ANNUAL REPORT OF GROUP AD PLASTIK D.D. FOR YEAR 2011

Summary:

1. General report

a) ADRESS TO SHAREHOLDERS : MR. JOSIP BOBAN PRESIDENT OF MANAGEMENT BOARD AD PLASTIK D.D.

Dear,

business in the 2011 for AD Plastik Group meant a continuation of successful business, because we retained market position and created conditions for further growth. During 2011, we continued activities related to the growth of sales on foreign markets, which resulted in sales increase on existing locations and foundation of new subsidiaries in Serbia and Russia.

For production in Croatia the most significant was a new project Edison, which is being developed by Renault and Daimler Chrysler. AD Plastik is nominated for exterior and interior positions, and the project is significant because it means long-term stability position for AD Plastik in the region and increase of the customer base (Daimler Chrysler). Start of production is planned for late 2013 and the plan is to increase capacity for more than 30% compared to the current production.

Intensive activities in the Russian market have accelerated our decision on establishment of a new plant in Kaluga, and our previous subsidiary ADP Luga was renamed in AD Plastik Kaluga. With this plant, investment cycle for expansion of production is completed in the Russian market and now we have full coverage of the market with production on three locations – in Samaran, Sankt Petersburg and Moscow-Kaluga area. Start of production at the new location in Kaluga is planned for May 2012, in production technology for isolation, and will be extended to the technologies of thermal forming and injection molding. Kaluga plant is important because near the plant car manufacturers Renault, PSA, Volkswagen, Mitsubitshi are located which ensures stabile development of this location.

Our company in Togliatti implemented number of new projects, and in final stage is the project for a new Nissan vehicle in Russia. With this project AD Plastik for first time enters into supplier panel for this customer. During 2011 our plant in Luga implemented a large number of new projects for customers Ford, Avtoframos, Hyundai and Nissan, what created preconditions for production increase in this year.

In accordance with the strategic objectives and business plans, in the last quarter of 2011 we founded a new company in Mladenovac, the Republic of Serbia. AD Plastik has entered into an agreement with the new customer Fiat, for production of plastic parts for a new car. This creates new opportunities for production increase in Serbia, but also for production on other Fiat locations. As well, we are planning to expand production for other customers in this region. By purchasing this plant we are resolving supply issue of raw materials for carpets manufacturing for the Russian market.

In Romania our joint venture continued with stable growth of production and delivery, and the company in Slovenia also had a stable business.

Activities of optimization are delivering constant savings in managing costs, and improving profitability, which is evident in the continuous increase of the results of the Group.

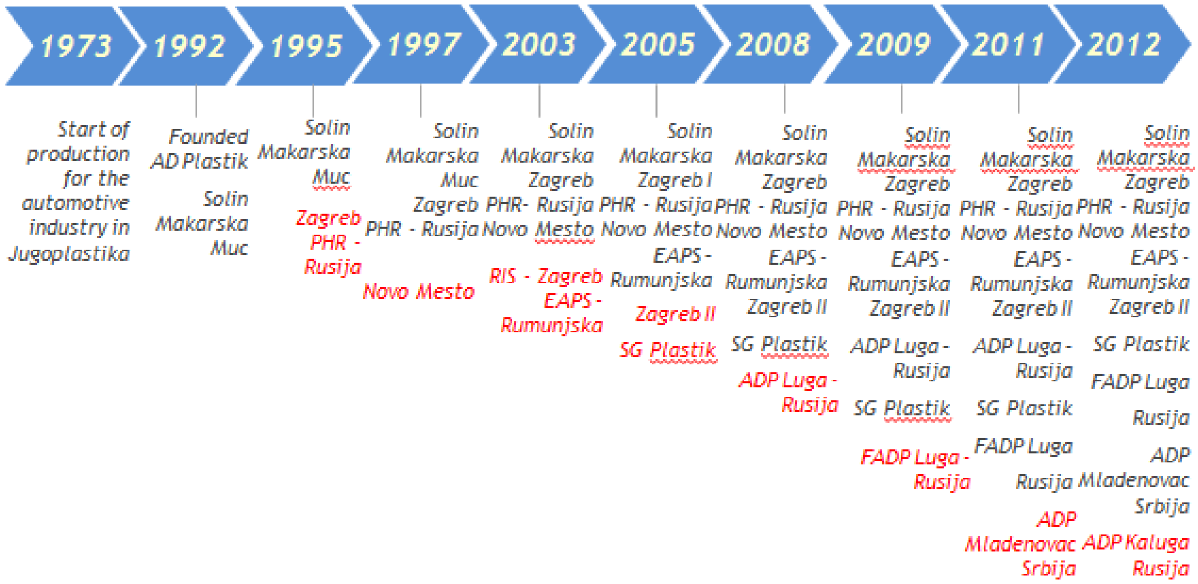
In 2011 AD Plastik Group realized kuna 64.7 million in net profit, and we confirmed the fact that AD Plastik is a stable company. Considering new business agreements with customers we expect a positive trend to be continued in the future.

Among business events from the previous year it is important to notice a change in the ownership structure from mid-2011. Shares that were in the ownership of Prevent were sold on public auction at the Zagreb Stock Exchange, and funds, legal entities and natural persons have become the new shareholders. Also we implemented the ESOP project in which the employees and management bought a new pack of 166.200 shares and increased their participation in ownership to 18 %. We believe that current ownership structure will ensure the continuation of the planned strategy.

In the future, we shall continue to work with full engagement by all our employees, on implementation of Groups strategic development plans, with the intent to justify the confidence of existing shareholders.

President of the Management Board
Josip Boban

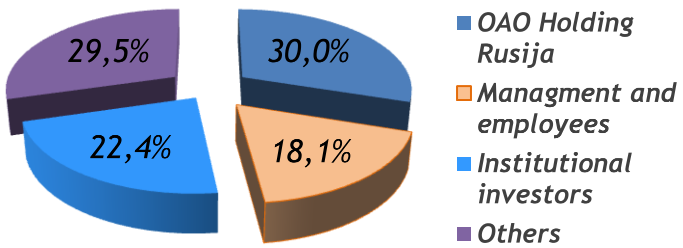
b) FOUNDATION AND DEVELOPMENT OF AD PLASTIK INC., SUBSIDIARIES AND ASSOCIATED COMPANIES



c) OWNERSHIP STRUCTURE

The share capital of the parent company AD Plastik Inc. amounts kuna 419.958.400, and is divided into 4.199.584 shares with a nominal value of kuna 100.00.
Shareholders are legal and natural persons from Croatia and abroad, who exercise their rights through the General Assembly and the Supervisory Board in accordance with laws of the Republic of Croatia.

Ownership structure of AD Plastik Group on December 31st, 2011



In June 2011, block of shares in the ownership of Prevent was sold. Funds, legal entities and natural have become new shareholders.

d) MANAGEMENT

In accordance with the Companies Act and the Statute of the Company, Company's management structure is consisted of the Supervisory Board and the Management Board. These are two separate bodies, and no one can be a member of both Boards.
The Company's Management Board has five members who are responsible for specific areas of business. They meet at least twice a month and reach management decisions.
The Management Board got mandate from October 01st, 2011. In February 2012 Board member Nenad Marković resigned for personal reasons.

Company`s Management Board from December 31st, 2012

Josip Boban	*President of the Board*
Mladen Peroš	*Member*
Ivica Tolić	*Member*
Katija Klepo	*Member*
Nenad Marković	*Member*

Supervisory Board

Nikola Zovko	*President of the Supervisory Board*
Marijo Grgurinović	*Vice-president of the Supervisory Board*
Ivka Bogdan	*Member*
Dimitrij Leonidovič Drandin	*Member*
Tomislav Dulić	*Member*
Nadezhda Anatolyevna Nikitina	*Member*
Igor Anatoljevič Solomatin	*Member*

Company's meeting of shareholders is acting in accordance with the Companies Act of the Republic of Croatia and with the Statute.

e) INFORMATION ON REPURCHASE OF OWN SHARES (ESOP PROGRAM)

During 2011 company disposed with own shares. On December 31st, 2011 company had 3.743 own shares, which makes 0,0891% of the total number of company shares.

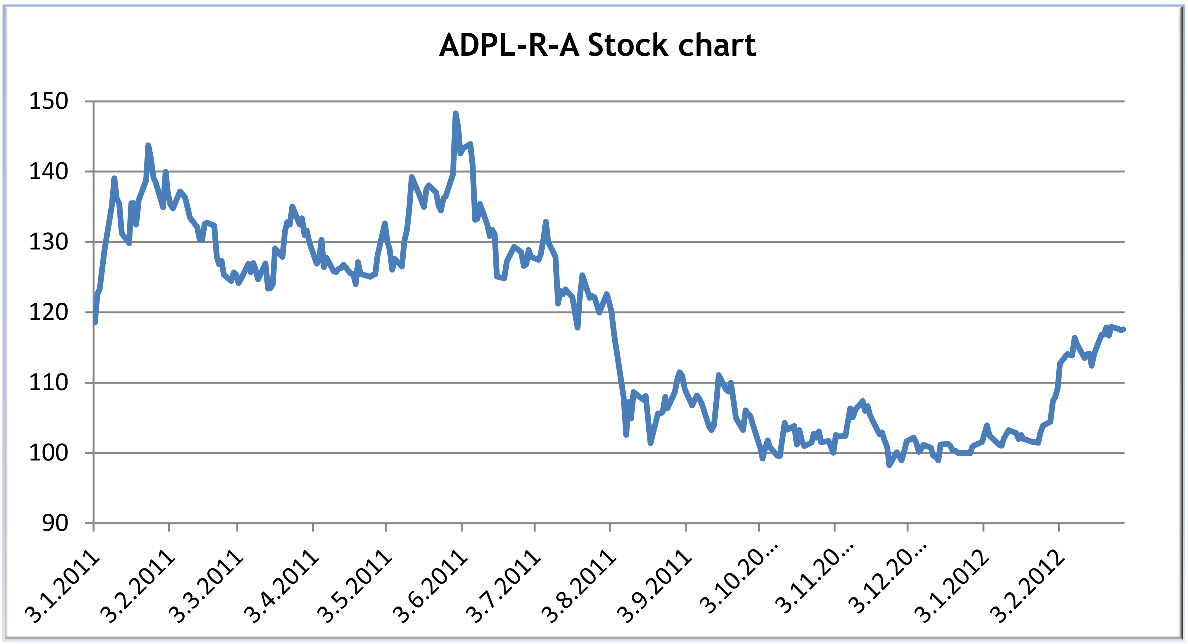
In November 2011 we implemented a new ESOP program, by which management and employees, including shares previously acquired, raised its ownership stake in the company on approximately 18 % of shares.
With new ESOP program, the employees bought shares at a price of kuna 120.00, with the repayment period of 5-10 years, with fixed interest rate of 6% per year. In ESOP program total of 143 employees participated and they bought 166.200 shares of ADPL-R-A. The lock up period for these shares is 5-10 years, depending on individual employers contract. At the acquisition date, on November 03rd, 2011, closing stock price ADPL-R-A on the Zagreb Stock Exchange amounted kuna 102.56.

f) INFORMATION FOR INVESTORS

Shares

AD Plastik Inc. issued a total of 4.199.584 ordinary shares to the name, each with a nominal value of kuna 100.00. The shares are listed on the official market on the Zagreb Stock Exchange.
Mark of the stock is ADPL-R-A, and ISIN: HRADPLRA0006.
In 2011 the share price movement is shown in the following picture:

Title: ADPL-R-A stock chart from January 01st, 2011 to February 29th, 2012.



Source: ZSE

Total ADPL-R-A stock turnover on Zagreb stock exchange in 2011 amounted kuna 134.818.736,00, which represents growth of 241,71% from turnover in 2010, when total turnover with ADPL-R-A stock amounted kuna 39.454.152,80.

Dividend

In 2011 the company paid dividend to the amount of kuna 7.5 per share.

Financial calendar

Announcement of results for the first quarter of 2012 (Consolidated report):	*30.04.2012.*
General Assembly of AD Plastik Inc. will take place (orientation):	*19.07.2012.*
Announcement of results for first six months in 2012 (Consolidated report):	*31.07.2012.*
Announcement of results for first nine months in 2012 (Consolidated report):	*31.10.2012.*
Announcement of results for the last quarter of 2012:	*15.02.2013.*

Note: these data are subject to change.

Contact persons for investors
Stjepan Laća, Corporate communications manager, phone: 021/206-401, fax: 021/275-401,
e-mail: stjepan.laca@adplastik.hr

g) DECLARATION ON THE IMPLEMENTATION OF CORPORATE GOVERNANCE CODE

APPLICATION OF THE CODE

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

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

In 2010 the Company complied with the provisions of the Code, with certain exceptions, occurred primarily because of the process of coordinating practices of the Company with the rules of the Code. Deviations from the Code are as follows:
Information on the securities of the members of the Board and of the Supervisory Board, the Company did not publish on its website. These data are published on the web sites of the Zagreb Stock Exchange.
The Supervisory Board is not composed of independent members.
The Supervisory Board did not make an evaluation of its work in the preceding period.
Record of all income and benefits received by a member of the Board from the Company were publicly published in the Annual Report of the Company.
The Company did not publish the amount of compensation for the independent external auditor for the executed audit.

Description of certain deviations from the Code and reasons for the stated discrepancies the Company explains in detail in the answers to the annual questionnaire that is part of the Code and which has been delivered and published on the web sites of the Zagreb Stock Exchange, as well as on the Company's own web site.
In the future the Company plans to comply with the provisions of the Code, taking into account the acceptability of certain provisions of the Code, all in accordance with the legal regulations and distinctive international standards of corporate management. Annual Year Report of Group AD Plastik d.d. 8 2010.

INTERNAL SUPERVISION AND RISK MANAGEMENT

Internal supervision in the Company is conducted by the Controlling department and informs the Management Board through the report on the conducted monitoring (findings and suggestions of improvement).
Supervision and coordination of Management business reporting on the business results include:

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

SIGNIFICANT SHAREHOLDERS IN THE COMPANY

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

STRUCTURE, PERFORMANCE AND POWERS OF THE MANAGEMENT BOARD

Supervisory Board appoints and recalls the Board Members of the Company and its President. In accordance with the Articles of association, the mandate of the Board members lasts up to 5 years with the possibility of reappointment. Management Board manages the Company's operations at its own risk, and each member of the Board is authorized to represent the company individually.

The Management Board on 31.12.2012. was composed of five members: President of the Board, Board Member responsible for the development, sale and purchase, Board Member responsible for controlling, accounting and finance, Board member responsible for human resources, legal department, organization and IT and Board member responsible for logistics, quality, and manufacturing and production functions.

In accordance with the Statute of the Company, the Management Board needs to require the consent of the Supervisory Board for misappropriation and/or acquisition of real estates, misappropriation and/or acquisition of shares, i.e. shares in companies, adoption of annual business plan, including the Company's budget.

The Company's Management Board is not authorized to reach the decision on shares issuing. Management Board may decide to acquire its own shares in the manner and under the conditions as prescribed by the Companies Act.

COMPOSITION AND OPERATIONS OF THE SUPERVISORY BOARD

The Supervisory Board consists of seven members (since February 20th, 2008). The mandate of the Supervisory Board members lasts for four years and they may be re-elected, i.e. appointed. Four members are elected by the General Assembly, one member of the Supervisory Board is appointed by the Company's works council, while two members, in accordance with the Statute of the Company, is appointed by the shareholder of the Open joint stock company OAO Holding Autokomponenti from Saint-Petersburg, Russian Federation.

The Supervisory Board is responsible for the appointment and dismissal of members of the Management Board, and supervision of the management of the Company's business.

AMENDMENTS TO THE STATUTE

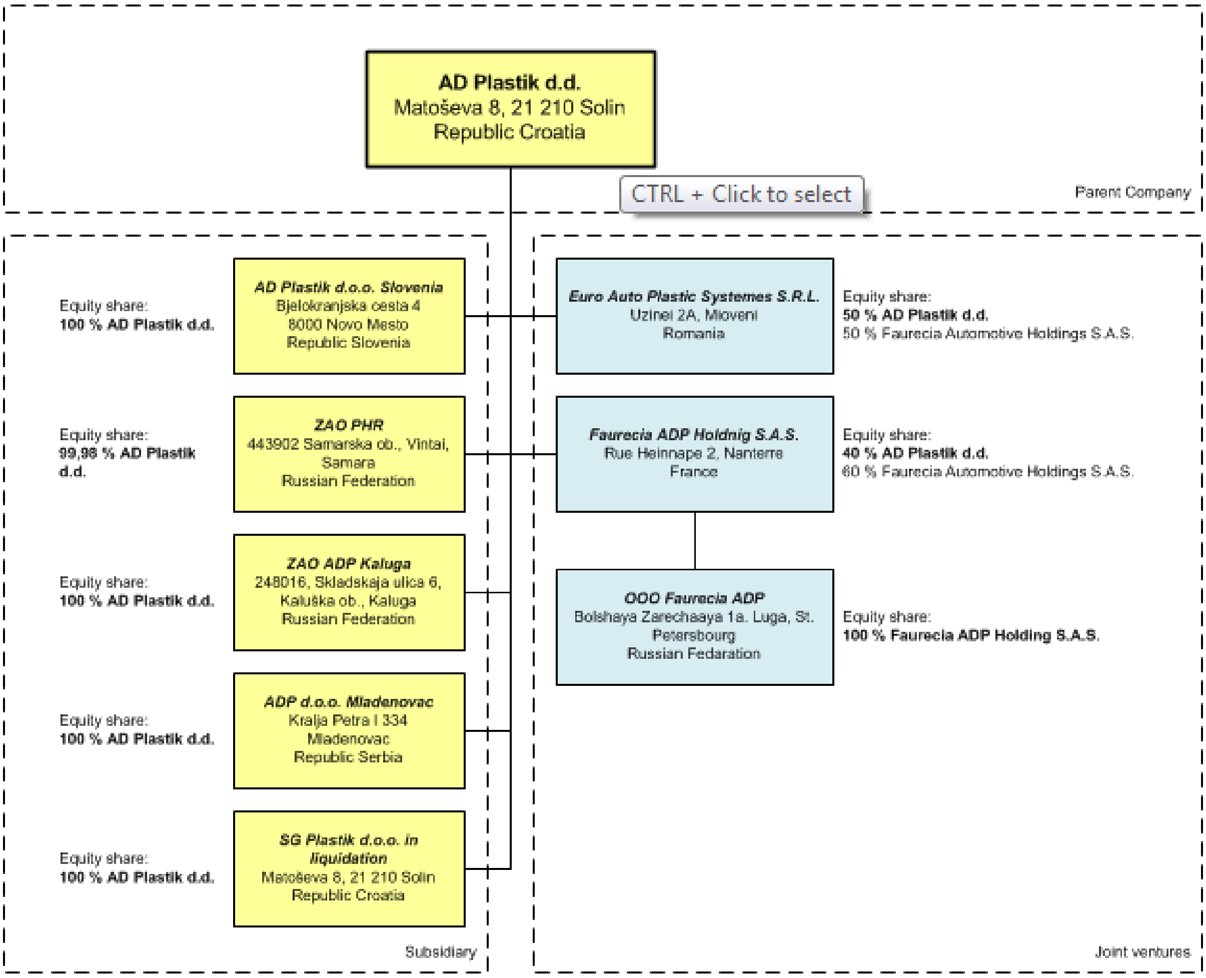
Company's General Assembly decides on the amendments to the Statute. Proposal to amend the Statute may be given by the Management Board, Supervisory Board and Company's shareholders who individually or collectively hold shares with a nominal amount greater than 15% of the share capital of the Company.

2) EVENTS DURING 2011 AND BUSINESS OVERVIEW

a) BUSINESS OVERVIEW IN 2011 AND KEY INDICATORS

The main business activity of the Group AD Plastik is production of plastic parts for the automobile industry. In addition, the Company also produces packaging for food industry, household products, etc.

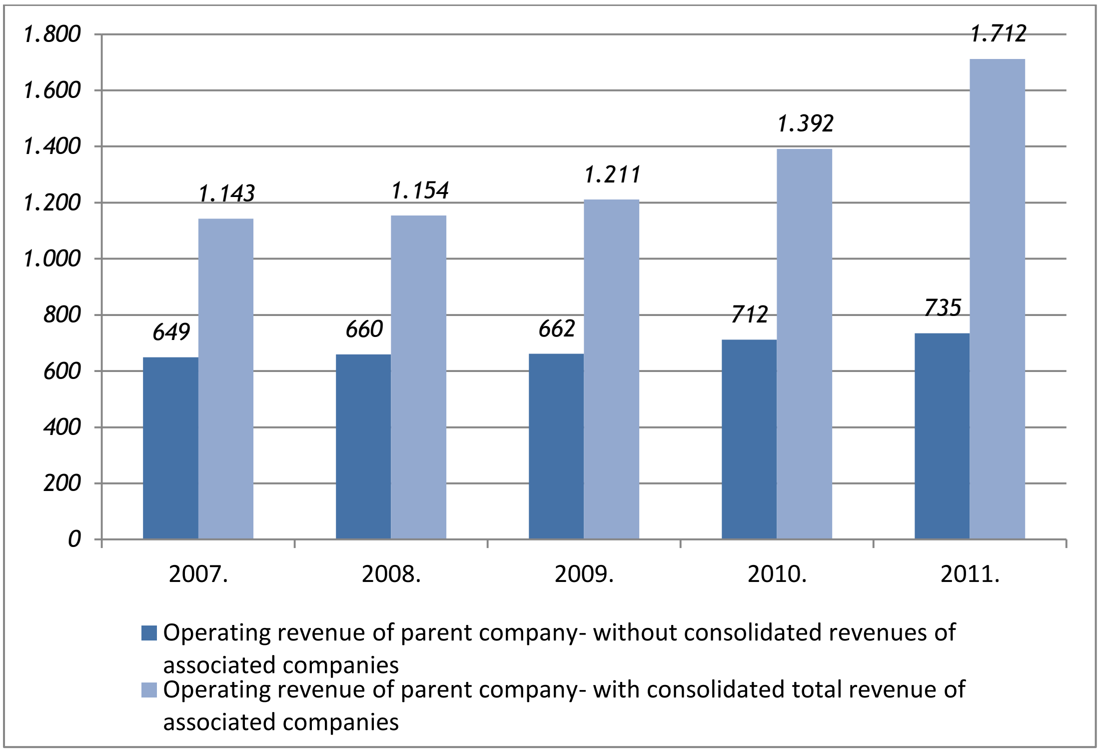
Title: Group AD Plastik with subsidiaries and associated companies



Source: ADP

Operating revenue of the Group AD Plastik is constantly increasing, and this can be seen from the lower image. Consolidated revenues of the Group with associated companies in full amount (marked light blue) for a period of five years grew by 50%, while consolidated revenue excluding associated companies in the same period grew by 13%.

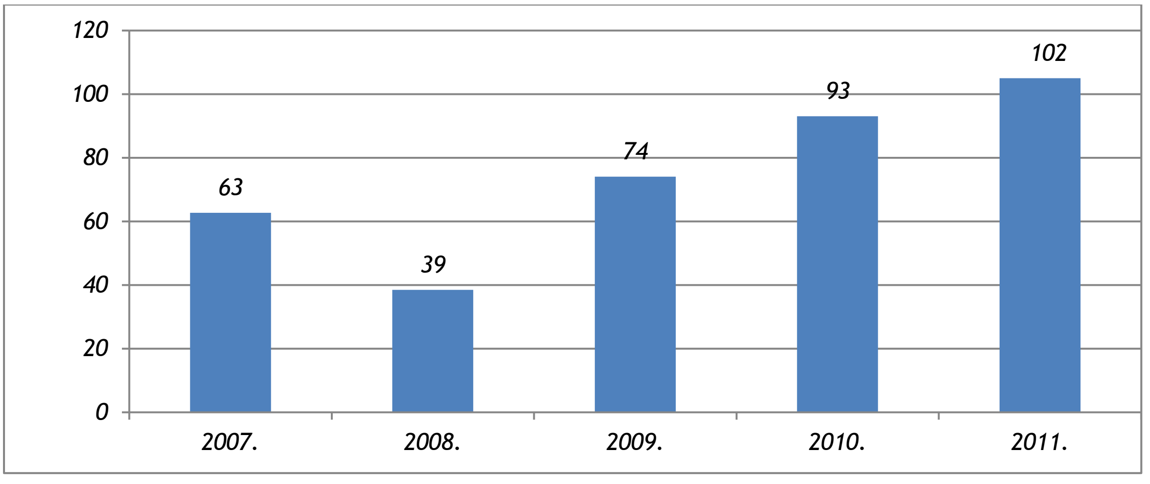
Title: Operating revenue of AD Plastik Group (in mil.kn)



Source:ADP

EBITDA in the same period grew by 62%.

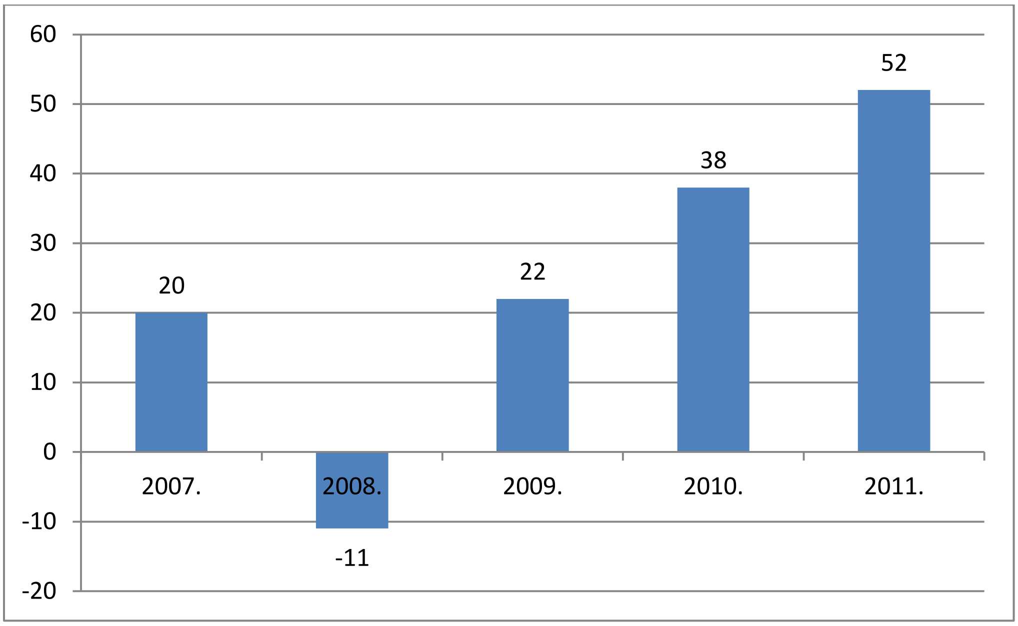
Title: EBITDA of AD Plastik Group (in mil. kn)



Source:ADP

EBIT of the Group in the period from 2007 until 2011 recorded an increase of 160%.

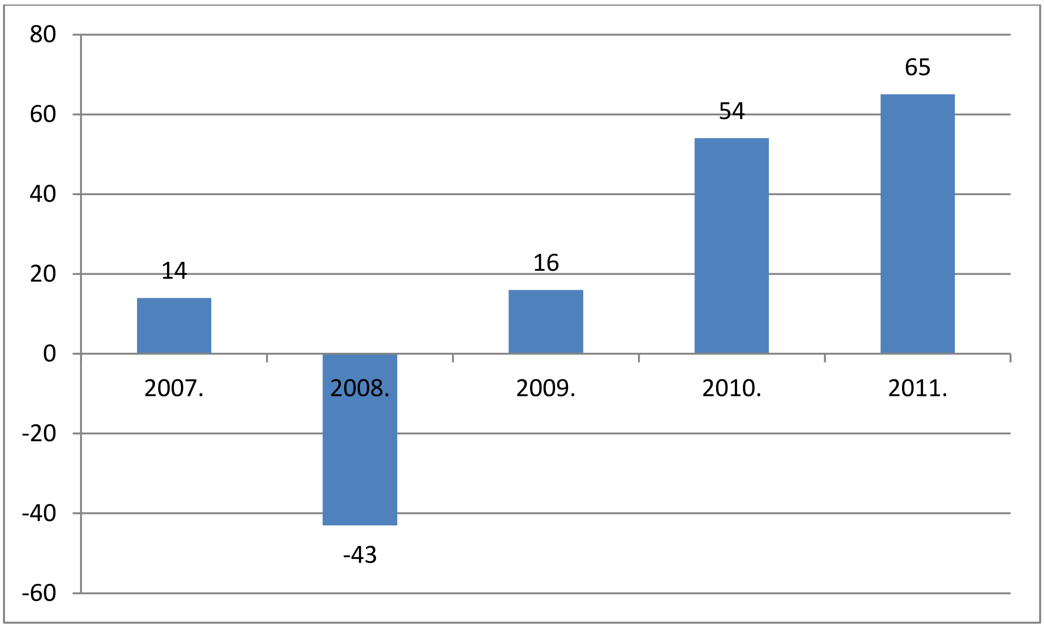
Title: EBIT of AD Plastik Group (in mil. kn)



Source:ADP

Net profit of the Group has had steady growth, with the exception of the negative 2008. In 2011 net profit rose by 20% compared to the 2010.

Title: Net profit AD Plastik Group (in mil. kn)



Source: ADP

Gross fee paid to auditor, for audit services was 577.138,36 kn.

In 2011 total realized consolidated income amounts kuna 736 million, from which kuna 721 million are operating revenue.

Consolidated financial statements for 2011 included next dependent companies: PHR Russia, ADP Luga – Russia, ADP Novo Mesto - Slovenia, ADP Mladenovac - Serbia and SG Plastik - Croatia. In consolidated financial statements mutual transactions from related companies were eliminated from the balance sheet, income statement and cash flow.

In 2011 parent company ***AD Plastik Inc****. realized a net profit increase by kuna 29.3 million comparing last year. Without dividend pay out parent company net income would be 28,06 million kuna. Operating income increased for 7.5 mil kuna, while operating decreased for 0,1 million kuna. EBITDA increased for 9,8%, i.e. EBITDA is for 6.2 million kuna higher.*
In 2011 we launched production for PSA projects, and we completed products development, and started production for Renault Twingo Wind.
Currently we are working on development of new products for Peugeot, through 8 projects. In January 2012 we started production for two of them. Renault projects refer to the products for exterior of Twingo Phase 2. Serial production for this project started in November 2011.
Also, Renault nominated AD Plastik for exterior and interior products for the Edison program, and we started their development phase. Edison is a joint venture from Renault and Daimler Chrysler, and is related to the production of Twingo with 4 seats, and Smart with 4 and 2 seats. Mass production is expected to start by the end of 2013.

Beside the car industry projects, in 2011 significant project was initiated. This was a project for production of plastic plug for Cedevita Go, an innovative packaging for multivitamin preparation. Investment in this project started in last quarter of 2011 and serial production is planned for mid-2012.

ZAO PHR Tolyatti*, subsidiary reported an increase in operating revenue in 2011 year compared to the previous year by 31.1%, while operating expenses had higher annual growth rate of 35.8%, which resulted in reduction of EBIT margin. However, EBITDA in absolute amount increased by 40.7% in 2011 compared to 2010. Profit before tax for 2011 amounted kuna 10.67 million.*
In 2011 we initiated projects related to product development for new customer Nissan, and the development of new positions for customer Avtoframos in the production of parts for vehicle Fluence / Megane (project name L38/B32). In 2011 we adopted a new production technology for production of dynamic seals.

In 2011 ***ADP NOVO MESTO****, subsidiary, continued with stable business and realized net profit to the amount of kuna 861.000, with EBITDA reaching kuna 2.2 million. In 2011 operating revenue was higher by 2.5%.*

Euro APS, *associated company from Romania, generated higher revenue than the previous year for kuna 51.9 million, while operating expenses increased by kuna 33.1 million. All this led to the increase in EBIT and EBITDA margins. In 2011 net profit increased by kuna 17.9 million. Major project started for the new Logan Sondero in 2011.*
In early 2012 subsidiary ***ZAO ADP LUGA*** *was renamed in* ***ADP KALUGA,*** *due to tax losses going forward.*

FADP Luga *had 74% greater realization of manufacturing compared to the previous year. Company had 425 employees, and that was 45% more than in 2010.*

In 2011 company implemented a large number of new projects, and the most significant are: Ford Focus, Nissan P32E and Renault Duster, and we also won nomination for Hyundai Accent, whose serial production is planned for mid 2012.
It is important to emphasize that at this location company adopted a new production technology - foaming.

The adoption of new technology confirms Group's aim to expand manufacturing and confirms its position on the market of automotive industry, with further strengthening of its competitive advantages.
In 2011 Group AD Plastik consolidated net profit amounted kuna 64.7 million. Consolidated net income includes income of the parent company with associated companies to the amount of HRK 79.5 million without included consolidated eliminations (dividends…), net income from Russia's PHR kuna 10.6 million, net income from AD Plastik Novo Mesto kuna 0.9 million, ADP LUGA net income of kuna 0.5 million, and SG Plastik with net income of kuna 0.05 million, and ADP Mladenovac net loss of kuna 0,03 million. Net income of parent company with unconsolidated associated companies and paid dividends is consisted of net income in Croatian company to the amount of kuna 51.8 million, net income from the Romanian company Euro APS to the amount of 31.9 million kuna, and net loss of Russian company in Luga to the amount of kuna 4.3 million.

At the end of 2011 total assets of the Group amounted kuna 1.202 million.

Long-term liabilities decreased by kuna 12.9 million and current liabilities increased by kuna 105.8 million, compared to the previous year.
Loans increased by kuna 11.3 million on 31.12.2011 compared to 31.12.2010.. Reasons for increase, are related to exchange rate of EUR compared to the HRK (because loans denominated in EUR-s) and start of financing for new plants in Mladenovac and Kaluga. AD Plastik borrowed funds to company ADP ESOP Ltd. to finance purchases of new shares, with adequate guarantees for all workers involved in this program. On December 31st, 2011 coefficient of total debt ratio amounts 0.40.
Company's liquidity is good, and all liabilities to customers, suppliers, employees, government, banks and counterparties are properly executed.
The Group has a stable balance with well-balanced ratios in the balance sheet. Implemented measures for rationalization of the operational costs have yielded positive results and created good conditions for increased profit in the future.

Significant financial ratios for AD Plastik Group for the last three years

Financial ratios	***2011***	***2010***	***2009***
Debt ratio	***0.40***	***0.38***	***0.41***
Debt to equity	***0.68***	***0.58***	***0.68***
Financial stability ratio	***0.95***	***0.87***	***0.81***
Stockholders Equity (in millions kn)	***702.1***	***667.9***	***613.2***
Assets (in millions kn)	***1,201.5***	***1,072.9***	***1,030.3***
BVPS (Book Value per share)	***167.53***	***159.03***	***146.01***
EPS (earnings per share)	***15.40***	***12.92***	***3.84***
ROE (Return on equity)	***9.68%***	***8.85%***	***2.64%***
ROA (Return on assets)	***6.03%***	***5.16%***	***1.56%***
EBIT margin	***7.09%***	***4.72%***	***3.65%***
EBITDA margin	***13.81%***	***11.60%***	***12.17%***
Net profit margin	***8.78%***	***6.76%***	***2.65%***
Dividend per share	***2.47****	***7.50***	***1.5***

** related to advance of paid dividend for 2011*

b) MARKET AND EXPECTED DEVELOPMENT OF THE COMPANY

Sales plan for 2011 was made on the basis of car manufacturers forecasts, specialized services and market trend projections. In the parent company vehicles represented realization and exceeded planned expectations. Renault, PSA, Ford i Hella achieved quantity realization, that has enabled better utilization rate of existing manufacturing resources, which has, with fulfillment of contractual obligations and the internal productivity, ensured better financial results.
In the last quarter of 2011 for Renault Croatia program we successfully finished project for redesigned Twingo. Successful collaboration between Renault and AD Plastik in this region is continuing by winning nomination for the Edison Project (Renault and Daimler joint venture, with adding Daimler to customer portfolio of AD Plastik). The Company invests significant funds in this project with a focus on new, fully automated painting line for plastic parts.

Daimler`s inclusion in customers portfolio of AD Plastik has started with nomination for the position of the fan shroud, which is going to be delivered to locations Revoz, Novo Mesto, Renault factory and Hambach, Daimler factory in France. Cooperation between Renault and Daimler continues on Kangoo project in which AD Plastik is competing to win the nomination for the painted door trims.
PSA program offers a lot of opportunities, as we have built good relationship with their technical and purchasing teams. New agreement between PSA and GM will bring new opportunities but also will have an impact on their global purchasing strategy. From AD Plastik`s side, specific actions have been taken especially to access use of alternative commodities, in order to get new projects in Croatian and Russian market.

Programs outside auto industry recorded a decrease in sales, which is mainly caused by households drop in standard of living and reduction in demand, but partly due global division of this market. The management of this program continues with implementation of previously planned activities focused at better positioning of these programs in the medium term development plan.

EAPS Romania continued with positive trend in sales growth for 2011. Renault's strategic positioning as the market leader in the segment of low-budget cars, and good sales of these vehicles have resulted in demand for larger quantities, and new vehicle models. For such a good result, special emphasis, besides Logan and Sandero, should be put for program Duster, but also on production of spare parts for other markets. Currently Renault is working on creation of a new Logan model, which will replace the previously mentioned models and ensure the future stability of this company. Joint commercial developing presentation of AD Plastik and Faurecia in front of Renault provided stable future of this plant for the next period. AD Plastik is developing independently roof lining for new Logan, modification and continuation production of sun visors for new Logan (start of production in 2012).

Image:New Dacia Logan

Source: ADP

Car manufacturers in the Russian market have increased previous announcements used for making plan for 2011. Simultaneously, in this fast growing market we have completed, or we are in the process of completion of several projects for new vehicles in the future, to ensure stable growth of the Company. It is particularly important to emphasize Renault-AutoVAZ RF90 joint project, and Nissan LB1A (serial production in AutoVAZ, Tolyatti). AD Plastik has successfully completed realization of interior and exterior positions on these projects. In this way we confirmed ability to complete complex projects in challenging conditions, and justified the trust of our long-term partners (Renault, AutoVAZ), but also of our new customer Nissan.
It is important to note that we have successfully developed new technology of rubber extrusion, and we started with serial production of sealing modules for a new vehicle VAZ 2190.

Title: AutoVAz quality reward for ZAO PHR in 2011

Source: ADP

Global strategic objectives of AD Plastik for the Russian market have not changed compared to previous years. With the previous location (ZAO PHR) in Tolyatti, in Samara region, FADP Luga (St. Petersburg region - joint venture of AD Plastik and the French company Faurecia Automotive Holdings), AD Plastik opened new plant in AD Plastik Kaluga (Moscow region). Production for this plant is planned to start in the middle of 2012.
With opening of this location, Company completed strategic positioning in the major automotive centers in Russia and created conditions for further stable development of business activities in this extremely important market for all car manufacturers,. As a synergy result of company's successful strategic thinking and operational services, it won a nomination for the Logan vehicle in the Russian market. This vehicle will replace the existing Logan and Sandero in the future. Start of production is planned for 2013. Beside this, in the Russian market AD Plastik is nominated for new Peugeot programs.

Volkswagen is one of the most stable global vehicle manufacturers, and has a large number of brands and locations. Despite their strategy to have global suppliers, AD Plastik has a good chance to gain nomination in the Russian market, thanks to its strategic positioning and reputation for reliable supplier.

In 2011 AD Plastik won nominations for blow molded air-ducts in blowing technology for vehicle L0/330 Fiat-Serbia. Start of serial production is expected in middle of 2012. Aware of the importance of Fiat's arrival in Serbia for region development in the automotive segment, AD Plastik bought M-Prointex plant in Mladenovac. This location is situated halfway between Belgrade and Kragujevac, and was renewed for the production of new products for FIAT. We continued with production of the existing range of products (textile felts for the construction, footwear and furniture industry), and with partial renewal of equipment, felt manufacturing for car interior carpets for needs of Russian and other markets.

The strategy of products and technologies:

AD Plastik has 4 main technologies:
- Injection / painting
- Thermoforming
- Extrusion
- Blowing

- Objective is to extend the use of the different expertise and business we have with one customer to other customers, ex. of grab-handles with PSA that should be developed for Renault, VW, Fiat and others. This can be done with minimum effort as AD Plastik already has knowledge about requirements of development and production.

- Second objective is to define products with added value and minimum impact on logistics costs, ex. sun visors can be produced in Serbia and delivered in Western European countries. Then we plan to implement specific commercial processes to demonstrate strong business case, so we could convince targeted car producers.

- Third objective is to get in-house production of material for strategic products like carpets (with acquisition of Serbian plant) or seals in order to become independent from our material suppliers/competitors.

- Fourth objective, would be with the new paint line, which will offer capacity on the older refurbished paint shop to paint interior parts (less and less competitors in the market due to

bankruptcies, acquisitions, etc.) and for spare parts (potential business on bumpers and exterior trims for Ford and GM).

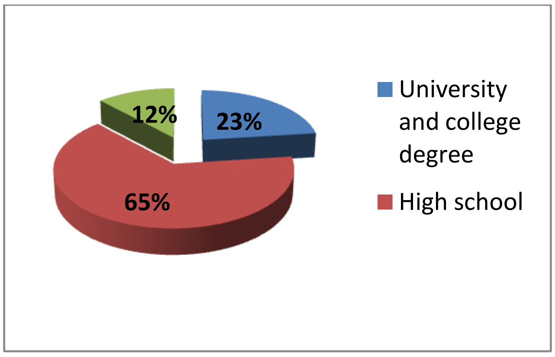
Development of innovations and improved solutions will also be necessary to get additional business, since advantage of close location and low labor costs are no longer sufficient to ensure competitive advantage.

In terms of global strategy, AD Plastik continues to focus its business development on low and middle class cars, which are less susceptible to variation in sales. AD Plastik`s main advantage is presence in Eastern Europe, especially Russia, which is one of the fastest growing markets in the automotive segment.

c) EMPLOYEES

People integrated into the system of AD Plastik make a strong and competent unit for the automotive industry. AD Plastik Croatia has 872 employees. The average age of employees is 41 years.

Title: Employee Education Level



Source: ADP

The concept of continuous development

Instead of the insurance concept for permanent job, concept of continuous development is being offered, as well as permanent training and education, which provide employment for all the time through which people develop along with the company.

Number of employees in parent company, subsidiaries and associates on December 31st, 2011 amounted 2.489 employees (in 2010 2.375 employees)

	2011	***2010***
AD Plastik Inc.	*872*	*875*
ZAO ADP Luga	*3*	*3*
ZAO PHR	*490*	*536*
AD Plastik Ltd.	*41*	*36*
Euro APS	*658*	*734*
FADP Holding	*425*	*191*

In the staff education structure, highly educated staff makes 23% of all our employees. It is the staff that possesses specific expertise applicable to the automotive industry, which supports the Company's concept for enhancing company's production and development component.

Social awareness

The Company regularly, on an annual basis, measures and assesses the degree of motivation and satisfaction of its employees. Significant resources are invested for improving indicators of motivation and satisfaction, according to the measurement results. Therefore, the rate of voluntary fluctuations is low, and for 2011 the monthly average is 0.13%.
The company has developed system of recognition, evaluation and rewarding of improvements.
Relations between Management and unions are at high level and that level is maintained, when they are negotiating on implementation of the Collective Agreement.

d) ENVIRONMENTAL PROTECTION

In September 2011 in Solin practical training program under the IPA 2008 twinning project "Implementation of the new Environmental Protection Act harmonized with EU legislation in offenses cases against the environment" was successfully executed. The project was initiated by the Directorate of Inspection of the Ministry of Environmental and Nature Protection, in close cooperation with the Austrian environment Agency, which in implementation of this project, besides its experts, used experts from the Netherlands and Sweden.
The project objective was to encourage improvements through effective implementation of new legislation in cases of offenses and criminal acts against the environment. The main project activities were divided according to the basic subject areas into two components:
Component 1 - Development of procedures for coordinated implementation of the Environmental Protection Act.
Component 2 - Capacity strengthening in all agencies involved in project implementation.

According to the requirements of the standard ISO 14001 at Zagreb location, system of environmental protection was implemented and certified.

3. Financial reports

a) AD Plastik d.d., Solin and its subsidiaries

Consolidated financial statements and

Independent Auditor's Report

For the year ended

31 December 2011

b) *RESPONSIBILITY FOR THE FINANCIAL STATEMENTS*

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

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

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

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

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

Signed on behalf of the Management by:

Josip Boban, President of the Management Board

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

23 April 2012

c) Independent Auditor's Report

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of AD Plastik d.d. Solin ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position at 31 December 2011, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Independent Auditor's Report (continued)

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2011, and the results of its operations and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Branislav Vrtačnik, Certified Auditor, Board Member

Deloitte d.o.o., Zagreb

Zagreb, 23 April 2012

e)PROFIT AND LOSS ACCOUNT (in thousands of kuna)	*Notes*	***31/12/2011***	***31/12/2010 as restated***
Sales	*7*	*721,730*	*696,952*
Other income	*8*	*14,686*	*105,325*
Total income		***736,416***	***802,277***
Decrease/(Increase) in the value of work in progress and finished products		*(973)*	*(2,020)*
Cost of raw material and supplies	*9*	*345,680*	*320,854*
Cost of goods sold	*10*	*26,273*	*65,171*
Service costs	*13*	*47,880*	*59,859*
Staff costs	*11*	*142,637*	*134,634*
Depreciation and amortisation	*12*	*49,482*	*55,208*
Other external expenses	*14*	*62,895*	*37,463*
Other operating expenses	*15*	*7,466*	*77,700*
Provisions for risks and charges	*16*	*2,842*	*15,545*
Total operating expenses		***684,182***	***764,414***
Profit from operations		***52,234***	***37,863***
Financial income	*17*	*58,525*	*70,233*
Financial expenses	*18*	*(40,210)*	*(48,453)*
Net profit from financial activities		***18,315***	***21,780***
Profit before taxation		***70,549***	***59,643***
Income tax expense	*19*	*5,881*	*9,372*
Profit for the year		***64,668***	***50,271***
Other comprehensive income		*-*	*1,697*
Total comprehensive income		***64,668***	***51,968***
Profit attributable to:			
Equity holders of the Company		*64,663*	*50,255*
Non-controlling interests		*5*	*16*
Total comprehensive income attributable to:			
Equity holders of the Company		*64,663*	*51,952*
Non-controlling interests		*5*	*16*

e) CONSOLIDATED BALANCE SHEET (in thousands of kuna)	Notes	31/12/2011	31/12/2010 as restated	1/1/ 2010 as restated
ASSETS				
Non-current assets				
Intangible assets	21	41,387	43,568	59,379
Tangible assets	22	537,993	515,419	512,536
Investments in subsidiaries	23	84,334	72,841	27,262
Other financial assets	24	75,272	28,628	64
Deferred tax assets	19	994	771	-
Total non-current assets		**739,980**	**661,227**	**599,241**
Current assets				
Inventories	25	72,996	57,466	57,308
Trade receivables	26	155,946	152,395	172,461
Other receivables	27	45,435	49,730	60,225
Current financial assets	28	34,983	11,587	24,035
Cash	29	36,042	64,951	58,445
Prepaid expenses and accrued income	30	116,165	75,549	58,542
Total current assets		**461,567**	**411,678**	**431,016**
TOTAL ASSETS		**1,201,547**	**1,072,905**	**1,030,257**

e) CONSOLIDATED BALANCE SHEET (in thousands of kuna)	Notes	31/12/2011	31/12/2010 as restated	1/1/ 2010 as restated
Equity				
Share capital	31	419,958	419,958	419,958
Reserves		218,938	188,926	171,478
Profit for the year		64,663	50,255	16,269
Non-controlling interests		12	41	768
Total equity		**703,571**	**659,180**	**608,473**
Long-term provisions	32	4,829	3,332	-
Long-term borrowings	33	79,842	92,831	124,239
Other non-current liabilities	33	69	74	68
Total non-current liabilities		**84,740**	**96,237**	**124,307**
Advances received	34	121,247	82,414	55,424
Trade payables	35	120,630	93,148	102,903
Short-term borrowings	36	130,575	106,257	116,592
Other current liabilities	37	28,191	21,751	21,197
Short-term provisions	32	10,385	12,213	-
Accrued expenses and deferred income	38	2,208	1,705	1,361
Total current liabilities		**413,236**	**317,488**	**297,477**
Total liabilities		**497,976**	**413,725**	**421,784**
TOTAL EQUITY AND LIABILITIES		**1,201,547**	**1,072,905**	**1,030,257**

f) CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY ((in thousands of kuna)	***Share capital***	***Capital reserves***	***Legal reserves***	***Reserves for own shares***	***Treasury shares***	***Retained earnings***	***Total equity attributable to the equity holders of the Company***	***Non-controlling interests***	***Total***
Balance at 31 December 2009	***419,958***	***168,973***	***5,039***	***11,763***	***(11,763)***	***18,466***	***612,436***	***768***	***613,204***
Correction of the result for the current year (see Note 5)						***(4,731)***	***(4,731)***	***-***	***(4,731)***
Balance at 31 December 2009 - as restated	***419,958***	***168,973***	***5,039***	***11,763***	***(11,763)***	***13,735***	***607,705***	***768***	***608,473***
Allocation of the prior-year profit	*-*	*-*	*1,101*	*-*	*-*	*(1,101)*	*-*	*-*	*-*
Changes in non-controlling interests	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*(743)*	*(743)*
Exchange differences on investments in foreign subsidiaries	*-*	*16,214*	*-*	*-*	*-*	*(11,225)*	*4,989*	*-*	*4,989*
Dividends paid	*-*	*-*	*-*	*-*	*-*	*(6,103)*	*(6,103)*	*-*	*(6,103)*
Revaluation of fixed assets	*-*	*1,696*	*-*	*-*	*-*	*-*	*1,696*	*-*	*1,696*
Valuation of own shares	*-*	*-*	*-*	*194*	*(194)*	*-*	*-*	*-*	*-*
Distributions to employees	*-*	*597*	*-*	*(597)*	*597*	*-*	*597*	*-*	*597*
Profit for the year	*-*	*-*	*-*	*-*	*-*	*54,225*	*54,225*	*16*	*54,241*
Balance at 31 December 2010	***419,958***	***187,480***	***6,140***	***11,360***	***(11,360)***	***49,531***	***663,109***	***41***	***663,150***
Correction of the result for the current year (see Note 5)	***-***	***-***	***-***	***-***	***-***	***(3,970)***	***(3,970)***	***-***	***(3,970***
Balance at 31 December 2010 - as restated	***419,958***	***187,480***	***6,140***	***11,360***	***(11,360)***	***45,561***	***659,139***	***41***	***659,180***
Changes in non-controlling interests	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*(34)*	*(34)*
Exchange differences on investments in foreign subsidiaries	*-*	*3,989*	*3*	*-*	*-*	*(4,659)*	*(667)*	*-*	*(667)*
Dividends paid	*-*	*-*	*-*	*-*	*-*	*(30,672)*	*(30,672)*	*-*	*(30,672)*
Valuation of own shares	*-*	*-*	*-*	*114*	*(114)*	*-*	*-*	*-*	*-*
Distributions to employees	*-*	*1,608*	*-*	*(1,962)*	*1,962*	*354*	*1,962*	*-*	*1,962*
Sale of own shares	*-*	*229*	*-*	*(9,134)*	*9,134*	*8,905*	*9,134*	*-*	*9,134*
Profit for the year	*-*	*-*	*-*	*-*	*-*	*64,663*	*64,663*	*5*	*64,668*
Balance at 31 December 2011	***419,958***	***193,306***	***6,143***	***378***	***(378)***	***84,152***	***703,559***	***12***	***703,571***

g) CONSOLIDATED STATEMENT OF CAH FLOW ((in thousands of kuna)

Cash flows from operating activities	31/12/2011	31/12/2010 as restated
Profit for the year	**64,668**	**50,271**
Income tax expense	5,881	9,372
Depreciation and amortisation	49,482	55,208
Gains from sale of assets	1,322	61,022
Impairment allowance on trade receivables	582	1,016
Increase in long-term and short-term provisions	(331)	15,560
Profit/(loss) from operations before working capital changes	**121,604**	**192,449**
Decrease in inventories	(15,530)	(158)
Decrease/(increase) in trade receivables	(4,133)	13,708
(Increase)/decrease in other receivables	4,295	10,511
Decrease in trade payables	27,482	(9,755)
Increase in advances received	38,833	26,990
Decrease in other current liabilities	1,592	1,370
Decrease in accrued expenses and deferred income	503	344
Increase in prepaid expenses	(40,616)	(17,007)
Cash generated from/(used in) operations	**134,030**	**218,452**
Sale of own shares	9,134	-
Investments in subsidiaries	(11,493)	(45,579)
Purchases of property, plant and equipment, and intangible assets	(71,197)	(102,405)
Investments in Funds	8,278	(11,078)
Short-term loans	(29,267)	23,526
Long-term loans	(49,051)	(28,564)
Cash (used in)/generated from investing activities	**(143,596)**	**(164,100)**
Dividends paid	(30,672)	(6,103)
Loans	185,115	44,342
Repayments of borrowings	(173,786)	(86,085)
Cash generated from financing activities	**(19,343)**	**(47,846)**
Net cash flow	**(28,909)**	**6,506**
At 1 January	64,951	58,445
Net cash inflow	(28,909)	6,506
At 31 December	36,042	64,951

h) NOTES TO THE FINANCIAL STATEMENTS

1. ADOPTION OF NEW AND REVISED STANDARDS

Adoption of new and revised standards

Standards and Interpretations effective in the current period

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

- ***Amendments to IFRS 1 First-time Adoption of IFRS-*** *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010),*
- ***Amendments to IAS 24 Related-party Disclosures*** *– Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011),*
- ***Amendments to IAS 32 Financial Instruments: Presentation -*** *Accounting for rights issues (effective for annual periods beginning on or after 1 February 2010);*
- ***Amendments to various standards and interpretations "Improvements to IFRSs (2010)"*** *resulting from the Annual Qualitative Improvement of IFRSs, published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording (to be applied for annual periods beginning on or after 1 July 2010 or on or after 1 January 2011, depending on the standard/interpretation),*
- ***Amendments to IFRIC 14 IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction -*** *Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011),*
- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments* ***(effective for annual periods beginning on or after 1 July 2010)***

The adoption of the amended and revised Standards and Interpretation has not lead to changes in the Group's accounting policies.

Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements the following Standards, revisions and Interpretations were in issue but not yet effective:

- ***IFRS 9 Financial Instruments*** *(effective for annual periods beginning on or after 1 January 2013),*
- ***IFRS 10 Consolidated Financial Statements*** *(effective for annual periods beginning on or after 1 January 2013),*
- ***IFRS 11 Joint Arrangements*** *(effective for annual periods beginning on or after 1 January 2013),*
- ***IFRS 12 Disclosures of Involvement with Other Entities (****effective for annual periods beginning on or after 1 January 2013),*
- ***IFRS 13 Fair Value Measurement*** *(effective for annual periods beginning on or after 1 January 2013),*
- ***IAS 27 (as revised in 2011) Separate Financial Statements*** *(effective for annual periods beginning on or after 1 January 2013),*
- ***IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures(****effective for annual periods beginning on or after 1 January 2013)*
- ***Amendments to IFRS 1 First-time Adoption of IFRS –*** *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),*
- ***Amendments to IFRS 7 Financial Instruments: Disclosures -*** *Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011),*
- ***Amendments to IAS 1 Presentation of Financial Statements -*** *Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012),*
- ***Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets*** *(effective for annual periods beginning on or after 1 January 2011),*
- ***Amendments to IAS 19 Employee Benefits - Improvements to the Accounting for Post-employment Benefits*** *(effective for annual periods beginning on or after 1 January 2013),*
- ***IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine*** *(effective for annual periods beginning on or after 1 January 2013),*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards and Croatian laws.

2.2. Basis of preparation

The financial statements of the Group have been prepared on the historical cost basis, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and Croatian laws.

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

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

The consolidated financial statements of the Group represent aggregate amounts of assets, liabilities, capital and reserves of the Group as of 31 December 2011, and the results of its operations for the year then ended. Some of the financial captions have been reclassified in these financial statements compared to the prior year, as the management is of the opinion that the reclassification provides a better presentation of the financial statements as a whole.

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

2.3. Basis of consolidation

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

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

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

2.4. Revenue recognition

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

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

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

Income from the manufacture of tools for a known customer

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

Interest income

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

2.5. Borrowing costs

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

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

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

2.6. Foreign currency transactions

Transactions in foreign currencies are translated into Croatian kunas at the rates of exchange in effect at the dates of the transactions. Cash, receivables and payables denominated in foreign currencies are retranslated at the rates of exchange in effect at the date of the statement of financial position. Gains and losses arising on translation are included in the statement of comprehensive income for the year. At 31 December 2011, the official exchange rate of the Croatian kuna against 1 euro (EUR) was HRK 7.53042 (31 December 2010: HRK 7.385173 for 1 EUR).

2.7. Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognised in the income statement, except where it relates to items recognised directly in equity, in which case it is also recognised in equity. Current tax represents tax expected to be paid on the basis of taxable profit for the year, using the tax rate enacted at the balance sheet date, adjusted by appropriate prior-period items.

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

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

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

Deferred taxes are not discounted and are classified in the balance sheet as non-current assets and/or non-current liabilities. Deferred tax assets are recognised only to the extent that it is probable that the related tax benefit will be realised. At each balance sheet date, the Company reviews the unrecognised potential tax assets and the carrying amount of the recognised tax assets.

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

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

2.8. Property, plant and equipment, and intangible assets

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

1. **Tangible assets**	**Depreciation rate in 2011**	**Depreciation rate in 2010**
Buildings	1.50-4.00	1.50-4.00
Machinery	7.00-10.00	7.00-10.00
Tools, furniture, office and laboratory equipment and accessories, measuring and control instruments	10.00-20.00	10.00-20.00
Vehicles	20.00	20.00
IT equipment	20.00	20.00
Other	10.00	10.00
2. **Intangible assets**	20.00	20.00

2.9. Impairment

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

2.10. Investments in associates

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

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

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

2.11. Inventories

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

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

Small inventory is written off when put in use.

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

2.12. Trade receivables and prepayments

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

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

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

2.13. Cash and cash equivalents

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

2.14. Provisions

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

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

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

2.15. Termination, long-service and other employee benefits

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

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

(b) Termination benefits

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

(c) Regular termination benefits

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

(d) Long-term employee benefits

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

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

2.16. Financial instruments

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

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

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

Loans and receivables

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

Financial assets available for sale

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

Effective interest method

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

Impairment of financial assets

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

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

Derecognition of financial assets

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

Classification as debt or equity

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

2.17. Contingencies

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

2.18. Events subsequent to the reporting date

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Useful life of property, plant and equipment

As described in the Note 3.8, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Property, plant and equipment are recognised initially at cost, less accumulated depreciation.

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

A deferred tax asset is recognized only to the extent that it is probable that the related tax benefit will be realised. In determining the amount of deferred taxes that can be recognised significant judgements are required, which are based on the probable quantification of time and level of future taxable profits, together with the future tax planning strategy.

Impairment allowance on trade receivables

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

Actuarial estimates used in determining the retirement benefits

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

4. CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF PRIOR-PERIOD FINANCIAL STATEMENTS

During 2011 the Group corrected within the Parent the tax calculation for the years 2006 up to including 2010 by charging the effect to the retained earnings balance at 31 December 2010.

The correction for the years 2006 up to including 2009 were made, by decreasing other reserves at 1 January 2010, and increasing the tax liability by a total amount of HRK 4,731 thousand.

In the 2010 financial statements, the income tax was corrected by reducing the net profit for the year by HRK 3,970 thousand.

The total effect of the resulting restatement on the financial statements for the year ended 31 December 2009 is as follows:

	Notes	As originally reported	As restated	The resulting increase/ (decrease)
Equity				
Share capital	30	419,958	419,958	-
Reserves		176,209	171,478	(4,731)
Profit for the year		16,269	16,269	-
Non-controlling interests		768	768	-
Total equity		**613,204**	**608,473**	**(4,731)**
Advances received	34	55,424	55,424	-
Trade payables	35	102,903	102,903	-
Short-term borrowings	36	116,592	116,592	-
Other current liabilities	37	16,466	21,197	4,731
Short-term provisions	32	-	-	-
Accrued expenses and deferred income	33	1,361	1,361	-
Total current liabilities		**292,746**	**297,477**	**4,731**

The total effect of the resulting restatement on the financial statements for the year ended 31 December 2010 is as follows:

	Notes	As originally reported	As restated	The resulting increase/ (decrease)
Equity				
Share capital	30	419,958	419,958	-
Reserves		193,657	188,926	(4,731)
Profit for the year		54,225	50,255	(3,970)
Non-controlling interests		41	41	-
Total equity		**667,881**	**659,180**	**(8,701)**
Advances received	34	82,414	82,414	-
Trade payables	35	93,148	93,148	-
Short-term borrowings	36	106,257	106,257	-
Other current liabilities	37	13,050	21,751	8,701
Short-term provisions	32	12,213	12,213	-
Accrued expenses and deferred income	33	1,705	1,705	-
Total current liabilities		**308,787**	**317,488**	**8,701**

6. SEGMENT INFORMATION

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

Segment revenue and results

Segment revenue analysis by country:

	31/12/2011	31/12/2010
Slovenia	250,840	237,991
Russia	237,999	168,721
Germany	121,274	159,231
France	83,876	87,077
Croatia	16,478	20,853
Romania	7,534	9,375
Other countries	3,829	13,704
	721,730	**696,952**

7. SALES

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

	31/12/2011	31/12/2010
Foreign sales	693,492	676,098
Domestic sales	28,238	20,854
	721,730	**696,952**

8. OTHER INCOME

	31/12/2011	31/12/2010
Income from sale of assets	3,493	67,992
Income from sale of own shares	2,941	-
Rental income	2,478	69
Income from bonuses provided by suppliers	2,698	4,786
Income from recharged service costs	1,830	4,794
Income from consumption of own products, goods and services	1,018	1,858
Income from sale of inventories	-	19,559
Income from damages collected	183	504
Other operating income	45	5,763
	14,686	**105,325**

9. COST OF RAW MATERIAL AND SUPPLIES

	31/12/2011	31/12/2010
Direct materials	326,060	294,130
Electricity	14,538	19,760
Other expenses	5,082	6,964
	345,680	**320,854**

10. COST OF GOODS SOLD

	31/12/2011	31/12/2010
Cost of goods sold	24,082	59,988
Cost of direct material sold	1,162	2,193
Cost of spare parts sold	528	2,093
Other costs of goods sold	501	897
	26,273	**65,171**

11. STAFF COSTS

	31/12/2011	31/12/2010
Net wages and salaries	76,248	73,606
Taxes and contributions out of salaries	26,471	27,431
Contributions on salaries	21,280	20,585
Provisions for bonuses to employees	1,960	-
Other staff costs	16,678	13,012
	142,637	**134,634**

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

12. DEPRECIATION AND AMORTISATION

	31/12/2011	31/12/2010
Depreciation	32,163	36,109
Amortisation	17,319	19,099
	49,482	**55,208**

13. SERVICE COSTS

	31/12/2011	31/12/2010
Transport	25,296	28,621
Rental costs	6,106	6,862
Regular and preventive maintenance costs - machinery	3,765	5,360
Commissions	2,149	2,829
Forwarding and shipping costs	1,121	1,396
Telecommunications and information system costs	1,108	1,275
Communal fees	1,181	1,155
Water supply	1,037	1,031
Tool modification costs	987	2,016
Other expenses	5,130	9,314
	47,880	**59,859**

14. OTHER EXTERNAL CHARGES

	31/12/2011	31/12/2010
Temporary service costs - manufacture of tools	40,848	10,842
Professional service cost	5,052	2,865
Bank charges	2,409	2,282
Communal fees for the use of construction plots	1,425	1,425
Insurance premiums	1,092	1,686
Cost of goods provided free of charge	805	1,309
Entertainment	783	350
Other fees (Supervisory Board)	607	284
Customer complaints	198	1,220
Net book value of disposed intangible fixed assets	27	1,199
Gifts for employees' children	574	227
Professional training costs	512	273
Payment operation charges	505	546
Forest reproduction levies	317	362
Occupational Health and Safety service costs	190	312
Water management fee	164	216
Translation service costs	175	181
Net book value of disposed intangible fixed assets	26	3,675
Other non-material costs	2,473	1,757
Other external costs	4,713	6,452
	62,895	**37,463**

Most of other external costs comprise manufacturing of tools for the production of car spare parts per orders of the ultimate car manufacturers and include the cost of the tools, tool modification services, transportation and other handling charges.

15. OTHER OPERATING EXPENSES

	31/12/2011	31/12/2010
Property tax	1,565	1,947
Sale of assets	-	54,887
Sale of inventories	-	19,055
Other expenses	5,901	1,811
	7,466	**77,700**

16. PROVISIONS FOR RISKS AND CHARGES

	31/12/2011	31/12/2010
Provisions under actuarial calculations	1,661	3,332
Vacation accruals	934	3,163
Litigation provisions	247	3,730
Provisions for tax disputes	-	5,320
	2,842	**15,545**

17. FINANCE REVENUE

	31/12/2011	31/12/2010
Dividend income	27,681	15,146
Foreign exchange gains	21,246	48,428
Interest income	6,418	4,846
Other finance revenue	3,180	1,813
	58,525	**70,233**

18. FINANCE COSTS

	31/12/2011	31/12/2010
Foreign exchange losses	26,060	36,414
Interest expense	9,988	11,134
Other finance costs	4,162	905
	40,210	**48,453**

19. INCOME TAX

Income tax comprises the following:

	31/12/2011	31/12/2010 as restated
Current tax	6,104	10,143
Deferred tax	(223)	(771)
	5,881	**9,372**

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

	31/12/2011	31/12/2010
Balance at 1 January	771	-
Deferred tax assets recognised	223	771
Balance at 31 December	**994**	**771**

Deferred tax assets arise from the following:

2011	Opening balance	Credited / (Charged) to statement of comprehensive income	Closing balance
Temporary differences:			-
Provisions for long-service and termination benefits	771	223	994
Balance at 31 December	**771**	**223**	**994**

2010	Opening balance	Credited / (Charged) to statement of comprehensive income	Closing balance
Temporary differences:			-
Provisions for long-service and termination benefits	-	771	771
Balance at 31 December	**-**	**771**	**771**

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

	31/12/2011	31/12/2010 as restated
Group profit	**70,549**	**59,643**
Entertainment	426	198
30 % of the cost of use of private cars	378	445
Taxable deficits	-	16
Costs of forced collection of taxes and other levies	27	-
Fines and penalties	72	77
Interest from related-party relationships	2	-
Written-off receivables	261	1,163
Provisions	3,105	3,954
Other taxable revenues	1,962	1,696
Tax base increasing items	**6,233**	**7,549**
Dividend income	(26,817)	-
Subsequent collection of written-off receivables	(101)	(241)
Other operating expenses from prior periods	(1,487)	-
Other non-taxable revenues	(39)	-
Government grants for training and education	(229)	(123)
Tax base decreasing items	**(28,673)**	**(364)**
Income tax base before the utilisation of tax losses brought forward	48,109	66,828
Tax losses brought forward	-	(4,605)
Tax base	**48,109**	**62,223**
Tax at the weighted average rate	9,345	10,143
Tax reliefs	(3,241)	-
Current tax liability	**6,104**	**10,039**

In the preparation of the 2010 financial statements the Parent applied, based on the interpretation of the conditions specified by the Act, a lower tax rate of 3 percent instead of the 20 percent rate. For the lower corporate income tax rate to be applied, the applicable Act on the Promotion of Investments requires that two conditions are met in cumulative: the investment has to be realised and new jobs related to the investment have to opened without reducing the total number of employees. In the period subsequent to obtaining the incentive measure beneficiary status, the Company invested in the construction of manufacturing facilities, purchased new equipment (except for the painting line), opened the planned number of new jobs related to the investment, but the total number of employees was not increased compared to the crisis year of 2008 in which the Company became the beneficiary of the inventive measures. The resulting error from the prior period has been corrected.

20. EARNINGS PER SHARE

Basic earnings per share are determined, by dividing the Group's net profit by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares redeemed and held by the Company as treasury shares. There were no circumstances that would give rise to a dilution of the earnings per share reported above.

	31/12/2011	***31/12/2010 as restated***
Net profit attributable to the Company shareholders	*64,668*	*54,255*
Weighted average number of shares	*4,195,841*	*4,075,805*
Basic earnings per share (in HRK)	***15.41***	***13.31***

21. INTANGIBLE ASSETS

	Licences	Software	Projects	Total
Cost				
Balance at 31 December 2009	**67**	**2,743**	**100,009**	**102,819**
Additions	-	365	6,598	**6,963**
Disposals and retirements	-	-	(3,675)	**(3,675)**
Balance at 31 December 2010	**67**	**3,108**	**102,932**	**106,107**
Additions	-	315	14,835	**15,150**
Disposals and retirements	(12)	-	-	**(12)**
Balance at 31 December 2011	**55**	**3,423**	**117,767**	**121,245**
Accumulated depreciation				
Balance at 31 December 2009	-	**393**	**43,037**	**43,440**
Charge for the year	-	305	18,794	**19,099**
Balance at 31 December 2010	-	**698**	**61,841**	**62,539**
Charge for the year	-	629	16,690	**17,319**
Balance at 31 December 2011	**-**	**1,327**	**78,531**	**79,858**
Net book value				
At 31 December 2011	**55**	**2,096**	**39,236**	**41,387**
At 31 December 2010	**67**	**2,410**	**41,091**	**43,568**

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

22. TANGIBLE ASSETS

	Land	Buildings	Plant and equipment	Assets under constructio n	Other	Total
Cost						
Balance at 31 December 2009	**124,603**	**244,680**	**372,637**	**12,811**	**440**	**755,171**
Additions	2,017	28,988	10,873	53,071	1,390	96,339
Transfer from assets under development	8,573	33,230	18,485	(62,086)	1,798	-
Disposals and retirements	(573)	(46,061)	(10,707)	-	(6)	(57,347)
Balance at 31 December 2010	**134,620**	**260,837**	**391,288**	**3,796**	**3,622**	**794,163**
Additions	759	22,194	15,776	17,055	263	56,047
Transfer from assets under development	-	1,663	2,486	(4,249)	100	-
Disposals and retirements	-	-	(1,310)	-	-	(1,310)
Balance at 31 December 2011	**135,379**	**284,694**	**408,240**	**16,602**	**3,985**	**848,900**
Accumulated depreciation						
Balance at 31 December 2009	-	**51,621**	**190,666**	-	**348**	**242,635**
Charge for the year 2010	-	3,240	32,631	-	238	36,109
Balance at 31 December 2010	-	**54,861**	**223,297**	-	**586**	**278,744**
Charge for the year 2011	-	4,319	27,167	-	677	32,163
Balance at 31 December 2011	**-**	**59,180**	**250,464**	**-**	**1,263**	**310,907**
Net book value						
At 31 December 2011	**135,379**	**225,514**	**157,776**	**16,602**	**2,722**	**537,993**
At 31 December 2010	**134,620**	**205,976**	**167,991**	**3,796**	**3,036**	**515,419**

At 31 December 2011, the net book value of tangible assets pledged as collateral with commercial banks amounts to HRK 254,165, and the balance of short-term and long-term loans secured by those assets is HRK 210,417.

23. INVESTMENTS IN ASSOCIATES

Name of associate	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment, HRK'000	
			2011	2010	2011	2010
EURO AUTO PLASTIC SYSTEMS	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	50.00%	50.00%	66,778	50,786
FAURECIA AD PLASTIK ROMANIA (FAAR)	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	49.00%	49.00%	258	258
FAURECIA ADP HOLDING	Manufacture of other vehicle spare parts and accessories	Nanterre, France	40.00%	40.00%	17,298	21,557
					84,334	**72,601**

Name of associate	Country of incorporation and business	Amount of equity investment 31/12/2010	Share in the result for the year	Dividends paid	Amount of equity investment 31/12/2011
EURO AUTO PLASTIC SYSTEMS	Mioveni, Romania	50,786	31,940	15,948	66,778
FAURECIA AD PLASTIK ROMANIA (FAAR)	Mioveni, Romania	258	-	-	258
FAURECIA ADP HOLDING	Nanterre, France	21,557	(4,259)	-	17,298
		72,601	**27,681**	**15,948**	**84,334**

24. OTHER FINANCIAL ASSETS

	31/12/2011	31/12/2010
Long-term loans to associates	53,309	28,564
Long-term loans to unrelated companies	24,738	432
Other financial assets	64	64
Current portion of long-term loan receivables	(2,839)	(432)
	75,272	**28,628**

A long-term investment loan with a variable interest and maturity in 2014 was granted to an associate. Loan has been secured with adequate collaterals.

25. INVENTORIES

	31/12/2011	31/12/2010
Raw material and supplies on stock	39,899	42,629
Work in progress	2,531	2,806
Finished products	11,093	8,624
Merchandise	19,473	3,407
	72,996	**57,466**

26. TRADE RECEIVABLES

	31/12/2011	31/12/2010
Domestic trade receivables	15,027	17,117
Foreign trade receivables	152,959	146,736
Impairment allowance on receivables	(12,040)	(11,458)
	155,946	**152,395**

The average credit period on sales is 72 days. The Company has provided for all for all receivables handed over to the courts for collection, regardless of the past due period, as well as for all receivables that are past due and assessed as doubtful of collection.

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

Set out below is an analysis of major trade receivables:

	31/12/2011	31/12/2010
Revoz, Slovenia	56,234	49,110
Visteon Deutschland, Germany	31,061	31,575
OAO Avtovaz, Russia	30,181	23,790
Peugeot Citroen Automobiles, France	5,689	5,931
Renault SAS , France	5,802	5,297
Other debtors	39,019	42,905
	167,986	**158,608**

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

	31/12/2011	31/12/2010
Balance at beginning of the year	9,719	9,115
Additionally impaired during the year	598	697
Amounts collected or eliminated during the year	(72)	(93)
Total impairment allowance on domestic trade receivables	**10,245**	**9,719**
Balance at beginning of the year	1,739	1,386
Additionally impaired during the year	200	1,074
Amounts collected or eliminated during the year	(144)	(721)
Total impairment allowance on foreign trade receivables	**1,795**	**1,739**
Total impairment allowance	**12,040**	**11,458**

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

	31/12/2011	31/12/2010
0 - 731 days	640	125
Over 732 days	11,400	11,333
	12,040	**11,458**

Ageing analysis of receivables past due but not impaired:

	31/12/2011	31/12/2010
1 - 365 days	6,625	7,750
Over 365 days	1,856	1,636
	8,481	**9,386**

Receivables from associated companies

	31/12/2011	31/12/2010
Trade receivables	4,549	3,034
Interest receivable	6,911	2,211
	11,460	**5,245**

27. OTHER RECEIVABLES

	31/12/2011	31/12/2010
Receivables from the State and state institutions institutions	19,266	24,370
Prepayments made	22,845	20,588
Due from employees	736	932
Other receivables	2,588	3,840
	45,435	**49,730**

Amounts due from the State and state institutions comprise receivables from the State Budged in respect of VAT refund, refunds from the Croatian Health Insurance Fund and similar.

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

28. CURRENT FINANCIAL ASSETS

	31/12/2011	31/12/2010
Short-term investments in investment funds	2,800	11,078
Short-term loans to subsidiaries	14,977	-
Other short-term loans	6,790	-
Other deposits	7,577	77
Current portion of long-term loan receivables	2,839	432
	34,983	**11,587**

29. CASH

	31/12/2011	31/12/2010
Current account balance	7,512	9,562
Deposits with a term of up to 3 months	28,530	55,389
	36,042	**64,951**

30 *PREPAID EXPENSES AND ACCRUED INCOME*

Accrued income in the amount of HRK 110,035 thousand (2010: HRK 69,250 thousand) represent amounts relating to the manufacture of tools for a known customer. Income from the manufacture of tools is recognised using the stage-of-completion method to determine the amount of income and costs attributable to a certain period.

	31/12/2011	31/12/2010
Other accrued income on tools	110,035	69,250
Other accrued income	3,214	3,400
Prepaid operating expenses	2,916	2,899
	116,165	**75,549**

31 *SHARE CAPITAL*

Subscribed capital amounts to HRK 419,958 thousand and consists of 4,199,580 shares, with a nominal value of HRK 100.00 per share (2010: HRK 419,958 thousand, 4,199,580 shares, with a nominal value of HRK 100 each).
The shareholders with over 2 percent of the shares at 31 December 2011 were as follows:

Shareholder	Headquarters	Number of shares	Ownership in %	Type of account
OAO Holding Autokomponenti	Saint Petersburg, Russia	1,259,875	30.00%	Primary account
ADP-ESOP d.o.o.	Zagreb, Croatia	219,312	5.22%	Primary account
PBZ d.d.	Zagreb, Croatia	192,809	4.59%	Custody account
HYPO ALPE-ADRIA-BANK d.d./RAIFFEISEN MANDATORY PENSION FUND	Zagreb, Croatia	175,502	4.18%	Pension fund
Bakić Nenad	Zagreb, Croatia	126,968	3.02%	Primary account

32 *PROVISIONS*

	Short-term:		*Long-term:*	
	31 December 2011	***31 December 2010***	***31 December 2011***	***31 December 2010***
Jubilee awards (long-service benefits)	-	-	1,897	1,936
Retirement benefits	1,050	-	2,007	1,396
Legal actions	3,838	3,730	-	-
Tax disputes	-	5,320	-	-
Vacation accrual	2,508	3,163	925	-
Bonuses to employees	1,960	-	-	-
Other provisions	1,029	-	-	-
	10,385	**12,213**	**4,829**	**3,332**

Long-service and termination benefits

Defined benefit plan

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

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

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

Key assumptions used in calculating the required provisions are the discount rate of 6.21% and the rate of fluctuation of 1.07%.

33 *NON-CURRENT LIABILITIES*

	31/12/2011	***31/12/2010***
Long-term borrowings	*113,989*	*123,170*
Current portion of long-term borrowings	*(34,147)*	*(30,339)*
	79,842	***92,831***
Other non-current liabilities	*69*	*74*
	79,911	***92,905***

Long-term borrowings comprise HBOR investment loans and bear interest at a rate of 4 percent, as well as long-term loans from commercial banks with interest rates ranging from 3.16 to 6 percent. AD Plastik d.d. services regularly all of its obligations under those borrowings, in line with the terms and conditions of the underlying loan agreements.

Movements in long-term borrowigs during the year:

	2011	***2010***
Balance at 1 January	*123,170*	*153,194*
New loans raised	*20,000*	**-**
Amounts repaid	*(29,182)*	*(30,024)*
Long-term loans refinanced using short-term loans	-	-
Total long-term borrowings	***113,988***	***123,170***

34 ADVANCES RECEIVED

	31/12/2011	31/12/2010
Domestic customers	993	2,481
Foreign customers	120,254	79,933
	121,247	**82,414**

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

35 TRADE PAYABLES

	31/12/2011	31/12/2010
Domestic trade payables	17,018	16,741
Foreign trade payables	103,612	76,407
	120,630	**93,148**

36 CURRENT FINANCIAL LIABILITIES

	31/12/2011	31/12/2010
Short-term borrowings - principal payable	94,858	75,000
Short-term borrowings - interest payable	1,568	916
Current portion of long-term borrowings	34,147	30,339
Other short-term financial liabilities	2	2
	130,575	**106,257**

Short-term borrowings represent revolving facilities provided by commercial banks and short-term HBOR loans for export and import preparation, with an interest rate of 5 percent.

37 OTHER CURRENT LIABILITIES

	31/12/2011	31/12/2010 as restated
Due to the State and State institutions	24,366	14,849
Amounts due to employees	3,163	6,553
Dividends payable	658	16
Other current liabilities	4	333
	28,191	**21,751**

38 ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2011	31/12/2010
Due to the State and State institutions	972	593
Amounts due to employees	-	56
Other current liabilities	1,236	1,056
	2,208	**1,705**

39 *FINANCIAL INSTRUMENTS AND RISK MANAGEMENT*

39.1 Gearing ratio

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

	31/12/2011	31/12/2010 as restated
Short-term borrowings	130,575	106,257
Long-term borrowings	79,842	92,831
Cash and cash equivalents	36,042	64,951
Net debt	174,375	134,137
Equity	703,571	659,180
Net debt-to-equity ratio	24.78%	20.35%

39.2 Categories of financial instruments

	31/12/2011	31/12/2010
Financial assets		
Loans and receivables	331,421	268,054
Financial assets at fair value through profit or loss	10,300	11,154
Cash and cash equivalents	36,042	64,951
Financial liabilities		
Trade payables	245,771	182,538
Borrowings	210,417	199,088

At the reporting date there are no significant concentrations of credit risk for loans and receivables designated at fair value through the statement of comprehensive income.

39.3 Financial risk management objectives

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

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

39.4 Price risk management

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

39.5 Interest rate risk

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

39.6 Credit risk

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

The five largest customers of the Company are Revoz, Slovenia; Renault, France; Visteon, Germany, Peugeot Citroen Automobiles, France; and OAO Avtovaz, Russia. Revenues generated by the sales to these business partners represent 92 percent of the total sales.

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

39.7 Foreign currency risk management

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

At 31 December	***Assets***		***Liabilities***		***Net position***	
	2011	***2010***	***2011***	***2010***	***2011***	***2010***
EUR	*166,588*	*201,526*	*258,740*	*234,776*	*(92,152)*	*(33,250)*
RUR	*68,287*	*67,726*	*443*	*27,028*	*67,844*	*40,698*
USD	*337*	*645*	*307*	*1,406*	*30*	*(761)*
GBP	*13*	*9*	*21*	*-*	*(8)*	*9*
CHF		*-*	*17*	*20*	*(17)*	*(20)*
	235,225	***269,906***	***259,528***	***263,230***	***(24,303)***	***6,676***

Foreign currency sensitivity analysis

The Group is mainly exposed to the countries using euro as their currency. The following table details the Company's sensitivity to a 2-percent decrease of the Croatian kuna in 2011 and 2010 against the euro. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end. A negative number below indicates a decrease in profit where the Croatian kuna changes against the relevant currency for the percentage specified above.

	EUR impact	
	2011	***2010***
Change in exchange differences	*(1,837)*	*814*

39.8 Liquidity risk management

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

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

		Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
2011	Average interest rate						
Assets							
Non-interest bearing		79,769	89,141	35,237	11,423	84,334	299,904
Interest bearing	11.81%	6,538	2,501	36,380	83,132	14,205	142,756
		86,307	**91,642**	**71,617**	**94,555**	**98,539**	**442,660**
Liabilities							
Non-interest bearing		29,608	59,730	13,404	96,662	-	199,404
Interest bearing	4.30%	20,689	8,244	102,390	80,940	5,870	218,133
		50,297	**67,974**	**115,794**	**177,602**	**5,870**	**417,537**
2010							
Assets							
Non-interest bearing		131,502	80,066	533	-	-	212,101
Interest bearing	11%	11,155	774	2,864	39,021	-	53,814
		142,657	**80,840**	**3,397**	**39,021**	**-**	**265,915**
Liabilities							
Non-interest bearing		59,880	39,836	-	-	-	99,716
Interest bearing	4.7 %	3,917	2,764	82,468	84,824	17,100	191,073
		63,797	**42,600**	**82,468**	**84,824**	**17,100**	**290,789**

39.9 Fair value of financial instruments

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

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

At 31 December 2011, the carrying amounts of cash, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their fair values due to the short-term maturity of these financial instruments.

40 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board of AD Plastik d.d. and authorised for issue on 23 April 2012.

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

Josip Boban
President of the Management Board

i) AD Plastik d.d., Solin

Unconsolidated financial statements

and Independent Auditor's Report

For the year ended

31 December 2011

j) RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Signed on behalf of the Management by:

Josip Boban, President of the Management Board

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

23 April 2012

k) Independent Auditor's Report

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Independent Auditor's Report

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

We have audited the accompanying unconsolidated financial statements of AD Plastik d.d. Solin ("the Company"), which comprise the statement of financial position at 31 December 2011, and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Independent Auditor's Report (continued)

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2011, and the results of its operations and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Branislav Vrtačnik, Certified Auditor, Board Member

Deloitte d.o.o., Zagreb

Zagreb, 23 April 2012

l) PROFIT AND LOSS ACCOUNT(in thousands of kuna)	Notes	31/12/2011	31/12/2010 as restated
Sales	6	557,692	541,305
Other income	7	11,008	20,568
Total income		**568,700**	**561,873**
Decrease in the value of work in progress and finished products		1,625	1,925
Cost of raw material and supplies	8	(263,554)	(274,840)
Cost of goods sold	9	(26,270)	(23,389)
Service costs	10	(40,362)	(46,545)
Staff costs	11	(106,797)	(106,002)
Depreciation and amortisation	12	(39,625)	(41,073)
Other operating expenses	13	(63,380)	(39,787)
Provisions for risks and charges	14	(737)	(10,225)
Total operating expenses		**(539,100)**	**(539,936)**
Profit from operations		**29,600**	**21,937**
Finance revenue	15	61,472	34,660
Finance cost	16	(36,215)	(35,820)
Profit / (loss) from financing activities		**25,257**	**(1,160)**
Profit before taxation		**54,857**	**20,777**
Income tax expense	17	(3,021)	(4,004)
Profit for the year		**51,836**	**16,773**
Other comprehensive income		-	1,696
Total comprehensive income		**51,836**	**18,469**

m) UNCONSOLIDATED BALANCE SHEET (in thousands of kuna)	Notes	31/12/2011	31/12/2010 as restated	01/01/2010 as restated
ASSETS				
Non-current assets				
Intangible assets	19	36,409	41,069	54,660
Tangible assets	20	425,254	440,520	414,535
Investments in subsidiaries and associates	21	127,259	127,240	93,018
Other financial assets	22	128,182	66,016	44,423
Deferred tax assets	17	888	667	-
Total non-current assets		**717,992**	**675,512**	**606,636**
Current assets				
Inventories	23	34,962	37,165	37,297
Trade receivables	24	122,953	149,383	196,482
Other receivables	25	49,698	37,412	31,164
Current financial assets	26	37,713	19,037	41,616
Cash and cash equivalents	27	29,719	58,618	50,771
Prepaid expenses and accrued income	28	116,103	75,527	58.540
Total current assets		**391,148**	**377,142**	**415,870**
TOTAL ASSETS		**1,109,140**	**1,052,654**	**1,022,506**

m) UNCONSOLIDATED BALANCE SHEET (in thousands of kuna)	Notes	31/12/2011	31/12/2010 as restated	01/01/2010 as restated
Equity				
Share capital	29	419,958	419,958	419,958
Reserves		200,063	202.866	196,075
Profit for the year		51,836	16,773	10,601
Total equity		**671,857**	**639.597**	**626,634**
Long-term provisions	30	3,388	3,332	-
Long-term borrowings	31	79,842	92,831	124,239
Total non-current liabilities		**83,230**	**96,163**	**124,239**
Advances received	32	109,718	80,430	55,658
Trade payables	33	84,720	66,327	82,274
Short-term borrowings	34	125,336	143,223	116,673
Other current liabilities	35	22,715	18,316	15,678
Short-term provisions	30	9,356	6,893	-
Accrued expenses and deferred income	36	2,208	1,705	1,350
Total current liabilities		**354,053**	**316,894**	**271,633**
Total liabilities		**437,283**	**413,057**	**395,872**
TOTAL EQUITY AND LIABILITIES		**1,109,140**	**1,052,654**	**1,022,506**

n) UNCONSOLIDATED REPORT ON CHANGES OF CAPITAL (in thousands of kuna)	Share capital	Capital reserves	Legal reserves	Reserves for own shares	Treasury shares	Retained earnings	Total
Balance at 31 December 2009	**419,958**	**189,131**	**4,984**	**11,763**	**(11,763)**	**17,292**	**631,365**
Correction of the result for the current year (see Note 5)	**-**	**-**	**-**	**-**	**-**	**(4,731)**	**(4,731)**
Balance at 31 December 2009 - as restated	**419,958**	**189,131**	**4,984**	**11,763**	**(11,763)**	**12,561**	**626,634**
Allocation of the prior-year profit	-	-	1,145	-	-	(1,145)	-
Dividends paid	-	-	-	-	-	(6,103)	(6,103)
Revaluation of fixed assets	-	1,696	-	-	-	-	1,696
Valuation of own shares	-	-	-	194	(194)	-	-
Distributions to employees	-	597	-	(597)	597	-	597
Profit for the year	-	-	-	-	-	20,743	20,743
Balance at 31 December 2010	**419,958**	**191,424**	**6,129**	**11,360**	**(11,360)**	**26,056**	**643,567**
Correction of the result for the current year (see Note 5)	-	-	-	-	-	(3,970)	(3,970)
Balance at 31 December 2010 - as restated	**419,958**	**191,424**	**6,129**	**11,360**	**(11,360)**	**22,086**	**639,597**
Dividends paid	-	-	-	-	-	(30,672)	(30,672)
Valuation of own shares	-	-	-	114	(114)	-	-
Distributions to employees	-	1,608	-	(1,962)	1,962	354	1,962
Sale of own shares	-	229	-	(9,134)	9,134	8,905	9,134
Profit for the year	-	-	-	-	-	51,836	51,836
Balance at 31 December 2011	**419,958**	**193,261**	**6,129**	**378**	**(378)**	**52,509**	**671,857**

O) UNCONSOLIDATED CASH FLOW REPORT

Cash flows from operating activities	31/12/2011	31/12/2010
Profit for the year	**51,836**	**20,743**
Income tax expense	3,021	4,004
Depreciation and amortisation	39,651	41,073
Loss from sale of assets	515	6,689
Impairment allowance on trade receivables	582	957
Interest expense	9,433	11,475
Interest income	(11,521)	(10,119)
Increase in long-term and short-term provisions	2,519	10,225
Profit from operations before working capital changes	**96,036**	**85,047**
Decrease in inventories	2,203	132
Decrease in trade receivables	25,848	46,142
(Increase)/decrease in amounts due from the state	(1,493)	6,399
Increase in other receivables	(10,793)	(12,647)
Increase/(decrease) in trade payables	18,393	(15,947)
Increase in advances received	29,288	24,772
Increase/(decrease) in other current liabilities	21,396	(4,625)
Increase in accrued expenses and deferred income	503	355
Increase in prepaid expenses	(40,576)	(16,987)
Income tax paid	(1,170)	‘
Payments made under a tax decision	(4,731)	-
Interest paid	(8,994)	(12,256)
Cash generated from/(used in) operations	**125,910**	**100,385**
Investments in subsidiaries	(19)	(34,222)
Interest received	11,521	10,119
Purchases of property, plant and equipment, and intangible assets	(20,240)	(58,459)
Investments in Funds	(8,278)	(11,078)
Short-term loans	(6,990)	33,657
Long-term loans	(65,574)	(21,593)
Cash (used in)/generated from investing activities	**(89,580)**	**(81,576)**
Dividends paid	(30,672)	(6,103)
Proceeds from short-term borrowings	139,229	44,342
Repayment of short-term borrowings	(173,786)	(49,201)
Cash generated from financing activities	**(65,229)**	**(10,962)**
Net cash flow for the year	**(28,899)**	**7,847**
At 1 January	58,618	50,771
Net cash inflow	(28,899)	7,847
At 31 December	**29,719**	**58,618**

1. ADOPTION OF NEW AND REVISED STANDARDS

Adoption of new and revised standards

Standards and Interpretations effective in the current period

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

- ***Amendments to IFRS 1 First-time Adoption of IFRS- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010),***
- ***Amendments to IAS 24 Related-party Disclosures – Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011),***
- ***Amendments to IAS 32 Financial Instruments: Presentation - Accounting for rights issues (effective for annual periods beginning on or after 1 February 2010);***
- ***Amendments to various standards and interpretations "Improvements to IFRSs (2010)" resulting from the Annual Qualitative Improvement of IFRSs, published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording (to be applied for annual periods beginning on or after 1 July 2010 or on or after 1 January 2011, depending on the standard/interpretation),***
- ***Amendments to IFRIC 14 IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction -*** *Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011),*
- ***IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)***

The adoption of the amended and revised Standards and Interpretations has not lead to any changes in the Company's accounting policies.

Adoption of new and revised standards

Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements the following Standards, revisions and Interpretations were in issue but not yet effective:

- ***IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2013),***
- ***IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013),***
- ***IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2013),***
- ***IFRS 12 Disclosures of Involvement with Other Entities (effective for annual periods beginning on or after 1 January 2013),***
- ***IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013),***
- ***IAS 27 (as revised in 2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2013),***
- ***IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures(effective for annual periods beginning on or after 1 January 2013)***
- ***Amendments to IFRS 1 First-time Adoption of IFRS – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),***
- ***Amendments to IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011),***
- ***Amendments to IAS 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012),***
- ***Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2011),***
- ***Amendments to IAS 19 Employee Benefits - Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 January 2013),***
- ***IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective for annual periods beginning on or after 1 January 2013),***

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

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 years.

2.1. Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards and Croatian laws.

2.2. Basis of preparation

The financial statements of the Company have been prepared on the historical cost basis, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and Croatian laws.

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

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRSs) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The financial statements of the Company represent aggregate amounts of assets, liabilities, capital and reserves of the Company as of 31 December 2011, and the results of operations for the year then ended. Some of the financial captions have been reclassified in these financial statements compared to the prior year, as the management is of the opinion that the reclassification provides a better presentation of the financial statements as a whole. Consolidated financial statements AD Plastik d.d. and subsidiaries for the year ended 31 December 2011 have been issued on 23rd April 2012.

The Company also prepares its consolidated financial statements in accordance with International Financial Reporting Standards, which include the financial statements of the Company as the parent and the financial statements of the subsidiaries controlled by the Company. In these financial statements, investments in entities controlled by the Company or in which the Company has significant influence are carried at cost less impairment if any. For a full understanding of the financial positions of the Company and its subsidiaries as a group, and the results of their operations and their cash flows for the year, users are advised to read the consolidated financial statements of the Group AD Plastik d.d. (“the Group”). Details of the investments are presented in Note 21.

2.3. Revenue recognition

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

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

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

Income from the manufacture of tools for a known customer

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

Interest income

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

2.4. Borrowing costs

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

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

All other borrowing costs are included 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 2011, the official exchange rate of the Croatian kuna against 1 euro (EUR) was HRK 7.53042 (31 December 2010: HRK 7.385173 for EUR 1).

2.6. Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognised in the income statement, except where it relates to items recognised directly in equity, in which case it is also recognised in equity. Current tax represents tax expected to be paid on the basis of taxable profit for the year, using the tax rate enacted at the balance sheet date, adjusted by appropriate prior-period items.

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

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

Deferred taxes are not discounted and are classified in the balance sheet as non-current assets and/or non-current liabilities. Deferred tax assets are recognised only to the extent that it is probable that the related tax benefit will be realised. At each balance sheet date, the Company reviews the unrecognised potential tax assets and the carrying amount of the recognised tax assets.

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

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

2.7. Property, plant and equipment, and intangible assets

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

*3. **Tangible assets***	***Depreciation rates in 2011***	***Depreciation rates in 2010***
Buildings	*1.50*	*1.50*
Machinery	*7.00*	*7.00*
Tools, furniture, office and laboratory equipment and accessories, measuring and control instruments	*10.00*	*10.00*
Vehicles	*20.00*	*20.00*
IT equipment	*20.00*	*20.00*
Other	*10.00*	*10.00*
*4. **Intangible assets***	*20.00*	*20.00*

2.8. Impairment

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

2.9. Investments in associates

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity cost of accounting.

2.10. Inventories

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

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

Small inventory is written off when put in use.

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

Merchandise on stock is recognised at purchase cost.

2.11. Trade debtors and prepayments

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

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

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

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

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

*2.14. **Termination, long-service and other employee benefits***

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

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

(b) Termination benefits

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

(c) Regular termination benefits

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

(d) Long-term employee benefits

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

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

2.15. Financial instruments

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

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

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

Loans and receivables

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

Financial assets available for sale

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

Effective interest method

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

Impairment of financial assets

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

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

Derecognition of financial assets

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

Classification as debt or equity

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

2.16. Contingencies

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

2.17. Events subsequent to the reporting date

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Useful life of property, plant and equipment

As described in the Note 3.8, the Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Property, plant and equipment are recognised initially at cost, less accumulated depreciation.

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

A deferred tax asset is recognized only to the extent that it is probable that the related tax benefit will be realised. In determining the amount of deferred taxes that can be recognised significant judgements are required, which are based on the probable quantification of time and level of future taxable profits, together with the future tax planning strategy. In 2011, deferred tax assets on available tax differences were recognised.

Impairment allowance on trade receivables

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

Actuarial estimates used in determining the retirement benefits

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

4. PRIOR-YEAR CORRECTIONS

During 2011 the Company corrected accounting errors it subsequently identified in it's corporate income tax calculations for the years 2006 up to and inclusive of 2010. The Company charged the effect of the correction of the accounting error to Retained Earnings balance at 31 December 2010.

The corrections for the years 2006 up to inclusive 2009 were made by reducing the balance of other reserves at 1 January 2010, and increasing the income tax liability for a total amount of HRK 4,731 thousand.

In the 2010 financial statements, the income tax was corrected by reducing the net profit for the year by HRK 3,970 thousand.

The total effect of the resulting restatement on the financial statements for the year ended 31 December 2009 is as follows:

Statement of financial position at 31 December 2009

	Notes	As originally reported	As restated	The resulting increase/ (decrease)
Equity				
Share capital	29	419.958	419,958	-
Reserves		200.806	196,075	(4,731)
Profit for the year		10.601	10,601	-
Total equity		**631.365**	**626,634**	**(4,731)**
Advances received	32	55.658	55,658	-
Trade payables	33	82.274	82,274	-
Short-term borrowings	34	116.673	116,673	-
Other current liabilities	35	10.947	15,678	4,731
Short-term provisions	30	-	-	-
Accrued expenses and deferred income	36	1.350	1,350	-
Total current liabilities		**266.902**	**271,633**	**4,731)**

The total effect of the resulting restatement on the financial statements for the year ended 31 December 2010 is as follows:

Statement of financial position at 31 December 2010

	Notes	As originally reported	As restated	The resulting increase/ (decrease)
Equity				
Share capital	29	419,958	419,958	-
Reserves		207,597	202,866	(4,731)
Profit for the year		20,743	16,773	3,970
Total equity		**648,298**	**644,327**	**(8,701)**
Advances received	32	80,430	80,430	-
Trade payables	33	66,327	66,327	-
Short-term borrowings	34	143,223	143,223	-
Other current liabilities	35	9,615	18,316	8,701
Short-term provisions	30	6,893	6,893	-
Accrued expenses and deferred income	36	1,705	1,705	-
Total current liabilities		**308,193**	**316,894**	**8,701**

	Notes	As originally reported	As restated	The resulting increase/ (decrease)
Profit before taxation		**20,777**	**20,777**	**-**
Income tax expense	17	34	4,004	3,970
Profit for the year		**20,743**	**16,773**	**(3,970)**
Other comprehensive income		1,696	1,696	-
Total comprehensive income		**22,439**	**18,469**	**(3,970)**

6 SALES

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

	31/12/2011	31/12/2010
Foreign sales	538,265	520,452
Domestic sales	19,427	20,853
	557,692	**541,305**

7 OTHER INCOME

	31/12/2011	31/12/2010
Income from sale of Property, pland and equipment	3,751	9,506
Income from sale of own shares	2,941	-
Income from bonuses provided by suppliers	2,698	4,786
Income from consumption of own products, goods and services	1,018	1,858
Income from damages collected	183	504
Other operating income	417	3,914
	11,008	**20,568**

8 COST OF RAW MATERIAL AND SUPPLIES

	31/12/2011	31/12/2010
Direct materials	137,148	144,017
Indirect materials	93,010	92,913
Electricity	12,163	13,350
Direct packaging	10,349	10,147
Preventive maintenance of machinery	2,014	2,075
Gas for heating in the production process	1,732	2,099
Other materials	1,239	2,067
Regular maintenance of machinery	818	1,208
Other expenses	5,081	6,964
	263,554	**274,840**

9 COST OF GOODS SOLD

Cost of goods sold in the amount of HRK 26,270 thousand (2010: HRK 23,389 thousand) represents the cost of merchandise on stock sold to third parties.

	31/12/2011	31/12/2010
Re-export costs	23,132	16,246
Cost of direct material sold	1,162	2,193
Cost of merchandise	946	1,960
Cost of spare parts sold	528	2,093
Other costs of goods sold	502	897
	26,270	**23,389**

10 SERVICE COSTS

	31/12/2011	31/12/2010
Transport	20,496	23,855
Rental costs	5,184	5,341
Regular and preventive maintenance costs - machinery	3,692	4,409
Commissions	2,149	2,829
Tool modification costs	987	2,016
Telecommunications and information systems	937	1,158
Communal fees	992	1,145
Water supply	950	967
Forwarding and shipping costs	893	1,162
Regular and preventive maintenance costs - buildings	587	608
Other expenses	3,496	3,055
	40,362	**46,545**

11 STAFF COSTS

	31/12/2011	31/12/2010
Net wages and salaries	54,258	55,794
Taxes and contributions out of salaries	22,607	23,248
Contributions on salaries	13,564	13,948
Provision for bonuses	1,960	-
Other staff costs	14,408	13,012
	106,797	**106,002**

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

12 DEPRECIATION AND AMORTISATION

	31/12/2011	31/12/2010
Depreciation	22,727	22,442
Amortisation	16,898	18,631
	39,625	**41,073**

13 OTHER OPERATING EXPENSES

	31/12/2011	31/12/2010
Temporary service costs - tools	40,848	10,842
Professional service cost	4,850	2,350
Other non-material costs	2,473	1,757
Bank charges	1,750	1,559
Communal fees for the use of construction plots	1,425	1,425
Insurance premiums	1,092	1,686
Cost of goods provided free of charge	805	1,309
Entertainment	595	270
Gifts for employees' children	574	227
Other fees (Supervisory Board)	607	284
Payment operation charges	505	546
Forest reproduction levies	317	362
Professional training costs	287	140
Customer complaints	198	1,220
Occupational Health and Safety service costs	190	223
Translation service costs	175	181
Water management fee	164	216
Net book value of disposed tangible fixed assets	27	6,619
Net book value of disposed intangible fixed assets	26	1,924
Other expenses	6,472	6,647
	63,380	**39,787**

Most of other external costs comprise manufacturing of tools for the production of car spare parts per orders of the ultimate car manufacturers and include the cost of the tools, tool modification services, transportation and other handling charges.

14 PROVISIONS FOR RISKS AND CHARGES

	31/12/2011	31/12/2010
Provisions under actuarial calculations	1,145	3,332
Vacation accruals	(655)	3,163
Litigation provisions	247	3,730
	737	**10,225**

15 FINANCE REVENUE

	31/12/2011	31/12/2010
Dividend income	26,817	-
Foreign exchange gains	20,131	22,728
Interest income	11,521	10,119
Other finance revenue	3,003	1,813
	61,472	**34,660**

16 FINANCE COSTS

	31/12/2011	31/12/2010
Foreign exchange losses	22,851	23,440
Interest expense	9,433	11,475
Other finance costs	3,931	905
	36,215	**35,820**

17 INCOME TAX

Income tax comprises the following:

	31/12/2011	31/12/2010 as restated
Current tax	3,242	4,671
Deferred tax	(221)	(667)
	3,021	**4,004**

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

	31/12/2011	31/12/2010
Balance at 1 January	667	-
Deferred tax assets recognised	221	667
Balance at 31 December	**888**	**667**

Deferred tax assets arise from the following:

2011	Opening balance	Credited / (Charged) to statement of comprehensive income	Closing balance
Temporary differences:			-
Provisions for long-service and termination benefits	667	221	888
Balance at 31 December	**667**	**221**	**888**

2010	Opening balance	Credited / (Charged) to statement of comprehensive income	Closing balance
Temporary differences:			-
Provisions for long-service and termination benefits	-	667	667
Balance at 31 December	**-**	**667**	**667**

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

	31/12/2011	31/12/2010 as restated
Profit for the year	**54,857**	**20,777**
70% of entertainment expenses	426	198
30 % of the cost of use of private cars	378	445
Taxable deficits	-	16
Costs of forced collection of taxes and other levies	27	-
Fines and penalties	72	77
Interest from related-party relationships	2	-
Written-off receivables	261	1,163
Provisions	3,105	3,954
Other taxable revenues	1,962	1,696
Tax base increasing items (PD Return Form)	**6,233**	**7,549**
Dividend income	(26,817)	-
Subsequent collection of written-off receivables	(101)	(241)
Other operating expenses from prior periods	(1,487)	-
Other non-taxable revenues	(39)	-
Government grants for training and education	(229)	(123)
Tax base decreasing items (PD Return Form)	**(28,673)**	**(364)**
Income tax base before the utilisation of tax losses brought forward	32,417	27,962
Tax losses brought forward	-	(4,605)
Tax base	**32,417**	**23,357**
Tax at the rate of 20%	6,483	4,671
Tax reliefs	(3,241)	-
Current tax liability	**3,242**	**4,671**

17 *INCOME TAX (CONTINUED)*

Movements in long-term borrowings during the year:

	2011	*2010*
Balance at 1/1/	-	*4,605*
Utilisation of tax losses brought forward	-	*(4,605)*
Balance at 31/12	**-**	**-**

The income tax rate effective in the Republic of Croatia for the years 2011 and 2010 was 20%.

The Company is entitled to incentive measures, which it utilised in 2011 in accordance with the Act on the Promotion of Investments.

The Ministry of Economy, Labour and Entrepreneurship issued on 6 April 2012 a certificate certifying that the Company, as the Applicant, meets the terms and conditions specified in the Act on the Promotion of Investments (Official Gazette No. 138/06) and is awarded the status of the incentive measure beneficiary.

Under the Investment Project reported in the period of the incentive measure beneficiary status (2011), the Company invested into the plastic packaging project for foods and opened new jobs in connection with the investment project.

In the preparation of the 2010 financial statements the Company applied, based on the interpretation of the conditions specified by the Act, a lower tax rate of 3 percent instead of the 20 percent rate. For the lower corporate income tax rate to be applied, the applicable Act on the Promotion of Investments requires that two conditions are met in cumulative: the investment has to be realised and new jobs related to the investment have to opened without reducing the total number of employees. In the period subsequent to obtaining the incentive measure beneficiary status, the Company invested in the construction of manufacturing facilities, purchased new equipment (except for the painting plant), opened the planned number of new jobs related to the investment, but the total number of employees was not increased compared to the crisis year of 2008 in which the Company became the beneficiary of the inventive measures. Due to this prior period has been corrected.

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

Deferred tax assets recognised arise on the temporary differences in provisions for retirement and long-service benefits.

18 *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. There were no circumstances that would give rise to a dilution of the earnings per share reported above.

	31/12/2011	***31/12/2010 as restated***
Net profit attributable to the Company shareholders	*51,836*	*16,773*
Weighted average number of shares	*4,195,841*	*4,075,805*
Basic earnings per share (in HRK)	***12.35***	***4.12***

19 INTANGIBLE ASSETS

	Licences	Software	Projects	Total
Cost				
Balance at 31 December 2009	**67**	**393**	**96,170**	**96,630**
Additions	-	365	6,598	**6,963**
Disposals and retirements	-	-	(1,923)	(1,923)
Balance at 31 December 2010	**67**	**758**	**100,845**	**101,670**
Additions	-	315	11,961	**12,276**
Disposals and retirements	(12)	-	-	**(12)**
Balance at 31 December 2011	**55**	**1,073**	**112,806**	**113,934**
Accumulated amortisation				
Balance at 31 December 2009	**-**	**393**	**41,577**	**41,970**
Charge for the year	-	30	18,601	**18,631**
Balance at 31 December 2010		**423**	**60,178**	**60,601**
Charge for the year		234	16,690	**16,924**
Balance at 31 December 2011		**657**	**76,868**	**77,525**
Net book value				
At 31 December 2011	**55**	**416**	**35,938**	**36,409**
At 31 December 2010	**67**	**335**	**40,667**	**41,069**

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

20 TANGIBLE ASSETS

	Land	Buildings	Plant and equipment	Assets under construction	Other	Total
Cost						
Balance at 31 December 2009	**124,030**	**197,907**	**306,399**	**3,644**	**440**	**632,420**
Additions	2,017	-	-	51,176	-	**53,193**
Transfer from assets under development	8,573	27,120	16,626	(54,097)	1,778	**-**
Disposals and retirements	-	-	(14,608)	-	(3)	**(14,611)**
Balance at 31 December 2010	**134,620**	**225,027**	**308,417**	**723**	**2,215**	**671,002**
Additions	759	-	-	7,205	-	**7,964**
Transfer from assets under development	-	1,663	2,486	(4,249)	100	**-**
Disposals and retirements	-	-	(1,310)	-	-	**(1,310)**
Balance at 31 December 2011	**135,379**	**226,690**	**309,593**	**3,679**	**2,315**	**677,656**
Accumulated depreciation						
Balance at 31 December 2009	**-**	**51,588**	**165,949**	**-**	**348**	**217,885**
Charge for the year	-	2,976	19,338	-	128	**22,442**
Disposals and retirements	-	-	(9,842)	-	(3)	**(9,845)**
Balance at 31 December 2010	-	**54,564**	**175,445**	-	**473**	**230,482**
Charge for the year	-	3,390	18,765	-	572	**22,727**
Disposals and retirements	-	-	(807)	-	-	**(807)**
Balance at 31 December 2011	**-**	**57,954**	**193,403**	**-**	**1,045**	**252,402**
Net book value						
At 31 December 2011	**135,379**	**168,736**	**116,190**	**3,679**	**1,270**	**425,254**
At 31 December 2010	**134,620**	**170,463**	**132,972**	**723**	**1,742**	**440,520**

At 31 December 2011, the net book value of tangible assets pledged as collateral with commercial banks amounts to HRK 254,165, and the balance of short-term and long-term loans secured by those assets is HRK 205,178 thousand.

21 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Name of subsidiary	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment, HRK'000	
			2011	2010	2011	2010
AD PLASTIK d.o.o.	Manufacture of other vehicle spare parts and accessories	Novo Mesto, Slovenia	100.00%	100.00%	204	204
ZAO PHR	Manufacture of other vehicle spare parts and accessories	Samara, Russian Federation	99.95%	99.90%	13,465	13,463
ZAO ADP LUGA	Manufacture of other vehicle spare parts and accessories	Luga, Russian Federation	100.00%	100.00%	61,012	61,012
SG PLASTIK d.o.o.	Business and other management consultancy	Solin, Republic of Croatia	100.00%	50.00%	250	250
ADP d.o.o.	Manufacture of other vehicle spare parts and accessories	Mladenovac, Serbia	100.00%	100.00%	17	-
					74,948	**74,929**

Name of associate	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment, HRK'000	
			2011	2010	2011	2010
EURO AUTO PLASTIC SYSTEMS	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	50.00%	50.00%	21,755	21,755
FAURECIA AD PLASTIK ROMANIA (FAAR)	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	49.00%	49.00%	336	336
FAURECIA ADP HOLDING	Manufacture of other vehicle spare parts and accessories	Nanterre, France	40.00%	40.00%	30,220	30,220
					52,311	**52,311**
Total investments in subsidiaries and associates					**127,259**	**127,240**

Based on the Decision of the Commercial Court of 31 August 2011, SG Plastik d.o.o. became a subsidiary fully owned by AD Plastik d.d.

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

AD PLASTIK d.o.o., Novo Mesto, Slovenia	**31/12/2011**	**31/12/2010**
Total assets	68,539	61,325
Total liabilities	65,598	59,306
Net assets	2,941	2,019
Share in the net assets of the associate	**100.00%**	**100.00%**

ZAO PHR, Samara, Russian Federation	31/12/2011	31/12/2010
Total assets	156,203	126,810
Total liabilities	128,453	98,129
Net assets	27,750	28,681
Share in the net assets of the associate	**99.95%**	**99.90%**

ZAO ADP LUGA, Luga, Russian Federation	31/12/2011	31/12/2010
Total assets	44,898	48,924
Total liabilities	1,845	487
Net assets	43,053	48,437
Share in the net assets of the associate	**100.00%**	**100.00%**

SG PLASTIK d.o.o., Solin, Croatia	31/12/2011	31/12/2010
Total assets	512	2,816
Total liabilities	1	2,311
Net assets	511	505
Share in the net assets of the associate	**100.00%**	**50.00%**

ADP d.o.o, Mladenovac, Serbia		
Total assets	15,587	-
Total liabilities	15,601	-
Net assets	(14)	-
Share in the net assets of the associate	**100.00%**	**-**

ADP d.o.o. is a new company established in the Republic of Serbia upon its registration on 6 December 2011 at the Primary Court in Kragujevac under the entry number OV-II-1697/11.

22 *OTHER FINANCIAL ASSETS*

	31/12/2011	31/12/2010
Long-term loans to subsidiaries	53,478	44,839
Long-term loans to associates	53,309	28,564
Long-term loans to unrelated companies	24,739	432
Other financial assets	64	64
Current portion of long-term loan receivables	(3,408)	(7,883)
	128,182	**66,016**

Long-term loans to subsidiaries and associates comprise long-term investment loans which bear interest at a rate of 7 percent for loans denominated in euro and 12.4 percent on loans with a currency protection clause, repayable over a period from four to eight years.

23 INVENTORIES

	31/12/2011	31/12/2010
Raw material and supplies on stock	18,049	21,218
Finished products	8,850	7,184
Spare parts	5,646	6,309
Work in progress	2,333	2,430
Small items and packaging	4	12
Merchandise	80	12
	34,962	**37,165**

24 TRADE RECEIVABLES

	31/12/2011	31/12/2010
Foreign trade receivables	119,966	143,724
Domestic trade receivables	15,027	17,117
Impairment allowance on receivables	(12,040)	(11,458)
	122,953	**149,383**

The average credit period on sales is 61 days. The Company has provided for all for all sued debtors, regardless of the past due period, as well as for all receivables that are past due and assessed as doubtful of collection.

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

Set out below is an analysis of major trade receivables:

	31/12/2011	31/12/2010
Visteon Deutschland, Germany	30,358	31,575
Revoz, Slovenia	24,535	55,385
Hella Saturnus Slovenia	5,703	4,641
Euro Auto Plastic Systems, Romania	4,549	2,506
Ford, Germany	3,225	2,389
Mecaplast, France	2,041	2,219
Belje, Croatia	1,291	2,527
Peugeot Citroen Automobiles, France	1,017	1,325
Zvijezda; Croatia	815	1,080
Other debtors	61,459	57,194
	134,993	**160,841**

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

	31/12/2011	31/12/2010
Balance at beginning of the year	9,719	9,115
Additionally impaired during the year	598	697
Amounts collected or eliminated during the year	(72)	(93)
Total impairment allowance on domestic trade receivables	**10,245**	**9,719**
Balance at beginning of the year	1,739	1,386
Additionally impaired during the year	200	1,074
Amounts collected or eliminated during the year	(144)	(721)
Total impairment allowance on foreign trade receivables	**1,795**	**1,739**
Total impairment allowance	**12,040**	**11,458**

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

	31/12/2011	31/12/2010
0 - 731 days	640	125
Over 1827 days	11,400	11,333
	12,040	**11,458**

Ageing analysis of receivables past due but not impaired:

	31/12/2011	31/12/2010
1 - 365 days	24,880	26,683
Over 365 days	1,892	4,700
	26,772	**31,383**

Receivables from related companies

	31/12/2011	31/12/2010
Trade receivables	51,729	80,475
Interest receivable	402	-
	52,131	80,475

25 OTHER RECEIVABLES

	31/12/2011	31/12/2010
Due from the state	16,926	15,433
Foreign prepayments made	15,099	15,583
Domestic prepayments made	7,746	5,004
Amounts due from employees	410	930
Other receivables	9,517	462
	49,698	37,412

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

26 CURRENT FINANCIAL ASSETS

	31/12/2011	31/12/2010
Short-term loans to subsidiaries	14,977	-
Other deposits	7,505	4
Other short-term loans	6,790	-
Current portion of long-term loan receivables	3,408	7,883
Short-term investments in investment funds	2,800	11,078
Short-term loans to subsidiaries	2,161	-
Transit guarantee deposit funds	72	72
	37,713	19,037

27 CASH AND CASH EQUIVALENTS

	31/12/2011	31/12/2010
Current account balance	587	221
Foreign account balance	587	3,002
Transitory account	(4)	-
Cash in hand	19	6
Deposits with a term of up to 3 months	28,530	55,389
	29,719	**58,618**

28 PREPAID EXPENSES AND ACCRUED INCOME

Accrued income in the amount of HRK 110,035 thousand (2010: HRK 69,250 thousand) relates to the manufacture of tools for a known customer. Income from the manufacture of tools is recognised using the stage-of-completion method to determine the amount of income and costs attributable to a certain period.

	31/12/2011	31/12/2010
Other accrued income on tools	110,035	69,250
Other accrued income	3,214	3,400
Prepaid operating expenses	2,854	2,877
	116,103	**75,527**

29 SHARE CAPITAL

Subscribed capital amounts to HRK 419,958 thousand and consists of 4,199,580 shares, with a nominal value of HRK 100.00 per share (2010: HRK 419,958 thousand, 4,199,580 shares, with a nominal value of HRK 100 each).

The shareholders with over 2 percent of the shares at 31 December 2011 were as follows:

Shareholder	Headquarters	Number of shares	Ownership in %	Type of account
OAO Holding	Saint Petersburg, Russia	1,259,875	30.00%	Primary account
ADP-ESOP d.o.o.	Zagreb, Croatia	219,312	5.22%	Primary account
PBZ d.d.	Zagreb, Croatia	192,809	4.59%	Custody account
HYPO ALPE-ADRIA-BANK d.d./RAIFFEISEN MANDATORY PENSION FUND	Zagreb, Croatia	175,502	4.18%	Pension fund
Bakić Nenad	Zagreb, Croatia	126,969	3.02%	Primary account
Total:		**1,974,467**		

30 PROVISIONS

	Short-term: 31 December 2011	31 December 2010	Long-term: 31 December 2011	31 December 2010
Jubilee awards (long-service benefits)	-	-	1,897	1,936
Termination benefits	1,050	-	1,491	1,396
Legal actions	3,838	3,730	-	-
Vacation accrual	2,508	3,163	-	-
Bonuses to employees	1,960	-	-	-
	9,356	**6,893**	**3,388**	**3,332**

	Jubilee awards (long-service benefits)	Termination benefits	Legal actions	Vacation accrual	Bonuses	Total
Balance at 1 January 2011	**1,936**	**1,396**	**3,730**	**3,163**	**-**	**10,225**
Credited/(charged) to statement of comprehensive income						
Increase/(decrease) in provisions	(39)	1,145	108	(655)	1,960	1,469
Balance at 31 December 2011	**1,897**	**2,541**	**3,838**	**2,508**	**1,960**	**11,694**

Long-service and termination benefits

Defined benefit plan

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

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

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

Key assumptions used in calculating the required provisions are the discount rate of 6.21% and the rate of fluctuation of 1.07%.

30 LONG-TERM BORROWINGS

	31/12/2011	31/12/2010
Long-term borrowings	113,988	123,170
	113,988	**123,170**
Current portion of long-term borrowings	(34,146)	(30,339)
Total long-term borrowings	**79,842**	**92,831**

Long-term borrowings comprise HBOR investment loans and bear interest at a rate of 4 percent, as well as long-term loans from commercial banks with interest rates ranging from 4 to 6,1 percent. AD Plastik d.d. services regularly all of its obligations under those borrowings, in line with the terms and conditions of the underlying loan agreements.

Movements in long-term borrowings during the year:

	2011	2010
Balance at 1 January	123,170	153,194
New loans raised	20,000	-
Amounts repaid	(29,182)	(30,024)
Total long-term borrowings	**113,988**	**123,170**

32 ADVANCES RECEIVED

	31/12/2011	31/12/2010
Domestic customers	993	2,481
Foreign customers	108,725	77,949
	109,718	**80,430**

33 TRADE PAYABLES

	31/12/2011	31/12/2010
Foreign trade payables	67,702	49,586
Domestic trade payables	17,018	16,741
	84,720	**66,327**

34 SHORT-TERM BORROWINGS

	31/12/2011	31/12/2010
Short-term borrowings - principal payable	89,621	111,621
Current portion of long-term borrowings	34,147	30,339
Short-term borrowings - interest payable	1,568	1,261
Other short-term financial liabilities	-	2
	125,336	**143,223**

Short-term loans represent revolving facilities provided by commercial banks and short-term HBOR loans for export and import preparation, with the interest rate of 5 percent.

	2011.	2010.
Balance at 1 January	143.223	116.673
New loans raised	118.229	**103.325**
Amounts repaid	(136.116)	(76.775)
Total short term loans	**125.336**	**143.223**

35 OTHER CURRENT LIABILITIES

	31/12/2011	*31/12/2010, as restated*	*31/12/2010*
Due to the State and State institutions	*17,596*	*8,346*	*4,376*
Amounts due to employees	*5,080*	*5,227*	*5,227*
Other current liabilities	*39*	*12*	*12*
	22,715	***13,585***	***9,615***

36 ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2011	*31/12/2010*
Due to the State and State institutions	*972*	*593*
Amounts due to employees	*-*	*56*
Other current liabilities	*1,236*	*1,056*
	2,208	***1,705***

37 RELATED-PARTY TRANSACTIONS

The transactions carried out with related companies are summarized below:

Trade receivables and payables	Receivables		Liabilities	
	2011	2010	2011	2010
AD PLASTIK d.o.o. , Slovenia	17,366	48,472	8	14
ZAO PHR, Russia	34,765	76,841	212	289
ZAO ADP LUGA , Russia	-	-	-	36,966
SG PLASTIK d.o.o., Croatia	-	528	-	-
ADP d.o.o., Serbia	-	-	-	-
	52,131	**125,841**	**220**	**37,269**

Trading transactions

	Income		Expenses	
Operating income and expenses	2011	2010	2011	2010
AD PLASTIK d.o.o. , Slovenia	157,589	156,820	202	94
ZAO PHR, Russia	49,967	25,192	2,590	2,534
ZAO ADP LUGA , Russia	-	13,688	-	929
SG PLASTIK d.o.o. Croatia	4	2,956	-	-
ADP d.o.o. Serbia	-	-	-	-
	207,560	**198,656**	**2,792**	**3,557**

Financial transactions

	Income		Expenses	
Financial income and expenses	2011	2010	2011	2010
AD PLASTIK d.o.o. , Slovenia	461	1,300	282	609
ZAO PHR, Russia	15,967	7,225	3,522	1,581
ZAO ADP LUGA , Russia	4,975	4,880	4,480	3,383
SG PLASTIK d.o.o. Croatia	-	-	-	-
ADP d.o.o. Serbia	-	-	-	-
	21,403	**13,405**	**8,284**	**5,573**

Directors' and executives' remuneration

	31/12/2011	31/12/2010
Salaries	9,142	7,789
	9,142	**7,789**

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

38.1. Gearing ratio

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

	31/12/2011	31/12/2010
Short-term borrowings	125,336	143,223
Long-term borrowings	79,842	92,831
Cash and cash equivalents	29,719	58,618
Net debt	175,459	177,436
Equity	671,857	644,328
Net debt-to-equity ratio	**26.12%**	**27.54%**

38.2. Categories of financial instruments

	31/12/2011	31/12/2010
Financial assets	**478,597**	**442,272**
Investments in subsidiaries and associates	127,259	127,240
Loans	128,182	73,899
Trade receivables	122,953	149,383
Other receivables	60,185	22,055
Financial assets at fair value through profit or loss (statement of comprehensive income)	10,300	11,078
Cash	29,718	58,617
Financial liabilities	**404,735**	**388,050**
Loans	205,178	236,054
Trade payables	199,557	151,996

At the reporting date there are no significant concentrations of credit risk for loans and receivables designated at fair value through the statement of comprehensive income.

38.3. Financial risk management objectives

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

The Company seeks to minimise the effects of these risks. The Company does not enter into, or trade in financial instruments, including derivative financial instruments, for speculative purposes.

38.4. Price risk management

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

38.5. Interest rate risk

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

38.6. Credit risk

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

The six largest customers of the Company are AD Plastik, Slovenia, Visteon Germany, Hella Saturnus Slovenia, Revoz Slovenia, Peugeot France, and Ford Motor Germany. Revenues generated by the sales to these business partners represent 92 percent of the total sales.

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

38.7. Foreign currency risk management

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

At 31 December	**Assets**		**Liabilities**		**Net position**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
EUR	207,968	270,178	219,139	224,246	(11,171)	45,932
RUR	83,105	28,619	32,412	36,971	50,693	(8,352)
USD	337	645	307	1,406	30	(761)
GBP	13	9	21	-	(8)	9
CHF	-	-	17	20	(17)	(20)
	291,423	**299,451**	**251,896**	**262,643**	**39,527**	**36,808**

Foreign currency sensitivity analysis

The Company is mainly exposed to the countries using euro as their currency. The following table details the Company's sensitivity to a 2-percent decrease of the Croatian kuna in 2011 and 2010 against the euro. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end. A negative number below indicates a decrease in profit where the Croatian kuna changes against the relevant currency for the percentage specified above.

	EUR impact	
	2011	**2010**
Change in exchange differences	(223)	918

38.8. Liquidity risk management

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

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

2011	Average interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Assets							
Non-interest bearing		76,987	83,876	24,580	-	127,259	312,702
Interest bearing	9.96%	7,180	8,410	54,805	124,281	21,312	215,988
		84,167	**92,286**	**79,385**	**124,281**	**148,571**	**528,690**
Liabilities							
Non-interest bearing		29,608	59,730	13,404	96,662	-	199,404
Interest bearing	4.53%	22,257	8,244	102,390	80,940	5,870	219,701
		51,865	**67,974**	**115,794**	**177,602**	**5,870**	**419,105**

2010	Average interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Assets							
Non-interest bearing		127,306	69,210	11,485	-	127,240	335,241
Interest bearing	11%	-	3,817	23,451	76,690	11,357	115,315
		127,306	**73,027**	**34,936**	**76,690**	**138,597**	**400,556**
Liabilities							
Non-interest bearing		40,527	31,030	-	-	-	71,557
Interest bearing	4.7 %	3,917	27,875	98,585	84,735	17,026	232,138
		44,444	**58,905**	**98,585**	**84,735**	**17,026**	**303,695**

38.9. Fair value of financial instruments

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

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

At 31 December 2011, the carrying amounts of cash, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their fair values due to the short-term maturity of these financial instruments.

39. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board of AD Plastik d.d. and authorised for issue on 23 April 2012.

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

Josip Boban
President of the Management Board

4. DECISION PROPOSAL:

Pursuant to clause 300 d. Companies Act and clause 29 of AD PLASTIK`s Inc., Solin, Statue, the Supervisory Board of AD PLASTIK dd Solin, OIB: 48351740621, on 31/05/2012. year brings

DECISION

About acceptance of the Annual financial statements of AD PLASTIK Inc. and consolidated annual financial statements of the Group AD PLASTIK for 2011. year

I. Acceptance of the Annual Report of Ad PLASTIK Inc. for 2011. year as follows:

1. Balance with the sum of assets and liabilities of	kn 1,109,140,157.00
2. Second Profit and loss data:	
-Total revenues	kn 630,826,453.00
- Total expenditure	kn 575,970,310.00
- Profit before taxation of	kn 54,856,143.00
- Income tax	kn 3,020,441.00
- Profit for the year	kn 51,835,702.00
3. Statement of Cash Flows for 2011. year with data on the Net decrease in cash and cash equivalents of	kn 2,041,192.00
4. Notes to Financial Statements	

II. Acceptance of the Consolidated Financial Statements of Group AD PLASTIK for 2011. year as follows:

1. Balance with the sum of assets and liabilities of	kn 1,201,548,169.00
2. Profit and loss data:	
- Total revenues of	kn 799,200,540.00
- Total expenditure	kn 728,651,458.00
- Profit before taxation of	kn 70,549,082.00
- Income tax	kn 5,880,690.00
- Profit for the year	kn 64,668,392.00
- Minority interest income	kn 5.311.00
- Net income Group	kn 64,663,081.00
3. Statement of Cash Flows for 2011. year with data on the Net decrease in cash and cash equivalents of	kn 2,049,437.00

Supervisory Board

President

5. ***DECISION PROPOSAL:***

Pursuant to clause 275. Part 1, point 2 Companies Act and clause 33 of AD Plastik Inc, Solin, Statute, Supervisory Board of AD Plastik Solin on day __.07.2012. brings:

DECISION

About usage of Net income

Net income of AD Plastik, Solin from year 2011., after tax, is 51.835.702,00 kuna and is being used on following:

1. *Dividend payout* *33.566.728,00 kn*
2. *Other reserves* *18.568.974,00 kn*

General assembly
President

4. Adress book

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