



2018

INTEGRATED ANNUAL REPORT



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Introduction

This is the second Integrated Annual Report of AD Plastik Group, consisting of Report by Management of the Company, Sustainability Report and annual financial statements as of December 31, 2018. It presents information about the company's business in the past year from financial point of view and in regard to business impact on society and environment.

Our primary goal is to offer all our stakeholders a transparent, detailed and clear insight into the company's comprehensive business with this kind of reporting. We want to provide a better understanding of the industry in which we operate, as well as business opportunities, company's business strategy, corporate culture and increment of its value. Financial results, social, environmental and economic impacts, management, impact of material activities on company results and business risk management are presented in the integrated report in a transparent and thorough way. We believe that through a quality overview of financial and non-financial indicators of the company's business we improve our transparency and contribute to the trust of our stakeholders.

We are the leading company for development and production of interior and exterior automotive components in Croatia and one of the leading companies in Eastern Europe. More than thirty five years of experience, passion and knowledge of our employees incorporated in each product are a guarantee of our quality and reliability. We are a multinational company with eight production sites in five countries and we deliver our products to 24 countries around the world.

Our corporate culture is based on sustainability, promotion of cooperation and recognizing excellence. We ensure a unique value in each segment of our business, constantly increasing quality standards of our products, services and modes of operation.

AD Plastik Group

A brief overview in numbers

2018



12.24%

EBITDA MARGIN



6.76%

NET PROFIT MARGIN



136 mil. €

NEW DEALS SEALED



5

COUNTRIES



8

PRODUCTION SITES



2,876

EMPLOYEES

as of December 31, 2018

HRK 1,321.25 million

OPERATING REVENUE

+21.20%

compared to the
previous year

HRK 161.73 million

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

+2.08%

compared to the
previous year

HRK 89.32 million

NET PROFIT

+27.23%

compared to the
previous year



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03 Annual Financial Statement 2018





Letter from the President of the Management Board

Dear stakeholders,

It is our pleasure to present you the second Integrated Annual Report of AD Plastik Group for 2018. Over the past year we have realized record operating revenue and net profit, thus completing another in a series of very successful business years. Operating revenue of AD Plastik Group in 2018 amounted to more than HRK 1.3 billion and net profit increased by 27.23 percent compared to the previous year.

The dynamics of the industry itself and of the unstoppable changes in the market encourages us to change existing patterns on a daily basis, thus improving our business and management. New materials and technologies, digitalization, robotization, security and quality are the trends of the automotive industry, to which we adapt every day. Finan-

cial results are the most important indicator in the business of every company, but the success of the company is also manifested through qualitative and structured management of social and environmental issues. AD Plastik Group has been achieving a great progress also in that segment, which is confirmed by numerous awards and acknowledgements by professional community.

We base our business on the principles of sustainable development, which we confirm as long-standing signatories of the United Nations Global Compact initiative. The values of our company and a clear strategy of business development and sustainability make us a desirable partner in the community in which we operate, but also in the global market.





Employees as our greatest value are the first priority and we pay special attention to them, that's why we have invested additional funds and made additional efforts in the reporting period in order to improve and develop the working environment. With our responsible behavior and business we ensure our customers delivery of the products that meet the highest quality standards, which is confirmed by new deals we have been sealing. We conduct the most up-to-date policies of responsible management of environmental protection, occupational safety and human potentials at all our production sites. In addition, part of our strategy is to continuously collaborate with the community in which we operate by representing its interests and providing help to projects through sponsoships and donations. We pay special attention to our shareholders and the financial community. Having entered the Prime market, the most demanding market segment of the Zagreb Stock Exchange, we have confirmed success of our corporate governance and business transparency, on which we have been working intensively. We have been continuously improving our business to the satisfaction of all our stakeholders and that is the mission we have undertaken.

Last year was greatly marked by the purchase of the Hungarian company Tisza Automotive, by means of which we have achieved one of our strategic goals for the further development and growth of the company. The process of its integration into the AD Plastik Group's system is still ongoing and will be successfully completed in 2019. Apart from further growth, this acquisition provided us with diversification and expanding our customers portfolio, which were the goals of our long-term strategy. New plant is located in one of the fastest growing markets in the automotive industry, thus we have additionally provided the conditions for organic growth of the production site and Group in whole.

During the reporting period we have successfully been preparing for new projects, most significant part of which will begin with the serial production this year. We had almost eighty active projects, of which serial production has begun regarding twenty five of them. The automotive industry has its own specificities in operating business, thus year 2018 was a project year for us that has successfully introduced us into the period of serial production.

Satisfied with the results achieved, new deals worth EUR 136 million sealed during the observed period give us additional security and stability. Based on new deals and announcements of our customers, we expect an increase in revenue in 2019. We will have significant investments in increasing production capacities at the production sites in Croatia and we will also implement new sub-technologies that will add value to our existing product portfolio.

The year we have successfully entered will be marked by already mentioned beginning of a serial production regarding big projects agreed as well as by further technological advancements. We contribute to the goals of sustainable development of the automotive industry on a daily basis through constant research and development of materials and technologies. Corporate social responsibility is undoubtedly our choice and the satisfaction of all stakeholders is our everyday mission.

Marinko Došen

President of the Management Board





The automotive industry

We live in a challenging period of conceptual changes in mobility, which directly affects the automotive industry. Electric and autonomous vehicles as well as car sharing are the trends that have been occupying their positions in the automotive world slowly but surely.

Within a short space of time, the automotive industry will experience a revolutionary breakthrough regarding design, environmental impact, power supply, management, vehicle connectivity with other systems, usage and ownership. End vehicle users have been eagerly awaiting technological improvements that will enable them to try and configure personalized vehicles according to their wishes and needs, namely in virtual salons. Therefore, assessments that the automotive industry will make a bigger breakthrough in the next ten years than it had made in the past fifty are not surprising.

Thus, significant reduction in the cycle of duration of new car models from the beginning of their serial production to the redesign phase has been predicted, namely from current five to two-three years. That is the only way to make it possible to keep up with the technological changes. At the same time, it is predicted that major part of the population, especially millennials, will not want to own a car, but instead will pay for its use by subscription or they will use vehicles when needed.

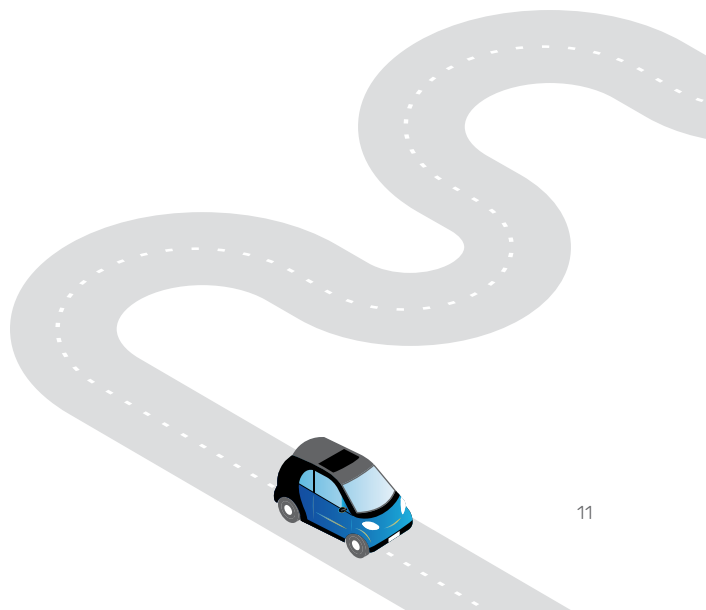
Car manufacturers, and therefore their suppliers will need a higher level of process automation and significant investments in research, development and new technologies in order to meet the expectations. It is really difficult to say how fast and to what extent these trends will take roots and will they be replaced by some new ones in the meantime.

The high level of vehicle personalization is becoming a reality for sure. This applies in particular to vehicle interiors which will be transformed into a multifunctional, digitized space, designed and formed in order to meet the needs and tastes of a large number of users. Thanks to new technologies, materials, automation and digitization, the most sophisticated needs and wishes of end users will be met. Standard vehicle interiors will slowly become history and the seats will change shape, they will be safer and more comfortable, central con-

sole will be a central control room or a work desk, if necessary. Solutions for additional hidden compartments have been developed in order to increase the „living“ space in the vehicle interior.

The plastic components share in the cars of the future will grow without a doubt regardless of a drive unit they use – diesel or petrol engine, electric motor or hybrid, biodiesel or hydrogen. First and foremost due to the shaping of materials, vehicle weight reduction and CO₂ emissions, ease of maintenance, wear resistance, multiple decorating and personalization options, transport and recycling costs, technically and technologically advanced polymer materials will be the basis for a major part of interior and exterior components of vehicles in the future.

For AD Plastik Group, this is an opportunity for further business improvement, progress and development. Namely with our knowledge, experience and existing resources we can offer developmental-production solutions regarding components that will meet the needs of our customers, but also of the end vehicle users. Following the trends and dynamics of market changes, we will readily accept new challenges brought by the development of the automotive industry. We have been focusing our development activities on the research and development of new materials and products with the aim of reducing vehicle weight, better safety and environmental protection.



The most important events in 2018

New acquisition

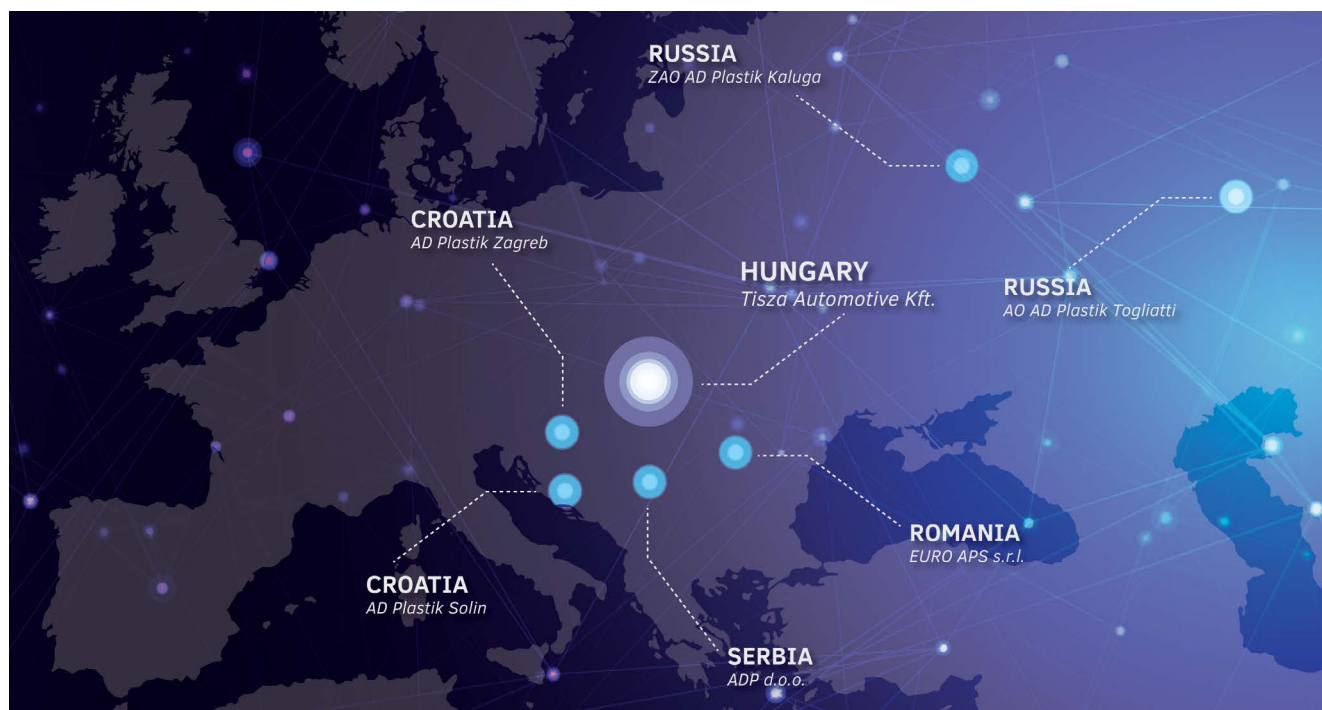
Ad Plastik Group became 100% owner of Hungarian company Tisza Automotive, thus achieving key goals of its business strategy and medium-term development plan. This acquisition will ensure further growth of AD Plastik Group and expansion of customer portfolio.

„We have been discussing and announcing potential acquisitions for a long time as a part of our business strategy. Central and Eastern Europe are the fastest growing markets in the automotive industry so Tisza Automotive was a logical choice. Their geographical position is very good compared to car

manufacturers in that part of Europe, they have experience in the automotive industry and a good customer portfolio and they use and develop the same technologies as we do. After a due diligence, we recognized their further development and growth potential and the positive effects of taking over. With this acquisition, we expand our customer portfolio and create good prerequisites for achieving planned growth of the Group,” said President of the Management Board **Marinko Došen**.

Tisza Automotive is a plastic components manufacturer with more than 15

years of experience in the automotive industry. It is a leading supplier of Suzuki factory in Hungary and, apart from Suzuki, its most important customers are Bentley and Volkswagen, for which the company is a first level supplier. Company has more than 400 employees and the land of production halls, warehouses and offices amounts to 22,400 square meters. Tisza Automotive, as a second level supplier, produces for other car manufacturers, therefore Rehau, APCB, Reydel, Hanon Systems, Vernicolor, Mitsuba, Heycooustics and others are on their customer list.





New deals worth EUR 35 million

AD Plastik Group has sealed new deals for production of automotive components for several various manufacturers worth more than **EUR 35 million**.

A deal has been sealed on production of absorber for vehicle Buick for American market which is produced by the French PSA Group. The start of production is planned in 2021, with a projected duration of six years. A deal was also sealed with PSA Group on production of glass run channels for vehicle models Citroen C4, Picasso and C-Elysee, as well as Peugeot 301. The start of production is expected in 2020 and projected duration of the project is twelve years.

A new deal was sealed with the long-standing customer Hella on production of light housings whose start of production was planned in 2018, with expected duration of three years.

Ford mini SUV Puma

A new deal was sealed on production of side fender claddings and decorative door trims for the new Ford mini SUV vehicle that will be produced in Romania. The expected revenue from the above mentioned deal in the eight-year period amounts to **EUR 80 million** and start of production is planned in 2019. New components will be produced in AD Plastik Group's factories in Solin and Zagreb.

AD Plastik Kaluga has sealed new deals regarding injection moulding and thermoforming technologies. A deal was sealed for the production of deflectors, sensors and camera brackets for the Kaptur vehicles, and the start of the project is planned in 2020 with a projected duration of three years. A deal on production of wheel arch liners for Renault Duster has also been sealed, whose start of production is planned in 2021, and the estimated project duration is three years.

Several deals have been sealed with Volkswagen Group in the Russian market, whose start of production is expected in 2019. The deal has been sealed on production of engine covers, rear door trims and wheel arch liners for Volkswagen vehicle models Polo and Škoda Rapid with an estimated project duration of seven years. The deal has been sealed on the production of fend-

er protectors for Tiguan model and the project should last for six years.



„This project is of multifaceted importance. According to the latest predictions, with the realization of the sale of this vehicle we can expect the current turnover with Ford to double already in 2020. The life span of this model is projected for eight full years, providing additional safety for a stable planning of turnover and capacities realization in the following years. Realization of sales of painted components for Ford vehicles is of special strategic impor-

tance and that is a step towards nomination of our production site in Zagreb as new Ford Q1 site in the upcoming period. This project has significantly strengthened our company's position as a strategic supplier for Ford. It is a very good starting point for all the future programs for Ford vehicles in this part of Europe but also for recognizability in the global network of their suppliers,” said program manager **Tonći Jakaša**.



The most important events in 2018 (continued)

New deals worth EUR 20 million

New deals worth about EUR 20 million for the PSA Group in the European market and for the Renault Group and Volkswagen in the Russian market have been sealed.

AD Plastik Group will be producing glass run channels for several PSA Group vehicles and the start of serial production is planned in 2020 with a projected duration of six years. Overall expected revenue for the said project amounts to **EUR 12.8 million**.

Several new deals in the Russian market were sealed with a total value of **EUR 8.3 million**. AD Plastik Group's plants in Kaluga and Vintai will be producing exterior components for Renault vehicles Logan Sandero, Stepway and Duster phase 2, which are partly intended for the Brazilian market. Start of produc-

tion is planned in 2019 and the projected project duration is four years.

A deal was also sealed on production of grille for Renault at Kaluga plant, whose project is scheduled to start in 2020

with a projected duration of three years. A deal on production of grab handles for the vehicles VW Polo and VW Rapid was sealed and the start of production was scheduled in 2019 with a projected seven-years project duration.



Building public trust award

As part of the Zagreb Stock Exchange Awards, the Building Public Trust Award of the auditing company PricewaterhouseCoopers (PwC) was awarded for the first time this year, with the aim of recognizing and rewarding companies that stand out through clarity and transparency. Through the selection process, AD Plastik Group has been selected as the best according to the criteria of this well-known auditing company.

Thanking for the award, President of the Management Board of the Group

Marinko Došen said he was extremely pleased to receive the award that confirms that the efforts, work and improvements that were made have been recognized by the expert public.

„Over the last few years we have invested really great efforts and achieved remarkable progress in reporting and informing the investment public about the business of AD Plastik Group. Our primary objective is to provide transparent communication to shareholders and other stakeholders in order for

them to be timely and accurately acquainted with key company activities and results arising from these activities. We want to ensure a transparent, stable and responsible business for all our shareholders. This award is a confirmation for us, but also an additional motive to continue to develop in that direction,” said **Marinko Došen**.



CSR Index Award in the category of large companies

AD Plastik Group received the CSR Index award in the category of large companies which was presented jointly by the Croatian Chamber of Economy and the Croatian Business Council for Sustainable Development for the successful implementation of corporate social responsibility.

CSR Index is one of the most prestigious awards in Croatia in the domain of corporate social responsibility and it is awarded annually in the categories of small, medium, large and public companies. The awards were presented within the jubilee 10th Conference on Corporate Social Responsibility that was held

in Zagreb. CSR Index is a methodology for evaluating the corporate social responsibility practices of Croatian companies, based on a ranking system that enables an objective assessment of socially responsible practices of the companies and comparison with the practices of other companies.

The award was taken over by the President of the Management Board Marinko Došen on behalf of the company, who on that occasion did not hide his great satisfaction. „Corporate social responsibility is a part of our corporate culture and management, and the standards that we have set are at high levels. Responsible business is not a question of choice, it is the obligation of a modern and successful business,” **Marinko Došen** pointed out.



The Golden Key Award

As part of the Croatian Exporters Convention, which was held this year under the title Export as a Generator of Growth and Development of the Republic of Croatia, the Golden Key Awards were traditionally awarded. AD

Plastik received the Golden Key Award once again as the best exporter to the Slovenian market. Slovenia is an extremely important market for AD Plastik Group considering that Renault’s plant Revoz, one of the company’s biggest

customers, is located there. With regard to the new deals sealed with Revoz, further growth of the Group is expected also in this market.





The most important events in 2018 (continued)

Green Frog Award for human rights reporting

With its Sustainability Report, AD Plastik Group found itself among the top five companies at the regional level and received a special acknowledgment for human rights reporting, which was given to the company in Warsaw within CSR Fair.

„This is another one in a series of acknowledgments for achieved results and progress in the area of corporate social responsibility. We have been making great efforts and investing re-

sources in improvement and perfection of our sustainable business and this is a prerequisite for success in the modern business world. Our choice is to constantly evolve in this direction and we are proud that it has been recognized. We are pleased to see our reporting on human rights recognized at the regional level, but our sustainability report is only a sublimated annual review of everything we do everyday and live within our company,” said President of the Management Board of AD

Plastik Group **Marinko Došen** on that occasion.

AD Plastik Group has been preparing sustainability reports since 2012, and this is the second time that it has competed for the Green Frog Award at the local and for the first time at a regional level. The Jury singled out sustainable development report of AD Plastik Group due to the special focus on human rights, which are a key element of good practice in the organization.

AD Plastik in the Prime market

AD Plastik is among the first companies to be listed on the Prime Market, the most demanding market segment of the Zagreb Stock Exchange. Companies with the highest level of transparency and corporate governance are listed in the Prime Market.

„It is an extraordinary honor to be among the first companies listed on the Zagreb Stock Exchange’s Prime

Market. We have been achieving very good business results and in the last few years we have made great efforts in order to achieve the desired progress in reporting and informing the investment public. Our progress has been recognized by experts and the general public, as evidenced by numerous acknowledgments and awards we have been receiving. This is a great incen-

tive, but also a responsibility for the future. By moving to the prestigious, but very demanding Prime Market of the Zagreb Stock Exchange, we would like to contribute to enhancing transparency and corporate governance as well as developing the overall capital market in Croatia through our example,” said President of the Management Board **Marinko Došen** on that occasion.



The most successful large county company

At the solemn session of the Economy Council of the Croatian Chamber of Economy of County Chamber of Split, AD Plastik was awarded a plaque Golden Marten in the category of large companies. According to strictly prescribed criteria pursuant to which the Croatian Chamber of Economy assesses the success of the business, AD Plastik is the most successful large county company in 2017.

Thanking for the given acknowledgement, Marinko Došen, President of the Management Board, said that the growth of the company was achieved primarily thanks to its almost three thousand employees in the entire Group. "By doing business in the demanding world market and considering the industry we belong to, we are of-

ten asked whether we will change our company's headquarters. Our answer is always the same - AD Plastik was founded in Solin and its headquarters will remain there," said **Marinko Došen**.

The Golden Marten Award is the highest acknowledgment of the Croatian Chamber of Economy awarded to the best companies for the business success at the county level.



Stop workplace injuries

The first national campaign "STOP workplace injuries" was conducted from October 2016 to October 2018, organized by the Institute for Occupational Safety Improvement. As part of the European Week for occupational safety, at the conference "Occupational Safety - Yesterday, Today, Tomorrow" held in Zagreb, acknowledgments and plaques of the Institute for Occupational Safety Improvement were given to the companies and institutions for achieving remarkable results.

Among other companies, AD Plastik was given an acknowledgement with an explanation in which it was pointed out that many certificates the company owns confirm additional investment in safety and quality. AD Plastik Group pays special attention to the identification of risky situations and to informing the workers about preventive activities, and a special commission for improving the safety and health of workers was established.



The most important events in 2018 (continued)

Improving of Ecovadis assessment

After a regular annual assessment of corporate social responsibility by the agency EcoVadis, AD Plastik Group won gold recognition level again this year and maintained its position among the top five percent companies rated by the agency.

Out of a maximum of one hundred points, 79 points was won with this year's evaluation, representing a progress of almost ten percent compared to the previous year. The biggest progress of almost twenty percent has been achieved in the areas of business ethics, thus confirming constant improvements of sustainable business.

EcoVadis stands for creating a reliable and persistent CSR assessment system and offers comparability of data in order to evaluate suppliers across different sectors and countries. When evaluating, policies, programs and performances regarding environmental management, fair business practice, labor and human rights as well as sustainable purchasing are taken into account.

„Customers have been increasingly promoting their strategies of corporate social responsibility and, according to that, they monitor development of their suppliers in that area. Good assessment by EcoVadis is extremely impor-



tant for our supplier rating,” points out **Gordana Erceg Sindik**, Sales Manager for Renault Group.

Acquiring the special taxpayer status

AD Plastik is among the first companies in Croatia to sign Agreement on Acquiring the Special Taxpayer Status. For the taxpayer, this means timely settlement of tax liabilities, timely submission of tax declarations and reports, provision of internal control systems and internal and external audits. At the same time, it enables the Tax Administration to have

complete insight into all the relevant facts and circumstances from which tax liabilities or tax risks arise. The taxpayer submits its proposals and views on tax issues and their possible consequences.

By signing the agreement, AD Plastik has taken over obligations and responsibilities which will contribute to the

greater transparency of business, and they will also ensure timely reduction in tax risks, making the business operations easier for the both sides.







01

Business

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Mission, vision, key values



ADP Vision

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

ADP Mission

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

Key values



Reliability

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

in order to keep up with world trends. This way we contribute to the improvement and development of the company, thus confirming our position in the global market.

business. We treat them fairly and with respect regardless of their job position and location of work. We encourage them to take initiative, make decisions and govern with quality.



Quality

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



Responsibility

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



Togetherness

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



Innovativeness

Our ideas, creativity and technologies help us to achieve constant progress

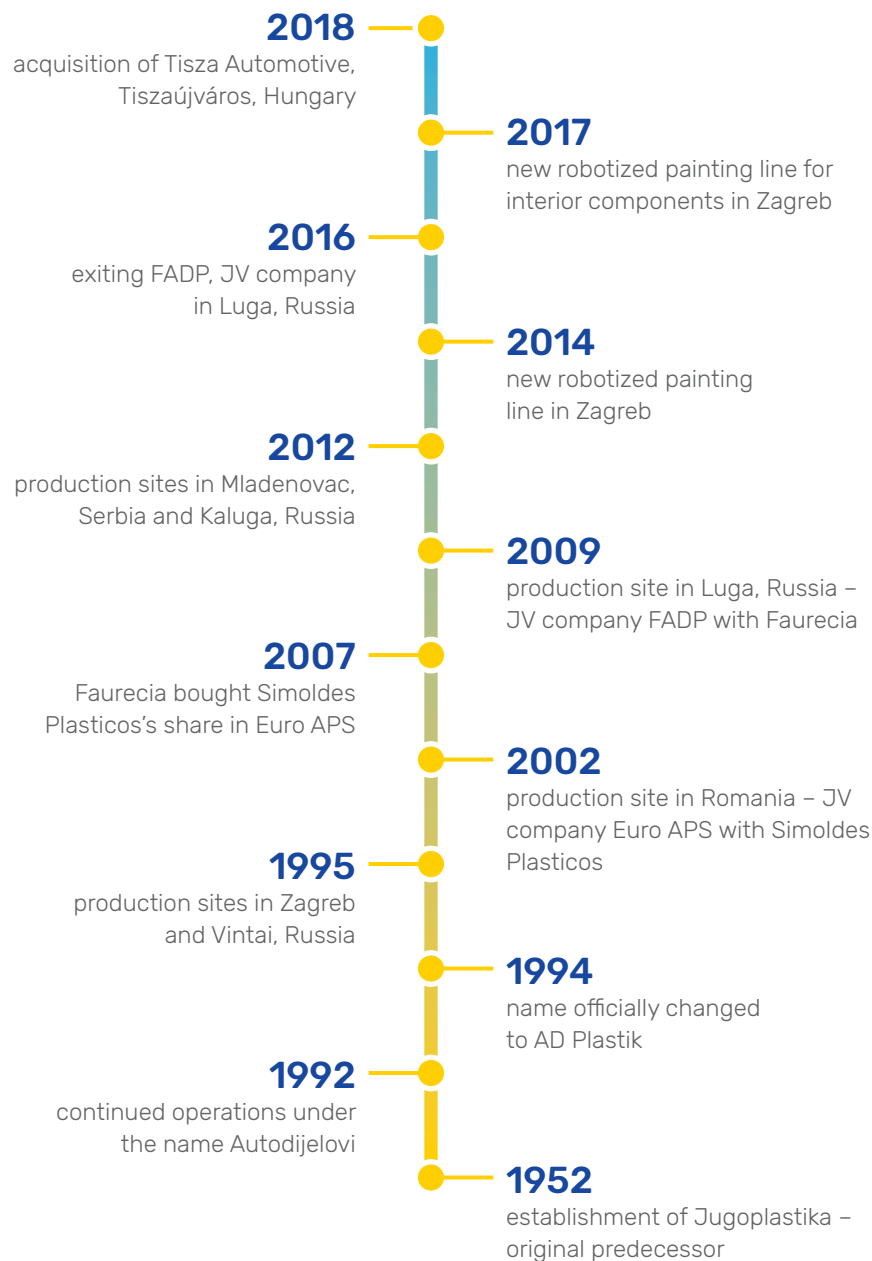


Respect

Employees are the greatest value and they hold the key role in the company's



Company history



Production sites

- 
- 1** AD Plastik d.d. – company's headquarters
AD Plastik, 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** Tisza Automotive Kft.
Tiszaújváros, Hungary
 - 8** JV - Euro Auto Plastic Systems S.R.L.
Mioveni, Romania

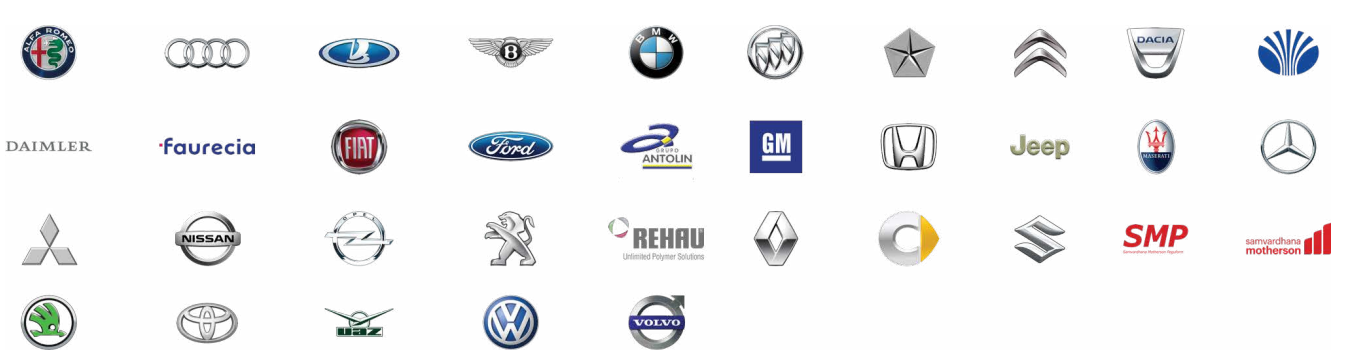
Overview of markets and customers



Argentina
Brazil
Czech Rep.
France
India
Italy
South Korea
China

Hungary
Morocco
Mexico
Germany
Poland
Romania
Russia
Serbia

Slovakia
Slovenia
Spain
Turkey
UK
Uzbekistan
Venezuela
Taiwan



Technologies and products

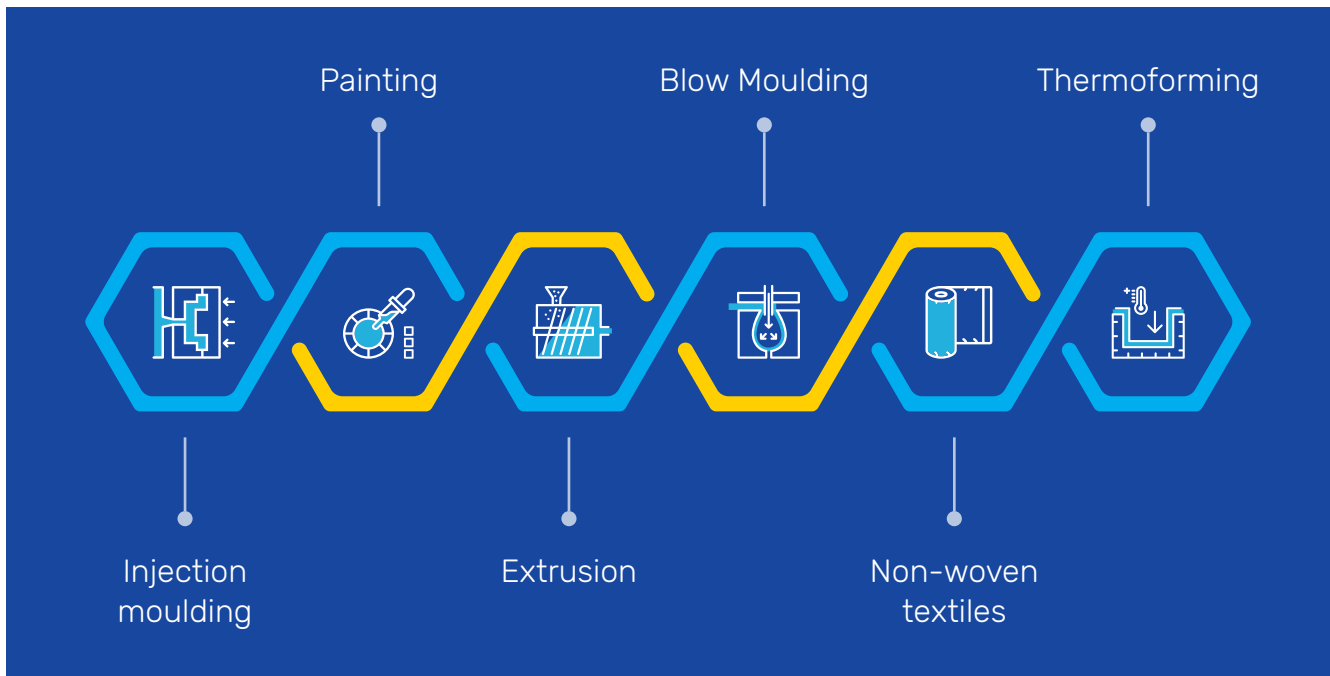
Our expertness and inovativeness offer component solutions that meet the expectations of end vehicle users and the most demanding car manufacturers. We focus continuous development of existing and adoption of new technologies, materials, processes and products on the key objectives of the automotive industry – **vehicle weight reduction, greater comfort, better safety and adaptability.**

Long-standing experience in the production of automotive components and knowledge we possess provide us with the necessary flexibility and quick response in order to meet the needs and goals of our customers. We are a quality and reliable partner to our customers from design to delivery of the products, keeping track of global trends and significant technological advancements.

Key technologies that we use in our regular business are: **injection moulding, painting, extrusion, blow moulding, non-woven textiles and thermoforming.**

Thanks to our longstanding experience and technical expertise, we offer our customers value added through the wide range of processes of assembly, integrating various products and preparation for direct installation of the components on the vehicles. Almost all known technologies of assembling plastic products are used for product installation, including automated welding and adhesion.

High-quality and optimal solutions are the customers’ requirements that we have successfully been mastering by using advanced technologies and with continuous process improvement and experience. Fast reactions, intelligent solutions and production flexibility are what makes us different on the world suppliers panel.







Technologies and products (continued)

Geographic availability of technologies

INJECTION MOULDING



- CROATIA
Solin
Zagreb I
Zagreb II
- RUSSIA
Kaluga
Vintai
- SERBIA
Mladenovac
- HUNGARY
Tiszaújváros

PAINTING



- CROATIA
Zagreb I

THERMOFORMING AND NON-WOVEN TEXTILES



- RUSSIA
Kaluga
Vintai
- SERBIA
Mladenovac

EXTRUSION



- CROATIA
Solin
- RUSSIA
Vintai

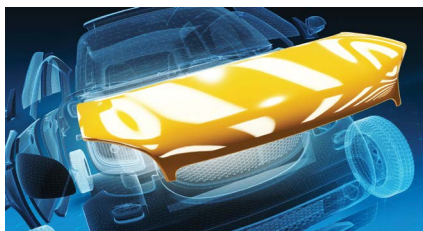
BLOW MOULDING



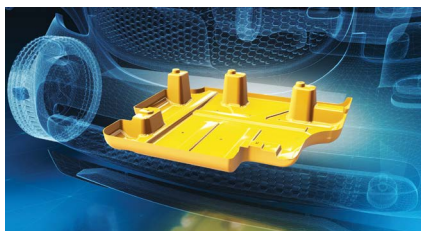
- SERBIA
Mladenovac
- HUNGARY
Tiszaújváros

Key products

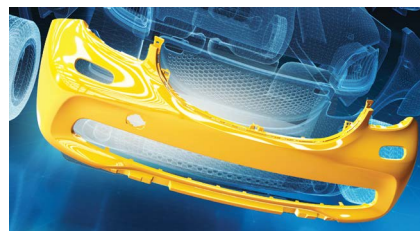
Exterior components



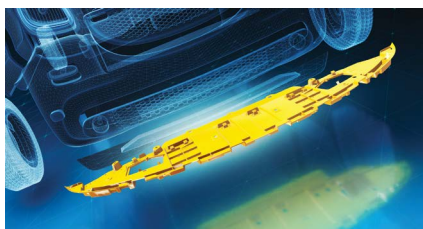
Hood



Chasis Protector



Front Bumper



Deflector



Rear Bumper



Wheel Arch Housing



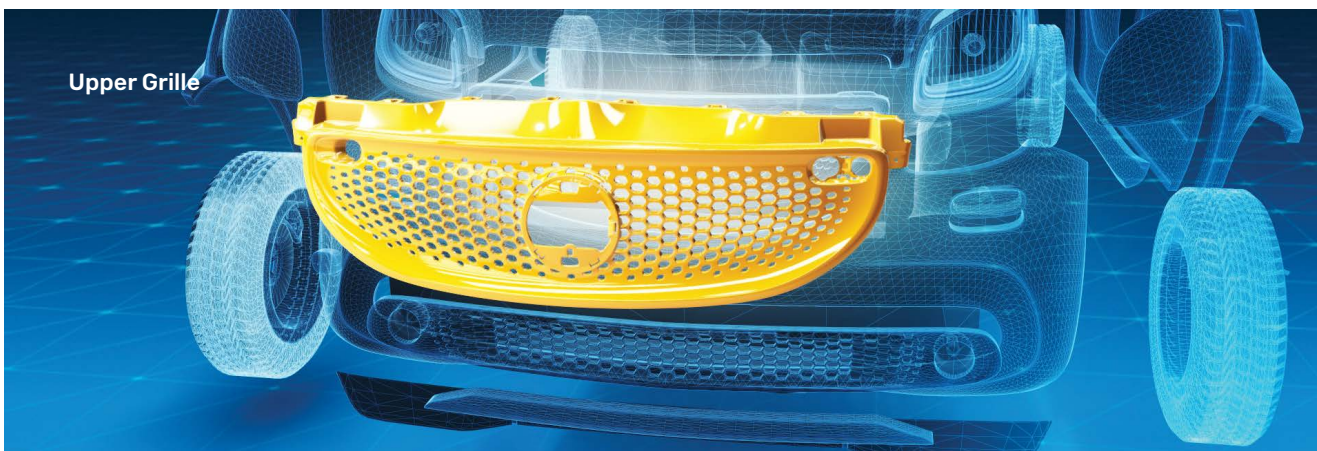
Rear Skirt



Front Fender



Fender Protector



Upper Grille

Technologies and products (continued)

Key products (continued)

Interior components



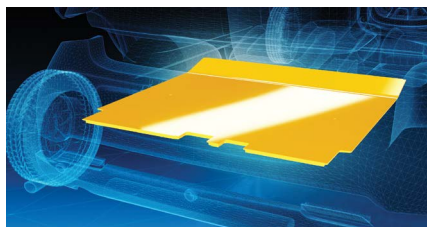
Pillars



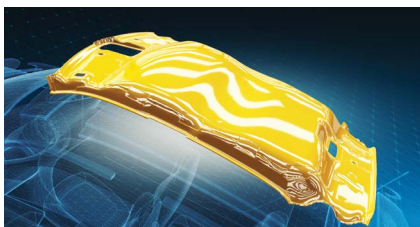
Floor Carpet



Grab Handle



Trunk Carpet



Headliner



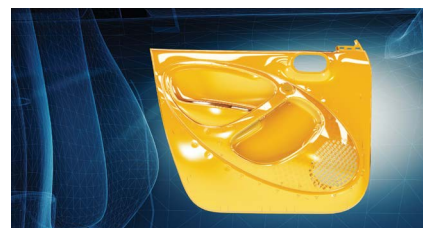
Sunvisor



Parcel Shelf



Trunk Side Trim

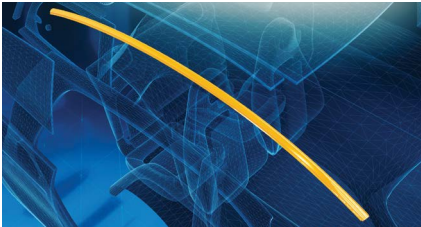


Door Panels

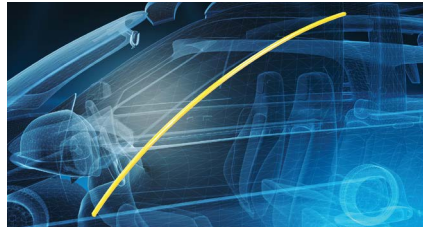


Instrument Panel

Seals



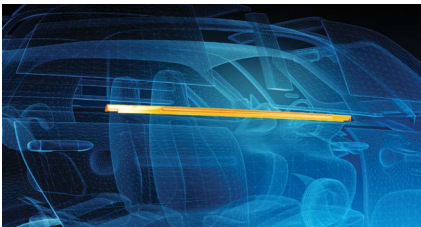
Roof moulding



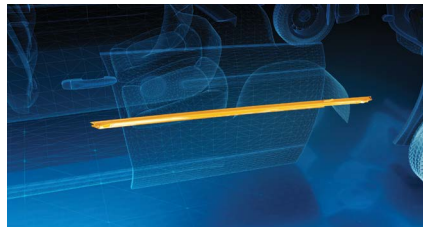
Windshield finisher



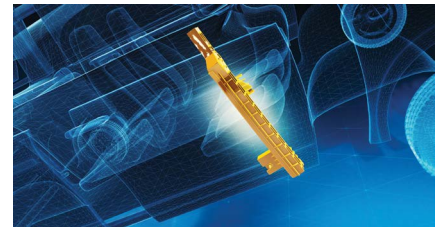
Glass run channel



Outer belt

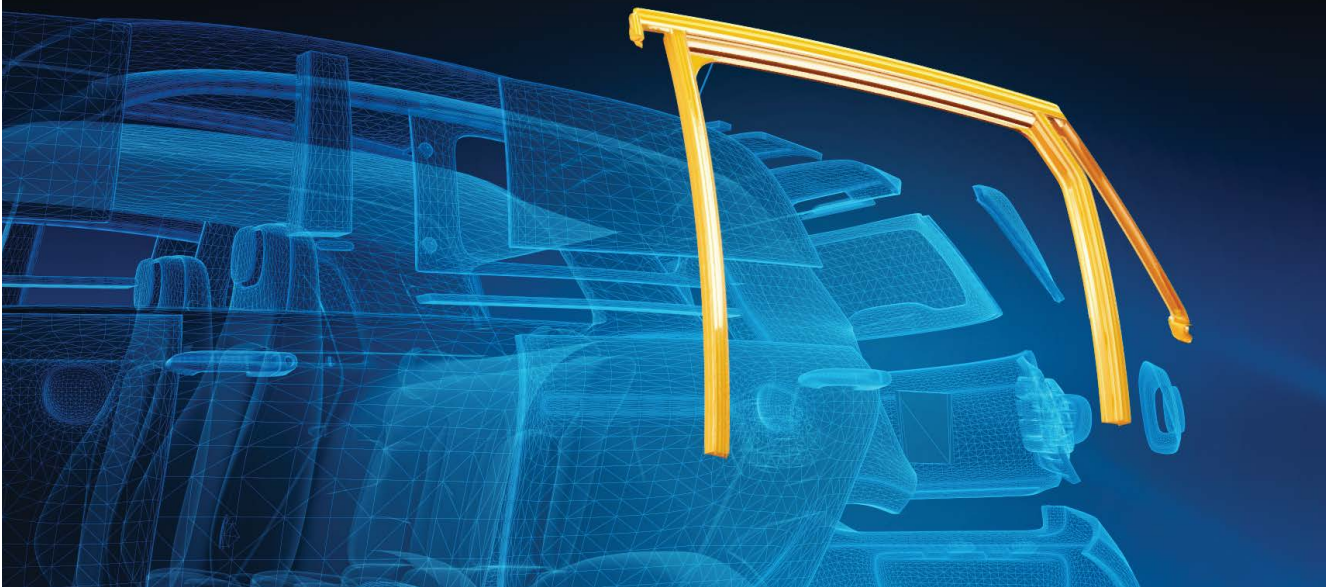


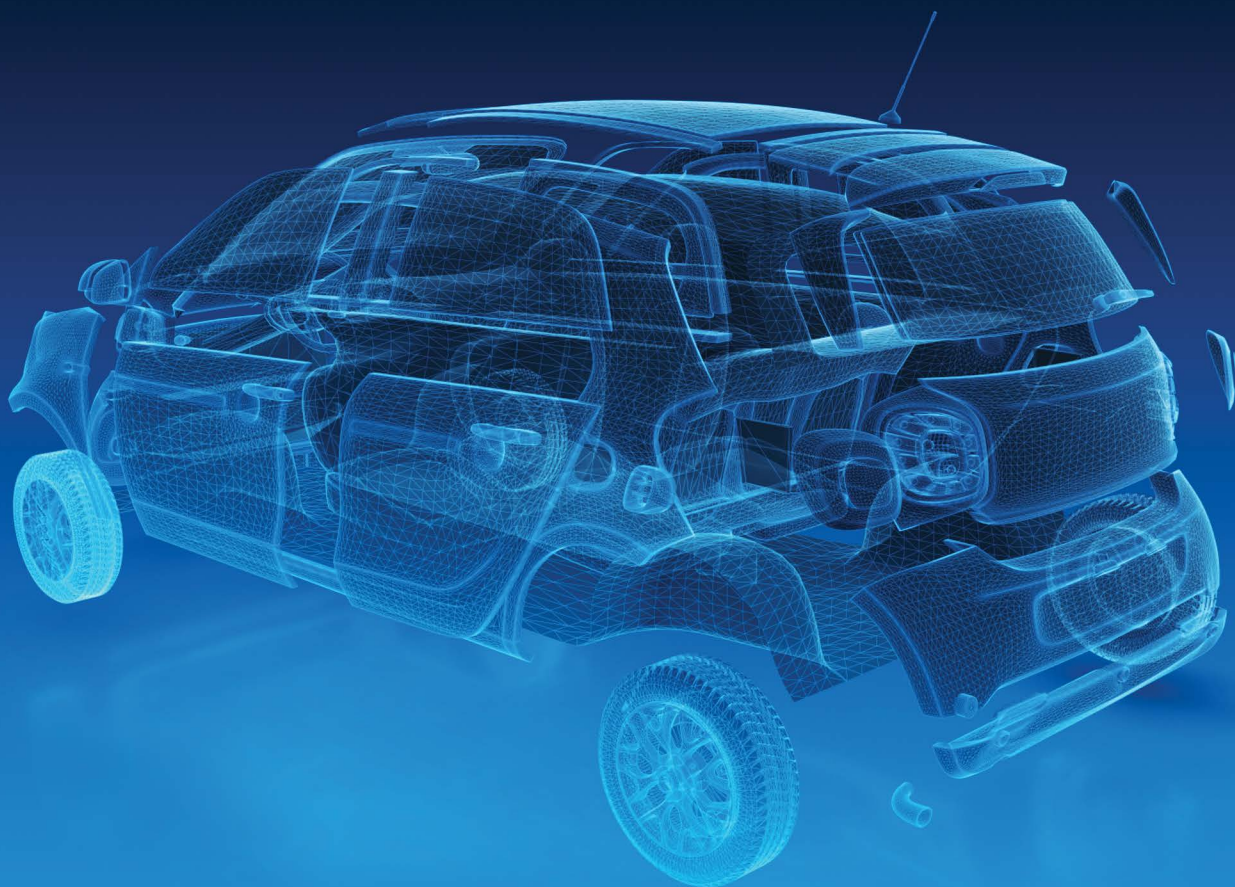
Inner belt



Bellow belt

Door hidden frame

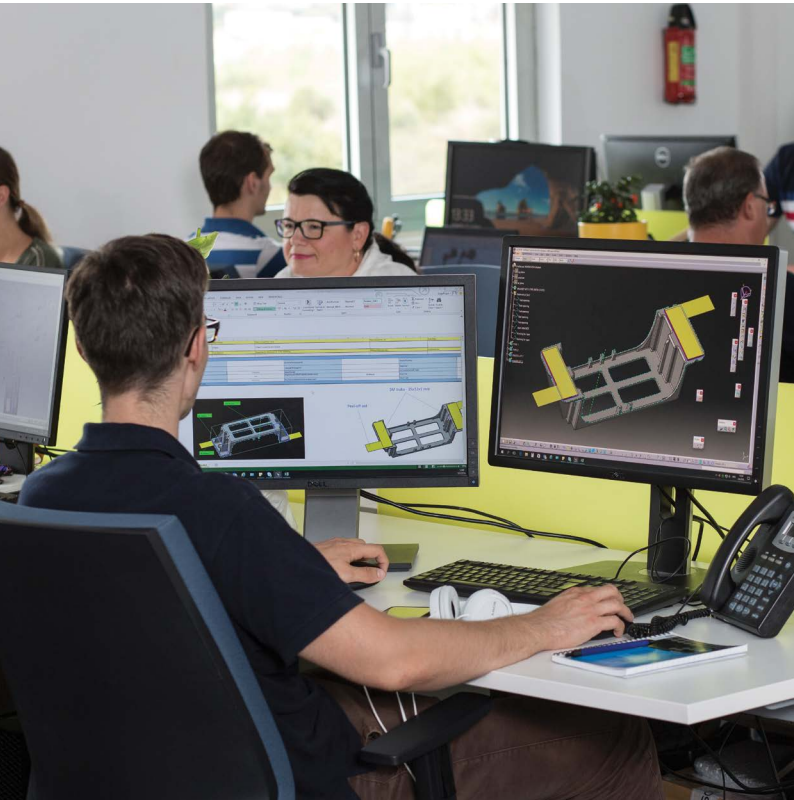




Research and development

We collaborate with our customers from the early stages of development to the final product, using modern tools and techniques as well as specific expertise, skills and experience. Partner relationship with customers, based on a long-term cooperation, results in a harmonized development for us as suppliers and for our customers. In 2018 we made a step forward by launching Hot stamping process by means of which a layer of decorative foil is applied to plastic parts, thus raising the product added value. In addition, we have introduced 2K rotary injection moulding tool for the first time, which reduces the production cycle of the product.

We readily accept new challenges by conducting the necessary activities in accordance with the basic guidelines of the automotive industry and our customers.



We are primarily focused on the following:

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



Research and development (continued)

Research and development importance and activities

The automotive industry has been developing unstoppably, striving every day for more quality products and services it wants to offer to end vehicle users, while keeping in mind the preservation and protection of the planet Earth.

Those are the premises on which research and development activities of AD Plastik Group are based. Readiness to respond on customers's requirements, environmental protection and safety of products and services are the leading principles of our research and development team. Directly collaborating with our partners, we coordinate and realize plenty of research and development projects with an emphasis on two important directions - Lightweight and Deco technologies, aimed at personalizing vehicle exterior and interior.

Many years of work experience on various international projects, connectivity with institutions and partners as well as the use of a variety of software solutions, place us at the very top of the engineering services offer in the region. We are

able to respond quickly to all the market demands placed before us with the highest standards of quality of our services.

Collaboration with customers from the early stage of development is a guarantee of maintaining high quality and competitiveness of products and services. Contribution to the success of our customers is achieved through ethical and responsible business in accordance with the environment.

In research and development center of AD Plastik Group the core orientation refers to quality of products and services. We are recognizable for flexibility, technological solutions of complex problems and ongoing quality assurance that we give to our customers as added value.

Constantly improving processes, we provide better and more efficient solutions, sometimes combining more technologies, while taking into consideration the environment in which we conduct business.





Lightweight projects / composite materials

The inevitable trend of today's automotive industry is car weight reduction, which has been initiated due to strict regulations on CO₂ emissions. In the reporting period, cooperating with external partners, we have participated and were responsible for part of activities related to several projects affecting the car weight reduction.

- Cooperating with our partners, raw materials producers, we have participated in the development of lower density materials. The application of such materials results in a vehicle weight reduction and consequently lower energy consumption, that is reduction in CO₂ gasses emission.
- We have continued research and implementation of MuCell technology that also affects vehicle weight reduction. The basic principle of this technology is gas assisted moulding which creates a honeycomb structure inside the product wall, thus making the product lighter. The advantages of this process are shorter injection moulding cycle, less product weight, product dimensional stability and low tool closing forces, thus lower energy consumption at the production site.
- We have been developing expanded materials by creating our own prototyping tools for semi-dynamic seals (anti dust seals, seals under the engine cover) and in that way we have not only increased the range of our products regarding extrusion technology, but we have also reduced the weight of the products.
- We have been developing projects regarding thermoformed wheel arch liners and chassis as a substitute for injection moulded products by using composite and environmentally more friendly and lighter materials. Apart from the fact that such products meet all the quality standards, they are up to fifty percent lighter than injection moulded products.

Along with the main research and development guidelines, we have continued with the research and implementation activities of using natural fibers in interior vehicle components. During 2018 we have focused our research on materials with natural cotton fibers, while complying with the strict partners' requirements regarding use of natural and recyclable materials in their vehicles. The material that contains recycled cotton fibers becomes more environmentally friendly option from the very beginning, with which we directly affect the production processes, reducing the harmful effect on the environment.





Production and sales

Global trends in the automotive industry are safe driving and sustainable mobility. Europe is a leader when it comes to clean production, thus along with the reduction of amount of water and energy being used for vehicle production, emissions and amount of waste produced within the process are significantly lower. Therefore European cars are the cleanest, safest and quietest in the world. The automotive industry has a strong impact on the economy as it supports a broad supply chain and generates a full range of business services.

Share of electric and hybrid vehicles in the global market has been increasing and they are becoming a serious alternative to the common fuels. AD Plastik Group is fully prepared for new business challenges and it can meet the requirements of the most demanding customers and markets with research and production of its components.

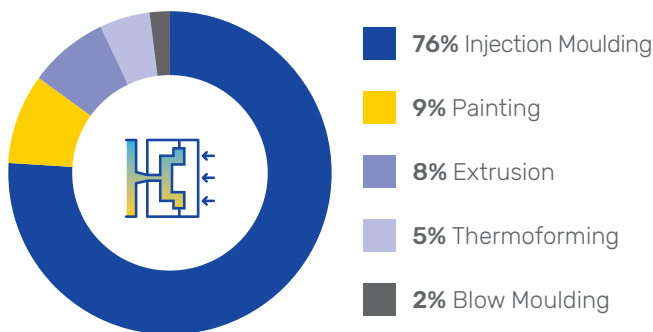


Major Projects in 2018 per Technologies

The reporting year is significant for a large number of open, that is active projects, therefore we have repeatedly emphasized that namely 2018 was a project year for our business. Although the very number of 79 projects, which were active in 2018, is by ten percent higher than in the previous year, the difference is that the main activities for major projects, production of which begins in 2019, were carried out over the past year. Project preparation in the automotive industry is a long process, thus a large part of aforementioned projects has been opened since 2017 when the preparatory actions took place. The main activities in projects include defining products, making tools and devices, transferring tools and devices to production locations, defining processes and appearance, defining specific packaging and preparation of production sites for serial production.

The number of 79 projects in the observed period includes 389 tools in the stage of making, 129 devices, 41 PokaYoka and 226 control gauges. During the year 25 projects were closed, more precisely their serial production began so the year was concluded with 54 active projects.

Technologies in projects in 2018



Even three quarters of the projects refer to injection moulding technology and 9 percent to painting technology. Other technologies represented in the graph are extrusion, thermofoming and blow moulding.

The most significant projects in the reporting period are those related to Renault factory Revoz in Novo Mesto. Although they started in 2017, due to their size and complexity they lasted for the entire reporting year and the start of serial production is planned in the first half of 2019. This primarily applies to exterior components for Twingo and Clio for which we have been developing more than 50 tools. No less important are interior components for Twingo and Clio with the same time schedules, for which we are a Tier 2 supplier. It is particularly important to point out the external stabilizers (spoilers) for Clio, for production of which are used not only injection moulding and painting technologies, but also extremely demanding two-component adhesion technology. All the preparatory actions and trainings have been done and arrival of the gluing cell is expected in the early 2019. Adhesion technology is one in a series of new technologies implemented within the AD Plastik Group that add value to the products.

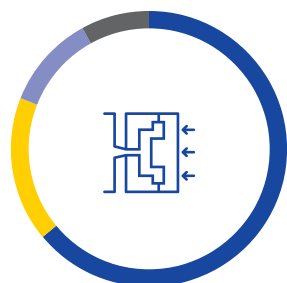
Speaker brackets for the PSA Group are among the most significant projects opened in 2018, for which new technology of applying PUR foam with a robot is used. Particularly noteworthy is the recently opened project of painting decorative protective components for the exterior for Ford vehicles. Production of almost all projects regarding grab handles for various customers such as Renault Group and PSA Group began in 2018.

Data on projects from the new production site Tisza Automotive was not included in the reporting period because the company was acquired in July and it is in process of integration.

Production and sales (continued)

Overview of revenue by technologies and production sites

By technologies

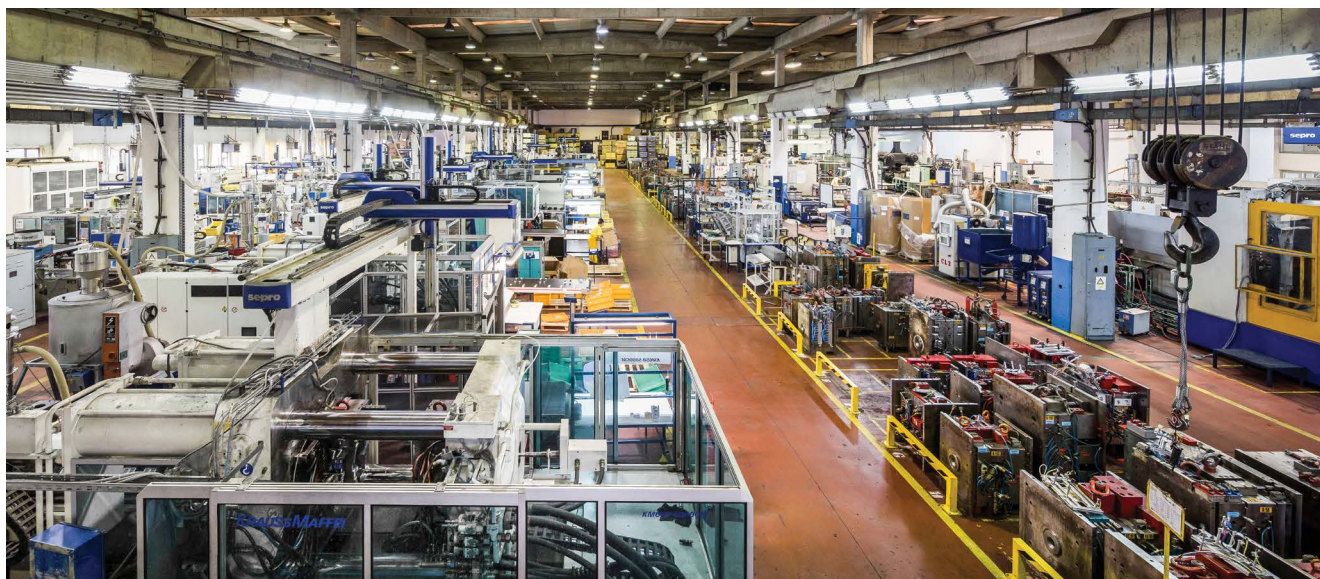


- 63%** Injection Moulding + Blow Moulding
- 17%** Painting
- 11%** Thermoforming + non-woven textiles
- 9%** Extrusion

By markets



- 74.17%** EU+Serbia
- 25.83%** Russia



European Union

The number of newly registered vehicles in the European Union amounted to 15.2 million vehicles in the reporting period and it has been growing for the fifth consecutive year. Although the year has started with stonger growth, due to the fall in demand in the last four months of 2018, number of newly registered vehicles grew in total by only 0.1 percent.

Such a result was mostly influenced by the Central European countries, such as Romania, Hungary, Lithuania and Bolgaria which recorded a growth of eight percent. The results in the European Union markets differed considerably, so Spain recorded a significant growth of seven percent, France three percent, while a slight decrease of 0.2 percent was recorded in Germany, 3.1 percent in Italy and expectedly the biggest decline was recorded in Great Britain amounting to 6.8 percent.

The best-selling vehicle in 2018 was Voolkswagen Golf, followed by Renault Clio, whose new model the market eagerly expects during 2019. This is extremely important data for AD Plastik Group, considering that deal on production of a large number of components was sealed namely for this vehicle.

Volkswagen Group continues to be a sovereign leader in the European Union market with a 23.8 percent share in this market and a 0.9 percent growth in sales in the observed period. Share growth of Seat in the VW Group portfolio is in-

teresting and in 2018 it recorded a sales growth of 13.3 percent. The PSA Group took second place with a share of 16.2 percent and an extremely high growth of 32.8 percent due primarily to Opel takeover that grew by 157.3 percent in 2018.

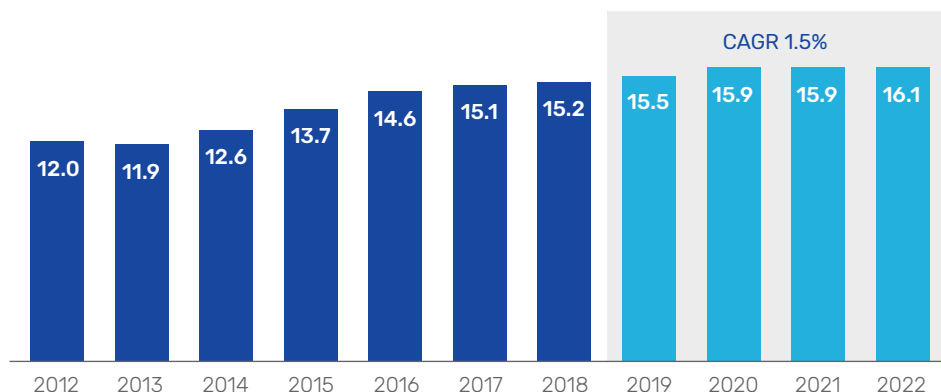
Renault Group has a stable 10.6 percent share in the EU market and recorded a growth of 0.8 percent compared to the previous year. Dacia has the most significant growth within Renault Group, namely by 12 percent.

FCA Group and Ford have recorded somewhat worse results compared to the previous year so their sales in the European Union market has fallen by 2.3 percent. Almost all models of the FCA Group have been recording a decline, except for Jeep that has recorded a growth of even 56.2 percent.

In the next few years there certainly will be changes within the ranking of the best-selling vehicles in Europe, so we can expect Toyota, Hyundai or KIA to enter the top five. They have recorded significant positive results and they are very well positioned in the production of electric and hybrid vehicles.

13.3 million people are employed in the automotive industry within the European Union and it is a key driver of knowledge and innovations. The turnover achieved by the automotive sector represents 6.8 percent of the European Union's GDP.

Market of new vehicles in EU, shown in million of vehicles



Source:

ACEA, AD Plastik Group sales department



Production and sales (continued)

European Union (continued)

FCA Group

Currently in production: air ducts, grab handles, vehicle chassis cover, painted interior and exterior components

Technologies: blow moulding, injection moulding, painting

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

Ford

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

Technologies: injection moulding

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

Nominations won in 2018: side fender claddings and decorative door trims for Ford Puma vehicle, chassis air deflector for Ford Focus vehicle

Grupo Antolin

Currently in production: door panels

Technologies: injection moulding, UV welding

Sales Markets: Slovenia

Hella

Currently in production: headlamp housings

Technologies: injection moulding and assembly

Sales Markets: Slovenia

Nominations won in 2018: light housings for the vehicles Volvo V43X PS14 (electric vehicle Polestar 1), Renault Kadjar Phase 2, Nissan Navarra (assembly)

MSC – Magyar Suzuki Corporation

Currently in production: front covers, air ducts, liquid tanks

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

Sales Markets: Hungary

Nominations won in 2018: air ducts, cooling fan trims and liquid tanks for the vehicles Vitara and S-Cross

PSA Group

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

Technologies: injection moulding, extrusion, painting and blow moulding

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

Nominations won in 2018: speaker brackets and glass run channels for different vehicle models, decorative trims for C3 and grab handles for Citroen Picasso.





SMRC - Samvardhana Motherson Reydel Companies

Currently in production: instrument panels, steering wheel paddings, gear shifts and handbrake consoles

Technologies: injection moulding, UV welding, hot stamping

Sales Markets: Slovenia, France

Renault Group

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

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

Sales Markets: Slovenia, France, Spain, Korea

Nominations won in 2018: front bumper radar protective covers for the vehicles Dacia Sandero and Renault Trafic

Euro APS, JV Romania

Dacia

Currently in production: sunvisors and headliners, carpets

Technologies: injection moulding, thermoforming

Sales Markets: Romania

Nominations won in 2018: headliners for Dacia Sandero and Logan

VW Group

Currently in production: weatherstrip seals and grab handles

Technologies: extrusion, injection moulding and assembly

Sales Markets: Germany

Nominations won in 2018: weatherstrip seals for Audi Q4

Webasto

Currently in production: headliner trims, sunroof components

Technologies: injection moulding and painting

Sales Markets: Germany, Slovakia





Production and sales (continued)

Russia

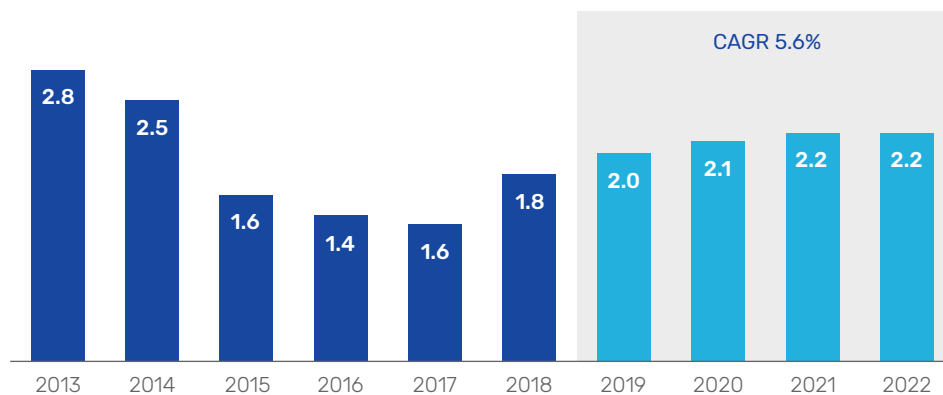
The Russian automotive market has been steadily recovering and it has been growing, which is confirmed by a successive increase in sales for the second year in a row. Thus, during the reporting period total car sales in the Russian market grew by 12.8 percent and in the next four years average car sales growth of 5.6 percent is predicted.

1.8 million newly registered vehicles were recorded in the Russian market in 2018 and the most important car manufacturer is Group Renault-Nissan-AvtoVAZ which holds 33.5 percent of the market and it realized a 9 percent growth in that period. Kia holds 12.6 percent of the market with a 25.1 percent growth, VW Group holds 11.7 percent of the market with a 20.4 percent growth and Hyundai holding 10 percent of the market realized a growth amounting to 13.3 percent compared to 2017.

All key car manufacturers in Russia have been recording growth and it is important to mention that AvtoVAZ, one of the most significant customers of AD Plastik Group, has been growing considerably faster than the market average and in 2018 it recorded a 16 percent growth. Volkswagen Group has become more and more significant in the Russian market. Considerable interest and sales of SUV vehicles are a trend followed by the most of manufacturers.

During 2019 we expect the realization of numerous nominations for which preparatory actions have been carried out over the past year and which will certainly contribute to filling and potential expansion of capacities in the Russian factories.

Market of new vehicles in Russia, shown in million of vehicles



Source:

PWC analysis, Autostat, September 2018



AvtoVAZ

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

Technologies: thermoforming, injection moulding and extrusion

Sales Markets: Russia, Brazil

Nominations won in 2018: injection moulded exterior components for the vehicles Logan and Sandero (export to Brazil)

FordSollers

Currently in production: headliners, injection moulded interior components

Technologies: thermoforming, injection moulding

Sales Markets: Russia

GM-VAZ

Currently in production: headliners, static seals

Technologies: thermoforming and extrusion

Sales Markets: Russia

Nissan

Currently in production: injection moulded exterior components

Technologies: injection moulding

Sales Markets: Russia

PCMA (Peugeot Citroen Mitsubishi Automotive)

Currently in production: injection moulded exterior components and parcel shelves

Technologies: injection moulding and thermoforming

Sales Markets: Russia

Renault

Currently in production: headliners, carpets, injection moulded interior and exterior components, parcel shelves

Technologies: thermoforming, injection moulding

Sales Markets: Russia

Nominations won in 2018: bumper grille, deflectors and sensor brackets for Renault Captur, bumper brackets for the existing model Renault Duster, wheel arch liners for the new Renault Duster

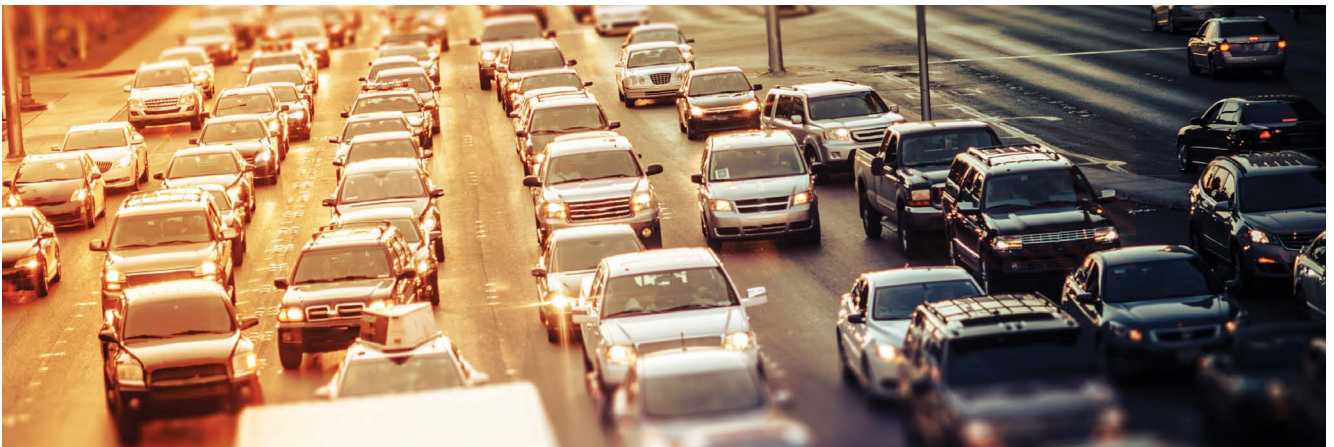
Volkswagen

Currently in production: injection moulded exterior components

Technologies: injection moulding

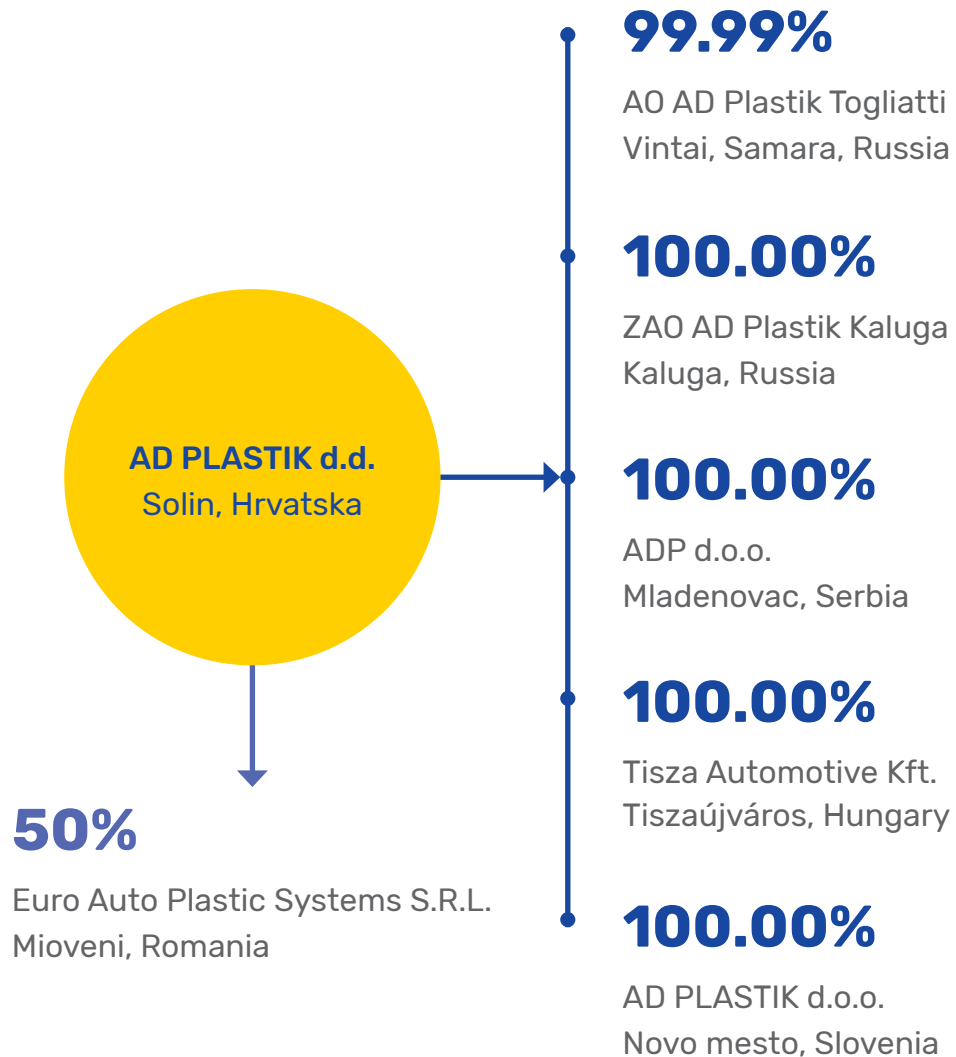
Sales Markets: Russia

Nominations won in 2018: door grab handles, engine covers, trunk side trims and wheel arch liners for the new VW Polo and Škoda Rapid, fender protectors for VW Tiguan and wheel arch liners for Škoda Octavia



Corporate governance

Corporate matrix





Governance in the AD Plastik Group

In the AD Plastik Group we strive for the realization of our strategic goals along with the development and organic growth of the company as well as achievement of successful financial results. Corporate social responsibility is an integral part of our business activities and relations with the stakeholders and the company's long-term strategic direction. We want to be recognized and acknowledged as a desirable partner and employer and we build our image with a high level of responsibility and care for all our stakeholders and the environment in which we conduct business.

We have set high standards of corporate and social responsibility of business operations and for their successful realization complying with the company's key values – quality, reliability, responsibility, innovativeness, respect, commitment and togetherness is inevitable. All Group employees must abide by established business standards in order to respect human rights, avoid conflicts of interest and any kind of corruption and to maintain high business and efficiency transparency.

AD Plastik Group's Management Board founded in 2016 a Committee for implementing activities related to corporate social responsibility, all with the aim of incorporating corporate social responsibility into operational processes. The Committee consists of eight members, whose mandatory members are employees performing executive functions or directly subordinate employees from the areas of human resources, environmental protection, occupational safety, quality, purchasing, finances and legal affairs. The main task of the Committee is to improve corporate social responsibility at all Group's production sites as well as to develop a strategy and activity plan that is proposed to the Management Board.

Since **2018** the Committee has been directly responsible to the President of the Management Board, thus showing significance and importance of corporate social responsibility within the company.

Members of the Committee are mostly directors of certain areas and in such a manner the most important topics regarding social responsibility have been delegated to the highest functions within the company. Their task is to develop strategy of development and improvement of corporate social responsibility within the Group in agreement with the Management Board, to implement and promote changes and promotions among employees and to follow the progress and results of their implementation. The Committee is once a year obliged to make, submit and present the results, plans and work strategy to the Management Board and during the year individual representatives meet regularly in order to inform and coordinate necessary changes, implementation of planned and realization of additional activities with the highest management bodies.

AD Plastik Group applies Code of Corporate Governance of the Zagreb Stock Exchange and since ADPL share was listed in the Prime Market of Zagreb Stock Exchange at the end of last year, it means higher requirements for transparency and additional responsibility in conducting business. Therefore a Dividend Policy was published in **2018** so that our existing and future shareholders, as well as all other stakeholders, can have a clear insight into the business strategy regarding dividend payment.

During the **2018** we have not informed our stakeholders about the conflicts of interest of the highest management body because they did not exist. Furthermore, the company does not have a controlling shareholder nor mutual shares with suppliers and other stakeholders.

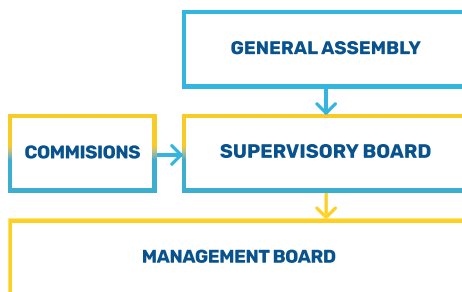




Corporate governance (continued)

Governance structure

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



General Assembly

A regular session of the General Assembly was held on July 12, 2018 at which, in accordance with the Company Act and Company Charter, the following decisions were adopted: decision on the acceptance of the Annual Report on the state of AD Plastik Group for the year 2017, of reports by the Supervisory Board on the conducted supervision of the Group's business operations for 2017, appropriation of profit, decision on dividend payment, decision on granting clearance to the members of the Management Board and the Supervisory Board and on the auditor appointment.

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

Supervisory Board

During the reporting period four regular meetings of the Supervisory Board were held as well as three extraordinary meetings in accordance with the rules of procedure for the Supervisory Board regarding extraordinary meetings.

At the end of 2018 members of the Supervisory Board **Zoja Crnečki** and **Hrvoje Jurišić** resigned for personal reasons. Membership resignations become effective on the day of the first General Assembly that will be held in 2019 when the new members will be elected. Ivka Bogdan and Bože Plazibat have been proposed for new members of the Supervisory Board.

The Supervisory Board consists of seven members, four of which are elected by the General Assembly to a four-year mandate with the possibility of reelection. One member is appointed by the Workers' Council to a four-year mandate, while two members are appointed by the shareholder – Open Joint Stock Company Holding Autokomponenti to a four-year mandate with the possibility of reelection.

Supervisory Board controls the business conduction of the company and reports it to the General Assembly. In written report it specifically notifies whether the company operates in accordance with the law and company acts and whether the annual financial statements comply with the data in general ledgers, including the review and examination of general ledgers and company's documentation. Business governance of the company can not be transferred to the Supervisory Board, but the Charter can stipulate that certain types of business can be performed only with its prior consent. The Supervisory Board gives prior consent to decisions related to certain types of business that can not be performed without it. Supervisory Board has the right to convene General Assembly when it is necessary for the benefit of the company and all members share responsibility for control, supervision and business sustainability.



Members of the Supervisory Board

Dmitry Leonidovich Drandin, President

- current mandate from October 19, 2015 to October 19, 2019
- appointed by the shareholders of the Open Joint Stock Company Holding Autokomponenti

Ivica Tolić, Vice President

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

Hrvoje Jurišić, member

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

Zoja Crnečki, member

- current mandate from July 20, 2017 to July 20, 2021
- appointed by the General Assembly

Igor Anatolyevich Solomatin, member

- current mandate from July 23, 2015 to July 23, 2019
- appointed by the General Assembly

Nadezhda Anatolyevna Nikitina, member

- current mandate from October 19, 2015 to October 19, 2019
- appointed by the shareholders of the Open Joint Stock Company Holding Autokomponenti

Robert Kuhta, member

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

Statement on the remuneration policy for members of the Supervisory Board

Pursuant to the Charter, the members of the Supervisory Board may be remunerated for their work; the remunerated amount shall be determined by a decision of the General Assembly for the business year in which the remuneration will be paid, depending on the results of business and the company's state.

In the year 2018, the decision on the payment of remuneration to members of the Supervisory Board was not made.

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 average monthly gross salary of

employee in AD Plastik d.d. per each Supervisory Board meeting and other members will be given remuneration in the amount of one average monthly gross salary. The amount of remuneration is determined on the basis of average monthly gross salary of company's employee, achieved in the three months prior to the payment of this remuneration. Remuneration is paid after each Supervisory Board meeting.

Supervisory Board's Committees

In accordance with the Act and Rules of Procedure for the Supervisory Board, three commissions have been established, which support the work of the Supervisory Board with its work in such a manner that they prepare decisions that the Supervisory Board makes and they supervise their implementation.

Commissions:

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

Audit Committee is responsible for monitoring the financial reporting process and determining whether all statutory financial statements have been drawn up by the company and whether they are in line with the adopted accounting policy of the company and relevant accounting standards and legal acts.

President:

Ivica Tolić

Members:

Bože Plazibat
Dmitry Leonidovich Drandin
Igor Anatolyevich Solomatin



Corporate governance (continued)

Governance structure (continued)

Bože Plazibat and Igor Anatolyevich Solomatin were appointed as Audit Committee members on December 15, 2018 at the Supervisory Board meeting.

Four Audit Committee meetings were held in the reporting period, as follows:

At the meeting held on April 16, 2018 the Report on realization of the Annual internal audit plan for 2017, Report on the implementation of policies on non-auditory services for 2017 were accepted, Annual internal audit plan for 2018 was adopted and Committee submitted report on the audit of the process of drawing up the Business Plan of AD Plastik Group for 2017.

At the meeting held on May 24, consolidated and non-consolidated annual financial statement of the Group for 2017 was reviewed, as well as Auditor's Report on the audit of aforementioned financial statements and on that basis the Audit Committee issued recommendations to the Supervisory Board for their adoption. Draft decisions on the appropriation of profit for 2017, dividend payment, appointments of auditors for 2018 as well as determining remuneration for their work were discussed. The Internal Audit Report for the first quarter of 2018 was accepted.

At the meeting held on September 12, 2018 Internal Audit Report for the second quarter of 2018 was discussed and accepted.

At the meeting held on December 13, 2018 Internal Audit Report for the third quarter of 2018 was discussed and accepted, new organizational chart of the Internal Audit Service was introduced and, accordingly, new Rules of Procedure for the Internal Audit Service, which the Audit Committee supported and granted permission to the Management Board for its adoption.

The company meets the requirement of Article 99e of the Zagreb Stock Exchange Rules, pursuant to which at least one member of the Audit Committee must be independent, and according to that, we refer to Bože Plazibat.





Remuneration Committee recommends the Management Board's remuneration policy to the Supervisory Board and remuneration for Supervisory Board members, which are decided on by the General Assembly, as well as the appropriate form and contents of the contracts with Management Board members.

President:

Ana Luketin

Members:

Dmitry Leonidovich Drandin

Ivica Tolić

Two Remuneration Committee meetings were held in the reporting period, namely on May 24 and December 13, 2018.

At the meetings it was proposed that the Supervisory Board should make a decision on remunerating the president and the members of the Management Board for realization of set goals, all in accordance with the provisions of the managerial contracts. It was also proposed to make a decision on special remuneration payment to the president of the Management Board for his full engagement in the current mandate during which excellent results of the company have been achieved in accordance with the business strategy and goals.

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

President:

Ivica Tolić

Members:

Nenad Škomrlj

Dmitry Leonidovich Drandin

The Appointment Committee held one meeting in the reporting period, namely in December 2018. It nominated candidates for members of the Supervisory Board and Audit Committee, taking into consideration, inter alia, the criteria of diversity and independence, which is confirmed by the candidates' resumes. In accordance with the Code of Corporate Governance of the Zagreb Stock Exchange resumes have been published on the company's web site.



Corporate governance (continued)

Governance structure (continued)

Management Board

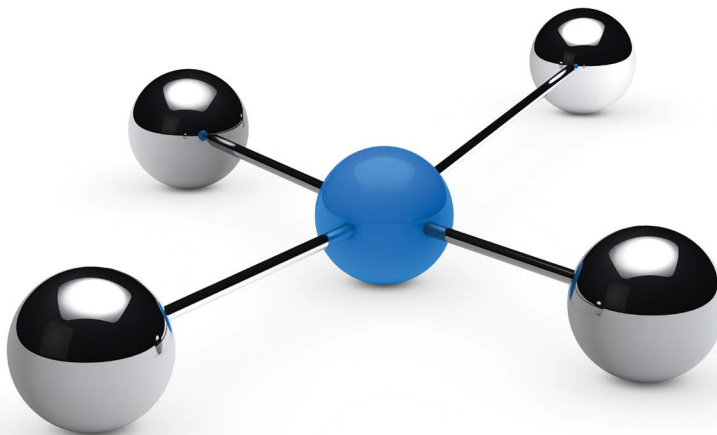
AD Plastik Group's Management Board is appointed and repealed by the Supervisory Board and it is in charge of running the business of the joint stock company on its own responsibility. By doing that, the Management Board must have the protection of the Company's interests in mind, which includes the interests of the shareholders, employees and general interests.

Running the business includes defining the corporate functions and their tasks, representing the company individually, drafting decisions (economic, development, social and environmental policy) and general acts and contracts within the General Assembly's jurisdiction, enforcing decisions issued by the General Assembly within its jurisdiction, submitting reports to the Supervisory Board, submitting consolidated annual reports to the General Assembly, activities related to the management of subsidiaries and participating in the management of affiliates. The Management Board directly participates in development, so it proposes and approves statements on vision, mission and values of the company, its strategies, policies and goals. It is responsible for the quality management of potential business risks and at the regular meetings it reviews economic, environmental and social impacts of the company.

The Management Board's performance is assessed and evaluated by the Supervisory Board at the regular meetings and it is based on business performance indicators as well as on maintaining and building a positive image of the company in all the relevant public.

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

In accordance with the Diversity Policy of the Management and Supervisory Boards members that is published on company's website, the candidates choice is based on the criteria of possessing skills and experience, industry knowledge as well as personal qualities and integrity. In doing so, diversity criteria are taken into consideration, such as gender, age, length of service, nationality and individual differences in professional and personal experience.





Marinko Došen, President of the Management Board

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



Marinko Došen was born in Rijeka in 1963, where he graduated from the Faculty of Engineering with a Master's Degree in Mechanical Engineering. He completed an MBA programme at the Zagreb School of Business, specialization Petroleum, and during his career he attended several additional seminars and professional training courses in Croatia and abroad.

He started his career as an intern in the Croatian petrochemical industry and held several managerial and executive functions from 1997 to 2004, including the position of the President of the Management Board of DINA. Afterwards, as the director of the investment company CocaCola Bottling Energy, he managed the construction of several energetic projects in the Republic of Hungary. Following this, he was the Executive Director and member of the Management Board of the company Trast, one of the leading logistics companies in the Republic of Croatia. As the President of the Management Board, he managed the project of the operative restructuring of the company Mirna Rovinj.

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

He is specialized in change and crisis management.

**Katija Klepo,**

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

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



Katija Klepo graduated from the Faculty of Economics, University of Split and started her business career in AD Plastik's Department of Price Calculations in 1994. Afterwards, she worked as the Manager of Economic Affairs and Assistant Executive Director for the development of other programmes, purchasing and finances. She became the Head of the Controlling and Internal Audit Service following its formation, and was in charge for financial supervision of business of all companies within the AD Plastik Group. In February 2008, after performing duties as the Director of Controlling and Internal Audit, she became a member of the Management Board of AD Plastik Group, which is a position she still holds today.



Mladen Peroš graduated from the Faculty of Mechanical Engineering and Naval Architecture in Zagreb, specialization Engines and Motor Vehicles and he began his business career as a construction engineer at the Research & Development Department of the company Končar EVA in Zagreb. He joined the AD Plastik team as a construction engineer at the Department of Construction in June 1999. His career within the company advanced quickly so he soon became a project manager, director of construction, director of development, assistant to the member of the Management Board for commerce and development, and member of the Management Board for commerce and development. During that period he spent a significant amount of time in Russia, dealing with market development and establishment of new companies. Mladen was President of the Management Board of AD Plastik Group from July 2012 to February 2015, after which he has been performing the function of a member of the Management Board.

**Mladen Peroš,**

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

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



The Management Board has managerial contracts and fixed salary as well as defined goals and bonuses which are usually paid out in the form of company's shares. Based on the proposal of the Remuneration Committee, **in 2018** bonuses were paid out in the form of shares to the members and president of the Management Board of the company based on decisions of the Supervisory Board. Total accrued remunerations to the members of the Supervisory and Management Boards and Executive Directors for 2018 amounted to HRK 12,499,123.43.

38 meetings of the Management Board were held in 2018 and president of the Management Board of the company is also responsible for the approval of the Integrated Annual Report of AD Plastik Group.

Management Board member Sanja Biočić resigned from that position in 2018 for personal reasons and her mandate terminated on November 26, 2018.

Pursuant to the Corporations Act, 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 prior consent of the Supervisory Board. They may also not, without the 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 or spouse, cohabiting partner or in-law relative up to the second degree. Members of the Management Board may not take part in the decision-making process connected with any legal affair in which there is a conflict of interest between the member of the Management Board and the Company. The Management Board members are obliged to inform the other members of the Management Board, as well as the Supervisory Board of the circumstances, whether or not they take part in the decision-making process or closing 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.





Corporate governance (continued)

Governance structure (continued)

Statement on the remuneration policy for members of the Management Board

Management Board members have signed managerial contracts with AD Plastik, defining their rights and obligations, as it follows:

- monthly salary is specified as the gross amount
- annual bonus (remuneration) based on successful achievement of set objectives, in which case they are entitled to a bonus in the amount of at least one and up to five average monthly salaries. This is decided by the Supervisory Board, depending on the degree and scope of achieving the set objectives and the bonus is paid out in the form of company's shares
- life insurance policy with an annual premium in the amount of EUR 3,000
- right to use an official vehicle.
- severance payment in the event of the termination of the mandate, unless the member was repealed prior to the expiry of mandate or resigned himself

According to the Remuneration Committee proposals, at the meeting held on May 24, 2018 the Supervisory Board made a decision on remuneration of the Management Board based on the successful business in 2017. All Management Board members have been remunerated with four average monthly salaries, while the president of the Management Board has been remunerated with five average monthly salaries, all in accordance with the provisions of the existing managerial contracts. Remunerations were paid out in full in the form of company's shares.

According to the Remuneration Committee proposal, at the Supervisory Board meeting held on December 13, 2018 it was decided that president of the Management Board will be awarded with a special remuneration for the excellent results achieved during the mandate. This primarily relates to the realization of all planned strategic goals and key priorities, growth and development of the company. Special remuneration was paid out in full in the form of company's shares, for which 10,000 shares were allocated.

Corporate functions

The corporate functions of AD Plastik Group are the following: Controlling, Internal Audit, Human Resources, Research & Development, Sales, Strategic Purchasing, Central Logistics, Finance, Legal Affairs, Enterprise Architecture, IT, Occupational Safety and Health, Quality System and Production.

The goals and tasks of corporate functions are defined by the Management Board and each corporate function has a clearly defined executive level or a corresponding management level that directly reports to the highest management body. The Management Board is reported about plans, progress and task execution at regular meetings.

Regular consultations with individual stakeholders are conducted by the management, which is obliged to provide feedback to the Management Board. The Management Board occasionally, in accordance with the requirements and needs of stakeholders, organizes consultations with certain Group's stakeholders. It has continuously been working on improving the collective knowledge of all relevant issues related to company's business and its sustainable development.

Existing governance methods are regularly analysed and more advanced methods are proposed in which corporate functions propose improvements on individual topics. Business and governance improvements are an integral part of company's adopted strategies and plans.



Management



Ivana Filipović
Executive Director of
Quality



Hrvoje Jurišić
Executive Director of
Research and Devel-
opment



Ana Luketić
Executive Director of
Legal Affairs



Denis Miletić
Executive Director
of Production and
Logistics



Mira Pavić
Executive Director of
Human Resources and
Enterprise Architecture



Edo Bacci
Technical Director



Jurica Bečić
IT director



Leo Bočkaj
Strategic Purchasing
Director for Investments
and Services



Zlatko Bogadi
Director of the pro-
duction site Zagreb



Marko Cambj
Project Director



Mislav Čelar
Sales Director for
Russian market



Josip Divić
Finance Director



Daniela Džidara
Production Quality
Director



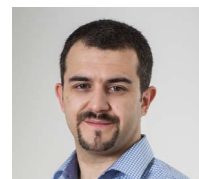
Mate Gojsalić
Development Director
for injection moulded
and blow moulded
components



Ivan Jurčević
acting Development
Director for thermoform-
ed components and
non-woven textiles



Krešimir Jurun
Controlling and Ac-
counting Director



Nino Kačanski
General Director of AD
Plastik Kaluga



Andrija Kalajžić
Director of ADP Mlad-
enovac



Jadranka Konta
Director of Occu-
pational Safety and
General Affairs



Daniel Kovač
Director of Tisza
Automotive



Alexandr Lebed
General Director of AD
Plastik Togliatti



Mira Marković
Quality System
Director



Antica Perković
Strategic Purchasing
Director for materials



Slaven Raguž
Director for devel-
opment affairs regarding
tools, machines and
equipment



Matko Serdarević
Director of the pro-
duction site Solin



Ivan Šobot
Development Director
for extruded compo-
nents



Toni Štambuk
Sales Director for EU
and other markets



Dragan Vuletin
Development Quality
Director



Corporate governance (continued)

Governance structure (continued)

Management of subsidiaries (data as of December 31, 2018)

AO AD Plastik Togliatti, Russian Federation

Lebed Alexandr Vladimirovich – general director

Supervisory Board

- Katija Klepo – president
- Denis Miletić
- Matko Serdarević
- Sanja Biočić
- Hrvoje Jurišić

ZAO AD Plastik Kaluga, Russian Federation

Nino Kačanski – general director

Supervisory Board

- Sanja Biočić – president
- Katija Klepo
- Denis Miletić
- Matko Serdarević
- Hrvoje Jurišić

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

Andrija Kalajžić – director

Supervisory Board

- Katija Klepo – president
- Mladen Peroš
- Denis Miletić

Other representatives

- Ana Luketin
- Katia Zelić
- Sanja Biočić

Tisza Automotive kft., Tiszaújváros, Republic of Hungary

Daniel Kovač – general director

Róbert Gömöri – director

László Holló – director

Supervisory Board

Toni Štambuk – president

Ivana Filipović

Josip Divić

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

Mladen Sopčić – director





Corporate governance (continued)

Governance structure (continued)

Corporate Governance Statement

- AD Plastik applies the Corporate Governance Code (hereinafter: the Code) published on the official website of Zagreb Stock Exchange, www.zse.hr.
 - The Company has not adopted its own corporate governance code in its regular business operations, instead it has implemented recommendations and guidelines prescribed by the Code of Zagreb Stock Exchange.
 - By regularly submitting Annual Questionnaire published on the website of Zagreb Stock Exchange (www.zse.hr) and the company (www.adplastik.hr), we thoroughly inform about the commitment to the principles of corporate governance and social responsibility. Corporate Governance Statement signed by all members of the Management Board is an integral part of the Integrated annual report of AD Plastik Group that is also available on the websites of the company and Zagreb Stock Exchange.
 - During the reporting period there were no deviations from accepted recommendations of Corporate Governance Code of Zagreb Stock Exchange regarding relevant facts, except for minor deviations from individual recommendations. Detailed explanations regarding those deviations are presented in the Annual Questionnaire of the Corporate Governance Code.
 - 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.
- Ten significant indirect and direct shareholders are listed on page 65 of this report. The Company has no holders of securities with special control rights, nor holders of securities with limitations on voting rights of a certain percentage or number of votes. The Company has no specific rules on appointment and revocation of appointment of Management Board members, nor specific rules on authority of Management Board members. The Company Charter prescribes that two members of the Supervisory Board are appointed by the shareholder Open Joint Stock Company „Holding Autokomponenti“ from St. Petersburg, Russia.
- The provisions of Corporations Act and Company Charter are applied on all aforementioned relations.
- On July 20, 2017, the General Assembly gave authorisation to the Management Board to acquire own shares on behalf of the company for the period of five years.
- On December 31, 2018, the Company owned 71,002 own shares.
- Company bodies are Management Board, Supervisory Board and General Assembly.
 - The General Assembly is competent for making decisions on the following issues: electing and removal from office of Supervisory Board members, use 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 the General Assembly.

Activities of the General Assembly are regulated by the Corporations Act and the Rules of Procedure for the General Assembly published on the Company's website (www.adplastik.hr).

Members of the Management Board and Supervisory Board of the company are listed on pages 47, 51, 52.

In accordance with the Act and the Rules of Procedure for the Supervisory Board, the Company has established three committees whose activities assist the work of the Supervisory Board by preparing decisions that shall later be taken by the Supervisory Board, and supervising their implementation. The Committees are as follows: Audit Committee, Remuneration Committee and the Appointment Committee.

- The objective of the Diversity Policy of AD Plastik Group applied on the Company managing bodies is to establish necessary standards ensuring the diversity of the Management and Supervisory Boards members. This improves the quality of their work and enables them to make better management decisions.

Appointment criteria are as follows: candidates' skills and experience, industry knowledge, personal qualities and integrity, while diversity criteria such as gender, age, length of service, nationality and individual differences in professional and personal experience are also taken into consideration.

The Appointment Committee tasked with electing members of the Management Board and the Supervisory Board implements the Diversity Policy objectives by suggesting candidates for members of the Management Board and the Supervisory Board according to aforementioned criteria.

The Company's Management Board was appointed in 2016, for the period of four years, and there was a change regarding Management Board members during the reporting period. Management Board member in charge of Finance, Accounting, Controlling and IT resigned for personal reasons in November 2018. Balance has been established according to the criteria of skills, experience and competencies, as seen from the resumes of the Management Board members.

The Supervisory Board consists of seven members, three of whom are Russian citizens, while four members are Croatian citizens. With respect to the gender criteria, the Supervisory Board consists of two women and five men, and the age criteria was fulfilled by having a good age balance ranging from 34 to 67 years of age. Members of the Supervisory Board are listed on page 47.

Marinko Došen, president of the Management Board

Katija Klepo, member of the Management Board

Mladen Peroš, member of the Management Board



Corporate governance (continued)

Ethics and integrity

During the reporting period, the company became 100% owner of the factory in Hungary - Tisza Automotive, which is still in the process of integration into the system of AD Plastik Group. One of the first activities was to introduce employees of the new production site with the policies and business conduct within the Group, thus a brochure Code of Business Conduct and Policies of AD Plastik Group was made in Hungarian language and it was distributed to all employees. All new employees of the Group will also receive their own copy of the said brochure when getting employed.

Code of Business Conduct promotes a culture of ethical behavior and clearly indicates the ways of reporting any possible irregularities. All managers and employees within AD Plastik Group are familiar with it and it has also been published on the company's internet and intranet sites.

As part of Code of Business Conduct and policies of AD Plastik Group, an Anti-Corruption Policy has been defined which prescribes zero tolerance regarding all forms of bribery and corruption. All employees are familiar with the policy and they are obliged to report any form or suspicion of conflict of interest or corruption practices to their immediate superior, human resources department or legal service. It has also been defined that, when exchanging gifts, it is important to take care of their legitimacy and their value may not exceed EUR 200. Gifts from business partners may not be received at the time of sending a price quotation. **During the reporting period**, no report of corrupt actions or suspicions of corruption at the AD Plastik Group level has been reported. By means of internal communication channels we regularly encourage reporting of any irregularities in business operations and at the same time we promote the principles of the company and demand compliance with them by external control of suppliers and customers.

The Anti-Monopoly Policy of AD Plastik Group respects the basic principles of free market competition and, accordingly, forbids coordinated actions of entrepreneurs, agreements between them and decisions of associations of entrepreneurs that aim to or result in a disruption of market competition and which place

the company in an advantageous position in relation to the competition and customers. **In 2018** no disputes against the company regarding the violation of the free market competition principles and the above mentioned legislation have been initiated nor finished. In all major negotiations confidentiality agreements are concluded with the aim of protection and secrecy of the information presented. Keeping confidential and inside information as well as business secrets, prohibition of violation of Code of business conduct of the Group, therefore prohibition of coordinated actions of entrepreneurs as well as any associations formed in order to disrupt market competition, are integral parts of any major business agreement within the company. In this way we send a clear message about the basic principles of business and conduct of AD Plastik Group.

AD Plastik Group has signed the Diversity Charter and the President of the Management Board is its ambassador, therefore **in 2018** special attention has been paid to promoting diversity and equal opportunities at all levels within the Group. Diversity and Equal Opportunities Policy has been made, with which all employees have been introduced to and it was published on the internet and intranet sites of the company. We have also conducted a campaign on diversity and equal opportunities in order to raise the awareness and knowledge of our employees. Once again a person to whom all potential forms of discrimination within the Group can be reported was pointed out.

AD Plastik Group is against any material or financial support of political parties or giving political contributions. We promote transparent and public advocacy of various public policies through business and interest organisations, public appearances, expert discussions or direct suggestions and comments to a competent authority.

We are also the signatories of the Code of Business Ethics issued by the Croatian Chamber of Economy, whereby we are committed to exhibit responsible and ethical behaviour as a necessary preconditions for effective functioning of the market. By defining ethical criteria, we contribute to transparent and efficient business operations.





ADPL Share

As from December 2018 ADPL share has been listed on the Prime Market of Zagreb Stock Exchange, which requires the highest level of transparency of the issuer's business operations. Until then it was part of the Crobex index system and in 2019 it will be part of CrobexPrime. The free float is just under 70 percent of the shares, and Interkapital vrijednosni papiri d.o.o. carries out the activities of a market maker, providing the support to the company's shares turnover.

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

The trend of dividend payments has continued in accordance with the dividend policy, thus in the observed year a dividend amounting to HRK 10 per share was paid out, representing a dividend yield of 5.7 percent. In total HRK 41.3 million of dividend was paid out. During the reporting period the Company has acquired 63,356 own shares for a total acquisition cost of HRK 11.5 million, which represents 1.5 percent of the share capital. The company has disposed 16,155 shares, representing 0.4 percent of the share capital and as of December 31, 2018 it owned a total of 71,002 own shares, that is 1.7 percent of the share capital of the company. Through the Employee Stock Ownership Programme ESOP employees own a total of 46,756 shares, representing 1.1 percent of the share capital.

In 2018 ADPL share price behaviour also surpassed Crobex trend, thus the price increased by 4.1 percent and as of December 31, 2018 it amounted to HRK 176, while Crobex dropped by 5.1 percent in the same period. As the price increased, market capitalization of the company has also increased and as of December 31, 2018 it amounted to HRK 739.13 million. Despite the decline in world and domestic indexes and the negative trends in share price of world-renowned automotive industry suppliers, AD Plastik Group's share price has continued to grow. The highest share price

during the reporting period amounted to HRK 203 and the lowest HRK 169. Share turnover is at the level of last year's one, while trading volume is somewhat lower in accordance with the trends on the Zagreb Stock Exchange.

The record profit in 2018 resulted in a 27.4 percent increase in earnings per share (EPS) compared to the previous year, thus EPS amounted to HRK 21.3 compared to the previously realized 16.7. In the reporting period P/E amounted to HRK 8.3 and it is lower compared to HRK 10.1 realized in the previous year. This is an indicator that the price does not follow the profit growth, indicating the space for further growth of the share price. The company's profit growth has also reflected on the return on equity (ROE) that amounted to 11.6 percent compared to 9.7 percent realized in the previous year.

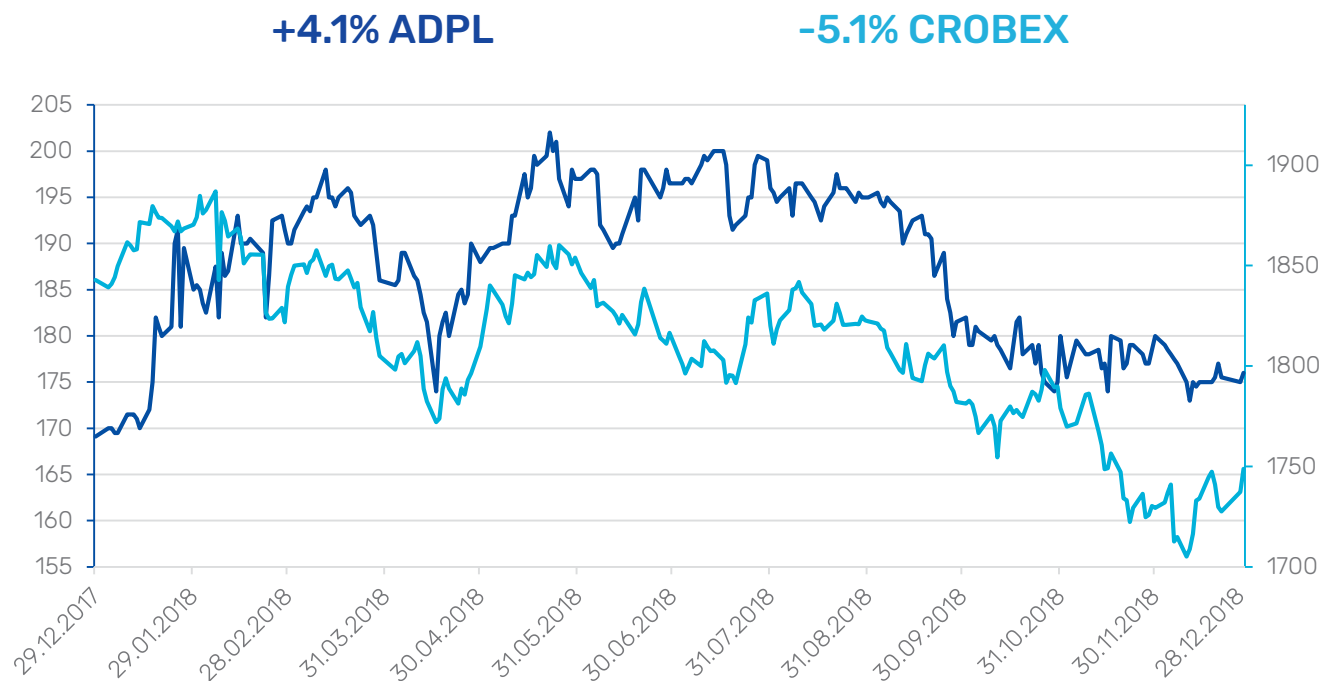
Over the past years we have been working intensively on improving the reporting and informing investment community and we will persist to do so in the future. Timely and accurate informing about company's key activities and its results are the basis for quality and transparent communication with shareholders and other stakeholders.



Share trend

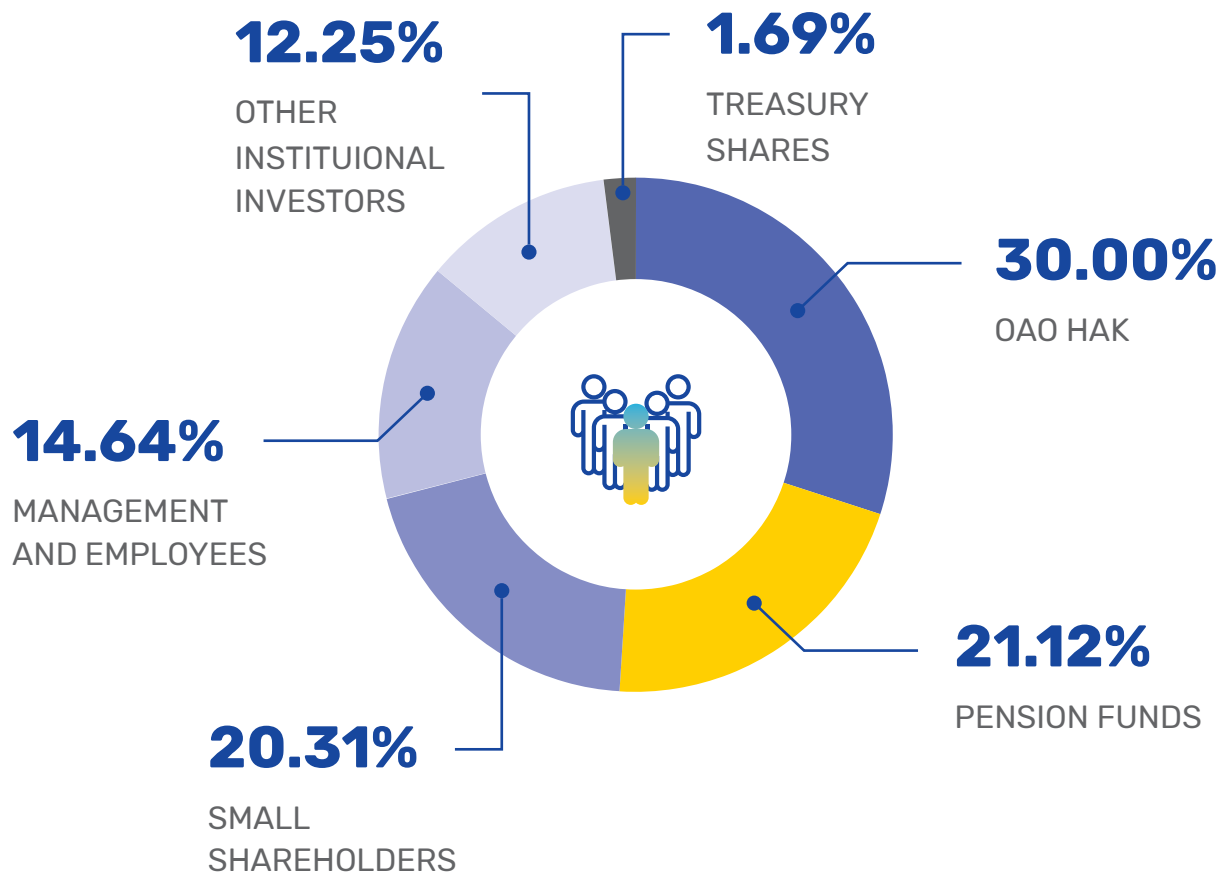
ADPL (in HRK)	2017	2018	Index
The highest price	175.9	203	115.4
The lowest price	137.1	169	123.3
Final price	169.1	176	104.1
Volume	340,285	290,281	85.3
Turnover	53,905,767	53,921,185	100.0
Market capitalization	710,149,654	739,126,784	104.1
P/E	10.1	8.3	82.2
EPS	16.7	21.3	127.4
ROE	9.7%	11.65%	195 bps

ADPL share price and CROBEX index movement in 2018



ADPL Share (continued)

Ownership structure



	Investor	Number of shares	Share
1	OA0 HAK	1,259,875	30.00%
2	Pension funds	886,820	21.12%
	Addiko Bank d.d. / Raiffeisen MPF category B	314,704	7.49%
	Addiko Bank d.d. / Raiffeisen VPF	203,884	4.85%
	Addiko Bank d.d. / PBZ CO MPF category B	121,980	2.90%
	HPB d.d. / Capital fund	116,541	2.78%
	Societe Generale-Splitska banka d.d. / Erste Plavi category B	48,389	1.15%
	Others	81,322	1.94%
3	Management and employees	614,752	14.64%
	ADP ESOP	46,756	1.11%
	Others	567,996	13.53%
4	Other institutional investors	514,305	12.25%
	Erste bank d.d. / Joint custodial account for a foreign legal entity	105,349	2.51%
	PBZ d.d. / State Street client account	72,388	1.72%
	Zaba / State Street Bank and Trust Company, Boston	54,765	1.30%
	PBZ d.d. / Joint custodial account of a client	51,970	1.24%
	Splitska banka d.d./ OTP index fund	33,797	0.80%
	Others	196,036	4.67%
5	Small shareholders	852,830	20.31%
6	Treasury shares	71,002	1.69%
	Total	4,199,584	100.00%

10 largest shareholders

The company does not have a majority shareholder, and the largest shareholder is the Open Joint Stock Company Holding Autokomponenti from St. Petersburg, which owns 1,259,875 shares, representing a 30 percent share in the share capital of the company. The Russian shareholder and Croatian pension funds hold more than 50 percent of AD Plastik Group's shares.

Significant changes in shareholdings among the top ten largest shareholders are noticeable in the Erste Plavi fund which exited the category of ten largest shareholders by reducing its shares from 87,501 to 48,389 shares. Changes are as well visible regarding foreign investors that have custodial accounts (Privredna banka Zagreb/State street client and Zagrebačka banka / State street bank and trust company, Boston).



ADPL Share (continued)

Events Calendar on Zagreb Stock Exchange

Date	
31 Jan 2019	Extraordinary General Assembly
21 Feb 2019	Unaudited annual report for 2018
4 Mar 2019	Supervisory Board meeting
4 Mar 2019	Management Board meeting
21 Mar 2019	Supervisory Board meeting
25 Mar 2019	Advance dividend payment (if voted by Management Board with prior consent of the Supervisory Board)
18 Apr 2019	Integrated (audited) annual report for 2018
29 Apr 2019	Financial statement for the first quarter of 2019
30 Apr 2019	Presentation of the annual report 2018 and results for the first quarter of 2019 to interested financial analysts and public representatives
23 May 2019	Supervisory Board meeting
11 Jul 2019	General Assembly
25 Jul 2019	Dividend payment (if voted at General Assembly)
31 Jul 2019	Financial statement for the second quarter of 2019 and semi-annual financial statement for 2019
5 Sep 2019	Supervisory Board meeting
30 Oct 2019	Financial statement for the third quarter of 2019 and financial statement for the nine months of 2019
31 Oct 2019	Presentation of the results for the first nine months of 2019
12 Dec 2019	Supervisory Board meeting

there is possibility of change these dates

Financial results 2018

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

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

(hereinafter: AD Plastik Group)



Audited results for 2018 show continuation of very successful business of AD Plastik Group along with record operating revenue and net profit achieved.

It was a project year with almost 80 on-going projects, of which serial production started for more than 20 of them. New deals worth more than EUR 136 million were sealed for the well-known customers. The year was marked by acquisition of Hungarian company Tisza Automotive, by which the Group has realized the announced expansion of the business. With this acquisition AD Plastik Group entered a new, rapidly growing automotive market, expanding its customers portfolio and ensuring its further growth.

Recovery of the Russian automotive market and stable European automotive market, in which AD Plastik Group continues to achieve revenue growth

above market growth, have had positive impact on business.

In the reporting period AD Plastik Group realized operating revenue amounting to HRK 1,321.25 million, representing a growth of 21.20 percent compared to the same period of 2017. Revenue in the parent company increased by 13.22 percent and amounted to HRK 944.97 million. Its growth was largely influenced by realization of new projects for Renault, Fiat, Volkswagen and Ford. Apart from recovery of the Russian market despite the weakening of the Russian ruble exchange rate, revenue realized in the Hungarian subsidiary of the Group was also an additional operating revenue growth generator of the Group. In the observed period, the exchange rate of euro against the kuna and the exchange rate of euro against the ruble have negatively affected the revenue level which has recorded sig-

nificant increase despite such trends. Strong kuna against the euro has negatively affected the revenue level realized in the parent company, while weak ruble when converting to kuna has negatively affected the revenue level achieved in the Russian companies.

Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) of the Group in the reporting period amounted to HRK 161.73 million, representing a growth of 2.08 percent compared to the previous year. The parent company realized EBITDA amounting to HRK 81.11 million and compared to 2017 it decreased by 11.02 percent. This is primarily due to one-time costs of launching new projects.

The achieved growth in operating revenue and favorable net financial result have provided a record amount of HRK 89.32 million of Group's net profit which increased by 27.23 percent compared to the previous year. In the parent company realized net profit amounted to HRK 88.96 million and it grew by even 66.60 percent compared to 2017.

The achieved results are a confirmation of the correctness of the set business strategy as well as an incentive for further plan realization.



Financial results 2018 (continued)

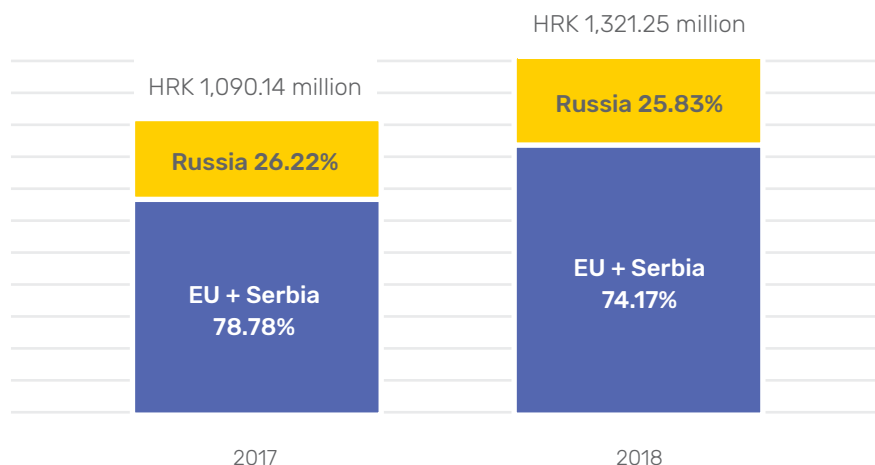
Key performance indicators

Indicators (in HRK 000)	AD Plastik Group			AD Plastik d.d.		
	2017	2018	Index	2017	2018	Index
Operating revenue	1,090,140	1,321,254	121.20	834,654	944,974	113.22
Sales revenue	1,069,061	1,298,446	121.46	817,682	927,965	113.49
Operating expenses	1,014,868	1,250,387	123.21	795,273	916,903	115.29
EBITDA	158,434	161,726	102.08	91,155	81,113	88.98
Net profit	70,206	89,320	127.23	53,399	88,961	166.60
NFD	321,347	381,117	118.60	321,580	309,951	96.38
NFD/EBITDA	2.03	2.36	116.19	3.53	3.82	108.32
EBITDA margin	14.53%	12.24%	-229 bps	10.92%	8.58%	-234 bps
Net profit margin	6.44%	6.76%	32 bps	6.40%	9.41%	302 bps
ROE	9.70%	11.65%	195 bps	7.80%	12.45%	465 bps
CAPEX	86,104	114,938	133.49	74,914	86,698	115.73





Operating revenue of AD Plastik Group per markets



- Revenue of AD Plastik Group in the EU and Serbian market increased by 21.83%
- Revenue of AD Plastik Group in Russia increased by 19.43%

In 2018 AD Plastik Group realized revenue amounting to HRK 980 million in the EU and Serbian market and it was higher by 21.83 percent compared to the previous year, being significantly above the market growth of 0.1 percent. Operating revenue realized in this market makes 74.17 percent of the total revenue of the Group and its growth was mostly influenced by realization of new projects for Renault, Ford, Volkswagen and Fiat.

Weakening of kuna exchange rate against the euro has negatively affected the revenue level from this market, thus revenue generated in the report-

ing period was lower by HRK 6.3 million due to aforementioned impact. During the reporting year new deals were sealed for the customers Ford, PSA Group and Hella with the total value amounting to EUR 110.7 million.

In the Russian market AD Plastik Group achieved revenue amounting to HRK 341.34 million in 2018 and it is by 19.43 percent higher compared to the same period of the previous year. Revenue growth was above total sales growth in the amount of 12.8 percent in the Russian market, due to the good sales of vehicle models for which the Group produces components. Operating rev-

enue realized in this market makes 25.83 percent of the total revenue of the Group.

Average ruble in 2018 was significantly weaker compared to the previous year, which has negatively affected the Group's revenue from this market. We manage the negative impact of the ruble by regular adjustment of sales prices according to the change in the exchange rate.

In 2018 new deals were sealed with the customers Renault and Volkswagen with the total value of EUR 25.5 million.



Financial results 2018 (continued)

Operating expenses

Operating expenses (in HRK 000)	AD Plastik Group			AD Plastik d.d.		
	2017	2018	Index	2017	2018	Index
OPERATING EXPENSES	1,014,868	1,250,387	123.2	795,273	916,903	115.3
Changes in the value of work in process and finished products	-6,399	-4,222	66.0	-3,392	-2,432	71.7
Material costs	679,436	859,547	126.5	562,720	657,935	116.9
Staff costs	189,011	230,878	122.2	132,823	156,333	117.7
Amortization	83,162	90,858	109.3	51,774	53,042	102.4
Other costs	53,684	56,806	105.8	40,482	42,508	105.0
Provisions	6,290	5,009	79.6	5,415	4,705	86.9
Other operating expenses	9,684	11,511	118.9	5,451	4,812	88.3





Net financial result

During the reporting period significantly more favorable net financial result at the Group level and parent company level has been achieved compared to the previous year.

At AD Plastik Group's level more favorable result has been achieved due to lower negative exchange rate differences and lower financing costs, while in the parent company it was more favorable due to dividend received from the af-

iliated Romanian company EAPS as well as increment of value of the financial share of the Russian company AD Plastik Kaluga. Evaluation of financial share in Kaluga was made which was decreased in 2014 and in 2018 decrement amounting to HRK 12.3 million was cancelled. Given that the parent company is no longer exposed to the ruble exchange rate impact, negative exchange rate differences were significantly lower compared to the previous year.

Net financial result (in HRK 000)	AD Plastik Group			AD Plastik d.d.		
	2017	2018	Index	2017	2018	Index
FINANCIAL REVENUE	26,870	19,905	74.08	59,741	78,468	131.35
Foreign exchange gains	26,175	19,522	74.58	12,894	7,613	59.04
Interest income	686	377	54.96	4,864	4,051	83.29
Dividends	9	6	66.67	41,983	54,536	129.90
Increase in the value of a financial share of a subsidiary	-	-	-	-	12,268	-
FINANCIAL EXPENSES	79,013	53,829	68.13	43,523	17,988	41.33
Foreign exchange losses	63,029	43,605	69.18	28,310	9,095	32.13
Interest expenses	15,984	10,224	63.96	15,213	8,893	58.46
FINANCIAL RESULT	-52,142	-33,924	65.06	16,218	60,480	372.92





Financial results 2018 (continued)

Financial position

The financial position is stable, but compared to the previous year it has been changed, mostly due to acquisition of Tisza Automotive and somewhat lower EBITDA. Enviable business results and realized revenue provide further stable financial position.

Net financial debt of AD Plastik Group grew by HRK 59.8 million compared to 2017 due to financing acquisition of Tisza Automotive by means of commerce bank loan and due to consolidation of credit obligations of the Hungarian company. Net financial debt decreased by HRK 11.6 million in the parent company by regular repayment of credit obligations. NFD/EBITDA amounted to 2.36 at the Group level, that

is 3.82 in the parent company. In the last quarter of 2018 reduction in indebtedness has continued, thus NFD in the Group decreased by HRK 21.3 million, that is HRK 39.4 million in the parent company compared to September 30, 2018.

The debt ratio on the last day of the reporting period amounted to 0.50 at the Group level, that is 0.45 at the parent company level.

Significant increase in net profit in the observed period has also reflected on increase in return on equity (ROE) which in the reporting period amounted to 11.65 percent at the AD Plastik Group's level, that is 12.45 percent at the parent company's level.

Abbreviated balance sheet (in HRK 000)	AD Plastik Group			AD Plastik d.d.		
	2017	2018	Index	2017	2018	Index
ASSETS	1,351,315	1,566,778	115.9	1,225,053	1,331,639	108.7
Non-current assets	918,702	1,001,601	109.0	850,423	911,298	107.2
Current assets	403,850	513,352	127.1	346,702	370,424	106.8
Prepaid expenses	28,763	51,825	180.2	27,928	49,917	178.7
LIABILITIES	601,527	782,628	130.1	529,392	598,486	113.1
Reserves	15,399	19,293	125.3	12,096	16,460	136.1
Non-current liabilities	204,298	277,670	135.9	202,445	206,328	101.9
Current liabilities	367,544	477,268	129.9	304,698	369,975	121.4
Accrued expenses and deferred income	14,286	8,397	58.8	10,153	5,723	56.4
CAPITAL	749,788	784,150	104.6	695,661	733,153	105.4



Since 2017 key accounting judgement regarding accounting treatment of tools has been changed, thus tools are treated as inventory from the moment of purchase to the moment of start of serial production. With start of serial production, when significant risks and rewards related to ownership of tools are transferred to the customer, if other prerequisites have been met, invoice is issued on tools or revenue generated from tools is accounted for, which is the main reason for growth of this item in the reporting period.

In 2018 accounting treatment for given advances for tools has been changed, thus they are now treated on advances for inventories instead of other receivables, where they were treated earlier, while received advances for tools are treated on advances received.

Investments 2018

During the reporting period AD Plastik Group has invested HRK 114.9 million, which was significantly more compared to the previous year when HRK 86.1 million was invested. Over HRK 87 million was invested in tangible assets, while HRK 27 million was invested in intangible assets. Investments were mostly realized at the production sites in Croatia and invest-

ments were made regarding new machines and expansion of capacity for realization of new projects. Permanent investments are necessary to monitor technological and other industry trends, and thus they are a precondition for realization of planned sales growth in the short and medium term.





Financial results 2018 (continued)

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

In order to present a clearer picture of business, a comparable, shortened, consolidated profit and loss account of AD Plastik Group for 2017 and 2018 has been created, with the 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.).

Operating revenue of AD Plastik Group with consolidated corresponding part of ownership in affiliated company

amounted to HRK 1,723 million, representing a growth of 15.18 percent in the observed period. EBITDA amounted to HRK 227.1 million and it was somewhat lower compared to the previous year.

Results of the affiliated company have been included in the results of the Group by equity method. Affiliated company has no financial liability towards AD Plastik d.d., nor loan obligations towards external entities.

In HRK 000

Positions	2017	2018	Index
OPERATING REVENUE	1,496,292	1,723,474	115.18
OPERATING EXPENSES	1,353,503	1,593,504	117.73
Material costs	904,033	1,099,230	121.59
Staff costs	244,134	283,555	116.15
Amortization	88,213	97,135	110.11
Other costs	117,123	113,585	96.98
FINANCIAL REVENUE	26,871	19,905	74.08
FINANCIAL EXPENSES	79,288	54,222	68.39
TOTAL REVENUE	1,523,163	1,743,380	114.46
TOTAL EXPENSES	1,432,791	1,647,727	115.00
Profit before taxation	90,371	95,653	105.84
Profit tax	20,165	6,333	31.40
PROFIT OF THE PERIOD	70,206	89,320	127.22
EBITDA	231,002	227,104	98.31



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

P/L in HRK 000

Positions	2017	2018	Index
Operating revenue	836,378	827,197	98.90
Operating expenses	701,350	708,993	101.09
Net financial result	-551	-786	142.77
Profit before taxation	134,477	117,418	87.31
Profit tax	22,742	17,701	77.83
Profit of the period	111,735	99,717	89.24

Balance in HRK 000

Positions	2017	2018	Index
Non-current assets	62,542	65,441	104.6
Current assets	366,108	309,883	84.6
TOTAL ASSETS	428,650	375,325	87.6
Capital+reserves	182,924	171,146	93.6
Provisions	10,405	14,449	138.9
Current liabilities	235,321	189,730	80.6
TOTAL LIABILITIES	428,650	375,325	87.6

The company primarily generates revenue in the Romanian market and, apart from that, Euro APS supplies its products to the markets of Algeria, Morocco, Iran, Brazil, Colombia, South Africa, Russia etc. The dividend policy of the company EAPS remains unchanged – 100 percent of profit is paid out.



Business risks

In our business we are exposed to risks typical for economic entities operating in the global market, especially to those in the automotive industry. We are also exposed to various economic, political risks as well as to legislation of individual countries in the markets in which we operate.

Risk management is considered to be one of the key management tools in order to protect the company from competition, recognize opportunities and timely react to changes. All risks have been regularly predicted and reviewed, taking into consideration the impact each of them may have on potential opportunities. We pay special attention to short- and mid- term business risks when defining the business strategy and we observe them on micro and macro level in order to ensure sustainability of business over time.

Various risk types we encounter are the following ones:

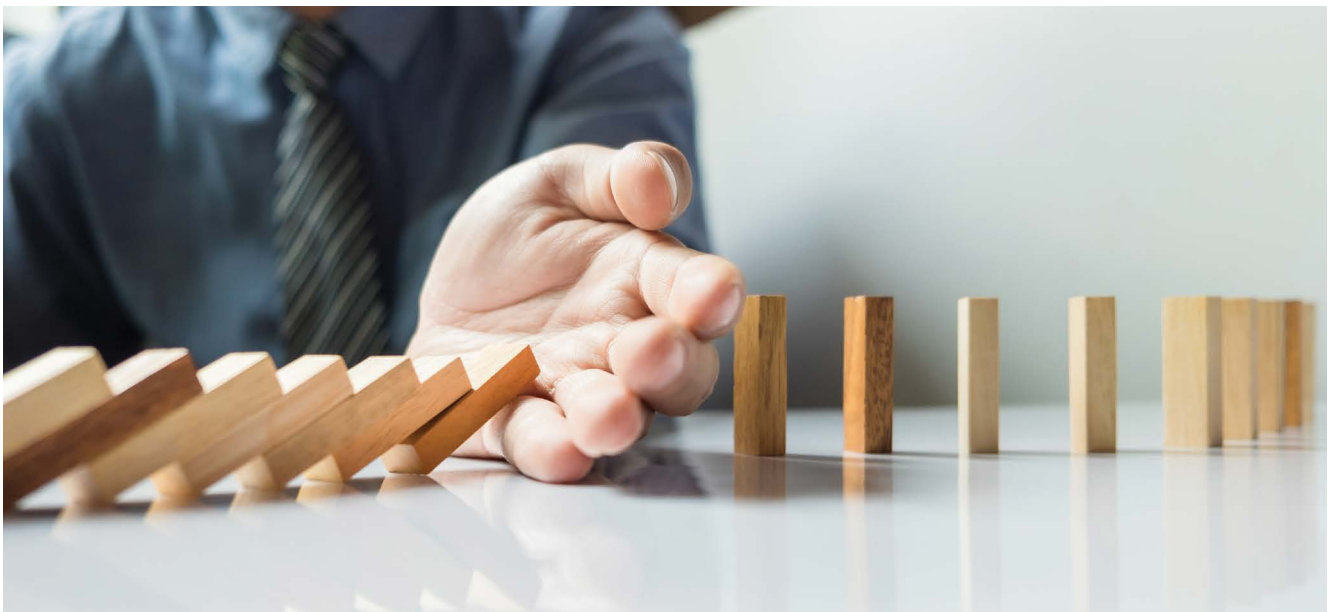
- Financial risks
- Business risks
- Operative risks
- Legislation risks

Financial risks

The overall financial risk management is handled by the Finance Department which provides services to other Group members as well. It coordinates access to domestic and international financial markets, monitors financial risks related to business and manages such risks through internal reports on risks that analyse exposures by the degree and magnitude of certain risk and undertakes activities in order to efficiently manage risks and reduce them to the lowest level possible. Financial risks are connected to financial variables which can cause difficulties in settling financial obligations, liquidity, debt management, etc.

Financial risks we are exposed to:

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





Financial risk management

Currency risk

AD Plastik Group operates in an international environment and it is mostly exposed to the currency changes of euro and Russian ruble and to a lesser extent to the currency changes of Serbian dinar, Hungarian forint and Romanian leu. We generate revenue in the European Union market mostly in euro and in the Russian market in ruble, thus Group's revenue is exposed to currency changes of euro and Russian ruble.

We are exposed to currency risk related to the presentation of business operations of foreign subsidiaries that generate revenue in foreign currencies, which is presented in kuna in consolidated reports. At the same time, currency risk exposure is a result of purchasing of raw materials that are mostly purchased in euro and most of the long term and short term loans are stipulated by contracts that contain a currency clause, that is they are related to euro.

The currency risk includes the transaction risk and balance risk. The transaction risk represents the risk of negative impact of currency rate changes on cash flow from commercial activities. The balance risk represents the risk of the value of net monetary funds in foreign currencies being lower when converting to HRK as a result of changes in currency rates.

The parent company is mostly exposed to balance risk and transaction risk when converting euro to kunas. Strong kuna negatively affects the revenue and this risk can be managed limitedly and we partially manage it by concluding forward transactions of euro to kuna.



Since 2017 the currency exposure of the parent company to the Russian ruble has been eliminated, which is evident from the significantly lower impact of negative exchange rate differences on the financial result of 2018. In AD Plastik Togliatti currency risk has been reduced by refinancing payables in euro towards the parent company, namely with commerce bank loan in rubles. With slightly higher financing cost compared to the one in the domestic market, a loan worth about EUR 5 million was contracted with the aim of risk reduction. Members of the Group in Russia manage currency risk by using natural hedging, that is selling prices are being adjusted with the customers according to currency fluctuation of the ruble against the euro.



Business risks (continued)

Financial risk management (continued)

Interest rate risk

Interest rate risk is related to the changes in value of a financial instrument due to changes in market interest rates. Interest rate risk is related to changes in assets and liabilities return, as well as to changes in value due to interest rate trends. The Group's interest rate risk results from credit indebtedness and partly from assets generating revenue from interest rates of approved loans of the parent company to affiliates.

In the reporting period we have continued with the activities related to reduction in financing costs and related to fixing interest rates on loans. Financing costs have decreased by HRK 5.8 million, while interest rates on most loans have been

fixed, thus Group's exposure to the interest rate risk from loan indebtedness is minimum. The average financing cost amounts to 2.4 percent.

The interest rate risk on assets generating revenue from interest rates is related to decisions of the Croatian National Bank on the interest rate level among affiliates. We have continuously been monitoring the changes and forecasts regarding interest rates, we have been simulating various situations, taking into consideration refinancing, recovering the current status and alternative financing.





Price risk

Our business operations are exposed to price risk as well, 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. In the automotive industry, product price calculation is open and thus the changes in price of raw materials, materials and other costs are adjusted with customers on a monthly, quarterly or semi-annual level, depending on the contract concluded with customer.

The largest markets in which we provide our services and sell goods are European Union and Russian Federation. Based on market prices, the company's Management Board determines the prices of its services for each foreign market separately.

Credit risk

Credit risk is the risk that a party to a financial instrument will not meet its obligations and hence incur financial losses to the other party. The Company assets exposed to credit risk consist mainly of loans and trade receivables.

Loans are granted to subsidiaries and credit risk is under the control of the company. Trade receivables are made with minimal credit risk because we cooperate with customers that are financially stable companies with minimal charge risk, which is also part of the business policy of the Group.

Five largest customers of AD Plastik Group are:

- Revoz, Slovenia
- AvtoVAZ, Russia
- SMRC - Samvardhana Motherson Reydel Companies, France
- Renault, Russia
- Hella, Slovenia





Business risks (continued)

Financial risk management (continued)

Liquidity risk

The liquidity risk represents the risk that the Company will not be able to meet its obligations towards its creditors. The responsibility for liquidity risk management is borne by the Management Board which sets an appropriate framework, with the objective of managing short-term, medium-term and long-term financing and liquidity requirements.

The liquidity risk is controlled through strong positive operating cash flows which are generated, ensuring credit lines for capital investments and contracting affordable credit lines which enable fast drawing of short-term funds for cov-

ering the risks from business operations. Based on operating business plans and planned investments, cash flows of individual Group members for the following year per months are created, as well as a long-term cash flow plan which are then aggregated at the Group level. We monitor the level of available financial assets and liabilities on a daily basis, and compare the planned and realised cash flow. The surplus of financial assets is invested into deposits or is used for covering short-term sources of funding which are not necessary at a given moment. Thanks to successful business, the company has a stable monetary position.





Risks related to the Share

The share market price is under influence of various factors, starting from the volatility of the entire capital market, macroeconomic trends in markets in which the Group operates, business results, dividend policy, potential new acquisitions, investments, etc. All of them can affect the decline in share market price and consequently there is a risk of the investor not being able to sell its shares at fair market price at any given moment.

The share price can also be affected by geopolitical situation as we have witnessed in the reporting period. Despite the company's excellent results, price trend of our share and its lower valuation were affected by the turmoil in Italy, the weakening of the economy in Germany, trade conflicts between the US and China as well as Brexit.

To the extent to which this is possible, we undertake all necessary activities for managing risks related to the share. We publish all important information which could impact the share price in a timely manner and we promote an open, regular and transparent communication with all our stakeholders. Prime Market of Zagreb Stock Exchange is aimed at launching domestic capital market and, consequently, affecting the share price trend in accordance with the results and business transparency. We are strongly focused on achieving set business plans and on further developing the quality of business reporting and improving the high level of transparency.



Business risks (continued)

Business risks

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

Business environment risk

The business environment risk includes political, macroeconomic and social risks present in the markets where the company operates. As a rule, the aforementioned risks cannot be influenced individually, however, they can be diversified by operating in several countries. The diversification degree depends mainly on the risks present in the countries where the company operates.

AD Plastik Group is exposed to various macroeconomic environment risks, economic situations and trends in economic activities in the countries it operates in. Political stability at both global and regional level, especially in the countries in which we operate is an important factor in our business stability and it directly affects company's results.

The Group operates in a relatively diversified business environment. Our production takes place in Croatia, Serbia, Hungary, Russian Federation and Romania, while the product export to customers takes place globally. Due to dominant presence of our products placement on foreign markets, major changes in macroeconomics of countries in which we have production sites could negatively reflect on business performance, the ability to regularly meet obligations and on our competitiveness in the global market. The sales of our products are affected by such macroeconomic variables as private consumption, levels of disposable personal income and trends in the vehicles market so we have been continuously monitoring the aforementioned macroeconomic factors.

The European and global economic turmoils have affected the domestic capital market and thus the price of our share.

Having acquired the Hungarian company Tisza Automotive, we have additionally diversified the business environment risk.

Risk of non-fulfillment of contractual obligations

Automotive industry demands strict adherence to the defined terms of delivery of products in addition to providing set high level of quality of ordered products. We are exposed to the risk of individual suppliers not fulfilling their contractual obligations in a timely manner, which can result in non-fulfillment of our contractual obligations towards the customer in a timely manner. Such situations can lead to jeopardizing business relationships with the customers and negatively affect the business results. By constantly monitoring and evaluating our suppliers and primarily by their choice, we minimize this type of risk. At the same time, significant operational attention and responsibility is given to the accuracy of the fulfillment of contractual obligations towards customers, what is regularly audited by them.

Risk of competition

An important factor in competitiveness in the automotive industry is the distance between suppliers' and customers' production sites, especially when it comes to larger products. Long-term and good partnerships, tracking technological industry trends, competitive prices and proven reliability and quality are a prerequisite, but almost guarantee of sealing new deals. Good business decisions over the last several years have ensured an increase in competitiveness and positioning of the Group as a supplier of high reliability, cost and technical competitiveness and flexibility in the demanding automotive market. Almost all our production sites are located close to their major customers and we have been constantly working to raise cost efficiency as a very important competitiveness factor. With the acquisition of Tisza Automotive, we have come close to a large number of customers in one of the fastest growing automotive industry markets.



Risk of depending on one customer

Despite the fact that Renault Group is still our largest customer and makes a large share in Group's revenue, with acquisition of Tisza Automotive a clear strategy of expanding customer portfolio and its share in business has been realized. Over the past few years, Renault Group's share in the total revenue has been reduced from 69 to 57 percent, while at the same time shares of FCA Group, PSA Group, Ford and Daimler have been growing. In the next two years shares will further be changed by increasing the number of deals for other customers and by introducing Suzuki into the Group's customer portfolio. In such a manner we reduce the risk of depending on one customer.



Technological risk

In order to meet the growing market requirements, the automotive industry is unavoidably focused on investing in the development of new products and new technologies in order to preserve and enhance the competitiveness of its products. Technology plays a big role in added value, price and product quality. Falling behind on technological development can reduce competitiveness and weaken the acquired market positions, as well as reduce the chances of acquiring future business opportunities and consequently adversely affect business results of the company. The competition between car manufacturers in the market is stiff, so we continually monitor technological changes and invest into new technologies in order to maintain and increase our competitiveness.



Business risks (continued)

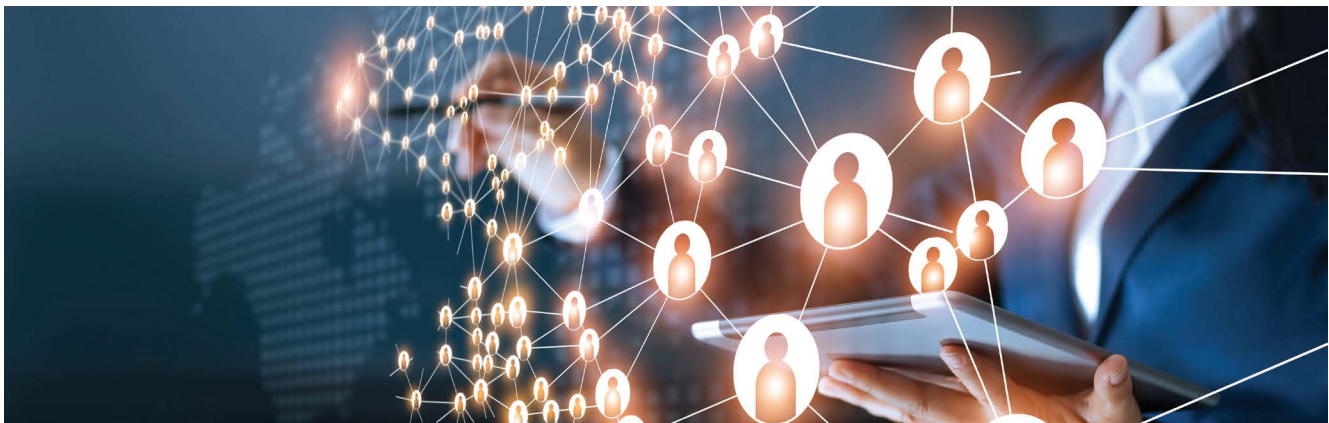
Operative risks

Operative risk is related to losses arising from inadequate procedures and failed internal processes, human factor, system or external events. By efficient management of operative risks, better security (of employees, assets) is achieved, awareness is raised on the importance of existing procedures and creating new procedures, control of key indicators which need to be introduced and systematically monitored, which in the end significantly improves the operational quality, efficiency and transparency.

We manage the operative risks through a developed process quality system whereby we develop efficient preventive sys-

tems of early detection of operative risks and prevention of errors and weaknesses in processes, procedures, potential human errors or system errors as well as in unpredictable external events. Aware of the risks of reliability of IT business solutions and business cyber safety, we have been continually working on improvement, further development and implementation of new technologies into everyday business operations.

During the reporting period numerous activities have been undertaken in order to improve IT safety and special attention was paid to that issue in this report.



Legislation risks

We are exposed to the risk of changes in fiscal and other regulations which can directly positively or negatively affect our competitiveness. During the last year, there were no significant changes in fiscal and other regulations that would affect our business. Introducing non-taxable base of HRK 5,000 in Croatia as well as introducing of tax-recognized depreciation rate on intangible assets amounting to 20 percent in Serbia have had lower positive impacts on business operations, while introducing obligation of tax calculation on all

assets instead only on immovable property, as it was earlier, has had a lower negative impact on business operations in Russia. In Russia an increase in value added tax from 18 to 20 percent has been voted, with effect from January 1, 2019, which can affect the business in a manner of reduction in sales of new cars. The parent company continues to use the tax shield achieved in 2012 on the basis of investing into a new painting line and it is not expected to pay profit tax up to and including reports for 2021.

Business Plan for 2019

Business Plan for 2019 has set the key goals of AD Plastik Group that ensure further growth and development of the company. Further increase in revenue, successful introduction of new projects into the production, integration of Tisza Automotive, further diversification of the customer portfolio, maintaining and improving the Group's position as a supplier of high reliability, cost and technical competitiveness and flexibility, serial production using hot stamping technology and preparation for the implementation of MuCell technology are some of the goals we have set before us.

Organic revenue growth with the existing customers has been ensured through new contracts, thus in 2019 serial production for capital projects for the key customer Renault Group begins. It is primarily about the projects Renault Clio 5 and Edison phase 2 (Twingo, Smart) that will be realized in Renault factory in Slovenia. Ford's mini SUV Puma is also a very significant project, serial production of which will begin at the end of 2019 and which should double turnover with this customer already in 2020.

A further revenue growth of the Group amounting to more than 10 percent is planned in 2019, while planned EBITDA margin amounts to 13 percent. Net profit margin is expected to be above 6.5 percent and planned return on equity (ROE) amounts to more than 12.5 percent. New investments worth more than HRK 120 million are predicted and they are mostly related to capital investments in production sites in Croatia and Russian site in Kaluga. New investments are necessary for achieving planned sales growth in 2019 and mid-term.

Business plan for 2019 provides stable cash flows of the Group and optimization of financial stability. Through the realization of plan, transparent and regular reporting, additional communication, reporting and technical activities we want to ensure the company's rise in value and further share price growth.



> 10%

REVENUE GROWTH



13%

EBITDA MARGIN



6.5%

NET PROFIT MARGIN

2019



02

Sustainability Report

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Profile

AD Plastik Group announced its first report on sustainable business in 2012 and this is our sixth report in a row covering the period from 1 January to 31 December 2018. We have published the Integrated Annual Report of the Group for the second consecutive year, and it includes the nonfinancial and financial aspects of the company's operations. Our previous report referred to 2017, and we published it in April 2018.

The Sustainability Report, which is an integral part of the Integrated Annual Report, has been prepared in accordance with the requirements of the Global Reporting Initiative (GRI) Standard. The selected option was, once again, the core option, the same as in the previous report. AD Plastik Group collects data for the Sustainability Report in all countries and at all locations where it operates.

In July 2018, AD Plastik Group became the owner of Tisza Automotive company headquartered in Hungary, and accordingly, most of the report contains data for that site as well. Since the mentioned company has not previously undertaken sustainability reporting, certain data are not available which is clearly outlined in the report.

The Integrated Annual Report of AD Plastik Group will be published on the website of the company www.adplastik.hr and on the website of the Zagreb Stock Exchange www.zse.hr. It is available to any interested stakeholder upon request.

The business and the calendar year are concordant and AD Plastik Group reports in one-year cycles. In terms of verification of the Report, AD Plastik Group selected the Croatian Business Council for Sustainable Development (HR BCSD), an independent and the most competent institution for verification of this type of reports in the Republic of Croatia to give its independent opinion.

Contact person:

Zoja Crnečki

Head of the Committee for the implementation of CSR activities
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Identification of material topics and boundaries

The choice of material topics for reporting and setting their boundaries has been made according to the influence of our business on economic, environmental and social aspects. The final selection of the topics was based on an analysis and a combination of important themes related to business, strategy, mission and policy topics and feedback from the most important company stakeholders.

The most important stakeholders of the company are customers, employees, shareholders, financial public, suppliers, local and state administration and the community as a whole. Our goal is to involve our stakeholders in making report to get as complete and detailed information as possible on topics they consider important.

By continuous consultations with individual stakeholder groups we regularly review and improve our reporting and redefine the importance of specific topics accordingly. In addition, we conduct an annual survey among our stakeholders on the importance of individual topics.

During the reporting period, special attention was paid to customers, employees and shareholders. Consultations were held with customers on the basis of their auditing and evaluation by independent agencies, our corporate social responsibility and thus the topics they consider important were confirmed. Further improvements were agreed for individual notifications. Based on the agreement and changes made within the company with regard to product traceability through the successful implementation of the barcode tracking system, the importance of Marketing and Labeling topic has been changed.

In the observed period, special attention was paid to social dialogue and improvements in working conditions, and in consultation with employees, the importance of the topic Freedom of Association and Collective Bargaining was changed.

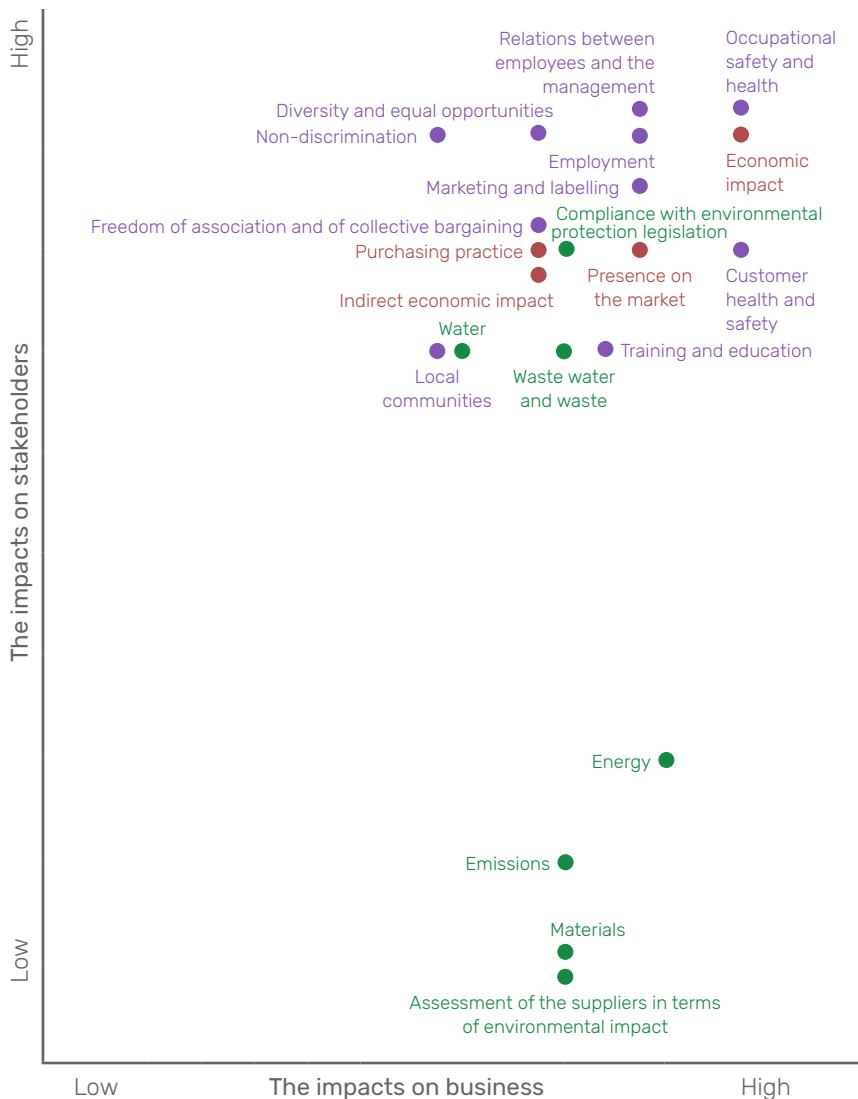


Also, in consultation with employees, and based on the results of the survey conducted last year, the importance of the topics occupational safety and health, compliance with environmental protection legislation, training and education, water and waste water and waste.

Consultations were conducted with different sharehold-

er groups at the highest levels of management and it was established that selected topics and boundaries meet the needs of the shareholders.

The chosen material topics and their importance and impact make it possible to see the long-term efficiency of our company's sustainable business.



Economic Standards

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

Environmental standards

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

Social standards

- Employment
- Relations between employees and the management
- Occupational safety and health
- Training and education
- Diversity and equal opportunities
- Non-discrimination
- Freedom of association and of collective bargaining
- Local communities
- Customer health and safety
- Marketing and labelling



Stakeholders

In order to understand each other and achieve even greater progress and development of the company, our long-term goal is to have transparent, clear and regular communication with all stakeholders. We adapt communication to their needs since they come from different interest groups. By involving stakeholders, we want to improve understanding of their needs. Individual stakeholder opinions can affect our business, so we consider stakeholders' involvement to be very important.

The stakeholders of AD Plastik Group are all individuals, groups, organisations and companies that have, or can have, a significant interest in the success or failure of the company. They are customers, shareholders, employees, suppliers, partners, financial community, local and state administration and the community as a whole.

Apart from the survey conducted annually, occasional consultations and meetings are the most common form of involvement of most stakeholders. There is still much room ahead of us for improvement and development of their involvement, and by launching a new website we will make an online questionnaire for assessing the sustainability report. We believe that we will facilitate the process in that way and thus further motivate our stakeholders to engage in the development and progress of our reporting and business. Consultations with stakeholders are the responsibility of the Committee for the Implementation of Corporate So-

cial Responsibility Activities and other employees with expert knowledge, depending on the area, are also included as needed. The Company's Management Board is regularly informed about the results and the area of improvement.

The latest survey was conducted among various stakeholders of the Group in 2018 and the next one will be carried out in 2019, following the publication of the Integrated Annual Report. The survey involved suppliers, employees, educational and financial institutions, associations, communities and institutions interested in corporate social responsibility of the company.

Our customers as one of the most important stakeholders have been mostly involved in reporting on sustainability from the very beginning. Between us and most of the customers there is a signed agreement or guidelines on compliance with the rules of corporate social responsibility in the automotive industry. Customers regularly evaluate our sustainable business through EcoVadis agency and recently Achilles Automotive, and they also conduct the audits of corporate social responsibility at our production sites. Through audits of corporate social responsibility by our customers, we exchange information on all key issues and accordingly we work on improvements.

The opinion of our stakeholders is important to us and we want to be even better by involving them.





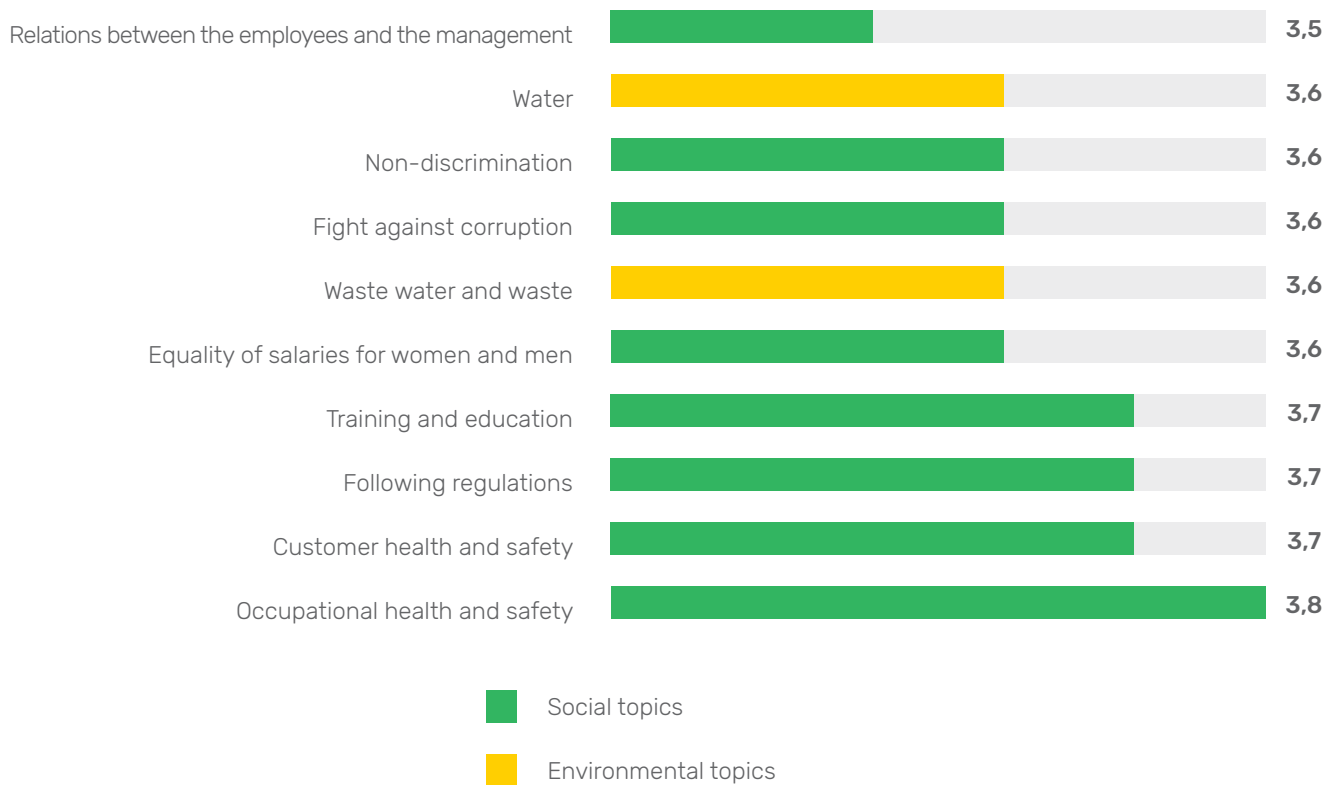
Results of the survey

The results of the survey we conducted among our stakeholders show that our stakeholders are satisfied with the choice of material topics and the comprehensiveness of reporting on a particular topic. The survey was conducted with the aim of identifying topics and perception of their importance among stakeholders as well as adjusting the content that will justify their expectations and needs.

Our stakeholders are almost equally interested in the economic, environmental and social impacts of the business

operations, but still slightly more attention is paid to social and environmental topics.

The first five places in the table relate to topics concerning society and functional efficiency in social settings, with special emphasis on the relationship that the company has towards its employees and customers. Four out of five selected groups of stakeholders hold that the topic of occupational safety and health is the most important topic.





Stakeholders (continued)

Customers

As one of the most important groups of stakeholders in the company's business operations, customers have the ability to influence the decisions and policies of society. They analyze, process and verify large amounts of information on which they base their business choices. They are involved in business processes, and their suppliers are not just service providers but partners and associates. We build partner relationships with our customers at all stages of cooperation in order to contribute to the quality of the final product. This is reflected on the success of our business, but also on our customers' satisfaction and the security of end users.

Types of counselling and frequency

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

During the reporting period in AD Plastik Group 44 audits by customers were held, viz. 13 in Croatia, 28 in Russia, and 3 in Serbia.

Russian plants almost doubled the number of audits compared to the previous year, due to the launch of two big projects with a lot of different Ford EcoSport tools and the facelift of existing Logan and Sandero vehicles.

Almost 50 percent of the total audits were conducted by Renault Group, while other audits were conducted by the customers VW Group, Fiat Group, VAZ, Ford, Nissan, Hella, PCMA and Webasto.





Employees

Satisfied and motivated employees who are the most valuable business resource are the most important for the successful development of the company. The exceptional expertise of our employees and their dedication to work enable us to achieve the company's business goals. By investing in the professional and personal development of every employee, we achieve a competitive advantage in the labor market.

In the reporting period, regular activities aimed at better informing and high-quality communication with employees have continued. By direct, clear and frequent communication with employees, we encourage the motivation and success of each individual. Aware of the importance of communication as one of the key development premises, we apply the practice of employee engagement at all levels, areas and states of operations. In 2018, the company organised numerous internal and external workshops and education courses. The company organised the quarterly award ceremonies for employees on a regular basis, as well as festive gatherings at all sites, and also landscaping of factories area at all sites on the occasion of ADP Day which is celebrated on Earth Day. A common team building was organized for the managers of all the production sites, and Chat Rooms with the Management Board for all the employees. Humanitarian activities were carried out at all sites of the Group. We also supported informal sports gatherings of employees at all sites, and company representatives have already traditionally participated in the B2B Run business race in Croatia.

The internal newsletter ADP News is published once every two months at all the sites of the Group, and since this year, it has also been translated into the Hungarian language and published in Hungarian language for employees of the new factory.

Types of counselling and frequency

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





Stakeholders (continued)

Trade unions and the workers' council

Trade Unions and the Workers' Council are important target group of stakeholders and direct communication channel of the Management Board to employees. They are regularly informed about all important changes within the company, and through a social dialogue we have been working on improving the working conditions and creating a comfortable working environment. They participate in making important decisions about the position of company employees, and the representative of the Workers' Council is a member of the Supervisory Board and is thus involved in supervising the company's business. The Workers' Council represents the workers' interests and regularly informs them about the issues related to the position of the employees. Trade unions participate in collective bargaining decisions, and in the end they conclude the Collective Agreement with the company.

Types of counselling and frequency

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

In the reporting period, trade unions met with the employer on several occasions during the collective bargaining process with the aim of concluding the new Collective agreement in Croatia. Maintaining a good social dialogue this year also took place during the collective negotiations involving trade unions. The Collective Agreement signed in 2017 for a one-year term was in force in Croatia during 2018 and at the end of the year collective bargaining for concluding the new Collective Agreement for 2019 began. The new Collective Agreement in Croatia was signed for a two-year term. In the Russian company AD Plastik Togliatti a Collective Agreement whose amendments were signed in the reporting period has been in force. The new associated company Tisza Automotive also has a long tradition of social dialogue and in the reporting period a Collective Agreement concluded for one year has been in force.





Owners and shareholders

Owners or shareholders of the company represent an extremely important public, so our goal is to build and maintain quality relations with shareholders based on regular, transparent and timely informing. By publishing notification on our website and on the Zagreb Stock Exchange website we want to acquaint our shareholders with all the important information regarding the company's business. We regularly announce new business deals of material significance for the company, based on which we can see the direction of development of AD Plastik Group and its future. Through detailed quarterly and annual financial statements, we want to inform shareholders about all relevant information that has affected and/or can affect the Group's performance.

The long-term strategy is always aimed at increasing the satisfaction of shareholders through increasing the company's value and regular payment of attractive dividends.

Types of counselling and frequency

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

Improving communication with shareholders, increasing transparency and timely informing on the all relevant facts have been our working priorities also in this reporting period.





Stakeholders (continued)

Suppliers and partners

Highly-established standards of automotive industry business are systematically transferred to the entire supply chain. By the prescribed procedures, in line with the automotive industry standards and the UNGC guidelines, we select our suppliers that we regularly assess and based on the results of the assessment we make decisions on continuing the business relationship. Partner relationships with suppliers, apart from continuous improvement of their performance through monitoring the parameters of quality, pricing, delivery stability and other criteria, are also aimed at raising level of their awareness of the impact of their business on the society as a whole. We encourage them to act in accordance with the guidelines of the corporate social responsibility.

Types of counselling and frequency

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

Particular attention in the reporting period has been devoted to development suppliers with whom a step forward can be made in innovative solutions that impact on sustainable business (reduction of material consumption, lower weight of products, use of recycled materials, etc.). In the reporting period approximately 150 meetings with suppliers were carried out, eight audits at the suppliers' production sites were made, and 276 suppliers were evaluated through questionnaires.





Financial public

Our financial public consists of investors and creditors as extremely important stakeholders of AD Plastik Group. We have earned their trust by our ongoing work on improvements and we strive to keep it by timely sharing all the relevant information based on which they will be able to make the right business decisions.



Types of counselling and frequency

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

By ongoing work on improving the way of financial reporting we want to increase transparency and to inform stakeholders regularly and timely about all relevant information that will be useful to them in creating a comprehensive picture about the company and about the adoption of decisions related to it. In order to further improve communication, last year the investor relations manager was appointed.





Stakeholders (continued)

State and local administration bodies

We want to make our contribution to the society as a whole through advocating improvements in business conditions and business environment. Through cooperation with the local and state administration bodies, we contribute to the development and social communities of all the locations where we operate, all in accordance with the policies and capabilities of the company.

Types of counselling and frequency

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

During the reporting period, the company's highest managing body has responded promptly and in the best business manner to all inquiries and initiatives related to launching new projects and generally improving the business climate in Croatia. The leaders of the company were presenting their opinions at international economic forums, advocating exporters' interests, removing business barriers, encouraging further development of production and commenting on laws and new financing programs and assistance to entrepreneurs. We provide our contribution to the development of the economy and the improvement of the business environment through our expertise and acquired experience.

„Croatian - French Economic Forum“ was held in Paris and President of the AD Plastik's Management Board Marinko Došen participated as one of the representatives of the Croatian entrepreneurs.







Stakeholders (continued)

Community

Our business has a significant economic impact on the community, and we build our positive and significant reputation with our corporate culture and relationship with the community. We regularly participate in projects, initiatives, and activities that have a positive impact on the community we work in. By participating in conferences, forums and round tables, we want to contribute to community development, and we also develop regular cooperation with the university community. We also provide support to the community and its projects through donations and sponsorships, support of professional associations and citizens' associations, and we make the most contribution by encouraging the employment of the local population. Also, Open Doors Days are organized at all our sites for different groups of community in which we operate.



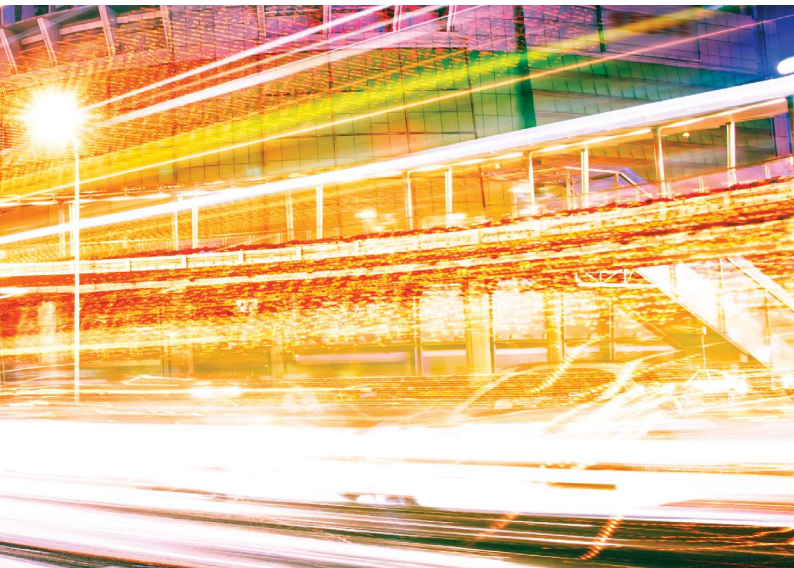
Types of counselling and frequency

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

In the reporting period, representatives of AD Plastik Group attended and actively participated in a series of economic events concerning the topic of competitiveness, export, monetary policy, corporate social responsibility, financial business and corporate governance.

- The conference entitled „Romanian Day“, organized by InterCapital within which a panel discussion attended by the President of the Management Board Marinko Došen was held.
- The conference entitled „International Economic Connecting“, organized by the Croatian Chamber of Economy – Rijeka County Chamber within which a panel discussion

- on the topic „Economic diplomacy and internationalization of business“ attended by the President of the Management Board of the company Marinko Došen was held.
- The conference entitled „M&A mergers and acquisitions in function of growth and development“, organized by the Capex and Lider, within which a round table attended by executive director for research and development of AD Plastik Group Hrvoje Jurišić was held.
- The conference entitled „Capital Market Awakening“ organized by HANFA and Hanza media within which a panel discussion attended by the President of the Management Board Marinko Došen was held.
- „The challenges of introducing the euro in Croatia“ – a panel discussion attended by the Member of the Management Board for finance, accounting, controlling and IT Sanja Biočić.
- „The kind of Croatia we need – 5 years of EU membership“ – the conference of Večernji List, within which a panel discussion entitled “Positive experiences in the EU” attended by Marinko Došen, President of the Management Board, was held.



Like every year, in the reporting period, we have participated in a number of activities relating to the cooperation of the economic and academic community with the company, hosted a large number of college and high school students from all over the world, visited various fairs and provided professional practices. Our factories were visited by the mayors of the two largest cities in Croatia, we hosted the British and Slovak ambassadors, a Japanese delegation visiting Croatia and American scientists from San Diego and Penn State University. The President of the Serbian Chamber of Commerce with his closest associates visited the plant in Mladenovac and got acquainted with the production processes.

Student visits to our sites have been intensified, thus besides the regular visits of students from the Faculty of Chemistry and Technology, FESB and FSB, US students and students of the Faculty of Technology from Tuzla visited us. There were also high school students among them, and regular cooperation was achieved with Sustainable Development High School from Split.

We presented AD Plastik Group at business fairs in Split, Zagreb, and Mladenovac, but also at the international scientific conference Mechanical Technologies and Structural Materials – MTSM 2018 in Split and Rotaraction – rotate the industry in Zagreb. We presented our experiences with recruitment in the company at Open Doors Days for engineering colleges. We participated in the Fair “Virtual Career and Knowledge Days” organized by the website Moj Posao.

For several years we have been involved in the project entitled “Experience is Worth More than Gold” that provides students with disability and students with a lower socio-economic status with an opportunity to undertake internship, thus providing a possible further job. Accordingly, also this year we enabled one of the students to gain her first business experience.

In the past year, 35 students’ internships and seven scholastic practices were realized and seven master’s thesis were mentored.

At the ceremony of Teaching Base Day of the University of Split, thanks to mentors who devote their acquired knowledge and experience to their students, AD Plastik Group received the award for excellent cooperation, and a student who undertook internship in our company was also awarded.



Stakeholders (continued)

Media

We regularly transmit information about business operations and relevant changes in the company to the wider public and all interested stakeholders via media. Also, on a regular basis and without delay, we respond to all inquiries received from the media, all in order to maintain a successful cooperation, as well as clear, accurate and timely communication. We maintain regular cooperation with the media so that they and all our stakeholders could be timely and accurately informed.

Types of counselling and frequency

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

In the reporting period, we have continued our regular and structured communication with the media, above all by sending regular announcements, by regularly responding to inquiries and by giving statements related to relevant topics.





Employees

We operate in times of the frequent market volatility that demands fast and efficient adjustments, and this is greatly manifested in human resource management. Our task is to constantly adjust to trends and improve our work in order to motivate and retain excellent employees. One of the key levers of successful realization of business goals is the strategy of development and management of human resources.

In order to keep pace with the dynamic labor market, processes and tools of human resources management are focused on the development of engaging and efficient behavior of all employees in order to achieve strategic goals as a guarantee of long-term success of the company.

By conducting regular analyses and research among the employees, we have been constantly working on developing and improving employee motivation tools in order to raise the level of satisfaction and improve working conditions. Regular individual and group conversations with employees, along with results of satisfaction surveys, give us the highest quality insight into employee perception, their satisfaction and opportunities for improvement and progress. These are also guidelines for further creation of action plans in order to create a stimulating atmosphere among employees.

By recognizing the potential, competence and expertise of employees, the human resources service creates guidelines and plans for their professional and personal development. Committed and competent employees are key to success, and their recognition and evaluation is the basis for human resource development. Despite the size of the company itself, through the realization of our activities, we want to retain individual approach to employees in order to respect the personal integrity of each individual.

In AD Plastik Group we recognize different motivations and drivers of individuals or groups of employees, and we encourage the recognition and evaluation of individual affinities and potentials for the purpose of better targeting further professional development.

We build a corporate culture that promotes proactivity, performance reward, recognition of excellence, development of collegiality and respect for personal integrity at all levels. In all our activities and programs we encourage the diversity and principles of equal opportunities.

In order to improve working conditions and ensure a more comfortable and quality business environment, significant funds have been invested in modernizing and restructuring the infrastructure at almost all of the Group's sites in 2018. Among the major projects, the most important are the renovation and extension of the parking space and the complete renovation of the restaurant for employees in Zagreb, while the administrative building in Solin has been renovated, in which, besides the Management Board Offices, there are sales, research and development offices. The meeting rooms in the company's headquarters have been completely renovated and equipped with latest technologies.

In the reporting period, AD Plastik Group expanded to another member in Hungary where the integration process has been carried out. This company has more than 300 employees to whom the Group and the basic elements and guidelines of business operation have been presented during the takeover. The programs and activities that the Group conducts, and which will be implemented at the new site, have also been presented to them. Integration has also been carried out in the area of corporate social responsibility, so in the Tisza Automotive the Code of Business Conduct and Policies have been prepared in Hungarian language and distributed to all employees.

As of 31 December 2018, AD Plastik Group employed the total of 2,876 persons, out of which 1,477 in Croatia, 833 in Russia, 331 in Hungary, 229 in Serbia and 6 in Slovenia. Croatian employees make the largest share in the Group, while employees aged between 30 and 35 prevail. Trends show a stable number of employees for several years now, and a significant increase in the reporting period is the result of the acquisition of Tisza Automotive in Hungary.





Employees (continued)

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

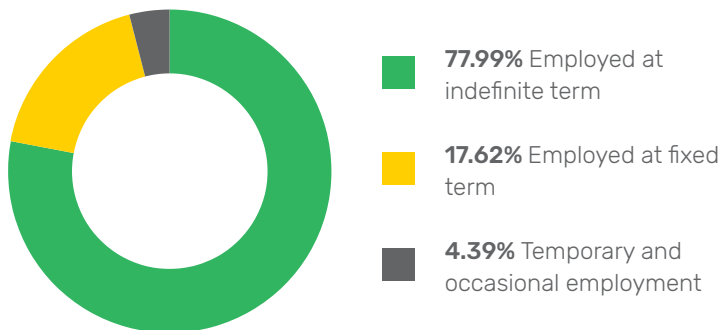
Number of employees of the AD Plastik Group by region and type of employment contract for 2018

As on 31/12/2018		Subject to contract			Employed in total	Share 2018
State	Location	Indefinite term	Fixed term	Temporary and occasional employment*		
Croatia	Solin and Zagreb	1008	469	14	1477	51.36%
Russia	Togliatti	613	0	0	613	21.31%
	Kaluga	220	0	0	220	7.65%
Serbia	Mladenovac	168	61	0	229	7.96%
Hungary	Tiszaujvaros	331	0	118	331	11.51%
Slovenia	Novo Mesto	6	0	0	6	0.21%
TOTAL		2346	530	132	2876	

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

Share of employees of AD Plastik Group by type of contract

The share of various types of contracts of the employees of AD Plastik Group in 2018

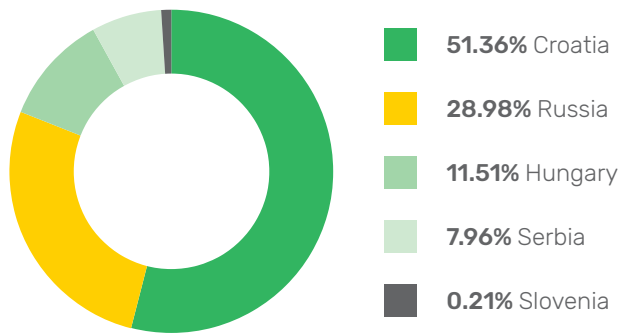


During the observed period the vast majority of employees still have an indefinite term contract, namely 77.99 percent of them, while 17.62 percent of employees have definite term contracts. Due to the impact of the structure of employees at the new site in Hungary, in 2018 the percentage of contracts for an indefinite period decreased by four percent and at the same time the share of temporary employees increased.



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

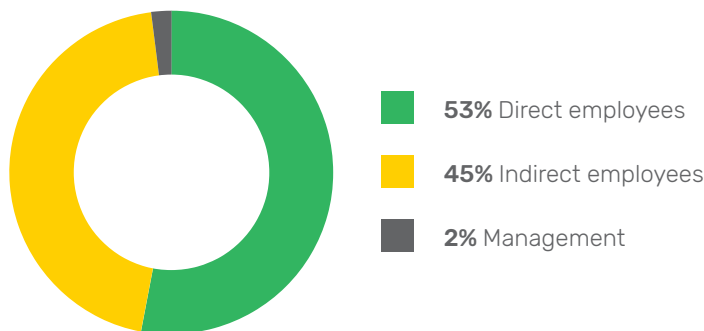
The share of employees of AD Plastik Group by state of operation in 2018



Although the share of employees per country changed in the reporting period due to a new factory in Hungary, the highest number of employees during this reporting period still refers to Croatia, namely 51.36 percent. It is followed by Russia with 28.96 percent, and a significant share of 11.51 percent of the Group's employees now refers to Hungary.

Employees of AD Plastik Group by type of performed work

The share of employees of AD Plastik Group by type of work in 2018



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

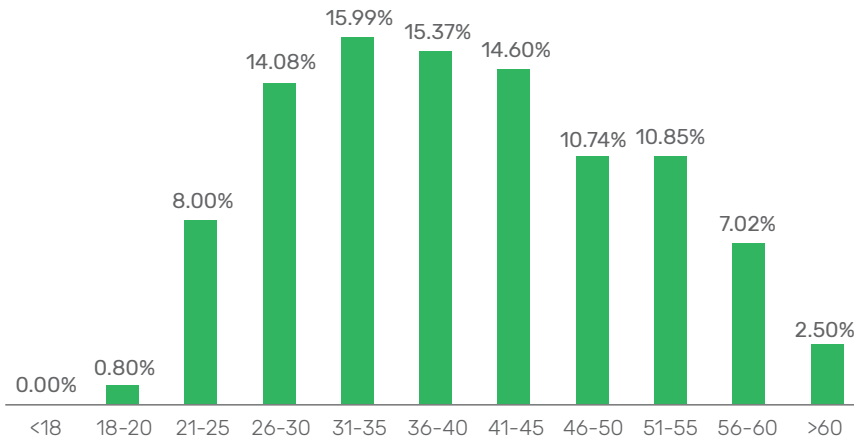
In the observed period, direct workers make the largest part of the total number of employees. Compared to the previous reporting period, the share of management has been reduced due to higher employment of direct and indirect employees at all sites, and partly also due to the acquisition of Tisza Automotive.



Employees (continued)

Share of employees of AD Plastik Group by age and gender

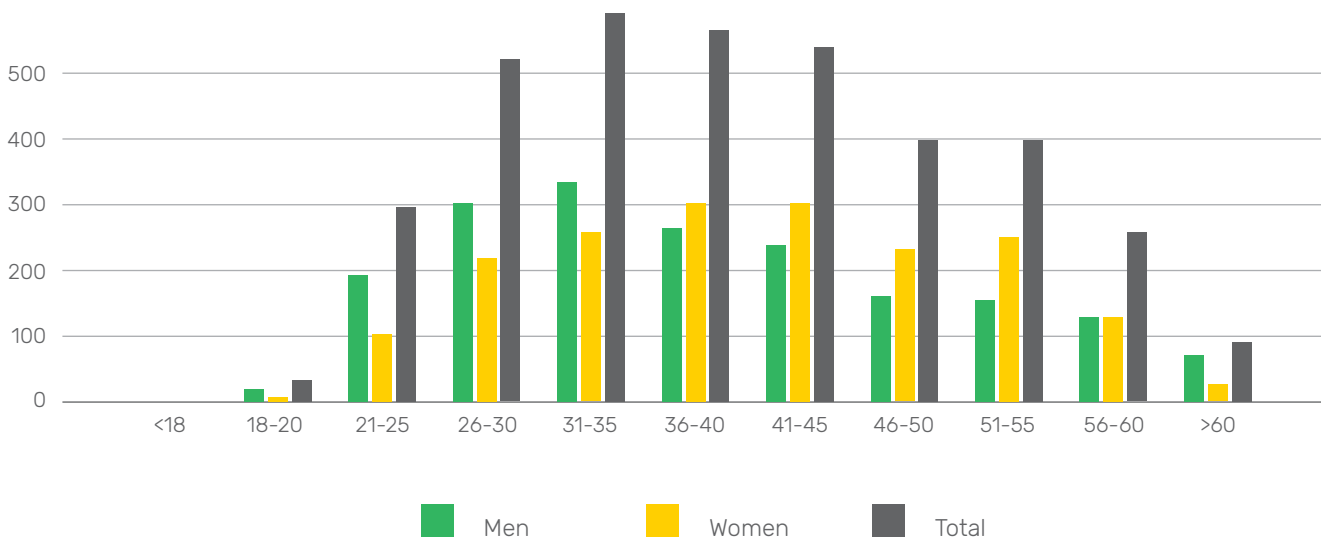
Age structure of AD Plastik Group's employees in 2018



There are no significant changes in the age structure of employees of AD Plastik Group, so the largest number of employees is still in the age group 30–35, and more than 60 percent of employees are between 25 and 45 years old. The average age of the Group's female employees is 41 years and the male employees – 39 years. The smallest number of employees is in the age group 18–20, and a small percentage is older than 60 years.

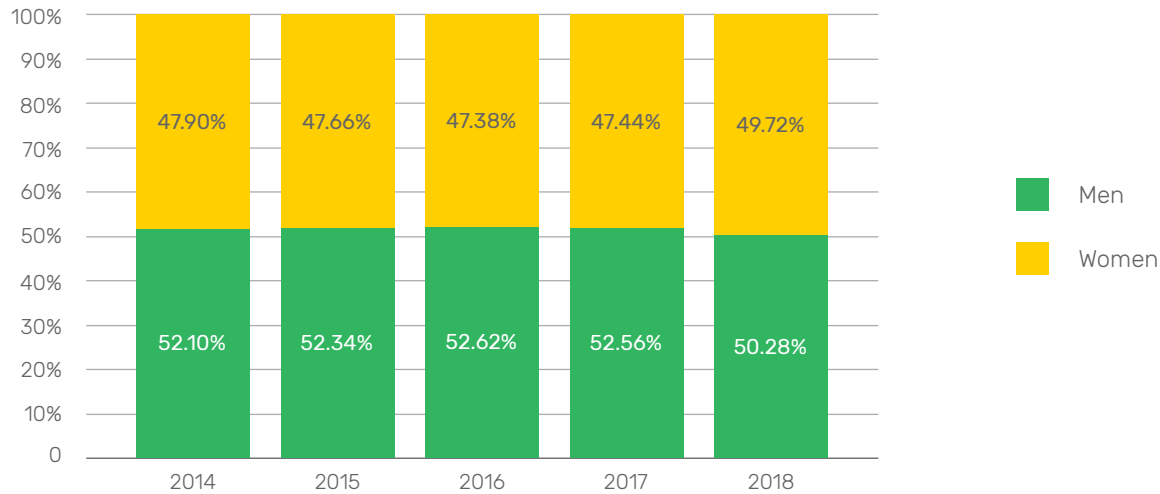
No one under the age of 15 or under 18 years worked in the AD Plastik Group in the reporting period, nor in any previous period, confirming that the company supports the ban on child labor.

Gender structure of employees of AD Plastik Group by age





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



Women make 49.72 percent of employees in the overall structure by gender for 2018, and thus the share of women increased by more than two percent compared to the previous period.

Percentage of the total number of employees covered by collective agreements

Along with the constant stimulation and promotion of progress and improvement of social dialogue within the Group, collective negotiations with trade unions in the Croatia were carried out in the reporting period. The negotiations resulted in the conclusion of a new Collective Agreement, to the employees' satisfaction, which was signed for a two-year term thus providing employees with better working conditions. In AD Plastik Togliatti amendments to the collective agreement were signed, while a new site in Hungary has also signed a Collective Agreement. At the level of the AD Plastik Group, 84.2 percent of employees are covered by collective agreements, while the regulations in accordance with the legal provisions in individual countries of operation apply to the other employees.





Supplier chain

When choosing suppliers, we are guided by the principles of policy of sustainable suppliers management. Before entering the AD Plastik Group's internal supplier base, each supplier is required to fill out a self-assessment questionnaire on compliance with corporate social responsibility guidelines. Suppliers are selected based on the obtained data and the prescribed internal procedures, and at the early stage of purchasing, the potential risks of negative impacts in the supply chain are reduced.

Local suppliers have a priority in the purchasing process because in this way we encourage their development and we achieve greater market competitiveness. The basic requirement for selecting local suppliers is to satisfy the required specifications and quality requirements first. In the automotive industry it is not uncommon that some suppliers are imposed by the customer, but they are still subject to high standards and procedures of checking and control of corporate social responsibility.

Referential documents

- Sustainable supplier management policy
- CII-6 purchasing procedure
- Supplier selection procedure ADP-KOM-PR-1013
- Supplier appraisal ADP-KOM-PR-1007
- Questionnaire for self-assessment concerning conformity with the guidelines for corporate social responsibility

One of the mandatory tools for better suppliers management are the inspection and supervision that are performed once a month in accordance with the prescribed quality procedures of the Group. After the supervisions have been carried out according to the evaluation procedure of suppliers, an agreed action plan is followed.

Regardless of completing the self-assessment questionnaire when entering the panel of the Group's suppliers, in order to encourage improvements in corporate social re-

sponsibility and control of its implementation, the survey is conducted once a year through a self-assessment questionnaire among all suppliers. According to the annual plan audits are carried out at supplier sites.

Within the company, suppliers are divided into three groups: suppliers of basic material, components and packaging, equipment suppliers (molds, tools, machines and spare parts) and suppliers of services. The company's policy is to build long-term partnerships with customers as well as with suppliers. Formalization of mutual contractual obligations partly results in the stability of the supply chain, but cooperation is primarily based on quality, reliability and mutual trust.

In the reporting period, no comprehensive assessment of the suppliers' impact on the society was conducted, although some of the questions within the Self-Assessment Questionnaire regarding corporate social responsibility concern the area of impact on society. In 2018, we were not able to timely evaluate all the sites in accordance with the new GRI standards.

Eight audits were made at the suppliers' production sites in the reporting period, and 276 suppliers were evaluated through questionnaires. At the Group level, 89 new suppliers were introduced, out of which 15 percent were assessed through a self-assessment questionnaire that includes questions regarding impact on society. No negative impacts on society and the environment were identified regarding any of the suppliers during the reporting period.





Supplier chain (continued)

The share of local suppliers in the total value of purchasing

Serial production of some vehicle models in the reporting period was completed and a large number of new projects were opened, resulting in a change in the number and structure of suppliers at almost all sites of the Group. By taking over Tisza Automotive, a new factory in Hungary, we have also taken over a large number of new suppliers whose integration into the Group system is still ongoing.

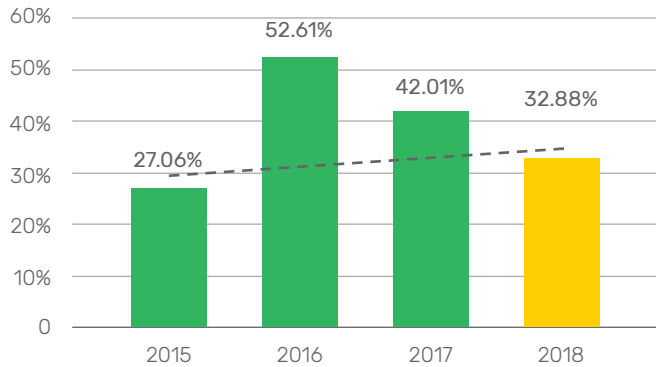
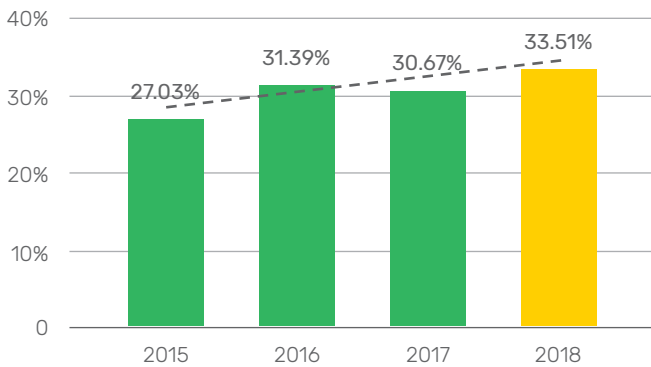
Local suppliers are considered to be all suppliers registered in the countries where our production sites are located. By significant locations of operation in the supply chain, we mean production sites in Solin and Zagreb in Croatia, Vintai and Kaluga in Russia, Mladenovac in Serbia and Tiszaújváros in Hungary.

AD Plastik, Croatia

Financial share of local suppliers increased slightly in the reporting period, primarily due to increased orders and turnover. The share of import suppliers is higher than the share of local suppliers due to the fact that there are no local suppliers that have the necessary materials and the quality required by the automotive industry.

AD Plastik Togliatti, Russia

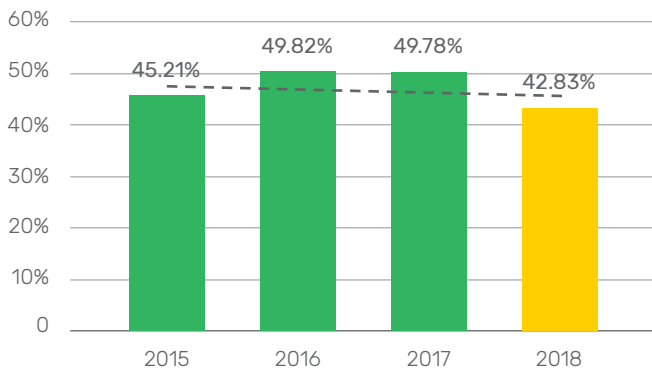
In the Russian market, a number of new projects that require the production of a greater number of injection moulding tools that can not be obtained in the local market has increased. As a result, the share of import suppliers increased, while the localization of raw material purchases in accordance with customer requirements takes place according to plan. The long-term goal is to increase the share of local suppliers of raw materials with their quality assurance and adequate deliveries.





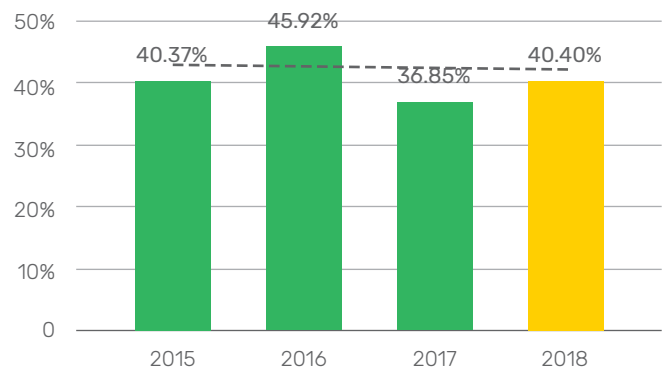
AD Plastik Kaluga, Russia

Situation at the plant in Kaluga is similar as in Vintai. By increasing the number of new projects and therefore the greater needs for making injection moulding tools abroad, the share of local suppliers decreased. However, activities aimed at localization of raw material purchasing have still been implemented. The development of Russian suppliers of granules and other types of materials greatly contributes to this, as well as clear purchasing strategy of our customers in the Russian market, which promotes localization.



ADP Mladenovac, Serbia

Unlike Russia, the share of local suppliers in Serbia grew in the reporting period due to increased services in this market. This market for now has low opportunities for localization of higher purchasing values due to undeveloped raw material production required by the automotive industry.



Tisza Automotive, Hungary

This is a new site of the AD Plastik Group, and in the context of the availability of materials in the automotive industry, this market is quite well developed. The factory is located in an industrial zone with several significant Hungarian granule producers. This allows us to cooperate closely in order to develop new materials, but also reduce logistics and other costs. For this site we do not have the required parameters for the previous years so we can not follow the trends, but in the reporting period the share of local suppliers is considerably higher than the import suppliers.





Obligations towards external initiatives

The activity of the company's management in the wider social community, operation and management of national and regional economic initiatives contributes to the promotion of the strategic interests of the Croatian economy. Thus, with knowledge and experience we 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 member of the Management Board Mladen Peroš is the deputy president of the **Economic Council of the County Chamber Split**. We have a leading



role in the work of the national **Plastics and Rubber Industry Association** of the Croatian Chamber of Economy and the regional **Vocational Plastics and Rubber Manufacturing Group** of the County Chamber Split.



We are the founders of the cluster of automotive parts manufacturers, **AD Klaster**, which brings together leading automotive parts manufacturers in Croatia, and the President of the Management Board Marinko Došen is also the President of the Assembly of AD Klaster. The director of AD Klaster is Zoja Crnečki, Advisor for Relations with State Institutions and Funds in AD Plastik, who is also the President of the Management Committee of the **Croatian Competitiveness Cluster for Automotive Sector** and the President of **Community of manufacturers of parts and accessories for the automotive industry** of the Croatian Chamber of Economy.

We represent the interests of exporters and raise awareness of their influence on the Croatian economy within the **Croatian Exporters Association**, whose Vice President is Marinko Došen.



We are members of the **Thematic Innovation Council for Traffic and Mobility** aimed at strategic management and development guidelines for thematic priority areas. The rep-

resentative of the company in the said council is Zoja Crnečki, Advisor for Relations with State Institutions and Funds.



HR PSOR

President of the Management Board Marinko Došen is a diversity ambassador, thereby contributing to raising awareness within the community about diversity and equal opportunities. He is also a Vice President of the HR BCSD Assembly.

We promote the importance of production and export and the raising of awareness on the positive impact of exporters on the Croatian economy in whole via membership in the **Club of Exporters**.



We participate in the work of the **Croatian Business Council for Sustainable Development, the Community for Corporate Social Responsibility, the Community for Environmental Protection in the Economy and Community for the Human Resources Development** of the Croatian Chamber of Economy. This way we want to advance and promote corporate social responsibility within the economic and wider community.



United Nations Global Compact

We are the signatories of the **Code of Business Ethics** of the Croatian Chamber of Economy and the United Nations

Global Compact Initiative, thus we have committed to promote and support the ten principles of the UNGC and we also promote the seventeen sustainable development global goals.

AD Plastik Group is a member of the **Croatian-Russian Business Club**, through which we work on the promotion of economic relations and elimination of administrative barriers between the Croatian and Russian economies.

Membership of the Moscow-based **Association of European Businesses** is a contribution to social engagement in associations outside Croatia.



Association of European Businesses



AD Plastik

Your needs. Our drive.



Economy

Direct, generated and distributed economic value

The reporting period for AD Plastik Group was another extremely dynamic and successful business period. Directly generated economic value of the Group in 2018 amounted to HRK 1,321.25 million, which is by 21.2% higher than in the previous year. Its growth, to somewhat more than 21.7 percent, is also followed by distributed economic value, which resulted in the growth of the retained economic value of 15.9 percent.

Distribution of economic value in 2018 by structure is quite similar to 2017. Growth in sales revenue follows growth in business expenses as well as increased payments for salaries and employee benefits. Payments to capital providers is almost at the same level as a year ago, but the structure is fundamentally different. The dividend paid was by HRK 1.5 per share higher, representing a growth of 17.65 percent, while interest expenses fell by 36 percent.

Payments to the state in the form of property tax and profit tax in 2018, were positive due to the recognition of deferred tax assets in Russian companies. A total of HRK 408 thousands has been invested in the community through donations, gifts and sponsorships.

The aforementioned results in a higher retained economic value of HRK 110.2 million, mostly used for investments aimed at further development of the Group.



Direct, generated and distributed economic value in HRK 000

	2014	2015	2016	2017	2018
Directly generated economic value	897,477	1,025,395	935,750	1,090,140	1,321,254
Sales revenue	869,553	1,002,363	913,383	1,069,061	1,298,446
Other revenue	27,924	23,032	22,367	21,079	22,808
Economic value distributed	896,847	934,820	869,253	995,077	1,211,022
Operating costs	653,826	716,810	613,353	722,522	906,981
Salaries and benefits to employees	182,196	187,560	181,044	210,790	253,485
Payments to capital providers	59,106	29,653	74,018	51,473	51,566
Payments to the state	1,484	647	652	9,719	-1,419
Communal investments	235	150	186	572	408
Economic value retained	630	90,575	66,497	95,063	110,232



Pensions

The rate of pension contributions in Croatia is 20 percent of the base for contributions, and the employer makes pension contributions payments in the name and at the expense of the worker. In accordance with the legislation of the Republic of Croatia, all employees are registered with and included in the state pension fund. In 2018 there was no change in pension regulations in Croatia.

In the Russian Federation, all employees are registered with and included in the state pension fund. The rate of payments is 22 percent up to the limit of RUB 1,021,000.00 which has been changed for 2018, and as soon as the limit is reached, the rate of payments is 10 percent.

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

All employees in Hungary are also registered with the state pension fund, with their rate of payment of 10 percent.

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

Basic salaries

In AD Plastik Group, the basic salary of employees is set depending on the job position, which means that it is the same for all employees who work at a particular job position per locations, regardless of their gender or any other characteristic of the employee. The salary for a particular job position is set according to legislation and internal documents of each individual member of the Group that define salaries in

accordance with job positions as well as other additions to the salary, compensations and stimulations. Other additional rewards to employees are set out in internal rules, rulebook on rewarding improvement ideas and excellence rewarding.

Gross salaries

At all sites of AD Plastik Group, a minimum initial salary is higher than or equal to the minimum wage requirements of the country where it operates. In the year 2018, the minimum gross wage in Croatia amounted to HRK 3,439.00 gross, while the minimum gross wage in the company was by 6.7 percent higher. In Russia, the prescribed minimum gross wage differs by districts. In the Kaluga Oblast, the minimum gross wage in the reporting period amounted to RUB 11,163, while the minimum gross wage in our factory was higher by 79 percent. In the Samara Oblast, the minimum gross wage also amounted to RUB 11,163, and in our factory in Vintai, the minimum gross wage was higher by 26 percent. The minimum gross wage in Hungary amounted to HUF 138,000.00 as well as the minimum wage in Tisza Automotive.

In 2018 the minimum prescribed gross wage increased at all sites of operation of AD Plastik Group. The Company's long-term goal is to preserve and improve the competitiveness of the labor market.





Economy (continued)

Financial assistance

In the reporting year, financial assistance from the Government was received in AD Plastik d.d. in the total amount of HRK 10.1 million. HRK 5.7 million of that amount was received in the form of tax incentives for the investment and capital investments in the Edison project in the previous years, while grants in the amount of HRK 4.3 million were received for projects funded from European structural and investment funds for the project „Pilot Painting Line for Experimental Researches, Development and Innovations“.

Company ADP Mladenovac realized a modest tax relief (HRK 16 thousand) in 2018 due to investments in earlier years. The amount and intensity of financial assistance that Government provides depends on the policies and programmes of individual Governments and the capital investments of the company. In AD Plastik Group we actively follow contests for the award of aid and, accordingly, we plan and adjust our investment plans, whenever possible.

Financial assistance received from the government in HRK 000

	2014	2015	2016	2017	2018
Tax reliefs	3,328	5,190	0	3,834	5,757
Aid	4,661	5,851	0	8,176	4,345
Total	7,989	11,041	0	12,009	10,102

Significant indirect economic impacts

Indirect economic impact of AD Plastik Group's members on its environment is not the same for all production sites in view of the specific nature of the environment in which they operate and the activities they perform. The common feature of all members of the Group is their impact on the number of job positions in the supplier chain. Considering that in the past several years we have recorded ongoing growth in the volume of production and operation, this affects the increase and expansion of the supplier chain and growth in the number of job positions accordingly.

Indirect impact that the company has on improving social conditions is not negligible, especially in areas with a lower rate of employability in which industry almost does not exist. This is most visible at the sites in Mladenovac and Solin.

Significant indirect economic impact in the sense of improving skills and knowledge within the framework of the professional community is particularly visible in Croatia, where the Research and Development Department of the Group is situated and where the most complex and advanced technologies are used. This results in close cooperation and partnership with the university community. We have been cooperating with faculties of electrical engineering and mechanical engineering on research, development and innovations to improve the existing production and get new deals. Through this cooperation, a channel for the employment of young people with potential is being created.



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

In the highest structure of AD Plastik Group management, in the reporting period 93 percent of share consisted of the local population. The company's senior management employs a total of 55 employees, of whom 51 come from local community.

Local recruitment is defined as the recruitment of persons who live in the county or district or region in which members of the Group operate. Senior management of the company consists of Management Board and top management, i.e. the functions of executive directors and directors. Significant place of operation means the seat of operation of each member of the Group.

The largest share of our employees, and of our senior management, in all significant places of operation of the Group consists of the local population. We encourage and support the recruitment of the local population through the human resource management strategy, while as an international company, we provide our employees with the opportunity for international career development, mobility and growth throughout the Group. We encourage the development and transfer of knowledge of our expert personnel among Group members, so we have examples of career development and advancement by taking key functions at other sites of operation within the Group also in senior management.





Environment

The automotive industry's development affects the high concentration of carbon dioxide in the atmosphere, so car makers as well as all of their suppliers pay special attention to reducing emissions and protecting the environment in general. In the automotive industry, it is not possible to be on a panel of acknowledged suppliers without having a clear strategy for developing and improving environmental protection. Despite the development of alternative fuel vehicles, analysts predict that gas and diesel fuel will still be the most widespread energy source for a while. Therefore, the goal of the European Union is to reduce CO₂ emissions and we continue to contribute to that with our activities.



Materials

Our products are made of thermoplastic organic polymers obtained by injection moulding, extrusion and thermoforming technologies. Also, using product painting technology, we use paints, solvents and varnishes based on volatile organic compounds. Input materials play a significant role in our business, not only in terms of cost, but also in terms of our customers, suppliers and the environmental impact. Therefore, they are a material topic of sustainability reporting, and its management is defined by policies of quality, environmental protection and sustainable suppliers management. The procedures and activities we conduct in relation to input materials are prescribed by the internal procedures and instructions of sales departments, market research, purchasing, development of products and processes, production, quality and environmental protection.

Aware of the fact that thermoplastic organic polymers are obtained from oil, which is a non-renewable natural resource, the product development department of the company, in collaboration with customers, explores the possibilities of using bioplastics as renewable plant material. Input materials are regularly controlled according to the test plans for input materials. The results obtained, along with other requirements, affect the annual rating of the suppliers regularly conducted by the purchasing department.

At the same time, we take care of the use of recycled input raw materials obtained by milling the used products made from thermoplastic organic polymers in the production process.

Our final products are manufactured according to the customer's technical specifications and before the transition from the development phase to serial production, they pass a full range of automotive-specific testing and control systems in accordance with customer requirements and IATF 16949 standard.

We apply the precautionary principle at Group level to avoid any potential risk of applying new technology until there is complete knowledge or understanding of its impact on the environment and human health.



The tables show the quantity of material used in tons, the quantity of recycled material used in tons and the percentage of recycled consumed material. In 2018, due to the increase in production and the inclusion of new production site in reporting, there was an increase in consumption of input materials. The share of consumption of recycled materials from thermoplastic organic polymers decreased in the reporting period due to the end of the production of components for which such material was used.

In the reporting period, at the site of Zagreb, the business model of chemical leasing was started and the existing model of chemical use was replaced by a model that takes care of the entire life cycle of the chemical. Waste solvents from our painting production process is submitted to an authorized repository that regenerates the waste solvent and restores it to the process for use. Thus, in 2018, 84 tons of regenerated solvents were used at the site of Zagreb.

Due to the consumption of volatile organic compounds in an amount of more than 200 tons per year, we have sent a request to the competent ministry for obtaining an environmental permit at the site in Zagreb.

Material used by weight or quantity

Material	Location	2016	2017	2018
PP/PE/PES (t)	Solin, Zagreb	8,188	11,372	12,560
	Vintai	1,925	2,641	2,467
	Kaluga	1,403	1,671	1,965
	Mladenovac	1,246	780	594
	Tiszaújváros			1,757
	TOTAL		12,762	16,464
Paint, varnish, solvents (t)	Solin, Zagreb	242	321	435
	Vintai	6.8	8.5	11.63
	Kaluga	0.2	15.3	0.18
	Mladenovac	231	290	286
	Tiszaújváros			0
	TOTAL		480	634.8

Recycled incoming material (t)

Material	Location	2016	2017	2018
PP/PE/PES (t)	Solin, Zagreb	1,669	2705	1,737
	Vintai	219	260	198
	Kaluga	97	110	131
	Mladenovac	110	25	0
	Tiszaújváros			0
	TOTAL		2,095	3,100

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

Material	Location	2016	2017	2018
PP/PE/PES (t)	Solin, Zagreb	20.38	23.80	13.37
	Vintai	11.38	9.84	8.03
	Kaluga	6.92	6.58	6.66
	Mladenovac	8.83	3.20	0
	Tiszaújváros			0
	TOTAL		16.42	18.83



Environment (continued)

Energy

Since energy is a significant and indispensable resource for business of AD Plastik Group, monitoring and care of its consumption and energy sources consumption is our daily task. We pay special attention to energy efficiency and besides the cost optimization, we are aware of the positive environmental impacts. At the sites in Solin, Zagreb and Mladenovac we have successfully certified the energy management system in accordance with ISO 50001 standard.

The general goals concerning energy efficiency that we have set for the period until 2021:

- To raise awareness about energy efficiency of all employees of the Group;
- To achieve technical preconditions to measure energy efficiency by setting electrical energy measuring instruments for all processes at sites in Solin, Zagreb, and Mladenovac;
- To replace old energy non-efficient equipment with new energy efficient equipment.

The main energy source we use in our operations is the electrical energy, necessary for the operation of machines in the process of production and of the equipment for heating and cooling the working spaces. Share of the electrical energy in total energy consumption within the Group in 2018 amounted to 79.27 percent. Energy consumption has increased by about 20 percent in relation to the previous year, and this is due to the purchase and commissioning of new machines, the start of production on the renewed painting line in Zagreb and the inclusion of new location indicators in overall reporting. In order to encourage sustainable growth in the environment, care and environmental protection, 20% of electricity (18,898 GJ) at sites in Solin and Zagreb in 2018 was obtained from renewable sources (purchased from various suppliers).

The Technical Services at all sites of the Group take care of installed technical facilities for energy distribution and production. Preventive inspections of energy facilities are regularly carried out along with keeping corresponding records and proposing measures to improve energy efficiency, in accordance with the operating instructions.

In order to obtain heat energy for the operation of the boiler room, we use fuel oil and natural gas. In the paint shops in Zagreb, we also use natural gas for the purpose of flaming or activating the plastic surface by flame to ensure better paint adhesion in the





painting process and for the purpose of burning volatile organic compounds in the incinerators. In terms of other energy sources, we use liquefied petroleum gas for the operation of forklift trucks and gasoline and diesel fuel for official vehicles.

During the reporting period, we have continued to replace old lighting units (450W) with the new LED bulbs (60W). We have started the installation of high-speed roll up doors in the storage areas to reduce the negative impact of air leakage and energy loss. At the sites in

Zagreb and Solin we have replaced 27 technologically outdated forklifts with the new and modern electric forklifts, we have purchased a new energy-efficient cooling plant, reconstructed the heating system and replaced the calorifier. At the site in Vintai we have modernized the ventilation system in the production area for thermoforming of headliners and the production area for carpets.

The total energy consumption within the company shows the consumption of electricity, natural gas, liquefied petroleum gas and fuel oil.

Consumption of energy inside the organisation (GJ)

Location	2016	2017	2018
Solin	34,382	38,024	43,011
Zagreb	70,077	75,016	76,707
Vintai	24,151	26,408	26,012
Kaluga	12,536	16,360	16,071
Mladenovac	15,388	16,829	17,341
Tiszaújváros	0	0	19,008
TOTAL	156,534	172,637	198,150

	2016	2017	2018
Electric energy (GJ)	123,712	131,524	157,067
Natural gas (GJ)	26,916	34,786	38,116
Liquefied petroleum gas (GJ)	5,805	6,005	2,742
Heating oil (GJ)	101	322	225
TOTAL	156,534	172,637	198,150



Environment (continued)

Energy (continued)

Planned Energy Efficiency targets for 2019:

- Worn-out installation restoration
- Purchase of diagnostic ultrasound equipment for examining condition of technological air installation
- Unifying the work of compressor stations by connecting the air compressors
- Continuation of the process of replacing lighting units with more energy-efficient ones
- Continuation of the process of replacing old light fixtures on buildings' roofs
- Continuation of the process of motion sensor installation for automated turning-off the lights
- Continuation of the process of installing Energy saving software to improve the operation of injection moulding machines

Consumption of energy outside the organisation (GJ)

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

Location	2016	2017	2018
Solin	2,159	2,242	3,262
Zagreb	600	410	392
Vintai	4,291	4,409	4,246
Kaluga	126	216	205
Mladenovac	259	132	65
Tiszaújváros	0	0	0
TOTAL	7,435	7,409	8,170

Energy intensity (kWh/kg of the product)

We measure energy intensity by the ratio of total energy consumption inside the organisation (kWh) and the total weight of delivered product (kg).

Location	2016	2017	2018
Solin, Zagreb	3.13	2.97	2.56
Vintai	2.27	2.16	2.30
Kaluga	1.64	1.45	2.15
Mladenovac	2.01	2.21	3.27
TOTAL	2.86	2.56	2.53



Water

Water is the necessary resource needed for the operation of our technological plants and managing its consumption is an inevitable part of our business. Internal acts, procedures and instructions include management, and the technical service daily takes care of the water consumption and status of the water delivery system. Water supply is provided from the local water supply systems, and at Zagreb site partially also from their own well.

Process water is used for:

- machine cooling (cooling water is not drained into the sewerage system since it circulates in a closed system and gets refilled as needed);
- water curtain in the process of applying paints and lacquers at the painting line (in a closed recirculating system in which water is refilled as needed);
- humidification of air supplied to the paint shop

Water consumption is monitored by direct measurement on the water meter, and we do not recycle waste water at our production plants. The water consumption of AD Plastik Group does not have an adverse effect on water and the aquatic ecosystem of the area in which its members oper-

ate. The amount of water we use does not endanger the capacities of local water wells. The Solin site receives its supply of water from the source of the Jadro River, with 9.0 m³/s of capacity, and the Zagreb site from the Zagreb internal water supply system, with 4.5 m³/s of capacity. The Mladenovac site receives its supply of water from city Mladenovac internal water supply system that pumps water from artesian wells (55 wells), the capacity of which is 2.5 l/s per well, the Vintai site from the well in settlement Vintai, with 1.5 m³/s of capacity and the Kaluga site from city Kaluga internal water supply system, with 180 m³/h of capacity.

In 2018 at site in Vintai we installed a water purification and cooling system for the technological process of profiles extrusion. The installation of this system has enabled continuous maintenance of the production process temperature, resulting in an increase in its stability, i.e. the quality of the manufactured product and the reduction of the internal scrap.

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

Water consumption per source (m³)

Location	Consumption of water from public water supply (m ³)			Consumption of water from private well (m ³)		
	2016	2017	2018	2016	2017	2018
Solin	33,705	41,305	45,779	0	0	0
Zagreb	9,547	10,915	12,405	5,445	8,176	7,405
Vintai	8,035	5,949	8,148	0	0	0
Kaluga	3,074	3,194	2,686	0	0	0
Mladenovac	11,584	4,691	3,074	0	0	0
Tiszaújváros			1,628			0
TOTAL	65,945	66,054	73,720	5,713	5,445	8,176



Environment (continued)

Emissions

Managing the gas emissions into the atmosphere is an important aspect of our work, keeping continuously in mind the possible environmental and economic effects.

Emissions include CO₂, NO₂, SO₂ and CO arising from the combustion of energy sources we use for the operation of boiler rooms, also the emissions caused by the consumption of liquefied petroleum gas for the operation of the forklifts, the emissions of volatile organic compounds from the exhaust vent of the painting line as well as emissions generated by the production of electric energy necessary for the operation of the plants.

Energy management is our daily task, and through its good quality management we reduce the emissions of harmful gases. Through regular monitoring and certification of the ISO 50001 energy management system at the sites in Solin, Zagreb and Mladenovac, we carry out an annual evaluation of our efficiency confirmed by the Management Board. By continuous improvement of the management system, we increase energy efficiency and reduce the amount of emis-

sions into the atmosphere, with the growth of our economic activity.

Improvements and progress in reducing the amount of greenhouse gas emissions in 2018, partly relate to the reduction of CO₂ emissions due to the use of electric energy generated from renewable sources at the sites in Solin and Zagreb. Other improvements have resulted from the activities undertaken in order to reduce electric energy consumption and consequently reduce emissions. The activities and the measures undertaken have resulted almost entirely in the reduction of the intensity of greenhouse gas emissions by 0.05 kg CO₂/kg of product in 2018. The greenhouse gas emission intensity in 2018 amounted to 0.0452 kg CO₂/kg of product.

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

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

Location	2016		2017		2018	
	Direct greenhouse gas emissions according to mass	Indirect greenhouse gas emissions according to mass	Direct greenhouse gas emissions according to mass	Indirect greenhouse gas emissions according to mass	Direct greenhouse gas emissions according to mass	Indirect greenhouse gas emissions according to mass
Solin	243	2,542	283	2,226	24	2,623
Zagreb	1,445	3,505	1,526	3,003	1,405	3,187
Vintai	512	1,584	546	1,724	73	1,899
Kaluga	10	964	251	934	248	894
Mladenovac	219	916	290	916	368	837
Tiszaújváros	0	0	0	0	0	1,179
TOTAL	2,429	9,511	2,896	8,803	2,118	10,619

* t CO₂ - Emission data calculated according to national standard



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

	2016	2017	2018
Direct greenhouse gas emissions according to mass	2,429	2,896	2,118
Indirect greenhouse gas emissions according to mass	9,511	8,803	10,619
TOTAL	11,940	11,699	12,737

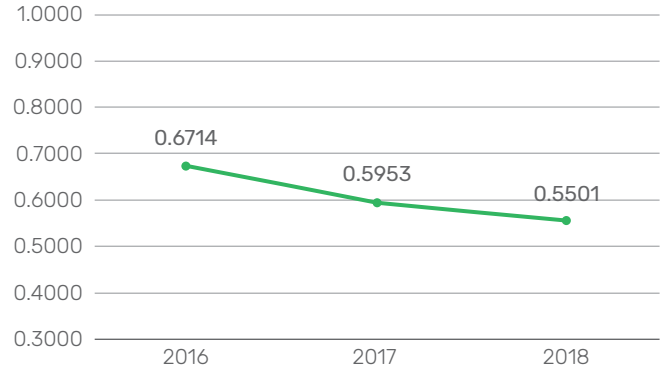
* t CO₂ - Emission data calculated according to national standard

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

Refrigerants whose chemical composition deplete the ozone layer can be found in air conditioning equipment, cooling equipment and fire extinguishers. With regular service of the equipment, we monitor the control of the correctness and content of the refrigerant in it. Correctness control, considering the amount of refrigerant, is carried out quarterly, semi-annually and annually, and we keep the records on the service cards. Leakage and correctness inspections are performed by authorized service technicians. For the business needs, in the reporting period new cooling equipment was purchased for the Mladenovac and Solin sites. By purchasing new equipment, the quantity of R410A active substance increased by 63 kg. At the Solin site a cooling equipment with 14 kg R407 has been disposed of in accordance with the positive legal regulations. In 2018 there was no uncontrolled releasing of active substances in the environment, and there were no fires, i.e. releasing of 227e active substance due to fire suppressing activities.

Greenhouse gas emission intensity (kg CO₂ / kg product)

Location	2016	2017	2018
Solin, Zagreb	0.77	0.68	0.56
Vintai	0.60	0.57	0.54
Kaluga	0.45	0.37	0.52
Mladenovac	0.52	0.57	0.57
TOTAL	0.67	0.60	0.55





Environment (continued)

Emissions (continued)

Active substance quantity in the equipment (kg)

	2017							2018						
	R22	R407C	R404C	R410A	R505	R134A	227ea	R22	R407C	R404C	R410A	R505	R134A	227ea
Solin	128	23	4	0	4	127	40	128	9	4	60	4	127	40
Zagreb	120	1392	0	18	0	120	0	120	1392	0	18	0	120	0
Vintai	0	40	0	0	0	0	0	0	40	0	0	0	0	0
Kaluga	0	180	0	0	0	0	0	0	180	0	0	0	0	0
Mladenovac	8	77	0	0	0	0	164	8	77	0	3	0	0	164
Tiszaújváros								0	16	0	0	0	0	0
TOTAL	256	1712	4	18	4	247	204	256	1714	4	81	4	247	204

Active substance quantity in the equipment (kg)

	2016	2017	2018
R22	256	256	256
R407C	1173	1712	1714
R404C	0	4	4
R410A	0	18	81
R505	0	4	4
R134A	127	247	247
227ea	204	204	204

In addition to the CO₂ emissions reported under direct emissions, our plants also monitor the NO₂, SO₂ and CO emissions caused by heat energy generation in boiler rooms. We measure air emissions in accordance with the legal regulations that depend on the strength of the device we use. Besides the NO₂, SO₂ and CO emissions on the painting line exhaust vents in Zagreb, we also measure emissions of volatile organic compounds (VOC).

In 2018, the measured values of emissions from stationary sources were in compliance with the statutory provisions. The reports on quantity of annual emissions are regularly submitted to national competent authorities responsible for environmental protection. Due to the start of production on the new painting line in the reporting period, volatile organic compounds emissions from its exhaust vents have contributed to an increase in the emissions of compounds by 1 t. In order to reduce the negative impact on the environment caused by volatile organic compounds, on the exhaust vents of regenerative incinerators of both painting lines in Zagreb 237.746 t of volatile organic compounds were combusted in 2018.

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

	2016				2017				2018			
	NO ₂	SO ₂	CO	VOC	NO ₂	SO ₂	CO	VOC	NO ₂	SO ₂	CO	VOC
Solin	0.005	0.015	0.000	0.000	0.025	0.060	0.150	0.000	0.011	0.033	0.000	0.000
Zagreb	1.004	0.000	0.000	5.200	1.340	0.000	0.092	5.812	0.874	0.000	0.576	9.651
Vintai	4.523	0.024	0.427	0.000	4.523	0.024	0.427	0.000	4.523	0.024	0.427	0.000
Kaluga	0.001	0.000	0.266	0.000	0.001	0.000	0.266	0.000	0.001	0.000	0.266	0.000
Mladenovac	0.825	0.000	0.614	0.000	0.906	0.000	0.720	0.000	0.915	0.000	0.600	0.000
Tiszaújváros								0.000	0.000	0.000	0.000	0.000
TOTAL	6.358	0.039	1.307	5.200	6.795	0.084	1.655	5.812	6.324	0.057	1.869	9.651

Emission data calculated according to national standard

The planned targets of reduction in emissions in the atmosphere are directly linked to the energy efficiency targets for 2019 as outlined in this report.





Environment (continued)

Waste water and waste

Waste and waste water management is defined by internal procedures at all Group sites. It is a daily concern and task of expert environmental protection services, but also of all the employees. The company's sustainability awareness is also evident in the chosen commitment to establish an environmental management system in accordance with ISO 14001 standard, implemented at all Group's sites. Environmental protection policy and setting goals are based on the application of this international standard, taking into account legal and other binding requirements. By regular annual inspection, we carry out assessments of the efficiency of the implemented system confirmed by the Management Board.

Waste waters generated in the areas of the Group's operation are divided into process waste water, rain water and sanitary waste water. Rain water and sanitary waste water are discharged by separate drainage systems into the public drainage system. Settlers and oil and grease separators installed in rain waste water systems are regularly cleaned in accordance with maintenance plans. Hazardous wastes resulting from cleaning of settlers and separators are disposed of in accordance with waste management regulations. We do not drop the process waste water into the public drainage system, it is contained in a closed circulating control system that is supplemented with clean water (due

to evaporation). From the process waste water generated on the painting lines in Zagreb, we separate the solid residue that is produced as a color coagulation product and in accordance with the law on sustainable waste management, it is disposed of as a special hazardous waste. Purified water is then returned to the production process.

All members of the Group have a valid water permit according to which the parameters of waste water quality and the sampling frequency have been defined. Control of the quality of waste water discharged into public drainage systems is regularly checked by authorized companies.

The analyses have shown that in 2018 the quality was in accordance with legally prescribed parameters at all sites of the Group. The reports on the quality of discharged waste water are submitted to national competent authorities responsible for environmental protection. In the reporting period, there were no significant outpours of hazardous substances that could have significant negative impacts on the environment with potential adverse effects on the soil, water, air, biodiversity and human health.

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

Amount of discharged water (m³) and its destination

	2016	2017	2018	Destination of discharged waste water
Solin	33,705	41,305	38,779	Adriatic Sea/Mediterranean Sea
Zagreb	4,346	5,015	8,305	Sava River/Danube River/Black Sea
Vintai	8,035	5,949	8,148	Volga River/Caspian Sea
Kaluga	3,074	3,194	2,686	Oka River/Volga River/Caspian Sea
Mladenovac	11,584	4,691	3,074	Veliki Lug River/Danube River/Black Sea
Tiszaúváros			1,772	Tisza River/ Danube River/Black sea
TOTAL	60,744	60,154	62,764	



Objectives met in 2018:

- Waste water quality testing was performed at all sites in accordance with water permit requirements;
- A reconstruction of sanitary and rain waste water systems was performed in Solin
- The procedure for obtaining a water permit for the plant in Solin has been initiated

Our production processes generate non-hazardous and hazardous waste which we treat in accordance with the legal regulations. Non-hazardous waste refers to packaging waste (cardboard, plastic foil, wood), plastic waste, scrap metal and waste from processed textile fibres. Hazardous waste refers to waste paints and lacquers, waste solvents, waste sludge from paints and lacquers, packaging tainted with hazardous substances, electronic and electrical waste, hydraulic oils, water sludge, separator sludge, waste printing cartridges, fluorescent tubes, absorbents, filtering materials, greasy rags and gloves.

Waste is disposed in the prepared containers at the place where it generated. Waste containers are labeled with the

appropriate waste name and catalog number. Licensed waste disposal companies regularly collect and dispose of waste for further disposal. The records on the produced waste and the waste delivered for further disposal are kept in legally prescribed documentation.

In 2018, we signed the agreements with a company licensed for the disposal and recycling hazardous waste that collects the waste organic solvents produced during our processes and recycles and returns them in production process as purified solvents. The amount of waste organic solvents delivered in the reporting period was 109.925 tons.

Total waste mass according to type (t)

	2016		2017		2018	
	non-hazardous	hazardous	non-hazardous	hazardous	non-hazardous	hazardous
Solin	172.89	29.38	193.758	15.025	207.92	21.45
Zagreb	300.90	268.80	543.26	398.87	543.00	416.20
Vintai	337.50	2.20	470.00	4.16	542.03	5.16
Kaluga	249.60	6.40	294.00	2.00	307.20	4.50
Mladenovac	188.49	13.04	214.8	15.3	239.14	11.59
Tiszaújváros					88.62	0.70
TOTAL	1,249.38	319.82	1,715.82	435.36	1,927.91	459.60

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



Environment (continued)

Waste water and waste (continued)

Waste mass (t)

Waste disposal methods	2016	2017	2018
Recycling	565.33	692.28	892.63
Waste storage before applying any disposal method	271.73	458.75	355.03
Using waste mostly as fuel or other method for generating energy	0.00	36.03	21.14
Physical and Chemical Waste Processing	12.59	32.07	19.06
Waste incineration on land	130.25	84.12	28.20
Waste disposal at specially prepared landfills	589.30	847.94	1,071.45
TOTAL	1,569.20	2,151.18	2,387.51

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

Compared with the previous reporting period, waste amount has been increased in 2018, primarily due to the increase in

production volume, and to a lesser extent due to the inclusion of new Hungarian site indicators in the overall reporting.





Environmental protection expenditures and investments

Environmental protection expenditures and investments in total (€)

Location	2016		2017		2018	
	Environmental protection expenditures	Environmental protection investments	Environmental protection expenditures	Environmental protection investments	Environmental protection expenditures	Environmental protection investments
Solin	38,567	113,000	27,163	80,934	45,415	31,147
Zagreb	120,000	275,580	114,650	19,330	149,493	58,644
Vintai	53,691	2,726	47,635	4,857	45,063	4,108
Kaluga	14,416	0	1,174	0	1,512	0
Mladenovac	25,580	1,250	30,217	2,716	40,498	700
Tiszaújváros					26,953	0
TOTAL	252,254	392,556	220,839	107,837	308,934	94,599



Environmental protection expenditures in 2018

- removal and disposal of hazardous and non-hazardous waste
- measurement of air emissions from immovable sources
- waste water and hazardous waste analyses
- external noise measurement
- testing impermeability of the waste water system
- water protection fees
- water regulation fees
- fees towards Environmental Protection and Energy Efficiency Fund

Environmental protection investments in 2018

- replacing old lighting units with the new LED bulbs
- installation of high-speed roll up doors in the production and storage areas
- installation of the new cooling unit
- reconstruction of ventilation and heating system
- installation of fire alarms



Environment (continued)

Environmental impact assessment of suppliers

In the reporting period, we have continued to regularly conduct annual environmental impact assessments of suppliers. This applies to existing suppliers, and the assessment is mandatory before the final selection of the new supplier.

When selecting new suppliers, one of the basic criteria is obtaining the ISO 14001 environmental protection certificate. If the supplier does not possess the said certificate and for some reason it is not possible to find another supplier, the assessment is done through a self-assessment question-

naire that contains questions from the environmental protection system. In this case, as a condition of long-term cooperation, the suppliers are required to provide a term plan for the introduction of an environmental protection system.

In the reporting period, all new suppliers that influence the quality of our products have been tested by the environmental impact criterion. No negative effects of the supply chain on the environment were identified, so no corrective measures were taken.

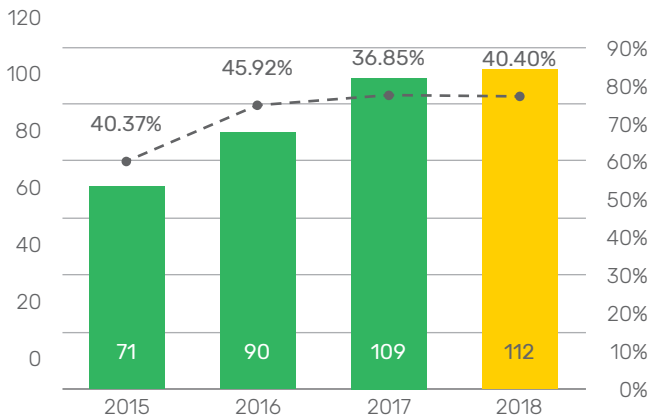
AD Plastik Croatia

In Croatia, we evaluate 154 suppliers in terms of environmental impact that are evaluated once a year and the results obtained are kept at the company's internal portal. Out of the 154 suppliers listed, 112 have the ISO14001 environmental protection system certificate, while the others have been estimated by self-assessment questionnaires.

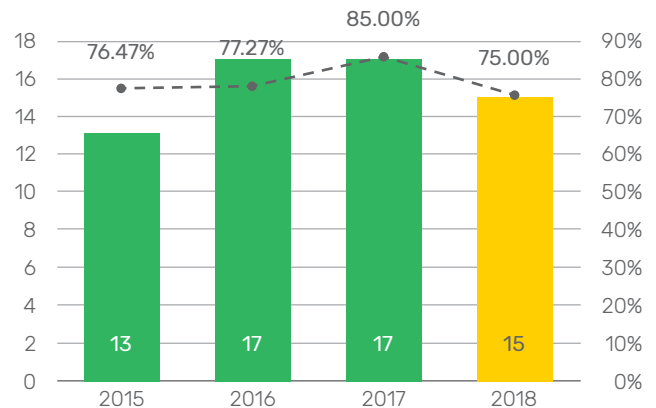
ADP Mladenovac, Serbia

In Serbia we evaluate 20 suppliers in terms of environmental impact, and 15 of them have the ISO 14001 certificate. Due to termination of contractual relationship, two certified suppliers are no longer on the supplier assessment list.

Number and share of suppliers with ISO 14001



Number and share of suppliers with ISO 14001

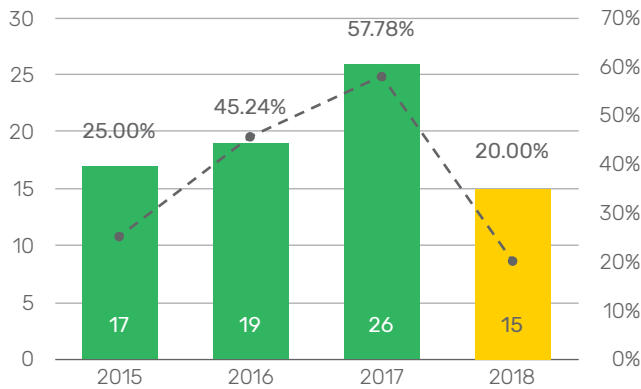




AD Plastik Togliatti, Russia

At the site AD Plastik Togliatti we evaluate 75 suppliers, and only 15 of them have ISO 14001 certificate which shows a decrease in the number of suppliers with the required certificate. The reason for this is the aforementioned said completion of individual projects, which has stopped the business relationship with certain suppliers. We evaluate suppliers without certificates using a questionnaire for self-assessment, and in the reporting period, there were no suppliers with whom business relations were stopped due to the negative impact on the environment. At the same time, no supplier has been identified that has real or potential negative environmental impacts.

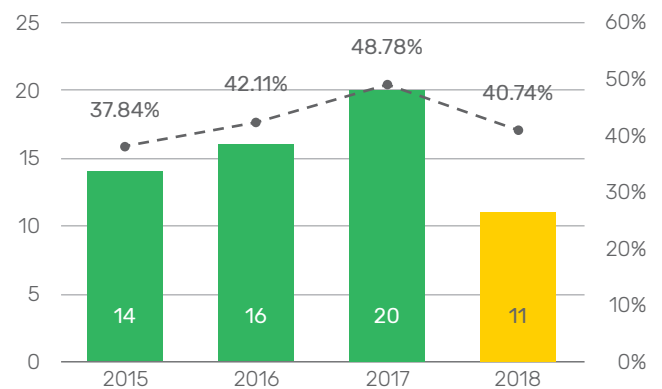
Number and share of suppliers with ISO 14001



AD Plastik Kaluga, Russia

In the reporting period AD Plastik Kaluga evaluated 27 suppliers in terms of environmental impact, and 11 of them have ISO 14001 certificate. Other suppliers were evaluated using self-assessment questionnaires, and a fall in the number of certified suppliers was the result of a change in the supplier structure because of completion of some of the projects in the Russian market.

Number and share of suppliers with ISO 14001



Tisza Automotive, Hungary

At the new site in Hungary we have evaluated 104 suppliers in total in the reporting period, out of which 46 have ISO 14001 certificate. Given that AD Plastik Group became the owner of Tisza Automotive in July last year, we did not evaluate other suppliers via self-assessment questionnaires, but this will certainly be made in the next year.

Number and share of suppliers with ISO 14001





Environment (continued)

Compliance with environmental protection regulations

By respecting and implementing the legal regulations and the Environmental Protection Policy of AD Plastik Group, we have been improving and confirming our corporate social responsibility for many years. Responsibility for the environment and ecology is an integral part of our business strategy in this area.

At least once a year, we carry out a process of assessing compliance with existing legal regulations and other mandatory requirements in the field of environmental protection. We revise it as needed due to new production processes or modification of existing ones, new technologies, equipment, facilities and objects, substitute raw materials and materi-

als, changes in organizational structures, projects that create new or changed working conditions and changes in legal regulations.

„Register of legal regulations and other binding requirements“ is a document in which we keep records of the assessment procedure and it is subject to audit according to ISO 14001 standard and the basis for creation of environmental protection objectives. We also monitor and measure our compliance with the legal regulations through the results of reports on conducted inspection controls and external audits, taking into account possible customers' or citizens' complaints.

Activities carried out in 2018 by sites

Solin

- inspection control of water protection and fire protection
- external audit by Intertek company on behalf of customer VW
- external audit by Bureau Veritas company according to the standard ISO 14001

Zagreb

- external audit by Bureau Veritas company according to the standard ISO 14001

Mladenovac

- inspection control of water protection and pressure vessels
- external audit by Bureau Veritas company according to the standard ISO 14001

Vintai

- external audit by Bureau Veritas company according to the standard ISO 14001

Kaluga

- external audit by Bureau Veritas company according to the standard ISO 14001

Tiszaújváros

- external audit by DNV-GL company according to the standard ISO 14001

Inspection controls did not establish any form of non-compliance with the laws and regulations in the reporting period, so there were no financial penalties nor non-monetary

sanctions. Non-compliance in this area was not identified either by external audits, and there were no complaints from customers or citizens.



Society

Recruitment

The labor market has visibly been changing, and with the aim of developing and better positioning, we adapt to the changes quickly and efficiently. We analyze and seek the best tools to motivate and keep our workforce, taking care of increasing efficiency and productivity.

We are a multinational and technologically highly advanced company that operates in an equally interesting and dynamic industry. The automotive industry itself is challenging for potential young employees, and an additional advantage in recruiting is the improvement of knowledge at the plants of world's most famous manufacturers of vehicles that we offer. Increased fluctuations in the overall labor market and retention of professional staff, are the challenges faced by the entire economy. This motivates us to continuously improve and develop the human resources management process.

Recognizing and recruiting talents at an early stage through successful cooperation with educational institutions, implementing professional practices and mentoring seminars and master thesis within the company, are one of the tools we use every day in our work. In the long-term planning of employee recruitment and retention, special emphasis is placed on career development and employee mobility within

the Group. Efficient career development planning, especially of those with results above expectations, strengthen our competitive advantage in the labor market in the long-term. Planning of new employments is based on the short-term and medium-term business plan of the Group and for their realization we provide a base of professional employees from external and internal sources both in advance and planned.

Good quality personnel management is conducted through regular monitoring and anticipation of changes that can affect fluctuation and optimal use of available workforce and talent in individual regions of our business.

Strategic employment management guidelines within AD Plastik Group are primarily aimed at positioning the company as a desirable employer in the labor market of all our members. The Human Resources Department proposes and carries out internal and external activities that position and ensure a greater recognition in the labor market to the Group. All members of the Group make an annual plan of employees and their realization and fluctuation are monitored monthly. In the AD Plastik Group, all employees who work based on fixed-term contract or part-time have equal privileges and rights as employees working full-time.

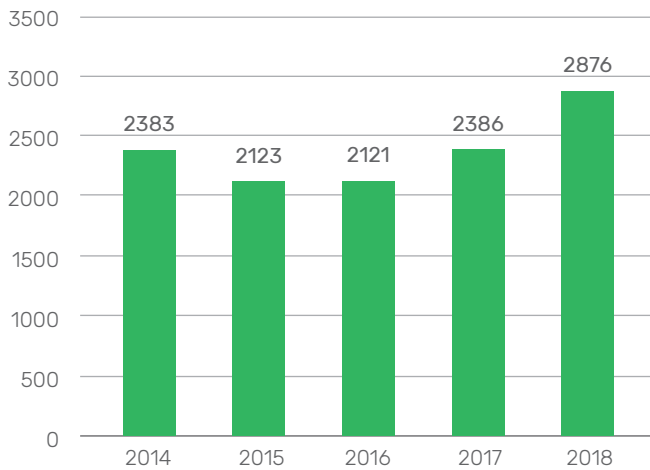




Society (continued)

Recruitment (continued)

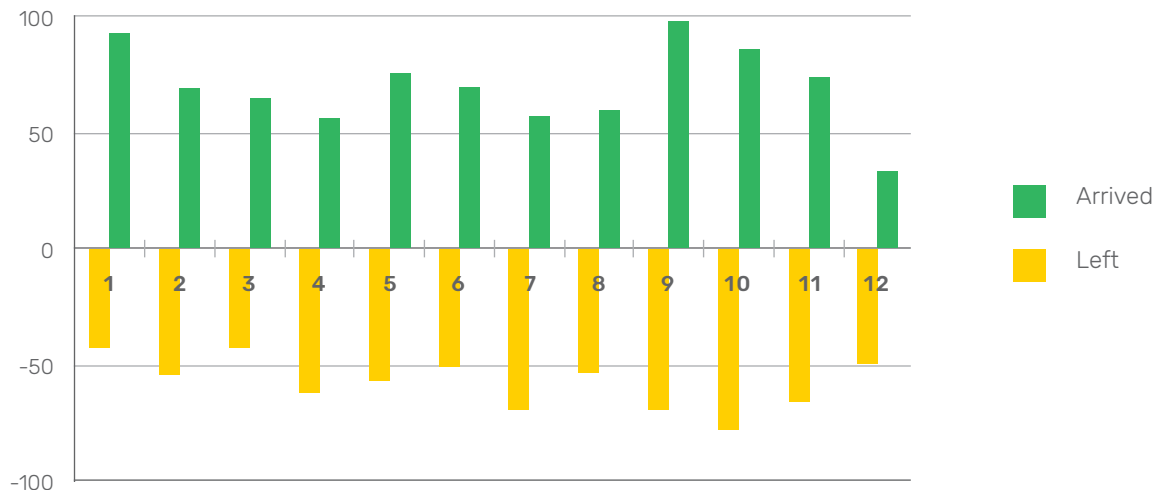
AD Plastik Group's number of employees trends between 2014 - 2018



The trend of the number of employees of AD Plastik Group is positive and has been growing for the last two years. Significant increase in 2018 was the result of the acquisition of the Hungarian company. The number of employees during the reporting period has also increased considerably in Croatia as a result of the realization of new projects and capacity expansion.

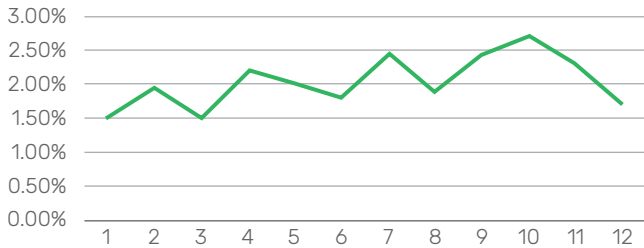
Apart from permanent selections of personnel for engineering positions, in 2018, the "Starter" project has been launched, which is a one-year internship program for master engineers of technical and technological orientation without working experience. In order to empower the organization through strengthening competencies, the production becomes the basis for further development of newly employed engineers careers. In this way they are introduced to work that affects their satisfaction, but above all this program should enable setting competent people to the desired positions. In the reporting period, we have strategically accessed recruitment and employment of various qualified employees, optimally using available workforce and talents in different regions, which is also visible from the structure of newly employed personnel.

Number of employees who joined or left AD Plastik Group in 2018, shown per month





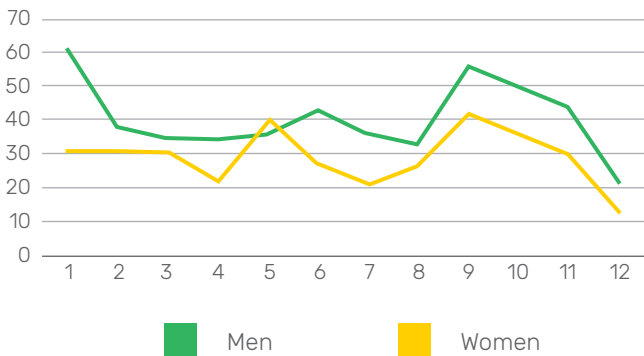
Total rate of employees fluctuation in AD Plastik Group for 2018, shown per month



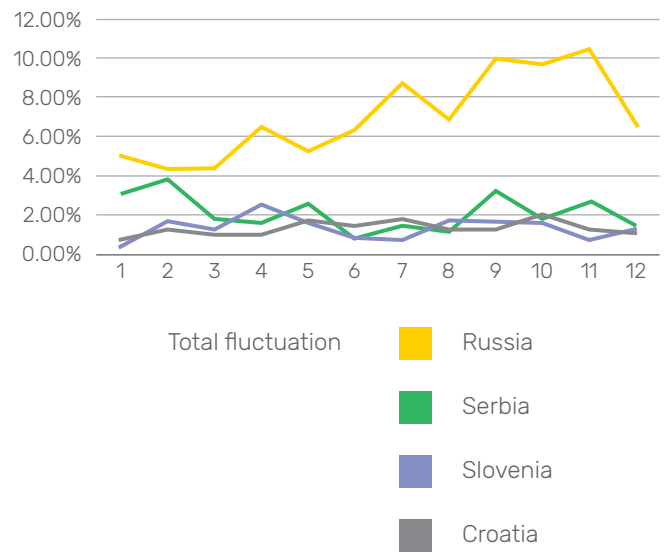
In the reporting period, the highest rate of monthly fluctuation at the Group level was 2.06 percent, namely in September, which is considerably lower than the year before. This points both to a stable workforce and to a somewhat increased mobility on the labour market of individual regions. The fluctuation rate was lower for women, than for men, while the highest fluctuation was recorded in Russia also in this period.

The fluctuation rate of employees with an employment contract for an indefinite period was higher also in this reporting period.

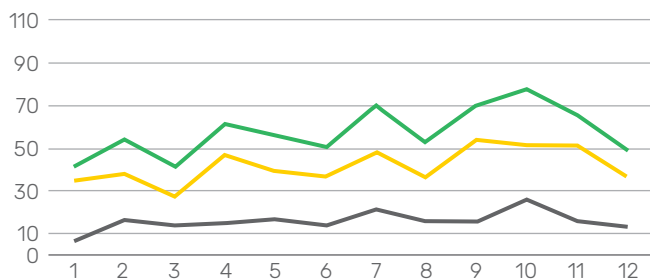
Employees leaving the Group in 2018, by gender



Employees leaving the Group in 2018, by region



Employees leaving the Group in 2018, by type of contract



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



Society (continued)

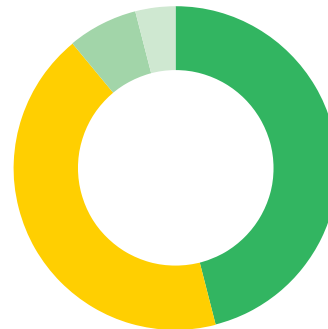
Recruitment (continued)

Total employees joining AD Plastik Group in 2018, by gender



- 58% Men
- 42% Women

Total employees joining AD Plastik Group in 2018, by region



- 45.3% Croatia
- 43.4% Russia
- 7.3% Hungary
- 4.1% Serbia
- 0.0% Slovenia

In the reporting period, the largest share of new employment was in Croatia (45.3 percent), in the Russian Federation (43.4 percent) and Hungary (7.3 percent). The number of newly employed women compared to the previous year has not changed so in 2018, 42 percent of women and 58 percent of men were employed.

In the reporting period, we have continued to promote gender equality, family-aware policies and equal development opportunities, regardless of the parental status of employees. All employees of the Group are entitled to maternity and parental leave in accordance with the regulations of the country of operation.

This right was generally exercised by 118 female employees and five male employees of the Group, and in 2018, 39 female employees and two male employees returned from the maternity or parental leave. The total number of employees who remained employed 12 months after returning from maternity or parental leave to work is 51 female employees and four male employees.

In the reporting period we started a wide range of activities that promote the balance between private and business life of employees. Aside from pointing out healthy workplace conditions as a priority through the special engagement of management and encouraging fathers to use parental leave, we have been more actively promoting and encouraging employees to physical activities and a healthy way of living through different programs. Aware of the importance of harmonizing the private and professional life of employees to their satisfaction and thus to productivity, we promote gender equality and family-aware policies. In line with our commitment to corporate social responsibility, the satisfaction of our employees is high on our list of priorities.



Maternity and parental leave in 2018		Total number of employees by gender	Total number of employees exercising their right to maternity and parental leave in 2018, by gender	Total number of employees returning to work after the end of maternity leave in 2018, by gender	Total number of employees returning to work after the end of maternity leave and remaining employed 12 months after returning to work, by gender
AD Plastik d.d.	men	821	1	2	1
	women	656	19	15	9
AO AD Plastik, Togliatti	men	243	0	0	0
	women	370	45	16	14
ZAO AD Plastik, Kaluga	men	83	0	0	0
	women	137	20	3	3
ADP d.o.o., Mladenovac	men	152	0	0	0
	women	77	2	1	2
Tisza Automotive, Tiszaújváros	men	143	4	0	3
	women	188	32	4	23
ADP d.o.o., Novo Mesto	men	4	0	0	0
	women	2	0	0	0
AD Plastik Group	men	1446	5	2	4
	women	1430	118	39	51
	total	2876	123	41	55

The period in which employees are notified in advance on important business changes that affect them, vary depending on the country's business laws. Thus, it varies from the shortest period of eight days to the longest one of three months. Collective agreements do not specifically indicate deadlines for providing information, but the company conducts a good practice of timely informing its employees much more frequently and in more detail than the law prescribes. Continuous improvement and development of internal communication are an integral part of the strategy and action plans of the company and different channels and tools aimed at its effectiveness have been used.

Regular performance of assessment of the efficiency of informing and evaluation of the topics according to the employees' interest speak enough in favor of significance of employees involvement and satisfaction within the company. An employee representative is also a member of the Supervisory Board of the company that represents their interests and at the same time informs them about all significant changes in business operations.



Society (continued)

Occupational safety and health

Creating safe and healthy workplaces is our core commitment and in accordance with the positive legal regulations, we have carried out occupational safety at all production sites of the Group. Regular supervision of the implementation of Health and Safety Policy is conducted by professional occupational safety services.

Assessment of the risks and workplace dangers has been conducted in all the processes and parts of enterprise architecture. By applying the best available techniques, dangers have been reduced to the lowest possible risk. Improvement of occupational safety is checked at regular meetings of Occupational Safety and Health Committee that are held four times a year. The Committee is an advisory body composed

of expert representatives for occupational safety, occupational medicine specialist, trustees and employee coordinators. The Committee continuously reviews the state of occupational safety and undertakes measures to provide more effective implementation and organization of occupational safety and health with the aim of preventive action. At Solin, Zagreb and Mladenovac production sites a health and safety management system has been implemented in accordance with the requirements of the OHSAS 18001 standard. Collective agreements bring occupational safety issues in line with trade union representatives, covering 84.20 percent of Group's employees. At the same time Workers' Council protects and promotes occupational safety and health interests of the employees with its work.





Obligations of implementing occupational safety and health of AD Plastik Group:

- means of work and personal protective equipment in use must in any time be safe, maintained, in proper condition and used in such a way that they don't jeopardize employees nor other persons during work
- to perform regular examinations of means of work and personal protective equipment in order to determine application of the rules of occupational safety and health of employees
- to perform testing of the working environment in places where the working process affects the temperature, humidity and air flow rate, occurrence of noise and vibration and regarding use of hazardous substances, occurrence of dangerous radiation and provision of adequate lighting
- to provide special handling of hazardous working substances
- to provide the use of personal protective equipment when other measures have failed to achieve a satisfactory level of protection
- to inform and teach employees about the dangers and harms to safety and health related to the activities they perform
- to inform employees of any changes in the work process that affect their safety and health
- to send employees assigned to jobs under special work conditions to medical examinations to a specialist in occupational medicine prior to the employment and after the expiry of the deadline established by the regulation or if differently assessed by specialist in occupational medicine
- to educate employees for work in a safe manner for particular job position, given the specific dangers and hazards
- to educate employees using computer for a safe manner of use and work
- to conduct fire protection education
- to organize and provide evacuation and rescue in the case of a sudden event which can endanger occupational work and safety of employees
- to organize and provide first aid in case of work injury or sudden illness
- to protect non-smokers, to prohibit the use of alcohol and other addictive substances

There were 60 workplace injuries during the reporting period, four of which were serious injuries and four occurred during the employees arrival to work/departure from work. These injuries do not have permanent consequences on the health of employees, and there were no injuries resulting in death nor occupational diseases. A total of 1122 working days was lost in 2018 due to injuries. Depending on the cause and way the injuries occurred, they were caused by collision of worker with an object, fall in the same plane, getting stuck between a moving and an immovable object and cuts with a scalpel. Compared to the previous period, the total number of injuries and lost working days has significantly increased, especially at Zagreb and Solin production sites. The total number of injuries is also affected by the inclusion of indicators of new

production site in Hungary in the reporting process. Workplace injuries have not been recorded at Vintai and Kaluga production sites and due to increment in workplace injuries at Solin and Zagreb sites, the Commission for improving occupational safety and health of employees was established in July. Commission's work resulted in reducing the number of workplace injuries in the second half of the year, which is regularly reported to the Management Board of the company. Improvement of occupational safety and health of employees is primarily taken into account by planning and implementation of activities related to energy-saving, emission reduction and arrangement of infrastructure which are indicated in this report.



Society (continued)

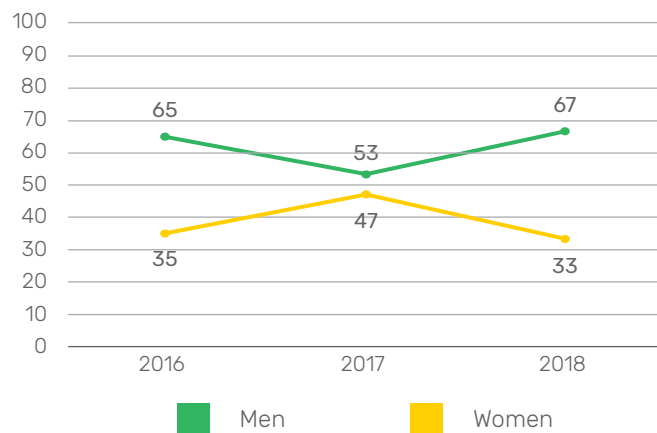
Occupational safety and health (continued)

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

Location	2016				2017				2018			
	Number of injuries	Number of professional diseases	Number of lost days	Number of deaths	Number of injuries	Number of professional diseases	Number of lost days	Number of deaths	Number of injuries	Number of professional diseases	Number of lost days	Number of deaths
Solin	6	0	329	0	10	0	277	0	17	0	422	0
Zagreb	7	0	29	0	6	0	85	0	15	0	207	0
Vintai	0	0	0	0	0	0	0	0	0	0	0	0
Kaluga	1	0	35	0	0	0	0	0	0	0	0	0
Mladenovac	9	0	210	0	7	0	240	0	6	0	266	0
Tiszaújváros									22	0	227	0
TOTAL	23	0	603	0	23	0	602	0	60	0	1122	0

Injury rate by gender (%)

Parameter	2016	2017	2018
IR (injury rate)	1.09	0.96	2.09
ODR (occupational disease rate)	0.00	0.00	0.00
LDR (lost days rate)	0.11	0.09	0.18
AR (absentee rate due to death case)	0.00	0.00	0.00





Information security

In 2018, the process of redefining and upgrading the information security management system at the Group level was completed. In line with the best European and world practices, by upgrading the information security management system, we have made a positive step towards achieving corporate security policy goals and thus we have greatly contributed to the protection of employees and information assets of the company. Aware of the fact that knowledge of our employees and our production processes are the basis for continuous improvement, innovation and customer satisfaction, a systematic approach to the information security management allowed us the following:

- A clear attitude towards information security has enabled us to clearly identify risks, determine their management strategy and focus on the facts important for customers and business.
- We increased visibility and understanding of business information security, included all employees in tracking potential security incidents and thereby improved organizational culture.
- We have implemented protection measures in accordance

with risk analysis, introduced the protection measures best suited to our industry, environment and culture.

- We have considered all regulatory aspects of information security and applied them in our business, which includes managing the protection of personal data of employees and visitors.
- Certification company Bureau Veritas has certified our business with the ISO / IEC 27001: 2013 certificate for the scope of all our processes in Solin, Zagreb and Mladeno-vac (design, development and production of plastic parts for the automotive industry). This is a confirmation that we carry out our business with high standards of quality and in a safe manner.

The information security management system complies with ISO 27001 standard, as well our customers' requirements and best practices in the market. The ultimate goal is to ensure the continuity of production and the protection of confidential information, both in business and in terms of personal data of all employees. That is why different organizational units are involved in the development of all measures.





Society (continued)

Training and education

By acquiring new knowledge and adopting the required skills, we have been improving the quality of our services and increasing the competitiveness in the market. We have been intensively working on further training of our employees also in the observed period, so we have organized training courses from 103 different areas. The average number of training hours is 38 per employee, which is a slight increase compared to the previous year.

Key topics in 2018, besides the constant internal and external education programs related to the improvement of standards and quality improvement within the automotive industry, relate to the areas of automotive industry methods and tools as well as the installed technologies and means of work. Constantly tracking trends in the industry, as well as the needs of our employees, we regularly make an annual training and education plan tailored as needed.

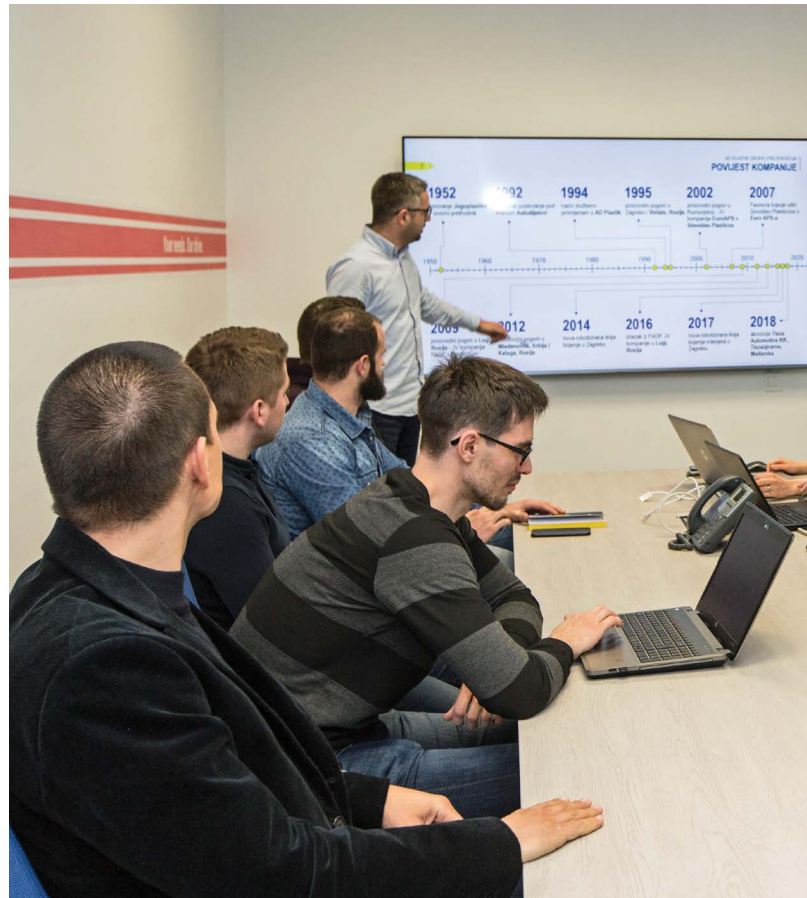
Significant professional educational activities during 2018:

- Advanced capacity planning
- APQP/PPAP requirements and working notes
- Basic automotive industry tools for internal auditors
- FMEA & Reverse FMEA
- Logistics FMEA
- Quality assurance with suppliers
- Solidworks advanced modeling of parts
- VDA 6.3 competence training
- FANUC robot training course
- Programming ABB robots

By analyzing the evaluation of the trainings completed by the participants, we have found that organized trainings are useful to employees in further work and they positively affect their motivation and organizational climate. According to the results of analysis of educations and trainings by the company's management, the goals of the completed educations were fully achieved for 2018.

Internal training

Internal training programs are published annually on the company's intranet site and in the Internal Training Catalogue. In 2018, 66 percent of the total trainings was held by internal trainers engaged depending on competences and specific knowledge.





Mentorship

Mentoring programs are part of the company's knowledge management program and take place in areas recognized as key ones for the company's business. They are aimed at keeping perspective employees and creating competent and motivated professionals for future business development.

During 2018 six mentoring processes were followed in the field of industrialization management and development projects. Retired employees through mentoring programs continue to share their knowledge and experience with young employees.



Structured annual interviews with employees

Feedback on their engagement and career development in the company is important to employees. It affects employee motivation and helps them gain insights into their own business behavior and progress. Management and employees exchange information during structured annual conversations that are the basis for planning individual development plans. Percentage of total number of employees who received a regular performance and individual development assessment in 2018:

- Management - men 2.26%, women 1.50%
- Engineers and highly educated staff - men 9.49%, women 7.59%
- Other operators and staff - men 10.55%, women 12.55%
- Production workers - men 12.7%, women 22.3%

Integration - introducing new employees to the workplace

During 2018, 698 new employee integration programs were launched, and 431 were completed successfully. In order to give the new employees a wider image of the company, a total of 52 presentation workshops were organized where new employees had the opportunity to meet other organizational units and business processes. For the sake of better and more efficient introduction of new employees into the workplace or transfer of employees to another position, we create structured integration programs with customized themes and goals. With the help, support and leadership of experienced colleagues, new employees are gradually involved in the work process and they take over independent tasks.

Project management

We encourage additional self-actualization, motivation to learn and broaden one's knowledge with the help of a model where employees are given the opportunity to take on the role of a project manager. Taking on a new role, employees have the opportunity to take advantage of their other competences and knowledge and to further develop themselves personally. 11 projects run by six honorary project managers have been monitored.



Society (continued)

Training and education (continued)

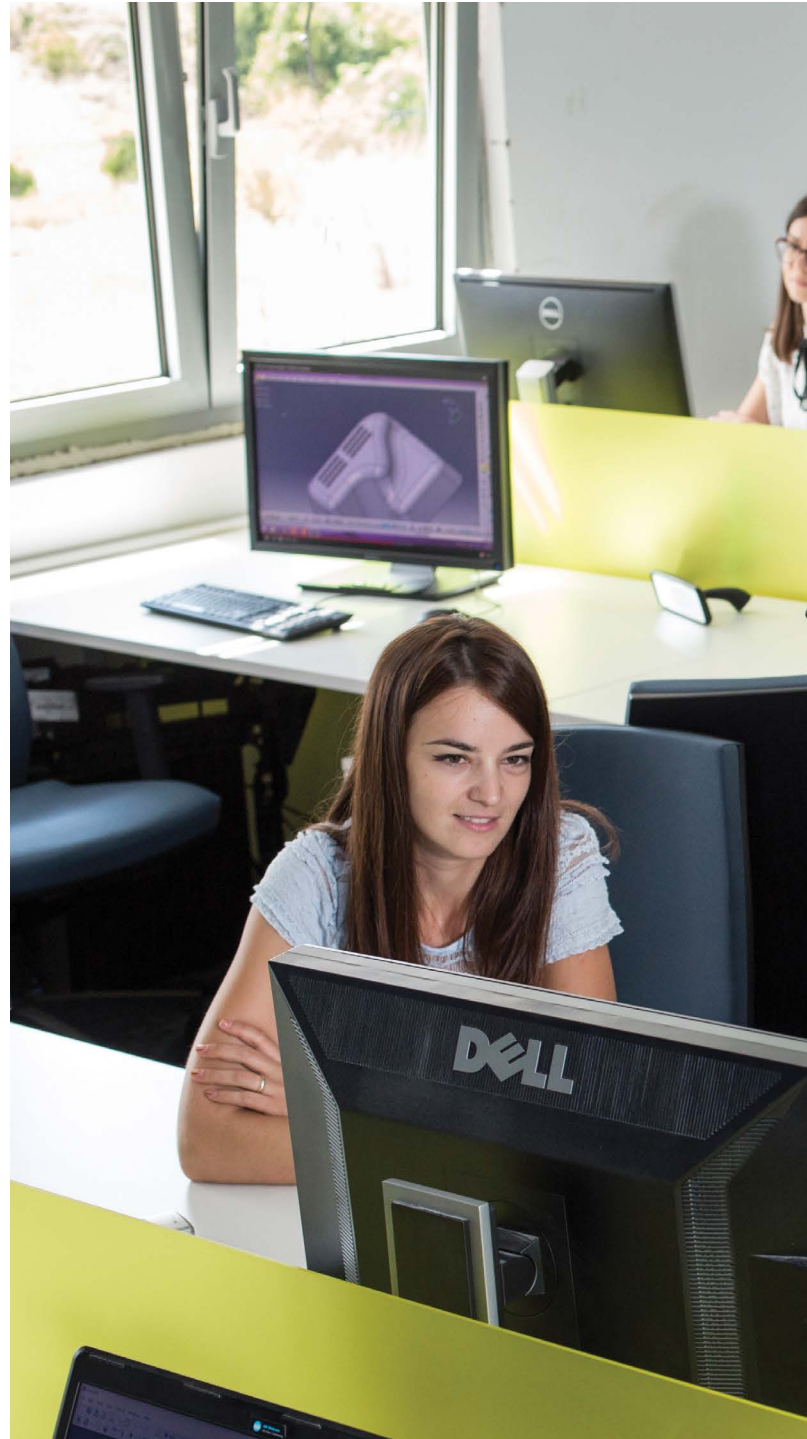
A survey of motivation and satisfaction

A survey of motivation and satisfaction at the sites in Croatia involving 56 percent of employees was conducted. According to the survey results, over 85 percent of respondents said they knew what was expected from them, understood the goals, strategy, policy and company rules. Almost 90 percent of respondents think they are doing something useful in their workplace, they mostly like what they are doing and consider their work interesting, which shows satisfaction with the nature of the job they are doing. Employees are satisfied with the interpersonal relationships in the company and really respect each other. Commitment to the company and dedication to work are best evaluated and most of the respondents identify themselves with the company and represent its interests outside business hours also. Personal growth and development, despite significant investments and improvements, have not yet improved their ratings for now, but these are the areas where intensive work is planned already in the next year.

The survey results were the guidelines for developing a plan for improvement activities. With constant engagement and activities by which we want to increase motivation and employee satisfaction, we show awareness of the importance of employees who are the leaders of successful and sustainable business.

Health management

Faced with a prolonged lifespan, at a more stressful and accelerated pace of business and private life, there is a growing need for adopting more productive and more useful ways of dealing with everyday challenges. We have launched activities focused on health, safety and security of our employees to help them prevent the negative impacts of everyday life. In 2018, we conducted several Female Health Workshops focused on prevention and protection of women's health.







Society (continued)

Awards

AD5 model- rewarding excellence

Recognizing and rewarding employees who stood out with their work and engagement within the work environment are associated with maintaining motivation level. Through the AD5 model of excellence rewarding, in 2018 at Zagreb, Solin and Mladenovac sites 363 employees were awarded, which represented an increase of 18 percent compared to the previous year. In the reporting period, this rewarding model was applied for the first time at the Mladenovac site.

Monitoring performance – management by objectives

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

Ideas for improvement

We use the „Ideas for improvement“ project to encourage and recognize 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. An idea can be proposed by an individual or a team, and it doesn't matter whether it's a big or smaller idea because their implementation adds value to the company. In 2018, we rewarded 84 employees who contributed to the company's advancements by their ideas.

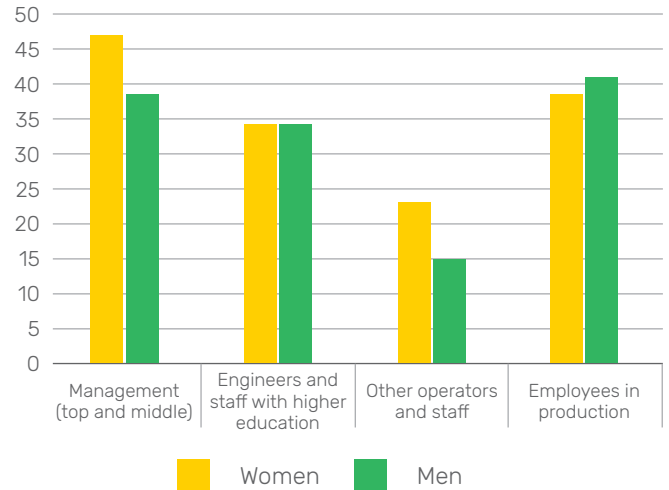




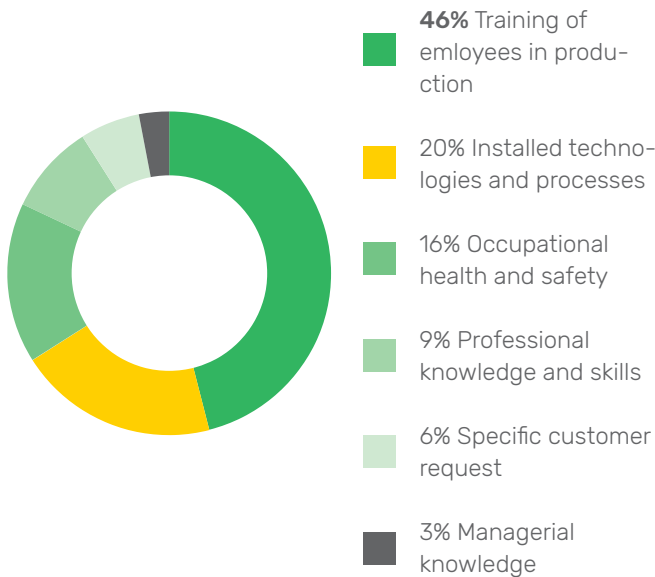
Employee development in numbers

Average number of training hours per employee

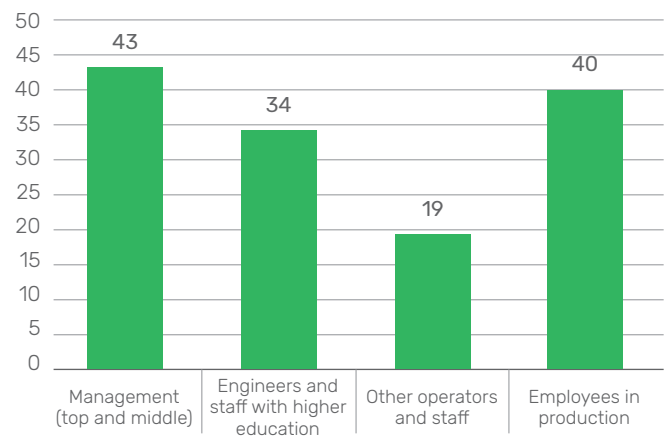
	women	men
Management (top and middle)	47	38
Engineers and staff with higher education	34	34
Other operators and staff	23	15
Employees in production	38	41



Share of different programmes in 2018



Average number of training hours per employee category





Society (continued)

Diversity and equal opportunities

During 2018, AD Plastik Group intensified its activities of promoting diversity and equal opportunities, all with the aim of developing a working climate based on open communication, trust and respect for diversity. We have upgraded already existing management, employment and promotion practices based on these principles.

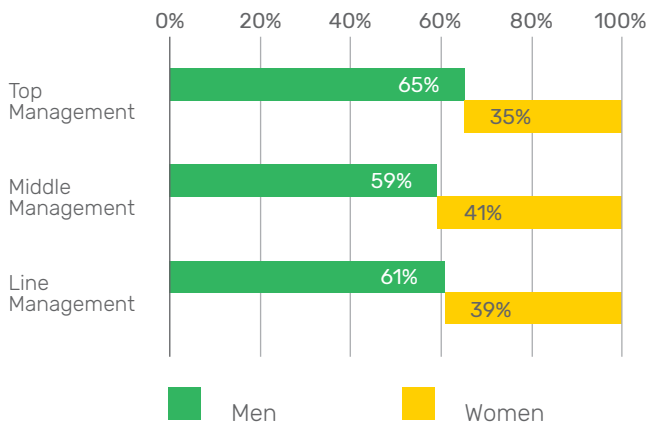
We have created a Policy of Diversity and Equal Opportunities that is integrated into the Code of Business Conduct and Policies of the AD Plastik Group and acquainted our employees with its content. Within the campaign "Diversity makes us better" implemented in all members of the Group, including a new site in Hungary, all employees received printed materials that contain the Diversity Policy. In this way, all employees were introduced to the new Policy, and it was also published on the internet and intranet sites of the company. The campaign we conducted was aimed at promoting and raising the awareness within the Group about the different segments of diversity that has come to the great support of our employees.

The possibility of employment and advancement within the Group is based on the principles of equal opportunities, which is reflected also through the uniform gender structure of employees. Equal pay for the same positions and job descriptions is the standard of AD Plastik Group's business. Thus, we create the preconditions for full equality regardless of the specific family needs of different groups at different stages of life.

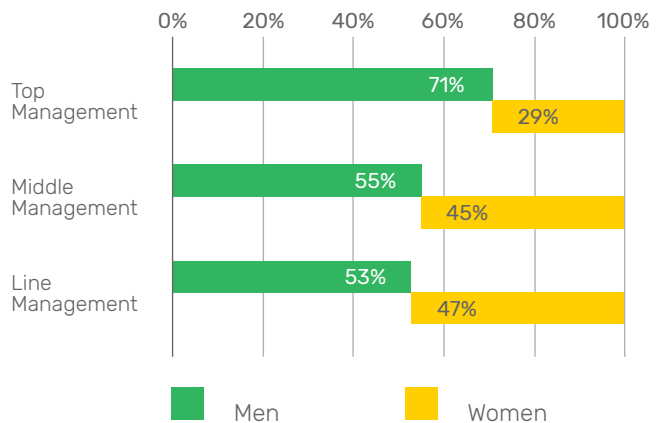
In the management structure of AD Plastik Group, the largest percentage of women is employed in the line management (46.85%), then in the middle management (44.94%), and the smallest percentage is employed in the top management (29.09%). In comparison to the previous reporting period, the percentage of women in line and middle management somewhat increased, and decreased in the top management. In the management-leading structure of AD Plastik Group, the share of women in the management positions amounted to 38.89 percent in 2018 which was a positive shift of one percent compared to the previous period.

Gender structure of employees in 2017 and 2018, depending on the line of management

Gender structure of AD Plastik Group's Management in 2017

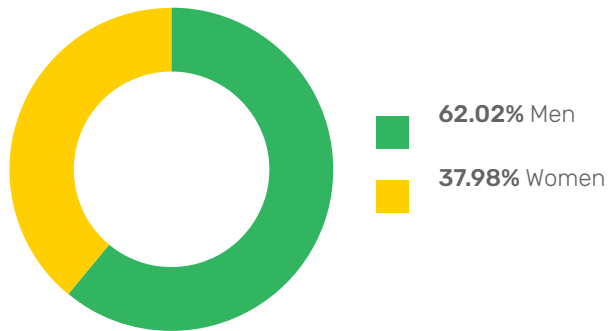


Gender structure of AD Plastik Group's Management in 2018

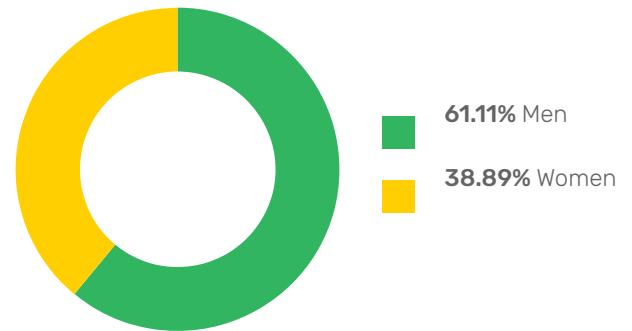




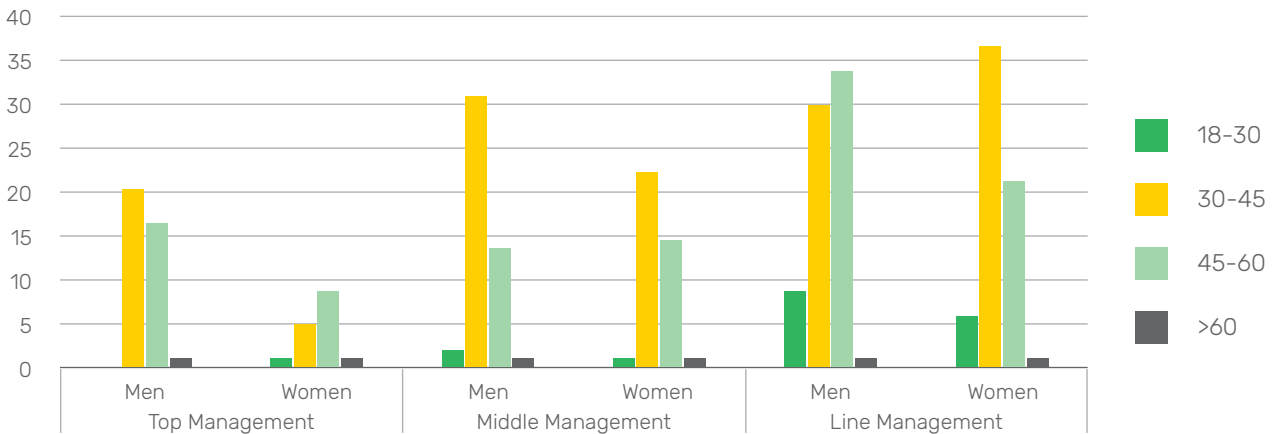
Gender structure of top and middle management of AD Plastik Group 2017



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



Age structure of management-leading positions of AD Plastik Group in 2018



The whole structure of management-leading positions by age for 2018 was dominated by employees in the category of 30 to 50 years of age. Their share was somewhat reduced compared to the previous period and amounted to 69.48 percent at the Group level. In 2018 there was a significant

increase in the share of employees in the category of 30 to 45 years in line management, and the share of those over 50 years in the managerial positions at the Group level also increased amounting to 22.65 percent.

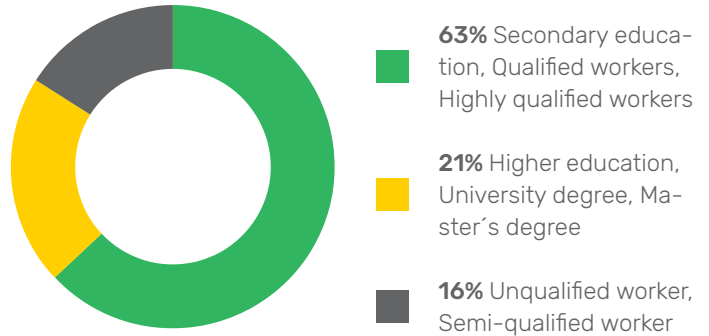
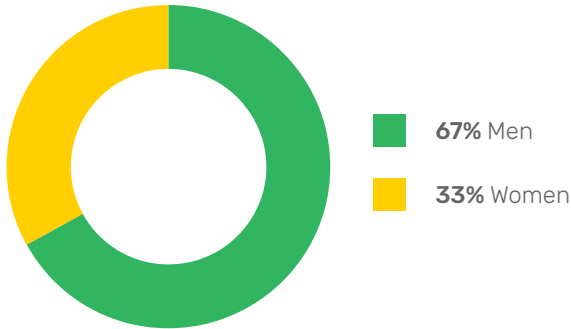


Society (continued)

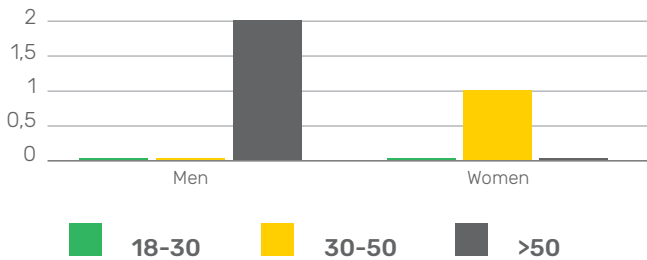
Diversity and equal opportunities (continued)

Management Board structure of AD Plastik Group for 2018

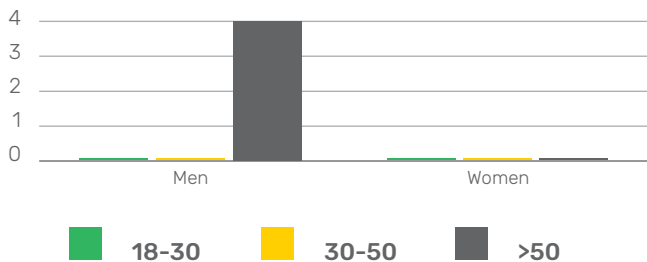
Educational structure of AD Plastik Group employees in 2018



The structure of the Management Board and the Audit Committee has changed in the reporting period, so the share of women in the Management Board amounted to 33 percent, while all members are men in the structure of the Audit Committee.



Audit Committee structure of AD Plastik Group for 2018





Human rights

In the reporting period, one case of discrimination was reported in Croatia but after the procedure it was established that there was no discrimination. A total of 162 hours was devoted to training on policies and procedures to protect human rights, which included one percent of Group employees.

In 2018, as in previous reporting periods, no employment contract was signed with persons under the age of 15 or under 18 years of age. By internal regulations and standardized selection processes of employment, we proactively reduce the risk of recruiting persons under the age of 18 in all countries of the Group's operations.

In accordance with the Code of Business Conduct of the AD Plastik Group, every employee enjoys

the same right to respect and dignity regardless of race, religion, gender, age, national origin, political beliefs, sexual orientation, marital status, disability or any other personal feature. In case of receiving a complaint for violation of the said Code, a procedure in which the circumstances of the reported event are investigated is initiated, the justification of the complaint is established and appropriate measures are taken.

Customer health and safety

From the planning phase of the product design, through their validation in the development phase and regular annual controls during serial production, all of our products comply with legislative and safety regulations. For example, we regularly monitor that none of our products contain substances hazardous to health while respecting the following regulations:

- REACH - Registration, Evaluation, Authorization and Restriction of Chemicals as last amended. (1907/2006/CE)
- European Union ELV directive (2000/53/EC)
- European Union directive for the classification, packaging and labeling of hazardous substances (1272/2008/CE)
- European Union directive for the marketing and use of certain hazardous substances and preparations (76/769/EC)
- Conflict Minerals

Through regular annual inspections, we ensure that all of our interior vehicle products are in compliance with the burn rate regulations (<80 mm / min). Still in the development phase, our thermoformed products go through scent tests to ensure that there are no scents unpleasant for the end user in the car interior and similar.

Labelling of products and services

All AD Plastik Group products on their back have data on supplier, number of product drawings, number of product changes, date of production and, wherever possible, basic material from which the product was made (injection moulded products). In this way, we ensure that at any moment we can trace the materials used, the production parameters, and the size of the batch produced so that in case of any deviation we can quickly withdraw suspicious products and analyze the cause of the problem.

In 2018, we have made a step forward in terms of product traceability through the successful implementation of Apex Barcode System, a highly customized software solution associated with the Group's business information system. Apex Barcode is implemented at the Zagreb site, and will soon be implemented at all other sites.





Society (continued)

Certificates

External audits and certification are carried out by the certification company Bureau Veritas Certification (BVC) regarding all production sites except the production site in Tiszaújváros, Hungary where certification has been carried out by the Det Norske Veritas (DNV) certification company:

- IATF 16949 - Quality Management System
- ISO 14001 - Environmental Management System
- OHSAS 18001 - Occupational Health and Safety Management System
- ISO 50001 - Energy Management System
- ISO 27001 - Information Security Management System



In 2018, external audits were successfully carried out at the following production sites:

- Solin, Zagreb, Croatia – IATF 16949, ISO 14001, OHSAS 18001, ISO 50001, ISO 27001
- Mladenovac, Serbia – IATF 16949, ISO 14001, OHSAS 18001, ISO 50001, ISO 27001
- Kaluga, Russia – IATF 16949, ISO 14001
- Vintai, Russia – IATF 16949, ISO 14001, OHSAS 18001
- Tiszaújváros, Hungary – IATF 16949, ISO 14001

In 2018 audits regarding transition from ISO TS standard to IATF standard were carried out at the production sites in Solin, Zagreb, Mladenovac, Vintai and Tiszaújváros.

Also, the new standard ISO 27001 - Information Security Management System has been implemented at production sites in Solin, Zagreb, Mladenovac.

	IATF 16949 valid until	ISO 14001 valid until	OHSAS 18001 valid until	ISO 50001 valid until	ISO 27001 valid until
Solin Croatia	27 May 2021	1 July 2019	21 September 2020	27 November 2019	3 January 2022
Zagreb Croatia	27 May 2021	1 July 2019	21 September 2020	27 November 2019	3 January 2022
Vintai Russia	3 April 2021	18 October 2020			
Kaluga Russia	15 February 2021	4 July 2019	15 September 2019		
Mladenovac Serbia	7 September 2021	15 June 2021	20 December 2018	14 February 2020	3 January 2022
Tiszaújváros Hungary	11 March 2021	31 August 2020			



ADP Activities

Realizing the shared values and sense of belonging to the company is driven by the creation of a unique organizational culture.

ADP Day

On the occasion of the ADP Day marked on April 22, also the Earth Day, a joint action of landscaping entitled „Make our environment green“ was organized at all sites of the Group. On the green areas of the factory, new seedlings were planted and resting benches installed.

B2B RUN

Our teams achieved remarkable results at B2B races in Split and Zagreb, and preparatory trainings were organized at Marjan in Split and Jarun in Zagreb. By encouraging team activities, we raise the motivation and connection of our employees, resulting in better efficiency and communication between departments.

Holiday spirit

We organize holiday gatherings at all our sites. On the occasion of the Christmas holidays we organized corporate receptions and activities within the factories.

Football matches

Employees of different sites organize sports meetings and trainings, and the company helps in the organization of matches and competitions.

College and high school students

We organize regular visits of college students and high school students to our sites.

Chat Room

On the occasion of the ADP Day we have already traditionally been organizing employees chat rooms with members of the Management Board in order to exchange experiences and develop a two-way and transparent communication. On that day, all members of the Management Board are available just to talk to the employees.

Team building

The Team Building for the Management of the Group in 2018 was organized in Šibenik. The presentation of the Management Board entitled „ADP Direct“ led by Zoran Šprajc was held, along with motivational lecture by famous water polo coach Ratko Rudić and a fun educational program „Silence, camera rolling“. A futsal tournament between members of AD Plastik Group was also organized. This way of socializing greatly contributes to the development of co-operation and mutual trust between colleagues from different sites and countries of operation.





Society (continued)

ADP Activities (continued)

Community

Green spring

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

Forest Gratitude Certificate

Every year, AD Plastik Togliatti organizes "Our forests" action, within which the employees collect used paper, and funds collected are used to buy seedlings for the renewal of forests in the Samara Oblast, devastated in fires in 2011.

Lada karting Cup

Employees of AD Plastik Togliatti financially support a children's sports karting club whose young brave drivers of racing cars are only 6 to 12 years old. Young six-year-old Yegor Bahmutov defended the colors of the company at this year's "Lada Karting Cup" in Togliatti.

Kind lids

By recycling plastic lids employees of AD Plastik Togliatti collected the money for the fund „Volunteers to help orphans“. The company took the boy Andrej Kuzmin, who suffers from hearing organ disorder, under its wing. The purpose of „Kind lids“ action is preserving nature and helping children with special needs.

My parents at work

On the occasion of the Women's Day, AD Plastik Kaluga has launched a competition for making children's drawings on the topic "My Parents at Work" for children of its employees. All participants were awarded with recognitions and gifts for creative and active participation.

Global Sustainable Development Goals

We fully support seventeen global goals of sustainable development defined by the Global Development Program of United Nations by 2030 and we coordinate our business goals with the activities that contribute to them.

Conducting our business, we contribute to the global goals in accordance with our possibilities and economic activities that we conduct.

With positive examples and by promoting sustainable development, we direct out business partners, business entities, institutions and other individuals to align business with global goals.





Sponsorships and Donations

In 2018, a decision was made by the Management Board on the need to regulate donation and sponsorship areas in order to establish a clear and transparent system and to make the best decisions for the company and the community as a whole. The Rulebook on Donations and Sponsorships was made and published on the Company's website and it clearly illustrates mentioned procedure. A committee has also been established which will review the submitted requests at regular meetings and, in accordance with the company's strategy and by defining topics for a specific period, will select and propose them to the Management Board with appropriate clarifications. Hereby we have established a clear, transparent and comprehensive approach to management of sponsorships and donations.

Donations

- Cultural Art Club „Putalj“ - organizing a traditional Easter Concert
- Children's Association "Happiness Project" - helping children with learning problems, health and social problems
- City of Solin - donation of desktop computers in order to foster general prosperity and progress of educational institutions and associations in that area
- Exhibition "Russian Emigration in the Development of Croatian Science and Culture"
- County Association of persons with cerebral palsy and polio Rijeka
- Rehabilitation Center „Mir“ - monthly donations
- KBC Split - restoration of the stationary part of the Eye Clinic
- Wrestling club Split
- Independent trade union ADP - Donation to a Solidarity Fund
- Cultural club „Sv. Nedjelja“
- Handball Club Solin - Croatian Championship

Sponsorships

- Conference "Challenges of change 2018"
- Conference „Romanian Day in Zagreb“
- Conference „5 years of membership in EU“
- Joint Conference of the Forums of Adriatic and Ionian Chambers of Commerce, Cities and Universities
- HUB 385 for promoting regional development - Festival "Brave New World"
- Conference „Rotaraction“ - Rotate the Industry
- Documentary film "There's only place for one on the top", directed by Dejan Aćimović
- Ice Hockey Club "Medveščak"
- Associations of Materials Engineering Students at the Faculty of Mechanical Engineering and Naval Architecture





Other

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Other (continued)

Tasks Achieved in 2018

- Creating a Diversity Policy
- Internal Diversity Campaign
- New showroom in Zagreb
- New restaurant for employees in Zagreb
- Publishing the Integrated Annual Report of the Group
- Implementation of the ISO 27001 standard (Information Security System) at the Solin, Zagreb and Mladenovac sites
- Starter program for hiring interns
- Reducing the intensity of greenhouse gases by 0.05 kg CO₂ / kg of product

Unrealized - explanations

- A new company website - the project has been launched and the site is under construction but due to the integration of the new member of the Group the term of implementation has been moved to the next year
- A new, more modern and more accessible Intranet platform- due to the improvement of the IT structure and system, the term of realization has been moved
- Training the Management on the application of the Diversity and Non-Discrimination Policy - the term has been transferred to the next year due to inaccessible term of competent lecturers
- E-corner for employees - for ensuring the technical pre-conditions at the plants, the project has been transferred to the next period
- Self-assessment questionnaire on the company website- has not been achieved due to the moved terms of making web pages
- Conduct an evaluation of new suppliers in terms of their impact on the society - has not been fully implemented due to the impossibility of realization at all sites
- Increase the share of ISO14001-certified suppliers by five percent - activities have been launched but the default goal is long-term
- Obtain the environmental permit for the sites in Zagreb - we submitted requests for issuing a license in April, but by the end of the year the license was not issued



Tasks for 2019

- Creating a new website of the Group
- Self-assessment questionnaire on the company website
- Training the Management on the application of the Diversity and Non-Discrimination Policy
- E-corner for employees
- Implementation of new measures in the area of identification of employee and visitor movements
- Upgrading video surveillance systems
- Obtaining water permit for Solin site
- Conducting waste water quality testing in accordance with the water permit, at all sites
- Supplementation of supplier self-assessment questionnaires in order to cover all important criteria of sustainable development
- Obtaining the environmental permit for the site in Zagreb
- Reporting on types of waste according to methods of disposal
- Internal communication campaign

Opinion by the Commission of the Management Council of HR BCSD

This is the fourth time that the AD Plastik Group has requested an opinion from the Management Council of HR BCSD on the compliance of the Sustainability Report with the GRI Reporting Guidelines. This data shows consistency in reporting and perseverance in alignment of stakeholders informing with a globally accepted and one of the most thorough reporting methodologies. In addition to providing readers with the GRI reporting compliance statement, which we do on this occasion, the persistence in studying the quality of AD Plastik Group's reporting gives us an opportunity to gain insight into the reporting development process and steady progress resulting from the company's learning process, including its management and all employees. This year there is also a visible progress that is reflected in the many improvements in understanding and application of GRI requirements, which proves that this process achieves the desired effect, which is to understand better and to manage the company's non-financial impact. The report continues to meet the level of core reporting option, but its content is more comprehensive and richer, and contributes to a clearer understanding of the company's impact, but also, more importantly, the efforts made to improve the existing processes and to introduce new ones with the aim of improving the performance.

Already from the statement of the President of the Management Board a better understanding of the importance of the sustainability theme to the company's competitiveness and success is evident. The connection between the company's efforts to manage its impact on sustainability and business goals is clearly established. Below is a clear overview of the industry to which the company belongs, thus setting a framework for understanding the priorities, risks, standards and expectations of the customers and the stakeholders which are formed in this way. The orientation of the AD Plastik Group on topics such as environmental protection and impact on the development of the society becomes understandable, since very high nonfinancial management standards have been set at the level of the entire automotive industry.

The Sustainability Report, set out as a separate part, deals thoroughly with the area of involvement of company's stakeholders through various systematic consultations and surveys. The company has shown progress in the way it engages stakeholders in the process of identifying and selecting material themes.

The report, apart from GRI standards, also includes an overview of compliance with the Global Sustainability Development goals and Global Compact principles. Strong focus of AD Plastik Group on sustainable development and thorough understanding of the company's comprehensive material impacts which are quality and responsibly managed is evident, with clearly stated goals. Below is an overview of very impressive business results for the last year, marked by many new projects, acquisitions and new customers, which has confirmed the company's status as one of the leading industries in Croatia. A clear review of the potential risks that the company recognizes and manages would need to be supplemented with sustainability risks that are a consequence of the company's operations in line with the requirements of the GRI, which is then connected with the management of these impacts with the aim of reducing these risks.

The employee-related area is also completely covered, which is particularly important in the example of AD Plastik Group in relation to the international point of view given that the company employs workers in Croatia, Russia, Hungary, Serbia and Slovenia, with a steady employees growth trend over the past years.

Along with the quality of the content, we also need to commend a great and clear representation with a lot of infographics that are legible, clear and precise, which helps to read easily and understand the information and influence that the company publishes. It is a very well-integrated report that has reached a balance of representation of business and social impacts of the company. More importantly, we note continuous progress regarding overview of influence and influence management approach. We think that the report before us shows that AD Plastik Group is an excellent example of continuous improvement not only in the reporting process but also in the management of nonfinancial influences. We encourage the AD Plastik Group to continue this way and we propose to consider in the forthcoming period the possibility of connecting the UN Sustainable Development Goals with the existing indicators and descriptions of the management approach that the company presents in line with the requirements of GRI. We believe that in this way the connection between the Goals of sustainable development and the relevant activities carried out by AD Plastik Group would be clearer.



03

Annual Financial Statement 2018



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AD Plastik d.d., Solin and Its Subsidiaries

Consolidated Financial Statements For the Year Ended 31 December 2018

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Responsibility of The Management Board for the consolidated financial statements

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

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

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

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

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Group and its' compliance with the Croatian Accounting Act. The above stated responsibility includes the responsibility for accuracy of the Management Report, which is an integral part of separate financial statements. The Management Board is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of embezzlement and other irregularities.

Signed on behalf of the Management Board

For AD Plastik d.d. Solin by:

Marinko Došen, President of the Management Board

Katija Klepo, Member of Management Board

Mladen Peroš, Member of Management Board

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

18 April 2018

INDEPENDENT AUDITOR'S REPORT

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To the owners of AD Plastik d.d., Solin and its subsidiaries

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

Basis for Opinion

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

Key Audit Matter

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

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

The company was registered at Zagreb Commercial Court: MBS 030022053; paid-in initial capital: Kn 44,900.00; Board Members: Branislav Vrtačnik, Marina Tonžetić, Juraj Moravek and Dražen Nimčević; Bank: Zagrebačka banka d.d., Trg bana Josipa Jelačića 10, 10 000 Zagreb, bank account no. 2360000-1101896313; SWIFT Code: ZABAHR2X IBAN: HR2723600001101896313; Privredna banka Zagreb d.d., Radnička cesta 50, 10 000 Zagreb, bank account no. 2340009-1110098294; SWIFT Code: PBZGHR2X IBAN: HR3823400091110098294; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, bank account no. 2484008-1100240905; SWIFT Code: RZBHR2X IBAN: HR1024840081100240905.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Key Audit Matters (continued)

Accuracy of the foreign and domestic sales balances

According to the disclosures made in Note 5, the total sales of the Group for the financial year amount to HRK 1,298,446 thousand (2017: HRK 1,069,061 thousand).

Sales are important for assessing the Group's performance. There is a risk that the reported sales may be higher than the actual amount earned by the Group. Operating income is accounted for when a sales transaction is completed, the goods are delivered to the customer and when all economic risks are transferred by the Group. The Group generates revenue from foreign and domestic sales. The transfer of the risks and rewards takes place when goods or services are transferred to the customer, when the goods are paid and available at the location of a third or related party. The sales process is supported by internal controls implemented in the Group's IT systems.

Given a high degree of reliance on the IT systems and the potential impact of incorrect revenue accounting, we have concluded that the accuracy of the revenue is a key audit issue to be focused on during the audit.

Description of audit procedures performed and their results

Our substantive audit procedures included tests of the design and the operating effectiveness of automatic and manual internal controls at the Group level as well as tests of details so as to satisfy ourselves that the revenue and the transactions are correctly accounted for. The key internal automatic control the Group relies on to be satisfied that revenue is correctly accounted for is automatic matching of order numbers with contract numbers in the Group's IT environment.

We tested the design and operating effectiveness of the key internal controls surrounding the sales process.

Based on the internal control test results, we defined the scope and nature of tests to be performed to consider whether the revenue is properly accounted for, which included test of details of internal documents, by matching them with the recognized sales and the related payment transactions.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued) **Report on the Audit of the Consolidated financial statements (continued)**

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements

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

We were appointed as the statutory auditor of the Group by the General Assembly of the Company on 12 July 2018 to perform audit of accompanying consolidated financial statements. Our total uninterrupted engagement has lasted 9 years and covers period 1 January 2010 to 31 December 2018.

We confirm that:

- our audit opinion on the accompanying consolidated financial statements is consistent with the additional report issued to the Audit Committee of the Group on 18 April 2019 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

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

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



Marina Tonžetić

Member of the Management Board and Certified auditor

Deloitte d.o.o.

Zagreb, 18 April 2019
Radnička cesta 80,
10 000 Zagreb,
Croatia



Consolidated statement of comprehensive income For the year ended 31 December 2018

(All amounts are expressed in thousands of kunas)

	Notes	2018	2017
Sales	5	1,298,446	1,069,061
Other income	6	22,808	21,079
Total income		1,321,254	1,090,140
Increase/(decrease) in the value of work in progress and finished products	25	4,222	6,399
Cost of raw material and supplies	7	(663,263)	(546,355)
Cost of goods sold	8	(103,433)	(61,327)
Service costs	11	(92,851)	(71,754)
Staff costs	9	(253,485)	(210,790)
Depreciation and amortisation	10	(90,858)	(83,162)
Other operating expenses	12	(45,710)	(41,589)
Provisions for risks and charges	13	(5,009)	(6,290)
Total operating expenses		(1,250,387)	(1,014,868)
Profit from operations		70,867	75,272
Financial income	14	19,905	26,870
Financial expenses	15	(53,829)	(79,013)
(Loss) from financing activities		(33,924)	(52,143)
Share in the profit of associates	16	49,859	55,871
Profit before taxation		86,802	79,000
Income tax expense	17	2,518	(8,794)
Profit for the year		89,320	70,206

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



Consolidated statement of comprehensive income For the year ended 31 December 2018 (continued)

(All amounts are expressed
in thousands of kunas)

	Notes	2018	2017
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of a foreign operation, net	18	15,049	(11,237)
Items that will not be reclassified subsequently to profit or loss			
Change in the revaluation reserve of non-current assets, net		-	(4,895)
Other comprehensive (loss)/income for the year, net of income tax		15,049	(16,132)
Total comprehensive income for the year		74,271	54,074
Profit attributable to:			
Equity holders of the Company		89,320	70,206
Non-controlling interests		-	-
Total comprehensive income attributable to:			
Equity holders of the Company		74,271	54,074
Non-controlling interests		-	-
Basic and diluted earnings per share (in kunas and lipas)	19	21.51	16.82

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





Consolidated statement of financial position At 31 December 2018

(All amounts are expressed in thousands of kunas)

Assets	Notes	31.12.2018	31.12.2017
Non-current assets			
Intangible assets	20	110,790	105,011
Goodwill	39	25,432	8,670
Property, plant and equipment	21	708,583	649,551
Investment property	22	57,269	54,765
Investments in associates	23	92,150	96,860
Other financial assets	24	62	3,071
Long-term receivables		31	63
Deferred tax assets	17	7,284	711
Total non-current assets		1,001,601	918,702
Current assets			
Inventories	25	230,892	155,235
Trade receivables	26	219,322	198,575
Other receivables	27	26,690	38,712
Current financial assets	28	110	1,105
Cash and cash equivalents	29	36,338	10,222
Prepaid expenses and accrued income	30	51,825	28,764
Total current assets		565,177	432,613
TOTAL ASSETS		1,566,778	1,351,315

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



Consolidated statement of financial position At 31 December 2018 (continued)

(All amounts are expressed in thousands of kunas)

Equity and liabilities	Notes	31.12.2018	31.12.2017
Capital and reserves			
Share capital	31	419,958	419,958
Reserves		157,284	179,403
Retained earnings		117,588	80,221
Profit for the year		89,320	70,206
Non-controlling interests		-	-
Total equity		784,150	749,788
Long-term provisions	32	3,708	3,711
Long-term borrowings and other non-current liabilities	33	277,670	204,298
Total non-current liabilities		281,378	208,009
Advances received	34	72,522	30,154
Trade payables	35	223,953	173,026
Short-term borrowings	36	147,820	141,962
Other current liabilities	37	32,973	22,402
Short-term provisions	32	15,585	11,688
Accrued expenses and deferred income	38	8,397	14,286
Total current liabilities		501,250	393,518
Total liabilities		782,628	601,527
TOTAL EQUITY AND LIABILITIES		1,566,778	1,351,315

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



Consolidated statement of changes in shareholders' equity For the year ended 31 December 2018

(All amounts are expressed in thousands of kunas)

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

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



Consolidated statement of changes in shareholders' equity For the year ended 31 December 2018 (continued)

(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Legal and statutory reserves	General reserves	Reserve from revaluation of long-term fixed assets	Reserves from accruals of foreign exchange differences	Reserves for own shares	Own shares	Retained earnings	Ex-change 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 2016	419,958	191,971	6,139	21,055	21,869	(36,198)	3,875	(3,875)	110,964	(38,372)	697,386	-	697,386
Profit for the year	-	-	-	-	-	-	-	-	70,206	-	70,206	-	70,206
Other comprehensive income for the year, net of income tax	-	-	-	-	(4,895)	(10,034)	-	-	4,867	(1,203)	(11,265)	-	(11,265)
<i>Total comprehensive income for the year</i>	-	-	-	-	<i>(4,895)</i>	<i>(10,034)</i>	-	-	<i>75,073</i>	<i>(1,203)</i>	<i>58,941</i>	-	<i>58,941</i>
Realization of recognised exchange differences	-	-	-	-	-	28,258	-	-	-	-	28,258	-	28,258
Dividends paid	-	-	-	-	-	-	-	-	(35,489)	-	(35,489)	-	(35,489)
Acquisition of a part of a non-controlling interest	-	-	-	(119)	-	-	119	(119)	-	-	(119)	-	(119)
Release of own shares	-	137	-	674	-	-	(675)	675	-	-	811	-	811
Valuation of own shares	-	-	121	-	-	-	-	-	(121)	-	-	-	-
Balance at 31 December 2017	419,958	192,108	6,260	21,610	16,974	(17,974)	3,319	(3,319)	150,427	(39,575)	749,788	-	749,788

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



Consolidated statement of changes in cash flows For the year ended 31 December 2018

(All amounts are expressed in thousands of kunas)

Cash flows from operating activities	Note	2018	2017
Profit for the year		89,320	70,206
Adjusted for:			
Income tax (credit) / expense	17	(2,518)	8,794
Depreciation and amortisation	10	90,858	83,162
Write off of property, plant and equipment, and intangible assets	20,21	1,235	1,937
Interest expense and net exchange rates recognised in profit or loss	14,15	34,306	52,837
Dividends and share in profit of associates	14,16	(49,864)	(55,871)
Gain from sale of property, plant and equipment and intangible assets	6	(936)	(713)
Interest income	14	(377)	(686)
Increase in long-term and short-term provisions (net)	32	2,992	2,304
(Increase)/decrease in accrued income and prepaid expenses	30	(21,962)	29,715
(Decrease) in accrued expenses and deferred income	38	(7,006)	(11,197)
Income from collected previously written-off trade receivables	6	(852)	(21)
Profit from operations before working capital changes		135,196	180,467
(Increase) in inventories	25	(46,912)	(47,670)
(Increase) / decrease in current and non-current receivables		22,351	(60,802)
Increase / (decrease) in current payables		57,661	20,182
Interest paid	36	(10,817)	(16,964)
Net cash generated from operating activities		157,479	75,213
Cash flows from investing activities:			
Acquisition of company Tisza Automotive Kft.	40	(70,758)	-
Interest received		536	10,045
Purchases of property, plant and equipment	21	(87,834)	(66,190)
Purchases of intangible assets	20	(27,104)	(19,914)
Proceeds from the sale of plant and equipment, and intangible assets		4,805	1,560
Proceeds from given long-term and short-term loans	33,36	3,900	47,930
Proceeds from government grants		4,345	5,147
Proceeds from received deposits and decrease in deposits	33	600	2,802
Dividends received		54,452	41,829
Net cash (used in)/generated from investing activities		(117,058)	23,209

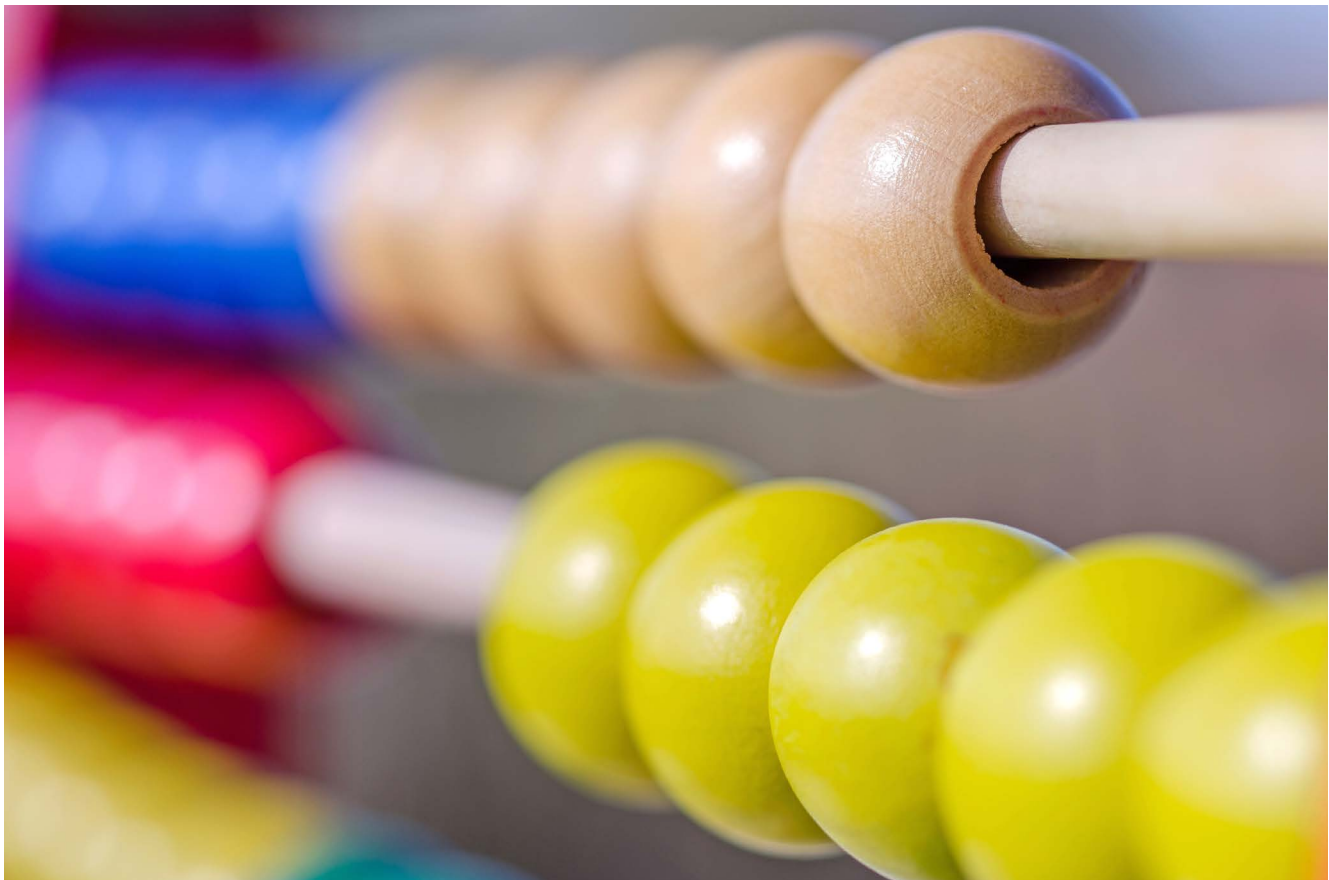


Consolidated statement of changes in cash flows For the year ended 31 December 2018 (continued)

(All amounts are expressed in thousands of kunas)

Cash flows from financing activities	Note	2018	2017
Purchase of treasury shares		(11,554)	(119)
Dividends paid		(41,342)	(35,489)
Proceeds from received short-term and long-term borrowings	33,36	224,500	239,770
Repayment of short-term and long-term borrowings	33,36	(185,306)	(300,137)
Repayment of finance leases		(603)	(2,647)
Net cash used in financing activities		(14,305)	(98,622)
Net (decrease)/increase in cash and cash equivalents		26,116	(200)
Cash and cash equivalents at the beginning of the year		10,222	10,422
Cash and cash equivalents at the end of the year	29	36,338	10,222

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





Notes to the consolidated financial statements

For the year ended 31 December 2018

1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Initial application of new amendments to the existing standards effective for the current reporting period

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

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 “Revenue from Contracts with Customers”** and further amendments (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 2 “Share-based Payment”** – Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 4 “Insurance Contracts”** – Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 “Financial Instruments” is applied first time),
- **Amendments to IFRS 15 “Revenue from Contracts with Customers”** – enhancement of IFRS 15 “Revenue from Contracts with Customers”, adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 40 “Investment Property”** – Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 1 and IAS 28 due to “Improvements to IFRSs (cycle 2014-2016)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (effective for annual periods beginning on or after 1 January 2018).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Group’s financial statements.



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

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

At the date of authorisation of these financial statements, the following new standards, amendments to existing standards and new interpretation were in issue, but not yet effective:

- **IFRS 16 “Leases”** *(effective for annual periods beginning on or after 1 January 2019),*
- **Amendments to IFRS 9 “Financial Instruments” – Prepayment Features with Negative Compensation** *(effective for annual periods beginning on or after 1 January 2019),*
- **IFRIC 23 “Uncertainty over Income Tax Treatments”** *(effective for annual periods beginning on or after 1 January 2019).*

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

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at 18 April 2019 (the effective dates stated below is for IFRS as issued by IASB):

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 “Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 “Business Combinations”** – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period).
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),



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

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU (continued)

- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Material (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 19 “Employee Benefits”** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 “Investments in Associates and Joint Ventures”** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2015 -2017)”** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Statement of compliance

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2. Basis of preparation

Consolidated financial statements are prepared on a historical cost basis, with the exception of certain land, buildings, which are stated in revalued amounts as explained in the accounting policies that follow. The Group maintains its accounting records in the Croatian language, in Croatian kuna and in accordance with Croatian laws and the accounting principles and practices observed by enterprises in Croatia.

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

The consolidated financial statements of the Group represent aggregate amounts of assets, liabilities, capital and reserves of the Group as of 31 December 2018, and the results of its operations for the year then ended. The accounting policies are consistently applied by all the Group entities.

2.3. Basis of consolidation

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

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

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

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

2.4. Revenue recognition

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

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4. Revenue recognition (continued)

Income from sale of products

Product sales are recognized when the products are delivered to, and accepted by the customer and when the significant risks and rewards associated with the ownership of a product are transferred to the customer. Sales to customers with whom self-invoicing has been arranged are recognised upon receiving from such a customer the confirmation of delivery, i.e. when significant risks are transferred to the customer.

Income from the manufacture of tools for a known customer

Accrued revenues from tools are matched with contracts that are specifically concluded for developing an asset, or a group of assets, closely linked and interdependent on the design, technology and function or their final use or application. The Group estimates that the transfer of significant risks and benefits from the ownership of tools, gauges and other devices is met at the time of „SOP“ (Start Of Production), i.e. start of the mass production on them. At that point Group recognizes revenue from the sale of tools. Costs of modification, completion and similar tool costs Group recognizes as an increase in inventory value as part of inventory process.

Interest income

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

2.5. Borrowing costs

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

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

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

2.6. Foreign currency transactions

Transactions in foreign currencies are translated into Croatian kunas at the rates of exchange in effect at the dates of the transactions. Cash, receivables and payables denominated in foreign currencies are retranslated at the rates of exchange in effect at the date of the statement of financial position. Gains and losses arising on translation are included in profit and loss for the year. At 31 December 2018, the official exchange rate of the Croatian kuna against 1 euro (EUR) was HRK 7.417575 (31 December 2017: HRK 7.513648 for 1 EUR).



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6. Foreign currency transactions (continued)

Translation reserves

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

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

2.7. Income tax expense

Current tax

Income tax expense is based on taxable profit for the year and represents the sum of the tax currently payable and deferred tax. Income tax is recognised in the statement of comprehensive income, except where it relates to items recognised directly in equity, in which case it is also recognised in equity. Current tax represents tax expected to be paid on the basis of taxable profit for the year, using the tax rates enacted at the date of the statement of financial position, adjusted by appropriate prior-period tax liabilities. Under Croatian tax regulations, group entities are not subject to taxation on a consolidated bases, and tax losses cannot be transferred within group entities. Subsidiaries are subject to taxation in their respective jurisdictions.

Deferred tax

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rate expected to apply to taxable profit in the period in which the liability is expected to be settled or the asset realised, based on the tax rates in effect at the date of the statement of financial position. The measurement of deferred tax liabilities and assets reflects the amount that the Group expects, at the date of the statement of financial position, to recover or settle the carrying amounts of its assets and liabilities. Deferred tax assets and liabilities are not discounted and are classified in the statement of financial position as non-current assets and/or non-current liabilities. Deferred tax assets are recognised only to the extent that it is probable that the related tax benefit will be realised. At each date of the statement of financial position, the Group reviews the unrecognised potential deferred tax assets and the carrying amount of the recognised deferred tax assets.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8. Property, plant and equipment, and intangible assets

Property, plant and equipment as well as intangible assets are recognised at purchase cost and subsequently reduced by accumulated depreciation/amortisation. The purchase cost comprises the purchase price, import duties and non-refundable sales taxes (on property, plant and equipment) and any directly attributable costs of bringing an asset to its working condition and location for its intended use, such as employee remuneration, professional fees directly arising from putting an asset into its working condition, test costs (for intangible assets), as well as all other costs directly attributable to bringing an asset to a condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Where it is obvious that expenses incurred resulted in an increase of expected future economic benefits to be derived from the use of an item of property, plant and equipment or intangible assets in excess of the originally assessed standard performance of the asset, they are added to the carrying amount of the asset. Gains or losses on the retirement or disposal of property, plant and equipment or intangible assets are included in profit or loss in the period in which they occur. Depreciation commences on putting an asset into use. Depreciation is provided so as to write down the cost or revalued amount of an asset other than land, property, plant and equipment and intangible assets under development over the estimated useful life of the asset using the straight-line method as follows:

Tangible and intangible assets	Depreciation rates in 2018	Depreciation rates in 2017
Buildings	1.50	1.50
Machinery	7.00	7.00
Tools, furniture, office and laboratory equipment and accessories, measuring and control instruments	10.00	10.00
Vehicles	20.00	20.00
IT equipment	20.00	20.00
Other	10.00	10.00
Projects	20.00	20.00
Software	20.00	20.00

2.9. Goodwill

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

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9. Goodwill (continued)

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

2.10. Investment property

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

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

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

2.11. Impairment of property, plant and equipment, and intangible assets

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

2.12. Investments in associates

An associate is an entity over which the Group has significant influence, but no control over the entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control over those policies.

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

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13. Inventories

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

Small inventory is written off when put in use.

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

Merchandise on stock is recognised at purchase cost.

2.14. Trade receivables and prepayments

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

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

Management determines the level of impairment allowance for doubtful receivables based on a specific review of the recoverability of amounts owed by strategic customers of the ADP Group and of the overall ageing of other current receivables. The allowance for amounts doubtful of collection is charged to the statement of profit and loss for the year.

2.15. Cash and cash equivalents

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.1. Termination, long-service and other employee benefits

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

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

(b) Termination benefits

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

(c) Regular retirement benefits

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

(d) Long-term employee benefits

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

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18. Financial instruments

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

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

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

Impact of initial application of IFRS 9 Financial Instruments

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

Key indicators included in model for calculation of financial instruments impairment are:

- Probability of Default 2.33% and
- Loss Given Default 46.10%.

Loans and receivables

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

Effective interest method

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18. Financial instruments (continued)

Impairment of financial assets

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

Impairment loss on a financial asset is recognised by reducing the carrying amount of the asset through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recorded as income for the period.

Derecognition of financial assets

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

Classification as debt or equity

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

2.19. Contingencies

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

2.20. Events after the reporting date

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21. Segment reporting

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

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

2.22. Leasing

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

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

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

Lessees are also required to re-measure lease liability due to certain events (e.g. a change in lease term, a change in future lease payments, resulting from a change in an index or discounting rate). The standard includes two recognition exemptions for lessees: „low-value“ leases (e.g. tablets and personal computers) and „short-term“ leases (leases which ends within 12 months). Low-value leases are considers assets with value lower than 5.000 USD.

The Group has chosen to apply the standard using a cumulative catch-up approach and will not restate comparative amounts for the year prior to first adoption.

At the date of transition lease liability are calculated as outstanding liability for existing leases using incremental borrowing rate. The right-of-use assets are measured at the amount of the lease liability, adjusted by amount of the prepaid or accrued lease payments. Right-of-use assets and lease liabilities will be reported separately in the statement of financial position.

The Group has elected not to apply the requirements of IFRS 16 for low-value leases (e.g. printers) and short-term leases (e.g. apartments). The Group has performed impact assessment of IFRS 16 for first time adoption in 2019. Opening balances of right of use assets and lease liabilities at 1 January 2019 will be as follows (in thousands kunas):

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23. Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

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

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23. Financial liabilities (continued)

Other financial liabilities

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

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

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

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

Useful life of property, plant and equipment

As described in Note 2.8, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Property, plant and equipment are recognised initially at cost, less accumulated depreciation.

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

A deferred tax asset is recognized for unused tax losses only to the extent that it is probable that the related tax benefit will be realised. In determining the amount of deferred taxes that can be recognised significant judgements are required, which are based on the probable quantification of time and level of future taxable profits, together with the future tax planning strategy. In 2018 and 2017, deferred tax assets on temporary tax differences were recognised.



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

Impairment allowance on trade receivables

Management provides for doubtful receivables based on a review of the overall ageing of all receivables and a specific review of significant individual amounts receivable. The allowance for amounts doubtful of collection is charged to the profit and loss for the year. Group applies the simplified approach according to IFRS 9 and recognises lifetime expected credit losses for trade receivables.

Actuarial estimates used in determining the retirement benefits

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

Accounting treatment of tools

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

Goodwill impairment

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

Provision for legal claims

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



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

Provision for legal claims (continued)

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

Useful life of Projects

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

4. SEGMENT INFORMATION

(in thousands of kunas)

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

Segment revenue and results

Segment revenue analysis by country:

	2018	2017
Slovenia	447,171	401,168
Russia	338,894	290,725
France	189,915	170,985
Germany	82,633	49,910
Italy	51,417	45,957
Hungary	43,464	238
Serbia	38,059	40,385
United Kingdom	26,730	16
Romania	21,089	21,026
Spain	20,991	17,693
Other countries	38,083	30,958
	1,298,446	1,069,061



5. SALES

(in thousands of kunas)

	2018	2017
Foreign sales	1,284,586	1,056,809
Domestic sales	13,860	12,252
	1,298,446	1,069,061

6. OTHER INCOME

(in thousands of kunas)

	2018	2017
Service sales – cardboard packaging	5,892	3,984
Rental income	3,171	2,589
Income from the sale of services to tenants	1,555	1,426
Income from invoicing recharged costs	1,209	-
Income from consumption of own products and services	1,123	2,183
Income from reversed provisions	942	64
Gain from sale of assets	936	713
Income from maintaining safety stock	883	556
Income from support in development	880	-
Income from collected bad debts	813	21
Income from validation and laboratory testing	684	-
Income from waste management services	442	628
Income from damages and insurance	393	1,944
Income from inventory surpluses	351	141
Income from servicing	298	27
Income from assembly services for third parties	290	-
Income from the quality control	199	687
Income from additional processing	174	8
Income from practical tryouts	110	-
Income from transport services	89	156
Other operating income	2,374	5,952
	22,808	21,079



7. COST OF RAW MATERIAL AND SUPPLIES

(in thousands of kunas)

	2018	2017
Direct materials	603,202	494,794
Other raw material and supplies	34,480	30,879
Electricity	25,581	20,682
	663,263	546,355

8. COST OF GOODS SOLD

(in thousands of kunas)

	2018	2017
Cost of tools sold	90,599	43,041
Cost of trade goods and spare parts sold	12,834	18,286
	103,433	61,327

9. STAFF COSTS

(in thousands of kunas)

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

	2018	2017
Net wages and salaries	144,506	120,350
Taxes and contributions out of salaries	49,286	39,156
Contributions on salaries	37,086	29,505
Other staff costs	22,607	21,779
	253,485	210,790



10. DEPRECIATION AND AMORTISATION

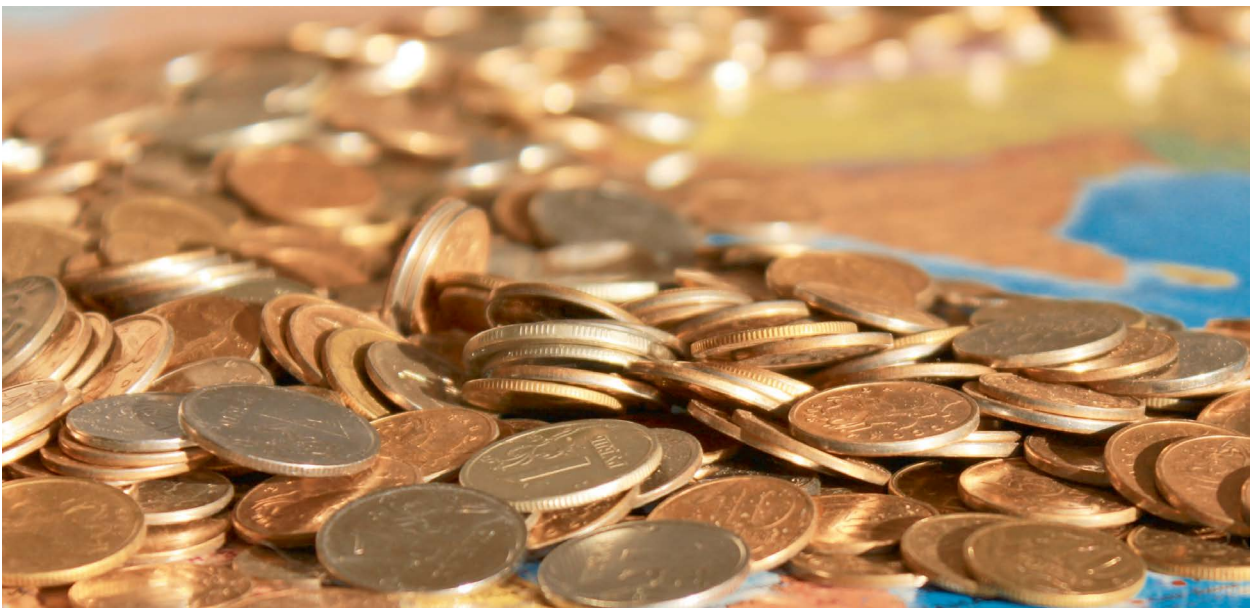
(in thousands of kunas)

	2018	2017
Depreciation of property, plant and equipment (Note 21)	57,803	51,398
Amortisation of intangible assets (Note 20)	32,111	30,870
Depreciation of investment property (Note 22)	944	894
	90,858	83,162

11. SERVICE COST

(in thousands of kunas)

	2018.	2017.
Transport	47,015	40,273
Current and preventive maintenance of machinery	13,783	9,061
Rental costs	12,428	10,195
Royalty fees	3,811	1,767
Intermediation costs	2,524	157
Telecommunication and information system costs	1,618	1,684
Water supply	1,510	1,123
Municipal utility fees	1,485	1,343
Forwarding and shipping costs	456	364
Other service costs	8,221	5,787
	92,851	71,754





12. OTHER OPERATING EXPENSES

(in thousands of kunas)

	2018	2017
Customer complaints	9,403	3,629
Professional service cost	8,993	12,174
Other non-material expenses	3,460	1,874
Other taxes, duties and fees	3,378	2,173
Entertainment	2,411	1,791
Insurance premiums	2,186	2,670
Communal fees for the use of construction plots	1,564	1,506
Professional training costs	1,484	1,195
Bank and transaction charges	1,292	1,207
Material and non-material assets write-off	1,235	1,937
Property tax	1,099	925
Workplace health and safety	774	838
Measuring equipment and laboratory tests	602	650
Cost of goods provided free of charge	443	446
Gifts, donations and sponsorships	408	572
Withholding tax	391	1,859
Support to employees and their families	358	347
Forest reproduction levies	253	226
Other expenses	5,976	5,570
	45,710	41,589

In Professional training costs in 2018 is included cost in amount of 13 thousands kunas from Company Deloitte d.o.o.

13. PROVISIONS FOR RISKS AND CHARGES

(in thousands of kunas)

	2018	2017
Employee bonus provisions (Note 32)	2,429	3,756
Provisions for jubilee awards and retirement benefits (Note 32)	2,159	416
Vacation provisions (Note 32)	421	2,118
	5,009	6,290



14. FINANCIAL REVENUE

(in thousands of kunas)

	2018	2017
Foreign exchange gains	19,523	26,175
Interest income	377	686
Other financial income	5	9
	19,905	26,870

15. FINANCIAL EXPENSES

(in thousands of kunas)

	2018	2017
Foreign exchange losses	43,605	63,029
Interest expense	10,224	15,984
	53,829	79,013

16. SHARE IN THE PROFIT FROM INVESTMENTS IN ASSOCIATES

(in thousands of kunas)

	2018	2017
Share in the profit of associates recognised as income	49,859	55,871
	49,859	55,871

17. INCOME TAX

(in thousands of kunas)

Income tax comprises the following:

	2018	2017
Deferred tax	(5,045)	5,986
Current tax	2,527	2,808
	(2,518)	8,794

**17. INCOME TAX (continued)**

(in thousands of kunas)

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

	2018	2017
Balance at 1 January	711	5,764
Acquisition of Tisza Automotive Kft.	(1,091)	-
Recognition/(Reversal) of deferred tax assets	7,664	(5,053)
Balance at 31 December	7,284	711

Deferred tax assets arise from the following:

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

2017	Opening balance	(Charged) to the statement of comprehensive income	Closing balance
<i>Temporary differences:</i>			
Provisions for jubilee awards and termination benefits	574	(11)	563
Reserves from translation of foreign currencies, net	10,987	(4,927)	6,060
Movements in reserves on revaluation of property, plant and equipment and intangible fixed assets	(6,781)	1,707	(5,074)
Deferred tax assets from carried-over tax losses	1,960	(1,747)	213
Differences between tax depreciation rates and accounting depreciation rates	(976)	(75)	(1,051)
Balance at 31 December	5,764	(5,053)	711

**17. INCOME TAX (continued)**

(in thousands of kunas)

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

	2018	2017
Accounting profit before tax and deferred taxation	86,802	79,000
Effect of tax base increasing items	42,525	22,784
Effect of tax base decreasing items	(112,230)	(65,328)
Tax base	17,097	36,456
Tax at the weighted average rate	8,284	6,642
Tax reliefs	(5,757)	(3,834)
<i>Income tax expenses before effects of deferred taxation</i>	<i>2,527</i>	<i>2,808</i>
Deferred tax recognised in profit or loss	(5,045)	5,986
Income tax expense	(2,518)	8,794

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

(in thousands of kunas)

	Reserves from accruals of foreign exchange differences – transactions with subsidiaries		Exchange differences from translation a foreign operations – transactions with subsidiaries	
	2018	2017	2018	2017
Balance at beginning of the year	(17,974)	(36,198)	(39,575)	(38,372)
Exchange differences from translation of foreign operations	-	-	(2,306)	(1,203)
Accruals of foreign exchange differences from the current year	(15,928)	(12,543)	-	-
Income tax	3,186	2,509	-	-
Exchange differences from translation of foreign operations, net	(12,742)	(10,034)	(2,306)	(1,203)
Realization of exchange differences	10,197	28,258	-	-
Balance at end of year	(20,520)	(17,974)	(41,881)	(39,575)



19. EARNINGS PER SHARE

(in thousands of kunas)

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

	2018	2017
Net profit attributable to the shareholders of the Group in thousands of kunas	89,320	70,206
Weighted average number of shares	4,152,183	4,173,705
Basic and diluted earnings per share (in kunas and lipas)	21.51	16.82





20. INTANGIBLE ASSETS

(in thousands of kunas)

	Licences	Software	Projects	Other intangible assets	Customer contracts	Intangible assets under development	Total
Cost							
Balance at 31 December 2016	631	6,077	210,021	1,775		24,550	243,054
Additions	-	-	-	-		19,914	19,914
Assets put into use	-	1,315	22,964	-		(24,279)	-
Disposals	-	-	(810)	-		-	(810)
Write off	-	-	(3,356)	-		-	(3,356)
Effect of exchange differences	23	(24)	(2,435)	54		(32)	(2,414)
Balance at 31 December 2017	654	7,368	226,384	1,829		20,153	256,388
Acquisition of Tisza Automotive Kft.	-	1,551	8,666	91	10,226	1,681	22,214
Additions	-	-	-	-	-	27,104	27,104
Assets put into use	-	3,070	10,472	279	-	(13,821)	-
Disposals	-	-	(2,035)	-	-	-	(2,035)
Write off	-	(77)	(69)	-	-	(1,137)	(1,283)
Effect of exchange differences	(7)	(34)	(3,623)	(29)	-	(219)	(3,912)
Balance at 31 December 2018	647	11,878	239,795	2,170	10,226	33,761	298,477
Accumulated amortisation							
Balance at 31 December 2016	537	4,729	118,536	119		-	123,921
Charge for the year (Note 10)	95	916	29,835	24		-	30,870
Disposals	-	-	(362)	-		-	(362)
Write off	-	-	(1,436)	-		-	(1,436)
Effect of exchange differences	23	(21)	(1,611)	(2)		-	(1,611)
Balance at 31 December 2017	654	5,623	144,962	141		-	151,380
Acquisition of Tisza Automotive Kft.	-	1,384	5,509	81	-	-	6,974
Charge for the year (Note 10)	-	1,537	29,795	31	748	-	32,111
Disposals	-	-	(10)	-	-	-	(10)
Write off	-	(70)	-	-	-	-	(70)
Effect of exchange differences	(7)	(30)	(2,650)	(8)	-	-	(2,696)
Balance at 31 December 2018	647	8,444	177,605	245	748	-	187,689
Net book value							
At 31 December 2017	-	1,746	81,423	1,689		20,153	105,011
At 31 December 2018	-	3,434	62,190	1,925	9,478	33,761	110,788

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



21. PROPERTY, PLANT AND EQUIPMENT

(in thousands of kunas)

	Land	Buildings	Plant and equipment	Assets under development	Other tangible assets	Prepayments for tangible assets	Total
Cost							
Balance at 31 December 2016	150,852	351,453	779,773	4,565	810	719	1,288,173
Additions	-	-	-	64,387	-	1,803	66,190
Assets put into use	-	4,537	24,085	(28,622)	-	-	-
Disposals	-	-	(6,724)	-	-	-	(6,724)
Write off and retirements	-	-	(23,354)	-	-	-	(23,354)
Decrease based on government grants	-	-	-	(7,407)	-	-	(7,407)
Transferred to investment property (Note 22)	(15,881)	(37,635)	-	-	-	-	(53,516)
Effect of exchange differences	(281)	(5,819)	(22,507)	(46)	(47)	84	(28,616)
Balance at 31 December 2017	134,690	312,536	751,273	32,877	763	2,606	1,234,746
Acquisition of Tisza Automotive Kft.	2,754	32,318	69,939	869	1,581	526	107,987
Additions	-	-	-	78,658	-	9,176	87,834
Assets put into use	-	17,940	57,503	(72,890)	296	(2,848)	-
Disposals	(568)	-	(5,023)	-	-	-	(5,591)
Write off and retirements	-	(10)	(2,092)	-	(110)	-	(2,212)
Decrease based on government grants	-	-	-	(534)	-	-	(534)
Transferred to investment property (Note 22)	(904)	(4,847)	-	-	-	-	(5,750)
Effect of exchange differences	(472)	(10,954)	(48,686)	(54)	(86)	(663)	(60,915)
Balance at 31 December 2018	135,501	346,983	822,913	38,926	2,444	8,797	1,355,564
Accumulated depreciation							
Balance at 31 December 2016	-	80,948	506,980	-	298	-	588,226
Charge for the year (Note 10)	-	6,130	45,149	-	119	-	51,398
Disposals	-	-	(6,324)	-	-	-	(6,324)
Write off and retirements	-	-	(23,337)	-	-	-	(23,337)
Transferred to investment property (Note 22)	-	(5,687)	-	-	-	-	(5,687)
Effect of exchange differences	-	(969)	(18,088)	-	(24)	-	(19,081)
Balance at 31 December 2017	-	80,421	504,380	-	393	-	585,194
Acquisition of Tisza Automotive Kft.	-	1,487	50,684	-	1,581	-	53,753
Charge for the year (Note 10)	-	9,597	48,069	-	137	-	57,803
Disposals	-	-	(3,423)	-	-	-	(3,423)
Write off and retirements	-	(10)	(2,069)	-	(110)	-	(2,190)
Transferred to investment property (Note 22)	-	(1,850)	-	-	-	-	(1,850)
Effect of exchange differences	-	(1,966)	(40,287)	-	(53)	-	(42,306)
Balance at 31 December 2018	-	87,678	557,353	-	1,949	-	646,980
Net book value							
At 31 December 2017	134,690	232,113	246,893	32,878	371	2,605	649,551
At 31 December 2018	135,501	259,305	265,559	38,926	495	8,797	708,583

Total value of liabilities under financial leases at December 31 2018 amounts to HRK 2,106 thousand (31 December 2017: HRK 2,050 thousand).



22. INVESTMENT PROPERTY

(in thousands of kunas)

	Land	Buildings	Total
Cost			
At 31 December 2016	-	14,303	14,303
Reclassified from property, plant and equipment (Note 21)	15,881	37,635	53,516
Effect of exchange differences	-	(167)	(167)
At 31 December 2017	15,881	51,771	67,652
Reclassified from property, plant and equipment (Note 21)	904	4,846	5,750
Effect of exchange differences	-	-	-
At 31 December 2018	16,785	56,617	73,402
Accumulated depreciation			
At 31 December 2016	-	6,239	6,239
Reclassified from property, plant and equipment (Note 21)	-	5,688	5,688
Charge for the year (Note 10)	-	894	894
Effect of exchange differences	-	66	66
At 31 December 2017	-	12,887	12,887
Reclassified from property, plant and equipment (Note 21)	-	1,850	1,850
Charge for the year (Note 10)	-	944	944
Effect of exchange differences	-	452	452
At 31 December 2018	-	16,133	16,133
Net book value			
At 31 December 2017	15,881	38,884	54,765
At 31 December 2018	16,785	40,484	57,269

In 2018, the part of the building used to rent office space was reclassified. Income from the rental of the building in 2018 amounts to HRK 2,274 thousand (in 2017 HRK 2,278 thousand), and the depreciation charge for the year amounts to HRK 944 thousand (in 2017 HRK 894 thousand). Book value of asset classified as investment properties represents approximately the market value.



23. INVESTMENTS IN ASSOCIATES

(in thousands of kunas)

Name of associate	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment, HRK'000	
			2018	2017	2018	2017
EURO AUTO PLASTIC SYSTEMS	Manufacture of other motor vehicle spare parts and accessories	Mioveni, Romania	50,00%	50,00%	92,150	96,822
CENTAR ZA ISTRAŽIVANJE I RAZVOJ AUTOMOBILSKE INDUSTRIJE	Automotive industry research and development	Zagreb, Croatia	-	24,00 %	-	38
					92,150	96,860

Name of associate	Country of incorporation and business	Amount of equity investment	Share in the result for the year 2017 (Note 17)	Liquidation of the company	Dividends paid	Amount of equity investment
		31.12.2016	31.12.2017			
EURO AUTO PLASTIC SYSTEMS	Mioveni, Romania	82,929	55,867	-	(41,974)	96,822
CENTAR ZA ISTRAŽIVANJE I RAZVOJ AUTOMOBILSKE INDUSTRIJE	Zagreb, Croatia	35	3	-	-	38
Total		82,964	55,870	-	(41,974)	96,860

Name of associate	Country of incorporation and business	Amount of equity investment	Share in the result for the year 2018 (Note 17)	Liquidation of the company	Dividends paid	Amount of equity investment
		31.12.2017	31.12.2018			
EURO AUTO PLASTIC SYSTEMS	Mioveni, Romania	96,822	49,859	-	(54,531)	92,150
CENTAR ZA ISTRAŽIVANJE I RAZVOJ AUTOMOBILSKE INDUSTRIJE	Zagreb, Croatia	38	-	(38)	-	-
Total		96,860	49,859	(38)	(54,531)	92,150

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 Company "Centar za istraživanje i razvoj automobilske industrije" was liquidated in 2018.



24. OTHER FINANCIAL ASSETS

(in thousands of kunas)

	31.12.2018	31.12.2017
Long-term loans to unrelated companies	68	4,012
Other financial assets	62	62
Current portion of long-term loan receivables (Note 28)	(68)	(1,003)
	62	3,071

Long-term loans to third parties have been provided at an interest rate of 6.00% percent (2017: 6.00 %), with the ultimate maturity in 2021.

25. INVENTORIES

(in thousands of kunas)

	31.12.2018	31.12.2017
Raw material and supplies on stock	90,735	78,780
Tools	47,250	35,700
Advances for inventory	40,505	7,145
Finished products	28,127	23,943
Work in progress	15,597	6,275
Merchandise on stock	8,678	3,392
	230,892	155,235

26. TRADE RECEIVABLES

(in thousands of kunas)

	31.12.2018	31.12.2017
Foreign trade receivables	217,475	195,462
Domestic trade receivables	5,579	5,718
Impairment allowance on receivables	(3,732)	(2,605)
	219,322	198,575

The average credit period on sales is 64 days (2017: 70 days). The Group has provided impairment for all sued debtors, regardless of the past due period, as well as for all receivables that are past due and assessed as doubtful of collection.



26. TRADE RECEIVABLES (continued)

(in thousands of kunas)

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

	2018	2017
Balance at beginning of the year	1,295	1,367
Written-off during the year	(166)	(60)
Collected during the year	-	(12)
Total impairment allowance on domestic trade receivables	1,129	1,295
	2018	2017
Balance at beginning of the year	1,310	859
Acquisition of Tisza Automotive Kft.	1,546	-
New impairments and write-offs during the year	560	460
Collected during the year	(813)	(9)
Total impairment allowance on foreign trade receivables	2,603	1,310
Total impairment allowance	3,732	2,605

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

	31.12.2018	31.12.2017
0 - 365 days	137	448
Over 365 days	3,595	2,157
	3,732	2,605

Ageing analysis of receivables past due but not impaired:

	31.12.2018	31.12.2017
0 - 365 days	55,188	44,163
Over 365 days	291	316
	55,479	44,479



26. TRADE RECEIVABLES (continued)

(in thousands of kunas)

Receivables from associated companies:

	31.12.2018	31.12.2017
Trade receivables	4,730	5,369
	4,730	5,369

27. OTHER RECEIVABLES

(in thousands of kunas)

	31.12.2018	31.12.2017
Receivables from the State and State institutions	16,804	18,997
Prepayments made	9,498	19,616
Due from employees	305	99
Other receivables	83	-
	26,690	38,712

28. CURRENT FINANCIAL ASSETS

(in thousands of kunas)

	31.12.2018	31.12.2017
Current portion of given long-term loans (Note 24)	68	1,003
Interest receivable	41	102
Deposits	1	-
	110	1,105

29. CASH AND CASH EQUIVALENTS

(in thousands of kunas)

	31.12.2018	31.12.2017
Current account balance	36,299	10,195
Cash in hand	39	27
	36,338	10,222



30. PREPAID EXPENSES AND ACCRUED INCOME

(in thousands of kunas)

	31.12.2018	31.12.2017
Other accrued income on tools	39,786	17,847
Prepaid expenses	3,624	3,875
Other accrued income	8,415	7,042
	51,825	28,764

31. SHARE CAPITAL

(in thousands of kunas)

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 (2017: HRK 419,958 thousand; 4,199,584 shares, with a nominal value of HRK 100,00 each).

32. PROVISIONS

(in thousands of kunas)

	Short-term		Long-term	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Employee bonuses	6,304	4,212	-	-
Vacation accrual	6,242	6,429	-	-
Retirement benefits	2,013	-	2,326	2,205
Jubilee awards (long-service benefits)	458	279	1,382	1,506
Legal actions	568	768	-	-
	15,585	11,688	3,708	3,711

Movement in provisions is presented as follows:

	Jubilee awards (long-service benefits)	Termination and retirement benefits	Legal actions	Vacation accrual	Employee bonuses	Total
At 1 December 2017	1,474	2,269	4,474	4,477	401	13,095
Increase/(decrease) of provisions	311	(64)	(3,706)	1,952	3,811	2,304
At 31 December 2017	1,785	2,205	768	6,429	4,212	15,399
Acquisition of Tisza Automotive Kft.	51	41	-	810	-	902
Increase/(decrease) of provisions	4	2,093	(200)	(997)	2,092	2,992
At 31 December 2018	1,840	4,339	568	6,242	6,304	19,293



32. PROVISIONS (continued)

(in thousands of kunas)

Long-service and termination benefits

Defined benefit plan

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

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

The present value of defined benefit obligations arising from long-service benefits and benefits payable upon retirement is determined using the Projected Credit Unit method and serves as the basis for arriving at the past and current service costs, the interest expense and the actuarial gain or loss.

Key assumptions used in calculating the required provisions are the discount rate of 3.27 % and the fluctuation rate of 13.03 %.

33. LONG-TERM BORROWINGS AND OTHER NON-CURRENT LIABILITIES

(in thousands of kunas)

	31.12.2018	31.12.2017
Long-term borrowings	348,721	255,444
Deposits received	600	-
Long-term commodity credits provided by suppliers	2,357	14,691
	351,678	270,135
Current portion of long-term borrowings (Note 36)	(74,008)	(65,837)
	277,670	204,298

Long-term borrowings are used to finance capital investments and development projects. Instruments of collateral provided for the for long-term loans include mortgage on real estate and equipment and payment instruments. The majority of existing long-term loans are paid quarterly.

In 2018, the weighted average interest rate on the long-term loans was 2.48 percent (2017: 3.00 %). The Group regularly meets all its obligations arising from the loans and observes all the conditions specified in the underlying contracts.



33. LONG-TERM BORROWINGS AND OTHER NON-CURRENT LIABILITIES (continued)

(in thousands of kunas)

Movements in long-term borrowings during the year:

	2018	2017
Balance at 1 January	204,298	185,759
New loans raised	131,501	153,775
Acquisition of Tisza Automotive Kft.	31,719	-
Deposits received	600	-
Exchange differences, net	(3,220)	1,322
Repayments of received loans	(7,217)	-
Reclassification to short-term (Note 36)	(80,011)	(136,558)
Balance at 31 December	277,670	204,298

34. ADVANCES RECEIVED

(in thousands of kunas)

	31.12.2018	31.12.2017
Foreign customers	72,522	30,154
	72,522	30,154

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

35. TRADE PAYABLES

(in thousands of kunas)

Average payment period for trade payables during 2018 equalled to 75 days (2017: 83 days).

	31.12.2018	31.12.2017
Foreign trade payables	175,415	132,157
Domestic trade payables	48,538	40,869
	223,953	173,026



36. SHORT-TERM BORROWINGS

(in thousands of kunas)

	31.12.2018	31.12.2017
Short-term loans - principal payable	73,152	75,334
Current portion of long-term borrowings (Note 33)	74,008	65,837
Short-term borrowings - interest payable	660	791
	147,820	141,962

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

The short-term borrowings represent loans provided by commercial banks, with an average interest rate of 2.05% (2017: 3.09 %).

	2018	2017
Balance at 1 January	141,962	223,058
New loans raised	92,999	85,995
Acquisition of Tisza Automotive Kft.	14,418	-
Reclasification on current portion of long-term borrowings (Note 33)	80,011	136,558
Invoiced interest	10,224	15,984
Exchange differences	(2,888)	(2,532)
Interest paid	(10,817)	(16,964)
Repayments of received loans	(178,089)	(300,137)
Balance at 31 December	147,820	141,962

37. OTHER CURRENT LIABILITIES

(in thousands of kunas)

	31.12.2018	31.12.2017
Due to the State and State institutions	19,102	12,177
Amounts due to employees	12,678	10,162
Other current liabilities	1,193	63
	32,973	22,402



38. ACCRUED EXPENSES AND DEFERRED INCOME

(in thousands of kunas)

	31.12.2018	31.12.2017
Due to the State and State institutions	764	462
Accrued tool expenses	518	3,286
Other current liabilities	7,115	10,538
	8,397	14,286

39. GOODWILL

(in thousands of kunas)

	31.12.2018	31.12.2017
Goodwill	25,432	8,670
	25,432	8,670

Recognized goodwill relates to:

- the difference between fair value of net assets of KZA and the value paid for the purchase of KZA by ZAO AD Plastik Kaluga, and
- the difference between fair value of the net assets of Tisza Automotive Kft. and the value paid for the purchase of Tisza Automotive Kft. by AD Plastik d.d. Solin.

Movement of goodwill:

	2018	2017
At 1 January	8,670	9,411
Acquisition of Tisza Automotive Kft. (Note 40)	18,014	-
Effect of exchange differences	(1,252)	(741)
At 31 December	25,432	8,670



40. BUSINESS COMBINATIONS – ACQUISITION OF TISZA AUTOMOTIVE KFT.

(in thousands of kunas)

On 26 July 2018, AD Plastik Group acquired 100% of ownership in Tisza Automotive Kft., Tiszaújváros, Hungary, and obtained management control of the company.

Cost of acquisition is determined as the reimbursement amount transferred to previous owners at 70,959 thousand kunas. Cash acquired by this combination is 201 thousand kunas.

	Book value on date of acquisition	Increases / (Decreases)	Fair value on date of acquisition
Intangible assets	5.013	10.226	15.239
Property, plant and equipment	52.450	1.785	54.235
Deferred tax assets	-	-	-
Stocks	28.640	104	28.744
Trade receivables	38.427	-	38.427
Cash and cash equivalents	202	-	202
Accrued assets	1.100	-	1.100
Total acquired assets	125.832	12.115	137.947
Long-term liabilities	(31.719)	-	(31.719)
Deferred tax liabilities	-	(1.090)	(1.090)
Provisions	(902)	-	(902)
Short-term liabilities	(50.172)	-	(50.172)
Accrued liabilities	(1.119)	-	(1.119)
Total acquired liabilities	(83.912)	(1.090)	(85.002)
Total acquired net assets	41.920	11.025	52.945

Estimated fair value of assets on date of acquisition was above the book value on positions Property, plant and equipment by 1.785 thousand kunas and on position Stocks by 104 thousand kunas.

Value of Customer relationships, i.e. signed contracts with buyers was estimated by MPEE (Multi-period Excess Earnings) method at 10.226 thousand kunas and allocated on position Intangible assets (note 20).

Deferred tax liabilities generated by the acquisition are 1.090 thousand kunas (note 17).

Goodwill generated by the acquisition is calculated as the difference between the Cost of acquisition and the Fair value of Total acquired net assets and amounts to 18.014 thousand kunas (Note 39).



41. RELATED PARTY TRANSACTIONS

(in thousands of kunas)

The total remuneration provided to the members of the Supervisory Board, the Management Board and executive directors in 2018 amounts to HRK 15,814 thousand (2017: HRK 10,727 thousand).

Receivables and payables for goods and services	Receivables		Payables	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
EURO APS, Romania	4,729	5,369	-	-
Centar za istraživanje i razvoj, Croatia	-	1	-	5
	4,729	5,370	-	5

Purchase transactions <i>Operating income and expenses</i>	Income		Expenses	
	2018	2017	2018	2017
EURO APS, Romania	11,379	12,030	-	-
Centar za istraživanje i razvoj, Croatia	2	7	-	16
	11,381	12,037	-	16

Receivables and payables for loans	Receivables		Payables	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Sankt-Peterburgskaya investicionnaya kompaniya	-	-	37.088	-
	-	-	37.088	-

Sankt-Peterburgskaya investicionnaya kompaniya is member of Group in which is also company DAO Holding Autokomponenti. Company DAO Holding Autokomponenti holds 30% of shares in Company AD Plastik d.d.





42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(in thousands of kunas)

42.1. Gearing ratio

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

	31.12.2018	31.12.2017
Short-term borrowings (Note 36)	147,820	141,962
Long-term borrowings (Note 33)	277,070	204,298
Cash and cash equivalents (Note 29)	(36,338)	(10,222)
Deposits (Note 28)	(1)	-
Net debt	388,551	336,038
Equity	784,271	749,788
Net debt-to-equity ratio	49.54%	44.82%

Net debt includes commodity credits provided by suppliers in the amount of HRK 7,434 thousand (31 December 2017: HRK 14,691 thousand) (note 33).

Equity consists of share capital, reserves, own shares, retained earnings and profit for the year.

42.2. Categories of financial instruments

At the reporting date there are no significant concentrations of credit risk for loans and receivables designated at fair value through the statement of comprehensive income. Excluded from the balance are amounts receivable from and payable to the State.

	31.12.2018	31.12.2017
Financial assets	306,225	232,751
Loans and receivables (note 25,26,27)	269,916	222,529
Cash and cash equivalents and deposits (Notes 28 and 29)	36,339	10,222
Financial liabilities	735,836	559,665
Trade and other payables (note 34,35,37)	310,346	213,405
Borrowings (Notes 33 and 36)	425,490	346,260



42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(in thousands of kunas)

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:

As at 31 December	Assets		Liabilities		Net FX position	
	2018	2017	2018	2017	2018	2017
RUB	1,383	1,617	-	-	1,383	1,617
CZK	604	273	-	-	604	273
USD	575	86	117	89	458	(3)
GBP	95	122	462	26	(367)	96
EUR	445,774	456,286	766,066	671,230	(320,292)	(214,944)
	448,431	458,384	766,645	671,345	(318,214)	(212,961)

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 2018, if EUR were to depreciate/appreciate by 1% compared to HRK, assuming all other variables remain unchanged, net profit of the Group for 2018 would be 1,967 thousand kunas (2017.: 613 thousand kunas) higher/(lower), because of positive/(negative) foreign exchange differences generated by conversion of trade receivables, cash and cash equivalents, trade payables and loans received denominated in EUR.

On 31 December 2018, if RUB were to depreciate/appreciate by 1% compared to EUR, assuming all other variables remain unchanged, net profit of the Group for 2018 would be 486 thousand kunas (2017.: 940 thousand kunas) (lower)/higher, because of (negative)/positive foreign exchange differences generated by conversion of trade receivables, cash and cash equivalents, trade payables and loans received denominated in EUR.



42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(in thousands of kunas)

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.

2018	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
Assets							
Non-interest bearing	-	135,815	131,718	38,518	32	62	306,145
Interest bearing	6.00%	1	-	70	42	-	112
		135,816	131,718	38,588	73	62	306,257
Liabilities							
Non-interest bearing	-	125,127	99,369	85,738	112	-	310,346
Interest bearing	2.40%	6,212	19,204	126,533	266,417	29,976	448,343
		131,339	118,574	212,271	266,529	29,976	758,688

2017	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
Assets							
Non-interest bearing	-	122,791	91,195	14,629	63	62	228,740
Interest bearing	6.00%	-	-	1,305	3,370	-	4,675
		122,791	91,195	15,934	3,433	62	233,415
Liabilities							
Non-interest bearing	-	101,710	78,189	33,506	-	-	213,405
Interest bearing	3.05%	1,051	16,083	131,901	199,350	15,438	363,823
		102,761	94,272	165,407	199,350	15,438	577,227



42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 2018 the carrying amounts of cash, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their fair values due to the short-term maturity of these assets and liabilities.

43. EVENTS AFTER THE REPORTING PERIOD

After 31 December 2018, there were no events that would have a significant impact on the financial statements for the year 2018, 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 2018 which would require to be disclosed in the notes to the consolidated financial statements.

The Company had no capital expenditure commitments contracted at 31 December 2018 which would require to be disclosed in the notes to the financial statements.

As at 31 December 2018 there were no material legal actions with a potential negative outcome for the Group other than those reflected in these consolidated financial statements.

45. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board of AD Plastik d.d. and authorised for issue on 18 April 2019.

For AD Plastik d.d., Solin:

Marinko Došen,
President of the Management Board

Katija Klepo,
Member of the Management Board

Mladen Peroš,
Member of the Management Board

AD Plastik d.d., Solin

Separate Financial Statements For the Year Ended 31 December 2018

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Responsibility of the Management Board for the separate financial statements

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

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

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

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

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Company and their compliance with the Croatian Accounting Act. The above stated responsibility includes the responsibility for accuracy of the Management Report, which is an integral part of separate financial statements. The Management Board is also responsible for safeguarding the assets of the Company, and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board

For AD Plastik d.d. Solin by:

Marinko Došen, President of the Management Board

Katija Klepo, Member of Management Board

Mladen Peroš, Member of Management Board

AD Plastik d.d.
Matoševa 8
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Republic of Croatia

18 April 2018

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

Basis for Opinion

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

The company was registered at Zagreb Commercial Court: MBS 030022053; paid-in initial capital: Kn 44,900.00; Board Members: Branislav Vrtačnik, Marina Tonžetić, Juraj Moravek and Dražen Nimčević; Bank: Zagrebačka banka d.d., Trg bana Josipa Jelačića 10, 10 000 Zagreb, bank account no. 2360000-1101896313; SWIFT Code: ZABAHR2X IBAN: HR2723600001101896313; Privredna banka Zagreb d.d., Radnička cesta 50, 10 000 Zagreb, bank account no. 2340009-1110098294; SWIFT Code: PBZGHR2X IBAN: HR3823400091110098294; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, bank account no. 2484008-1100240905; SWIFT Code: RZBHR2X IBAN: HR1024840081100240905.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Accuracy of the foreign and domestic sales balances

According to the disclosures made in Note 4, the total sales of the Company for the financial year amount to HRK 927,965 thousand (2017: HRK 817,682 thousand).

Sales are important for assessing the Company's performance. There is a risk that the reported sales may be higher than the actual amount earned by the Company. Operating income is accounted for when a sales transaction is completed, the goods are delivered to the customer and when all economic risks are transferred by the Company. The Company generates revenue from foreign and domestic sales. The transfer of the risks and rewards takes place when goods or services are transferred to the customer, when the goods are paid and available at the location of a third or related party. The sales process is supported by internal controls implemented in the Company's IT systems.

Given a high degree of reliance on the IT systems and the potential impact of incorrect revenue accounting, we have concluded that the accuracy of the revenue is a key audit issue to be focused on during the audit.

Description of audit procedures performed and their results

Our substantive audit procedures included tests of the design and the operating effectiveness of automatic and manual internal controls at the Company level as well as tests of details so as to satisfy ourselves that the revenue and the transactions are correctly accounted for. The key internal automatic control the Company relies on to be satisfied that revenue is correctly accounted for is automatic matching of order numbers with contract numbers in the Company's IT environment.

We tested the design and operating effectiveness of the key internal controls surrounding the sales process.

Based on the internal control test results, we defined the scope and nature of tests to be performed to consider whether the revenue is properly accounted for, which included test of details of internal documents, by matching them with the recognized sales and the related payment transactions.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on the Audit of the Financial Statements (continued)

Other Information

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

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

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 the Corporate Governance Statement, which are included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examination of whether the Management Report and Corporate Governance Statement includes required disclosures as set out in the Articles 21 and 22 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in the Article 22 of the Accounting Act.

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

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

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

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

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

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.

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

INDEPENDENT AUDITOR'S REPORT (continued) **Report on the Audit of the Financial Statements (continued)**

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements

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

We were appointed as the statutory auditor of the Company by the General Assembly on 12 July 2018 to perform audit of accompanying financial statements. Our total uninterrupted engagement has lasted 9 years and covers period 1 January 2010 to 31 December 2018.

We confirm that:

- our audit opinion on the accompanying financial statements is consistent with the additional report issued to the Audit Committee of the Company on 18 April 2019 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

There are no services, in addition to the statutory audit, which we provided to the Company and its controlled undertakings.

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

Marina Tonžetić

Member of the Management Board and Certified auditor

Deloitte d.o.o.

18 April 2019
Radnička cesta 80,
10 000 Zagreb,
Croatia



Separate statement of comprehensive income for the year ended 31 December 2018

(All amounts are expressed in thousands of kunas)

	Notes	2018	2017
Sales	4	927,965	817,682
Other income	5	17,009	16,971
Total income		944,974	834,653
Increase in the value of work in progress and finished products		2,432	3,392
Cost of raw material and supplies	6	(445,141)	(373,577)
Cost of goods sold	7	(143,103)	(133,641)
Service costs	8	(69,691)	(55,501)
Staff costs	9	(174,870)	(151,035)
Depreciation and amortisation	10	(53,042)	(51,775)
Other operating expenses	11	(28,783)	(27,721)
Provisions for risks and charges (net)	12	(4,705)	(5,415)
Total operating expenses		(916,903)	(795,273)
Profit from operations		28,071	39,380
Financial income	13	78,468	59,742
Financial expenses	14	(17,988)	(43,523)
Profit from financing activities		60,480	16,219
Profit before taxation		88,551	55,599
Income tax expense	15	410	(2,200)
Profit for the year		88,961	53,399
<i>Items that may be included subsequently in profit or loss</i>			
Exchange differences on translation of a foreign operation, net	16	-	-
Total comprehensive income for the year		88,961	53,399
Earnings per share			
Basic and diluted earnings per share (in kunas and lipas)	17	21.43	12.79

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



Separate statement of financial position At 31 December 2018

(All amounts are expressed in thousands of kunas)

Assets	Notes	31.12.2018	31.12.2017
Non-current assets			
Intangible assets	18	84,219	86,472
Property, plant and equipment	19	495,472	467,092
Investment property	20	54,676	51,557
Investments in subsidiaries and associates	21	149,366	66,163
Other financial assets	22	81,856	101,596
Long-term receivables	23	44,680	76,925
Deferred tax assets	15	1,029	618
Total non-current assets		911,298	850,423
Current assets			
Inventories	24	140,476	75,785
Trade receivables	25	187,432	231,156
Other receivables	26	19,970	29,056
Current financial assets	27	6,410	7,561
Cash and cash equivalents	28	16,136	3,144
Prepaid expenses and accrued income	29	49,917	27,928
Total current assets		420,341	374,630
TOTAL ASSETS		1,331,639	1,225,053

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



Separate statement of financial position At 31 December 2018 (continued)

(All amounts are expressed in thousands of kunas)

Shareholders' equity and liabilities	Notes	31.12.2018	31.12.2017
Shareholders' equity and liabilities			
Share capital	30	419,958	419,958
Reserves		224,234	222,304
Profit for the year		88,961	53,399
Total shareholders' equity		733,153	695,661
Long-term provisions	31	3,438	3,440
Long-term borrowings and deposits	32	206,328	202,445
Total non-current liabilities		209,766	205,885
Advances received	33	59,309	5,767
Trade payables	34	168,163	153,225
Short-term borrowings	35	126,031	133,455
Other current liabilities	36	16,472	12,251
Short-term provisions	31	13,022	8,656
Accrued expenses	37	5,723	10,153
Total current liabilities		388,720	323,507
Total liabilities		598,486	529,392
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,331,639	1,225,053

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 2018

(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Legal reserve	General reserves	Reserves for own (treasury) shares	Own (treasury) shares	Retained earnings	Total
Balance at 1 January 2018	419,958	191,702	6,129	21,611	3,319	(3,319)	56,261	695,661
Impact of IFRS 9 application	-	-	-	-	-	-	(1,524)	(1,524)
Balance at 1 January 2018 (after the adoption of IFRS 9)	419,958	191,702	6,129	21,611	3,319	(3,319)	54,737	694,137
Profit for the year	-	-	-	-	-	-	88,961	88,961
Other comprehensive income for the year, net of income taxes	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	88,961	88,961
Dividends paid	-	-	-	-	-	-	(41,342)	(41,342)
Purchase of own (treasury) shares	-	-	-	(11,554)	11,554	(11,554)	-	(11,554)
Disposal of own (treasury) shares	-	201	-	2,749	(2,749)	2,749	-	2,951
Creation of reserves for purchase of own (treasury) shares	-	-	-	(10,000)	10,000	-	-	-
Balance at 31 December 2018	419,958	191,903	6,129	2,807	22,124	(12,124)	102,356	733,153

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



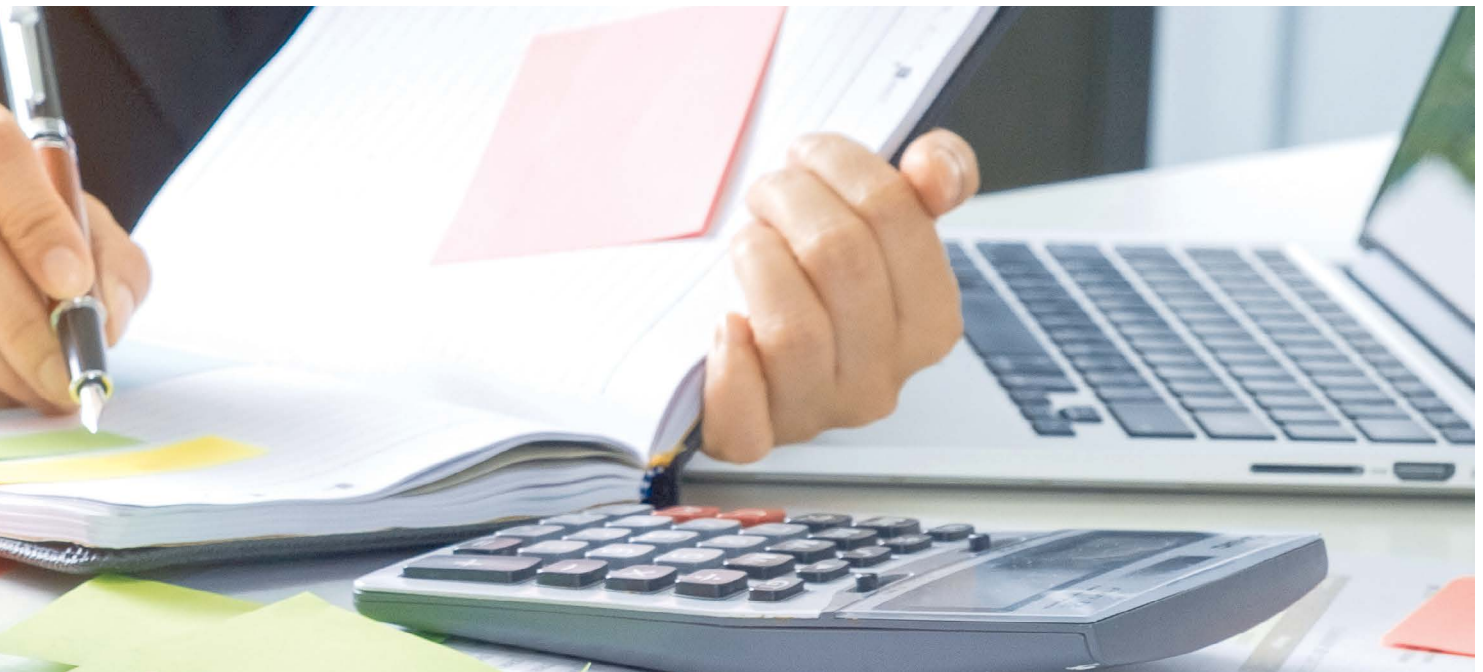


Separate statement of changes in shareholders' equity For the year ended 31 December 2018 (continued)

(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Legal reserve	General reserves	Reserves from accruals of foreign exchange differences – transactions with subsidiaries	Reserves for own shares	Treasury shares	Retained earnings	Total
Balance at 31 December 2016	419,958	191,565	6,129	21,056	(11,337)	3,875	(3,875)	38,347	665,718
Profit for the year	-	-	-	-	-	-	-	53,399	53,399
Other comprehensive income for the year, net of income taxes	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-	53,399	53,399
Dividends paid	-	-	-	-	-	-	-	(35,485)	(35,485)
Disposal of own (treasury) shares	-	137	-	674	-	(675)	675	-	811
Purchase of own (treasury) shares	-	-	-	(119)	-	119	(119)	-	(119)
Realization of the recognised exchange differences (Note 16)	-	-	-	-	11,337	-	-	-	11,337
Balance at 31 December 2017	419,958	191,702	6,129	21,611	-	3,319	(3,319)	56,261	695,661

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 2018

(All amounts are expressed in thousands of kunas)

Cash flows from operating activities	Notes	2018	2017
Profit for the year		88,961	53,399
Adjusted for:			
Income tax paid	15	(410)	2,200
Depreciation and amortisation	10	53,042	51,775
Write-off of property, plant and equipment and intangible assets	18,19	1,137	1,920
Interest expense and exchange rates recognised in profit or loss	13,14	10,375	30,629
Dividend income	13	(54,536)	(41,983)
Gain from sale of property, plant and equipment and intangible assets	5	(765)	(676)
Interest income	13	(4,051)	(4,864)
Increase of value of financial share in a subsidiary	13	(12,268)	-
Increase in long-term and short-term provisions (net)	31	4,364	1,540
Income from collected previously written-off trade receivables	5	(358)	(12)
(Decrease) of accrued expenses and deferred income	37	(4,430)	(3,966)
(Increase)/decrease of accrued income and prepaid expenses	29	(21,989)	20,706
Profit from operations before working capital changes		59,072	110,668
(Increase) in inventories	24	(64,691)	(21,141)
Decrease/(increase) in current and non-current trade receivables		75,463	(44,995)
Decrease/(increase) in other receivables	26	8,289	(1,755)
Increase in trade payables	34	20,609	28,024
(Increase)/decrease of advances received	33	53,542	(6,482)
Decrease/(increase) in other current liabilities	36	(14)	1,457
Interest paid	35	(9,611)	(16,166)
Cash flows from operating activities		142,659	49,610
Cash flows from investing activities			
Acquisition of company Tisza Automotive Kft.	21	(70,959)	-
Interest received		305	13,821
Purchase of property, plant and equipment	19	(60,592)	(56,597)
Purchase of intangible assets	18	(26,106)	(18,317)
Proceeds from sale of property, plant and equipment and intangible assets		3,504	2,068
Proceeds from repaid principal of loans given		18,652	47,930
Proceeds from received deposits	32	600	10
Proceeds from government grants		4,345	5,147
Dividends received		54,452	41,829
Cash (used)/generated from investing activities		(75,799)	35,891



Separate statement of cash flows For the year ended 31 December 2018 (continued)

(All amounts are expressed
in thousands of kunas)

Cash flows from financing activities	Notes	2018	2017
Purchase of own (treasury) shares		(11,554)	(119)
Dividends paid		(41,342)	(35,485)
Proceeds from borrowings	32,35	154,870	239,013
Repayment of borrowings	35	(155,371)	(287,152)
Repayment of financial lease		(471)	(2,647)
Cash used in financing activities		(53,868)	(86,390)
Increase/(decrease) in cash and cash equivalents, net	28	12,992	(889)
Cash and cash equivalents at the beginning of the year		3,144	4,033
Cash and cash equivalents at the end of the year	28	16,136	3,144

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 2018

1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Initial application of new amendments to the existing standards effective for the current reporting period

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

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 “Revenue from Contracts with Customers”** and further amendments (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 2 “Share-based Payment”** – Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 4 “Insurance Contracts”** – Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 “Financial Instruments” is applied first time),
- **Amendments to IFRS 15 “Revenue from Contracts with Customers”** – enhancement of IFRS 15 “Revenue from Contracts with Customers”, adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 40 “Investment Property”** – Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 1 and IAS 28 due to “Improvements to IFRSs (cycle 2014-2016)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (effective for annual periods beginning on or after 1 January 2018).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Company’s financial statements.



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

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

At the date of authorisation of these financial statements, the following new standards, amendments to existing standards and new interpretation were in issue, but not yet effective:

- **IFRS 16 “Leases”** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 “Financial Instruments”** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),
- **IFRIC 23 “Uncertainty over Income Tax Treatments”** (effective for annual periods beginning on or after 1 January 2019).

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

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at 18 April 2019 (the effective dates stated below is for IFRS as issued by IASB):

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 “Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 “Business Combinations”** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),



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

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU (continued)

- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Material (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 19 “Employee Benefits”** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 “Investments in Associates and Joint Ventures”** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after **1 January 2019**),
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2015 -2017)”** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2. Basis of preparation

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

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

The separate financial statements of the Company represent aggregate amounts of assets, liabilities, capital and reserves of the Company as of 31 December 2018, 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 21.

2.3. Revenue recognition

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

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

Income from sale of products

Product sales are recognized when the products are delivered to, and accepted by the customer and when the significant risks and rewards associated with the ownership of a product are transferred to the customer. Sales to customers with whom self-invoicing has been arranged are recognised upon receiving from such a customer the confirmation of delivery, i.e. when significant risks are transferred to the customer.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Revenue recognition (continued)

Income from the manufacture of tools for a known customer

Accrued revenues from tools are matched with contracts that are specifically concluded for developing an asset, or a group of assets, closely linked and interdependent on the design, technology and function or their final use or application. The company estimates that the transfer of significant risks and benefits from the ownership of tools, gauges and other devices is met at the time of „SOP“ (Start Of Production), i.e. start of the mass production on them. At that point Company recognizes revenue from the sale of tools. Costs of modification, completion and similar tool costs Company recognizes as an increase in inventory value as part of inventory process.

Interest income

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

2.4. 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 2018, the official exchange rate of the Croatian kuna against 1 Euro (EUR) was HRK 7.417575 (31 December 2017: HRK 7.513648 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.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6. Income tax (continued)

Current tax (continued)

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 2017. and 2018 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. Plant, equipment and intangible assets

Property, plant and equipment as well as intangible assets are recognised at purchase cost and subsequently reduced by accumulated depreciation/amortisation. The purchase cost comprises the purchase price, import duties and non-refundable sales taxes (for property, plant and equipment) and any directly attributable costs of bringing an asset to its working condition and location for its intended use, such as employee remuneration, professional fees directly arising from putting an asset into its working condition, test costs (for intangible assets), as well as all other costs directly attributable to bringing an asset to a condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Where it is obvious that expenses incurred resulted in an increase of expected future economic benefits to be derived from the use of an item of property, plant and equipment or intangible assets in excess of the originally assessed standard performance of the asset, they are added to the carrying amount of the asset.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7. Plant, equipment and intangible assets (continued)

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 2018	Depreciation rates in 2017
Buildings	1.50	1.50
Machinery	7.00	7.00
Tools, furniture, office and laboratory equipment, measuring and control instruments	10.00	10.00
Vehicles	20.00	20.00
IT equipment	20.00	20.00
Others	10.00	10.00
Projects	20.00	20.00
Software	20.00	20.00

2.8. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10. Inventories

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

Small inventory is written off when put in use.

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

Merchandise on stock is recognised at purchase cost.

2.11. Trade receivables and prepayments

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

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

Management determines the level of impairment allowance for doubtful receivables based on a specific review of the recoverability of amounts owed by strategic customers of the ADP Group and of the overall ageing of other current receivables. The allowance for amounts doubtful of collection is charged to the statement of comprehensive income for the year.

2.12. Cash and cash equivalents

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

2.13. Provisions

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13. Provisions (continued)

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) Termination benefits

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

(c) Regular termination benefits

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

(d) Long-term employee benefits

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

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15. Financial instruments

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

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

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

Impact of initial application of IFRS 9 Financial Instruments

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

Key indicators included in model for calculation of financial instruments impairment are

- Probability of Default 2.33% and
- Loss Given Default 46.10%.

Loans and receivables

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

Effective interest method

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

Impairment of financial assets

Financial assets are assessed for indications of impairment at each date of the statement of financial position. A financial asset are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15. Financial instruments (continued)

Impairment of financial assets (continued)

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Impairment loss on a financial asset is recognised by reducing the carrying amount of the asset through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

Derecognition of financial assets

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

Classification as debt or equity

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

2.16. Contingencies

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

2.17. Events subsequent to the date of the statement of financial position

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

2.18. Segment reporting

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18. Segment reporting (continued)

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

2.19. Leases

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

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

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

Lessees are also required to re-measure lease liability due to certain events (e.g. a change in lease term, a change in future lease payments, resulting from a change in an index or discounting rate). The standard includes two recognition exemptions for lessees: „low-value“ leases (e.g. tablets and personal computers) and „short-term“ leases (leases which ends within 12 months). Low-value leases are considers assets with value lower than 5.000 USD.

The Company has chosen to apply the standard using a cumulative catch-up approach and will not restate comparative amounts for the year prior to first adoption.

At the date of transition lease liability are calculated as outstanding liability for existing leases using incremental borrowing rate. The right-of-use assets are measured at the amount of the lease liability, adjusted by amount of the prepaid or accrued lease payments. Right-of-use assets and lease liabilities will be reported separately in the statement of financial position.

The company has elected not to apply the requirements of IFRS 16 for low-value leases (e.g. printers) and short-term leases (e.g. apartments). The Company has performed impact assessment of IFRS 16 for first time adoption in 2019. Opening balances of right of use assets and lease liabilities at 1 January 2019 will be as follows (in thousands kunas):

Right of use assets	20,478
Lease liabilities	20,478



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20. Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

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

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20. Financial liabilities (continued)

Other financial liabilities

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

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 2, the Management Board is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. Areas of estimation include, but are not limited to, depreciation periods and residual values of property, plant and equipment and intangible assets, impairment of receivables, and actuarial estimates. The key areas of estimation in applying the Company's accounting policies that had a most significant impact on the amounts recognized in the financial statements were as follows:

Useful life of property, plant and equipment and intangible assets

As described in Note 2.7., the Company reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period. Property, plant and equipment are recognised initially at cost less accumulated depreciation.

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

A deferred tax asset is recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the related tax benefit could be realised. In determining the amount of deferred taxes that can be recognised significant judgement is required, which is based on the probable quantification of time and level of future taxable profits, together with the future tax planning strategy. In 2017, deferred tax assets were recognised in respect of tax differences available for utilisation.



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

Impairment allowance on trade receivables

Management provides for doubtful receivables based on a review of the overall ageing of all receivables and a specific review of significant individual amounts receivable. The allowance for amounts doubtful of collection is charged to the statement of comprehensive income for the year. Company applies the simplified approach according to IFRS 9 and recognises lifetime expected credit losses for trade receivables.

Actuarial estimates used in determining the retirement benefits

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

Accounting treatment of tools

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

Provision for legal claims

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

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

Useful life of Projects

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



4. SALES

(in thousands of kunas)

	2018	2017
Foreign sales	914,105	805,430
Domestic sales	13,860	12,252
	927,965	817,682

Segment revenue analysis by country:

	2018	2017
Slovenia	432,190	386,377
France	189,415	169,679
Germany	77,157	49,910
Serbia	54,334	50,427
Italy	51,417	45,957
Russia	45,746	50,239
Spain	20,991	17,694
Romania	20,639	16,230
Others	36,076	31,169
	927,965	817,682





5. OTHER INCOME

(in thousands of kunas)

	2018	2017
Service income – cardboard packaging	5,892	3,984
Rental income	2,366	2,523
Income from the sale of services to tenants	1,555	1,426
Income from consumption of own products and services	1,100	2,144
Income from maintaining safety stock	883	556
Gain from sale of long-term assets	765	676
Income from validation and laboratory testing	684	-
Income from support in development	394	-
Income from damages and insurance	391	1,944
Income from waste management services	378	521
Income from correction of accounts receivable	358	12
Income from reversal of provisions for unused vacation and pensions	279	-
Income from the quality control	199	687
Income from additional processing	174	8
Income from transport services	89	156
Other operating income	1,502	2,334
	17.009	16.971

6. COST OF RAW MATERIAL AND SUPPLIES

(in thousands of kunas)

	2018	2017
Direct materials	398,304	329,060
Other raw material and supplies	28,851	30,311
Electricity	17,986	14,206
	445,141	373,577



7. COST OF GOODS SOLD

(in thousands of kunas)

	2018.	2017.
Cost of merchandise	68,729	65,347
Cost of materials sold	35,052	24,097
Cost of tools sold	34,409	37,197
Re-export costs	4,317	6,380
Other costs of goods sold	596	621
	143,103	133,641

8. SERVICE COSTS

(in thousands of kunas)

	2018	2017
Transport	36,575	31,665
Rental and lease costs	10,512	9,255
Current maintenance and preventive maintenance of machinery	6,953	4,673
Royalty fees	3,811	1,767
Intermediation costs	2,524	157
Engineering services costs	1,701	1,486
Water	1,327	1,109
Communal fees	1,315	1,201
Info-communication costs	1,147	1,215
Other service costs	3,826	2,973
	69,691	55,501



9. STAFF COSTS

(in thousands of kunas)

	2018	2017
Net wages and salaries	96,592	82,304
Taxes and contributions out of salaries	37,556	32,026
Contributions on salaries	22,185	18,493
Other staff costs	18,537	18,212
	174,870	151,035

Other staff costs comprise jubilee awards, termination benefits, per diems, overnight accommodation costs and business travel costs, commuting costs and other business-related costs.

10. DEPRECIATION AND AMORTISATION

(in thousands of kunas)

	2018	2017
Depreciation of property, plant and equipment (Note 19)	27,063	27,843
Amortisation of intangible assets (Note 18)	25,198	23,226
Depreciation of investment property (Note 20)	781	706
	53,042	51,775





11. OTHER OPERATING EXPENSES

(in thousands of kunas)

	2018	2017
Customer complaints	8,658	3,082
Intellectual service cost	6,625	9,607
Communal fees for the use of construction plots	1,564	1,506
Other non-material costs	1,421	606
Insurance premiums	1,329	2,039
Professional training costs	1,208	913
Non-material assets write-off (Note 18)	1,137	1,920
Entertainment	1,029	899
Measuring equipment and laboratory tests	598	650
Gifts, donations and sponsorships	408	572
Penalties for missing handicapped employment quotas	392	303
Bank and transaction charges	388	521
Cost of goods provided free of charge	367	361
Support to employees and their families	358	347
Forest reproduction levies	253	226
Workplace health and safety	167	148
Damages reimbursement	85	726
Withholding tax	67	1,557
Other expenses	2,729	1,738
	28,783	27,721

In Professional training costs in 2018 is included cost in amount of 13 thousands kunas from Company Deloitte d.o.o.



12. PROVISIONS FOR RISKS AND CHARGES

(in thousands of kunas)

	2018	2017
Employee bonus provisions (Note 31)	2,429	3,561
Retirement / termination benefits, net (Note 31)	2,103	-
Provisions for jubilee benefits, net (Note 31)	173	32
Vacation provisions, net (Note 31)	-	1,822
	4,705	5,415

13. FINANCIAL INCOME

(in thousands of kunas)

	2018	2017
Dividend income	54,536	41,983
Increase in value of financial share of a subsidiary AD Plastik Kaluga	12,268	-
Foreign exchange gains	7,613	12,894
Interest income	4,051	4,864
	78,468	59,742

14. FINANCIAL EXPENSES

(in thousands of kunas)

	2018	2017
Foreign exchange losses	9,095	28,310
Interest expense	8,893	15,213
	17,988	43,523

15. INCOME TAX

(in thousands of kunas)

Income tax comprises the following:

	2018	2017
Deferred tax	410	(2,200)
	410	(2,200)



15. INCOME TAX (continued)

(in thousands of kunas)

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

	2018	2017.
Balance at 1 January	618	3,161
Recognition/(reversal) of deferred tax assets	411	(2,543)
Balance at 31 December	1,029	618

Deferred tax assets arise from the following:

2018	Opening balance	(Credited) to statement of comprehensive income, net	Closing balance
<i>Temporary differences:</i>			
Provisions for jubilee service and termination benefits	618	410	1,029
Balance at 31 December	618	410	1,029

2017	Opening balance	(Charged) to statement of comprehensive income, net	Closing balance
<i>Temporary differences:</i>			
Provisions for jubilee service and termination benefits	574	46	618
Reserves from translation of foreign currencies, net	2,587	(2,587)	-
Balance at 31 December	3,161	(2,543)	618





15. INCOME TAX (continued)

(in thousands of kunas)

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

	2018	2017
Accounting profit before tax	88,551	55,599
Effect of tax base increasing items	16,327	11,841
Effect of tax base decreasing items	71,025	(46,142)
Tax base	33,853	21,298
Tax at the rate of 18%	6,094	3,834
Tax reliefs	(6,094)	(3,834)
Deferred tax recognised in profit or loss	(410)	2,200
Income tax expense	(410)	2,200

The effective income tax rate in Republic of Croatia in year 2018 was 18%.

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

As a result, the Company made investments in fixed assets, having thus met the prerequisites for the utilization of the tax incentives for 2018.

16. RESERVES FROM ACCRUALS OF FOREIGN EXCHANGE DIFFERENCES – TRANSACTIONS WITH SUBSIDIARIES

(in thousands of kunas)

	2018	2017
Balance at beginning of the year	-	(11,337)
Realization of exchange differences	-	11,337
Balance at end of year	-	-

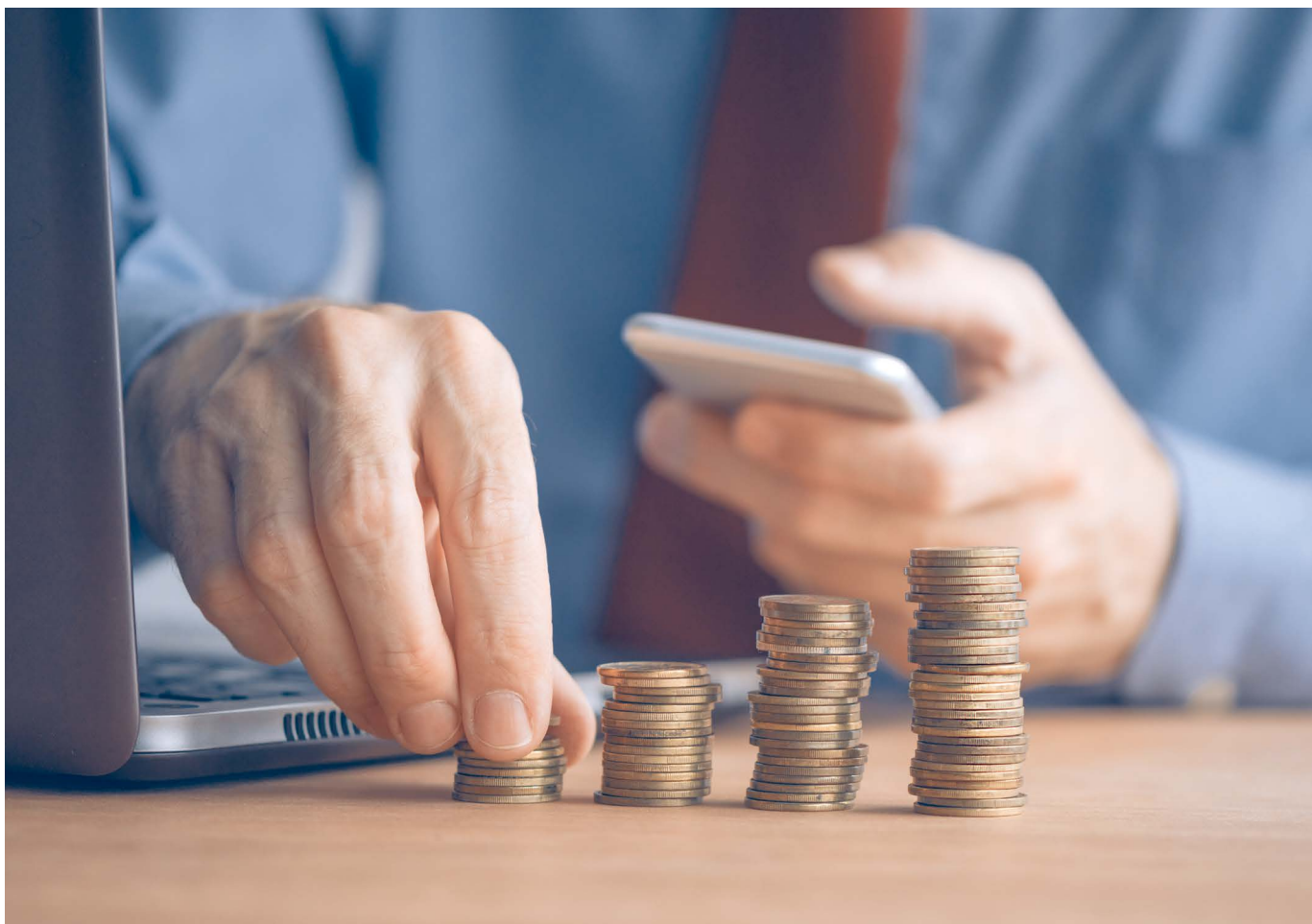


17. EARNINGS PER SHARE

(in thousands of kunas)

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

	2018	2017
Net profit (in HRK '000)	88,961	53,399
Weighted average number of shares	4,152,183	4,173,705
Basic and diluted earnings per share (in kunas and lipas)	21.43	12.79





18. INTANGIBLE ASSETS

(in thousands of kunas)

	Software	Projects	Other intangible assets	Intangible assets under development	Total
Cost					
Balance at 31 December 2016	5,664	183,093	-	20,053	208,811
Additions	-	-	-	18,317	18,317
Transfer from assets under development	1,281	20,701	-	(21,983)	-
Disposals	-	(810)	-	-	(810)
Write-off	-	(3,356)	-	-	(3,356)
Balance at 31 December 2017	6,945	199,629	-	16,388	222,962
Additions	-	-	-	26,106	26,106
Transfer from assets under development	3,002	9,041	279	(12,322)	-
Disposals	-	(2,035)	-	-	(2,035)
Write-off	-	-	-	(1,137)	(1,137)
Balance at 31 December 2018	9,947	206,635	279	29,035	245,897
Accumulated amortisation					
Balance at 31 December 2016	4,425	110,637	-	-	115,062
Charge for the year (Note 10)	833	22,393	-	-	23,226
Disposals	-	(362)	-	-	(362)
Write-off	-	(1,436)	-	-	(1,436)
Balance at 31 December 2017	5,258	131,232	-	-	136,490
Charge for the year (Note 10)	1,606	23,585	7	-	25,198
Disposals	-	(10)	-	-	(10)
Balance at 31 December 2018	6,864	154,807	7	-	161,678
Net book value					
At 31 December 2017	1,687	68,397	-	16,388	86,472
At 31 December 2018	3,083	51,828	272	29,035	84,219

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



19. PROPERTY, PLANT AND EQUIPMENT

(in thousands of kunas)

	Land	Buildings	Plant and equipment	Assets under development	Total
Cost					
Balance at 31 December 2016	147,283	253,390	418,708	5,324	824,704
Additions	-	-	-	56,597	56,597
Transfer from assets under development	-	1,511	17,451	(18,962)	-
Disposals	-	-	(7,467)	-	(7,467)
Retirements	-	-	(23,318)	-	(23,318)
Decrease based on government grants	-	-	-	(7,407)	(7,407)
Transfer to investment property (Note 20)	(15,881)	(33,050)	-	-	(48,931)
Balance at 31 December 2017	131,402	221,851	405,374	35,552	794,178
Additions	-	-	-	60,592	60,592
Transfer from assets under development	-	13,881	46,619	(60,500)	-
Disposals	(567)	-	(1,031)	-	(1,599)
Retirements	-	-	(926)	-	(926)
Decrease based on government grants	-	-	-	(534)	(534)
Transfer to investment property (Note 20)	(904)	(4,847)	-	-	(5,750)
Balance at 31 December 2018	129,931	230,886	450,034	35,109	845,961
Accumulated depreciation					
Balance at 31 December 2016	-	69,902	263,915	-	333,817
Charge for the year (Note 10)	-	3,313	24,530	-	27,843
Disposals	-	-	(6,523)	-	(6,523)
Retirements	-	-	(23,318)	-	(23,318)
Transfer to investment property (Note 20)	-	(4,733)	-	-	(4,733)
Balance at 31 December 2017	-	68,482	258,604	-	327,086
Charge for the year (Note 10)	-	3,290	23,773	-	27,063
Disposals	-	-	(885)	-	(885)
Retirements	-	-	(926)	-	(926)
Transfer to investment property (Note 20)	-	(1,850)	-	-	(1,850)
Balance at 31 December 2018	-	69,922	280,566	-	350,488
Net book value					
At 31 December 2017	131,402	153,369	146,770	35,552	467,092
At 31 December 2018	129,931	160,964	169,468	35,109	495,472

Total amount of liabilities under financial leases at 31 December 2018 amounts to HRK 1,557 thousand (31 December 2017: HRK 2,050 thousand). Total amount of financial leases was used to finance plant and equipment.



20. INVESTMENT PROPERTY

(in thousands of kunas)

	Land	Buildings	Total
Cost			
Balance at 31 December 2016	-	14,303	14,303
Transferred from property, plant and equipment (Note 19)	15,881	33,050	48,930
Balance at 31 December 2017	15,881	47,353	63,233
Transferred from property, plant and equipment (Note 19)	904	4,846	5,750
Balance at 31 December 2018	16,785	52,199	68,984
Accumulated depreciation			
Balance at 31 December 2016	-	6,239	6,239
Transferred from property, plant and equipment (Note 19)	-	4,733	4,733
Charge for the year (Note 10)	-	705	705
Balance at 31 December 2017	-	11,677	11,677
Transferred from property, plant and equipment (Note 19)	-	1,850	1,850
Charge for the year (Note 10)	-	781	781
Balance at 31 December 2018	-	14,308	14,308
Net book value			
Balance at 31 December 2017	15,881	35,676	51,557
Balance at 31 December 2018	16,785	37,891	54,676

In 2018 the part of the building used to rent office space was reclassified. Income from the rental of the building in 2018 amounts to HRK 2,202 thousand (2017: HRK 2,218 thousand), and the depreciation charge for the year 2018 amounts to HRK 781 thousand (2017: HRK 705 thousand).





21. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

(in thousands of kunas)

Set out below are details of the Company's material subsidiaries at the end of the reporting period:

Name of subsidiary	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment, in HRK '000	
			31.12.2018	31.12.2017	31.12.2018	31.12.2017
Tisza Automotive Kft	Manufacture of other vehicle spare parts	Tiszaújváros, Mađarska	100,00 %	-	70,959	-
ZAO AD Plastik Kaluga	Manufacture of other vehicle spare parts and accessories	Kaluga, Russian Federation	100,00 %	100,00 %	36,503	24,235
ADP d.o.o.	Manufacture of other vehicle spare parts and accessories	Mladenovac, Serbia	100,00 %	100,00 %	15,014	15,014
AO AD Plastik Togliatti	Manufacture of other vehicle spare parts and accessories	Samara, Russian Federation	99,99 %	99,99 %	5,077	5,077
AD PLASTIK d.o.o.	Manufacture of other vehicle spare parts and accessories	Novo Mesto, Slovenia	100,00 %	100,00 %	58	58
					127,611	44,384

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

Name of associate	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment, in HRK '000	
			31.12.2018	31.12.2017	31.12.2018	31.12.2017
EURO AUTO PLASTIC SYSTEMS	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	50,00 %	50,00 %	21,755	21,755
CENTAR ZA IS-TRAŽIVANJE I RAZVOJ AUTOMOBILSKE INDUSTRIJE d.o.o.	Automotive industry research and development	Zagreb, Croatia	24,00 %	24,00 %	-	24
					21,755	21,779
Total investments in subsidiaries and associates					149,366	66,163



21. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (continued)

(in thousands of kunas)

Centar za istraživanje i razvoj automobilske industrije d.o.o., Croatia, established in 2015, is engaged in the research and development in the automotive industry. By the decision of the General Assembly of 6 November 2018, the Company ceased work and the liquidation procedure has been completed.

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.

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

AD PLASTIK d.o.o., Novo Mesto, Slovenia	31.12.2018	31.12.2017
Total assets	3,603	3,643
Total liabilities	(143)	(149)
Net assets	3,460	3,494
Share in the net assets of the subsidiary	100,00%	100,00%
AO AD Plastik Togliatti / AO ADP, Samara, Russian Federation	31.12.2018	31.12.2017
Total assets	137,674	150,395
Total liabilities	(116,045)	(143,762)
Net assets	21,629	6,633
Share in the net assets of the subsidiary	99,99%	99,99%
ZAO AD Plastik Kaluga, Kaluga, Russian Federation	31.12.2018	31.12.2017
Total assets	104,519	128,077
Total liabilities	(105,319)	(125,922)
Net assets	(800)	2,155
Share in the net assets of the subsidiary	100,00	100,00 %
ADP d.o.o, Mladenovac, Serbia	31.12.2018	31.12.2017
Total assets	87,333	93,089
Total liabilities	(74,850)	(81,017)
Net assets	12,483	12,072
Share in the net assets of the subsidiary	100,00%	100,00 %
Tisza Automotive, Tiszaújváros, Hungary	31.12.2018	31.12.2017
Total assets	136,745	-
Total liabilities	(93,886)	-
Net assets	42,859	-
Share in the net assets of the subsidiary	100,00%	-



22. OTHER FINANCIAL ASSETS

(in thousands of kunas)

	31.12.2018	31.12.2017
Long-term loans to subsidiaries	81,794	98,526
Long-term loans to unrelated companies	68	4,011
Other financial assets	62	62
Current portion of long-term loan receivables (Note 27)	(68)	(1,003)
	81,856	101,596

Long-term investment loans were granted to the subsidiaries with maturities from four to eight years and an interest rate of 3.96 %.

23. LONG-TERM RECEIVABLES

(in thousands of kunas)

	31.12.2018	31.12.2017
ZAO ADP Kaluga, Russia	30,489	27,855
AO ADP Togliatti, Russia	14,191	49,070
	44,680	76,925

24. INVENTORIES

(in thousands of kunas)

	31.12.2018	31.12.2017
Raw material and supplies on stock	52,092	46,079
Prepayments for tools	33,958	-
Tools	30,391	8,761
Finished products	14,714	13,390
Work in progress	5,573	4,465
Merchandise on stock	3,748	3,090
	140,476	75,785

There was no impairment allowance on inventories at 31 December 2018.



25. TRADE RECEIVABLES

(in thousands of kunas)

	31.12.2018	31.12.2017
Foreign trade receivables	183,068	226,757
Domestic trade receivables	5,579	5,718
Impairment allowance on receivables	(1,215)	(1,319)
	187,432	231,156

The average credit period on sales is 97 days (2017: 98 days). The Company has provided for all for all sued debtors, regardless of the past due period, as well as for all receivables that are past due and assessed as doubtful of collection. The Company seeks and obtains from its domestic customers debentures as collateral for receivables, which are issued in the amount of the receivables.

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

	2018	2017
Balance at beginning of the year	1,293	1,365
Amounts written-off in total during the year	(166)	(60)
Collected during the year (Note 5)	-	(12)
Total impairment allowance on domestic trade receivables	1,127	1,293

	2018	2017
Balance at beginning of the year	27	27
IFRS 9 first adoption	104	-
Movements based on IFRS 9 expected credit losses calculation for year end	43	-
Total impairment allowance on foreign trade receivables	88	27
Total impairment allowance	1,215	1,320

All receivables provided against are under litigation or included in bankruptcy estate. The maturity of the receivables can be analysed as follows:

	31.12.2018	31.12.2017
0 - 365 days past due	137	-
Over 365 days	1,078	1,320
	1,215	1,320



25. TRADE RECEIVABLES (continued)

(in thousands of kunas)

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

	31.12.2018	31.12.2017
0 - 365 days past due	71,372	87,087
Over 365 days past due	3,488	9,146
	74,860	96,233

The majority of the receivables past due beyond 365 days comprise amounts owed by the subsidiaries.

26. OTHER RECEIVABLES

(in thousands of kunas)

	31.12.2018	31.12.2017
Receivables from the State and State institutions	10,789	11,717
Foreign prepayments made	4,911	16,199
Domestic prepayments made	4,114	1,137
Amounts due from employees	135	3
Other receivables	21	-
	19,970	29,056

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

27. CURRENT FINANCIAL ASSETS

(in thousands of kunas)

	31.12.2018	31.12.2017
Interest receivables	6,341	6,558
Current portion of long-term loan receivables (Note 22)	68	1,003
Other deposits	1	-
	6,410	7,561

Interest receivables mostly relate to loans given to subsidiaries.



28. CASH AND CASH EQUIVALENTS

(in thousands of kunas)

	31.12.2018	31.12.2017
Foreign account balance	16,015	3,095
Current account balance	107	46
Cash in hand	14	3
	16,136	3,144

29. PREPAID EXPENSES AND ACCRUED INCOME

(in thousands of kunas)

	31.12.2018	31.12.2017
Accrued income on tools	39,786	17,847
Prepaid operating expenses	2,541	3,102
Other accrued income	7,590	6,979
	49,917	27,928

30. SHARE CAPITAL

(in thousands of kunas)

Subscribed capital amounts to HRK 419,958 thousand and consists of 4,199,584 shares, with a nominal value of HRK 100 per share (2017: HRK 419,958 thousand, comprising 4,199,584 shares, with a nominal value of HRK 100 each).

31. LONG-TERM AND SHORT-TERM PROVISIONS

(in thousands of kunas)

	Short-term		Long-term	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Vacation accrual	4,186	4,328	-	-
Employee bonuses	5,990	3,561	-	-
Termination benefits	1,980	-	2,057	1,934
Jubilee awards (long-service benefits)	298	-	1,381	1,506
Legal cases	568	767	-	-
	13,022	8,656	3,438	3,440



31. LONG-TERM AND SHORT-TERM PROVISIONS (continued) (in thousands of kunas)

Movement in provisions was as follows:

	Jubilee	Retirement / termination benefits	Legal	Vacation	Employee bonuses	Total
Balance at 1 January 2018	1,506	1,934	767	4,328	3,561	12,096
Increase/(decrease) in provisions, net	173	2,103	(199)	(142)	2,429	4,364
Balance at 31 December 2018	1,679	4,037	568	4,186	5,990	16,460

	Jubilee	Retirement / termination benefits	Legal	Vacation	Employee bonuses	Total
Balance at 1 January 2017	1,474	2,103	4,474	2,505	-	10,556
Increase/(decrease) in provisions, net	32	(169)	(3,707)	1,823	3,561	1,540
Balance at 31 December 2017	1,506	1,934	767	4,328	3,561	12,096

Defined benefit plan

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

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

The present value of defined benefit obligations arising from long-service benefits and benefits payable upon retirement is determined using the Projected Credit Unit method and serves as the basis for arriving at the past and current service costs, the interest expense and the actuarial gain or loss.

Key assumptions used in calculating the required provisions are the discount rate of 3.17 % and the fluctuation rate of 7.55 %.



32. LONG-TERM BORROWINGS AND DEPOSITS

(in thousands of kunas)

	31.12.2018	31.12.2017
Long-term borrowings	267,993	248,598
Long-term commodity credits provided by suppliers	5,671	11,177
Liabilities for received deposits	600	-
	274,264	259,775
Current portion of long-term borrowings (Note 35)	(67,936)	(57,330)
Total long-term borrowings	206,328	202,445

Long-term borrowings are used to finance acquisition of Tisza Automotive Kft., capital investments and development projects. Instruments of collateral provided for the for long-term loans include mortgage on real estate and/or equipment and payment instruments. Majority of the long-term loans are repayable on a quarterly basis.

In 2018, the weighted average interest rate on the long-term loans was 2.38 %.

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

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

	2018	2017
Balance at 1 January	202,445	174,412
New loans raised	69,463	153,018
Received deposits	600	-
Foreign exchange differences	(1,476)	1,418
Reclassification to short-term loans (Note 35)	(64,704)	(126,403)
Total long-term borrowings	206,328	202,445

33. ADVANCES RECEIVED

(in thousands of kunas)

	31.12.2018	31.12.2017
Foreign customers	59,309	5,767
	59,309	5,767



34. TRADE PAYABLES

(in thousands of kunas)

	31.12.2018	31.12.2017
Foreign trade payables	119,626	112,356
Domestic trade payables	48,537	40,869
	168,163	153,225

In 2018, the average days payables outstanding was 78 (2017: 91 days).

35. SHORT-TERM BORROWINGS

(in thousands of kunas)

	31.12.2018	31.12.2017
Short-term borrowings – principal payable	57,526	75,334
Current portion of long-term borrowings (Note 32)	67,936	57,330
Short-term borrowings – interest payable	569	791
	126,031	133,455

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

In 2018, the weighted average interest rate on the short-term loans was 1.98 %.

The Company fulfils all its obligations under the loans regularly.

	2018	2017
Balance at 1 January	133,455	211,430
Reclassification from long-term loans (Note 32)	64,704	126,403
New loans raised	85,407	85,995
Interest invoiced	8,893	15,213
Exchange rate differences	(1,446)	(2,268)
Interest paid	(9,611)	(16,166)
Principal repaid	(155,371)	(287,152)
Balance at 31 December	126,031	133,455



36. OTHER CURRENT LIABILITIES

(in thousands of kunas)

	31.12.2018	31.12.2017
Amounts due to employees	9,128	7,713
Due to the State and State institutions	7,313	4,493
Other current liabilities	31	45
	16,472	12,251

37. ACCRUED EXPENSES

(in thousands of kunas)

	31.12.2018	31.12.2017
Other current liabilities	5,185	6,867
Accrued tool expenses	538	3,286
	5,723	10,153

38. RELATED-PARTY TRANSACTIONS

(in thousands of kunas)

Transactions with related companies were as follows:

Receivables and payables for goods, services and interest	Receivables		Payables	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
ZAO ADP KALUGA, Russia	54,500	58,541	606	58
AO AD Plastik Togliatti, Russia	32,314	84,458	66	1
ADP d.o.o. Mladenovac, Serbia	25,755	22,053	4,792	10,614
EURO APS, Romania	3,737	3,872	63	-
Centar za istraživanje i razvoj, Croatia	-	1	-	5
AD Plastik d.o.o., Slovenia	-	-	2,600	2,027
Tisza Automotive, Hungary	217	-	888	-
	116,523	168,925	9,015	12,705

**38. RELATED-PARTY TRANSACTIONS (continued)**

(in thousands of kunas)

Receivables and payables for loans	Receivables		Payables	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
ZAO ADP KALUGA, Russia	39,099	39,915	-	-
AO AD Plastik Togliatti, Russia	22,085	22,541	-	-
ADP d.o.o. Mladenovac, Srbija	20,610	36,070	-	-
Sankt-Peterburgskaya investicionnaya kompaniya	-	-	37,088	-
	81,794	98,526	37,088	-

Sankt-Peterburgskaya investicionnaya kompaniya is member of Group in which is also company OAO Holding Autokomponenti. Company OAO Holding Autokomponenti holds 30% of shares in Company AD Plastik d.d.

Purchase transactions <i>Operating income and expenses</i>	Income		Expenses	
	2018	2017	2018	2017
ZAO ADP KALUGA, Russia	22,058	24,558	737	777
ADP d.o.o. Mladenovac	21,878	18,600	65,741	60,083
AO AD Plastik Togliatti, Russia	18,764	17,267	169	3
EURO APS, Romania	7,704	7,390	-	-
Tisza Automotive, Hungary	217	-	1,195	-
Centar za istraživanje i razvoj, Hrvatska	2	7	-	16
AD Plastik d.o.o., Slovenia	-	-	2,030	2,138
	70,623	67,822	69,872	63,017

Financial transactions <i>Financial income and expenses</i>	Income		Expenses	
	2018	2017	2018	2017
EURO APS, Romania	54,519	41,974	-	-
ZAO ADP KALUGA, Russia	1,792	1,956	-	-
ADP d.o.o. Mladenovac, Serbia	1,198	1,504	-	-
AO AD Plastik Togliatti, Russia	1,012	1,113	-	-
Centar za istraživanje i razvoj, Hrvatska	12	-	-	-
	58,533	46,547	-	-

The total remuneration provided to the members of the Supervisory Board, the Management Board and executive directors in 2018 amounts to HRK 12,499 thousand (2017: HRK 8,026 thousand).



39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(in thousands of kunas)

39.1 Gearing ratio

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

	31.12.2018	31.12.2017
Long-term borrowings (Note 32)	205,728	202,445
Short-term borrowings (Note 35)	126,031	133,455
Cash and cash equivalents (Note 28)	(16,136)	(3,144)
Deposits (Note 27)	(1)	-
Net debt	315,622	332,756
Equity	734,319	695,661
Net debt-to-equity ratio	42.98%	47.83%

Net debt includes commodity loans in the amount of HRK 5,671 thousand (31 December 2017: HRK 11,177 thousand) (Note 32).

Equity consists of share capital, reserves, own shares, retained earnings and profit for the year.





39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(in thousands of kunas)

39.2. Categories of financial instruments

	31.12.2018	31.12.2017
Financial assets	380,090	437,722
Trade receivables (Note 25)	187,432	231,156
Given loans (Notes 22, 27)	81,856	102,538
Non-current trade receivables (Note 23)	45,122	76,925
Cash and cash equivalents and deposits (Note 28)	16,137	3,144
Other receivables and other financial assets	49,543	23,959
Financial liabilities	568,939	502,650
Loans received (Notes 32, 35)	332,359	335,900
Trade and other payables	236,580	166,750

Other receivables include the balances from the following line items in the statement of financial position: other receivables less receivables from the State, and other financial assets.

Trade and other payables include the balances from the following line items in the statement of financial position: trade payables, advances received and other current liabilities, less amounts owed to the State.

At the reporting date there are no significant concentrations of credit risk on loans and receivables designated at fair value through the statement of comprehensive income





39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(in thousands of kunas)

39.3. 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	
	2018	2017	2018	2017	2018	2017
RUB	1,383	1,617	-	-	1,383	1,617
CZK	604	273	-	-	604	273
USD	162	86	93	89	69	(3)
GBP	41	122	302	26	(261)	96
EUR	366,402	430,103	456,491	351,977	(90,089)	78,126
	368,592	432,201	456,886	352,092	(88,294)	80,109

Foreign currency sensitivity analysis

On 31 December 2018, if EUR were to depreciate/appreciate by 1% compared to HRK, assuming all other variables remain unchanged, net profit of the Company for 2018. would be 901 thousand kunas (2017.: -781 thousand kunas) higher/(lower), because of positive/(negative) foreign exchange differences generated by conversion of trade receivables, cash and cash equivalents, trade payables and loans received denominated in EUR.



39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(in thousands of kunas)

39.4. 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.

2018	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
Assets							
Non-interest bearing	-	97,629	84,334	64,744	44,680	62	291,449
Interest bearing	3.96%	1	588	8,166	61,911	32,575	103,241
		97,630	84,922	72,910	106,591	32,637	394,690
Liabilities							
Non-interest bearing	-	100,064	71,192	65,263	112	-	236,631
Interest bearing	2.31%	1,633	14,973	115,453	188,737	26,462	347,258
		101,697	86,165	180,716	188,849	26,462	583,889
2017							
2017	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
Assets							
Non-interest bearing	-	95,056	67,562	89,020	76,925	62	328,625
Interest bearing	4.65%	1,111	1,121	10,013	87,923	28,195	128,362
		96,167	68,683	99,033	164,848	28,257	456,987
Liabilities							
Non-interest bearing	-	79,426	68,630	18,694	-	-	166,750
Interest bearing	3.05%	12,503	42,480	85,413	197,497	15,438	353,331
		91,929	111,110	104,108	197,497	15,438	520,081



39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

39.5. 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 2018, the carrying amounts of cash, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments match their fair values.

40. EVENTS SUBSEQUENT TO THE REPORTING DATE

After 31 December 2018, there were no events that would have a significant impact on the financial statements for the year 2018, respectively they are not of such significance to the Company to require disclosure in the notes to the financial statements.

41. CONTINGENT LIABILITIES AND CAPITAL EXPENDITURE COMMITMENTS

Based on the Management's estimate, the Company had no material contingent liabilities at 31 December 2018 which would require to be disclosed in the notes to the financial statements.

The Company had no capital expenditure commitments contracted at 31 December 2018 which would require to be disclosed in the notes to the financial statements.

As at 31 December 2018 there were no material legal actions outstanding against the Company with an expected negative outcome other than those reflected in these financial statements.

42. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board of AD Plastik d.d. and authorised for issue on 18 April 2018.

For AD Plastik d.d. Solin:

Marinko Došen,
President of the Management Board

Katija Klepo,
Member of Management Board

Mladen Peroš,
Member of Management Board

2018

INTEGRATED ANNUAL REPORT





Your needs. Our drive.

