

ANNUAL REPORT OF GROUP AD PLASTIK



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I. MANAGEMENT REPORT ON BUSINESS IN 2013

1. GENERAL INFORMATION

a) FINANCIAL HIGHLIGHTS

Image 1. Sales revenue of AD Plastik Group since 2009-2012 and average growth rate of revenues (in mil. of HRK)

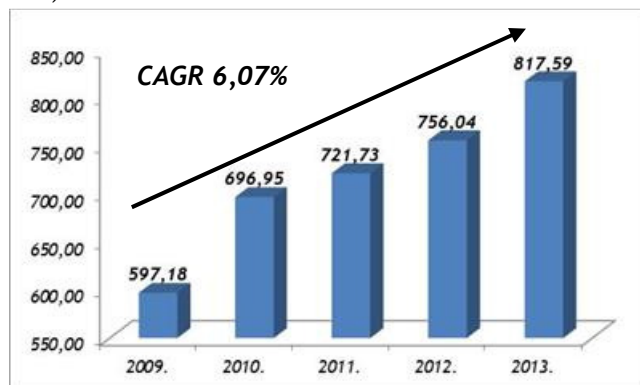


Image 2. Total operating revenues of AD Plastik Group since 2009-2012 and average growth rate of revenues (in mil. of HRK)

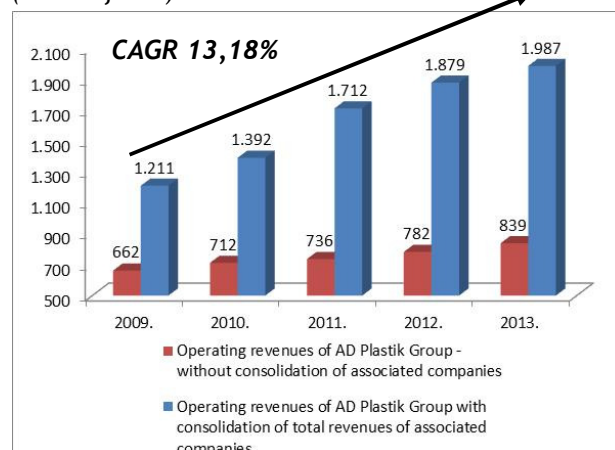


Image 3. Earnings per share and dividend per share since 2009-2013 (in HRK)

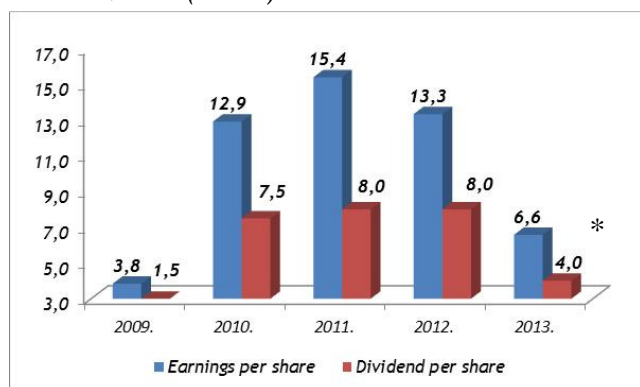


Image 4. EBITDA margin of AD Plastik Group since 2009-2013.

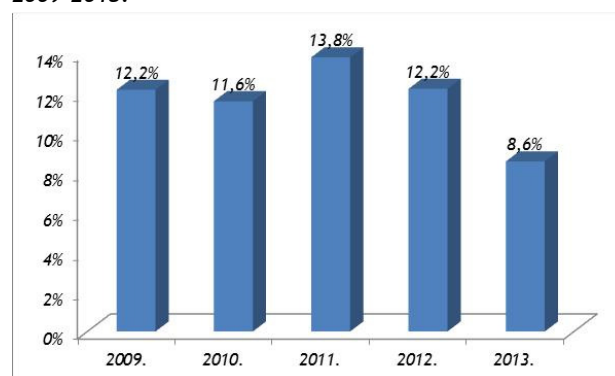


Image 5. Sales revenue of AD Plastik Group per markets

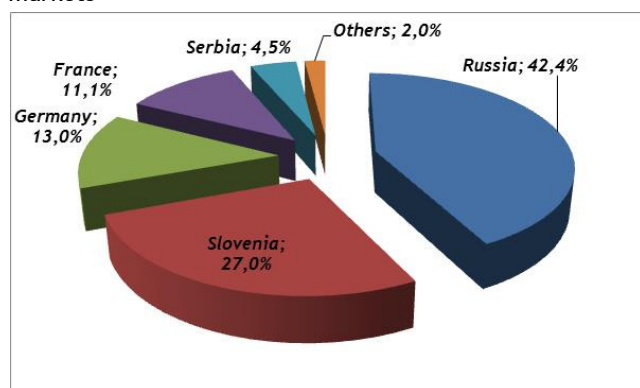
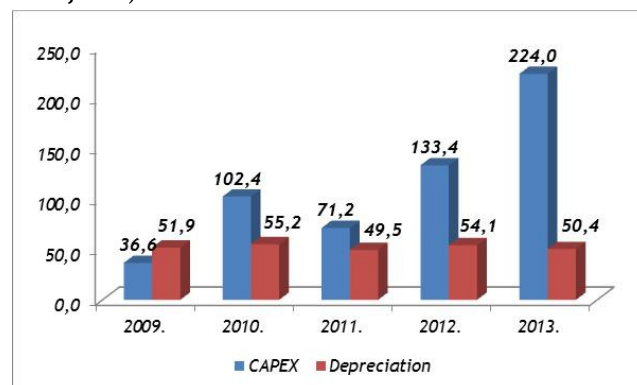


Image 6. Capital expenditures (CAPEX) and depreciation of AD Plastik Group since 2009- 2013 (in mil. of HRK)



b) ADDRESS TO SHAREHOLDERS: MR. MLADEN PEROŠ, CHAIRMAN OF THE BOARD

Dear shareholders,

Business year 2013, which for AD Plastik Group ended with positive results, for the group was primarily characterized by a preparation of high number of development projects, which will be mostly realized in this year. These projects should result in significant revenue growth at the level of the group that is, they should lead to the full loading level in all AD Plastik Group plants in the following five years.

Despite the challenges which we are facing on our major sales markets, AD Plastik Group continued to realize the revenue growth, but with a reduced margin. The main reasons for the profitability decline are the postponement of the start of production of new vehicles, costs of implementation of new projects, decrease of value of the Russian ruble against the Euro.

In the parent company last year the preparations for the project Edison were finished, the installation of new painting line and the additional building for the injection molding plant were completed.

Currently we are in process of capacity increase. In Russia, at the end of 2013 AvtoVaz started with the serial production of vehicles within the project X-52, which will effect significantly on the growth of realization of our subsidiary PHR.

Other subsidiary in Russia, ADP Kaluga recorded a significant revenue growth in the previous year, and it was ensured a high number of new additional deals on the positions of exterior and interior of vehicles. Also, in 2013 ADP Mladenovac achieved a revenue growth and won new additional nominations from the buyers. All the above mentioned facts point to a positive step forward in business of AD Plastik Group in this year, and especially in the following years.

Respectfully,



Mladen Peroš

Chairman of the Management Board

c) MANAGING IN AD PLASTIK GROUP

1. Parent company (AD Plastik, Inc.)

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

The General Assembly

General Assembly of shareholders of AD Plastik Inc. is consisted of shareholders eligible to vote, by the rule: one share - one vote. There are no shareholders who would have preferred shares.

The Supervisory Board

The Supervisory Board has seven members. However, during the reporting year the representative of Works Council was not elected as a member of Supervisory Board, so during the whole 2013, the Supervisory Board had six members, with term of office until:

Mr.Josip Boban, the Chairman, 19.07.2016.

Mr.Nikola Zovko, deputy of Chairman, 19.07.2016.

Mr.Marijo Grgurinović, member, 14.07.2015.

Mr.Dmitrij Leonidovič Drandin, member, 19.10.2015.

Mrs.Nadezhda Anatolyevna Nikitina, member, 19.10.2015.

Mr.Igor Antoljevič Solomatin, member, 14.07.2015.

The Supervisory Board established Appointment Committee, Remuneration Committee and Audit Committee.

The members of Appointment Committee are:

Mr.Nikola Zovko,economist, Chairman

Mr.Dmitrij Leonidovič Drandin,economist

Mr.Nenad Škomrlj, jurist

Members of Audit Committee are:

Mr.Nikola Zovko,economist, Chairman

Mr.Nenad Škomrlj,jurist, deputy of Chairman

Mr.Anatolij Janovskis, economist

Mr.Dmitrij Leonidovič Drandin, economist

Member of Remuneration Committee are:

Mrs.Ana Luketin,jurist, Chairman

Mr.Dmitrij Leonidovič Drandin,economist

Mr.Nikola Zovko, economist

The Management Board

The members of the Board and its Chairman are appointed and removed by the Supervisory Board. Their term of office lasts up to five years after which they can be reappointed.

On 31.12.2013 the Board consisted of five members: Mr. Mladen Peroš, Chairman of the Board, Mrs. Katija Klepo, member of the Board for Finance and Accounting, Mr. Ivica Tolić, member of the Board for legal affairs and corporate communications, Mr. Denis Fusek, member of the Board for Business organization, Informatics and Kontrolling, and Mr.Hrvoje Jurišić, as member of the Board for Development. Term of office of all members lasts until 19.07.2016.

2. Subsidiaries and affiliated companies

The bodies of subsidiaries and affiliated companies are: The Assembly; The Supervisory Board; General Manager. Bodies of subsidiaries and affiliated companies are established and act in accordance with the laws of the state in whose territory is the headquarter of

company in question, pursuant to the basic laws of these societies.

d) ORGANIZATIONAL STRUCTURE OF AD PLASTIK GROUP

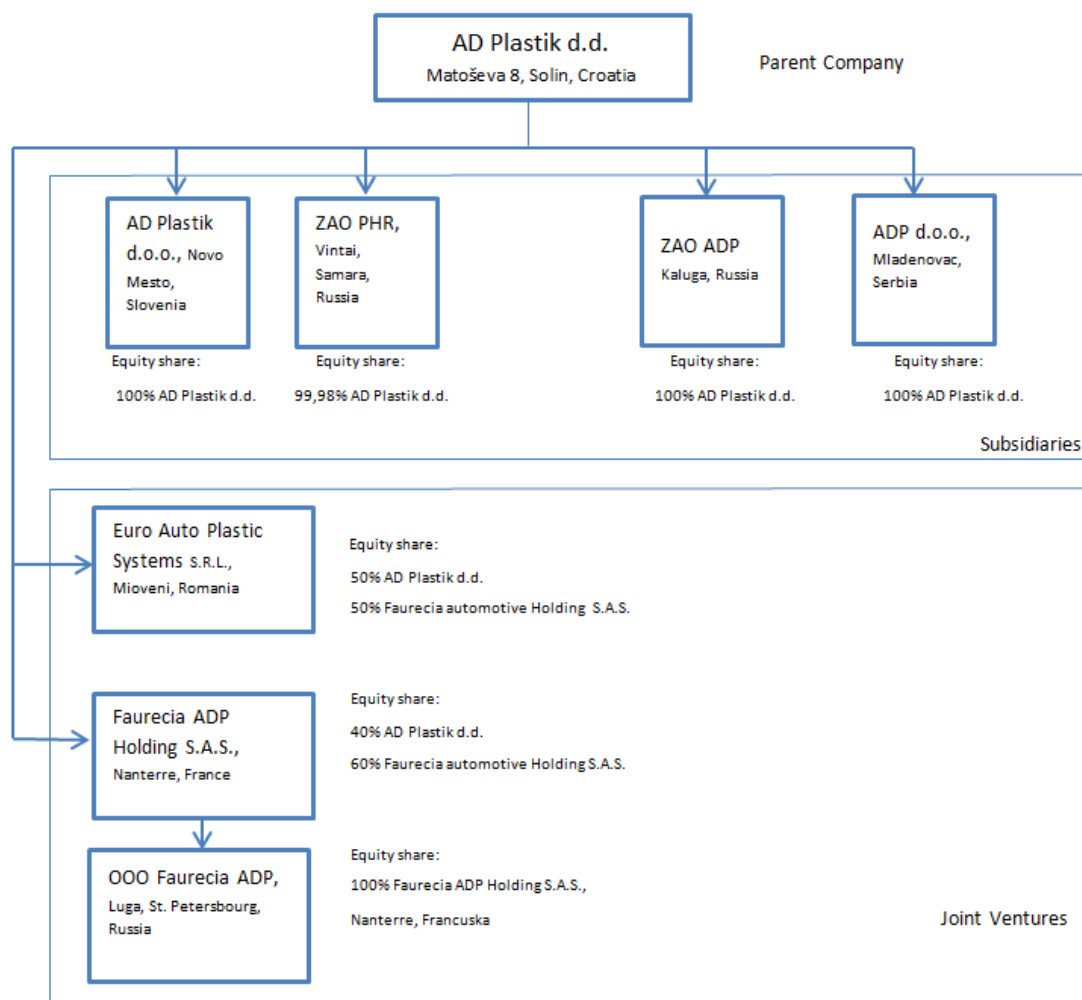
AD Plastik Inc. is the largest Croatian manufacturer of plastic parts for the automotive industry. Business activity of AD Plastik in Croatia is the production of plastic parts for vehicle interiors and exteriors. Production in Croatia takes place at locations in Solin, the headquarter and

the development centre of the company, and in Zagreb, Jankomir.

Besides three production sites in Croatia, the company has plants organized as companies, that is legal entities in Slovenia, Serbia, Romania and three of them in Russia (in Togliatti, Kaluga and Luga).

Information on ownership by subsidiaries and affiliated companies is shown in the following image.

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



e) OWNERSHIP STRUCTURE

The equity capital of AD Plastik Inc. amounts to 419.958.400,00 HRK, and it is divided in 4.199.584 shares of the nominal value of 100,00 HRK.

The shareholders are legal and natural persons from Croatia and abroad, that

realize their interests through General Assembly and Supervisory Board in accordance with the legislation of the Republic of Croatia.

Table 1. Ownership structure of AD Plastik Inc. on 31.12 2013

S.n.	Owner	Number of shares	Percent of ownership
1	OA0 HOLDING AUTOKOMPONENTI	1.259.875	30,00%
2	HYPO ALPE-ADRIA-BANK D.D./ RAIFFEISEN OBVEZNI MIROVINSKI FOND	273.462	6,51%
3	ADP-ESOP D.O.O.	213.098	5,07%
4	HYPO ALPE-ADRIA-BANK D.D./ PBZ CROATIA OSIGURANJE OBVEZNI MIROVINSKI FOND	119.640	2,85%
5	ERSTE & STEIERMARKISCHE BANK D.D./ ZBIRNI SKRBNIČKI RAČUN ZA STRANU PRAVNU OSOBU	110.349	2,62%
6	ERSTE & STEIERMARKISCHE BANK D.D./ CSC	87.668	2,09%
7	PBZ D.D./ STATE STREET CLIENT ACCOUNT	76.720	1,83%
8	SOCIETE GENERALE-SPLITSKA BANKA D.D./ ERSTE PLAVI OBVEZNI MIROVINSKI FOND	74.567	1,78%
9	PBZ D.D./ SKRBNIČKI ZBIRNI RAČUN KLIJENTA	72.388	1,72%
10	BOBAN JOSIP	69.850	1,66%
11	OTHERS	1.841.967	43,86%

During 2013 the company disposed 2.519 of its own shares for the purpose of rewarding employees of the company for their successful work in 2012.

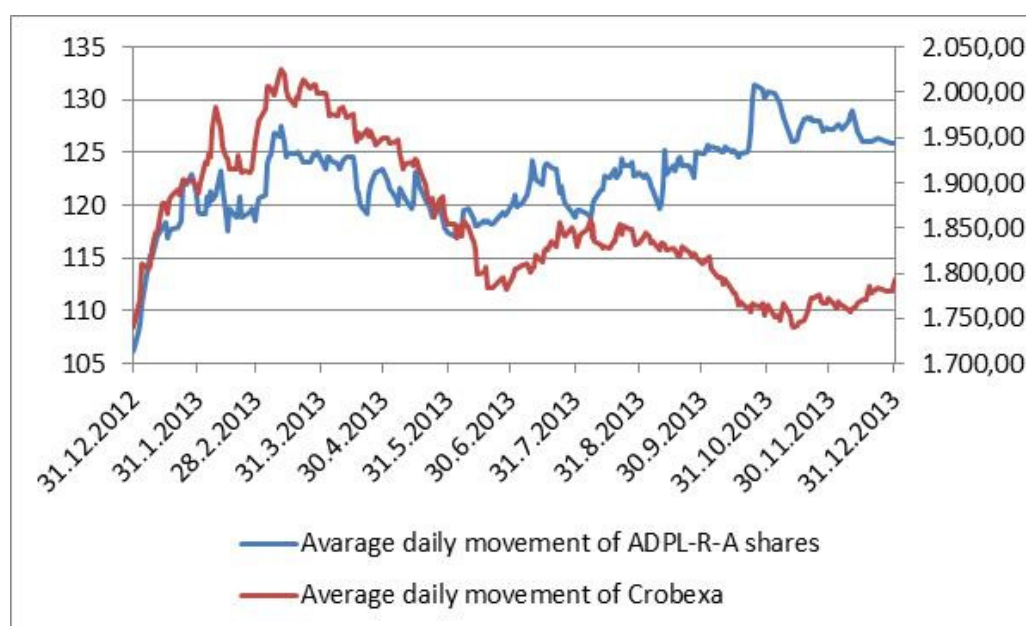
On 31.12.2013 the company had 37.762 of its own shares, which makes 0,899% of the company capital.

f) INFORMATION ON THE SHARE ADPL-R-A

Shares are listed on the Official Market of the Zagreb Stock Exchange. Stock ticker is ADPL-R-A.

In March 2012 AD Plastik Inc. and Erste Bank have signed the Agreement on Market Making. In May 2013 AD Plastik Inc. and Interkapital vrijednosni papiri have also signed the Agreement on Market Making.

Image 8. Movement of average daily stock price ADPL-R-A and Crobex since 01.01.2013 - 31.12.2013.



Source: ZSE

The total turnover achieved by share trading of AD Plastik Inc. in 2013 amounted to 91.478.496 HRK, while the turnover for 2012 amounted to 105.338.736 HRK. Out of all shares listed on the Zagreb Stock Exchange, the share ADPL-R-A was ranked seventh by achieved turnover in 2013. In 2013 AD Plastik Inc. won the second prize among domestic companies that have achieved the best Investor Relations. This award is the first such award for the company.

Dividend

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

Financial calendar

Announcement of results for the I quarter of 2014: **30.04.2014**

The General Assembly of AD Plastik Inc. will be held: on **24.07.2014**

Announcement of results for the first half of 2014: on **30.07.2014**

Announcement of results for the III quarter and first nine months of 2014: on **30.10.2014**

Announcement of results for the IV quarter and twelve months of 2013: on **14.02.2015**

Note: Data from financial calendar are subject to change.

Contact person for investors

Stjepan Laća, Corporate Communications Manager, phone: 021/206-401, fax: 021/275-401, e-mail: stjepan.laca@adplastik.hr

g) DECLARATION ON THE IMPLEMENTATION OF CORPORATE GOVERNANCE CODE

APPLICATION OF THE CODE

Ad Plastik Inc. Solin (hereinafter: the Company) applies the Corporate Governance Code, which was written by the Croatian Agency for Supervision of Financial Services (hereinafter: Hanfa) and the Zagreb Stock Exchange Inc. Zagreb, and it was adopted by the decision of Hanfa on April 26th, 2008 and published in the Official Gazette of the Republic of Croatia no. 46/07, as well as on the website of the Zagreb Stock Exchange (hereinafter: the Code).

DEVIATIONS FROM THE APPLICATION OF CORPORATE GOVERNANCE CODE MADE BY HANFA AND ZAGREB STOCK EXCHANGE

In 2013 the Company complied with the provisions of the Code, with certain exceptions, occurred primarily because of the process of coordinating practices of the Company with the rules of the Code. Deviations from the Code were the following:

- Out of seven member of Supervisory Board of the Company, three of them are independent, while the representative of the works council was not appointed.
- Information on all earnings and compensation which a member of the Board receives from the Company are summary published as part of the Annual Report of the Company.
- The Company did not adopt the Statement on the remuneration policy for the Management Board and Supervisory Board

Description of certain deviations from the Code and reasons for the stated deviations the Company explains in detail in the answers to the annual questionnaire that makes an integral part of the Code and which has been delivered and published on

the websites of the Zagreb Stock Exchange, as well as on the Company's own website.

INTERNAL SUPERVISION AND RISK MANAGEMENT

Internal supervision in the Company is conducted by the Controlling department which informs the Management Board through the report on the conducted monitoring (findings and suggestions of improvement).

Supervision and coordination of Management business reporting on business results include:

- encouraging communication between the functions of the Company, and coordination with the preparation of report and analysis of business results;
- evaluating the overall business efficiency, and proposing guidelines for improvement;
- giving orders and determination of preventive and corrective activities,
- forecasting the impact of external and internal changes in the overall business of the Company.

In 2013 was established the Internal Audit Service, whose activities began in 2013.

SIGNIFICANT SHAREHOLDERS IN THE COMPANY

The Company has no majority owner. The largest shareholder is the Open joint stock company, OAO „Holding Autokomponenti“ from Saint Petersburg, Russian Federation, which owns 1.259.875 shares which represents 30% of the equity capital of the Company.

During 2013 there were no significant changes in the ownership structure. The ownership structure is presented within this Report, under point I.1.e. in the table 1.

2) REVIEW OF OPERATIONS IN 2013 AND THE DEVELOPMENT PLAN OF AD PLASTIK GROUP

a) BUSINESS OVERVIEW IN 2013

In 2013 AD Plastik Group achieved 8,14% of sales revenue growth compared with the same period last year.

The reporting year for AD Plastik Group was marked by a high number of developmental projects. Therefore, the revenue growth in this year is mostly related to the increase of revenues from development and manufacture of tools and to the increase of sales of products on new locations.

The most important reasons for the decrease of profitability in 2013 are:

- A lower loading level than the planned one for the plants in Croatia, and new plants in Kaluga and Mladenovac due to the prolongation of the start of production of new vehicles*
- Increase of business costs because of implementation of new projects*
- The fall in the exchange rate of the Russian Ruble against the EUR*

In order to reduce further impact of exchange rate volatility of Russian Ruble against the EUR at the end of the previous year, we increased the hedging of foreign exchange rate mentioned through forward contracts.

By changing the selling price of products in accordance with exchange rate and the localization of material suppliers we will additionally reduce the foreign exchange risk.

Parent company

In the Parent company was completed a larger part of activity related to the preparations for the Edison project in Croatia. A serial production of the new Renault „Twingo“ is planned in April of this

year. The assembly of the new painting line is completed and the trial production began. Expansion work on the injection molding area in Zagreb has also been finalized. Likewise, it is continued the expansion of injection molding capacity for the plants in Zagreb and Solin.

Image 9. New paint shop in Zagreb



We made deals on additional quantities of interior products for vehicles VW, with the planned start of serial production in the third quarter of this year. The expected revenue from this project is higher than 3 milion EUR during its complete duration. Likewise, it was made a deal for exteriors for redesigned vehicle Renault Clio. The expected revenue from this deal is higher than 5 milion EUR during its complete duration.

On the basis of realized investments in Croatia for the project Edison and according to the solution of Ministry of Economy, it is planned to use the reduced rates of income tax (from 20% to 0%), also in 2013.

At the General Assembly in July a decision on dividend payment was made in total amount of 8,00 HRK per share.

AD Plastik Novo Mesto, Slovenia

In the middle of 2014 it is planned the cessation of production activities. The company will further exist with the minimum number of employees.

ADP Mladenovac, Serbia

In the reporting period compared to 2012 ADP Mladenovac recorded an increase of operating revenue of 46,0% that is 31,6 milion HRK. In the reporting year was achieved a positive financial result.

The industrialization of the new project of headliners for Edison was completed. A start of production is expected in April 2014.

In the reporting year were made deals on production of grab handles with Fiat for the buyer's plants in Italy and Serbia. At the end of 2013 was made a decision on introducing the technology of injection molding on this plant.

Image 10. Fiat 500L



With Renault Group was made a deal for the production of grab handles, and the start of serial production is planned in the third quarter of 2014. The expected revenue from this deal is higher than 4 milion EUR during the complete duration of this project.

ADP Kaluga, Russia

The total realized operating revenue in the reporting year amounted to 79,01 milion HRK, and compared to the previous year this represents a nearly eight times growth. The main reason for the growth in operating



revenue is the production throughout the whole business year, a large number of new projects and the start of serial deliveries in the injection molding technology. In the reporting year was realized a negative financial result which is a result of development and investment cycle.

In the third quarter in Kaluga started the production in technology of injection molding. Started the production for the technology of blow molding within the project X52 and H79. The production for the technology of sun-visors started in September and the deliveries for the project X52 began.

In the reporting year with Renault Russia was made a deal for production of parts for interior and exterior for H79 Ph 2 (Duster) with the deliveries in 2015. The expected revenue from this deal is higher than 25 milion EUR during the whole duration of this project.

ZAO PHR (ADP Toljati, Russia)

In 2013 operating revenues amounted to 275 milion HRK, which represents a decrease of 6% compared to the previous year. The main reason for this drop is the delay of new project X52, and the cessation of production of older versions of the vehicle.

Image 11. Renault Duster



In the reporting year was realized a negative financial result, which is the

result of above mentioned reasons and the intensive development and investment cycle.

The activities for the realization of the project X52 were completed and the serial production started. In the following period this project should ensure a stable revenue growth for this plant. The organizational changes are in progress in order to optimize the costs of the company, incurred due to the production volume growth and the acceptance of large number of new projects.

It was made a new deal for the production of interior positions for the vehicle Chevrolet Niva. The start of serial production is planned at the end of 2015. The expected revenue from this deal amounts to about 10 milion EUR during the complete duration of this project.

EURO APS, Romania

In the reporting year compared to the previous year was realized an operating revenue growth of 22% that is 796 milion HRK. The achieved realization of this year is

higher than the planned one, as the result of the good sales of the model Dacia Sandero. New models of Dacia are well accepted on the market, so the full capacity of this plant has been achieved also in this year. In the reporting year was paid the correspondent part of the dividend, related to profit of 2012 in the amount of 26,93 milion HRK.

FADP Luga, Russia

In the reporting year was recorded a decrease of operating revenue of 21% compared to the prevoius year. The achieved sales realization in 2013 is lower than the planned one due to the reduced demand for Ford vehicles in Russia. In the second quarter FADP was nominated for the production of interior parts for the following Nissan vehicles (P32R (the new xtrail) & P32S (the new Qashqai) with the start of serial production at the beginning of 2015.

Image 12. New Renault Twingo



b) FINANCIAL REPORTS OF AD PLASTIK GROUP WITH CONSOLIDATED FINANCIAL STATEMENTS OF AFFILIATED COMPANIES EURO APS AND FADP

With the aim of getting a clearer picture of business of AD Plastik Group, we prepared abbreviated financial reports of AD Plastik Group with consolidated financial statements of associated companies Euro APS and FADP for 2012 and 2013, in which AD Plastik has 50%, that is 40 % of ownership.

In these abbreviated financial reports, further in this Report, Euro APS and FADP are consolidated on the basis of the belonging ownership share which AD Plastik Group has in this company.

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

Positions	AD Plastik Group with consolidation of belonging part of ownership in EURO APS and FADP	AD Plastik Group with consolidation of belonging part of ownership in EURO APS and FADP
	2012.	2013.
OPERATING REVENUES	1.281.207	1.369.868
Sales revenue	1.255.623	1.334.867
Other revenues	25.585	35.001
OPERATING EXPENSES	1.194.870	1.289.131
Material expenses	793.530	776.217
Staff costs	191.548	214.224
Amortization	69.712	68.450
Other expenses	140.081	230.241
FINANCIAL REVENUES	24.240	15.749
FINANCIAL EXPENSES	44.691	61.654
TOTAL REVENUE	1.305.447	1.385.618
TOTAL EXPENSES	1.239.561	1.350.785
Profit before taxation	65.886	34.833
Profit tax	9.869	7.181
PROFIT FOR THE PERIOD	56.017	27.652

As can be seen from Table 2, operating revenue of AD Plastik Group with consolidated belonging ownership share in Euro APS and FADP recorded an increase in 6,92 % compared to the previous year and in total they amounted to 1,37 billion HRK. It is important to emphasize that the affiliated companies have no financial liabilities arising from credits to external entities, besides the credits of the owners themselves in these company (that is Faurecia and AD Plastik).

Total liabilities arising from credits of AD Plastik Group with belonging part of ownership in Euro APS and FADP are equal to total credit liabilities of AD Plastik Group without consolidation of affiliated companies, minus the cash assets on the accounts of affiliated companies, and they amount in total to 372,17 million HRK.

Table 3. Balance sheet of AD Plastik Group with consolidation of financial reports of belonging part of ownership in Euro APS and FADP for 2012 and 2013 in thousands of HRK

A/P	Code	Positions	AD Plastik Group with consolidation of belonging part of ownership in EURO APS and FADP	AD Plastik Group with consolidation of belonging part of ownership in EURO APS and FADP
			2012.	2013.
ASSETS	A.	Fixed assets	796.864	1.034.911
	B.	Current assets	543.875	522.881
	C.	Prepayment & accrued inc.	102.496	186.394
	A+B+C	TOTAL ASSETS	1.443.234	1.744.186
	A.	Capital and Reserves	708.324	793.059
LIABILITIES	B.	Long-term liabilities	201.690	285.234
	C.	Provisions	12.575	8.074
	D.	Short-term liabilities	518.929	600.097
	E.	Deferred pay. Of costs & future inc.	1.717	57.722
	F(A+E)	TOTAL LIABILITIES	1.443.234	1.744.186

c) FINANCIAL RATIOS

Below we are presenting the calculation of selected financial ratios for AD Plastik Group with consolidation of belonging part of ownership in Euro APS and FADP for AD Plastik Group without consolidation of affiliated companies.

From the consolidated statement is evident that EBITDA (Earnings before interest,

taxes, depreciation and amortization) in 2013 compared to the 2012 for AD Plastik Group with consolidation of belonging part of ownership in Euro APS and FADP was minimally corrected for 4,9% and it amounts to 148,4 milion HRK, in contrast to 156,05 milion HRK which was the amount in 2012.

Table 4. Financial ratios of AD Plastik Group in 2013 in thousands of HRK

Ratio	AD Plastik Group with consolidation of belonging part of ownership in EURO APS and FADP	AD Plastik Group - without consolidation of associated companies
	2013.	2013.
Business revenues	1.369.868	781.715
Net profit	27.652	27.652
Assets	1.744.186	1.536.431
Net financial debt (Long-term + short-term liabilities to banks - money - financial assets)	372.167	496.004
Debt-service ratio (Liabilities / Assets)	50,75%	50,08%
EBIT (earnings before interest and taxes)	79.952	20.424
EBITDA (earnings before interest and taxes, depreciation and amortization)	148.402	70.793
EPS (earnings per share)	6,58	6,6
Price (share price)/Sales (revenue)	0,35	0,61
Price (share price)/EBITDA	3,02	6,30
Net financial debt/EBITDA	2,51	7,01

Note: For the calculation of share price we used an average price of ADPL-R-A on the day 31.12.2013

d) MARKET AND EXPECTED DEVELOPMENT OF AD PLASTIK GROUP

The reporting year was the 6th year in a row in which was recorded a decline in production and sales for most car manufacturers in Western Europe. The levels of sales are the lowest levels achieved in the past 17 years. Despite the attractive commercial actions of traders during the last quarter, the final decrease in sales in 2013 amounted to -1.7%. At the same time, the Russian market recorded a decline of -5.5% in the reporting period regarding the mix of passenger cars and light commercial vehicles. Interesting is the following situation related to the most successful vehicles: those are either the „standard“ ones as VW Golf or Ford Fiesta, remaining best sellers through the years, or new models of vehicles which are successful during limited period of time, usually 2 to 3 years before sales decline.

From a commercial point of view, we succeeded in winning key projects for AD Plastik like H79ph2; and headliners and bumpers for Kaluga.

Image 13. Grab handle - development product of AD Plastik



Target customers for an increase in sales should be a key world's car manufacturers:

- **Toyota**
- **VW**
- **GM**

An interesting fact is winning new grab handles for FCA (Fiat Chrysler Automotive) and for Renault with future deliveries extended to USA and to China.

This was a demonstration that we can develop new opportunities and extend portfolio of products/customers according to our policy from 2012: one product/technology must be sold to minimum 2 different customers and we must have minimum two different products/technologies per customer.

Image 14. Sun-visors - product of AD Plastik



More than ever, targeted products must be products within our existing portfolio of technologies, having high Value Added content, and which with optimized packaging and logistics costs can be delivered to long distance locations (German market is one of our targets)

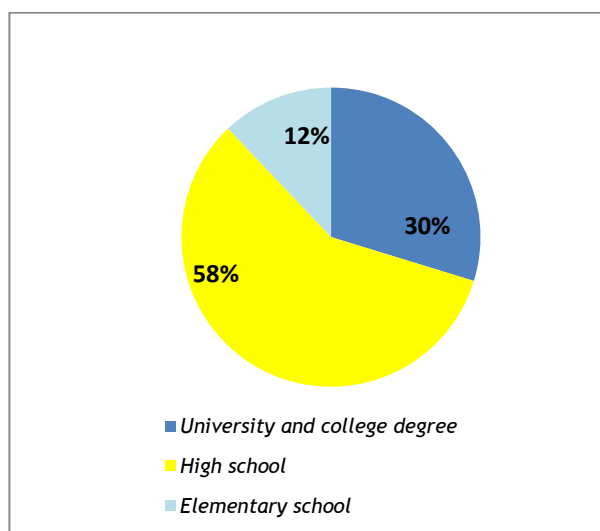
As example of these products range, we have grab-handles, sun-visors, exterior and interior painted trims and other products for which A2Mac1 database properly used will help us to reinforce our expertise and allow us to get new opportunities.

During year 2014, involvement of all activities to support project management and business acquisition will be the key in getting new profitable business.

e) PERSONNEL

People integrated into the system of AD Plastik make a strong and competent whole for automotive industry. AD Plastik Inc. in Croatia has 894 employees. The average age is 42.11 years.

Image 15. Employee education structure on 31.12.2013



The concept of continuous development

Instead of the concept of permanent job ensurement, we offer a concept of constant development and continuous training and

education, which ensures an employment through the entire period in which people develop along with the company.

In employee education stucture, highly qualified staff makes 30% of all our employees. This is a staff that possesses specific professional knowledge applied in the automotive industry, which supports the concept of the company of improving both production and development components.

Social sensitivity

The company regularly on an annual basis, measures and evaluates the level of motivation and satisfaction of its employees, and invests in improving indicators of motivation and satisfaction. The rate of voluntary fluctuation is low, and for 2013 amounts to 1,74%.

A collective labor agreement is in force in AD Plastik Inc., which until this year has been signed for a period of one year.

f) ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY

On the plant Solin in June was performed a coordinated inspectional supervision by Environmental inspections, Water management inspection, sanitary inspections, Inspection of pressure vessels, Electric Power inspection, Occupational safety and fire inspections. By coordinated inspectional supervision were not identified violations of regulations.

Also, on the plant Solin at the beginning of Septemner was performed a trial education program on the topic „Strengthening capacities for performance of supervision over cross-border movement of waste“ within the twinning project IPA 2009 which is led by the Ministry of Environment and Nature in collaboration with the

Environment Agency of the Republic of Austria.

On the plant Zagreb in July was performed an inspectional supervision by Environmental inspection. By inspectional supervision were not identified violations of provisions of the Environmental Protection Act.

Renault has certified the laboratory in Solin for the methods which we apply and gave us the self-agreement valid for 3 years.

This information is important for AD Plastik Group, because there are some methods which we can't use in our laboratory that we send to external laboratory which requires significant financial expenses.

Corporate Social Responsibility of AD Plastik in 2013 was verified by EcoVadis, independent company for verification of corporate social responsibility of suppliers, according to the order of our customer Renault.

On this occasion, AD Plastik is designated as company with confirmed corporate social responsibility.



Image 16. Golden Key - the award for the best croatian exporter to Slovenia for 2012



g) AWARDS AND RECOGNITIONS

In 2013 AD Plastik Inc. received the following awards and recognitions:

- AD Plastik Inc., Solin is the winner of the Charter of the Republic of Croatia, the award of Republic of Croatia, for outstanding contribution to the economic and social development of Croatia
- The AD Plastik Inc. from Solin is the winner of the award Golden Key as the best croatian exporter to Slovenia for the year 2012.
- AD Plastik won the collective award of city of Solin for 2013.

h) THE MOST SIGNIFICANT CHANGES IN THE BALANCE SHEET POSITIONS OF AD PLASTIK GROUP

In the Group's balance sheet positions relative to December 31st, 2012 the greatest changes were recorded in these positions:

- (AOP 006) Goodwill (increase of 25,39 milion HRK) - due to the purchase of real estate in Kaluga through the acquisition of ownership over another entity. After the end of merger process of acquired entity to ADP Kaluga, this position will be eliminated because it will be shown as the increase of long-term assets;
- (AOP 017) Tangible assets in preparation (increase of 75,13 milion HRK) - due to the realization of investments ;
- (AOP 059) Prepayments and accrued income (increase of 82,41 milion HRK) - due to the higher investments in tools, which will be sold to and collected from the buyer;
- (AOP 083) Long-term liabilities (increase of 54,35 milion HRK) - for external financing for the realization of the investment cycle;
- (AOP 098) Trade payables (increase of 32,59 milion HRK) - due to the realization of investments;

- *(AOP 106) Deferred payment of costs and future income (increase of 54,31 milion HRK) - due to accrued, but unbilled income from tools whose manufacture is in process*

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

Gross salary paid to the auditor for conducted audit of financial reports in 2013 amounted to 552.797,00 HRK.

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

According to the best of my knowledge:

1. Revised financial reports of AD Plastik Group and the Company AD Plastik Inc. Solin for the period of 01.01. - 31.12.2013, have been prepared in accordance with the application of corresponding financial reporting standards, they give a true and fair view of the assets and liabilities, profit and loss, a financial position and business of the issuer and the companies included in the consolidation as a whole.
2. Managing report gives a true view of development of results and business and the position of the issuer and companies included in the consolidation, with the description of key risks and uncertainties to which the issuer and the company are exposed as a whole.
3. This report may contain certain statements concerning the future business of AD Plastik Group and the Company. The above forward-looking statements reflect the current views of the Company regarding future events and they are based on assumptions and they subject to risks and uncertainties. A large number of factors can cause that the actual results, performance or achievements of AD Plastik Group or the Company can be quite different from the results or performances expressed or implied in these forward-looking statements.

Accounting Department Manager

Marica Jakelić



Board Member for Finances and Accounting

Katija Klepo



III. AUDITED REPORTS

AD Plastik d.d., Solin and its subsidiaries
Consolidated financial statements and
Independent Auditor's Report
For the year ended
31 December 2013

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

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

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

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and the Group and must also ensure that the financial statements comply with the Accounting Act. The Management Board is also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management by:

A handwritten signature in blue ink is positioned to the left of a circular blue stamp. The stamp contains the text "AD-PLASTIK" at the top, "AD Plastik" in the center, and "d.d. SOLIN" at the bottom, with the number "24" in the middle.

Mladen Peroš, President of the Management Board

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

23 April 2014

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of AD Plastik d.d. Solin ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position at 31 December 2013, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards adopted by European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

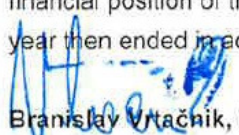
The Company is registered at the Commercial Court in Zagreb, Reg. No.: 030022063; - Registered capital paid in: HRK 44,900.00; Management: Branislav Vrtanek and Paul Trinder; Commercial bank: Zagrebačka banka d.d., Paromlinska 2, 10 000 Zagreb, bank account no. 2360000-1101896313; FX account no.: 2100312441 SWIFT Code: ZABAH2X IBAN: HR27 2360 0001 1018 9631 3; Privredna banka Zagreb d.d., Račkova 6, 10 000 Zagreb, bank account no. 2340009-1110098294; FX account no.: 70010-519758 SWIFT Code: PBZGHR2X IBAN: HR38 2340 0091 1100 9829 4; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, bank account no. 2484008-1100240605; FX account no.: 2100002537 SWIFT Code: RZBHH2X IBAN: HR48 2484 0082 1000 0253 7

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Member of Deloitte Touche Tohmatsu Limited

Independent Auditor's Report (continued)

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group at 31 December 2013, and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by European Union.


Branislav Vrtacnik, Certified Auditor, Board Member

Deloitte d.o.o., Zagreb

Zagreb, 23 April 2014 by:

AD Plastik d.d., Solin
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2013
(All amounts are expressed in thousands of kunas)

		31.12.2013	31.12.2012
	Notes		
Sales	6	817,591	756,035
Other income	7	21,538	25,680
Total income		839,129	781,715
Increase in the value of work in progress and finished products		7,195	(527)
Cost of raw material and supplies	8	(377,099)	(387,909)
Cost of goods sold	9	(32,244)	(43,549)
Service costs	12	(54,819)	(62,006)
Staff costs	10	(165,658)	(151,554)
Depreciation and amortisation	11	(50,370)	(54,136)
Other external expenses	13	(131,128)	(37,638)
Other operating expenses	14	(6,487)	(3,993)
Provisions for risks and charges	15	(7,310)	(2,103)
Total operating expenses		(817,920)	(743,415)
Profit from operations		21,209	38,300
Financial income	16	24,049	33,606
Financial expenses	17	(58,560)	(41,225)
Equity income	16	41,708	29,793
Net profit from financial activities		7,197	22,174
Profit before taxation		28,406	60,474
Income tax expense	18	(754)	(4,449)
Profit for the year		27,652	56,025
Other comprehensive income		-	-
Total comprehensive income		27,652	56,025
Profit attributable to:			
Equity holders of the Company		27,661	56,017
Non-controlling interests		(9)	8
Total comprehensive income attributable to:			
Equity holders of the Company		27,661	56,017
Non-controlling interests		(9)	8
Basic and diluted earnings per share	19	6,64	13,47

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

AD Plastik d.d., Solin
Consolidated Statement of Financial Position
At 31 December 2013
(All amounts are expressed in thousands of kunas)

	Notes	31.12.2013	31.12.2012
ASSETS			
Non-current assets			
Intangible assets	20	121,104	60,811
Tangible assets	21	711,217	597,798
Investments in associates	22	101,012	86,235
Other financial assets	23	54,334	70,107
Deferred tax assets	18	1,992	2,687
Total non-current assets		989,659	817,638
Current assets			
Inventories	24	94,793	83,985
Trade receivables	25	148,435	185,996
Other receivables	26	62,554	78,341
Current financial assets	27	27,144	21,959
Cash	28	28,943	13,462
Prepaid expenses and accrued income	29	184,903	102,495
Total current assets		546,772	486,238
TOTAL ASSETS		1,536,431	1,303,876

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

Ad Plastik d.d.
Consolidated Statement of Financial Position (continued)
At 31 December 2013
(All amounts are expressed in thousands of kunas)

	Notes	31.12.2013	31.12.2012
Equity			
Share capital	30	419,958	419,958
Reserves		255,178	238,638
Profit for the year		27,661	56,017
Non-controlling interests		9	16
Total equity		702,806	714,629
Long-term provisions	31	2,652	2,498
Long-term borrowings	32	255,816	201,618
Other non-current liabilities	32	226	71
Total non-current liabilities		258,694	204,187
Advances received	33	94,660	98,539
Trade payables	34	156,085	123,784
Short-term borrowings	35	239,963	126,712
Other current liabilities	36	20,611	25,431
Short-term provisions	31	7,581	8,877
Accrued expenses and deferred income	37	56,031	1,717
Total current liabilities		574,931	385,060
Total liabilities		833,625	589,247
TOTAL EQUITY AND LIABILITIES		1,536,431	1,303,876

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

AD Plastik d.d., Solin
Consolidated Statement of Changes in Equity
For the year ended 31 December 2013
(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Legal reserves	Exchange difference s on investme nts in subsidiari es in other countries	Reserves for own shares	Treasury shares	Retained earnings	Total equity attribute- able to the equity holders of the Company	Non- controlling interests	Total
Balance at 31 December 2011	419,958	189,317	6,143	(670)	378	(378)	88,811	703,559	12	703,571
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(4)	(4)
Exchange differences on investments in foreign subsidiaries	-	428	-	(7,576)	-	-	-	(7,148)	-	(7,148)
Dividends paid	-	-	-	-	-	-	(33,566)	(33,566)	-	(33,566)
Valuation of own shares	-	-	-	-	(351)	351	-	-	-	-
Distributions to employees	-	-	-	-	(524)	524	524	524	-	524
Sale of own shares	-	-	-	-	4,773	(4,773)	(4,773)	(4,773)	-	(4,773)
Profit for the year	-	-	-	-	-	-	56,017	56,017	8	56,025
Balance at 31 December 2012	419,958	189,745	6,143	(8,246)	4,276	(4,276)	107,013	714,613	16	714,629
Changes in non-controlling interests	-	-	-	-	-	-	-	-	2	2
Exchange differences on investments in foreign subsidiaries	-	(40)	-	(3,991)	-	-	-	(4,031)	-	(4,031)
Dividends paid	-	-	-	-	-	-	-	(33,621)	-	(33,621)
Valuation of own shares	-	-	-	-	787	(787)	-	-	-	-
Distributions to employees	-	-	-	-	(310)	310	310	310	-	310
Accumulated income tax withholding (Note 4,1),	-	-	-	-	-	-	(2,135)	(2,135)	-	(2,135)
Profit for the year	-	-	-	-	-	-	27,661	27,661	(9)	27,652
Balance at 31 December 2013	419,958	189,705	6,143	(12,237)	4,753	(4,753)	99,228	702,797	9	702,806

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

AD Plastik d.d., Solin
Consolidated Statement of Cash Flows
For the year ended 31 December 2013
(All amounts are expressed in thousands of kunas)

Cash flows from operating activities

	31.12.2013	31.12.2012
Profit for the year	27,652	56,025
Income tax expense	754	4,449
Depreciation and amortisation	50,370	54,136
Net book value of disposed assets	40,856	2,488
Decrease in long-term and short-term provisions	(1,142)	(3,839)
Profit from operations before working capital changes	118,490	113,259
Increase in inventories	(10,808)	(10,989)
Decrease/(increase) in trade receivables	37,561	(30,050)
Decrease/(increase) in other receivables	15,787	(32,904)
Increase in trade payables	32,301	3,154
Decrease in advances received	(3,870)	(22,708)
Decrease in other current liabilities	(8,917)	(16,054)
Increase/(decrease) in accrued expenses and deferred income	54,314	(491)
(Increase)/decrease in prepaid expenses	(82,408)	13,670
Cash generated from operations	152,450	16,887
Sale of own shares	-	(4,773)
Investments in subsidiaries	(14,777)	(1,901)
Purchases of property, plant and equipment, and intangible assets	(264,938)	(135,853)
Investments in Funds	-	2,800
Proceeds short-term loans	10,588	15,389
Cash used in investing activities	(269,127)	(124,338)
Dividends paid	(33,621)	(33,566)
Bonuses	310	524
Paid withholding tax	(2,135)	
Received loans	293,218	207,330
Repayments of borrowings	(125,614)	(89,417)
Cash generated from/(used in) financing activities	132,158	84,871
Net cash flow	15,481	(22,580)
At 1 January	13,462	36,042
Net cash inflow/(outflow)	15,481	(22,580)
At 31 December	28,943	13,462

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

1. GENERAL INFORMATION

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

By decision of the General Shareholders' Assembly dated 21 June 2007, the Statute of the Company of 8 July 2004 was amended and a decision was made to increase the share capital of the Company in cash. Pursuant to the Decision No. Tt-07/2145-3 of 25 July 2007, the increase of the share capital by HRK 125,987,500.00, effected by OAO Saint Petersburg Investment Company was registered, and the total subscribed capital now amounts to HRK 419,958,400.00 and consists of 4,199,584 shares, with a nominal amount of HRK 100.00 each. By the Share Transfer Agreement of 29 June 2009 OAO Spik transferred the shares of the AD Plastik d.d. to OAO Group Aerokosmicheskoe Oborudovanie, St. Petersburg, which transferred those shares on 4th of August 2011 to OAO HAK, Sankt Petersburg.

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

1.1. Principal business

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

- manufacture of motor vehicle spare parts and accessories;
- production and trade in medical supplies for one-off application made of plastic masses: plastic syringes for one-off application; infusion sets; transfusion sets; hemodialysis needles; urine bags, and others.
- representation of foreign firms
- international forwarding and shipping
- production of finished textile products other than clothing;
- production of synthetic rubber in primary forms;
- production of glues and jellies;
- production of rubber and plastic products;
- production of metal products other than machinery and equipment;
- construction and repair of leisure and sports boats;
- production of chairs and seats;
- production of sports equipment;
- recycling of non-metal waste and scrap;
- computer and related activities;
- providing advice, guidance and operational assistance to legal entities;

1. GENERAL INFORMATION (CONTINUED)

1.1. Principal business (continued)

- designing of accounting systems, materials accounting software, budgeting control procedures;
- advice and assistance to legal entities in connection with planning, organisation, efficiency and controls, management information, etc.;
- management consulting (agronomists and agroeconomists, on farms, etc.);
- purchase and sale of goods;
- trade mediation on domestic and international markets;
- use of hazardous chemicals; and
- treatment of hazardous and non-hazardous waste.

1.2. Consolidated subsidiaries

- 1) Closed-end company ADP Luga, established by an Articles of Association of the Closed-end Company ADP LUGA of 26 March 2007.

Subsidiary ZAO ADP Luga, Luga has change name and headquarter of the Company at the beginning of FY 2012 in ZAP AD Plastik Kaluga, 248016, Skladskaia street 6, Kaluska oblast, Russian Federation. AD Plastik d.d. has all shares and it is 100% owner.

The Company's registered activities comprise the following:

- development, manufacture and delivery of production parts for automotive industry;
- manufacture and delivery of plastic products
- commercial (retail and wholesale trade, commission sales) and other activities.

1. GENERAL INFORMATION (CONTINUED)

1.2. Consolidated subsidiaries (continued)

- 2) Closed-end foreign investment company PHR (abbreviated firm: ZAO PHR), established on 25 April 1995 and operating under the Constitution of the Russian Federation and the Federal Act on Incorporations. Its registered seat is in Russia, Samara, Krasnoglinski Raion, the village of Vintaj.

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

The Company's registered activities comprise the following:

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

- 3) ADP Novo Mesto, d.o.o., Slovenia, established in 1997 and fully owned by Ad Plastik d.d., Solin.

The registered activities of the Company comprise the following:

- production of various products made of plastic masses;
- production of vehicle parts;
- wholesale and retail trade, and trade mediation.

- 4) ADP d.o.o., Mladenovac (Varoš), Kralja Petra I 334, Serbia, established on 6 December 2011. The principal activity of the company comprise manufacture of other parts and additional accessories for motor vehicles, foreign trade and foreign trade services. The Company is fully owned by AD Plastik d.d., Solin.

- 5) SG Plastik d.o.o., Solin, was established by AD Plastik d.d. Solin, and SG Technologies GmbH, Buschfeld, Germany, for market research and mediation services, as registered in the court register of the Commercial Court in Split under the number Tt-06/1310-4, on 27 June 2006. Since August 2011 the Company is fully owned by AD Plastik d.d., Solin.

Because of problems in the operations caused by the economic crisis, the business cooperation with the entities of the Sargumi Group was discontinued, and the General Shareholders' of the Company adopted in their meeting of 19 October 2011 a decision to start liquidation proceedings, which was registered at the Commercial Court in Split on 28 November 2011.

The liquidation process was completed on 3 July 2013 at the Commercial Court in Split.

1. GENERAL INFORMATION (CONTINUED)

1.3. Associated companies

- 1) EURO Auto Plastik Systems s.r.l., Romania, established on 20 August 2002 as a limited liability company with its registered seat in Romania, Mioveni, ul. Uzinei, No. 2A.

The equity share of AD Plastik d.d., Solin, in the company is 50 percent.

The principal activities of the associate are as follows:

- manufacture of motor vehicle and motor parts and accessories;
- production of items made of plastics;
- trade mediation in vehicles, industrial equipments, ships and aircraft;
- services of other transport agencies;
- business and management consulting services.

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

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

The principal activities of the associate are as follows:

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

- 3) Faurecia AD Plastik Automotive Romania SRL, Mioveni, established on 26 November 2003 by Faurecia Automotive Holding S.A.S., Nanterre, France, and AD Plastik d.d. Solin, Croatia.

The equity share of AD Plastik d.d., Solin, is 49 percent in share capital of Faurecia AD Plastik Automotive Romania SRL.

The principal activities of the associate are as follows:

- trade in motor vehicle and motor parts and accessories;
- market research;
- business and management consulting.

1. GENERAL INFORMATION (CONTINUED)

1.3. Associated companies (continued)

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

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

1.4. Number of staff

At 31 December 2013, the number of staff employed was 2,813 (31 December 2012: 2,711).

	2013.	2012.
AD Plastik d.d.	894	830
ZAO PHR	704	661
AD Plastik d.o.o.	23	29
SG Plastik d.o.o.	-	-
ADP d.o.o. Mladenovac	136	75
ZAO ADP Kaluga	181	137
EURO APS	616	652
FADP	259	327

1. GENERAL INFORMATION (CONTINUED)

1.5. Management and corporate governance

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

Members of the Management Board:

Mladen Peroš (President)	From 19 July 2012	To 19 July 2016
Ivica Tolić	From 19 July 2012	To 19 July 2016
Katija Klepo	From 19 July 2012	To 19 July 2016
Denis Fusek	From 26 September 2013	To 19 July 2016.
Hrvoje Jurišić	From 26 September 2013	To 19 July 2016

2. ADOPTION OF NEW AND REVISED STANDARDS

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee adopted by European Union are effective for the current period:

- **IFRS 10 “Consolidated Financial Statements”** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 11 “Joint Arrangements”** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 12 “Disclosures of Interests in Other Entities”** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 13 “Fair Value Measurement”** (effective for annual periods beginning on or after 1 January 2013),
- **IAS 27 (revised in 2011) “Separate Financial Statements”** (effective for annual periods beginning on or after 1 January 2013),
- **IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”** (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 1 “First-time Adoption of IFRS” – Government Loans** (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 7 “Financial Instruments: Disclosures”**
– Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities” – Transition Guidance** (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IAS 1 “Presentation of financial statements” – Presentation of Items of Other Comprehensive Income** (effective for annual periods beginning on or after 1 July 2012),

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Standards and Interpretations effective in the current period (continued)

- **Amendments to IAS 19 “Employee Benefits”** – Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to various standards and interpretations “Improvements to IFRSs (2012)”** resulting from the annual improvement project of IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for annual periods beginning on or after 1 January 2013),
- **IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the Group’s accounting.

Standards and Interpretations in issue not yet adopted

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

- **IFRS 9 “Financial instruments”** (effective for annual periods beginning on or after 1 January 2015)
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 “Employee Benefits”** – Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 January 2013)
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 “Separate Financial Statements”** – Investment Entities (effective for annual periods beginning on or after 1 January 2014)

2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED (CONTINUED)

Standards and Interpretations in issue not yet adopted (continued)

- **Amendments to IAS 32 “Financial instruments: presentation” – Offsetting Financial Assets and Financial Liabilities** (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 36 “Impairment of assets” - Recoverable Amount Disclosures for Non-Financial Assets** (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 39 “Financial Instruments: Recognition and Measurement” – Novation of Derivatives and Continuation of Hedge Accounting** (effective for annual periods beginning on or after 1 January 2014),
- **IFRIC 21 “Levies”** (effective for annual periods beginning on or after 1 January 2014).

The Company has elected not to adopt these Standards, revisions and Interpretations in advance of their effective dates and anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the Group in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1. Statement of compliance

These financial statements are prepared in accordance with Croatian laws and International Financial Reporting Standards adopted by the European Union

3.2. Basis of preparation

The Group maintains its accounting records in the Croatian language, in Croatian Kuna and in accordance with Croatian laws and the accounting principles and practices observed by enterprises in Croatia.

The preparation of financial statements in conformity with Croatian laws and International Financial Reporting Standards (IFRSs) adopted by European union; requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. These consolidated financial statements have been prepared under the assumption that the Group will continue as a going concern.

The consolidated financial statements of the Group represent aggregate amounts of assets, liabilities, capital and reserves of the Group as of 31 December 2013, and the results of its operations for the year then ended. Some of the financial captions have been reclassified in these financial statements compared to the prior year, as the management is of the opinion that the reclassification provides a better presentation of the financial statements as a whole.

The accounting policies are consistently applied by all the Group entities.

3.3. Basis of consolidation

The consolidated financial statements of the Group comprise the consolidated financial statements of the Company and its subsidiaries.

Subsidiaries are entities controlled by the Company. Control is present when the Company is entitled to determine, directly or indirectly, the financial and business policies of the investee so as to derive benefits from its operations. The financial statements of the subsidiaries are included in the Group financial statements on a consolidated basis from the date that control commences until the date that control ceases.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Revenue recognition

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

Revenues are stated net of value added tax, estimated returns, discounts and rebates. Revenue is recognised when the amount of the revenue can be measured reliably and when future economic benefits are expected to flow into the Group.

Product sales are recognised when the products are delivered to, and accepted by the customer and when the collectability of the receivables is virtually certain.

Income from the manufacture of tools for a known customer

Income from the manufacture of tools is recognised using the stage-of-completion method to determine the amount of income and costs attributable to a certain period.

Interest income

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

3.5. Borrowing costs

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6. Foreign currency transactions

Transactions in foreign currencies are translated into Croatian kunas at the rates of exchange in effect at the dates of the transactions. Cash, receivables and payables denominated in foreign currencies are retranslated at the rates of exchange in effect at the date of the statement of financial position. Gains and losses arising on translation are included in the statement of comprehensive income for the year. At 31 December 2013, the official exchange rate of the Croatian kuna against 1 euro (EUR) was HRK 7.637643 (31 December 2012: HRK 7.545624 for 1 EUR).

3.7. Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognised in the income statement, 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 rate enacted at the balance sheet date, adjusted by appropriate prior-period items.

Under Croatian tax regulations, group entities are not subject to taxation on a consolidated bases, and tax losses cannot be transferred within group entities. Subsidiaries are subject to taxation in their respective jurisdictions.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates in effect at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the amount that the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred taxes are not discounted and are classified in the balance sheet 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 balance sheet date, the Company reviews the unrecognised potential tax assets and the carrying amount of the recognised tax assets.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Property, plant and equipment, and intangible assets

Tangible fixed assets are recognised initially at cost and subsequently at cost less accumulated depreciation. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable sales taxes and any directly attributable costs of bringing an asset to its working condition and location for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Where it is obvious that expenses incurred resulted in increase of expected future economic benefits to be derived from the use of an item of tangible or intangible assets in excess of the originally assessed standard performance of the asset, they are added to the carrying amount of the asset. Gains or losses on the retirement or disposal of tangible fixed assets are included in the statement of comprehensive income in the period they occur. Depreciation commences on putting an asset into use. Depreciation is provided so as to write down the cost or revalued amount of an asset over the estimated useful life of the asset using the straight-line method as follows:

	Depreciation rate in 2013	Depreciation rate in 2012
1. Tangible assets		
Buildings	1.50-4.00	1.50-4.00
Machinery	7.00-10.00	7.00-10.00
Tools, furniture, office and laboratory equipment and accessories, measuring and control instruments	10.00-20.00	10.00-20.00
Vehicles	20.00	20.00
IT equipment	20.00	20.00
Other	10.00	10.00
2. Intangible assets	20.00	20.00

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9. Impairment

At each reporting date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3.10. Investments in associates

An associate is an entity over which the Company has significant influence but which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

3.11. Inventories

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

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

Small inventory is written off when put in use.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12. Trade receivables and prepayments

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

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

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.

3.13. Cash and cash equivalents

Cash comprises account balances with banks, cash in hand, deposits and securities at call or with maturities of less than three months.

3.14. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15. Termination, long-service and other employee benefits

(a) Obligations in respect of retirement and other post-employment benefits

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

(b) Termination benefits

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

(c) Regular termination benefits

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

(d) Long-term employee benefits

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16. Financial instruments

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

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

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

Loans and receivables

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

Financial assets available for sale

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

Effective interest method

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16. Financial instruments (continued)

Impairment of financial assets

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

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

Derecognition of financial assets

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

Classification as debt or equity

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17. Contingencies

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

3.18. Events subsequent to the reporting date

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Useful life of property, plant and equipment

As described in the Note 3.8, 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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

A deferred tax asset is recognized only to the extent that it is probable that the related tax benefit will be realised. In determining the amount of deferred taxes that can be recognised significant 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.

Impairment allowance on trade receivables

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

Actuarial estimates used in determining the retirement benefits

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

4.1 Correction of withholding tax

The Company invoiced the entire balance of interest loan receivable from related and subsidiary companies. Based on subsequently received information, it was identified that the interest receivable is subject to withholding tax at the countries of domicile of those companies, and the invoiced interest receivable was reduced by the withholding tax which was recognised as a correction to the retained earnings of the Company.

Given that the correction is not material for the financial statements of the Company, the opening balances were not restated, in accordance with International Accounting Standard 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

5. SEGMENT INFORMATION

The Group has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Segment revenue and results

Segment revenue analysis by country:

	2013	2012
Russia	346.659	292.648
Slovenia	220.750	232.059
Germany	106.287	102.906
France	90.753	71,506
Other countries	53.142	56.916
	817,591	756,035

6. SALES

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

	2013	2012
Foreign sales	742,886	736,662
Domestic sales	74,705	19,373
	817,591	756,035

7. OTHER INCOME

	2013	2012
Revenue from the tax return	4,431	-
Income from the reversal of provisions for unused vacation days	2,258	250
Income from sale of assets	2,027	-
Income from bonuses provided by suppliers	1,534	2,392
Income from the reversal of provisions for jubilee	1,421	711
Income from consumption of own products, goods and services	1,116	1,155
Income from the reversal of provisions for litigation	1,100	-
Income from the reversal of provisions for pensions	780	-
Income from damages collected	118	224
Income from sale of inventories	-	14,795
Income from the reversal of provisions for bonuses to employees	-	1,047
Other operating income	6,753	5,106
	21,538	25,680

8. COST OF RAW MATERIAL AND SUPPLIES

	2013	2012
Direct materials	332,227	352,450
Electricity	19,044	14,436
Other expenses	25,828	21,023
	377,099	387,909

9. COST OF GOODS SOLD

	2013	2012
Cost of goods sold	18,083	41,377
Cost of direct material sold	6,113	384
Cost of spare parts sold	6,595	623
Other costs of goods sold	1,453	1,165
	32,244	43,549

10. STAFF COSTS

	2013	2012
Net wages and salaries	94,616	83,541
Taxes and contributions out of salaries	29,908	27,461
Contributions on salaries	26,528	23,107
Other staff costs	14,606	17,445
	<u>165,658</u>	<u>151,554</u>

Other staff costs comprise various supports, transportation costs, per diems, overnight accommodation costs and business travel costs, reimbursement of a portion of costs for the use of personal cars for business purposes and other business related costs.

11. DEPRECIATION AND AMORTISATION

	2013	2012
Depreciation	41,205	37,918
Amortisation	9,165	16,218
	<u>50,370</u>	<u>54,136</u>

12. SERVICE COSTS

	2013	2012
Transport	23,500	29,127
Rental costs	8,318	9,139
Regular and preventive maintenance costs - machinery	7,480	6,790
Tool modification costs	1,837	727
Communal fees	1,682	872
Telecommunications and information system costs	1,627	1,858
Water supply	1,085	862
Commissions	518	288
Forwarding and shipping costs	429	903
Other expenses	8,343	11,440
	54,819	62,006

13. OTHER EXTERNAL EXPENSES

	2013	2012
Temporary service costs - manufacture of tools	102,976	16,822
Professional service cost	5,931	5,280
Insurance premiums	3,187	1,713
Bank charges	1,512	2,798
Other fees (Supervisory Board)	1,668	397
Communal fees for the use of construction plots	1,337	1,439
Payment operation charges	960	849
Customer complaints	647	327
Cost of goods provided free of charge	622	867
Gifts for employees' children	385	212
Occupational Health and Safety service costs	302	206
Entertainment	298	375
Professional training costs	266	436
Water management fee	209	169
Forest reproduction levies	149	164
Translation service costs	81	215
Other external costs	10,598	5,369
	131,128	37,638

14. OTHER OPERATING EXPENSES

	2013	2012
Property tax	1,687	1,740
Other expenses	4,800	2,253
	6,487	3,993

15. PROVISIONS FOR RISKS AND CHARGES

	2013	2012
Vacation accruals	3,262	348
Provisions under actuarial calculations	2,652	1,707
Litigation provisions	1,100	38
Provisions for bonuses - employees	-	10
Other provisions	296	-
	7,310	2,103

16. FINANCIAL INCOME

	2013	2012
Income from share of profits in associates	41,708	29,793
Foreign exchange gains	12,804	16,739
Interest income	10,829	14,323
Other finance revenue	416	2,544
	65,757	63,399

17. FINANCIAL EXPENSES

	2013	2012
Foreign exchange losses	38,620	17,143
Interest expense	19,940	16,879
Other finance costs	-	7,203
	58,560	41,225

18. INCOME TAX

Income tax comprises the following:

	2013	2012
Current tax	59	6,142
Deferred tax	695	(1,693)
	<u>754</u>	<u>4,449</u>

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

	2013	2012
Balance at 1 January	2,687	994
Deferred tax assets recognised	(695)	1,693
Balance at 31 December	<u>1,992</u>	<u>2,687</u>

18. INCOME TAX (CONTINUED)

Deferred tax assets arise from the following:

2013

	Opening balance	Credited to statement of comprehensive income	Closing balance
<i>Temporary differences:</i>			
Provisions for long-service and termination benefits	2,687	(695)	1,992
Balance at 31 December	2,687	(695)	1,992

2012

	Opening balance	Credited / (Charged) to statement of comprehensive income	Closing balance
<i>Temporary differences:</i>			
Provisions for long-service and termination benefits	994	1,693	2,687
Balance at 31 December	994	1,693	2,687

18. INCOME TAX (CONTINUED)

Reconciliation of accounting and tax expense for the year:

	2013	2012
Profit before tax	28,406	60,474
70% of entertainment expenses	162	200
30 % of the cost of use of private cars	451	419
Taxable deficits	-	3
Fines and penalties	-	3
Interest from related-party relationships	1,032	660
Written-off receivables	539	19
Provisions	2,652	1,674
Other taxable revenues	137	77
Tax base increasing items	4,973	3,055
Dividend income	(26,937)	(27,897)
Subsequent collection of written-off receivables	(2)	(14)
Other non-taxable revenues	(2,201)	(2,234)
Government grants for training and education	(225)	(246)
Tax base decreasing items	(29,365)	(30,391)
Income tax base before the utilisation of tax losses	4,014	33,138
Tax base	4,014	33,138
Tax at the weighted average rate	4,361	8,025
Tax reliefs	(3,607)	(3,576)
Current tax liability	754	4,449

18. INCOME TAX (CONTINUED)

On 24 October 2012 the Company filed with the Ministry of Economy the Application for Incentive Measures for the investment project "Expansion of Production for the Purpose of Export of Car Industry Products", in accordance with the Act on Investment Promotion and Development of Investment Climate (OG 111/2012 and 28/2013) and the Investment Promotion and Development of Investment Climate (OG 40 of 5 April 2013).

As a result, the Company made investments in fixed assets in 2012 and 2013, having thus met the prerequisites for the utilisation of the tax incentives for 2013.

19. EARNINGS PER SHARE

Basic earnings per share are determined, by dividing the Group's net profit by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares redeemed and held by the Company as treasury shares.

	2013	2012
Net profit attributable to the Company shareholders	27,652	56,025
Weighted average number of shares	4,161,822	4,159,303
Basic earnings per share (in HRK)	<u>6,64</u>	<u>13,47</u>

20. INTANGIBLE ASSETS

	Licences	Software	Projects	Total
Cost				
Balance at 31 December 2011	55	3,423	117,767	121,245
Additions	-	47	35,595	35,642
Balance at 31 December 2012	55	3,470	153,362	156,887
Additions		4,303	84,449	88,752
Disposals and retirements			(23,448)	(23,448)
Balance at 31 December 2013	55	7,773	214,363	222,191
Accumulated depreciation				
Balance at 31 December 2011	-	1,327	78,531	79,858
Charge for the year	-	208	16,010	16,218
Balance at 31 December 2012	-	1,535	94,541	96,076
Charge for the year	-	1,139	8,026	9,165
Disposals and retirements	-	-	(4,154)	(4,154)
Balance at 31 December 2013	-	2,674	98,413	101,087
Net book value				
At 31 December 2013	55	5,099	115,950	121,104
At 31 December 2012	55	1,935	58,821	60,811

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

21. TANGIBLE ASSETS

	Land	Buildings	Plant and equipment	Assets under construction	Other	Total
Cost						
Balance at 31 December 2011	135,379	284,694	408,240	16,602	3,985	848,900
Additions	1,291	11,251	35,540	52,129	-	100,211
Transfer from assets under development	3,306	1,196	8,232	(12,981)	247	-
Disposals and retirements	-	-	(2,038)	-	(2,683)	(4,721)
Balance at 31 December 2012	139,976	297,141	449,974	55,750	1,549	944,390
Additions	3,660	11,977	60,255	100,294	-	176,186
Transfer from assets under development	-	624	5,836	(6,460)	-	-
Disposals and retirements	-	-	(13,458)	(15,880)	-	(29,338)
Balance at 31 December 2013	143,636	309,742	502,607	133,704	1,549	1,091,238
Accumulated depreciation						
Balance at 31 December 2011	-	59,180	250,464	-	1,263	310,907
Charge for the year 2012	-	6,222	31,410	-	286	37,918
Disposals and retirements	-	-	(2,233)	-	-	(2,233)
Balance at 31 December 2012	-	65,402	279,641	-	1,549	346,592
Charge for the year 2013	-	7,418	33,787	-	-	41,205
Disposals and retirements	-	-	(7,776)	-	-	(7,776)
Balance at 31 December 2013	-	72,820	305,652	-	1,549	380,021
Net book value						
At 31 December 2013	143,636	236,922	196,955	133,704	-	711,217
At 31 December 2012	139,976	231,739	170,333	55,750	-	597,798

At 31 December 2013, the net book value of tangible assets pledged as collateral with commercial banks amounts to HRK 333,868 (31 December 2012: HRK 306.598 thousand, and the balance of short-term and long-term loans secured by those assets is HRK 403.092 thousand (31 December 2012: HRK 266.165).

22. INVESTMENTS IN ASSOCIATES

Name of associate	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment, HRK'000	
			2013	2012	2013	2012
EURO AUTO PLASTIC SYSTEMS	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	50.00%	50.00%	82,492	68,285
FAURECIA AD PLASTIK ROMANIA (FAAR)	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	49.00%	49.00%	258	258
FAURECIA ADP HOLDING	Manufacture of other vehicle spare parts and accessories	Nanterre, France	40.00%	40.00%	18,262	17,692
					101,012	86,235

Name of associate	Country of incorporation and business	Amount of equity investment	Share in the result for the year 2012	Dividends paid	Amount of equity investment
		31.12.2011			31.12.2012
EURO AUTO PLASTIC SYSTEMS	Mioveni, Rumunjska	66,778	29,399	(27,892)	68,285
FAURECIA AD PLASTIK ROMANIA (FAAR)	Mioveni, Rumunjska	258	-	-	258
FAURECIA ADP HOLDING	Nanterre, Francuska	17,298	394	-	17,692
Total		84,334	29,793	27,892	86,235

Name of associate	Country of incorporation and business	Amount of equity investment	Share in the result for the year 2013	Dividends paid	Amount of equity investment
		31.12.2012			31.12.2013
EURO AUTO PLASTIC SYSTEMS	Mioveni, Romania	68,285	41,137	(26,930)	82,492
FAURECIA AD PLASTIK ROMANIA (FAAR)	Mioveni, Romania	258	-	-	258
FAURECIA ADP HOLDING	Nanterre, France	17,692	571	-	18,262
Total		86,235	41,708	(26,930)	101,012

23. OTHER FINANCIAL ASSETS

	31.12.2013	31.12.2012
Long-term loans to associates	50,103	55,333
Long-term loans to unrelated companies	14,508	17,118
Other financial assets	64	64
Current portion of long-term loan receivables	(10,341)	(2,408)
	<u>54,334</u>	<u>70,107</u>

Long-term loans to associated companies are given with interest rate of 12.68 to 13.09% (2012: 9.29 to 12.43%), while Long term loans given to third parties with an interest rate of 6.00% (in 2012 : 6.00%).

24. INVENTORIES

	31.12.2013	31.12.2012
Raw material and supplies on stock	64,277	54,085
Finished products	17,812	11,622
Merchandise	8,198	14,768
Work in progress	3,688	2,000
Predujmovi za zalihe	818	1,007
Dugotrajna imovina namijenjena prodaji	-	503
	<u>94,793</u>	<u>83,985</u>

25. TRADE RECEIVABLES

	31.12.2013	31.12.2012
Foreign trade receivables	146,164	183,598
Domestic trade receivables	12,635	14,420
Impairment allowance on receivables	(10,364)	(12,022)
	<u>148,435</u>	<u>185,996</u>

The average credit period on sales is 68 days(2012: 78 days). The Company has provided for all for all receivables handed over to the courts for collection, regardless of the past due period, as well as for all receivables that are past due and assessed as doubtful of collection.

The Company seeks and obtains from its domestic customers debentures as collaterals in the amount of the receivables.

Set out below is an analysis of major trade receivables:

	31.12.2013
OAD Avtovaz, Russia	24,012
Visteon Deutschland, Germany	21,670
Revoz, Slovenia	5,371
Peugeot Citroen Automobiles, France	5,695
Renault SAS , France	2,594
Other debtors	99,457
	<u>158,799</u>

25. TRADE RECEIVABLES (CONTINUED)

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

	31/12/2013	31.12.2012
Balance at beginning of the year	10,241	10,245
Amounts collected or eliminated during the year	(1,351)	(4)
Total impairment allowance on domestic trade receivables	8,890	10,241
Balance at beginning of the year	1,781	1,795
Amounts collected or eliminated during the year	(307)	(14)
Total impairment allowance on foreign trade receivables	1,474	1,781
Total impairment allowance	10,364	12,022

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

	31.12.2013	31.12.2012
0 - 1096 days	524	622
Over 1096 days	9,840	11,400
	10,364	12,022

Ageing analysis of receivables past due but not impaired:

	31.12.2013	31.12.2012
1 - 365 days	9,619	9,238
Over 365 days	1,354	1,644
	10,973	10,882

25. TRADE RECEIVABLES (CONTINUED)

Receivables from associated companies

	31.12.2013	31.12.2012
Interest receivable	7,845	16,574
Trade receivables	4,072	3,919
	11,917	20,493

26. OTHER RECEIVABLES

	31.12.2013	31.12.2012
Prepayments made	39,618	36,450
Receivables from the State and state institutions	15,447	35,062
Due from employees	597	988
Other receivables	6,892	5,841
	62,554	78,341

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.

Foreign prepayments comprise prepayments made for purchases of production equipment and tools.

27. CURRENT FINANCIAL ASSETS

	31.12.2013	31.12.2012
Short-term loans to subsidiaries	16,794	18,547
Current portion of long-term loan receivables	10,341	2,408
Other short-term loans	-	1,000
Other deposits	9	4
	27,144	21,959

28. CASH

	31.12.2013	31.12.2012
Current account balance	28,492	12,560
Deposits with a term of up to 3 months	451	902
	28,943	13,462

29. PREPAID EXPENSES AND ACCRUED INCOME

Accrued income in the amount of HRK 171.896 thousand (31 December 2012: HRK 95,861 thousand) represent amounts relating to the manufacture of tools for a known customer. Income from the manufacture of tools is recognised using the stage-of-completion method to determine the amount of income and costs attributable to a certain period.

	31.12.2013	31.12.2012
Other accrued income on tools	171,896	95,861
Prepaid operating expenses	10,004	3,517
Other accrued income	3,003	3,117
	184,903	102,495

30. SHARE CAPITAL

Subscribed capital amounts to HRK 419,958 thousand and consists of 4,199,580 shares, with a nominal value of HRK 100.00 per share (31 December 2012: HRK 419,958 thousand, 4,199,580 shares, with a nominal value of HRK 100 each).

The shareholders with over 2 percent of the shares at 31 December 2013 were as follows:

Shareholder	Headquarters	Number of shares	Ownership in %	Type of account
OA0 Holding Autokomponenti	Saint Petersburg, Russia	1,259,875	30.00%	Primary account
HYPO ALPE-ADRIA-BANK d.d./RAIFFEISEN MANDATORY PENSION FUND	Zagreb, Croatia	273,462	6.51%	Pension fund
ADP-ESOP d.o.o.	Zagreb, Croatia	213,098	5.07%	Primary account
HYPO ALPE-ADRIA-BANK D.D./PBZ CROATIA OSIGURANJE OBVEZNI MIROVINSKI FOND	Zagreb, Croatia	119,640	2.85%	Custody account
ERSTE & SEIERMARKISCHE BANK d.d./ZBIRNI SKRBNIČKI RAČUN ZA STRANU PRAVNU OSOBU	Zagreb, Hrvatska	110,349	2.63%	Custody account
ERSTE & STEIERMARKISCHE BANK D.D. / CSC	Zagreb, Croatia	87,668	2.09%	Custody account
Total:		2,064,092	49.15%	

31. PROVISIONS

	Short-term:		Long-term:	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Jubilee awards (long-service benefits)	-	-	1,568	1,718
Retirement benefits	-	1,411	1,084	780
Legal actions	3,351	3,389	-	-
Tax disputes	1,105	347	-	-
Vacation accrual	2,158	2,258	-	-
Bonuses to employees	-	400	-	-
Other provisions	967	1,072	-	-
	<u>7,581</u>	<u>8,877</u>	<u>2,652</u>	<u>2,498</u>

	Jubilee awards	Retirem- ents	Court disputes	Taxes	Vacation days	Bonus	Other	Total
Balance 1 January								
2012	1,897	3,057	3,838	0	3,433	1,960	1,029	15,214
Increase/(decrease) in provision	(179)	(866)	(449)	347	(1,175)	(1,560)	43	(3,839)
Balance 31								
December 2012	1,718	2,191	3,389	347	2,258	400	1,072	11,375
Increase/(decrease) in provision	(150)	(1,107)	(38)	758	(100)	(400)	(105)	(1,142)
Balance 31								
December 2013	1,568	1,084	3,351	1,105	2,158	-	967	10,233

31. PROVISIONS (CONTINUED)

Long-service and termination benefits

Defined benefit plan

According to the Collective Agreement, the Company has the obligation to pay long-service (jubilee awards), retirement and other benefits to employees. The Company operates a defined benefit plan for qualifying employees. Retirement and long-service benefits are defined in the Union Agreement. No other post-retirement benefits are provided.

Long-service benefits are paid for full years of service in the month of the current year in which the service is determined as completed.

The present value of defined benefit obligations and the related current and past service cost have been determined using the Projected Credit Unit method.

Key assumptions used in calculating the required provisions are the discount rate of 5,40% and the rate of fluctuation of 4.00 %.

32. NON-CURRENT LIABILITIES

	31.12.2013	31.12.2012
Long-term borrowings	366,501	251,247
Current portion of long-term borrowings	(110,685)	(49,629)
	255,816	201,618
Other non-current liabilities	226	71
	256,042	201,689

Long-term borrowings comprise HBOR investment loans and long-term loans from commercial banks with interest rate of 5.10%. AD Plastik d.d. Group services regularly all of its obligations under those borrowings, in line with the terms and conditions of the underlying loan agreements.

Movements in long-term borrowings during the year:

	2013	2012
Balance at 1 January	201,618	79,842
New loans raised	179,677	207,330
Amounts repaid	(125,479)	(85,554)
Total long-term borrowings	255,816	201,618

33. ADVANCES RECEIVED

	31.12.2013	31.12.2012
Foreign customers	94,575	98,240
Domestic customers	85	299
	<u>94,660</u>	<u>98,539</u>

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

34. TRADE PAYABLES

	31.12.2013	31.12.2012
Foreign trade payables	129,442	100,865
Domestic trade payables	26,643	22,919
	<u>156,085</u>	<u>123,784</u>

35. CURRENT FINANCIAL LIABILITIES

	31/12/2013	31.12.2012
Short-term borrowings - principal payable	127,614	75,233
Current portion of long-term borrowings	110,685	49,629
Short-term borrowings - interest payable	1,664	1,850
	<u>239,963</u>	<u>126,712</u>

Short-term borrowings represent revolving facilities provided by commercial banks with an interest rate of 7.86 percent.

36. OTHER CURRENT LIABILITIES

	31.12.2013	31.12.2012
Due to the State and State institutions	11,060	10,631
Amounts due to employees	8,624	8,243
Liabilities arising from the share in results	28	374
Other current liabilities	899	6,183
	<u>20,611</u>	<u>25,431</u>

37. ACCRUED EXPENSES AND DEFERRED INCOME

	31.12.2013	31.12.2012
Accrued tool expences	54,566	-
Due to the State and State institutions	372	481
Other current liabilities	1,093	1,236
	<u>56,031</u>	<u>1,717</u>

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

38.1. Gearing ratio

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

	31.12.2013	31.12.2012
Short-term borrowings	239,963	126,712
Long-term borrowings	255,816	201,618
Cash and cash equivalents	28,943	13,462
Net debt	<u>466,836</u>	<u>314,868</u>
Equity	702,806	714,629
Net debt-to-equity ratio	66,42%	44,06%

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

38.2. Categories of financial instruments

	31.12.2013	31.12.2012
Financial assets		
Loans and receivables	378,032	407,576
Financial assets at fair value through profit or loss		-
Cash and cash equivalents	28,943	13,462
Financial liabilities		
Trade payables and other	260,522	237,194
Borrowings	495,779	328,330

At the reporting date there are no significant concentrations of credit risk for loans and receivables designated at fair value through the statement of comprehensive income. Receivables and liabilities toward Government are not included in stated amounts.

38.3. Financial risk management objectives

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

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

38.4. Price risk management

The largest markets on which the Group provides its services and sells its products comprise the EU market and the market of the Russian Federation. The management determines the prices of its products separately for domestic and foreign markets by reference to the market prices.

38.5. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate, which applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost of an instrument will fluctuate over time. The interest rate risk exposure is low, as there are no financial instruments at variable rates.

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

38.6. Credit risk

The Group is exposed to credit risk through loans and trade receivables. Loans are granted to its subsidiaries and as such credit risk is under the control of the Company. Trade receivables are presented net of allowance for bad and doubtful accounts.

The five largest customers of the Company are Revoz, Slovenia; Visteon, Germany; OAO Avtovaz, Russia; Peugeot Citroen Automobiles, France and Renault, France. Revenues generated by the sales to these business partners represent 87 percent of the total sales.

It is the policy of the Group to transact with financially sound companies where there is no risk of collection.

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

38.7. Foreign currency risk management

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

At 31 December

	Assets		Liabilities		Net position	
	2013	2012	2013	2012	2013	2012
EUR	139,524	96,152	401,300	377,852	(261,776)	(281,700)
RUR	130,594	136,036	86,361	50,893	44,233	85,143
USD	395	331	107	501	288	(170)
GBP	47	57	62	35	(15)	22
CHF	-	-	-	21	-	(21)
RSD	7,595	4,677	3,215	189	4,380	(4,488)
RON	2,555	-	-	0	2,555	0
JPY	-	-	4	0	(4)	0
	280,710	237,253	491,049	429,491	(210,339)	(192,238)

Foreign currency sensitivity analysis

The Group is mainly exposed to the countries using EUR and RUR as their currency. The following table details the Company's sensitivity to a 2-percent decrease of the Croatian kuna in 2013 and 2012 against the stated currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end. A negative number below indicates a decrease in profit and a positive number below indicates an increase in profit where the Croatian kuna changes against the relevant currency for the percentage specified above.

	EUR impact	
	2013	2012
Change in exchange differences	(39,987)	(42,512)
	RUR impact	
	2013	2012
Change in exchange differences	150	319

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

38.8. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management Board. The Group manages its liquidity using banking facilities (overdrafts) and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can require payment i.e. can be required to pay.

		Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
2013	Average interest rate						
<i>Assets</i>							
Non-interest bearing		39,540	37,110	139,250	8,585	102,758	327,243
Interest bearing	11.56%	74	2,293	25,675	61,980	3,799	93,821
		39,614	39,403	164,925	70,565	106,557	421,064
<i>Liabilities</i>							
Non-interest bearing		32,829	20,034	128,991	86,941	-	268,795
Interest bearing	6.48%	3,780	53,819	194,428	246,193	27,417	525,637
		36,609	73,853	323,419	333,134	27,417	794,432
2012							
<i>Assets</i>							
Non-interest bearing		39,840	58,179	91,095	10,344	86,235	285,693
Interest bearing	9.95%	7,836	13,721	28,125	102,065	6,505	158,252
		47,676	71,900	119,220	112,409	92,740	443,945
<i>Liabilities</i>							
Non-interest bearing		42,420	23,463	84,229	92,124	-	242,236
Interest bearing	4.53%	3,221	24,255	130,431	204,721	-	362,628
		45,641	47,718	214,660	296,845	-	604,864

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

38.9. Fair value of financial instruments

Financial instruments held to maturity in the ordinary course of business are carried at the lower of cost and net amount less repaid portion.

The fair value represents the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, except in the event of a forced sale or liquidation. The fair value of a financial instrument is its quoted market price, or the amount obtained using the discounted cash flow method.

At 31 December 2013, the carrying amounts of cash, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their fair values due to the short-term maturity of these financial instruments.

39 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board of AD Plastik d.d. and authorised for issue on 23 April 2014.

For AD Plastik d.d. Solin:

A handwritten signature in blue ink is positioned to the left of a circular blue stamp. The stamp contains the text "AD-PLASTIK" at the top, "AD Plastik" in the center, "24" below it, and "d.d. SOLIN" at the bottom.

Mladen Peroš
President of the Management Board

AD Plastik d.d., Solin
Unconsolidated financial statements
and Independent Auditor's Report
For the year ended
31 December 2013

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Responsibility for the financial statements

Pursuant to the Accounting Act of the Republic of Croatia, the Management is responsible for ensuring that unconsolidated financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("the IFRSs"), as adopted by 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 year.

The Company has also prepared its consolidated financial statements in accordance with International Financial Reporting Standards.

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

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

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis, unless it is inappropriate to assume that the Company will continue as a going concern.

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

Signed on behalf of the Management by:

A handwritten signature in blue ink is positioned to the left of a circular blue stamp. The stamp contains the text "AD-PLASTIK" at the top, "AD Plastik" in the center with a stylized logo, and "d.d. SOLIN" at the bottom.

Mladen Peroš,

President of the Management Board

AD Plastik d.d., Solin

Independent Auditor's Report

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

We have audited the accompanying unconsolidated financial statements of AD Plastik d.d. Solin ("the Company"), which comprise the unconsolidated statement of financial position at 31 December 2013, and related unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of unconsolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

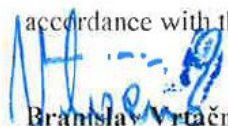
The Company is registered at the Commercial Court in Zagreb: Reg. No.: 030022053; - Registered capital paid in: HRK 44,900.00; Management: Branislav Vrtačnik and Paul Trinder; Commercial bank: Zagrebačka banka d.d., Paromlinska 2, 10 000 Zagreb, bank account no. 2360000-1101896313; FX account no.: 2100312441 SWIFT Code: ZABHR2X IBAN: HR27 2360 0001 1018 9631 3; Privredna banka Zagreb d.d., Račkoga 6, 10 000 Zagreb, bank account no. 2340009-1110098294; FX account no.: 70010-519758 SWIFT Code: PBZGHR2X IBAN: HR38 2340 0091 1100 9829 4; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, bank account no. 2484008-1100240905; FX account no.: 2100002537 SWIFT Code: RZBHR2X IBAN: HR48 2484 0082 1000 0253 7

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Member of Deloitte Touche Tohmatsu Limited

Independent Auditor's Report (continued)

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2013, and the results of its operations and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by the European Union.



Branislav Vračnik, Certified Auditor and President of Management Board

Deloitte d.o.o., Zagreb

Zagreb, 23 April 2014

AD Plastik d.d., Solin
Unconsolidated statement of comprehensive income
For the year ended 31 December 2013
(All amounts are expressed in thousands of kunas)

	Notes	2013	2012
Sales	5	525,513	507,571
Other income	6	18,356	8,888
Total income		543,869	516,459
Decrease in the value of work in progress and finished products		2,996	(1,262)
Cost of raw material and supplies	7	(203,004)	(221,728)
Cost of goods sold	8	(49,053)	(66,366)
Service costs	9	(32,521)	(37,380)
Staff costs	10	(102,774)	(99,252)
Depreciation and amortisation	11	(30,002)	(37,711)
Other operating expenses	12	(96,804)	(34,019)
Provisions for risks and charges	13	(5,910)	(1,449)
Total operating expenses		(517,072)	(499,167)
Profit from operations		26,797	17,292
Finance revenue	14	50,333	50,877
Finance cost	15	(34,700)	(22,955)
Profit from financing activities		15,633	27,922
Profit before taxation		42,430	45,214
Income tax expense	16	90	(447)
Profit for the year		42,520	44,767
Other comprehensive income		-	-
Total comprehensive income		42,520	44,767
Total comprehensive income per share		10.22	10.76

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

AD Plastik d.d., Solin
Unconsolidated statement of financial position
At 31 December 2013
(All amounts are expressed in thousands of kunas)

	Notes	31.12.2013	31.12.2012
ASSETS			
Non-current assets			
Intangible assets	18	58,818	38,716
Tangible assets	19	500,585	426,153
Investments in subsidiaries and associates	20	142,006	139,676
Other financial assets	21	97,892	89,230
Deferred tax assets	16	531	441
Total non-current assets		799,832	694,216
Current assets			
Inventories	22	37,351	30,973
Trade receivables	23	211,782	183,243
Other receivables	24	48,080	57,637
Current financial assets	25	87,908	38,633
Cash and cash equivalents	26	14,531	7,255
Prepaid expenses and accrued income	27	119,103	102,145
Total current assets		518,755	419,886
TOTAL ASSETS		1,318,587	1,114,102

AD Plastik d.d., Solin
Unconsolidated statement of financial position (continued)
At 31 December 2013
(All amounts are expressed in thousands of kunas)

	Notes	31.12.2013	31.12.2012
Equity			
Share capital	28	419,958	419,958
Reserves		156,870	154,623
Retained earnings		66,535	59,461
Profit for the year		42,520	44,767
Total equity		685,883	678,809
Long-term provisions	29	2,652	2,201
Long-term borrowings	30	204,716	110,180
Total non-current liabilities		207,368	112,381
Advances received	31	77,518	103,843
Trade payables	32	107,695	76,351
Short-term borrowings	33	207,325	124,975
Other current liabilities	34	8,956	8,629
Short-term provisions	29	5,509	7,458
Accrued expenses and deferred income	35	18,333	1,656
Total current liabilities		425,336	322,912
Total liabilities		632,704	435,293
TOTAL EQUITY AND LIABILITIES		1,318,587	1,114,102

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

AD Plastik d.d., Solin
Unconsolidated statement of changes in equity
For the year ended 31 December 2013
(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Legal reserves	Reserves for own shares	Treasury shares	Retained earnings	Total
Balance at 31 December 2011 - as restated	419,958	193,261	6,129	378	(378)	52,509	671,857
Dividends paid	-	-	-	-	-	(33,566)	(33,566)
Valuation of own Shares	-	-	-	(351)	351	-	-
Distributions to employees in shares	-	-	-	(524)	524	524	524
Sale of own shares	-	-	-	4,773	(4,773)	(4,773)	(4,773)
Profit for the year	-	-	-	-	-	44,767	44,767
Balance at 31 December 2012	419,958	193,261	6,129	4,276	(4,276)	59,461	678,809
Dividends paid	-	-	-	-	-	(33,621)	(33,621)
Valuation of own shares	-	-	-	787	(787)	-	-
Distributions to employees in shares	-	-	-	(310)	310	310	310
Correction of withholding tax (Note 4.1.)	-	-	-	-	-	(2,135)	(2,135)
Profit for the year	-	-	-	-	-	42,520	42,520
Balance at 31 December 2013	419,958	193,261	6,129	4,753	(4,753)	66,535	685,883

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

AD Plastik d.d., Solin
Unconsolidated statement of cash flows
For the year ended 31 December 2013
(All amounts are expressed in thousands of kunas)

	31.12.2013	31.12.2012
Cash flows from operating activities		
Profit for the year	42,520	44,767
Adjusted:		
Income tax expense	(90)	447
Depreciation and amortisation of plant, equipment and intangible assets	30,002	37,711
Net book value of disposed assets	29,531	(196)
Interest expense	13,546	9,545
Interest income	(14,408)	(13,248)
Increase in long-term and short-term provisions	(1,498)	(3,085)
Profit from operations before working capital changes	99,603	75,941
(Increase)/decrease in inventories	(6,378)	3,989
Increase in trade receivables	(28,539)	(60,290)
Decrease in other receivables	2,064	954
Increase/(decrease) in trade payables	31,344	(8,369)
Decrease in advances received	(26,325)	(5,875)
Decrease in other current liabilities	(2,024)	(13,707)
Increase (decrease) in accrued expenses and deferred income	16,677	(552)
Decrease / (increase) in prepaid expenses	(16,958)	13,958
Interest paid	13,330	(9,924)
Cash generated (used in)/from operations	56,134	(3,875)
Investments in subsidiaries	(2,330)	(12,417)
Interest received	21,901	4,355
Purchases of property, plant and equipment, and intangible assets	(154,067)	(40,721)
Investments in Funds	-	2,800
(Repaid)/received short term loans, net	(4,455)	2,073
(Repaid)/received long term loans, net	(53,482)	33,159
Cash used in investing activities	(192,433)	(10,751)
Purchase of own shares	-	(4,773)
Bonuses to employees	310	524
Dividends paid	(33,621)	(33,566)
Proceeds from borrowings	287,844	248,620
Repayment of borrowings	(110,958)	(218,643)
Cash in flow from /(used in) financing activities	143,575	(7,838)
Net cash flow for the year	7,276	(22,464)
At 1 January	7,255	29,719
Net cash inflow/(outflow)	7,276	(22,464)
At 31 December	14,531	7,255

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

1. GENERAL INFORMATION

The company AD Plastik d.d., Solin, a public limited company for the production of motor vehicle spare parts and accessories and of plastic masses (abbreviated firm: AD PLASTIK d.d.), was established by a decision of the Founding Assembly dated 15 June 1994 following the transformation of the socially-owned entity Autodijelovi – Solin pursuant to the decision on the transformation of ownership and the Decision of the Croatian Privatisation Fund No. 01-02/92-06/392 of 6 December 1993. The Company is the legal successor of the socially-owned entity Autodijelovi and, according to the decision of the Commercial Court in Split No. Fi 6215/94 of 28 June 1994, assumed all of its assets and liabilities at the date of registration in the court register. By decision of the General Shareholders' Assembly dated 21/06/2007, the Statute of the Company of 8 July 2004 was amended and a decision was made to increase the share capital of the Company in cash. Pursuant to the Decision No. Tt-07/2145-3 of 25/09/2007, the increase of the share capital by HRK 125,987,500.00, effected by OAO Saint Petersburg Investment Company (Sankt-Peterburške investicijske kompanije, OAO SPIK) was registered, and the total subscribed capital now amounts to HRK 419,958,400.00 and consists of 4,199,584 shares, with a nominal amount of HRK 100.00 each. By the Share Transfer Agreement of 29 June 2009 OAO Spik transferred the shares of the AD Plastik d.d. to OAO Group Aerokosmicheskoe Oborudovanie, St. Petersburg, which transferred those shares to OAO HAK, Sankt Petersburg. The Company shares were included in the listing of public limited companies on the Official Market of the Zagreb Stock Exchange on 1 October 2010.

1.2. Principal business

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

- manufacture of motor vehicle spare parts and accessories;
- production and trade in medical supplies for one-off application made of plastic masses: plastic syringes for one-off application; infusion sets; transfusion sets; hemodialysis needles; urine bags, and others.
- representation of foreign firms
- international forwarding and shipping
- production of finished textile products other than clothing;
- production of synthetic rubber in primary forms;
- production of glues and jellies;
- production of rubber and plastic products;
- production of metal products other than machinery and equipment;
- construction and repair of leisure and sports boats;
- production of chairs and seats;
- production of sports equipment;
- recycling of non-metal waste and scrap;
- computer and related activities;
- providing advice, guidance and operational assistance to legal entities;

1. GENERAL INFORMATION (CONTINUED)

- designing of accounting systems, materials accounting software, budgeting control procedures;
- advice and assistance to legal entities in connection with planning, organisation, efficiency and controls, management information, etc.;
- management consulting (agronomists and agro-economicists, on farms, etc.);
- purchase and sale of goods;
- trade mediation on domestic and international markets;
- use of hazardous chemicals; and
- treatment of hazardous and non-hazardous waste.

1.3. Number of staff

At 31 December 2013, the number of staff employed was 894 (31 December 2012: 830).

1.4. Management and corporate governance

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

Members of the Management Board:

Mladen Peroš (President)	From 19 July 2012	To 19 July 2016
Ivica Tolić	From 19 July 2012	To 19 July 2016
Katija Klepo	From 19 July 2012	To 19 July 2016
Denis Fusek	Od 26 September 2013	Do 19 September 2016
Hrvoje Jurišić	Od 26 September 2013	Do 19 September 2016

2. ADOPTION OF NEW AND REVISED STANDARDS

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that are adopted by European union are effective for the current period:

- **IFRS 10 “Consolidated Financial Statements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 11 “Joint Arrangements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 12 “Disclosures of Interests in Other Entities”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 13 “Fair Value Measurement”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **IAS 27 (revised in 2011) “Separate Financial Statements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 1 “First-time Adoption of IFRS” – Government Loans**, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 7 “Financial Instruments: Disclosures” - Offsetting Financial Assets and Financial Liabilities**, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities” – Transition Guidance** (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IAS 1 “Presentation of financial statements” – Presentation of Items of Other Comprehensive Income**, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012)

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Standards and Interpretations effective in the current period (continued)

- **Amendments to IAS 19 "Employee Benefits"** under the heading "Defined benefit plans: the payment of contributions by employees (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to various standards "Improvements to IFRSs (2012)"** resulting from the annual improvement project of IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013),
- **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

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

Standards and Interpretations in issue not yet adopted

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

- **IFRS 9 "Financial Instruments"** and subsequent amendments (effective date was not yet determined),
 - **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016),
 - **Amendments to IAS 19 "Employee Benefits"** under the heading "Defined benefit plans: the payment of contributions by employees (effective for annual periods beginning on or after 1 July 2014),
 - **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" – Investment Entities** (effective for annual periods beginning on or after 1 January 2014),
-

**2. ADOPTION OF NEW AND REVISED STANDARDS STANDARDS ISSUED NOT YET ADOPTED
(CONTINUED)**

Standards and Interpretations issued not yet adopted (continued):

- **Amendments to IAS 32 “Financial instruments: presentation” – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012** (effective for annual periods beginning on or after 1 January 2014).
- **Amendments to IAS 36 “Impairment of assets” - Recoverable Amount Disclosures for Non-Financial Assets** (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” – Novation of Derivatives and Continuation of Hedge Accounting** (effective for annual periods beginning on or after 1 January 2014),
- **IFRIC 21 “Levies”** (effective for annual periods beginning on or after 1 January 2014).

The Company has elected not to adopt these Standards, revisions and Interpretations in advance of their effective dates and anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Company in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.17. Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards that were adopted by European Union and Croatian laws.

3.18. Basis of preparation

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

The financial statements of the Company represent aggregate amounts of assets, liabilities, capital and reserves of the Company as of 31 December 2013, and the results of operations for the year then ended. Consolidated financial statements AD Plastik d.d. and subsidiaries for the year ended 31 December 2013 have been issued on 23rd April 2014.

The Company also prepares its consolidated financial statements in accordance with International Financial Reporting Standards, which include the financial statements of the Company as the parent and the financial statements of the subsidiaries controlled by the Company. In these financial statements, investments in entities controlled by the Company or in which the Company has significant influence are carried at cost less impairment if any. For a full understanding of the financial positions of the Company and its subsidiaries as a group, and the results of their operations and their cash flows for the year, users are advised to read the consolidated financial statements of the Group AD Plastik d.d. ("the Group"). Details of the investments are presented in Note 20.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19. Revenue recognition

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

Revenues are stated net of value added tax, estimated returns, discounts and rebates. Revenue is recognised when the amount of the revenue can be measured reliably and when future economic benefits are expected to flow into the Company.

Product sales are recognised when the products are delivered to, and accepted by the customer and when the collectability of the receivables is virtually certain.

Income from the manufacture of tools for a known customer

Income from the manufacture of tools is recognised using the stage-of-completion method to determine the amount of income and costs attributable to a certain period.

Interest income

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

3.4. Borrowing costs

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5. Foreign currency transactions

Transactions in foreign currencies are translated into Croatian kunas at the rates of exchange in effect at the dates of the transactions. Cash, receivables and payables denominated in foreign currencies are retranslated at the rates of exchange in effect at the date of the statement of financial position. Gains and losses arising on translation are included in the statement of comprehensive income for the year. At 31 December 2013, the official exchange rate of the Croatian kuna against 1 euro (EUR) was HRK 7.637643 (31 December 2012: HRK 7.545624 for EUR 1).

3.6. Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognised in the income statement, 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 rate enacted at the balance sheet date, adjusted by appropriate prior-period items.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates in effect at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the amount that the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred taxes are not discounted and are classified in the balance sheet 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 balance sheet date, the Company reviews the unrecognised potential tax assets and the carrying amount of the recognised tax assets.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7. Property, plant and equipment, and intangible assets

Tangible fixed assets are recognised initially at cost and subsequently at cost less accumulated depreciation. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable sales taxes and any directly attributable costs of bringing an asset to its working condition and location for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Where it is obvious that expenses incurred resulted in increase of expected future economic benefits to be derived from the use of an item of tangible or intangible assets in excess of the originally assessed standard performance of the asset, they are added to the carrying amount of the asset. Gains or losses on the retirement or disposal of tangible fixed assets are included in the statement of comprehensive income in the period they occur. Depreciation commences on putting an asset into use. Depreciation is provided so as to write down the cost or revalued amount of an asset over the estimated useful life of the asset using the straight-line method as follows:

	Depreciation rates in 2013	Depreciation rates in 2012
3. Tangible assets		
Buildings	1.50	1.50
Machinery	7.00	7.00
Tools, furniture, office and laboratory equipment and accessories, measuring and control instruments	10.00	10.00
Vehicles	20.00	20.00
IT equipment	20.00	20.00
Other	10.00	10.00
4. Intangible assets	20.00	20.00

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Impairment

At each reporting date the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3.9. Investments in associates

An associate is an entity over which the Company has significant influence but which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

In these financial statements investments in associates companies are shown using the equity cost of accounting.

3.10. Inventories

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

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

Small inventory is written off when put in use.

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

Merchandise on stock is recognised at purchase cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Trade debtors and prepayments

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

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

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.

3.12. Cash and cash equivalents

Cash comprises account balances with banks, cash in hand, deposits and securities at call or with maturities of less than three months.

3.13. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14. Termination, long-service and other employee benefits

(a) Obligations in respect of retirement and other post-employment benefits

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

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date. The Company 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. Actual gains and losses are recognised in the period in which they arise.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15. Financial instruments

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

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

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

Loans and receivables

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

Financial assets available for sale

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

Effective interest method

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15. Financial instruments (continued)

Impairment of financial assets

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

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

Derecognition of financial assets

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

Classification as debt or equity

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16. Contingencies

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

3.17. Events subsequent to the reporting date

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Useful life of property, plant and equipment

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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

A deferred tax asset is recognized only to the extent that it is probable that the related tax benefit will be realised. In determining the amount of deferred taxes that can be recognised significant 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 2013, deferred tax assets on available tax differences were recognised.

Impairment allowance on trade receivables

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

Actuarial estimates used in determining the retirement benefits

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

5.1 Correction of withholding tax

The Company invoiced the entire balance of interest loan receivable from related and subsidiary companies. Based on subsequently received information, it was identified that the interest receivable is subject to withholding tax at the countries of domicile of those companies, and the invoiced interest receivable was reduced by the withholding tax which was recognised as a correction to the retained earnings of the Company.

Given that the correction is not material for the financial statements of the Company, the opening balances were not restated, in accordance with International Accounting Standard 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

6. SALES

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

	2013	2012
Foreign sales	511,523	491,971
Domestic sales	13,990	15,600
	<u>525,513</u>	<u>507,571</u>

7. OTHER INCOME

	2013	2012
Income from refunds under the tax decision	4,431	-
Income from reversal of vacation accruals for unused vacation days	2,258	250
Income from sale of Property	2,098	997
Income from bonuses provided by suppliers	1,534	2,392
Income from reversal of provisions for long-service benefits	1,421	711
Income from consumption of own products, goods and services	1,116	1,155
Income from reversal of litigation provision	1,100	-
Income from reversal of retirement benefit provisions	780	-
Income from reversal of provisions for bonuses to employees	-	1,047
Income from damages collected	118	224
Other operating income	3,500	2,112
	<u>18,356</u>	<u>8,888</u>

8. COST OF RAW MATERIAL AND SUPPLIES

	2013	2012
Direct materials	95,598	111,978
Indirect materials	77,831	78,567
Electricity	10,914	11,281
Direct packaging	8,879	8,351
Preventive maintenance of machinery	1,527	1,859
Gas for heating in the production process	1,413	1,631
Other materials	835	1,099
Regular maintenance of machinery	511	643
Other expenses	5,496	6,319
	203,004	221,728

9. COST OF GOODS SOLD

Cost of goods sold in the amount of HRK 49.053 thousand (2012: HRK 66,366 thousand) relate in major part on purchase cost of tools, equipment and material for start up of new production and projects in subsidiaries.

	2013	2012
Re-export costs	35,909	55,194
Cost of direct material sold	6,113	4,384
Cost of merchandise	5,297	4,410
Cost of spare parts sold	1,298	1,213
Other costs of goods sold	436	1,165
	49,053	66,366

10. SERVICE COSTS

	2013	2012
Transport	15,973	19,545
Rental costs	5,457	5,227
Regular and preventive maintenance costs - machinery	3,115	3,735
Regular and preventive maintenance costs - buildings	656	945
Telecommunications and information systems	990	917
Communal fees	638	867
Water supply	900	862
Forwarding and shipping costs	339	736
Tool modification costs	503	532
Commissions	111	288
Other expenses	3,839	3,726
	32,521	37,380

11. STAFF COSTS

	2013.	2012.
Net wages and salaries	54,269	51,892
Taxes and contributions out of salaries	22,612	21,622
Contributions on salaries	13,567	12,973
Provision for bonuses	-	11
Other staff costs	12,326	12,754
	102,774	99,252

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

12. DEPRECIATION AND AMORTISATION

	2013	2012
Depreciation	22,539	22,484
Amortisation	7,463	15,227
	30,002	37,711

13. OTHER OPERATING EXPENSES

	2013	2012
Temporary service costs - tools	75,092	16,822
Professional service cost	5,739	4,484
Net book value of disposed intangible fixed assets	4,293	13
Other non-material costs	1,895	2,344
Communal fees for the use of construction plots	1,337	1,439
Insurance premiums	1,456	1,086
Bank charges	820	1,780
Cost of goods provided free of charge	622	867
Payment operation charges	822	849
Other fees (Supervisory Board)	268	397
Professional training costs	266	289
Entertainment	233	288
Customer complaints	647	225
Translation service costs	81	215
Gifts for employees' children	218	212
Occupational Health and Safety service costs	115	173
Water management fee	209	169
Forest reproduction levies	149	164
Other expenses	2,542	2,216
	96,804	34,019

14. PROVISIONS FOR RISKS AND CHARGES

	2013	2012
Provisions for retirement benefits and jubilee awards	2,652	1,411
Vacation accruals	2,158	-
Litigation provisions	1,100	38
	5,910	1,449

15. FINANCE REVENUE

	2013	2012
Dividend income	26,937	27,897
Interest income	14,408	13,248
Foreign exchange gains	8,988	7,188
Other finance revenue	-	2,544
	<u>50,333</u>	<u>50,877</u>

16. FINANCE COSTS

	2013	2012
Interest expense	13,546	9,545
Foreign exchange losses	21,154	6,207
Other finance costs	-	7,203
	<u>34,700</u>	<u>22,955</u>

17. INCOME TAX

Income tax comprises the following:

	2013	2012
Current tax	-	-
Deferred tax	(90)	447
	<u>(90)</u>	<u>447</u>

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

	31/12/2013	31/12/2012
Balance at 1 January	441	888
Recognised/ (Reversal) deferred tax assets	90	(447)
Balance at 31 December	<u>531</u>	<u>441</u>

16. INCOME TAX (CONTINUED)

Deferred tax assets arise from the following:

2013

	Opening balance	Credited / (Charged) to statement of comprehensive income	Closing balance
<i>Temporary differences:</i>			-
Provisions for long-service and termination benefits	441	90	531
Balance at 31 December	441	90	531

2012

	Opening balance	Credited / (Charged) to statement of comprehensive income	Closing balance
<i>Temporary differences:</i>			-
Provisions for long-service and termination benefits	888	(447)	441
Balance at 31 December	888	(447)	441

16. INCOME TAX (CONTINUED)

The relationship between the accounting profit and tax losses carried forward can be shown as follows:

	2013	2012
Profit for the year	42,430	45,214
70% of entertainment expenses	162	200
30 % of the cost of use of private cars	451	419
Taxable deficits	-	3
Costs of forced collection of taxes and other levies	-	3
Interest from related-party relationships	1,032	660
Written-off receivables	539	19
Provisions	2,652	1,674
The increase in profit for other income	13	77
Tax base increasing items (PD Return Form)	4,972	3,055
Dividend income	(26,937)	(27,897)
Subsequent collection of written-off receivables	(2)	(14)
Other non-taxable revenues	(2,201)	(2,234)
Government grants for training and education	(225)	(246)
Tax base decreasing items (PD Return Form)	(29,365)	(30,391)
Income tax base before the utilisation of tax losses brought forward	18,037	17,878
Tax losses brought forward	-	-
Tax base	18,037	17,878
Tax at the rate of 20%	3,607	3,576
Tax reliefs	(3,607)	(3,576)
Current tax liability	-	-

16. INCOME TAX (CONTINUED)

The income tax rate effective in the Republic of Croatia for the years 2013 and 2012 was 20%.

On 24 October 2012 the Company filed with the Ministry of Economy the Application for Incentive Measures for the investment project "Expansion of Production for the Purpose of Export of Car Industry Products", in accordance with the Act on Investment Promotion and Development of Investment Climate (OG 111/2012 and 28/2013) and the Investment Promotion and Development of Investment Climate (OG 40 of 5 April 2013).

As a result, the Company made investments in fixed assets in November and December 2013, having thus met the prerequisites for the utilisation of the tax incentives for 2013.

There is no formal procedure in Croatia for determining the final taxes upon filing the corporate income and value-added tax returns. However, tax returns are subject to inspection by the Tax Authorities at any time over the next three years from the end of the year for which the tax returns have been filed

17. EARNINGS PER SHARE

Basic earnings per share are determined, by dividing the Company's net profit by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares redeemed and held by the Company as treasury shares.

	31.12.2013	31.12.2012
Net profit attributable to the Company shareholders	42,520	44,767
Weighted average number of shares	4,161,822	4,159,303
Average weighted earnings per share (in HRK)	<u>10.22</u>	<u>10.76</u>

18. INTANGIBLE ASSETS

	Licences	Software	Projects	Total
Cost				
Balance at 31 December 2011	55	1,073	112,806	113,934
Additions	-	47	17,487	17,534
Disposals and retirements	-	-	-	-
Balance at 31 December 2012	55	1,120	130,293	131,468
Additions		4,303	34,248	38,551
Disposals and retirements			(15,140)	(15,140)
Balance at 31 December 2013	55	5,423	149,401	154,879
Accumulated amortisation				
Balance at 31 December 2011	-	657	76,868	77,525
Charge for the year	-	208	15,019	15,227
Disposals and retirements	-	-	-	-
Balance at 31 December 2012		865	91,887	92,752
Charge for the year		938	6,525	7,463
Disposals and retirements	-	-	(4,154)	(4,154)
Balance at 31 December 2013		1,803	94,258	96,061
Net book value				
At 31 December 2013	55	3,620	55,143	58,818
At 31 December 2012	55	255	38,406	38,716

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

19. TANGIBLE ASSETS

	Land	Buildings	Plant and equipment	Assets under construction	Other	Total
Cost						
Balance at 31 December 2011	135,379	226,690	309,593	3,679	2,315	677,656
Additions	1,291	-	-	21,896	-	23,187
Transfer from assets under development	3,306	1,196	8,232	(12,981)	247	-
Disposals and retirements	-	-	(2,038)	-	-	(2,038)
Balance at 31 December 2012	139,976	227,886	315,787	12,594	2,562	698,805
Additions	-	462	13,098	101,956	-	115,516
Transfer from assets under development	-	-	-	-	-	-
Disposals and retirements	-	-	(10,177)	(15,880)	(647)	(26,704)
Balance at 31 December 2013	139,976	228,348	318,708	98,670	1,915	787,617
Accumulated depreciation						
Balance at 31 December 2011	-	57,954	193,403	-	1,045	252,402
Charge for the year	-	3,405	18,849	-	230	22,484
Disposals and retirements	-	-	(2,234)	-	-	(2,234)
Balance at 31 December 2012	-	61,359	210,018	-	1,275	272,652
Charge for the year	-	3,418	18,889	-	232	22,539
Disposals and retirements	-	-	(7,776)	-	(383)	(8,159)
Balance at 31 December 2013	-	64,777	221,131	-	1,124	287,032
Net book value						
At 31 December 2013	139,976	163,571	97,577	98,670	791	500,585
At 31 December 2012	139,976	166,527	105,769	12,594	1,287	426,153

The net book value of land and buildings pledged as collateral with commercial banks in the amount of HRK 303,468 thousand (31 December 2012: HRK 292,292 thousand), and the balance of short-term and long-term borrowings covered by the collateral which amounts to HRK 319,408 thousand (2012: HRK 235,155 thousand).

20. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Name of subsidiary	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment	
			2013	2012	2013	2012
AD PLASTIK d.o.o.	Manufacture of other vehicle spare parts and accessories	Novo Mesto, Slovenia	100,00%	100,00%	204	204
ZAO PHR	Manufacture of other vehicle spare parts and accessories	Samara, Russian Federation	99,95%	99,95%	13,465	13,465
ZAO AD Plastik Kaluga	Manufacture of other vehicle spare parts and accessories	Kaluga, Russian Federation	100,00%	100,00%	61,012	61,012
SG PLASTIK d.o.o. in liquidation	Business and other management consultancy	Solin, Republic of Croatia	-	100,00%	-	250
ADP d.o.o.	Manufacture of other vehicle spare parts and accessories	Mladenovac, Serbia	100,00%	100,00%	15,014	12,434
					89,695	87,365

SG Plastik d.o.o., in liquidation, was liquidated in July 2013.

On 9 January 2013 the Company increased the capital of ADP d.o.o. by HRK 2,580 thousand, by contributing items.

Name of associate	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment	
			2013	2012	2013	2012
EURO AUTO PLASTIC SYSTEMS	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	50,00%	50,00%	21.755	21.755
FAURECIA AD PLASTIK ROMANIA (FAAR)	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	49,00%	49,00%	336	336
FAURECIA ADP HOLDING	Manufacture of other vehicle spare parts and accessories	Nanterre, France	40,00%	40,00%	30.220	30.220
					52.311	52.311
Total investments in subsidiaries and associates					142.006	139,676

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

AD PLASTIK d.o.o., Novo Mesto, Slovenia	31.12.2013	31.12.2012
Total assets	48,323	71,261
Total liabilities	44,901	67,958
Net assets	3,422	3,303
Share in the net assets of the associate	100,00%	100,00%

20. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (CONTINUED)

ZAO PHR, Samara, Russian Federation	31.12.2013	31.12.2012
Total assets	240,991	214,513
Total liabilities	218,628	178,093
Net assets	22,363	36,420
Share in the net assets of the associate	99,95%	99,95%

ZAO AD Plastik Kaluga, Kaluga, Russian Federation	31.12.2013	31.12.2012
Total assets	173,655	84,367
Total liabilities	151,147	46,216
Net assets	22,508	38,151
Share in the net assets of the associate	100,00%	100,00%

The Company has prepared a discounted cash flow for the company AD Plastik OAO Kaluga and it was confirmed that there were no indications of impairment of investment.

SG PLASTIK d.o.o. in liquidation , Solin, Croatia	31.12.2013	31.12.2012
Total assets	-	515
Total liabilities	-	5
Net assets	-	510
Share in the net assets of the associate	-	100.00%

In July 2013 company SG Plastik Ltd. in liquidation was liquidated.

ADP d.o.o, Mladenovac, Serbia	31.12.2013	31.12.2012
Total assets	78,444	64,809
Total liabilities	64,849	51,073
Net assets	13,595	13,736
Share in the net assets of the associate	100,00%	100.00%

21. OTHER FINANCIAL ASSETS

	31.12.2013	31.12.2012
Long-term loans to subsidiaries	78,039	22,508
Long-term loans to associates	50,103	55,333
Long-term loans to unrelated companies	14,507	17,118
Other financial assets	63	64
Current portion of long-term loan receivables	(44,820)	(5,793)
	97,892	89,230

Long-term loans to subsidiaries and associates comprise long-term investment loans which bear interest at a rate of 6.0% - 13.09% on loans, repayable over five years.

22. INVENTORIES

	31.12.2013	31.12.2012
Raw material and supplies on stock	19,254	15,430
Finished products	11,064	8,177
Spare parts	4,603	5,025
Work in progress	1,854	1,745
Small items and packaging	1	3
Merchandise	575	593
	37,351	30,973

23. TRADE RECEIVABLES

	31.12.2013	31.12.2012
Foreign trade receivables	209,511	181,045
Domestic trade receivables	12,635	14,220
Impairment allowance on receivables	(10,364)	(12,022)
	<u>211,782</u>	<u>183,243</u>

The average credit period on sales is 77 days. The Company has provided for all for all sued debtors, regardless of the past due period, as well as for all receivables that are past due and assessed as doubtful of collection.

The Company seeks and obtains from its domestic customers debentures as collaterals in the amount of the receivables.

Set out below is an analysis of major trade receivables:

	31.12.2013
Visteon Deutschland, Germany	21,670
Peugeot Citroen Automobiles, Francuska	5,695
Revoz, Slovenia	5,371
Hella Saturnus Slovenia	4,945
Euro Auto Plastic Systems, Romania	4,072
Webasto, Germany	2,746
Renault, France	2,594
Nexe Gradnja, Hrvatska	2,572
Ford Werke, Njemačka	1,955
Other debtors	170,526
	<u>222,146</u>

Other debtors in the amount HRK 170,526 thousand relates to receivables from subsidiaries in the amount HRK 143,905 thousand which relates to delivered tools, equipment, material and services.

23. TRADE RECEIVABLES (CONTINUED)

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

	31.12.2013	31.12.2012
Balance at beginning of the year	10,241	10,245
Additionally impaired during the year	-	-
Amounts collected or eliminated during the year	(1,351)	(4)
Total impairment allowance on domestic trade receivables	8,890	10,241
Balance at beginning of the year	1,781	1,795
Additionally impaired during the year	-	-
Amounts collected or eliminated during the year	(307)	(14)
Total impairment allowance on foreign trade receivables	1,474	1,781
Total impairment allowance	10,364	12,022

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

	31.12.2013	31.12.2012
0 - 1096 days	524	622
Over 1096 days	9,840	11,400
	10,364	12,022

Ageing analysis of receivables past due but not impaired:

	31.12.2013	31.12.2012
1 - 365 days	102,174	65,346
Over 365 days	41,482	12,430
	143,656	77,776

In aging structure of due receivables above 365 days in the amount HRK 41,482 thousand majority relates to receivables from companies in which AD Plastik d.d. has majority share and control over collection of receivables; in the amount of HRK 30,128 thousand and control over collection of receivables.

23. TRADE RECEIVABLES (CONTINUED)

Receivables from related companies

	31.12.2013	31.12.2012
Trade receivables	142,701	118,731
Interest receivable	1,204	-
	<u>143,905</u>	<u>118,731</u>

Company has transferred part of related party receivables in FY 2013 in long term loan with maturity date of 6 years and interest rate 7%.

24. OTHER RECEIVABLES

	31.12.2013	31.12.2012
Foreign prepayments made	32,181	24,945
Due from the state	7,362	20,300
Domestic prepayments made	7,437	11,505
Amounts due from employees	537	887
Other receivables	563	-
	<u>48,080</u>	<u>57,637</u>

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

25. CURRENT FINANCIAL ASSETS

	31.12.2013	31.12.2012
Current portion of long-term loan receivables	44,820	5,793
Short-term loans to subsidiaries	26,285	13,288
Short-term loans to associates	16,794	18,547
Other short-term loan	-	1,000
Other deposits	9	5
	<u>87,908</u>	<u>38,633</u>

26. CASH AND CASH EQUIVALENTS

	31.12.2013	31.12.2012
Foreign account balance	14,346	6,268
Current account balance	164	74
Cash in hand	21	11
Deposits with a term of up to 3 months	-	902
	<u>14,531</u>	<u>7,255</u>

27. PREPAID EXPENSES AND ACCRUED INCOME

	31.12.2013	31.12.2012
Other accrued income on tools	108,296	95,861
Prepaid operating expenses	7,804	3,167
Other accrued income	3,003	3,117
	<u>119,103</u>	<u>102,145</u>

Accrued income in the amount of HRK 108,296 thousand (31 December 2012: HRK 95,861 thousand) relates to the manufacture of tools for a known customer. Income from the manufacture of tools is recognised using the stage-of-completion method to determine the amount of income and costs attributable to a certain period.

28. SHARE CAPITAL

Subscribed capital amounts to HRK 419,958 thousand and consists of 4,199,580 shares, with a nominal value of HRK 100.00 per share (31 December 2012: HRK 419,958 thousand, 4,199,580 shares, with a nominal value of HRK 100 each).

The shareholders with over 2 percent of the shares at 31 December 2013 were as follows:

Shareholder	Headquarters	Number of shares	Ownership in %	Type of account
OA0 Holding	Saint Petersburg, Russia	1,259,875	30,00%	Primary account
HYPO ALPE-ADRIA-BANK d.d./ RAIFFEISEN MANDATORY PENSION FUND	Zagreb, Croatia	273,462	6,51%	Pension fund
ADP-ESOP d.o.o.	Zagreb, Croatia	213,098	5,07%	Primary account
HYPO ALPE-ADRIA-BANK D.D./PBZ CROATIA OSIGURANJE MANDATORY PENSION FUND	Zagreb, Croatia	119,640	2,85%	Pension fund
ERSTE & STEIERMARKISCHE BANK d.d./ JOINT CUSTODY ACCOUNT FOR A FOREIGN LEGAL PERSON	Zagreb, Croatia	110,349	2,63%	Custody account
ERSTE & STEIERMARKISCHE BANK D.D./CSC	Zagreb, Croatia	87,668	2,09%	Custody account
Total:		2,064,092	49,15%	

29. PROVISIONS

	Short-term:		Long-term:	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Jubilee awards (long-service benefits)	-	-	1,568	1,421
Termination benefits	-	1,411	1,084	780
Legal actions	3,351	3,389	-	-
Vacation accrual	2,158	2,258	-	-
Bonuses to employees	-	400	-	-
	<u>5,509</u>	<u>7,458</u>	<u>2,652</u>	<u>2,201</u>

	Jubilee awards (long- service benefits)	Termination benefits	Legal actions	Vacation accrual	Bonuses	Total
Balance at 1 January 2013	1,421	2,191	3,389	2,258	400	9,659
Increase/(decrease) in provisions	147	(1,107)	(38)	(100)	(400)	(1,498)
Balance at 31 December 2013	<u>1,568</u>	<u>1,084</u>	<u>3,351</u>	<u>2,158</u>	<u>-</u>	<u>8,161</u>

29 PROVISIONS (continued)

Defined benefit plan

According to the Union Agreement, the Company has the obligation to pay long-service (jubilee awards), retirement and other benefits to employees. The Company operates a defined benefit plan for qualifying employees. Retirement and long-service benefits are defined in the Union Agreement. No other post-retirement benefits are provided.

Long-service benefits are paid for full years of service in the month of the current year in which the service is determined as completed.

The present value of defined benefit obligations and the related current and past service cost have been determined using the Projected Credit Unit method.

Key assumptions used in calculating the required provisions are the discount rate of 5.40% and the rate of fluctuation of 4.00%.

30. LONG-TERM BORROWINGS

	31.12.2013	31.12.2012
Long-term borrowings	279,099	159,809
	279,099	159,809
Current portion of long-term borrowings	(74,383)	(49,629)
Total long-term borrowings	204,716	110,180

Long-term borrowings comprise HBOR investment loans as well as long-term loans from commercial banks with average interest rate of 3.93%. AD Plastik d.d. services regularly all of its obligations under those borrowings, in line with the terms and conditions of the underlying loan agreements.

Movements in long-term borrowings during the year:

	2013	2012
Balance at 1 January	110,180	79,842
New loans raised	179,677	174,523
Amounts repaid	(85,141)	(144,185)
Total long-term borrowings	204,716	110,180

31. ADVANCES RECEIVED

	31.12.2013	31.12.2012
Foreign customers	77,433	103,544
Domestic customers	85	299
	77,518	103,843

32. TRADE PAYABLES

	31.12.2013	31.12.2012
Foreign trade payables	81,052	53,432
Domestic trade payables	26,643	22,919
	107,695	76,351

33. SHORT-TERM BORROWINGS

	31.12.2013	31.12.2012
Short-term borrowings - principal payable	130,208	71,639
Current portion of long-term borrowings	74,383	49,629
Short-term borrowings - interest payable	1,664	1,794
Other short-term financial liabilities	1,070	1,913
	207,325	124,975

Short-term loans represent loans provided by commercial banks with the average interest rate of 5.22%.

	2013	2012
Balance at 1 January	124,975	125,336
New loans raised	108,167	74,097
Amounts repaid	(25,817)	(74,458)
Total short term loans	207,325	124,975

34. OTHER CURRENT LIABILITIES

	31.12.2013	31.12.2012
Amounts due to employees	5,630	5,289
Due to the State and State institutions	3,286	3,300
Other current liabilities	40	40
	<u>8,956</u>	<u>8,629</u>

35. ACCRUED EXPENSES AND DEFERRED INCOME

	31.12.2013	31.12.2012
Accrued tool expenses	16,909	-
Due to the State and State institutions	372	481
Other current liabilities	1,052	1,175
	<u>18,333</u>	<u>1,656</u>

36. RELATED-PARTY TRANSACTIONS

The transactions carried out with related companies are summarized below:

Trade receivables and payables

	Receivables		Liabilities	
	2013	2012	2013	2012
AD PLASTIK d.o.o. , Slovenia	13,444	23,845	41	83
ZAO PHR, Russia	91,380	73,070	4,933	206
ZAO ADP KALUGA , Russia	37,870	17,847	1,440	-
ADP d.o.o., Serbia	1,211	3,969	799	-
	143,905	118,731	7,213	289

Trading transactions

	Income		Expenses	
<i>Operating income and expenses</i>	2013	2012	2013	2012
AD PLASTIK d.o.o. , Slovenia	103,750	145,475	799	-
ZAO PHR, Russia	63,395	73,892	11,843	9,252
ZAO ADP KALUGA , Russia	32,935	18,078	2,317	121
ADP d.o.o. Serbia	6,478	3,961	985	1,598
	206,558	241,406	15,944	10,971

36. RELATED-PARTY TRANSACTIONS (CONTINUED)

Financial transactions

<i>Financial income and expenses</i>	Income		Expenses	
	2013	2012	2013	2012
ZAO PHR, Russia	2,743	3,151	96	121
ZAO ADP KALUGA , Russia	2,732	742	3,984	1,034
AD PLASTIK d.o.o. , Slovenia	441	407	940	670
ADP d.o.o. Serbia	698	37	55	-
	6,614	4,337	5,075	1,825

Directors' and executives' remuneration

	31.12.2013	31.12.2012
Salaries	10,457	9,844
	10,457	9,844

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

37.1 Gearing ratio

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

	31.12.2013	31.12.2012
Short-term borrowings	207,325	124,975
Long-term borrowings	204,716	110,810
Cash and cash equivalents	(14,531)	(7,255)
Net debt	397,510	228,530
Equity	685,883	678,809
Net debt-to-equity ratio	57.96%	33.67%

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

37.2.Categories of financial instruments

	31.12.2013	31.12.2012
Financial assets	594,838	495,374
Investments in subsidiaries and associates	142,006	139,676
Loans	97,893	89,230
Trade receivables	211,782	183,243
Other receivables	128,626	75,970
Financial assets at fair value through profit or loss (statement of comprehensive income)	-	-
Cash	14,531	7,255
Financial liabilities	602,924	420,677
Loans	412,041	235,155
Trade payables	190,883	185,522

At the reporting date there are no significant concentrations of credit risk for loans and receivables designated at fair value through the statement of comprehensive income. Receivables and liabilities toward Government are not included in stated amounts.

37.3.Financial risk management objectives

Company's Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company seeks to minimise the effects of these risks. The Company does not enter into, or trade in financial instruments, including derivative financial instruments, for speculative purposes.

37.4.Price risk management

The largest markets on which the Company provides its services and sells its products comprise the EU market and the market of the Russian Federation. The management determines the prices of its products separately for domestic and foreign markets by reference to the market prices.

37.5.Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate, which applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost of an instrument will fluctuate over time. The interest rate risk exposure is low, as there are no financial instruments at variable rates.

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

37.6. Credit risk

The Company is exposed to credit risk through loans and trade receivables. Loans are granted to its subsidiaries and as such credit risk is under the control of the Company. Trade receivables are presented net of allowance for bad and doubtful accounts.

The eight largest customers of the Company are AD Plastik Slovenia, Visteon Germany, Hella Saturnus Slovenia, ZAO PHR Russia, Revoz Slovenia, ZAO AD Plastik Kaluga Russia, Ford Motor Germany and EURO APS Romania. Revenues generated by the sales to these business partners represent 91.90 percent of the total sales.

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

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

37.7. Foreign currency risk management

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

At 31 December	Assets		Liabilities		Net position	
	2013	2012	2013	2012	2013	2012
EUR	307,319	225,472	337,426	294,467	(30,107)	(68,995)
RUR	117,304	96,388	1	3,387	117,303	93,001
USD	395	331	410	501	(15)	(170)
GBP	47	57	62	35	(15)	22
CHF	-	-	-	21	-	(21)
RON	2,555	-	-	-	2,555	-
JPY	-	-	4	-	(4)	-
	427,620	322,248	337,903	298,411	89,717	23,837

Foreign currency sensitivity analysis

The Company is mainly exposed to the countries using EUR and RUR as their currency. The following table details the Company's sensitivity to a 2-percent decrease of the Croatian kuna in 2013 and 2012 against the stated currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end. A negative number below indicates a decrease in profit and a positive number below indicates an increase in profit where the Croatian kuna changes against the relevant currency for the percentage specified above.

	EUR impact	
	2013	2012
Change in exchange differences	(660)	(1,405)
	RUR impact	
	2013	2012
Change in exchange differences	2,346	2

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

37.8. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management Board. The Company manages its liquidity using banking facilities (overdrafts) and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Company can require payment i.e. can be required to pay.

		Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
2013	Average interest rate						
<i>Assets</i>							
Non-interest							
bearing		25,580	35,910	206,126	-	142,006	409,622
Interest bearing	8,98%	74	8,806	65,361	148,979	19,233	242,453
		25,654	44,716	271,487	148,979	161,239	652,076
<i>Liabilities</i>							
Non-interest							
bearing		23,616	15,965	79,363	71,268	-	190,212
Interest bearing	4,53%	3,602	47,892	165,128	185,269	40,828	442,719
							632,931
2012	Average interest rate						
<i>Assets</i>							
Non-interest							
bearing		27,281	25,906	174,648	-	139,676	367,511
Interest bearing	9,95%	1,007	2,787	42,672	104,896	6,505	157,867
		28,288	28,693	217,320	104,896	146,181	525,378
<i>Liabilities</i>							
Non-interest							
bearing		23,318	8,515	61,526	92,123	-	185,482
Interest bearing	4,53%	3,215	18,277	107,741	110,810	-	240,043
		26,533	26,792	169,267	202,933	-	425,525

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

37.9. Fair value of financial instruments

Financial instruments held to maturity in the ordinary course of business are carried at the lower of cost and net amount less repaid portion.

The fair value represents the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, except in the event of a forced sale or liquidation. The fair value of a financial instrument is its quoted market price, or the amount obtained using the discounted cash flow method.

At 31 December 2013, the carrying amounts of cash, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their fair values due to the short-term maturity of these financial instruments.

38. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board of AD Plastik d.d. and authorised for issue on 23 April 2014.

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

Mladen Peroš



President of the Management Board

IV. DECISION PROPOSAL

Pursuant to clause 300 d. Companies Act and clause 29 of AD PLASTIK`s Inc., Solin, Statue, the Supervisory Board of AD PLASTIK dd Solin, OIB: 48351740621, on 28/05/2014. year brings

DECISION

About acceptance of the Annual financial statements of AD PLASTIK Inc. and consolidated annual financial statements of the Group AD PLASTIK for 2013. Year

I. Acceptance of the Annual Report of AD PLASTIK Inc. for 2013. year as follows:

1. Balance with the sum of assets and liabilities of kn 1,318,586,716

2. Second Profit and loss data:

-Total revenues kn 594,202,102

- Total expenditure kn 551,772,580

- Profit before taxation of kn 42,429,522

- Income tax kn -90,202

- Profit for the year kn 42,519,724

3. Statement of Cash Flows for 2013. year

with data on the Net decrease in cash and

cash equivalents of kn 8,177,458

4. Notes to Financial Statements

II. Acceptance of the Consolidated Financial Statements of Group AD PLASTIK for 2013. year as follows:

1. Balance with the sum of assets and liabilities of kn 1,536,431,037

2. Profit and loss data:

- Total revenues of kn 904,886,798

- Total expenditure kn 876,480,595

- Profit before taxation of kn 28,406,203

- Income tax kn 754,102

- Profit for the year kn 27,652,101

- Minority interest income kn -7,867

- Net income Group kn 27,660,899

3. Statement of Cash Flows for 2012. Year, with data on the Net decrease in cash and

cash equivalents of kn 5,047,458.00

Supervisory Board

President

V. DECISION PROPOSAL

Pursuant to clause 275. Part 1, point 2 Companies Act and clause 33 of AD Plastik Inc, Solin, Statute, Supervisory Board of AD Plastik Solin on day 24.07.2014. brings:

DECISION

About usage of Net income

Net income of AD Plastik, Solin from year 2013., after tax, is 42,519,724 kuna and is being used on following:

1. Dividend payout 33,342,576 kn

2. Other reserves 9,177,148 kn

General assembly

President

VI. Address book

Management Board Parent Company

MLADEN PEROŠ, Chairman of the Management Board

Matoševa 8, 21210 Solin, Croatia

Phone +385 21 20 65 00,

Fax. + 385 21 20 64 95

e-mail: mladen.peros@adplastik.hr

KATIJA KLEPO Board Member responsible for finance and accounting

Matoševa 8, 21210 Solin, Croatia

Phone +385 21 20 64 88,

Fax. + 385 21 20 64 89

e-mail: katija.klepo@adplastik.hr

IVICA TOLIĆ, Board Member responsible for legal affairs and corporate communications

Matoševa 8, 21210 Solin, Croatia

Phone +385 21 20 64 88,

Fax. + 385 21 20 64 89

e-mail: ivica.tolic@adplastik.hr

DENIS FUSEK, Board Member responsible for business organization, informatics and controlling

Matoševa 8, 21210 Solin, Croatia

Phone +385 21 20 64 88,

Fax. + 385 21 20 64 89

e-mail: denis.fusek@adplastik.hr

HRVOJE JURISIĆ, Board Member responsible for development

Matoševa 8, 21210 Solin, Croatia

Phone +385 21 20 64 88,

Fax. + 385 21 20 64 89

e-mail: hrvoje.juriscic@adplastik.hr

Subsidiaries abroad

ZAO PHR

443057 SAMARA

Krasnoglinski rajon

Zas. Vintai

RUSSIAN FEDERATION

Phone +7 846 978 1234,

Fax. + 7 846 978 1231

e-mail: marinko.dosen@adplastik.ru

AD PLASTIK Ltd.

Belokranjska 4, 8000 Novo Mesto,

REPUBLIC OF SLOVENIA

Phone +386 7 337 9820,

Fax. + 386 7 337 9821

e-mail: mladen.sopcic@siol.net

EURO APS s.r.l.

115400 Mioveni, Judetul Arges, Strada Uzinei 2A,
ROMANIA

Phone +40 755 016 858

e-mail: euroaps@euroaps.ro

ZAO ADP KALUGA

ZAO ADP Kaluga,
Skladskaya 6, Kaluzhskaya oblast
Kaluga

RUSSIAN FEDERATION

Phone + 7 1372 218 10

Mob. +385 91 200 99 17

e-mail: zeljko.maric@adplastik.hr

FAURECIA ADP HOLDING S.A.S

Rue Heinnape 2

Nanterre

FRANCE

Phone +33 1 72 36 73 07

e-mail: rosette.freguin@faurecia.com

ADP MLADENOVAC

Ulica Kralja Petra I 334,
SERBIA

Phone +381 11 8230 969

e-mail: ivan.ristic@adp.rs
