments did not result in changes in the total statement of cash flows from operating, investment and financial activities.

Below is an explanation of prior period adjustments which are shown in other comprehensive income statement. Reclassifications are made to reflect more precisely the nature of the cost in the category in which they are located.

Costs of raw materials and supplies in prior period decreased by HRK 5,126 thousand, this adjustment is result of reclassification of the equipment cleaning service cost (HRK 1,904 thousand) and the cost of making tools, devices in own consumption (HRK 3,222 thousand) from the category "Other costs of raw materials and supplies" to „Service costs" / "Other operating expenses".

Service costs in prior period increased by HRK 8,101 thousand, this adjustment is result of reclassification of the equipment cleaning service cost (HRK 1,904 thousand). Further, two positions from „Other operating expenses" have been reclassified; intellectual services (HRK 5,624 thousand) and laboratory test cost (HRK 573 thousand) to „Service costs".

Staff costs in prior period decreased by HRK 3,213 thousand. Business trips cost (HRK 5,869 thousand) is reclassified from the category "Other staff costs" to "Other operating expenses". Furthermore, the cost of assistance to employees and compensation for non-employment of disabled persons (HRK 617 thousand) is reclassified from "Other operating expenses" to "Other staff costs". Also, within „Staff costs“ Company stated employees provisions (HRK 2,039 thousand), in prior period they were stated within „Provisions for risks and charges“.

Other operating expenses in prior period increased by HRK 1,914 thousand. Business trips cost (HRK 5,869 thousand) is reclassified from the category "Staff costs" to "Other operating expenses". Furthermore, the cost of assistance to employees and compensation for non-employment of disabled persons (HRK 617 thousand) is reclassified from "Other operating expenses" to "Staff costs". Loans impairment regrading IFRS 9 (HRK 410 thousand kn) has been reclassified from category „Other operating expenses“ to „Financial expenses“. Impairment of trade receivables, (HRK 47 thousand, net) have been reclassified from „Other operating expenses“ to separate category within income statement „Impairment of trade receivables, net“.

Provisions for risks and charges in prior period decreased by HRK 2,039 thousand. Employees provisions (HRK 2,039 thousand) are stated within „Staff costs“, in prior period they were stated within „Provisions for risks and charges“.

Financial income/expenses in prior period decreased/increased by HRK 4,676 thousand. This difference is due to the presentation of exchange rate differences on a net basis.

Within the statement of cash flows of the prior period, the Company reclassified HRK 2,701 thousand government incentives from cash flows from investing activities to cash flows generated by operating activities.

5. SALES

(in thousands of kunas)

	2020	2019
Foreign sales	834,369	1,072,443
Domestic sales	9,878	12,675
	844,247	1,085,118

Sales segmentation by country:

(in thousands of kunas)

	2020	2019
Slovenia	405,116	505,095
Romania	112,246	80,072
France	108,424	244,087
Germany	42,975	83,984
Spain	39,032	21,950
Russia	36,410	42,029
Italy	34,605	37,337
Serbia	25,108	32,828
Other	40,331	37,736
	844,247	1,085,118

Sales segmentation by type is shown below:

(in thousands of kunas)

	2020	2019
Car parts sales	724,216	824,504
Merchandise	70,238	96,436
Revenue from tools	25,050	134,779
Licence fees	15,145	19,536
Engineering services revenue	9,598	9,863
	844,247	1,085,118

Revenues from merchandise consist of revenues from the sale of material and the sale of car parts that are not own production.

6. OTHER INCOME

(in thousands of kunas)

	2020	2019
Gain on disposal of investment property	11,396	-
Rental income and income from the sale of services to tenants	3,765	3,786
Income from consumption of own products and services	2,551	3,315
Income from maintaining safety stock	2,350	372
Cardboard packaging income	1,389	3,790
Gain from sale of property, plant and equipment and intangible assets	1,313	4,037
Income from damages and insurance	1,217	378
Other operating income	3,432	6,798
	27,413	22,476

7. COST OF RAW MATERIAL AND SUPPLIES

(in thousands of kunas)

	2020	2019 (Restated)
Direct materials	371,111	445,007
Electricity	18,841	18,901
Other raw material and supplies	14,116	22,271
	404,068	486,179

8. COST OF GOODS SOLD

(in thousands of kunas)

	2020	2019
Cost of merchandise	67,655	90,155
Cost of tools sold	21,083	113,336
Re-export costs	1,148	2,618
Other costs of goods sold	350	418
	90,236	206,527

9. SERVICE COSTS

(in thousands of kunas)

	2020	2019 (Restated)
Transport	30,750	39,387
Maintenance costs	6,398	5,628
Intellectual service cost	4,776	5,624
Software licenses	4,305	3,696
Royalty fees	3,928	3,649
Rental costs	3,364	3,713
Security and fire services	1,997	1,746
Communal fee	1,824	1,710
Engineering services costs	1,399	1,626
Telephone, cell phone, internet costs	1,166	1,153
Marketing	1,002	1,052
Water	935	1,189
Other service costs	4,388	4,007
	66,232	74,180

The total amount of calculated fees for the audit of consolidated and non-consolidated financial statements for 2020 amounts to HRK 663,247.

10. STAFF COSTS

(in thousands of kunas)

	2020	2019 (Restated)
Net wages and salaries	95,426	105,630
Taxes and contributions on and out of salaries	54,208	63,196
Other staff costs	16,127	19,268
Provisions for employees bonuses, net (Note 32)	2,010	-
Provisions for termination benefits, net (Note 32)	359	-
Provisions for unused vacation days, net (Note 32)	-	1,821
Provisions for jubilee awards, net (Note 32)	-	218
	168,130	190,133

Other staff costs comprise jubilee awards, bonuses, termination benefits, commuting costs, meal allowance, cost of student service and other business-related costs. Company included decrease of provision for unused vacation days in amount of HRK 3,982 thousand as cost reduction within category "Other staff cost". During lockdown period employees have used vacation days. Further, within "Other staff cost" decrease of provision for jubilee awards is shown in amount of HRK 18 thousand.

In prior period, reversal of provisions for termination benefits (HRK 1,908 thousand) is stated as „Other staff cost“ reduction. Total staff costs is decreased by state subsidies for employment preservation in 2020 in amount of HRK 18,993 thousand.

11. DEPRECIATION AND AMORTISATION

(in thousands of kunas)

	2020	2019
Depreciation of property, plant and equipment (Note 19)	40,781	32,187
Amortisation of intangible assets (Note 18)	23,430	26,198
Depreciation of right of use assets (IFRS 16; Note 20)	7,565	7,542
Depreciation of investment property (Note 21)	587	785
	72,363	66,712



12. OTHER OPERATING EXPENSES

(in thousands of kunas)

	2020	2019 (Restated)
Customer complaints	5,249	4,497
Cost of unusable inventories and inventory shortage costs	3,264	3,145
Capitalised development cost write-off	2,931	1,040
Membership fees, contributions, municipal utility fees	2,556	1,824
Cost of own consumption and goods provided free of charge	2,369	3,414
Business trips	1,646	5,869
Withholding tax	1,440	242
Insurance premiums	1,231	1,442
Safety at work and health services	650	122
Gifts, donations and sponsorships	575	482
Damages reimbursement	539	139
Professional training costs	441	1,267
Entertainment/representation costs	364	792
Supervisory Board fees	363	265
Other expenses	3,133	5,586
	26,751	30,126

The Company has no given advances and credits granted to the members of the administrative, managerial and supervisory bodies.

13. PROVISIONS FOR RISKS AND CHARGES

(in thousands of kunas)

	2020	2019 (Restated)
Provisions for warranties (Note 32)	998	-
Provision for possible litigation losses (Note 32)	667	-
	1,665	-

14. FINANCIAL INCOME

(in thousands of kunas)

	2020	2019 (Restated)
Dividend income from associate	40,525	40,376
Interest income	3,542	4,242
Income from forward contracts	-	312
	44,067	44,930

15. FINANCIAL EXPENSES

(in thousands of kunas)

	2020	2019 (Restated)
Interest expense	6,991	8,732
Loans impairment (IFRS 9)	3,226	410
Foreign exchange losses, net	2,084	33
Interest expense on lease liabilities	216	341
	12,517	9,516

16. INCOME TAX

Income tax comprises the following:

(in thousands of kunas)

	2020	2019 (Restated)
Deferred tax	(8,948)	(9,667)
	(8,948)	(9,667)

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

(in thousands of kunas)

	2020	2019 (Restated)
Balance at 1 January	20,453	30,120
Increase of deferred tax assets	786	725
Usage of deferred tax assets	(4,946)	(9,363)
Reversal recognition of deferred tax assets	(4,788)	(1,029)
Balance at 31 December	11,505	20,453

(in thousands of kunas)

2020	Opening balance	(Charged) / credited to statement of comprehensive income, net	Closing balance
<i>Temporary differences:</i>			
Provisions for jubilee service and termination benefits	725	61	786
Impairment of investment property	2,914	-	2,914
<i>Tax benefits:</i>			
Provisions for MINGO/Goverment benefits	16,814	(9,009)	7,805
Balance at 31 December	20,453	(8,948)	11,505

(in thousands of kunas)

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
Impairment of investment property	2,914	-	2,914
<i>Tax benefits:</i>			
Provisions for tax relief under the Investment Incentive Law	26,177	(9,363)	16,814
Balance at 31 December	30,120	(9,667)	20,453

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

(in thousands of kunas)

	2020	2019
Accounting profit before tax	77,580	90,450
Tax at the rate of 18%	13,964	16,281
Non-deductible expenses	4,454	1,132
Tax exempt revenues	(7,909)	(7,746)
Non-taxable incentives for jobs preservations	(5,624)	-
Write-off of deferred tax assets	4,063	-
Profit tax expense	8,948	9,667
Effective tax rate	11.53%	10.69%

The net amount of temporary differences for which deferred tax is not recognized in the Statement of financial position is HRK 7,241 thousand, and they relate to impairment of inventories, impairment of receivables in accordance with IFRS 9, accrued bonuses to employees and impairment of investments in the subsidiary company - Kaluga. Temporary differences based on impairment of inventories and accrued bonuses to employees, upon fulfillment of legal requirements, will be deducted from profit tax in 2021.

The effective income tax rate in Republic of Croatia in year 2020 was 18% the same as it was for the year 2019.

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 2020.

17. EARNINGS PER SHARE

Basic earnings per share are determined by dividing the Company's net profit by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares redeemed and held by the Company as treasury shares. 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.

	2020	2019 (Restated)
Net profit (in thousands of kunas)	68,633	80,783
Weighted average number of shares	4,130,526	4,131,123
Basic and diluted earning per share (in kunas and lipas)	16.62	19.55

	2020	2019 (Restated)
Issued ordinary shares at 1 January	4,199,584	4,199,584
Effect of treasury shares held	(69,058)	(71,002)
Effect of treasury shares disposed of	-	2,541
Weighted-average number of ordinary shares at 31 December	4,130,526	4,131,123



18. INTANGIBLE ASSETS

(in thousands of kunas)

	Software	Projects	Other intangible assets	Intangible assets under development	Total
Cost					
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 Offs	-	(1,768)	-	-	(1,768)
Balance at 31 December 2019	10,683	229,722	5,611	24,919	270,935
Additions	-	-	-	14,412	14,412
Transfer from assets under development	1,497	14,321	-	(15,818)	-
Disposals	-	(1,700)	-	-	(1,700)
Retirements/Write Offs	-	(18,547)	-	(424)	(18,971)
Balance at 31 December 2020	12,180	223,796	5,611	23,089	264,676
Accumulated amortisation					
Balance at 31 December 2018	6,864	154,807	7	-	161,678
Charge for the year (Note 11)	2,028	23,492	678	-	26,198
Disposals	-	(303)	-	-	(303)
Retirements	-	(728)	-	-	(728)
Balance at 31 December 2019	8,892	177,268	685	-	186,845
Charge for the year (Note 11)	1,400	20,908	1,122	-	23,430
Disposals	-	(38)	-	-	(38)
Retirements/Write Offs	-	(16,040)	-	-	(16,040)
Balance at 31 December 2020	10,292	182,098	1,807	-	194,197
Net book value					
At 31 December 2019	1,791	52,454	4,926	24,919	84,090
At 31 December 2020	1,888	41,698	3,804	23,089	70,479

Projects comprise of 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.

Intangible assets under development mostly consists of capitalised development cost of new products. In intangible assets in preparation in 2020, the cost of net salaries and wages of HRK 3,906,835, the cost of taxes and contributions from salaries of HRK 1,428,344, and the cost of contributions to salaries of HRK 793,997 were capitalized.

19. PROPERTY, PLANT AND EQUIPMENT

(in thousands of kunas)

	Land	Buildings	Plant and equipment	Assets under development	Total
Cost					
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 21)	(12)	(503)	-	-	(515)
Balance at 31 December 2019	130,284	250,838	548,874	17,700	947,696
Additions	-	-	-	28,486	28,486
Transfer from assets under development	194	4,157	37,000	(41,351)	-
Disposals	-	-	(4,394)	-	(4,394)
Retirements/Write Offs	-	-	(6,837)	-	(6,837)
Transfer from investment property (Note 21)	262	2,821	-	-	3,083
Balance at 31 December 2020	130,740	257,816	574,643	4,835	968,034
Accumulated depreciation					
Balance at 31 December 2018	-	69,922	280,566	-	350,488
Charge for the year (Note 11)	-	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
Charge for the year (Note 11)	-	3,798	36,983	-	40,781
Disposals	-	-	(3,205)	-	(3,205)
Retirements/Write Offs	-	-	(6,786)	-	(6,786)
Transfer from investment property (Note 21)	-	907	-	-	907
Balance at 31 December 2020	-	78,137	331,404	-	409,541
Net book value					
At 31 December 2019	130,284	177,406	244,462	17,700	569,852
At 31 December 2020	130,740	179,679	243,239	4,835	558,493

From assets mentioned in Note 19 Property, plant and equipment and in Note 21 Investment property, pledged assets are lands with book value on the date of 31.12.2020 of (in thousand HRK) 141,791 (31.12.2019: 130,284), buildings 188,061 (31.12.2019: 160,928) and plant and equipment 70,334 (31.12.2019: 51,664). The metion assets include investment property, land in the net book value of 11,245 and buildings in the net book value of 11,571 (in thousand HRK).

20. RIGHT OF USE ASSET

(in thousands of kunas)

	Buildings	Plant 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
Additions	1,208	1,030	2,238
Lease modification, net	(565)	(1,701)	(2,266)
Balance at 31 December 2020	16,107	5,123	21,230
Accumulated depreciation			
Balance at 1 January 2019	-	-	-
Charge for the year (Note 11)	5,226	2,316	7,542
Balance at 31 December 2019	5,226	2,316	7,542
Charge for the year (Note 11)	5,797	1,768	7,565
Lease modification	(454)	-	(454)
Balance at 31 December 2020	10,569	4,084	14,653
Net book value			
At 31 December 2019	10,238	3,478	13,716
At 31 December 2020	5,538	1,039	6,577

Amounts recognised in profit and loss

(in thousands of kunas)

	2020	2019
Depreciation expense on right of use assets	7,565	7,542
Interest expense on lease liabilities	216	341
Expense relating to short-term leases	1,426	1,940
Expense relating to leases of low value	1,011	1,228
Expenses relating to variable lease payments not included in the measurement of lease liability	927	545
	11,145	11,596

In accordance with IFRS 16, Company has classified leases for buildings and plant and equipment as "Right of use asset". Within the category "Buildings", the leases of office buildings and warehouses used by the Company in business are positioned. The "Plant and equipment" category includes concluded car and forklift rental agreements.

21. INVESTMENT PROPERTY

(in thousands of kunas)

	Land	Buildings	Total
Cost			
Balance at 31 December 2018 (Restated)	16,785	33,157	49,942
Transferred from property, plant and equipment (Note 19)	12	503	515
Balance at 31 December 2019 (Restated)	16,797	33,660	50,457
Value increase of investment property	-	22	22
Transferred to property, plant and equipment (Note 19)	(262)	(2,821)	(3,083)
Disposal	(5,290)	(14,303)	(19,593)
Balance at 31 December 2020	11,245	16,558	27,803
Accumulated depreciation			
Balance at 31 December 2018 (Restated)	-	11,458	11,458
Charge for the year (Note 11)	-	785	785
Balance at 31 December 2019 (Restated)	-	12,243	12,243
Charge for the year (Note 11)	-	587	587
Transferred to property, plant and equipment (Note 19)	-	(907)	(907)
Disposal	-	(6,936)	(6,936)
Balance at 31 December 2020	-	4,987	4,987
Net book value			
Balance at 31 December 2019	16,797	21,417	38,214
Balance at 31 December 2020	11,245	11,571	22,816

Income from the rental of the building in 2020 amounts to HRK 2,034 thousand (2019: HRK 2,316 thousand), and the depreciation charge for the year 2020 amounts to HRK 587 thousand (2019: HRK 785 thousand).

At December 31 2020 the carrying amount approximates fair value while on December 31 2019 fair value was higher than carrying amount by HRK 11,396 thousand.

22. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Set out below are details of the Company's subsidiaries at the end of the reporting period:

(in thousands of kunas)

Name of subsidiary	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment	
			31.12.2020	31.12.2019	31.12.2020	31.12.2019
AD Plastik Tisza Kft.	Manufacture of other vehicle spare parts and accessories	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%	36,504	36,504
ADP d.o.o.	Manufacture of other vehicle spare parts and accessories	Mladenovac, Serbia	100,00%	100,00%	15,013	15,013
AO AD Plastik Togliatti	Manufacture of other vehicle spare parts and accessories	Samara, Russian Federation	100,00%	100,00%	5,078	5,078
AD PLASTIK d.o.o.	Manufacture of other vehicle spare parts and accessories	Novo Mesto, Slovenia	100,00%	100,00%	58	58
					127,612	127,612

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:

(in thousands of kunas)

Name of associate	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment	
			31.12.2020	31.12.2019	31.12.2020	31.12.2019
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	149,367

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. Detailed information on financial position is disclosed in the section Business; Financial results 2020 of this integrated annual report.



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

(in thousands of kunas)

AD PLASTIK d.o.o., Novo Mesto, Slovenia	31.12.2020	31.12.2019
Current assets	3,584	3,608
Fixed assets	-	1
Total assets	3,584	3,609
Short-term liabilities	(148)	(147)
Long-term liabilities and provisions	-	-
Total Liabilities	(148)	(147)
Net assets	3,436	3,461

(in thousands of kunas)

AO AD Plastik Togliatti / Samara, Russian Federation	31.12.2020	31.12.2019
Current assets	79,523	77,393
Fixed assets	48,816	58,229
Total assets	128,339	135,622
Short-term liabilities	(81,034)	(56,573)
Long-term liabilities and provisions	(7,399)	(29,744)
Total Liabilities	(88,433)	(86,318)
Net assets	39,906	49,304

(in thousands of kunas)

ZAO AD Plastik Kaluga, Kaluga, Russian Federation	31.12.2020	31.12.2019
Current assets	49,504	66,784
Fixed assets	57,985	73,409
Total assets	107,489	140,192
Short-term liabilities	(25,561)	(40,763)
Long-term liabilities and provisions	(82,151)	(83,647)
Total Liabilities	(107,712)	(124,409)
Net assets	(223)	15,783

(in thousands of kunas)

ADP d.o.o, Mladenovac, Serbia	31.12.2020	31.12.2019
Current assets	28,057	23,142
Fixed assets	55,856	56,171
Total assets	83,913	79,313
Short-term liabilities	(49,446)	(35,945)
Long-term liabilities and provisions	(22,346)	(30,718)
Total Liabilities	(71,792)	(66,663)
Net assets	12,121	12,650

(in thousands of kunas)

AD Plastik Tisza Kft., Hungary	31.12.2020	31.12.2019
Current assets	40,404	64,060
Fixed assets	52,216	59,448
Total assets	92,620	123,508
Short-term liabilities	(30,989)	(59,554)
Long-term liabilities and provisions	(34,579)	(28,298)
Total Liabilities	(65,568)	(87,852)
Net assets	27,052	35,657

23. OTHER FINANCIAL ASSETS

(in thousands of kunas)

	31.12.2020	31.12.2019
Long-term loans to subsidiaries	115,295	101,725
Other financial assets	62	62
Impairment of given loans	(4,496)	(1,046)
Current portion of long-term loan receivables (Note 28)	(12,813)	(12,652)
	98,048	88,089

Long-term investment loans were granted to the subsidiaries with maturities from one to seven years and an interest rate of 3.00%. During the 2019 loans were granted with the interest rate of 3.42 %.

24. LONG-TERM RECEIVABLES

(in thousands of kunas)

	31.12.2020	31.12.2019
ADP d.o.o. Mladenovac, Serbia	18,574	-
AO AD Plastik Togliatti, Russia	-	14,820
ZAO AD Plastik Kaluga, Russia	-	2,993
	18,574	17,813

25. INVENTORIES

(in thousands of kunas)

	31.12.2020	31.12.2019
Raw material and supplies on stock	49,071	56,596
Finished products	18,460	13,629
Tools	18,216	3,335
Work in progress	6,474	7,905
Prepayments for tools	5,017	11,897
Merchandise on stock	3,151	3,628
	100,389	96,990

The amount of inventories recognised as an expense during the 2020 was 658,917 thousand HRK (in the 2019 the expense was 868,925 thousand HRK).

Total inventory write – off was 3,223 thousand HRK in 2020 (in 2019 it was 3,056 thousand HRK). The inventories were deemed as obsolete. The inventory write – off is located in note 12 – Other operating expenses, line „Cost of unusable inventories and inventory shortage costs“.

26. TRADE RECEIVABLES

(in thousands of kunas)

	31.12.2020	31.12.2019
Foreign trade receivables (unrelated companies)	190,926	176,394
Foreign trade receivables (intra group)	25,764	51,640
Domestic trade receivables	5,994	6,008
Foreign trade receivables (associates)	4,379	4,030
Impairment allowance on receivables	(1,390)	(1,385)
	225,673	236,687

The average credit period on sales is 98 days (2019: 74 days).

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

(in thousands of kunas)

	2020	2019
Balance at beginning of the year	1,385	1,215
Collected amounts reversed	(95)	-
Movements based on IFRS 9 expected credit losses calculation for year end	100	170
	1,390	1,385

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

(in thousands of kunas)

	31.12.2020	31.12.2019
0 - 90 days past due	20,429	36,998
91 - 180 days past due	7,475	13,313
180 - 365 days past due	2,441	9,681
Over 365 days past due	1,146	12,358
Not due	194,182	164,337
	225,673	236,687

The majority of the receivables past due beyond 365 days comprise amounts owed by the subsidiaries.

At December 31 2020, the carrying amount of the receivables from companies in the same group was HRK 68,931 thousand (2019: 22,543 thousand).

27. OTHER RECEIVABLES

(in thousands of kunas)

	31.12.2020	31.12.2019
Receivables from the State and State institutions	12,570	13,970
Foreign prepayments made	1,516	827
Domestic prepayments made	813	897
Other receivables	10	2
Amounts due from employees	3	27
	14,912	15,723

Amounts due from the State and State institutions comprise from these receivables:

(in thousands of kunas)

	31.12.2020	31.12.2019
VAT refund receivables	9,382	12,281
State support for job preservation	2,295	-
Receivables for sick leave	514	506
State support - EU project	276	1,168
Other State receivables	103	15
	12,570	13,970

28. CURRENT FINANCIAL ASSETS

(in thousands of kunas)

	31.12.2020	31.12.2019
Current portion of long-term loan receivables (Note 23)	12,813	12,652
Interest receivables	10,711	9,698
Receivables for given warranty	897	-
Forward contract	-	312
	24,421	22,662

Interest receivables mostly relate to loans given to subsidiaries.

29. CASH AND CASH EQUIVALENTS

(in thousands of kunas)

	31.12.2020	31.12.2019
Foreign account balance	33,689	8,229
Current account balance	1,966	41
Cash in hand	14	28
	35,669	8,298

30. PREPAID EXPENSES AND ACCRUED INCOME

(in thousands of kunas)

	31.12.2020	31.12.2019
Accrued income on tools	11,424	58,280
Other accrued income	8,596	9,057
Prepaid operating expenses	674	923
	20,694	68,260

Accrued income presented within this note are trade receivables, as they give right to collect payment from customer, but were not invoiced at the balance sheet date.

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 per share (2019: HRK 419,958 thousand, comprising 4,199,584 shares, with a nominal value of HRK 100 each).

Capital reserves are the differences between the nominal and selling values of a share.

General and legal reserves consist of legal reserves up to 5% of the amount of share capital (defined by the Croatian Company law), and of unwritten development costs. Under Croatian Accounting Law, Article 19, Paragraph 14, AD Plastik d.d. has made provisions for not written - off development costs stated in Assets. The provision was made with the transfer from Retained earnings to the position of General and legal reserves of Company's equity. Amount of provisions at least amounts capitalised development costs stated in Assets at the end of previous year.

Own treasury shares refers to treasury shares of the Company. The company owns 69,058 treasury shares on 31.12.2020.

Retained earnings consists of retained earnings, profit for the year and all the transfers from retained earnings (dividend payments, transfer to reserves).

On 24 August 2020, the General Assembly made the Decision on the use of profit for 2019, according to which the profit is partly used for the payment of dividends in the amount of four kuna per share, which was paid in advance in accordance with the decision of the Management Board February 27, 2020. Prior to the issuance of financial statements for 2020 (and after the end of the financial year), a decision was made on the payment of dividends from retained earnings in 2019 in the amount of HRK 8 per share (during 2019, a decision was made on the payment of dividends from retained earnings in 2018 in the amount of HRK 12.50 per share).

32. LONG-TERM AND SHORT-TERM PROVISIONS

(in thousands of kunas)

	Short-term		Long-term	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Vacation accrual	2,025	6,007	-	-
Employee bonuses	8,000	5,990	-	-
Termination benefits	199	91	2,289	2,038
Jubilee awards (long-service benefits)	183	293	1,696	1,604
Legal cases	1,275	599	-	-
Risks within the warranty period	998	-	-	-
	12,680	12,980	3,985	3,642

Movement in provisions was as follows:

(in thousands of kunas)

	Jubilee Awards	Retirement/termination benefits	Legal Cases	Vacation Accrual	Employee Bonuses	Risks within the warranty period	Total
Balance at 1 January 2020	1,897	2,129	599	6,007	5,990	-	16,622
Increase/(decrease) in provisions,net	(18)	359	676	(3,982)	2,010	998	43
Balance at 31 December 2020	1,879	2,488	1,275	2,025	8,000	998	16,665

(in thousands of kunas)

	Jubilee Awards	Retirement/termination benefits	Legal Cases	Vacation Accrual	Employee Bonuses	Risks within the warranty period	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

According to the collective agreement, the Company has the obligation to pay long-service (jubilee awards), termination benefit upon regular retirement and other benefits to employees. Long-service benefits (jubilee awards and termination benefit upon regular retirement) 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 termination benefits upon regular 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.

For employees of the Company, legal contributions for pension insurance are paid. Legal contributions form the basis for pensions paid by the Croatian Pension Fund to Croatian employees after their retirement.

Key assumptions used in calculating the required provisions in 2020 are the discount rate of 1.86 % and the fluctuation rate of 10.12 %. Discount rate of 2.49% and the fluctuation rate of 9.96% were used in calculation of the required provisions in the year of 2019. Fluctuation rate is based on average fluctuation of employees in the last 5 years. The data regarding the mortality is used from the „Life tables for the Republic of Croatia, 2010 – 2012“ published by Central Bureau of Statistics of the Republic of Croatia.



33. LONG – TERM BORROWINGS AND DEPOSITS

(in thousands of kunas)

	31.12.2020	31.12.2019
Long-term borrowings	213,214	278,821
Long-term commodity credits provided by suppliers	-	843
Liabilities for received deposits	185	600
	213,399	280,264
Current portion of long-term borrowings (Note 37)	(73,788)	(102,920)
Total long-term borrowings	139,611	177,344

Long-term borrowings are used to finance capital investments and development projects. Instruments of collateral provided for the long-term loans include mortgage on real estate and/or equipment (Note 19) and payment instruments. Majority of the long-term loans are repayable on a quarterly basis.

In 2020, the weighted average interest rate on the long-term loans was 1.68% (in the 2019 the 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.

From total long term borrowings and deposits in amount of HRK 139,611 thousand at 31.12.2020, HRK 10,859 thousand refers to loans and deposits denominated in HRK currency while HRK 128,752 thousand refers to loans denominated in EUR.

From total long term borrowings and deposits in amount of HRK 177,344 thousand at 31.12.2019, HRK 22,434 thousand refers to loans and deposits denominated in HRK currency while HRK 154,910 thousand refers to loans denominated in EUR.

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

(in thousands of kunas)

	2020	2019
Balance at 1 January	177,344	206,328
New loans raised	-	42,233
Decrease for the realization of received deposits	(415)	-
Foreign exchange differences	1,885	479
Transfer on the short-term part of long-term loans (Note 37)	(39,203)	(71,696)
Total long-term borrowings	139,611	177,344

34. LEASE LIABILITIES – IFRS 16

(in thousands of kunas)

	2020	2019
Balance at 1 January	13,853	20,478
Additions	2,239	780
Lease modifications, net	(1,819)	-
Interest expense on lease liabilities	216	341
Principal paid	(7,497)	(7,405)
Interest paid	(216)	(341)
	6,776	13,853
Long-term liabilities	3,164	6,840
Short-term liabilities	3,612	7,013

35. ADVANCES RECEIVED

(in thousands of kunas)

	31.12.2020	31.12.2019
Foreign customers	6,798	20,717
	6,798	20,717

36. TRADE PAYABLES

(in thousands of kunas)

	31.12.2020	31.12.2019
Foreign trade payables	95,910	149,153
Domestic trade payables	36,510	45,921
	132,420	195,074

In 2020, the average days payables outstanding was 86 (2019: 86 days).

“The pandemic that marked the past year has focused our activities and energy on two key goals - employee health and delivery of orders to customers. We succeeded thanks to the energy and commitment of the whole team and that is our strength.



Josip Vulić
Director of the Production Site Solin

37. SHORT – TERM BORROWINGS

(in thousands of kunas)

	31.12.2020	31.12.2019
Short-term borrowings – principal payable	116,822	105,587
Current portion of long-term borrowings (Note 33)	73,788	102,920
Short-term borrowings – interest payable	532	479
	191,142	208,986

From total short term borrowings in amount of HRK 191,142 thousand at 31.12.2020, HRK 21,252 thousand refers to loans and deposits denominated in HRK currency while HRK 169,890 thousand refers to loans denominated in EUR.

From total short term borrowings in amount of HRK 208,986 thousand at 31.12.2019, HRK 63,654 thousand refers to loans and deposits denominated in HRK currency while HRK 145,332 thousand refers to loans denominated in EUR.

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.

In 2020, the weighted average interest rate on the short-term loans was 1.27 % (1.53 % in 2019). The Company fulfils all its obligations under the loans regularly.

(in thousands of kunas)

	2020	2019
Balance at 1 January	208,986	126,031
Reclassification from long-term loans (Note 33)	39,203	71,696
New loans raised	52,504	106,322
Interest expenses	6,991	8,732
Exchange rate differences	1,365	(90)
Interest paid	(7,134)	(9,096)
Principal repaid	(110,773)	(94,609)
Balance at 31 December	191,142	208,986

38. OTHER CURRENT LIABILITIES

(in thousands of kunas)

	31.12.2020	31.12.2019
Amounts due to employees	10,445	10,897
Due to the State and State institutions	9,143	6,888
Other current liabilities	91	92
	19,679	17,877

39. ACCRUED EXPENSES

(in thousands of kunas)

	31.12.2020	31.12.2019
Accrued expenses for reimbursement of incentives for job preservation	12,242	-
Other current liabilities	3,677	3,831
Accrued tool expenses	527	337
	16,446	4,168

40. RELATED-PARTY TRANSACTIONS

Related party transaction were as follows:

(in thousands of kunas)

Receivables and payables for goods and services	Receivables		Payables	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
ADP d.o.o., Serbia	22,393	20,918	7,809	6,185
ZAO AD Plastik Kaluga, Russia	9,947	36,758	23	542
AO AD Plastik Togliatti, Russia	11,985	11,774	52	-
Euro APS, Romania	4,379	4,030	-	8
AD Plastik d.o.o., Slovenia	2	-	3,201	3,423
AD Plastik Tisza, Hungary	11	3	154	878
Sankt-Peterburgskaya investicionaya kompaniya	-	-	-	-
	48,717	73,483	11,239	11,036

(in thousands of kunas)

Receivables and payables for loans and interest	Receivables		Payables	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
ZAO AD Plastik Kaluga, Russia	82,645	72,451	-	-
ADP d.o.o., Serbia	24,264	23,827	-	-
AO AD Plastik Togliatti, Russia	14,600	14,059	-	-
Sankt-Peterburgskaya investicionaya kompaniya	-	-	37,850	37,377
	121,509	110,337	37,850	37,377

During the 2020 in its financial statements Company recognized a impairment of receivables based on expected credit losses (all regarding the impairment of given loans) in the amount of HRK 4,496 thousand (by the Companies - ADP doo Mladenovac HRK 808 thousand; AO AD Plastik Togliatti HRK 201 thousand; ZAO ADP Kaluga HRK 3,487 thousand).

During the 2019 in its financial statements Company recognized a impairment of receivables based on expected credit losses in the amount of HRK 1,270 thousand (by the Companies - ADP doo Mladenovac HRK 219 thousand – all regarding the impairment of given loans; AO AD Plastik Togliatti HRK 162 thousand – regarding the impairment of receivables HRK 38 thousand and regarding the impairment of given loans HRK 124 thousand; ZAO AD Plastik Kaluga 889 thousand HRK – regarding the impairment of receivables HRK 186 thousand and regarding the impairment of given loans HRK 703 thousand). Receivables from loans are shown net of impairment of receivables based on expected credit losses.

(in thousands of kunas)

Purchase transactions	Income		Expenses	
	2020	2019	2020	2019
Operating income and expenses				
AO AD Plastik Togliatti, Russia	14,451	20,949	104	-
ZAO AD Plastik Kaluga, Russia	17,373	19,018	224	1,031
ADP d.o.o., Serbia	14,781	15,584	46,379	59,535
EURO APS, Romania	9,401	10,731	-	8
AD Plastik Tisza, Hungary	68	1,203	2,951	5,974
AD Plastik d.o.o., Slovenia	2	1	1,397	2,079
	56,076	67,486	51,055	68,627

(in thousands of kunas)

Financial transactions	Income		Expenses	
	2020	2019	2020	2019
Financial income and expenses				
EURO APS, Romania	40,525	40,370	-	-
ZAO AD Plastik Kaluga, Russia	2,433	2,224	-	-
AO AD Plastik Togliatti, Russia	438	1,191	-	-
ADP d.o.o., Serbia	722	822	-	-
AD Plastik d.o.o., Slovenia	-	-	-	-
AD Plastik Tisza, Hungary	-	-	-	-
Sankt-Peterburgskaya investicionaya kompaniya	-	-	659	649
	44,118	44,607	659	649

Corporate guarantees are disclosed within business section of the Integrated annual report which integral part are those financial statements.

Sankt-Peterburgskaya investicionnaya kompaniya is member of Group in which is also company AO Holding Autokomponenti. Company AO Holding Autokomponenti holds 30% of shares in Company AD Plastik d.d. .

The total remuneration provided to the members of the Supervisory Board, President and members of Management Board and Board Assistants in 2020. amounts to HRK 7,741 thousand (in 2019 HRK 6.490 thousand kunas).

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

41.1. Gearing ratio

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

(in thousands of kunas)

	31.12.2020	31.12.2019 (Restated)
Short-term borrowings (Note 37)	191,142	208,986
Long-term borrowings (Note 33)	139,426	176,744
Cash and cash equivalents (Note 29)	(35,669)	(8,298)
Net debt	294,899	377,432
Equity	827,684	775,574
Net debt-to-equity ratio	35.63%	48.66%

Commodity loans at 31 December 2020 amounted HRK 0 (31 December 2019: HRK 843 thousand) (Note 33). Above referred amounts are included in Company's net debt.

Equity consists of share capital, reserves, reserves for own shares, own shares, retained earnings and profit for the year.

Equity in comparative period is increased by HRK 3,537 thousand compared with amount stated in Integrated annual report for 2019. The difference is result of recognition of deferred tax assets and impairment of investment property. Equity adjustment in 2019. had impact on decrease of net debt-to-equity ratio by 23 bps, from 48.89% to 48.66%.

41.2. Categories of financial instruments

(in thousands of kunas)

	31.12.2020	31.12.2019 (Restated)
Financial assets	422,418	440,906
Trade receivables (Note 26)	225,673	236,687
Given loans and other financial assets (Notes 23, 28)	121,571	110,751
Non-current trade receivables (Note 24)	18,574	17,813
Cash and cash equivalents and deposits (Note 29)	35,669	8,298
Accrued income and other financial assets	20,931	67,357
Financial liabilities	485,086	609,112
Loans and deposits received (Notes 33, 37)	330,754	386,330
Trade, other payables and accruals	147,557	208,929
Lease liabilities (Note 34)	6,775	13,853

Accrued income and other liabilities includes: accrued income, other receivables less receivables from the State and advances given.

Amounts shown under comparative period are different compared with ones stated in Integrated annual report for 2019. Differences can be found under:

- Given loans and other financial assets due adjustment where interest receivables (HRK 9,698 thousand) and forward contract (HRK 312 thousand) were included in total amount
- Accrued income and other liabilities due adjustments on other receivables where advances for tools (HRK 11,897 thousand), advances for services (HRK 1,736 thousand), interest receivables (HRK 9,698 thousand), forward contract (HRK 312 thousand) were deducted from total amount and deferred revenue which meet the definition of financial asset under IAS 32 Financial instruments: Presentation (HRK 67,337 thousand)
- Trade, other payables and accruals due adjustment where received advances were deducted (HRK 20,717 thousand) and accrued tool expenses and other accrued expenses were included in total amount (HRK 3,111 thousand).

Trade, other payables and accruals includes amounts from Statement of financial position: trade payables, lease liabilities, other payables less payables to the State and accrued expenses.

Details of concentration of credit risk are included in Note 26 Trade receivables.

Detailed information on credit risk management are stated under chapter Risks related to business in business of the Integrated annual report which integral part are those financial statements..

The Company limits its exposure to credit risk by granting loans only to subsidiaries thus having control over the timing and the amount of cash flows.

The Company monitors changes in credit risk by continuously monitoring liquidity and financial operations of each subsidiary against key performance indicators such as are debt to equity ratio, working capital and EBITDA.

Lifetime probabilities of default are based on historical data published by Moody`s rating agency for Automotive industry group and are recalibrated based on PD-adjusted for Russian Corporates as published by European Banking Authority. Loss given default (LGD) parameters generally reflect an assumed LGD rate of 68.18%.

The exposure to credit risk for loans given at amortised cost at the reporting date by subsidiary was as follows: (in thousands of kunas)

	31.12.2020	31.12.2019
ZAO AD Plastik Kaluga	81,374	68,230
ADP d.o.o., Mladenovac	21,108	20,844
AO AD Plastik Togliatti	12,813	12,652
	115,295	101,726

An impairment allowance of HRK 4,496 thousand (2019: HRK 1,046 thousand) in respect of loans given at amortised cost was recognised because of the constant prolongation of the repayment by its subsidiaries which is an indicator of a significant increase of credit risk after origination. Collaterals for loans given to subsidiaries are promissory notes.

The increase in the loss allowance during 2020 is attributed to the COVID 19 crisis impacts on the performance of automotive industry resulting in deterioration of liquidity of subsidiaries which required another loan prolongation.

41.3 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	
	2020	2019	2020	2019	2020	2019
EUR	400,074	377,576	396,655	475,027	3,419	(97,451)
CZK	1,017	865	-	-	1,017	865
RON	824	-	-	-	824	-
RUB	-	1,590	-	-	-	1,590
GBP	2	19	5	5	(3)	14
USD	27	106	32	11	(5)	95
	401,944	380,156	396,692	475,043	5,252	(94,887)

Foreign currency sensitivity analysis

On 31 December 2020, if EUR were to appreciate/depreciate by 1% compared to HRK, assuming all other variables remain unchanged, net profit of the Company for 2020. would be HRK 34 thousand higher/lower (2019.: HRK 975 thousand lower/higher), 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.



41.4. 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.

(in thousands of kunas)

2020	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	Carrying amount
Assets								
Non-interest bearing	-	144,916	104,673	32,684	18,574	62	300,909	300,909
Interest bearing	3.00%	373	719	25,887	22,893	85,464	135,336	121,509
		145,289	105,392	58,571	41,467	85,526	436,245	422,418
Liabilities								
Non-interest bearing	-	78,946	61,410	7,336	582	-	148,274	148,274
Interest bearing	1.52%	31,693	22,389	140,664	140,843	2,262	337,851	330,036
Lease liability	2.00%	309	617	2,778	3,215	-	6,919	6,775
		110,948	84,416	150,778	144,640	2,262	493,044	485,085
2019 (Restated)								
Assets								
Non-interest bearing	-	108,017	112,112	92,213	17,813	62	330,217	330,217
Interest bearing	3.42%	87	688	12,506	75,190	37,197	125,668	110,689
		108,104	112,800	104,719	93,003	37,259	455,885	440,906
Liabilities								
Non-interest bearing	-	95,261	102,694	11,453	600	-	210,008	210,008
Interest bearing	1.83%	1,581	21,480	192,207	174,022	10,210	399,500	385,251
Lease liability	2.00%	601	1,202	5,407	6,966	-	14,176	13,853
		97,443	125,376	209,067	181,588	10,210	623,684	609,112

From total interest bearing liabilities in amount of HRK 330,036 thousand at 31.12.2020, HRK 31,924 thousand refers to liabilities denominated in HRK currency while HRK 298,112 thousand refers to liabilities denominated in EUR. From total interest bearing liabilities in amount of HRK 385,251 thousand at 31.12.2019, HRK 85,463 thousand refers to liabilities denominated in HRK currency while HRK 299,788 thousand refers to liabilities denominated in EUR. Lease liabilities are at 31.12.2020 and at 31.12.2019 denominated in HRK in total.

41.5. 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 2020, the carrying amounts of cash, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments match their fair values.

42. EVENTS SUBSEQUENT TO THE REPORTING DATE

After 31 December 2020, there were no events that would have a significant impact on the financial statements for the year 2020, respectively they are not of such significance to the Company to require disclosure in the notes to the financial statements.

43. CONTINGENT LIABILITIES

Based on the Management's estimate, the Company had no material contingent liabilities at 31 December 2020 which would require to be disclosed in the notes to the financial statements. The Company had no capital expenditure commitments contracted at 31 December 2020 which would require to be disclosed in the notes to the financial statements. As at 31 December 2020 there were no material legal actions outstanding against the Company with an expected negative outcome other than those reflected in these separate financial statements.

44. 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 23 April 2021.

For AD Plastik d.d. Solin by:

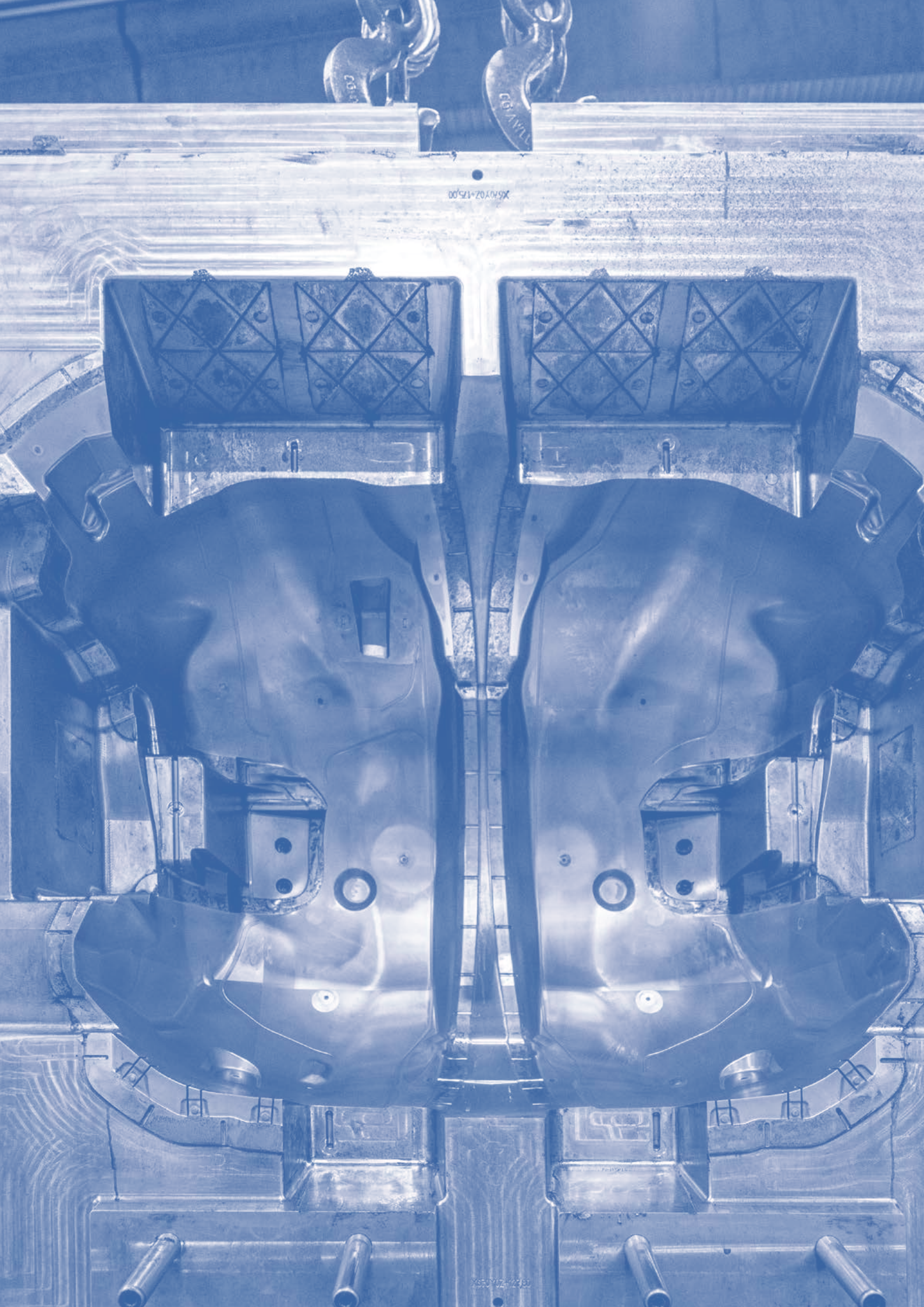
Marinko Došen
President of the
Management Board

Mladen Peroš
Member of
Management Board

Višnja Bijelić
Member of
Management Board

Ivan Čupić
Member of
Management Board





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Your needs. Our drive.

