



**INTEGRATED
ANNUAL
REPORT
2022**



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GRI 2-3

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Integrated Annual Report

Integrated Annual Report

This pdf document is not the official format for publication of Annual report.

All data in the report refer to December 31, 2022

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. The development and production of components for vehicle interiors and exteriors are the core activities of the company which bases its business on more than thirty-five years of tradition, exceptional expertise and dedicated work of its employees. Passion and knowledge are incorporated into the development and realization of each product and process, and dedication to finding the best solutions for its customers, quality, reliability, and competitiveness are the fundamental premises of successful long-term survival in a challenging and specific automotive market.

GRI 2-6

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, safety and quality, process digitalization and robotization, are the trends of the automotive industry to which it successfully adapts.

The company's operational activities extend to more than twenty countries on five continents and it produces more than ten million parts per year for different vehicle models. The company develops and encourages a culture of diversity and equal opportunities, exchange of knowledge and experience, encouragement of cooperation and recognition of excellence, constantly improving standards of sustainability and quality.

By creating different mobility habits, the automotive industry has been moving towards the development of new and more sustainable vehicles of the future. Through the necessary vehicle weight reduction, the share of polymer components will undoubtedly increase, creating new opportunities for the growth and development of AD Plastik Group.

A brief overview in numbers

EUR
204.9
MILLION

NEW SEALED DEALS

5 COUNTRIES



8 PRODUCTION
SITES

1,983

EMPLOYEES
as of December 31, 2022

HRK **830.20**
MILLION

OPERATING REVENUE

-26.3%

compared to 2021

HRK **4.37**
MILLION

EARNINGS BEFORE
INTEREST, TAXES, DEPRECIATION
AND MORTIZATION (EBITDA)
normalized

-96.5%

compared to 2021

HRK **-73.32**
MILLION

NET LOSS

all production sites



552
points

Bloomberg

82.55

ESG score 2022

NQC | SUPPLIER
ASSURANCE

87 %



76



Letter from the President of the Management Board

GRI 2-22

The past reporting period was extremely demanding and uncertain for the business operations of AD Plastik Group, but despite the worse results, we believe that the worst is behind us. Although the very beginning of the 2022 shyly indicated the improvements in the automotive industry related to the consequences of the pandemic, above all the lack of semiconductors, the geopolitical situation, and new unwanted events faced us with new challenges.

The 2022 financial results were significantly influenced by the consequences of the Russian-Ukrainian conflict, while the challenges from the previous period have continued, but much less intense. Despite the unenviable circumstances and the demandingness of the period, the financial stability of the company was preserved, with significant deleveraging.

Due to our exposure to the Russian market, we were faced with quick decision-making and adjustments in business strategy, so we have directed our business activities almost entirely toward the European market. In addition to further facing the lack of semiconductors in the European market, which affected the reduced car production capacities, we have additionally witnessed inflation, sharp increases in the prices of energy sources and materials, and an increase in labor and service costs.

At the same time, factories in Russia have been operating in very specific circumstances where one factory does not work, while another produces components at reduced capacity. Despite the circumstances, Russian factories as a whole are self-sustainable and financially independent. Their share in the Group's revenue expectedly decreased, namely to 14 percent, and we have directed our development and commercial activities to other markets to increase capacities of our European factories.

Since August 2022, market trends have been somewhat more positive, sales of new cars in Europe have been growing and, according to all announcements, the lack of semiconductor crisis is gradually coming to an end. It is expected that the supply of these components will have been fully stabilized by the end of the year, but the geopolitical situation and its consequences continue to be closely monitored as the biggest risks in the current business. The production capacities of our European partners are still reduced, but the development activities of car manufacturers are more dynamic than ever. Increased sales are also expected in the coming period, primarily due to increased demand



compared to the number of vehicles produced. Although the waiting time for new vehicles has decreased already at the end of 2022, there is still a backlog of orders to be met.

In the rather demanding 2022, we sealed new deals worth more than EUR 200 million for the European market, and we will continue to follow that path. Circumstances in the market have reduced the share value, but we have been making maximum efforts to overcome this crisis with as few consequences as possible. Accordingly, no dividend was paid in the past period, but the company's policy on its payment has not changed. →

→ For now, we invest all resources and energy in the preservation and sustainability of the business, sure that it will bring benefits to all our stakeholders in the long run.

The development of the automotive industry is experiencing its renaissance, there is rapid work to find new materials and technologies that will make the vehicles of the future lighter and safer. Everything is directed towards the development of electric vehicles, which have been slowly but surely taking up an increasing share among newly registered vehicles. Europe has been moving towards carbon neutrality, and accordingly, we have been intensively working on adjustments and improvements.

There is no doubt that the automotive industry has a clear direction toward sustainability, and we want to provide added value in that segment as well. Reducing the carbon footprint is already part of our strategy adopted in the past period, and it refers to the period from 2023 to 2030. In it, we have clearly indicated sustainable business as an indispensable part of the strategic approach in all segments.


Reducing the weight of the vehicle is one of the main priorities of the automotive industry, so more and more polymer components make an integral part of the vehicle. This is precisely an opportunity for our company, which we will certainly take advantage of, to expand the portfolio of our products and customers. We have also continuously been working on researching materials, fully or partially recycled, and those obtained from plant materials, all with the aim of finding higher-quality, more sustainable, and safer solutions for the vehicles of the future.

With the knowledge and necessary experience, we can certainly offer added value to our customers as well as to other stakeholders. At the same time, corporate social responsibility is incorporated into business processes, and our strategy is primarily based on the well-being of all our employees and stakeholders, a transparent and responsible business. We have set clear goals in the areas of environmental protection, corporate governance, and society as a whole, so in accordance with this, we have been moving towards the reduction and control of emissions and carbon footprint, greater utilization of renewable energy sources, and thus reducing the impact on climate change.

Providing a motivating, healthy, and safe business environment for our employees is one of the key guidelines for our growth and development, and our daily mission is the constant improvement of internal processes. Living and conducting business in harmony with our environment is our constant choice, and that is why we are especially happy when our efforts are recognized by the professional public and the community in which we operate. In the past period, we received the HRIO award in the category of children's rights, the Golden Key for the best exporter to Slovenia, and the quite important Ford Q1 quality certificate. We have also been working intensively on improvements and development of internal communication and, based on research among employees, we have created a plan for improving communication tools and skills for the medium term.

This is one of the most challenging periods in the company's history, but I am sure that we will once again demonstrate our resilience and continue conducting stable business in the long term. There are still many challenges ahead of us, but we have been working intensively on adjustments and preserving financial stability and sustainable business. Due to the geopolitical situation and the uncertainty it entails, caution in planning and business is still necessary. Cost efficiency will certainly mark the year ahead, and due to the significant increase in prices, it will be one of the key goals. At the same time, we are maximally focused on sealing new deals and acquiring new knowledge in order to ensure a better future.

Realization of existing projects and expansion of development and production portfolios will strengthen our position as a development supplier in the European market. By improving and developing our internal processes, we want to be ready for the rise of the automotive industry that is sure to come, hopefully in the near future.



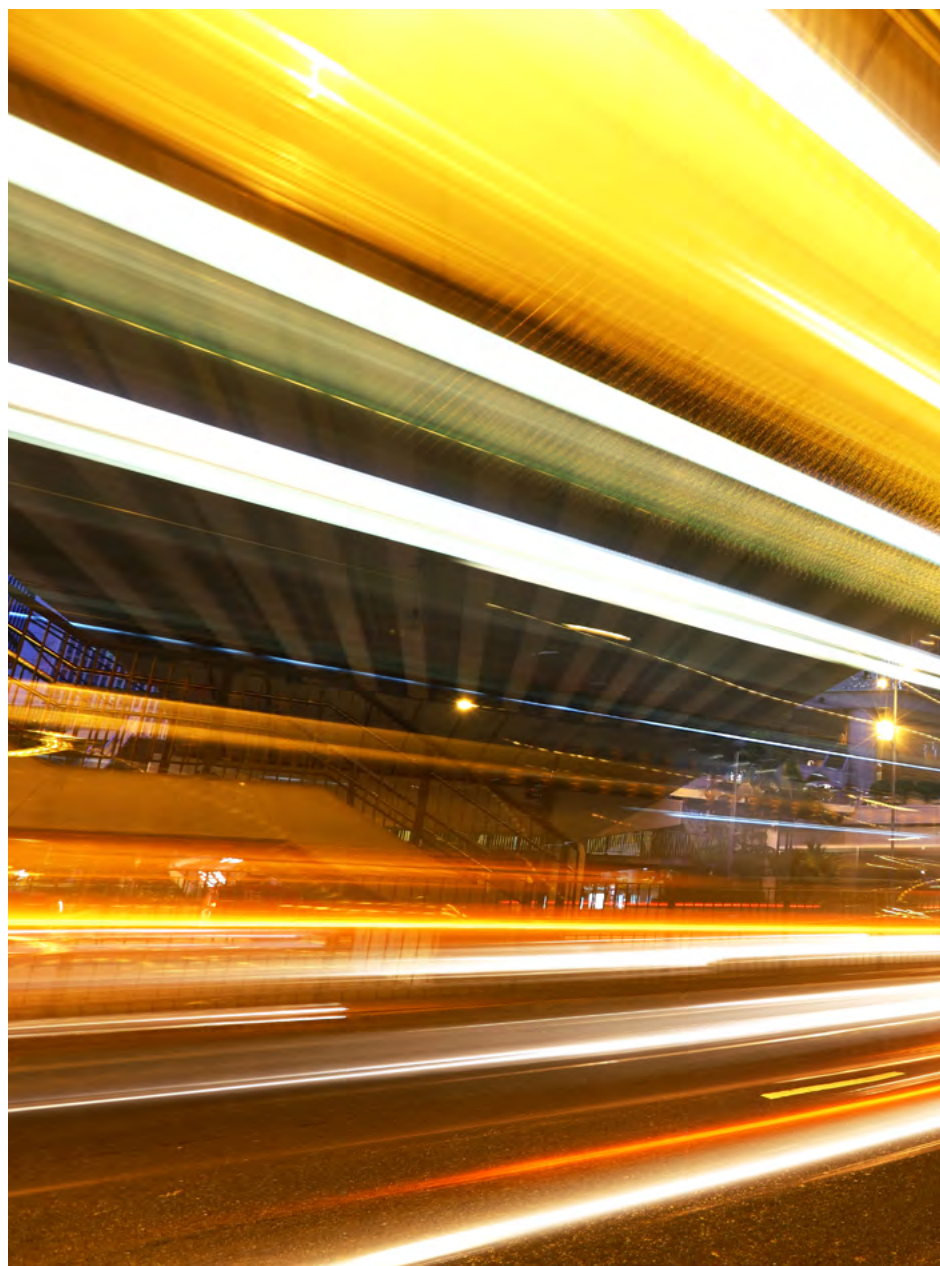
Marinko Došen
President of the Management Board

Automotive industry

The automotive industry has been going through a very demanding period since the beginning of the pandemic, but apart from the challenges in supply chains and the continued lack of the necessary quantities of semiconductors, the past year was particularly marked by the intensive development of electric vehicles. The trends that will be remembered are green and clean, smart and efficient, safe, reliable, and competitive.

The proper functioning of the single market remains a priority for the European automotive industry, which employs 13 million Europeans. A sound industrial policy to maintain global competitiveness and reduce supply chain risks will help the European automotive industry, which accounts for eight percent of its GDP. In order to achieve the planned zero-emission mobility by 2050, it is necessary to create preconditions and a stimulating environment. New electric vehicles should be accessible to European citizens, and at the same time they should be maximally safe and high-quality, with modern design and performance. The individual needs of end users push the boundaries of vehicle personalization every day, and the search for sustainable solutions and ecological materials has already become part of everyday life within the industry.

Therefore, car manufacturers have continued to invest and develop new electric models, which are increasingly efficient, autonomous, and available. There is also an improvement in the →





→ infrastructure for charging batteries, which further encouraged the development of electric mobility in Europe. In addition, some European countries significantly support the development of the automotive industry through national subsidy and stimulation programs, in order to make electric vehicles more accessible to end users.

In the observed period, the influence of external factors on the global market was manifested in quite different proportions – while in Europe vehicle sales were at lower levels, in China and India they increased compared to the previous year. However, despite the overall decline of the car market in the EU, the number of newly registered electric vehicles has been continuously increasing. It was also a year of growth for hybrid cars, whose share in the European Union market is 22.6 percent. Although the number of cars sold using internal combustion engines has been decreasing, such vehicles still account for more than half of all cars sold.

Europe is certainly heading towards mobility without CO₂ emissions, but it remains to be seen how quickly this will be realized. The expansion of electric cars certainly opens up additional space for lighter polymer materials, which is an upcoming trend in almost all new vehicles. At the same time, it is an opportunity for suppliers like AD Plastik Group, for whom the development and production of value-added components are a strategic determinant of further development and growth.

About the Integrated Report

GRI 2-3

The sixth Integrated Annual Report of AD Plastik Group in a row refers to the year 2022 and it contains all important information about the company's business operations. Business and sustainability reports and annual financial statements are an integral part of this integrated report, and all collected and presented data refer to December 31, 2022.

All non-financial and financial indicators are presented in detail so that all interested stakeholders can learn more about the social and environmental aspects important for the company and its business operations, as well as about its management and influence. Business and sustainability risks are presented in detail in order to provide all stakeholders with a better understanding of the business and the industry as a whole.

The company has been regularly reporting on sustainable business since 2012, and this is the tenth jubilee sustainability report in a row. It was prepared in accordance with GRI (Global Reporting Initiative) reporting standards (General Disclosures 2021), and refers to the period from January 1 to December 31, 2022, and includes data from all business entities of AD Plastik Group. Although the results of the affiliated company in Romania have been included in the financial statements using the equity method, it is not included in the sustainability indicators, and in the communication it is highlighted as an affiliated company, while AD Plastik Group consists of 100% owned companies shown in the corporate matrix on page 21 of this report.

GRI 2-2

The company reports in one-year cycles, and the business and calendar years are concordant. The Integrated Annual Report of AD Plastik Group 2021 was published on April 21, 2022, and the Integrated Annual Report 2022 will be published on April 21, 2023, which was announced in the Events Calendar published at the end of 2022 on the websites of the company and the Zagreb Stock Exchange (page 56).

The Integrated Annual Report of the Group is published on the website of the company, the Zagreb Stock Exchange, and the UN Global Compact, and all interested stakeholders can obtain it upon request in electronic or printed form.

The report has been verified by an expert and independent body called the Croatian Business Council for Sustainable Development, and their opinion can be found on page 160 of this report. AD Plastik Group is a member of HR BCSD, and the president of the company's Management Board is the vice president of their Assembly.

Before the preparation of the report began, material topics have been identified and adapted to the hindered business conditions in the observed period. Non-financial reporting is enhanced through continuous improvements in the stakeholder engagement process. →

GRI 3-1

Although there is a survey on the company's website intended for all stakeholders, which facilitates the identification of materiality and areas for improvement, by analyzing the structure of stakeholders and the dynamics of filling it, the Corporate Social Responsibility Committee concluded that individual consultations with experts from different fields are significantly more relevant for certain topics. Namely, it turned out that with such an approach, more concrete proposals and deliberations are obtained due to better knowledge of certain topics, but also of the company's business operations. Therefore, in the observed period, the advantage was given to precisely such consultations, and in the future, the identification approach will be further developed within individual focus groups or professional publics. In this way, the aim is to contribute even more to the understanding and improvement of the reporting process and the company's business operations as a whole.

Feedback from stakeholders is considered extremely important, and with their help, the aim is to present all information of common importance and interest as clearly and simply as possible. By improving the methodology of stakeholder involvement, the aim is to provide a complete picture of achievements and the realization of goals in different business segments.

The continuous raising of awareness of the importance of sustainable business and certain material topics is evident at all levels within the company, which is also confirmed by activities through which constant work on improvements is done. With its successful business operations and achieved results, AD Plastik Group generates added value for society, the environment, and the economy, and lays solid foundations for its long-term development.

In the reporting period, AD Plastik Group was facing the consequences of the pandemic, i.e. the still present lack of semiconductors in the market, and at the same time it was significantly exposed to the consequences of the new crisis due to the Russian-Ukrainian conflict and the geopolitical situation. The year was marked by inflation, a rise in prices of materials and energy sources, increase in labor and service costs, which also affected the financial business results.

Despite an extremely demanding and challenging year, financial stability was preserved and sustainable business development has been continued in all its segments. Consultations and communication with all key stakeholders took place regularly and smoothly, and special efforts were made to improve relations with employees, customers, suppliers, and shareholders.

GRI 2-29

The most important events of the year

Conducting business in extraordinary circumstances

Given the extraordinary circumstances and the Russian-Ukrainian crisis, stakeholders' interest in the company's business operations grew as expected during last year. Due to a series of uncertainties and unanswered questions, it was almost impossible to predict the final impact on economic activities and business operations. However, the Management Board has developed various

crisis scenarios and focused on minimizing risks and possible consequences. Given that at the same time the consequences of the pandemic were felt, primarily through the lack of semiconductors in the market, the company's primary focus was on preserving sustainability and financial stability, developing and expanding the product portfolio, and sealing new deals in the European market.

Ford Q1



The AD Plastik Group's factory in Zagreb, Jankomir received one of the most prestigious quality certificates in the automotive industry - Ford Q1. This is a confirmation of the exceptional quality of suppliers and is awarded to those who have achieved excellence according to different and extremely strict criteria and requirements by Ford. Certification according to Ford's methods is very demanding, which is why it is especially valued. The Jankomir factory received the confirmation of certification in August 2022 after a preparation and realization processes that lasted almost three years. During the processes, over two hundred different documents were presented with detailed descriptions of procedures and indicators that include the entire supply chain and production quality. Ford requires a high level of process digitization, production and shipping planning, zero tolerance for product quality deviations, reliable and precise management of the supply chain, orders, capacities, suppliers, packaging, space, and materials, which Zagreb factory fully fulfilled.

The Best Exporter to Slovenia

This year too, AD Plastik is the winner of the award for the best exporter to Slovenia for the year 2021. The award was received on behalf of the company by the Finance Director of the time Josip Divić.

As part of the 17th Convention of Croatian Exporters, Golden Key awards for the best Croatian exporters were awarded for the fifteenth time.

“In these rather difficult times, such awards are a source of additional joy and motivation to us. Like other business subjects, AD Plastik Group has been facing a crisis that will not end anytime soon and which unfortunately still carries a number of unknowns. Despite this, new deals sealed are an additional incentive for us to continue confronting it powerfully and persistently, and I believe that the results of our work will follow in the future,” said Josip Divić.



hrvatski izvoznici
croatian exporters

HRIO in the category of children's rights

AD Plastik is the winner of the HRIO award in the field of children's rights, which was awarded as part of the 14th Conference on Sustainable Development.

“Respecting children's and human rights, in general, is a basic assumption of a sustainable future and each of us, from our position and according to our capabilities, should contribute to their protection as much as possible. Every child on this planet, without exception, has the right to develop and realize their potential, and we all contribute to a better future by caring for children. AD Plastik Group invests great efforts in the constant improvement of all aspects of sustainable business and this is an unquestionable part of our mission and strategy. This award is an additional incentive for us to be better and realize numerous opportunities and improvements in the future,” said Zlatko Bogadi when receiving the award.

The Croatian Sustainability Index (HRIO) is a methodology that provides a comprehensive insight into the sustainability of business practices, an overview of compliance with the latest provisions of the European Union, and a comparison with the practices of other Croatian companies.



New deals

In 2022, AD Plastik Group sealed a total of EUR 204.9 million of new deals for the European market, the largest part of which was sealed with Stellantis, the new giant of the automotive industry created by the merger of FCA Group and PSA Group.

A total of EUR 188.6 million of new deals was sealed with the customer Stellantis for projects whose duration is expected to be from seven to nine years. New deals were sealed with Suzuki with expected revenue of EUR 14.2 million, and the expected project duration is four years. New deals were also sealed for the European market with the Motherson Group, whose expected revenue in the four-year period is EUR 2.1 million.

STELLANTIS



motherson

Mission, vision, key values

ADP Vision

To be a market leader in the development and production of automotive components in Eastern Europe and a leader in the implementation of sustainable business.

ADP Mission

To contribute to the success of its customers by introducing innovative solutions and constantly improving the development and quality of products.

To achieve its goals as an ethical, responsible and preferable employer.

To conduct business in harmony with the environment to the satisfaction of all its stakeholders and to be acknowledged as a reliable company desirable for investing in for the long term.

Key Values

Reliability

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

Innovativeness

To achieve constant progress in accordance with world trends with its ideas, creativity and technologies. To contribute to the improvement and development of the company, and its positioning in the global market.

Respect

Employees are the greatest value and they hold a 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.

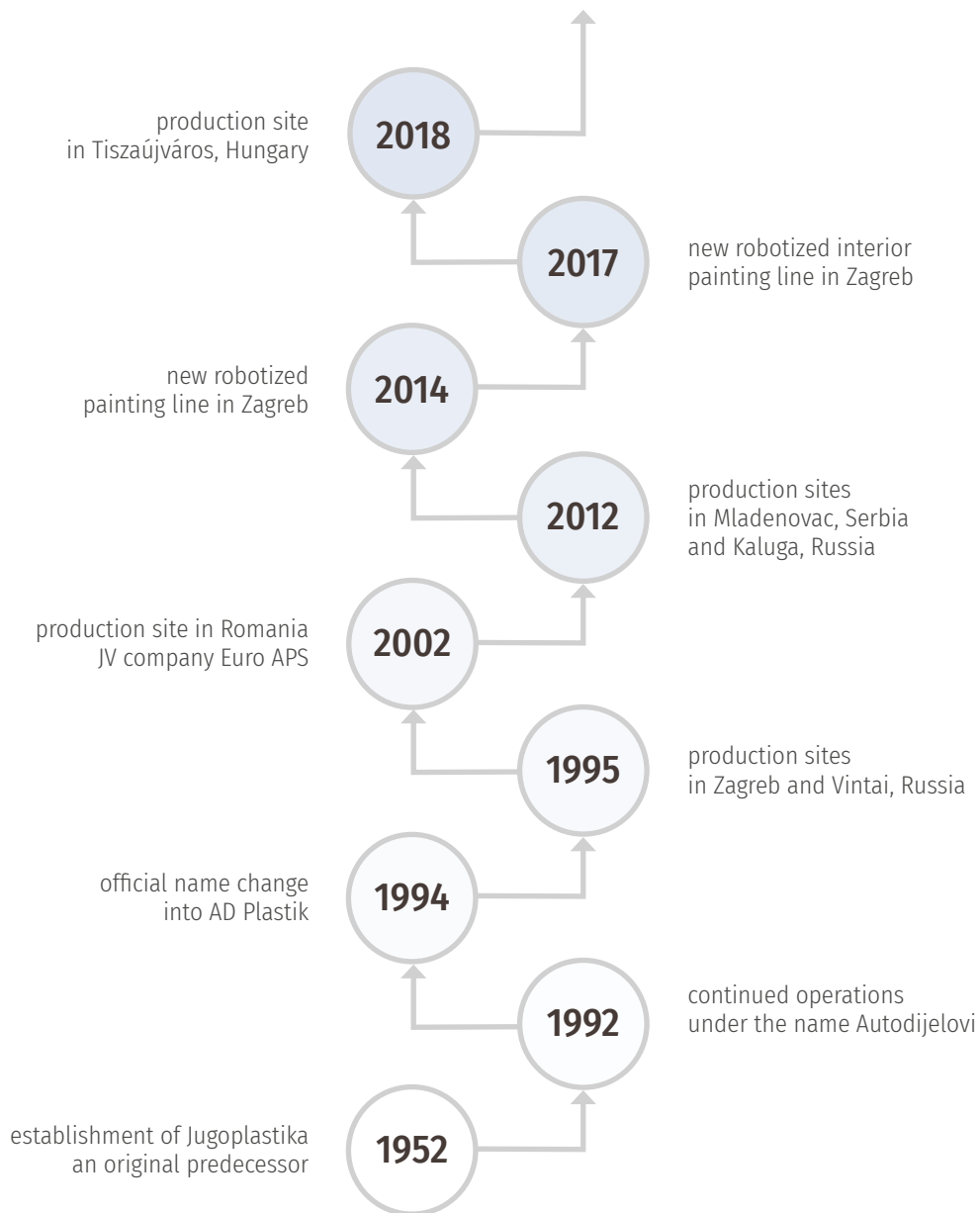
Responsibility

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

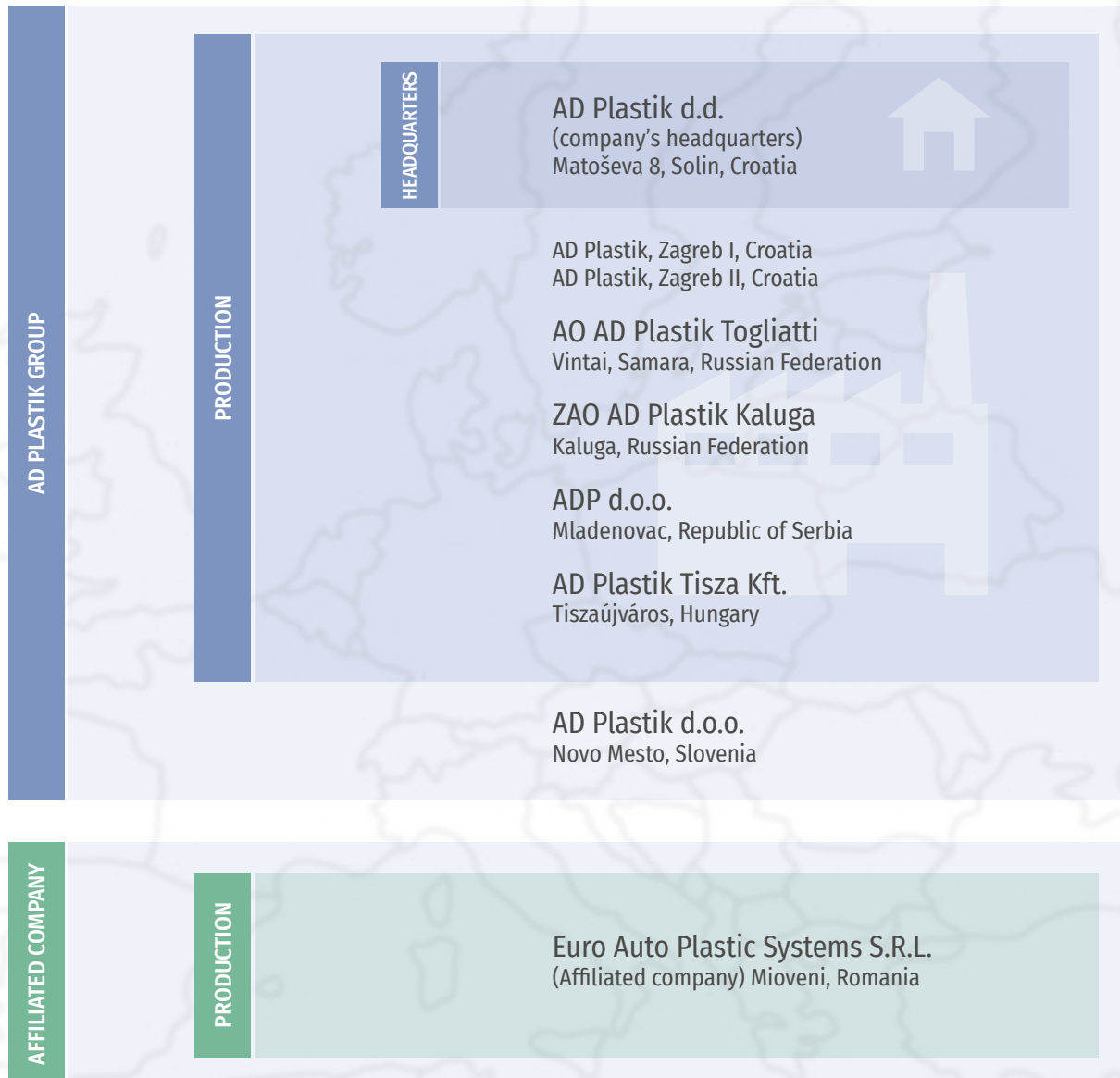
Togetherness

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

Company history

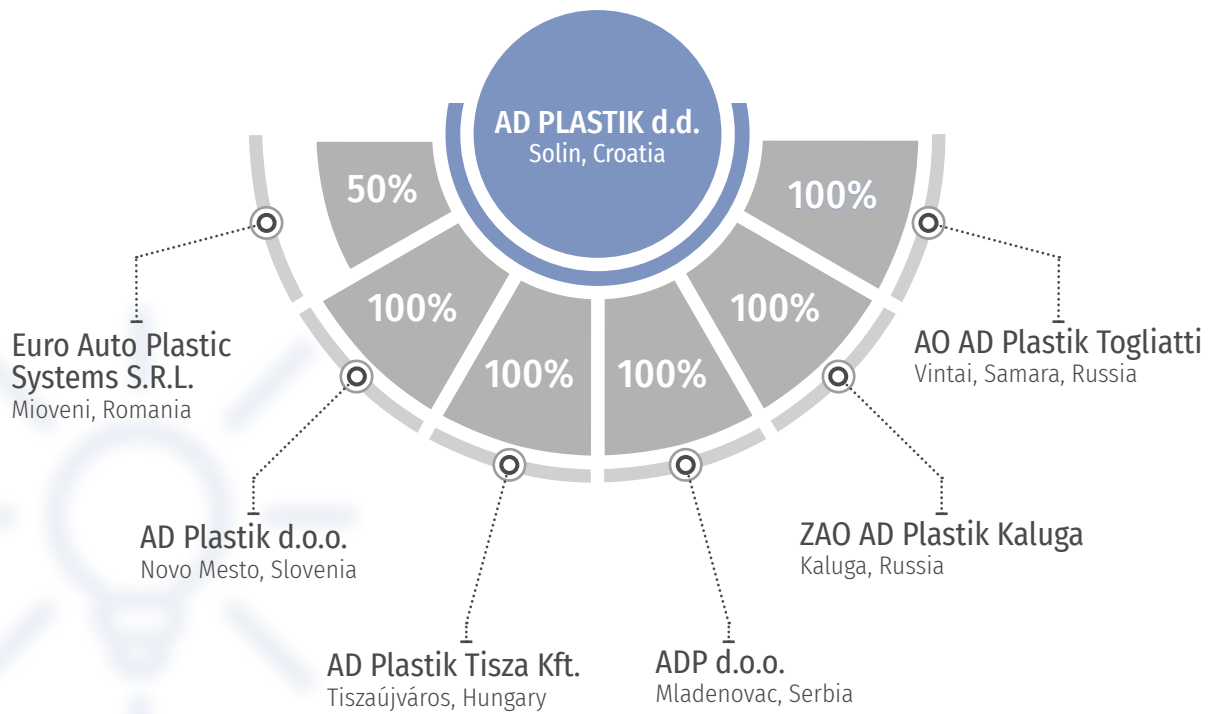


Production sites



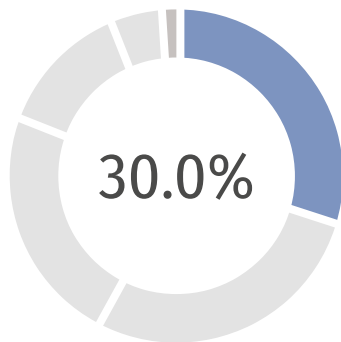
GRI 2-1

Corporate matrix

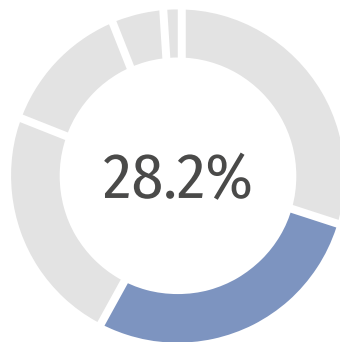


Ownership structure

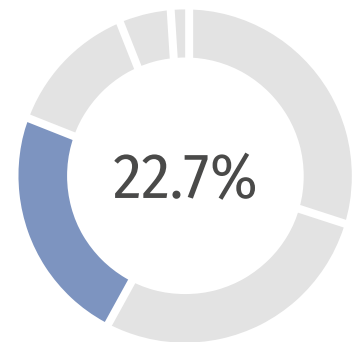
As of December 31, 2022, the company owned 40,628 shares, which was 0.97 percent of the share capital. 9,725 shares were disposed of as rewards to management in 2022.



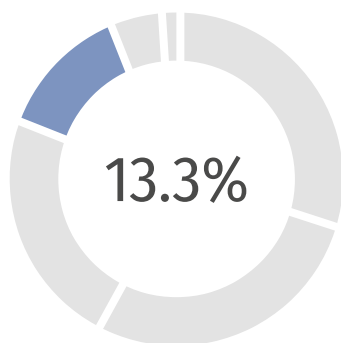
AO HAK



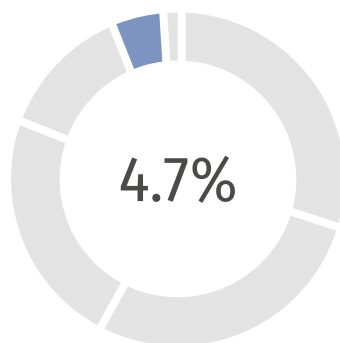
Small shareholders



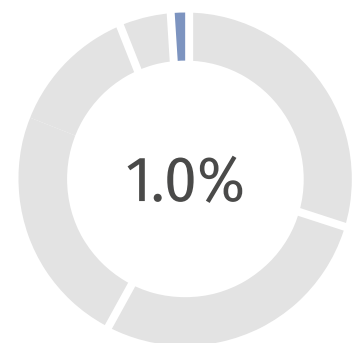
Pension funds



Management, employees
and ex-employees



Other institutional
investors



Treasury shares

10 largest shareholders

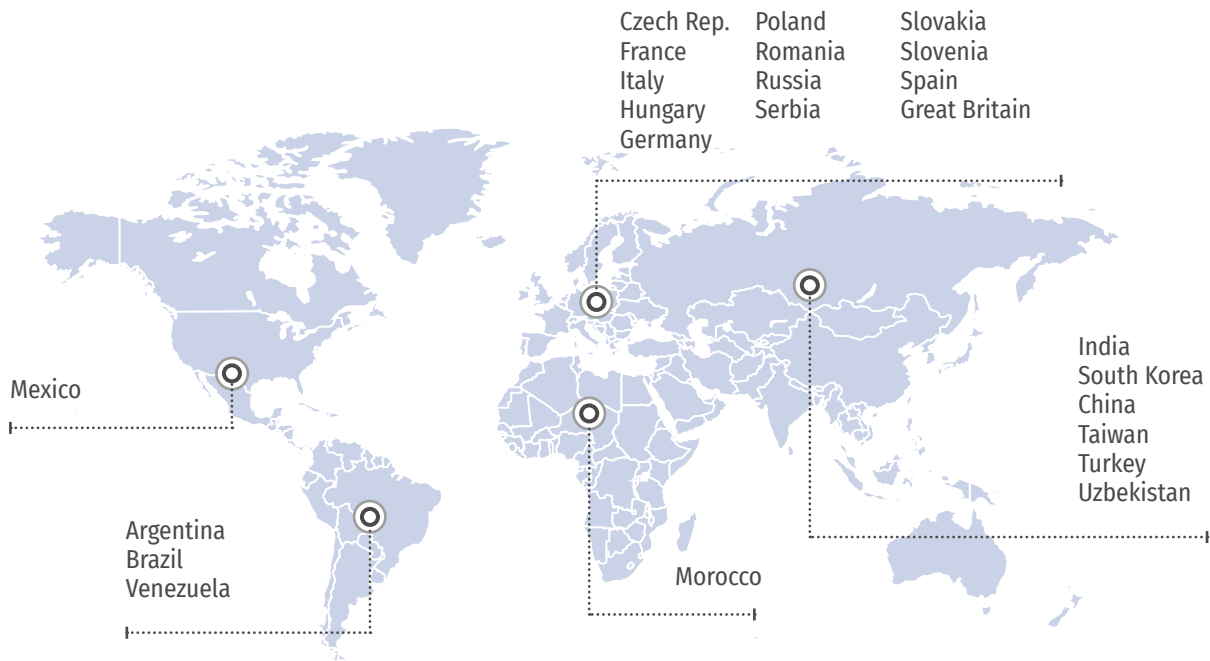
	Shareholder	Number of shares	Share
1	AO Holding Avtokomponenty	1,259,875	30.00%
2	Privredna banka Zagreb d.d. / Raiffeisen MPF category B	454,939	10.83%
3	Raiffeisenbank Austria d.d. / Raiffeisen voluntary pension fund	205,458	4.89%
4	Erste & Steiermarkische bank d.d. / PBZ CO MPF - category B	121,980	2.90%
5	Katija Klepo	67,633	1.61%
6	Privredna banka Zagreb d.d. / Raiffeisen MPF category A	43,538	1.04%
7	OTP banka d.d. / OTP Index fund - Open investment fund with a public offering	42,008	1.00%
8	Ivica Tolić	40,881	0.97%
9	AD Plastik d.d.	40,628	0.97%
10	Josip Boban	40,000	0.95%
		2,316,940	55.17%

The ten largest shareholders own 55.17 percent of the company's shares, and compared to the previous year, the new ones among them are the OTP Index fund – An open investment fund with a

public offering and Josip Boban. Capital fund d.d. and Privredna banka Zagreb d.d. Custodial account of a client are no longer among the ten largest shareholders of the company.

Overview of markets and customers

GRI 2-6

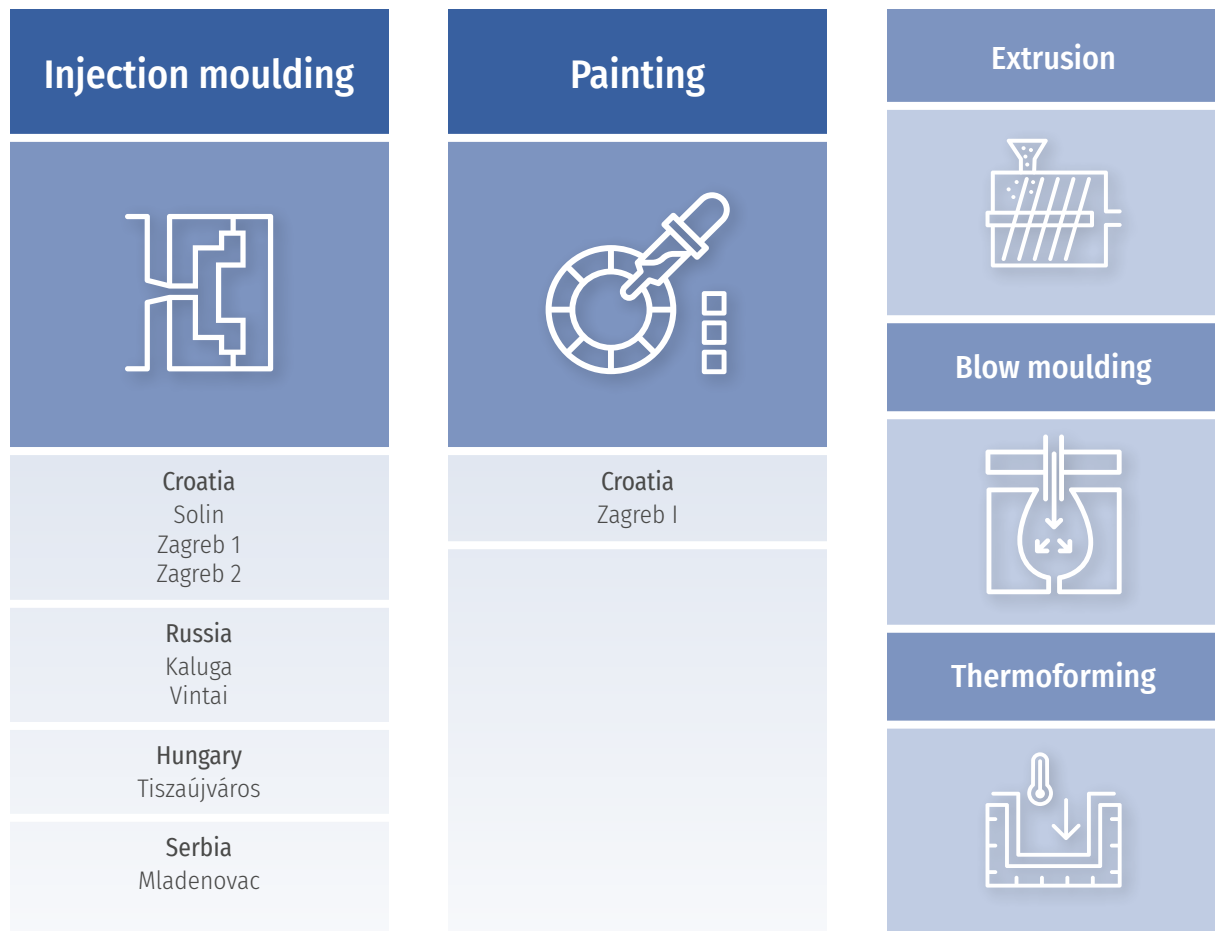


Technologies

GRI 2-6

Development and improvement of production processes are constant activities within the company. New possibilities, technological improvements, digitization, robotization, new materials, and technologies with which product safety and quality are achieved are the basic guidelines for the development of the automotive industry and AD Plastik Group.

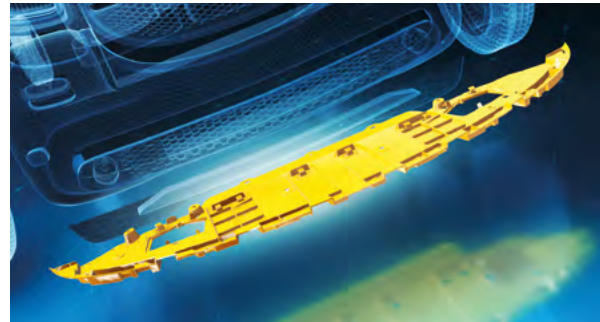
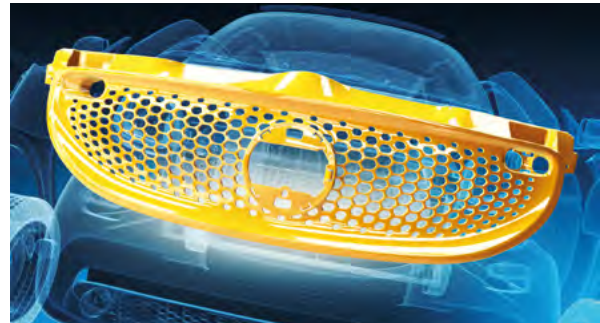
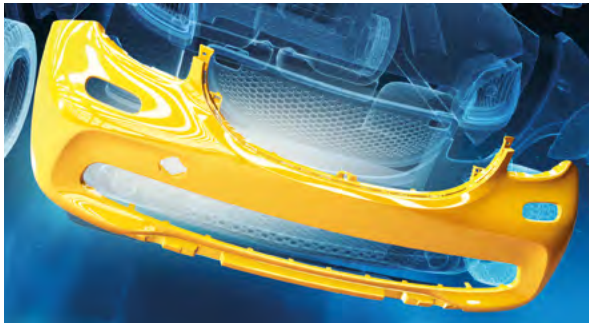
The company's key technologies are **injection moulding** and **painting**, and the Group's portfolio also includes **extrusion** (Solin, Vintai), **blow moulding** (Mladenovac, Tiszaújváros), and **thermoforming** (Mladenovac, Togliatti). Assembly, ultrasonic and vibration welding, hot stamping, automatic gluing, laser finishing, and automatic product control are added value to the Group's production processes.



Key products

GRI 2-6

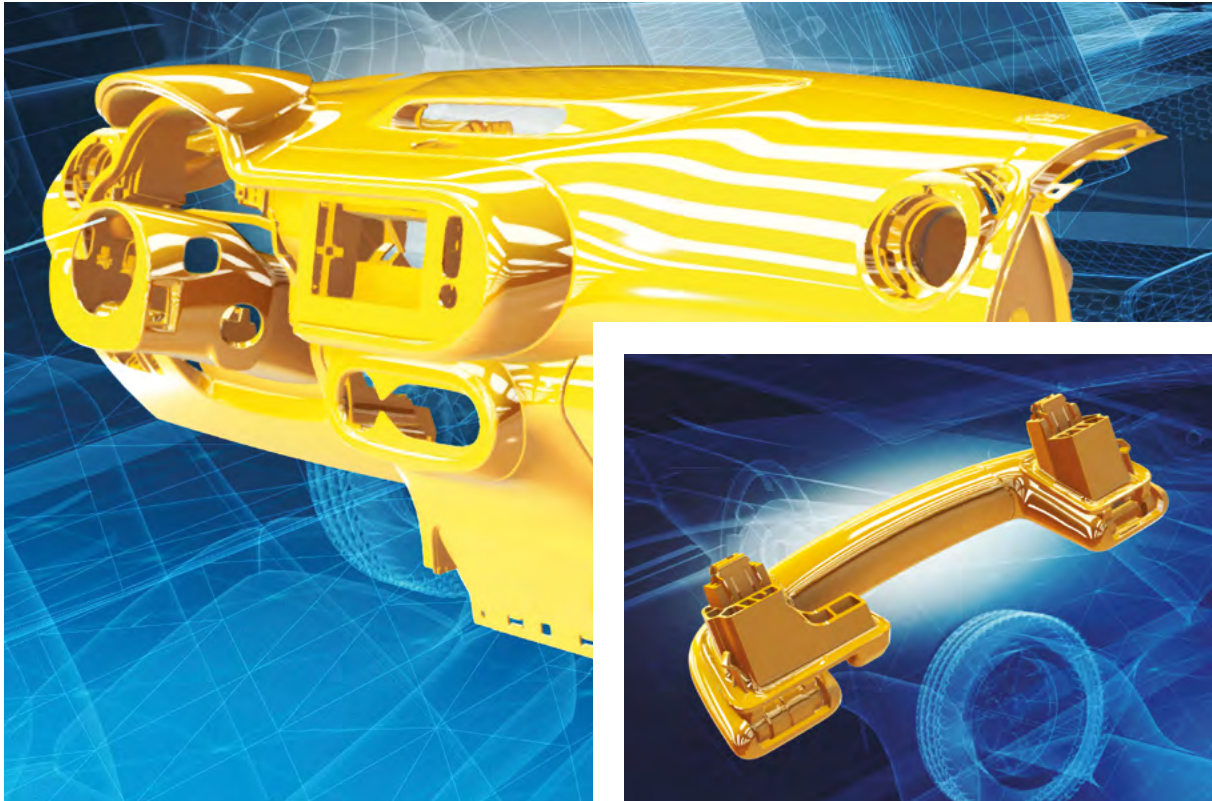
Exterior components



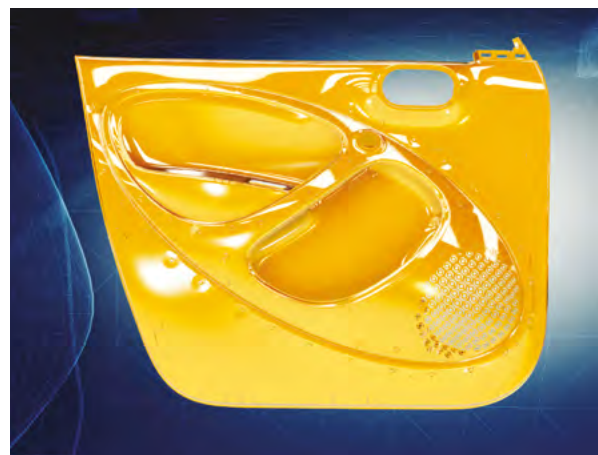
- Front and Rear Bumpers
- Front Grille and Air Ducts
- Fender Protectors and Rocker Claddings
- Spoilers
- Rear Door Trim (tailgate)
- License Plate Light Holders
- Underbody Covers and Battery Covers and Wheel Arch Housings
- Deflectors, Cooling Fan Motor Brackets
- Air Distribution Ducts and Water Containers

GRI 2-6

Interior components



- Door Panels
- Central Console
- Instrument Panel and related parts
- Grab Handles
- Glass Run Channels
- Small injection-moulded components



”

“Excellence” is not a gift, but a skill that takes practice. We do not act “rightly” because we are “excellent”, in fact we achieve “excellence” by acting “rightly”.

Plato

Corporate governance

Ethical and responsible business is the basic key to AD Plastik Group's success. The company's long-term activities and efforts invested in the improvement of the sustainable business significantly facilitate the new regulatory requirements for reporting according to ESG indicators. The main goals of the company are to reduce the carbon footprint, ensure the well-being of employees, create an inclusive work environment, and promote the company's key values through positive action in the communities in which it operates. Circular economy, greener production processes, energy efficiency, and quality waste disposal are key elements for defining the processes that realize the company's targeted activities in the environmental aspect of the business.

GRI 2-12

In accordance with the above, the company's new Main Strategy for the period from 2023 to 2030 was adopted in the reporting period, in which sustainable business is included in all business processes, and is an integral part of the company's mission and vision.

Business sustainability, impacts on the economy, environment, and people, as well as analyses and achievement of goals, are mandatory topics at the monthly Management Board and management meetings, which ensures constant monitoring of the effectiveness and implementation of policies and goals related to



sustainable development. Although the primary content of the monthly meetings is the economic aspect and efficiency of the business, sustainability is regularly reported on from various aspects, especially those related to the safety and health of employees and the environment. Each business function is responsible for identifying and reporting on possible risks, challenges, as well as improvements and action plans, which are finally approved by the Management Board. Once a year, the Quality System Department prepares an overview of the situation of all business processes through the assessment of the Management Board, and the said report contains also aspects of sustainability.

External stakeholders are not included in the internal processes of analysis and management of the company's impacts on the economy, environment, and people, but that is why the guidelines obtained through direct consultations of the Management Board and stakeholders at the highest level, primarily customers, the investment public and shareholders, but also external and internal experts from areas of sustainability are respected. The guidelines and results of regular customer audits on sustainable development, authorized audit companies, and surveys are also respected, and improvements are implemented accordingly.

GRI 2-9

The Corporate Social Responsibility Committee of AD Plastik Group, composed of management functions from eight different areas most important for sustainable business, was established seven years ago and is directly responsible to the President of the Management Board.



→ Committee members regularly participate in external education on sustainability, monitor regulations, define processes, and implement improvements in the areas of sustainability. The Committee is responsible for helping to define the strategy for sustainability and the activity plan, it participates in the preparation of the integrated annual report, and identifying the material topics. It lists the identified material topics according to the results of consultations with individual stakeholders and its own choice, and submits them to the Management Board for approval along with detailed explanations of the identification. The Management Board amends and approves them as necessary, and they are adopted also by the Supervisory Board of the company.

GRI 2-14 The information published in the report is also initially reviewed by the Committee and approved before being sent to the Management Board for review and approval. Before the approval of the integrated annual report at the Management Board meeting, all members receive the report to review that is additionally presented with clearly highlighted progress, stagnation or failure in certain indicators, that is, with the information that is published. The Management Board and the Supervisory Board adopt the Integrated Annual Report, which contains all the necessary sustainability reporting indicators.

GRI 2-13 Since 2022, a member of the Management Board for Finance, Accounting and Controlling, is also a member of the Committee and they actively participate in the work of the Committee, thereby further strengthening the management of the sustainable business.

GRI 2-17 With the aim of continuous improvement of the established processes, the Management Board reviews the assessment of the Environmental Protection and Occupational Health and Safety management system at least once a year. Likewise, the Management Board, as the highest governing body, is regularly presented with the activities of the Corporate Social Responsibility Committee and is informed about innovations, trends, regulations and planned improvements to sustainable business. Activities are constantly carried out to improve the collective knowledge of the Management Board on topics related to sustainable development, through presentations and

familiarization with the needs and activities of individual sectors in that segment. Management Board members also participate in various panels, conferences and round tables on the topic of sustainability.

Based on the Rules of Procedure of the Management Board, members of the Management Board may not make decisions based on personal interests or the interests of persons related to them, and may not participate in decisions regarding which they have a conflict of interest. The President of the Supervisory Board must be informed and consulted about any doubt or potential conflict of interest of any member of the Management Board. 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 business secrets. Based on the [Rules of Procedure of the Supervisory Board](#), its members may not participate in decision-making on cases for which there is a suspicion of a potential conflict of interest. In 2022, there were no reports of conflicts of interest between members of the Management Board and the Supervisory Board.

Critical concerns are regularly communicated with the Management Board, regardless of the topics. Namely, stakeholders can express their concerns through various communication channels, and the directors of the individual areas to which the concerns relate are obliged to consider, process and analyze them and inform the Management Board about that as soon as possible. The Quality System, Internal Audit, Controlling, Occupational Health and Safety, Corporate Social Responsibility Committees analyze risks through regular internal processes, which are regularly reported to the Management Board in order to identify potential risks in time and reduce or eliminate them with preventive actions.

In order to inform stakeholders regularly and transparently, the company publishes all information that is significant for its stakeholders on its website and LinkedIn.

GRI 2-15

GRI 2-16

Governance structure

- GRI 2-9 The corporate governance structure is based on a dualist system consisting of a Management Board and a Supervisory Board, which, together with the General Assembly and the Audit Committee, make the four key functions of the company.
- GRI 2-11



General Assembly

The regular General Assembly meeting was held on July 14, 2022, at which 2,732,100 votes were represented, which accounts for 65.06 percent of the total number of shares and share capital of the company. Among other things, a decision was made to appoint two members of the Supervisory Board, Ivka Bogdan and Bože Plazibat, which will enter into force in 2023 (more on page 33).

GRI 2-10 Supervisory Board

The Supervisory Board has seven members, four of whom are elected by the General Assembly, one is appointed by the Workers' Council, and two are appointed by a shareholder - AO Holding Avtokomponenty, St. Petersburg, Russia. Members of the Supervisory Board are elected for a term of four years and can be re-elected. In accordance with the profile of the Supervisory Board, the account is taken of its structure and composition, diversity in terms of expert knowledge, education, skills, professional and practical experience of members which ensure adequate supervision of the company's business operations. At the

same time, the business model and strategy of the Group, the type, scope, and complexity of the business of its companies and the markets in which they operate are especially taken into account.

In the reporting period, four regular meetings of the Supervisory Board were held in accordance with the [Events Calendar](#). All members participated in the decision-making, physically or by correspondence, in accordance with the [Rules of Procedure of the Supervisory Board](#), which are available on the [company's website](#).

Members of the Supervisory Board

Sergey Dmitrievich Bodrunov President	<ul style="list-style-type: none">• term of office from July 20, 2020 to July 20, 2024• appointed by the shareholder – AO Holding Avtokomponenty
Ivica Tolić Vice President	<ul style="list-style-type: none">• term of office from August 24, 2020 to August 24, 2024• elected by the General Assembly• 40,881 ADPL shares (December 31, 2021)• independent member - in accordance with the Zagreb Stock Exchange Code
Igor Anatolyevich Solomatin member	<ul style="list-style-type: none">• term of office from July 24, 2019 to July 24, 2023• elected by the General Assembly
Alina Viktorovna Koretskaya member	<ul style="list-style-type: none">• term of office from July 20, 2020 to July 20, 2024• appointed by the shareholder – Holding Avtokomponenty
Andjelka Čulo member	<ul style="list-style-type: none">• term of office from May 14, 2020 to May 14, 2024• appointed by the Workers' Council• employee representative
Ivka Bogdan member	<ul style="list-style-type: none">• term of office from January 31, 2019 to January 31, 2023• <i>the new term of office from February 1, 2023 to February 1, 2027</i>• elected by the General Assembly• 20,000 ADPL shares (December 31, 2021)
Bože Plazibat member	<ul style="list-style-type: none">• term of office from January 31, 2019 to January 31, 2023• <i>the new term of office from February 1, 2023 to February 1, 2027</i>• elected by the General Assembly• independent member - in accordance with the Zagreb Stock Exchange Code

In 2022, there were no changes in the composition of the Supervisory Board.

Supervisory Board Committees

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

Audit Committee

President	Ivica Tolić
Members	Bože Plazibat Alina Viktorovna Koretskaya Igor Anatolyevich Solomatin

In 2022, four meetings were held, where all members of the Committee participated in decision-making, either physically or by correspondence. The Supervisory Board reappointed Bože Plazibat and Igor Anatolyevich Solomatin as members of the Audit Committee for a four-year term, for period from December 16, 2022 to December 16, 2026.

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

President	Ana Luketin
Members	Igor Anatolyevich Solomatin Ivica Tolić

In 2022, two meetings were held where all members participated in decision-making, either physically or by correspondence.

Appointment Committee

President	Ivica Tolić
Members	Nenad Škomrlj Igor Anatolyevich Solomatin

Three meetings were held in 2022 and all committee members participated in decision-making, either physically or by correspondence. The proposals of candidates for the members of the Supervisory Board committees were decided upon at the meetings, and Ivica Tolić was re-elected President of the Committee.

Evaluation report of the Supervisory Board

- GRI 2-18** 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 the effective performance of 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 supported (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.
- GRI 2-10** During 2022, the Supervisory Board and its committees regularly held their 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 thereby their roles and responsibilities appropriately and efficiently.
- 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 2022 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 2022 was satisfactory and that the work of the Supervisory Board and its committees was overall successful.
- The Executive Director of Legal Affairs, who also performs the duties of the company's secretary, provided administrative 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 2022, the Management Board regularly submitted reports to the Supervisory Board 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 condition of the company. Consequently, the Supervisory Board assesses that their relationship with the Management Board in 2022 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 9, 2023, and no external evaluators were engaged in the evaluation process.

Statement on the remuneration policy for Supervisory Board members

GRI 2-19

The General Assembly adopted a Decision on the remuneration of Supervisory Board members in 2021, which was also applied in 2022.

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

Members of the Supervisory Board are entitled to remuneration for participation in its work and the work of the committees of the Supervisory Board, and in order to ensure independence and avoid conflicts of interest, remuneration of the members of the Supervisory Board does not depend on the company's results, but is determined in a fixed amount. The amount of remuneration depends on the function of each member of the Supervisory Board. Remuneration is paid once a quarter, and members of the Supervisory Board who are also members of the Supervisory Board committees are paid additional remuneration for work in the particular committee after the meetings of the committees are held.

GRI 2-20



Management Board

GRI 2-9 Management Board is the leading body of the company that conducts its entire business on its own responsibility. It is responsible for the quality management of business risks, as well as economic, environmental and social impacts of the company.

The Management Board represents the company, and the members of the Management Board are responsible for activities and processes in accordance with their business areas. At its regular meetings, the Supervisory Board estimates the performance of the Management Board on the basis of business performance indicators in all business aspects and the maintenance of the company's reputation among all stakeholders. The Management Board also made a self-assessment of its work as a whole and each individual member for 2022.

The Management Board currently has four members, and it can consist of three to eight members, whose term of office lasts up to five years, with the possibility of re-appointment with no limit on the number of terms of office. Each member of the Management Board represents the company individually and independently, and the members are chosen according to their expertise and necessary experience.

GRI 2-10 The company implements the Succession Plan in accordance with the [Diversity Policy of the Management Board](#)

[and the Supervisory Board members](#), which is published on the company's website. The target percentage of at least 25 percent of female members in the Supervisory Board has been realized, while in the Management Board that share will have been realized in a defined five-year period. When appointing new members of the Management Board in the reporting period, aspects of diversity were respected, but no progress was made in relation to gender. In accordance with the Diversity Policy, the represented aspects of diversity, in addition to skills, experience and competencies are gender, age, education and other diversities that can contribute to making better business decisions. During future proposals for the election or appointment of members of the Management Board, in addition to the much-needed expertise and competencies of the candidates, special attention will be paid to gender diversity.

In 2022, a member of the Management Board Ivan Čupić resigned for personal reasons, and in September the Supervisory Board appointed two new members, thus having increased the overall number of members of the Management Board. When choosing candidates, they strive to choose those who have experience and knowledge in the field of industry, are aware of the size of the company and all the tasks set by the mission and vision, and personal qualities, expertise and integrity are especially important.

Members of the Management Board may not be in 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 their relationship with the other contracting party and their 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.



MARINKO DOŠEN
President of the Management Board

President of the Management Board since February 6, 2015
 the current term of office from July 21, 2020 to July 21, 2025
 28,324 ADPL shares (December 31, 2022)

GRI 2-9

MLADEN PEROŠ
Member of the Management Board for Sales and Projects

member of the Management Board since November 9, 2011
 the current term of office from July 21, 2020 to July 21, 2025
 25,613 ADPL shares (December 31, 2022)



ZLATKO BOGADI
Member of the Management Board for Production, Logistics and Quality

the current term of office from September 15, 2022 to July 21, 2025
 3,233 ADPL shares (December 31, 2022)

JOSIP DIVIĆ
Member of the Management Board for Finance, Accounting and Controlling

the current term of office from September 15, 2022 to July 21, 2025
 645 ADPL shares (December 31, 2022)



GRI 2-21

The total annual ratio of the remuneration of the best-paid individual to the average annual remuneration of all employees of the Group is 23.74, and the calculation includes all employees who were employed on December 31, 2022, according to publication 2-7 on page 97. The employees of the factory in Kaluga, which stopped working due to the geopolitical situation, were omitted in the calculation, but it is important to note that the number of working days in the factory in Vintai, which also did not work for a while, after which it has worked with reduced capacities, was also significantly reduced. In accordance with this and

Russian labor laws, employee remuneration which also affects the stated ratio has been significantly reduced.

In the observed period, there was no increase in the total annual remuneration for the highest-paid individual, in this case the President of the Management Board. Realized wages were used in the calculation, rather than a full-time equivalent (FTE) calculation for each part-time employee. Also, transport and food allowances, jubilee awards, bonuses and the like have been included in the calculation.

Statement on the remuneration policy for the Management Board members

GRI 2-19

The company has adopted a Remuneration Policy for the Management Board members in 2021 based on the proposal of the Remuneration Committee, and 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, after which it was made public.

This policy establishes a system of remuneration of Management Board members, by determining transparent rules and procedures for determining this remuneration, which harmonizes the interests of Management Board members with the long-term interests of the company and by the successful and ethical implementation of business strategy and its development.

The policy establishes 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 based on the performance of the function of the Management Board members, 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 fulfillment of certain key business indicators determined by individual managerial contracts. The 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 an official vehicle 24 hours a day
- severance payment in the event of the termination of the term of office, unless the member was repealed prior to the expiry of the term of office caused by their fault or they resigned themselves

Pursuant to the law, data on the 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.

GRI 2-20

The Remuneration Policy also provides for non-financial goals as a condition for the achievement of the bonus, and the goals, on the realization of which the payment and the amount of variable remuneration depend, are determined

in more detail by the managerial contract, taking into account the financial and non-financial indicators of the Group's business operations.

Corporate functions

GRI 2-9

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.



LEO BOČKAJ

Associate to the Management Board
for Research and Development



MATKO SERDAREVIĆ

Associate to the Management Board
for Purchasing, IT, Occupational
Safety and General Affairs



BRANKO DURDOV

Production Operations Consultant



KATIJA KLEPO

Relations with State Institutions
and Funds Consultant



KREŠIMIR JURUN

Executive Director of Controlling
and Accounting



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



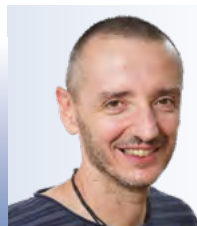
MARIO BARUNICA

Director
of the Production site Zagreb



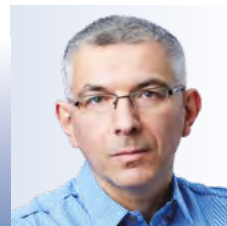
STIPAN BODROŽIĆ

Products Development Director



MARKO CAMBJ

Director of Projects



TOMISLAV ČEPIĆ

Manufacturing Director
of the Production site Zagreb



MATE GOJSALIĆ
Process Development Director



TAMÁS GYŐR
Managing Director
of AD Plastik Tisza



MIRANDA JERKOVIĆ
Director of Internal Audit



ANDRIJA KALAJŽIĆ
Managing Director
of ADP, Mladenovac



JADRANKA KONTA
Director of Occupational Safety
and General Affairs



**ALEKSANDAR
VLADIMIROVIĆ LEBED**
Managing Director
of AD Plastik Togliatti



IGOR LONČAR
Technical Director
of the Production site Zagreb



DENIS MILETIĆ
Director of Logistics



MARINA NOVAK
Quality Director



ANTICA PERKOVIĆ
Director
of Strategic Purchasing of Materials



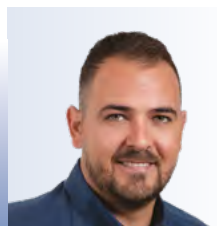
JOSIP SUZAN
Tools Development Director



LIDIJA ŠKARICA
Director of Strategic Purchasing
of Investments and Services



TONI ŠTAMBUK
Sales Director
for EU and other markets



JOSIP VULIĆ
Director
of the Production site Solin

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

Denis Boriskin
Managing Director

Supervisory Board

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

AD Plastik Tisza Kft.

Tiszaújváros, Republic of Hungary

Tamás Győr
Managing Director

Supervisory Board

Zlatko Bogadi - president
Danijel Kovač
Josip Divić

ADP d.o.o.

Mladenovac, Republic of Serbia

Andrija Kalajžić
Managing Director

Supervisory Board

Mladen Peroš - president
Denis Miletić
Ana Luketin

Other representatives

Josip Divić
Marin Lončar

AD Plastik d.o.o.

Novo Mesto, Republic of Slovenia

Mladen Sopčič
Managing Director

”

Good actions give strength to ourselves and inspire good actions in others.

Plato

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 and Internal Audit Services. Controlling Department informs the Management Board of conducted control and the 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 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 24 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 the appointment and revocation of the appointment of Management Board members, nor specific rules on the 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 14, 2022, the General Assembly gave authorization to the Management Board to acquire its own shares on behalf of the company for a period of five years.

On December 31, 2022, the company owned 40,628 own shares.

5. Shareholders exercise their rights via the General Assembly which is competent for making decisions on the following issues: electing and removing from the office of Supervisory Board members, appropriation of profit, granting clearance to Management Board members, appointing auditors, amending the Charter, increasing and reducing share capital and on other issues under its responsibility as regulated by the law. 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 are listed on pages 33 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 2022, 40 meetings of the Management Board were held, 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 Appointment Committee.
7. The diversity policy of AD Plastik Group applied to the company managing 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 more quality and better decision-making.

The average age of the members of the Supervisory Board is 61 years, and the range of their ages is diverse and ranges from 33 to 71. Their composition is also diverse according to 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 three members. Balance has been established on 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



Zlatko Bogadi
member of the Management Board



Josip Divić
member of the Management Board




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

Research and development

Sustainability in development

GRI 2-6

We have been witnessing a dynamic transformation of the automotive industry, which is gradually changing its shape, guided by the ideas and visions of car manufacturers. In addition to traditional production, car manufacturers are increasingly focused on providing additional services to end users to whom, in addition to mobility, they enable connection with the vehicle, the environment and the world. At the same time, the sustainability, safety and comfort of the vehicle are basic prerequisites for further development.

By reducing the carbon footprint, i.e. bringing it to zero level as the ultimate goal, a clear message is sent to all stakeholders. By taking care of our home called the Earth and by reducing pollution, our homeland and the planet

are protected, the health of all residents, and contribution is made to a longer and better life.

Carbon footprint reduction guidelines in the automotive industry are particularly challenging because the activities of vehicle development and production as well as their use need to be harmonized and coordinated. In accordance with this, the goals of the automotive industry in the coming medium-term period are mostly related to the development and production of electric vehicles, thus eliminating the carbon footprint in the use of the vehicle itself. Along with the improvements, development and realization of new electric vehicles, some of the manufacturers breathe “new life” into existing vehicles, following the principles of reuse and recycling, which enables →



→ to extend the life of the vehicle itself, manage waste in a more quality manner and consequently reduce the carbon footprint. In some cases, this method is also applicable to production equipment, by adapting and upgrading existing equipment for new tasks. From all of the above, the future direction is evident – sustainability is undoubtedly the top priority in the automotive industry.

With all their advantages, electric vehicles have the disadvantage of limited driving range on a single battery charge, which creates difficulties for end users. That is why the activities of car manufacturers are directed towards increasing the capacity and utilization of batteries and reducing the weight of the vehicle in order to increase the driving range.

More and more metal car parts are tried to be replaced by plastic ones, which reduces their weight and thus the carbon footprint, while at the same time increasing the driving range of electric cars. It is also an opportunity for AD Plastik Group, which plans to expand its product portfolio, while supporting the ultimate goals of sustainable development. The company's strategic commitment to the circular economy is also manifested through encouraging the use of fully or partially recycled materials by its customers and suppliers, who find optimal solutions for the vehicles of the future through the synergy of their research activities.

In the past period, the interaction with customers and suppliers has been intensified in order to find the highest quality and most environmentally friendly solutions through which the set sustainability goals will be realized. AD Plastik Group has the necessary experience and knowledge to create new solutions aimed at reducing vehicle weight, while meeting the necessary functional and safety requirements as well as those regarding the exterior

appearance of the car. The proximity of the customers' production sites and factories of AD Plastik Group is an industry standard by which the transport route and consequently the carbon footprint are being reduced. Also, the practice of multiple utilization of tools or devices for multiple versions of the vehicle is increasingly being used, in cases where this is possible, in order to reduce the consumption of materials and energy in the manufacture of tools, and consequently to reduce the costs of their manufacture.

The research and development activities of the company during 2022 were focused on the realization of existing projects and participation in the pre-development phase of one of the key customers. There was active participation in defining and developing the concept of a new vehicle, finding product and process solutions, choosing technology and defining industrial scenarios. This strengthened and confirmed the company's position as a development partner that brings added value.

The development of products for sealed deals from the previous period has continued, and for the first time, products were developed for the premium class of vehicles, which belong to a higher class of product complexity. Projects which positioned the company as a strategic supplier of more complex components have also been launched, such as spoilers, fender protectors and wheel arch liners.

The new sealed deals confirm the competencies and abilities of AD Plastik Group's experts who develop complex products with more demanding new-age performance in cooperation with specialized development centers and customers. The design of products and processes, tools and equipment, materials and technology are key levers for further growth and development of the company.

Production and sales

GRI 2-6

The observed period was strongly marked by the Russian-Ukrainian crisis and the consequences of the geopolitical situation. Due to the active coping with the consequences of the corona crisis in supply chains, a new unexpected situation followed, which significantly affected business operations and market trends.

Although the lack of semiconductors continued to affect the production capacities and car sales in Europe, the capacity utilization at AD Plastik Group's Croatian factories was also affected by reduced orders from the Revoz factory in Slovenia.

After Renault Group's exit from the ownership structure, AvtoVAZ, the largest vehicle manufacturer in the Russian market, continued to produce two vehicle models, namely the Lada Granta and Niva. Thus, the factory in Togliatti nevertheless continued production with significantly reduced capacities, while Kaluga stopped its production operations and optimized its organization, given that the

European manufacturers for which it produced components have left the market or frozen their activities.

With regard to exposure, the company fully focused its sales activities on the European market during 2022. Although the automotive industry has been going through one of the most difficult periods, this is also one of the most dynamic periods in its development segment. This is best demonstrated by preparations for the production of new vehicle models and sealed deals. Thus, in 2022, new deals worth EUR 204.9 million were sealed for the European market, mostly for the customer Stellantis. The start of serial production is planned for 2024 for most of the sealed deals, and that will have a positive impact on the company's revenue and profitability.

The company's sales activities have been intensified and directed towards sealing new deals and raising the level of capacity utilization of all AD Plastik Group's European factories.

European Union

Data source: acea.be

The number of newly registered vehicles in the EU market in 2022 was 4.6 percent lower than the year before, so a total of 9.26 million vehicles were registered, which is the lowest figure since 1993. The main reason for the tightening of the market is not the drop in demand, but the reduced production capacity due to the present lack of production components, primarily microchips, especially in the first part of the year. The number of newly registered vehicles in the EU market increased from August to the end of the year, which is a positive indicator and direction.

All the largest European markets, except for Germany, recorded a decline in the number of newly registered vehicles during 2022. Thus, France recorded a decline of 7.8 percent, Italy 9.7 percent, Spain 5.4 percent, while Germany, as the largest European market, recorded a growth of 1.1 percent.

The Volkswagen Group still holds the largest market share of 25.1 percent, and it recorded a decline in sales of 5.2 percent. Stellantis with a 19.7 percent share recorded a decline in sales of 14.1 percent, while the Renault Group recorded a decline in sales of 4.3 percent, holding a 10.6 percent market share.

European Union

The customer list 2022 - currently in production

*The list of customers is arranged
in alphabetical order.*



BENTLEY

Technologies injection moulding, blow moulding, assembly
Sales markets Great Britain



BMW

Technologies injection moulding
Sales markets Germany, Hungary



FORD

Technologies injection moulding, painting
Sales markets Germany, Spain, Romania, Turkey, Russia



HELLA

Technologies injection moulding, UV welding
Sales markets Slovenia



RENAULT GROUP

Technologies injection moulding (+hot stamping), painting, thermoforming
Sales markets Slovenia, France, Spain, South Korea



STELLANTIS

Technologies injection moulding, painting, blow moulding, extrusion
Sales markets France, Spain, Italy, Poland, Czech Republic, Slovakia, Germany, Serbia, Russia, Mexico, Argentina, Brazil



SUZUKI

Technologies injection moulding, blow moulding, painting
Sales markets Hungary, Japan



VOLKSWAGEN GROUP

Technologies injection moulding, extrusion, assembly
Sales markets Germany, Hungary, Slovakia, Mexico



Euro APS, JV Romania

DACIA

Technologies injection moulding, thermoforming
Sales markets Romania



Russia

The number of newly registered vehicles in the Russian market has decreased significantly, by as much as 58.8 percent, so in 2022 less than 700,000 new vehicles were registered in Russia. This is the result of production halts at all car manufacturers in this market, while some of them have even shut down their activities completely and left the market.

The customer list 2022 currently in production



AVTOVAZ RUSSIA

Technologies	injection moulding, thermoforming, extrusion
Sales markets	Russia and the countries of the former USSR, China, Vietnam

Quality

One of the core values of AD Plastik Group is meeting the high standards of quality and sustainability of the automotive industry, thus meeting the expectations of its customers. Constant investment in development, new knowledge, technologies and materials enable to achieve the desired level of product quality. Despite the circumstances and hindered business conditions, customer satisfaction has been maintained at a high level during the reporting period, and prerequisites for further improvements have been created.

The quality management system is based on a process approach, analysis of risks and opportunities, orientation toward customers and stakeholders, as well as on continuous improvements in accordance with international

standards that are integrated into production processes. The Quality Department is involved in all stages of the production process, from design, to industrialization and serial production, with a special emphasis on process and product improvements, environmental protection, occupational health and safety, and sustainable business as a whole.

In the reporting period, the Zagreb factory received confirmation of certification for one of the most prestigious certificates of product quality and process repeatability in the automotive industry - Ford Q1. With this the factory in Jankomir has been ranked among the highest-quality suppliers of this world-famous car manufacturer.



Certificates

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

The supervision over certificates is carried out once a year by Bureau Veritas Certification (BVC) at all production sites, except for the AD Plastik Tisza production site where it is carried out by Det Norske Veritas (DNV).



	IATF 16949 valid until:	ISO 14001 valid until:	ISO 45001 valid until:	ISO 50001 valid until:	ISO 27001 valid until:	Tisax label	Ford Q1
Solin Croatia	June 6, 2024	July 1, 2025	September 21, 2023	November 27, 2025	January 3, 2025	November 25, 2024	permanently
Zagreb Croatia	June 15, 2024	July 1, 2025	September 21, 2023	November 27, 2025	January 3, 2025	November 25, 2024	permanently
Vintai Russia	July 9, 2024	October 18, 2023	/	/	/		
Kaluga Russia	April 6, 2024	/	October 15, 2023	/	/	November 25, 2024	
Mladenovac Serbia	August 19, 2024	June 15, 2024	April 1, 2025	February 14, 2023	January 3, 2025		
Tiszaujvaros Hungary	March 11, 2024	August 31, 2023	/	/	/		

ADPL share

The ADPL share has been listed on the Zagreb Stock Exchange since 2003, and since December 2018 it has been listed in the Prime Market, their most demanding market segment. The share is included in the seven indices of the Zagreb Stock Exchange, namely: Crobex, Crobextr, Crobex-Prime, Crobex10, Crobex10tr, CrobexPlus and Crobexindustry, as well as the regional index AdriaPrime. Slightly less than 70 percent of the shares are available in the market, and "Interkapital vrijednosni papiri" carries out the activities of a market maker. In addition to Erste&Steiermärkische banka, Wood&Company and Zagrebačka banka, they also provide share coverage by business analyses.

Share trend

ADPL is the eleventh issue in terms of liquidity in 2022 in the domestic capital market, with a turnover of HRK 62.6 million, which is 3.65 percent of the total turnover of shares in the Zagreb Stock Exchange. The price of the ADPL share decreased by 52 percent, compared to the end of 2021, and as of December 31, 2022 it amounted to HRK 79.4. The highest price in the reporting period was HRK 180, while the lowest price was HRK 72.

Crobex recorded a 4.8 percent decline in value in 2022 with a turnover of HRK 1.4 billion, which represents an increase in turnover of 2.5 percent compared to the year before.

Geopolitical instability and its consequences had the most significant influence on index movements and share price in the observed period. A rather significant drop in the ADPL share price in the past year is a consequence of the exposure to the Russian market and the automotive industry. A strong decline is also visible in the price movement of peer group shares, i.e. comparable suppliers of components in the automotive industry.

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

The company's continuous presentations at domestic and foreign investment conferences are part of activities aimed at increasing visibility in the capital market.

The significant decline of the capital market is also evident in the decline of all world stock indices, so for example the S&P 500 recorded a decline of 19.4 percent, and the First Trust NASDAQ Global Auto Index Fund as much as 32.2 percent. It is a reflection of the global state of the economy, the inflationary environment and recessionary expectations. Changes in the monetary policies of central banks, with the aim of alleviating inflationary pressures, caused an extremely rapid and significant increase in interest rates, which also affects the redirection of capital from the stock markets to other forms of investment or savings.



Share trend

- 52 % ADPL

- 4.8 % CROBEX



ADPL	2021	2022	Index
Final price (HRK)	165.5	79.4	48.0
Average price (HRK)	177.9	102.0	57.3
The highest price (HRK)	198.0	180.0	90.9
The lowest price (HRK)	148.0	72.0	48.6
Volume	271,791	614,017	225.9
Turnover (HRK)	48,342,627	62,616,928	129.5
Market capitalization (HRK) *	695,031,152	333,446,970	48.0
P/E *	20.9	-4.5	-
EPS (HRK) *	7.9	-17.7	-

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

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 is available on the company's website together with the [Dividend Payment Policy](#). 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 decision of the General Assembly from July 2022, the entire realized profit from 2021 was included in the company's retained profit with the aim of preserving liquidity, considering the impact of the Russian-Ukrainian crisis on the business operations and results and the present uncertainties in the environment.



Events Calendar on Zagreb Stock Exchange

In accordance with the Zagreb Stock Exchange Rules, AD Plastik Group published the 2023 Events Calendar at the end of 2022. 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 2023	Unaudited Annual Financial Report 2022
9 March 2023	Supervisory Board meeting
21 April 2023	Audited Integrated Annual Report 2022
26 April 2023	Financial Statement for the first quarter of 2023
27 April 2023	Presentation of the Integrated Annual Report 2022 and Financial Statement for the first three months of 2023 to interested financial analysts and public representatives
30 May 2023	Supervisory Board meeting
20 July 2023	General Assembly
27 July 2023	Financial Statement for the second quarter of 2023 and Semi-Annual Financial Statement 2023
14 Sept 2023	Supervisory Board meeting
27 Oct 2023	Financial Statement for the third quarter of 2023 and Financial Statement for the nine months of 2023
14 Dec 2023	Supervisory Board meeting

Financial results 2022

The operating revenue of the Group in 2022 amounted to HRK 830.20 million, which is 26.3 percent lower compared to the previous year, while the operating revenue of the parent company was lower by 17.3 percent, amounting to HRK 616.85 million.

Considering the exposure and situation in the Russian market, an assessment of the asset recoverability of Russian companies was made, i.e. recoverability of investments and assets in the parent company. Based on this, an impairment of HRK 52.2 million was made at the Group level, or HRK 71.4 million at the parent company level. The presented Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) have been normalized in accordance with value adjustments, so the normalized EBITDA at the Group level amounted to HRK 4.37 million and was lower by 96,5 percent compared to 2021. Normalized EBITDA in the parent company amounted to HRK 7,15 million and was lower than last year by 90.6 percent.

In these extraordinary circumstances, it was impossible to fully transfer all increases of purchase prices and costs to customers, which greatly affected the company's profitability in the reporting period. With included value adjustments, the Group realized a loss of HRK 73.32 million, and the parent company of HRK 103.55 million.

AD Plastik Group's Russian factories operate under specific circumstances, so optimization of the organization and business model was launched in Kaluga, and production in Togliatti has been adapted to new quantities of orders, which makes Russian companies self-sustainable and financially independent as a whole from the parent company in the coming period.

The number of newly registered vehicles increased in the second part of the year, the prices of energy sources and basic materials stabilized to some extent, so by harmonizing prices with customers and starting new projects, profitability is expected to increase in the coming periods.

Key performance indicators

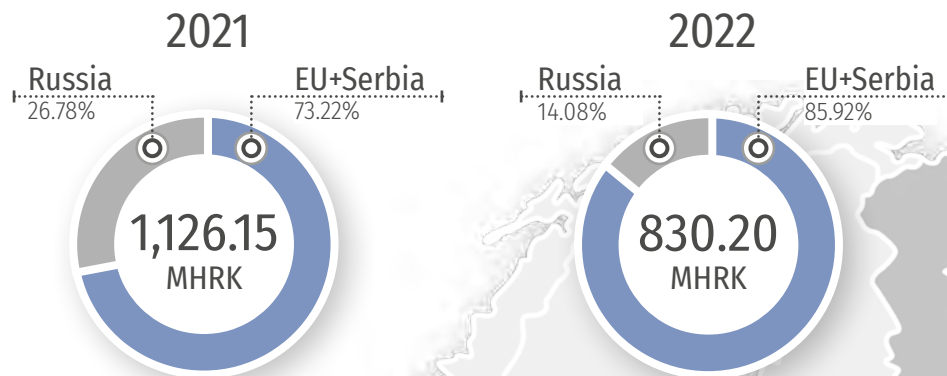
Indicators (in HRK 000)	AD Plastik Group			AD Plastik d.d.		
	2021	2022	Index	2021	2022	Index
Sales revenue	1,102,413	815,127	73.94	726,823	602,756	82.93
Other income	23,737	15,072	63.49	18,582	14,090	75.83
Operating expenses	1,092,640	964,701	88.29	737,774	747,613	101.33
EBITDA**	125,321	4,372	3.49	76,334	7,149	9.37
Net profit/loss	32,723	-73,318	-	16,340	-103,550	-
NFD*	356,353	284,813	79.92	323,054	253,325	78.42
EBITDA margin **	11.13%	0.53%	-1,060 bps	10.24%	1.16%	-908 bps
Net profit margin *	2.91%	-8.83%	-	2.19%	-16.79%	-
ROE*	3.85%	-9.04%	-	2.03%	-14.19%	-
Capex*	76,668	52,127	67.99	43,031	34,674	80.58

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

** EBITDA at the AD Plastik Group level was normalized by HRK 46.9 million in terms of value adjustment of the assets of subsidiaries from Russia. The normalization effect has also been included in other performance measures of AD Plastik Group that include EBITDA. EBITDA at the parent company level has been normalized by HRK 71.4 million, and it refers to the irrecoverable value of intangible assets, i.e. the capitalized cost of development related to Russian projects, and for impaired loans and investments in Russian subsidiaries.



Operating revenue per sales markets of AD Plastik Group



- Revenue of AD Plastik Group in EU and Serbian markets has decreased by 13.5 percent
- Revenue of AD Plastik Group in Russia has decreased by 61.3 percent

AD Plastik Group's revenue generated from European Union and Serbian markets amounted to HRK 713.35 million and it was 13.5 percent lower compared to the previous year. This is the result of a lack of semiconductors, albeit to a slightly smaller extent than a year earlier, but also of smaller orders from the Revoz factory in Slovenia. The share of the revenue from these markets in the Group's total revenue increased due to the current geopolitical situation and the decline in sales in the Russian market.

Operating revenue in the Russian market decreased significantly by 61.3 percent and amounted to HRK 116.85 million, which significantly reduced its share in the Group's total revenue. Thus, in the reporting period revenue from this market accounted for 14.1 percent of the Group's total revenue.

EU, SERBIA

Operating revenue
HRK

713.35

Million

Sealed deals
EUR

204.9

Million

RUSSIA

Operating revenue
HRK

116.85

Million

Operating expenses

Operating expenses (in HRK 000)	AD Plastik Group			AD Plastik d.d.		
	2021	2022	Index	2021	2022	Index
OPERATING EXPENSES	1,092,640	964,700	88.29	737,774	747,613	101.33
Change in the value of work in progress and finished products	1,031	-3,315	-	1,627	-91	-
Cost of raw material and supplies	548,014	464,329	84.73	307,984	305,319	99.13
Cost of goods sold	71,808	20,600	28.69	116,869	76,520	65.48
Service costs	93,407	87,547	93.73	62,716	61,597	98.22
Staff costs	254,809	228,550	89.69	161,487	150,180	93.00
Depreciation and amortisation	91,812	91,974	100.18	68,703	66,516	96.82
Other operating expenses	31,050	70,438	226.85	18,084	68,170	376.96
Provisions for risks and charges	710	1,582	222.82	175	1,582	904.00
Impairment of loans and trade receivables	-1	2,995	-	129	17,820	13,813.95

Net financial result

Net financial result (in HRK 000)	AD Plastik Group			AD Plastik d.d.		
	2021	2022	Index	2021	2022	Index
FINANCIAL REVENUE	5,020	15,005	298.90	23,248	18,618	80.08
Positive exchange rate differences	4,207	13,814	328.36	-	227	-
Interest income	741	1,191	160.73	3,454	3,095	89.61
Dividends	-	-	-	19,722	15,296	77.56
Other revenue	72	-	-	72	-	-
FINANCIAL EXPENSES	5,777	3,754	64.98	6,747	2,723	40.36
Negative exchange rate differences	-	-	-	366	-	-
Interest expenses	5,777	3,754	64.98	4,711	2,887	61.28
Other	-	-	-	1,670	-164	-
FINANCIAL RESULT	-757	11,251	-	16,501	15,895	96.33

In the reporting period, the strengthening of the Russian ruble exchange rate has had a positive effect on the Group's net financial result, while in the parent company,

the negative effect of value adjustment of financial assets associated with Russian companies and a lower dividend from the affiliated Romanian company EAPS is visible.



Financial position

Although 2022 was quite a demanding year for AD Plastik Group, financial stability was preserved with significant deleveraging. The Group's net financial debt was reduced by HRK 71.54 million compared to the end of last year, and as of December 31, 2022, it amounted to HRK 284.81 million. In the parent company, it amounted to HRK 253.33 million and was HRK 69.73 million lower. Despite the mentioned debt reduction, due to the increase in costs and the significant decline in EBITDA due to extraordinary circumstances, in 2022 the NFD/EBITDA indicators grew significantly at the end of the year. The normalization of this indicator

is expected during 2023, in accordance with the planned growth of EBITDA.

The indebtedness ratio at the Group level remained unchanged and amounted to 0.43, while in the parent company it recorded a slight growth and as of December 31, 2022 it was 0.40. Due to realized losses, in the observed period the return on equity (ROE) was negative and amounted to -9.04 percent at the Group level, i.e. -14.19 percent in the parent company.

Abbreviated balance sheet (in 000 HRK)	AD Plastik Group			AD Plastik d.d.		
	31 DEC 2021	31 DEC 2022	Index	31 DEC 2021	31 DEC 2022	Index
ASSETS	1,470,465	1,363,541	92.73	1,269,542	1,125,874	88.68
Noncurrent assets	980,861	958,307	97.70	924,325	861,984	93.26
Current assets	489,604	405,234	82.77	345,217	263,890	76.44
LIABILITIES	631,220	581,478	92.12	488,322	447,433	91.63
Noncurrent liabilities	267,386	193,608	72.41	235,513	171,332	72.75
Current liabilities	363,834	387,870	106.61	252,809	276,101	109.21
CAPITAL	839,245	782,063	93.19	781,220	678,441	86.84

Investments 2022

In 2022, the investments of AD Plastik Group were still kept at lower levels. The total value of realized investments amounted to HRK 52.1 million, which was 32 percent less than in 2021. Of the total investment amount, HRK 32.1 million was invested in tangible assets, and HRK 20.0 million

in intangible assets. The most significant material investments refer to specific investments related to new projects, while intangible investments mostly refer to the capitalized costs of developing new projects.

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

In order to present a clearer picture of the business, a comparable, shortened, consolidated profit and loss account of AD Plastik Group for 2021 and 2022 has been

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

(in HRK 000)

Positions	2021	2022	Index
OPERATING REVENUE	1,386,321	1,184,840	85.5
OPERATING EXPENSES	1,333,140	1,269,276	95.2
Material costs	875,549	772,144	88.2
Staff costs	279,727	267,486	95.6
Amortization	100,378	99,917	99.5
Other costs	77,486	129,730	167.4
FINANCIAL REVENUE	5,692	17,720	311.3
FINANCIAL EXPENSES	6,661	7,102	106.6
TOTAL REVENUE	1,391,842	1,202,559	86.4
TOTAL EXPENSES	1,339,801	1,276,378	95.3
Profit/loss before taxation	52,042	-73,818	-
Profit tax	19,319	-500	-
PROFIT/LOSS OF THE PERIOD	32,723	-73,318	-
EBITDA	153,559	90,480	58.9

The operating revenue of AD Plastik Group with the consolidated corresponding part of ownership in the affiliated company amounted to HRK 1,184.84 million, recording a

decrease of 14.5 percent compared to 2021. EBITDA amounted to HRK 90.48 million, representing a decrease of 41.1 percent.

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



EAPS results have been included in the results of AD Plastik Group by the equity method and in the reporting period, its performance indicators increased. Generated operating revenue increased by 35.7 percent and amounted to HRK 727.06 million. Net profit amounted to HRK 83.49 million and increased by 173 percent compared to the previous year. The main reasons for such growth are the greater number of Dacia working days compared to the previous year and the high efficiency of the factory in Mioveni. Investments

in the observed period amounted to HRK 24.5 million. The company has no financial liabilities towards AD Plastik d.d., nor liabilities towards external entities. As of December 31, 2022, its cash on account amounted to HRK 94.68 million.

EAPS primarily generates its revenue in the Romanian market from the Dacia customer and, to a lesser extent, it supplies its products to the markets of Morocco, Argentina, Brazil, Colombia and South Africa.

(in HRK 000)

Positions	2021	2022	Index
Operating revenue	535,867	727,058	135.7
Operating expenses	-496,523	-626,927	126.3
Net financial result	-425	-1,266	298.1
Profit before taxation	38,919	98,865	254.0
Profit tax	-8,342	-15,378	184.4
Profit of the period	30,578	83,486	273.0

100% realization shown

(in HRK 000)

Positions	2021	2022	Index
Noncurrent assets	94,634	92,293	97.5
Current assets	212,571	296,082	139.3
TOTAL ASSETS	307,204	388,375	126.4
Capital + provisions	122,001	168,454	138.1
Long-term liabilities and provisions	14,816	7,710	52.0
Short-term liabilities	170,387	212,212	124.5
TOTAL LIABILITIES	307,204	388,375	126.4

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 comparative periods so that the company's results can be compared over different periods.



EBITDA and EBITDA margin

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

Net profit margin

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

Net debt and net debt to EBITDA

Net debt represents the sum of short-term and long-term liabilities to banks and short-term and long-term loans to non-banking companies, minus cash and cash equivalents. AD Plastik Group uses the ratio of net debt to EBITDA

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

	(in HRK 000)	
AD Plastik Group	31 DEC 2021	31 DEC 2022
Non-bank loans	47,382	26,063
Long-term liabilities to banks	238,100	175,087
Short-term liabilities to banks	101,023	114,162
Cash	-30,152	-30,499
Net financial debt	356,353	284,817

	(in HRK 000)	
AD Plastik d.d.	31 DEC 2021	31 DEC 2022
Non-bank loans	37,586	18,893
Long-term liabilities to banks	217,479	159,925
Short-term liabilities to banks	77,785	92,423
Cash	-9,797	-17,916
Net financial debt	323,054	253,328

ROE

This measure is used to monitor the realized return on equity, and it is calculated on an annual and quarterly basis. When calculating the indicators on an annual basis, the ratio is the net profit of the current period and the average value of equity (the average value of equity at the end of the reporting period and equity at the beginning of the reporting period 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 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 2021	31 DEC 2022
Last price in the period (HRK)	165.5	79.4
Number of shares (000)	4,200	4,200
Market capitalization (in HRK 000)	695,031	333,447

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 2021	31 DEC 2022
Net profit /loss of the period (in HRK 000)	32,723	-73,319
Average weighted number of shares (000)	4,143	4,152
EPS (HRK)	7.90	-17.66

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

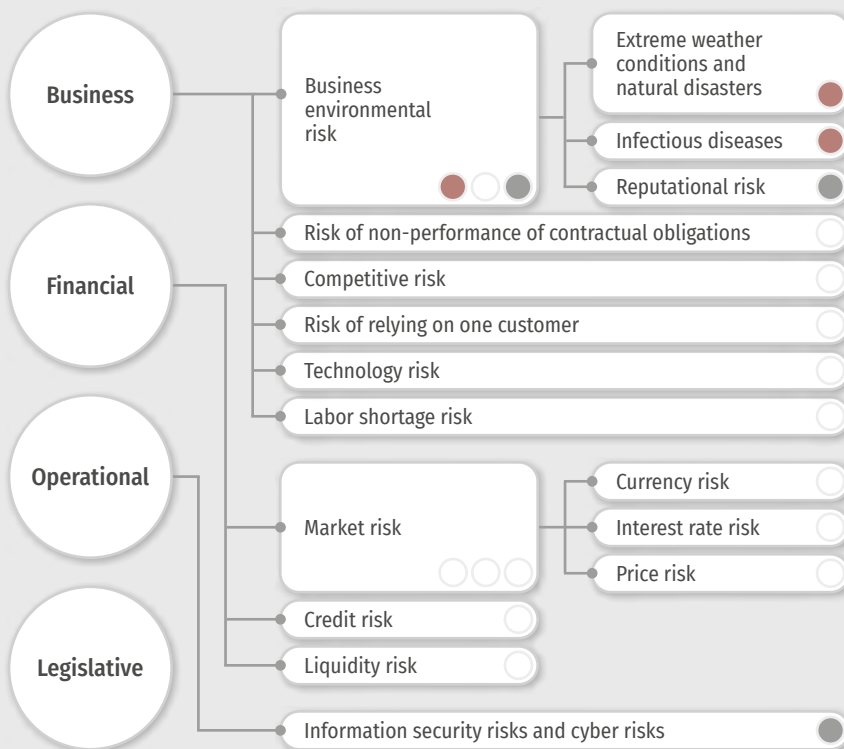
AD Plastik Group recognizes risks and opportunities in its business operations, including those related to climate change, which can be affected by external and internal factors. Their impact on business results or climate change can be positive or negative, therefore monitoring and timely assessment are necessary to effectively manage them.

Constant improvements in the field of risk and opportunity management are the fundamental lever of successful

business management as a whole. The company influences internal factors through the constant development of its business policies and procedures, while the direct influence on external factors is limited.

Risks related to climate change are part of business risk management that have defined procedures, but the system for calculating financial consequences is not defined for each individual risk.

GRI 201-2



Risks

Risks and opportunities related to climate change

- Physical risks
- Other risks

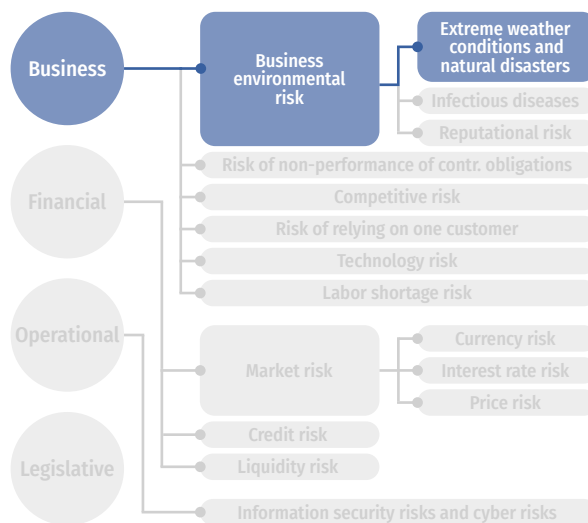
Business risks

Business risks arise from the business environment and the specifics of the industry, and they directly affect the stability and maintaining the company's competitive advantage.

Business environmental risk

This category includes political, macroeconomic and social risks and the risk of force majeure. As AD Plastik Group operates in a global market, with production sites in five countries, it is exposed to various business environmental risks which it cannot directly affect. Such risks are mitigated to some extent namely through the dispersion of business in different countries.

Macroeconomic, political and social stability in the countries where business is conducted are important for company's business and can directly affect the competitiveness and its business results. Instabilities can lead to undesirable trade effects, affect the realization of strategic plans, but also the regular business. During the reporting period, we witnessed geopolitical instability that significantly affected the global economy, the automotive industry and the business operations of AD Plastik Group. In order to reduce the aforementioned impacts and risks, the company has completely focused its business operations on the European market, where it has intensified its sales and development activities. Macroeconomic and long-term market indicators are monitored and activity scenarios are developed, with a focus on opening new markets in Europe.



● Extreme weather conditions and natural disasters

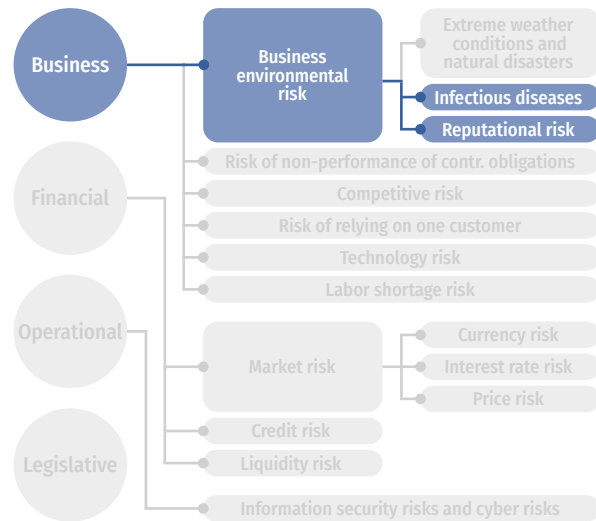
The production sites are not located in risky areas, therefore this company's risk is reduced. Extreme weather conditions or natural disasters can directly or indirectly affect the company's business operations if they occur in the countries where business is conducted or the wider supply chain. Therefore, there are internal procedures with instructions for dealing with such situations, which are updated and evaluated twice a year according to frequency and possible impact on safety and business.

The aforementioned risks are managed by insuring assets from the consequences of climate change, or natural disasters of any kind. Also, constant investment in quality equipment and infrastructure reduces the potential consequences of the aforementioned risks.

● Infectious diseases

The rapid spread of infectious diseases can have devastating effects on the economy and humanity in general. This was also demonstrated by the pandemic, which has not yet ended, and which, in addition to affecting the health, caused a series of consequential crises in business and the economy as a whole. The consequences of the corona crisis are significant disruptions in supply chains and an increase in the prices of raw materials, transport and services, and the automotive industry has been affected mostly by the global lack of semiconductors. This made it impossible to meet the market needs for new vehicles and affected the reduction of production capacities of car manufacturers, which was also reflected in the results of AD Plastik Group. The negative effect on the business has been partly mitigated by adapting the business to the customers' operational plans and by rationalizing costs and investments.

In case of the occurrence of infectious diseases, the primary goal is to preserve and protect the health of employees and the sustainability of the business. The lack of employees represents the greatest threat to business in that case, and actions to be taken in such situations are defined by internal documents and rules of procedure,



which also include cases of interruptions in supply chains. The risk assessment is evaluated twice a year according to frequency and impact.

● Reputational risk

By raising awareness of the importance of human activity on climate change, end consumers, and investors, are paying increasing attention to the reputation of producers in sustainable development and their ESG indicators. Thus, the impact of an individual product and the production process in which it occurs on climate change is becoming increasingly significant.

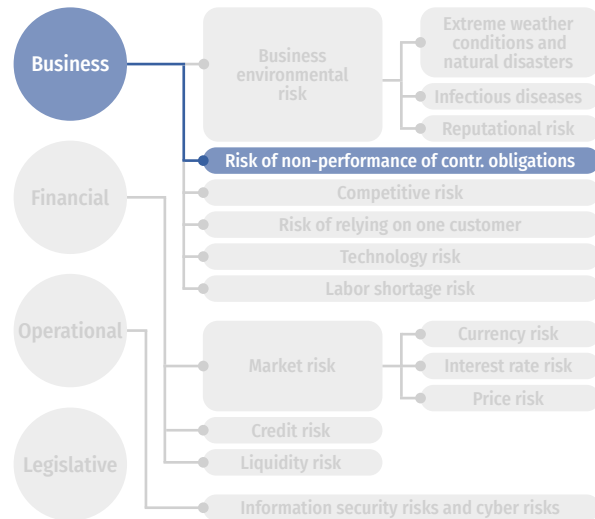
One of the most important criteria when choosing a supplier in the automotive industry, apart from quality and reliability, is the fulfillment of sustainable business standard in accordance with the most recent knowledge and regulations.

AD Plastik Group proves in its daily business that sustainable business is one of the most important components of its development policy. Company representatives advocate sustainability and responsible business at various panels and conferences, and the positive results of third-party audits are in line with the company's policies and strategy. Reputational risk has been recognized as an important one and managed through quality cooperation with all stakeholders and continuous reputation and communication improvements.

Risk of non-performance of contractual obligations

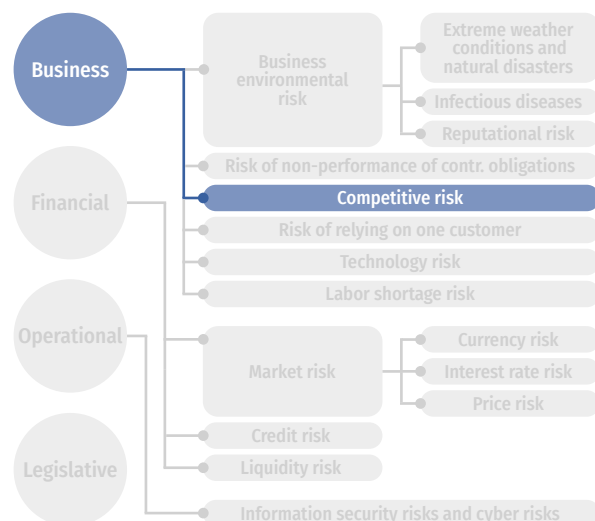
Contractual relations with customers define quality standards and individual product delivery deadlines. In that process, the company is exposed to the risks of potential non-performance of contractual obligations to the customer, which may primarily arise due to non-performance of contractual obligations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

This risk is managed by continuous evaluation of suppliers, through monitoring the quality and stability of deliveries and securing supplies if necessary. At the same time customers continuously audit all processes at the production sites of the Group and in the reporting period, 9 customer audits were successfully conducted. Despite numerous challenges in supply chains during the reporting period, AD Plastik Group fulfilled its contractual obligations to its customers.



Competitive risk

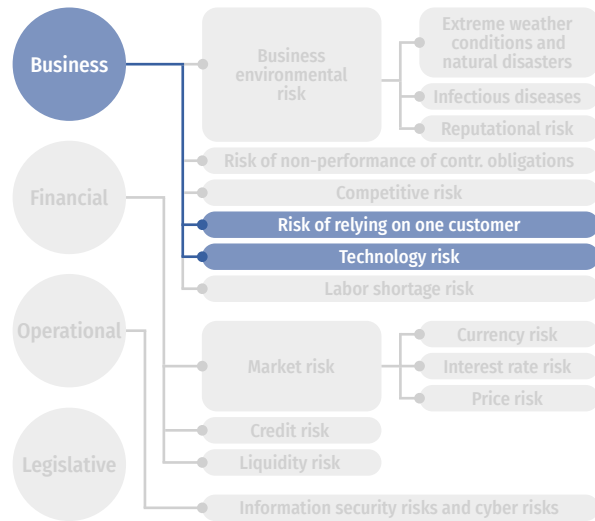
AD Plastik Group has positioned itself in the demanding automotive market as a supplier of high reliability, cost and technical competitiveness affected by the numerous factors in the automotive industry. Competitiveness is influenced mainly by price, product quality and reliability. The distance between the production sites of customers and suppliers significantly affects price, especially for larger volume products with higher transport costs. Almost all of the Group's factories are located close to their main customers, with which partnerships are built based namely on quality and reliability, which ensures long-term and successful cooperation. The entry of new suppliers into the customer panel is a gradual and limited process, but if you build a partnership with your quality and reliability, the cooperation will certainly be long-term.



Risk of relying on one customer

Aware of the risk of dependence on one customer, work has been actively done on diversifying the customer portfolio for many years, in line with the company’s strategy. Thus, the exposure to the Renault Group has significantly decreased in the past years, which was further accelerated in the reporting period by their exit from the ownership of AvtoVAZ in Russia and the reduction of production capacities at the Revoz factory in Slovenia. Accordingly, and based on the new sealed deals, the share of Ford, Suzuki and Stellantis in the Group’s revenue has been increasing.

The continuing trend of merging different car manufacturers reduces the possibility of diversifying the customer’s portfolio, but at the same time it opens up new markets and opportunities to expand cooperation with individual groups.



Technology risk

Technology is of great importance in the quality, added value and price of the product itself, but when choosing it, its impact on the carbon footprint and sustainability is also significant. The lag in technological development reduces competitiveness, weakens the acquired position in the market, reduces chances for new deals and consequently negatively affects the company’s business results. The automotive industry has been undergoing a significant and dynamic transformation, and the biggest challenge are electric and autonomous vehicles that need to meet increasingly rigorous environmental and safety standards. AD Plastik Group has therefore continuously been focused on investments in new technologies and product development that will improve its competitiveness, while taking care of their impact on the environment.

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.

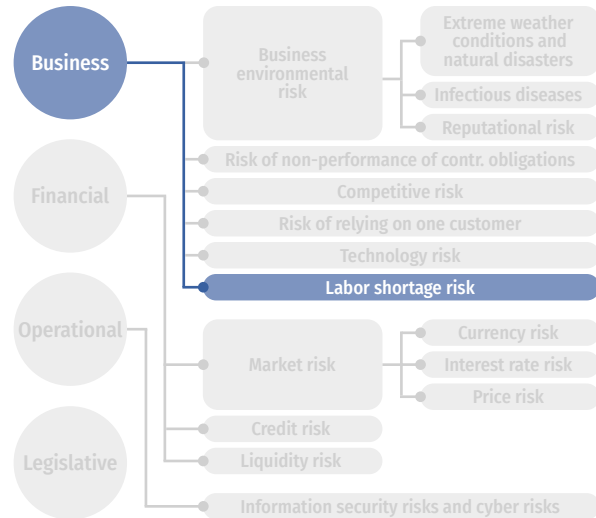
Information technology and safety are extremely important in the automotive industry to ensure the necessary electronic communication with customers and suppliers without time delay. Disruptions in the communication system can cause delays in production and deliveries, so continuous improvements and investments in equipment and IT infrastructure reduce the possibility of disruptions in operation.

Labor shortage risk

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

The company reduces the labor shortage risk and the impact on business primarily by high-quality analyses and detailed planning of its needs for specific job positions, hiring the best candidates and continuous education of existing employees. Through the development of employees, detailed prescribed processes, the continuity of business is ensured and the competencies necessary to perform business activities are maintained.

In case of crises and the need for larger and sudden employment, the company can at a certain moment meet the needs of the labor force in cooperation with employment agencies, with which it has signed contracts. This further reduces the labor shortage risk.



Financial risks

Financial risks refer to all risks that may impair the financial stability of the company. They include, for example, significant changes in exchange rates, rising interest rates, delays in the collection of receivables and others. The management of these risks is centralized and implemented in Finance Department within the parent company. The Finance Department also manages activities in the domestic and international financial markets and consolidates the cash flows of Group members.

Market risk

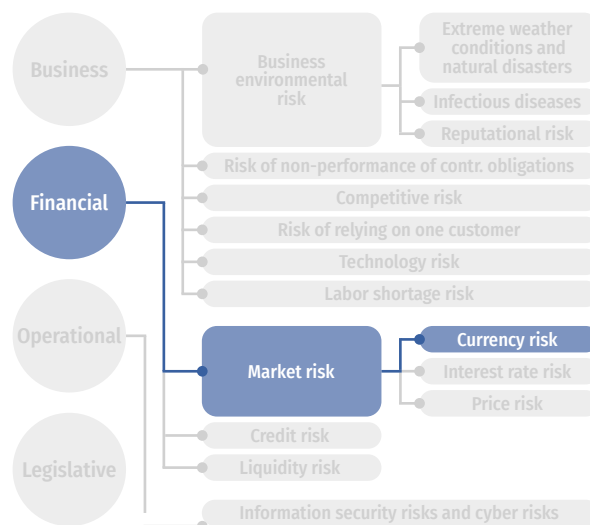
Market risk is the risk of fluctuation of fair value or future cash flows of a financial instrument because of changes in market prices. Price changes often refer to movements in interest rates or exchange rates, but also include changes in the prices of basic products that are necessary for business.

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 a change in the 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.

The most significant exposure of the Group comes from exposure to the euro, given that over 80 percent of revenue is generated in that currency, but also to the Russian ruble, given the effect of translation of foreign operations in consolidated reports. The Group is also exposed to changes in the EUR/HUF, EUR/RSD and EUR/LEI exchange rates. In 2022, 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

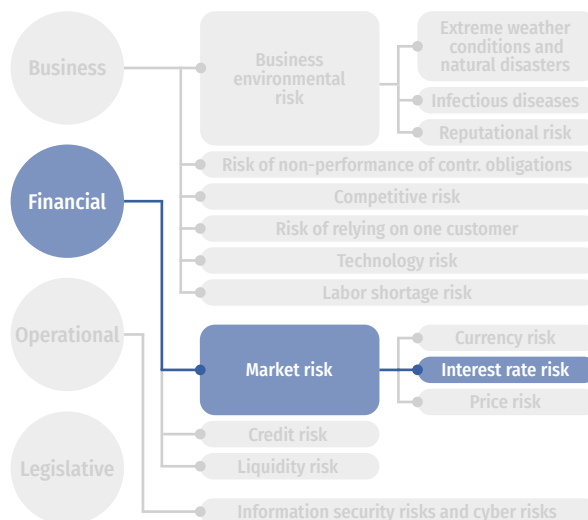


continuously monitors exchange rate movements and future projections and occasionally uses FX forward transactions regarding currencies that have seasonal exchange rate fluctuations, in order to reduce transaction risk. In Russia, rather significant changes in the ruble exchange rate are coordinated with customers on a regular basis through changes in sales prices, that is, by using natural hedging. Balance risk is tried to be reduced by balancing open foreign exchange positions by individual currency within balance sheet items. One of the basic measures for balancing the foreign exchange sub-balance is borrowing in the currency in which revenue is generated per individual company. Additional information on the management of this risk can be found in the notes to the financial statements on pages [232](#) and [302](#).

Interest rate risk

It represents a risk of possible losses arising from the changes in market interest rates. Group has not been significantly exposed to interest rate risk resulting from credit indebtedness during the observed period given that most credit arrangements have been contracted with a fixed interest rate. However, there was a strong and rapid increase in interest rates at the end of the year, due to a change in the policy of central banks, which will be reflected in the growth of financing costs in the following periods, which will be mitigated to some extent by earlier borrowing.

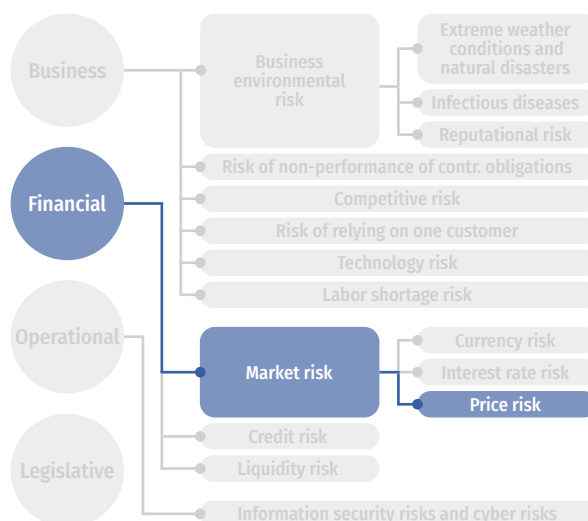
The market situation and interest rate projections are regularly monitored and, if necessary, the interest rate on existing borrowings is adjusted or refinanced with new borrowings so that the fair value of the interest rate, which is paid, is in line with the most favorable interest rates available in the market at a certain point.



Price risk

A company may be exposed to price risks of various kinds, such as 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, that is input data from the market as well as 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.

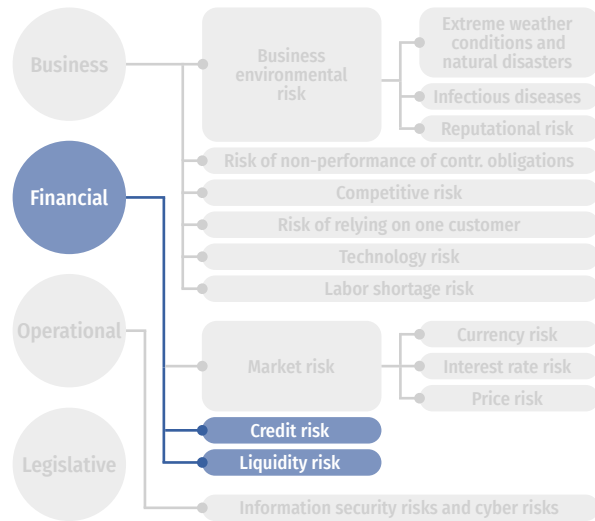
In the reporting period, the Group's business operations were strongly exposed to price risks, related to changes in the prices of key raw materials and materials, transport and services. Price increase risk is reduced by open product price calculation with the customers, according to which changes in the price of raw materials, materials and other costs are adjusted with most of the 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. 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 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 factors for their economy.

Credit risk related to loans granted is under the control of the company as these are loans granted to subsidiaries in which the parent company is the sole owner.



Liquidity risk

This risk represents the risk of the 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 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,

makes decisions on placing surplus funds in deposits or covering the lack of funds from short-term financing sources, and undertakes activities to timely ensure credit lines for capital investments and project financing.

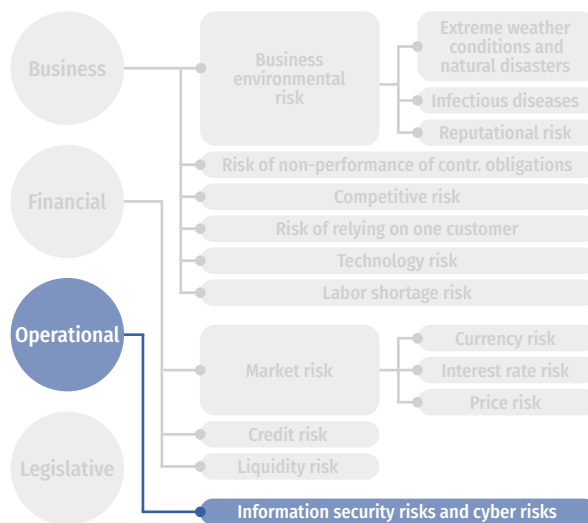
The parent company issued corporate guarantees for the needs of subsidiaries in the following amounts: HRK 73,085 thousand to banks, HRK 12,557 thousand to suppliers.

Additional information on the management of this risk can be found in the notes to the financial statements on pages [232](#) and [302](#).



Operational risks

Operational risks can be caused by inadequate procedures and failed internal processes, human factor, system or external events. They are managed 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 in unpredictable external events are developed. The internal audit assesses the effectiveness of the organization's risk management, investigates, examines, and evaluates the effectiveness of the internal control system, reports on the results identified, and proposes solutions to the management. With 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 there have been continuous works on improving, further developing and implementing new technologies in everyday business.



● Information security risks and cyber risks

AD Plastik Group actively follows global trends and recognizes the risks of cyber (IT) attacks as one of the most important ones and continuously and systematically works on developing information security programs and strengthening organizational and technical security measures. The reporting period was marked by very important activities in the implementation of preventive security measures, with which all identified high risks of information and cyber security were reduced to a manageable level. Activities of regular checks and simulations of critical parts of the business are continuously carried out, so 2022 was marked by internal security checks of the production sites in Croatia according to the industrial standard ISA/

IEC 62443. Simulations of cyber attacks and interruptions of supply chains in the field of communications were also carried out. In this way, a balanced investment is made in preventive, detection and reaction mechanisms, with the aim of increasing resistance to cyber-attacks and raising the readiness to respond to unforeseen events.

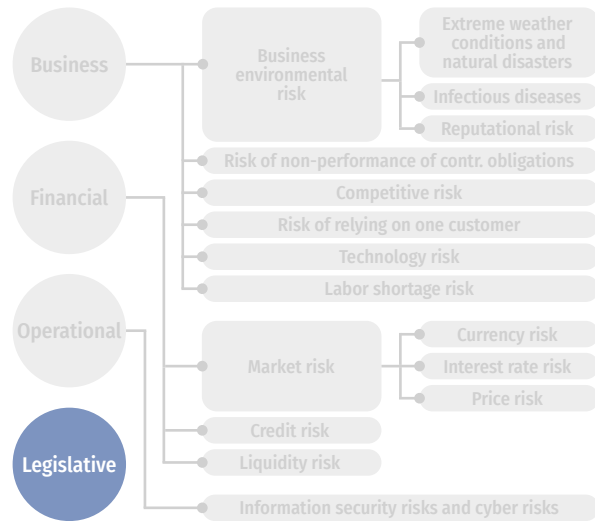
During 2022, various scenarios were developed as preparation and responses to the geopolitical situation in Russia. The Security Operations Center fully monitors all security events at the production sites in Croatia, Serbia and Hungary, as well as the activities of shared resources in Russia.

Legislative risks

These risks arise from changes in fiscal and other regulations which directly, positively or negatively, affect the company’s 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.

In the reporting period, the most significant regulatory risk for AD Plastik Group were the sanctions imposed as a result of geopolitical events in Russia. Although they did not influence the change of the Group’s business model in the current framework, they made it difficult or limited the purchase of materials and raw materials, which affected the automotive industry and the business of AD Plastik Group.

In 2022, the Law on Extra Profit Tax was passed in Croatia, which will not have an impact on AD Plastik d.d. in the reporting period, considering the achieved results.



Opportunities

The development and production of automotive polymer components is not recognized as an activity that can significantly affect the carbon footprint. At the same time, in order to reduce greenhouse gas emissions, new vehicle models are being developed that are significantly lighter, thus achieving the desired goal. Precisely because of this, polymer components are increasingly replacing metal ones, which is an opportunity for AD Plastik Group. By researching and developing materials that perfectly fit the cars of the future, opportunities are created to expand the

products, customers and markets portfolio. Automated and autonomous driving, electrification, connectivity and the design of significantly lighter vehicles are the future of the automotive industry, so demand for polymer components is expected to increase in the coming periods.

Namely new technologies and materials have a positive impact on climate change, and they raise safety and quality standards along with ubiquitous digitization and robotization.

Business Plan

The automotive industry has been going through a challenging period since the beginning of the pandemic, as well as all its suppliers, such as AD Plastik Group. In addition to the global problems that affected the entire economy, the lack of semi-conductors particularly affected the production of cars and realized quantities.

The Russian-Ukrainian crisis further increased negative external influences, and considering the exposure to the Russian market, it had a significant impact on the business operations of AD Plastik Group.

In such circumstances, realistic planning was almost impossible, as was the realization of the set plans. Although there are still many uncertainties and risks in the environment, the situation is still somewhat clearer. By stabilizing the supply of semi-conductors, an increase in the number of manufactured cars is expected, which will also contribute to the growth of AD Plastik Group's revenue. The start of serial production of new vehicles should also be added to this, which will also have a significant impact on the company's revenue.

Thus, an average annual revenue growth is expected in the next three years of over 10 percent at the Group level. Price stabilization of basic raw materials and energy sources, their harmonization with customers and the launch of new projects will have a positive effect on efficiency and profitability, which will have a positive impact also on EBITDA margin, so it is expected that it will be higher on average than 10 percent in the next three years.

Realization of new projects also requires certain investments and given the fact that there is enough free capacity, it will primarily refer to specific investments related to individual projects, which will result in a significant amount of investments in 2023. In the next three years, investments of an average of EUR 10 million per year are expected.

The company's activities are focused on the European market, and this is confirmed by the new deals sealed in the first quarter of 2023, worth over EUR 95 million. Growth in capacity utilization, raising efficiency and profitability, and financing new projects while maintaining financial stability are the main goals in the coming period.

> 10%

AVERAGE ANNUAL REVENUE
GROWTH IN THREE YEARS

> 10%

AVERAGE EBITDA MARGIN
IN THREE YEARS

10 m€

AVERAGE ANNUAL
INVESTMENTS IN THREE YEARS

Identification of material topics

GRI 3-1

Based on the changes and improvement of material topics in the GRI standards, while being guided by experiences in reporting and the conclusions of consultations with its stakeholders, AD Plastik Group has significantly changed the approach to identifying material topics. They are primarily identified in accordance with the specifics of the business activity, the company's strategy and policies, but they are primarily related to business circumstances in the reporting period. Therefore, in 2022, those topics that had the most significant impact on the economy, environment, and people were selected as material ones, while the company also reports on all other topics according to GRI standards which it does not consider material in the reporting period.

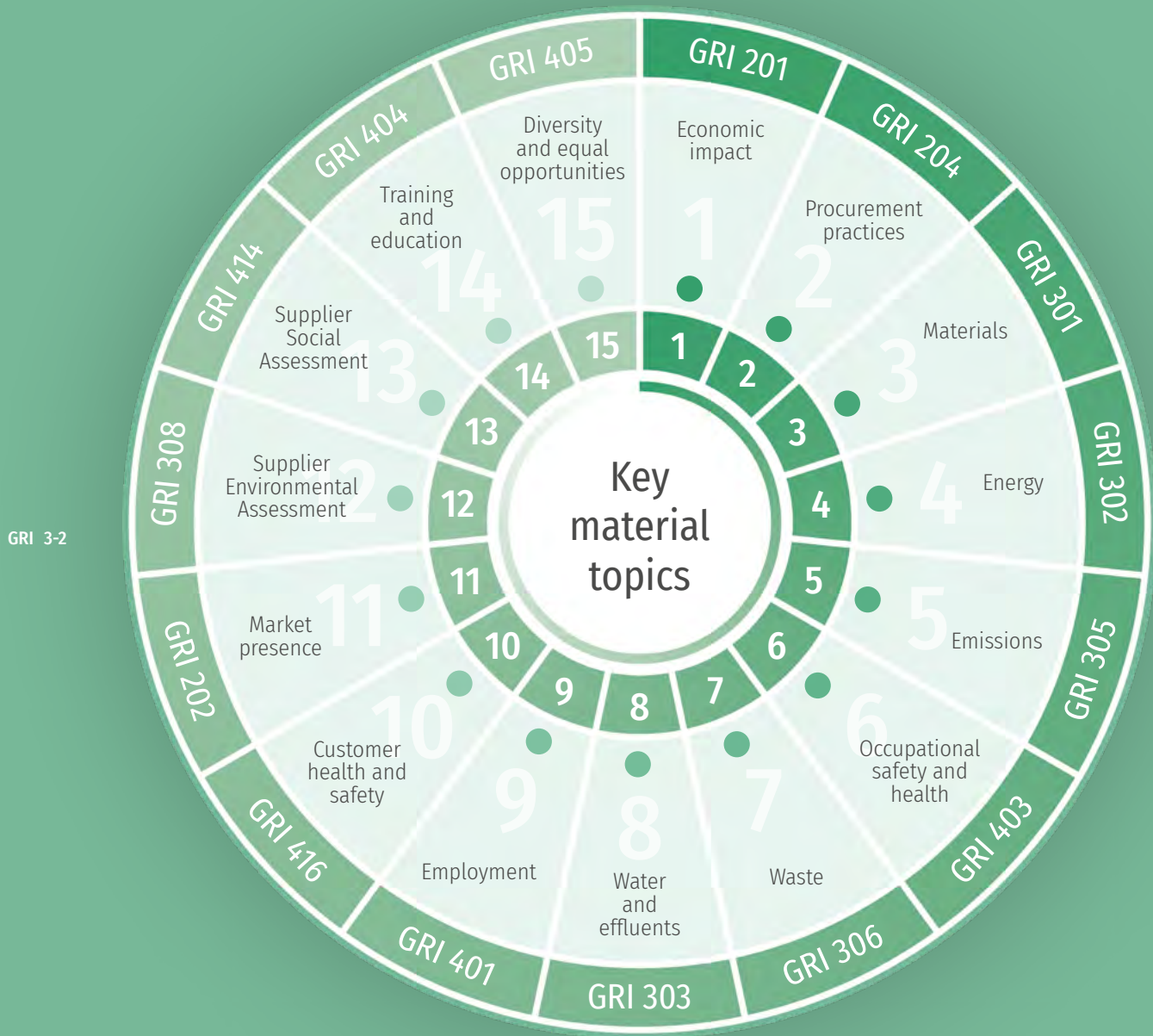
Throughout the year, individual impacts are assessed, primarily within the company, but also through the constant involvement of relevant stakeholders and experts, independently of the reporting process itself. At its meetings, the company's Corporate Social Responsibility Committee regularly reviews the process of determining material topics, which is carried out by directly consulting expert stakeholders within and outside the company and through a [survey](#) available on the company's website throughout the year. After the Committee defines the material topics, with its assessment and the assessment of the stakeholders, they are confirmed by the Management Board, as the highest management body of the company.

In the reporting period, consultations on the importance of influence were carried out intensively and regularly with the most important groups of stakeholders, namely employees, customers, shareholders, and suppliers, and occasionally other stakeholders such as experts from the academic community and independent professional associations or organizations were consulted.

The significance of the company's impact was assessed primarily according to the market circumstances in the specified period, that is, the company's impacts on the economy, environment, and people in the specified circumstances. Negative and positive impacts, potential and actual impacts were observed, and based on that, the material topics listed below were defined. In cases where negative impacts were identified, all necessary measures were taken during the year to reduce or completely eliminate them. The Corporate Social Responsibility Committee is obliged to inform the Management Board about it without delay and propose improvement activities. In the following text of the report, the impacts and management regarding each identified material topic will be listed individually.

GRI 3-3





GRI 3-2

→ In relation to the past reporting period, labor/management relations, non-discrimination, freedom of association and collective bargaining, local communities, forced or compulsory labor and child labor, rights of the domicile population, and environmental compliance were not identified as material topics. The company will report on them in the report, but since they are already firmly

standardized within the company's process, which is confirmed by the interests of the stakeholders, it is considered that they did not have a significant impact on the economy, the environment, and people. Based on consultations with internal experts from certain fields and independent experts, it has been assessed that these were not material topics in the reporting period.

Corporate culture

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. It chose respect for the principles of socially responsible and ethical business as the only correct direction on its way toward the successful realization of goals.

In 2016, the company's Management Board adopted the Code of Business Conduct and Corporate Policies of AD Plastik Group, which were additionally confirmed and approved by the Supervisory Board in 2020. These documents prescribe the company's key values and ethical standards, published on the [company's website](#), and each employee has their own printed copy, which is also given to each new employee upon hiring.

GRI 412-2

The goal of this document is to conscientiously and continuously establish a balance in the economic, social, and environmental aspects of the business when making all business decisions. Among others, the document contains policies for the protection of human rights, occupational health and safety, and a policy of diversity and equal opportunities. They promote the right to respect and dignity of every individual, regardless of any personal characteristics. Compliance with ethical standards is also an obligation of business partners, and decisions on their selection are made accordingly. Due diligence is not prescribed, but the management is specifically committed to promoting a culture of ethical behavior and creating an environment where everyone knows organizational values and acceptable professional behavior.

GRI 2-23

The Code clearly prescribes the procedure for reporting irregularities and non-compliance with the company's principles, and it also directs employees to seek additional clarifications if necessary.





→ In the case of receiving a report for a violation of the Code, a procedure is initiated based on which the circumstances of the reported event are investigated, the justification of the report is determined, and appropriate measures are taken. During 2022, one report of discrimination was received, but during the procedure it was determined that it was a case of inappropriate communication and warning has been issued.

GRI 406-1

The company does not tolerate any form of harassment or discrimination in the workplace, as well as any type of abuse. It undertakes to respect human rights according to the Universal Declaration of Human Rights of the United Nations and the conventions of the International Labor Organization, and is also a signatory to the Diversity Charter. It provides equal opportunities to all employees and candidates, especially vulnerable groups. There is no discrimination in any segment of the HR process and an environment free of unfair bias is created. As part of the corporate policy of equal opportunities, training and education are provided to all employees as well as their continuous personal and professional development. The promotion process is transparent and based solely on experience, competencies and abilities.

GRI 412-2

The company incorporates its obligations set out in corporate policies into business processes through procedures and work instructions that apply to all employees. Middle management (page 40) is responsible for the implementation, monitoring, and improvement of the processes, which is reported in more detail within individual topics of this report. All business segments, including sustainability, are reported at regular monthly meetings with the Management Board.

GRI 2-24

The anti-corruption policy, among other things, prescribes the prohibition of donations that do not comply with honesty standards at the Group level and do not correspond to local regulations, and the complete process is described in the [Rulebook on Donations and Sponsorships](#). AD Plastik Group respects the principles of free market competition, so in accordance with the Antimonopoly Policy, it strictly prohibits agreements between entrepreneurs whose aim is to distort market competition.

GRI 205-2

GRI 206-1

The company applies precautionary rules in various business segments, for example in the field of health and safety with regular activities aimed at preventing injuries at work, and an Occupational Safety and Health Committee was established in order to monitor and improve this area.

GRI 408-1
GRI 2-23

In accordance with the conventions of the ILO (International Labor Organization) no. 29 and 105 on forced labor, it is obliged to use the freedom of choice in employment, simultaneously enforcing the prohibition of forced and compulsory labor. The employment of children is strictly prohibited, and the application of the principles at all production sites is monitored by specially prescribed mechanisms that reduce the risks of the employment of minors. The business is directed towards the harmony between the business and private life of employees, a family-conscious policy and environmental protection, which strongly affects the interests of children and their rights. In addition to business that respects children's rights in practice, the company participates in projects that strengthen the visibility of business practices for the benefit of children.

AD Plastik Group is a signatory to the Code of Business Ethics of the Croatian Chamber of Economy and the United Nations Global Compact initiative, thereby committing to promote and support the ten principles of the UNGC and the seventeen global goals of sustainable development.

GRI 2-26

Although the company does not have a centralized communication channel for expressing stakeholders' concerns, employees can express their concerns anonymously through ADP Mailbox, and all incoming inquiries are regularly answered in the internal newsletter, which deals with topics important to larger groups of employees. In addition to direct communication, employees can express their concerns indirectly, through their representatives in the Workers' Council and they can ask for advice via the official e-mail address.

An e-mail address has been specially opened for shareholders, through which they can receive daily information, and they can express their rights and concerns also at the General Assembly and through the Association of Small Shareholders. For better communication, the company has a person in charge namely of relations with investors. Customers participate in expressing concerns or seeking advice, through various questionnaires and audits through which the level of corporate excellence is elevated.

Separate processes for the remediation of negative impacts are not specially organized, except for employees, in such a way that a person is appointed to receive complaints and protect the dignity of employees, and the process is defined by a separate rulebook. The process of complaints and their resolution is confidential.

GRI 2-25

GRI 415-1

The company opposes any material support of political parties and promotes transparent public advocacy through business and interest organizations.

GRI 2-27

Monitoring and enforcement of laws and regulations and constant checking of compliance of all business processes with laws are an integral part of regular business activities at all production sites. Special attention is paid to compliance with labor law, contracts with customers and suppliers, as well as all other legislation. During the reporting period, no inconsistencies and irregularities were found at any production site of AD Plastik Group, no monetary or non-monetary fines were paid or imposed for non-compliance with laws and regulations.

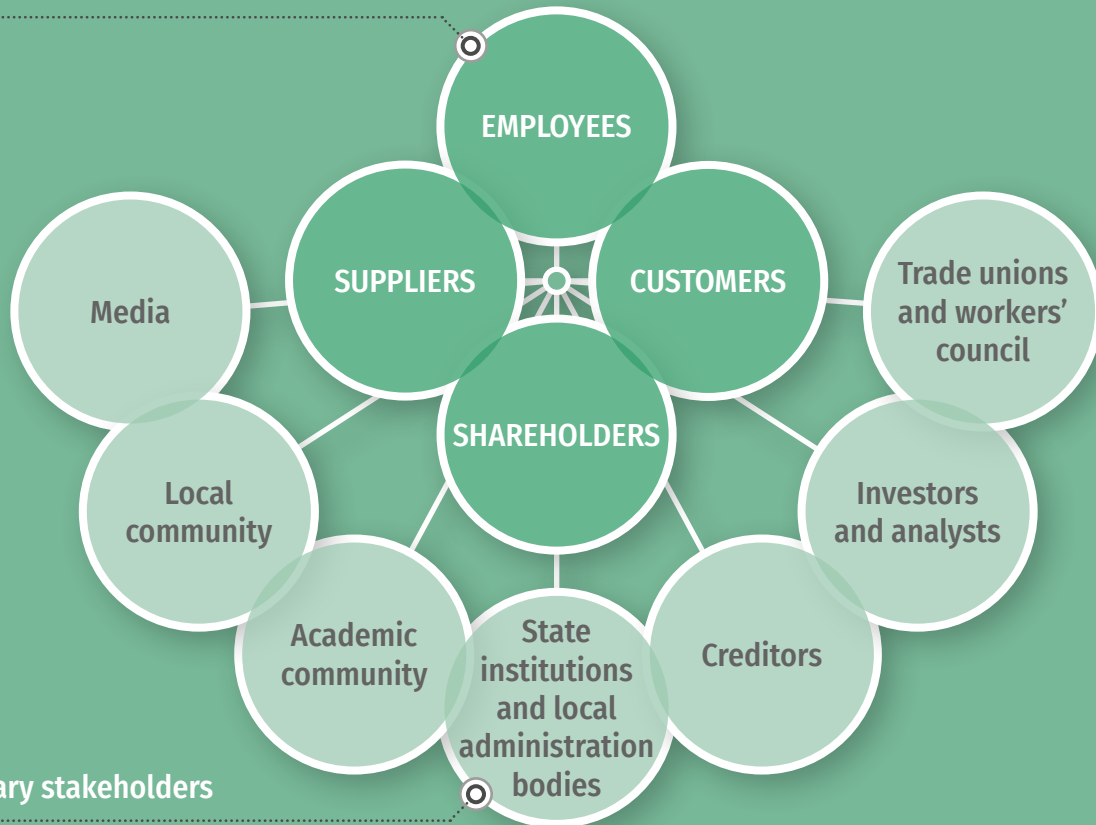
GRI 205-3

GRI 307-1

During the reporting period, the dispute initiated in the previous reporting period related to labor relations was resolved, and there were no new disputes.

Stakeholder involvement

Key stakeholders



Secondary stakeholders

GRI 2-29

Involvement and regular informing of stakeholders are common activities of AD Plastik Group, because continuous, transparent, and two-way communication contributes to a better understanding of business and development strategy, and at the same time to understanding of its stakeholders and their interests. Since the recognized groups of the company's stakeholders are heterogeneous,

the tools and channels of communication, as well as its frequency, are adjusted.

Communication with suppliers and customers is very intensive and apart from operational meetings at all levels, company management regularly communicates with them on issues of the potential impact on sustainability. →

→ Continuous work is being done on the research of new, more environmentally friendly materials and technologies, all with the aim of reducing the emissions of the final product. In addition to direct consultations, the company confirms its orientation towards sustainable development also through regular evaluations by external agencies, audits of its customers and their regular evaluation through specialized portals. As very high and clear standards of corporate social responsibility have been set within the automotive industry, which are a prerequisite for cooperation, the company also conducts audits at its suppliers' sites according to plan and need.

Daily communication with employees at different levels regarding various impacts, but also with shareholders, is also intensive. The professional staff of employees is included through direct consultation and participation in the assessment and determination of impacts, their significance and the creation of preventive activities, while all employees are regularly informed about the company's activities. In addition to regular meetings at all levels, the tools used are e-mail, the internal newsletter ADP News, bulletin boards, the intranet, and other digital channels of communication. In order to respect the right to privacy of each employee, the company offers the possibility of anonymous expression of opinions through ADP Mailbox. In order to exchange opinions with employees as efficiently as possible, regular research of the organizational climate and satisfaction are carried out, and occasionally research on specific topics in order to obtain the highest quality feedback possible.

In addition, the company regularly cooperates with external experts in various fields in order to further improve or review its own processes, especially those related to sustainable business. As this is an area where there is a lot of room for improvement and the regulations themselves have changed significantly in recent years, the company finds the best solutions in accordance with the industry in which it operates and the best practices in the market.

Reports and news about important business frameworks and events are regularly published on the company's

website and LinkedIn, and more intensive communication is maintained with shareholders by regularly responding to their individual inquiries. Shareholders are also involved through the work of the General Assembly, which is described more on page [32](#).

AD Plastik Group takes into account the feedback of its stakeholders in certain areas in such a way that, when making individual decisions, they must be highlighted and explained to the highest management level. In this way, individual decisions are reviewed and adjusted in accordance with the received information, or the process of their realization is accelerated, if they coincide with the opinion of the stakeholders.

During the reporting period, due to the specific business circumstances and the Russian-Ukrainian conflict, the involvement and information of stakeholders was significantly more intense. As the consequences of the crisis had a negative impact on the company's business results, and also due to the fact that the company owns two factories in Russia, the concerns of stakeholders has increased. The company regularly informed about its activities, and the involvement of state and regulatory institutions and the local community, employees, and shareholders was increasingly significant. Given the circumstances, the highest management bodies were directly involved, and the company's middle management has intensively implemented activities that prevented or minimized negative impacts.

At the same time, due to very dynamic development activities within the automotive industry, cooperation with the academic community has been further strengthened, primarily related to sustainable development and technological improvements.

Regular consultations with individual stakeholders are carried out by the management, which is obliged to convey feedback to the Management Board, and in accordance with the demands and needs of the stakeholders, it is occasionally included by direct conversations.

Trade unions and workers' council

GRI 2-30

The culture of open social dialogue within the company has been nurtured for many years, and its effectiveness has proven to be particularly significant in the crisis times in which business has been conducted for the past three years.

Due to unwanted external impacts in the observed period, maintaining social dialogue was extremely important at all Group production sites, particularly timely and regular involvement and informing of employees on all relevant topics, especially those related to safety, health, changes, and business plans.

Employee representatives were regularly informed and included when making decisions important for social and material rights, and the employee representative is also a member of the Supervisory Board, so in this manner employees are also involved in the supervision of the company's work and decisions related to their position.

Collective agreements cover 85.98 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 2022, an Annex to the Collective Agreement was signed in Croatia for a year, by which the existing social and material rights of employees have been maintained at a high level, and which applies to all employees in the home country of business. In extremely challenging circumstances, mutual understanding and responsibility were additionally demonstrated.

In AD Plastik Togliatti, the Collective Agreement was in force until December 31, 2022, and an annex to the collective agreement valid until December 31, 2025 was signed in December. In Hungary, the rights signed by the Collective Agreement valid until the end of 2022 were applied.

In Kaluga, the long-standing tradition of good social dialogue was continued, which was significant in these extraordinary circumstances, considering the shutdown of the factory itself.



Community

GRI 413-1

Conducting business in harmony with its environment is one of the basic premises of the successful development of AD Plastik Group. Aware of its economic and social impact, it contributes in different ways to the progress of the community and its every factor. Social responsibility and relationship to the community are woven into all business processes of the company, which are communicated clearly and transparently through various channels, but also within integrated annual reports and periodic activities.

A culture of diversity and equal opportunities is nurtured, which is confirmed by the long-term successful cooperation in the Experience is Worth its Weight in Gold project. The goal of the project is to enable professional practice and potential employment for students with disabilities, and the right to work, as one of the fundamental human rights, is part of the strategic determinants of the sustainable development of AD Plastik Group.

The dynamic and competitive labor market requires highlighting advantages among the competition, so in order to increase visibility, the company participated in various career fairs in Croatia, Serbia, and Hungary.

The long-term cooperation with numerous educational institutions was also continued in order to achieve the higher-quality application of acquired knowledge and better employment opportunities through the integration of theory and practice in education. In addition to student internships and employment, cooperation with students is also realized through help in the preparation of diploma theses and guest lectures. In the reporting period, 30 students successfully completed professional practice in the company, six diploma theses, three bachelor theses, and one seminar paper were written. During 2022, Croatian factories were visited by pupils and students of eight schools and faculties, and AD Plastik Group experts held several lectures to students of higher education institutions in Croatia.

AD Plastik Group publicly advocates changes that have a positive impact on the community and the economy, and during the reporting period company representatives participated in various workshops, meetings, conferences, visits, and consultations. The interests of industry, exporters, and sustainable business are primarily advocated, thereby encouraging further development of the economy and the community as a whole.

Cooperation in projects

- Dec 7** Financial Club Split; Panel: Conducting business in times of uncertainty - challenges and opportunities, participant Krešimir Jurun
- Dec 2** Corporate governance in Croatia, sustainability and trust in challenging times; Panel: Corporate governance at a turning point, participant Marinko Došen
- Nov 14** Panel: Sustainability of industrial development in Split-Dalmatia County, participant Marinko Došen
- Oct 27** Consulting, accounting, audit and taxes in practice; Panel: Impact of audit on the quality of financial reporting in the Croatian capital market, participant Josip Divić
- Oct 27** Round table of the Split County Chamber: Implementation of circular economy in Split-Dalmatia County, participant Leo Bočkaj
- Sep 29** Congress of managers: Leadership in times of change; Panel: Market challenges, participant Marinko Došen
- Jul 6** Managers' Association CROMA - Panel: Supply chain crisis, participant Matko Serdarević
- Jul 5** Lider's conference on exports: Smart people know what exports are for; Panel: How to fulfill obligations towards foreign partners and why not to reject new customers, participant Josip Divić
- May 20** HBOR's international conference on export promotion; Panel: How to support businessmen suffering the consequences of the war in Ukraine, participant Marinko Došen
- Feb 1** The role of companies in sustainable development, participant Josip Divić

25th anniversary of HR BCSD

Big Plans Day

14th Conference on sustainable development

The challenge of change

Business tailored to children and families

Memberships in associations

GRI 2-28 By participating in the work of various associations and organizations, AD Plastik Group aims to strengthen the influence of businessmen in promoting the strategic interests of the economy and sustainable development. With its contribution to the work of various bodies, associations, and institutions, it directly contributes to the development of community and corporate social responsibility and encourages the necessary changes.

- HR BCSD, Assembly of the Croatian Business Council for Sustainable Development (HR BCSD), President of the Management Board Marinko Došen, Vice President of the Assembly
- Assembly of the Croatian Chamber of the Economy, President of the Management Board Marinko Došen, member of the Assembly
- Economic Council of the County Chamber Split, member of the Management Board Mladen Peroš, Vice President
- Croatian Exporters, President of the Management Board Marinko Došen, Vice President
- National Plastic and Rubber Industry Association, Associate to the Management Board Leo Bočkaj, member
- Vocational Plastics and Rubber Manufacturing Group of the County Chamber Split, Josip Suzan, President
- Business Council for Economic Cooperation with the Russian Federation, President of the Management Board Marinko Došen, President of the Council
- Lider's Club of Exporters
- Economic Council of the Faculty of Economics in Split, consultant Katija Klepo, member
- Founders of AD Klaster, President of the Management Board Marinko Došen is the President of the Assembly, while Director of Logistics Denis Miletić is the Director of AD Klaster
- HR center - vocational association of employees in human resources management
- Croatian Psychological Chamber
- CIPD – the professional body for HR and people development
- Community for the improvement of human resources and adult education
- Community for environmental protection in the economy CCE
- Internal working group for environmental protection CCE
- UN Global Compact
- Automotive Cluster Russia
- Serbian Automotive Cluster
- Chamber of Commerce and Industry of Serbia
- National Association of Entrepreneurs and Employers Hungary
- Hungarian Plastics Association
- Association of Hungarian Automotive Component Manufacturers
- Hungarian Chamber of Commerce and Industry
- Kavlikon, Hungary

Among other things, company representatives participated in the preparation of amendments to Regulation (EU) 517/2019 on fluorinated greenhouse gases and Regulation (EU) 1005/2009 on substances that deplete the ozone layer, a focus group within the framework of the international

re-accreditation of the Business Economics study program, Draft strategic framework of the Faculty of Economics in Split for the period up to 2030 and at the final conference of the project of excellence and efficiency in higher education in the field of economics.

Health and safety of end users

GRI 416-1

In line with the company's commitment to sustainable business and the development of products that meet the highest safety standards, AD Plastik Group takes special care to ensure that its products do not contain potentially dangerous substances. All materials used for production are analyzed and archived in the material data system, in order to flawlessly comply with all the requirements of car manufacturers, national and international standards and the necessary laws and regulations.

All products are evaluated in terms of impact on health, environment, and safety, with recommendations available to end customers in order to familiarize them with potential risks and control methods. The development of new products is based on the experience and interaction of end users, raising awareness of sustainable development and trends.

The health and safety impacts of products are evaluated at all stages of the product life cycle for future improvements. When developing new products, the entire life cycle of the product, its potential positive and negative impacts on the environment, safety and health of users are taken into account. Development teams include and monitor all necessary elements related to product safety, and regulatory issues, so all products are evaluated in terms of health, safety, and environmental impacts. Additional verification and modeling tests are performed depending on the expected end use of the product so that car manufacturers can complete the analyses and necessary safety assessments.

Accordingly, customer health and safety has been identified as a material topic due to its positive or negative potential impacts on the end user. The quality of the final product is already defined during the material selection itself. →





→ By choosing quality materials and technologies, the company can influence the health of end users, which was confirmed by consultations with professional staff in the field of sustainability of key customers and suppliers. The quality of the product manufacturing and the materials used can affect the user of the vehicle positively or negatively – positively by maintaining safety in different situations of using the final product, or negatively by choosing insufficient quality materials or poor performance of the product. That is why the health and safety of end users are woven into all development processes of the company, as well as the entire automotive industry. All research into new materials and technologies and the development of new cars have this topic as their primary goal.

In cooperation with suppliers, continuous work is being done on the development of new materials in order to fulfill all the requirements and goals set by car manufacturers and regulatory authorities. All AD Plastik Group products are certified for delivery to individual markets and approved by customers.

GRI 417-1

They are also marked in accordance with the requirements of the automotive industry and individual car manufacturers. Product labeling ensures complete traceability of all information, production method, specification of materials and built-in components, production and delivery time. This ensures the availability of data about the product at all times, process parameters and information

about the materials used and prescribed controls that the product has undergone, all with the aim of preserving the health and safety of end users.

Also, the entire process of purchase and approval of materials and components goes through the approval procedure towards the supplier. For all products, information is available on the origin of the material and each individual component that is an integral part of the product. Control and supervision are carried out through supplier reporting and accompanying documentation for materials and components, safety-technical materials, handling instructions, recycling, and similar.

Also, all products have been assessed for compliance with labeling, and not a single case of non-compliance with regulations related to product and service data or labeling has been recorded, as well as no cases of non-compliance with regulations related to the impact of products on the health and safety of customers have been recorded.

GRI 416-2

GRI 417-2

AD Plastik Group has a prescribed Advertising Code which, in addition to all legal regulations and rules, additionally regulates the responsible communication of the company in advertising, marketing, and information, in order to protect the interests of all its stakeholders. No cases or reports of non-compliance with regulations and voluntary codes related to marketing communications have been recorded.

GRI 417-3

Employees

The strategy and objectives of the development of human resources and corporate social responsibility are integral parts of the Main strategy of the Group from 2023 to 2030, drawn up and adopted in the reporting period. They contain the main guidelines for creating annual and mid-term human resources plans by strengthening existing and introducing new processes. The goal is to ensure resilience, flexibility, and adaptability to business circumstances, competencies for the implementation of strategy, improve the resilience and flexibility of the management structure, strengthen the relationship with the labor market and the education system, and attract, hire, motivate, and develop human potential as a fundamental driver of success, along with the development of an individualized approach to employees.

By recognizing the needs of employees and effectively directing their personal and professional development, a stimulating, healthy, and safe working environment is built in whose potentials are fully realized and the well-being of

employees is improved, and the transformation of professions within the automotive industry is monitored. Every employee should feel like an equal member of the work environment, and development is focused on building open and inclusive relationships. In addition to adapting plans and activities to changing business circumstances, important guidelines for improvements are provided by regular analyses and research among employees through surveys, individual and group discussions. They are a particularly valuable insight into the sources of employee motivation and satisfaction with working conditions, especially as a result of adaptation and harmonization with changes in the work of customers in the past period.

Geopolitical events were additionally challenging for employee management as the annual plans have been adjusted to the situation and orders, with the primary goal of reducing negative impacts on business and preserving business sustainability. →

GRI 2-7



→ In the past reporting period, the involvement of employees and social partners as well as informing them about all relevant topics, especially changes that potentially affect their status, social and material rights, was of particular importance. Meaningful and timely consultation contributed to understanding the impact on business and stakeholders, and by doing joint efforts potential negative impacts have been mitigated as much as possible.

GRI 402-1 Each country in which the company operates has prescribed the shortest period in which employees must be notified of significant business changes, ranging from eight days to a maximum of three months. AD Plastik Group respects the prescribed deadlines, and informs its employees about important topics even before the stated deadlines.

Due to the above circumstances, market presence has been identified as a material topic in 2022, through our own assessment and consultation with employees, customers, and suppliers.

The ratio of the entry-level wage to the local minimum wage is important because of its potential immediate and direct impact on individuals and the economy. Above-minimum wages can help boost employee well-being, and wage distribution is one of the key factors in achieving equality. Since the level of the initial salary shows the

competitiveness of the company in the labor market, in the next reporting period research and improvements will be made in the regions where business is conducted according to the living wages methodology.

The largest share of the Group's employees is the local population, but at the same time, mobility and the development of own experts and managers are encouraged. Internal employment enables the development of an international career among all members of the Group, while preserving the company's knowledge and enabling the exchange of best practices.

The senior management of the company consists of the Management Board members, executive directors and directors. Local employment is defined as the employment of people who live in a particular county, district or region in which members of the Group operate. Significant places of operation are the headquarters of individual Group's production sites. In 2022, senior management of the company consisted of 41 employees, 40 of whom were from the local community, which accounts for **97.6 percent** of the share of the local population in the highest management structure of AD Plastik Group. In this way, a positive presence in the market is shown, which increases the possibility of understanding the local community and potentially its economic and other benefits.

GRI 202-2



Diversity and equal opportunities

GRI 405-1

AD Plastik Group actively reviews its activities and decisions with the aim of promoting diversity, gender equality and encouraging equal opportunities. During the reporting period, consultations were held with employees, experts from the academic community, customers, and suppliers, during which it was identified that diversity and equal opportunities are among the most important topics of the company. Based on the aforementioned assessment and personal decision, this topic has been chosen as a material one.

Diversity, the protection of human rights and the policy of equal opportunities are part of the corporate culture that the company has nurtured and promoted for many years. Regardless of changing and hindered business conditions, respect for the personal integrity of each individual is the key criterion levels for management, employment, and promotion. When selecting candidates, decisions are based solely on qualifications and competencies, such as business merits, performance, and efficiency, which are also the basic criteria for promotion. Personal differences in no way affect the decision-making process, and a business environment is developed in which employees and all other stakeholders are treated with respect.

Activities at the strategic and operational level are directed towards the development of open and inclusive relationships and a working environment in which each member feels equal. Inequalities are the drivers of employee

dissatisfaction, which can potentially negatively affect their motivation and business results. Representation of diversity and equal opportunities, transparent processes of management, employment, and promotion positively affect employees and society, but also business efficiency.

Accordingly, in 2022, activities that encourage the creation of an inclusive work environment and promote the company's values through positive action in the business communities have been continued. Employees were involved in the education of the UN Global Compact "Target Gender Equality in the organization".

Greater representation of women in management is the company's goal in the five-year period, with a target share of a minimum of 25 percent of women in the Management Board set.

AD Plastik Group is a signatory of the Diversity Charter, which assumes responsibility for the support, development, and implementation of diversity and equal opportunities, and the President of the Management Board is a diversity ambassador.

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

GRI 401-2

AD Plastik Group reports according to the methodology of the number of employees at the end of the reporting period, i.e. on December 31, 2022.

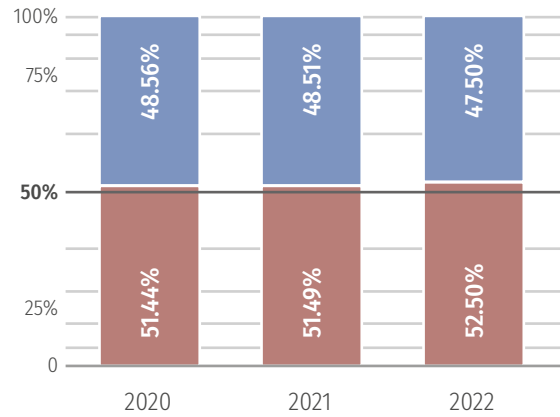


GRI 2-7

Employee gender structure

The proportion of women is slightly higher compared to the previous year, and the trend of the gender structure of employees confirms the balance and equality of gender representation, which is supported and promoted within the company.

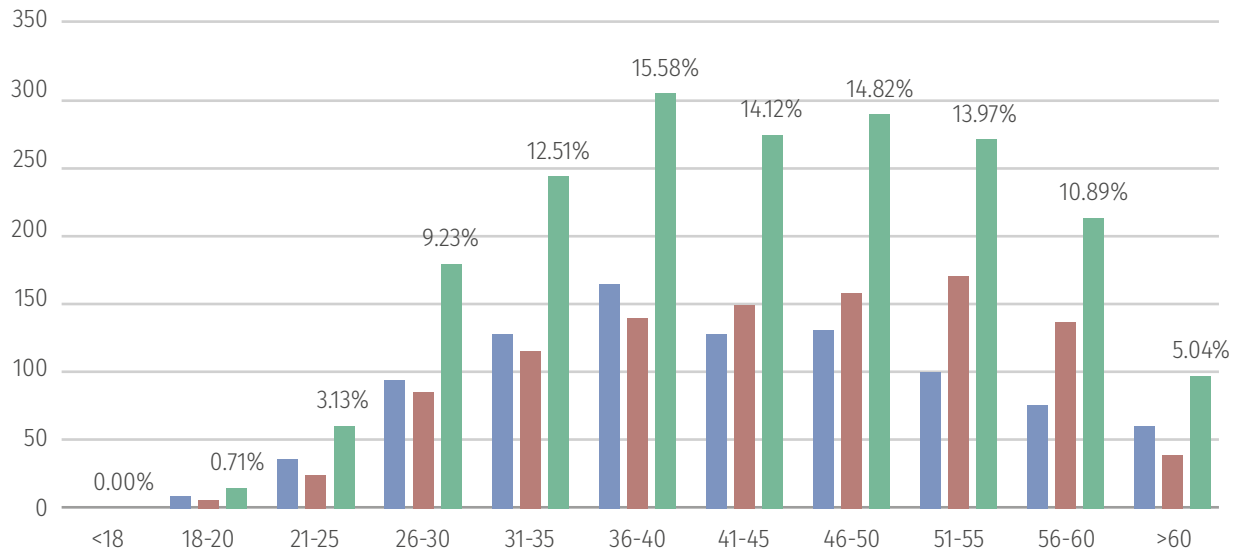
- Men
- Women



Employee age structure

- Men
- Women
- Total

* Gender as declared by the employees themselves

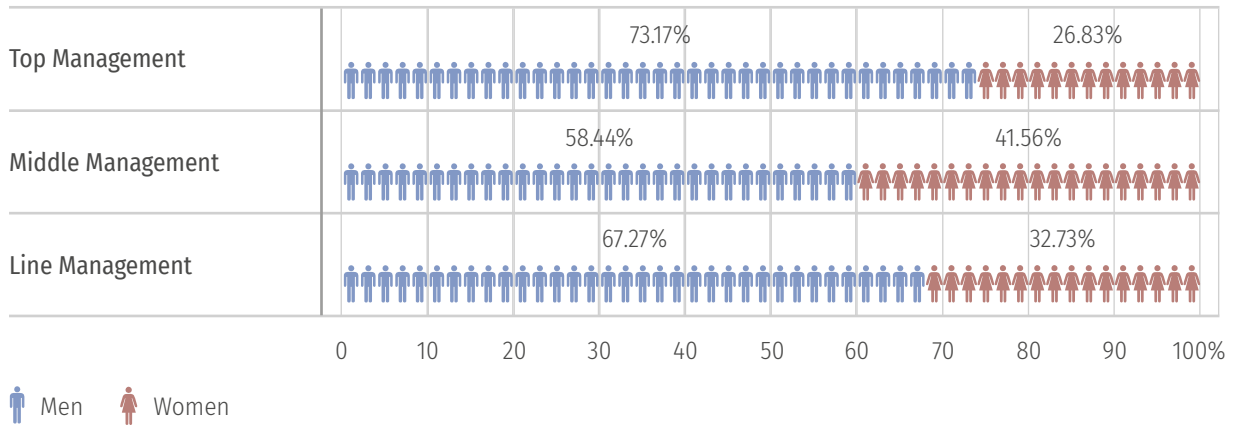


The largest share of employees, 64.04 percent, is between 31 and 50 years of age, while the smallest is between 18 and 20 years old. Compared to the previous period, the share of employees aged 21 to 25 and 41 to 45 years decreased.

The average age of women is 44, men 42, while the total average age of all employees is 43. AD Plastik Group supports the principle of banning child labor and does not employ people under the age of 18.

GRI 405-1

Management gender structure

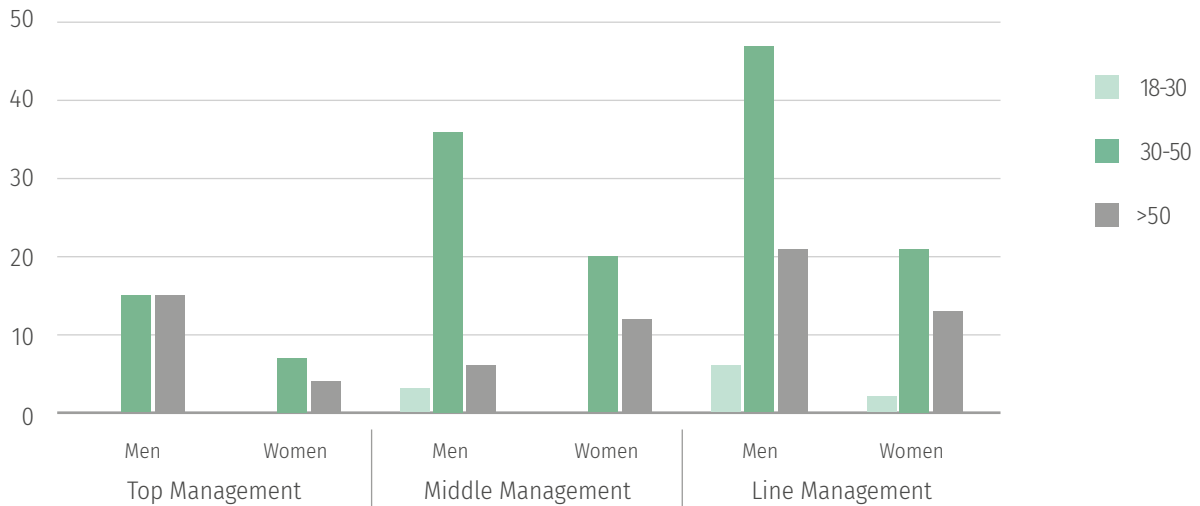


Compared to the previous reporting period, there were no significant changes in the share of women in certain

management categories, so women in the management of the Group make up 36.44 percent.

Management age structure

* Gender as declared by the employees themselves

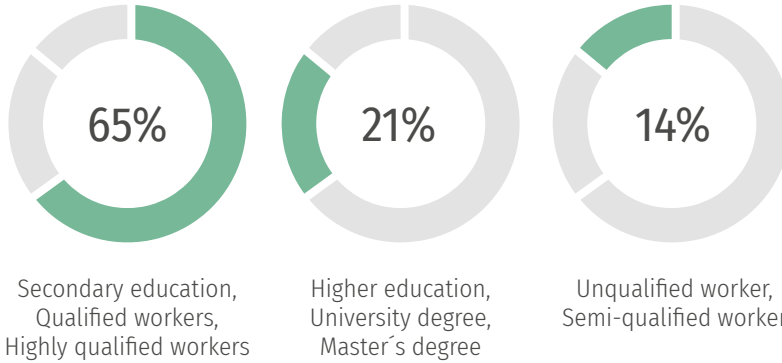


As in the previous reporting period, employees between the ages of 30 and 50 predominate, whose representation at the Group level is 64.04 percent. The share of employees

in management positions over the age of 50 is 31.14 percent at the Group level, and the share of men over the age of 50 in top management has increased.

GRI 405-1

Employee educational structure





There has been a minor change in the structure regarding educational structure of the Group in such a way that the share of employees with secondary education increased by one percent compared to the previous year.

Management Board structure by age and gender

Men (>50)		3 (75%)
Men (30-50)		1 (25%)

Audit Committee structure by age and gender

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

* Gender as declared by the employees themselves

In 2022, there were no employed women in the Management Board, while their share in the Audit Committee was 25 percent .



GRI 2-7

Share of employees by region, gender, and type of employment contract

State	Site	Type of contract						Total employed	Share
		Employees with indefinite term contract			Employees with definite term contract				
		Total	Men*	Women*	Total	Men*	Women*		
Croatia	Solin	574	255	319	28	12	16	602	57.59%
	Zagreb	446	256	190	94	60	34		
Russia	Kaluga	66	23	43	0	0	0	66	16.69%
	Vintai	265	98	167	0	0	0		
Hungary	Tiszaujvaros	291	116	175	7	0	7	298	15.30%
Serbia	Mladenovac	175	105	70	34	15	19	209	10.54%
Slovenia	Novo Mesto	3	2	1	0	0	0	3	0.15%
Total		1.820	855	965	163	87	76	1,983	
		91.78%			8.22%				

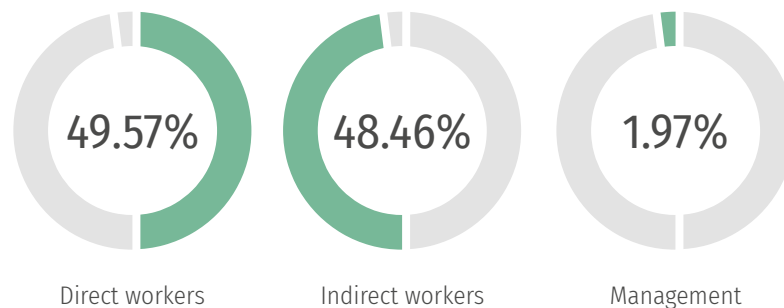
* Gender as declared by the employees themselves

As in previous years, the largest share of employees was in Croatia, and due to circumstances, their share in Russia has significantly decreased – from 27.48 percent to 16.69 percent. This alone increased the share of employees in other countries where business is conducted, including Croatia. The trend of decreasing the share of temporary

employees continued due to less need for additional employment, and the last two reporting periods should be considered in the light of more conservative planning and adaptation to uncertainties due to unexpected external influences.

GRI 2-7

Share of employees by type of 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). The number of direct workers is slightly lower than a year earlier due to reduced production and the stoppage of production activities of the factory in Russia.

GRI 2-7

Share of employees by type of working hours

State	Site	Non guaranteed working hours	Full time			Part time			
			Total	Men*	Women*	Total	Men*	Women*	
Croatia	Solin	0	601	267	334	1	0	1	
	Zagreb	0	539	315	224	1	1	0	
Russia	Vintai	0	262	98	164	3	0	3	
	Kaluga	0	66	23	43	0	0	0	
Hungary	Tiszaujvaros	0	297	116	181	1	0	1	
Serbia	Mladenovac	0	208	120	88	1	0	1	
Slovenia	Novo Mesto	0	3	2	1	0	0	0	
Total		0	1,976	941	1,035	7	1	6	
			99.65%				0.35%		

* Gender as declared by the employees themselves

During the first four months, work with customers continued to be coordinated in Croatia due to the circumstances in the market, so a temporary internal measure was in effect whereby part of the employees worked part-time for a

certain period. After that, they switched to full-time work, so the total number of part-time employees decreased to a total of seven at the end of the reporting period.



Workers who are not employees

GRI 2-8

State	Site	Total employed	Share
Croatia	Solin	16	17.58%
	Zagreb	20	21.98%
Russia	Kaluga	12	13.19%
	Vintai	19	20.88%
Hungary	Tiszaujvaros	19	20.88%
Serbia	Mladenovac	5	5.49%
Slovenia	Novo Mesto	0	0.00%
Total		91	

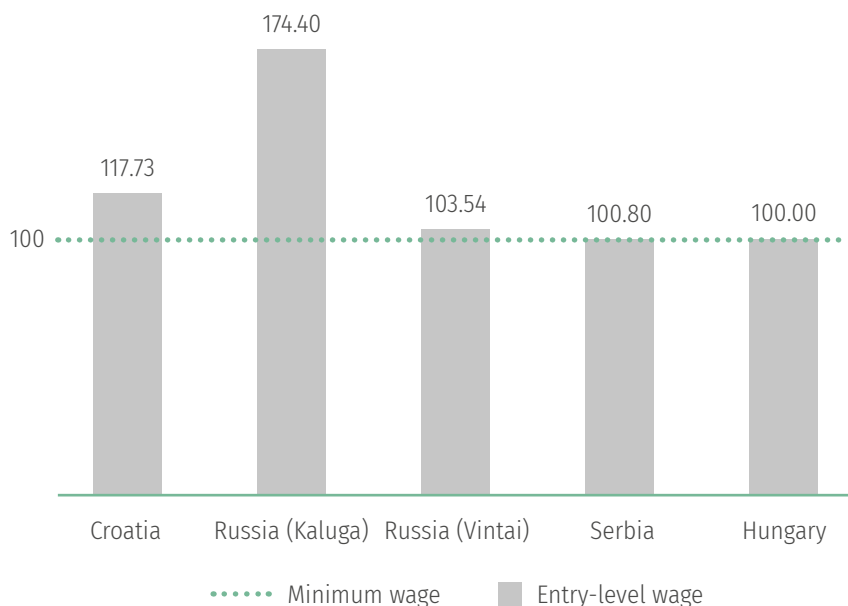
Workers who are not employees are those who perform tasks for the company but are not employed, and the largest share of such workers is in Croatia. This group most often includes occasional student jobs in various departments, service contracts for individual projects, occasional additional security, firefighting services, cleaning services, occasional control and inspection of power networks, boiler rooms, etc., as well as outsourcing services for production workers in Hungary through third parties, that is, agencies for employment mediation and outsourcing of workers.



Equality in wages

GRI 202-1

Comparison of entry-level and minimum wage by country



The minimum entry-level wages in AD Plastik Group are equal to or higher than the prescribed minimum wages in significant places where business is conducted, which means the locations of the Group's factories. Given that there is no difference in wages by gender, nor does the company operate in countries where the prescribed minimum wage differs by gender, a comparison of the entry-level and minimum wages according to the countries of operation is presented.

Note: The minimum wage level is the same for men and women at all sites.

GRI 405-2

The basic wage in AD Plastik Group is set depending on the job position and is equal for all employees, regardless of gender or any other characteristic. It is based on legal regulations and internal documents of each individual company which define wages, additions to the wage, compensations, and stimulations.

Additional employee rewards are regulated by internal regulations such as the rulebook on rewarding excellence and suggestions for improvement. Employees who have an employment contract for a definite term or work

	Minimum gross wage	Entry-level gross wage
Croatia	4,687.50 HRK	5,518.40 HRK
Russia (Kaluga)	15,279 RUB	26,647 RUB
Russia (Vintai)	15,279 RUB	15,820 RUB
Hungary	200,000.00 HUF	200,000.00 HUF
Serbia	47,001.61 DIN	47,377.63 DIN

part-time have the same privileges and rights as employees who have an employment contract for an indefinite term.

From 2022, parents of children starting the first grade of elementary school in Croatia have the right to a day off on the occasion of the start of school.

Rewarding

AD5 - rewarding excellence

In the reporting period, 109 employees were awarded who, through their efforts and commitment, significantly contributed to the achievement of the goals of their departments, organization units, and the company as a whole. All employees participate in the assessment, regardless of gender, age, or any other characteristics.

Ideas for improvement

In 2022, three ideas for improvement were implemented and awarded, which is a decrease compared to the year before.





Occupational health and safety

- GRI 403-1** The safety and health of employees are extremely important topics in the company, especially in production where the goal is to achieve a work environment without occupational injuries. Considering the above and the ongoing pandemic, this topic is considered to be material by own choice, but it has also been identified as a material topic in a survey conducted among employees, during consultations with employees, management, customers, suppliers, and external experts.
- GRI 403-4** The real and potential negative impact in the reporting period was caused by the pandemic, due to which special health protection measures were taken and crisis operational plans were drawn up in the event of an uncontrolled spread of the infection. Also, real and potential negative impacts can be caused by occupational injuries, therefore continuous efforts are made to improve working conditions and safety within the Group. It is precisely taking care of employees and ensuring working conditions without negative influences that increases employee satisfaction and motivation, which has a potentially positive impact on employees, people, and society as a whole.
- GRI 403-7** The observed period was still demanding due to the continuous monitoring of measures and guidelines to prevent the spread of the virus in the countries of operation, but also around the world.
- GRI 403-9** AD Plastik Group with special attention continuously takes care of the health and safety protection of employees and constantly develops and improves the occupational health and safety system, which is implemented in the business in accordance with the guidelines of the ISO 45001 standard.
- In accordance with the positive legal regulations, professional services monitor and improve occupational health and safety at all production sites, and there is a board within the company that acts as an advisory body, with the aim of preventive action.
- GRI 403-6**
- Risk identification and hazard assessment was carried out for all job positions in the Group in the reporting period, based on which they have been categorized into job positions with low, medium and high risk. Workplace hazards are avoided by selecting and applying the best available technologies and machines, protective mechanisms, and good employee training. In places where risks are assessed, special protection measures are taken, and the use of personal protective equipment is mandatory. Regular protection measures include annual medical examinations of employees who work in places with special working conditions, and considering the work in three shifts, a large number of employees also go to mandatory examinations for night work. Employees are trained for a safe working mode, and professional training is conducted for specific jobs.
- GRI 403-8**
- GRI 403-2**
- GRI 403-3**
- GRI 403-5**
- During 2022, there were 30 occupational injuries that did not have lasting consequences for the health of employees, which is 25 percent less than in the previous two years. According to the cause and manner of occurrence, those were injuries caused by a collision with an object, a fall, a cut or an injury during arrival or departure from work. No occupational injuries of suppliers or visitors staying or working at the AD Plastik Group production sites were recorded.

GRI 403-9

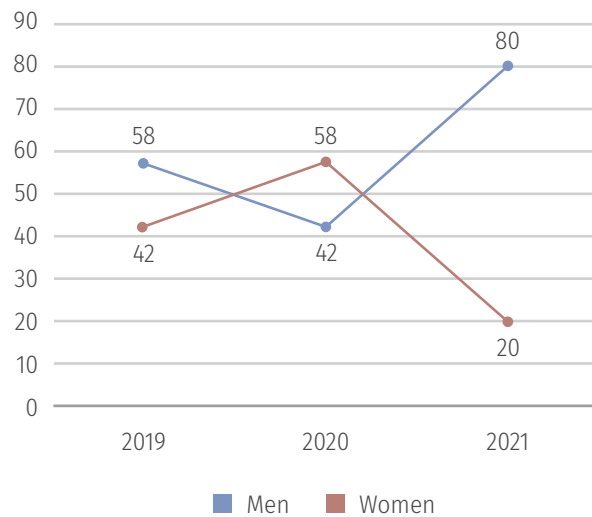
Injury rates

GRI 403-10

Site	2020				2021				2022			
	Injuries	Occupational diseases	Lost days	Deaths	Injuries	Occupational diseases	Lost days	Deaths	Injuries	Occupational diseases	Lost days	Deaths
Solin	7	0	205	0	5	0	275	0	2	0	0	0
Zagreb	16	0	124	0	16	0	319	0	9	0	10	0
Vintai	0	0	0	0	0	0	0	0	0	0	0	0
Kaluga	0	0	0	0	1	0	41	0	0	0	0	0
Tiszaújváros	16	0	77	0	13	0	52	0	16	0	34	0
Mladenovac	1	0	13	0	5	0	119	0	3	0	51	0
TOTAL	40	0	419	0	40	0	806	0	30	0	95	0

Injury rate by gender (%)

* Gender as declared by the employees themselves



Parameter	2020	2021	2022
IR (injury rate)	1.38	1.58	1.48
ODR (occupational disease rate)	0	0	0
LDR (lost days rate)	0.06	0.14	0.04
IR (rate of lost working hours per 200,000 hours worked)	1.50	1.71	2.39
AR (absentee rate due to death case)	0	0	0

Training and education

Continuous education, lifelong education and development of individuals are a necessity in today's business and human resources development. Acquired knowledge and skills, i.e. competencies, are indispensable tool for achieving the high goals of an individual, but also of a company when strengthening its market position. The automotive industry is highly standardized, so the management of employee competencies and education is a significant indicator of the company's quality and reliability. In case of non-compliance with the mentioned indicators, there is a possibility of jeopardizing production processes, increased number of complaints and omission of employees from activities directly related to the customer. Indirectly, this can have negative impacts also in other segments related to the principles of sustainability, so the company reduces such risks through adequate management and sufficient allocation of resources to employee education. As a result, negative impacts, indirect or direct, are less likely.

The education system ensures the management of employee competencies through clear and unambiguous processes, by introducing them to the job during employment and later by regular advanced and sophisticated education related to the specific knowledge and skills needed to perform certain tasks.

Education in AD Plastik Group is not only a tool for achieving business results, but also serves as a platform for personal growth and development, which can contribute in achieving positive impacts on society and sustainable development in the near future. By strengthening the competencies of women, their share in management indirectly increases, and through education, members of vulnerable groups and minorities have an additional opportunity to develop competencies and make a progress. These are some of the potential positive impacts on society that the company strives for and their realization is likely in future reporting periods.

During 2022, the company consulted with various stakeholders about the potential impacts of education and training, primarily with internal and external experts, customers, and suppliers.

In 2022, employees were educated on 180 different topics, and special attention was paid to specific customer requirements. In order to improve the system, the competencies and skills of internal auditors are managed and the goal is to continuously increase their number. Accordingly, several trainings for internal auditors were organized, and the good practice of using verified digital educational platforms was continued.

GRI 404-1

The average number of training hours per employee in 2022 was 14.93 hours

This was less than the year before, but not unexpected considering the circumstances the company has been exposed to. Through regular testing of the quality of delivered educational content among participants and management, it was concluded that, despite the circumstances, educational needs were met, which are a pledge for the future and achieving even better results in all business segments.



Annual interviews with employees

GRI 404-3

Annual interviews and feedback to employees are direct motivational factors during which individuals are praised for what they have done and they represent areas for development in the coming period. In 2022, a series of workshops were held with management on the importance of feedback to employees, and intensive internal improvement activities were launched in June, which resulted in a significant increase in the share of employees receiving feedback on their work. Management received guidelines for improving communication with employees, and special attention was paid to highly qualified staff, who recorded the most significant growth.

Total number of employees who received a performance appraisal and individual development assessment in 2022

- Engineers and highly professional staff (63.00 percent men and 42.59 percent women)
- Other machine setters and staff (33.81 percent men and 21.49 percent women)
- Production workers (17.91 percent men and 11.07 percent women)



Mentorship

Due to business circumstances, there were no mentoring programs in 2022, but they still remain one of the increasingly important human resource development processes in future reporting periods.

Internal trainers

In the observed period, the focus was on strengthening the team of internal trainers, in order to share the specific knowledge of employees. The trainings started in 2022 and will continue in the next reporting period, and encouraging the sharing of knowledge through the internal training system is a constant activity. The process of developing educational competencies is also carried out among internal trainers, in order to make the workshops as efficient and interesting as possible.

Sustainable development education

During the reporting period, ten employees participated in various educational programs on sustainability, which include topics related to non-financial reporting, EU taxonomy, sustainability risks, anti-corruption, human rights and the like. Members of the corporate social responsibility working group participated in numerous conferences and panel discussions.

GRI 205-2

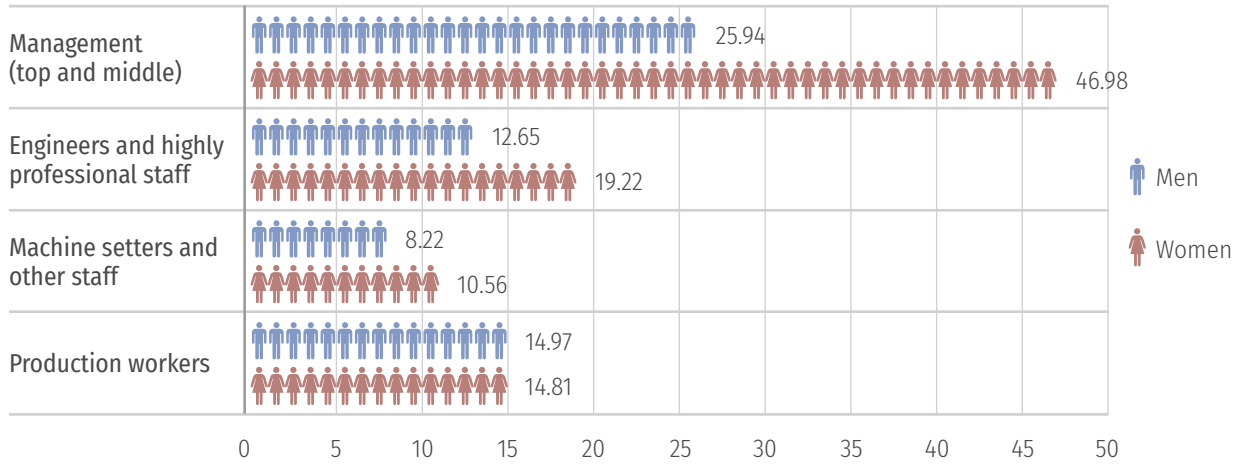
Health management

In 2022, education on well-being and assertiveness were organized.

Employee development in numbers

GRI 404-1

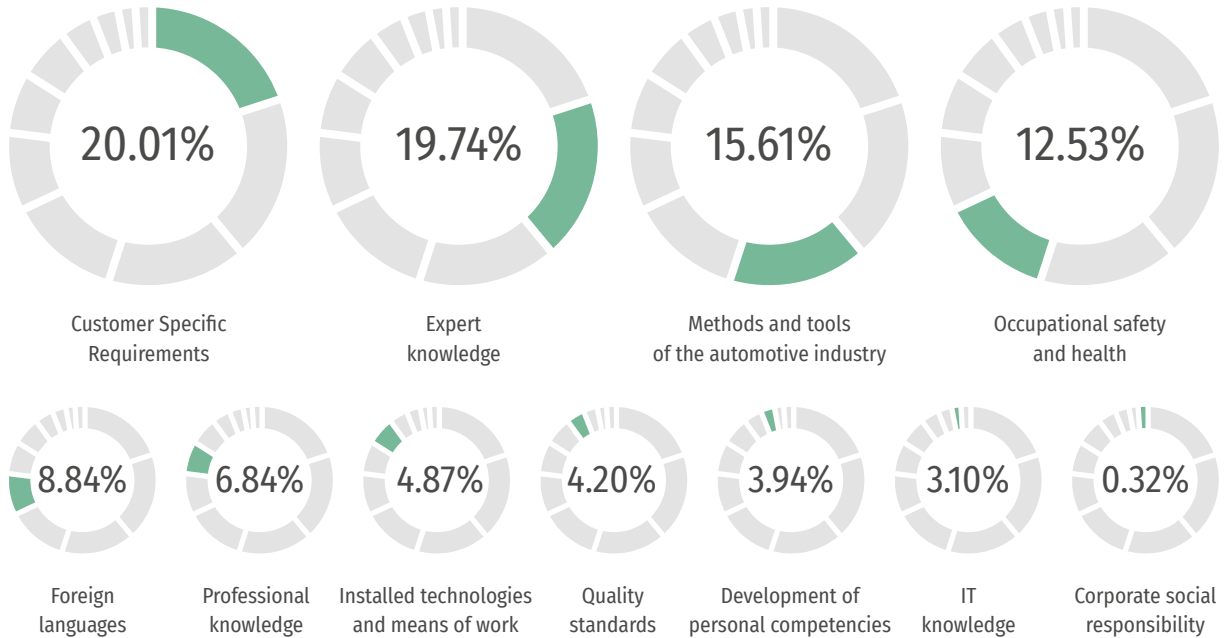
Average number of training hours per employee gender and category



* Gender as declared by the employees themselves

GRI 404-2

Share of different programs



ADP activities

AD Plastik Group builds its organizational culture by promoting and achieving the company's values and creating a sense of belonging. Extraordinary

circumstances greatly limited the organization of social activities during 2022, but in the given circumstances the company has still made a small step forward.

A **fruit day** was introduced at production sites in Croatia, one day a month when all employees are provided with a fruit meal. The company cooperates with local small producers in the procurement of fruit, thus contributing also to their development.

Employees all over Croatia used the services of the **Multisport card** to access sports and recreational facilities, and about fifty employees participated in the **B2Run** business races in Split and Zagreb.

ADP Day is traditionally celebrated at the Group level, and in the past period it was celebrated more modestly and in accordance with the circumstances. As the company day is celebrated on the same day as Earth Day, employees were given symbolic gifts with messages about the importance of preserving the Earth.



Employment

The potential and actual impacts of the company in the employment process are regularly reviewed, determined, and evaluated. Consultations are held with stakeholders, and impacts are actively managed during the creation itself. In the reporting period, regular consultations were held with employees, experts from the academic community, customers, and suppliers, during which employment was confirmed as a material topic of the company.

The number of employees of AD Plastik Group is planned in annual and mid-term plans and is an integral part of business plans. Planned employments are updated in accordance with operational plans during the year, which enables flexibility and the necessary speed of reaction to changes in business and the labor market.

In 2022, the importance of flexibility and quick adaptation to changes and customer orders was particularly pronounced. The total number of employees resigning from the job increased, and with regard to conservative approach, employment was less than a year earlier. A reduced number of total employees can potentially have a negative impact on society, the economy, and people in certain regions, but business stability, along with careful

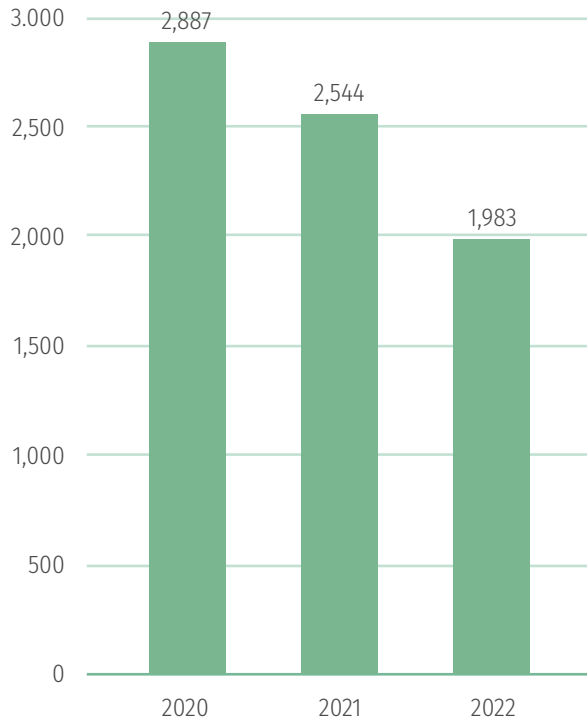
planning in the coming period, is the primary goal of sustainability in extraordinary circumstances. Although the labor market in 2022 was significantly more dynamic, the global trend of the increased number of employees resigning from the job, the so-called great resignation, was also recorded in the regions where the company operates, except for the Russian market.

The monthly turnover during the reporting period had two prominent points, namely in June and September, which are a reflection of the optimization of the number of employees in accordance with orders, but primarily of business operations in the Russian market. The average monthly turnover rate at the Group level was 3.47 percent, which was a significant increase compared to 2.57 percent in 2021. The total turnover rate has also increased, and in 2022 it was 41.1 percent, while in 2021 it was 30.7 percent. The total turnover includes all types of resignation, voluntary and natural turnover and turnover at the employer's initiative. All resignations at the employer's initiative were realized with consultation with social partners, timely communication with employees and state institutions, and full compliance with all legal obligations of the country of operation.

GRI 2-7



Trend in the number of employees



Women’s turnover rates were slightly lower than men’s, but the monthly trend is almost identical. The largest turnover by region was expectedly in Russia, while according to the type of contract, the turnover rate of employees with contracts for indefinite term was higher. Compared to the previous period, there was a significant decrease in employment in Russia, and the share of newly employed men at the Group level increased, which did not significantly affect the structure of employees by gender.

GRI 401-1

In addition to ensuring the necessary number of employees, the retention of company knowledge is also an important aspect, so turnover is especially monitored in that segment also. When identifying increased voluntary turnover of groups of experts or individual departments, special activities are carried out to identify the causes promptly and define an activity plan for its reduction. The exit interviews that employees complete when leaving the company are also analyzed, based on which the causes of resignations are ranked and groups at the highest risk are identified.

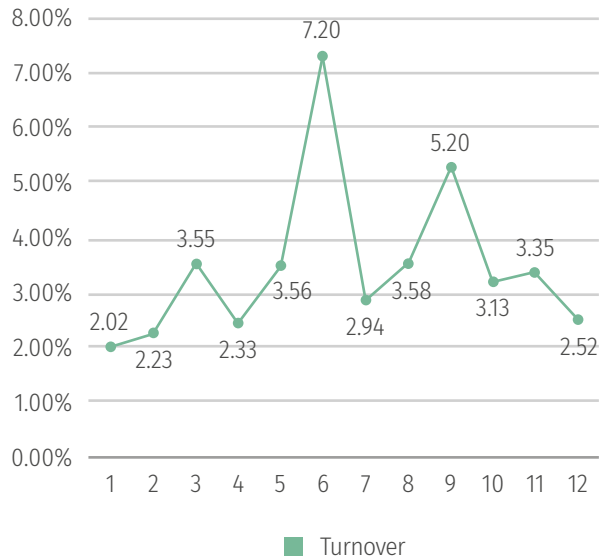


GRI 401-1

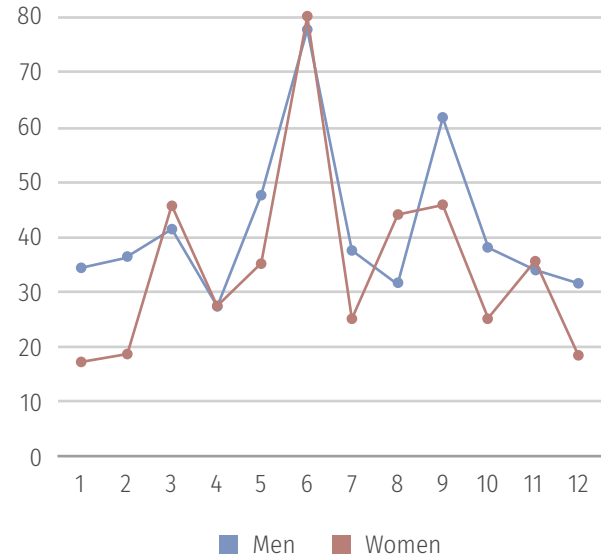
Employees who joined or left the company by months



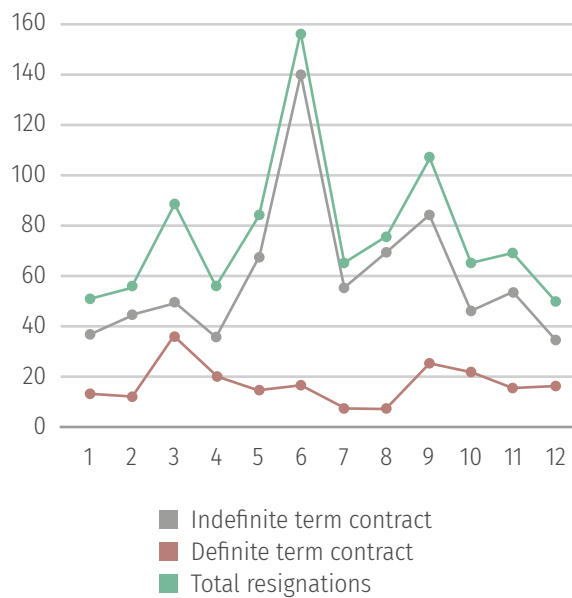
Turnover rate by months



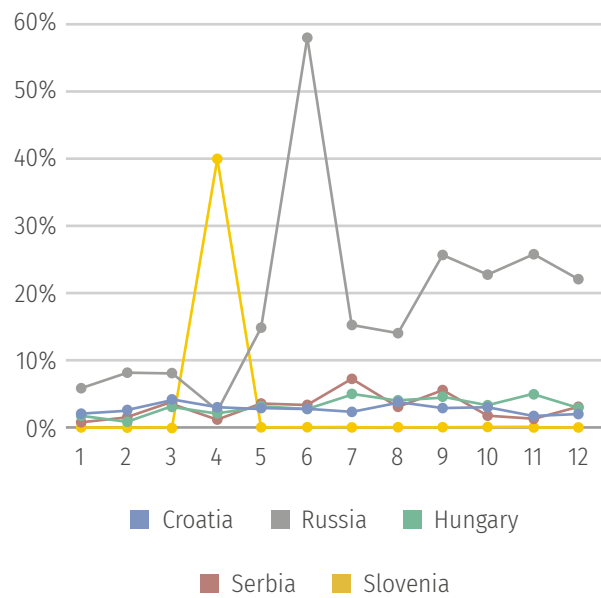
Resignations by gender



Resignations by type of contract



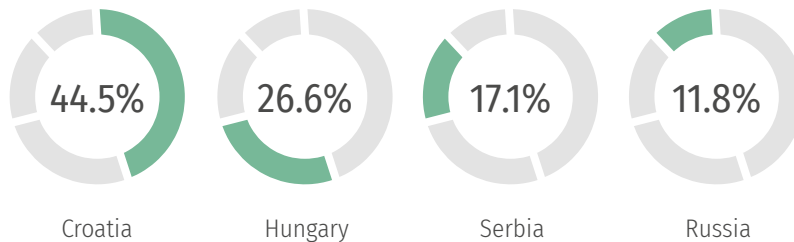
Turnover rate by region



* Gender as declared by the employees themselves

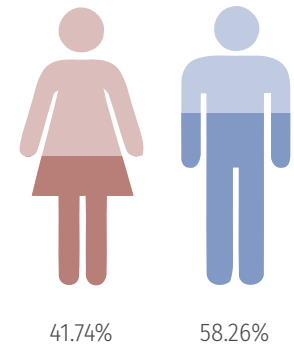
GRI 401-1

Employment by region



Employment by gender

GRI 401-1



GRI 401-3

Maternity and parental leave

* Gender as declared by the employees themselves

		Total number of employees	Right to maternity and parental leave	Returning to work after the end of maternity leave	Remaining employed one year after returning to work after the end of maternity leave
AD Plastik d.d.	men	583	1	6	3
	women	559	36	24	15
AD Plastik Togliatti	men	98	0	0	0
	women	167	11	13	4
AD Plastik Kaluga	men	23	0	0	0
	women	43	1	2	2
AD Plastik Tisza	men	116	4	0	0
	women	182	15	2	2
ADP, Mladenovac	men	120	0	0	0
	women	89	5	4	4
AD Plastik, Novo Mesto	men	2	0	0	0
	women	1	0	0	0
AD Plastik Group	men	942	5	6	3
	women	1.041	68	45	27
	total	1.983	73	51	30

AD Plastik Group builds a gender-balanced working environment in which all employees have equal opportunities, rights and chances, regardless of their parental status. Keeping in mind that planning and starting a family is a big change, and an equal division of care between men and women is desirable, special attention is paid to encouraging fathers to use their right to parental leave, while providing equal opportunities for maternity and parental leave to all employees.

All employees of AD Plastik Group have the right to maternity and parental leave in accordance with the regulations of the country of operation. Given that the data are presented at the Group level, it is important to note that the duration of maternity and parental leave depends on the country of operation and can last from one to three years.

Economic impacts

Economic topics are of special importance for the company and all its stakeholders. Achieving profitability goals is a prerequisite for achieving almost all other non-economic goals. Through optimal management of economic resources, tax compliance,

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

Geopolitical disturbances and high inflation strongly marked 2022, which affected the company's economic performance. Compared to the previous year, the direct economic value generated was lower by 26.3 percent. The main reasons for this are the decline in production and revenue of Russian companies and the lack of semiconductors that has continued since 2021. Accordingly, a decline in economic value distributed was recorded due to strong growth in the prices of materials and raw materials, services, as well as wage growth. Although no dividend

was paid in 2022, and considering the generated losses a tax shield was realized, the share of distributed value in direct value generated grows to 105 percent. As a result of such trends, the economic value retained was negative in the observed period. In the coming period, the company will be focused on increasing the direct economic value generated through increasing capacity utilization, launching new projects and correcting sales prices, but also optimizing economic value distributed, with the aim of significant growth of economic value retained and business sustainability.

GRI 201-1

Direct economic value generated and distributed in HRK 000

	2020	2021	2022
Direct economic value generated	1,218,580	1,126,150	830,199
Sales revenue	1,186,765	1,102,413	815,127
Other revenue	31,815	23,737	15,072
Economic value distributed	1,103,095	1,092,444	872,826
Operating costs	809,552	747,589	646,020
Wages and benefits to employees	253,513	254,809	228,550
Payments to capital providers	26,224	71,588	3,339
Payments to the state	12,295	16,801	-6,254
Community investments	1,511	1,657	1,171
Economic value retained	115,485	33,706	-42,627

GRI 201-1

Sponsorships and Donations

Donations

The [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.

The funds planned for the production of holiday materials and gifts were redirected to the Split Clinical Hospital Center in the past period too, as a donation to those who need help the most.

Humanitarian Action and Health

County league against cancer - Split

- help in the organization of the race THINK PINK - race for the cure 2022

Association of persons with cerebral palsy and polio Rijeka

- help with the purchase of a standing frame

Good deeds

- helping sick children in Togliatti

Education, culture, and sport

Computer donation

- elementary schools Split 3 and Manuš, kindergarden Cvrčak (Cricket) - object Paun (Peacock), Solin and Wrestling club Split

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

- financial support for the organization of STEM Games

Handball club Solin

- financial support for the youth handball championship

Football club Sloga (Harmony)

- improving the work and conditions of the club

Sponsorships

St. Ilija Metković Boatmen's Association

Conference "Challenges of Change 2022"

Conference on Sustainable Development HR BCSD

Conference "Leadership in times of change"

Process design

- university textbook of the Faculty of Chemistry and Technology in Split

Water polo club Jadran

- functioning of the entire sports facility

Resolution Z

- ecological project of "Večernji list" newspapers

Kwizard – quality education for all

- platform for easier learning

Experience is worth its weight in gold

- student internships for people with disabilities



”

A society where there is no poverty is one that has the noblest principles.

Plato

GRI 201-3	<p>In accordance with the regulations of individual countries and company policies, all employees of the group are registered and included in pension funds. Pension contributions are paid in the name and at the expense of the employee. The pension contribution rate in Croatia is 20 percent of the contribution base, and in Russia it is 22 percent up to the amount of 1,565,000.00 rubles, after which an additional 10 percent is paid. In Hungary, the contribution rate is 10 percent, while in Serbia, 14 percent of the gross salary is paid by the employee and 11 percent by the employer.</p> <p>By monitoring trends in the labor market, such as inflation and the increase in the cost of living, and based on the company's capabilities, additional benefits for employees,</p>	<p>beyond those prescribed by law, which are also an integral part of collective agreements and regulations, are considered and realized.</p> <p>Additional positive effects that employees have according to the provisions of the Collective Agreement and the general company bylaws in Croatia are a supplement for each year of service, the right to severance pay when retiring, and jubilee awards for continuous employment. Depending on the years of service within the company, annual leave is extended from one to six days.</p> <p>Employees in Hungary are also entitled to jubilee awards for continuous employment within the company, while in Serbia they have an allowance for each year of service within the company.</p>
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Financial assistance

GRI 201-4	<p>The financial assistance received at the level of AD Plastik Group amounted to only HRK 0.4 million in 2022, which was significantly lower than the financial assistance received in previous years. The main reason is the non-use of tax reliefs, given the realized tax losses. Although the reporting year was extremely difficult for most companies and the industry in which the Group operates, the available grants were few and not generous. Thus, no grants related to the consequences of the Russian-Ukrainian crisis or the corona crisis were received, but smaller reliefs related to property tax and subsidies related to employment.</p>
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Companies within the AD Plastik Group actively monitor tenders for the award of grants and accordingly plan, that is adjust, as far as possible, their investment plans.

Financial assistance received from the Government

	(in thousands of kunas)		
	2020	2021	2022
Tax reliefs	12,790	117	132
Grants	16,500	1,932	270
Total	29,289	2,049	401

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 are different, ie specific with regard to the environment in which they operate and the activities in which they are engaged. The crises we have been witnessing have reduced the volume of production and revenue, which was reflected in the reduction in the number of employees, and indirectly also in the reduction in the number of workplaces in the supply chain. With the expected growth of revenue in the following periods, this impact will be positive.

The improvement of social conditions is also one of the indirect economic impacts that the company achieves in the environments of its business operations, which is best manifested through the creation of workplaces specific to the automotive industry. The Group's research and development department is located in Croatia, and the most complex and advanced technologies are used. A significant impact on the improvement of skills and knowledge within the professional community is evident, through co-operation and partnership relations with educational institutions, which is also an excellent channel for recruiting the best staff.

GRI 203-2



Taxes

There is no formally adopted tax strategy within the AD Plastik Group, 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 where business is conducted, and to correctly calculate and timely settle all tax liabilities.

GRI 207-1

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 available through the annual financial statements which are an integral part of the integrated report.

Environment

Modern society will find no solution to the ecological problem unless it takes a serious look at its lifestyle.

John Paul II

Care for the environment and conscientious management of natural resources are the fundamental values and permanent responsibility of the company. Circular economy, greener production processes, energy efficiency, and high-quality waste disposal are part of an integrated strategy, which is taken care of when creating plans, strategies, and implementing the company's activities.

AD Plastik Group's strategic goals are to continuously work on finding more environmentally friendly solutions, technologies, and materials in cooperation with its customers and suppliers, with the aim of reducing vehicle weight, emissions, and preserving the environment.

The goal is to continuously increase the efficiency of production sites, with the aim of improving the ecological footprint by reducing the amount of waste, energy sources consumption and direct emissions into the environment. Likewise, the company actively wants to manage the impact of its activities on the environment, at all Group production sites and through all three key areas of

sustainability, in order to reduce the environmental footprint and limit the impacts of the company's activities by reducing consumption of resources, emissions, and waste.

The company pays special attention to the management of waste disposal because this is potentially one of the biggest impacts it can have on the environment, but at the same time it works on researching new materials because their application can have an extremely positive impact on the environment and people.

Potential risks and threats to the environment are avoided by constant monitoring of the company's impact on the environment, process improvements, and activity planning.

The precautionary principle is applied to avoid the possible risks of applying new technologies before complete knowledge and understanding of their impact on the environment and human health.

Materials

GRI 301-1

The basic raw materials used for the production of components are thermoplastic organic polymers that are shaped into the final product using the company's key technologies. Given their characteristics, these materials are almost irreplaceable in everyday life, and the basic raw material for their production is oil, a non-renewable natural resource. Therefore, materials are an identified material topic according to the company's own choice, but also according to the regular consultations with experts in the field of sustainability and material development, customers and suppliers, as well as the community. Consultations with the community are particularly important due to the perception of polymers as environmentally unacceptable materials, while not being guided by their positive properties and impact on the overall carbon footprint, especially the possibility of recycling and utilization in the circular economy.

Potential negative impacts are the lack of resources, limited petrochemical reserves and the impact on climate change, but because of this, intensive work is being done to find new ways of recycling, i.e. disposal, in such a way that part of the material that is waste to AD Plastik Group becomes raw material for other manufacturers. Also, the Group's product development department, in cooperation with its customers, continuously researches the possibilities of using bioplastics obtained from renewable plant materials, which will be increasingly represented.

The weight and emissions of vehicles, as well as their recyclability and disposal at the end of their useful life are reduced by the greater presence of polymer components in the automotive industry, which makes the actual and potential positive impacts on the economy, the environment, and people.

The final products are made according to the customers' technical specifications, and before the start of serial production, they undergo a whole series of tests and controls specific to the automotive industry, in accordance with the customers' requirements and the ISO/IATF 16949 standard. In order to minimize the negative impact of the vehicle on the environment after the end of its life cycle, AD Plastik

Group works together with its customers to find the possibility of recycling plastic components of such vehicles. It has developed recycling indicators, which increases the share of recycled and more environmentally friendly raw materials in the production process.

Materials are regularly controlled and tested, and the achieved results are taken into account in the annual assessment of suppliers. According to customer specifications, the final products are packed and transported in returnable metal and plastic packaging. The part is packed in cardboard packaging, which is covered with foil to protect it from external influences and placed on wooden pallets.

Paints, varnishes, and solvents based on volatile organic compounds are used for painting purposes in Zagreb. Since 2018, the company has been continuously cooperating with the supplier "Premifab" on the application of the chemical leasing model, so waste solvents are disposed of in such a way that the supplier regenerates them and returns them to the painting process after purification and regeneration. 202.71 tons of regenerated solvent were utilized using this method in 2022.

AD Plastik Group has strictly prescribed internal procedures on materials and their use, as well as quality, environmental protection, and sustainable supplier management policies that monitor activities and processes related to all types of materials. This topic is dealt with daily by various departments within the company in order to manage it as efficiently and effectively as possible.

GRI 301-2



GRI 301-1

Material used by weight or quantity (t)

Material	Site	2020	2021	2022
PP/PE/PES (t)	Solin	8,762	2,953	2,834
	Zagreb		3,995	3,336
	Vintai	2,173	1,873	946
	Kaluga	1,627	2,967	516
	Tiszaújváros	2,088	1,977	1,908
	Mladenovac	478	410	584
	TOTAL		15,128	14,175
Paint, varnish, solvents (t)	Solin	689	0	0
	Zagreb		620	582
	Vintai	11	13	9
	Kaluga	3	0	0
	Tiszaújváros	0	0	0
	Mladenovac	1	1	0
	TOTAL		704	634

GRI 301-2

Recycled input material (t)

Material	Site	2020	2021	2022
PP/PE/PES paint, varnish, solvents (t)	Solin	754	247	778
	Zagreb		408	239
	Vintai	10	272	117
	Kaluga	102	350	45
	Tiszaújváros	241	880	985
	Mladenovac	0	0	0
	TOTAL		1,107	2,157

Share of material used that is recycled input material

Material	Site	2020	2021	2022
PP/PE/PES paint, varnish, solvents (t)	Solin	7.97%	8.35%	27.31%
	Zagreb		8.83%	6.11%
	Vintai	0.45%	14.43%	12.23%
	Kaluga	6.27%	11.80%	8.76%
	Tiszaújváros	11.54%	44.53%	51.60%
	Mladenovac	0	0	0
	TOTAL	5.25%	14.66%	17.69%

Paper used for office operations purposes (t)

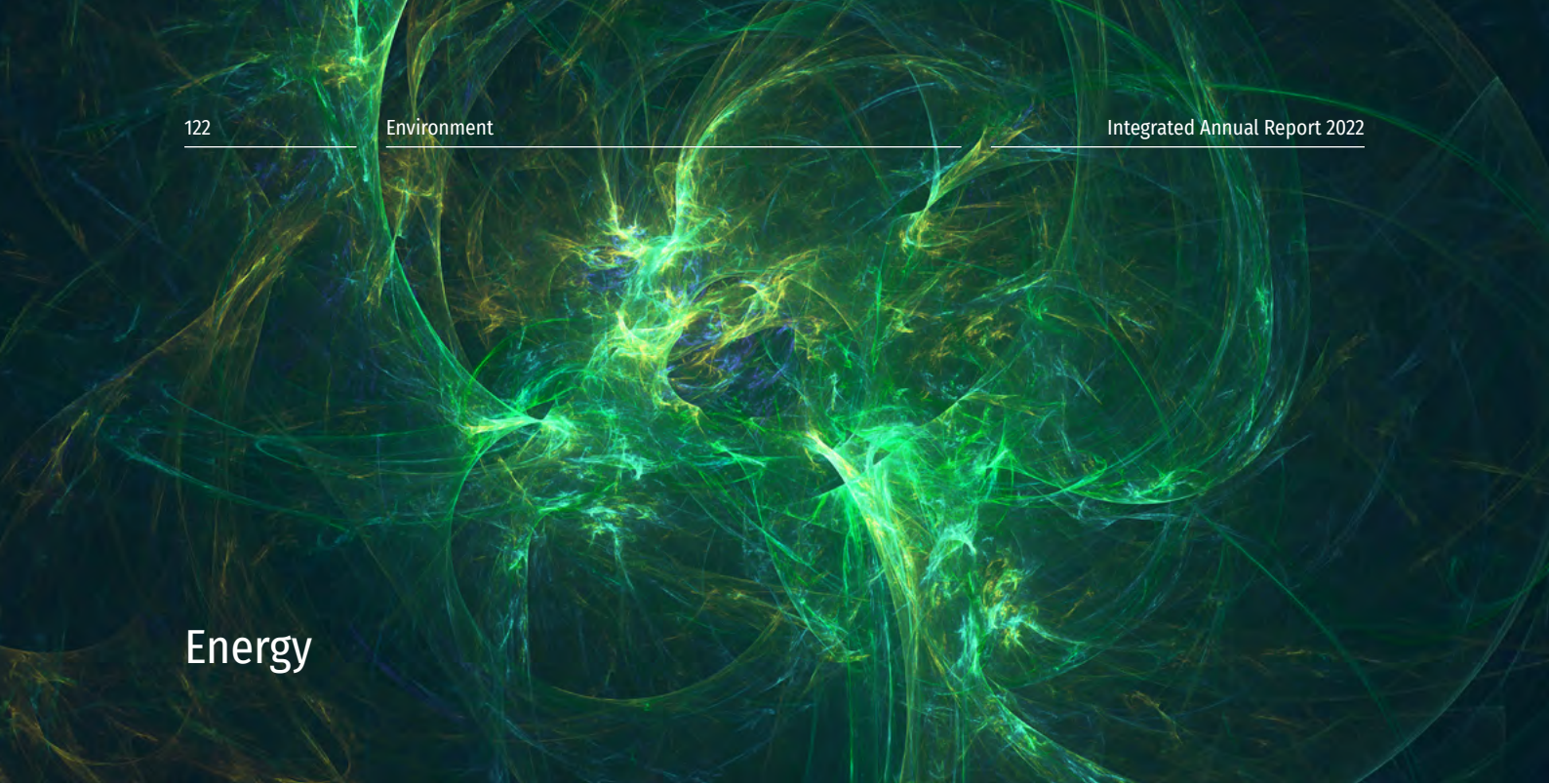
Site	2021	2022
Solin	4.30	4.30
Zagreb	8.26	4.90
Vintai	5.06	1.80
Kaluga	6.03	1.37
Tiszaújváros	5.70	4.40
Mladenovac	1.02	0.90
TOTAL	48.04	17.67

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

Site	2021.			2022.		
	cardboard	plastic foil	wooden pallets	cardboard	plastic foil	wooden pallets
Solin	55.35	6.53	60.75	40.23	4.01	41.40
Zagreb	67.65	7.975	74.25	49.17	4.895	50.6
Vintai	0	0	0	211.60	6.55	0
Kaluga	156.60	9.20	0	81.00	4.00	0
Tiszaujvaros	0	0	0	42.88	12.67	109.36
Mladenovac	82.20	6.90	71.00	7.00	7.00	69.00
TOTAL	361.80	30.60	206.00	431.88	39.12	270.36

In 2022, no recycled paper was used for office operations purposes, and in order to improve and reduce the consumption of office paper, the application of the DMS platform for document management began in Solin and Zagreb. The system is used to record, track, and store electronic documents, with a high level of security and access control.





Energy

Direct energy consumption in the AD Plastik Group includes the consumption of natural gas, LPG, heating oil and fuel for the propulsion of company's motor vehicles. Likewise, 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. Electricity is the main energy source in production facilities and premises, the main driver of machines, heating, cooling, and lighting devices of work areas.

The company conscientiously and continuously manages energy and takes initiatives to ensure efficient and rational consumption. All production sites are certified according to the requirements of the ISO 14001 standard, and in Kaluga it expired in July 2022 and due to the circumstances, recertification was not performed. In Solin, Zagreb, and Mladenovac, an energy efficiency management system was implemented according to the requirements of the ISO 50001 standard. Environmental protection and energy management policies are the backbone of actions and setting goals for improvement, and through regular and appropriate records and analyzes of energy consumption measures for improvement are suggested.

Energy has potential negative impacts on the utilization of natural resources, therefore on climate change, but also on the shortage and increase in energy prices. Therefore, it has been assessed as a material topic by company's own choice, but also according to the advice of internal and external experts as well as customers and suppliers. Energy is a significant and necessary resource for the company's business operations, so monitoring and managing consumption are everyday activities. Special attention is paid to energy efficiency due to the optimization of costs, as well as positive effects on the environment. The positive potential impacts of energy use are the improvement of technological processes and equipment, resulting in better competitiveness and a safer working environment, as well as the use of renewable energy sources.

The planned reduction of direct and indirect energy consumption is part of the company's strategy and one of the ways of managing the positive impacts of this material topic. Thus, among other things, the long-term goal is to replace company's official vehicles with electric ones, to reduce the transport route in the supply chain, and to improve the level of utilization of tools and devices. Thus, the same tools could be used for different vehicle models, which reduces energy consumption during their production and has a positive effect on the carbon footprint.

Although the electricity used in 2022 was not obtained from renewable energy sources, the goal is to increase the efficiency of energy use in production by introducing renewable sources and reduce the share of conventional fossil fuels in total energy consumption. In the reporting period, **a project for the construction of a photovoltaic power station** at a production site in Zagreb was developed and submitted to the Public Call “Support to companies for the transition to an energy and resource efficient economy”.

The construction of a photovoltaic power station with an installed DC power of 1945 kWh that is an AC power of 1540 kWh is planned. Co-financing the project will make its realization much easier, but the use of renewable energy sources is certainly a strategic goal of AD Plastik Group. The implementation is planned to be realized until June 2025, and the energy produced will be consumed mainly for the own consumption of the building where it is installed, with the possibility of transferring surpluses to the power grid. The redundancy of the power supply system reduces the carbon footprint, but also increases resource and energy efficiency, biodiversity and the creation of green skills.

In addition to dedication to the mentioned project, an energy audit of buildings in Solin and Zagreb was carried out in the reporting period, and accordingly a proposal for measures to improve mechanical systems and systems for electricity consumption was drawn up. The reconstruction of the power supply of the injection moulding production area and the procurement of compressed air compressors

for the air conditioning chamber were initiated In Solin, while the procurement of the distribution control cabinet in the power plant and high-speed roll up doors in the warehouse was initiated in Zagreb.

Fuel oil and natural gas are used for the operation of the boiler room, which produces thermal energy. Natural gas is also used in painting technology for flaming, i.e. activating the plastic surface with flame due to better adhesion of the paint and for burning volatile organic compounds on the incinerator. Other energy sources include liquefied petroleum gas for the operation of forklifts, and gasoline and diesel fuel are used for the needs of official vehicles. Although fuel oil is the least represented energy source, its impact on the environment is the greatest, so the long-term strategy clearly sets goals for its efficient use.



GRI 302-1

Total energy consumption within the organization

Energent	2020	2021	2022	Share
Electric energy (Gj)	147,757	136,189	107,974	80.41%
Natural gas (Gj)	37,102	33,214	25,670	19.12%
Liquefied petroleum gas (Gj)	5,367	2,565	463	0.34%
Heating oil (Gj)	24	104	173	0.13%
TOTAL	190,250	172,072	134,280	100.00%

GRI 302-1

Total energy consumption within the organization by production sites (GJ)

Site	2020	2021	2022
Solin	40,130	32,912	33,731
Zagreb	82,686	72,476	59,766
Vintai	22,727	22,268	10,181
Kaluga	18,404	16,981	3,653
Tiszaújváros	16,315	17,137	16,386
Mladenovac	9,988	10,297	10,563
TOTAL	190,250	172,072	134,280

Total energy consumption outside the organization (GJ)

GRI 302-2

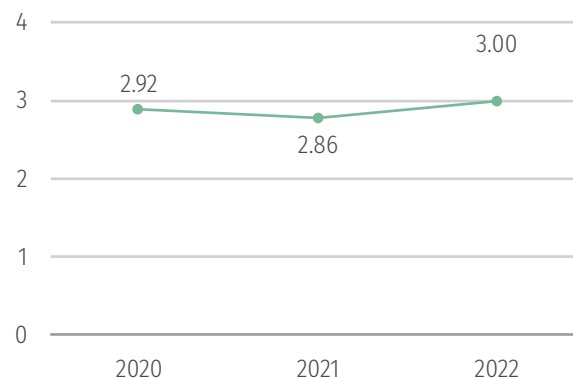
Site	2020	2021	2022
Solin	2,105	1,544	1,356
Zagreb	401	245	322
Vintai	3,343	2,849	1,990
Kaluga	44	35	4
Tiszaújváros	641	542	622
Mladenovac	88	36	45
TOTAL	6,622	5,250	4,340

Energy consumption outside the organization shows fuel consumption during business trips for vehicles owned by the company or leasing companies with which it has a contract.

GRI 302-3

Energy intensity

Site	2020	2021	2022
Solin	3.25	3.05	3.10
Zagreb	3.25	3.58	3.76
Vintai	1.86	1.76	2.61
Kaluga	2.00	1.37	1.51
Tiszaújváros	3.73	4.06	4.23
Mladenovac	3.78	3.36	2.76
TOTAL	2.92	2.86	3.00



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

Water and Effluents

GRI 303-1 Water is used for sanitary and technological needs of the company, and taking care of the sustainable consumption of water, a unique and irreplaceable natural resource, is an integral part of the company's business activities. By regularly monitoring its consumption and the water delivery and effluents discharge system, quality management of this resource is enabled. Possible deviations are quickly observed and measures and improvement activities are undertaken accordingly. Management of this topic is strictly prescribed by internal acts, procedures, and instructions, and with daily care it is successfully implemented.

Based on that, this topic has been identified as an important material topic of the company, and this was a personal choice that was confirmed in consultations by internal and external experts in the field of ecology and environmental protection, employees, suppliers, and customers, as well as local communities that value water as an extremely valuable resource. The lack of drinking water and the resulting climate change, but also a significant increase in prices that will affect the economy and society form a potential negative impact on the environment and society. Apart from that, the company creates a positive

potential impact by improving its technologies and processes, but also by constantly caring for the preservation of this natural resource and managing effluents so that they do not harm the environment.

Production sites of AD Plastik Group are supplied with drinking water from the local water supply systems, and to a lesser extent from their own well in Zagreb. The company does not use water by withdrawing surface water, sea water or collecting rainwater.

In accordance with legal regulations and acts in the field of water protection, all Group's production sites have valid water permits. The water used for technological needs serves as cooling water for cooling machines and products, a water curtain in the process of applying paints and varnishes, and for humidifying the air that is inserted into the paint shop.

The company's water consumption does not have a negative impact on water and the water ecosystem of the areas where the company operates and does not threaten the capacity of local water wells. It is monitored by direct measurement on the water meter.

GRI 303-3 **Total water consumption by source (m³)**

GRI 303-5

Site	Public water supply (m ³)			Private well (m ³)			Total consumption (m ³)		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Solin	31,339	23,400	26,550	0	0	0	31,339	23,400	26,550
Zagreb	13,329	9,535	7,546	9,136	6,941	4,935	22,465	16,476	12,481
Vintai	6,126	6,597	3,390	0	0	0	6,126	6,597	3,390
Kaluga	2,842	3,575	1,122	0	0	0	2,842	3,575	1,122
Tiszaújváros	9,260	9,590	2,477	0	0	0	9,260	9,590	2,477
Mladenovac	2,429	2,548	1,951	0	0	0	2,429	2,548	1,951
TOTAL	65,325	55,245	43,036	9,136	6,941	4,935	74,461	62,186	47,971

Despite reduced production, water consumption in Solin increased slightly in the reporting period, compared to 2021, due to the impact of a greater number of working days.

Water consumption in the technological processes of production and space cooling (m³)

Site	2021		2022	
	Production process (m ³)	Cooling of premises (m ³)	Production process (m ³)	Cooling of premises (m ³)
Solin	1,437	0	2,657	0
Zagreb	8,726	0	6,961	0
Vintai	1,319	0	678	0
Kaluga	1,588	0	426	0
Tiszaújváros	40	0	10	0
Mladenovac	5	0	5	0
TOTAL	13,115	0	10,737	0

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

Site	2021	2022
Solin	0.48	0.88
Zagreb	1.55	1.58
Vintai	0.37	0.63
Kaluga	0.46	0.63
Tiszaújváros	0.03	0.01
Mladenovac	0.01	0.00
TOTAL	0.48	0.62

GRI 303-3

GRI 303-5

GRI 303-2

Effluents are divided into sanitary, technological water and rainwater and internal drainage systems are separated for sanitary and rainwater. They are purified and poured into the public drainage system through the control measuring well, which then leads them to the city's water purifier. Effluents are purified through sedimentation tanks, grease separators and separators immediately before being poured into the public drainage system, and sediment and sludge generated in this process are removed, stored and disposed of as hazardous waste, in accordance with waste management regulations.

Technological effluents are not discharged into the public drainage system, but are located in a closed circulating control system that is supplemented with clean water due to evaporation. Before refilling with clean water, technological polluted water from the paint and varnish application process is collected in the central pool, where paint residues in the form of sediment and sludge are separated with the addition of coagulants and foaming agents and they are disposed of as hazardous waste.

Effluents are not recycled in production facilities, and are controlled by sampling and analyses according to the requirements related to water permits. In the reporting period, all effluents meet the permitted concentrations for discharging in public drainage systems.

In 2022, there were no significant spills of hazardous substances that could have negative impacts on the environment with possible harmful consequences for soil, water, air, biological diversity and human health, and the procurement and installation of water tempering device in the injection moulding production area and device for softening water has been launched in Zagreb. In Mladenovac, the system was reconstructed by installing sedimentation tanks and separators for rainwater.

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 and therefore do not have a negative impact on protected areas.

GRI 304-1

GRI 303-1

Results of effluents analysis (t)

	Solin	Zagreb	Vintai	Kaluga	Tiszaújváros	Mladenovac	TOTAL
Chemical oxygen demand (COD) of wastewater (t)	3.06	0.59	0	0	0	0	3.65
Biochemical oxygen demand (BOD) of wastewater (t)	2.10	0.29	0	0	0	0	2.40

GRI 303-5

Amount of discharged water and its destination (m³)

GRI 303-4

	2020	2021	2022	Destination of discharged wastewater
Solin	18,804	12,963	15,253	Adriatic Sea/Mediterranean Sea
Zagreb	6,466	7,750	5,186	Sava River/Danube River/Black Sea
Vintai	4,097	6,597	3,390	Volga River/Caspian Sea
Kaluga	1,808	3,575	1,122	Oka River/Volga River/Caspian Sea
Tiszaújváros	556	959	959	Tisza River/ Danube River/Black sea
Mladenovac	2,079	2,548	1,951	Veliki Lug River/Danube River/Black Sea
TOTAL	33,810	34,392	27,861	

Emissions

Emissions have a direct and real impact on the atmosphere, the environment and, consequently, climate change, and on people, and their potential impact can also be reflected in the company's economic performance. Although AD Plastik Group's emissions are not significant, the company takes serious care in managing emissions and reducing them. That is why emissions are undeniably one of the material topics of the company according to its own assessment, but also the assessment of all stakeholders who participate in the consultations, so accordingly it has been highly valued in terms of its importance.

Greenhouse gas emissions are the result of combustion of energy sources necessary for operation, and their tests from stationary sources are regularly conducted and reported on. The weight of air emissions is determined directly from measurements or indirectly from calculations based on energy source consumption. By improving technological processes and purchasing more energy-efficient equipment, the company reduces emissions and thus has a positive impact on climate change.

Direct greenhouse gas emissions (t CO₂*)

GRI 305-1

Site	2020	2021	2022
Solin	6	11	16
Zagreb	1,647	1,573	1,145
Vintai	60	67	22
Kaluga	262	0	0
Tiszaújváros	223	202	173
Mladenovac	196	145	117
TOTAL	2,394	1,998	1,473

* t CO₂ - Emission data calculated according to national standard

Fuel oil consumption in 2022 increased in Solin due to increased space heating in December.

Direct CH₄ and N₂O greenhouse gas emissions according to mass (t*)

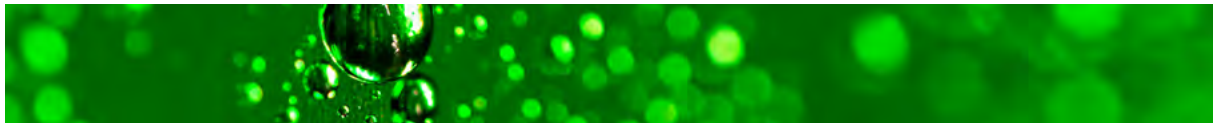
Site	Direct emissions CH ₄	Direct emissions CH ₄ expressed in CO _{2eq}	Direct emissions N ₂ O	Direct emissions N ₂ O expressed in CO _{2eq}	Direct emissions CH ₄ and direct emissions N ₂ O expressed in CO _{2eq}
Solin	0	0.02	0	0.03	0.05
Zagreb	0.02	0.57	0	0.54	1.11
Vintai	0	0.01	0	0.01	0.02
Kaluga	0	0	0	0	0
Tiszaújváros	0	0.09	0	0.08	0.17
Mladenovac	0	0.06	0	0.05	0.11
TOTAL	0,02	0,75	0	0,71	1,46

* t - Emission data calculated according to national standard

The management of this aspect is based on the application of environmental protection and energy management, quality and environmental protection policies, which continuously strive to reduce negative impacts on the environment. Evaluation of the effectiveness of the implemented systems is regularly monitored by conducting internal and external audits, and once a year the efficiency evaluation is carried out by the system review by the Management Board.

In the direct greenhouse gas emissions for 2022 overview, 97.24 percent of emissions refer to those resulting from the combustion of natural gas used for the operation of boiler rooms to obtain thermal energy, systems for the regenerative burning of volatile organic compounds, and the flaming process. LPG gas, which is used for the operation of forklifts, is represented by 1.90 percent, and the share of fuel oil, which is also used for the operation of the boiler room, is 0.86 percent. The share of direct emissions of CH₄ and N₂O gases expressed in CO_{2eq} is 0.1 percent.

GRI 305-5



GRI 305-2

Indirect greenhouse gas emissions (t CO₂*)

Indirect greenhouse gas emissions are caused by the use of electricity obtained from non-renewable sources. The increase at the production sites of Solin, Mladenovac, and Tiszaújváros was caused by the same reason as the intensity (in the description of the following table).

Site	2020	2021	2022
Solin	3,077	2,518	2,576
Zagreb	4,111	3,411	3,019
Vintai	1,664	1,703	752
Kaluga	1,053	1,305	281
Tiszaújváros	954	940	1,022
Mladenovac	497	592	651
TOTAL	11,356	10,470	8,301

* t CO₂ - Emission data calculated according to national standard

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

GRI 305-4

The GHG emissions intensity shows the ratio of total direct and indirect greenhouse gas emissions per kilogram of delivered product. Regardless of the reduced volume of production, heating, and cooling of the entire space, practical tests and the introduction of new products into serial production affect the intensity of emissions. The lower volume of serial deliveries consequently leads to an increased number of tool changes, which also causes an increase in the amount of internal scrap due to the adjustment of the machines during launching. This is the reason for the slight increase in the intensity of emissions.

Site	2020	2021	2022
Solin	0.84	0.84	0.86
Zagreb		0.89	0.9
Vintai	0.51	0.50	0.72
Kaluga	0.52	0.38	0.42
Tiszaújváros	0.97	0.97	1.11
Mladenovac	0.94	0.87	0.72
TOTAL	0.76	0.74	0.79

GRI 305-3

Other indirect greenhouse gas emissions (t CO₂*)

Site	2021					2022				
	Transport of final products to the end customer	Arrival to work / departure	Business trips by vehicles*	Business trips by plane	TOTAL	Transport of final products to the end customer	Arrival to work / departure	Business trips by vehicles*	Business trips by plane	TOTAL
Solin	1,018.00	566.37	110.79	98.52	1,793.68	1,140.79	515.47	97.63	111.73	1,865.62
Zagreb	1,609.59	669.91	17.54	0.00	2,297.04	1,293.78	421.14	22.96	0.00	1,737.88
Vintai	177.47	535.07	195.96	0.00	908.50	95.69	163.87	136.88	0.00	396.44
Kaluga	142.12	69.30	2.40	0.00	213.82	27.77	29.70	0.31	0.00	57.78
Tiszaújváros	327.41	141.44	37.73	0.00	506.58	297.92	151.49	43.24	0.00	492.65
Mladenovac	264.70	90.63	2.55	0.00	357.88	497.42	129.55	3.30	0.00	630.27
TOTAL	3,539.29	2,072.72	366.97	98.52	6,077.50	3,353.37	1,411.22	304.32	111.73	5,180.64
						64.73 %	27.24%	5.87%	2.16%	

* t CO₂ - Emission data calculated according to national standard

* Business vehicle trips refer to those carried out by vehicles owned by AD Plastik Group

Despite the situation, the transport of final products to the end customer at the Solin and Mladenovac production sites has increased, and the reason for this is the stabilization of deliveries for the Stellantis customer at more distant locations. Also, at the Mladenovac and Tiszaújváros

production sites, emissions increased during arrival to work and departure from work. In Mladenovac, the reason for this is the increase in the number of working days, and in Hungary, the calculation for 2021 was based on an estimate, and for 2022, it was made based on the real value.



Refrigerant quantity in equipment (kg) 2021

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	1,404	4	536	3	9	61	125	204

GRI 305-6

Refrigerant quantity in equipment (kg) 2022

Site	2022									
	R22	R32	R407C	R404A	R410A	R410C	R449A	HCFC-22	R134A	227ea
Solin	34	0	93	4	250	0	9	0	65	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	33	0	0	196	0	0	150	0	0
Mladenovac	9	4	74	0	4	0	0	0	0	68
TOTAL	42	37	1,487	4	652	0	9	150	65	108

Refrigeration systems and fire protection systems use refrigerants that damage the ozone layer due to their chemical composition. They are regularly serviced and maintained, which is recorded on the service cards. In 2022, the amount of R22 was reduced due to the replacement of the refrigeration unit, which increased the amount of

R407C gas and decreased R134A. In Mladenovac, certain substances were reduced due to equipment replacement, while additional equipment was installed in Tiszaújváros, which increased the amount of R32, R410A and HCFC-22. In the reporting period, there was no uncontrolled release of refrigerant into the atmosphere.

GRI 305-7

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

Site	2020					2021					2022				
	NO _x	SO ₂	CO	VOC	PM(10)	NO _x	SO ₂	CO	VOC	PM(10)	NO _x	SO ₂	CO	VOC	PM(10)
Solin	0	0	0	0	0	0.01	0.02	0	0	0	0.01	0.03	0.0	0.0	0.0
Zagreb	1.01	0.0	0.63	12.16	0.01	1.06	0	0.09	9.64	0.05	0.84	0	0.51	10.22	0.0
Vintai	4.13	0.03	0.0	0.0	0.10	6.13	0.03	0.0	15.18	0.10	3.68	0.02	0.0	9.11	0.06
Kaluga	0.0	0.0	0.20	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tiszaújváros	0.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mladenovac	0.30	0.0	0.15	0.0	0.0	0.42	0.0	0.20	0.0	0.0	0.34	0.0	0.06	0.0	0.0
TOTAL	5.44	0.03	0.98	12.16	0.11	7.62	0.05	0.29	24.82	0.15	4.87	0.05	0.57	19.33	0.06

* Emission data calculated according to national standard

Due to the increased fuel oil consumption, SO₂ emissions have consequently increased in Solin, and in Zagreb the total amount of VOCs is slightly higher due to a smaller amount of disposed waste solvent compared to the total amount of volatile organic compounds by four percent.

GRI 305-6

Refrigerant quantity in equipment (kg)

	2020	2021	2022
R22	140	132	42
R32	0	3	37
R407C	1,473	1,404	1,487
R404A	0	4	4
R410A	330	536	652
R410C	0	3	0
R449A	0	9	9
R505	4	0	0
R134A	125	125	65
HCFC-22	0	61	150
227ea	24	204	108

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. Emissions of volatile organic compounds (VOC) are regularly measured at the painting line exhaust vents, and in the reporting period the measured values were in accordance with legal provisions.

In order to reduce the negative impact on the environment caused by volatile organic compounds on the regenerative incinerators of painting line exhaust vents in Zagreb, 234.82 tons of volatile organic compounds were burned in 2022. Other measures implemented with the aim of reducing emissions are directly related to energy management and the implementation of energy audits in Solin and Zagreb, as well as the procurement of more energy-efficient equipment. The realization of the planned project of installing a photovoltaic power station in Zagreb (more on page [123](#)), will reduce indirect CO₂ emissions by 524.25 tons.

Waste

GRI 306-1 In accordance with its commitment to sustainable development and the company's strategy, waste management is an extremely important topic. Continuous raising of awareness and responsibility inside and outside the company is aimed at preventing waste generation, i.e. reducing waste within the production processes and disposing of it as efficiently and qualitatively as possible. Preservation of the environment and sustainable business is the focus of the company, but also of the entire industry to which it belongs. The Group's production sites are located in ecologically sensitive and culturally and historically significant areas, which makes responsibility towards the environment even more emphasized.

Waste has been assessed as an important material topic due to its potential and actual negative impact on the environment, and the company's positive impacts are achieved by quality management of this topic, selection, separation, and disposal, through which the environment and society are indirectly protected, and a positive economic impact is also created. The strategic goal is a green circular economy, according to which some waste becomes raw material in some other processes, so more and more activities are focused on finding such disposal solutions. At the same time, one of the strategic goals is to increase the share of recyclable waste, more precisely, the waste that is recycled and still used, but not necessarily for our production. We take care of this, as much as possible, also when choosing materials.

Although the preservation of the environment is the commitment of the company, it is also the task of all employees. Professional services have a unique policy for environmental protection management and goals set at the Group level, with the necessary respect for rules, laws, and other regulations in individual business locations. By regularly monitoring, supervising, and optimizing existing business processes and defining planned improvement measures during the development of new products, this topic is managed on a daily basis.

GRI 306-2 In AD Plastik Group, waste is selected at the point of origin and disposed of in specially prepared containers.

Records of generated waste handed over for disposal are kept according to the legally prescribed documentation.

The waste generated is handed over to authorized collectors and disposal companies, and data on the weight handed over for disposal is obtained by measurement when handed over to authorized collectors. The above data is used for reporting to the competent state bodies, but also for regular reporting within production sites due to process improvement and to the Management Board once a year or more often if necessary. →





According to the classification, non-hazardous and hazardous waste is generated from production processes. During 2022, 51.32 percent of the total amount of waste, of which 694.11 tons of non-hazardous and 242.55 tons of hazardous waste, was handed over to authorized disposal companies for recycling. 216.65 tons of waste solvent was handed over

to the supplier for recycling in Zagreb, using the chemical leasing model, and it was returned to the painting process purified and regenerated. The process of improving the method of collecting waste solvent has been initiated with the same supplier, and for this purpose, a study was prepared, according to which the realization of the process will continue in 2023.

GRI 306-3

Total waste mass according to type (t)

Site	2020		2021		2022	
	non-hazardous	hazardous	non-hazardous	hazardous	non-hazardous	hazardous
Solin	270.47	18.83	259.60	16.89	296.07	30.82
Zagreb	557.90	541.69	373.69	501.75	390.29	523.53
Vintai	501.66	37.26	498.12	38.36	175.74	2.02
Kaluga	326.00	9.00	650.30	8.01	77.30	0
Tiszaújváros	188.14	4.63	238.41	8.36	184.25	10.62
Mladenovac	134.45	6.72	123.06	4.20	130.28	4.37
TOTAL	1,978.62	618.13	2,143.18	577.57	1,253.92	571.36

GRI 306-5

Non-hazardous waste directed to disposal (t)

GRI 306-4

Disposal methods	Solin	Zagreb	Vintai	Kaluga	Tiszaújváros	Mladenovac	TOTAL
Recycling	275.84	199.10	175.74	12.00	31.43	0	694.11
Waste storage before disposal	2.18	191.19	0	0	0	90.19	283.56
Using waste as a fuel or other method for generating energy	0	0	0	0	0	0	0
Physico-chemical treatment of waste	0	0	0	0	0	0	0
Waste incineration on land	0	0	0	0	0	0	0
Waste disposal at specially prepared landfills	18.05	0	0	65.30	152.81	40.09	276.25
TOTAL	296.07	390.29	175.74	77.30	184.25	130.28	1,253.92

GRI 306-4

Stored non-hazardous waste before disposal

Name of waste	quantity (t)
Plastic waste	179.46
Mixed packaging	30.92
Paper and cardboard packaging	23.03
Wooden packaging	16.72
Plastic packaging	13.74
Waste scrap metal	13.57
Waste packaging film	3.73
A mixture of grease and oil from the separator	1.00
Waste textile	0.99
Waste adhesives and sealants	0.19
Plastics	0.18
Waste tyres	0.03
Styrofoam	0.01
TOTAL	283.56

Non-hazardous waste at the landfill

Name of waste	quantity (t)
Plastic waste	104.81
Municipal waste	67.50
Remains and pieces of fabrics made from polyester fibers	45.80
Mixed material waste	40.09
Plastic particles and sawdust	13.90
Bulky waste	4.15
TOTAL	276.25

Recycled non-hazardous waste

Name of waste	quantity (t)
Paper and cardboard packaging	205.73
Plastic waste	143.59
Remnants of mixed fabrics	117.21
Mixed metals	67.04
Waste scrap metal	55.54
Waste packaging film	39.93
Wooden packaging	30.82
Polyurethane foam waste	11.67
Paper and cardboard	7.15
Plastic particles and sawdust	5.40
Plastics and rubber	4.87
Bulky waste	1.58
Tin with admixtures	1.40
Polyurethane waste	1.40
Fiberglass waste	0.56
Brass	0.14
Non-ferrous metals chips and sawdust	0.06
Batteries and accumulators	0.03
TOTAL	694.11

GRI 306-5

GRI 306-5

Hazardous waste directed to disposal (t)

GRI 306-4

Disposal methods	Solin	Zagreb	Vintai	Kaluga	Tiszaújváros	Mladenovac	TOTAL
Recycling	0	231.96	2.02	0	8.57	0	242.55
Waste storage before disposal	13.27	267.92	0	0	0.85	4.37	286.41
Using waste as a fuel or other method for generating energy	16.34	23.44	0	0	0	0	39.78
Physico-chemical treatment of waste	0	0	0	0	0	0	0
Waste incineration on land	0	0	0	0	0	0	0
Waste disposal at a specially prepared landfill	1.21	0.21	0	0	1.21	0	2.62
TOTAL	30.82	523.53	2.02	0	10.62	4.37	571.36

GRI 306-5

Hazardous waste stored before disposal →

Hazardous waste used as fuel or other means of generating energy

Name of waste	quantity (t)
Hydraulic oils	23.44
Other hydraulic oils	16.34
TOTAL	39.78

Name of waste	quantity (t)
Paints and varnishes waste sludge	133.97
Waste packaging tainted with hazardous substances	56.04
Oily water from the oil/water separator	33.32
Oily rags, gloves, filters	31.86
Aqueous liquid waste	23.32
Waste paints and varnishes	2.86
Waste halogen compounds	1.90
Waste adhesives and solvents	0.73
Packaging under pressure	0.72
Waste electronic and electrical equipment	0.46
Waste hydraulic oils	0.40
Waste organic chemicals	0.26
Discarded electronic equipment / fluorescent tubes	0.23
Sludge from the oil/water separator	0.22
Discarded equipment containing hazardous substances	0.11
Laboratory waste	0.01
Waste batteries	0.00
TOTAL	286.41

GRI 306-4

Recycled hazardous waste

Name of waste	quantity (t)
Waste solvent	216.65
Sludges or solid waste contained in other solvents	15.31
Mineral oils	8.40
Dust of different plastics in the mixture	0.78
Material contaminated with oil or oil derivatives	0.44
Sand contaminated with oil or oil derivatives	0.43
Work clothes contaminated with oil derivatives	0.22
Work shoes	0.15
Oil filters	0.14
Waste cartridges	0.03
TOTAL	242.55

Hazardous waste at the landfill

Name of waste	quantity (t)
Electronic equipment	1.02
Greasy rags, gloves, filters	0.77
Waste adhesives and solvents	0.29
Waste cartridges	0.29
Packaging under pressure	0.11
Large equipment, screens	0.07
Fluorescent tubes	0.03
Hazardous substances replaced on equipment	0.03
TOTAL	2.62

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

Disposal methods	2020	2021	2022	share
Recycling	869.46	1,584.29	936.66	51.32%
Waste storage before disposal	814.70	524.65	569.97	31.23%
Using waste as a fuel or other method for generating energy	39.95	30.25	39.78	2.18%
Physico-chemical treatment of waste	46.50	11.29	0	0%
Waste incineration on land	0	0.43	0	0%
Waste disposal at a specially prepared landfill	826.14	569.83	278.87	15.28%
TOTAL	2,596.75	2,720.74	1,825.28	

Supply chain

GRI 2-6

AD Plastik Group has a robust supplier management system because it is one of the most important and intensive business processes in the automotive industry. It cooperates with suppliers of basic and auxiliary materials, packaging, tools, equipment and services, and as they are very diverse, the supplier base is therefore very broad.

Basic and auxiliary materials are procured from internationally recognized and verified suppliers, with the consent of the customers, and the contracts with them are mostly long-term. There is also a small part of suppliers for one-off orders, while contracts with suppliers of transport services, energy sources, maintenance services, development, IT, consulting services, and the like are long-term or annual.

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

Sustainable Supplier Management Policy, General Terms and Conditions of Purchase, Supplier Quality Manual and Compliance Questionnaire according to the guidelines of corporate social responsibility are published on the [company's website](#). Suppliers are familiar with the selection

criteria through the company's basic documents, all according to standards and customer specific requirements.

Once a year, the goals of the purchasing contracting process and supplier quality are updated and defined, and supplier management is part of very active everyday life in the purchasing department. The Management Board is informed once a month about the purchasing status and all challenges in the supply chain, and the indicators of the purchasing process are also part of the annual internal report and assessment of the Management Board.

During the reporting period, there was a significant change in the number and structure of suppliers in Russian factories due to the geopolitical situation and imposed sanctions. European suppliers stopped deliveries of materials and products to Russia, which interrupted the standard supply chain of Russian production sites. The factory in Kaluga has stopped production, and the factory in Togliatti has secured alternative supply chains.

At the same time, AD Plastik Group has been facing challenges in the supply chain in the European market due to high inflation and a significant increase in the prices of materials, services, and energy sources. The situation stabilized a bit at the end of 2022, but challenges have continued due to uncertainty in the global market.

	AD Plastik	AD Plastik Togliatti	AD Plastik Kaluga	AD Plastik Tisza	ADP, Mladenovac	TOTAL
Total number of contracted suppliers	1,053	354		494	379	2,280
Number of assessed suppliers	322	46		92	89	549
Number of assessed suppliers in %	31%	13%		19%	23%	24.08%
The purchasing value of assessed suppliers in kEUR	40,300	2,290	without production activity	6,900	10,000	59,490
The purchasing value share of assessed suppliers	69%	62%		80%	73%	71%
The total purchasing value in kEUR	58,000	3,715		8,620	13,700	84,035
The geographical location of most suppliers	EU, HR, TR	RU, TR, CH		EU	EU, HR, SRB	EU, RU, HR, SRB, TR, CH

Supplier assessments

The supplier environmental and social assessment have been assessed as material topics, as the supplier's sustainable business is a prerequisite for cooperation, given the suppliers' significant influence in the automotive industry's value chain.

The automotive industry in Europe pays special attention to sustainable development and reduction of emissions, which is why intensive work is being done on the development of new, more environmentally friendly, higher-quality, and more recyclable products. In order to achieve this, each link within the complete chain is important and can have a potentially negative or positive impact on the achievement of sustainability goals. In order to achieve the desired quality and performance of the final product, it is necessary to set clear criteria already at the beginning of the value chain. A negatively assessed impact in any segment of sustainability is a potential threat to a negative assessment of the final product, which is definitely something that should be prevented. Likewise, the positive influence of the supplier is transferred to the final product and the end user.

In accordance with the clear direction of the industry and AD Plastik Group, suppliers of basic and auxiliary materials are encouraged to increase the use of recycled and environmentally friendly materials, create assumptions for internal recycling and recovery of materials within the set quality requirements.

With its sustainable business policy, AD Plastik Group defines the requirements for its suppliers and thus manages their potential positive impact, i.e. reduces potentially negative impact. Clear and unambiguous conditions have been set that each supplier must fulfill in order to become part of the company's approved suppliers. Each potential supplier is assessed in terms of environmental impact based on the ISO14001 standard or a customized questionnaire. In the observed period, there were no suppliers with whom business relations were terminated due to a negative impact on the environment.

In 2022, one hundred percent of new AD Plastik Group's suppliers of various types of materials were assessed, which by signing the Sustainable Management Policy confirm their dedication to the fight for human rights, the right to work, the prohibition of child and forced labor, the fight against corruption and discrimination.

GRI 414-1
GRI 414-2

GRI 308-1

GRI 408-1
GRI 409-1

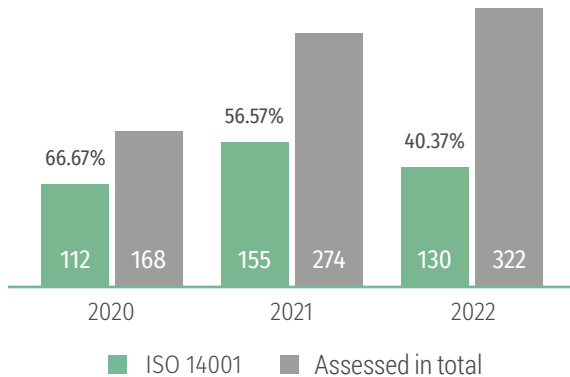
→ Existing suppliers are comprehensively assessed once a year through a questionnaire aligned with the [Sustainable Management Policy](#), and the second level of the supply chain is also monitored through monitoring procedures in terms of compliance with sustainability guidelines. The aforementioned questionnaire is not publicly available, but the company's website contains the [Supplier Quality Manual](#), which clearly describes the guidelines and requirements they must meet, and which are an integral part of the Verification Questionnaire.

GRI 308-2 609 suppliers were assessed in 2022, which includes all suppliers of materials and equipment for the automotive industry and part of service suppliers. There were no cases of forced or child labor, non-respect of human rights or negative impacts on the environment and society.

GRI 414-2

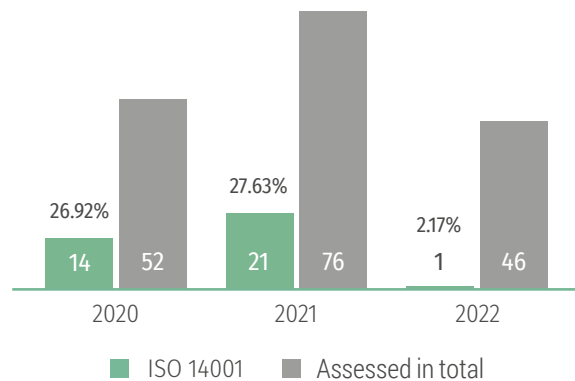
In Croatia, suppliers of certain services, i.e. consumables are engaged that employ vulnerable groups and long-term cooperation agreements are concluded with them.

AD Plastik, Croatia



AD Plastik Togliatti, Russia

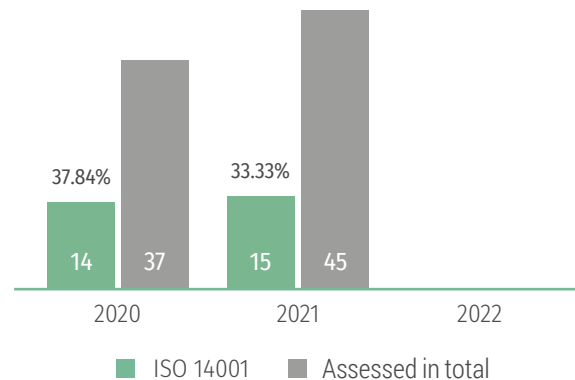
Due to the geopolitical situation and sanctions against Russia, the number of suppliers with the ISO 14001 certificate has significantly decreased by changing the supplier structure. This fact indicates a potentially negative impact of suppliers on the environment, which will be given special attention in the coming period, in accordance with the possibilities and circumstances.



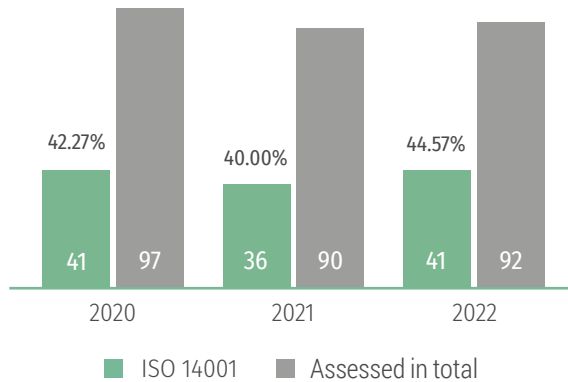
AD Plastik Kaluga, Russia

GRI 308-2

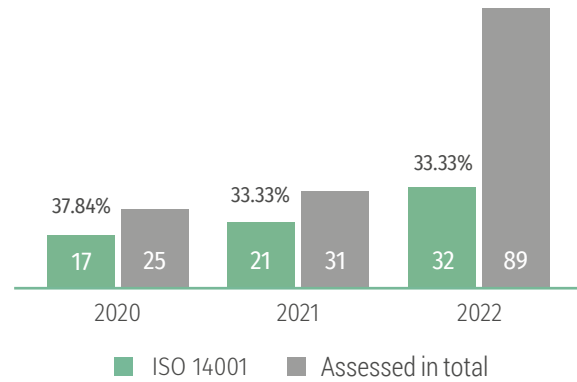
There were no production activities in the factory, and accordingly neither the introduction of new suppliers nor the assessment of existing ones.



AD Plastik Tisza, Hungary



ADP, Mladenovac, Serbia



Procurement practices

GRI 204-1

Procurement practices have a significant impact on business operations, which was particularly evident in the observed period. Due to the geopolitical situation, in 2022 the general picture of the supply chain changed, and unplanned changes required thorough modifications to the supply chain in the Russian market, which, as expected, led to a change in the structure and number of suppliers.

The share of local suppliers in the total purchasing value has a potentially significant impact on the economy, society, and the environment, especially in the countries of operation, and this topic was assessed as a material one by consulting with customers and suppliers, external experts in the field of sustainability and supply, as well as the academic community, especially in the field of materials development. Potential positive impacts include the selection of a greater number of local suppliers, which contributes to the development of society and the economy, and by reduced transport also of the environment. Potential negative impacts include the selection of foreign suppliers instead of local ones with the same quality of materials, which negatively affects people in the local community, the economy and the environment.

As the materials and components for the automotive industry are specific, there are real limitations at certain production sites that prevent the choice of local suppliers because they are not available at all or do not have materials that meet the quality requirements. Although this is not the reason for real negative impacts, the company can potentially have a significantly more positive impact on the local community if the long-term development of local material suppliers in Croatia and other business areas is achieved.

Therefore, by cooperation with the academic and local community the development of new materials and their production is constantly encouraged, because the strategic goal of the company is to increase the number of local suppliers in the entire group, which consequently affects the carbon footprint. As the availability and quality of suppliers of services and part of the equipment is adequate, by choosing local suppliers in these segments, the company affects the development of small suppliers and the improvement of the economic activities of society in these areas.



Procurement practices (continued)

→ The total value of AD Plastik Group's procurement is significant and includes a large number of local and import suppliers, with each production site having its own base of local and joint base of global suppliers. The share of local suppliers is actively managed through the selection of materials in development projects and through improvement plans during serial production.

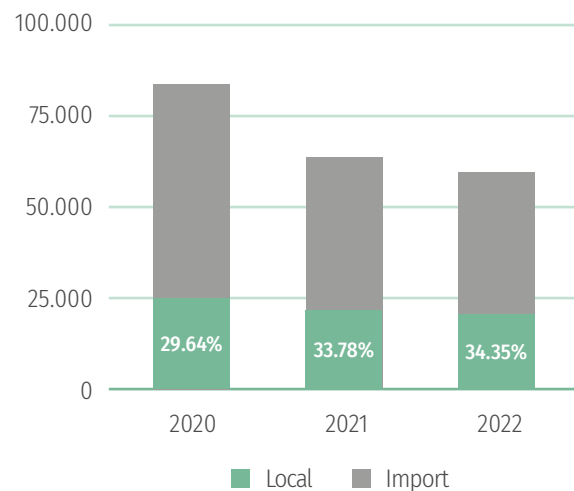
Taking into account the customer requirements and the offers of suppliers, the total purchase values are managed primarily through medium-term and annual plans, followed by the share of local suppliers in the total purchase value.

GRI 204-1

The share of local suppliers in the total purchasing value

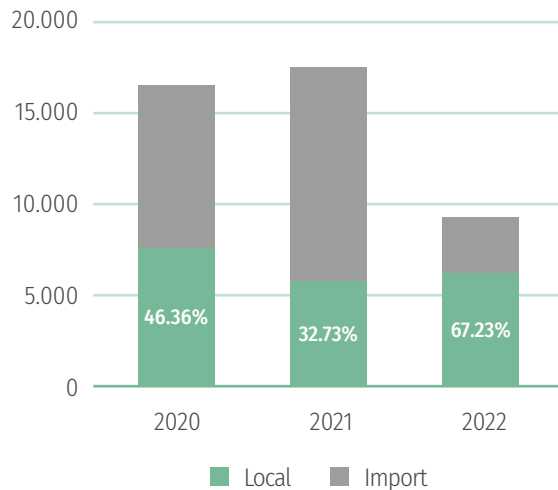
AD Plastik, Croatia

In the reporting period, the purchasing value in the parent company also decreased due to decreased orders as a result of the lack of electronic components and reduced capacities of the Revoz factory. The structure of suppliers remained unchanged, as did the ratio of local and import purchasing values. The development of the local materials market has not made significant progress, so local suppliers are mostly related to the area of services and investments.



AD Plastik Togliatti, Russia

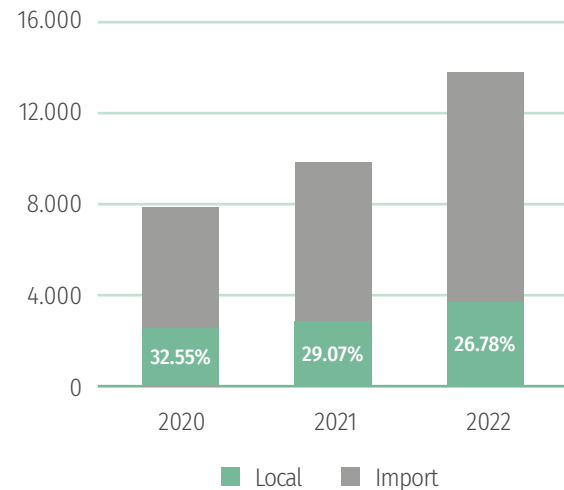
The factory operates with reduced capacity for the customer AvtoVAZ, that has changed the owner, which has resulted in a change in the assortment and thus a reduced need for materials and their variety.



ADP Mladenovac, Serbia

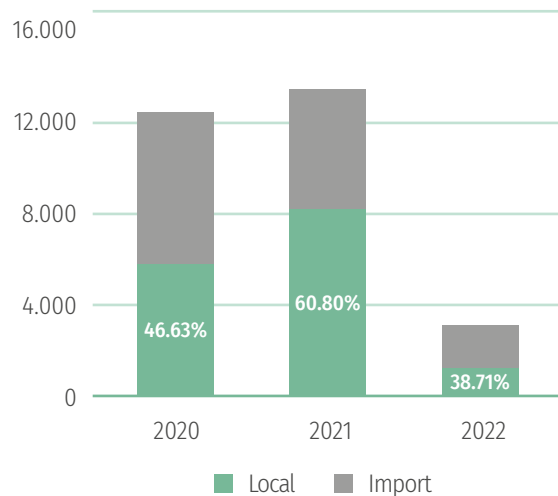
GRI 204-1

The purchasing value in Mladenovac increased due to the increased deliveries to the Stellantis customer. The number of local suppliers continues to decrease due to the impossibility of finding adequate materials in the local market.



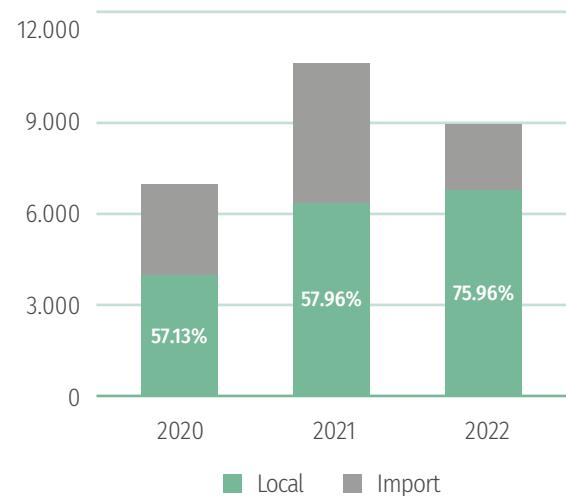
AD Plastik Kaluga, Russia

As European producers stopped their production activities in that market, the factory ceased production in the second quarter.



AD Plastik Tisza, Hungary

AD Plastik Tisza traditionally has the largest share of local suppliers of materials in the Group due to their greater representation in the Hungarian market and developed automotive industry.



EU Taxonomy

With the Paris Agreement and the European Green Deal, the EU undertook to become climate neutral by 2050 and to reduce greenhouse gas emissions by 55 percent by 2030, compared to 1990. Sustainable business truly is and will be the focus of the European Union at least until 2050. In order to achieve ambitious goals, a number of proposals, acts, and policies from various fields were adopted, which should contribute to that.

One of the prerequisites for achieving climate neutrality is the transparency of reporting, which will provide clear information on sustainable investments and activities and help investors and companies direct their investments towards such projects or companies.

For this reason, as one of the measures of the action plan, the Taxonomy Regulation (Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investments, and amending Regulation (EU) 2019/2088) was adopted in 2020, containing a list of economic activities that have been assigned environmental sustainability criteria. The Taxonomy Regulation and reporting according to criteria are an indicator of business sustainability for stakeholders of companies and state institutions, and should also reduce “greenwashing” and redirect overall financing towards sustainable business.

The Taxonomy Regulation prescribes six environmental objectives:

- 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, together with the delegated regulations, is a legal framework that provides companies, their investors and legislative bodies with criteria for determining economic activities that are environmentally sustainable and have a significant contribution to environmental objectives. If the activities are described in the delegated taxonomic acts, they are marked as economically eligible. It is important to point out that the term ineligible economic activity does not mean ecologically good or bad activities, but those that are not recognized as activities that can significantly contribute to environmental objectives according to the Taxonomy Regulation and the European Commission.

In order for an activity to be environmentally sustainable, according to the Taxonomy Regulation, four basic criteria must be met:

- it significantly contributes to at least one of the six environmental objectives defined in Article 9 of the Taxonomy Regulation
- it does not significantly harm any of the other environmental objectives
- it is carried out in accordance with minimum protective measures*
- it is aligned with technical verification criteria, that is, scientifically based technical verification criteria

Currently, taxonomy delegated acts are available only for the first two environmental objectives, while the publication of acts for the remaining objectives is expected in mid-2023.

For now, the activity of AD Plastik Group, NACE** code 29.32 - Manufacture of other parts and accessories for motor vehicles, is not included in the classification system, that is, it is not recognized as an activity that can contribute significantly to the environmental objectives of the Taxonomy Regulation. →

* The Group has a prescribed human rights protection policy that is publicly available and complies with the legal provisions of all countries in which it operates.

** NACE is the abbreviated name of the classification of economic activities of the EU, which determines the one that should be used to ensure the comparability of collected statistical data.

- Pursuant to Article 8 of the Taxonomy Regulation, from 2021 the company has been obliged to report on the appropriate share of turnover, capital investments and operating expenses that originate from assets or processes from taxonomy-eligible economic activities. With the indicators already mentioned above, for 2022 it is necessary:
- to add a compliance table
 - to clarify how revenue, capital expenditures, and operating expenses are determined and allocated to the numerator
 - to show the basis for calculating revenue, capital expenditures, and operating expenses, including all estimates when allocating revenue or expenses to different economic activities
 - to clarify the data collection methodology for each key indicator
 - to explain the changes in the data compared to the previous reporting period

Methodology

The assessment of eligibility and compliance with the EU Taxonomy was carried out by multidisciplinary teams, composed of experts from various fields and management of all Group production sites.

Workshops, interviews, and working meetings were held at which economic activities, i.e. revenue and expenses from them, were assessed, in accordance with the EU Taxonomy. The above resulted in the recognition of taxonomy-eligible and ineligible economic activities, their compliance, and share in revenue, capital expenditures, and operating expenses.

For the calculation of key performance indicators (revenue, capital investments and operating costs), data related to the Group's reporting were taken into account and they were expressed in thousands of HRK. Applying International Financial Reporting Standards eliminates the double counting of the same numbers when calculating KPIs, which is in line with the delegated regulations on disclosures. A summary of the most important accounting policies is presented in the Annual Financial Report chapter within the notes to the consolidated financial statements. Below is an overview of the approach applied with respect to each individual KPI.

Key performance indicator related to revenue

Revenue share is calculated as the portion of net revenue associated with taxonomy-aligned economic activities divided by total revenue shown in the statement of comprehensive income. No revenue has been identified within AD Plastik Group that would be taxonomy-eligible, i.e. the majority of revenue derives from the basic activity according to NACE classification 29.32, according to which the elaboration of revenue is not shown.

Key performance indicator related to capital expenditures (Capex)

The share of capital expenditures (Capex) is shown in relation to capital investments in the cash flow statement (purchase of property, plant, and equipment, investments in real estate and intangible assets). The numerator is equal to the part of capital expenditures, included in the denominator, that relate to assets related to taxonomy-aligned economic activities.



- The denominator includes increases in tangible and intangible assets in the financial year, before their amortization and remeasurement, including increases resulting from revaluations and impairments, for the relevant financial year and excluding changes in fair value. The denominator includes also increases in tangible and intangible assets that are the result of business mergers.

Key performance indicator related to operating expenses (Opex)

The indicator of operating expenses (Opex) is shown in relation to total operating costs in the statement of comprehensive income, minus depreciation. According to the EU Taxonomy Regulation, the denominator includes direct non-capitalized costs related to research and development, building renovation measures, short-term leases related to right-of-use assets according to IFRS 16, maintenance and repair, and all other direct expenditures for the day-to-day servicing of property, plant, and equipment performed by the company or a third party entrusted with these tasks, which are necessary for the proper functioning of these assets. The numerator in operating costs is related to the above-mentioned costs, but only those costs that were incurred due to taxonomy-eligible activities.

Scope

All AD Plastik Group production sites

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

Recognized eligible economic activities

Revenue

There is no revenue from eligible economic activities.

Capital expenditures

No	Activity	Code
1	Renovation of existing buildings	F41
2	Construction of new buildings	F41
3	Installation, maintenance, and repair of instruments and devices for measuring, regulating, and controlling the energy efficiency of buildings	F43

Operating expenses

No	Activity	Code
1	Installation, maintenance, and repair of energy-efficiency equipment	F43
2	Collection and transportation of non-hazardous waste in fractions that are separated at the source	E38.11
3	Professional services related to the energy efficiency of buildings	M71
4	Transportation by motorcycles, passenger cars and light commercial vehicles	H49.32, H49.39, N77.11
5	Urban, suburban and road passenger transport	H49.31
6	Non-life insurance: taking on climate-related risks	K65.12
7	Services of road transport of goods	H49.41
8	Renovation of the system for collecting and purifying effluents	E37.00

GRI Content Index

Statement of use	AD Plastik Group reported in accordance with GRI Standards for the period January 1, 2022 - December 31, 2022.
Used GRI 1	GRI 1: Foundation 2021

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GRI 2: General Disclosures 2021			
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2-6	Activities, value chain and other business relationships	8, 12	5, 25-28, 46, 48, 138
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2-9	Governance structure and composition		30, 32, 37, 38, 40
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2-11	Chair of the highest governance body		32
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2-13	Delegation of responsibility for managing impacts		31
2-14	Role of the highest governance body in sustainability reporting		31
2-15	Conflicts of interest	16	31
2-16	Communication of critical concerns		31
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2-18	Evaluation of the performance of the highest governance body	17	35
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2-22	Statement on sustainable development strategy		10
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2-24	Embedding policy commitments		82
2-25	Processes to remediate negative impacts		83
2-26	Mechanisms for seeking advice and raising concerns		83
2-27	Compliance with laws and regulations		83
2-28	Membership associations	17	88
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2-29	Approach to stakeholder engagement	8	84, 15
2-30	Collective bargaining agreements	8	86

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GRI 3: Material topics 2021			
3-1	Process to determine material topics	all	79, 15
3-2	List of material topics	all	80
3-3	Management of material topics	all	79
GRI 201: Economic performance 2016			
201-1	Direct economic value generated and distributed	8, 9	113, 114
201-2	Financial implications and other risks and opportunities due to climate change	13	67
201-3	Defined benefit plan obligations and other retirement plans	8	116
201-4	Financial assistance received from government	9	116
GRI 202: Market Presence 2016			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	5, 8, 10	100
202-2	Proportion of senior management hired from the local community	8, 10	92
GRI 204: Procurement Practices 2016			
204-1	Proportion of spending on local suppliers	8, 9	141
GRI 301: Materials 2016			
301-1	Materials used by weight or volume	6, 9, 12, 13, 14, 15	120
301-2	Recycled input materials used	6, 9, 12, 13, 14, 15	120
301-3	Reclaimed products and their packaging materials	Reasons for omission: Not applicable. Explanation: AD Plastik Group does not take back manufactured products delivered to the customer and does not process or reuse them as input material.	
GRI 302: Energy 2016			
302-1	Energy consumption within the organization	7, 9, 12, 13, 14, 15	123, 124
302-2	Energy consumption outside of the organization	7, 9, 12, 13, 14, 15	124
302-3	Energy intensity	7, 9, 12, 13, 14, 15	124
302-4	Reduction of energy consumption	Reasons for omission: Information is unavailable/incomplete. Explanation: Although several initiatives have been implemented that potentially reduce electricity consumption, unique calculation methods for displaying this indicator have not been developed yet, which is planned to be implemented in the next reporting period.	
302-5	Reductions in energy requirements of sold products and services	Reasons for omission: Not applicable. Explanation: The data is not available because this data is collected by car manufacturers for each vehicle as a whole.	
GRI 303: Water and Effluents 2016			
303-1	Interactions with water as a shared resource	6, 9, 12, 14, 15	125
303-2	Management of water discharge-related impacts	6, 9, 12, 14, 15	126
303-3	Water withdrawal	6, 9, 12, 14, 15	125, 126
303-4	Water discharge	6, 9, 12, 14, 15	127
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305-1	Direct (Scope 1) GHG emissions	7, 9, 12, 13, 14, 15	128
305-2	Energy indirect (Scope 2) GHG emissions	7, 9, 12, 13, 14, 15	129
305-3	Other indirect (Scope 3) GHG emissions	7, 9, 12, 13, 14, 15	130
305-4	GHG emissions intensity	7, 9, 12, 13, 14, 15	129
305-5	Reduction of GHG emissions	7, 9, 12, 13, 14, 15	129
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305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	7, 9, 12, 13, 14, 15	132

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306-1	Waste generation and significant waste-related impacts	9, 12, 13, 14, 15	133
306-2	Management of significant waste-related impacts	9, 12, 13, 14, 15	133
306-3	Waste generated	9, 12, 13, 14, 15	134
306-4	Waste diverted from disposal	9, 12, 13, 14, 15	134, 135, 136, 137
306-5	Waste directed to disposal	9, 12, 13, 14, 15	134, 135, 136, 137
GRI 308: Supplier Environmental Assessment 2016			
308-1	New suppliers that were screened using environmental criteria	6, 7, 12, 13, 14, 15	139
308-2	Negative environmental impacts in the supply chain and actions taken	6, 7, 12, 13, 14, 15	139
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	8	108-112
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	8	93
401-3	Parental leave	5	112
GRI 403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	3	102
403-2	Hazard identification, risk assessment, and incident investigation	3	102
403-3	Occupational health services	3	102
403-4	Worker participation, consultation, and communication on occupational health and safety	3	102
403-5	Worker training on occupational health and safety	3	102
403-6	Promotion of worker health	3	102
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	3	102
403-8	Workers covered by an occupational health and safety management system	3	102
403-9	Work-related injuries	3	102, 103
403-10	Work-related ill health	3	103
Non-material topics		SDG	Page
GRI 203: Indirect Economic Impacts 2016			
203-2	Significant indirect economic impacts	8, 9	117
GRI 205: Anti-corruption 2016			
205-2	Communication and training about anti-corruption policies and procedures	4, 5	81
205-3	Confirmed incidents of corruption and actions taken	16	81
GRI 206: Anti-competitive Behavior 2016			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	16	81
GRI 207: Taxes 2019			
207-1	Approach to tax	17	117

Non-material topics		SDG	Page
GRI 304: Biodiversity 2016			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	6, 12, 13, 14, 15	126
GRI 307: Environmental Compliance 2016			
307-1	Non-compliance with environmental laws and regulations	9, 13, 14, 15	83
GRI 402: Labor/Management Relations 2016			
402-1	Minimum notice periods regarding operational changes	8	92
GRI 404: Training and Education 2016			
404-1	Average hours of training per year per employee	4	104, 106
404-2	Programs for upgrading employee skills and transition assistance programs	4	104
404-3	Percentage of employees receiving regular performance and career development reviews	4	105, 106
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	5	93, 95, 96
405-2	Ratio of basic salary and remuneration of women to men	5, 8	100
GRI 406: Non-discrimination 2016			
406-1	Incidents of discrimination and corrective actions taken	5, 8	81
GRI 408: Child Labor 2016			
408-1	Operations and suppliers at significant risk for incidents of child labor	4, 8	81, 139
GRI 409: Forced or Compulsory Labor 2016			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	8	139
GRI 412: Human Rights Assessment 2016			
412-2	Employee training on human rights policies or procedures	4, 5	81, 83
GRI 413: Local Communities 2016			
413-2	Percentage of operations with implemented local community engagement, impact assessments, and/or development programs	4, 8, 9, 17	87
GRI 414: Supplier Social Assessment 2016			
414-1	New suppliers that were screened using social criteria	5, 8, 10, 16	139
414-2	Negative social impacts in the supply chain and actions taken	5, 8, 10, 16	139, 140
GRI 415: Public Policy 2016			
415-1	Political contributions		83
GRI 416: Customer Health and Safety 2016			
416-1	Assessment of the health and safety impacts of product and service categories	3	89
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	3	90
GRI 417: Marketing and Labeling 2016			
417-2	Product and service information/labeling incidents of non-compliance with voluntary codes		90
417-3	Incidents of non-compliance concerning marketing communications		90

ESG Indicators Index

Environmental	Unit	2022
GHG Emissions Scope 1 & 2 Location-Based	Thousand Metric Tonnes CO ₂ e	9.77
GHG Emissions Scope 1	Thousand Metric Tonnes CO ₂ e	1.47
GHG Emissions Scope 2 Location-Based	Thousand Metric Tonnes CO ₂ e	8.30
GHG Emissions Scope 3	Thousand Metric Tonnes CO ₂ e	518
Scope 3 Business Travel Emissions	Thousand Metric Tonnes	0.42
Scope 3 Employee Commuting Emissions	Thousand Metric Tonnes CO ₂ e	1.41
Scope 3 Downstream Transport and Distribution Emission	Thousand Metric Tonnes CO ₂ e	3.35
Scope 3 Emissions Other	Thousand Metric Tonnes CO ₂ e	4.76
CO ₂ Scope 1 & 2 Location-Based	Thousand Metric Tonnes	9.77
CO ₂ Scope 1	Thousand Metric Tonnes	1.47
CO ₂ Scope 2 Location-Based	Thousand Metric Tonnes	8.30
Carbon per Unit of Production	Metric Tonnes/Unit of Production	0
Methane (CH ₄) Scope 1	Thousand Metric Tonnes CO ₂ e	0
ODS Emissions	Thousand Metric Tonnes	0
Nitrous Oxide (N ₂ O) Scope 1	Thousand Metric Tonnes	0
Sulfur Hexafluoride (SF ₆) Scope 1	Thousand Metric Tonnes	0
Methane (CH ₄) Emissions Scope 1 in CO ₂ Equivalent	Thousand Metric Tonnes CO ₂ e	0
Nitrous Oxide (N ₂ O) Emissions Scope 1 in CO ₂ Equivalent	Thousand Metric Tonnes CO ₂ e	0
Hydrofluorocarbon (HFC) Emissions Scope 1 in CO ₂ Equivalent	Thousand Metric Tonnes CO ₂ e	0
Perfluorocarbon (PFC) Emissions Scope 1 in CO ₂ Equivalent	Thousand Metric Tonnes CO ₂ e	0
Sulfur Hexafluoride (SF ₆) Emissions Scope 1 CO ₂ Equivalent	Thousand Metric Tonnes CO ₂ e	0
Emissions Reduction Initiatives	Y/N	Y
Climate Change Policy (1)	Y/N	Y
Risks of Climate Change Discussed	Y/N	Y
Total Energy Consumption	Thousand Megawatt Hours	37.30
Renewable Energy Use	Thousand Megawatt Hours	0
Energy Efficiency Policy (1)	Y/N	Y
Electricity Used	Thousand Megawatt Hours	29.99
Fuel Used - Coal/Lignite	Thousand Metric Tonnes	0
Fuel Used - Natural Gas	Thousand Cubic Meters	769.98
Fuel Used - Crude Oil/Diesel	Thousand Cubic Meters	0.04
Self Generated Renewable Electricity	Thousand Megawatt Hours	0
Energy Per Unit of Production	Megawatt Hours/Unit of Production	0
Electricity of Total Energy Consumed	Percentage	80.41
ISO 14001 Certified Sites	Count	5
Environmental Quality Management Policy (1)	Y/N	Y
Investments in Operational Sustainability	Million HRK	25.58
GRI Criteria Compliance	Y/N	Y
Verification Type	Y/N	Y
Number of Sites	Count	7

Environmental	Unit	2022
Pct Sites Certified	Percentage	85.71
Nitrogen Oxide Emissions	Thousand Metric Tonnes	0
Sulphur Dioxide Emissions	Thousand Metric Tonnes	0
VOC Emissions	Thousand Metric Tonnes	0.02
Carbon Monoxide Emissions	Thousand Metric Tonnes	0
Particulate Emissions	Thousand Metric Tonnes	0
Sulphur Oxide Emissions	Thousand Metric Tonnes	0
Total Water Use	Thousand Cubic Meters	47.97
Discharges to Water	Thousand Metric Tonnes	27.86
Hazardous Waste	Thousand Metric Tonnes	0.57
Total Waste	Thousand Metric Tonnes	1.83
Waste Recycled	Thousand Metric Tonnes	0.94
Paper Consumption	Thousand Metric Tonnes	0.02
Raw Materials Used	Thousand Metric Tonnes	10.72
Number of Environmental Fines	Count	0
Amount of Environmental Fines	Million HRK	0
Waste Reduction Policy (1)	Y/N	Y
Total Water Discharged	Thousand Cubic Meters	27.86
Water per Unit of Production	Liters/Unit of Production	0.62
Environmental Accounting Cost	Million HRK	12.28
Biodiversity Policy (1)	Y/N	Y
Waste Sent to Landfills	Thousand Metric Tonnes	0.28
Technological Water	Thousand Cubic Meters	10.74
Groundwater Withdrawals	Thousand Cubic Meters	4.94
Municipal Water	Thousand Cubic Meters	43.04
Chemical Oxygen Demand of Discharges	Metric Tonnes	0
Biological Oxygen Demand of Discharges	Metric Tonnes	0
Cooling Water Inflow	Thousand Cubic Meters	10.74
Water Policy (1)	Y/N	Y
Total Water Withdrawal	Thousand Cubic Meters	47.97
Water Stress Exposure Percentage	Percentage	0
Hazardous Waste Percentage	Percentage	31.30
Environmental Incidents	Count	0
Hazardous Waste Recycled	Thousand Metric Tonnes	0.24
Hazardous Waste Recycled Percentage	Percentage	42.45
Waste Recycled Percentage	Percentage	51.32
Hazardous Waste Management Policy (1)	Y/N	Y
Wastewater Management Policy (1)	Y/N	Y
Amount of Waste Incinerated	Thousand Metric Tonnes	0
Waste Used for Energy	Thousand Metric Tonnes	0.04
Significant Spills	Count	0
Significant Environmental Fines	Count	0
Amount of Significant Environmental Fines	Million EUR	0
Water Consumption	Thousand Cubic Meters	47.97
Percentage of Recycled Materials	Percentage	17.69
Environmental Supply Chain Management (2)	Y/N	Y
Sustainable Packaging	Y/N	Y

Social	Unit	2022
Political Donations	Million HRK	0
Business Ethics Policy (1)	Y/N	Y
Anti-Bribery Ethics Policy (1)	Y/N	Y
Intellectual Property Rights Protection Policy (1)	Y/N	Y
Corruption Legal Cases	Count	0
Amount of Anti - Competition Fines	Million HRK	0
Political Involvement Policy (1)	Y/N	Y
Fines for Anti - Competition	Count	0
Anti - Competition Policy (1)	Y/N	Y
Fines For Bribery And Corruption	Count	0
Amount Of Fines For Bribery And Corruption	Million HRK	0
Percentage of Company Facilities Non-Compliance	Percentage	0
Cybersecurity Risk Management	Y/N	Y
Fines for Marketing and Labeling	Count	0
Amount of Fines for Marketing and Labeling	Million HRK	0
Community Spending	Million HRK	1.17
Human Rights Policy (1)	Y/N	Y
Quality Assurance and Recall Policy (1)	Y/N	Y
Consumer Data Protection Policy (1)	Y/N	Y
Critical Materials Policy (1)	Y/N	Y
Product Data Security Policy (1)	Y/N	Y
Data Security Risks Discussed	Y/N	Y
Executive with Responsibility for Data Security	Y/N	Y
Human Rights Remediation Process	Y/N	Y
Customer Satisfaction Survey Conducted	Y/N	Y
UN Global Compact Signatory	Y/N	Y
Number of Employees - CSR	Count	1,983
Employee Turnover	Percentage	41.10
Share of employees covered by collective agreements	Percentage	85.98
Women in Management Percentage	Percentage	36.44
Women in the Workforce Percentage	Percentage	52.50
Workforce Accidents - Employees	Count	30.00
Lost Time from Accidents	Hours	760.00
Fatalities - Contractors	Count	0
Fatalities - Employees	Count	0
Fatalities - Total	Count	0
Health and Safety Policy (1)	Y/N	Y
Equal Opportunity Policy (1)	Y/N	Y
Training Policy (1)	Y/N	Y
Employee Average Age	Years	43.00
Disabled in Workforce Percentage	Percentage	2.20
Lost Time Incident Rate - Employees	Lost Time Incidents/200,000 Hours Worked or 100 Full Time Employees	2.39
Employee CSR Training	Y/N	Y
Employee Training Cost	Million HRK	0.73
Fatalities - Third Party	Count	0

Social	Unit	2022
Total Recordable Incident Rate - Employees	Recordable Incidents/200,000 Hours Worked or 100 Full Time Employees	2.39
Employee Protection / Whistle Blower Policy (1)	Y/N	Y
Total Hours Spent by the company on Employee Training	Hours	29,570.00
Part-Time Employees	Count	7.00
Temporary Employees	Count	163.00
Workers who are not employees	Count	91.00
Total Accidents - Workers who are not employees	Count	0
Lost Time Incident Rate - Workers who are not employees	Lost Time Incidents Contractors/200,000 Hours Worked or 100 Contractors	0
Total Recordable Incident Rate - Workers who are not employees	Recordable Incidents Contractors/200,000 Hours Worked or 100 Contractors	0
Policy Against Child Labor (1)	Y/N	Y
Employee Voluntary Turnover Percentage	Percentage	22.10
Employee Involuntary Turnover Percentage	Percentage	14.40
Pct Women in Middle and Other Management	Percentage	41.56
Average Training Hours per Employee	Hours	14.93
Percentage of Workers who are not employees in Total Workforce	Percentage	4.39
Total Workforce	Count	2,074.00
Total Recordable Incident Rate - Workforce	Recordable Incidents/200,000 Hours Worked or 100 Employees & Contractors	1.48
Lost Time Incident Rate - Workforce	Lost Time Incidents / 200,000 Hours Worked or Employees & Contractors	2.39
Company Diversity Target Indicator	Y/N	Y
Suppliers Audited	Count	609.00
Supplier Audits Conducted	Count	609.00
Social Supply Chain Management (2)	Y/N	Y
Supplier Facilities Audited	Count	5.00
Sustain Sup Guidelines Encomp ESG Area Pub Disclsd	Y/N	Y
Percentage of Suppliers in Non-Compliance	Percentage	0
Percentage of Suppliers Audited	Percentage	24.39
Number of Suppliers in Non Compliance	Count	0
Suppliers	Count	2,497.00
Critical Suppliers	Count	0
Governance	Unit	2022
Auditor Ratification	Y/N	Y
Auditor Employed Duration	Years	3.00
Auditor Ratification Number of Votes - FOR	Count	2.73
Auditor Ratification Number of Votes - AGAINST	Count	0
Auditor Ratification Support Level	Percentage	100.00
Supervisory Board Size	Count	7.00
Supervisory Board Independent Members	Count	2.00
Pct of Supervisory Board Independent Members	Percentage	28.57
Term of Office Duration in the Supervisory Board	Years	4.00
Supervisory Board Meetings for the Year	Count	4.00
Supervisory Board Meeting Attendance	Percentage	100.00
Share of Women in the Supervisory Board	Percentage	42.86
Supervisory Board Average Age	Years	61.00

Governance	Unit	2022
Supervisory Board Age Limit	Y/N	N
CEO Duality	Y/N	N
Audit Committee Meetings	Count	4.00
Classified Management System	Y/N	Y
Unitary or Two Tier Board System	Nominal (1-2)	2.00
Members of the Management Board	Count	4.00
Former Management Board President in the Supervisory Board	Y/N	N
Female President or Equivalent	Y/N	N
Members of the Supervisory Board	Count	7.00
Percentage of Non-Executive Members in the Supervisory Board	Percentage	100.00
Term of Office Duration of the Management Board Members	Years	5.00
Supervisory Board Members Attending Less than 75% of the Meetings	Count	0
Women in the Supervisory Board	Count	3.00
Employee Representative in the Supervisory Board	Count	1.00
The Youngest Supervisory Board Member	Years	33.00
The Oldest Supervisory Board Member	Years	71.00
Supervisory Board Members Age Range	Years	38.00
Management Board Average Age	Years	49.00
Independent Members Attendance at the Supervisory Board Meetings	Percentage	100.00
Size of Audit Committee	Count	4.00
Independent Members in the Audit Committee	Count	2.00
Pct of Independent Members in the Audit Committee	Percentage	50.00
Independent Audit Committee President	Y/N	Y
Supervisory Board Members in the Audit Committee	Count	4.00
Audit Committee Meeting Attendance	Percentage	100.00
Size of Remuneration Committee	Count	3.00
Independent Members in the Remuneration Committee	Count	1.00
Pct of Independent Members in the Remuneration Committee	Percentage	33.33
Independent Remuneration Committee President	Y/N	N
Supervisory Board Members in the Remuneration Committee	Count	2.00
Remuneration Committee Meetings	Count	2.00
Remuneration Committee Meeting Attendance	Percentage	100.00
Size of Appointment Committee	Count	3.00
Independent Members in the Appointment Committee	Count	1.00
Pct of Independent Members in the Appointment Committee	Percentage	33.33
Independent Appointment Committee President	Y/N	Y

Governance	Unit	2022
Supervisory Board Members in the Appointment Committee	Count	2.00
Appointment Committee Meetings	Count	3.00
Appointment Committee Meeting Attendance	Percentage	100.00
Executive Director with Responsibility for CSR	Y/N	Y
Audit Financial Expert	Y/N	Y
Company conducts Supervisory Board evaluations	Y/N	Y
Management Board Compensation Linked to ESG	Y/N	Y
Say On Pay Provision	Y/N	Y
Frequency of Say on Pay Votes	Years	4.00
Chg of Ctrl Benefits/Golden Parachute Agreements	Y/N	N
Say on Pay Number of Votes FOR	Count	2.57
Say on Pay Number of Votes AGAINST	Count	0.06
Say on Pay Support Level	Percentage	97.41
Company Has Executive Share Ownership Guidelines	Y/N	N
Management Share Ownership Guidelines	Y/N	N
Comp Discloses Management Board President or Equivalent Pay Ratio Flg	Y/N	Y
Management Board President Pay Ratio Average Employee Compensation	EUR	23.74
Management Board President or Equivalent Appointed from Within	Y/N	Y
Female Management Board Member or Equivalent	Y/N	N
Women Management Board Members	Count	0
Unequal Voting Rights	Y/N	N
Unequal Voting Rights Shares Issued	Y/N	N
Controlled Company	Y/N	N

⁽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/o-nama/nabava>

Due to the increasing interest of various publics and easier transparency, and based on past experiences and data observed by customers, investors, Bloomberg and other stakeholders, AD Plastik Group publishes a shortened tabular representation of ESG indicators as part of its Integrated Annual Report.



Until man duplicates a blade of grass, nature can laugh at his so-called scientific knowledge.

Thomas Edison

GRI 2-4

Restatements of information

- In the table on page **125** **Water consumption by source**, the data for water consumption in AD Plastik Tisza for 2020 and 2021 have been corrected due to the fact that an error was observed in the previous periods when reading the water meter. Namely, the displayed numbers on the scale were not multiplied by ten, as stated on the scale itself.
- In the table **Other indirect greenhouse gas emissions** on page **130**, a correction was made in 2021 at the Mladenovac production site for the part of arrival at work or departure from work. The figure 45.32 has been replaced by the figure 90.63 because in the previous reporting period the average kilometers were calculated in one direction, instead of in both directions.

Opinion on Integrated Report of AD Plastik Group for 2022

GRI 2-5

We are looking at the sixth Integrated, and at the same time, the 10th jubilee Sustainability Report of AD Plastik Group prepared according to GRI Standards. By reviewing the content of the report, we have determined that it meets the criteria of the new generation of the GRI Standards 2021. It shows the Group's business operations in one of the years in which business conditions were significantly shaped by new and unusual circumstances.

After several years marked by Covid-19, business conditions in 2022 were unexpectedly affected by the war in Ukraine. Since AD Plastik owns two factories located in Russia, new circumstances and sanctions have limited and made business operations significantly more difficult. When you add to that unbalanced energy source prices and the slowdown in production in the automotive industry, the business challenges have been truly extraordinary. As a result of the above, the business has been conducted in extraordinary circumstances, therefore we commend the fact that the company presented the economic results conditioned by the geopolitical situation in the market very transparently.

The report is well structured and consistently follows the framework set in the GRI general standards, while material topics are presented using thematic standards. The method of selecting material topics is generally clearly described. The graphic presentation and presentation of the importance of material topics are especially vivid.

Progress has been made in presenting the role of the highest governance body in the process of defining

material topics, consultations with stakeholders, approval of sustainability report, but also other topics from the GRI 2 General Disclosures Governance chapter. However, we still recognize room for improvement and advise more consistent monitoring of the requirements from the disclosures in the mentioned chapter.

The process of stakeholder involvement is particularly interestingly described, and the stakeholder groups that have been consulted are also described. We suggest, however, listing the stakeholders in more detail, especially the ones from the academic community and independent professional associations or organizations consulted for certain issues. The supplier evaluation and selection process is described in detail, but only up to the first supplier level. In the next period, we suggest the impact evaluation be extended to other segments of the value chain, especially to confirm the absence of forced or child labor, as well as human rights violations and negative impacts on the environment and society along the entire value chain. Speaking of the organization's stakeholders, we can also mention the Employees chapter, which is well-developed and contains a whole series of interesting and useful information about the employees of AD Plastik. In addition to the topic of employees, we can state that AD Plastik is a signatory of the Diversity Charter and has a published Diversity Policy. Considering all the above, in the following report we would like to read more information about the concrete activities that AD Plastik carries out in relation to diversity policies, as well as information about the goals and their achievement over the years.



HR PSOR

In the part of the report showing the company's impact on the environment, we find a lot of positive information. Although AD Plastik is a company that produces plastic parts for the automotive industry, which, considering the nature of the activity, at first glance may seem like a production that cannot have a positive impact on the environment, it should be emphasized that precisely the increase in the share of plastic parts in vehicles has a positive effect on the performance of the vehicles, because by reducing the weight, energy sources consumption is also reduced, resulting in lighter vehicles with a lower impact on the environment. In addition to the development of new plastic vehicle components, AD Plastik continuously develops new materials from bioplastics, which are obtained from renewable plant materials, which are becoming increasingly represented in AD Plastik products. The company has also developed recycling indicators, thus increasing the proportion of recycled and more environmentally friendly raw materials in the production process.

Other data on the impact on the environment are also thorough and informative. We suggest that in future reports, along with quantitative data, contextual explanations should also be attached and that, wherever possible, the trend of results over the years should be explained.

Finally, at the end of the report, there is a GRI index that is comprehensive and in accordance with the recommendations from the guidelines.

Before us is another high-quality presentation of AD Plastik's business with a special focus on sustainability. We are already used to a consistent following of the GRI guidelines when reporting and to reports that are rich in useful and clearly presented information. What is especially pleasing is that in the reports we can read the continuous progress in the company's contribution to sustainable development, which is noticeable even in years of hindered business, which was certainly the year of this report. We express our hope that the company, as well as the economy of Croatia, will have a more successful period of business ahead, and we expect many positive results in the field of sustainability, as well as reporting in the coming periods.

HR BCSD Expert Commission
on Sustainability Reporting

”

*Earth provides enough to
satisfy every man's needs,
but not every man's greed.*

Mahatma Gandhi

The Supervisory Board has not yet considered and adopted the financial statements, but shall decide on that at the meeting scheduled in May 2023.

Annual Financial Statement

164 Consolidated financial statements
of AD Plastik Group
236 Separate Annual Report
of the company AD Plastik d.d.

AD Plastik d.d., Solin and Its Subsidiaries

Consolidated Financial Statements For the Year Ended 31 December 2022

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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 consolidated 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 consolidated 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 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



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

Zlatko Bogadi
Member of Management Board



Josip Divić
Member of Management Board



21 April 2023



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 2022, and its consolidated statements of comprehensive income, cash flows and changes in equity 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 2022 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 2022: HRK 815,127 thousand (2021: HRK 1,102,413 thousand). As at 31 December 2022, trade receivables: HRK 112,825 thousand; accrued revenue: HRK 7,190 thousand (31 December 2021: trade receivables: HRK 233,237 thousand; accrued revenue: HRK 4,127 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	How our audit addressed the matter
<p>Revenue is an important metric used to evaluate the financial performance of the Group. In the year ended 31 December 2022, 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, the Group recognizes revenue when control over the goods is transferred to the customer.</p> <p>Application of the revenue recognition principles of the relevant financial reporting standard, IFRS 15 <i>Revenue from Contracts with Customers</i> ("the Standard"), is complex and requires making significant assumptions and judgments. In the Group's case, particular complexity is associated with the following aspects:</p> <ul style="list-style-type: none">— 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.	<p>Our audit procedures in this area, performed assisted by our own information technology (IT) audit specialists, included, among others:</p> <ul style="list-style-type: none">— Updating our understanding of the Group's revenue recognition process, and testing the design and implementation of selected related internal controls within, including those associated with contract approval, pricing, delivery of products and posting of revenues.— This also included assessing selected general IT controls supporting revenue-related IT application controls;— For a sample of sales transactions in the current year, inspecting underlying contractual provisions and making inquiries of key account managers and relevant finance personnel, in order to challenge:<ul style="list-style-type: none">○ 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 of whether the goods and services in the arrangements are distinct and also 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 <i>(continued)</i>	How our audit addressed the matter <i>(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 customized 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, an arrangement is a sale, a lease or development of its own equipment, whether it 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)

Key Audit Matters (continued)

IMPAIRMENT OF ASSETS ASSOCIATED WITH THE RUSSIAN MARKET OPERATING SEGMENT

As at 31 December 2022, total assets of the Russian market operating segment: HRK 247,355 thousand; capitalised development costs related to production by the Russian market operating segment, not included in the total assets of the Russian market operating segment: HRK 3,191 thousand (31 December 2021: total assets of the Russian market operating segment: HRK 279,804 thousand; capitalised development costs related to production by the Russian market operating segment, not included in the total assets of the Russian market operating segment: HRK 24,275 thousand).

Please refer to the Notes 2.10 Goodwill, 2.11 Impairment of property, plant and equipment, and intangible assets, 2.13 Inventories, 2.18 Financial instruments and Note 3 Critical accounting judgements and key sources of estimation uncertainty and Note 4 Operating segments.

Key audit matter

How our audit addressed the matter

As indicated in Notes 3, in 2022, the operations of the Group were adversely affected by the onset of the Russo-Ukrainian war, including the resulting sanctions and geopolitical and macroeconomic turmoil. Following the Russian Federation's invasion of Ukraine, certain of the customers exited the Russian market, resulting, among other things, in the complete cessation of operations by the subsidiary in Kaluga (ZAO AD Plastik Kaluga) and the reduced scale of activities of the other Russian subsidiary, AO AD Plastik Togliatti.

These facts and circumstances represented an indication that certain of the Group's non-current assets in scope of IAS 36 Impairment of Assets (IAS 36) might be impaired. Accordingly, management performed impairment tests required by that Standard and recognized a resulting impairment loss in the total amount of HRK 52,161 thousand in the consolidated financial statements at 31 December 2022.

As part of the impairment tests, the Group determined the assets' recoverable amounts, as follows:

- For the assets of AO AD Plastik Togliatti – based on the value in use of the related cash-generating unit (CGU);
- For the assets of ZAO AD Plastik Kaluga - based on the related CGU's fair value less costs of disposal, relying on the assumptions that a market participant would make (market approach, assuming sale of individual assets of the entity).

In addition, an impairment loss was recognized in respect of the capitalized development costs, an intangible asset, related solely to the manufacturing process supporting the Russian subsidiaries' customers, which exited the Russian Federation. As such, the asset was considered to be permanently retired from active use in the Group's revenue-generating activities.

Our audit procedures in this area, performed assisted by our own valuation specialists, included, among others:

- Evaluating, against the requirements of the relevant financial reporting standards, the Group's accounting policy for identification of impairment, and measurement and recognition of any impairment losses in respect of non-current assets in scope of IAS 36;
- Challenging the appropriateness of the Group's value-in use and fair value models in the impairment tests ("impairment models"), against the relevant requirements of the financial reporting standards. As part of the procedure, we also assessed the integrity of the impairment models, including the accuracy of the underlying calculation formulas;
- Evaluating the quality of the Group's forecasting by comparing historical projections with actual outcomes;
- Testing of the Group's selected impairment-related internal controls, including those over model assumptions and approval of impairment test outcomes;
- Inquiring of the members of the Management Board regarding the impact of the Russo-Ukrainian war, with particular focus on the operations of the Russian subsidiaries and the Group's assets associated with those operations;
- Assessing asset grouping into CGUs, based on our understanding of the Group's operations and business units;
- Challenging the key assumptions applied in the impairment tests, as follows:
 - For the assets of AO AD Plastik Togliatti*
 - discount rate - by reference to publicly available market data, adjusted by risk factors specific to the subsidiary and its industry;
 - expected prices, output and operating costs, by reference to, as applicable, customer and vendor contracts, publicly available market reports and other evidence, including the approved budget and internal communications. As part of the procedure, we also challenged the feasibility of the assumed growth rate in the current economic environment;



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

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

Key Audit Matters *(continued)*

IMPAIRMENT OF ASSETS ASSOCIATED WITH THE RUSSIAN MARKET OPERATING SEGMENT *(continued)*

Key audit matter <i>(continued)</i>	How our audit addressed the matter <i>(continued)</i>
<p>Determination of the recoverable amount requires making a number of assumptions and judgments, in particular those relating to grouping of assets into CGUs, discount rates used and future cash flows, with key assumptions made about, among other things, expected levels of sales, output and operating costs.</p> <p>Complex models using forward-looking assumptions tend to be prone to greater risk of management bias, error and inconsistent application. These conditions necessitate our additional attention in the audit, in particular to address the objectivity of sources used for assumptions, and their consistent application.</p> <p>Due to the above factors, coupled with the significantly higher estimation uncertainty stemming from the business disruption impact of the Russo-Ukrainian war, assessment of Russia-related non-current assets for impairment required our significant judgment and increased attention in the course of our audit. As a consequence, we consider the area to be our key audit matter.</p>	<p><i>For the assets of ZAO AD Plastik Kaluga</i></p> <ul style="list-style-type: none">○ challenging whether the Group's fair value estimate was based on the highest and best use concept and whether the associated uncertainties were appropriately considered;○ tracing the asset fair values to valuations by external experts engaged by the Group, whose competence, capabilities and objectivity we independently assessed;○ additionally challenging the asset fair values by reference to (i) publicly available sources on transactions with similar property, plant and equipment and (ii) suppliers' offers and recent transaction prices for inventory; <p><i>For capitalized development costs</i></p> <ul style="list-style-type: none">○ obtaining understanding of the current status and scope of operations of the customers in the Russian Federation and testing whether the impairment loss recognized completely captures capitalised development costs associated with the abandoned projects; <p>— Assessing susceptibility of the impairment models and the resulting impairment conclusions to management bias, by challenging the Group's analysis of the models' sensitivity to changes in key underlying assumptions;</p> <p>— Assessing whether the impairment-related disclosures in the consolidated financial statements appropriately address the quantitative and qualitative requirements of the financial reporting standards.</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.
- 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 14 July 2022 to audit the consolidated financial statements of AD Plastik d.d. for the year ended 31 December 2022. Our total uninterrupted period of engagement is three years, covering the years ended 31 December 2022, 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 21 April 2023;
- 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 a conclusion on compliance of the consolidated financial statements of the Group as at and for the year ended 31 December 2022, as included in the attached electronic file adplastik-grupa-2022-12-31-en.zip, 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 conclusion, based on evidence obtained, as to whether the consolidated financial statements comply, in all material respects, with the RTS on ESEF. 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.

Work performed

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. Reasonable assurance is a high degree of assurance. However, it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with the RTS on ESEF.

In respect of the subject matter, we have performed the following procedures:

- obtaining an understanding of the tagging process;
- evaluating the design and implementation of relevant controls over the tagging process;
- tracing the tagged data to the consolidated financial statements of the Group presented in human-readable format;
- evaluating the completeness of the Group's tagging of the consolidated financial statements;
- evaluating the appropriateness of the 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 conclusion.



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

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

Conclusion

In our opinion, based on the procedures performed and evidence obtained, the consolidated financial statements of the Group as at and for the year ended 31 December 2022 presented in ESEF format and contained in the aforementioned attached electronic file, have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

Our conclusion does not represent an opinion on the true and fair view of the financial statements as this is included in our Report on the Audit of the Financial Statements.

KPMG Croatia d.o.o.

KPMG Croatia d.o.o. za reviziju

21 April 2023

Croatian Certified Auditors

Eurotower, 17th floor

Ivana Lučića 2a

10000 Zagreb

Croatia

Consolidated statement of comprehensive income For the year ended 31 December 2022

(in thousands of kunas)

	Notes	2022	2021
Sales	4	815,127	1,102,413
Other income	5	15,072	23,737
Total income		830,199	1,126,150
Increase/(decrease)in the value of work in progress and finished products	23	3,315	(1,031)
Cost of raw material and supplies	6	(464,329)	(548,014)
Cost of goods sold	7	(20,600)	(71,808)
Service costs	8	(87,547)	(93,407)
Staff costs	9	(228,550)	(254,809)
Depreciation and amortisation	10	(91,974)	(91,812)
Other operating expenses	11	(70,438)	(31,050)
Provisions for risks and charges	12	(1,582)	(710)
Impairment of trade receivables, (net)		(2,995)	1
Total operating expenses		(964,700)	(1,092,640)
(Loss)/Profit from operations		(134,501)	33,510
Finance income	13	15,005	5,020
Finance costs	14	(3,754)	(5,777)
Profit/(Loss) from financing activities		11,251	(757)
Share in the profit of associates	22	41,743	15,118
(Loss)/Profit before taxation		(81,507)	47,871
Income tax expense	15	8,189	(15,148)
(Loss)/Profit for the year		(73,318)	32,723

Consolidated statement of comprehensive income For the year ended 31 December 2022 (continued)

(in thousands of kunas)

Items that may be reclassified subsequently to profit or loss	Notes	2022	2021
Exchange differences on translation of a foreign operation, items for reclassification in P&L	16	7,817	3,772
Accruals of foreign exchange differences from the current year, net of tax	16	7,548	4,929
Other comprehensive income for the year, net of income tax		15,365	8,701
Total comprehensive (loss)/income for the year		(57,953)	41,424
(Loss)/Profit attributable to			
Equity holders of the Company		(73,318)	32,723
Non-controlling interests		-	-
Total comprehensive (loss)/income attributable to			
Equity holders of the Company		(57,953)	41,424
Non-controlling interests		-	-
Basic and diluted (loss)/earnings per share (in kunas and lipas)	17	(17.66)	7.90

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



Consolidated statement of financial position At 31 December 2022

(in thousands of kunas)

Assets	Notes	31.12.2022	31.12.2021
Non-current assets			
Intangible assets	18	64,994	83,512
Goodwill	37	18,014	25,119
Property, plant and equipment	19	727,482	748,677
Right-of-use assets	20	16,883	23,745
Investment property	21	22,310	24,713
Investments in associates	22	93,978	67,531
Deferred tax assets	15	14,646	7,564
Total non-current assets		958,307	980,861
Current assets			
Inventories	23	220,355	193,427
Trade receivables	24	112,825	233,237
Other receivables	25	30,905	25,256
Cash and cash equivalents	26	30,499	30,152
Prepaid expenses and accrued income	27	10,650	7,532
Total current assets		405,234	489,604
TOTAL ASSETS		1,363,541	1,470,465

Consolidated statement of financial position

At 31 December 2022 (continued)

(in thousands of kunas)

Shareholders' equity and liabilities	Notes	31.12.2022	31.12.2021
Capital and reserves			
Share capital	28	419,958	419,958
Capital and other reserves		217,211	217,424
Retained earnings		144,894	201,863
Total shareholders' equity		782,063	839,245
Long-term provisions	29	3,569	4,913
Long-term borrowings	30	179,749	245,223
Other long term liabilities	31	570	1,506
Lease liabilities	32	9,720	15,744
Total non-current liabilities		193,608	267,386
Advances received	33	79,171	38,568
Trade payables	34	131,498	129,315
Short-term borrowings	35	135,563	141,282
Other current liabilities	36	24,905	34,250
Lease liabilities	32	7,549	8,408
Short-term provisions	29	9,184	12,011
Total current liabilities		387,870	363,834
Total liabilities		581,478	631,220
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,363,541	1,470,465

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

Consolidated statement of changes in shareholders' equity For the year ended 31 December 2022

(in thousands of kunas)

	Share capital	Capital reserves	Legal, statutory and general reserves	Reserves from accruals of foreign exchange differences on transactions with subsidiaries	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 2021	419,958	192,688	74,993	(15,861)	20,889	(8,599)	201,863	(46,685)	839,245	-	839,245
Loss for the year	-	-	-	-	-	-	(73,318)	-	(73,318)	-	(73,318)
Other comprehensive income for the year	-	-	-	7,547	-	-	-	7,817	15,365	-	15,365
Total comprehensive income for the year	-	-	-	7,547	-	-	(73,318)	7,817	(57,953)	-	(57,953)
Dividends paid	-	-	-	-	-	-	-	-	-	-	-
Disposal of own (treasury) shares	-	(889)	-	-	-	1,661	-	-	772	-	772
Transactions with owners recognized directly in equity	-	(889)	-	-	-	1,661	-	-	772	-	772
Reversal of reserves for not written off costs of development	-	-	(16,349)	-	-	-	16,349	-	-	-	-
Balance at 31 December 2022	419,958	191,799	58,644	(8,314)	20,889	(6,938)	144,893	(38,868)	782,063	-	782,063

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

Consolidated statement of changes in shareholders' equity

For the year ended 31 December 2022 (continued)

(in thousands of kunas)

	Share capital	Capital reserves	Legal, statutory and general reserves	Reserves from accruals of foreign exchange differences on transactions with subsidiaries	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 financial statements

Consolidated statement of cash flows

For the year ended 31 December 2022

(in thousands of kunas)

Cash flows from operating activities	Notes	2022	2021
(Loss)/profit for the year		(73,318)	32,723
Adjusted for:			
Income tax	15	(8,189)	15,148
Depreciation and amortisation	10	91,974	91,812
Tangible assets assets write-off	19	213	819
Intangible assets write-off	18	-	856
Impairment of capitalised development cost	18	18,392	-
Impairment of tangible assets	19	1,892	-
Impairment of Goodwill	38	8,252	-
Interest expense and exchange rates recognised in profit or loss		5,833	5,653
Share in profit of associates		(41,743)	(15,289)
Gain from sale of property, plant and equipment and intangible assets	5	(1,033)	(1,193)
Gain from sale of financial assets	13	-	(72)
Interest income	13	(1,191)	(741)
Decrease in long-term and short-term provisions, (net)		(4,524)	(2,572)
Loss allowance for trade receivables, (net)		(2,995)	(1)
Write down and write off of inventories	23	18,693	2,941
Profit from operations before working capital changes		12,256	130,084
Increase in inventories	23	(45,620)	(14,394)
Decrease in trade receivables		124,332	35,003
Increase in other receivables	25	(5,649)	(994)
Increase/(decrease) in trade payables		3,148	(51,911)
Increase of advances received	33	40,603	6,439
Decrease in other current liabilities		(6,696)	(756)
(Increase)/decrease of accrued income and prepaid expenses	27	(3,118)	16,128
Interest paid		(4,205)	(6,494)
Income tax paid		(666)	(7,832)
Cash flows from operating activities		114,385	105,273

Consolidated statement of cash flows

For the year ended 31 December 2022 (continued)

(in thousands of kunas)

Cash flows from investing activities	Notes	2022	2021
Interest received		1,177	741
Purchase of property, plant and equipment	19	(32,139)	(52,775)
Purchase of investment property	21	-	(94)
Purchase of intangible assets	18	(19,988)	(23,799)
Proceeds from sale of property, plant and equipment and intangible assets		1,986	2,950
Proceeds from sale of financial assets		-	133
Dividends received		15,294	19,518
Cash (used) from investing activities		(33,670)	(53,326)

Cash flows from financing activities	Notes	2022	2021
Dividends paid		-	(66,294)
Proceeds from borrowings	30,35	57,978	164,358
Repayment of borrowings	35	(130,057)	(173,905)
Repayment of lease liabilities	32	(8,754)	(8,624)
Cash used in financing activities		(80,833)	(84,465)
Unrealised exchange rate differences in respect of cash and cash equivalents		465	3
Increase/(decrease) in cash and cash equivalents		347	(32,515)
Cash and cash equivalents at the beginning of the year	26	30,152	62,667
Cash and cash equivalents at the end of the year	26	30,499	30,152

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

Notes to the consolidated financial statements

For the year ended 31 December 2022

1. New standards and amendments to existing not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 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.

The consolidated financial statements of the Group represent aggregate amounts of assets, liabilities, capital and reserves of the Group as of 31 December 2022, and the results of operations for the year that ended.

2.1 Statement of compliance

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

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.

2.2 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.

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.

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

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 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.

2. Summary of significant accounting policies (continued)

2.4 Revenue recognition (continued)

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 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.

2. Summary of significant accounting policies (continued)

2.5 Borrowing costs (continued)

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
- 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 kuna at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into kuna 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.

2. Summary of significant accounting policies (continued)

2.7. Foreign operations (continued)

The Group may have a monetary item as an amount receivable from, or payable to a foreign entity. An item neither planned to be settled nor likely to arise in the foreseeable future is essentially part of the entity's net investment in a foreign operation and accounted for in accordance with IAS 21. The Group recognizes foreign exchange differences arising from monetary items that are part of the net foreign investment initially in other comprehensive income and accumulates them under a separate component of equity – Reserves from accruals of foreign exchange differences.

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

2.8 Income tax

Current tax

Income tax expense is based on taxable profit for the year and represents the sum of the tax currently payable and deferred tax. Income tax is recognised in the statement of comprehensive income, except where it relates to items recognised directly in equity, in which case it is also recognised in equity. Current tax represents tax expected to be paid on the basis of taxable profit for the year, using the tax rates enacted at the date of the statement of financial position, adjusted by appropriate prior-period tax liabilities. According to the Croatian tax laws Groups subsidiaries are not taxable at the consolidation level nor can tax losses be transferred among the group members. Subsidiaries are subject to the tax laws of their countries of registration.

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.

2. Summary of significant accounting policies (continued)

2.9 Property, plant, equipment and intangible assets (continued)

Intangible assets – Projects are 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 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 2022 %	Depreciation rates in 2021 %
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	14.29 – 33.33
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. Summary of significant accounting policies (continued)

2.10 Goodwill

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

Goodwill is tested for impairment annually or more often if the events and circumstances that indicate potential impairment occur. Goodwill is measured as cost of acquisition less accumulated losses due to impairment. Impairment losses on goodwill are not reversed. Gains and losses from the sale of a business include the net book value of goodwill, which relates to the sold business.

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

2.11 Impairment of property, plant and equipment, and intangible assets

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

units or, if this is not possible, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

2.12 Investments in associates

An associate is an entity over which the Group has significant influence but no control over the entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control over those policies.

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

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

2.13 Inventories

Inventories of raw material and spare parts are stated at the lower of cost and net realisable value, whichever is lower. Cost is determined using the weighted-average cost method.

2. Summary of significant accounting policies (continued)

2.13 Inventories (continued)

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.

2.14 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:

2. Summary of significant accounting policies (continued)

2.18 Financial instruments (continued)

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

Subsequent measurement and gains and losses

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

Derecognition

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

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

2. Summary of significant accounting policies (continued)

2.18 Financial instruments (continued)

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, if this is an instrument which is not stated at fair value through profit or loss.

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 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.

2. Summary of significant accounting policies (continued)

2.18 Financial instruments (continued)

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 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.

2. Summary of significant accounting policies (continued)

2.18 Financial instruments (continued)

Classification as debt or equity

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

Interest income

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

2.19 Contingencies

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

2.20 Events subsequent to the date of the statement of financial position

Events after the date of the statement of financial position that provide additional information about the Group's position at that date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

2.21 Segment reporting

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

Transactions between segments relate to sales of materials, revenues from engineering services and royalty revenues.

2.22 Leases

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

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

2. Summary of significant accounting policies (continued)

2.22 Leases (continued)

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.

Impairment of asset related to business in Russia

In 2022 the Company tested total asset of subsidiaries which operate in territory of Russian Federation for impairment i.e. reporting segment of Russian market. Every estimation was made based on current situation with Russian-Ukrainian conflict. Uncertainty in the macroeconomic environment could possibly change and therefore impact management estimations which influence financial statement items.

Estimation of the fair value of AO AD Plastik Togliatti was based on projected future cash flows based on financial budgets covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates.

The discount rate is a post-tax measure estimated based on the historical weighted average cost of capital, which Company estimated at 20%.

The cash flow projections for AO AD Plastik Togliatti included specific estimates for three years and a terminal growth rate thereafter. The terminal growth rate was determined based on the market estimate and is set at 1.26%.

Budgeted EBITDA was estimated taking into account past experience, adjusted as follows.

- impact of russia-ukraine crisis on operating activities of AO AD Plastik Togliatti
- new projects with customers either contracted with, announced by or subject to the negotiations with customers.

Impairment test of investments in AO AD Plastik Togliatti subsidiaries confirmed that recoverable amount of investments and given loans exceeds their carrying amount.

In the case of an increase in the discount rate or a decrease in the terminal growth rate by 10%, the estimated recoverable value of the assets of the company AO AD Plastik Togliatti in that case also exceeds its carrying amount.

In 2023, the company AO AD Plastik Togliatti continued with regular operations in reduced capacity compared to the period before the Russian-Ukrainian crisis. Management does not expect significant changes in the scope of operations in the foreseeable future.

ZAO AD Plastik Kaluga produced products only for European customers before the Russian-Ukrainian conflict. Since European customers retreated from Russian territory or stalled operations, impairment value of asset is equalized with fair value less cost to sell in accordance with market and comparable asset prices. Fair value of the assets of ZAO AD Plastik Kaluga is categorized into level 2 based on directly or indirectly (derived) available comparative market prices.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of asset related to business in Russia (continued)

Impairment test of asset of ZAO AD Plastik Kaluga confirmed that recoverable amount of that asset is less than their carrying amount, therefore ZAO AD Plastik Kaluga made Impairment of that asset in total amount of 33,769 thousands HRK, as follows:

	Impairment of assets in thousand HRK	Carrying value after impairment in thousand HRK
Goodwill (Note 11)	(8,252)	-
Property plant and equipment (Note 11)	(1,892)	46,760
Deferred tax asset (Note 15)	(5,262)	-
Inventories and finished products and prepayments for inventories (Note 11)	(18,095)	6,610
Receivables	(268)	132
	(33,769)	

The management is currently considering options for the continuation of ZAO AD Plastik Kaluga's operations and will make a decision on further activities in accordance with the development of the market situation.

Intangible assets in form of capitalized cost of development for projects that were canceled is impaired in total. Total amount of impairment of capitalized cost of development is 18,392 thousand kunas in AD Plastik d.d. i.e. in market segment of EU and Serbia.

Currently, there is a limit on the loan collection in the amount of 10,000 thousand rubles on a monthly basis per one subsidiary company.

On 31.12.2022. AO AD Plastik Togliatti has tools worth HRK 39,813 thousand in stock, for which advance payments of HRK 19,355 thousand have been received from the customer. The tools are intended for projects that are currently stopped and which the management believes will be realized during 2023 based on currently available information. If there were a change in circumstances, and the mentioned project would not be realized, it would be necessary to consider the indicators for the impairment of this assets.

Revenue from the sale of tools

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

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

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

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Measurement of fair values

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

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

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

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

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

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

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



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 2022

	EU and Serbia	Russia	Total
External income	713,346	116,853	830,199
Intra segment income	9,534	-	9,534
Total income	722,880	116,853	839,733
EBITDA	6,039	(1,661)	4,378
Profit of the year	(40,340)	(32,979)	(73,319)

	EU and Serbia	Russia	Intra-segment effect	Total
Total assets	1,305,167	247,355	(188,980)	1,363,542
Capital and reserves	790,328	59,015	(67,279)	782,064
Liabilities	514,839	188,340	(121,701)	581,478
Total equity and liabilities	1,305,167	247,355	(188,980)	1,363,542

In 2022 the Group generated 12.0% (in 2021: 12.5%) of income from buyer Revoz and 8.8% of income from buyer AvtoVAZ (in 2021: 12.3%).

4. Segment information (continued)

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 of 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

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:

	2022	2021
Slovenia	186,952	278,613
Romania	119,830	108,799
Russia	116,855	302,262
France	96,089	110,535
Hungary	82,691	92,506
Italy	56,603	44,895
United Kingdom	35,642	38,691
Germany	35,577	36,434
Spain	31,310	33,524
Slovakia	17,673	20,574
Croatia	9,873	8,268
Poland	8,666	4,249
Czech Republic	8,567	1,623
Other	8,799	21,440
	815,127	1,102,413

Sales segmentation by type of the product is shown below:

	2022	2021
Car parts sales	779,244	995,994
Revenue from tools	15,535	88,425
Merchandise	11,328	9,979
Engineering services revenue	7,653	7,821
Royalty revenue	1,367	194
	815,127	1,102,413

5. Other income

	2022	2021
Rental income and income from the sale of services to tenants	3,451	3,561
Income from damages and insurance	3,342	6,137
Income from sales of waste and secondary raw material	2,347	2,205
Income from consumption of own products and services	1,797	3,524
Gain from sale of property, plant and equipment and intangible assets	1,036	1,193
Income from product development, validation, quality control and laboratory testing	400	829
Other operating income	2,699	6,288
	15,072	23,737

6. Cost of raw material and supplies

	2022	2021
Direct materials	411,240	501,642
Electricity	33,086	26,547
Other raw material and supplies	20,003	19,825
	464,329	548,014

7. Cost of goods sold

	2022	2021
Cost of tools sold	10,306	67,626
Cost of trade goods and spare parts sold	9,294	4,182
	20,600	71,808

8. Service costs

	2022	2021
Transport	32,707	37,136
Intellectual services	15,106	14,605
Maintenance costs	11,198	15,370
Software licenses	6,848	5,387
Logistic services at distribution warehouses	5,012	4,045
Security and fire services	2,799	2,744
Municipal utility fees	2,732	2,263
Rental costs	2,123	3,656
Licence fees	1,119	1,512
Telecommunication and information system costs	1,097	977
Forwarding and shipping costs	1,051	605
Water supply	904	854
Marketing	544	783
Other service costs	4,307	3,470
	87,547	93,407

The total amount of charged fees for the audit of consolidated and separate financial statements of AD Plastik d.d. and its subsidiaries for 2022 amounts to HRK 1,098,479 (in 2021 HRK 1,004,476).



9. Staff costs

	2022	2021
Net wages and salaries	136,033	154,366
Taxes and contributions	76,457	83,403
Other staff costs	16,060	17,040
	228,550	254,809

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 4,096 thousand, income from reversal of provision for jubilee awards in amount of HRK 536 thousand and income from reversal of provision for termination benefits in amount of HRK 572 thousand as cost reduction within category "Other staff cost". Also, within "Other staff cost" provision for unused vacation days in amount of HRK 849 thousand is shown.

In 2021 reversal of provision for employees' bonuses in amount of HRK 3,982 thousand, reversal of provision for unused vacation days in amount of HRK 481 thousand and reversal of provision for jubilee awards in amount HRK 99 thousand were included in cost reduction within "Other staff cost". Also, within "Other staff costs" provision for termination benefits in amount of HRK 1,365 thousand was shown.

10. Depreciation and amortisation

	2022	2021
Depreciation of property, plant, and equipment (Note 19)	62,638	60,451
Amortisation of intangible assets (Note 18)	20,000	22,123
Depreciation of right of use asset (Note 20)	8,803	8,851
Depreciation of investment property (Note 21)	533	387
	91,974	91,812

11. Other operating expenses

	2022	2021
Impairment of inventories (Note 23)	18,490	-
Impairment of capitalised development cost (Note 18)	18,392	-
Impairment of Goodwill (Note 37)	8,252	-
Business trips	3,556	2,002
Taxes	3,338	3,669
Insurance premiums	3,298	2,750
Membership fees, contributions, municipal utility fees	2,337	2,910
Customer complaints	2,248	3,501
Impairment of tangible assets	1,892	-
Cost of goods provided free of charge	1,757	2,189
Gifts, donations and sponsorships	1,171	1,657
Bank fees and commissions	1,032	1,021
Entertainment	993	708
Safety at work and health services	764	902
Professional training costs	725	797
Supervisory Board fees	535	547
Non-current tangible assets write off	213	819
Cost of unusable inventories and inventory shortage costs	203	2,941
Capitalised development cost write-off	-	856
Other expenses	1,242	3,781
	70,438	31,050

12. Provisions for risks and charges

	2022	2021
Provision for legal cases	1,582	710
	1,582	710

13. Financial income

	2022	2021
Foreign exchange gains, net	13,814	4,207
Interest income	1,191	741
Other financial income	-	72
	15,005	5,020

14. Financial costs

	2022	2021
Interest expense	3,339	5,295
Interest expense on lease liabilities	414	482
	3,754	5,777

15. Income tax

Income tax comprises the following:

	2022	2021
Current tax	(1)	(7,405)
Deferred tax	8,190	(7,743)
	8,189	(15,148)

15. Income tax (continued)

Deferred tax assets arise from the following:

2022	Opening balance	Charged to statement of compr. income	Charged to other compr. income	Closing balance
Temporary differences				
Provisions for jubilee awards and termination benefits	762	(110)	(4)	647
Deferred tax liabilities from allocation of purchase price on fair value of Tisza Automotive Kft.	(505)	150	-	(355)
Deferred tax assets from carried-over tax losses	5,469	9,643	(1,185)	13,927
Differences between tax depreciation rates and accounting depreciation rates	(1,076)	(1,493)	82	(2,488)
Impairment of Investment property	2,914	-	-	2,914
Balance at 31 December	7,564	8,190	(1,108)	14,646

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

15. Income tax (continued)

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

	2022	2021
Profit before tax	(81,507)	47,871
Tax using the Company's domestic tax rate (18%)	(14,671)	8,617
Effect of tax rates in foreign jurisdictions	(302)	1,514
Tax effect of		
Share of profit of equity-accounted investees reported, net of tax	(4,761)	(2,752)
Non-deductible expenses	6,975	3,874
Tax exempt revenue	(5,342)	(3,780)
Current-year losses for which no deferred tax asset is recognised	4,681	-
Write-off of deferred tax assets	5,231	7,675
Profit tax expense	(8,189)	15,148
Effective tax rate	10.05%	31.64%

The amount of HRK 14,646 thousand was recognized as deferred tax assets in 2022. The Group is planning to achieve taxable profit in the period from 2023 to 2027, for which aforementioned deferred tax asset is planned to be used.

In 2022, the parent company AD Plastik d.d. made an impairment on the basis of investments in subsidiaries, loans given and capitalized development costs for subsidiaries in the Russian Federation in the amount of HRK 71,399 thousand and did not recognize deferred tax assets

for the aforementioned. Deferred tax assets are also not recognized for the reduction in the value of investments in the company ZAO AD Plastik Kaluga carried out in previous years in the amount of HRK 24,509 thousand. The total amount of unrecognized deferred assets amounts to HRK 17,263 thousand.

As of the reporting date, it is unlikely that the aforementioned impairments will generate deferred tax assets that can be used to reduce tax liability in future years.

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 the translation of foreign operations	
	2022	2021	2022	2021
Balance at beginning of the year	(15,861)	(20,790)	(46,685)	(50,457)
Exchange differences from translation of foreign operations	-	-	7,817	3,772
Accruals of foreign exchange differences from the current year	9,434	6,162	-	-
Income tax	(1,887)	(1,232)	-	-
Exchange differences from translation of foreign operations, net	7,547	4,929	7,817	3,772
Realization of exchange differences	-	-	-	-
Balance at end of year	(8,313)	(15,861)	(38,869)	(46,685)



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.

	2022	2021
Net profit/(loss) (in HRK '000)	(73,319)	32,723
Weighted average number of shares	4,151,975	4,143,207
Basic and diluted (loss)/earnings per share (in kunas and lipas)	(17.66)	7.90

	2022	2021
Issued ordinary share at 1 January	4,199,584	4,199,584
Effect of treasury shares held	(40,628)	(50,353)
Effect of treasury shares disposed of	(6,981)	(6,024)
Weighted-average number of ordinary shares at 31 December	4,151,975	4,143,207

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 2022, the cost of net salaries and wages of HRK 2,433 thousand, the cost of taxes and contributions from salaries of HRK 949 thousand and the cost of contributions to

salaries of HRK 514 thousand were capitalized in intangible assets.

In the previous 2021, the capitalized cost of net salaries and wages amounted to HRK 3,750 thousand, the cost of taxes and contributions from salaries amounted to HRK 1,283 thousand, and the cost of contributions to salaries amounted to HRK 679 thousand.

In 2022, capitalized interest expense in the amount of HRK 47 thousand (2021: HRK 99 thousand) was recognized on intangible assets.

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 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
Additions	-	-	-	-	19,988	-	19,988
Assets put into use	1,782	11,208	36	-	(13,027)	-	-
Write off	(137)	(38,318)	-	-	-	-	(38,455)
Impairment (Value adjustment)	-	(18,873)	-	-	(10,045)	-	(28,918)
Effect of exchange differences	(416)	159	6	-	-	-	(250)
Balance at 31 December 2022	17,407	143,236	6,272	10,226	25,562	-	202,702
Accumulated amortisation							
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
Charge for the year (Note 10)	961	16,197	1,141	1,701	-	-	20,000
Write off	(137)	(38,318)	-	-	-	-	(38,455)
Impairment (Value adjustment)	-	(10,526)	-	-	-	-	(10,526)
Effect of exchange differences	(355)	198	21	-	-	-	(136)
Balance at 31 December 2022	14,889	110,962	4,025	7,833	-	-	137,708
Net book value							
Balance at 31 December 2021	1,758	45,648	3,367	4,094	28,645	-	83,512
Balance at 31 December 2022	2,518	32,274	2,247	2,393	25,562	-	64,994

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 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
Additions	-	-	-	-	42,016	(9,877)	32,139
Assets put into use	83	1,515	6,238	558	(7,678)	(715)	-
Disposals	-	-	(4,808)	(7)	-	-	(4,815)
Write off and retirements	-	(3)	(7,068)	(112)	(31)	-	(7,214)
Transferred from investment property (Note 21)	101	4,144	-	-	-	-	4,246
Effect of exchange differences	291	5,772	10,418	(82)	(534)	1,465	17,331
Balance at 31 December 2022	138,452	390,196	854,124	3,003	43,888	2,581	1,432,247
Accumulated depreciation							
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
Charge for the year (Note 10)	-	7,437	54,983	218	-	-	62,638
Disposals	-	-	(3,856)	(6)	-	-	(3,862)
Write off and retirements	-	-	(6,889)	(112)	-	-	(7,001)
Impairment	-	1,892	-	-	-	-	1,892
Transferred from investment property (Note 21)	-	2,044	-	-	-	-	2,044
Effect of exchange differences	-	1,926	5,339	(96)	-	-	7,169
Balance at 31 December 2022	-	120,677	582,040	2,046	-	-	704,764
Net book value							
At 31 December 2021	137,976	271,390	316,882	604	10,114	11,709	748,677
At 31 December 2022	138,453	269,519	272,083	958	43,888	2,581	727,483

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 31.12.2022 of (all in HRK thousand) 142,732 (31.12.2021 142,811), buildings 220,515 (31.12.2021 213,297) and plant and

equipment 19,568 (31.12.2021. 63,362). The mentioned assets include land in the net book value of HRK 11,144 thousand (31.12.2021 11,245) and buildings with the net book value of HRK 11,166 thousand (31.12.2021 11,416) that are part of investment property.

20. Right of use asset

	Land	Buildings	Plant and equipment	Total
Cost				
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
Additions	-	1,792	-	1,792
Lease modification, net	17	645	(332)	330
Effect of exchange differences	23	54	(394)	(317)
Balance at 31 December 2022	276	27,182	14,010	41,468
Accumulated depreciation				
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
Charge for the year (Note 10)	21	5,188	3,594	8,803
Lease modification	(16)	(24)	-	(40)
Effect of exchange differences	2	47	(145)	(96)
Balance at 31 December 2022	52	16,166	8,367	24,585
Net book value				
At 31 December 2021	191	13,736	9,818	23,745
At 31 December 2022	224	11,016	5,643	16,883

20. Right of use asset (continued)

Amounts recognised in profit and loss	2022	2021
Depreciation expense on right of use assets	8,803	8,851
Interest expense on lease liabilities	414	482
Expense relating to leases of low value	1,632	2,166
Expense relating to short-term leases	257	1,111
Expenses relating to variable lease payments not included in the measurement of lease liability	234	379
	11,340	12,989

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

Income from the rental of the building in 2022 amounts to HRK 1,995 thousand (2021: HRK 1,998 thousand),.

At 31 December 2022 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 6 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.

21. Investment property (continued)

	Land	Buildings	Total
Cost			
Balance at 31 December 2020	11,245	20,327	31,572
Reclassification on investment property	-	94	94
Derecognition	-	(14)	(14)
Effect of exchange differences	-	(187)	(187)
Balance at 31 December 2021	11,245	20,220	31,465
Transferred from investment property	(101)	(4,144)	(4,245)
Effect of exchange differences	-	576	576
Balance at 31 December 2022	11,144	16,652	27,796
Accumulated depreciation			
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
Charge for the year (Note 10)	-	533	533
Transferred from investment property	-	(2,044)	(2,044)
Effect of exchange differences	-	245	245
Balance at 31 December 2022	-	5,486	5,486
Net book value			
Balance at 31 December 2021	11,245	13,468	24,713
Balance at 31 December 2022	11,144	11,166	22,310

22. Investments in associates

Name of associate	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment, HRK'000	
			2022	2021	2022	2021
EURO Auto Plastic Systems	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	50.00%	50.00%	93,978	67,531
					93,978	67,531

Name of associate	Amount of equity investment	Share in the result for the year 2021	Dividend paid	Amount of equity investment
	31.12.2020			31.12.2021
EURO Auto Plastic System	71,964	15,289	(19,722)	67,531
Total	71,964	15,289	(19,722)	67,531

Name of associate	Amount of equity investment	Share in the result for the year 2022	Dividend paid	Amount of equity investment
	31.12.2021			31.12.2022
EURO Auto Plastic System	67,531	41,743	(15,296)	93,978
Total	67,531	41,743	(15,296)	93,978

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 2022 of the integrated annual report part of which are also these financial statements.

23. Inventories

	31.12.2022	31.12.2021
Raw material and supplies on stock	96,378	99,256
Tools	52,523	25,434
Finished products	28,665	27,509
Prepayments for inventories	23,863	23,167
Work in progress	13,218	12,346
Merchandise on stock	5,707	5,715
	220,354	193,427

The amount of inventories recognised as an expense during the 2022 was HRK 716,677 thousand (in the 2021 the expense was HRK 844,344 thousand).

Total write-down of damaged and obsolete inventories in 2022 was HRK 203 thousand (in 2021 it was HRK 2,941 thousand) and inventories were impaired (Note 11) for HRK 18,490 thousand (in 2021 HRK 0 thousand).

24. Trade receivables

	31.12.2022	31.12.2021
Foreign trade receivables	111,130	230,776
Domestic trade receivables	4,197	3,733
Foreign trade receivables from the associate	3,870	2,545
Impairment loss allowance	(6,372)	(3,817)
	112,825	233,237

The average debtors' days were 62 days in 2022 (2021: 73 days).

24. Trade receivables (continued)

The movements in allowance loss in respect of trade receivables are presented as follows:

	2022	2021
Balance at beginning of the year	3,817	4,449
Movements based on expected credit gains/losses	3,179	760
Collected during the year	(485)	(761)
Receivables written off	-	(590)
Exchange differences	(139)	(41)
Total impairment loss allowance	6,372	3,817

Ageing analysis of receivables is shown as follows:

	31.12.2022	31.12.2021
0-90 days past due	8,764	32,296
91-180 days past due	906	1,589
181-365 days past due	811	2,504
Over 365 days past due	1,022	1,376
Not due	101,322	195,472
	112,825	233,237

At December 31 2022, the carrying amount of the receivables from companies in the same group which make more than 15% of total customer receivables was HRK 24,314 thousand (31.12.2021. was HRK 89,907 thousand).

25. Other receivables

	31.12.2022	31.12.2021
Receivables from the State and State institutions	26,507	20,801
Prepayments made	4,220	4,244
Due from employees	124	190
Other receivables	54	21
	30,905	25,256

26. Cash and cash equivalents

	31.12.2022	31.12.2021
Current account balance	26,494	27,879
Deposits	3,984	2,235
Cash in hand	21	38
	30,499	30,152

As at 31 December 2022 the amount of HRK 3,984 thousand (31 December 2021 HRK 2,235 thousand) includes short term deposits which bear interest rate ranging from 7.00% to 19.00%.

27. Prepaid expenses and accrued income

	31.12.2022	31.12.2021
Accrued income on tools	8	277
Prepaid operating expenses	3,461	3,405
Other accrued income	7,182	3,850
	10,650	7,532

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.

28. 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.

The treasury share item refers to 40,628 treasury shares as at 31.12.2022 while on 31.12.2021 treasury shares amounted 50,353. 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 for foreign exchange differences have been formed on the basis of accrued exchange rate differences in the Group's capital.

29. Long-term and short-term provisions

	Short-term		Long-term	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Vacation accrual	4,789	3,588	-	-
Employee bonuses	153	4,220	-	-
Termination benefits	225	1,589	2,271	2,739
Jubilee awards (long-service benefits)	259	439	1,298	1,637
Legal cases	2,760	1,177	-	537
Risks within the warranty period	998	998	-	-
	9,184	12,011	3,569	4,913

29. 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 2022	2,075	4,328	1,714	3,588	4,221	998	16,924
Increase/(decrease) in provisions, net	(518)	(1,833)	1,046	1,201	(4,067)	-	(4,171)
Balance at 31 December 2022	1,557	2,495	2,760	4,789	154	998	12,753
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

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.

30. Long – term borrowings

	31.12.2022	31.12.2021
Long-term borrowings	250,849	316,536
Long-term commodity loans provided by suppliers	2,953	4,636
	253,802	321,172
Current portion of long-term borrowings (Note 35)	(74,053)	(75,949)
	179,749	245,223

From total long term borrowings in amount of HRK 179,749 thousand at 31.12.2022, HRK 76,853 thousand refers to loans denominated in HRK currency while HRK 102,896 thousand refers to loans denominated in EUR.

From total long term borrowings and deposits in amount of HRK 245,223 thousand at 31.12.2021, HRK 93,823 thousand refers to loans and deposits denominated in HRK currency while HRK 151,400 thousand refers to loans denominated in EUR.

Company received bank certificate before the day of publishing report which claims that it renounces from

sustaining net debt and EBITDA ratio clause, related to long term credit. Net carrying amount of credit is HRK 47,287 thousand.

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 monthly. In 2022, the weighted average interest rate on the long-term loans was 0.79% (2021: 1.32 %).

Movements in payables for long-term borrowings during the year:

	2022	2021
Balance at 1 January	245,223	179,477
New loans raised	9,625	137,333
Decrease in deposits received	-	(185)
Exchange differences, net	561	(107)
Reclassification on current portion of long-term borrowings (Note 35)	(76,399)	(69,789)
Increase/(decrease) of other long-term liabilities	739	(1,506)
Balance at 31 December	179,749	245,223

31. Other long term liabilities

	31.12.2022	31.12.2021
Grant liabilities	570	1,506
Total other long term liabilities	570	1,506

Grant liabilities arose as a result of borrowing from a financial institution at an interest rate lower than the market rate.

32. Lease liabilities

	2022	2021
Balance at 1 January	24,152	7,980
Additions	1,792	25,071
Lease modifications, net	299	(195)
Interest expense on lease liabilities	414	482
Principal paid	(8,754)	(8,624)
Interest paid	(414)	(482)
Effect of exchange differences	(220)	(80)
	17,269	24,152
Long-term liabilities	9,720	15,744
Short-term liabilities	7,549	8,408

33. Advances received

	31.12.2022	31.12.2021
Foreign customers	79,171	38,568
	79,171	38,568

Advances received from foreign customers represent cash advanced ordered tools.

34. Trade payables

	31.12.2022	31.12.2021
Foreign trade payables	85,140	89,582
Domestic trade payables	34,009	30,456
Other current liabilities	12,349	8,663
Accrued tool expenses	-	614
	131,498	129,315

Average payment period for trade payables during 2022 equaled to 66 days (2021: 59 days).

35. Short – term borrowings

	31.12.2022	31.12.2021
Short-term loans – principal payable	59,523	63,144
Current portion of long-term borrowings (Note 30)	74,053	75,949
Short-term commodity loans provided by suppliers	1,575	1,592
Short-term borrowings – interest payable	412	596
	135,563	141,281

From total short term borrowings in amount of HRK 135,563 thousand at 31.12.2022, HRK 17,474 thousand refers to loans denominated in HRK currency, while HRK 118,089 thousand refers to loans denominated in EUR. 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.

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 1.32% (2021: 1.11 %).

35. Short – term borrowings (continued)

	2022	2021
Balance at 1 January	141,281	219,978
New loans raised	48,353	27,025
Reclassification on current portion of long-term borrowings (Note 30)	76,399	69,789
Invoiced interest	2,632	4,623
Exchange differences	(383)	49
Interest paid	(2,960)	(5,241)
Repayments of received loans	(130,057)	(173,905)
Reclassification from/to liabilities for grants	298	(1,037)
Balance at 31 December	135,563	141,281

36. Other current liabilities

	31.12.2022	31.12.2021
Amounts due to employees	11,734	12,449
Due to the State and State institutions	11,069	19,581
Other current liabilities	1,165	1,183
Grant liabilities	936	1,037
	24,904	34,250

Grant liabilities arose as a result of borrowing from a financial institution at an interest rate lower than the market rate.

37. Goodwill

	31.12.2022	31.12.2021
Goodwill resulting from acquisition of Tisza Automotive Kft.	18,014	18,014
Goodwill resulting from acquisition of KZA in ZAO AD Plastik Kaluga	-	7,105
	18,014	25,119

Recognized goodwill in amount of 18,014 HRK thousand relates to 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:

	2022	2021
At 1 January	25,119	24,618
Effect of exchange differences	1,147	501
Impairment of Goodwill in ZAO AD Plastik Kaluga	(8,252)	-
At 31 December	18,014	25,119

ZAO AD Plastik Kaluga produced products only for European customers before the Russian-Ukrainian conflict. Since European customers retreated from Russian territory or stalled operations until further notice, the Group's management estimation is that the previously recognized goodwill in ZAO AD Plastik Kaluga should be impaired in total. Impairment of goodwill in 2022 is equal to the cumulative impairment of goodwill.

In 2022 the Group tested impairment of goodwill resulted from acquisition of Tisza Automotive Kft. It is estimated that the company AD Plastik Tisza constitutes one cash generating unit. In 2022 recoverable amount of cash generating unit was determined under fair value less cost of sales. The calculations used 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, considering WACC rate of 9.27 percent and a terminal growth rate thereafter. The terminal growth rate of 2.46 percent was determined based on the estimate of the long-term GDP growth rate, consistent with the assumptions that a market participant would make.

37. Goodwill (continued)

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 on goodwill resulted from acquisition of Tisza Automotive Kft.

38. Related-party transactions

Transactions with related companies were as follows:

Receivables and payables for goods, services and interest	Receivables		Payables	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
EURO APS, Romania	3,870	2,545	-	-
Sankt-Peterburgskaya investicionnaya kompaniya	-	-	57	114
	3,870	2,545	57	114

Purchase transactions Operating and financing income and expenses	Income		Purchases	
	2022	2021	2022	2021
EURO APS, Romania	8,898	9,311	5,254	10,883
AO Holding Autokomponenti	-	1,000	-	-
Sankt-Peterburgskaya investicionnaya kompaniya	-	-	297	451
	8,898	10,311	5,551	11,334

38. Related-party transactions (continued)

Receivables and payables for loans	Receivables		Payables	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Sankt-Peterburgskaya investicionnaya kompaniya	-	-	18,836	37,586
	-	-	18,836	37,586

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 2022 amounts to 12,603 HRK thousand (in 2021 HRK 16,570 thousand).

Sankt-Peterburgskaya investicionnaya kompaniya is member of Group in which is also company AO Holding Autokomponenti. which holds 30% of shares in Company .

39. Financial instruments and risk management

39.1 Gearing ratio

The Group's gearing ratio, expressed as the ratio of net debt to equity, is as follows:

	31.12.2022	31.12.2021
Long-term borrowings (Note 30)	179,749	245,223
Short-term borrowings (Note 35)	135,563	141,282
Cash and cash equivalents (Note 26)	(30,499)	(30,152)
Net debt	284,813	356,353
Equity	782,063	839,245
Net debt-to-equity ratio	36.42%	42.46%

Commodity loans at 31 December 2022 amounted HRK 4,528 thousand (31 December 2021: HRK 6,228 thousand) (Note 30 and Note 35). Above referred amounts are included in the Group's net debt.

Equity consists of share capital, reserves, reserves for own shares, own shares, retained earnings and profit/loss for the year.

The Group strives to have a debt to equity ratio of less than 50%.

39. Financial instruments and risk management (continued)

39.2 Categories of financial instruments

	31.12.2022	31.12.2021
Financial assets	150,691	267,727
Trade receivables (Note 24)	112,825	233,237
Cash and cash equivalents and deposits (Note 26)	30,499	30,152
Accrued income and other receivables	7,367	4,338
Financial liabilities	476,450	552,976
Loans received (Notes 30, 35)	315,312	386,505
Trade and other payables	143,869	142,319
Lease liabilities (Note 32)	17,269	24,152

Accrued income and other receivables include accrued income, other receivables less receivables from the State and advances given.

Trade and other payables includes: trade and other payables less payables to the State and grants..

Details of concentration of credit risk are included in Note 24 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.

39. Financial instruments and risk management (continued)

39.3 Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The carrying amounts of the Group's

foreign-currency denominated monetary assets and monetary liabilities at the reporting date are provided in the table below using the middle exchange rates of the Croatian National Bank:

At 31 December	Assets		Liabilities		Net FX position	
	2022	2021	2022	2021	2022	2021
EUR	326,481	422,945	511,931	588,829	(185,449)	(165,884)
USD	48	58	18	2	31	56
GBP	22	30	3	18	20	12
CNY	-	-	77	-	(77)	-
RON	-	-	-	-	-	-
	326,552	423,033	512,028	588,849	(185,476)	(165,816)

In HRK 326,481 thousand of EUR assets and HRK 511,931 thousand of EUR liabilities (in 2021 HRK 422,945 thousand) is included exposure on EUR intra Group receivables and loans in amount of HRK 209,497 thousand (in 2021 HRK 206,775 thousand). In addition, the remainder of HRK 33,637 thousand of assets and HRK 175,424 thousand of liabilities as at 31 December 2022 (31 December 2021: HRK 51,645 thousand of assets and HRK 173,446 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 2022, if EUR were to depreciate/appreciate by 1% compared to HRK, assuming all other variables remain unchanged, net profit of the Group for 2022 would be HRK 519 thousand higher/lower (2021: HRK 820 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.

On 31 December 2022, if RUB were to depreciate/appreciate by 1% compared to EUR, assuming all other variables remain unchanged, net profit of the Group for 2022 would be HRK 494 thousand (2021: HRK 744 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.

39.4 Liquidity risk management

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

39. Financial instruments and risk management (continued)

39.4 Liquidity risk management (continued)

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.

2022	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	-	100,380	41,219	5,108	-	-	146,707	146,707
Interest bearing	10.91%	4,020	-	-	-	-	4,020	3,984
		104,400	41,219	5,108	-	-	150,727	150,691
Liabilities								
Non-interest bearing	-	86,139	46,815	10,915	-	-	143,869	143,869
Interest bearing	0.89%	24,204	29,829	85,016	182,953	-	322,002	315,312
Lease liability	2.13%	751	1,502	5,585	9,998	-	17,836	17,270
		111,094	78,146	101,516	192,951	-	483,707	476,451
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

39. Financial instruments and risk management (continued)

39.4 Liquidity risk management (continued)

From total interest bearing liabilities in amount of HRK 315,312 thousand at 31.12.2022, HRK 94,327 thousand refers to liabilities denominated in HRK currency while HRK 220,985 thousand refers to liabilities denominated in EUR.

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.

39.5 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 2022 and 31 December 2021, 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.

40. Events after the reporting period

The Government of the Republic of Croatia has passed the Decision on the announcement of the introduction of the euro as the official currency in the Republic of Croatia (published in "Narodne novine" No. 85/22). With the aforementioned decision, the euro became the official monetary unit and legal tender in the Republic of Croatia on

January 1, 2023. The fixed conversion rate has been set at HRK 7.53450 for one euro. The introduction of the euro as the official currency in the Republic of Croatia represents a change in the functional currency that will be calculated prospectively and does not represent an event after the balance sheet date that requires adjustment.



41. Contingent liabilities

Based on the Management's estimate, the Group had no material contingent liabilities at 31 December 2022 and 31 December 2021 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 2022 which would require to be disclosed in

the notes to the financial statements. As at 31 December 2022 and 31 December 2021 there were no material legal actions with a potential negative outcome for the Group other than those reflected in these consolidated financial statements.

42. Approval of the consolidated financial statements

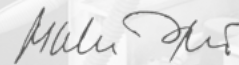
These consolidated financial statements were approved by the Management Board of AD Plastik d.d. and authorised for issue on 21 April 2023.

For AD Plastik d.d. Solin by:

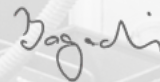
Marinko Došen
President of the
Management Board



Mladen Peroš
Member of
Management Board



Zlatko Bogadi
Member of
Management Board



Josip Divić
Member of
Management Board



21 April 2023

AD Plastik d.d., Solin

Separate Financial Statements For the Year Ended 31 December 2022

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249 - 250	Separate statement of financial position
251	Separate statement of changes in shareholders' equity
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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 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

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



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

Zlatko Bogadi
Member of Management Board



Josip Divić
Member of Management Board



21 April 2023



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 2022, and its separate statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information (further referred to as "the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2022 and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

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



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 2022: HRK 602,756 thousand (2021: HRK 726,823 thousand). As at 31 December 2022, trade receivables: HRK 103,593 thousand; accrued revenue: HRK 5,812 thousand (31 December 2021, trade receivables: HRK 215,296 thousand; accrued revenue: HRK 3,994 thousand).

Please refer to the Note 2.3 Revenue recognition of Significant accounting policies and Note 4 Sales in the financial statements.

Key audit matter

Revenue is an important metric used to evaluate the financial performance of the Company. In the year ended 31 December 2022, 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, the Company recognizes revenue when control over the goods is transferred to the customer.

Application of the revenue recognition principles of the relevant financial reporting standard, IFRS 15 *Revenue from Contracts with Customers* ("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, performed assisted by our own information technology (IT) audit specialists, included, among others:

- Updating our understanding of the Company's revenue recognition process, and testing the design and implementation of selected related internal controls within, including those associated with contract approval, pricing, delivery of products and posting of revenues.
- This also included assessing selected general IT controls supporting revenue-related IT application controls;
- For a sample of sales transactions in the current 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 of whether the goods and services in the arrangements are distinct and also 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)*

Key Audit Matters *(continued)*

REVENUE RECOGNITION *(CONTINUED)*

Key audit matter <i>(continued)</i>	How our audit addressed the matter <i>(continued)</i>
<p>— Many contracts with customers entitle customers to price reductions 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.</p> <p>— 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 customized 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, an arrangement is a sale, a lease or development of its own equipment, whether it 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 separate financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.</p>	<ul style="list-style-type: none">○ 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)

Key Audit Matters (continued)

IMPAIRMENT OF NON-CURRENT ASSETS ASSOCIATED WITH SUBSIDIARIES IN RUSSIA

As at 31 December 2022, investments in Russian subsidiaries: HRK 5,078 thousand; loans given to Russian subsidiaries: HRK 84,527 thousand; capitalised development costs related to production in Russian subsidiaries: HRK 3,191 thousand (31 December 2021, investments in Russian subsidiaries: HRK 41,582 thousand; loans given to Russian subsidiaries: HRK 97,831 thousand; capitalised development costs related to production in Russian subsidiaries: HRK 24,275 thousand).

Please refer to the Notes 2.8 Impairment of property, plant and equipment and intangible assets and 2.15 Financial instruments of Significant accounting policies and Notes 3 Critical accounting judgements and key sources of estimation uncertainty, 39 Impact of Russian Ukrainian crisis on the financial statements of AD Plastik d.d. and 41 Financial instruments and risk management.

Key audit matter

As indicated in Notes 3 and 39, in 2022, the Company's and its subsidiaries' operations in the Russian Federation were adversely affected by the onset of the Russo-Ukrainian war, including the resulting sanctions and geopolitical and macroeconomic turmoil. Following the Russian Federation's invasion of Ukraine, certain of the customers exited the Russian market, resulting, among other things, in the complete cessation of operations by the subsidiary in Kaluga (ZAO AD Plastik Kaluga) and the reduced scale of activities of the other Russian subsidiary, AO AD Plastik Togliatti.

These facts and circumstances resulted in a HRK 16,504s thousand impairment loss recognized by the Company in respect of its loans granted to the Russian subsidiaries. They also represented an indication that certain of the Company's non-current assets in scope of IAS 36 *Impairment of Assets (IAS 36)*, including the investments in Russian subsidiaries, carried at cost in the separate financial statements, might be impaired. Accordingly, management performed impairment tests required by that Standard and recognized a resulting impairment loss in the total amount of HRK 71,399 thousand as at 31 December 2022.

As part of the impairment tests, the Company determined the assets' recoverable amounts, as follows:

- For the investment in AO AD Plastik Togliatti – based on the value in use, estimated using the Company's share of the underlying cash flows of the subsidiary;
- For the investment in ZAO AD Plastik Kaluga - based on the investment's fair value less costs of disposal, based on the cash flow assumptions that a market participant would make (market approach, assuming sale of individual assets of the entity).

How our audit addressed the matter

Our audit procedures in this area, performed assisted by our own valuation specialists, included, among others:

- Evaluating, against the requirements of the relevant financial reporting standards, the Company's accounting policy for identification of impairment, and measurement and recognition of any impairment losses in respect of non-current assets in scope of IAS 36;
- Challenging the appropriateness of the Company's value-in use and fair value models in the impairment tests ("impairment models"), against the relevant requirements of the financial reporting standards. As part of the procedure, we also assessed the integrity of the impairment models, including the accuracy of the underlying calculation formulas;
- Evaluating the quality of the Company's forecasting by comparing historical projections with actual outcomes;
- Testing of the Company's selected impairment-related internal controls, including those over model assumptions and approval of impairment test outcomes;
- Inquiring of the members of the Management Board regarding the impact of the Russo-Ukrainian war, with particular focus on the operations of the Russian subsidiaries and the Company's assets associated with those operations;
- Assessing asset grouping into CGUs, based on our understanding of the Company's and its subsidiaries' operations and business units;
- Challenging the key assumptions applied in the impairment tests, as follows:

For the investment in AO AD Plastik Togliatti

- discount rate - by reference to publicly available market data, adjusted by risk factors specific to the subsidiary and its industry;
- expected prices, output and operating costs, by reference to, as applicable, customer and vendor contracts, publicly available market reports and other evidence, including the approved budget and internal communications. As part of the procedure, we also challenged the feasibility of the assumed growth rate in the current economic environment;



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

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

IMPAIRMENT OF NON-CURRENT ASSETS ASSOCIATED WITH SUBSIDIARIES IN RUSSIA (continued)

Key audit matter	How our audit addressed the matter
<p>In addition, an impairment loss was recognized in respect of the capitalized development costs, an intangible asset recognized in the Company's separate financial statements, related solely to the manufacturing process supporting the Russian subsidiaries' customers, which exited the Russian Federation. As such, the asset was considered to be permanently retired from active use in the Company's revenue-generating activities.</p> <p>Determination of the recoverable amount requires making a number of assumptions and judgments, in particular those relating to grouping of assets into CGUs, discount rates used and future cash flows, with key assumptions made about, among other things, expected levels of sales, output and operating costs.</p> <p>Complex models using forward-looking assumptions tend to be prone to greater risk of management bias, error and inconsistent application. These conditions necessitate our additional attention in the audit, in particular to address the objectivity of sources used for assumptions, and their consistent application.</p> <p>Due to the above factors, coupled with the significantly higher estimation uncertainty stemming from the business disruption impact of the Russo-Ukrainian war, assessment of Russia-related non-current assets for impairment required our significant judgment and increased attention in the course of our audit. As a consequence, we consider the area to be our key audit matter.</p>	<p><i>For the investment in ZAO AD Plastik Kaluga</i></p> <ul style="list-style-type: none">○ challenging whether the Company's fair value estimate was based on the highest and best use concept and whether the associated uncertainties were appropriately considered;○ tracing the subsidiary assets' fair values to valuations by external experts engaged by the Company, whose competence, capabilities and objectivity we independently assessed;○ additionally, challenging the asset fair values by reference to (i) publicly available sources on transactions with similar property, plant and equipment and (ii) suppliers' offers and recent transaction prices for inventory; <p><i>For capitalised development costs</i></p> <ul style="list-style-type: none">○ obtaining understanding of the current status and scope of operations of the customers in the Russian Federation and testing whether the impairment loss recognized completely captures capitalised development costs associated with the abandoned projects; <p>— Assessing susceptibility of the impairment models and the resulting impairment conclusions to management bias, by challenging the Company's analysis of the models' sensitivity to changes in key underlying assumptions;</p> <p>— Assessing whether the impairment-related disclosures in the separate financial statements appropriately address the quantitative and qualitative requirements of the financial reporting standards.</p>



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

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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



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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 14 July 2022 to audit the separate financial statements of AD Plastik d.d. for the year ended 31 December 2022. Our total uninterrupted period of engagement is three years, covering the years ended 31 December 2022, 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 21 April 2023;
- 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 a conclusion on compliance of the separate financial statements of the Company as at and for the year ended 31 December 2022, as included in the attached electronic file adplastik-drustvo-2022-12-31-en.zip, 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 conclusion, based on evidence obtained, as to whether the separate financial statements comply, in all material respects, with the RTS on ESEF. 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.

Work performed

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. Reasonable assurance is a high degree of assurance. However, it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with the RTS on ESEF.

In respect of the subject matter, we have performed the following procedures:

- obtaining an understanding of the tagging process;
- evaluating the design and implementation of relevant controls over the tagging process;
- tracing the tagged data to the separate financial statements of the Group presented in human-readable format;
- evaluating the completeness of the Company's tagging of the separate financial statements;
- evaluating the appropriateness of the 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 conclusion



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

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

Conclusion

In our opinion, based on the procedures performed and evidence obtained, the separate financial statements of the Company as at and for the year ended 31 December 2022 presented in ESEF format and contained in the aforementioned attached electronic file, have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

Our conclusion does not represent an opinion on the true and fair view of the financial statements as this is included in our Report on the Audit of the Financial Statements.

KPMG Croatia d.o.o.

KPMG Croatia d.o.o. za reviziju

21 April 2023

Croatian Certified Auditors

Eurotower, 17th floor

Ivana Lučića 2a

10000 Zagreb

Croatia

Separate statement of comprehensive income For the year ended 31 December 2022

(All amounts are expressed in thousands of kunas)

	Notes	2022	2021
Sales	4	602,756	726,823
Other income	5	14,090	18,582
Total income		616,846	745,405
Increase/(decrease) in the value of work in progress and finished products		91	(1,627)
Cost of raw material and supplies	6	(305,319)	(307,984)
Cost of goods sold	7	(76,520)	(116,869)
Service costs	8	(61,597)	(62,716)
Staff costs	9	(150,180)	(161,487)
Depreciation and amortisation	10	(66,516)	(68,703)
Other operating expenses	11	(68,170)	(18,084)
Provisions for risks and charges	12	(1,582)	(175)
Impairment of loans and trade receivables		(17,820)	(129)
Total operating expenses		(747,613)	(737,774)
(Loss)/profit from operations		(130,767)	7,631
Financial income	13	18,618	23,248
Financial expenses	14	(2,723)	(6,747)
Profit from financing activities		15,895	16,501
(Loss)/profit before taxation		(114,872)	24,132
Income tax expense	15	11,322	(7,792)
(Loss)/profit for the year		(103,550)	16,340
Total comprehensive (loss)/income for the year		(103,550)	16,340
Basic and diluted earnings per share (in kunas and lipas)	16	(24.94)	3.94

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

Separate statement of financial position At 31 December 2022

(All amounts are expressed in thousands of kunas)

Assets	Notes	31.12.2022	31.12.2021
Non-current assets			
Intangible assets	17	55,607	73,552
Property, plant and equipment	18	508,377	535,232
Right-of-use assets	19	14,020	19,442
Investment property	20	22,310	22,661
Investments in subsidiaries and associates	21	112,863	149,367
Long term financial assets	22	98,243	108,827
Long-term receivables	23	35,529	11,531
Deferred tax assets	15	15,035	3,713
Total non-current assets		861,984	924,325
Current assets			
Inventories	24	103,447	87,689
Trade receivables	25	103,593	215,296
Other receivables	26	15,090	13,738
Current financial assets	27	15,862	12,940
Cash and cash equivalents	28	17,917	9,797
Prepaid expenses and accrued income	29	7,981	5,757
Total current assets		263,890	345,217
TOTAL ASSETS		1,125,874	1,269,542

Separate statement of financial position At 31 December 2022 (continued)

(All amounts are expressed in thousands of kunas)

Shareholders' equity and liabilities	Notes	31.12.2022	31.12.2021
Capital and reserves			
Share capital	30	419,958	419,958
Capital and other reserves		263,318	278,895
Retained earnings/(loss brought forward)		(4,835)	82,367
Total shareholders' equity		678,441	781,220
Long-term provisions	31	3,081	3,854
Long-term borrowings	32	159,925	217,480
Other long term liabilities	33	570	1,506
Lease liabilities	34	7,756	12,673
Total non-current liabilities		171,332	235,513
Advances received	35	25,475	6,033
Trade payables	36	111,349	97,119
Short-term borrowings	37	111,317	115,485
Other current liabilities	38	14,346	18,218
Lease liabilities	34	6,603	7,138
Short-term provisions	31	7,011	8,816
Total current liabilities		276,101	252,809
Total liabilities		447,433	488,322
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,125,874	1,269,542

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 2022

(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 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

	Share capital	Capital reserves	General and legal reserves	Reserves for own (treasury) shares	Own (treasury) shares	Retained earnings (loss brought forward)	Total
Balance at 31 December 2021	419,958	192,282	74,323	20,890	(8,600)	82,367	781,220
Loss for the year	-	-	-	-	-	(103,550)	(103,550)
Total comprehensive (loss) for the year	-	-	-	-	-	(103,550)	(103,550)
Disposal of own (treasury) shares	-	(889)	-	-	1,661	-	772
Transactions with the owners of the Company	-	(889)	-	-	1,661	-	772
Reversal of reserves for not written off costs of development	-	-	(16,349)	-	-	16,349	-
Balance at 31 December 2022	419,958	191,393	57,974	20,890	(6,939)	(4,834)	678,441

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 2022

(All amounts are expressed in thousands of kunas)

Cash flows from operating activities	Notes	2022	2021
(Loss)/profit for the year		(103,550)	16,340
Adjusted for:			
Income tax	15	(11,322)	7,792
Depreciation and amortisation	10	66,516	68,703
Tangible assets write-off	18	111	-
Intangible assets impairment/write-off	17	18,392	856
Interest expense and exchange rates recognised in profit or loss		2,348	4,900
Dividend income	13	(15,296)	(19,722)
Gain from sale of property, plant and equipment and intangible assets	5	(786)	(1,303)
Gain from sale of financial assets	13	-	(72)
Interest income	13	(3,095)	(3,454)
Decrease in long-term and short-term provisions, (net)		(2,580)	(3,753)
Impairment of loans given		16,341	1,670
Impairment of trade receivables		1,316	129
Obsolete stock write-off	24	203	1,328
Impairment of related parties investment	11	36,504	-
Profit from operations before working capital changes		5,102	73,414
(Increase)/decrease in inventories	24	(15,962)	11,373
Decrease in current trade receivables		86,423	8,971
(Increase)/decrease in other receivables	26	(1,352)	1,174
Increase/(decrease) in trade payables		14,221	(42,647)
Increase/(decrease) of advances received	35	19,441	(765)
(Decrease)/increase in other current liabilities		(2,998)	355
(Increase)/decrease of accrued income and prepaid expenses	29	(2,224)	14,936
Interest paid		(3,048)	(5,163)
Cash flows from operating activities		99,603	61,648

Separate statement of cash flow

For the year ended 31 December 2022 (continued)

(All amounts are expressed in thousands of kunas)

Cash flows from investing activities	Notes	2022	2021
Interest received		2	1,127
Purchase of property, plant and equipment	18	(17,828)	(20,387)
Purchase of investment property	20	-	(94)
Purchase of intangible assets	17	(16,846)	(22,549)
Proceeds from sale of property, plant and equipment and intangible assets		3,154	3,121
Proceeds from sale of financial assets		-	133
Dividends received		15,294	19,518
Loan given		(4,521)	-
Cash (used) from investing activities		(20,745)	(19,131)

Cash flows from financing activities	Notes	2022	2021
Dividends paid		-	(66,294)
Proceeds from borrowings	32,37	41,419	155,934
Repayment of borrowings	37	(104,660)	(150,246)
Repayment of lease principal	34	(7,535)	(7,792)
Cash used in financing activities		(70,776)	(68,398)
Unrealised exchange rate differences in respect of cash and cash equivalents		38	9
Increase/(decrease) in cash and cash equivalents	28	8,120	(25,872)
Cash and cash equivalents at the beginning of the year	28	9,797	35,669
Cash and cash equivalents at the end of the year	28	17,917	9,797

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 2022

1. New standards and amendments to existing not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 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 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 2022, and the results of operations for the year then ended.

The Company also prepares its consolidated financial statements in accordance with International Financial Reporting Standards, which include the financial statements of the Company, as the parent, and the financial statements of the subsidiaries controlled by the Company. In these financial statements, investments in entities controlled by the Company or in which the Company has significant influence are carried at cost less impairment, if any. For a full understanding of the financial positions of the Company and its subsidiaries, as a group, and of the results of their operations and their cash flows for the year, users are advised to read the consolidated financial statements of the Group AD Plastik d.d. Details of the investments in subsidiaries and associates are presented in Note 21.

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. Summary Of Significant Accounting Policies (continued)

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, and
- 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 for the customer with respect to parts is created only upon issuance of purchase orders. Revenue from tooling sale and product sale is recognized 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 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 recognized 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.

2. Summary Of Significant Accounting Policies (continued)

2.3 Revenue recognition (continued)

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 recognised over time, according to the quantities of products produced by the customer.

Company generates revenues from technical services on the basis of contracts it has with affiliated companies to which it provides technical-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.

2. Summary Of Significant Accounting Policies (continued)

2.4 Borrowing costs (continued)

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 2022, the official exchange rate of the Croatian kuna against 1 Euro (EUR) was HRK 7.53450 (31 December 2021: 7.517174 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 2021 and 2022 amounts to 18%.

Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rate expected to apply to taxable profit in the period in which the liability is expected to be settled or the asset realised, based on the tax rates in effect at the date of the statement of financial position. The income tax rate applicable to deferred tax assets is 18 %.

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

Deferred tax assets and liabilities are not discounted and are classified in the statement of financial position as non-current assets and/or non-current liabilities. Deferred tax assets are recognised only to the extent that it is probable that the related tax benefit will be realised. At each date of the statement of financial position, the Company reviews the unrecognised potential tax assets and the carrying amount of the recognised tax assets.

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

2. Summary Of Significant Accounting Policies (continued)

2.6 Income tax (continued)

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

2.7 Property, plant, equipment and intangible assets

Property, plant and equipment as well as intangible assets are recognised at purchase cost and subsequently reduced by accumulated depreciation. Intangible asset represent capitalized development costs of all Company's projects. 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 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 2022 %	Depreciation rates in 2021 %
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	14.29 – 33.33
Software	20.00 – 50.00	20.00 – 50.00

2. Summary Of Significant Accounting Policies (continued)

2.8 Impairment of property, plant and equipment, and intangible assets

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

2.9 Investments in subsidiaries and associates

A subsidiary is an entity over which the Company has effective control over financial and operating policy decisions of the Company. The results, assets and liabilities of subsidiaries are incorporated in these separate financial statements using the cost method of accounting.

An associate is an entity over which the Company has significant influence and usually an ownership interest from 20 to 50 percent, but no control over the entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control over those policies. The results of operations of associates are incorporated in these financial statements using the cost method of accounting.

2.10 Inventories

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

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

2.11 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.

2. Summary Of Significant Accounting Policies (continued)

2.11 Other trade receivables and prepayments (continued)

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

2.12 Cash and cash equivalents

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

2.13 Provisions

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

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present

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

2.14 Termination, long-service and other employee benefits

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

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

(b) Long-term employee benefits

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

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

2. Summary Of Significant Accounting Policies (continued)

2.14 Termination, long-service and other employee benefits (continued)

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

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

Business model assessment

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

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

2. Summary Of Significant Accounting Policies (continued)

2.15 Financial instruments (continued)

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. Accounts receivable are held in the business model of holding for 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 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.

2. Summary Of Significant Accounting Policies (continued)

2.15 Financial instruments (continued)

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

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

Impairment of non-derivative financial assets

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

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

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

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

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

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

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

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

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

Measurement of expected credit losses

In accordance with IFRS 9, assets that are carried at amortized cost must have attributed expected credit losses (ECL).

Formula for calculating yearly ECL is the following:

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

Company used publicly available information to model ECL for loans, as follows:

2. Summary Of Significant Accounting Policies (continued)

2.15 Financial instruments (continued)

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	2.2%	2.2%
2	4.5%	2.3%
3	6.6%	2.1%
4	8.6%	2.0%
5	10.4%	1.8%
6	12.1%	1.7%
7	13.7%	1.6%
8	15.2%	1.5%
9	16.6%	1.4%
10	17.6%	1.0%

Loss given default: Company used latest available Moody's Annual Default Study. It was calculated using annual default recoveries percentage. LGD used in 2022 is 60.53% (in 2021: 60.70%).

Exposure at default: Company calculated it internally taking into account annually repayment schedule for loans for every year of repayment.

Effective interest method

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

Impairment of financial assets

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

Impairment loss on a financial asset is recognised by reducing the carrying amount of the asset through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset have expired, when the asset is transferred and when substantially all the risks and rewards of ownership of the asset are passed onto another entity.

2. Summary Of Significant Accounting Policies (continued)

2.15 Financial instruments (continued)

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Classification as financial debt or equity

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

Interest income

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

2.16 Contingencies

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

2.17 Events subsequent to the date of the statement of financial position

Events after the date of the statement of financial position that provide additional information about the Company's

position at that date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

2.18 Segment reporting

In separate financial statements the Company discloses sales revenues grouped by country (Note 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

2. Summary Of Significant Accounting Policies (continued)

2.19 Leases (continued)

(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.

2.20 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.

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:

Exposure to business in Russia

In 2022 the Company tested investments and given loans to subsidiaries for impairment whereby each subsidiary was determined as a cash generating unit. In 2022 recoverable amount of each cash generating unit was determined. Estimation of the fair value of AO AD Plastik Togliatti was based on projected future cash flows based on financial budgets covering a three-year period. Cash flows beyond

the three-year period are extrapolated using the estimated growth rates. ZAO AD Plastik Kaluga produced products only for European customers before the Russian-Ukrainian crisis. Since European customers retreated from Russian territory or stalled operations, impairment value of investments and loans given to ZAO AD Plastik Kaluga of 70,181 thousand HRK is equalized with fair value less cost to sell in accordance with market and comparable asset prices.

Every estimation was made based on current situation with Russian-Ukrainian crisis. Uncertainty in the macroeconomic environment could possibly change and therefore impact management estimations which influence financial statement items.

Intangible assets in form of capitalised development costs for Russian projects was tested for impairment by projection of estimated future cash flows from royalty fees for Russian subsidiaries. The discount rate is a post-tax measure estimated based on the historical industry average weighted-average cost of capital, which Company estimated at 20%.

The cash flow projections for AO AD Plastik Togliatti included specific estimates for three years and a terminal growth rate thereafter. The terminal growth rate was determined based on the market estimate and is set at 1,26 %.



3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Exposure to business in Russia (continued)

Budgeted EBITDA was estimated taking into account past experience, adjusted as follows.

- impact of russia-ukraine crisis on operating activities of AO AD Plastik Togliatti
- new projects with customers either contracted with, announced by or subject to the negotiations with customers.

Impairment test of investments in AO AD Plastik Togliatti subsidiary confirmed that recoverable amount of investments and given loans exceeds their carrying amount.

Impairment test of investments in ZAO AD Plastik Kaluga subsidiary confirmed that recoverable amount of investments, given loans and receivables is less than their carrying amount. Company made Impairment of subsidiaries investment and part of given loans which is presented in the Note 39.

Inangible assets in form of capitalized cost of development for project that were canceled is impaired in total. Company has control under cash flow of its russian subsidiaries. Currently, there is a limit on the loan collection in the amount of 10,000 thousand rubles on a monthly basis per one subsidiary company.

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.

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)

Measurement of fair values (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.



4. Sales

	2022	2021
Foreign sales	592,883	718,850
Domestic sales	9,873	7,973
	602,756	726,823

Sales segmentation by country is shown below:

	2022	2021
Slovenia	181,686	271,118
Romania	119,830	108,799
France	76,099	99,752
Italy	56,603	44,895
Hungary	30,204	26,273
Germany	28,336	32,994
Spain	26,012	28,259
Serbia	25,195	31,940
Slovakia	13,978	16,750
Croatia	9,873	7,973
Russia	9,641	46,711
Other	25,299	11,359
	602,756	726,823

Sales segmentation by type is shown below:

	2022	2021
Car parts sale	504,982	563,610
Merchandise	71,117	84,647
Engineering services revenue	10,185	10,699
Revenue from tools	9,725	52,630
Licence fees	6,747	15,237
	602,756	726,823

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

	2022	2021
Rental income and income from the sale of services to tenants	4,393	4,487
Income from damages and insurance	3,191	3,550
Income from sales of waste and secondary raw material	1,940	1,121
Income from consumption of own products and services	1,677	3,231
Gain from sale of property, plant and equipment and intangible assets	786	1,303
Income from product development, validation, quality control and laboratory testing	400	839
Other operating income	1,703	4,051
	14,090	18,582

6. Cost of raw material and supplies

	2022	2021
Direct materials	267,143	276,216
Electricity	23,899	18,088
Other raw material and supplies	14,277	13,680
	305,319	307,984

7. Cost of goods sold

	2022	2021
Cost of merchandise	68,532	78,614
Cost of tools sold	7,658	38,018
Other costs of goods sold	330	237
	76,520	116,869

8. Service costs

	2022	2021
Transport	22,677	24,483
Intellectual service cost	12,408	12,288
Software licenses	6,341	4,855
Maintenance costs	5,458	6,066
Logistic services at distribution warehouses	2,689	2,980
Security and fire services	2,078	2,040
Communal fee	2,011	1,629
Rental costs	1,267	2,236
Engineering services costs	1,163	1,419
Water	817	736
Telephone, cell phone, internet costs	705	620
Marketing	543	777
Licence fees	345	1,049
Other service costs	3,095	1,538
	61,597	62,716



9. Staff costs

	2022	2021
Net wages and salaries	87,570	98,060
Taxes and contributions on and out of salaries	49,901	51,325
Other staff costs	12,709	12,102
	150,180	161,487

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, income from reversal of provision for termination benefits in amount of HRK 582 thousand and income from reversal of provision for jubilee awards is shown in amount of HRK 343 thousand as cost reduction within category "Other staff cost". Further, within "Other staff cost" provision

for unused vacation days is shown in amount of HRK 2,024 thousand.

In the previous period, reversal of provision for employee bonuses in amount of HRK 4,000 thousand and reversal of provision for unused vacation days in amount of HRK 1,227 thousand was shown as a cost reduction through „Other staff cost“. Other staff costs was also decreased by reversal of provision for jubilee awards in amount of HRK 12 thousand. In the previous period, provision for termination benefits in amount of HRK 1,342 thousand was shown in other staff cost.

10. Depreciation and amortisation

	2022	2021
Depreciation of property, plant and equipment (Note 18)	42,306	43,153
Amortisation of intangible assets (Note 17)	16,400	17,298
Depreciation of right of use assets (Note 19)	7,560	8,003
Depreciation of investment property (Note 20)	250	249
	66,516	68,703

11. Other operating expenses

	2022	2021
Impairment of subsidiaries investment	36,504	-
Impairment of capitalised development cost	18,392	-
Business trips	3,325	1,837
Membership fees, contributions, municipal utility fees	1,954	2,156
Cost of own consumption and goods provided free of charge	1,647	2,054
Insurance premiums	1,134	1,014
Customer complaints	1,013	3,318
Entertainment/representation costs	786	442
Withholding tax	548	955
Professional training costs	542	538
Supervisory Board fees	535	547
Gifts, donations and sponsorships	389	692
Safety at work and health services	270	379
Cost of unusable inventories and inventory shortage costs	203	1,328
Capitalised development cost write-off	-	856
Other expenses	928	1,968
	68,170	18,084

At 31 December 2022 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

	2022	2021
Provision for possible litigation losses (Note 31)	1,582	175
	1,582	175

13. Financial income

	2022	2021
Dividend income from associate	15,296	19,722
Interest income	3,095	3,454
Foreign exchange income, net	227	-
Gain from sale of financial assets	-	72
	18,618	23,248

14. Financial expenses

	2022	2021
Interest expense	2,571	4,294
Interest expense on lease liabilities	316	417
Foreign exchange losses, net	-	366
Other	(164)	1,670
	2,723	6,747



15. Income tax

Income tax comprises the following:

	2022	2021
Deferred tax	11,322	(7,792)
	11,322	(7,792)

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

	2022	2021
Balance at 1 January	3,713	11,505
Increase of deferred tax assets	11,489	13
Usage of deferred tax assets	-	(130)
Reversal recognition of deferred tax assets	(167)	(7,675)
Balance at 31 December	15,035	3,713

2022	Opening balance	(Charged) / credited to statement of comprehensive income, net	Closing balance
Temporary differences			
Provisions for jubilee service and termination benefits	799	(167)	632
Impairment of investment property	2,914	-	2,914
Recognition of tax losses	-	11,489	11,489
Balance at 31 December	3,713	11,322	15,035

15. Income tax (continued)

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

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

	2022	2021
Accounting profit/(loss) before tax	(114,872)	24,132
Tax at the rate of 18%	(20,677)	4,344
Non-deductible expenses	14,227	2,663
Tax exempt revenues	(4,872)	(6,890)
Write-off of deferred tax assets	-	7,675
Profit tax expense	(11,322)	7,792
Effective tax rate	9.86 %	32.29 %

The effective income tax rate in Republic of Croatia in year 2022 was 18% the same as it was for the year 2021.

The amount of HRK 11,322 thousand was recognized as deferred tax assets in 2022. The Company is planning to achieve taxable profit in the period from 2023 to 2027, for which aforementioned deferred tax assets is planned to be used.

In 2022, Company made an impairment on the basis of investments in subsidiaries, loans given and capitalized development costs for subsidiaries in the Russian Federation

in the amount of HRK 71,399 thousand and did not recognize deferred tax assets for the aforementioned. Deferred tax assets are also not recognized for the reduction in the value of investments in the company ZAO AD Plastik Kaluga carried out in previous years in the amount of HRK 24,509 thousand. The total amount of unrecognized deferred assets amounts to HRK 17,263 thousand.

As of the reporting date, it is unlikely that the aforementioned impairments will generate deferred tax assets that can be used to reduce tax liability in future years.

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.

	2022	2021
(Loss)/profit for the year (in HRK '000)	(103,550)	16,340
Weighted average number of shares	4,151,975	4,143,207
Basic and diluted earnings/(loss) per share (in kunas and lipas)	(24,94)	3,94

	2022	2021
Issued ordinary share at 1 January	4,199,584	4,199,584
Effect of treasury shares held	(40,628)	(50,353)
Effect of treasury shares disposed of	(6,981)	(6,024)
Weighted-average number of ordinary shares at 31 December	4,151,975	4,143,207

17. 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 Company. Intangible assets under development mostly refer to the capitalized costs of new product development.

In 2022, the cost of net salaries and wages of HRK 2,433 thousand the cost of taxes and contributions from salaries

of HRK 949 thousand and the cost of contributions to salaries of HRK 514 thousand were capitalized in intangible assets. In the previous 2021, the capitalized cost of net salaries and wages amounted to HRK 3,750 thousand the cost of taxes and contributions from salaries amounted to HRK 1,283 thousand and the cost of contributions to salaries amounted to HRK 679 thousand. According to IAS 23 the amount of HRK 47 thousand of capitalized interest expense was posted on intangible assets in 2022. In the previous year, the amount of HRK 99 thousand was posted on intangible assets.

17. Intangible assets (continued)

	Software	Projects	Other intangi- ble assets	Intangible assets under development	Total
Cost					
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
Additions	-	-	-	16,846	16,846
Transfer from assets under development	1,678	8,164	36	(9,878)	-
Write Offs	(137)	(38,318)	-	-	(38,455)
Impairment	-	(18,873)	-	(10,045)	(28,918)
Balance at 31 December 2022	13,952	109,036	5,669	25,737	154,394
Accumulated amortisation					
Balance at 31 December 2020	10,292	182,098	1,807	-	194,197
Charge for the year	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
Charge for the year	675	14,592	1,132	-	16,400
Write Offs	(137)	(38,318)	-	-	(38,455)
Impairment	-	(10,526)	-	-	(10,526)
Balance at 31 December 2022	11,814	82,911	4,062	-	98,787
Net book value					
At 31 December 2021	1,134	40,901	2,703	28,814	73,552
At 31 December 2022	2,137	26,125	1,607	25,737	55,607

18. Property, plant and equipment

	Land	Buildings	Plant and equipment	Assets under development	Total
Cost					
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)
Transfer to investment property (Note 20)	-	-	-	-	-
Balance at 31 December 2021	130,740	259,923	584,756	6,378	981,797
Additions	-	-	-	17,828	17,828
Transfer from assets under development	-	175	4,499	(4,674)	-
Disposals	-	-	(5,355)	-	(5,355)
Retirements/Write Offs	-	-	(5,289)	-	(5,289)
Transfer from investment property (Note 20)	101	-	-	-	101
Balance at 31 December 2022	130,841	260,098	578,611	19,532	989,082
Accumulated depreciation					
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)
Transfer from investment property (Note 20)	-	-	-	-	-
Balance at 31 December 2021	-	82,023	364,542	-	446,565
Charge for the year (Note 10)	-	3,903	38,403	-	42,306
Disposals	-	-	(2,988)	-	(2,988)
Retirements/Write Offs	-	-	(5,178)	-	(5,178)
Transfer from investment property (Note 20)	-	-	-	-	-
Balance at 31 December 2022	-	85,926	394,779	-	480,705
Net book value					
At 31 December 2021	130,740	177,900	220,214	6,378	535,232
At 31 December 2022	130,841	174,171	183,833	19,532	508,377

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 31.12.2022 of (in thousand HRK) 141,791 (31.12.2021: 141,791), buildings

182,070 (31.12.2021: 186,165) and plant and equipment 19,568 (31.12.2021: 63,362). The mentioned assets include investment property, land in the net book value of 11,144 and buildings in the net book value of 11,166 (in thousand HRK).

19. Right of use asset

	Buildings	Plant and equipment	Total
Cost			
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
Additions	1,792	-	1,792
Lease modification, net	679	(333)	346
Balance at 31 December 2022	26,737	7,751	34,488
Accumulated depreciation			
Balance at 31 December 2020	10,569	4,084	14,653
Charge for the year	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
Charge for the year	5,139	2,421	7,560
Balance at 31 December 2022	15,722	4,746	20,468
Net book value			
At 31 December 2021	13,683	5,759	19,442
At 31 December 2022	11,015	3,005	14,020

19. Right of use asset (continued)

Amounts recognised in profit and loss	2022	2021
Depreciation expense on right of use assets	7,560	8,003
Interest expense	316	417
Expense relating to leases of low value	1,001	1,350
Expenses relating to variable lease payments not included in the measurement of lease liability	165	288
Expense relating to short-term leases	101	598
	9,143	10,656

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 2020	11,245	16,558	27,803
Reclassification of investment property	-	94	94
Balance at 31 December 2021	11,245	16,652	27,897
Reclassification of investment property	(101)	-	(101)
Balance at 31 December 2022	11,144	16,652	27,796
Accumulated depreciation			
Balance at 31 December 2020	-	4,987	4,987
Charge for the year	-	249	249
Balance at 31 December 2021	-	5,236	5,236
Charge for the year	-	250	250
Balance at 31 December 2022	-	5,486	5,486
Net book value			
Balance at 31 December 2021	11,245	11,416	22,661
Balance at 31 December 2022	11,144	11,166	22,310

Income from the rental of the building in 2022 amounts to HRK 1,996 thousand (2021: HRK 1,998 thousand), and the depreciation charge for the year 2022 amounts to HRK 250 thousand (2021: HRK 249 thousand).

At December 31 2022 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	
		31.12.2022	31.12.2021	31.12.2022	31.12.2021
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
ADP d.o.o.	Mladenovac, Serbia	100.00%	100.00%	15,013	15,013
AO AD Plastik Togliatti	Togliatti, Russian Federation	100.00%	100.00%	5,078	5,078
AD Plastik d.o.o.	Novo Mesto, Slovenia	100.00%	100.00%	58	58
				91,108	127,612

Associates:

Name of associate	Country of incorporation and business	Ownership interest in %		Amount of equity investment, HRK '000	
		31.12.2022	31.12.2021	31.12.2022	31.12.2021
EURO Auto Plastic Systems	Mioveni, Romania	50.00 %	50.00 %	21,755	21,755
				21,755	21,755
Total investments in subsidiaries and associates				112,864	149,367

Company 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 2022 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, Togliatti, Russian Federation	31.12.2022	31.12.2021
Current assets	102,924	102,095
Fixed assets	85,294	70,167
Total assets	188,218	172,262
Short-term liabilities	(92,691)	(90,706)
Long-term liabilities and provisions	(17,419)	(17,302)
Total Liabilities	(110,110)	(108,008)
Net assets	78,108	64,254
ZAO AD Plastik Kaluga, Kaluga, Russian Federation	31.12.2022	31.12.2021
Current assets	30,498	59,576
Fixed assets	46,766	63,478
Total assets	77,264	123,054
Short-term liabilities	(14,984)	(27,949)
Long-term liabilities and provisions	(81,348)	(84,425)
Total Liabilities	(96,332)	(112,374)
Net assets	(19,068)	10,680
AD Plastik Tisza, Tiszaújváros, Hungary	31.12.2022	31.12.2021
Current assets	33,638	38,658
Fixed assets	48,946	53,753
Total assets	82,584	92,411
Short-term liabilities	(47,299)	(42,205)
Long-term liabilities and provisions	(18,988)	(24,690)
Total Liabilities	(66,287)	(66,895)
Net assets	16,297	25,516

21. Investments in subsidiaries and associates (continued)

ADP d.o.o, Mladenovac, Serbia	31.12.2022	31.12.2021
Current assets	40,893	32,637
Fixed assets	51,345	54,375
Total assets	92,238	87,012
Short-term liabilities	(69,126)	(53,551)
Long-term liabilities and provisions	(21,834)	(24,121)
Total Liabilities	(90,960)	(77,672)
Net assets	1,278	9,340
AD Plastik d.o.o., Novo Mesto, Slovenia	31.12.2022	31.12.2021
Current assets	3,598	3,558
Fixed assets	8	20
Total assets	3,606	3,578
Short-term liabilities	(164)	(149)
Long-term liabilities and provisions	-	-
Total Liabilities	(164)	(149)
Net assets	3,442	3,429

22. Other financial assets

	31.12.2022	31.12.2021
Long-term loans to subsidiaries	115,258	114,993
Long-term receivables for interests	5,492	-
Impairment of given loans	(22,507)	(6,166)
	98,243	108,827

Long-term investment loans were granted to the subsidiaries with maturities from one to ten years and an interest rate of 2.68%. During the 2021 loans were granted with the interest rate of 3.00 %.

23. Long-term receivables

	31.12.2022	31.12.2021
ADP d.o.o., Mladenovac, Serbia	35,529	11,531
	35,529	11,531

Long-term receivables refer to receivables from related Company ADP d.o.o. Mladenovac, which are planned to convert to receivables in 2023. Credit losses of 1,640 thousand HRK were calculated on those receivables.

24. Inventories

	31.12.2022	31.12.2021
Raw material and supplies on stock	54,684	54,059
Finished products	16,165	16,252
Prepayments for tools	13,364	2,951
Tools	7,113	2,572
Work in progress	7,081	6,945
Merchandise on stock	5,041	4,910
	103,447	87,689

The amount of inventories recognised as an expense during the 2022 was 534,102 thousand HRK (in the 2021 the expense was 583,159 thousand HRK).

Total inventory write – off was 203 thousand HRK in 2022 (in 2021 it was 1,328 thousand HRK). 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

	31.12.2022	31.12.2021
Foreign trade receivables (unrelated companies)	71,800	155,746
Foreign trade receivables (intra group)	24,996	54,791
Domestic trade receivables	4,197	3,733
Foreign trade receivables (associates)	3,870	2,545
Impairment allowance on receivables	(1,270)	(1,519)
	103,593	215,296

The average credit period on sales is 92 days (2021: 96 days).

Movements in the impairment allowance on doubtful trade receivables can be presented as follows:

	2022	2021
Balance at beginning of the year	1,519	1,390
Collected amounts reversed	-	(15)
Movements based on IFRS 9 expected credit losses calculation for year end	(249)	144
Total impairment allowance	1,270	1,519

Ageing analysis of not impaired receivables can be presented as follows:

	31.12.2022	31.12.2021
0 - 90 days past due	6,966	18,510
91 - 180 days past due	868	8,838
181 - 365 days past due	8,638	16,828
Over 365 days past due	13,394	8,756
Not due	73,727	162,364
	103,593	215,296

The majority of the receivables past due beyond 365 days comprise amounts owed by the subsidiaries.

At December 31 2022, the carrying amount of the receivables from companies in the same group which make more than 15% of the total receivables was HRK 19,010 thousand (31.12.2021.: HRK 47.669 thousand).

26. Other receivables

	31.12.2022	31.12.2021
Receivables from the State and State institutions	11,244	12,066
Foreign prepayments made	3,281	885
Domestic prepayments made	554	766
Other receivables	9	7
Amounts due from employees	1	14
	15,090	13,738

Amounts due from the State and State institutions comprise from these receivables:

	31.12.2022	31.12.2021
VAT refund receivables	10,604	8,581
Receivables for sick leave	457	492
Other receivables	183	171
State support - EU project	-	2,822
	11,244	12,066

27. Current financial assets

	31.12.2022	31.12.2021
Interest receivables	11,341	12,940
Receivables per short-term loans	4,521	-
	15,862	12,940

Interest receivables relate to loans given to subsidiaries.

28. Cash and cash equivalents

	31.12.2022	31.12.2021
Foreign account balance	17,835	8,573
Current account balance	81	1,207
Cash in hand	-	17
	17,917	9,797

29. Prepaid expenses and accrued income

	31.12.2022	31.12.2021
Prepaid operating expenses	2,169	1,763
Other accrued income	5,805	3,717
Accrued income on tools	7	277
	7,981	5,757

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 (2021: 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 40,628 treasury shares on 31.12.2022. The company owned 50,353 treasury shares on the date of 31.12.2021.

31. Long-term and short-term provisions

	Short-term		Long-term	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Vacation accrual	2,822	798	-	-
Legal cases	2,759	1,177	-	-
Risks within the warranty period	998	998	-	-
Jubilee awards (long-service benefits)	238	282	1,286	1,585
Termination benefits	193	1,561	1,795	2,269
Employee bonuses	-	4,000	-	-
	7,010	8,816	3,081	3,854

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 2022	1,867	3,830	1,177	798	4,000	998	12,670
Increase/(decrease) in provisions, net	(343)	(1,842)	1,582	2,024	(4,000)	-	(2,579)
Balance at 31 December 2022	1,524	1,988	2,759	2,822	-	998	10,091
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

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 2022 are the discount rate of 1.26% and the fluctuation rate of 13.54%. Discount rate of 1.29% and the fluctuation rate of 11.37% were used in calculation of the required provisions in the year of 2021. Fluctuation rate is based on average fluctuation of employees in the last 5 years.

32. Long – term borrowings

	31.12.2022	31.12.2021
Long-term borrowings	218,269	276,239
	218,269	276,239
Current portion of long-term borrowings (Note 37)	(58,344)	(58,759)
Total long-term borrowings	159,925	217,480

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 and payment instruments. Majority of the long-term loans are repayable on a monthly basis.

By the date of issue of the Report, the company received the bank's confirmation (regarding the long-term loan), according to which it waives the clause of maintaining the ratio of net debt to EBITDA. Book value of the loan amounts to HRK 47,287 thousand.

In 2022, the weighted average interest rate on the long-term loans was 0.65% (in the 2021 the average interest rate

on the long-term loans was 1.22%). 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 159,925 thousand at 31.12.2022, HRK 76,853 thousand refers to loans denominated in HRK currency while HRK 83,072 thousand refers to loans denominated in EUR.

From total long-term loan liabilities in amount of HRK 217,480 thousand at 31.12.2021, HRK 93,823 thousand refers to loans denominated in HRK currency while HRK 123,657 thousand refers to loans denominated in EUR.

Movements in the long-term part of long-term borrowings during the year were as follows:

	2022	2021
Balance at 1 January	217,480	139,611
New loans raised	-	137,333
Decrease for the realization of received deposits	-	(185)
Foreign exchange differences	323	(324)
Transfer on the short-term part of long-term loans (Note 37)	(58,617)	(57,449)
Increase/(decrease) of other long-term liabilities	739	(1,506)
Total long-term borrowings	159,925	217,480

33. Other long term liabilities

	31.12.2022	31.12.2021
Grant liabilities	570	1,506
Total other long-term liabilities	570	1,506

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

	2022	2021
Balance at 1 January	19,811	6,776
Additions	1,792	20,965
Lease modifications, net	291	(138)
Interest expense on lease liabilities	316	417
Principal paid	(7,535)	(7,792)
Interest paid	(316)	(417)
	14,359	19,811
Long-term liabilities	7,756	12,673
Short-term liabilities	6,603	7,138

35. Advances received

	31.12.2022	31.12.2021
Foreign customers	25,475	6,033
	25,475	6,033

36. Trade payables

	31.12.2022	31.12.2021
Foreign trade payables	66,048	60,108
Domestic trade payables	34,009	30,456
Accrued expenses	11,292	5,942
Accrued tool expenses	1	614
	111,349	97,119

In 2022, the average days payables outstanding was 73 (2021: 67 days).

37. Short – term borrowings

	31.12.2022	31.12.2021
Current portion of long-term borrowings (Note 32)	58,344	58,759
Short-term borrowings – principal payable	52,742	56,379
Short-term borrowings – interest payable	231	347
	111,317	115,485

From total short-term loan liabilities in amount of HRK 111,317 thousand at 31.12.2022, HRK 17,474 thousand refers to loans and deposits denominated in HRK currency while HRK 93,843 thousand refers to loans denominated in EUR.

From total short-term loan liabilities in amount of HRK 115,485 thousand at 31.12.2021, HRK 14,264 thousand was referred to loans and deposits denominated in HRK currency while HRK 101,221 thousand was referred 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 2022, the weighted average interest rate on the short-term loans was 1.31% (1.15% in 2021). The Company fulfils all its obligations under the loans regularly.

37. Short – term borrowings (continued)

	2022	2021
Balance at 1 January	115,485	191,142
Reclassification from long-term loans (Note 32)	58,617	57,449
New loans raised	41,419	18,601
Interest expenses	2,273	3,885
Exchange rate differences	272	(73)
Interest paid	(2,387)	(4,237)
Principal repaid	(104,660)	(150,245)
Transfer on/(from) grant liabilities	298	(1,037)
Balance at 31 December	111,317	115,485

38. Other current liabilities

	31.12.2022	31.12.2021
Amounts due to employees	8,782	8,575
Due to the State and State institutions	4,419	8,478
Grant liabilities	936	1,037
Other current liabilities	210	128
	14,346	18,218

Grant liabilities arose as a result of borrowing from a financial institution at an interest rate lower than the market rate.

39. Impact of the Russian – Ukraine crisis on the financial reports of AD Plastik d.d.

The year 2022 was strongly marked by the Russian-Ukrainian crisis and the consequences of the global geopolitical situation. Those macroeconomic events had impact on the exposure of the AD Plastik d.d. towards subsidiaries ZAO AD Plastik Kaluga and AO AD Plastik Togliatti which are presented in the statement of financial position as follows:

- Intangible assets – note 17
- Investments in subsidiaries and associates – note 21
- Long-term financial assets – note 22
- Trade receivables – note 25.

On the date of 31.12.2022., Company estimated recoverable amount of the investment in AO AD Plastik Togliatti based on the expected future cash flows in the three years business plan, considering WACC rate of 20 percent and terminal growth rate of 1.26 percent. In the projected cash flows there were considered facts that European manufacturers stopped car manufacturing by either market withdrawal or operations stalling.

Recoverable amount of investment and loans to ZAO AD Plastik Kaluga is equalized with fair value less cost to sell in accordance with market and comparable asset prices.

Total effect of the impairment of investments in Russian subsidiaries, loans given to Russian subsidiaries and capitalised development costs is presented in the statement of comprehensive income as follows:

Impairment item	Position in the Profit and Loss Statement	Amount
Impairment of investment in ZAO AD Plastik Kaluga	Other operating expenses – Note 11	36,504
Impairment of capitalised development cost	Other operating expenses – Note 11	18,392
Impairment of loans given to ZAO AD Plastik Kaluga	Impairment of loans and trade receivables	16,504
		71,399

40. Related-party transactions

Receivables and payables for goods and services	Receivables		Payables	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
ADP d.o.o., Mladenovac, Serbia	42,706	32,692	7,408	7,127
AO AD Plastik Togliatti, Russia	13,872	25,416	-	-
EURO APS, Romania	3,870	2,545	-	-
AD Plastik Tisza, Hungary	3,219	807	215	364
ZAO AD Plastik Kaluga, Russia	728	7,408	12	12
AD Plastik d.o.o., Slovenia	-	-	3,337	3,294
	64,395	68,868	10,972	10,797

Receivables and payables for loans and interest	Receivables		Payables	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
ZAO AD Plastik Kaluga, Russia	69,453	83,289	-	-
ADP d.o.o., Mladenovac, Serbia	25,054	23,936	-	-
AO AD Plastik Togliatti, Russia	15,074	14,542	-	-
AD Plastik Tisza, Hungary	4,525	-	-	-
Sankt-Peterburgskaya investicionaya kompaniya	-	-	18,893	37,700
	114,105	121,767	18,893	37,700

During the 2022 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 16,341 thousand. Total amount of receivables impairment based on expected credit loss on the date of 31 December 2022 is HRK 22,507 thousand and it is related with the Companies - ADP doo Mladenovac HRK 1,539 thousand (2021: HRK 1,702 thousand), AO AD Plastik Togliatti HRK 604 thousand (2021: HRK 604 thousand) and ZAO ADP Kaluga HRK 20,364 thousand (2020: HRK 3,860 thousand). During the 2022 in its financial statements

Company recognized a impairment of long-term receivables in the amount of HRK 1,640 thousand. Corporate guarantees are disclosed within business section of the integrated annual report – under the segment called Liquidity Risk.

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.

40. Related-party transactions (continued)

Purchase transactions Operating income and expenses	Income		Purchases	
	2022	2021	2022	2021
ADP d.o.o., Mladenovac, Serbia	23,491	18,736	48,847	46,904
EURO APS, Romania	8,898	9,311	-	10,883
ZAO AD Plastik Kaluga, Russia	5,617	27,447	-	12
AO AD Plastik Togliatti, Russia	3,854	15,780	-	-
AD Plastik Tisza, Hungary	2,453	850	1,754	2,337
AO Holding Autokomponenti	-	1,000	-	-
AD Plastik d.o.o., Slovenia	-	-	1,163	1,418
	44,314	73,124	51,764	61,554

Financial transactions Financial income and expenses	Income		Purchases	
	2022	2021	2022	2021
EURO APS, Romania	15,296	19,722	-	-
ZAO AD Plastik Kaluga, Russia	2,180	2,437	-	-
ADP d.o.o., Mladenovac, Serbia	566	632	-	-
AO AD Plastik Togliatti, Russia	343	384	-	-
AD Plastik Tisza, Hungary	4	-	-	-
Sankt-Peterburgskaya investicionaya kompaniya	-	-	297	451
	18,389	23,175	297	451

The total remuneration provided to the members of the Supervisory Board, President and members of Management Board and Board Assistants in 2022. amounts to HRK 6.554 thousand (in 2021 HRK 9.104 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:

	31.12.2022	31.12.2021
Long-term borrowings (Note 32)	159,925	217,480
Short-term borrowings (Note 37)	111,317	115,485
Cash and cash equivalents (Note 28)	(17,917)	(9,797)
Net debt	253,325	323,167
Equity	678,442	781,220
Net debt-to-equity ratio	37,34%	41,37%

Equity consists of share capital, reserves, reserves for own shares, own shares, retained earnings and profit/loss for the year.

41.2 Categories of financial instruments

	31.12.2022	31.12.2021
Financial assets	276,967	362,407
Given loans and other financial assets (Notes 22, 27)	114,105	121,767
Trade receivables (Notes 25)	103,593	215,296
Non-current trade receivables (Note 23)	35,529	11,531
Cash and cash equivalents and deposits (Note 28)	17,917	9,797
Accrued income and other receivables	5,823	4,016
Financial liabilities	404,522	458,097
Loans and deposits received (Notes 32, 37)	271,242	332,964
Trade and other payables	118,921	105,322
Lease liabilities (Note 34)	14,359	19,811

41. Financial instruments and risk management (continued)

41.2 Categories of financial instruments (continued)

Accrued income and other receivables includes: accrued income, other receivables less receivables from the State and advances given.

Trade and other payables includes amounts from Statement of financial position: trade payables and other current liabilities less accrued expenses, payables to the State and grants.

The requirements of IFRS 9 related to asset impairment are applied to trade receivables and interest-bearing assets.

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. 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 31.12.2022 by subsidiary was as follows:

	31.12.2022	31.12.2021
ZAO AD Plastik Kaluga (Notes 22, 27)	89,817	87,148
ADP d.o.o.. Mladenovac (Notes 22, 27)	26,593	25,638
AO AD Plastik Togliatti (Notes 22, 27)	15,677	15,146
AD Plastik Tisza Kft (Notes 22, 27)	4,525	-
Total	136,612	127,932

Loans given to subsidiaries include interest. The amount of loans given is in the gross amount without an impairment allowance. Balance of an impairment allowance of in amount of HRK 22,507 thousand (2021: HRK 6,166 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	
	2022	2021	2022	2021	2022	2021
EUR	297,100	364,176	245,204	282,141	51,896	82,035
USD	47	51	18	2	29	49
GBP	19	26	-	18	19	8
	297,166	364,253	245,222	282,161	51,944	82,092

Foreign currency sensitivity analysis

On 31 December 2022, if EUR were to appreciate/depreciate by 1% compared to HRK, assuming all other variables remain unchanged, net profit of the Company for 2022 would be HRK 519 thousand higher/lower (2021: HRK 820 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.



41. Financial instruments and risk management (continued)

41.4 Liquidity risk management (continued)

The following tables detail the Company's remaining estimated 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.

2022	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	-	64,398	35,743	27,192	-	-	127,333	127,333
Interest bearing	2.40 %	78	369	17,229	57,505	81,591	156,772	149,634
		64,476	36,112	44,421	57,505	81,591	284,105	276,967
Liabilities								
Non-interest bearing	-	75,788	34,197	8,936	-	-	118,921	118,921
Interest bearing	0.74 %	23,502	25,122	65,217	162,189	-	276,030	271,242
Lease liability	2.00 %	646	1,293	4,874	7,901	-	14,714	14,359
		99,936	60,612	79,027	170,090	-	409,665	404,522
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

41. Financial instruments and risk management (continued)

41.4 Liquidity risk management (continued)

From total interest bearing liabilities in amount of HRK 271,242 thousand at 31.12.2022, HRK 94,327 thousand refers to liabilities denominated in HRK currency while HRK 176,915 thousand refers to liabilities denominated in EUR. 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. Lease liabilities at 31.12.2022 and at 31.12.2021 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 2022, 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

The Government of the Republic of Croatia has passed the Decision on the announcement of the introduction of the euro as the official currency in the Republic of Croatia (published in "Narodne novine" No. 85/22). With the aforementioned decision, the euro became the official monetary unit and legal tender in the Republic of Croatia on

January 1, 2023. The fixed conversion rate has been set at HRK 7.53450 for one euro. The introduction of the euro as the official currency in the Republic of Croatia represents a change in the functional currency that will be calculated prospectively and does not represent an event after the balance sheet date that requires adjustment.



43. Contingent liabilities

Based on the Management's estimate, the Company had no material contingent liabilities at 31 December 2022 which would require to be disclosed in the notes to the financial statements. The Company had no capital expenditure commitments contracted at 31 December 2022 which

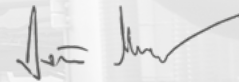
would require to be disclosed in the notes to the financial statements. As at 31 December 2022 and 2021 there were no material legal actions outstanding against the Company with an expected negative outcome other than those reflected in these separate financial statements.

44. Approval of the separate financial statements

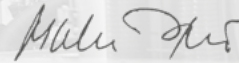
These separate financial statements were approved by the Management Board of AD Plastik d.d. and authorised for issue on 21 April 2023.

For AD Plastik d.d. Solin by:

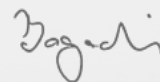
Marinko Došen
President of the
Management Board



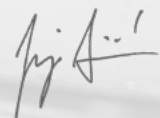
Mladen Peroš
Member of
Management Board



Zlatko Bogadi
Member of
Management Board



Josip Divić
Member of
Management Board



21 April 2023







Plastik