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**INTEGRATED
ANNUAL
REPORT**



IMPRESSUM

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A brief overview

A brief overview
in numbers of
AD Plastik Group

11.1%

EBITDA MARGIN

2.9%

NET PROFIT MARGIN

EUR 152 million

NEW DEALS SEALED

5

COUNTRIES

8

PRODUCTION SITES

2,544

EMPLOYEES

**HRK 1,126.2
million**

-7.6 %

OPERATING
REVENUE

compared to 2020

**HRK 125.3
million**

-24.5 %

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

compared to 2020

**HRK 32.7
million**

-30.3 %

NET PROFIT

* All data in the report is as of December 31, 2021



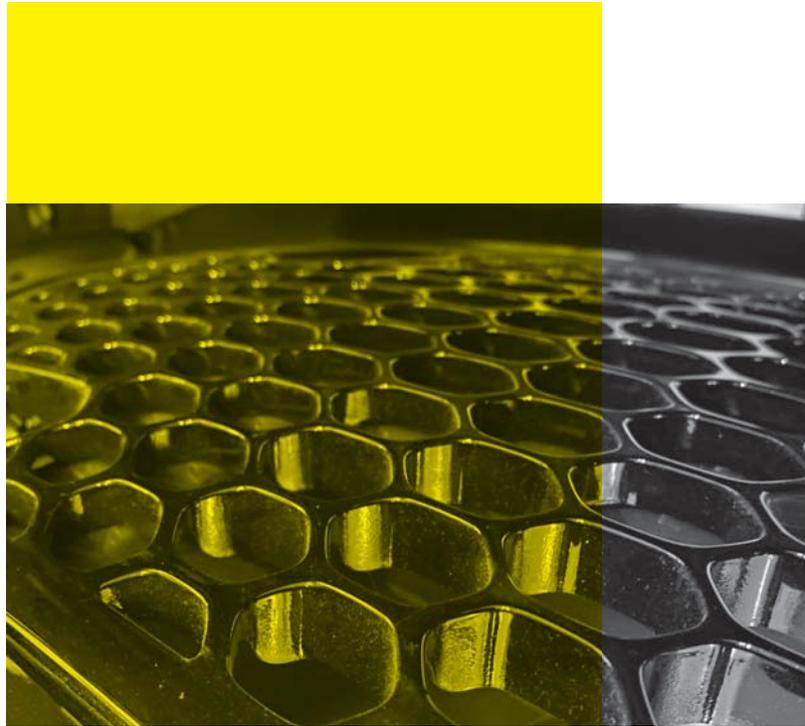
About AD Plastik Group

AD Plastik Group is a leading company for the development and production of car interior and exterior components in Croatia and one of the leading ones in Eastern Europe. Its business is based on more than thirty-five year long tradition, exceptional expertise and dedicated work of its employees. Passion and knowledge are incorporated into the development and realization of each product and process, and focusing on customer needs, quality, reliability and competitiveness are the fundamental premises of successful long-term survival in a challenging and specific automotive market.

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

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

Creating different mobility habits of end-users directs the automotive industry towards more automated and autonomous driving, electrification and vehicle connectivity with other systems. Through the necessary weight reduction of vehicles of the future, the share of plastic components will undoubtedly increase as well as the new opportunities for growth and development of AD Plastik Group.



Letter from the President of the Management Board



We present you the business results of the AD Plastik Group in 2021, very challenging and demanding, and according to many, one of the most difficult years in the history of the automotive industry. Although the beginning of the year showed positive signs and pointed to market recovery, the global crisis of the lack of semiconductors significantly affected the sales of new cars. Due to the lack of components, car manufacturers failed to meet the market needs and deliver the required quantities, and disruptions in production processes were reflected in the entire supply chain.

In rather difficult circumstances, we generated the Group's operating revenue of HRK 1,126.2 million, which was by 7.6 percent lower than a year earlier. EBITDA amounted to HRK 125.3 million and was lower by 24.5 percent, while net profit decreased by 30.3 percent and amounted to HRK 32.7 million.

The biggest challenges in the past period have been the adaptations to frequent and uncertain changes in our customers' operational plans, but despite this we have maintained our position and reputation as a reliable and quality supplier. We have adapted to constant changes and at no point were deliveries to customers compromised. In addition to disruptions in the supply chain, last year was marked by a significant increase in the prices of materials, raw materials, transport and energy sources. By open price calculation and alignment with most of our customers, the impact on business has been reduced.

Unlike production, sales and project activities have been proceeding unhindered, so in 2021 new deals worth more than EUR 150 million were sealed. Among them are also several very important development projects, which have further strengthened our position as a development supplier. We have been working intensively on sales and development activities and the realization of 37 active development projects. Development activities of all car manufacturers are in full swing and the entire industry is actively preparing for the end of the crisis.

At the same time, we direct the research activities towards our strategic goals of improving processes, products and materials. We have been working intensively on this, aware of the permanent changes and transformations that will be necessary for the further development of the business. Circumstances in the market have accelerated organizational processes, and we have paid special attention also to sustainable business and the improvement of all our internal processes related to CSR. Some of our sites have been certified for the first time according to the information security system for the automotive industry which is a prerequisite for the exchange and work with confidential intellectual property of customers.

The health and safety of our employees have always been the ultimate priorities of our company, and in pandemic extra attention has been paid to them. In addition to the ongoing measures and activities that were undertaken in order to protect health, last year we also became holders of the certificate "Health Friendly Company". We have thus further confirmed the importance of the health of our employees and a healthy business environment in our business.

Our unquestionable choice, but also a duty, is to conduct business and live in harmony with our environment. It is the only right path and way to preserve the planet for future generations,

but also to give added value to the community in which we operate. Therefore, sustainable business is integrated into all segments of our work, and it is our daily mission to constantly improve and develop it. Our efforts and progress have been recognized by various stakeholders and the professional public in the past period. We are particularly pleased with the awards we received in a very demanding year, namely the HRIO award in the category of large companies and the Golden Key for the best exporter to Slovenia.

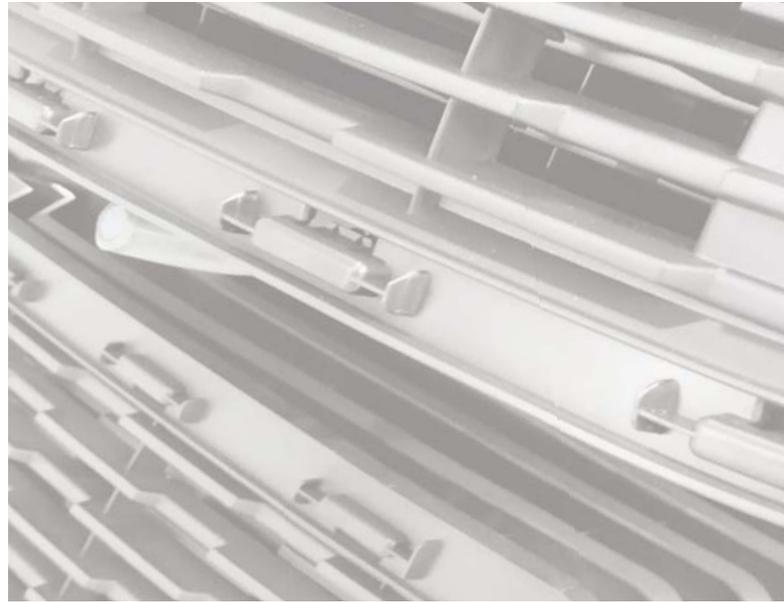
In addition to the market challenges that have been continued in 2022, during the preparation of this report we have been facing another unexpected situation. The Russian-Ukrainian crisis is a new challenge for the global economy and our business. Given the uncertainties, we are aware of another very difficult and challenging period ahead. We are primarily focused on preserving financial stability and business sustainability, and reducing negative impacts on business. At the same time, new deals are being sealed in the European market, contracted projects are being realized and development activities are being continued.

There is no room for relaxation, but the automotive industry should be considered in a long-term perspective. AD Plastik Group is a stable company that has shown its resilience many times and I believe it will be the same now. I am sure that together we will successfully withstand this rather difficult crisis too. We are ready for new challenges, and confident of the survival and long-term development of our company.

Marinko Došen
President of the Management Board



Automotive industry



The automotive industry is among the largest and most influential ones in the world, employing, directly or indirectly, 12.7 million Europeans. Its turnover in the European Union accounts for more than eight percent of total GDP, and 11.5 percent of production workers belong namely to that sector.

After decades of production that exceeded market demand, it has faced a completely different situation in the past period and one of its biggest crises in recent history. The global economic crisis caused by the pandemic, and primarily the lack of semiconductors, has forced car manufacturers to reduce their capacities and stop production processes.

At the same time, the automotive industry has been facing one of the greatest transformations since its inception. The overall end-user experience, from the buying process to the driving experience, is currently undergoing a digital metamorphosis. New technologies have been changing modern business and car

manufacturers have to keep up with current technological trends. And not only them, but every company related to the automotive industry has to invest in innovation to stay competitive and meet customer expectations. The automotive sector is at the forefront of this and its annual contribution to innovation is the largest in the European Union, with EUR 58.8 billion invested in research and development. This is a confirmation of the industry's focus on a more sustainable, high-quality and secure future.

Driven by the climate change we are all witnessing, sustainable technologies and alternative propulsion vehicles are increasingly taking over the market. Thus, after a hundred years of domination of powertrains, internal combustion engines got a serious competition. The growth of sales of electric vehicles is evident, which is contributed also by significant incentives of individual countries, and by 2030 a significant increase in their market share is expected. Digital transformation is a long and demanding process and it will take time to complete it, but it is already



certain that the process will be dominated by two strong trends - sustainability and connectivity. The individual needs of end users push the boundaries of personalization of the vehicle itself, whose performance is becoming better and safer. Vehicles are becoming lighter to reduce environmental impact, and safety and comfort have no alternative. There is a lot of pressure to find sustainable solutions and materials, so development teams have been working intensively on research into environmentally friendly and lightweight materials and those obtained by recycling.

One thing is for sure - the share of polymer components in cars will surely grow, and better quality and more environmentally friendly solutions are the responsibility of the entire chain within the automotive industry. In line with new trends, the emergence of IT companies in the automotive world is becoming more frequent, as well as the merger of large manufacturers and suppliers on a global level. The reason for this is the unique goal and desire to meet the market

and customers' requirements in a higher quality manner. More complex customer requirements also require more complex solutions and components, so investing in new knowledge and technologies has been a necessity for survival for many years. A strong strategic determinant of further development and growth of AD Plastik Group, while taking care of the sustainability of business operations in all its segments, is the development and production of value-added components. Existing knowledge, experience and technologies enable the company's unhindered competition in the global and very demanding automotive market, to the satisfaction of all its stakeholders.



About the Integrated Report



All information on the business operations of the AD Plastik Group, from financial and sustainable points of views, can be found in the fifth Integrated Annual Report of the AD Plastik Group for 2021. It contains business and sustainability reports as well as annual financial statements as of December 31, 2021.

In order to provide all stakeholders with a better understanding of the company's business and the industry in which it operates, the interconnection of information and a concise overview of the company's value creation, the Integrated Report presents financial and non-financial indicators in detail and transparently. In addition to financial results, all interested public will learn more about social and environmental topics significant to the company, their impact on activities and results. The risks related to business and sustainability risks and sustainability risks, as well as the way in which the Group is managed, are presented in detail. The CSR is one of the basic determinants by which the company is guided in the development of its strategy,

policies, plans and activities. Continuous development and improvement of corporate culture and raising quality standards in all business segments are the standard business model of the company.

The company considers the feedback of stakeholders to be important and with their help it improves its non-financial reporting year after year, presenting information in the clearest and simplest possible way. The company seeks to improve its methodologies and provide a comprehensive insight into achievements and goals in various business segments. With its successful results, the AD Plastik Group generates added value to society, the environment and the economy, and this is one of its key premises for success. Conducting business in harmony with its environment has been the company's long-term mission, and the rise of awareness about social responsibility topics at all levels is becoming more pronounced. In the reporting period, the company continued to face the pandemic and all the consequences it brought to business,



but also to society as a whole. Through understanding and constant adaptations, AD Plastik Group has once again proven to act responsibly and conscientiously towards all its stakeholders. The automotive industry in 2021 was facing one of the biggest crisis, affecting all suppliers within the chain. But despite rather modest financial business results, the company took care of all its stakeholders.

The complete focus and quick reactions of the management, as well as the knowledge and commitment of each employee, have enabled the company to maintain and strengthen its status of a reliable and quality partner. The development of the epidemiological situation was monitored in all markets and all necessary preventive activities and protection measures were taken accordingly. The Crisis Management Committee has actively continued its work throughout the year, and the safety and preservation of health of employees continued to be the priority. At the same time, special care was taken about the sustainability of the business, given that due to the lack of

semiconductors, some car manufacturers were forced to temporarily stop their production processes. In order to mitigate potential risks, various scenarios have been developed and actions have been taken in line with the development of the situation, taking into account cost rationalization. Production processes were carried out in accordance with customer orders, and despite uncertainties and last-minute changes, all deliveries to customers were arriving on time. Events and changes in logistical flows aggravated by the pandemic, as well as those in the supply chain, were additionally monitored on a daily basis. Despite an extremely demanding and challenging year, communication with key stakeholders was regular and with no interruptions. The care for employees, customers, suppliers and shareholders has not been neglected at any time, and improvements have been continuously worked on. The results are not in line with expectations at the beginning of the year, but the company has adapted to the new circumstances, preserved financial stability and continued its socially responsible mission in all business segments.

2021 highlights

HRIO AWARD IN THE CATEGORY OF LARGE COMPANIES

AD Plastik is the winner of the HRIO award in the category of large companies awarded by the Croatian Business Council for Sustainable Development (HR BCSD) and the Croatian Chamber of Economy. The award was accepted by the President of the Management Board Marinko Došen, who said on that occasion: „Sustainable business nowadays is the responsibility of every company, regardless of business operations, size or geographic affiliation. It is our duty to live in harmony with our environment and preserve this planet for future generations. We are happy that our efforts and progress have been recognized by the professional public and although sustainable business is an integral part of our corporate culture, we are aware that we are at the very beginning. That is an ongoing process that has to be woven into all segments of business. It is the only way to succeed and survive in the modern market. Each award is a pleasure for us and a confirmation of successful work, but above all it is an



additional obligation and motivation for an even better future.” The former CSR Index has been upgraded and changed its name to the Croatian Sustainability Index - HRIO, complying with the latest European directives and standards, global ratings and Sustainable Development Goals.

NEW DEALS

In 2021, AD Plastik Group sealed new deals in a total value of EUR 151.7 million, of which EUR 71.8 million was sealed for the Russian market and EUR 79.9 million for the European market.

In Russia, the largest share of new deals was sealed with Renault-Nissan-AvtoVAZ Alliance, namely EUR 63.5 million, and the estimated duration of their projects is from five to eight years. New deals with the Volkswagen Group worth a total of EUR 8.3 million were also sealed for this

market, making this car manufacturer increasingly important in the AD Plastik Group's customer portfolio.

In the past year, all new deals in the European market were sealed with Stellantis, one of the largest automotive groups in the world in terms of the number of cars produced, that was formed by the merger of the FCA and PSA Group. The estimated project duration for different vehicle models is from seven to ten years.

THE BEST EXPORTER TO SLOVENIA

AD Plastik received the Golden Key award in the category The Best Exporter to Slovenia in 2020, and was nominated in two other categories, namely in the category The Best Exporter to Romania and in the category The Most Innovative Exporter. As part of the sixteenth Convention of Croatian Exporters, the awards ceremony was held, at which the award was received on behalf of AD Plastik by the Finance Director Josip Divić. "It is a great pleasure and honor for me to receive this award, especially because it is awarded for our results in quite difficult times. This award is the result of teamwork and that is why I thank first and foremost all the employees of our company for their dedication and contribution in these challenging circumstances. I would also like to thank our long-term partner,



the company Revoz, which recognizes our values, quality and reliability. Although we are witnessing numerous challenges in the market, we are optimistic about the years ahead."

HEALTH FRIENDLY COMPANY

AD Plastik has become a holder of the "Health Friendly Company" certificate awarded by the Ministry of Health and the Croatian Institute of Public Health within the National Programme "Healthy Living". Dinka Nakić, Head of the Department for Coordination of Activities for the Promotion and Preservation of Lifelong Health presented the certificate to the Executive Director of Human Resources and Business Organization of AD Plastik Group, Mira Pavić. "The safety and health of employees have always been the highest priority of our company, and this was especially evident during the pandemic. We focus our internal activities on promoting a healthy

business environment and adopting healthy habits as it is an added value for our employees, but also for the company as a whole. Satisfied and happy employees are our ultimate goal," said Mira Pavić. The assessment of the working environment within companies is carried out by the Croatian Institute of Public Health in seven key areas, and the label "Health Friendly Company" is held by the companies that recognize healthy values and care about improving the health of their employees. The certificate is awarded for two years, and before its renewal, the condition in the company is re-evaluated.



all
production
sites



76

Bloomberg

70.66

ESG score 2020

HRI
HRVATSKI INDEKS ODRŽIVOSTI

550

points

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01

Mission, vision, key values



ADP VISION

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

ADP MISSION

By introducing innovative solutions and constant improvements in the development and quality of products, the company contributes to the success of its customers. It achieves its goals as an ethical, responsible and attractive employer. It conducts business in harmony with the environment to the satisfaction of all its stakeholders, and shareholders recognize the company as a reliable partner in which it is preferable to invest long-term.

KEY VALUES

RELIABILITY

The relationship with all its stakeholders is founded on trust, open and honest communication. Building long-term partnerships with all stakeholders is based on mutual respect.

INNOVATIVENESS

With its ideas, creativity and technologies, it continually makes progress in order to keep up with world trends. In this way it contributes to the improvement and development of the company, thus confirming its position in the global market.

RESPECT

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

QUALITY

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

RESPONSIBILITY

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

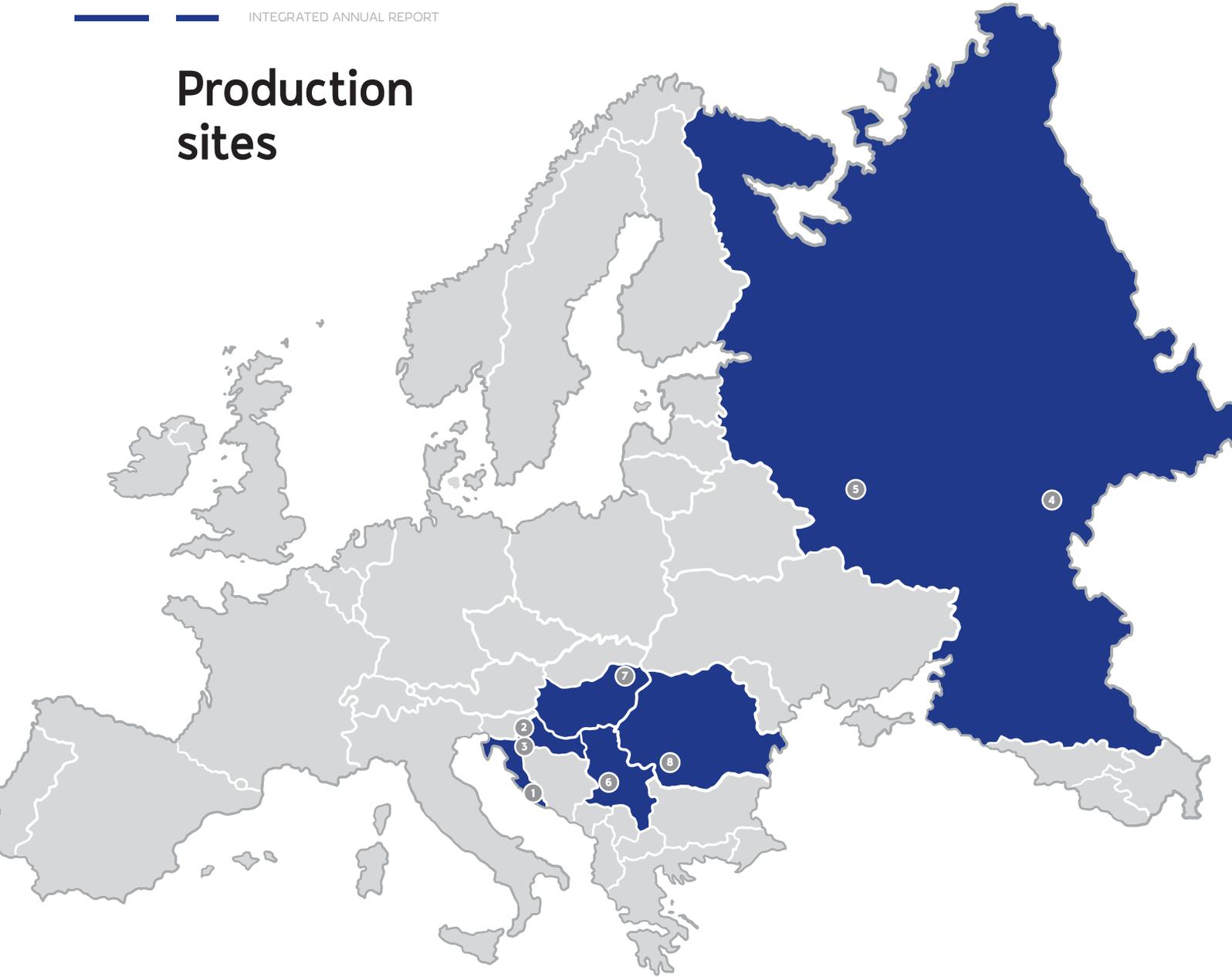
TOGETHERNESS

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

COMPANY HISTORY



Production sites

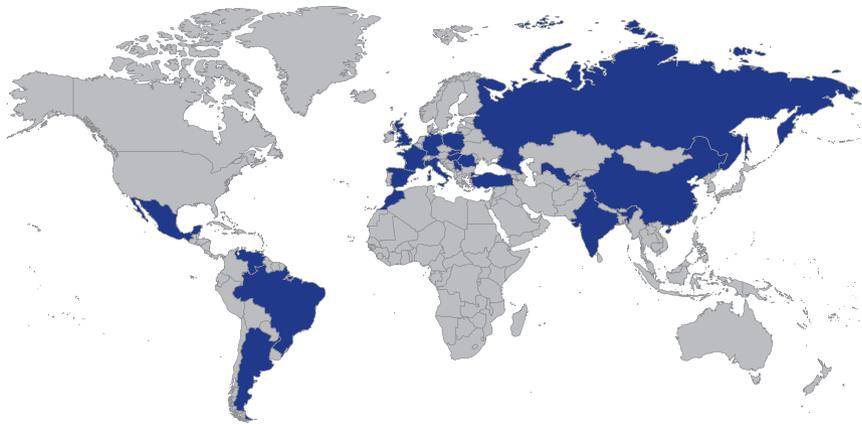


- 1 **AD Plastik d.d.** - company's headquarters
Solin, Croatia
- 2 **AD Plastik**, Zagreb I, Croatia
- 3 **AD Plastik**, Zagreb II, Croatia
- 4 **AO AD Plastik Togliatti**
Vintai, Samara, Russian Federation

- 5 **ZAO AD Plastik Kaluga**
Kaluga, Russian Federation
- 6 **ADP d.o.o.**
Mladenovac, Republic of Serbia
- 7 **AD Plastik Tisza Kft.**
Tiszaújváros, Hungary
- 8 **JV - Euro Auto Plastic Systems S.R.L.**
Mioveni, Romania

Overview of markets and customers

EUROPE		ASIA	SOUTH AMERICA	NORTH AMERICA	AFRICA
Czech Republic	Russia	China	Argentina	Mexico	Morocco
France	Serbia	India	Brazil		
Germany	Slovakia	South Korea	Venezuela		
Hungary	Slovenia	Taiwan			
Italy	Spain	Turkey			
Poland	UK	Uzbekistan			
Romania					



Technologies

In addition to key technologies - injection moulding, painting, extrusion and blow moulding, AD Plastik Group is continuously engaged in the development and improvement of its production processes.

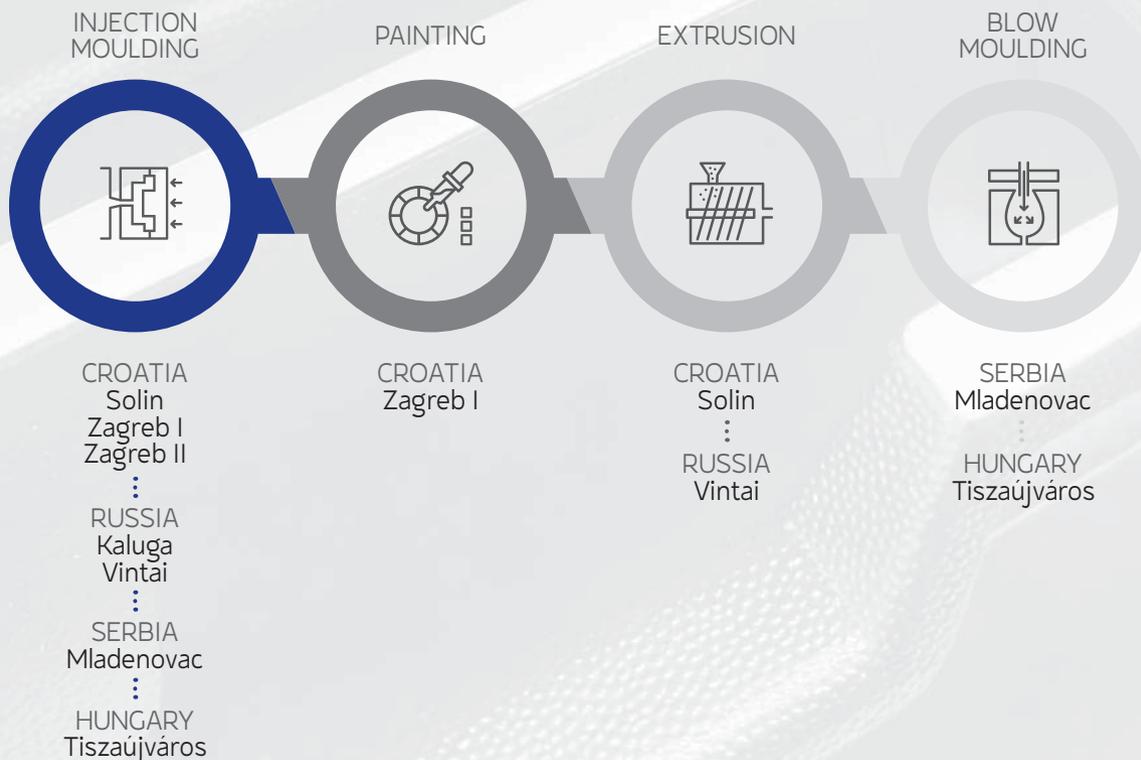
Market trends are monitored, new opportunities are explored and technological improvements are introduced. Digitization, robotics, new materials

and technologies, product safety and quality are not just trends, but basic guidelines for the survival and development of the automotive industry.

Recently, special attention has been paid to assembly processes and their improvement, because these final operations of almost all represented technologies are becoming more demanding and sophisticated.

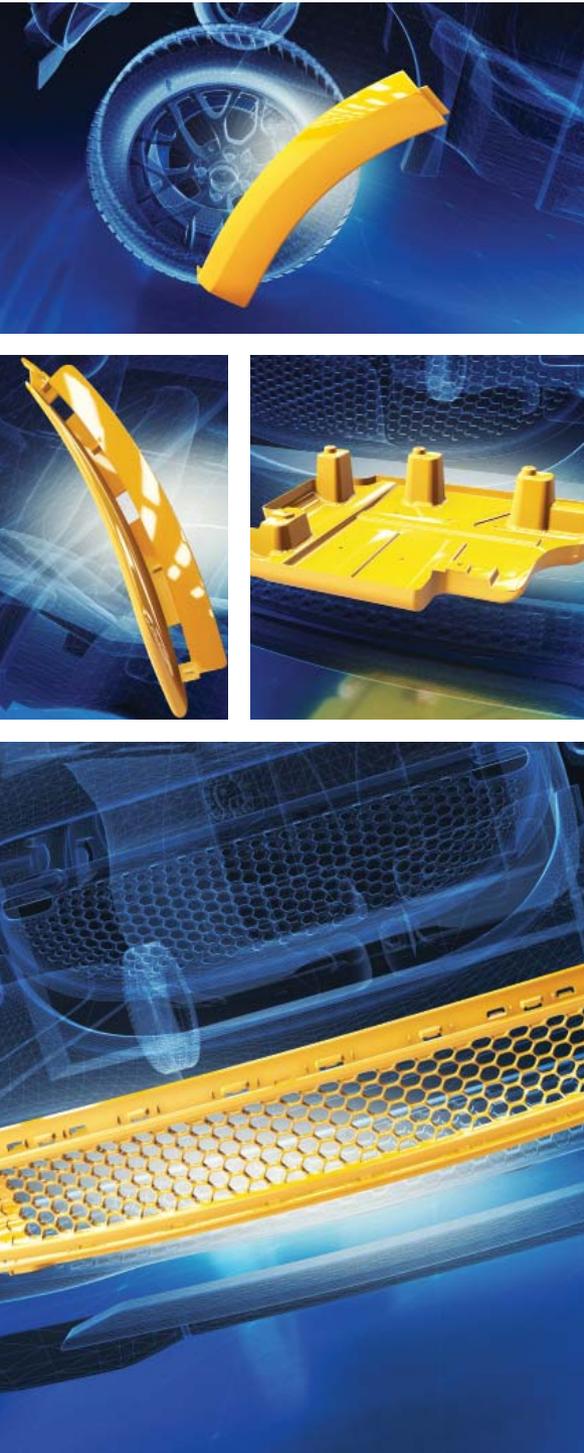
Assembly, ultrasonic and vibration welding, automatic gluing, laser finishing and automatic product control are the added value of the company's production processes.

Thermoforming is a technology in the Group's portfolio that is represented in factories in Russia and Serbia.





Key products



EXTERIOR COMPONENTS

FRONT AND REAR BUMPERS

FRONT GRILLE

AIR DUCTS

FENDER PROTECTORS,
ROCKER CLADDINGS,
MUDGUARDS

SPOILERS

LICENSE PLATE LIGHT
HOLDERS

PAINTED EXTERIOR
COMPONENTS (ENGINE
COVERS, FENDERS)

UNDERBODY COVERS AND
BATTERY COVERS

WHEEL ARCH HOUSING

DEFLECTORS, COOLING FAN
MOTOR BRACKETS

GLASS AND BODY SEALS

DOOR PANELS

CENTRAL CONSOLE

TRUNK SIDE TRIMS

INSTRUMENT PANEL AND
RELATED PARTS

GRAB HANDLES

ROOF CONSOLE

GLASS RUN CHANNELS

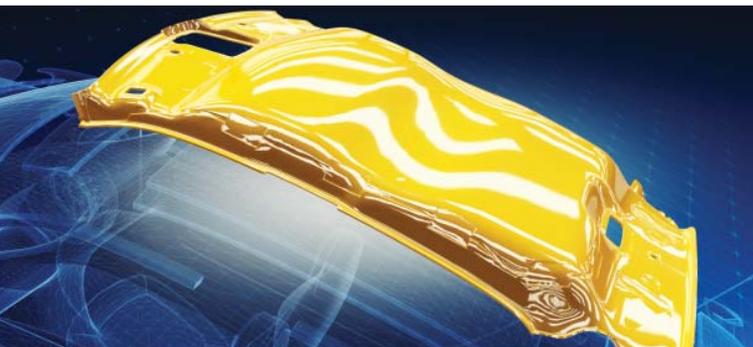
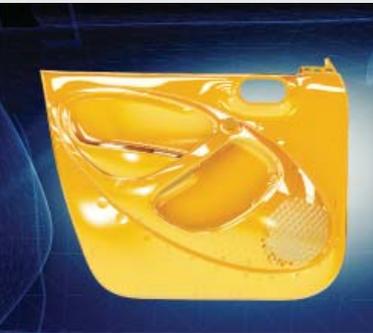
SPEAKER BRACKETS

BLOW-MOULDED AIR DUCTS

AIR EXTRACTORS

SMALL INJECTION-MOULDED
COMPONENTS

INTERIOR COMPONENTS



Corporate governance

CORPORATE MATRIX

AO AD Plastik Togliatti
Vintai, Samara,
Russian Federation

ZAO AD Plastik Kaluga
Kaluga,
Russian Federation

Euro Auto Plastic Systems S.R.L.
Mioveni,
Romania

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

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

AD Plastik Tisza Kft.
Tiszaújváros, Hungary



Governance

In accordance with the company's strategy and development plans, its mission and vision, ethics, social responsibility and sustainability are mandatory prerequisites for long-term growth and successful survival of AD Plastik Group in the global market. Aware of its responsibility and impact on society, contributing to the goals of sustainable development is an integral element of company management in all its segments.

By the decision of the Management Board, the Corporate Social Responsibility Committee of the AD Plastik Group was established in 2016, which consists of senior management of the most important business areas in terms of sustainability. The Committee is directly responsible to the President of the Management Board, who also approves the company's Integrated Annual Report, together with other members of the Management Board.

In 2021, the composition of the Committee was expanded in order to strengthen its operational work with the aim of more quality implementation of additional activities in the ESG area. This ensured a better flow of information and more efficient implementation of planned activities, as well as a greater contribution of employees to the common goals of sustainability. Through surveys, internal newsletters and informal conversations ideas and suggestions are exchanged, united into one whole, and the Committee defines and proposes objectives to the Management Board for the upcoming period. The Committee is also in charge of monitoring the regulatory framework based on which reporting is done for the first time, in accordance with the



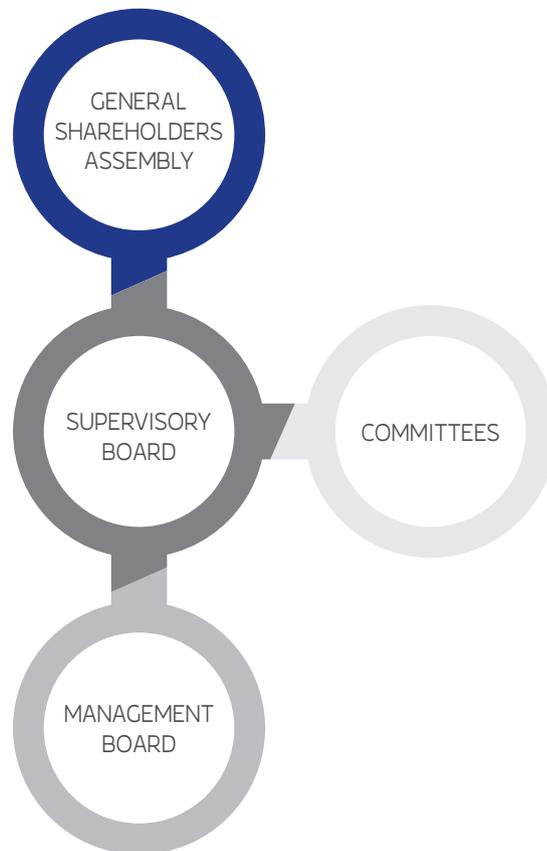
EU Taxonomy Regulation, that focuses on two environmental objectives this year.

Given the ongoing pandemic, during 2021 activities related to maintaining the health and safety of employees continued to be very intensive. Some members of the Committee are also members of the Crisis Management Committee, in charge of monitoring the pandemic situation and implementing the necessary measures within the company. This created additional synergy in the work of the Committee and the Crisis Management Committee. Due to uncertain circumstances, the timely exchange of information at that time was crucial for making the best decisions. Regarding the corporate part, compliance with the Corporate Governance Code of the Zagreb Stock Exchange was continued, as announced, which we report in more detail in the Corporate Governance Code Statement and the Compliance Questionnaire.

This year, in addition to the challenges of the health crisis itself, has consequently brought also new business challenges that have seriously affected the global business of the entire automotive industry. Nevertheless, quality management, commitment, teamwork, mutual support and collegiality are a positive advantage in conduction of business in the turbulent 2021.

Governance structure

The corporate governance structure is based on a dualist system consisting of the Management Board and the Supervisory Board, which, together with the General Assembly and the Audit Committee, make the four key functions of the company.



GENERAL ASSEMBLY

In the reporting period, two General Assembly meetings were held, extraordinary meeting on March 16, 2021 and regular one on July 15, 2021. At the extraordinary meeting, a unanimous decision was made on dividend payment from 2019 retained earnings, while at the regular meeting, where, in accordance with the Company Act and the Charter, all draft decisions were confirmed. The General Assembly was informed on the Annual report on the state of AD Plastik Group for 2020 and the report of the Supervisory Board on

the conducted supervision of business management of the Group. Decisions on appropriation of profit, dividend payment, granting clearance to the members of the Management Board and the Supervisory Board, appointment of the Auditor, approval of the Remuneration Report of Management and Supervisory Board Members for 2020, as well as decisions on remuneration of Supervisory Board members and approval of Remuneration Policy for Management Board members were adopted.

SUPERVISORY BOARD

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

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

were held in accordance with the 2021 Events Calendar. The meeting held in January was extraordinary, and the other four meetings were regular quarterly meetings. All members of the Supervisory Board participated in decision-making at the meetings, either physically or by correspondence, as provided for in the Rules of Procedure of the Supervisory Board.

In the reporting period, the Profile of the Supervisory Board was adopted, containing key guidelines on the structure and composition of this body, which with its diversity in professional knowledge, education, skills, professional and practical experience of individual members ensures adequate supervision of the company's business operations.

In this regard, the business model and strategy of AD Plastik Group, the type, scope and complexity of the business it performs as well as the markets in which it operates were taken into account.



MEMBERS OF THE SUPERVISORY BOARD

SERGEY DMITRIEVICH BODRUNOV, *President*

term of office from **July 20, 2020 to July 20, 2024**

appointed by the shareholder AO Holding Avtokomponenty

IVICA TOLIĆ, *Vice President*

term of office from **August 24, 2020 to August 24, 2024**

appointed by the General Assembly
40,881 ADPL shares

IGOR ANATOLYEVICH SOLOMATIN, *member*

term of office from **July 24, 2019 to July 24, 2023**

appointed by the General Assembly

IVKA BOGDAN, *member*

term of office from **January 31, 2019 to January 31, 2023**

appointed by the General Assembly
20,000 ADPL shares

ANDJELKA ČULO, *member*

term of office from **May 14, 2020 to May 14, 2024**

appointed by the Workers' Council

BOŽE PLAZIBAT, *member*

term of office from **January 31, 2019 to January 31, 2023**

appointed by the General Assembly

ALINA VIKTOROVNA KORETSKAYA, *member*

term of office from **July 20, 2020 to July 20, 2024**

appointed by the shareholder AO Holding Avtokomponenty

In 2021, there were no changes in the composition of the Supervisory Board.

EVALUATION REPORT OF THE SUPERVISORY BOARD

In accordance with the Company's Charter, the Supervisory Board operates in its full composition of seven members (three female members and four male members), elected or appointed in accordance with the Act, internal acts and Diversity Policy, which is assessed as the optimal number for effective performance of its duties. Members of the Supervisory Board have high moral standards, different knowledge, skills and professional and practical experience required to properly perform their tasks, while meeting also the special requirement that at least one member of the Supervisory Board is an expert in accounting and/or audit of financial statements.

Most members also have international experience, which is of particular importance given that AD Plastik Group operates in the international market. In the described way, the necessary balance was established in the composition of the Supervisory Board not only in terms of skills, experience and competencies, but also in terms of age and gender. The appropriate level of representation of women is maintained (over 40 percent in the current composition), which meets the goals and guidelines set out in the Profile of the Supervisory Board, which was adopted at the meeting held on December 16, 2021.

During 2021, the Supervisory Board and its committees regularly held its meetings with the participation of all members who function well, have a balanced composition and the necessary expertise, in line with the company's business requirements, performing their roles and responsibilities in an appropriate and efficient manner.

Consequently, the Supervisory Board assesses that all its individual members and members of its committees are competent to perform tasks

that fall within the competence of the Supervisory Board and its committees according to the law, and that each member in 2021 significantly contributed to their work.

The Supervisory Board also assesses that the joint work and cooperation of all members of the Supervisory Board and its committees in 2021 was satisfactory and that the performance of the Supervisory Board and its committees was overall successful. The Executive Director of Legal Affairs, who also performs duties of the company's secretary, provided adequate support in an efficient and timely manner in the preparation of the meetings of the Supervisory Board and its committees. The Supervisory Board supports the company's commitment to pay significant attention to the aspect of diversity and, in addition to the much-needed expertise and experience of candidates, will take into account also the said aspect in future proposals for election and appointment to the Supervisory Board.

The Management Board and the Supervisory Board work closely together for the benefit of the company. During 2021, the Management Board regularly submitted to the Supervisory Board reports prescribed by law and kept it informed of all important business events, business flow, revenue and expenses, all deviations of business events from the original plans and the general state of the company's affairs. Consequently, the Supervisory Board assesses that its relationship with the Management Board in 2021 was correct.

This Evaluation report of the Supervisory Board and its committees was discussed and approved at the meeting of the Supervisory Board held on March 10, 2022, and no external evaluators were engaged in the evaluation process.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board committees are its advisory and subsidiary bodies. They prepare and make recommendations to the Supervisory Board, thus enabling it to deal with complex issues more efficiently and effectively.

AUDIT COMMITTEE is responsible for monitoring financial reporting accounting policy accuracy and consistency, making recommendations regarding external auditor's engagement, reviewing the effectiveness of the external auditor, and indirectly the acting of the Management Board and the Supervisory Board according to its recommendations.

President:
Ivica Tolić

Members:
Bože Plazibat
Alina Viktorovna Koreckaja
Igor Anatoljevič Solomatin

In 2021, three Audit Committee meetings were held, namely on May 27, Sept 2 and Dec 6. All Audit Committee members attended decision-making at all meetings, physically or by correspondence.

The reports on the implementation of the Annual Internal Audit Plan for 2020, the implementation of the Non-Audit Services Policy for 2020, the conducted supervision of the statutory audit of the consolidated and non-consolidated annual financial statements for 2020, draft decision on appropriation of profit and dividend payment, appointment of auditors for 2021 and adoption of Annual Internal Audit Plan were discussed and decided upon at the meetings and on that basis it issued recommendations to the Supervisory Board for their adoption.

In 2021, the Audit Committee appointed a new Director of Internal Audit, and Ivica Tolić was re-elected Committee President.

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





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

President: Ana Luketin
Members: Igor Anatoljevič Solomatin
Ivica Tolić

In 2021, four meetings were held and all Committee members attended decision-making, physically or by correspondence. Decisions were made on the draft decision on awarding the members of the Management Board on the basis of successful work in 2019, the draft decision on rewarding Management Board President and a member for successful work in 2020, draft Remuneration Report of Management and Supervisory Board Members for 2020, Remuneration Policy for Management Board members, annexes to managerial contracts with Management Board President and members and a draft decision on amendments to the Rules of Procedure of the Remuneration Committee. Ana Luketin was re-elected Remuneration Committee President.

APPOINTMENT COMMITTEE nominates candidates to the Management and Supervisory Boards and assesses the quality of said Boards' work. When nominating members, the Committee meets the objectives set out in the Diversity Policy regarding the election of these bodies' members.

President: Ivica Tolić
Members: Nenad Škomrlj
Igor Anatoljevič Solomatin

Three meetings were held in 2021 and all committee members attended the decision-making process, physically or by correspondence. The candidates' nomination to the Supervisory Board committees was decided upon, and Ivica Tolić was re-elected Committee President.

STATEMENT ON THE REMUNERATION POLICY FOR SUPERVISORY BOARD MEMBERS

The General Assembly adopted a new Decision on the remuneration of Supervisory Board members in 2021.

The decision is based on the principle of ensuring quality and professional members, in order to achieve the company's mission and long-term strategy, and for the benefit of all its stakeholders. It ensures the transparency of the Supervisory Board members' remuneration, and during its adoption various external and internal elements, economic conditions, employee remuneration and best practices were considered.

Supervisory Board Members are entitled to remuneration for participation in its work and Supervisory Board committees, and to ensure independence and avoid conflicts of interest, their remuneration does not depend on the company's results, but is determined in a fixed amount.

It depends on the function of each member in the Supervisory Board. Remuneration is paid quarterly, and members who are also committees' members are paid additional remuneration for work in the committee after their meetings are held. The decision was published on the company's website and contains all the information in more detail.



MANAGEMENT BOARD

The Management Board is the leading body of the company that conducts its entire business on its own responsibility. It is responsible for quality business risk management, and at its regular meetings it checks the economic, environmental and social impacts of the company. The Management Board is responsible for representing the company, preparing financial statements and submitting them to the Supervisory Board for approval, along with the decisions on the appropriation of profit, regular submission of business reports to the Supervisory Board and General Assembly, preparation and convening a regular annual meeting of the General Assembly and for defining corporate functions and their tasks.

The Supervisory Board estimates and evaluates the performance of the Management Board based on KPI, building and maintaining a positive company's image in all relevant publics. The Management Board made a self-assessment of its work as a whole and of each individual member for 2021. In accordance with the Charter of the company, the Management Board may be comprised of 3 to 8 members and currently it has 3 members. In 2021, Višnja Bijelić, a Management Board member, resigned for personal reasons.

Term of office of the Management Board's members lasts up to 5 years with the possibility of re-election without limiting the number of terms. Each member represents the company independently and individually and they are elected in accordance with their expertise and the necessary experience. Beside the basic expertise criteria, the company implements the Succession Plan in accordance with the Diversity Policy of the Management and Supervisory Boards members, published on the company's website.

The Supervisory Board has set a target share of female Management Board members of at least 25 percent, that shall be achieved within 5 years. Progress according to the realization plan will be reported annually. During selection, candidates who have experience and knowledge in the industry, aware of the company's size and the tasks set by the mission and vision, are preferred. The selection of candidates for the highest management bodies is guided by the profile guidelines pursued by the Management and Supervisory Boards, and personal qualities, expertise and integrity are extremely important. The Management Board adopted the new Rules of Procedure in 2021, which were also approved by the Supervisory Board.



MARINKO DOŠEN

President of the Management Board

President of the Management Board since February 6, 2015

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

21,009 ADPL shares

Born in Rijeka, where he graduated from the Faculty of Engineering and obtained the title of mag. ing. mech. He completed an MBA at the Zagreb School of Business, orientation Petroleum and during career, he has attended additional seminars and professional courses in the country and abroad. He began his career at the Croatian petrochemical industry as an intern, and from 1997 to 2004 he performed multiple managerial and executive functions, including the Management Board President of DINA. As the Director of the investment company Coca-Cola Bottling Energy, he managed the construction of several energy projects in Hungary. He was the CEO and Management Board Member of Trast, one of the leading logistics companies in Croatia, after which as the Management Board President he managed the project for the operative restructuring of Mirna, Rovinj. He joined the Group in 2012 as a CEO of AD Plastik Togliatti in Russia and he was appointed Management Board President in 2015. He is specialized in change management and crisis management.



MLADEN PEROŠ

Member of the Management Board for Sales and Projects

Member of the Management Board since November 9, 2011

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

23,203 ADPL shares

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



IVAN ČUPIĆ

Member of the Management Board
for Production, Logistics and Quality

Member of the Management Board
since July 21, 2020

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

515 ADPL shares

He graduated from the Faculty of Chemical Engineering and Technology in Zagreb, and over the years he has attended a series of educations related to the business management system. He gained his first work experience after his studies exactly at AD Plastik as a Production Technologist, and two years later he became a Head of Quality at the Zagreb production site. For thirteen years, he had worked as a Lead Auditor of business management systems at Lloyd's Register EMEA and he had been a Lead Assessor for quality, environment, energy, occupational safety and health as well as information security management systems in more than 200 companies. He was actively involved in the introduction and verification of the EU ETS system for greenhouse gas emissions trading in Croatia. Ivan is an authorized internationally registered lecturer for business management, business risks management, energy and quality management systems. From the beginning of 2020, he has been contributing to the development of production, logistics and quality of AD Plastik Group with his knowledge, experience and skills, and seven months later he became a Member of the Management Board.



Members of the Management Board may not be on the Supervisory Boards or the Management Boards of other companies, which operate in the same line of work as the Company, without the consent of the Supervisory Board. They also must not make decisions based on personal interests or the interests of persons related to them, and they must not participate in decisions in relation to which they have a conflict of interest. In the event of the existence or potential existence of a conflict of interest related to decision-making in a particular case, the members of the Management Board are obliged to inform other members of the Management Board and the President of the Supervisory Board about that. In the said notice, the member of the Management Board must state all relevant facts about the nature of his/her relationship with the other contracting party and his/her assessment of the existence of a conflict of interest. In order to avoid conflicts of interest, managerial contracts contain provisions on the prohibition of competition during and after the termination of employment in the company, as well as the obligation to keep trade secrets.

STATEMENT ON THE REMUNERATION POLICY FOR MEMBERS OF THE MANAGEMENT BOARD



The company has adopted a new Remuneration Policy for Management Board members in 2021. Based on the proposal of the Remuneration Committee, all members of the Supervisory Board participated in its adoption. The Supervisory Board submitted the said policy to the General Assembly for approval, which approved it and it was made public. This policy has established a system of remuneration of Management Board members, by setting transparent rules and procedures for determining the remuneration, which harmonizes the interests of Management Board members with long-term interests of the company and the successful and ethical implementation of business strategy and its development. The policy has established an appropriate balance between the variable and fixed remuneration of the Management Board members required to promote transparent and efficient management. Accordingly, the managerial contracts define the rights and obligations on the basis of performing the function of a Management Board member, as follows:

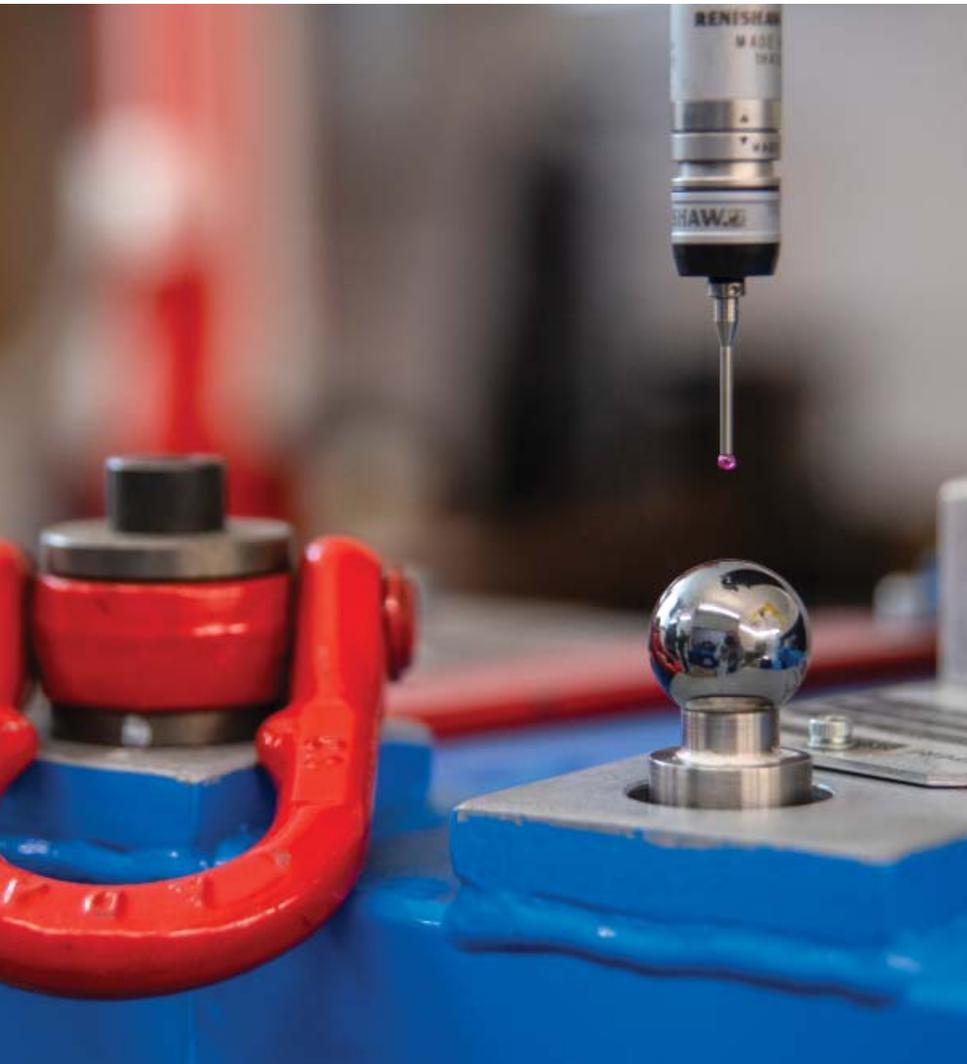
- monthly salary
- the annual bonus (award) can be paid in accordance with the achieved result in the business year, depending on the degree of achievement of certain key business indicators determined by individual managerial contracts. Decision on bonus payment is made by the Supervisory Board, having in mind the degree and scope of achieving the objectives. The bonus is paid in company shares or cash.
- life insurance policy
- right to use a company car 24 hours a day
- severance payment in the event of the termination of term of office, unless the member was repealed prior to the expiry of term of office due to his/her fault or resigned himself/herself

Pursuant to the law, data on remuneration of members of the Management Board and the Supervisory Board are published as part of the Remuneration Report previously approved by the General Assembly.

CORPORATE FUNCTIONS

Each corporate function has a clearly defined management level that directly reports to the highest management body. Improving the collective knowledge on all relevant topics related to the company's business operations and its sustainable development is an integral part of regular business. Management conducts regular consultations with individual stakeholders and is obliged to report

regularly to the Management Board about that. In case of need or upon request of individual stakeholders, consultations with the Management Board are organized occasionally.



PRODUCTION
 SALES
 RESEARCH & DEVELOPMENT
 PURCHASING
 FINANCE
 HUMAN RESOURCES
 LOGISTICS
 QUALITY SYSTEM
 OCCUPATIONAL SAFETY
 AND GENERAL AFFAIRS
 IT
 SAFETY
 INTERNAL AUDIT
 CONTROLLING
 ACCOUNTING
 LEGAL AFFAIRS
 BUSINESS ORGANIZATION

Corporate functions

MANAGEMENT OF SUBSIDIARIES

AO AD Plastik Togliatti, Russian Federation

ALEXANDR VLADIMIROVICH LEBED
Managing Director

SUPERVISORY BOARD

Matko Serdarević - president
Denis Miletić
Branko Durdov
Leo Bočkaj
Josip Divić

ZAO AD Plastik Kaluga, Russian Federation

NINO KAČANSKI
Managing Director

SUPERVISORY BOARD

Denis Miletić - president
Branko Durdov
Matko Serdarević
Leo Bočkaj
Krešimir Jurun

AD Plastik Tisza kft., Republic of Hungary

TAMÁS GYÓR
Managing Director

SUPERVISORY BOARD

Zlatko Bogadi - president
Danijel Kovač
Josip Divić

ADP d.o.o. Republic of Serbia

ANDRIJA KALAJŽIĆ
Managing Director

SUPERVISORY BOARD

Mladen Peroš - president
Denis Miletić
Ana Luketin

OTHER REPRESENTATIVES

Katia Zelić
Josip Divić

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

MLADEN SOPČIĆ
Managing Director

MANAGEMENT

LEO BOČKAJ
Assistant to the Management
Board in charge of Research
and Development



MATKO SERDAREVIC
Assistant to the Management
Board in charge of Purchasing,
IT, Occupational Safety and
General Affairs



BRANKO DURDOV
Production Operations Advisor



KATIJA KLEPO
Business Development Advisor



IVANA FILIPOVIĆ
Executive Director of Quality



ANA LUKETIN
Executive Director of
Legal Affairs



MIRA PAVIĆ
Executive Director of Human
Resources and Corporate
Architecture



EDO BACCI
Technical Director of the
Production site Solin



MARIO BARUNICA
Manufacturing Director of
the Production site Zagreb



STIPAN BODROŽIĆ
Products Development
Director



ZLATKO BOGADI
Director of the Production
site Zagreb



MARKO CAMBJ
Director of Projects



TOMISLAV ČEPIĆ
Manufacturing Director of
the Production site Zagreb



<p>JOSIP DIVIĆ Finance Director</p>		<p>TONČI DUJEČ Quality Director</p>		<p>MATE GOJSALIĆ Process Development Director</p>	
<p>TAMÁS GYŐR Managing Director of AD Plastik Tisza</p>		<p>MIRANDA JERKOVIĆ Director of Internal Audit</p>		<p>KREŠIMIR JURUN Director of Controlling and Accounting</p>	
<p>NINO KAČANSKI Managing Director of AD Plastik Kaluga</p>		<p>ANDRIJA KALAJŽIĆ Managing Director of ADP, Mladinovac</p>		<p>JADRANKA KONTA Director of Occupational Safety and General Affairs</p>	
<p>ALEXANDR VLADIMIROVICH LEBED Managing Director of AD Plastik Togliatti</p>		<p>IGOR LONČAR Technical Director of the Production site Zagreb</p>		<p>DENIS MILETIĆ Director of Logistics</p>	
<p>ANTICA PERKOVIĆ Director of Strategic Purchasing of Materials</p>		<p>JOSIP SUZAN Tools Development Director</p>		<p>LIDIJA ŠKARICA Director of Strategic Purchasing of Investments and Services</p>	
<p>TONI ŠTAMBUK Sales Director for EU and other markets</p>		<p>MARIJANA TOPIC-DOMIĆ Sales Technical Support Director</p>		<p>JOSIP VULIĆ Director of the Production site Solin</p>	

CORPORATE GOVERNANCE CODE STATEMENT

1 In the reporting period, the company applied the Corporate Governance Code (hereinafter: the Code) published on the official website of the Zagreb Stock Exchange (www.zse.hr).

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

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

Internal Audit Service is an independent function that provides support to management in meeting the company's objectives through a systematic and professionally based approach to supervision and assessing the effectiveness of risk management, control and corporate governance.

The conclusions and recommendations of Internal Audit Service are aimed at enabling management to improve the processes, proactively respond to risks or reduce them to an acceptable level.

4 Ten significant indirect and direct shareholders are listed on page 62 of this report. The company has no holders of securities with special control rights, nor holders of securities with limitations on voting rights of a certain percentage or number of votes. The company has no specific rules on appointment and revocation of appointment of Management Board members, nor specific rules on authority of Management Board members. The Company Charter prescribes that two

members of the Supervisory Board are appointed by the shareholder, Joint Stock Company Holding Avtokomponenty from St. Petersburg, Russia.

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

On December 31, 2021, the company owned 50,353 own shares.

5 Shareholders exercise their rights via General Assembly which is competent for making decisions on the following issues: electing and removal from office of Supervisory Board members, appropriation of profit, granting clearance to Management Board members, appointing auditors, amending the Charter, increasing or reducing share capital and on other issues under its responsibility as regulated by the law. Activities of the General Assembly are regulated by the Companies Act and the Rules of Procedure of the General Assembly

published on the company's website (www.adplastik.hr).

6 Data on members of the Management Board and Supervisory Board is listed on pages 32, 37 and 38 of this report. In accordance with the Companies Act and the Company Charter, the Management Board makes decisions at the meetings of the Management Board.

In 2021, 51 meetings of the Management Board were held, which is in line with good corporate practices. In accordance with the Act and the Rules of Procedure of the Supervisory Board, the company has three committees whose activities assist the work of the Supervisory Board by preparing decisions that shall later be taken by the Supervisory Board, and supervising their implementation. The Committees are as follows: Audit Committee, Remuneration Committee and the Appointment Committee.

7 The diversity policy of AD Plastik Group applied on the company management bodies is

aimed to establish necessary standards ensuring the diversity of the Management and Supervisory Boards members. Accordingly, their structure should be reflected in skills and experience, professional competencies, but also in aspects of age, gender, education and other diversities that contribute to different views, higher-quality and better decision-making.

The average age of the members of the Supervisory Board is 50 years, and their age range is diverse and ranges from 32 to 70. Their composition is also diverse by gender, so the Supervisory Board consists of three female members and four male members. In the reporting period the Management Board of the company consists of the President of the Management Board and two members. Balance has been established according to the criteria of skills, experience and competencies, as can be seen from the CV of the members of the Management Board. reporting period the Management Board of the company consists

of the President of the Management Board and two members. Balance has been established according to the criteria of skills, experience and competencies, as can be seen from the CV of the members of the Management Board.

Marinko Došen

president of the Management Board



Mladen Peroš

member of the Management Board



Ivan Čupić

member of the Management Board



Research and development



Vehicle weight reduction, greater comfort and safety of the vehicles, adaptability, sustainability and efficiency are undeniable goals of the automotive industry. It is a matter of survival within the industry, and AD Plastik Group contributes to these goals namely by constant research of materials and development of technologies. Partnerships with customers and suppliers have significantly contributed to the smooth running of development activities over the past period. Despite the delays in production, development activities are in their full swing and in 2021 numerous development projects were realized in AD Plastik Group. Research activities are focused on the strategic goals of improving processes, products and materials, which are constantly being worked on. Digitization, the rapid development and representation of new technologies, as well as the personalization of vehicles are challenges that the automotive industry has been facing for some time. The pandemic has further

accelerated transformations within the industry to keep pace with market demands. This includes also the entry of new players on the scene - IT companies that are changing the automotive industry. By reducing the vehicle weight, in addition to increased quality and safety, greenhouse gas emissions are being reduced, which is what the whole world is striving for. Due to their properties, polymeric materials are the basis for the production of most components of the vehicle interior and exterior. Therefore, the AD Plastik Group has a bright future ahead of it, and existing knowledge and competencies as well as persistent teamwork will play a key role in sealing new deals. According to the needs of the markets and customers, the business and focus on the selection and development of materials and technologies that meet high quality standards within the industry and strict criteria for sustainable development and environmental protection are being redefined.

SUSTAINABILITY IN DEVELOPMENT

In the past year, AD Plastik Group sealed deals on several very important development projects, thus strengthening its position as a development partner and first-tier supplier. Deals on these projects have been sealed for some of the strategically important products, such as front and rear bumpers, spoilers, external protective and decorative trims, and antenna mounting brackets.

The choice of materials is the most important segment of product development, so in addition to the strict mechanical and appearance characteristics, it is necessary to meet also the increasingly demanding sustainability conditions. Through close cooperation with development centers and laboratories of the world's leading manufacturers of materials and the selection of recycled materials whenever possible, AD Plastik Group actively participates in creating a sustainable economy. In addition to recycled materials produced in industrial production, materials obtained from the fibers of used PET packaging are also partially used.

During the reporting period, AD Plastik Group sealed a deal for the first time on the development of the front and rear bumper modules for one of the key customers in the European market. This is a very demanding project in terms of development, the final form of which is confirmed after a series of complex digital simulations. Its specificity is in the fact that for the first time the materials, which will be installed in the body of the bumper, in addition to containing a certain percentage of recycled components, also have a special visual aspect. In cooperation with material manufacturers, a new polypropylene material was developed for the needs of this

project. The customer is thus provided with the conditions for proto-production and laboratory testing at the company's production sites.

With its engineering and production solutions, AD Plastik Group has successfully met customer requirements in the production of its first spoiler. Hence the continuation of development and production of this component for other customers is a logical sequence.

In 2021, the deal on development and production of spoiler for a new vehicle was sealed, and the development phase was successfully completed during the year. By knowing the mechanical requirements and joining technologies, such as vibration and US welding and 2K gluing, the company has proven that it can completely independently offer complete conceptual and production solutions for complex assemblies.

Deals on new projects for the development of decorative door trims, fenders and antenna assemblies have been sealed, so in order to strengthen competencies, cooperation with leading manufacturers of materials has been established. Thus, better solutions were offered to the customer already in the initial phase, following the trends of reducing vehicle weight and recycling materials.

The vehicle weight reduction is reflected directly on each of its components. Thanks to a different design, application of environmentally friendly materials and reduction of product weight, new deals have been sealed also for the development and production of static seals in the Russian market.

Production and sales

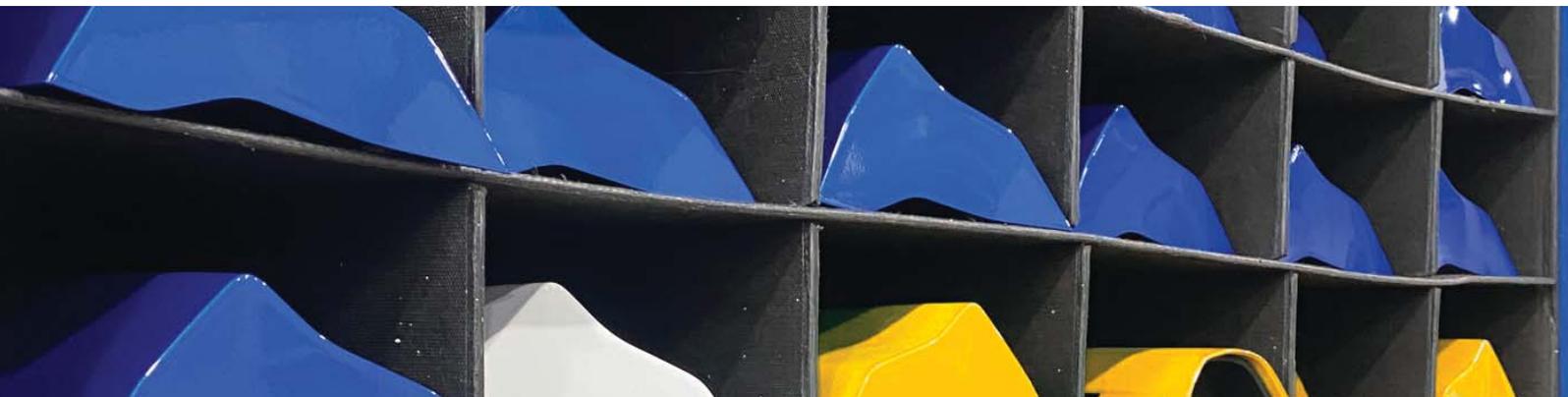
In the past year the automotive industry faced one of the greatest crises in its history. Due to the lack of semiconductors in the global market, the automotive industry has faced significant challenges. New vehicle models are using more and more semiconductor circuits, and during the pandemic, the demand for various electronic devices increased significantly, disrupting steady flows and orders. The semiconductor crisis has reduced production volumes, and some car manufacturers have been forced to temporarily stop their production processes as well. These circumstances significantly complicated business, but AD Plastik Group nevertheless

maintained its market position, reputation and trust of its customers. It has been following the operational plans of its customers and adapting to the changes, while deliveries were not jeopardized at any time. Sales and project activities were carried out without major delays, so in 2021, deals worth more than EUR 150 million were sealed. The company produces components for seven vehicles among the ten best-selling in Europe and for seventeen vehicles from the list of twenty-five best-selling in the Russian market. New deals and intensive development activities confirm that the automotive industry is preparing for the end of the crisis.

MAIN PROJECTS

The past year has been extremely demanding for the entire automotive industry, and especially for project management in such an uncertain period. Despite various limitations, the project teams of the AD Plastik Group have continued to successfully communicate and cooperate with customers, toolmakers and industrialization sites, helping each other in everyday project tasks and challenges. During 2021, a total of 67 projects were active, of which 380 tools, 134 devices, 47 Poka Yoke and 299 control gauges

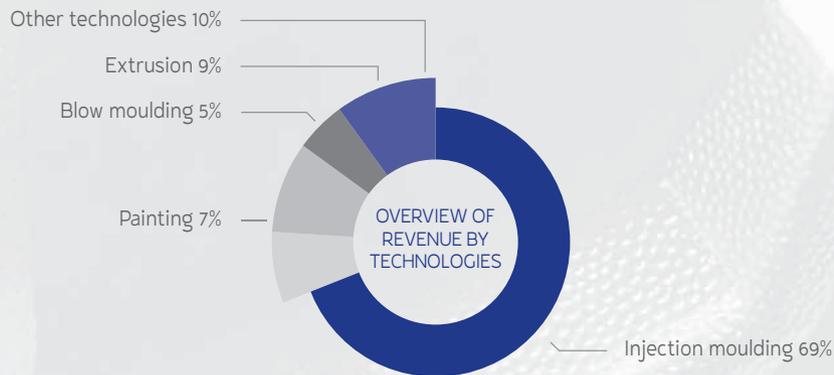
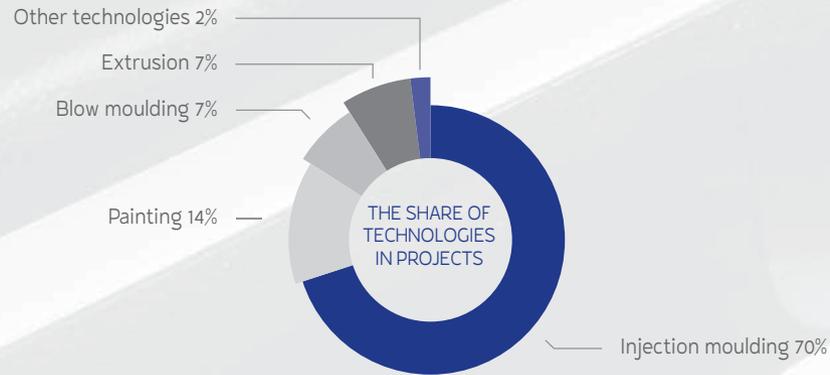
that were developed, monitored, transferred to production sites and successfully released into stable serial production. 26 products and process development projects were successfully closed at all AD Plastik Group production sites, primarily thanks to the exceptionally good cooperation of project teams with production sites industrialization teams. Time schedules of active projects were not extended during the year, on the contrary, regarding some of them activities were intensified so that new vehicle models are ready



immediately after the crisis. In the past period, risk management has been one of the most important components of project management, and most of the risks have been successfully identified and analyzed, and timely undertaken activities have reduced their impact on business.

During 2021, 19 new projects were opened for various production sites of the Group, which confirms the company's stability as a development and production supplier of the automotive industry. Among them, four new projects stand out:

- Bumpers and components for Russian vehicle - project in which AD Plastik Group is a development supplier of products and processes
- Vehicle grilles for a new customer in the Russian market
- Spoiler for a new vehicle model - AD Plastik Group is a development supplier of demanding painted products with additional assembly
- Door trims and side trims for a new vehicle model



EUROPEAN UNION AND SERBIA

A total of 9.7 million new vehicles were registered in the European Union in 2021, representing a 2.4 percent decline in new car sales compared to the year before. Looking at four key markets in the European Union, only the German market recorded a decline, namely by 10.1 percent. As it is the largest European market, this decline affected the overall sales result in the EU. In contrast, Italy recorded the largest increase of 5.5 percent, followed by Spain with a growth of one percent and France with a modest growth

of 0.5 percent. The Volkswagen Group still has the largest market share of 25.1 percent in the reporting period and recorded a decline in sales of 4.8 percent. Stellantis with a share of 21.9 percent recorded a decline of 2.1 percent, while the Renault Group recorded a 10.2 percent decline in sales and has a 10.6 percent market share. According to ACEA forecasts, if stabilization in the supply of semiconductors is achieved, the number of newly registered cars is expected to increase by 7.9 percent in 2022.

THE CUSTOMER LIST 2021 - CURRENTLY IN PRODUCTION



Technologies: injection moulding, assembly



Technologies: injection moulding, painting, blow moulding, extrusion



Technologies: injection moulding



Technologies: injection moulding, blow moulding, painting



Technologies: injection moulding, painting



Technologies: injection moulding, extrusion, assembly



Technologies: injection moulding, UV welding



Technologies: injection moulding (+hot stamping), painting, thermoforming



Euro APS, JV Romania
Technologies: injection moulding, thermoforming



RUSSIA

Vehicle sales in this market increased by 4.3 percent compared to 2020, so that a total of 1.7 million new vehicles were registered. Almost half of the vehicles sold in Russia are SUVs, while the share of electric vehicles is still negligible, so only 1,001 electric vehicles were registered last year.

The decline in sales in the second half of the year reflected the expected negative effect of the lack of semiconductors, but despite this, AEB AMC forecasts for 2022 were positive. The new geopolitical circumstances will certainly affect these forecasts, and at the time of writing this report it is not possible to predict to what extent.

The most important customer of the AD Plastik Group, Renault-Nissan-Mitsubishi Alliance, still has a leading position in the market with a share of 33.8 percent, and in the reporting period recorded a decline in sales of 3.2 percent. The Volkswagen Group has an increasingly significant share in the company's customer portfolio in Russia. Its market share is 11.9 percent, and in 2021 it recorded a 8.2 percent decline.

THE CUSTOMER LIST 2021 - CURRENTLY IN PRODUCTION



Technologies: injection moulding, thermoforming, extrusion, blow moulding



Technologies: injection moulding



Technologies: injection moulding



Technologies: injection moulding



Technologies: injection moulding



Technologies: injection moulding, thermoforming, extrusion



Technologies: injection moulding



Technologies: injection moulding, gas injection moulding, thermoforming

Quality

AD Plastik Group meets the high quality standards of the automotive industry, permanently respecting and meeting all legal regulations and other requirements, with the primary goal of meeting the expectations of its customers and their lasting satisfaction. By monitoring new technologies, materials and trends, their application and continuous investment in research and development, a high level of

product quality is achieved. By continuously raising awareness and educating employees about the importance of quality, through an integrated and comprehensive approach, a high level of responsibility of the entire organization at all levels has been established. Despite difficult business conditions, customer satisfaction was maintained at a high level during the reporting period.

CUSTOMER HEALTH AND SAFETY

The health and safety of end customers are top priorities already at the product design stage and during all production processes. Identifying and minimizing all potential risks of the product, including risks arising from harmful materials or potentially risky functional features, ensures the safety of the product and its end users.

A systematic approach and continuous education of employees and suppliers ensure quality and safe products throughout their entire life cycle. All products of the AD Plastik Group

are assessed for their impact on health, environment and safety from the stage of product development. Serially implemented process of radar beam permeability control through the product ensures complete control and correctness of each delivered product.

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

LABELLING OF PRODUCTS AND SERVICES

Traceability of input and auxiliary materials, semi-finished products and finished products is ensured at all stages of the product life cycle. Proper labeling, in accordance with the requirements of the automotive industry, allows to

track the origin of materials, production history and specifications of the finished product all the way to the end user. In order to be as efficient as possible, the traceability system is continuously improved by implementing new digital systems.

CERTIFICATES

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

In the reporting period recertification and supervision audits were successfully conducted at all production sites of the AD Plastik Group.

Glossary:

IATF 16949 - Automotive Quality Management System

ISO 14001 - Environmental Management System

ISO 45001 - Occupational Health and Safety Management System

ISO 50001 - Energy Management System

ISO 27001 - Information Security Management System

TISAX® - Information security system for the automotive industry

	IATF 16949 valid until:	ISO 14001 valid until:	ISO 45001 valid until:	ISO 50001 valid until:	ISO 27001 valid until:	TISAX®
SOLIN CROATIA	June 6, 2024	July 1, 2022	September 21, 2023	November 27, 2022	January 3, 2022	November 25, 2024
ZAGREB CROATIA	June 15, 2024	July 1, 2022	September 21, 2023	November 27, 2022	January 3, 2022	November 25, 2024
VINTAI RUSSIA	July 9, 2024	October 18, 2023				
KALUGA RUSSIA	April 6, 2024	July 4, 2022	October 15, 2023			November 25, 2024
TISZAUJVAROS HUNGARY	March 11, 2024	August 31, 2023				
MLADENOVAC SERBIA	August 19, 2024	June 15, 2024	April 1, 2022	February 14, 2023	January 3, 2022	



Supplier chain

Supplier management is one of the most important business processes in the automotive industry. AD Plastik Group has a robust management system for this group of its stakeholders, based on publicly available reference documents and internally prescribed procedures and instructions for continuous monitoring of their performance. Suppliers are familiar with the selection criteria through the company's core documents, all according to the standards and specific requirements of customers in the automotive industry. Sustainable Supplier Management Policy, General Terms and Conditions of Purchase, Supplier Quality Manual and Compliance Questionnaire on Corporate Social Responsibility Guidelines are published on the company's website.

The company cooperates with suppliers of basic and auxiliary materials, packaging, tools, equipment and services. As materials, services, components, tools, equipment are very diverse, the supplier base is very wide. Basic and auxiliary materials are procured from world-renowned suppliers with the consent of customers, while respecting high standards of

quality and sustainability. In line with the company's clear focus, suppliers are encouraged to make greater use of recycled materials, create preconditions for internal recycling and recovery of materials within set quality requirements.

Despite a very strict system and regular implementation of supplier supervision, the market crisis has highlighted weaknesses in the supply chain and the frequent need for risk and opportunities analysis. In the past period, the analyses required the rapid finding of replacement materials and solutions as well as their validation, while taking care of product quality, timely delivery and price competitiveness.

The pandemic, disruptions in the materials and raw materials market, transport flows, disruptions to regular routes, unplanned extensions of contract deadlines and a lack of

electronic components have threatened deliveries throughout the past year. Prices on the materials and raw materials market are a special challenge, their movements are breaking historical records, and existing protection mechanisms require rapid adjustments and changes.

All suppliers, whose products or services affect the quality of the company's products, are subject to strict supervision processes according to the demanding standards of the automotive industry, and once a year, supervision is carried out according to sustainability criteria.

Despite the stated challenges in the supply chain, AD Plastik Group has not given up in strengthening sustainability, so in 2021 regular audits of the supplier processes and verification of compliance with sustainability guidelines were conducted via an online questionnaire.

	AD PLASTIK	AD PLASTIK TOGLIATTI	AD PLASTIK KALUGA	AD PLASTIK TISZA	ADP, MLADENOVAC	TOTAL
Total suppliers	1,066	472	372	485	375	2,770
Assessed suppliers	274	76	45	90	31	516
Assessed suppliers in %	26%	16%	12%	19%	8%	19%
Geographical location	EU, HR, TR	EU, RU, TR, CH	EU, RU	EU	EU, HR, SRB	EU, RU, HR, SRB, TR, CH

Information technologies and security



Support for remote modes of operation has been continued and intensified over the past year, which has brought with it certain challenges in organizing operational activities, capacity planning and providing an appropriate level of security. The company's employees were provided with all the necessary preconditions for uninterrupted work, provided with sufficient capacity for data exchange and all protective and security mechanisms, otherwise present at their workplaces. Although the area of the company's business operations in Croatia has not experienced the consequences of the earthquake, the need for stronger preparation and planning of the response to natural disasters has been recognized. This resulted in the introduction of a new mechanism for rapid alerting of emergency situations, updating response plans and regular simulation of emergency situations, which further strengthened the resistance of AD Plastik.

The introduction of the renowned Document Management System (DMS) has improved digital

document management, improving the existing system, reducing the need for physical space and significantly speeding up document search. In 2021, the system was implemented at production sites in Croatia with a clear strategy for further implementation regarding other members of the Group.

In order to respond in a timely manner in the event of a problem with one of the IT systems, a new monitoring system for informing and monitoring IT equipment and critical applications has been implemented within the whole Group. All critical applications have been upgraded, which has improved security and stability of operations in the applications themselves. By using advanced data archiving systems, disk space rationalization has been achieved and the level of availability of the entire system has been increased. At the Tisza production site, all critical services have been virtualized, maintenance and operation have been improved, thus increasing their availability. Development of information



security program and strengthening organizational and technical security measures has been systematically worked on. The information security stance was reviewed and all security risks were revised, reducing high-rated risks by 18 percent and medium-rated risks by 10 percent. Based on this, awareness-raising activities were conducted for employees who have access to business information on information security topics, which covered 90 percent of such employees.

Automated rules on DLP systems have been improved, and the sharing and retrieval of business data with external partners has been made possible through a new data sharing system, thus further strengthening data protection. The security approach to working with partners and suppliers has been improved, and the security operations center fully monitors all security events at production sites in Croatia, Serbia and Hungary, as well as the activities of shared services in Russia.

Confirmation of access and work in the field of information security was achieved through an independent recertification audit according to the standard ISO/IEC 27001:2013 and the issuance of a new certificate for the production sites Solin, Zagreb and Mladenovac.

Based on customer requirement, the AD Plastik Group was certified for the first time in 2021 according to the TISAX® standard, an information security system for the automotive industry. In this way the very strict requirements for the protection of business information, prototypes, parts and components as well as personal data have been satisfied, which are a prerequisite for the exchange and work with confidential intellectual property of customers.

The certification was successfully implemented at the production sites Solin, Zagreb and Kaluga, and the company was included in the network of suppliers on the ENX platform, with a confirmed high level of security in its business operations.

ADPL Share



The shares of AD Plastik Group have been listed on the Zagreb Stock Exchange since June 2003, and since December 2018 they have been listed in the Prime Market, the most demanding market segment. The ADPL share is included in the domestic indices Crobex, Crobextr, CrobexPrime, Crobex10, Crobex10tr, CrobexPlus and Crobexindu, as well as the regional index AdriaPrime.

Slightly less than 70 percent of the shares are available in the market, and the company Interkapital vrijednosni papiri carries out the activities of a market maker. In addition to Erste Research and Wood&Company, they provide share coverage by business analysis.

The joint stock company AD Plastik was established in the Republic of Croatia, and the share capital of HRK 419,958,400 was divided into 4,199,584 shares with a nominal value of HRK 100.

The company meets the highest standards of transparency and corporate governance and continuously improves and develops its relationships with shareholders, investors and analysts.

By increasing the value of the company, regular dividend payments, timely and transparent reporting and informing, the company continuously demonstrates the importance of this group of stakeholders. Part of the activities aimed at increasing visibility in the capital markets, refers to the continuous presentations of the company at domestic and foreign investment conferences.

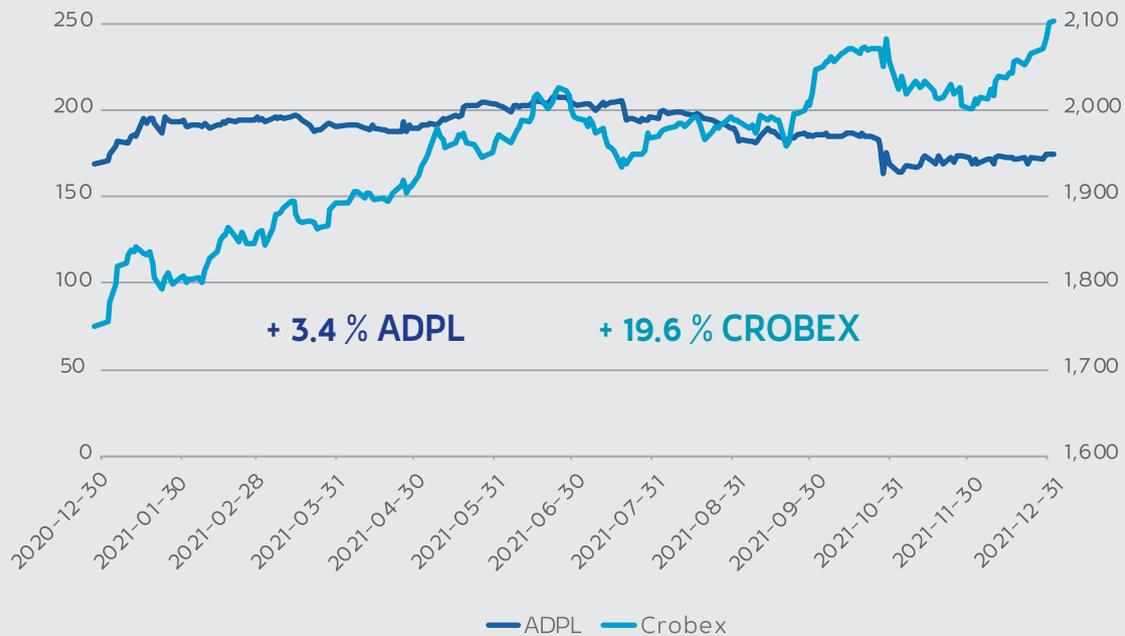
Activities in the past period were also focused on meeting the regulatory requirements of ESMA and HANFA, so for the first time the financial statements for 2021 were presented in a single electronic reporting format (ESEF).

Revenue, operating and capital expenses, related to the sustainability objectives, are part of this Integrated Annual Report.

SHARE TREND

ADPL is among the ten most liquid issues in 2021 in the domestic capital market, with a turnover of HRK 48.3 million, which is 2.8 percent of the total turnover of shares in the Zagreb Stock Exchange. The price of the ADPL share increased by 3.4 percent, compared to the end of last year, and as of December 31, 2021 it amounted to HRK 165.5. The highest price in this period was HRK 198, while the lowest price was HRK 148. The movement of the ADPL share price was significantly affected by the global lack of semiconductors, but despite the serious challenges, most shares in the automotive industry still recorded an increase in prices compared to the year before. Despite numerous uncertainties and challenges during the year, capital markets have

been growing thanks to the continued favorable monetary policy of the world's leading banks and the strong recovery of the companies' business operations in global markets. For the fourth year in a row, US markets have been outperforming all other major global capital markets, with the S&P 500 index growth of 25 percent. Some stabilization was also recorded in the domestic capital market, with a significant strengthening of almost all indexes. Although the market looked quite diverse during the year, Crobex recorded growth of 19.6 percent. The turnover of shares within the book of offers on the Zagreb Stock Exchange is a quarter lower than a year earlier, and the total turnover is ultimately almost by 19 percent lower.



ADPL	31 Dec 2020	31 Dec 2021	INDEX
Final price (HRK)	160.0	165.5	103.4
Average price (HRK)	148.3	177.9	119.9
The highest price (HRK)	202.0	198.0	98.0
The lowest price (HRK)	93.0	148.0	159.1
Volume	878,018	271,791	31.0
Turnover (HRK)	121,169,950	48,342,627	39.9
Market capitalization	671,933,440	695,031,152	103.4
P/E	14.1	20.9	148.4
EPS (HRK)	11.4	7.9	69.5
ROE	5.5 %	3.9	-160 bps

As of December 31, 2021, the share was traded at a P/E of 20.9. The lower generated profit affected the decline in earnings per share (EPS), which amounted to HRK 7.9, compared to HRK 11.4 in 2020. Return on equity (ROE) is 3.9 percent, compared to 5.5 percent a year earlier.



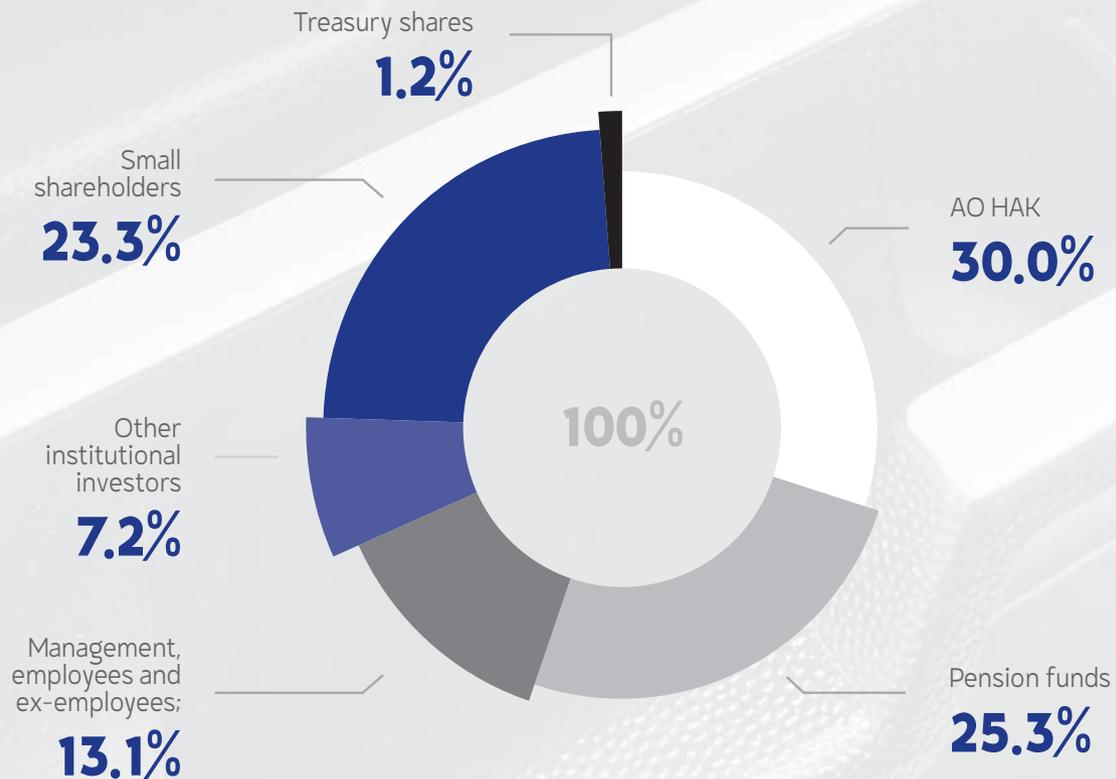
DIVIDEND

The company's strategy envisages a balanced implementation of the attractive dividend payment policy, taking into account business plans, results and other relevant facts. When the legal and statutory preconditions are met, a dividend payment of at least fifty percent of the available amount is proposed. The stated amount is defined by the Charter, which together with the Dividend Payment Policy is available on the company's website. When making a decision on the draft appropriation of profit, it is primarily necessary to ensure successful regular business operations and continuous development of the company.

By the decision of the General Assembly from March and July, in 2021 a dividend in the total amount of HRK 66.3 million was paid. HRK 8 per share was paid from 2019 retained earnings, and HRK 8 from 2020 earnings. Taking into account the last price at the end of the reporting period, the dividend yield is 9.7 percent.

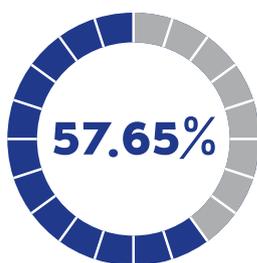
OWNERSHIP STRUCTURE

As of December 31, 2021, the company owned 50,353 shares, which was 1.2 percent of the share capital. In 2021, 18,705 shares were disposed as rewards to management and employees. The Employee Stock Ownership Programme ESOP is being finalized and employees have another 600 shares to pay off under this program, or 0.01 percent of the company's share capital.



10 largest shareholders

	SHAREHOLDER	NUMBER OF SHARES	SHARE [%]
1	AO Holding Avtokomponenty	1,259,875	30.00
2	Privredna banka Zagreb d.d. Raiffeisen MPF category B	454,939	10.83
3	Raiffeisenbank Austria d.d. Raiffeisen voluntary pension fund	205,458	4.89
4	Erste & Steiermarkische bank d.d. PBZ CO MPF - category B	121,980	2.90
5	Hrvatska poštanska banka d.d. / Capital fund d.d.	116,541	2.78
6	Katija Klepo	67,633	1.61 ▲
7	Privredna banka Zagreb d.d. Joint custodial account of a client	59,919	1.43 ▲
8	AD Plastik d.d.	50,353	1.20 ▼
9	Privredna banka Zagreb d.d. Raiffeisen MPF - category A	43,538	1.04 ▼
10	Ivica Tolić	40,881	0.97 ▲
		2,421,117	57.65



The ten largest shareholders own 57.65 percent of the company's shares. Compared to 2020, the new shareholders among the ten largest are Katija Klepo with a 1.61 percent share and Ivica Tolić with a 0.97 percent share in the company. Josip Boban and ADP ESOP d.o.o. are no longer among the company's ten largest shareholders. The joint custodial account of the client Privredna banka Zagreb increased its shares by 0.4 percent, while AD Plastik d.d. and Raiffeisen MPF category A of Privredna banka Zagreb reduced their shares by 0.44 and 0.04 percent, respectively.

EVENTS CALENDAR ON STOCK EXCHANGE

In accordance with the Zagreb Stock Exchange Rules, AD Plastik Group published the 2022 Events Calendar at the end of 2021. It contains all the relevant events and any change or update of the calendar shall be published as soon as it is made and not later than one week before the event itself.

DATE	
24 Feb 2022	Unaudited Annual Report 2021
10 Mar 2022	Supervisory Board meeting
22 Apr 2022	Integrated Annual Report 2021
27 Apr 2022	Financial Statement for the first quarter of 2022
28 Apr 2022	Presentation of the Annual Report 2021 and results for the first three months of 2022 to interested financial analysts and public representatives
24 May 2022	Supervisory Board meeting
14 July 2022	General Assembly
27 July 2022	Financial Statement for the second quarter of 2022 and Semi-Annual Financial Statement for 2022
28 July 2022	Dividend payment (if voted at the General Assembly)
15 Sept 2022	Supervisory Board meeting
27 Oct 2022	Financial Statement for the third quarter of 2022 and Financial Statement for the nine months of 2022
15 Dec 2022	Supervisory Board meeting



Financial results for 2021



The Group's operating revenue for 2021 amounted to HRK 1,126.2 million and was by 7.6 percent lower than in 2020, while in AD Plastik d.d. it was by 14.5 percent lower - HRK 745.4 million. Although market indicators were significantly more favorable in the first half of the year, in the 2nd half movements were changed due to increased disruptions in the supply of semiconductors. Decreased production and a shortage of vehicles affected the expected trends in the number of newly registered cars in the European market. Meanwhile, these trends are more favorable in the Russian market, and the Group achieved revenue growth of 11.4 percent in Russia.

EBITDA in the reporting period decreased by 24.5 percent at the Group level - HRK 125.3 million, while in AD Plastik d.d. it was lower by 35.5 percent - HRK 76.3 million. The Group's net profit decreased by 30.3 percent compared to 2020 - HRK 32.7 million, while at AD Plastik d.d. it was lower by 76.2 percent - HRK 16.3 million. At the same time, it should be noted that in the comparable 2020 year, there were significant one-off positive effects from the sale of non-operating assets and used government grants amounting of HRK 32.9 million at the Group level and HRK 30.3 million at AD Plastik d.d. Lower EBITDA affected the Group's and the parent company's net profit trend, with the additional impact of the lower profit from the affiliated Romanian company on the Group's result, i.e. lower income from its dividend on the parent company's net profit. The trend of the Russian ruble exchange rate in the reporting period had a positive effect on the company's business results.

In the reporting period, new deals worth EUR 152 million were sealed for the European and Russian markets, which shows that the industry intensively prepares for the end of the crisis.



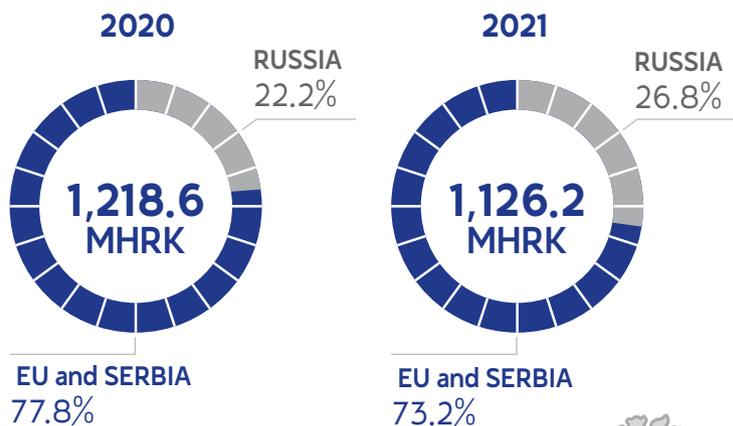
KEY PERFORMANCE INDICATORS

(in HRK 000)

INDICATORS	AD PLASTIK GROUP			AD PLASTIK D.D.		
	2020	2021	INDEX	2020	2021	INDEX
Operating revenue	1,218,581	1,126,150	92.4	871,660	745,405	85.5
Sales revenue	1,186,766	1,102,413	92.9	844,247	726,823	86.1
Operating expenses	1,149,686	1,092,641	95.0	825,630	737,774	89.4
EBITDA*	165,885	125,321	75.5	118,393	76,334	64.5
Net profit	46,929	32,723	69.7	68,633	16,340	23.8
NFD*	335,830	356,353	106.1	294,900	323,054	109.5
NFD/EBITDA*	2.02	2.84	140.5	2.50	4.23	169.3
EBITDA margin*	13.61%	11.13%	-248.5	13.58%	10.24%	-334.2
Neto profit margin*	3.85%	2.91%	-94.5	7.87%	2.19%	-568.2
ROE*	5.45%	3.85%	-159.6	8.56%	2.03%	-653.0
Capex*	67,420	76,668	113.7	42,920	43,031	100.3

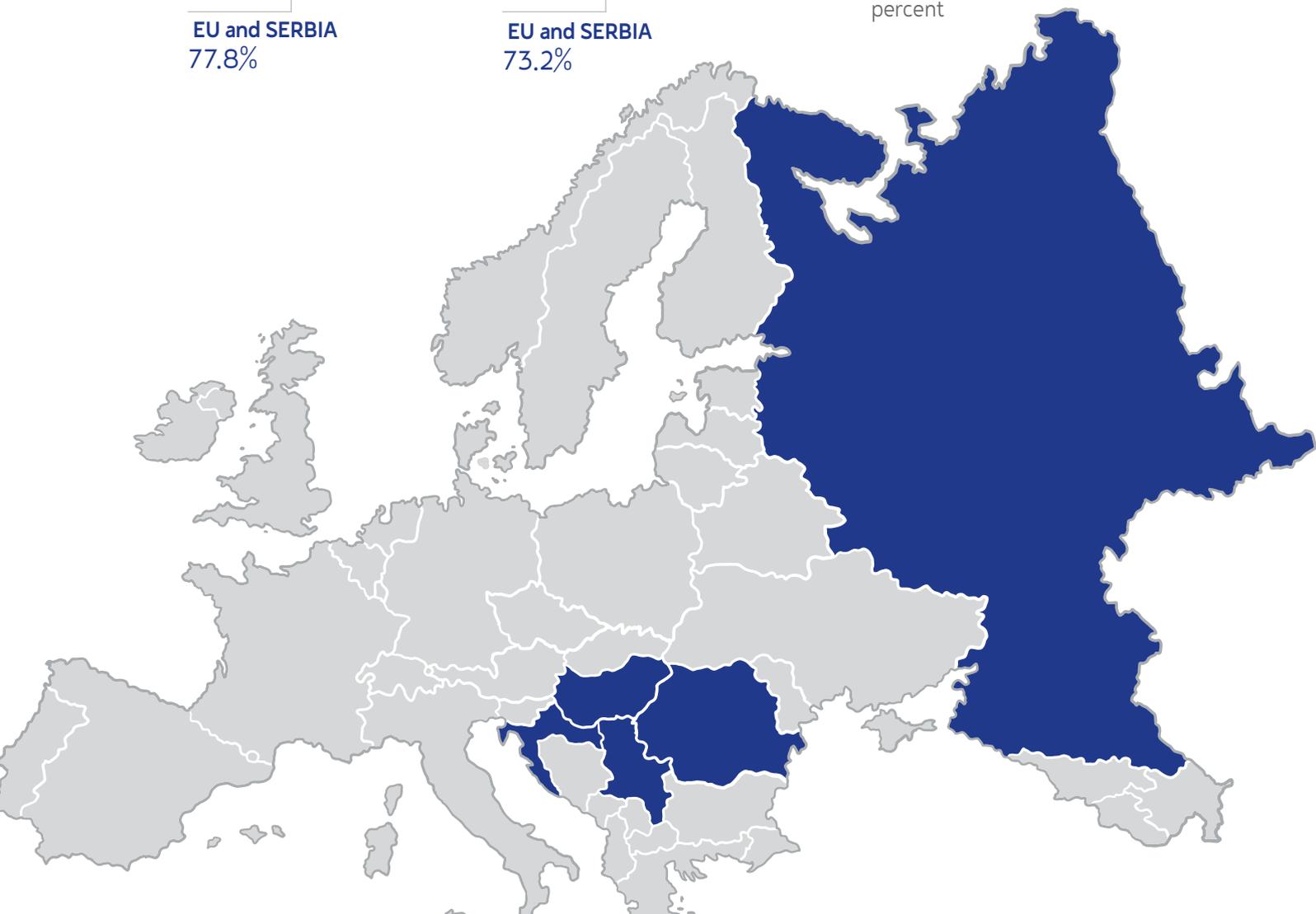
* In addition to the measures defined by International Financial Reporting Standards (IFRS), AD Plastik Group also uses Alternative Performance Measures (APM) in its reports. An overview and definition of the measures used in this document are provided in Appendix 1.

Operating revenue per sales markets



• Revenue of AD Plastik Group in EU and Serbian markets has decreased by 13.0 percent

• Revenue of AD Plastik Group in Russia has increased by 11.4 percent



In 2021, AD Plastik Group generated revenue of HRK 824.5 million in the EU and Serbian markets, which is 73.2 percent of the total revenue. Compared to 2020, revenue was lower by 13.0 percent and its movement is influenced by the lack of semiconductors in the market. In the reporting period, new deals worth EUR 79.9 million were sealed for the Stellantis Group in the European market.

Operating revenue in the Russian market increased by 11.4 percent and amounted to HRK 301.6 million. In the reporting period, it accounted for 26.8 percent of the Group's total revenue, compared to 22.2 percent a year earlier. Russian companies fully generate their revenue in the Russian market, and the semiconductor crisis affected that market with somewhat less intensity. In the reporting period, new deals worth EUR 71.8 million were sealed for the Renault-Nissan-AvtoVAZ Alliance and the Volkswagen Group.

OPERATING EXPENSES

(in HRK 000)

OPERATING EXPENSES	AD PLASTIK GROUP			AD PLASTIK D.D.		
	2020	2021	INDEX	2020	2021	INDEX
Changes in the value of work in process and finished products	-9,778	1,031	-10.5	-3,821	1,627	-42.6
Cost of raw material and supplies	603,364	548,014	90.8	404,068	307,984	76.2
Cost of goods sold	61,537	71,808	116.7	90,236	116,869	129.5
Service costs	92,828	93,407	100.6	66,232	62,716	94.7
Staff costs	253,513	254,809	100.5	168,13	161,487	96.0
Depreciation and amortisation	96,991	91,812	94.7	72,363	68,703	94.9
Other operating expenses	48,457	31,050	64.1	26,751	18,084	67.6
Provisions for risks and charges	1,823	710	38.9	1,665	175	10.5
Impairment of trade receivables, (net)	951	-1	-	5	129	2.580.0
OPERATING EXPENSES	1,149,686	1,092,640	95.0	825,629	737,774	89.4

NET FINANCIAL RESULT

(in HRK 000)

NET FINANCIAL RESULT	AD PLASTIK GROUP			AD PLASTIK D.D.		
	2020	2021	INDEX	2020	2021	INDEX
FINANCIAL REVENUE	362	5,020	1386.0	44,067	23,248	52.8
Positive exchange rate differences	-	4,207	-	-	-	-
Interest income	362	741	204.7	3,542	3,454	97.5
Dividends	-	-	-	40,525	19,722	48.7
Other revenue	-	72	-	-	72	-
FINANCIAL EXPENSES	31,870	5,777	18.1	12,517	6,747	53.9
Negative exchange rate differences	21,895	-	-	2,084	366	17.5
Interest expenses	9,975	5,777	57.9	7,207	4,711	65.4
Loans impairment (IFRS 9)	-	-	-	3,226	1,670	51.8
FINANCIAL RESULT	-31,508	-757	2.4	31,550	16,501	52.3

The strengthening of the Russian ruble exchange rate in the reporting period, along with lower financing costs, had a favorable effect on the Group's net financial result. The lower dividend income from the affiliated Romanian

company affected the results of the parent company which were less favorable compared to the year before. In the reporting and comparative period, exchange rate differences within and outside the Group are presented on a net basis.



FINANCIAL POSITION

The Group's net financial debt as of December 31, 2021 amounted to HRK 356.4 million, with an NFD/EBITDA ratio of 2.8. In the parent company, it amounted to HRK 323.1 million, and the NFD/EBITDA ratio of 4.23 was achieved. Lower EBITDA had the greatest impact on the achieved indicator values. In the reporting period, the company duly repaid all loan liabilities and provided additional liquidity through HBOR's program for permanent working capital on extremely favorable terms.

Indebtedness ratio was improved and as of December 31, 2021 it was 0.43 at the Group level, compared to 0.44 at the end of 2020. In the parent company it decreased from 0.39 to 0.38. In the observed period, a return on equity (ROE) of 3.9 percent was achieved at the Group level, and 2.0 percent in the parent company. As of December 31, 2021, Group had HRK 30.2 million in cash on its account as well as unused short-term credit lines in the amount of over HRK 70 million.

(in HRK 000)

ABBREVIATED BALANCE SHEET	AD PLASTIK GROUP			AD PLASTIK D.D.		
	31 Dec 2020	31 Dec 2021	INDEX	31 Dec 2020	31 Dec 2021	INDEX
ASSETS	1,541,345	1,470,466	95.4	1,357,618	1,269,543	93.5
Noncurrent assets	980,222	980,861	100.1	935,859	924,326	98.8
Current assets	537,463	482,073	89.7	401,065	339,460	84.6
Prepaid expenses and accrued income	23,661	7,532	31.8	20,695	5,757	27.8
LIABILITIES	680,720	631,221	92.7	529,934	488,323	92.1
Noncurrent liabilities	188,179	267,386	142.1	147,157	235,514	160.0
Current liabilities	474,575	354,558	74.7	366,886	246,253	67.1
Accrued expenses and deferred revenue	17,966	9,277	51.6	15,892	6,556	41.3
CAPITAL	860,625	839,245	97.5	827,684	781,220	94.4

INVESTMENTS

Due to uncertainties and decline in customer orders, AD Plastik Group's investments remained at lower levels. The total value of investments realized in 2021 amounted to HRK 76.7 million, which was 13 percent more than in 2020. Of the total amount of investments, HRK 52.9 million was invested in tangible assets and HRK 23.8 million

in intangible assets. The most significant tangible investments relate to specific investments regarding new projects and construction investments, while intangible investments mostly relate to the capitalized costs of new projects development.

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

In order to present a clearer picture of business, a comparable, shortened, consolidated profit and loss account of AD Plastik Group for 2020 and 2021 has been created, with profit and loss

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

(in HRK 000)

POSITIONS	2020	2021	INDEX
OPERATING REVENUE	1,484,384	1,386,321	93.4
OPERATING EXPENSES	1,391,224	1,333,140	95.8
Material costs	904,572	875,549	96.8
Staff costs	277,207	279,727	100.9
Amortization	107,625	100,378	93.3
Other costs	101,819	77,486	76.1
FINANCIAL REVENUE	362	5,692	1,571.5
FINANCIAL EXPENSES	33,405	6,661	19.9
TOTAL REVENUE	1,495,379	1,391,842	93.1
TOTAL EXPENSES	1,435,262	1,339,801	93.3
Profit before taxation	60,117	52,042	86.6
Profit tax	13,189	19,319	146.5
PROFIT OF THE PERIOD	46,929	32,723	69.7
EBITDA	200,785	153,559	76.5

Operating revenue of AD Plastik Group with consolidated corresponding part of ownership in the affiliated company amounted to HRK 1,386 million, recording a decrease by 6.6 percent

compared to 2020. EBITDA amounted to HRK 153.6 million, representing a decrease of 23.5 percent, while net profit was lower by 30.3 percent, amounting to HRK 32.7 million.

ABBREVIATED P/L AND THE BALANCE SHEET OF THE AFFILIATED COMPANY EAPS

Disruptions in the production of new cars due to the lack of semiconductors have also affected the business of the affiliated Romanian company EAPS. Thus, operating revenue amounted to HRK 535.9 million and was lower by 1.1 percent than a year earlier, while net profit decreased by 23.5 percent, amounting to HRK 30.6 million.

EAPS primarily generates its revenue in Romanian market and, apart from that, it supplies its products to the markets of Algeria, Morocco, Iran, Brazil, Colombia, South Africa, Russia etc.

The company has no financial liabilities towards AD Plastik d.d. nor liabilities towards external entities, and as of December 31, 2021, its cash on account amounted to HRK 44.2 million.

Investments in the observed period amounted to HRK 15.1 million, and a dividend in the amount of HRK 39.0 million was paid, of which HRK 19.5 million to AD Plastik.

EAPS results have been included in the results of AD Plastik Group by equity method.

(in HRK 000)

POSITIONS	2020	2021	INDEX
Operating revenue	541,869	535,867	98.9
Operating expenses	-493,337	-496,523	100.6
Net financial result	-3,069	-425	13.8
Profit before taxation	45,463	38,919	85.6
Profit tax	-5,498	-8,342	151.7
Profit of the period	39,964	30,578	76.5

100% realization shown

(in HRK 000)

POSITIONS	31 Dec 2020	31 Dec 2021	INDEX
Noncurrent assets	98,236	94,634	96.33
Current assets	244,768	212,571	86.85
TOTAL ASSETS	343,004	307,205	89.56
Capital + provisions	133,167	122,001	91.62
Noncurrent liabilities and provisions	19,709	14,817	75.18
Current liabilities	190,128	170,387	89.62
TOTAL LIABILITIES	343,004	307,205	89.56

Alternative performance measures

In addition to the financial performance measures defined by International Financial Reporting Standards (IFRS), AD Plastik Group also uses certain alternative performance measures in its reports, considering them useful for business performance analysis for investors. Alternative performance measures show a comparative periods so that the company's results can be compared over different periods.

EBITDA AND EBITDA MARGIN

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

NET DEBT AND NET DEBT TO EBITDA

Net debt represents the sum of current and non-current liabilities to banks and current and non-current loans to non-banking companies, minus cash and cash equivalents. AD Plastik Group uses the ratio of net debt to EBITDA as an indicator

NET PROFIT MARGIN

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

of financial stability and the company's ability to repay its financial obligations. When calculating the indicators on a quarterly basis, the EBITDA realized in the last four quarters is taken into account.

(in HRK 000)

AD PLASTIK GROUP	31 Dec 2020	31 Dec 2021
Non-bank loans	49,181	47,382
Noncurrent liabilities to banks	169,611	238,100
Current liabilities to banks	179,705	101,023
Cash and cash equivalents	-62,667	-30,152
Net financial debt	335,830	356,353

(in HRK 000)

AD PLASTIK D.D.	31 Dec 2020	31 Dec 2021
Non-bank loans	37,684	37,586
Noncurrent liabilities to banks	139,426	217,479
Current liabilities to banks	153,458	77,785
Cash and cash equivalents	-35,669	-9,797
Net financial debt	294,900	323,054

ROE

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

CAPEX

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

INDEBTEDNESS RATIO

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

MARKET CAPITALIZATION

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

	31 Dec 2020	31 Dec 2021
Last price in the period (HRK)	160	165.5
Number of shares (000)	4,200	4,200
Market capitalization (in HRK 000)	671,933	695,031

EPS AND P/E

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

	31 Dec 2020	31 Dec 2021
Net profit of the period (in HRK 000)	46,929	32,723
Average weighted number of shares (000)	4,131	4,143
EPS (HRK)	11.36	7.90

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

Risks and opportunities

In its business operations, AD Plastik Group encounters external and internal factors that may influence the occurrence of various risks, including risks related to climate change.

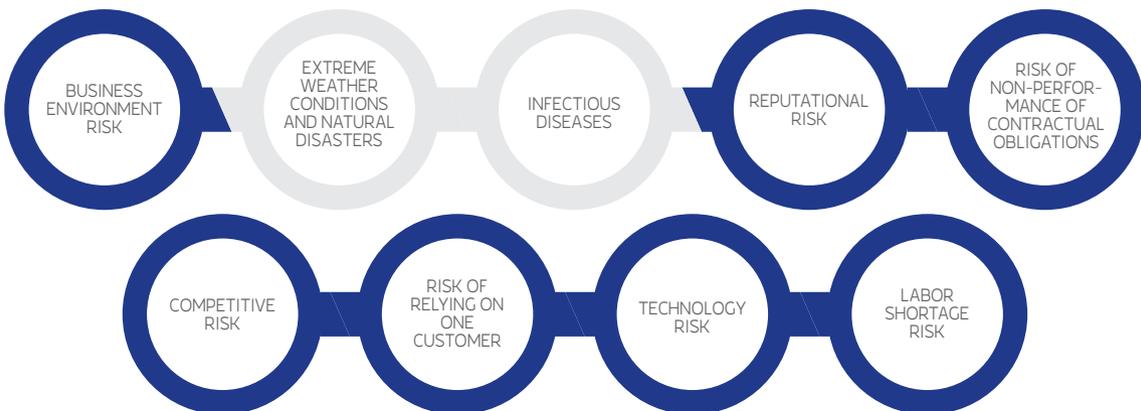
Each type of risk can positively or negatively affect business results, and timely assessment and quality management create the preconditions for identifying opportunities and sustainability of business. Internal factors are influenced by the company's continuous improvement of its business policies and procedures, while direct

impact on external factors, such as the impact of economic, political or regulatory changes, is very limited. Through its responsible business operations, the company also contributes to the fight against climate change and negative impacts on sustainability indicators.

The permanent task of the company's Management Board is continuous improvement in the field of business and sustainability risks management, as a fundamental lever of successful business management as a whole.

BUSINESS RISKS

Business risks include all those risks arising from the environment in which the company operates, the industry itself and its specifics. They directly affect the stability and maintaining company's competitive advantage.



BUSINESS ENVIRONMENT RISK

This category includes political, macroeconomic and social risks and the risk of force majeure. As the company operates in a global market, with production sites in five countries, it is exposed to various business environment risks on which it cannot directly affect.

Such risks are mitigated to some extent namely through the dispersion of business in different markets. The automotive industry is cyclical, and car sales are subject to the influence of various factors, from different market trends, income levels, personal consumption or inflation rates and the like. That is why macroeconomic, political

and social stability in the countries where business is conducted are important for business and can directly affect the competitiveness and business results of the company.

Instabilities in individual countries where business is conducted can lead to undesirable trade effects, affect the realization of the company's strategic plans or the regular conduct of business. Therefore, the AD Plastik Group continuously monitors long-term market and macroeconomic indicators and is constantly focused on opening new business markets.

Extreme weather conditions and natural disasters

Risks such as natural disasters, in the countries where business is conducted or there is a wider supply chain, can have direct or indirect impact on the company's business operations. Although

the Group's production sites are not located in risk areas, which reduces the risk, it is managed by insuring assets and constantly investing in quality equipment and infrastructure.

Infectious diseases

The pandemic we are witnessing is a force majeure that carries special risks, so in addition to healthcare ones, it has created a whole range of disruptions that affect the global economy. Thus, in the reporting period, the prices of raw materials, energy sources and transport increased significantly, and a special challenge for the automotive industry is the global lack of semiconductors in the market.

The negative effects were partially mitigated by adjusting business operations, rationalizing

costs and keeping investments at lower levels. Timely response to the pandemic and preventive measures have ensured business continuity and all prerequisites for the protection of employee health.

In case of occurrence of infectious diseases, the primary goal of all activities of the company is aimed at preserving and protecting the health of employees and the sustainability of business because the lack of employees represents the greatest threat to business in that case.

REPUTATIONAL RISK

By raising awareness of the importance of human action on climate change, end consumers, but also investors, are paying increasing attention to the reputation of producers in sustainable development. The impact of an individual product on climate change is becoming increasingly important, but also of the production process in which it is manufactured. Corporate social responsibility is one of the most important components of the development policy of AD Plastik

Group, which it proves in its daily business operations. Representatives of the company advocate sustainable business at various panels and conferences, and the results of third party audits are positive and in line with the company's policies and strategy. Reputational risk is recognized and although it does not pose a threat in the near future, the company has been continuously working to improve its reputation among all stakeholders.

RISK OF NON-PERFORMANCE OF CONTRACTUAL OBLIGATIONS

Contractual relations with customers, among other things, define quality standards and product delivery deadlines. In that process, the company is exposed to the risks of non-performance of contractual obligations that may arise due to delays in production and deliveries as a result of unforeseen circumstances or non-performance of contractual obligations of suppliers. Breach of contractual obligations may adversely affect cooperation and business and lead to termination of the contract.

In 2021, the consequences of the pandemic had a strong impact on the supply chain, so disruptions were present throughout the whole year. Lack of raw materials, disruptions of transport routes and the consequent extension of delivery deadlines and rising material prices were a special challenge. Managing the purchasing process

has been further hampered by frequent changes in customer orders due to the global lack of semiconductors in the market. In order to ensure uninterrupted production processes, the development of the market situation was monitored on a daily basis. The risk was assessed through constant communication with suppliers, and stocks of certain materials were created, and alternative solutions were actively found. Despite very demanding conditions, AD Plastik Group fulfilled all its contractual obligations to customers in the reporting period.

This risk is managed by regular evaluation of suppliers, by monitoring the quality and stability of deliveries and securing supplies if necessary. Customers continuously audit all processes at production sites of the Group, and in 2021, 39 customer audits were successfully conducted.



COMPETITIVE RISK

AD Plastik Group has positioned itself in the demanding automotive market as a supplier of high reliability, cost and technical competitiveness. Competitiveness in the automotive industry is primarily influenced by price, product quality and reliability.

The distance between the production sites of customers and suppliers significantly affects price competitiveness, and almost all of the

Group's factories are located close to their main customers. The entry of new suppliers into the customer panel is a gradual and limited process, but if you prove yourself as a reliable partner, the cooperation is certainly long-term.

The company's partnerships with its customers are based namely on quality and reliability, which ensures long-term and successful cooperation.

RISK OF RELYING ON ONE CUSTOMER

AD Plastik Group generates most of its revenue from the Renault Group, which poses a risk to business in the event of significant disruptions to this customer's business. The company's strategy is to reduce exposure to this customer and increase the share in revenue from other customers. In the past few years, Renault Group's share in the total revenue has been reduced

from 69 to 56 percent, and the customer portfolio has been further expanded with new names such as Suzuki, Bentley, Rehau, Toyota and others. The increasing trend of merging various car manufacturers reduces the possibility of diversifying the customer portfolio, but at the same time opens up opportunities to expand cooperation and markets.

TECHNOLOGY RISK

Technology is of great importance in the quality, added value and price of the product itself, but the importance of its impact on the environment is growing. The automotive industry is irrevocably focused on investing and development of new products and technologies in order to preserve and enhance its competitiveness. Falling behind in this sense reduces the acquired market position, reduces the chances of sealing future deals and consequently adversely affects business results of the company.

The key technologies of AD Plastik Group are not direct polluters of the environment and thus the risk of compliance of technologies with increasingly demanding environmental regulations is

minimized. Following the latest technological trends and market demands, the company regularly invests in new and more modern machines, thus contributing to the reduction of environmental footprint.

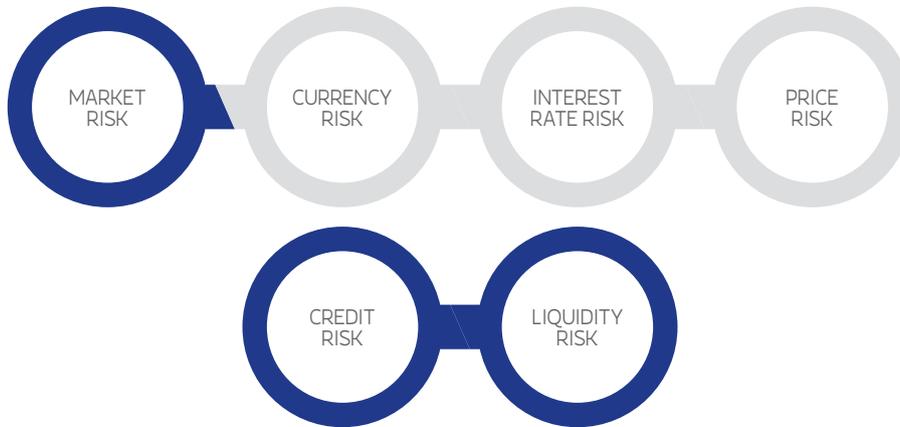
Information technology and security are extremely important in the automotive industry in order to ensure the necessary exchange of information with customers and suppliers without time delay. Disruptions in the communication system can cause delays in production and deliveries, so continuous improvements and investments in these business segments reduce the possibility of disruptions in operation.

LABOR SHORTAGE RISK

AD Plastik Group bases its business on a long-standing tradition, expertise and dedicated work of its employees. It is namely knowledge and adaptation to technological and market trends that have ensured the success and prosperity of the company. In times of rapid and intense change, it is extremely important to enable our employees to constantly develop knowledge

and skills required for working and following new trends. The company reduces the labor shortage risk and the impact on business primarily by detailed planning of its needs for specific job positions, hiring the best candidates and continuous education of existing employees. The key areas of their development are prescribed and the education of employees is planned accordingly.

FINANCIAL RISKS



Financial risks refer to all risks that may impair the financial stability of the company, such as significant changes in exchange rates, rising interest rates, delays in collection of receivables and others. The management of these risks is centralized and it is done in the Finance Department within the parent company. The financial

risks of the business are monitored and managed through internal risk reports. On this basis, activities are undertaken with the aim of effective risk management. The Finance Department also manages activities in the domestic and international financial markets and consolidates the cash flows of Group members.

MARKET RISK

Market risk is the risk of fluctuation of fair value or future cash flows of a financial instrument because of changes in market prices. Price changes often refer to movements in interest rates or

exchange rates, but also include changes in the prices of basic products that are necessary for business.

Currency risk

Currency risk occurs during the exposure to unexpected changes in the exchange rate between two currencies and it includes transaction and balance risk. The transaction risk represents the risk of negative impact on cash flow, while balance risk occurs as change in value of balance sheet items, expressed in foreign currencies as a result of changes in currency rates.

AD Plastik Group operates in different countries, thus being exposed to the risks of changes in the exchange rates of their currencies. Most of its revenue is generated in euros, and about twenty-five percent of revenue is generated in the Russian market. Thus, it is mostly exposed to changes in the EUR/HRK and EUR/RUB exchange rates. The Group is also exposed to changes in the EUR/HUF, EUR/RSD and EUR/LEI exchange rates. In 2021, there was no significant

fluctuation in the exchange rate of the Croatian kuna against the euro, while changes in the exchange rate of the Russian ruble had a positive effect on the net financial result. The company continuously monitors exchange rate movements and future projections and occasionally uses FX forward transactions regarding currencies that have seasonal exchange rate fluctuations, in order to reduce transaction risk. In Russia more significant changes in the ruble exchange rate are coordinated with customers on a regular basis through changes in sales prices, that is, by using natural hedging. Balance risk is sought to be reduced by balancing open foreign exchange positions by individual currency within balance sheet items. One of the basic measures for balancing the foreign exchange sub-balance is borrowing in the currency in which revenue is generated per individual company.



Interest rate risk

It represents a risk of possible losses arising from the changes in market interest rates. Group is not significantly exposed to interest rate risk resulting from credit indebtedness and from assets on which it generates revenue from interest rates of approved loans of the parent company to subsidiaries. Interest rate risk is minimal regarding credit indebtedness because the company has contracted loan arrangements almost entirely with a fixed interest rate. The market

situation and interest rate projections are regularly monitored and, if necessary, interest rate on existing borrowings is adjusted or refinanced with new borrowings so that the fair value of the interest rate, which is paid, is in line with the most favorable interest rates available in the market at a certain point. The level of the interest rate on the assets realized by the company is related to the decisions of the Ministry of Finance on the interest rates level between subsidiaries.

Price risk

A company may be exposed to price risks of various kinds, risks of price, quantity, cost and political risks. Price risk arises from unfavorable trends in the price of goods in the market, their availability and demand, costs that increase due to unfavorable trends in raw material prices and changes in regulations and laws that directly affect the price of goods and their availability. Price risk is directly related to the business environment risks that determine it.

competitors and customers. Price risk was particularly pronounced in the reporting period, in which a significant increase in raw material and energy sources prices, a shortage of raw materials and an increase in dependent transport purchasing costs were recorded, all as a result of the pandemic.

Group's business operations are exposed to risk associated with changes in prices of key raw materials and materials, transport, other production costs as well as with strong pressure from

Price increase risk is reduced by open price calculation with the customers, according to which changes in price of raw materials, materials and other costs are harmonized with most of customers on a monthly, quarterly or semi-annual level (depending on the customer).

CREDIT RISK

The credit risk arises when one contracting party fails to meet its financial obligations on time, which jeopardizes the market position of the other party. The company's credit risk may arise from the inability to collect receivables from its customers and the loans granted.

the potential deterioration of the financial stability of individual customers, most of them have the support of their home countries in maintaining business and liquidity as very important economic entities. The most important customers in 2021 were Revoz Slovenia, Reydel France, AvtoVAZ Russia, Hella Slovenia and Renault Russia, of which AD Plastik Group generates over 80 percent of its revenue. Credit risk related to loans granted is under the control of the company as these are loans granted to subsidiaries in which the parent company is the sole owner.

AD Plastik Group cooperates with reputable customers that are financially stable companies, which is also the company's business policy. This minimizes the risk of collection and receivables are realized within the agreed deadlines. Due to

LIQUIDITY RISK

Liquidity risk represents the risk of company not being able to convert assets into liquid assets in a short time, ie the inability to fulfill its obligations to creditors. Therefore, AD Plastik Group maintains optimal amounts of funds on the account along with secured available credit lines.

Quality cash flow management is extremely important for liquidity risk management. Each company within the Group, based on operational business plans, financial liabilities and investment needs, plans its future cash needs on a monthly, quarterly and annual basis. Based on the received data, the parent company's Finance Department prepares a consolidated cash flow plan of the Group and makes decisions on

placing surplus funds in deposits or covering the lack of funds from short-term financing sources. It undertakes activities to ensure timely credit lines for capital investments and project financing. The realization of planned cash flows, the level of liabilities and available funds of all Group companies is monitored on a daily basis. Short-term liquidity is provided through contracted credit lines, and at the end of the year EUR 10 million is available for use.

The parent company issued corporate guarantees for the needs of subsidiaries in the following amounts: HRK 72,917 thousand to banks, HRK 10,103 thousand to suppliers.



OPERATIONAL RISKS

Operational risks arise from losses caused by inadequate procedures and failed internal processes, human factor, system or external events. The company manages them through a process quality system whereby preventive systems of early detection of operational risks and prevention of errors and weaknesses in processes, procedures, potential human errors, system errors or unpredictable external events are developed. Internal Audit Service assesses the effectiveness of the organization's risk management, investigates, examines and evaluates the effectiveness of the internal control system, and reports on the findings and proposes solutions. By efficient operational risk management, better security is achieved, awareness is raised on the importance of existing procedures and creating new ones, on control of key indicators which need to be introduced and systematically monitored, which significantly improves the operational quality, efficiency and transparency. An important factor in managing these risks are also reliable IT solutions as well as cyber security of business, so improving, further developing and implementing new technologies in everyday business are a continuous work in progress.

LEGISLATIVE RISKS

These risks arise from changes in fiscal and other regulations which directly, positively or negatively, affect the company results and competitiveness. With regard to conducting business in different countries, the company adheres to different regulatory frameworks, in line with the company's core policies and values. There were no significant changes in the reporting period, except for reporting in accordance with the so-called Taxonomy Regulation.

It sets out six environmental objectives to be reported through traffic share, capital and operating expenses related to sustainable economic activities. For 2021, the first two objectives are reported: climate change mitigation and climate change adaptation. The company's activity is not recognized as an activity that can make a key contribution to the environmental objectives of the Regulation, and it should be observed in this context.

OPPORTUNITIES

Automated and autonomous driving, electrification, connectivity and the design of much lighter vehicles are the future of the automotive industry. The development and production of automotive polymer components are not recognized as an activity that can significantly affect the environmental footprint. Despite that, continuous research and development of materials, which perfectly match the cars of the future and reduced greenhouse gas emissions, are opportunities to expand the business to new markets and customers.



Business Plan for 2022

In the last two years business planning has been hampered due to external and unpredictable circumstances over which AD Plastik Group has no influence. Accordingly, business plans are revised and adapted to the market situation, while financial stability and sustainability of business operations remain the top-priorities of the company.

In conformity with its established business practices, the business plan of the AD Plastik Group for 2022 was adopted at the end of the reporting period, according to which a slight growth compared to the reporting year is projected. Although the plan included risks related to the semiconductor crisis and the consequences of the pandemic, the new challenges of the Russian-Ukrainian crisis have unexpected effects on the global economy, and thus the company's business.

AD Plastik Group has two factories in Russia and generates about 25 percent of its revenue in that market. Although factories in Russia produce products exclusively for the Russian market, for now there are many unknowns related to further business operations and

the development of the geopolitical situation. At the time of making this report, the company is not able to publish its financial objectives for 2022, nor to accurately predict the impact of external factors on business operations.

At the moment, disruptions in supply chains and logistics flows are present, and as a result, production shutdowns are occurring at Russian car manufacturers' sites. AD Plastik Group's factories in Russia work in accordance with the operational plans of their customers and are ready to increase the utilization of their production capacities at any time.

At the same time, new deals are being sealed in the European market, contracted projects are being realized and development activities are being continued. The survival of the company is certain, but also the necessity of changes brought by new circumstances.

Despite the uncertainties and rather complex challenges, the company's focus in 2022 is primarily on preserving financial stability and reducing negative impacts on business.

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02

Sustain- ability Report

The fifth Integrated Annual Report of the AD Plastik Group refers to the period from January 1 to December 31, 2021 and contains data on all business entities of the AD Plastik Group. It has been created in accordance with GRI (Global Reporting Initiative) standards and the core reporting option has been selected. The company reports in one-year cycles, and the business and calendar years are concordant.

The report has been verified by the Croatian Business Council for Sustainable Development, a professional and independent body, and its opinion can be found on page 164 of this document. AD Plastik Group is a member of HR BCSD, and the President of the Management Board of the company is the Deputy President of the HR BCSD Assembly. The Group's Integrated Annual Report is published on the websites of the company, the Zagreb Stock Exchange and the UN Global Compact. It can be provided to all interested stakeholders upon request in electronic or printed form.

The Integrated Annual Report of AD Plastik Group 2020 was published on April 23, 2021. The company has been reporting regularly on sustainable business since 2012 and this is the ninth Sustainability Report.

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Material topics and boundaries

Material topics have been identified in accordance with the specifics of the business operations, business circumstances, strategy and policies of the company, and the impact on stakeholders is adjusted to the results of the analysis and their boundaries are modified accordingly.

As the opinion of stakeholders on the importance of identified material topics that are being reported is extremely important, in addition to direct communication with individual stakeholders, there is a survey on the company's website, and by completing it stakeholders help to improve future reports and corporate social responsibility.

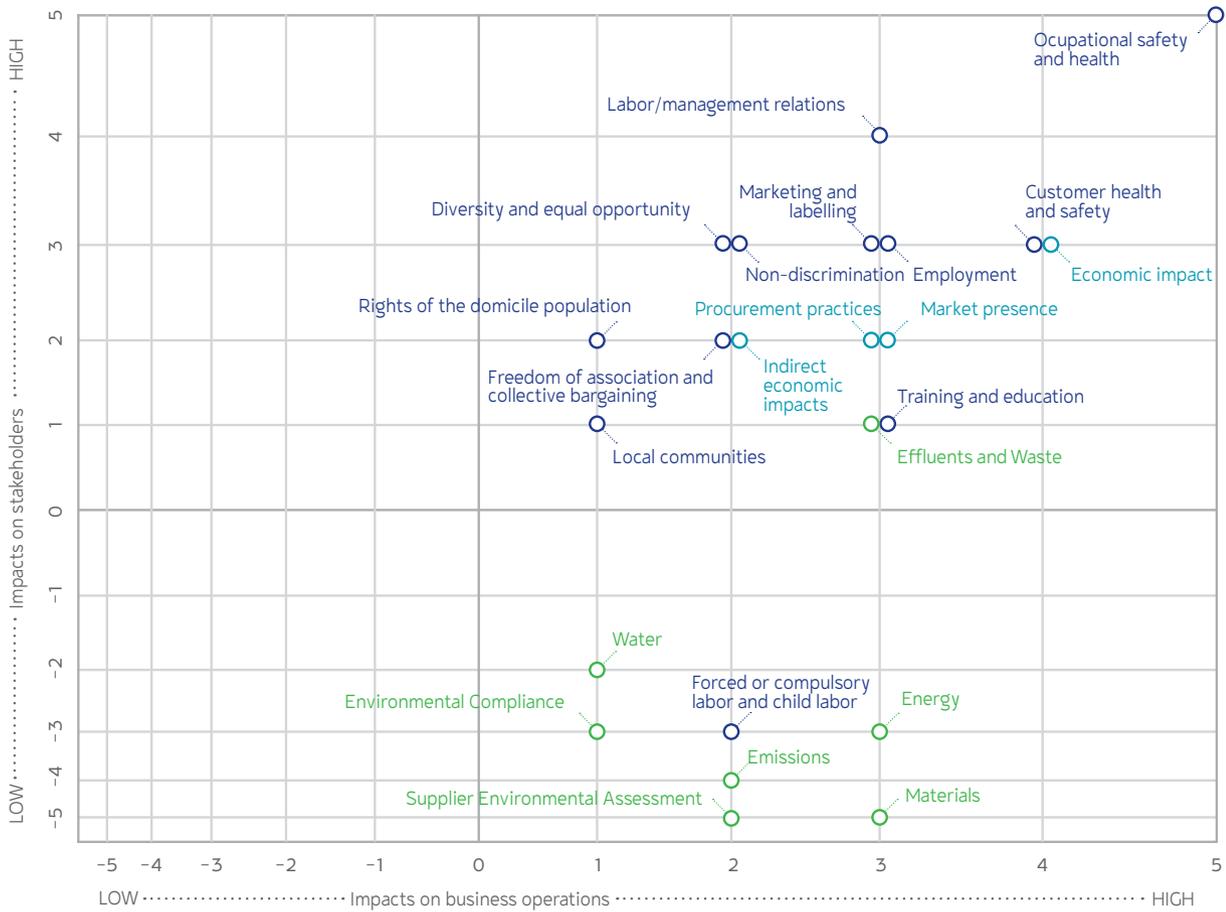
The results of the survey, conducted among various stakeholders of the company in 2021, have indicated the need to change the materiality boundaries for certain topics. Thus, interest in the following topics has increased: effluents and waste, labor/management relations, occupational safety and health, training and education, customer health and safety, while the assessed importance of forced or compulsory labor and child labor as well as the rights of the domicile population has decreased.

In line with the circumstances and new market trends, the company has, based on its own assessment, increased the importance of following topics: procurement practices, materials, effluents and waste, environmental compliance and occupational safety and health.

The pandemic and the consequences it brought pointed to the exceptional importance of preserving occupational health and safety, so

changes in this segment are expected, but also permanent. In addition, the last two years have revealed all the shortcomings in the procurement practices and improvements that need to be implemented. At the same time, the company's continued focus on sustainable business and trends in the automotive market require improvements in the fields of materials and waste. Furthermore, the increasingly frequent amendments to the regulations on reporting and environmental protection require increasing commitment and focus on this topic in everyday business.





SOCIAL STANDARDS

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

ECONOMIC STANDARDS

- Economic impact
- Market presence
- Indirect economic impacts
- Procurement practices

ENVIRONMENTAL STANDARDS

- Materials
- Energy
- Water
- Emissions
- Effluents and Waste
- Environmental Compliance
- Supplier Environmental Assessment



Ethics and integrity



In accordance with its mission and vision, AD Plastik Group strives to achieve strategic goals, growth and development in all business segments and successful financial results. Adherence to the principles of corporate social responsibility and ethical business has been chosen as the only right direction on its path to successful realization of goals.

The core values of the company are prescribed by the Code of Business Conduct and Policies, as well as the ethical standards of the company and each individual within it.

The aim of this document is to conscientiously and continuously establish a balance in the economic, social and environmental aspects of business when making all business decisions.

All employees are acquainted with the Code of Business Conduct and Policies, and each new employee at all Group production sites receives a copy in their native language. It promotes the equal right to respect and dignity regardless of

race, religion, sex, age, national origin, political beliefs, sexual orientation, marital status, disability or any other personal characteristic and stipulates that all employees are obliged to treat each other with respect and dignity while encouraging collaboration and teamwork.

Adherence to ethical standards is also the responsibility of the Group's business partners, and decisions on their selection are made accordingly.

The company does not tolerate any form of harassment or discrimination in the workplace, nor any form of abuse. By pursuing an equal opportunities policy, there is no discrimination in any segment of the human resources processes.

Particular attention is paid to the compliance of business with the development goals of the community, especially in terms of preserving the interests of children and the environment in which they grow and develop. In order to protect children and minors, the Group applies



the principle of prohibition of child labor and, accordingly, no employment contracts are concluded with persons under the age of 15 years, ie 18 years. To ensure this in all countries where business is conducted, mechanisms are additionally used to check the age of job candidates.

Respecting children's rights in practice, the company participates in projects that strengthen the welfare of children and conducts internal training to raise awareness of its employees on this topic.

Anti-corruption policy, among other things, prohibits donations that do not comply with the Group's fairness standards and do not conform to local regulations. AD Plastik Group respects the principles of free competition and, in accordance with the Antimonopoly Policy, strictly prohibits agreements of entrepreneurs aimed at distorting competition.

During the reporting period, there were no reported cases of discrimination or human rights

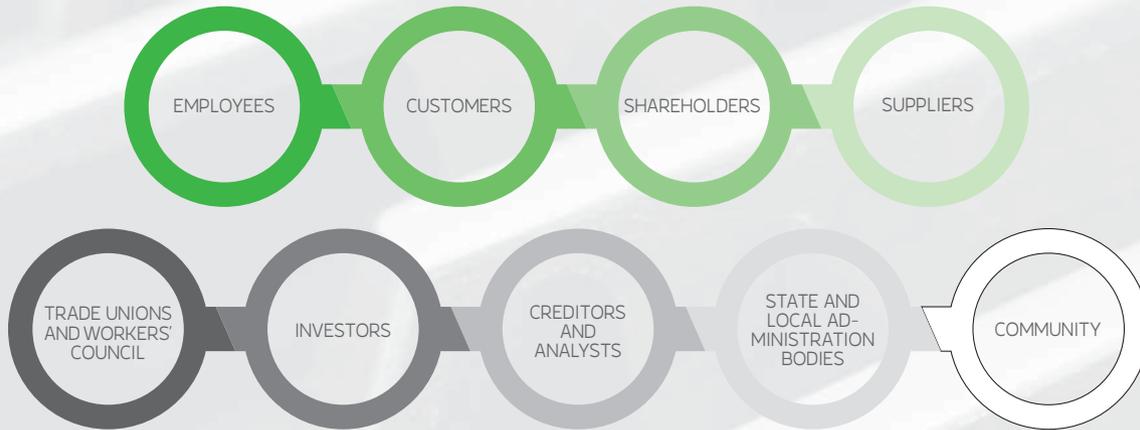
violations, suspicions of corruption or conduct contrary to the principle of freedom of competition. One employment dispute was initiated and one employment dispute initiated before the reporting period was resolved. The company opposes any material support of political parties and promotes transparent public advocacy through business and interest organizations.

The Code of Business Conduct and Policies are published on the company's website and clearly prescribe the procedure for reporting irregularities and non-compliance with the company's principles.



Stakeholders

KEY STAKEHOLDERS



SECONDARY STAKEHOLDERS

By continuous, transparent and two-way communication with all its stakeholders, the Group contributes to a better understanding of their needs and quality long-term development and ongoing improvement of CSR.

In the reporting period, very intensive consultations and communication with employees and customers, shareholders and suppliers, took place as usual. Due to the specifics of market circumstances, communication with secondary Group stakeholders was also more frequent. Communication occasionally took place directly with the highest management, but mostly it took place with the company's middle management, which, according to the company's internal procedures, must inform the highest management of all conclusions.

Apart from direct consultations, the company confirms its development and progress

regarding CSR also through regular evaluations of external agencies, audits by its customers and their regular evaluation of satisfaction at specialized portals. Within the automotive industry, clear and high standards of CSR have been set, which are a prerequisite for cooperation.

As the recognized stakeholder groups are heterogeneous, the communication tools and channels are adjusted. Apart from regular and direct communication with all stakeholders, the Integrated Annual Report is available on the company's website. Through memberships in various organisations and associations, the company actively participates in the improvement of CSR by various workshops, public gatherings, conferences, visits and consultations. Special attention is paid to the exchange of opinions with employees, so regular surveys of organizational climate and satisfaction are conducted, bulletin boards, intranet and other digital communication tools

as well as ADP Mailbox and internal newsletter are used, all with the aim of more efficient and intensive communication. Communication, consultation and negotiation with trade unions and Workers' council are held regularly, and audits and evaluations at suppliers' sites are carried out according to the previous plan and needs.

Good practice has been continued in terms of examination of stakeholders' opinion on the importance of individual material topics through a questionnaire. The questionnaire is available on the company's website throughout the year, and the CSR Committee is in charge of analyzing the collected results, encouraging stakeholders to get involved, proposing improvements and reporting to the highest management.



RESULTS OF THE SURVEY

The survey examines social, economic and environmental topics in order to engage the various stakeholders as intensively as possible and better understand the importance of individual topics for certain groups of stakeholders, and accordingly adjust their reporting to their needs and interests.

Occupational health and safety is predictably one of the most important topics also in the past period, but the topic of labor/management relations has shown to be equally important. The remaining topics assessed as most important are mainly social topics in the field of product responsibility, such as customer health and safety, compliance and product labeling.

This shows that the awareness of stakeholders about the importance of sustainable business and the impact of sustainable business on the final product is continuously increasing. Topics in

the field of labor relations and decent work, such as non-discrimination, equal pay for women and men and the like, were also assessed as important. It is interesting to point out that effluents and waste is becoming an increasingly important topic for almost all stakeholders.

Observing different groups of stakeholders, differences in expressed interests are visible. Thus, for employees, the most important topics are those from the social field, while the community assessed the topics from the economic field as the most interesting ones. Among them, economic impact, market presence, procurement practices and the like stand out.

Other stakeholders singled out topics from the product responsibility category as the most important ones. Stakeholders assessed the topics related to labor relations and safe work, ie occupational health and safety as equally important.

Employees

Each employee contributes to the improvement of the company and better interpersonal relationships with his/her knowledge, skills and commitment. Employees are the most important and most valuable resource of the company, that builds a stimulating work environment by involving them in the development of the company itself, by two-way and transparent communication and regular and efficient informing. By recognizing the needs of employees and effectively directing their personal and professional development, they are enabled to realize their full potential.

Human resources development and management strategy is a key lever for achieving business goals, but also for adopting for challenging times.

The lack of semiconductors, disruptions in logistics flows and transport affected the changes in operational plans, so human resources plans had to be adjusted accordingly. The focus was primarily on quality planning and management of the number of employees and cost

rationalization. Thanks to many years of experience and the ability to adapt quickly, and above to competencies and commitment of employees, sudden changes in plans were realized in accordance with the circumstances. Despite numerous challenges, AD Plastik Group has shown its resilience and endurance in this segment too.

Regular analyses and employee polls provide insight into real sources of motivation, on the basis of which guidelines and activities aimed to create a stimulating atmosphere are adjusted. At the same time, despite the circumstances, the principles of equal opportunities and non-discrimination have been incorporated into all human resources procedures. In the reporting period, the emphasis continued to be on preserving the health and achieving a balance between the private and business life of employees.

Thus, during 2021, special attention was paid to at-risk groups and pregnant women, work from home was enabled, in shifts and in teams, while respecting the family circumstances of employees.



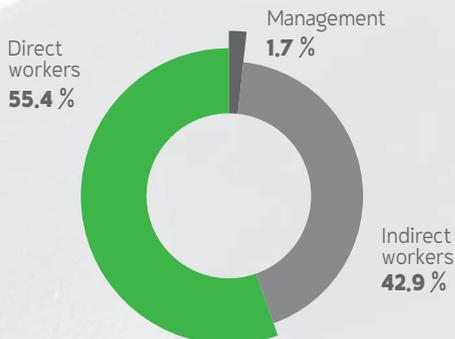
Share of employees by region and type of employment contract

The largest share of AD Plastik Group employees is in Croatia, and the share of employees in Russia increased slightly compared to last year, while the trend of decreasing the share of temporary employees has continued this year as well. Due to a number of measures aimed at preserving jobs,

and based on the necessary compliance with the work of customers during 2021, the number of employees who work part-time for a defined period has increased and there were 355 such employees in the reporting period.

COUNTRY	PRODUCTION SITE	TYPE OF CONTRACT			EMPLOYED IN TOTAL	SHARE
		INDEFINITE TERM	DEFINITE TERM	TEMPORARY AND OCCASIONAL EMPLOYMENT*		
Croatia	SOLIN	640	55	1	695	52.2%
	ZAGREB	469	165	0	634	
Russia	TOGLIATTI	425	4	0	429	27.5%
	KALUGA	270	0	0	270	
Hungary	TISZAUJVAROS	308	0	7	308	12.1%
Serbia	MLADENOVAC	174	29	0	203	8.0%
Slovenia	NOVO MESTO	5	0	0	5	0.2%
TOTAL		2,291	253	8	2,544	
		90.1%	9.9%			

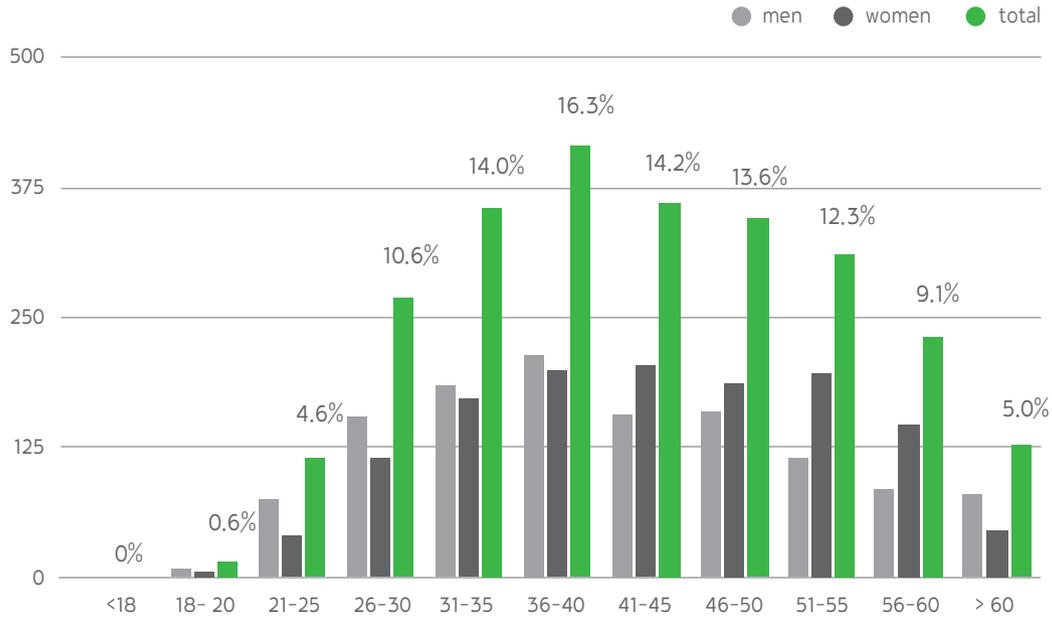
*Temporary employment agencies, student services, vouchers and services contracts



The share of employees by type of performed work

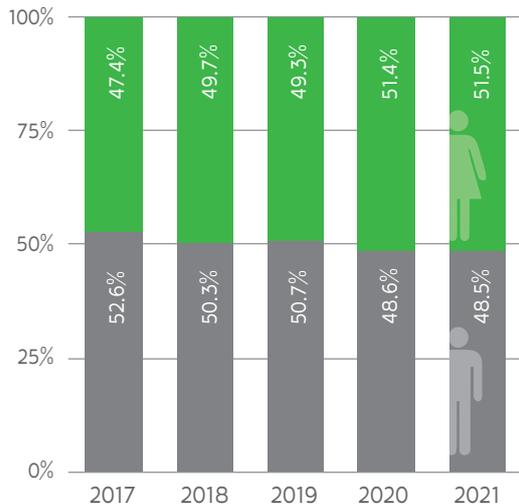
On the basis of the type of work they perform, AD Plastik Group's employees are divided into management (the Management Board and top management - executive directors and directors), indirect workers (administration employees and production administration employees), and direct workers (workers in production).

Age structure of employees



The largest share of employees, 58.02 percent, ranges from 31 to 50 years of age, while the smallest is between 18 and 20 years old. Compared to the previous period, the share of employees aged 21 to 30 decreased. The average age of women is 43 years, men 41, while the total average age of

all employees is 41.5 years. As in previous years, most women and men are between the ages of 36 and 40. The above data show that the AD Plastik Group supports the principle of prohibition of child labor and does not employ persons under 18 years of age.



Gender structure of employees by age

The share of women and men is almost unchanged compared to the previous year, and the trend of gender structure of employees maintains balance and equal representation of the sexes, by which the company supports and promotes policies of gender equality, diversity and equal opportunities.

● men ● women

TRADE UNIONS AND THE WORKERS' COUNCIL

AD Plastik Group fosters a culture of communication and open social dialogue, and two-way communication is one of the key determinants in building employee trust. In crisis situations, timely and regular informing on all relevant topics is extremely important, and in the past period, this applied, in particular, to topics related to health and safety and changes in plans. The primary goal was to provide a sense of security to its employees in uncertain and challenging times through timely and transparent communication. Representative of the Workers' Council is a member of the company's Supervisory Board, thus employees are involved in business supervision and decisions concerning their position. Regular elections for the Workers' Council were held in the reporting period.

Collective agreements cover 81.21 percent of employees at the Group level, while the rights and obligations of other employees are regulated by various regulations in accordance with legal provisions.

In 2021, an annex to the one-year collective agreement was signed in Croatia, by which employees maintained a high level of social and material rights, despite rather difficult circumstances. The agreement was signed with three trade unions operating within the company, and another trade union was established during the year.

In AD Plastik Togliatti, the Collective Agreement is in force until December 31, 2022, and its amendments were signed in 2019, while in Kaluga the long tradition of good social dialogue continues. In Hungary, the rights signed by the collective agreement, which was valid until the end of 2021, were applied.

The law prescribes the shortest periods in which employees must be notified of important changes in each individual country where business is conducted. These deadlines must be met and they range from eight days to a maximum of three months, depending on the country.



EMPLOYMENT

Flexibility and quick adjustments to changes in business marked the year 2021, despite the annual and medium-term plans for the number of employees of AD Plastik Group. During the year, planned employments are updated in accordance with operational plans, and in 2021, given the circumstances in the market, they were quite conservatively planned. Compared to the previous year, significantly less employment hires were realized, while number of employees leaving the company was almost equal.

After several consecutive years of stable growth in the number of employees, in the last two years the impact of the pandemic on this trend has been noticeable. More conservative planning and adjustment to uncertainties, due to the lack of semiconductors in the market, consequently led to a reduction in the total number of employees in the reporting period.

The labor market during 2021 was much more dynamic than the year before and an increasing number of employees leaving the companies was recorded globally. This can also be applied to

the regions in which AD Plastik Group operates, hence the pool for recruiting target groups of candidates was significantly larger. When selecting candidates, the company focused primarily on its own bases, ie employees who were previously employed in AD Plastik Group. In addition to ensuring the required number of employees, an important aspect is also the retention of company knowledge. Therefore, fluctuation is an indicator that is especially monitored, in particular the voluntary fluctuation. Thus, the voluntary fluctuation in 2021 amounted to 18.2 percent, while the total fluctuation was 30.7 percent.

When identifying increased fluctuations in certain groups of experts or departments, special activities are carried out to identify the causes and define an action plan to reduce fluctuation. The average monthly fluctuation rate and the total fluctuation rate in 2021 were slightly higher than the previous year. The peak of fluctuation was in March and July due to the process of optimizing the number of employees, all in line with changes and adjustments to customers. The largest share of new employment was



in Russia, and compared to the previous period it increased significantly, while in Croatia it decreased. The reason for this is the increase in business activities in Russian factories in line with the new sealed deals. The share of newly employed men in the Group increased, but due to the increased fluctuation, the ratio of women to men did not change.

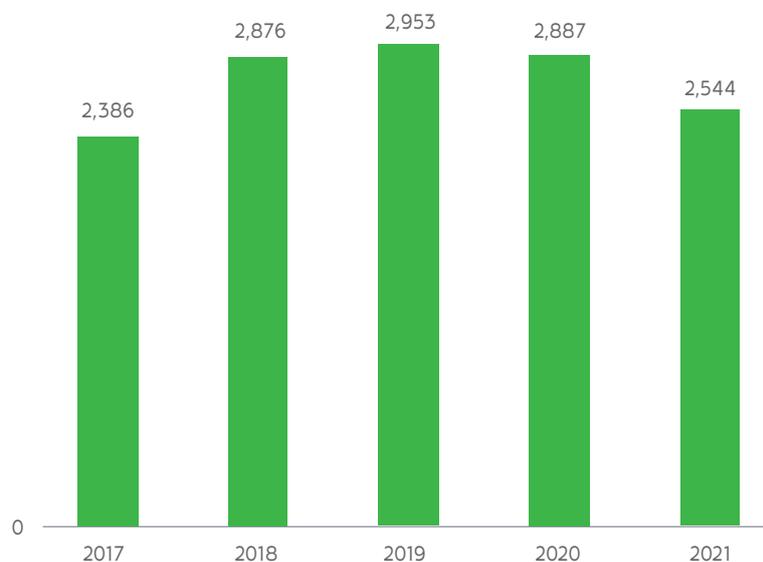
By continuously monitoring and improving the employment strategy, the company strives to create a gender-balanced work environment in which all employees have equal opportunities, rights and possibilities regardless of their parental status. Bearing in mind that planning a family and starting a family represent a major change, and being aware of the need for an equal distribution of care responsibilities between men and women, special attention is paid to encouraging

fathers to use parental leave. At the same time, all employees are provided with equal opportunities for maternity and parental leave. In the observed period, the number of men who exercised this right increased, which is a positive indicator and incentive for further continuation of activities in this area.

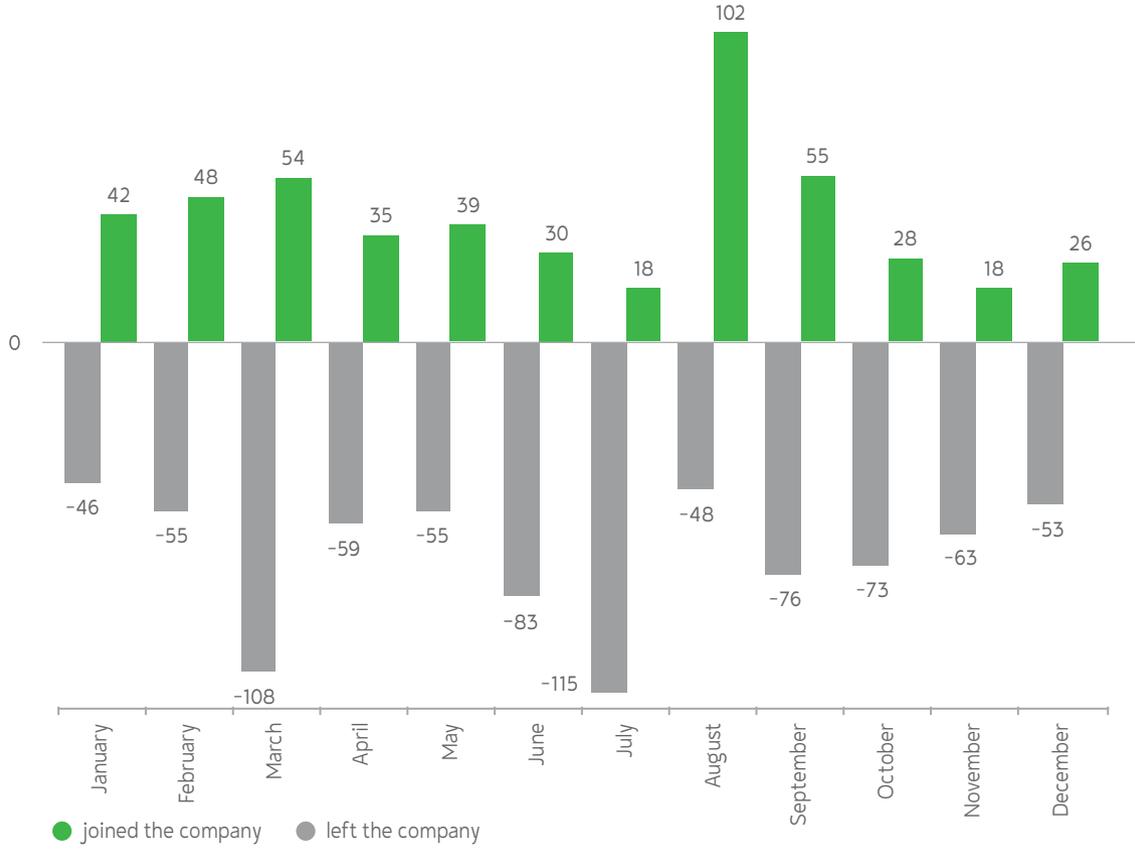
All employees of the AD Plastik Group are guaranteed the right to maternity and parental leave in accordance with the regulations of the country where business is conducted. The duration of maternity and parental leave varies from country to country and can range from one to three years.

Employees who have an employment contract for a definite term or work part-time have the same privileges and rights as those who work full-time.

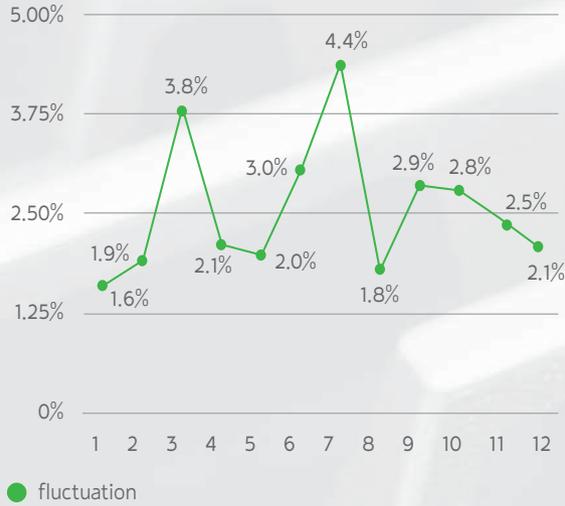
Trend in the number of employees



Employees who joined or left the company by months



Fluctuation rate by months



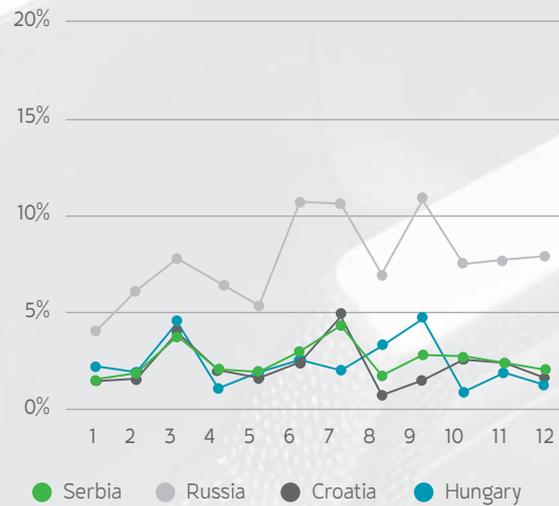
Fluctuation by gender



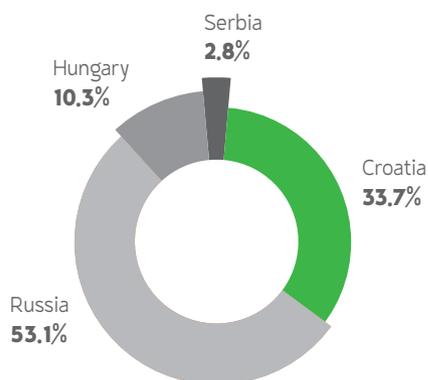
Fluctuation by type of contract



Fluctuation rate by region



Share of employment by region



Share of employment by gender



Maternity and parental leave

		TOTAL NUMBER OF EMPLOYEES	MATERNITY AND PARENTAL LEAVE USED	RETURNING TO WORK AFTER MATERNITY LEAVE	REMAINING EMPLOYED ONE YEAR AFTER RETURNING TO WORK
AD PLASTIK D.D.	men	701	10	8	7
	women	628	46	22	22
AD PLASTIK TOGLIATTI	men	172	0	0	0
	women	257	40	5	3
AD PLASTIK KALUGA	men	107	0	0	0
	women	163	4	5	3
AD PLASTIK TISZA	men	127	5	0	0
	women	181	17	2	2
ADP, MLADENOVAC	men	124	0	0	0
	women	79	2	4	4
AD PLASTIK, NOVO MESTO	men	3	0	0	0
	women	2	0	0	0
AD PLASTIK GRUPA	men	1,234	15	8	7
	women	1,310	109	38	34
TOTAL		2,544	124	46	41

All employees of the Group are entitled to maternity and parental leave, and their duration varies in the countries where business is conducted from one to three years. Therefore, the return extends over a longer period of time.

PERCENTAGE OF SENIOR MANAGEMENT FROM THE LOCAL COMMUNITY

Senior management of the company consists of Management Board members, executive directors and directors. Local employment is defined as the employment of people who live in the certain county, district or region in which certain members of the Group operate. Significant places of operation are the headquarters of individual Group's production sites.

In 2021, senior management of the company consisted of 45 employees, 42 of whom were from the local community, which accounts for 93

percent of the share of local population in the highest management structure.

The largest share of employees is the local population, but at the same time the company encourages mobility and the development of its own experts and managers. Through internal employment, development of an international career within all Group members is enabled, preserving in this way company knowledge and enabling the exchange of best practices.

OCCUPATIONAL HEALTH AND SAFETY

The observed period was extremely demanding due to the duration of the pandemic, but also the consequences it caused. The company continued to implement preventive activities to prevent the spread of the virus within the company, primarily taking into account the health and safety of its employees. The company's Crisis Management Committee regularly held meetings and took care of the implementation of prescribed measures and the epidemiological situation at all production sites.

In cooperation with the Teaching Institute of Public Health of the Split-Dalmatia County, a

lecture and conference on the topic of vaccination were organized.

As the creation of safe and healthy workplaces is one of the company's fundamental commitments, risk and hazard assessments were regularly conducted in all parts of the organization, and the potential hazards were minimized by implementing preventive actions. Continuous improvement of working conditions, and ensuring working conditions without negative impacts increase employee satisfaction and motivation. In Mladenovac, the glassrun channels assembly process has been ergonomically improved,



which eliminated excessive fatigue due to inappropriate position and body movement.

Preserving and promoting health is part of the strategy of human resource development and awareness of the impact of the work environment and working conditions on the health of each individual. This is one of the reasons for joining the project "Healthy Living", within which the certificate "Health Friendly Company" is awarded. During 2021, an educational workshop "Preservation of mental health" was held, as an introduction to the campaign on the importance of mental health.

New employees regularly participate in training on occupational health and safety, which consists of theoretical and practical part. Other employees also periodically participate in such trainings, and the acquired knowledge is regularly monitored and evaluated. The implementation of the prescribed measures for occupational health and safety is supervised by the occupational safety

service at its regular internal audits, and the results are reported to the Occupational Safety and Health Committee and the employees. All issues related to occupational safety are regularly coordinated with the representatives of the trade unions and the Workers' Council.

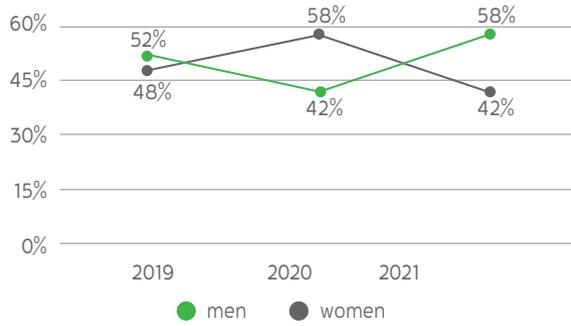
The health condition of employees in workplaces with special working conditions and those who work night shifts is regularly monitored by referring them to specialist examinations by occupational physicians.

In the reporting period, the number of injuries is the same as in the previous year and they do not have lasting consequences for the health of employees. The injuries were caused by a collision with an object, a fall in the same plane, a cut with a scalpel or they happened during arrival or departure from work. No occupational accidents of suppliers or visitors staying or working at the AD Plastik Group production sites were recorded.

Injury rates

	2019				2020				2021			
	Injuries	Occupational diseases	Lost days	Deaths	Injuries	Occupational diseases	Lost days	Deaths	Injuries	Occupational diseases	Lost days	Deaths
SOLIN	20	0	493	0	7	0	205	0	5	0	275	0
ZAGREB	19	0	305	0	16	0	124	0	16	0	319	0
VINTAI	0	0	0	0	0	0	0	0	0	0	0	0
KALUGA	0	0	0	0	0	0	0	0	1	0	41	0
TISZAÚJVÁROS	26	0	578	0	16	0	77	0	13	0	52	0
MLADENOVAC	4	0	125	0	1	0	13	0	5	0	119	0
TOTAL	69	0	1,501	0	40	0	419	0	40	0	806	0

Injury rates by gender



Parameter

PARAMETER	2019	2020	2021
IR (injury rate)	2.38	1.38	1.58
ODR (occupational disease rate)	0	0	0
LDR (lost days rate)	0.20	0.06	0.14
IR (rate of lost working hours per 200,000 hours worked)	2.40	1.50	1.71
AR (absentee rate due to death case)	0	0	0



TRAINING AND EDUCATION

Lifelong education and development of competencies of each individual employee are a necessity in modern business and human resources development. Knowledge and skills are the basic premise of successful dealing with market challenges, technological progress and high set business standards. AD Plastik Group clearly defines the processes that are systematically managed in order to meet the desired level of human resources development.

Onboarding is the starting point for the development of each individual, and further development is planned and implemented accordingly on an annual basis. Trainings or projects that offer the possibility of additional development, focused on different operational areas and processes within the the company, are planned. Employees regularly attend professional seminars and conferences

in their field of work, all in order to develop and create a competitive advantage. During 2021, epidemiological measures continued to complicate the organization of different types of education, but despite this, 209 courses on various educational topics were realized. These were mostly various professional seminars and trainings that were mainly conducted through digital platforms. The educational platforms Automotive Industry Action Group, Ford Supplier Learning Institute and Coursera significantly contributed to the development of employees in the observed period.

The average number of training hours per employee was 26 hours, which is an increase compared to the previous year, despite the epidemiological situation. Examination of the quality of educational content shows that the educational needs of the Group's employees were met.

MENTORSHIP

Mentorship is a special model of employee development in the AD Plastik Group and the mentor-mentee pairing is approached with special care, determining the initial levels of knowledge. Mentorship takes place exclusively in key business areas, and in 2021, three mentoring programs were monitored, which contributed to the sharing of knowledge, but also to the recognition of the expertise and excellence of mentors.



ANNUAL INTERVIEWS WITH EMPLOYEES

Annual interviews and feedback to employees are a direct incentive for the further development of each individual. In 2021, a series of workshops on the importance of feedback for employees was held, and the management also attended a large number of practical exercises.

STARTER PROGRAM

During 2021, the Starter project continued, internship program for master engineers with technical/technology degree without work experience. Under the guidance of a mentor, they

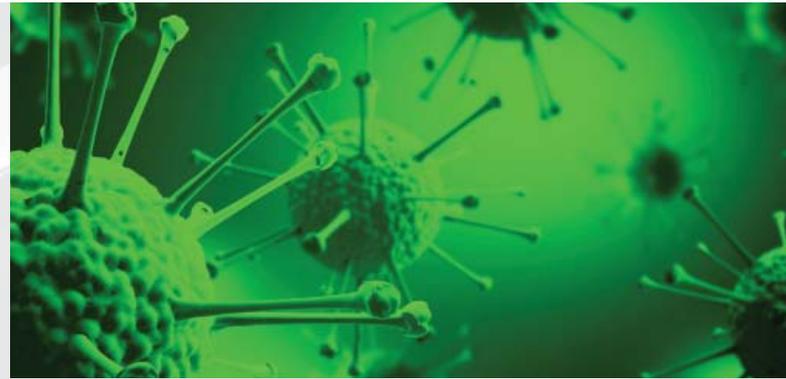
Percentage of employees who received a performance appraisal and individual development assessment:

- engineers and highly professional staff (22.7 percent of men and 23.6 percent of women)
- other machine setters and staff (23.5 percent of men and 34.1 percent of women)
- production workers (21.6 percent of men and 27.2 percent of women)

have been acquiring knowledge successfully, and during the year three of the five young engineers from this program were employed in the development quality and sales departments.

HEALTH MANAGEMENT

In addition to trainings and workshops focused on knowledge and business skills, in 2021, in cooperation with the Institute of Public Health, educations on prevention and protection against COVID-19 virus were conducted.



EDUCATION AND TRAINING

During 2021, employees participated in educations related to diversity and inclusion for HR professionals, IMDS, Supply Chain Sustainability, trainings on monitoring, measuring and reporting emissions, corruption, anti-corruption and compliance. These educations and trainings

cover all areas of corporate social responsibility, and 21 employees participated in them. Raising employees' awareness on socially responsible topics also takes place through internal newsletter ADP News, which is regularly distributed to all employees.

REWARDING

AD5 - REWARDING EXCELLENCE

In the reporting period, 91 employees were awarded who, through their efforts and commitment, significantly contributed to the achievement of the goals of their departments.

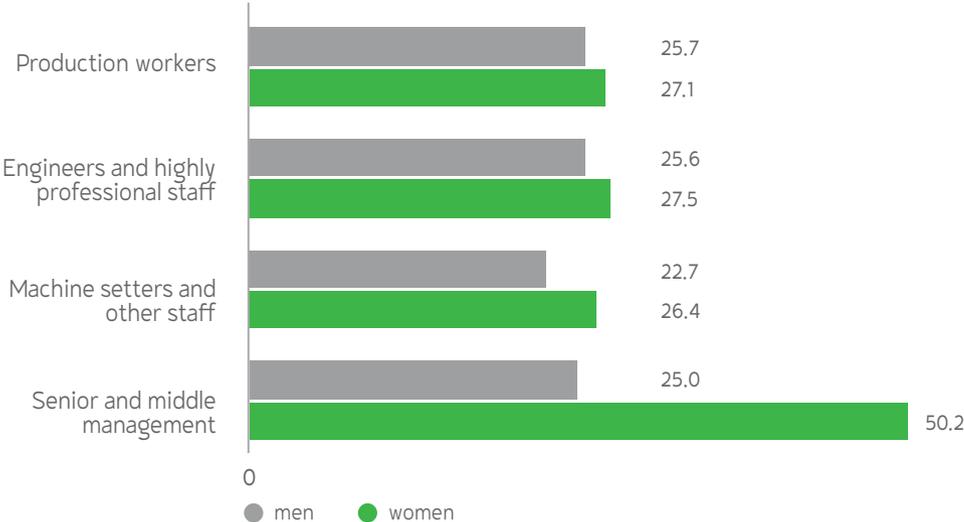
IDEAS FOR IMPROVEMENT

In 2021, 27 ideas for improvement were implemented and awarded, which is a significant improvement compared to the previous reporting year.

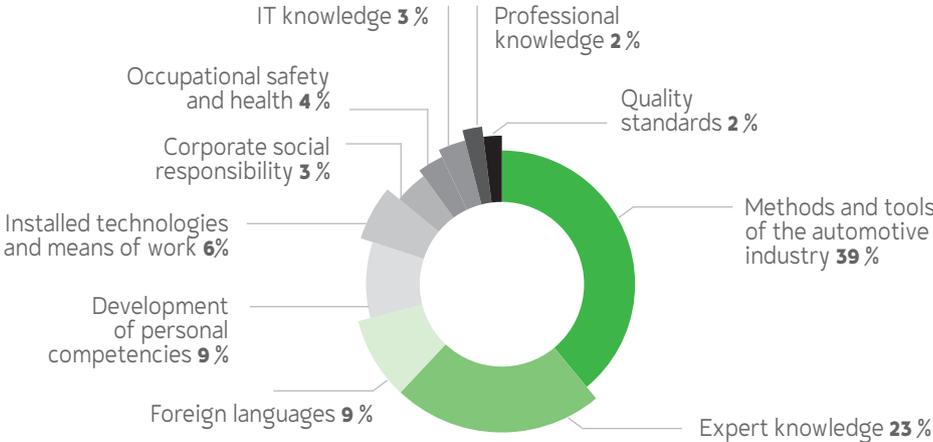


EMPLOYEE DEVELOPMENT IN NUMBERS

Average number of training hours
per employee gender and category



Share of different programs



DIVERSITY AND EQUAL OPPORTUNITIES

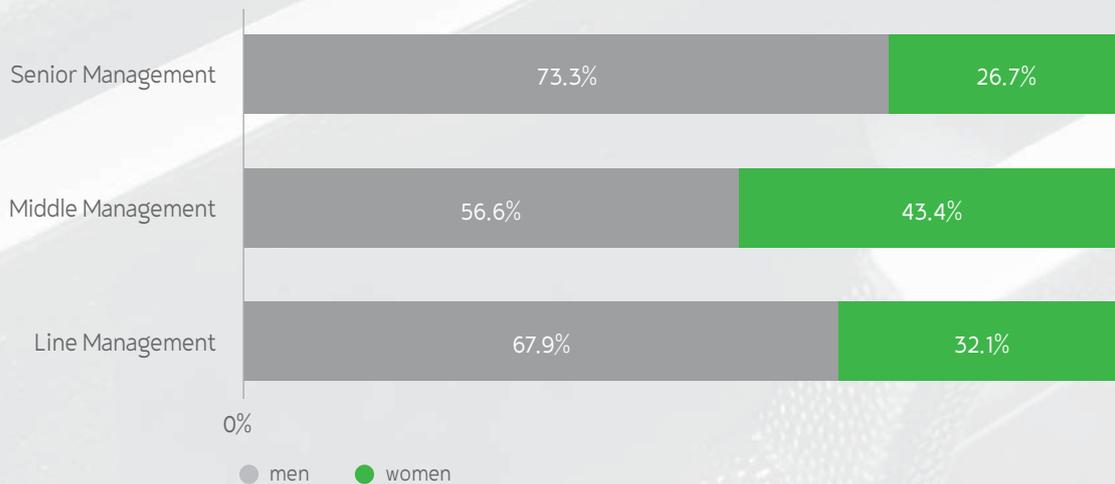
Diversity and equal opportunities ensure respect for personal integrity and are included in management, employment and promotion processes. The company's goal is to make every employee feel like an equal member of the work environment and activities are aimed at building open and inclusive relationships.

Compared to the previous period, the share of women in senior management structures decreased slightly, while the share of women over 50 years of age in middle management

increased. The share of women within the management-leading structure of AD Plastik Group is a total of 38.19 percent. The ratios of women and men in various management positions have been stable for many years, with 64.8 percent of total management aged 30 to 50, while the share of those over 50 is 29.2 percent.

There was a minor change in the Group's educational structure due to the fluctuation of direct workers, so the share of employees with lower education reduced from 16 to 14 percent.

Management gender structure



Management age structure



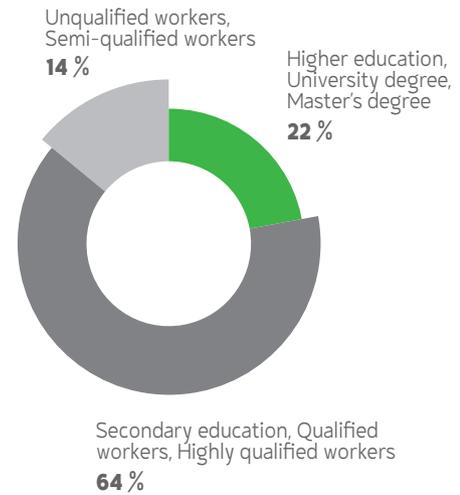
Management Board structure by age and gender

	18-30	30-50	>50
MEN	0	0	3
WOMEN	0	0	0

Audit Committee structure by age and gender

	18-30	30-50	>50
MEN	0	0	3
WOMEN	0	1	0

Employee educational structure



ADP ACTIVITIES

AD Plastik Group builds its organizational culture by promoting and achieving the company's values and creating a sense of belonging. The continuation of the pandemic during 2021 was still severely restricting social activities, but any easing of epidemiological measures was used to launch them.

In Solin, the AD Plastik team participated in the business futsal league, and employees

throughout Croatia used the services of the Multisport card to access sports and recreational facilities. Although in-person gatherings of larger groups of employees were minimized due to the epidemiological situation, the company's day was marked in an appropriate way. Gathering was organized through digital platforms and seedlings were distributed to employees, as a symbol of sustainable development, which also marked Earth Day.



TISZA GARDEN

The employees of the factory in Tiszaújváros, on their own initiative, landscaped a garden in the heart of the industrial complex and created their own oasis where they can connect with nature.

Thanks to their joint efforts and involvement, they have created a place to relax and socialize in the breaks between their work commitments.

IT'S OK NOT TO BE OK

In order to promote, raise awareness and preserve the mental health of employees, a campaign «It's OK not to be OK» was conducted at the Group level. It was launched on the occasion of the International Mental Health Day, and its goal was to recognize one's own and other

people's signs of mental health distress. In Croatia, the provision of psychological counseling and support services has also been contracted with external experts, which ensures anonymity for employees and provides them with free help.

GOOD DEEDS

Employees of AD Plastik Togliatti participated in the humanitarian action «Good Deeds», which has multiple benefits for the community. The goal of the action is to help children living in orphanages by collecting plastic caps. AD Plastik Togliatti has been participating in this action since 2017 and its employees have collected a

total of two tons of plastic that was recycled, and all the proceeds have been donated to the Togliatti Foundation, which takes care of the rehabilitation of children with disabilities. Project participants raise community awareness about the importance of waste separation, and at the same time help the most needy ones.

GARDEN OF MEMORY

The international action «Garden of Memory» provides for the planting of 27 million trees in memory of those killed during World War II. Planting is carried out in different Russian regions, taking into account climatic characteristics. The aim of the action is to raise the level of awareness of the general public about the

problems of afforestation, and with their participation the companies show a high level of social and environmental responsibility. Employees of AD Plastik Togliatti participated in this action and together with other participants and foresters, planted a total of 1.5 hectares of forest during 2021.

Community

The Group is aware of its economic and social impact in the communities where it works and its mission is to operate in harmony with the environment. Investing in a community enables its progress, but also the progress of every community factor. Employing the local population enables them dignity of work and additional education, and the company promotes the sustainable development of business and the community overall.

For many years, the company has been actively developing its cooperation with many educational institutions, aware of the importance of integrating theory and practice to make education as quality as possible and ensure better employment opportunities. Apart from student internships and employment, cooperation with students is achieved through assistance in the making of diploma theses and guest lectures. At the Group level, 43 university students and 6 high school students successfully completed their internship during 2021 and 5 diploma theses were written, while 3 are still in the making. Planned visits of students to factories in Croatia were postponed due to the epidemiological situation. Group experts held several lectures at the higher education institutions in Croatia.

The company nurtures a culture of diversity and equal opportunities and it has been participating in the Experience is worth its weight in gold project for many years. The project goal is to enable professional practice and potential employment of students with disabilities or lower financial status. The company participated in virtual career fairs in Mladenovac and Togliatti, and AD Plastik Tisza established cooperation with the University of Debrecen.

As pandemic was largely present in 2021, the funds planned for holiday materials and gifts

have been redirected to the Split Clinical Hospital Center. It is a gratitude to the medical staff who has been fighting tirelessly against the pandemic, reminding us of the real value of togetherness. Solidarity in action was also shown by the Group employees by raising funds to help colleagues from earthquake affected areas in Petrinja.

AD Plastik Group cooperates with institutions at the local and national level in line with the company's policies and capabilities. Company representatives publicly advocate for topics with the positive impact on the community and the economy, and during the reporting period they participated in various events. The interests of industry and exporters are primarily advocated, encouraging the further development of the economy and CSR.

March 15 Conference "Invest smartly - Invest in Croatia", panel „Being an entrepreneur in Croatia“, participant Marinko Došen

May 21 Conference on the 4th Industrial Revolution, panel „Good Practices - Experiences and Recommendations“, participant Mladen Peroš

September 13 „Croatia: on the road to the euro“, panel „Introduction of the euro in Croatia - expectations for the business community“, participant Josip Divić

September 22 Conference „What is Dalmatia without tourism“, participant Marinko Došen

November 9 Conference on Sustainable Development, panel „Industrial Policy“ - participant Marinko Došen

Social responsibility and relationship with the community are woven into all company's business processes that are communicated clearly and transparently through integrated annual reports.

COMMITMENTS TO EXTERNAL INITIATIVES

By participating in the work of various associations AD Plastik Group aims to strengthen the influence of entrepreneurs in promoting the strategic interests of the economy, entrepreneurship and exports. It encourages the necessary changes and with its contribution to the work of various bodies, associations and institutions, it directly contributes to the development of the community in which it operates.

- President of the Management Board Marinko Došen is a member of the Assembly of the Croatian Chamber of Economy and the Member of the Management Board Mladen Peroš is the Deputy President of the Economic Council of the County Chamber Split
- National Plastics and Rubber Industry Association, and Community of manufacturers of parts and accessories for the automotive industry of the Croatian Chamber of Economy and the regional Vocational Plastics and Rubber Manufacturing Group of the County Chamber Split
- Marinko Došen is the President of the Business Council for Economic Cooperation with the Russian Federation
- Membership in the Croatian Exporters Association, whose Vice President is Marinko Došen
- Membership in the Club of Exporters
- Founders of AD Klaster which brings together leading Croatian automotive parts manufacturers, and Marinko Došen is the President of the Assembly, while Director of Logistics of AD Plastik Group Denis Miletić is the Director of AD Klaster
- Marinko Došen is a diversity ambassador and also the Vice President of the HR BCSD Assembly
- Participation in the work of Community for Corporate Social Responsibility, Community for Environmental Protection in the Economy and Community for the Human Resources Development of the Croatian Chamber of Economy
- AD Plastik Group is the signatory of the Code of Business Ethics of the Croatian Chamber of Economy and the United Nations Global Compact Initiative, thus having committed to promote and support the ten principles of the UNGC and seventeen sustainable development global goals.
- In Russia, AD Plastik Group is a member of the Automotive Cluster
- AD Plastik Group is a member of the Serbian Automotive Cluster
- AD Plastik Group in Hungary is a member of several professional associations, namely national associations of entrepreneurs and employers, plastic processors and car components manufacturers, the automotive cluster of northern Hungary and the Chamber of Commerce and Industry.



SPONSORSHIPS AND DONATIONS

Rulebook on Donations and Sponsorships of AD Plastik Group is published on the company's website, and the management of sponsorship and donations is based on recognizing the needs and social responsibility of the company as a desirable partner of the community in which it operates.

DONATIONS

HUMANITARIAN ACTION AND HEALTH

**Split Clinical Hospital Center
COVID department**

monitors for monitoring vital functions

**Association of persons with cerebral
palsy and polio**

purchase of a standing frame

State Budget of the Republic of Croatia

aid for the reconstruction of earthquake-affected areas

Employees

post-earthquake reconstruction aid to employees from the Petrinja, Sisak and Glina areas

Maestral Children's Home

participation in a charity dinner

EDUCATION, CULTURE AND SPORT

**Computer donation to the Split 3 Elementary
School**

Bol Elementary School

renovation of an extended stay classroom

**Faculty of Electrical Engineering, Mechanical
Engineering and Naval Architecture, University
of Split**

acquisition of academic licenses for CAD / CAM laboratory

Franciscan Province of the Most Holy Redeemer

roof renovation of the Church of Our Lady of Health

Sailing club Labud ("Swan") Split

organization of the sailing regatta «Mrduja»

Youth water polo club POŠK

support for achieving the goals of the season and the youth group

Football club Sloga ("Harmony")

improving the work and conditions of the club

SPONSORSHIPS

Association of boatmen Saint Ilija Metković

Conference "Challenges of Change 2021"

Conference on Sustainable Development

Conference "MTECH 2021"

Conference "Criminal Compliance - ISO 37001"

Monograph of a basketball club "Kraljevica"

Water polo club Jadran

functioning of the entire sports facility



Economy

While managing topics in the field of economics, the company is primarily guided by the goal of making the most significant possible contribution to all stakeholders and achieving profit goals to the satisfaction of all interested publics. Through optimal management of economic

resources, tax compliance and the use of available grants, it strives to create the greatest possible economic value that will be fairly distributed to stakeholders, ensuring primarily financial stability of the company and thus ability to continue as a going concern.

The global crisis of lack of semiconductor, along with disruptions in distribution chains, has significantly slowed down the expected recovery of the automotive industry, which is visible also in the trends of economic values of AD Plastik Group in 2021. Direct economic value generated, compared to the previous year, decreased by 7.6 percent and amounted to HRK 1,126.2 million. This decline is a direct consequence of the reduction in customer orders due to the lack of semiconductors

in the market. Economic value distributed in the reporting period is slightly lower and amounted to HRK 1,092.4 million, which is 0.97 percent less than a year earlier. The main reason for this trend comes from a significant increase in payments to capital providers, with the largest impact being the dividend payment in the total value of HRK 66.3 million. As a result of these trends, the economic value retained was lower than in previous years, but is still at acceptable levels.

Direct economic value generated and distributed in HRK 000

	2018	2019	2020	2021
Direct economic value generated	1,321,254	1,541,088	1,218,580	1,126,150
Sales revenue	1,298,446	1,509,216	1,186,765	1,102,413
Other revenue	22,808	31,872	31,815	23,737
Economic value distributed	1,211,022	1,432,132	1,103,095	1,092,444
Operating expenses	906,981	1,048,899	809,552	747,589
Wages and benefits to employees	253,485	296,408	253,513	254,809
Payments to capital providers	51,566	64,396	26,224	71,588
Payments to the state	-1,419	21,946	12,295	16,801
Community investments	408	483	1,511	1,657
Economic value retained	110,232	108,956	115,485	33,706

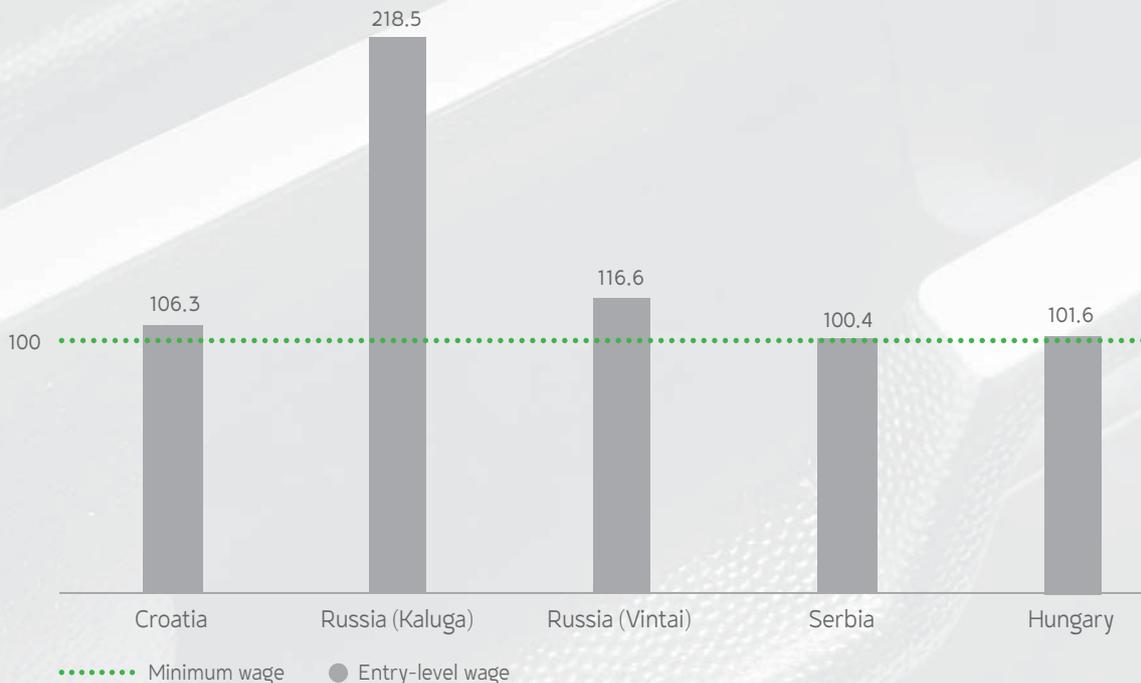
In accordance with the regulations in individual countries and the company's policy, all employees of the Group are registered and included in pension funds. Pension contributions are paid in the name and at the expense of employees.

The rate of pension contribution in Croatia is 20 percent of the contribution base, in Russia it is 22 percent to an amount up to 1,465,000.00 RUB, above which an additional 10 percent is paid. In Hungary, the rate of payments is 10 percent, while in Serbia 14 percent is paid from the gross salary at the expense of employees and 11.5 percent at the expense of the employer. At all production sites, that is countries of operation, the entry-level wages of AD Plastik Group employees

are higher than the prescribed minimum wages in a particular country or region. The basic wage is set depending on the job position and is equal for all employees, regardless of gender or any other characteristic. It is based on legal regulations and internal documents of each individual company which define wages, additions to the wage, compensations and stimulations.

Additional employee rewards are regulated by internal rulebooks such as the rulebook on rewarding excellence and suggestions for improvement. Employees who have an employment contract for a definite term or work part-time have the same privileges and rights as employees who have an employment contract for indefinite term.

Comparison of entry-level and minimum wage by country



FINANCIAL ASSISTANCE

Financial assistance received at the Group level in 2021 amounted to HRK 2 million, which is significantly lower than in previous years. The main reason is the non-use of tax reliefs, since the parent company incurred a tax loss. Although 2021 was extremely difficult for the automotive industry, the grants available were few and they were not significant. The subsidiary in Serbia

used grants in the amount of HRK 0.6 million related to Covid-19, while the parent company used HRK 1.3 million as subsequently recognized write-off of tax liabilities due to falling revenue in 2020. AD Plastik Group actively monitors tenders for the award of grants and accordingly plans, that is adjusts, as much as possible, its investment plans.

Financial assistance received from the Government

(in HRK 000)

	2018	2019	2020	2021
TAX RELIEFS	6,110	9,827	12,790	117
SUBSIDIES	4,345	2,700	16,500	1,932
TOTAL	10,455	12,527	29,290	2,049

SIGNIFICANT INDIRECT ECONOMIC IMPACTS

AD Plastik Group has a significant impact on the environment in which it operates, and the intensity and types of indirect economic impacts of individual members on the environment are different, ie specific with regard to the environment in which they operate and the activities in which they are engaged. Growth in revenue and production volumes, until the outbreak of the pandemic, had a noticeable impact on increasing the number of vacancies in the supply chain. Due to market disruptions, this effect was absent in the reporting period.

Improving social conditions is also one of the indirect economic impacts of the Group, which is best manifested in the creation of vacancies specific for the automotive industry. The Group's research and development department is located in Croatia and it uses the most complex and advanced technologies. There is a significant impact on improving skills and knowledge within the professional community through cooperation and partnerships with educational institutions, which is also an excellent channel for recruiting the best staff.

TAXES

There is no formally adopted tax strategy in the company, but the attitude and tax principles of all Group members are the same - to respect the legislative framework and good tax practices of the countries in which they operate, and to correctly calculate and timely settle all tax liabilities. Tax havens or profit transfers within the Group are not used for the purpose of paying lower tax liabilities, but by using available tax reliefs, which are usually related to capital investments and increments in the number of vacancies, tax planning is performed in order to optimize them.

Since 2018, the parent company has been a signatory to the Agreement on the Acquisition of the Special Status of Taxpayers, which raises transparency in tax management to the highest level. Thus, tax risks are reduced and partnership is maintained with the Tax Administration which has a comprehensive insight into all relevant facts and circumstances from which tax liabilities or tax risks arise. More detailed information on accounting policies related to taxes and notes is an integral part of the annual financial statements within this document.



Environment

In cooperation with its customers and suppliers, the Group continuously works on finding environmentally friendly solutions, technologies and materials to reduce vehicle weight, their emissions and protect environment. Potential risks are prevented by continuous monitoring of environmental impact, process improvements and planning. The precautionary principle is applied to avoid possible risks of applying new technologies before having full knowledge and

understanding of their impact on the environment and human health. Environmental care and conscientious management of natural resources are the core values and permanent responsibility. The circular economy, greener production processes, energy efficiency and quality waste management are part of the integrated strategy, which is the basis for making plans, strategies, and realization of the activities.



EU TAXONOMY

CLIMATE CHANGE MITIGATION

CLIMATE CHANGE ADAPTATION

SUSTAINABLE USE AND PROTECTION OF
WATER AND MARINE RESOURCES

TRANSITION TO A
CIRCULAR ECONOMY

POLLUTION PREVENTION
AND CONTROL

PROTECTION AND RESTORATION
OF BIODIVERSITY AND ECOSYSTEMS

The Taxonomy Regulation, and delegated regulations, are the legal framework that provides companies, their investors and legislators with criteria for determining economic activities that are environmentally sustainable and make a significant contribution to environmental objectives. In the reporting period, the Group reports on two of the six environmental objectives covered by this Regulation, namely:

climate change mitigation
climate change adaptation

By analyzing legal regulations and acts, multi-disciplinary teams have analyzed legal acts and regulations and determined the type of activity, capital and operating costs and a calculation adequate to the reporting obligation. When calculating key performance indicators (revenue, capital investments and operating costs), activities and investments related to environmentally sustainable economic activities were identified and put in relation to the financial statements data. Revenue is stated in relation to total revenue in statement of comprehensive income, and capital investments in relation to capital investments in statement of cash flows (purchases of property, plant and equipment, investment property and intangible assets). OPEX indicator is stated in relation to total operating costs less depreciation and amortisation in statement of comprehensive

income. The presented share of capital costs refers primarily to the energy efficiency of facilities, installation, maintenance and repair of energy efficient equipment and does not have a significant share in total costs. The Group activity is not recognized as one that makes a key contribution to the environmental objectives of the Regulation, so it should be considered so. However, the company constantly works on improvements and quality care for the environment in which it operates, and within the strategy of CSR it has clearly set goals and activities. The Taxonomy Regulation has not yet been fully implemented, and the implemented part is strongly focused on companies that significantly contribute to environmental pollution and emit high levels of CO₂, and the Group is not one of them.

	REVENUE	CAPEX	OPEX
AD PLASTIK GROUP	0.00 %	11.06 %	0.30 %
AD PLASTIK D.D.	0.00 %	8.81 %	0.24 %

MATERIALS

Input materials management is integral part of business processes from offer making to serial production, and it is covered by the quality, environmental protection and sustainable supplier management policies. Input materials used in production processes, with significant cost impact, are important because of the environmental impact. This is managed by the close cooperation of Sales, Research, Purchasing, Product and Process Development, Production, Quality and Environmental Protection. The basic raw materials for the production of plastic components are thermoplastic organic polymers used in injection moulding, thermoforming and blow moulding. Component painting technology uses paints, varnishes and solvents based on

VOC. The final products of the Group are in line with the technical specifications of customers, with whom it continuously works on the material development and improvement, and the application of environmentally sustainable standards. The products are packed and transported in returnable metal or plastic packaging, and part is packed in appropriate cardboard packaging, covered in foil and placed on wooden pallets. During 2021, chemical leasing model continued, in line with the Law on Sustainable Waste Management. Thus, waste solvents from the painting technology are disposed of so they get regenerated and returned to the painting technology process purified. 237 tons of regenerated solvent were used with this model.

Material used by weight or quantity

MATERIAL	PRODUCTION SITE	2019	2020	2021
PP/PE/PES (t)	SOLIN	13,411	8,762	2,953
	ZAGREB			3,995
	VINTAI	3,675	2,173	1,873
	KALUGA	2,498	1,627	2,967
	TISZAÚJVÁROS	1,749	2,088	1,977
	MLADENOVAC	1,225	478	410
	TOTAL	22,558	15,128	14,175
PAINT, VARNISH, SOLVENTS (t)	SOLIN	0	0	0
	ZAGREB	647	689	620
	VINTAI	21	11	13
	KALUGA	2.8	3	0
	TISZAÚJVÁROS	0	0	0
	MLADENOVAC	176	1	1
	TOTAL	847	704	634

Recycled input materials

MATERIAL	PRODUCTION SITE	2019	2020	2021
PP/PE/PES, PAINT, VARNISH, SOLVENTS (t)	SOLIN	1,919	754	247
	ZAGREB			408
	VINTAI	356	10	272
	KALUGA	104	102	350
	TISZAÚJVÁROS	192	241	880
	MLADENOVAC	0	0	0
	TOTAL	2,571	1,106	2,157

Share of material used that is recycled input material

MATERIAL	PRODUCTION SITE	2019	2020	2021
PP/PE/PES, PAINT, VARNISH, SOLVENTS (t)	SOLIN	13.65%	7.97%	8.35%
	ZAGREB			8.83%
	VINTAI	9.69%	0.45%	14.43%
	KALUGA	4.16%	6.27%	11.80%
	TISZAÚJVÁROS	10.98%	11.54%	44.53%
	MLADENOVAC	0%	0%	0%
	TOTAL	7.70%	5.25%	14.66%

Material used for the packaging of the final product (t)

PRODUCTION SITE	CARDBOARD	PLASTIC FOIL	WOODEN PALLETS
SOLIN, ZAGREB	123.00	14.50	135.00
KALUGA	156.60	9.20	0
MLADENOVAC	82.20	6.90	71.00
TOTAL	361.80	30.60	206.00

Paper used for office operations purposes (t)

SOLIN	4.30
ZAGREB	8.26
VINTAI	5.06
KALUGA	6.03
TISZAÚJVÁROS	5.70
MLADENOVAC	1.02
TOTAL	30.37



ENERGY

Direct and indirect energy is used for the operation of production plants. Direct energy consumption includes the consumption of natural gas, LPG, heating oil and fuel for the propulsion of company's motor vehicles. Indirect energy consumption means electricity consumption, and the total consumption of direct and indirect energy varies and is directly related to the amount of production.

The company conscientiously and continuously manages energy and takes initiatives to ensure efficient and rational consumption. Energy efficiency provides financial and energy savings, and, accordingly, an energy efficiency management system has been implemented at the production sites in Solin, Zagreb and Mladenovac according to the requirements of ISO 50001 standard. That is the backbone and the basis for more efficient use of the Energy Consumption Reduction Program. In accordance with the internal procedures and instructions of the Technical Affairs department, regular and appropriate records of energy consumption are kept at the production sites of the AD Plastik Group,

and based on that, measures for improvement are proposed. Electricity is the main energy source in the Group's production plants and premises, the main driver of machines, heating, cooling and lighting devices of work areas. Total energy consumption in 2021 was lower than in previous periods due to reduced production. The purchased electricity was not obtained from renewable energy sources.

During 2021, activities of replacing lighting fixtures with LED lighting were continued. A cooling plant was purchased in Zagreb, while a dryer for drying and preparing materials was purchased in Solin. Gas-powered forklifts have been replaced by more technologically advanced electric forklifts in Solin, Zagreb and Tiszaújváros. The Hungarian factory has also introduced a system for measuring electricity efficiency, which communicates wirelessly with a central server that has analytics software. Such consumption monitoring and analysis of incoming data allow to timely undertake measures for more efficient use of electricity.

Energy consumption within the organization by energy sources

	2019	2020	2021	SHARE
Electrical energy (GJ)	163,094	147,757	136,189	79.15%
Natural gas (GJ)	39,631	37,102	33,214	19.30%
Liquefied petroleum gas (GJ)	2,969	5,367	2,565	1.49%
Heating oil (GJ)	410	24	104	0.06%
TOTAL	206,104	190,250	172,072	100.00%

Energy consumption within the organization by production sites (GJ)

PRODUCTION SITE	2019	2020	2021
SOLIN	40,755	40,130	32,912
ZAGREB	90,054	82,686	72,476
VINTAI	23,759	22,727	22,268
KALUGA	17,302	18,404	16,981
TISZAÚJVÁROS	19,784	16,315	17,137
MLADENOVAC	14,486	9,988	10,297
TOTAL	206,140	190,250	172,072

Energy consumption outside the organization (GJ)

PRODUCTION SITE	2019	2020	2021
SOLIN	3,361	2,105	1,544
ZAGREB	493	401	245
VINTAI	4,093	3,343	2,849
KALUGA	55	44	35
TISZAÚJVÁROS	1,070	641	542
MLADENOVAC	148	88	36
TOTAL	9,220	6,622	5,250

Energy consumption outside the organization shows fuel consumption for vehicle needs during business trips.

Energy intensity

PRODUCTION SITE	2019	2020	2021
SOLIN			3.05
ZAGREB	2.71	3.25	3.58
VINTAI	1.81	1.86	1.76
KALUGA	1.92	2.00	1.37
TISZAÚJVÁROS	3.19	3.73	4.06
MLADENOVAC	3.19	3.78	3.36
TOTAL	2.56	2.92	2.86



Energy intensity is measured by the ratio of total electricity consumption (kWh) and total weight of delivered products (kg).

WATER AND EFFLUENTS

Water is a unique and irreplaceable natural resource used in business, so the care for its consumption and the quality of water discharged is approached with special attention within the company. Regular monitoring of water consumption and reporting on the state of the water supply and wastewater discharge systems enable managing this resource in a quality manner. Possible deviations from the planned values are quickly identified and, accordingly, measures and activities for improvement are introduced. AD Plastik Group's production sites do not have

a negative impact on water and the aquatic ecosystem, and the supply is mostly provided from the public water supply system. A small part is supplied from its own well in Zagreb, from which water is used for sanitary and technological needs and, if necessary, replenished in closed recirculation systems. Technological needs include cooling of machines and tools, water curtain in the process of applying paints and varnishes and humidification of the air. Water consumption is monitored by direct measurement on a water meter.

Water consumption by source

	PUBLIC WATER SUPPLY (m ³)			PRIVATE WELL (m ³)			TOTAL CONSUMPTION (m ³)		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
SOLIN	41,506	31,339	23,400	0	0	0	41,506	31,339	23,400
ZAGREB	12,416	13,329	9,535	7,790	9,136	6,941	20,206	22,465	16,476
VINTAI	6,767	6,126	6,597	0	0	0	6,767	6,126	6,597
KALUGA	2,275	2,842	3,575	0	0	0	2,275	2,842	3,575
TISZAÚJVÁROS	831	926	959	0	0	0	831	926	959
MLADENOVAC	3,921	2,429	2,548	0	0	0	3,921	2,429	2,548
TOTAL	67,716	56,991	46,614	7,790	9,136	6,941	75,506	66,127	53,555



Water consumption in the technological processes of production

PRODUCTION SITE	PRODUCTION PROCESS (m ³)	COOLING OF PREMISES (m ³)	TOTAL (m ³)
SOLIN	1,437	0	1,437
ZAGREB	8,726	0	8,726
VINTAI	1,319	0	1,319
KALUGA	1,588	0	1,588
TISZAÚJVÁROS	40	0	40
MLADENOVAC	5	0	5
TOTAL	13,115	0	13,115

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

PRODUCTION SITE	2020	2021
SOLIN	0.41	0.48
ZAGREB	0.22	0.23
VINTAI	0.60	0.37
KALUGA	0.40	0.46
TISZAÚJVÁROS	0.30	0.03
MLADENOVAC	0.48	0.01
TOTAL	0.40	0.26



Effluents are divided into sanitary, technological water and rainwater. They are purified through sedimentation tanks, grease separators and separators before being poured into the internal drainage system, which drains them further to the city water purifier. The collected sediment and sludge generated in this process are regularly removed, and prior to actual disposal, stored and handled as hazardous waste, in accordance with waste management regulations. Effluents are not recycled in

production plants and are controlled by sampling according to the requirements of water permits. All effluents meet the permitted concentrations for discharging in public drainage systems. AD Plastik Group's production sites are not owned, leased or managed by protected areas or in their immediate vicinity, nor in areas of high value in terms of biodiversity outside protected areas. Therefore, they do not have a negative impact on protected areas.

Effluents analysis

	SOLIN	ZAGREB	VINTAI	KALUGA	TISZAÚJVÁROS	MLADENOVAC
Chemical oxygen demand (COD) effluents (t)	2.98	0.32	0	0	0	0
Biochemical oxygen demand (BOD) effluents (t)	1.43	0.14	0	0	0	0

Amount of discharged water and its destination (m³)

	2019	2020	2021	DESTINATION
SOLIN	41,506	18,804	12,963	Adriatic Sea/Mediterranean Sea
ZAGREB	8,471	6,466	7,750	Sava River/Danube River/Black Sea
VINTAI	6,767	4,097	6,597	Volga River/Caspian Sea
KALUGA	2,275	1,808	3,575	Oka River/Volga River/Caspian Sea
TISZAÚJVÁROS	831	556	959	Tisza River/ Danube River/Black sea
MLADENOVAC	3,921	2,079	2,548	Veliki Lug River/Danube River/Black Sea
TOTAL	63,771	33,810	34,392	



EMISSIONS

Emissions have a direct impact on the environment and the local community, as well as an indirect impact on the company's financial performance. The management of this aspect is based on the application of environmental protection and energy management policies, by which the company continuously seeks to reduce its negative impact on the environment. Regular activities are defined by the company's procedures and internal instructions, and their effectiveness is checked through internal and external audits.

Greenhouse gas emissions are the result of combustion of energy sources necessary for operation, and AD Plastik Group, in accordance with legislation and regulations, regularly conducts tests of emissions from stationary sources and reports on them. The weight of air emissions is determined directly from measurements or indirectly from calculations based on energy source consumption.

Direct greenhouse gas emissions (t CO₂*)

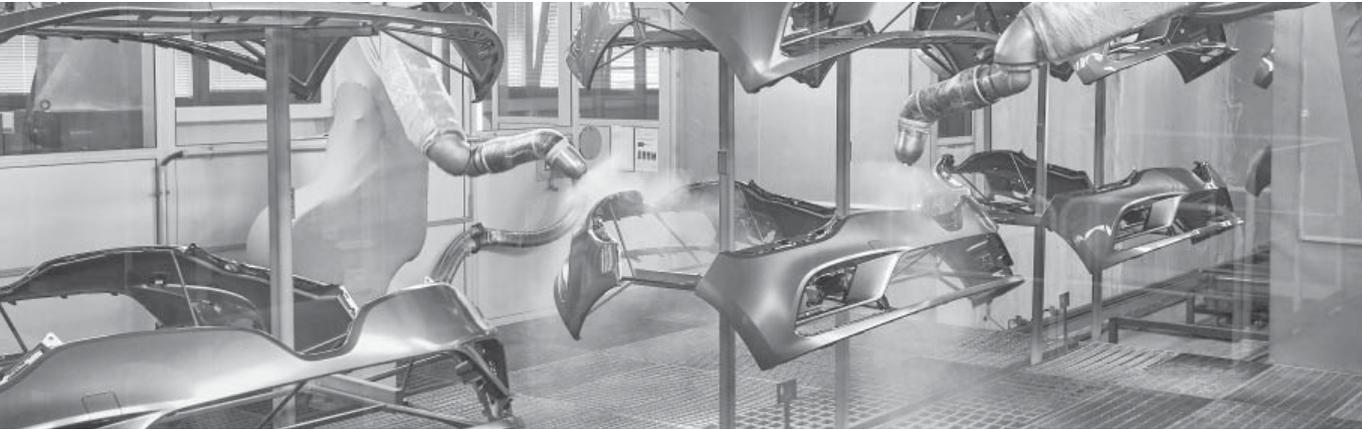
PRODUCTION SITE	2019	2020	2021
SOLIN	35	6	11
ZAGREB	1,652	1,647	1,573
VINTAI	62	60	67
KALUGA	301	262	0
TISZAÚJVÁROS	167	223	202
MLADENOVAC	224	196	145
TOTAL	2,441	2,394	1,998

*t CO₂ - Emission data calculated according to national standard

Direct CH₄ and N₂O greenhouse gas emissions by weight

PRODUCTION SITE	DIRECT CH ₄ EMISSIONS (t*)	DIRECT CH ₄ EMISSIONS EXPRESSED IN CO ₂ EQ (t*)	DIRECT N ₂ O EMISSIONS (t*)	DIRECT N ₂ O EMISSIONS EXPRESSED IN CO ₂ EQ (t*)	DIRECT CH ₄ AND N ₂ O EMISSIONS EXPRESSED IN CO ₂ EQ (t*)
SOLIN	0	0.01	0	0.02	0.03
ZAGREB	0.03	0.78	0	0.74	1.52
VINTAI	0	0.03	0	0.03	0.06
KALUGA	0	0	0	0	0
TISZAÚJVÁROS	0	0.10	0	0.10	0.20
MLADENOVAC	0	0.07	0	0.07	0.14
TOTAL	0.03	0.99	0	0.96	1.95

*t - Emission data calculated according to national standard



In the review of direct greenhouse gas emissions for 2021, 95.8 percent of emissions refer to those generated by the combustion of natural gas used for the operation of boiler rooms for the production of thermal energy, systems for regenerative combustion of volatile organic

compounds and flaming processes. LPG used for forklift operation accounts for 3.8 percent, and the share of heating oil also used for boiler room operation is 0.38 percent. The share of direct CH₄ and N₂O gas emissions in 2021 was 0.10 percent.

Indirect greenhouse gas emissions (t CO₂*)

PRODUCTION SITE	2019	2020	2021
SOLIN	3,096	3,077	2,518
ZAGREB	4,686	4,111	3,411
VINTAI	1,740	1,664	1,703
KALUGA	918	1,053	1,305
TISZAÚJVÁROS	1,288	954	940
MLADENOVAC	808	497	592
TOTAL	12,536	11,356	10,470

*t CO₂ - Emission data calculated according to national standard

Indirect greenhouse gas emissions are caused by the use of electricity obtained from non-renewable sources.

Greenhouse gas emissions intensity (kg CO_{2eq} / kg of the product)

PRODUCTION SITE	2019	2020	2021
SOLIN			0.84
ZAGREB	0.71	0.84	0.89
VINTAI	0.49	0.51	0.50
KALUGA	0.49	0.52	0.38
TISZAÚJVÁROS	0.84	0.97	0.97
MLADENOVAC	0.66	0.94	0.87
TOTAL	0.64	0.76	0.74

The greenhouse gas emissions intensity shows the ratio of total direct and indirect greenhouse gas emissions per kilogram of delivered product.

Other indirect greenhouse gas emissions (t CO₂*)

PRODUCTION SITE	TRANSPORT OF PRODUCTS TO THE END CUSTOMER	ARRIVAL TO WORK / DEPARTURE	BUSINESS TRIPS BY VEHICLE	BUSINESS TRIPS BY PLANE	TOTAL
SOLIN	1,018.00	566.37	110.79	98.52	1,793.68
ZAGREB	1,609.59	669.91	17.54	0.00	2,297.04
VINTAI	177.47	535.07	195.96	0.00	908.50
KALUGA	142.12	69.30	2.40	0.00	213.82
TISZAÚJVÁROS	327.41	141.44	37.73	0.00	506.58
MLADENOVAC	264.70	45.32	2.55	0.00	312.57
TOTAL	3,539.29	2,027.41	366.97	98.52	6,032.19
	58.67%	33.61%	6.08%	1.63%	

*t CO₂ - Emission data calculated according to national standard



Refrigerant quantity in equipment (kg)

PRODUCTION SITE	2020						
	R22	R407C	R404C	R410A	R505	R134A	227ea
SOLIN	128	3	4	92	4	125	40
ZAGREB	0	1220	0	151	0	0	0
VINTAI	0	40	0	0	0	0	0
KALUGA	0	113	0	0	0	0	0
TISZAÚJVÁROS	0	16	0	84	0	0	0
MLADENOVAC	12	81	0	3	0	0	164
TOTAL	140	1473	4	330	4	125	204

Refrigerant quantity in equipment (kg)

PRODUCTION SITE	2021									
	R22	R32	R407C	R404A	R410A	R410C	R449A	HCFC-22	R134A	227ea
SOLIN	123	0	3	4	250	0	9	0	125	40
ZAGREB	0	0	940	0	202	0	0	0	0	0
VINTAI	0	0	40	0	0	0	0	0	0	0
KALUGA	0	0	340	0	0	0	0	0	0	0
TISZAÚJVÁROS	0	0	0	0	84	0	0	61	0	0
MLADENOVAC	9	3	81	0	0	3	0	0	0	164
TOTAL	132	3	1404	4	536	3	9	61	125	204

Refrigeration systems and fire protection systems use refrigerants that damage the ozone layer due to their chemical composition. They are regularly serviced and maintained by authorized service technicians, which is recorded on the service cards. In 2021, additional equipment was installed, which increased the amount of refrigerants R410A in Solin and Zagreb, R407C in

Kaluga, HCFC in Tiszaújváros and R449A in Solin. In Solin, the air conditioning chamber was disposed of, which disposed 7.5 kg of R22, and in Zagreb, the equipment that disposed 160 kg of R407C. Due to equipment failure, 16.4 kg of R407C and 14.6 kg of HCFC-22 were released into the atmosphere in Tiszaújváros and 120 kg of R407C in Zagreb.

WORKING FLUIDS CONTAINED IN EQUIPMENT (kg)	2019	2020	2021
R22	300	140	132
R32	0	0	3
R407C	1,294	1,473	1,404
R404A	0	0	4
R410A	268	330	536
R449A	0	0	9
R410C	0	0	3
R505	4	4	0
R134A	125	125	125



NO_x, SO_x and other relevant air emissions by weight and type (t)

PRODUCTION SITE	2019				2020					2021				
	NO _x	SO ₂	CO	VOC	NO _x	SO ₂	CO	VOC	PM (10)	NO _x	SO ₂	CO	VOC	PM (10)
SOLIN	0.02	0.06	0.26	0	0	0	0	0	0	0.01	0.02	0	0	0
ZAGREB	0.93	0	0.10	11.24	1.01	0	0.63	12.16	0.01	1.06	0	0.09	9.64	0.05
VINTAI	4.52	0.02	0.43	0	4.13	0.03	0	0	0.10	6.13	0.03	0	15.18	0.10
KALUGA	0	0	0.19	0	0	0	0.20	0	0	0	0	0	0	0
TISZAÚJVÁROS	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MLADENOVAC	0.29	0	0.14	0	0.30	0	0.15	0	0	0.42	0	0.20	0	0
TOTAL	5.76	0.08	1.12	11.24	5.44	0.03	0.98	12.16	0.11	7.62	0.05	0.29	24.82	0.15

Emission data calculated according to national standard

Other emissions from the production plants refer to emissions of NO₂, SO₂, CO and PM (10), and are the result of obtaining thermal energy in boiler rooms. In 2021, the measured values of emissions from stationary sources were in accordance with legal provisions. In order to

reduce the negative impact on the environment caused by volatile organic compounds, 234.3 tons of volatile organic compounds were combusted on regenerative incinerators of painting lines exhaust vents in Zagreb during 2021.

WASTE

The primary goals, but also duties, are to prevent and avoid waste generation. Preserving the environment is the task of the company, but also of all employees. This is achieved by regular monitoring, supervision and optimization of existing business processes and defining planned measures when developing new products. Separate waste collection and prescribed disposal are an integral part of daily activities. Records on the generated waste handed over for disposal are kept according to the legally prescribed documentation.

Data on the weight of waste handed over for disposal are obtained by measuring the weight when handing it over to authorized collectors and are used for reporting and assessing the achievement of set waste reduction goals. Accordingly, activities for advancement and improvement are defined.

During 2021, 58.2 percent of the total amount of waste was handed over to authorized disposal companies for recycling, of which 1,317.8 tons of non-hazardous and 266.5 tons of hazardous waste.

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

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

Total weight of waste by type (t)

	2019		2020		2021	
	NON-HAZARDOUS	HAZARDOUS	NON-HAZARDOUS	HAZARDOUS	NON-HAZARDOUS	HAZARDOUS
SOLIN	286.69	24.32	270.47	18.83	259.60	16.89
ZAGREB	683.75	567.69	557.90	541.69	373.69	501.75
VINTAI	501.37	35.00	501.66	37.26	498.12	38.36
KALUGA	248.40	13.65	619.60	9.00	650.30	8.01
TISZAÚJVÁROS	254.00	2.00	188.14	4.63	238.41	8.36
MLADENOVAC	234.00	11.34	134.45	6.72	123.06	4.20
TOTAL	2,208.21	654.00	2,272.22	618.13	2,143.18	577.57

**Non-hazardous waste
directed to disposal (t)**

DISPOSAL METHODS	SOLIN	ZAGREB	VINTAI	KALUGA	TISZAÚJVÁROS	MLADENOVAC	TOTAL
Recycling	239.68	141.38	498.12	404.30	34.26	0	1,317.75
Storage before disposal	0.37	232.31	0	0	0	61.95	294.63
Fuel or other method for generating energy	0	0	0	0	0	0	0
Physico-chemical treatment	0	0	0	0	0	0	0
Incineration on land	0	0	0	0	0	0	0
Disposal at the landfill	19.55	0	0	246.00	204.14	61.11	530.80
TOTAL	259.60	373.69	498.12	650.30	238.41	123.06	2,143.18



Stored non-hazardous waste before disposal

NAME OF WASTE	QUANTITY (t)
Plastic waste	188.98
Mixed packaging	33.16
Paper and cardboard packaging	21.28
Plastic, excluding packaging	21.26
Waste foil	20.10
Wooden packaging (wooden pallets)	6.16
Waste scrap metal	3.32
Textile waste	0.37
TOTAL	294.63

Recycled non-hazardous waste

NAME OF WASTE	QUANTITY (t)
Textile waste	405.42
Paper and cardboard packaging	244.11
Waste scrap metal	103.69
Plastic waste	86.21
Waste foil	33.08
Polyurethane foam waste	16.90
Wooden packaging (wooden pallets)	411.18
Polyurethane film waste	7.65
Glass, fiberglass	3.00
Construction waste	2.28
Plastic and rubber	2.11
Mixture of concrete, brick, roof tile/tile and ceramic	1.31
Mixed metals	0.46
Iron-containing chips and sawdust	0.35
TOTAL	1,317.75



Non-hazardous waste at the landfill

NAME OF WASTE	QUANTITY (t)
Plastic waste	154.22
Municipal waste	148.92
Textile waste	147.00
Mixed material waste	61.11
Plastic particles and sawdust	19.37
Bulky waste	0.18
TOTAL	530.80

Hazardous waste directed to disposal (t)

DISPOSAL METHODS	SOLIN	ZAGREB	VINTAI	KALUGA	TISZAÚJVÁROS	MLADENOVAC	TOTAL
Recycling	0	250.54	1.50	8.00	6.50	0	266.54
Storage before disposal	4.17	220.61	0	0	1.04	4.20	230.02
Fuel or other method for generating energy	11.37	18.88	0	0	0	0	30.25
Physico-chemical treatment	0	11.28	0	0	0.01	0	11.29
Incineration on land	0	0.43	0	0	0	0	0.43
Disposal at the landfill	1.35	0	36.86	0.01	0.81	0	39.03
TOTAL	16.89	501.75	38.36	8.01	8.36	4.20	577.57

Hazardous waste stored before disposal

NAME OF WASTE	QUANTITY (t)
Paints and varnishes waste sludge	129.61
Hazardous packaging waste	59.18
Greasy rags and filters	34.84
Waste halogen compounds	2.68
Separator sludge	2.00
Waste adhesives and solvents	1.39
Packaging under pressure	0.30
Laboratory waste	0.01
Oily water from the separator	0.01
TOTAL	230.02

Recycled hazardous waste

NAME OF WASTE	QUANTITY (t)
Waste solvents	249.27
Hydraulic oils	9.50
Mineral oils	6.50
Solvent sludge	1.27
TOTAL	266.54



Hazardous waste at the landfill

NAME OF WASTE	QUANTITY (t)
Waste generated from industrial cleaning	31.55
Waste generated from cleaning of premises and equipment	3.85
Electronic equipment	1.04
Greasy rags and filters	0.80
Oil contaminated sand	0.64
Work equipment	0.60
Waste printing cartridges	0.32
Packaging under pressure	0.20
Fluorescent tubes	0.03
TOTAL	39.03

Hazardous waste treated by physico-chemical method

NAME OF WASTE	QUANTITY (t)
Oily water from the separator	11.28
Oily filters	0.01
TOTAL	11.29

Hazardous waste used as fuel or other method for generating energy

NAME OF WASTE	QUANTITY (t)
Hydraulic oils	30.35
TOTAL	30.35

Hazardous and non-hazardous waste directed to disposal

DISPOSAL METHODS	2019	2020	2021	SHARE
Recycling	1,372.07	869.46	1,584.29	58.23%
Storage before disposal	781.50	1,108.30	524.65	19.28%
Fuel or other method for generating energy	42.38	39.95	30.25	1.11%
Physico-chemical treatment	10.00	46.50	11.29	0.41%
Incineration on land	1.02	0.00	0.43	0.02%
Disposal at the landfill	655.24	826.14	569.83	20.95%
TOTAL	2,862.21	2,890.35	2,720.74	100.00%

ENVIRONMENTAL PROTECTION EXPENDITURES AND INVESTMENTS

(in HRK)

PRODUCTION SITE	2019		2020		2021	
	EXPENDITURES	INVESTMENTS	EXPENDITURES	INVESTMENTS	EXPENDITURES	INVESTMENTS
Solin	501,773	2,159,880	527,400	939,188	400,324	411,290
Zagreb	1,549,283	1,405,043	1,727,760	5,017,200	1,614,278	446,886
Vintai	14,393	8,745	42,225	19,898	367,208	44,963
Kaluga	7,733	0	3,053	0	316,185	0
Tiszaújváros	282,368	0	0	0	34,950	178,013
Mladenovac	257,963	4,500	95,625	0	147,900	242,483
TOTAL	2,613,513	3,578,168	2,396,063	5,976,286	2,880,845	1,323,635

EXPENDITURES IN 2021

Removal and disposal of hazardous and non-hazardous waste
 Measurement of air emissions from stationary sources
 Effluents and hazardous waste analyses
 Fees for water protection and management
 Fees to the Environmental Protection and Energy Efficiency Fund

INVESTMENTS IN 2021

Purchase and installation of the cooling unit
 Reconstruction of rainwater pipelines
 Sewerage reconstruction
 Installation of rainwater separators
 Purchase of a dryer for drying and preparation of materials

ENVIRONMENTAL COMPLIANCE

Taking care of the environment is the result of coordinated activities of all business processes, and the permanent commitment is to raise awareness, monitor and enforce the law and constantly check the compliance of business processes with environmental laws and standards.

The procedure for assessing compliance with applicable legal and other binding requirements related to environmental protection is carried out on a regular basis. This procedure is an integral part of regular business activities, and special attention is paid to assessments in the development of new products and processes,

purchase and implementation of new technologies and equipment as well as the use of new and replacement raw materials.

During 2021, external audits were successfully conducted at all production sites in accordance with the requirements of the ISO 14001 standard, and no non-compliances and irregularities were identified. At no production site of the AD Plastik Group was an environmental inspection carried out and no fines or non-monetary sanctions were imposed for non-compliance with laws and regulations.

SUPPLIER ENVIRONMENTAL ASSESSMENT

Supplier environmental assessments are conducted regularly once a year and are mandatory in the phase of selecting a new supplier, and one of the selection criteria is the possession of environmental protection certificate ISO 14001. In 2021, a total of 516 suppliers were assessed, thus including all suppliers of materials and equipment for the automotive industry and part of the service providers. All suppliers of materials for the Group's production sites were assessed, thus representing polymers, paints, adhesives and various installation parts.

AD Plastik Croatia monitors 171 suppliers of materials and 103 suppliers of equipment, tools and services in terms of environmental impact, all of which are assessed once a year and their ratings are recorded on an internal portal. Suppliers who are not certified with the environmental protection certificate ISO 14001 have confirmed that their business operations are in accordance with the standard through a self-assessment questionnaire. In the reporting period, no business

relations were terminated due to the negative impact on the environment with any of the suppliers, nor was it determined that some of the suppliers have actual or potential negative impacts on the environment. Suppliers with the possibility of employing children or using child labor in some other form have not been identified either.

Through a questionnaire of compliance with the guidelines of CSR, the suppliers have confirmed that they have a prescribed child labor prohibition policy. As part of the comprehensive annual supplier assessment on issues of CSR, an assessment of the suppliers impact in terms of respect for human rights was conducted.

Given the set criteria for the selection of suppliers, no deviation was observed in terms of respect for human rights, as expected. A comprehensive supplier assessment in terms of impact on society was conducted in all companies through a CSR questionnaire. 516 of them

confirmed their commitment to respecting the human rights, the right to work, the prohibition of child labor and the fight against discrimination and corruption. A large number of assessed suppliers are suppliers of various consumables, intellectual, financial, legal and other services, and suppliers for one-time purchases. In 2021, the

share of assessed suppliers in relation to the total number of suppliers is 18.63 percent. However, by relating the value of purchasing of assessed suppliers and the total value of purchasing, this share is significantly higher and amounts to over 70 percent.

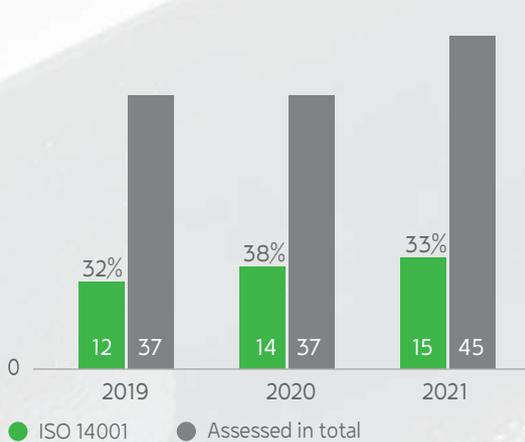
AD Plastik, Croatia



AD Plastik Togliatti, Russia



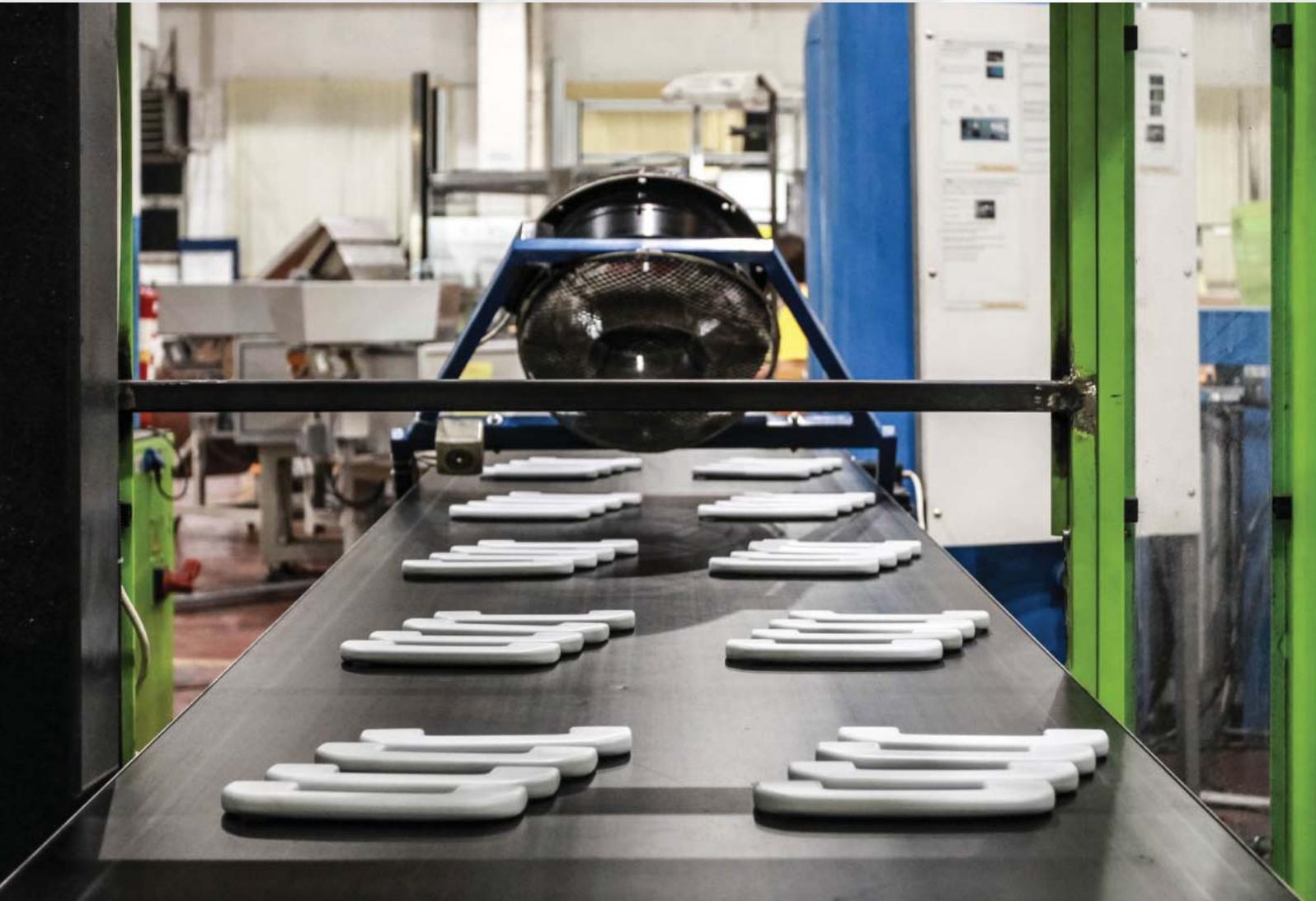
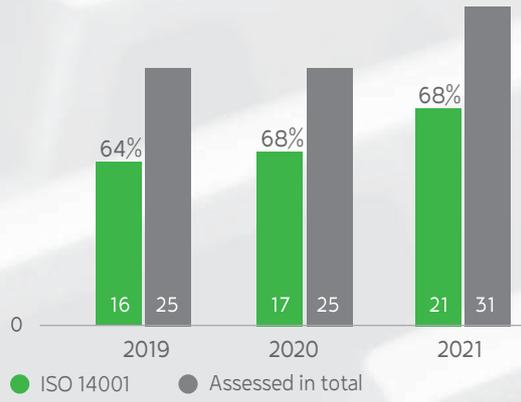
AD Plastik Kaluga, Russia



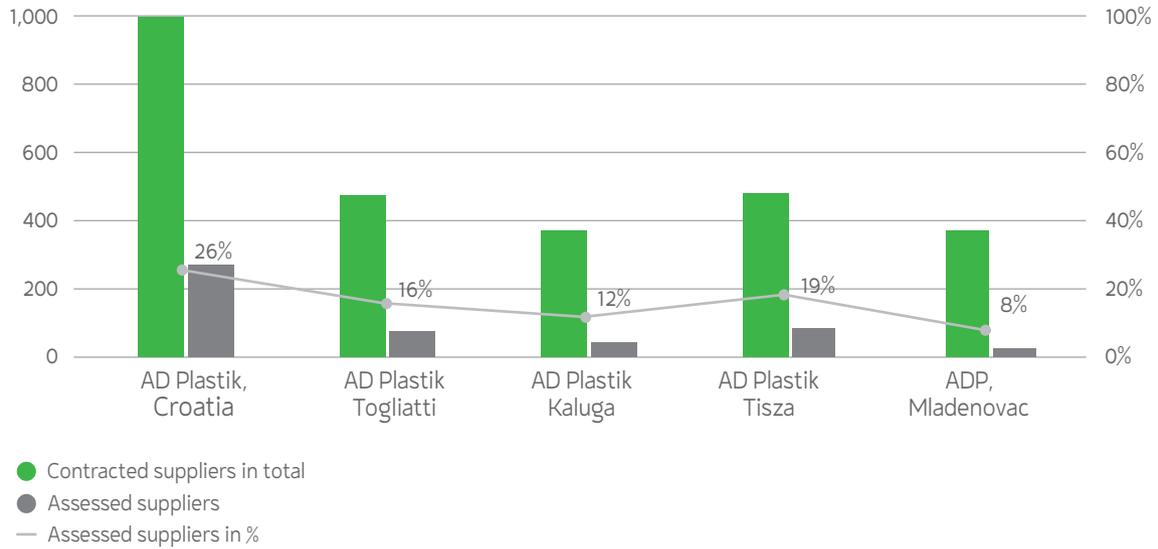
AD Plastik Tisza, Hungary



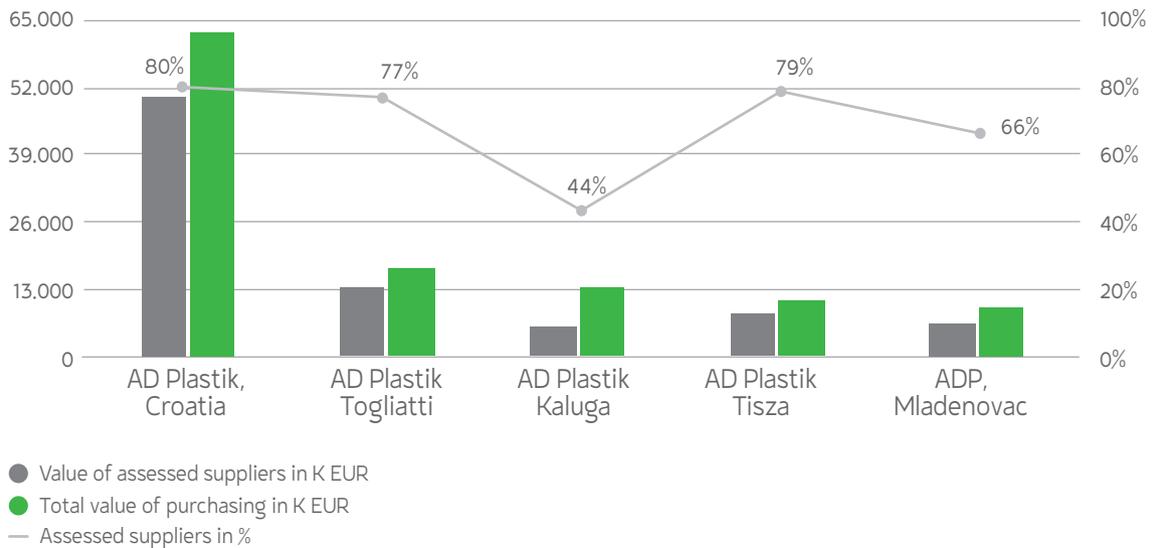
ADP Mladenovac, Serbia



Assessed suppliers in relation to the total number of suppliers

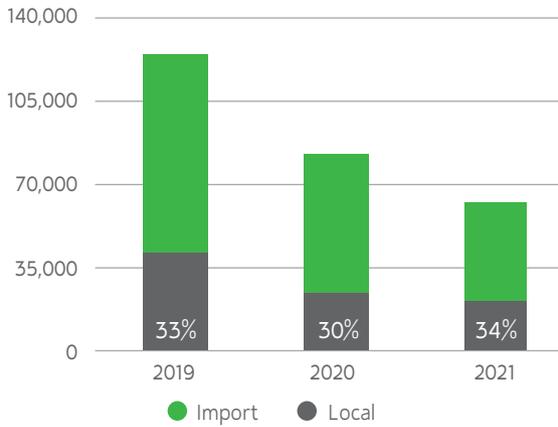


Value of assessed suppliers in relation to the total value of purchasing

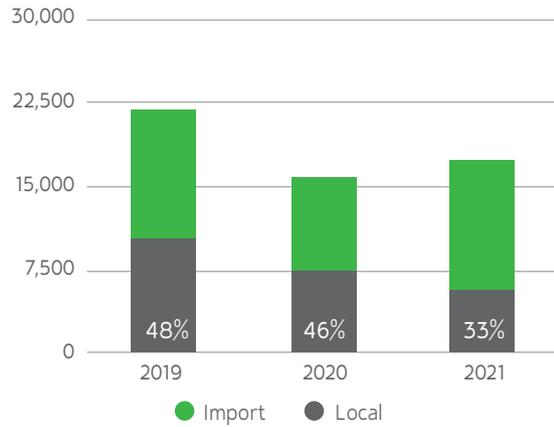


THE SHARE OF LOCAL SUPPLIERS IN THE TOTAL VALUE OF PURCHASING

AD Plastik, Croatia



AD Plastik Togliatti, Russia

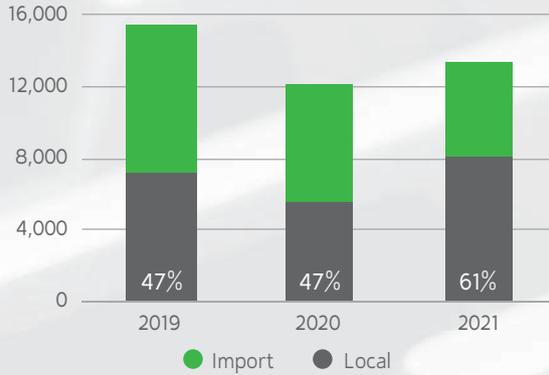


In the reporting period, the value of purchasing in Croatia decreased namely due to a decrease in customer orders as a result of the lack of electronic components in the global market. The structure of suppliers remained unchanged, as did the ratio of local and import values of purchasing. The development of the materials market in the Republic of Croatia has not made significant progress, so local suppliers account for about 30 percent of the value of purchasing, mostly in the area of services and investments.

The increase in the share of import suppliers is also visible in AD Plastik Togliatti due to the realization of investments in tools and equipment for the new project. The total value of purchasing is at the level of 2020.



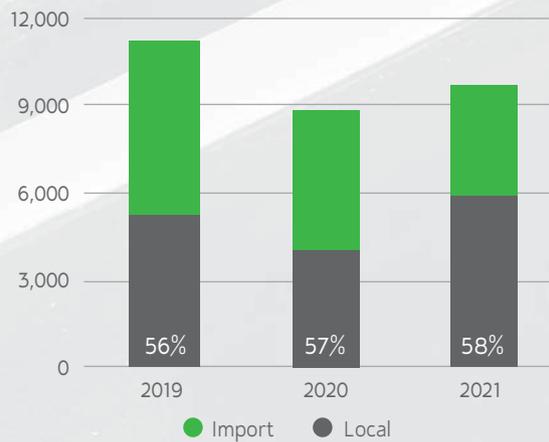
AD Plastik Kaluga, Russia



AD Plastik Kaluga records an increase in the share of local suppliers because, due to the structure of the products, it has the possibility of purchasing materials, mostly polypropylene, in the local Russian market.

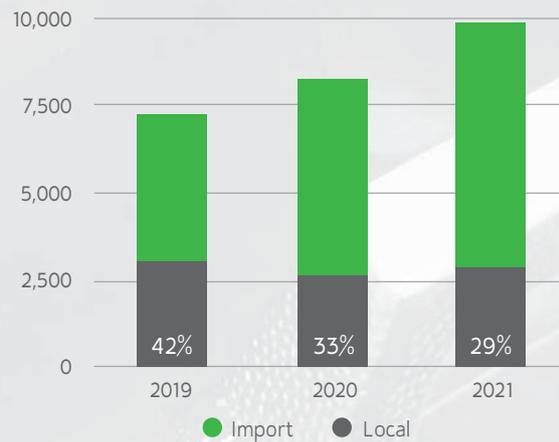


AD Plastik Tisza, Hungary



AD Plastik Tisza traditionally has a significant share of local suppliers of materials due to their greater representation in the Hungarian market, and in 2021 this share further increased.

ADP Mladenovac, Serbia



The value of purchasing in Mladenovac has increased due to the transfer of part of the projects, supplier structure has changed too and the value of import purchasing has increased.

TASKS

REALIZED IN 2021

Installation of Energy Saving software to improve machine performance

Installation of high voltage surge arresters for the purpose of high voltage protection

Development of a method for the regeneration of waste painted plastic products

Implementation of the Employee Mental Health Support Program

Sustainable Finance and Financial Literacy project launched for employees

E-corner for production workers (Zagreb and Solin)

NOT REALIZED DUE TO THE PANDEMIC

Cooperation with elementary schools - introducing eighth grade students to STEM occupations in AD Plastik Group

Launching a corporate volunteering project

Internal campaign «Let's volunteer!»

TASKS FOR 2022

Monitoring of CO₂ emissions in the area of purchase of materials and services

Continuation of the Sustainable Finance and Financial Literacy project for employees

Launching of the project Wellbeing - comprehensive care for employees

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GHG scope 2 - Indirect CO ₂ Emissions	000 metric tonnes CO ₂	10.47
Total GHG (scope 1 + scope 2)	000 metric tonnes CO ₂	12.47
GHG Scope 3	000 metric tonnes CO ₂ e	6.03
Travel Emissions	000 metric tonnes CO ₂	0.47
Methane Emissions (CH ₄)	000 metric tonnes	0
Direct N ₂ O Emissions	000 metric tonnes	0
Direct Methane Emissions in CO ₂ equivalent	000 metric tonnes CO ₂ e	0
Direct N ₂ O Emissions in CO ₂ equivalent	000 metric tonnes CO ₂ e	0
Carbon per Unit of Production	metric tonnes CO ₂ e	0
Nitrogen Oxide Emissions	000 metric tonnes	0.01
Sulphur Dioxide Emissions	000 metric tonnes	0
Carbon Monoxide Emissions	000 metric tonnes	0
VOC Emissions	000 metric tonnes	0.02
Particulate Emissions	000 metric tonnes	0
Total Waste	000 metric tonnes	2.72
Hazardous Waste	000 metric tonnes	0.58
Waste Recycled	000 metric tonnes	1.58
Waste Sent to Landfills	000 metric tonnes	0.57
Spills	Number	0
Total Energy Consumption	000 MWh	49.26
Electricity Used	000 MWh	37.83
Energy per Unit of Production	MWh/production	0
Natural Gas Used	000 m ³	1,028.66
Crude Oil/Diesel Used	000 m ³	0.16
Total Water Withdrawal	000 m ³	53.56
Groundwater Withdrawals	000 m ³	6.94
Municipal Water Use	000 m ³	46.61
Cooling Water Inflow	000 m ³	13.12
Water Stress Exposure	%	0
Total Water Use	000 m ³	53.56
Water per Unit of Production	liters/unit	0.26
Total Water Discharged	000 m ³	34.39
Waste Water	000 m ³	34.39

ENVIRONMENTAL 'E'	UNIT	2021
Chemical Oxygen Demand of Discharges	000 metric tonnes	0
Biological Oxygen Demand of Discharges	000 metric tonnes	0
Paper Consumption	000 metric tonnes	0.03
Raw Materials Used	000 metric tonnes	14.81
Recycled Materials	%	14.66
Environmental Fines	Number	0
Amount of Environmental Fines	HRK millions	0
Number of Sites	Number	8
ISO 14001 Certified Sites	Number	8
ISO 50001 Certified Sites	Number	4
Environmental protection expenditures	HRK millions	2.88
Environmental protection investments	HRK millions	1.32
Energy Efficiency Policy (1)	Y / N	Y
Emissions Reduction Initiatives (1)	Y / N	Y
Environmental Supply Chain Management (2)	Y / N	Y
Waste Reduction Policy (1)	Y / N	Y
Water Policy (1)	Y / N	Y
Sustainable Packaging (3)	Y / N	Y
Risks of Climate Change Reported (4)	Y / N	Y
Climate Change Policy (1)	Y / N	Y
Biodiversity Policy (1)	Y / N	Y

SOCIAL 'S'	UNIT	2021
Employees	Number	2,544
Part-Time Employees	Number	355
Temporary Employees	Number	253
Contractors	Number	8
Employee Turnover	%	30.70
Employee Voluntary Turnover	%	18.20
Employees Unionized	%	81.21
Employee Average Age	Years	41.49
Women in Workforce	%	51.49
Women in Management	%	38.19

SOCIAL 'S'	UNIT	2021
Gender Pay Gap Breakout	Y / N	N
Workforce Accidents - Employees	Number	40.00
Total Accidents - Contractors	Number	0
Lost Time from Accidents	Hours	6,448
Lost Time Incident Rate	Number	1.71
Lost Time Incident Rate - Contractors	Number	0
Total Recordable Incident Rate	Number	1.58
Total Recordable Incident Rate - Contractors	Number	0
Fatalities - Employees	Number	0
Fatalities - Contractors	Number	0
Fatalities - Total (contractors + employees)	Number	0
Fatalities - 3rd Party	Number	0
Social Supply Chain Management (2)	Y / N	Y
Suppliers ESG Guidelines encompassing E. S.G factors (2)	Y / N	Y
Suppliers Audited	Number	516
Supplier Audits Conducted	Number	516
Supplier Facilities Audited	Number	5
Suppliers Audited (in number)	%	18.63
Suppliers Audited (in value)	%	73.99
Suppliers in Non-Compliance	%	0
Community Spending - donation and sponsorship	HRK millions	0.69
Health and Safety Policy	Y / N	Y
ISO 45001 Certified Sites	Number	5
Fair Wage Policy	Y / N	Y
Training Policy	Y / N	Y
Employee CSR Awareness Training (5)	Y / N	Y
Total Hours of Employee Training	Hours	66,825
Employee Training Cost	HRK millions	0.80
Equal Opportunity Policy (1)	Y / N	Y
Policy Against Child Labor (1)	Y / N	Y
Human Rights Policy (1)	Y / N	Y
Business Ethics Policy (1)	Y / N	Y
Anti-Bribery Ethics Policy (1)	Y / N	Y
Employee Protection/Whistle Blower Policy (1)	Y / N	Y
Consumer Data Protection Policy (1)	Y / N	Y
UN Global Compact Signatory	Y / N	Y
Sustainable Development Goals Target Policy (11)	Y / N	Y

GOVERNANCE 'G'	UNIT	2021
Two Tier Board System	Y / N	Y
Size of the Supervisory Board	Number	7
Independent Members of the Supervisory Board (6)	Number	2
Women on the Supervisory Board	Number	3
Youngest Member on the Supervisory Board	Years	32
Oldest Member in the Supervisory Board	Years	70
Supervisory Board Average Age	Years	50
Supervisory Board Duration	Years	4
Supervisory Board Meetings for the Year	Number	5
Supervisory Board Meeting Attendance	%	100
Directors Attending less than 75% of Supervisory Board Meetings	Number	0
Size of the Management Board	Number	3
Female Executives in the Management Board	Number	0
Management Board Average Age	Years	54
Management Board Duration	Years	5
Management Board Meetings for the Year	Number	51
Executive Changes per Year in the Management Board	Number	1
Former CEO or its Equivalent on Board	Y / N	N
CEO or Equivalent Appointed from Within in the Management Board	Y / N	Y
Female Chief Executive Officer or Equivalent in the Management Board	Y / N	N
Internal audit	Y / N	Y
Size of Audit Committee	Number	4
Audit Committee Meetings	Number	3
Audit Committee Meeting Attendance Percentage	%	100
Independent Audit Committee Chairperson	Y / N	Y
Supervisory Board Members on Audit Committee	Number	4
Independent Supervisory Board Members on Audit Committee (7)	Number	2
Size of Compensation Committee	Number	3
Compensation Committee Meetings	Number	4
Compensation Committee Meeting Attendance Percentage	%	100
Independent Compensation Committee Chairperson	Y / N	N
Supervisory Board Members on Compensation Committee	Number	2
Independent Supervisory Board Members on Compensation Committee (8)	Number	1
Size of Nomination Committee	Number	3
Nomination Committee Meetings	Number	3

GOVERNANCE 'G'	UNIT	2021
Nomination Committee Meeting Attendance Percentage	%	100
Independent Nomination Committee Chairperson	Y / N	Y
Supervisory Board Members on Nomination Committee	Number	2
Independent Supervisory Board Members on Nomination Committee (8)	Number	1
CSR/Sustainability Committee (9)	Y / N	Y
Responsibility of the Management Board for CSR	Y / N	Y
Executive Compensation Linked to ESG (10)	Y / N	Y
Clawback Provision for Executive Compensation	Y / N	N
BOD Nominees legal proceedings	Y / N	N
Political Donations	Y / N	N
Unequal Voting Rights (Including Preferred Stock)	Y / N	N
Say On Pay Provision (10)	Y / N	Y
Frequency of Say on Pay Votes	Years	4
Say on Pay. Number Votes For	Number	2,569,186
Say on Pay. Number Votes Against	Number	58,420
Auditor from Big Four	Y / N	Y
Auditor Ratification	Y / N	Y
Auditor Ratification Votes For	Number	2,637,588
Auditor Ratification Votes Against	Number	0
Number of Years current Auditor has been employed	Years	2

(1) Policies are available at the following link: <https://www.adplastik.hr/wp-content/uploads/2019/11/191023-Kodeks-i-politike-EN-web.pdf>

(2) Details are available at the following link: <https://www.adplastik.hr/en/about-us/purchasing>

(3) More details on page 123 of this Report

(4) More details on pages 74 - 82 of this Report

(5) More details on page 107 of this Report

(6 and 7) Ivica Tolić and Bože Plazibat

(8) Ivica Tolić

(9) More details on page 29 of this Report

(10) Available at the following link: <https://www.adplastik.hr/wp-content/uploads/2021/07/General-Assembly-held.pdf>

(11) More details on pages 149-154 of this Report

Due to the growing interest of different publics as well as for ease of reference, and based on previous experiences and data monitored by customers, investors, Bloomberg and other stakeholders, AD Plastik Group publishes an abbreviated table of ESG indicators as part of its Integrated Annual Report.



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Opinion on Integrated Report of AD Plastik Group for 2021

We are looking at the fifth Integrated, ie the 9th Sustainability Report of AD Plastik Group created in accordance with GRI Standards, which fully meets the criteria of GRI Standards for the core reporting option. It presents the Group's business operations in one of the most challenging years for the economy, and not only in the Republic of Croatia.

Changes in the industry in which AD Plastik Group operates are continuous and transformative. The industry is evolving towards automated and autonomous driving, as well as electrification and vehicle connectivity with other systems. In general, we can say that business transformation is based on two trends: sustainability and connectivity. Driven by the climate change we are all witnessing, sustainable technologies and alternative propulsion vehicles are increasingly taking over the market. By reducing the weight of the vehicles, along with increased quality and safety, greenhouse gas emissions are also reduced, and therefore polymeric materials are the basis for the production of an increasing number of vehicle components, both interior and exterior. Due to the emission reduction imperative and the continuous emphasis on reducing vehicle weight as well as the increased share of plastic components, the role of AD Plastik Group in the development and production of the automotive industry is growing. In addition to the aforementioned imperatives regarding continuous

reduction of environmental impact, in 2021 the industry faced the lack of semiconductors, which affected the decrease in production and sales of new cars. Disruptions in production processes also affected the entire supply chain. At the same time, AD Plastik Group has shown its business wisdom and strategic thinking.

All these challenges were further aggravated by the COVID 19 pandemic, which put the company's focus on employee health and safety, which were already high on its priority list. With constant measures and activities undertaken to protect health, last year the company became the holder of the certificate "Health Friendly Company", which further confirmed the importance of health and a healthy business environment at all its production sites. The first part of the Integrated Report pointed to successful business operations in turbulent times and a stable organization that has been successfully adapting to changes in market conditions. In the second part of the report, AD Plastik Group showed us how it manages its impacts in terms of sustainability topics, how it determines their materiality and how it plans new improvements in the next business year based on monitoring and measurements.

By the decision of the Management Board, in 2016 the CSR Committee of the AD Plastik Group was established, which consists of management

staff of the most important areas of business related to sustainability. The Committee directly reports to the President of the Management Board, and with the challenges and changes in business conditions in the market, it is becoming increasingly important in managing sustainable practices of the company, in times when sustainability too is gaining an increasing role in business success. Progress in this part of the Report is evident in the explanation of how the company communicates with its stakeholders. This process has been constantly evolving and there are more and more concrete researches and communication with various primary stakeholders such as the local community and employees.

In relation to employees, we mentioned that the company has in the past focused on occupational health and safety, which was to be expected given the specific circumstances of the past period. We also notice a high percentage of employees covered by collective agreements, which is very commendable. At the same time, the data show a relatively high level of employee fluctuation. This is the data that we suggest to analyze in the upcoming period so that it can be managed with the aim of reducing fluctuation. We also commend the monitoring of the number of fathers taking parental leave, which is an important measure in implementing the diversity and equal opportunities policy in the workplace. In addition to monitoring this indicator, we suggest introducing monitoring of more indicators of the implementation of diversity and non-discrimination policy in the future, ie stating which control mechanisms have been established.

The mentoring program is commendable, a very important measure to support the development of business careers of women and other discriminated groups in the labor market. We suggest publishing more information in the next report on how many pairs are participating in the mentoring process, which business level is involved,

and who are the mentors and who are the mentees. In addition to the mentoring program, the Starter, a program for interns that we commend, is also important and useful. Finally, with regards to the area of relationship with employees, we notice that AD Plastik Group organizes a large amount of training on corporate social responsibility, which is excellent, but it seems to us that the training is limited to a smaller number of employees. Perhaps in the next reporting period, these topics can be made available for a wider audience.

When it comes to the environment, AD Plastik Group has only good news. It has been continuously working on the recycling of materials and there is a very high percentage of recycled or regenerated solvents. The data also show how the energy intensity per unit of product has decreased. The company approaches environmental issues responsibly and systematically, with the clear intention of continuous progress. In this area, we suggest trying to reduce the amount of used office paper by introducing e-offices or some other form of digital business operations in the next reporting period.

Along with the certificates, AD Plastik marked this year also with several important awards. We would like to highlight the very important award in this area, the Croatian Sustainability Index (HRIO), which the company won in the category of large companies. Congratulations on the Golden Key for the best exporter to Slovenia too. This report shows progress, both in reporting practices as well as in the practices of managing material impacts in the field of sustainability. A lot of effort invested in reducing negative impacts and progress regarding almost all material topics is visible. We hope that this trend in the AD Plastik Group will continue.

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on Sustainability Reporting



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Annual Financial Statements

Consolidated Financial Statements of AD Plastik Group	164
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The Supervisory Board have not yet considered and determined the financial statements, but shall give its decision at the meeting scheduled in May 2022.

AD Plastik d.d., Solin

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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Responsibility of The Management Board for the consolidated financial statements

Pursuant to the Accounting Act of the Republic of Croatia, the Management Board is responsible for ensuring that consolidated financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("the IFRSs"), as adopted in the European Union, which give a true and fair view of the financial position and results of operations of AD Plastik d.d., Solin and its subsidiaries ("the Group") for that period. After making enquiries, the Management Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

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

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

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Group and its' compliance with the Croatian Accounting Act. The above stated responsibility includes the responsibility for accuracy of the Management Report, which is an integral part of separate financial statements and submission of financial statements in unique XBRL in electronic reporting format (ESEF) prescribed by regulatory technical standards developed by ESMA (European Securities and Markets Authority) and adopted by the European Commission. The Management Board is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of embezzlement and other irregularities.

Signed by the members of the Management Board:

For AD Plastik d.d. Solin by:

Marinko Došen
President of the
Management Board



Mladen Peroš
Member of
Management Board



Ivan Čupić
Member of
Management Board



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

22 April 2022



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

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of AD Plastik d.d. ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position of the Group as at 31 December 2021, and its consolidated statements of comprehensive income, cash flows and changes in equity of the Group for the year then ended, and notes, comprising significant accounting policies and other explanatory information (further referred to as "the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

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



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

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVENUE RECOGNITION

Revenue in 2021: HRK 1,102,413 thousand (2020: HRK 1,186,765 thousand). As at 31 December 2021: trade receivables: HRK 233,237 thousand; accrued revenue: HRK 277 thousand (31 December 2020: trade receivable: HRK 267,661 thousand; accrued revenue: HRK 11,424 thousand).

Please refer to the Note 2.4 Revenue recognition of Significant accounting policies and Note 4 Segment information in the financial statements.

Key audit matter

Revenue is an important metric used to evaluate the financial performance of the Group. In the year ended 31 December 2021, the Group's principal revenue streams included sales of car parts and of customized tools developed by the Group. As discussed in Note 2.4 Revenue recognition, the Group recognises revenue when control over goods is transferred to the customer.

Application of the revenue recognition principles of the relevant financial reporting standard, IFRS 15 ("the Standard"), is complex and requires making significant assumptions and judgments. In the Group's case, particular complexity is associated with the following aspects:

- Determination of whether a customer contract exists requires the Group to assess whether one document or a combination of documents, including general terms of business, nomination letter, agreement with customer and purchase orders, create enforceable rights and obligations of the parties to the arrangement.
- Goods with different revenue recognition patterns, such as spare parts and tooling, may be sold as part of one contract or several contracts accounted for as one arrangement. The Group applies significant judgment in identifying contracts which require to be combined and accounted for as one arrangement, and in identifying performance obligations therein.

How our audit addressed the matter

Our audit procedures in this area included, among others:

- Obtaining understanding of and evaluating the Group's revenue recognition process, and testing the design and implementation of selected internal controls, in particular those associated with contract approval, pricing, delivery of products and posting of revenues;
- Assisted by our own information technology (IT) specialists, assessing selected general IT controls supporting revenue-related IT application controls;
- For a sample of sales transactions during the audited year, inspecting underlying contractual provisions and making inquiries of key account managers and relevant finance personnel, in order to challenge:
 - The existence of a customer contract, by reference to the relevant criteria of the Standard, including, among other things, those relating to the parties' commitment to their obligations and probability of collecting the consideration due;
 - Identification of the contracts which require to be accounted for on a combined basis and of performance obligations within those contracts, by among other things, assessment whether the goods and services in the arrangements are distinct and also assessing whether any subsequent changes to the contract price arising from the learning curve result in the reduced price representing the parts' stand-alone selling price;

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

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

REVENUE RECOGNITION *(CONTINUED)*

<i>Key audit matter (continued)</i>	<i>How our audit addressed the matter (continued)</i>
<p>— Many contracts with customers entitle customers to price reductions after a certain period of purchase orders (as a result of expected reduction in the Group's costs along its learning curve). Judgement is required to determine whether such 'efficiency savings' provide customers with material rights to be accounted for as separate performance obligations.</p> <p>— Tooling arrangements are typically contracts or framework agreements between the Group and its customers for the sale of tools to be used in the production of customised parts for a given customer. Since such tooling arrangements may vary with respect to transfer of development activities and ownership, careful assessment to determine whether, among other things, such an arrangement is a sale, a lease or development of its own equipment, whether arrangement contains a lease and whether it is a separate performance obligation from the sale of car parts.</p> <p>In the wake of the above factors, we considered revenue recognition to be associated with a significant risk of material misstatement in the consolidated financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.</p>	<ul style="list-style-type: none"> ○ Allocation of total consideration to performance obligations based on their relative stand-alone selling prices; <p>— For the sample of sales transactions selected as part of the preceding procedure, challenging the timing of the transfer of control, the resulting pattern of revenue recognition and revenue amounts, by reference to sales invoices, inventory and shipping documents, customer acceptance forms and other documents as appropriate.</p> <p>— For a sample of tooling sales transactions, inspecting underlying contracts with customers to identify any lease component embedded within those contracts, mainly by evaluating ownership rights, the party directing the use of the tool and whether there is a separate performance obligation in relation to the sale of car parts.</p> <p>— For a sample of customers, obtaining confirmations of the amounts receivable outstanding as at the reporting date, and evaluating any differences between the confirmations received and the Group's records by inspecting the underlying documentation such as invoices, shipping documents, customer acceptance forms and payments made by customers;</p> <p>— Examining whether the Group's revenue recognition-related disclosures in the financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.</p>



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

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

Other Information

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

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

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

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

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

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

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

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



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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 15 July 2021 to audit the consolidated financial statements of AD Plastik d.d. for the year ended 31 December 2021. Our total uninterrupted period of engagement is two years, covering the year ended 31 December 2021 and 31 December 2020.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 22 April 2022;
- we have not provided any prohibited non-audit services (NASs) referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit.

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



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

Report on Compliance with the ESEF Regulation

In accordance with the requirements of Article 462 paragraph 5 of Capital Market Act, we are required to express an opinion on compliance of the consolidated financial statements, as included in the consolidated annual report, with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation of the consolidated financial statements in a digital format that complies with the RTS on ESEF. This responsibility includes:

- the preparation of the consolidated financial statements in the applicable XHTML format and their publication;
- the selection and application of appropriate iXBRL tags, using judgment where necessary;
- ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

Those charged with governance are responsible for overseeing the Group's ESEF reporting, as a part of the financial reporting process.

Auditors' Responsibilities

Our responsibility is to express an opinion on whether the consolidated financial statements included in the consolidated annual report comply, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements of set out in the RTS on ESEF, whether due to fraud or error. Our procedures included, among other things:

- obtaining an understanding of the tagging process;
- evaluating the design and implementation and testing the operating effectiveness of relevant controls over the tagging process when the assessment of the risks of material misstatement includes an expectation that such internal controls are operating effectively or procedures other than testing controls cannot alone provide sufficient appropriate evidence;
- tracing the tagged data to the consolidated financial statements of the Company and / or the Group presented in human-readable format;
- evaluating the completeness of the Company's and / or the Group's tagging of the consolidated financial statements;



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

Report on Compliance with the ESEF Regulation *(continued)*

Auditors' Responsibilities (continued)

- evaluating the appropriateness of the consolidated use of iXBRL elements selected from the ESEF taxonomy used and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements; and
- evaluating the appropriateness of the format of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group as at and for the year ended 31 December 2021 have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

KPMG Croatia d.o.o.

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

22 April 2022



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts are expressed in thousands of kunas)

	NOTES	2021	2020
Sales	4	1,102,413	1,186,765
Other income	5	23,737	31,815
Total income		1,126,150	1,218,580
Increase/(decrease)in the value of work in progress and finished products	24	(1,031)	9,778
Cost of raw material and supplies	6	(548,014)	(603,364)
Cost of goods sold	7	(71,808)	(61,537)
Service costs	8	(93,407)	(92,828)
Staff costs	9	(254,809)	(253,513)
Depreciation and amortisation	10	(91,812)	(96,991)
Other operating expenses	11	(31,050)	(48,457)
Provisions for risks and charges	12	(710)	(1,823)
Impairment of trade receivables, (net)		1	(951)
Total operating expenses		(1,092,640)	(1,149,686)
Profit from operations		33,510	68,894
Finance income	13	5,020	362
Finance costs	14	(5,777)	(31,870)
Loss from financing activities		(757)	(31,508)
Share in the profit of associates	22	15,118	19,982
Profit before taxation		47,871	57,368
Income tax expense	15	(15,148)	(10,440)
Profit for the year		32,723	46,929

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

(All amounts are expressed in thousands of kunas)

ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	NOTES	2021	2020
Exchange differences on translation of a foreign operation, items for reclassification in P&L	16	3,772	(17,694)
Accruals of foreign exchange differences from the current year, net of tax	16	4,929	(16,841)
Other comprehensive (loss)/income for the year, net of income tax		8,701	(34,535)
Total comprehensive income for the year		41,424	12,393
PROFIT ATTRIBUTABLE TO			
Equity holders of the Company		32,723	46,929
Non-controlling interests		-	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Equity holders of the Company		41,424	12,393
Non-controlling interests		-	-
Basic and diluted earnings per share (in kunas and lipas)	17	7.90	11.36

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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

(All amounts are expressed in thousands of kunas)

ASSETS	NOTE	31.12.2021	31.12.2020
NON-CURRENT ASSETS			
Intangible assets	18	83,512	85,368
Goodwill	40	25,119	24,618
Property, plant and equipment	19	748,677	749,457
Right-of-use assets	20	23,745	7,726
Investment property	21	24,713	24,857
Investments in associates	22	67,531	71,964
Other financial assets	23	-	62
Deferred tax assets		7,564	16,170
Total non-current assets		980,861	980,222
CURRENT ASSETS			
Inventories	24	193,427	181,975
Trade receivables	25	233,237	267,661
Other receivables	26	25,256	24,261
Current financial assets	27	-	898
Cash and cash equivalents	28	30,152	62,667
Prepaid expenses and accrued income	29	7,532	23,661
Total current assets		489,604	561,123
TOTAL ASSETS		1,470,465	1,541,345

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021 (continued)

(All amounts are expressed in thousands of kunas)

SHAREHOLDERS' EQUITY AND LIABILITIES	NOTE	31.12.2021	31.12.2020
CAPITAL AND RESERVES			
Share capital	30	419,958	419,958
Capital and other reserves		217,424	213,459
Retained earnings and profit of the year		201,863	227,208
Total shareholders' equity		839,245	860,625
Long-term provisions	31	4,913	4,569
Long-term borrowings	32	245,223	179,476
Other long term liabilities	33	1,506	398
Lease liabilities	34	15,744	3,738
Total non-current liabilities		267,386	188,181
Advances received	35	38,568	32,129
Trade payables	36	120,038	165,111
Short-term borrowings	37	141,282	219,978
Other current liabilities	38	34,250	38,112
Lease liabilities	34	8,408	4,242
Short-term provisions	31	12,011	15,001
Accrued expenses	39	9,277	17,966
Total current liabilities		363,834	492,539
Total liabilities		631,220	680,720
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,470,465	1,541,345

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Legal, statutory and general reserves	Reserves from accruals of foreign exchange differences	Reserves for own shares	Own shares	Retained earnings	Exchange differences on translation of a foreign operation	Total equity attributable to the equity holders of the parent	Non-controlling interests	Total
Balance at 31 December 2020	419,958	192,394	83,218	(20,790)	20,889	(11,794)	227,208	(50,457)	860,625	-	860,625
Profit for the year	-	-	-	-	-	-	32,723	-	32,723	-	32,723
Other comprehensive income for the year	-	-	-	4,929	-	-	-	3,772	8,701	-	8,701
Total comprehensive income for the year	-	-	-	4,929	-	-	32,723	3,772	41,424	-	41,424
Dividends paid	-	-	-	-	-	-	(66,293)	-	(66,293)	-	(66,293)
Disposal of own (treasury) shares	-	294	-	-	-	3,195	-	-	3,489	-	3,489
Transactions with owners recognized directly in equity	-	294	-	-	-	3,195	(66,293)	-	(62,804)	-	(62,804)
Reversal of reserves for not written off costs of development	-	-	(8,225)	-	-	-	8,225	-	-	-	-
Balance at 31 December 2021	419,958	192,688	74,993	(15,861)	20,889	(8,599)	201,863	(46,685)	839,245	-	839,245

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Legal, statutory and general reserves	Reserves from accruals of foreign exchange differences	Reserves for own shares	Own shares	Retained earnings	Exchange differences on translation of a foreign operation	Total equity attributable to the equity holders of the parent	Non-controlling interests	Total
Balance at 31 December 2019	419,958	192,394	60,968	(6,018)	20,889	(11,794)	219,051	(32,763)	862,684	-	862,684
Profit for the year	-	-	-	-	-	-	46,929	-	46,929	-	46,929
Other comprehensive income for the year	-	-	-	(16,841)	-	-	-	(17,694)	(34,535)	-	(34,535)
Total comprehensive income for the year	-	-	-	(16,841)	-	-	46,929	(17,694)	12,393	-	12,393
Dividends paid	-	-	-	-	-	-	(16,522)	-	(16,522)	-	(16,522)
Additions to legal reserves	-	-	551	-	-	-	(551)	-	-	-	-
Transactions with owners recognized directly in equity	-	-	551	-	-	-	(17,073)	-	(16,522)	-	(16,522)
Provisions for unwritten development costs	-	-	21,699	-	-	-	(21,699)	-	-	-	-
Realization of recognised exchange differences	-	-	-	2,069	-	-	-	-	2,069	-	2,069
Balance at 31 December 2020	419,958	192,394	83,218	(20,790)	20,889	(11,794)	227,208	(50,457)	860,625	-	860,625

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts are expressed in thousands of kunas)

CASH FLOWS FROM OPERATING ACTIVITIES	NOTES	2021	2020
Profit for the year		32,723	46,929
ADJUSTED FOR			
Income tax	15	15,148	10,440
Depreciation and amortisation	10	91,812	96,991
Tangible assets assets write-off	19	819	2,917
Intangible assets assets write-off	18	856	2,969
Interest expense and exchange rates recognised in profit or loss		5,653	18,038
Share in profit of associates		(15,289)	(19,982)
Gain from sale of property, plant and equipment and intangible assets	5	(1,193)	(480)
Gain from sale of investment property	5	-	(11,396)
Gain from sale of financial assets	13	(72)	-
Interest income	13	(741)	(362)
Decrease in long-term and short-term provisions (net)		(2,572)	(62)
Loss allowance for trade receivables, net		(1)	951
Write down and write off of inventories	24	2,941	13,099
Profit from operations before working capital changes		130,084	160,052
(Increase)/decrease in inventories	24	(14,394)	11,985
Decrease/(Increase) in current and non-current trade receivables		35,003	(3,415)
Increase in other receivables	26	(994)	(3,045)
Decrease in trade payables		(42,668)	(77,108)
Increase/(decrease) of advances received	35	6,439	(6,015)
Decrease in other current liabilities		(756)	(457)
(Decrease)/Increase of accrued expenses and deferred income	39	(9,243)	11,144
Decrease of accrued income and prepaid expenses	29	16,128	46,704
Interest paid		(6,494)	(9,413)
Income tax paid		(7,832)	(1,502)
Cash flows from operating activities		105,273	128,930

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

(All amounts are expressed in thousands of kunas)

CASH FLOWS FROM OPERATING/INVESTING ACTIVITIES	NOTES	2021	2020
Interest received		741	715
Purchase of property, plant and equipment	19	(52,775)	(52,443)
Purchase of investment property	21	(94)	(22)
Purchase of intangible assets	18	(23,799)	(14,955)
Guarantees given		-	(898)
Proceeds from sale of property, plant and equipment and intangible assets		2,950	3,108
Proceeds from sale of investment property		-	24,053
Proceeds from sale of financial assets		133	-
Dividends received		19,518	40,517
Cash (used) from investing activities		(53,326)	75

CASH FLOWS FROM FINANCING ACTIVITIES	NOTES	2021	2020
Dividends paid		(66,294)	(16,522)
Proceeds from borrowings	32,37	164,358	90,151
Repayment of borrowings	37	(173,905)	(158,619)
Repayment of lease liabilities	34	(8,624)	(8,436)
Cash used in financing activities		(84,465)	(93,426)
Unrealised exchange rate differences in respect of cash and cash equivalents		3	17
Increase/(decrease) in cash and cash equivalents, net	28	(32,515)	35,596
Cash and cash equivalents at the beginning of the year	28	62,667	27,071
Cash and cash equivalents at the end of the year	28	30,152	62,667

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. NEW STANDARDS AND AMANDMENTS TO EXISTING NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the

Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF PREPARATION

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

The preparation of the consolidated financial statements requires from the Management Board to make estimates and assumptions that affect the reported amounts of assets and

liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on the information available as at the date of preparation of the financial statements, and actual results could differ from those estimates.

The consolidated financial statements of the Group represent aggregate amounts of assets, liabilities, capital and reserves of the Group as of 31 December 2021, and the results of operations for the year that ended.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.3 BASIS OF CONSOLIDATION

Accompanying consolidated financial statements comprise of the Company's financial statements and the entities under its control. The control principle sets out the following three elements of control:

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

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

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

AD Plastik Group in the reporting period consists of companies:

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

2.4 REVENUE RECOGNITION

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

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

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

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

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

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

Contracts do not commit the customer to a

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.4 REVENUE RECOGNITION (continued)

specified quantity of products; however, the Group is generally required to fulfil its customer's purchasing requirements for the production life of the vehicle. Contracts do not typically become a performance obligation until the Group receives either a purchase order for a specific number of parts at a specified price.

The long-term agreements with customers for specific product may range from five to seven years, contracts may be terminated by customers at any time, while occurred very rarely.

The Group's customers pay for products received in accordance with payment terms that are customary in the industry, typically 60 to 120 days. The Group's contracts with its customers do not have significant financing components.

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

The Group has determined that royalty and technical support services, tooling and the delivery of product parts are separate and distinct for the customer and therefore constitute separate performance obligations under IFRS 15, when the ownership is transferred. The prices agreed in the contracts for the single performance obligations are considered to be the stand-alone.

Revenue from sale of products

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

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

Revenue from the manufacture of tools

Revenues from tools are matched with contracts that are specifically concluded for developing an asset, or a group of assets, closely linked and interdependent on the design, technology and function or their final use or application. The Group estimates that the transfer

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.4 REVENUE RECOGNITION (continued)

of control of tools, gauges and other devices is met at the time of „SOP“ (Start Of Production), i.e. start of the mass production on them. At that point the Group recognizes revenue from the sale of tools. Costs of modification, completion and similar tool costs are recognised by the Group as an increase in inventory value.

Revenue from royalty and technical services

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

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

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

2.5 BORROWING COSTS

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

assets are substantially ready for their intended use or sale. Borrowing costs that cannot be directly attributable to acquisition, construction or production of qualifying asset, are capitalised applying a capitalisation rate. Capitalisation rate is weighted average of borrowing costs applicable to the general borrowings, excluding borrowing costs that are directly attributable for acquisition of qualifying asset, until substantially all the activities necessary to prepare that asset for its intended use or sale are completed. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.6 FOREIGN-CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions. Functional currency for Group is Croatian kuna. Functional currencies for companies included in Group are as follows:

- AD Plastik d.d., Croatia - Croatian kuna
- AO AD Plastik Togliatti, Russian Federation - Russian rouble
- ZAO AD Plastik Kaluga, Russian Federation - Russian rouble

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.6 FOREIGN-CURRENCY TRANSACTIONS (continued)

- AD Plastik Tisza Kft. Hungary - Hungarian forint
- ADP d.o.o., Serbia, - Serbian dinar
- AD Plastik d.o.o., Slovenia - Euro

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

2.7 FOREIGN OPERATIONS

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

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss. The Group may have a monetary item as an amount receivable from, or payable to a foreign entity. An item neither planned to be settled nor likely to arise in the foreseeable future is essentially part of the entity's net investment in a foreign operation and accounted for in accordance with IAS 21. The Group recognizes foreign exchange differences arising from monetary items that are part of the net foreign investment initially in other comprehensive income and accumulates them under a separate component of equity - Reserves from accruals of foreign exchange differences.

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

2.8 INCOME TAX

Current tax

Income tax expense is based on taxable profit for the year and represents the sum of the tax currently payable and deferred tax. Income tax is recognised in the statement of comprehensive income, except where it relates to items recognised directly in equity, in which case it is also recognised in equity. Current tax

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.8 INCOME TAX (continued)

represents tax expected to be paid on the basis of taxable profit for the year, using the tax rates enacted at the date of the statement of financial position, adjusted by appropriate prior-period tax liabilities.

Deferred tax

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

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

Deferred tax assets and liabilities are not discounted and are classified in the statement of financial position as non-current assets and/or non-current liabilities. Deferred tax assets are recognised only to the extent that it is probable that the related tax benefit will be realised.

At each date of the statement of financial position, the Group reviews the unrecognised potential tax assets and the carrying amount of the recognised tax assets.

2.9 PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment as well as intangible assets are recognised at purchase cost and subsequently reduced by accumulated depreciation/amortisation. Intangible asset represents capitalized development costs of all Group's projects... Intangible assets - Projects is depreciated according to its useful life which varies from 3 to 7 years. The purchase cost comprises the purchase price, import duties and non-refundable sales taxes (for property, plant and equipment) and any directly attributable costs of bringing an asset to its working condition and location for its intended use, such as employee remuneration, professional fees directly arising from putting an asset into its working condition, test costs (for intangible assets), as well as all other costs directly attributable to bringing an asset to a condition for its intended use.

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Where it is obvious that expenses incurred resulted in an increase of expected future economic benefits to be derived from the use of an item of property, plant and equipment or intangible assets in excess of the originally assessed standard performance of the asset, they are added to the carrying amount of the asset. Gains or losses on the retirement or disposal of property, plant and equipment or intangible assets are included in the statement of comprehensive income in the period in which they occur.

Depreciation commences on putting an asset into use. Depreciation is provided so as to write

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.9 PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS (continued)

down the cost or revalued amount of an asset other than land, property, plant and equipment and intangible assets under development over

the estimated useful life of the asset using the straight-line method as follows:

PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS	DEPRECIATION RATES IN 2021 %	DEPRECIATION RATES IN 2020 %
Buildings	1.50	1.50
Machinery	7.00 - 10.00	7.00 - 10.00
Tools, furniture, office and laboratory equipment, measuring and control instruments	7.00 - 50.00	7.00 - 50.00
Vehicles	20.00	20.00
IT equipment	10.00 - 20.00	10.00 - 20.00
Others	10.00	10.00
Intangible assets - Projects	14.29 - 33.33	20.00
Software	20.00 - 50.00	20.00 - 50.00

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

2.10 GOODWILL

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

impairment annually or more often if the events and circumstances that indicate potential impairment occur. Goodwill is measured as cost of acquisition less accumulated losses due to impairment. Impairment losses on goodwill are not reversed. Gains and losses from the sale of

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.10 GOODWILL (continued)

a business include the net book value of goodwill, which relates to the sold business.

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

2.11 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

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

2.12 INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence but no control over the entity. Significant influence is the power to

participate in the financial and operating policy decisions of the investee, but it is not control or joint control over those policies.

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

Investments are recognised initially at cost and are subsequently adjusted by the changes in the acquirer's share of the net profit of the investee.

Where the Group's share of losses in an associate is equal to or higher than the equity investment in the associate, no further losses are recognised, except where the Group has assumed an obligation or committed to make a payment on behalf of the associate.

2.13 INVENTORIES

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

Small inventory is written off when put in use. The cost of product inventories i.e. the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 INVENTORIES (continued)

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

2.14 OTHER TRADE RECEIVABLES AND PREPAYMENTS

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

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

Management determines the level of impairment allowance for doubtful receivables. The allowance for amounts doubtful of collection is charged to the statement of comprehensive income for the year.

2.15 CASH AND CASH EQUIVALENTS

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

2.16 PROVISIONS

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

Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate.

Where discounting is used, the reversal of such discounting in each year is recognised as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 TERMINATION, LONG-SERVICE AND OTHER EMPLOYEE BENEFITS

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

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

(b) Long-term employee benefits

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

2.18 FINANCIAL INSTRUMENTS

Financial assets

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

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus transaction

costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price. On initial recognition, a financial asset is classified as measured at amortised cost.

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

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

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

Business model assessment

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

- the stated policies and objectives for the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.18 FINANCIAL INSTRUMENTS (continued)

portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

For the purposes of this assessment, relevant for the purpose of classifying financial assets at amortised cost, 'principal' is defined as the fair value of the financial asset on initial

recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

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

The structure of the Group's financial assets is simple and primarily relates to trade receivables without a significant financial component, loans given and short-term deposits in banks at fixed interest rates, while forward contracts are of insignificant amount.

This significantly reduces the complexity of the assessment whether the financial assets meet the criterion of 'solely payments of principal and interest'.

Subsequent measurement and gains and losses

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.18 FINANCIAL INSTRUMENTS (continued)

Derecognition

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

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

Financial liabilities

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

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

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

Any gain or loss on derecognition is also recognised in profit or loss. The Group derecognises a financial liability when its contractual

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

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

Impairment of non-derivative financial assets

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

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if early

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.18 FINANCIAL INSTRUMENTS (continued)

warning indicators have been activated in accordance with the Group's policy or contractual terms of the instrument.

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

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

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Expected credit losses measurement

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

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

Effective interest method

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

Impairment of financial assets

Financial assets are assessed for indications of impairment at each date of the statement of financial position. A financial asset is impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the expected credit losses.

Impairment loss on a financial asset is recognised by reducing the carrying amount of the asset through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.18 FINANCIAL INSTRUMENTS (continued)

when the contractual rights to the cash flows from the asset have expired, when the asset is transferred and when substantially all the risks and rewards of ownership of the asset are passed onto another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Classification as debt or equity

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

Interest income

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

2.19 CONTINGENCIES

Contingent liabilities have not been recognised in these consolidated financial statements. They

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

2.20 Events subsequent to the date of the statement of financial position

Events after the date of the statement of financial position that provide additional information about the Group's position at that date (adjusting events) are reflected in the financial statements.

Subsequent events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

2.21 SEGMENT REPORTING

In the consolidated financial statements, the Group discloses sales revenues grouped by country. When assessing business performance and making decisions on the allocation of resources in accordance with IFRS 8, the Group's Management Board uses the division into two business segments: the EU and Serbia and Russia. In the consolidated financial statements, the Group's operating results, assets and liabilities are presented for above mentioned business segments.

The division into segments is based on the Group's presence in the different markets. Transactions between segments relate to sales of materials, revenues from engineering services and royalty revenues.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.22 LEASES

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

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

Lessees are also required to re-measure lease liability due to certain events (e.g. a change in lease term, a change in future lease payments, resulting from a change in an index or discounting rate). The standard includes two recognition exemptions for lessees: "low-value" leases (e.g. tablets and personal computers) and „short-term“ leases (leases which ends within 12 months). Low-value leases are assets with value lower than HRK 30,000.

Right-of-use assets and lease liabilities will be reported separately in the statement of financial position.

The Group has elected not to apply the requirements of IFRS 16 for low-value leases (e.g. printers) and short-term leases (e.g. apartments). Detailed movement of right of use assets are

presented in Note 20 and movements of lease liability in Note 34.

2.23 GRANTS

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

A grant receivable as compensation for costs already incurred is derecognised as income in the period in which it is receivable. A grant related to income is reported as deduction from the related expense.

2.24 INVESTMENT PROPERTY

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

Investment property is measured initially at its cost, including transaction costs. Subsequently, investment property is stated at cost less accumulated depreciation and any impairment loss. Investment property is depreciated on a straight-line basis at the rate of 1.5%.

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, the Management Board is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

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

The key areas of estimation in applying the Group's accounting policies that had a most significant impact on the amounts recognized in the financial statements were as follows:

Measurement of fair values

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

The Group has an established control framework with respect to fair value measurement which assumes the overall responsibility of the Management Board and finance department in relation to the monitoring of all significant fair value measurements and consultation with external experts. Fair values are measured using information collected from third parties in

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

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

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included in level 1, that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - input variables for assets or liabilities that are not based on observable market data (unobservable inputs).

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

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

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

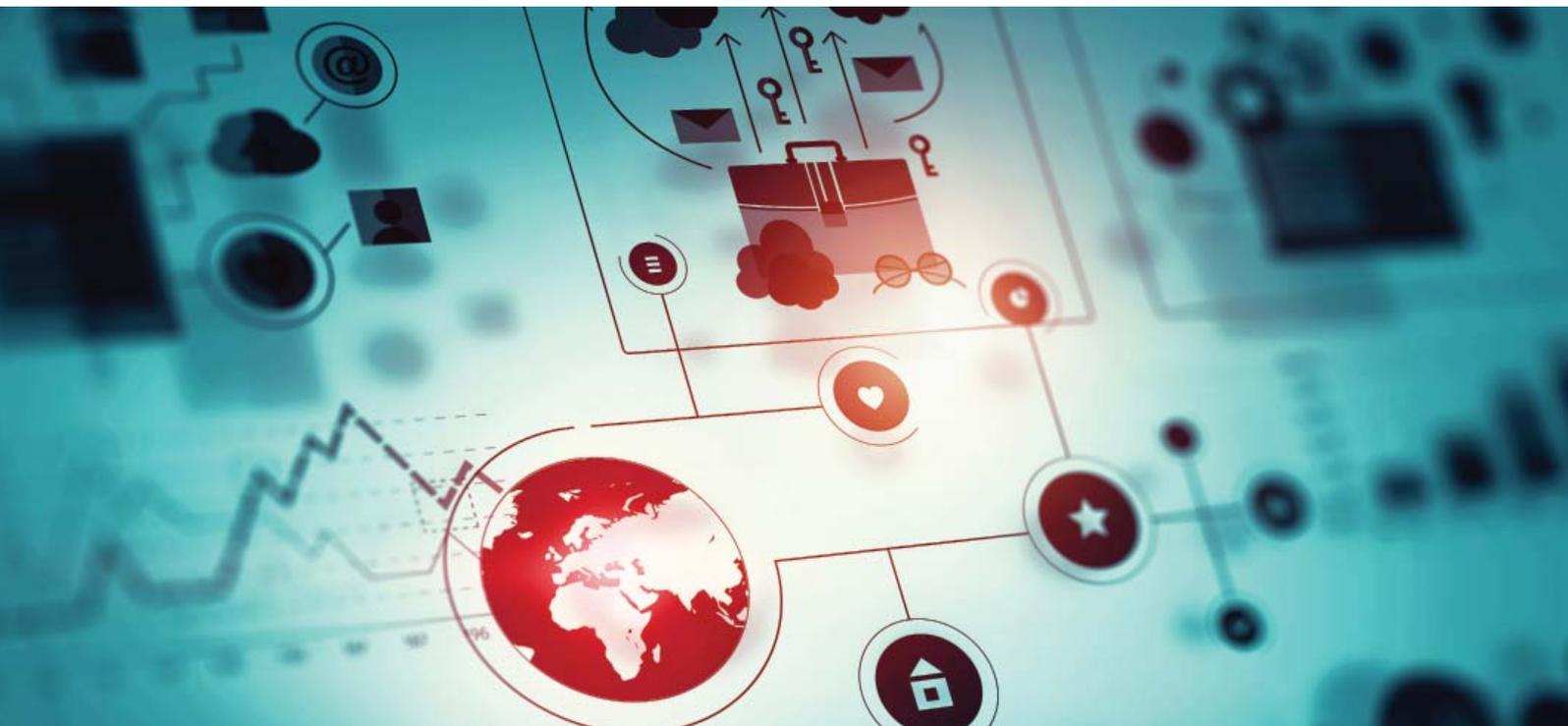
significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more significant inputs are not based on observable market data, the fair value estimate is included in level 3.

Revenue from the sale of tools

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

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

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



4. SEGMENT INFORMATION

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components

of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Year ended 31 December 2021

	EU AND SERBIA	RUSSIA	TOTAL
External income	824,545	301,605	1,126,150
Intra segment income	43,297	12	43,309
Total income	867,842	301,617	1,169,459
EBITDA	82,565	42,756	125,321
Profit for the year	6,546	26,177	32,723

	EU AND SERBIA	RUSSIA	INTRA - SEGMENT EFFECT	TOTAL
Total assets	1,393,888	279,804	(203,226)	1,470,466
Capital and reserves	832,055	74,879	(67,688)	839,246
Liabilities	561,833	204,925	(135,538)	631,220
Total equity and liabilities	1,393,888	279,804	(203,226)	1,470,466

In 2021 the Group generated 12.5% (in 2020: 16.1%) of income from buyer Revoz and 12.3% of income from buyer AvtoVAZ (in 2020: 10.0%).

4. SEGMENT INFORMATION

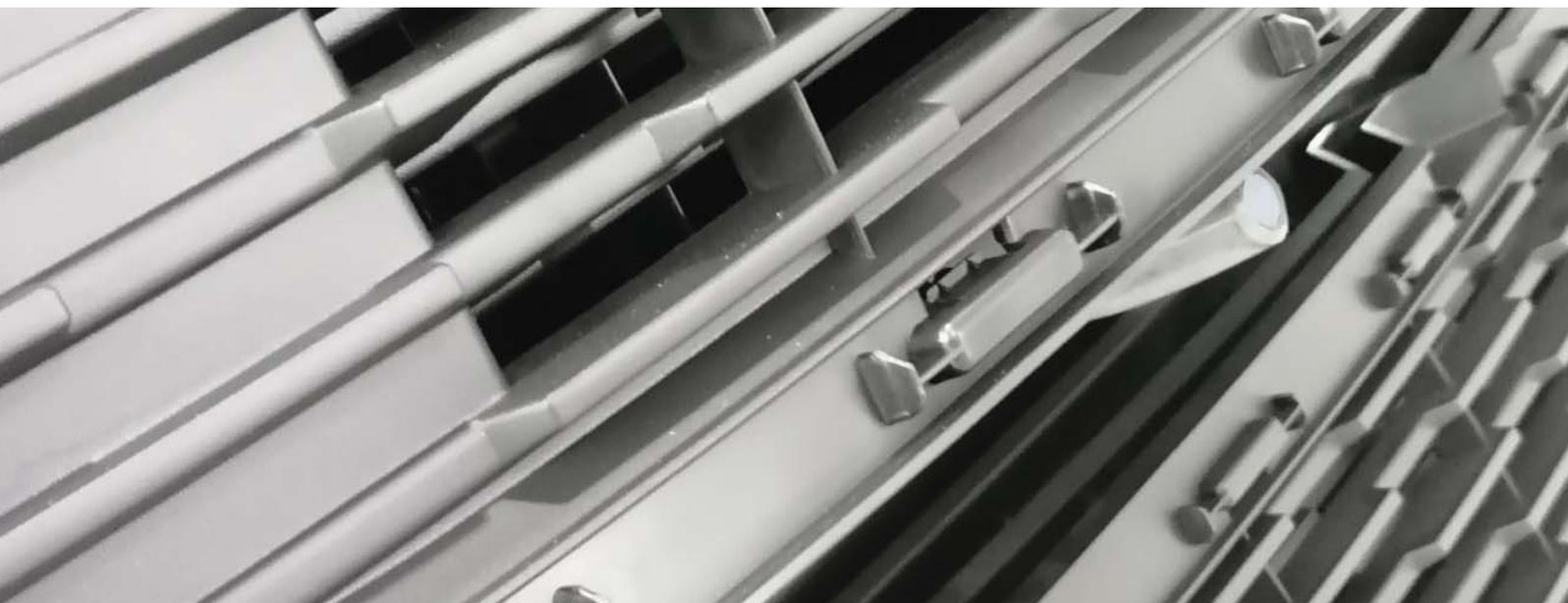
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Year ended 31 December 2020

	EU AND SERBIA	RUSSIA	TOTAL
External income	947,831	270,749	1,218,580
Intra segment income	36,272	327	36,599
Total income	984,103	271,076	1,255,179
EBITDA*	127,324	38,561	165,885
Profit for the year	42,211	4,718	46,929

	EU AND SERBIA	RUSSIA	INTRA - SEGMENT EFFECT	TOTAL
Total assets	1,495,998	235,314	(189,967)	1,541,345
Capital and reserves	887,576	39,683	(66,633)	860,626
Liabilities	608,422	195,631	(123,334)	680,719
Total equity and liabilities	1,495,998	235,314	(189,967)	1,541,345

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



4. SEGMENT INFORMATION

(continued)

Sales revenue based on geographical location of the customer:

	2021	2020
Russia	302,262	271,330
Slovenia	278,613	414,723
France	110,535	108,424
Romania	108,799	112,492
Hungary	92,506	71,745
Italy	44,895	34,605
United Kingdom	38,691	31,973
Germany	36,434	47,826
Spain	33,524	39,043
Slovakia	20,574	20,788
Serbia	17,880	15,236
Croatia	8,268	9,878
Other countries	9,432	8,703
	1,102,413	1,186,766

Sales segmentation by type of the product is shown below:

	2021	2020
Car parts sales	995,994	1,097,980
Revenue from tools	88,425	72,750
Merchandise	9,979	6,821
Engineering services revenue	7,821	7,819
Royalty revenue	194	1,396
	1,102,413	1,186,766

5. OTHER INCOME

	2021	2020
Income from maintaining safety stock	6,137	3,633
Rental income and income from the sale of services to tenants	3,561	3,718
Income from damages and insurance	3,524	2,718
Gain from sale of property, plant and equipment and intangible assets	1,193	480
Income from financial support	1,000	-
Income from product development, validation, quality control and laboratory testing	829	283
Income from consumption of own products and services	609	2,350
Income from invoicing recharged costs	402	1,030
Gain on disposal of investment property	-	11,396
Other operating income	6,482	6,207
	23,737	31,815

6. COST OF RAW MATERIAL AND SUPPLIES

	2021	2020
Direct materials	501,642	556,391
Electricity	26,547	27,048
Other raw material and supplies	19,825	19,925
	548,014	603,364

7. COST OF GOODS SOLD

	2021	2020
Cost of tools sold	67,626	56,571
Cost of trade goods and spare parts sold	4,182	4,966
	71,808	61,537

8. SERVICE COST

	2021	2020
Transport	37,136	42,966
Maintenance costs	15,370	11,976
Intellectual services	14,605	7,713
Software licenses	5,387	4,751
Logistic services at distribution warehouses	4,045	121
Rental costs	3,656	5,231
Security and fire services	2,744	2,651
Municipal utility fees	2,263	2,748
Licence fees	1,512	4,794
Telecommunication and information system costs	977	1,540
Water supply	854	1,103
Marketing	783	1,017
Forwarding and shipping costs	605	756
Other service costs	3,470	5,461
	93,407	92,828

The total amount of charged fees for the audit of consolidated and separate financial statements of AD Plastik d.d. and its subsidiaries for 2021 amounts to HRK 1,004,476 (in 2020 HRK 972,986).



9. STAFF COSTS

	2021	2020
Net wages and salaries	154,366	147,002
Taxes and contributions	83,403	85,323
Other staff costs	15,675	18,308
Provisions for termination benefits, net (Note 31)	1,365	652
Provisions for employees' bonuses, net (Note 31)	-	2,010
Provisions for jubilee awards, net (Note 31)	-	218
	254,809	253,513

Other staff costs comprise jubilee awards, bonuses, termination benefits, commuting costs, cost of student service and other business-related costs. The Group included income from reversal of provision for employees' bonuses in amount of HRK 3,982 thousand and income from reversal of provision for unused vacation days in amount of HRK 481 thousand as cost reduction within category "Other staff cost".

Also, within "Other staff cost" income from reversal of provisions for jubilee awards in amount of HRK 99 thousand is shown. In the prior period, reversal of provision for unused vacation days in amount of HRK 4,121 thousand is included in cost reduction within "Other staff cost". Total staff costs are decreased by state subsidies for employment preservation in 2020, in the amount of HRK 20,507 thousand.

10. DEPRECIATION AND AMORTISATION

	2021	2020
Depreciation of property, plant and equipment (Note 19)	60,451	58,612
Amortisation of intangible assets (Note 18)	22,123	29,144
Depreciation of right of use asset (Note 20)	8,851	8,500
Depreciation of investment property (Note 21)	387	735
	91,812	96,991

11. OTHER OPERATING EXPENSES

	2021	2020
Taxes	3,669	4,304
Customer complaints	3,501	5,482
Cost of unusable inventories and inventory shortage costs	2,941	13,140
Membership fees, contributions, municipal utility fees	2,910	2,902
Insurance premiums	2,750	2,955
Cost of goods provided free of charge	2,189	2,503
Business trips	2,002	1,782
Gifts, donations and sponsorships	1,657	1,511
Bank fees and commissions	1,021	920
Safety at work and health services	902	1,166
Capitalised development cost write-off	856	2,969
Non-current tangible assets write off	819	2,888
Professional training costs	797	706
Entertainment	708	875
Supervisory Board fees	547	363
Other expenses	3,781	3,990
	31,050	48,457

12. PROVISIONS FOR RISKS AND CHARGES

	2021	2020
Provision for legal cases (Note 31)	710	825
Provisions for warranties (Note 31)	-	998
	710	1,823

13. FINANCE INCOME

	2021	2020
Foreign exchange gains, net	4,207	-
Interest income	741	362
Other financial income	72	-
	5,020	362

14. FINANCE COSTS

	2021	2020
Interest expense	5,295	9,702
Interest expense on lease liabilities	482	273
Foreign exchange losses, net	-	21,895
	5,777	31,870

15. INCOME TAX

Income tax comprises the following:

	2021	2020
Current tax	(7,405)	(11)
Deferred tax	(7,743)	(10,429)
	(15,148)	(10,440)

15. INCOME TAX (continued)

Deferred tax assets arise from the following:

2021	OPENING BALANCE	CHARGED TO STATEMENT OF COMPR. INCOME	CHARGED TO OTHER COMPR. INCOME	CLOSING BALANCE
TEMPORARY DIFFERENCES				
Provisions for jubilee awards and termination benefits	756	8	(2)	762
Deferred tax liabilities from allocation of purchase price on fair value of Tisza Automotive Kft.	(675)	169	-	(505)
Deferred tax assets from carried-over tax losses	6,446	(107)	(870)	5,469
Differences between tax depreciation rates and accounting depreciation rates	(1,077)	(8)	9	(1,076)
Investment tax credit	7,805	(7,805)	-	-
Impairment of Investment property	2,914	-	-	2,914
Balance at 31 December	16,170	(7,743)	(863)	7,564

2020	OPENING BALANCE	CHARGED TO STATEMENT OF COMPR. INCOME	CHARGED TO OTHER COMPR. INCOME	CLOSING BALANCE
TEMPORARY DIFFERENCES				
Provisions for jubilee awards and termination benefits	711	45	-	756
Deferred tax liabilities from allocation of purchase price on fair value of Tisza Automotive Kft.	(842)	167	-	(675)
Deferred tax assets from carried-over tax losses	5,317	(1,673)	2,802	6,446
Differences between tax depreciation rates and accounting depreciation rates	(1,118)	41	-	(1,077)
Investment tax credit	16,814	(9,009)	-	7,805
Impairment of Investment property	2,914	-	-	2,914
Balance at 31 December	23,797	(10,429)	2,802	16,170

15. INCOME TAX (continued)

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

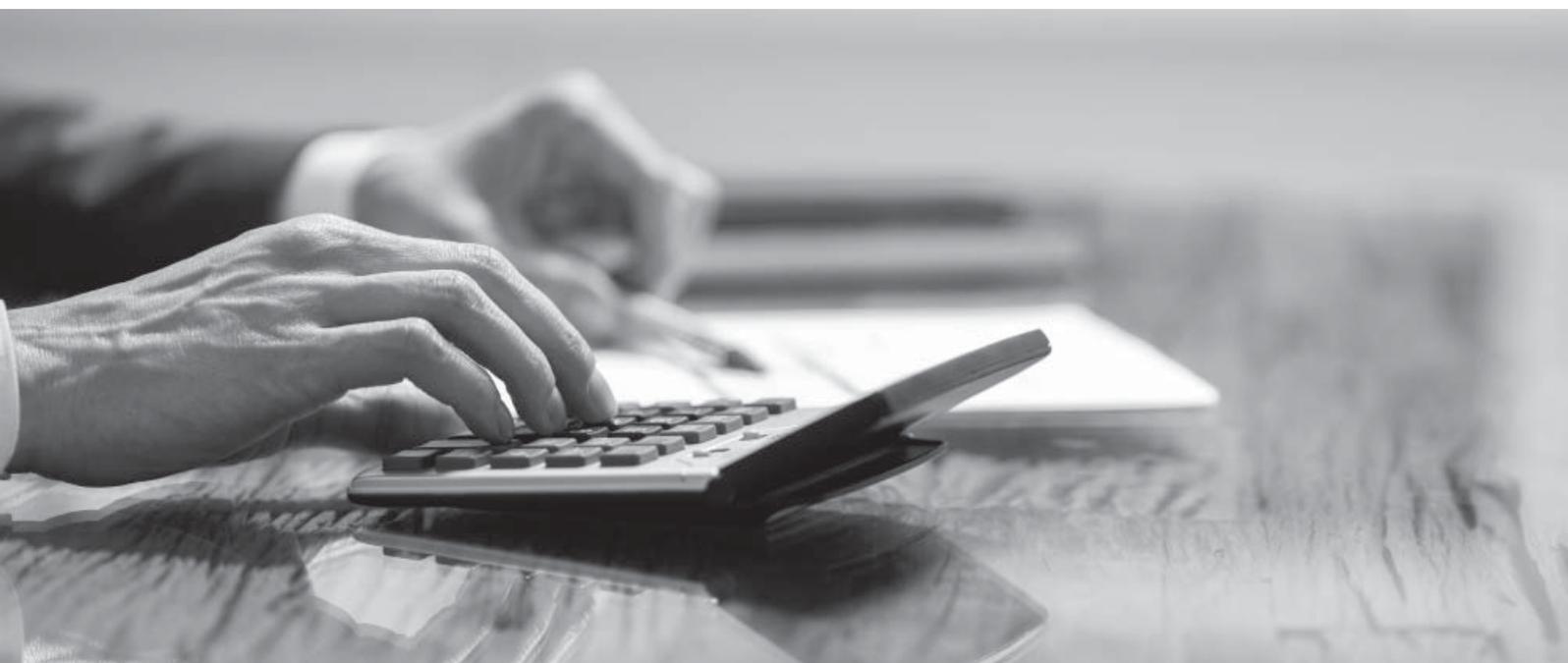
	2021	2020
Profit before tax	47,871	57,368
Tax using the Company's domestic tax rate (18%)	8,617	10,326
Effect of tax rates in foreign jurisdictions	1,514	480
TAX EFFECT OF		
Share of profit of equity-accounted investees reported, net of tax	(2,752)	(3,597)
Non-deductible expenses	3,874	5,558
Tax exempt revenue	(3,780)	(1,169)
Non-taxable incentives for jobs preservations	-	(5,624)
Write-off of deferred tax assets	7,675	4,460
Changes in the assessment of the cost of income tax from previous years	-	6
Profit tax expense	15,148	10,440
Effective tax rate	31.64%	18.20%

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

As a result, company AD Plastik d.d. made investments in fixed assets, having thus met the prerequisites for the utilization of the tax incentives for 2021. From the date of 01 January 2022 the Company doesn't have the right of use of remaining tax incentives. Due to those reasons on the date of 31 December 2021 the reversal recognition of deferred tax assets was done in the amount of HRK 7,675 thousand.

16. EXCHANGE DIFFERENCES FROM TRANSLATION OF FOREIGN OPERATIONS AND RESERVES FROM ACCRUALS OF FOREIGN EXCHANGE DIFFERENCES - TRANSACTIONS WITH SUBSIDIARIES

	RESERVES FROM ACCRUALS OF FOREIGN EXCHANGE DIFFERENCES - TRANSACTIONS WITH SUBSIDIARIES		EXCHANGE DIFFERENCES FROM TRANSLATION OF FOREIGN OPERATIONS - TRANSACTIONS WITH SUBSIDIARIES	
	2021	2020	2021	2020
Balance at beginning of the year	(20,790)	(6,018)	(50,457)	(32,763)
Exchange differences from translation of foreign operations	-	-	3,772	(17,694)
Accruals of foreign exchange differences from the current year	6,162	(21,051)	-	-
Income tax	(1,232)	4,210	-	-
Exchange differences from translation of foreign operations, net	4,929	(16,841)	3,772	(17,694)
Realization of exchange differences	-	2,069	-	-
Balance at end of year	(15,861)	(20,790)	(46,685)	(50,457)



17. EARNINGS PER SHARE

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

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

	2021	2020
Net profit (in HRK '000)	32,723	46,929
Weighted average number of shares	4,143,207	4,130,526
Basic and diluted earnings per share (in HRK and lipas)	7.90	11.36

	2021	2020
Issued ordinary shares at 1 January	4,199,584	4,199,584
Effect of treasury shares held	(50,353)	(69,058)
Effect of treasury shares disposed of	(6,024)	-
Weighted-average number of ordinary shares at 31 December	4,143,207	4,130,526

18. INTANGIBLE ASSETS

Projects comprise investments in the development of new products that are expected to generate economic benefits in future periods. Consequently, the costs are amortised over the period in which the related economic benefits flow into the Group. Intangible assets under development mostly consists of capitalised development cost of new products. In 2021, the cost of net salaries and wages of HRK 3,750 thousand, the cost of taxes and contributions from

salaries of HRK 1,283 thousand and the cost of contributions to salaries of HRK 679 thousand were capitalized in intangible assets.

In the previous 2020, the capitalized cost of net salaries and wages amounted to HRK 3,907 thousand, the cost of taxes and contributions from salaries amounted to HRK 1,428 thousand, and the cost of contributions to salaries amounted to HRK 794 thousand.

18. INTANGIBLE ASSETS (continued)

	Licences and Software	Projects	Other intangible assets	Customer contracts	Intangible assets under development	Prepayments for intangible assets	TOTAL
COST							
Balance at 31 December 2019	14,286	265,882	7,519	10,226	28,944	13	326,870
Additions	-	-	-	-	14,900	55	14,955
Assets put into use	1,603	18,183	3	-	(19,778)	(11)	-
Disposals	-	(1,700)	-	-	-	-	(1,700)
Write off	-	(18,547)	-	-	(461)	-	(19,009)
Effect of exchange differences	(320)	(4,420)	3	-	(251)	(7)	(4,994)
Balance at 31 December 2020	15,569	259,397	7,526	10,226	23,354	50	316,122
Additions	-	-	-	-	23,851	(52)	23,799
Assets put into use	715	17,572	272	-	(18,560)	-	-
Disposals	-	(1,330)	-	-	-	-	(1,330)
Write off	(106)	(87,241)	-	-	-	-	(87,347)
Transferred to property, plant and equipment (Note 19)	-	-	(1,567)	-	-	-	(1,567)
Effect of exchange differences	(1)	660	(1)	-	-	2	660
Balance at 31 December 2021	16,177	189,059	6,230	10,226	28,645	-	250,337
ACCUMULATED AMORTISATION							
Balance at 31 December 2019	11,282	207,265	749	2,542	-	-	221,838
Charge for the year (Note 10)	1,705	24,521	1,123	1,795	-	-	29,144
Disposals	-	(38)	-	-	-	-	(38)
Write off	-	(16,040)	-	-	-	-	(16,040)
Effect of exchange differences	(116)	(4,037)	4	-	-	-	(4,149)
Balance at 31 December 2020	12,871	211,670	1,875	4,338	-	-	230,754
Charge for the year (Note 10)	1,665	17,546	1,117	1,794	-	-	22,123
Disposals	-	(8)	-	-	-	-	(8)
Write off	(106)	(86,385)	-	-	-	-	(86,491)
Transferred to property, plant and equipment (Note 19)	-	-	(135)	-	-	-	(135)
Effect of exchange differences	(11)	587	5	-	-	-	581
Balance at 31 December 2021	14,419	143,411	2,863	6,132	-	-	166,825
NET BOOK VALUE							
Balance at 31 December 2020	2,698	47,727	5,650	5,888	23,354	50	85,368
Balance at 31 December 2021	1,758	45,648	3,367	4,094	28,645	-	83,512

19. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and equipment	Other tangible assets	Assets under development	Prepayments for tangible assets	Total
COST							
Balance at 31 December 2019	136,835	383,874	973,791	2,659	20,641	2,391	1,520,193
Additions	-	-	-	-	51,586	857	52,443
Assets put into use	194	9,184	54,955	175	(62,544)	(1,963)	-
Disposals	-	-	(4,521)	(10)	-	-	(4,531)
Write off and retirements	-	(4,039)	(10,200)	(275)	-	-	(14,514)
Transferred from investment property (Note 21)	262	2,821	-	-	-	-	3,083
Effect of exchange differences	(956)	(21,334)	(72,713)	(276)	(288)	(361)	(95,929)
Balance at 31 December 2020	136,335	370,506	941,312	2,273	9,395	923	1,460,746
Additions	-	-	-	-	41,534	11,240	52,775
Assets put into use	-	5,626	35,358	499	(40,671)	(811)	-
Disposals	-	-	(4,602)	(5)	-	-	(4,607)
Write off and retirements	-	(1,918)	(135,417)	(128)	(288)	-	(137,751)
Transferred from intangible assets (Note 18)	1,432	-	-	-	-	-	1,432
Effect of exchange differences	210	4,555	12,695	8	144	356	17,968
Balance at 31 December 2021	137,976	378,768	849,345	2,646	10,114	11,709	1,390,561
ACCUMULATED DEPRECIATION							
Balance at 31 December 2019	-	102,266	628,866	2,155	-	-	733,287
Charge for the year (Note 10)	-	5,683	52,760	169	-	-	58,612
Disposals	-	-	(3,554)	(10)	-	-	(3,564)
Write off and retirements	-	(1,659)	(9,755)	(183)	-	-	(11,597)
Transferred from investment property (Note 21)	-	907	-	-	-	-	907
Effect of exchange differences	-	(5,839)	(60,271)	(248)	-	-	(66,357)
Balance at 31 December 2020	-	101,358	608,047	1,883	-	-	711,288
Charge for the year (Note 10)	-	6,236	53,921	294	-	-	60,451
Disposals	-	-	(4,167)	(5)	-	-	(4,172)
Write off and retirements	-	(1,640)	(135,165)	(128)	-	-	(136,933)
Effect of exchange differences	-	1,425	9,828	(3)	-	-	11,250
Balance at 31 December 2021	-	107,378	532,463	2,042	-	-	641,884
NET BOOK VALUE							
Balance at 31 December 2020	136,335	269,148	333,265	390	9,395	923	749,457
Balance at 31 December 2021	137,976	271,390	316,882	604	10,114	11,709	748,677

19. PROPERTY, PLANT AND EQUIPMENT (continued)

From assets mentioned in Note 19 Property, plant and equipment and in Note 21 Investment property, pledged assets are lands with the book value on the date of 31.12.2021 of (all in HRK thousand) 142,811 (31.12.2020 141,792), buildings 213,297 (31.12.2020 214,983) and plant and

equipment 63,362 (31.12.2020 70,334). The mentioned assets include land in the net book value of HRK 11,245 thousand and buildings with the net book value of HRK 11,416 thousand that are part of investment property.

20. RIGHT OF USE ASSET

	LAND	BUILDINGS	PLANT AND EQUIPMENT	TOTAL
COST				
Balance at 31 December 2019	213	15,920	8,939	25,072
Additions	31	1,208	1,030	2,269
Lease modification, net	-	(564)	(1,696)	(2,260)
Effect of exchange differences	(51)	(103)	(152)	(306)
Balance at 31 December 2020	193	16,461	8,121	24,775
Additions	-	13,870	11,201	25,071
Lease modification, net	28	(17)	(391)	(380)
Retirements	-	(5,652)	(4,065)	(9,717)
Effect of exchange differences	15	29	(130)	(86)
Balance at 31 December 2021	236	24,691	14,736	39,663
ACCUMULATED DEPRECIATION				
Balance at 31 December 2019	19	5,584	3,571	9,174
Charge for the year (Note 10)	13	5,827	2,660	8,500
Lease modification, net	-	(454)	-	(454)
Effect of exchange differences	(5)	(85)	(80)	(170)
Balance at 31 December 2020	27	10,872	6,151	17,050
Charge for the year (Note 10)	16	5,710	3,125	8,851
Lease modification	-	-	(227)	(227)
Retirements	-	(5,652)	(4,097)	(9,749)
Effect of exchange differences	2	25	(34)	(7)
Balance at 31 December 2021	45	10,955	4,918	15,918
NET BOOK VALUE				
Balance at 31 December 2020	166	5,589	1,970	7,725
Balance at 31 December 2021	191	13,736	9,818	23,745

20. RIGHT OF USE ASSET

(continued)

AMOUNTS RECOGNISED IN PROFIT AND LOSS	2021	2020
Depreciation expense on right of use assets	8,851	8,500
Interest expense on lease liabilities	482	273
Expense relating to leases of low value	2,166	1,768
Expense relating to short-term leases	1,111	2,428
Expenses relating to variable lease payments not included in the measurement of lease liability	379	1,034
	12,989	14,003

In accordance with IFRS 16, Group has classified leases for land, buildings and plant and equipment as "Right-of-use asset". Within the category "Buildings", apartments and the leases of

office buildings and warehouses used by the Group in business are located in. The "Plant and equipment" category includes concluded machines, car and forklift rental agreements.



21. INVESTMENT PROPERTY

	LAND	BUILDINGS	TOTAL
COST			
Balance at 31 December 2019	16,797	38,010	54,807
Value increase of investment property	-	22	22
Transferred to property, plant and equipment (Note 19)	(262)	(2,821)	(3,083)
Disposal	(5,290)	(14,303)	(19,593)
Effect of exchange differences	-	(581)	(581)
Balance at 31 December 2020	11,245	20,327	31,572
Value increase of investment property	-	94	94
Derecognition	-	(14)	(14)
Effect of exchange differences	-	(187)	(187)
Balance at 31 December 2021	11,245	20,220	31,465
ACCUMULATED DEPRECIATION			
Balance at 31 December 2019	-	13,783	13,783
Charge for the year (Note 10)	-	734	734
Transferred to property, plant and equipment (Note 19)	-	(907)	(907)
Disposal	-	(6,936)	(6,936)
Effect of exchange differences	-	40	40
Balance at 31 December 2020	-	6,714	6,714
Charge for the year (Note 10)	-	388	388
Derecognition	-	(14)	(14)
Effect of exchange differences	-	(336)	(336)
Balance at 31 December 2021	-	6,752	6,752
NET BOOK VALUE			
Balance at 31 December 2020	11,245	13,613	24,858
Balance at 31 December 2021	11,245	13,468	24,713

21. INVESTMENT PROPERTY

(continued)

Income from the rental of the building in 2021 amounts to HRK 1,998 thousand (2020: HRK 2,039 thousand), and the depreciation charge for the year 2021 amounts to HRK 388 thousand (2020: HRK 734 thousand).

At 31 December 2021 the carrying amount approximates the fair value.

Fair value has been internally determined by the Group based on the income capitalisation method which assumes the sustainable annual lease income which investment property generates or is able to generate during its ordinary course of business. This valuation technique considers the present value of net future cash

flows to be generated from the property, taking into account expected rental growth rate, occupancy rate and other costs not borne by the tenants. Among other factors, the discount rate estimation considers the quality of the buildings and their location, potential tenants' quality and currently achievable lease terms.

Underlying assumptions used in determination of fair value are based on unobservable inputs whereby the most significant ones are yield at level of 8% and rent ranging from 5 to 5.50 eur per sqm. Those inputs are derived from the publications of reputable property valuation companies and from the current effective lease contracts of the Group.

22. INVESTMENTS IN ASSOCIATES

NAME OF ASSOCIATE	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION AND BUSINESS	OWNERSHIP INTEREST IN %		AMOUNT OF EQUITY INVESTMENT, HRK'000	
			2021	2020	2021	2020
EURO Auto Plastic Systems	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	50.00%	50.00%	67,531	71,964
					67,531	71,964

NAME OF ASSOCIATE	AMOUNT OF EQUITY INVESTMENT 31.12.2019	SHARE IN THE RESULT FOR THE YEAR 2020	DIVIDEND PAID	AMOUNT OF EQUITY INVESTMENT 31.12.2020
EURO Auto Plastic Systems	92,507	19,982	(40,525)	71,964
Total	92,507	19,982	(40,525)	71,964

22. INVESTMENTS IN ASSOCIATES (continued)

NAME OF ASSOCIATE	AMOUNT OF EQUITY INVESTMENT 31.12.2020	SHARE IN THE RESULT FOR THE YEAR 2021	DIVIDEND PAID	AMOUNT OF EQUITY INVESTMENT 31.12.2021
EURO Auto Plastic Systems	71,964	15,289	(19,722)	67,531
Total	71,964	15,289	(19,722)	67,531

Euro Auto Plastic Systems s.r.l. is considered to be associate since the management of its operations is under the control of Faurecia Automotive Holdings s.a.s. The detailed information on

the financial position and financial performance is disclosed in the section Business: Financial results 2021 of the integrated annual report part of which are also these financial statements.

23. OTHER FINANCIAL ASSETS

	31.12.2021	31.12.2020
Other financial assets	-	62
	-	62

24. INVENTORIES

	31.12.2021	31.12.2020
Raw material and supplies on stock	99,256	85,772
Finished products	27,509	31,149
Tools	25,434	33,235
Prepayments for inventories	23,167	14,021
Work in progress	12,346	13,915
Merchandise on stock	5,715	3,883
	193,427	181,975

24. INVENTORIES (continued)

The amount of inventories recognised as an expense during the 2021 was HRK 844,344 thousand (in the 2020 the expense was HRK 900,510

thousand). Total write-down of inventories in 2021 was HRK 2,941 thousand (in 2020 it was HRK 13,099 thousand).

25. TRADE RECEIVABLES

	31.12.2021	31.12.2020
Foreign trade receivables	230,776	261,736
Domestic trade receivables	3,733	5,994
Foreign trade receivables from the associate	2,545	4,380
Impairment loss allowance	(3,817)	(4,449)
	233,237	267,661

The average debtors' days were 73 days in 2021 (2020: 73 days).

The movements in allowance loss in respect of trade receivables are presented as follows:

	2021	2020
Balance at beginning of the year	4,449	3,530
Movements based on IFRS 9 expected credit losses calculation for year end	760	1,046
Collected during the year	(761)	(95)
Receivables written off	(590)	(199)
Exchange differences	(41)	167
Total impairment loss allowance	3,817	4,449

25. TRADE RECEIVABLES

(continued)

Ageing analysis of receivables is shown as follows:

	31.12.2021	31.12.2020
0-90 days past due	32,296	19,958
91-180 days past due	1,589	2,700
181-365 days past due	2,504	2,034
Over 365 days past due	1,376	892
Not due	195,472	242,077
	233,237	267,661

At 31 December 2021, the carrying amount of the receivables from companies in the same group was HRK 89,907 thousand (2020: HRK 100,235 thousand).

26. OTHER RECEIVABLES

	31.12.2021	31.12.2020
Receivables from the State and State institutions	20,801	21,029
Prepayments made	4,244	3,045
Due from employees	190	135
Other receivables	21	53
	25,256	24,262

27. CURRENT FINANCIAL ASSETS

	31.12.2021	31.12.2020
Receivables for given guarantees	-	898
	-	898

28. CASH AND CASH EQUIVALENTS

	31.12.2021	31.12.2020
Current account balance	27,879	48,923
Deposits	2,235	13,714
Cash in hand	38	30
	30,152	62,667

As at 31 December 2021 the amount of HRK 2,235 thousand (31 December 2020 HRK 13,714 thousand) includes short term deposits which bear interest rate ranging from 4.00% to 7.00%.

29. PREPAID EXPENSES AND ACCRUED INCOME

	31.12.2021	31.12.2020
Accrued income on tools	277	11,424
Prepaid operating expenses	3,405	1,900
Other accrued income	3,850	10,337
	7,532	23,661

Accrued income presented within this note are trade receivables, as they give right to collect payment from customer, but were not invoiced at the balance sheet date.

30. SHARE CAPITAL

Subscribed capital amounts to HRK 419,958 thousand and consists of 4,199,584 shares, with a nominal value of HRK 100.00 per share (2020: HRK 419,958 thousand; 4,199,584 shares, with a nominal value of HRK 100.00 each). Capital reserves are the differences between the nominal and sale value of shares. Statutory and general reserves consist of legal and statutory reserves

and reserves for unwritten development costs. Reserves were made by transferring from retained earnings to the position of legal and general reserves in the Group's capital in accordance with the local legislation. The transfer of capitalized development costs to intangible assets is made on the basis of net book value.

30. SHARE CAPITAL (continued)

The treasury share item refers to 50,353 treasury shares as at 31.12.2021 while on 31.12.2020 treasury shares amounted 69,058. Reserves for own shares are created based on Board decisions for future purchases of own shares.

Retained earnings consists of retained earnings, profit for the year and all the transfers from retained earnings (dividend payments, transfer to reserves).

Reserves of accruals foreign exchange have been formed on the basis of accrued exchange rate differences in the Group's capital.

In accordance with the General Assembly decision on 16 March 2021, a decision to use part of the 2019 profit for dividend payments in the amount of HRK 8 per share was adopted.

In accordance with the General Assembly decision on 15 July 2021, a decision to use part of the 2020 profit for dividend payments in the amount of HRK 8 per share was adopted (during 2020, a decision was made on the payment of dividends from retained earnings in 2019 in the amount of HRK 12.00 per share).

31. LONG-TERM AND SHORT-TERM PROVISIONS

	SHORT-TERM		LONG-TERM	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Vacation accrual	3,588	4,101	-	-
Employee bonuses	4,220	8,000	-	-
Termination benefits	1,589	223	2,739	2,742
Jubilee awards (long-service benefits)	439	336	1,637	1,827
Legal cases	1,177	1,343	537	-
Risks within the warranty period	998	998	-	-
	12,011	15,001	4,913	4,569

31. LONG-TERM AND SHORT-TERM PROVISIONS (continued)

Movement in provisions was as follows:

	JUBILEE AWARDS	RETIREMENT/TERMINATION BENEFITS	LEGAL CASES	VACATION ACCRUAL	EMPLOYEE BONUSES	RISKS WITHIN THE WARRANTY PERIOD	TOTAL
Balance at 1 January 2021	2,163	2,965	1,343	4,101	8,000	998	19,570
Increase/(decrease) in provisions, net	(88)	1,363	371	(513)	(3,779)	-	(2,646)
Balance at 31 December 2021	2,075	4,328	1,714	3,588	4,221	998	16,924
Balance at 1 January 2020	1,996	2,349	617	8,354	6,317	-	19,633
Increase/(decrease) in provisions, net	167	616	726	(4,253)	1,683	998	(64)
Balance at 31 December 2020	2,163	2,965	1,342	4,101	8,000	998	19,569

The part of the provision included in other staff costs is shown in Note 9.

Jubilee awards and termination benefits

According to the Union (Collective) Agreement, the Group has the obligation to pay long-service (jubilee awards), retirement-related and other benefits to employees. Benefits payable upon retirement and long-service benefits are defined in the Collective Agreement and employment agreements. No other post-retirement benefits are provided.

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

The present value of defined benefit obligations arising from long-service benefits and

benefits payable upon retirement is determined using the Projected Credit Unit method and serves as the basis for arriving at the past and current service costs, the interest expense and the actuarial gain or loss.

For employees of the Group, legal contributions for pension insurance are paid. Legal contributions form the basis for pensions paid by the Pension Funds to Group's employees upon their retirement. All companies within the Group use a discount rate, fluctuation rate and mortality data that are in line with the company's country of residence when calculating provisions.

32. LONG-TERM BORROWINGS

	31.12.2021	31.12.2020
Long-term borrowings	316,536	259,164
Deposits received	-	185
Long-term commodity loans provided by suppliers	4,636	6,419
	321,172	265,768
Current portion of long-term borrowings (Note 37)	(75,949)	(86,291)
	245,223	179,477

From total long term borrowings in amount of HRK 245,223 thousand at 31.12.2021, HRK 93,823 thousand refers to loans denominated in HRK currency while HRK 151,400 thousand refers to loans denominated in EUR.

From total long term borrowings and deposits in amount of HRK 179,477 thousand at 31.12.2020, HRK 10,462 thousand refers to loans and deposits denominated in HRK currency while HRK 169,015 thousand refers to loans denominated in EUR.

Long-term borrowings are used to finance capital investments and development projects. Instruments of collateral provided for the for long-term loans include mortgage on real estate and equipment (Note 19) and payment instruments. The majority of existing long-term loans are paid quarterly. In 2021, the weighted average interest rate on the long-term loans was 1.32% (2020: 2.11 %).

Movements in payables for long-term borrowings during the year:

	2021	2020
Balance at 1 January	179,477	237,906
New loans raised	137,333	36,887
Decrease in deposits received	(185)	(415)
Exchange differences, net	(107)	(3,181)
Reclassification to short-term loans (Note 37)	(69,789)	(91,720)
Transfer to grant liabilities	(1,506)	-
Balance at 31 December	245,223	179,477

33. OTHER LONG TERM LIABILITIES

	2021	2020
Grant liabilities	1,506	-
Other long term liabilities	-	398
Total other long term liabilities	1,506	398

Grant liabilities arose as a result of borrowing from a financial institution at an interest rate lower than the market rate.

34. LEASE LIABILITIES

	2021	2020
Balance at 1 January	7,980	16,100
Additions	25,071	2,269
Lease modifications, net	(195)	(1,807)
Interest expense on lease liabilities	482	273
Principal paid	(8,624)	(8,436)
Interest paid	(482)	(273)
Effect of exchange differences	(80)	(146)
	24,152	7,980
Long-term liabilities	15,744	3,738
Short-term liabilities	8,408	4,242

35. ADVANCES RECEIVED

	31.12.2021	31.12.2020
Foreign customers	38,568	32,129
	38,568	32,129

Advances received from foreign customers represent cash advanced ordered tools.

36. TRADE PAYABLES

	31.12.2021	31.12.2020
Foreign trade payables	89,582	128,601
Domestic trade payables	30,456	36,510
	120,038	165,111

Average payment period for trade payables during 2021 equalled to 59 days (2020: 79 days).

37. SHORT-TERM BORROWINGS

	31.12.2021	31.12.2020
Short-term loans - principal payable	63,144	131,240
Current portion of long-term borrowings (Note 32)	75,949	86,291
Short-term commodity loans provided by suppliers	1,592	1,590
Short-term borrowings - interest payable	596	858
	141,281	219,978

From total short term borrowings in amount of HRK 141,281 thousand at 31.12.2021, HRK 14,263 thousand refers to loans denominated in HRK currency, while HRK 127,018 thousand refers to loans denominated in EUR.

From total short term borrowings in amount of HRK 219,978 thousand at 31.12.2020, HRK 21,252 thousand refers to loans denominated in HRK currency, HRK 9,382 thousand refers to loans denominated in RUB currency, while HRK 189,344 thousand refers to loans denominated in EUR.

The short-term borrowings were used to finance development projects and for working capital purposes. Instruments of collateral provided for the short-term borrowings are payment instruments (bills of exchange, promissory notes and corporate guarantee by AD Plastik d.d.)

The short-term borrowings represent loans provided by the commercial banks, with an weighted average interest rate of 1.11% (2020: 1.31%).

37. SHORT-TERM BORROWINGS (continued)

	2021	2020
Balance at 1 January	219,978	232,141
New loans raised	27,025	53,264
Reclassification on current portion of long-term borrowings (Note 32)	69,789	91,720
Invoiced interest	4,623	9,702
Exchange differences	49	910
Interest paid	(5,241)	(9,140)
Repayments of received loans	(173,905)	(158,619)
Transfer to grant liabilities	(1,037)	-
Balance at 31 December	141,281	219,978

38. OTHER CURRENT LIABILITIES

	31.12.2021	31.12.2020
Due to the State and State institutions	19,581	22,559
Amounts due to employees	12,449	14,397
Grant liabilities	1,037	-
Other current liabilities	1,183	1,157
	34,250	38,113

Grant liabilities arose as a result of borrowing from a financial institution at an interest rate lower than the market rate.

39. ACCRUED EXPENSES

	31.12.2021	31.12.2020
Other current liabilities	8,663	17,438
Accrued tool expenses	614	527
	9,277	17,965

40. GOODWILL

	31.12.2021	31.12.2020
Goodwill resulting from acquisition of Tisza Automotive Kft.	18,014	18,014
Goodwill resulting from acquisition of KZA	7,105	6,604
	25,119	24,618

Recognized goodwill relates to:

- the difference between fair value of net assets of KZA and the value paid for the purchase of KZA by ZAO AD Plastik Kaluga. Company KZA has been merged with company ZAO AD Plastik Kaluga.
- the difference between fair value of the net assets of AD Plastik Tisza Kft. and the value paid for the purchase of AD Plastik Tisza Kft. by AD Plastik d.d. Solin.

Movement of goodwill:

	2021	2020
Balance at 1 January	24,618	26,543
Effect of exchange differences	501	(1,925)
Balance at 31 December	25,119	24,618

In 2021 the Group tested goodwill for impairment which is allocated on cash generating unit. In 2021 recoverable amount of each cash

generating unit was determined under fair value less cost of the disposal concept. Fair value was determined using income approach and

40. GOODWILL (continued)

discounted cash flows which require the use of assumptions. The calculations use cash flow projections based on financial budgets covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates which is determined for each cash generating unit separately.

The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

The cash flow projections included specific estimates for three years and a terminal growth

rate thereafter. The terminal growth rate was determined based on the estimate of the long-term GDP growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA was estimated taking into account past experience, adjusted as follows.

- new projects with customers either contracted with, announced by or subject to the negotiations with customers.

By performing the impairment test of goodwill, the Group has concluded that no impairment should be recognised.

41. RELATED PARTY TRANSACTIONS

Transactions with associated companies were as follows:

RECEIVABLES AND PAYABLES FOR GOODS, SERVICES AND INTEREST	RECEIVABLES		PAYABLES	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
EURO Auto Plastic Systems, Romania	2,545	4,381	-	1,657
Sankt-Peterburgskaya investicionnaya kompaniya	-	-	114	166
	2,545	4,381	114	1,823

PURCHASE TRANSACTIONS Operating and financing income and expenses	INCOME		PURCHASES	
	2021	2020	2021	2020
EURO Auto Plastic Systems, Romania	9,311	9,648	10,883	-
AO Holding Autokomponenti	1,000	-	-	-
Sankt-Peterburgskaya investicionnaya kompaniya	-	-	451	659
	10,311	9,648	11,334	659

41. RELATED PARTY TRANSACTIONS (continued)

RECEIVABLES AND PAYABLES FOR LOANS	RECEIVABLES		PAYABLES	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Sankt-Peterburgskaya investicionnaya kompaniya	-	-	37,586	37,684
	-	-	37,586	37,684

Sankt-Peterburgskaya investicionnaya kompaniya is member of Group in which is also company AO Holding Autokomponenti. The Company AO Holding Autokomponenti holds 30% of shares in Company AD Plastik d.d. The total remuneration provided to the members

of the Supervisory Board of AD Plastik d.d. and subsidiaries, The President and members of Management Board, Board Assistants and General directors of subsidiaries in 2021 amounts to 16,570 HRK thousand (in 2020 HRK 14,826 thousand).

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

42.1 GEARING RATIO

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

	31.12.2021	31.12.2020
Short-term borrowings (Note 37)	141,282	219,978
Long-term borrowings (Note 32)	245,223	179,291
Cash and cash equivalents (Note 28)	(30,152)	(62,667)
Net debt	356,353	336,602
Equity	839,245	860,625
Net debt-to-equity ratio	42.46%	39.11%

Comodity loans at 31 December 2021 amount-ed HRK 6,228 thousand (31 December 2020: HRK 8,009 thousand) (Note 32 and Note 37). Above referred amounts are included in the Group's

net debt. Equity consists of share capital, reserves, reserves for own shares, own shares, re-tained earnings and profit for the year.

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(continued)

42.2 CATEGORIES OF FINANCIAL INSTRUMENTS

	31.12.2021	31.12.2020
Financial assets	267,727	353,237
Trade receivables (Note 25)	233,237	267,661
Given loans and other financial assets (Notes 23, 27)	-	62
Cash and cash equivalents and deposits (Note 28)	30,152	62,667
Accrued income and other financial assets	4,338	22,847
Financial liabilities	552,976	595,217
Loans and deposits received (Notes 32, 37)	386,505	399,455
Trade, other payables and accruals	142,319	187,782
Lease liabilities (Note 34)	24,152	7,980

Accrued income and other liabilities include accrued income, other receivables less receivables from the State and advances given.

Trade, other payables and accruals includes: trade payables, lease liabilities, other payables, accrued expenses less payables to the State which includes refund of COVID-19 grants.

Details of concentration of credit risk are included in Note 25 Trade receivables.

Detailed information on credit risk management is stated under chapter Risks and opportunities in business of the Integrated annual report which integral part are those financial statements.

42.3 FOREIGN CURRENCY RISK MANAGEMENT

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The carrying amounts of the Group's foreign-currency denominated monetary assets and

monetary liabilities at the reporting date are provided in the table below using the middle exchange rates of the Croatian National Bank:

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(continued)

42.3 FOREIGN CURRENCY RISK MANAGEMENT (continued)

At 31 December	ASSETS		LIABILITIES		NET FX POSITION	
	2021	2020	2021	2020	2021	2020
EUR	422,945	431,897	588,829	649,595	(165,884)	(217,698)
USD	58	29	2	32	56	(3)
GBP	30	6	18	5	12	1
CZK	-	1,017	-	-	-	1,017
RON	-	824	-	-	-	824
	423,033	433,773	588,849	649,632	(165,816)	(215,859)

In HRK 422,945 thousand of EUR assets and HRK 588,829 EUR liabilities (in 2020 HRK 431,897 thousand) is included exposure on EUR intra Group receivables and loans in amount of HRK 206,775 thousand (in 2020 HRK 182,220 thousand). In addition, the remainder of HRK 51,645 thousand of assets and HRK 173,446 thousand of liabilities as at 31 December 2021 (31 December 2020: HRK 101,684 thousand of assets and HRK 127,805 thousand of liabilities) relates to exposure in domestic currencies.

Foreign currency sensitivity analysis

Foreign currency risk note includes exchange rate exposure of all monetary positions in all companies of the Group, which generate foreign exchange differences in separate reports of those companies. On 31 December 2021, if EUR were to depreciate/appreciate by 1% compared to HRK, assuming all other variables remain unchanged, net profit of the Group for 2021 would be HRK 820 thousand (lower)/higher (2020: HRK 975 thousand higher/(lower), because of

(negative)/positive foreign exchange differences generated by conversion of trade receivables, cash and cash equivalents, trade payables and loans received denominated in EUR.

On 31 December 2021, if RUB were to depreciate/appreciate by 1% compared to EUR, assuming all other variables remain unchanged, net profit of the Group for 2021 would be HRK 744 thousand lower/higher (2020: HRK 326 thousand) (lower)/higher, because of (negative)/positive foreign exchange differences generated by conversion of trade receivables, cash and cash equivalents, trade payables and loans received originally denominated in euros.

42.4 LIQUIDITY RISK MANAGEMENT

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

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(continued)

42.4 LIQUIDITY RISK MANAGEMENT

(continued)

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.

2021	Weighted average interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	TOTAL	CARRYING AMOUNT
ASSETS								
Non-interest bearing	-	182,209	80,026	3,257	-	-	265,492	265,492
Interest bearing	4.90%	2,244	-	-	-	-	2,244	2,235
		184,453	80,026	3,257	-	-	267,736	267,727
LIABILITIES								
Non-interest bearing	-	84,340	49,356	8,623	-	-	142,319	142,319
Interest bearing	1.24%	1,933	16,088	127,125	245,581	7,328	398,055	386,505
Lease liability	2.13%	725	1,453	6,653	16,226	-	25,057	24,152
		86,998	66,897	142,401	261,807	7,328	565,431	552,976
2020	Weighted average interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	TOTAL	CARRYING AMOUNT
ASSETS								
Non-interest bearing	-	186,261	136,601	16,599	-	62	339,523	339,523
Interest bearing	2.60%	2,084	11,719	-	-	-	13,803	13,714
		188,345	148,320	16,599	-	62	353,326	353,237
LIABILITIES								
Non-interest bearing	-	105,240	76,537	6,863	185	-	188,825	188,825
Interest bearing	1.65%	39,931	24,796	159,841	181,789	2,262	408,619	398,410
Lease liability	2.23%	364	730	3,275	4,225	-	8,594	7,982
		145,535	102,063	169,979	186,199	2,262	606,038	595,217

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(continued)

42.4 LIQUIDITY RISK MANAGEMENT (continued)

From total interest bearing liabilities in amount of HRK 386,505 thousand at 31.12.2021, HRK 108,081 thousand refers to liabilities denominated in HRK currency while HRK 278,424 thousand refers to liabilities denominated in EUR.

From total interest bearing liabilities in amount of HRK 398,410 thousand at 31.12.2020, HRK 31,924 thousand refers to liabilities denominated in HRK currency, HRK 9,142 thousand refers to liabilities denominated in RUB currency while HRK 357,734 thousand refers to liabilities denominated in EUR.

42.5 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be generated from the sales of some item of an asset or paid for transferring some liability in a fair transaction between market participants at the measurement date, regardless of whether it would be directly visible or evaluated by applying some other valuation technique. At 31 December 2021 and 31 December 2020, the carrying amounts of cash, receivables, long-term and short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their fair values due to the short-term maturity of these assets and liabilities.



43. EVENTS AFTER THE REPORTING PERIOD AND GOING CONCERN ASSUMPTION

It is evident that the business activities are affected by the Russian-Ukrainian crisis, given that AD Plastik Group has two factories in Russia in which it generated approximately 25 percent of its consolidated revenue in 2021.

These factories produce products exclusively for the Russian market and the current circumstances complicate their business operations. The negative effects are noticeable primarily through:

- volatility of the Russian rouble exchange rate against the euro,
- disruptions in the supply chain, and
- announcements of a temporary shutdown of some of the main customers in the Russian market.

Detail information about the financial results and financial position of factories operating on the Russian market is published in Note 4. Segment information.

In conjunction with its consolidated financial statements for the year ended 31 December 2021, management believes that the financial statement impacts of these events and market conditions will be non-adjusting events (with the exception of the going concern assessment). This is because the significant adverse changes in economic conditions and the political/ business environment developed as a direct consequence of events occurring after the reporting date - i.e. the Russian-Ukrainian crisis invasion of Ukraine and the resulting

implementation of economic sanctions by the international community. Since these impacts are generally considered to be non-adjusting events they do not affect amounts recognised as of 31 December 2021. In particular, among other things, such outcomes that would not have been reasonably expected as of 31 December 2021 were not reflected in the recoverable amount calculations of non-financial assets under IAS 36 Impairment of Assets or expected credit loss calculations of financial assets under IFRS 9 Financial Instruments.

That said, management cannot exclude the possibility that the effects of the conflict will result in the need to adjust the carrying amounts of the Group's assets in subsequent periods, including as a result of potential impairment write-downs.

The Group remains committed to maintaining its presence in the Russian market for the foreseeable future. However, the Management Board can't rule out the possibility that extended restrictions, escalating severity of such measures or the consequent negative impact of such measures on Russia's economic environment will have a negative impact on the Group's operations in the country and its financial position and performance in the medium and long term. We continue to closely monitor situations and will respond to mitigate the impact of such events and the circumstances as they occur.

From the view point of the Group's going concern assumption, cash flows from Russia to the parent company are not a significant business item, and the liquidity of the Group, including

available unused credit lines, is more than satisfactory. Accordingly, management concluded that the above circumstances do not represent events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

While in Russia the business is adapting to the new circumstances, in the European market it is running smoothly and in accordance with business plans, as well as commercial activities related to sealing new deals.

Despite the circumstances, the stability of AD Plastik Group's business operations is not endangered, development of the situation is monitored, various action scenarios have been developed with the primary goal of minimizing risks and consequences.

44. CONTINGENT LIABILITIES

Based on the Management's estimate, the Group had no material contingent liabilities at 31 December 2021 and 31 December 2020 which would require to be disclosed in the notes to the consolidated financial statements.

The Group had no capital expenditure commitments contracted at 31 December 2021 which would require to be disclosed in the notes to the financial statements. As at 31 December 2021 and 31 December 2020 there were no material legal actions with a potential negative outcome for the Group other than those reflected in these consolidated financial statements.

45. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Management Board of AD Plastik d.d. and authorised for issue on 22 April 2022.

For AD Plastik d.d. Solin by:

Marinko Došen
President of the
Management Board



Mladen Peroš
Member of
Management Board



Ivan Čupić
Member of
Management Board



AD Plastik d.d., Solin

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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Responsibility of the Management Board for the separate financial statements

Pursuant to the Accounting Act of the Republic of Croatia, the Management Board is responsible for ensuring that separate financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRSs), as adopted in the European union, which give a true and fair view of the financial position and results of operations of AD Plastik d.d. Solin (the "Company") for that period. After making enquiries, the Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the separate financial statements. In preparing those separate financial statements, the Management Board is responsible for:

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

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Company and their compliance with the Croatian Accounting Act. The above stated responsibility includes the responsibility for accuracy of the Management Report, which is an integral part of separate financial statements and submission of financial statements in unique XBRL electronic reporting format (ESEF) prescribed by regulatory technical standards developed by ESMA (European Securities and Markets Authority) and adopted by the European Commission. The Management Board is also responsible for safeguarding the assets of the Company, and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board

For AD Plastik d.d. Solin by:

Marinko Došen
President of the
Management Board



Mladen Peroš
Member of
Management Board



Ivan Čupić
Member of
Management Board



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

22 April 2022



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

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of AD Plastik d.d. ("the Company"), which comprise the separate statement of financial position of the Company as at 31 December 2021, and its separate statements of comprehensive income, cash flows and changes in equity of the Company for the year then ended, and notes, comprising significant accounting policies and other explanatory information (further referred to as "the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the separate financial position of the Company as at 31 December 2021 and of its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

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



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

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVENUE RECOGNITION

Revenue in 2021: HRK 726,823 thousand (2020: HRK 844,247 thousand). As at 31 December 2021: trade receivables: HRK 215,296 thousand; accrued revenue: HRK 277 thousand (31 December 2020: trade receivable: HRK 225,673 thousand; accrued revenue: HRK 11,424 thousand).

Please refer to the Note 2.3 Revenue recognition of Significant accounting policies and Note 4 Sales.

Key audit matter

Revenue is an important metric used to evaluate the financial performance of the Company. In the year ended 31 December 2021, the Company's principal revenue streams included sales of car parts and of customized tools developed by the Company. As discussed in Note 2.3 Revenue recognition, the Company recognises revenue when control over goods is transferred to the customer.

Application of the revenue recognition principles of the relevant financial reporting standard, IFRS 15 ("the Standard"), is complex and requires making significant assumptions and judgments. In the Company's case, particular complexity is associated with the following aspects:

- Determination of whether a customer contract exists requires the Company to assess whether one document or a combination of documents, including general terms of business, nomination letter, agreement with customer and purchase orders, create enforceable rights and obligations of the parties to the arrangement.
- Goods with different revenue recognition patterns, such as spare parts and tooling, may be sold as part of one contract or several contracts accounted for as one arrangement. The Company applies significant judgment in identifying contracts which require to be combined and accounted for as one arrangement, and in identifying performance obligations therein.

How our audit addressed the matter

Our audit procedures in this area included, among others:

- Obtaining understanding of and evaluating the Company's revenue recognition process, and testing the design and implementation of selected internal controls, in particular those associated with contract approval, pricing, delivery of products and posting of revenues;
- Assisted by our own information technology (IT) specialists, assessing selected general IT controls supporting revenue-related IT application controls;
- For a sample of sales transactions during the audited year, inspecting underlying contractual provisions and making inquiries of key account managers and relevant finance personnel, in order to challenge:
 - The existence of a customer contract, by reference to the relevant criteria of the Standard, including, among other things, those relating to the parties' commitment to their obligations and probability of collecting the consideration due;
 - Identification of the contracts which require to be accounted for on a combined basis and of performance obligations within those contracts, by among other things, assessment whether the goods and services in the arrangements are distinct and also assessing whether any subsequent changes to the contract price arising from the learning curve result in the reduced price representing the parts' stand-alone selling price;



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

Report on the Audit of the Financial Statements (continued)

REVENUE RECOGNITION (CONTINUED)

Key audit matter (continued)

- Many contracts with customers entitle customers to price reductions after a certain period of purchase orders (as a result of expected reduction in the Company's costs along its learning curve). Judgement is required to determine whether such 'efficiency savings' provide customers with material rights to be accounted for as separate performance obligations.
- Tooling arrangements are typically contracts or framework agreements between the Company and its customers for the sale of tools to be used in the production of customised parts for a given customer. Since such tooling arrangements may vary with respect to transfer of development activities and ownership, careful assessment to determine whether, among other things, such an arrangement is a sale, a lease or development of its own equipment, whether arrangement contains a lease and whether it is a separate performance obligation from the sale of car parts.

In the wake of the above factors, we considered revenue recognition to be associated with a significant risk of material misstatement in the separate financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.

How our audit addressed the matter (continued)

- Allocation of total consideration to performance obligations based on their relative stand-alone selling prices;
- For the sample of sales transactions selected as part of the preceding procedure, challenging the timing of the transfer of control, the resulting pattern of revenue recognition and revenue amounts, by reference to sales invoices, inventory and shipping documents, customer acceptance forms and other documents as appropriate.
- For a sample of tooling sales transactions, inspecting underlying contracts with customers to identify any lease component embedded within those contracts, mainly by evaluating ownership rights, the party directing the use of the tool and whether there is a separate performance obligation in relation to the sale of car parts.
- For a sample of customers, obtaining confirmations of the amounts receivable outstanding as at the reporting date, and evaluating any differences between the confirmations received and the Company's records by inspecting the underlying documentation such as invoices, shipping documents, customer acceptance forms and payments made by customers;
- Examining whether the Company's revenue recognition-related disclosures in the financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.



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

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

Other Information

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

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

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

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

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

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

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

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



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

Report on the Audit of the Financial Statements (continued)

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.



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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.



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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 15 July 2021 to audit the separate financial statements of AD Plastik d.d. for the year ended 31 December 2021. Our total uninterrupted period of engagement is two years, covering the year ended 31 December 2021 and 31 December 2020.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 22 April 2022;
- we have not provided any prohibited non-audit services (NASs) referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit.

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



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

Report on Compliance with the ESEF Regulation

In accordance with the requirements of Article 462 paragraph 5 of Capital Market Act, we are required to express an opinion on compliance of the separate financial statements, as included in the separate annual report, with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation of the separate financial statements in a digital format that complies with the RTS on ESEF. This responsibility includes:

- the preparation of the separate financial statements in the applicable xHTML format and their publication;
- the selection and application of appropriate iXBRL tags, using judgment where necessary;
- ensuring consistency between digitised information and the separate financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

Those charged with governance are responsible for overseeing the Company's ESEF reporting, as a part of the financial reporting process.

Auditors' Responsibilities

Our responsibility is to express an opinion on whether the separate financial statements included in the separate annual report comply, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements of set out in the RTS on ESEF, whether due to fraud or error. Our procedures included, among other things:

- obtaining an understanding of the tagging process;
- evaluating the design and implementation and testing the operating effectiveness of relevant controls over the tagging process when the assessment of the risks of material misstatement includes an expectation that such internal controls are operating effectively or procedures other than testing controls cannot alone provide sufficient appropriate evidence;
- tracing the tagged data to the separate financial statements of the Company and / or the Company presented in human-readable format;
- evaluating the completeness of the Company's and / or the Company's tagging of the separate financial statements;



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

Report on Compliance with the ESEF Regulation *(continued)*

Auditors' Responsibilities (continued)

- evaluating the appropriateness of the separate use of iXBRL elements selected from the ESEF taxonomy used and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements; and
- evaluating the appropriateness of the format of the separate financial statements.

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

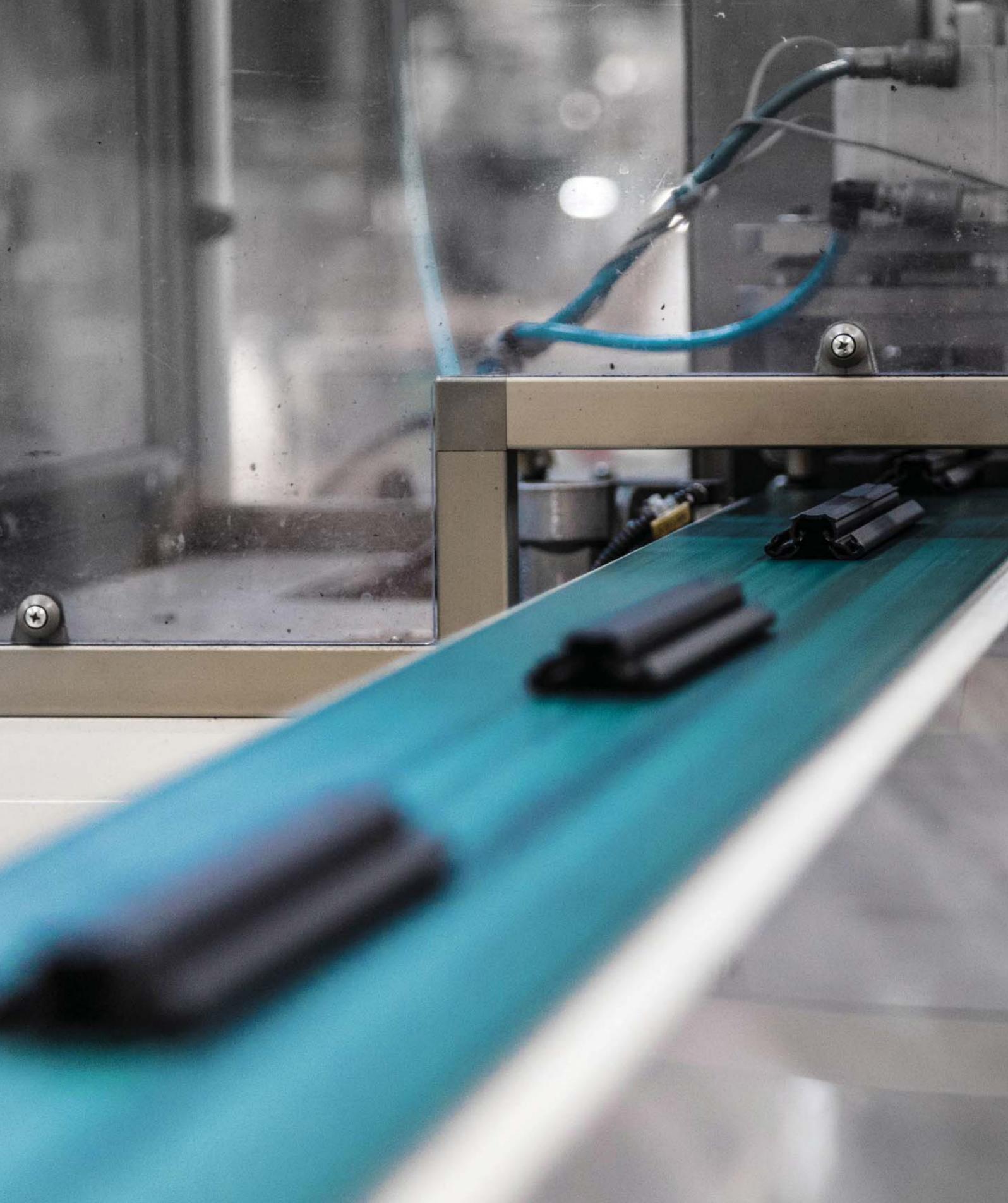
Opinion

In our opinion, the separate financial statements of the Company as at and for the year ended 31 December 2021 have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

KPMG Croatia d.o.o.

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

22 April 2022



SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts are expressed in thousands of kunas)

	NOTES	2021	2020
Sales	4	726,823	844,247
Other income	5	18,582	27,413
Total income		745,405	871,660
Increase in the value of work in progress and finished products		(1,627)	3,821
Cost of raw material and supplies	6	(307,984)	(404,068)
Cost of goods sold	7	(116,869)	(90,236)
Service costs	8	(62,716)	(66,232)
Staff costs	9	(161,487)	(168,130)
Depreciation and amortisation	10	(68,703)	(72,363)
Other operating expenses	11	(18,084)	(26,751)
Provisions for risks and charges (net)	12	(175)	(1,665)
Impairment of trade receivables (net)	25	(129)	(5)
Total operating expenses		(737,774)	(825,629)
Profit from operations		7,631	46,031
Financial income	13	23,248	44,067
Financial expenses	14	(6,747)	(12,517)
Profit from financing activities		16,501	31,550
Profit before taxation		24,132	77,581
Income tax expense	15	(7,792)	(8,948)
Profit for the year		16,340	68,633
Total comprehensive income for the year		16,340	68,633
Earnings per share			
Basic and diluted earnings per share (in kunas and lipas)	16	3.94	16.62

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

SEPARATE STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

(All amounts are expressed in thousands of kunas)

ASSETS	NOTE	31.12.2021	31.12.2020
NON-CURRENT ASSETS			
Intangible assets	17	73,552	70,479
Property, plant and equipment	18	535,232	558,494
Right-of-use assets	19	19,442	6,577
Investment property	20	22,661	22,815
Investments in associates	21	149,367	149,367
Other financial assets	22	108,827	98,047
Long-term receivables	23	11,531	18,574
Deferred tax assets	15	3,713	11,506
Total non-current assets		924,325	935,859
CURRENT ASSETS			
Inventories	24	87,689	100,389
Trade receivables	25	215,296	225,673
Other receivables	26	13,738	14,912
Current financial assets	27	12,940	24,421
Cash and cash equivalents	28	9,797	35,669
Prepaid expenses and accrued income	29	5,757	20,695
Total current assets		345,217	421,759
TOTAL ASSETS		1,269,542	1,357,618

SEPARATE STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

(All amounts are expressed in thousands of kunas)

EQUITY AND LIABILITIES	NOTE	31.12.2021	31.12.2020
Share capital	30	419,958	419,958
Capital and other reserves		278,895	283,631
Retained earnings and profit of the year		82,367	124,095
Total shareholders' equity		781,220	827,684
Long-term provisions	31	3,854	3,985
Long-term borrowings	32	217,480	139,611
Other long term liabilities	33	1,506	397
Lease liabilities	34	12,673	3,164
Total non-current liabilities		235,513	147,157
Advances received	35	6,033	6,798
Trade payables	36	90,563	132,420
Short-term borrowings	37	115,485	191,142
Other current liabilities	38	18,218	19,680
Lease liabilities	34	7,138	3,612
Short-term provisions	31	8,816	12,680
Accrued expenses	39	6,556	16,445
Total current liabilities		252,809	382,777
Total liabilities		488,322	529,934
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,269,542	1,357,618

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

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	General and legal reserves	Reserves for own (treasury) shares	Own (treasury) shares	Retained earnings	Total
Balance at 31 December 2019	419,958	191,989	60,849	20,890	(11,795)	93,683	775,574
Profit for the year	-	-	-	-	-	68,633	68,633
Total comprehensive income for the year	-	-	-	-	-	68,633	68,633
Dividends paid	-	-	-	-	-	(16,523)	(16,523)
Transactions with the owners of the Company	-	-	-	-	-	(16,523)	(16,523)
Reserves for not written off costs of development	-	-	21,699	-	-	(21,699)	-
Balance at 31 December 2020	419,958	191,989	82,548	20,890	(11,795)	124,095	827,684

Balance at 31 December 2020	419,958	191,989	82,548	20,890	(11,795)	124,095	827,684
Profit for the year	-	-	-	-	-	16,340	16,340
Total comprehensive income for the year	-	-	-	-	-	16,340	16,340
Dividends paid	-	-	-	-	-	(66,292)	(66,292)
Disposal of own (treasury) shares	-	293	-	-	3,195	-	3,488
Transactions with the owners of the Company	-	293	-	-	3,195	(66,292)	(62,804)
Reversal of reserves for not written off costs of development	-	-	(8,225)	-	-	8,225	-
Balance at 31 December 2021	419,958	192,282	74,323	20,890	(8,600)	82,367	781,220

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

SEPARATE STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts are expressed in thousands of kunas)

CASH FLOWS FROM OPERATING ACTIVITIES	NOTES	2021	2020
Profit for the year		16,340	68,633
ADJUSTED FOR			
Income tax	15	7,792	8,948
Depreciation and amortisation	10	68,703	72,363
Tangible assets write-off	18	-	52
Intangible assets write-off	17	856	2,931
Interest expense and exchange rates recognised in profit or loss		4,900	9,792
Dividend income	13	(19,722)	(40,525)
Gain from sale of property, plant and equipment and intangible assets	5	(1,303)	(1,313)
Gain from sale of investment property	5	-	(11,396)
Gain from sale of financial assets	13	(72)	-
Interest income	13	(3,454)	(3,542)
(Decrease)/increase in long-term and short-term provisions (net)		(3,753)	43
Impairment of loans given, net	14	1,670	3,226
Impairment of trade receivables, net		129	5
Obsolete stock write-off	24	1,328	3,223
Profit from operations before working capital changes		73,414	112,440
Decrease/(increase) in inventories	24	11,373	(6,622)
Decrease/(increase) in current and non-current trade receivables		8,971	(7,316)
Decrease in other receivables	26	1,174	812
Decrease in trade payables		(32,757)	(62,453)
Decrease of advances received	35	(765)	(13,919)
Increase in other current liabilities		355	2,199
(Decrease)/increase of accrued expenses and deferred income	39	(9,890)	12,386
Decrease of accrued income and prepaid expenses	29	14,936	47,565
Interest paid		(5,163)	(7,350)
Cash flows from operating activities		61,648	77,742

SEPARATE STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

(All amounts are expressed in thousands of kunas)

CASH FLOWS FROM INVESTING ACTIVITIES	NOTES	2021	2020
Interest received		1,127	6,930
Purchase of property, plant and equipment	18	(20,387)	(28,486)
Purchase of investment property	20	(94)	(22)
Purchase of intangible assets	17	(22,549)	(14,412)
Guarantees given		-	(898)
Proceeds from sale of property, plant and equipment and intangible assets		3,121	4,162
Proceeds from sale of investment property		-	24,053
Proceeds from sale of financial assets		133	-
Dividends received		19,518	40,517
Cash (used) from investing activities		(19,131)	31,844

CASH FLOWS FROM FINANCING ACTIVITIES	NOTES	2021	2020
Dividends paid		(66,294)	(16,522)
Proceeds from borrowings	32,37	155,934	52,505
Repayment of borrowings	37	(150,246)	(110,773)
Repayment of lease principal IFRS 16	34	(7,792)	(7,497)
Cash used in financing activities		(68,398)	(82,287)
Unrealised exchange rate differences in respect of cash and cash equivalents		9	72
(Decrease)/increase in cash and cash equivalents	28	(25,872)	27,371
Cash and cash equivalents at the beginning of the year	28	35,669	8,298
Cash and cash equivalents at the end of the year	28	9,797	35,669

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. NEW STANDARDS AND AMANDMENTS TO EXISTING NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the

Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF PREPARATION

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

The preparation of the separate financial statements requires from the Management Board to make estimates and assumptions that affect the reported amounts of assets and liabilities

and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on the information available as at the date of preparation of the separate financial statements, and actual results could differ from those estimates. The separate financial statements of the Company represent aggregate amounts of assets, liabilities, capital and reserves of the Company as of 31 December 2021, and the results of operations for the year then ended.

The Company also prepares its consolidated financial statements in accordance with International Financial Reporting Standards, which include the financial statements of the Company, as the parent, and the financial statements of the subsidiaries controlled by the Company. In these financial statements, investments in entities controlled by the Company or in which the Company has significant influence are carried at cost less impairment, if any. For a full understanding of the financial positions of the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.2 BASIS OF PREPARATION (continued)

Company and its subsidiaries, as a group, and of the results of their operations and their cash flows for the year, users are advised to read the consolidated financial statements of the Group AD Plastik d.d. Details of the investments in subsidiaries and associates are presented in Note 21.

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

2.3 REVENUE RECOGNITION

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

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

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

Definition of contract as stated above is by combining the clauses of following documentation: Buyer's General Terms and conditions, Nomination letter, Purchase agreement and Purchase order. The Company has contracts with Buyers (OEM) as Tier 1, with buyer's suppliers as Tier 2,

with subsidiaries and associates. Contracts exist for sales of following goods and services:

- product sale
- tooling sale
- R&D activities
- royalty services
- technical and engineering services

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

The Company's customers pay for products received in accordance with payment terms that are customary in the industry, typically 60 to 120 days.

The Company's contracts with its customers do not have significant financing components.

Tooling and product sales may be contracted in separate agreements, or concluded at different points in time, or may be contracted in one agreement. In either case any binding obligation

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.3 REVENUE RECOGNITION (continued)

for the customer with respect to parts is created only upon issuance of purchase orders. Revenue from tooling sale and product sale is recognised at point in time when the control is passed on Buyer.

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

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

Revenue from sale of products

Product sales are recognized when the products are delivered to, and accepted by the customer and when the control of a product is transferred to the customer. Sales to customers with whom self-invoicing has been arranged are recognised upon receiving from such a customer the confirmation of delivery, i.e. when control is transferred to the customer. Each delivery is considered as performance obligation that is satisfied at point in time.

Some of the Company's contracts include variable consideration which take a form of year-to-year price reductions („productivity“), but Company has concluded that those discounts do not give rise to a material right as those decreases are consistent with pricing pattern in automotive industry which takes into consideration learning curve effect.

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

Revenue from the manufacture of tools

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

Revenue from royalty and technical services

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

Revenue from licenses is recognised over time, according to the quantities of products produced by the customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.3 REVENUE RECOGNITION (continued)

Company generates revenues from technical services on the basis of contracts it has with affiliated companies to which it provides technical-administrative consulting services.

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

2.4 BORROWING COSTS

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

Borrowing costs that cannot be directly attributable to acquisition, construction or production of qualifying asset, are capitalised applying a capitalisation rate. Capitalisation rate is weighted average of borrowing costs applicable to the general borrowings, excluding borrowing costs that are directly attributable for acquisition of qualifying asset, until substantially all the activities necessary to prepare that asset for its intended use or sale are completed.

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

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

2.5 FOREIGN-CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated into Croatian kunas at the rates of exchange in effect at the dates of the transactions. Cash, receivables and payables denominated in foreign currencies are retranslated at the rates of exchange in effect at the date of the statement of financial position. Gains and losses arising on translation are included in the statement of comprehensive income for the year. At 31 December 2021, the official exchange rate of the Croatian kuna against 1 Euro (EUR) was HRK 7.517174 (31 December 2020: 7.536898 HRK for EUR 1).

2.6 INCOME TAX

Current tax

Income tax expense is based on taxable profit for the year and represents the sum of the tax currently payable and deferred tax. Income tax is recognised in the statement of comprehensive income, except where it relates to items recognised directly in equity, in which case it is also recognised in equity.

Current tax represents tax expected to be paid on the basis of taxable profit for the year, using the tax rates enacted at the date of the statement of financial position, adjusted by appropriate prior-period tax liabilities. The income tax rate for year 2020 and 2021 amounts to 18 percent.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.6 INCOME TAX (continued)

Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rate expected to apply to taxable profit in the period in which the liability is expected to be settled or the asset realised, based on the tax rates in effect at the date of the statement of financial position. The income tax rate applicable to deferred tax assets is 18 percent.

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

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

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

2.7 PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment as well as intangible assets are recognised at purchase cost and subsequently reduced by accumulated depreciation. Intangible assets represent capitalized development costs of all Company's projects. Intangible assets - Projects is depreciated according to its useful life which varies from 3 to 7 years.

The purchase cost comprises the purchase price, import duties and non-refundable sales taxes (for property, plant and equipment) and any directly attributable costs of bringing an asset to its working condition and location for its intended use, such as employee remuneration, professional fees directly arising from putting an asset into its working condition, test costs (for intangible assets), as well as all other costs directly attributable to bringing an asset to a condition for its intended use.

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Where it is obvious that expenses incurred resulted in an increase of expected future economic benefits to be derived from the use of an item of property, plant and equipment or intangible assets in excess of the originally

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.7 PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS (continued)

assessed standard performance of the asset, they are added to the carrying amount of the asset.

Gains or losses on the retirement or disposal of property, plant and equipment or intangible assets are included in the statement of comprehensive income in the period in which they occur.

Depreciation commences on putting an asset into use. Depreciation is provided so as to write down the cost or revalued amount of an asset other than land, property, plant and equipment and intangible assets under development over the estimated useful life of the asset using the straight-line method as follows:

PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS	DEPRECIATION RATES IN 2021 %	DEPRECIATION RATES IN 2020 %
Buildings	1.50	1.50
Machinery	7.00 - 10.00	7.00 - 10.00
Tools, furniture, office and laboratory equipment, measuring and control instruments	7.00 - 50.00	7.00 - 50.00
Vehicles	20.00	20.00
IT equipment	10.00 - 20.00	10.00 - 20.00
Others	10.00	10.00
Intangible assets - Projects	14.29 - 33.33	20.00
Software	20.00 - 50.00	20.00 - 50.00

2.8 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

At each reporting date the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is an indication that the assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the

extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, the Company's

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.8 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS (continued)

assets are also allocated to individual cash-generating units or, if this is not possible, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

2.9 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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

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

2.10 INVENTORIES

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

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

2.11 OTHER TRADE RECEIVABLES AND PREPAYMENTS

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

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

Management determines the level of impairment allowance for doubtful receivables based on receivables collection estimation. The

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.11 OTHER TRADE RECEIVABLES AND PREPAYMENTS (continued)

allowance for amounts doubtful of collection is charged to the statement of comprehensive income for the year.

2.12 CASH AND CASH EQUIVALENTS

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

2.13 PROVISIONS

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

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the date of the

statement of financial position, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2.14 TERMINATION, LONG-SERVICE AND OTHER EMPLOYEE BENEFITS

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

In the normal course of business, the Company makes payments, through salary deductions, to mandatory pension funds on behalf of its employees, as required by law.

The contributions paid to the mandatory pension funds are recognised as salary expense when accrued. The Company does not have any other retirement benefit plan and, consequently, has no other obligations in respect of the retirement benefits for its employees. In addition, the Company is not obliged to provide any other post-employment benefits.

(b) Long-term employee benefits

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.14 TERMINATION, LONG-SERVICE AND OTHER EMPLOYEE BENEFITS (continued)

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

Past service cost is recognized immediately to the extent that entitlement to benefits has already been acquired. Otherwise, it is amortized proportionately over a period of time until the right to receive benefits is acquired.

2.15 FINANCIAL INSTRUMENTS

Financial assets

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

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

A trade receivable without a significant financing component is initially measured at the transaction price.

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

Financial assets are not reclassified subsequent to their initial recognition unless the Company

changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

Business model assessment

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

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.15 FINANCIAL INSTRUMENTS (continued)

realising cash flows through the sale of the assets

- how the performance of the portfolio is evaluated and reported to the Company's management
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity
- trade receivables are held in the business model of holding for the purpose of collection

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

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

liquidity risk and administrative costs), as well as a profit margin.

In assessing the main criterion, i.e. whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The structure of the Company's financial assets is simple and primarily relates to trade receivables without a significant financial component and loans given.

Subsequent measurement and gains and losses

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

Any gain or loss on derecognition is recognised in profit or loss.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.15 FINANCIAL INSTRUMENTS (continued)

neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

Financial liabilities

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

A financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Financial liabilities are measured at amortized cost. A financial liability is classified as measured at amortized cost using the effective interest method. Interest expenses and exchange differences are recognized within profit or loss. Any gain or loss on derecognition is also recognized within profit or loss.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

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

Impairment of non-derivative financial assets

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

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

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

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

- the borrower is unlikely to pay its credit

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.15 FINANCIAL INSTRUMENTS (continued)

obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held)

- the financial asset is more than 360 days past due based on historical experience of average market participant.

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

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

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

Measurement of expected credit losses

In accordance with IFRS 9, assets that are carried at amortized cost must have attributed expected credit losses (ECL). Formula for calculating yearly ECL is the following:

Probability of default (PD) x Loss given default (LGD) x Exposure at default (EAD). Company used publicly available information to model ECL for loans, as follows:

Probability of default: Company used latest available Moody's Annual Default Study. Marginal PD for automotive industry was used for every year.

Probability of default used in calculation is shown in the table below:

YEARS	CUMULATIVE PROBABILITY OF DEFAULT	MARGINAL PROBABILITY OF DEFAULT
1	2.3%	2.3%
2	4.6%	2.3%
3	6.7%	2.1%
4	8.7%	2.0%
5	10.6%	1.9%
6	12.3%	1.7%
7	13.9%	1.6%
8	15.5%	1.6%
9	16.9%	1.4%
10	18.0%	1.1%

Loss given default: Company used latest available Moody's Annual Default Study. It was calculated using annual default recoveries percentage. LGD used in 2021 is 60.70%.

Exposure at default: Company calculated it internally taking into account annual repayment schedule for loans for every year of repayment.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability, and of allocating interest income over the relevant period. The effective interest

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.15 FINANCIAL INSTRUMENTS (continued)

rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets are assessed for indications of impairment at each date of the statement of financial position. A financial asset are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the expected credit losses.

Impairment loss on a financial asset is recognised by reducing the carrying amount of the asset through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset have expired, when the asset is transferred and when substantially all the risks and rewards of ownership of the asset are passed onto another entity. If the Company

neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Classification as financial debt or equity

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

Interest income

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

2.16 CONTINGENCIES

Contingent liabilities have not been recognised in these separate financial statements. They are disclosed if the possibility of outflow of resources embodying economic benefits is possible. A contingent asset is not recognised in financial

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.16 CONTINGENCIES (continued)

statements, but it is disclosed when the inflow of economic benefits becomes probable.

2.17 EVENTS SUBSEQUENT TO THE DATE OF THE STATEMENT OF FINANCIAL POSITION

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

2.18 SEGMENT REPORTING

In separate financial statements the Company discloses sales revenues grouped by country (Note 4).

When assessing business performance and making decisions on the allocation of resources in accordance with IFRS 8 the Company's Management Board uses the division into two operating segments: EU and Serbia and Russia.

In the consolidated financial statements the Group's financial results, assets and liabilities are disclosed for above mentioned operating segments.

2.19 LEASES

At inception of a contract, Company assesses whether a contract is, or contains lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for

consideration. To assess whether a contract conveys the right to control the use of an identified asset, Company uses the definition of a lease in IFRS 16.

Leases are recognised by the present value of the lease payments and showed either as right-of-use assets or together with property, plant and equipment. Company also recognises a financial liability representing its obligation to make future lease payments. Lessees are recognised separately interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees are also required to re-measure lease liability due to certain events (e.g. a change in lease term, a change in future lease payments, resulting from a change in an index or discounting rate). The standard includes two recognition exemptions for lessees: „low-value“ leases (e.g. tablets and personal computers) and „short-term“ leases (leases which ends within 12 months). Low-value leases are considers assets with value lower than HRK 30,000.

Right-of-use assets and lease liabilities will be reported separately in the statement of financial position.

The Company has elected not to apply the requirements of IFRS 16 for low-value leases (e.g. printers) and short-term leases (e.g. apartments).

Detailed movement of right of use assets are presented in Note 19 and movements of lease liability in Note 34.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 GRANTS

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

Receivables from government to reimburse expenses that have already been incurred are recognized in profit or loss in the period in which the receivable is incurred.

A grant related to income is reported as deduction from the related expense in statement of comprehensive income.

2.21 INVESTMENT PROPERTY

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

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

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

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 2, the Management Board is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. The key areas of estimation in applying the Company's accounting policies that had a most significant impact on the amounts recognized in the financial statements were as follows:

Measurement of fair values

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

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

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

Fair values are measured using information collected from third parties in which case the Board and the finance department assess whether the evidence collected from third parties support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy where such valuations should be classified. Fair values are categorised into different level in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included in level 1, that are observable for the asset or liability either directly (ie as prices) or indirectly (ie derived from prices).

Level 3 - input variables for assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity

specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more significant inputs are not based on observable market data, the fair value estimate is included in level 3.

Revenue from the sale of tools

Tools are custom made for the customer and cannot be used for other purposes. In accordance with the automotive practice, those contracts may differ with respect to the development of tools and transfer of the title to the customer. In such cases, the Company determines whether tool arrangements are sale, lease or development of own equipment, whether this is a lease arrangement and whether it is separate from the sale of car parts. The Company has assessed that the sale of car parts is a separate performance obligation from the sale of tools since the customer has the control over the use of tool and unconditional right for payment upon the transfer of control of tool to the customer. Additionally, the development of the tool is not integrated with the production of parts to produce a combined output and those two are not interrelated as tool can be sold without affecting the sale of car parts. In addition, although in production of parts the Company may continue to use tools that it sold to customers, the Company has concluded that its arrangements do not contain a lease because customers control the use of the asset. In particular, customers, by placing orders, determine whether to produce parts using those tools, in what quantity and also the location of parts' production.

4. SALES

	2021	2020
Foreign sales	718,850	834,369
Domestic sales	7,973	9,878
	726,823	844,247

Sales segmentation by country is shown below:

	2021	2020
Slovenia	271,118	405,116
Romania	108,799	112,246
France	99,752	108,424
Russia	46,711	36,410
Italy	44,895	34,605
Germany	32,994	42,975
Serbia	31,940	25,108
Spain	28,259	39,032
Hungary	26,273	5,064
Other	36,082	35,267
	726,823	844,247

Sales segmentation by type is shown below:

	2021	2020
Car parts sales	563,610	724,216
Merchandise	84,647	70,238
Revenue from tools	52,630	25,050
Licence fees	15,237	15,145
Engineering services revenue	10,699	9,598
	726,823	844,247

Revenues from merchandise consist of revenues from the sale of material and the sale of car parts that are not own production.

5. OTHER INCOME

	2021	2020
Rental income and income from the sale of services to tenants	4,487	3,765
Income from damages and insurance	3,550	1,217
Income from consumption of own products and services	3,231	2,551
Gain from sale of property, plant and equipment and intangible assets	1,303	1,313
Income from financial support	1,000	-
Income from product development, validation, quality control and laboratory testing	839	301
Income from maintaining safety stock	609	2,350
Gain on disposal of investment property	-	11,396
Other operating income	3,563	4,520
	18,582	27,413

6. COST OF RAW MATERIAL AND SUPPLIES

	2021	2020
Direct materials	276,216	371,111
Electricity	18,088	18,841
Other raw material and supplies	13,680	14,116
	307,984	404,068



7. COST OF GOODS SOLD

	2021	2020
Cost of merchandise	78,614	68,803
Costs of tools sold	38,018	21,083
Other costs of goods sold	237	350
	116,869	90,236

8. SERVICE COSTS

	2021	2020
Transport	24,483	30,750
Intellectual service cost	12,288	4,776
Maintenance costs	6,066	6,398
Software licenses	4,855	4,720
Logistic services at distribution warehouses	2,980	2,419
Rental costs	2,236	3,364
Security and fire services	2,040	1,997
Communal fee	1,629	1,824
Engineering services costs	1,419	1,399
Licence fees	1,049	3,928
Marketing	777	1,002
Water	736	935
Telephone, cell phone, internet costs	620	751
Other service costs	1,538	1,969
	62,716	66,232

9. STAFF COSTS

	2021	2020
Net wages and salaries	98,060	95,426
Taxes and contributions on and out of salaries	51,325	54,208
Other staff costs	10,760	16,127
Provisions for termination benefits, net (Note 31)	1,342	359
Provisions for employees bonuses, net (Note 31)	-	2,010
	161,487	168,130

Other staff costs comprise jubilee awards, bonuses, termination benefits, commuting costs, cost of student service and other business-related costs. Company included income from reversal of provision for employee bonuses in amount of HRK 4,000 thousand and income from reversal of provision for unused vacation days in amount of HRK 1,227 thousand as cost reduction within category "Other staff cost". Further, within "Other staff cost" income from

reversal of provision for jubilee awards is shown in amount of HRK 12 thousand.

In the previous period, reversal of provision for unused vacation days in amount of HRK 3,982 thousand was shown as a cost reduction through „Other staff cost“. Total staff costs is decreased by state subsidies for employment preservation in 2020. in amount of HRK 18,993 thousand.

10. DEPRECIATION AND AMORTISATION

	2021	2020
Depreciation of property, plant and equipment (Note 18)	43,153	40,781
Amortisation of intangible assets (Note 17)	17,298	23,430
Depreciation of right of use assets (Note 19)	8,003	7,565
Depreciation of investment property (Note 20)	249	587
	68,703	72,363

11. OTHER OPERATING EXPENSES

	2021	2020
Customer complaints	3,318	5,249
Membership fees, contributions, municipal utility fees	2,156	2,556
Cost of own consumption and goods provided free of charge	2,054	2,369
Business trips	1,837	1,646
Cost of unusable inventories and inventory shortage costs	1,328	3,264
Insurance premiums	1,014	1,231
Withholding tax	955	1,440
Capitalised development cost write-off	856	2,931
Gifts, donations and sponsorships	692	575
Supervisory Board fees	547	363
Professional training costs	538	441
Entertainment/representation costs	442	364
Safety at work and health services	379	650
Other expenses	1,968	3,672
	18,084	26,751

At 31 December 2021 the Company has no given advances and credits granted to the members of the administrative, managerial and supervisory bodies.

12. PROVISIONS FOR RISKS AND CHARGES

	2021	2020
Provision for possible litigation losses (Note 31)	175	667
Provisions for warranties (Note 31)	-	998
	175	1,665

13. FINANCIAL INCOME

	2021	2020
Dividend income from associate	19,722	40,525
Interest income	3,454	3,542
Gain from sale of financial assets	72	-
	23,248	44,067

14. FINANCIAL EXPENSES

	2021	2020
Interest expense	4,294	6,991
Loans impairment	1,670	3,226
Interest expense on lease liabilities	417	216
Foreign exchange losses, net	366	2,084
	6,747	12,517



15. INCOME TAX

Income tax comprises the following:

	2021	2020
Deferred tax	(7,792)	(8,948)
	(7,792)	(8,948)

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

	2021	2020
Balance at 1 January	11,505	20,453
Increase of deferred tax assets	13	786
Usage of deferred tax assets	(130)	(4,946)
Reversal recognition of deferred tax assets	(7,675)	(4,788)
Balance at 31 December	3,713	11,505

Deferred tax assets arise from the following:

2021	OPENING BALANCE	(CHARGED)/ CREDITED TO STATEMENT OF COMPREHENSIVE INCOME, NET	CLOSING BALANCE
TEMPORARY DIFFERENCES			
Provisions for jubilee service and termination benefits	786	13	799
Impairment of investment property	2,914	-	2,914
TAX BENEFITS			
Provisions for MINGO/Government benefits	7,805	(7,805)	-
Balance at 31 December	11,505	(7,792)	3,713

15. INCOME TAX (continued)

2020	OPENING BALANCE	(CHARGED)/ CREDITED TO STATEMENT OF COMPREHENSIVE INCOME, NET	CLOSING BALANCE
TEMPORARY DIFFERENCES			
Provisions for jubilee service and termination benefits	725	61	786
Impairment of investment property	2,914	-	2,914
TAX BENEFITS			
Provisions for MINGO/Government benefits	16,814	(9,009)	7,805
Balance at 31 December	20,453	(8,948)	11,505

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

	2021	2020
Accounting profit before tax	24,132	77,580
Tax at the rate of 18%	4,344	13,964
Non-deductible expenses	2,663	4,454
Tax exempt revenues	(6,890)	(7,909)
Non-taxable incentives for jobs preservations	-	(5,624)
Write-off of deferred tax assets	7,675	4,063
Profit tax expense	7,792	8,948
Effective tax rate	32.29%	11.53%

The effective income tax rate in Republic of Croatia in year 2021 was 18% the same as it was for the year 2020. On 24 October 2012 the Company filed with the Ministry of Economy the Application for Incentive Measures for the investment project "Expansion of Production for the Purpose of Export of Car Industry Products", in accordance with the Act on Investment Promotion and Development of Investment Climate (OG 111/2012 and 28/2013) and the Investment Promotion and

Development of Investment Climate (OG 40/2013). As a result, the Company made investments in fixed assets, having thus met the prerequisites for the utilization of the tax incentives for 2021. From the date of 01 January 2022 the Company doesn't have the right of use of remaining tax incentives. Due to those reasons on the date of 31 December 2021 the reversal recognition of deferred tax assets was done in the amount of HRK 7,675 thousand.

16. EARNINGS PER SHARE

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

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

	2021	2020
Net profit (in HRK '000)	16,340	68,633
Weighted average number of shares	4,143,207	4,130,526
Basic and diluted earning per share (in kunas and lipas)	3.94	16.62

	2021	2020
Issued ordinary shares at 1 January	4,199,584	4,199,584
Effect of treasury shares held	(50,353)	(69,058)
Effect of treasury shares disposed of	(6,024)	-
Weighted-average number of ordinary shares at 31 December	4,143,207	4,130,526



17. INTANGIBLE ASSETS

	SOFTWARE	PROJECTS	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS UNDER DEVELOPMENT	TOTAL
COST					
Balance at 31 December 2019	10,683	229,722	5,611	24,919	270,935
Additions	-	-	-	14,412	14,412
Transfer from assets under development	1,497	14,321	-	(15,818)	-
Disposals	-	(1,700)	-	-	(1,700)
Retirements/Write Offs	-	(18,547)	-	(424)	(18,971)
Balance at 31 December 2020	12,180	223,796	5,611	23,089	264,676
Additions	-	-	-	22,549	22,549
Transfer from assets under development	336	16,466	22	(16,824)	-
Disposals	-	(1,330)	-	-	(1,330)
Retirements/Write Offs	(106)	(80,868)	-	-	(80,974)
Balance at 31 December 2021	12,410	158,064	5,633	28,814	204,921
ACCUMULATED AMORTISATION					
Balance at 31 December 2019	8,892	177,268	685	-	186,845
Charge for the year (Note 10)	1,400	20,908	1,122	-	23,430
Disposals	-	(38)	-	-	(38)
Retirements/Write Offs	-	(16,040)	-	-	(16,040)
Balance at 31 December 2020	10,292	182,098	1,807	-	194,197
Charge for the year (Note 10)	1,090	15,085	1,123	-	17,298
Disposals	-	(8)	-	-	(8)
Retirements/Write Offs	(106)	(80,012)	-	-	(80,118)
Balance at 31 December 2021	11,276	117,163	2,930	-	131,369
NET BOOK VALUE					
Balance at 31 December 2020	1,888	41,698	3,804	23,089	70,479
Balance at 31 December 2021	1,134	40,901	2,703	28,814	73,552

17. INTANGIBLE ASSETS (continued)

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

Intangible assets under development mostly consists of capitalised development cost of new products. In 2021, the cost of net salaries and wages of HRK 3,750 thousand the cost of taxes

and contributions from salaries of HRK 1,283 thousand and the cost of contributions to salaries of HRK 679 thousand were capitalized in intangible assets.

In the previous 2020, the capitalized cost of net salaries and wages amounted to HRK 3,907 thousand the cost of taxes and contributions from salaries amounted to HRK 1,428 thousand and the cost of contributions to salaries amounted to HRK 794 thousand.



18. PROPERTY, PLANT AND EQUIPMENT

	LAND	BUILDINGS	PLANT AND EQUIPMENT	ASSETS UNDER DEVELOPMENT	TOTAL
COST					
Balance at 31 December 2019	130,284	250,838	548,874	17,700	947,696
Additions	-	-	-	28,486	28,486
Transfer from assets under development	194	4,157	37,000	(41,351)	-
Disposals	-	-	(4,394)	-	(4,394)
Retirements/Write Offs	-	-	(6,837)	-	(6,837)
Transfer to investment property (Note 20)	262	2,821	-	-	3,083
Balance at 31 December 2020	130,740	257,816	574,643	4,835	968,034
Additions	-	-	-	20,387	20,387
Transfer from assets under development	-	2,107	16,737	(18,844)	-
Disposals	-	-	(5,161)	-	(5,161)
Retirements/Write Offs	-	-	(1,463)	-	(1,463)
Balance at 31 December 2021	130,740	259,923	584,756	6,378	981,797
ACCUMULATED DEPRECIATION					
Balance at 31 December 2019	-	73,432	304,412	-	377,844
Charge for the year (Note 10)	-	3,798	36,983	-	40,781
Disposals	-	-	(3,205)	-	(3,205)
Retirements/Write Offs	-	-	(6,786)	-	(6,786)
Transfer from investment property (Note 20)	-	907	-	-	907
Balance at 31 December 2020	-	78,137	331,404	-	409,541
Charge for the year (Note 10)	-	3,886	39,267	-	43,153
Disposals	-	-	(4,665)	-	(4,665)
Retirements/Write Offs	-	-	(1,464)	-	(1,464)
Balance at 31 December 2021	-	82,023	364,542	-	446,565
NET BOOK VALUE					
Balance at 31 December 2020	130,740	179,679	243,239	4,835	558,493
Balance at 31 December 2021	130,740	177,900	220,214	6,378	535,232

18. PROPERTY, PLANT AND EQUIPMENT (continued)

From assets mentioned in Note 18 Property, plant and equipment and in Note 20 Investment property, pledged assets are lands with book value on the date of 31.12.2021 of (in thousand HRK) 141,791 (31.12.2020: 141,791), buildings

186,165 (31.12.2020: 188,061) and plant and equipment 63,362 (31.12.2020: 70,334). The mentioned assets include investment property, land in the net book value of 11,245 and buildings in the net book value of 11,416 (in thousand HRK).

19. RIGHT OF USE ASSET

	BUILDINGS	PLANT AND EQUIPMENT	TOTAL
COST			
Balance at 31 December 2019	15,464	5,794	21,258
Additions	1,208	1,030	2,238
Lease modification, net	(565)	(1,701)	(2,266)
Balance at 31 December 2020	16,107	5,123	21,230
Additions	13,811	7,154	20,965
Lease modification, net	-	(128)	(128)
Retirements	(5,652)	(4,065)	(9,717)
Balance at 31 December 2021	24,266	8,084	32,350
ACCUMULATED DEPRECIATION			
Balance at 31 December 2019	5,226	2,316	7,542
Charge for the year (Note 10)	5,797	1,768	7,565
Lease modification	(454)	-	(454)
Balance at 31 December 2020	10,569	4,084	14,653
Charge for the year (Note 10)	5,666	2,337	8,003
Lease modification	(5,652)	(4,096)	(9,748)
Balance at 31 December 2021	10,583	2,325	12,908
NET BOOK VALUE			
Balance at 31 December 2020	5,538	1,039	6,577
Balance at 31 December 2021	13,683	5,759	19,442

19. RIGHT OF USE ASSET (continued)

AMOUNTS RECOGNISED IN PROFIT AND LOSS	2021	2020
Depreciation expense on right of use assets	8,003	7,565
Interest expense	417	216
Expense relating to leases of low value	1,350	1,011
Expense relating to short-term leases	598	1,426
Expenses relating to variable lease payments not included in the measurement of lease liability	288	927
	10,656	11,145

In accordance with IFRS 16, Company has classified leases for buildings and plant and equipment as "Right of use asset". Within the category "Buildings", the leases of office buildings and

warehouses used by the Company in business are positioned. The "Plant and equipment" category includes concluded car and forklift rental agreements.



20. INVESTMENT PROPERTY

	LAND	BUILDINGS	TOTAL
COST			
Balance at 31 December 2019	16,797	33,660	50,457
Value increase of investment property	-	22	22
Transferred to property, plant and equipment (Note 18)	(262)	(2,821)	(3,083)
Disposal	(5,290)	(14,303)	(19,593)
Balance at 31 December 2020	11,245	16,558	27,803
Value increase of investment property	-	94	94
Balance at 31 December 2021	11,245	16,652	27,897
ACUMULATED DEPRECIATION			
Balance at 31 December 2019	-	12,243	12,243
Charge for the year (Note 10)	-	587	587
Transferred to property, plant and equipment (Note 18)	-	(907)	(907)
Disposal	-	(6,936)	(6,936)
Balance at 31 December 2020	-	4,987	4,987
Charge for the year (Note 10)	-	249	249
Balance at 31 December 2021	-	5,236	5,236
NET BOOK VALUE			
Balance at 31 December 2020	11,245	11,571	22,816
Balance at 31 December 2021	11,245	11,416	22,661

Income from the rental of the building in 2021 amounts to HRK 1,998 thousand (2020: HRK 2,034 thousand), and the depreciation charge for the year 2021 amounts to HRK 249 thousand

(2020: HRK 587 thousand). At December 31 2021 the carrying amount of investment property approximates fair value.

21. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Set out below are details of the Company's subsidiaries at the end of the reporting period:

NAME OF SUBSIDIARY	COUNTRY OF INCORPORATION AND BUSINESS	OWNERSHIP INTEREST IN %		AMOUNT OF EQUITY INVESTMENT, IN HRK '000	
		31.12.2021	31.12.2020	31.12.2021	31.12.2020
AD Plastik Tisza Kft.	Tiszaújváros, Hungary	100.00%	100.00%	70,959	70,959
ZAO AD Plastik Kaluga	Kaluga, Russian Federation	100.00%	100.00%	36,504	36,504
ADP d.o.o.	Mladenovac, Serbia	100.00%	100.00%	15,013	15,013
AO AD Plastik Togliatti	Samara, Russian Federation	100.00%	100.00%	5,078	5,078
AD PLASTIK d.o.o.	Novo Mesto, Slovenia	100.00%	100.00%	58	58
				127,612	127,612

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

NAME OF ASSOCIATE	COUNTRY OF INCORPORATION AND BUSINESS	OWNERSHIP INTEREST IN %		AMOUNT OF EQUITY INVESTMENT, HRK '000	
		31.12.2021	31.12.2020	31.12.2021	31.12.2020
EURO Auto Plastic Systems	Mioveni, Romania	50.00%	50.00%	21,755	21,755
				21,755	21,755
Total investments in subsidiaries and associates				149,367	149,367

AD Plastik d.d., Solin has a 50-percent equity share in EURO Auto Plastic Systems, but has no control over the entity. However, the company is treated as an associate. Detailed information

on financial position is disclosed in the section Business; Financial results 2021 of this integrated annual report.

21. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (continued)

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

AO AD PLASTIK TOGLIATTI, SAMARA, RUSSIAN FEDERATION	31.12.2021	31.12.2020
Current assets	102,095	79,523
Fixed assets	70,167	48,816
Total assets	172,262	128,339
Short-term liabilities	(90,706)	(81,034)
Long-term liabilities and provisions	(17,302)	(7,399)
Total Liabilities	(108,008)	(88,433)
Net assets	64,254	39,906
ZAO AD PLASTIK KALUGA, KALUGA, RUSSIAN FEDERATION	31.12.2021	31.12.2020
Current assets	59,576	49,504
Fixed assets	63,478	57,985
Total assets	123,054	107,489
Short-term liabilities	(27,949)	(25,561)
Long-term liabilities and provisions	(84,425)	(82,151)
Total Liabilities	(112,374)	(107,712)
Net assets	10,680	(223)
AD PLASTIK TISZA KFT, TISZAÚJVÁROS, HUNGARY	31.12.2021	31.12.2020
Current assets	38,658	40,404
Fixed assets	53,753	52,216
Total assets	92,411	92,620
Short-term liabilities	(42,205)	(30,989)
Long-term liabilities and provisions	(24,690)	(34,579)
Total Liabilities	(66,895)	(65,568)
Net assets	25,516	27,052

21. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (continued)

ADP D.O.O., MLADENOVAC, SERBIA	31.12.2021	31.12.2020
Current assets	32,637	28,057
Fixed assets	54,375	55,856
Total assets	87,012	83,913
Short-term liabilities	(53,551)	(49,446)
Long-term liabilities and provisions	(24,121)	(22,346)
Total Liabilities	(77,672)	(71,792)
Net assets	9,340	12,121
AD PLASTIK D.O.O., NOVO MESTO, SLOVENIA	31.12.2021	31.12.2020
Current assets	3,558	3,584
Fixed assets	20	-
Total assets	3,578	3,584
Short-term liabilities	(149)	(148)
Long-term liabilities and provisions	-	-
Total Liabilities	(149)	(148)
Net assets	3,429	3,436

22. OTHER FINANCIAL ASSETS

	31.12.2021	31.12.2020
Long-term loans to subsidiaries	114,993	115,295
Other financial assets	-	62
Impairment of given loans	(6,166)	(4,496)
Current portion of long-term loan receivables (Note 27)	-	(12,813)
	108,827	98,048

Long-term investment loans were granted to the subsidiaries with maturities from one to ten years and an interest rate of 3.00%. During the

2020 loans were granted with the interest rate of 3.42 %.

23. LONG-TERM RECEIVABLES

	31.12.2021	31.12.2020
ADP d.o.o., Mladenovac, Serbia	11,531	18,574
	11,531	18,574

24. INVENTORIES

	31.12.2021	31.12.2020
Raw material and supplies on stock	54,059	49,071
Finished products	16,252	18,460
Work in progress	6,945	6,474
Merchandise on stock	4,910	3,151
Prepayments for tools	2,951	5,017
Tools	2,572	18,216
	87,689	100,389

The amount of inventories recognised as an expense during the 2021 was HRK 583,159 thousand (in the 2020 the expense was HRK 658,917 thousand). Total inventory write - off was HRK 1,328 thousand in 2021 (in 2020 it was HRK 3,223

thousand). The inventories were deemed as obsolete. The inventory write - off is located in note 11 - Other operating expenses, line „Cost of unusable inventories and inventory shortage costs“.

25. TRADE RECEIVABLES

	31.12.2021	31.12.2020
Foreign trade receivables (unrelated companies)	155,746	190,926
Foreign trade receivables (intra group)	54,791	25,764
Domestic trade receivables	3,733	5,994
Foreign trade receivables (associates)	2,545	4,379
Impairment allowance on receivables	(1,519)	(1,390)
	215,296	225,673

The average credit period on sales is 96 days (2020: 98 days).

25. TRADE RECEIVABLES

(continued)

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

	2021	2020
Balance at beginning of the year	1,390	1,385
Collected amounts reversed	(15)	(95)
Movements based on IFRS 9 expected credit losses calculation for year end	144	100
Total impairment allowance	1,519	1,390

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

	31.12.2021	31.12.2020
0 - 90 days past due	18,510	20,429
91 - 180 days past due	8,838	7,475
180 - 365 days past due	16,828	2,441
Over 365 days past due	8,756	1,146
Not due	162,364	194,182
	215,296	225,673

The majority of the receivables past due beyond 365 days comprise amounts owed by the subsidiaries. At December 31 2021, the carrying

amount of the receivables from companies in the same group was HRK 47,669 thousand (2020: HRK 68,931 thousand).

26. OTHER RECEIVABLES

	31.12.2021	31.12.2020
Receivables from the State and State institutions	12,066	12,570
Foreign prepayments made	885	1,516
Domestic prepayments made	766	813
Amounts due from employees	14	3
Other receivables	7	10
	13,738	14,912

Amounts due from the State and State institutions comprise from these receivables:

	31.12.2021	31.12.2020
VAT refund receivables	8,581	9,382
State support - EU project	2,822	276
Receivables for sick leave	492	514
Other receivables	171	103
State support for job preservation	-	2,295
	12,066	12,570

27. CURRENT FINANCIAL ASSETS

	31.12.2021	31.12.2020
Current portion of long-term loan receivables (Note 22)	-	12,813
Interest receivables	12,940	10,711
Receivables for given warranty	-	897
	12,940	24,421

Interest receivables mostly relate to loans given to subsidiaries.

28. CASH AND CASH EQUIVALENTS

	31.12.2021	31.12.2020
Foreign account balance	8,573	33,689
Current account balance	1,207	1,966
Cash in hand	17	14
	9,797	35,669

29. PREPAID EXPENSES AND ACCRUED INCOME

	31.12.2021	31.12.2020
Other accrued income	3,718	8,596
Prepaid operating expenses	1,763	674
Accrued income on tools	277	11,424
	5,757	20,694

Accrued income presented within this note are trade receivables, as they give right to collect payment from customer, but were not invoiced at the balance sheet date.



30. CAPITAL

Subscribed capital amounts to HRK 419,958 thousand and consists of 4,199,584 shares, with a nominal value of HRK 100 per share (2020: HRK 419,958 thousand, comprising 4,199,584 shares, with a nominal value of HRK 100 each).

Capital reserves are the differences between the nominal and selling values of a share.

General and legal reserves consist of legal reserves up to 5% of the amount of share capital (defined by the Croatian Company law), and of unwritten development costs. Under Croatian Accounting Law, Article 19, Paragraph 14, AD Plastik d.d. has made provisions for not written - off development costs stated in Assets. The provision was made with the transfer from Retained earnings to the position of General and legal reserves of Company's equity. Amount of provisions at least amounts capitalised

development costs stated in Assets at the end of previous year.

Own treasury shares refers to treasury shares of the Company. The company owns 50,353 treasury shares on 31.12.2021. The company owned 69,058 treasury shares on the date of 31.12.2020.

On 16 March 2021, the General Assembly made the Decision regarding the payment of dividend from retained earnings of 2019 in the amount of eight kuna per share.

On 15 July 2021, the General Assembly made the Decision on the use of profit for 2020, according to which the profit is partly used for the payment of dividends in the amount of eight kuna per share.

31. LONG-TERM AND SHORT-TERM PROVISIONS

	SHORT-TERM		LONG-TERM	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Vacation accrual	798	2,025	-	-
Employee bonuses	4,000	8,000	-	-
Termination benefits	1,561	199	2,269	2,289
Jubilee awards (long-service benefits)	282	183	1,585	1,696
Legal cases	1,177	1,275	-	-
Risks within the warranty period	998	998	-	-
	8,816	12,680	3,854	3,985

31. LONG-TERM AND SHORT-TERM PROVISIONS (continued)

Movement in provisions was as follows:

	JUBILEE AWARDS	RETIREMENT/TERMINATION BENEFITS	LEGAL CASES	VACATION ACCRUAL	EMPLOYEE BONUSES	RISKS WITHIN THE WARRANTY PERIOD	TOTAL
Balance at 1 January 2021	1,879	2,488	1,275	2,025	8,000	998	16,665
Increase/(decrease) in provisions, net	(12)	1,342	(98)	(1,227)	(4,000)	-	(3,995)
Balance at 31 December 2021	1,867	3,830	1,177	798	4,000	998	12,670
Balance at 1 January 2020	1,897	2,129	599	6,007	5,990	-	16,622
Increase/(decrease) in provisions, net	(18)	359	676	(3,982)	2,010	998	43
Balance at 31 December 2020	1,879	2,488	1,275	2,025	8,000	998	16,665

According to the collective agreement, the Company has the obligation to pay long-service (jubilee awards), termination benefit upon regular retirement and other benefits to employees. Long-service benefits (jubilee awards and termination benefit upon regular retirement) are defined in the union agreement and employment agreements. No other post-retirement benefits are provided. Long-service benefits are paid for full years of service in the month of the current year in which the service is determined as completed.

The present value of defined benefit obligations arising from long-service benefits and termination benefits upon regular retirement is determined using the projected credit unit

method and serves as the basis for arriving at the past and current service costs, the interest expense and the actuarial gain or loss.

For employees of the Company, legal contributions for pension insurance are paid. Legal contributions form the basis for pensions paid by the Croatian Pension Fund to Croatian employees after their retirement. Key assumptions used in calculating the required provisions in 2021 are the discount rate of 1.29% and the fluctuation rate of 11.37%. Discount rate of 1.86% and the fluctuation rate of 10.12% were used in calculation of the required provisions in the year of 2020. Fluctuation rate is based on average fluctuation of employees in the last 5 years.

32. LONG - TERM BORROWINGS AND DEPOSITS

	31.12.2021	31.12.2020
Long-term borrowings	276,239	213,214
Liabilities for received deposits	-	185
	276,239	213,399
Current portion of long-term borrowings (Note 37)	(58,759)	(73,788)
Total long-term borrowings	217,480	139,611

Long-term borrowings are used to finance capital investments and development projects. Instruments of collateral provided for the long-term loans include mortgage on real estate and/or equipment (Note 18) and payment instruments. Majority of the long-term loans are repayable on a quarterly basis.

In 2021, the weighted average interest rate on the long-term loans was 1.22 (in the 2020 the average interest rate on the long-term loans was 1.68%). The Company regularly meets all its obligations arising from the loans and observes all

the conditions specified in the underlying contracts. From total long-term loan liabilities in amount of HRK 217,480 thousand at 31.12.2021, HRK 93,823 thousand refers to loans and deposits denominated in HRK currency while HRK 123,657 thousand refers to loans denominated in EUR.

From total long-term loan liabilities in amount of HRK 139,611 thousand at 31.12.2020, HRK 10,462 thousand referred to loans and deposits denominated in HRK currency while HRK 129,149 thousand referred to loans denominated in EUR.

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

	2021	2020
Balance at 1 January	139,611	177,344
New loans raised	137,333	-
Decrease for the realization of received deposits	(185)	(415)
Foreign exchange differences	(324)	1,885
Transfer on the short-term part of long-term loans (Note 37)	(57,449)	(39,203)
Transfer on grant liabilities	(1,506)	-
Total long-term borrowings	217,480	139,611

33. OTHER LONG TERM LIABILITIES

	2021	2020
Grant liabilities	1,506	-
Other long term liabilities	-	397
Total other long term liabilities	1,506	397

Grant liabilities arose as a result of borrowing from a financial institution at an interest rate lower than the market rate.

34. LEASE LIABILITIES IFRS 16

	2021	2020
Balance at 1 January	6,776	13,853
Additions	20,965	2,239
Lease modifications, net	(138)	(1,819)
Interest expense on lease liabilities	417	216
Principal paid	(7,792)	(7,497)
Interest paid	(417)	(216)
	19,811	6,776
Long-term liabilities	12,673	3,164
Short-term liabilities	7,138	3,612

35. ADVANCES RECEIVED

	31.12.2021	31.12.2020
Foreign customers	6,033	6,798
	6,033	6,798

36. TRADE PAYABLES

	31.12.2021	31.12.2020
Foreign trade payables	60,108	95,910
Domestic trade payables	30,456	36,510
	90,563	132,420

In 2021, the average days payables outstanding was 67 (2020: 86 days).

37. SHORT - TERM BORROWINGS

	31.12.2021	31.12.2020
Short-term borrowings - principal payable	56,379	116,822
Current portion of long-term borrowings (Note 32)	58,759	73,788
Short-term borrowings - interest payable	347	532
	115,485	191,142

From total short-term loan liabilities in amount of HRK 115,485 thousand at 31.12.2021, HRK 14,264 thousand refers to loans and deposits denominated in HRK currency while HRK 101,221 thousand refers to loans denominated in EUR.

From total short-term loan liabilities in amount of HRK 191,142 thousand at 31.12.2020, HRK 21,252 thousand refers to loans and deposits denominated in HRK currency while HRK 169,890 thousand refers to loans denominated in EUR.

The short-term borrowings were used to finance development projects and for working capital purposes. Instruments of collateral provided for the short-term borrowings are payment instruments.

In 2021, the weighted average interest rate on the short-term loans was 1.15% (1.27% in 2020). The Company fulfils all its obligations under the loans regularly.



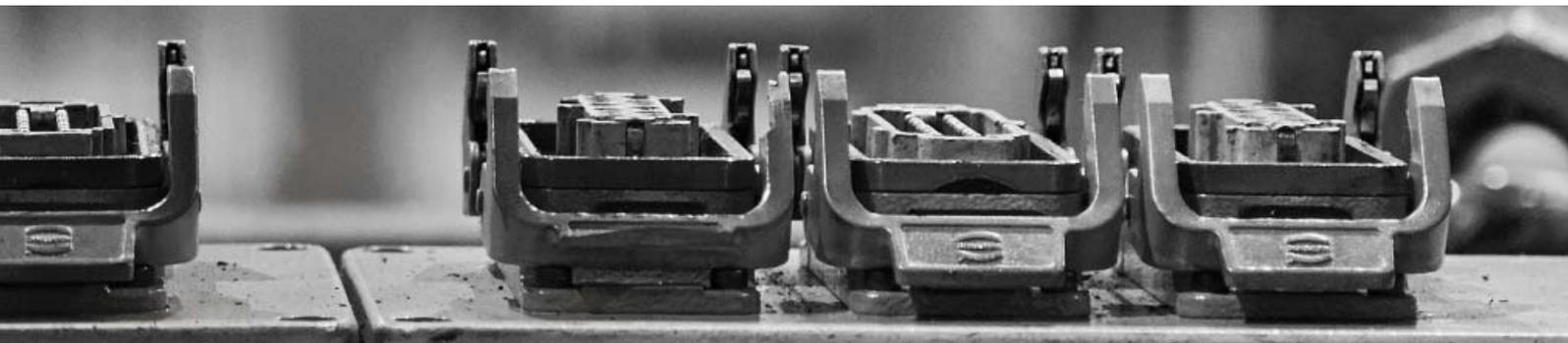
37. SHORT - TERM BORROWINGS (continued)

	2021	2020
Balance at 1 January	191,142	208,986
Reclassification from long-term loans (Note 32)	57,449	39,203
New loans raised	18,601	52,504
Interest expenses	3,885	6,991
Exchange rate differences	(72)	1,365
Interest paid	(4,237)	(7,134)
Principal repaid	(150,246)	(110,773)
Transfer on grant liabilities	(1,037)	-
Balance at 31 December	115,485	191,142

38. OTHER CURRENT LIABILITIES

	31.12.2021	31.12.2020
Amounts due to employees	8,575	10,445
Due to the State and State institutions	8,478	9,143
Grant liabilities	1,037	-
Other current liabilities	128	91
	18,218	19,679

Grant liabilities arose as a result of borrowing from a financial institution at an interest rate lower than the market rate.



39. ACCRUED EXPENSES

	31.12.2021	31.12.2020
Other current liabilities	5,942	3,677
Accrued tool expenses	614	527
Accrued expenses for reimbursement of incentives for job preservation	-	12,242
	6,556	16,446

40. RELATED-PARTY TRANSACTIONS

RECEIVABLES AND PAYABLES FOR GOODS AND SERVICES	RECEIVABLES		PAYABLES	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
ADP d.o.o. Mladenovac, Serbia	32,692	22,393	7,127	7,809
AO AD Plastik Togliatti, Russia	25,416	11,985	-	52
ZAO AD Plastik Kaluga, Russia	7,408	9,947	12	23
EURO Auto Plastic Systems, Romania	2,545	4,379	-	-
AD Plastik Tisza, Hungary	807	11	364	154
AD Plastik d.o.o., Slovenia	-	2	3,294	3,201
	68,868	48,717	10,797	11,239

RECEIVABLES AND PAYABLES FOR LOANS AND INTEREST	RECEIVABLES		PAYABLES	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
ZAO AD Plastik Kaluga, Russia	83,289	82,645	-	-
ADP d.o.o. Mladenovac, Serbia	23,936	24,264	-	-
AO AD Plastik Togliatti, Russia	14,542	14,600	-	-
Sankt-Peterburgskaya investicionaya kompaniya	-	-	37,700	37,850
	121,767	121,509	37,700	37,850

40. RELATED-PARTY TRANSACTIONS (continued)

During the 2021 in its financial statements Company recognized a impairment of receivables based on expected credit losses (all regarding the impairment of given loans) in the amount of HRK 1,670 thousand. Total amount of receivables impairment based on expected credit loss on the date of 31 December 2021 is HRK 6,166 thousand and it is related with the Companies - ADP doo Mladenovac HRK 1,702 thousand (2020: HRK 808 thousand), AO AD Plastik Togliatti HRK 604 thousand (2020: HRK 201 thousand) and

ZAO ADP Kaluga HRK 3,860 thousand (2020: HRK 3,487 thousand). Corporate guarantees are disclosed within business section of the integrated annual report which integral part are those financial statements.

Sankt-Peterburgskaya investicionnaya kompaniya is member of Group in which is also company AO Holding Autokomponenti. Company AO Holding Autokomponenti holds 30% of shares in Company AD Plastik d.d.

PURCHASE TRANSACTIONS OPERATING INCOME AND EXPENSES	INCOME		PURCHASES	
	2021	2020	2021	2020
ZAO AD Plastik Kaluga, Russia	27,447	17,373	12	224
ADP d.o.o. Mladenovac, Serbia	18,736	14,781	46,904	46,379
AO AD Plastik Togliatti, Russia	15,780	14,451	-	104
EURO Auto Plastic Systems, Romania	9,311	9,401	10,883	-
AO Holding Autokomponenti	1,000	-	-	-
AD Plastik Tisza, Hungary	850	68	2,337	2,951
AD Plastik d.o.o., Slovenia	-	2	1,418	1,397
	73,124	56,076	61,554	51,055

FINANCIAL TRANSACTIONS FINANCIAL INCOME AND EXPENSES	INCOME		EXPENSES	
	2021	2020	2021	2020
EURO Auto Plastic Systems, Romania	19,722	40,525	-	-
ZAO AD Plastik Kaluga, Russia	2,437	2,433	-	-
AO AD Plastik Togliatti, Russia	384	438	-	-
ADP d.o.o. Mladenovac, Serbia	632	722	-	-
Sankt-Peterburgskaya investicionnaya kompaniya	-	-	451	659
	23,175	44,118	451	659

The total remuneration provided to the members of the Supervisory Board, President and members of Management Board and Board Assistants in 2021. amounts to HRK 9,104 thousand (in 2020 HRK 7,741 thousand kunas).

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

41.1 GEARING RATIO

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

	31.12.2021	31.12.2020
Short-term borrowings (Note 37)	115,485	191,142
Long-term borrowings (Note 32)	217,479	139,426
Cash and cash equivalents (Note 28)	(9,797)	(35,669)
Net debt	323,167	294,899
Equity	781,220	827,684
Net debt-to-equity ratio	41.37%	35.63%

Equity consists of share capital, reserves, reserves for own shares, own shares, retained earnings and profit for the year.



41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

41.2 CATEGORIES OF FINANCIAL INSTRUMENTS

	31.12.2021	31.12.2020
Financial assets	362,407	422,418
Trade receivables (Note 25)	215,296	225,673
Given loans and other financial assets (Notes 22, 27)	121,767	121,571
Non-current trade receivables (Note 23)	11,531	18,574
Cash and cash equivalents and deposits (Note 28)	9,797	35,669
Accrued income and other financial assets	4,016	20,931
Financial liabilities	458,097	485,086
Loans and deposits received (Notes 32, 37)	332,964	330,754
Trade, other payables and accruals	105,322	147,557
Lease liabilities (Note 34)	19,811	6,775

Accrued income and other liabilities includes: accrued income, other receivables less receivables from the State and advances given.

Trade, other payables and accruals includes amounts from Statement of financial position: trade payables, lease liabilities, other payables less payables to the State and accrued expenses.

Details of concentration of credit risk are included in Note 25 Trade receivables.

Detailed information on credit risk management is stated under chapter Risks and opportunities in business of the Integrated annual report which integral part are those financial statements. The Company limits its exposure

to credit risk by granting loans only to subsidiaries thus having control over the timing and the amount of cash flows. The Company monitors changes in credit risk by continuously monitoring liquidity and financial operations of each subsidiary against key performance indicators such as are debt to equity ratio, working capital and EBITDA.

Probability of default: Company used latest available Moody's Annual Default Study. Marginal PD for automotive industry was used for every year.

Lifetime probabilities of default are based on historical data published by Moody's rating agency for Automotive industry group and are recalibrated based on PD-adjusted for Russian

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

41.2 CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

Corporates as published by European Banking Authority. Loss given default (LGD) parameters generally reflect an assumed LGD rate of 60.70%.

The exposure to credit risk for loans given at amortised cost at the reporting date by subsidiary was as follows:

	31.12.2021	31.12.2020
ZAO AD Plastik Kaluga	81,161	81,374
ADP d.o.o. Mladenovac	21,052	21,108
AO AD Plastik Togliatti	12,779	12,813
TOTAL	114,992	115,295

Balance of an impairment allowance of in amount of HRK 6,166 thousand (2020: HRK 4,496 thousand) in respect of loans given is recognised in statement of financial position. Collaterals for loans given to subsidiaries are promissory notes.



41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

41.3 FOREIGN CURRENCY RISK MANAGEMENT

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The carrying amounts of the Company's

foreign-currency denominated monetary assets and monetary liabilities at the reporting date are provided in the table below using the middle exchange rates of the Croatian National Bank.

AT 31 DECEMBER	ASSETS		LIABILITIES		NET FX POSITION	
	2021	2020	2021	2020	2021	2020
EUR	364,176	400,074	282,141	396,655	82,035	3,419
USD	51	27	2	32	49	(5)
GBP	26	2	18	5	8	(3)
CZK	-	1,017	-	-	-	1,017
RON	-	824	-	-	-	824
	364,253	401,944	282,161	396,692	82,092	5,252

Foreign currency sensitivity analysis

On 31 December 2021, if EUR were to appreciate/depreciate by 1% compared to HRK, assuming all other variables remain unchanged, net profit of the Company for 2021. would be HRK 820 thousand higher/lower (2020.: HRK 34

thousand higher/lower), because of positive/ (negative) foreign exchange differences generated by conversion of trade receivables, cash and cash equivalents, trade payables and loans received denominated in EUR.

41.4 LIQUIDITY RISK MANAGEMENT

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

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

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

41.4 LIQUIDITY RISK MANAGEMENT (nastavak)

2021	WEIGHTED AVERAGE INTEREST RATE	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	TOTAL	CARRYING AMOUNT
ASSETS								
Non-interest bearing	-	111,471	69,975	47,663	11,532	-	240,641	240,641
Interest bearing	2.68%	13,068	632	2,322	23,125	104,067	143,214	121,767
		124,539	70,607	49,985	34,657	104,067	383,855	362,408
LIABILITIES								
Non-interest bearing	-	64,525	34,975	5,823	-	-	105,323	105,323
Interest bearing	1.20%	452	11,471	106,728	214,404	7,328	340,383	332,964
Lease liability	2.00%	609	1,219	5,627	12,978	-	20,433	19,811
		65,586	47,665	118,178	227,382	7,328	466,139	458,098
2020	WEIGHTED AVERAGE INTEREST RATE	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	TOTAL	CARRYING AMOUNT
ASSETS								
Non-interest bearing	-	144,916	104,673	32,684	18,574	62	300,909	300,909
Interest bearing	3.00%	373	719	25,887	22,893	85,464	135,336	121,509
		145,289	105,392	58,571	41,467	85,526	436,245	422,418
LIABILITIES								
Non-interest bearing	-	78,946	61,410	7,336	582	-	148,274	148,274
Interest bearing	1.52%	31,693	22,389	140,664	140,843	2,262	337,851	330,036
Lease liability	2.00%	309	617	2,778	3,215	-	6,919	6,775
		110,948	84,416	150,778	144,640	2,262	493,044	485,085

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

41.4 LIQUIDITY RISK MANAGEMENT (nastavak)

From total interest bearing liabilities in amount of HRK 332,964 thousand at 31.12.2021, HRK 108,081 thousand refers to liabilities denominated in HRK currency while HRK 224,883 thousand refers to liabilities denominated in EUR. From total interest bearing liabilities in amount

of HRK 330,036 thousand at 31.12.2020, HRK 31,924 thousand refers to liabilities denominated in HRK currency while HRK 298,112 thousand refers to liabilities denominated in EUR. Lease liabilities at 31.12.2021 and at 31.12.2020 are denominated in HRK.

41.5 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments held to maturity in the ordinary course of business are carried at the lower of cost and net amount less repaid portion. Fair value is the price that would be generated from the sales of some item of an asset or paid for transferring some liability in a fair transaction between market participants at

the measurement date, regardless of whether it would be directly visible or evaluated by applying some other valuation technique. At 31 December 2021, the carrying amounts of cash, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments match their fair values.



42. EVENTS AFTER THE REPORTING PERIOD AND GOING CONCERN ASSUMPTION

It is evident that the business activities are affected by the Russian-Ukrainian crisis, given that AD Plastik Group has two factories in Russia in which it generated approximately 25 percent of its consolidated revenue in 2021.

These factories produce products exclusively for the Russian market and the current circumstances complicate their business operations. The negative effects are noticeable primarily through:

- volatility of the Russian rouble exchange rate against the euro,
- disruptions in the supply chain, and
- announcements of a temporary shutdown of some of the main customers in the Russian market.

In conjunction with its separate financial statements for the year ended 31 December 2021, management believes that the financial statement impacts of these events and market conditions will be non-adjusting events (with the exception of the going concern assessment). This is because the significant adverse changes in economic conditions and the political/ business environment developed as a direct consequence of events occurring after the reporting date - i.e. the Russian-Ukrainian crisis invasion of Ukraine and the resulting implementation of economic sanctions by the international community. Since these impacts are generally considered to be non-adjusting events they do not affect amounts recognised as of 31 December 2021. In particular, among other things, such outcomes that would not have been reasonably expected as of 31 December 2021

were not reflected in the recoverable amount calculations of non-financial assets under IAS 36 Impairment of Assets or expected credit loss calculations of financial assets under IFRS 9 Financial Instruments. That said, management cannot exclude the possibility that the effects of the conflict will result in the need to adjust the carrying amounts of the parent company's assets in subsequent periods, including as a result of potential impairment write-downs.

From the view point of the parent company's going concern assumption, cash flows from Russia to the parent company are not a significant business item, and the liquidity of the parent company, including available unused credit lines, is more than satisfactory. Accordingly, management concluded that the above circumstances do not represent events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. While in Russia the business is adapting to the new circumstances, in the European market it is running smoothly and in accordance with business plans, as well as commercial activities related to sealing new deals. Despite the circumstances, the stability of AD Plastik Group's business operations is not endangered, development of the situation is monitored, various action scenarios have been developed with the primary goal of minimizing risks and consequences.

Total investment in subsidiaries domiciled in Russia are presented in Note 21. Receivables from and payables to Russian subsidiaries as of 31 December 2021 are presented in note 40.

43. CONTINGENT LIABILITIES

Based on the Management's estimate, the Company had no material contingent liabilities at 31 December 2021 which would require to be disclosed in the notes to the financial statements. The Company had no capital expenditure commitments contracted at 31 December 2021 which would require to be disclosed in the notes to the financial statements. As at 31 December 2021 there were no material legal actions outstanding against the Company with an expected negative outcome other than those reflected in these separate financial statements.

44. APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS

These separate financial statements were approved by the Management Board of AD Plastik d.d. and authorised for issue on 22 April 2022.

For AD Plastik d.d. Solin by:

Marinko Došen
President of the
Management Board



Mladen Peroš
Member of
Management Board



Ivan Čupić
Member of
Management Board

