

AD Plastik d.d.

Joint-stock company
for automotive plastic components manufacturing

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AD PLASTIK, d.d., Solin
SUPERVISORY BOARD
Solin, May 23, 2019

- to the General Assembly of AD PLASTIK d.d.
- to the Management Board of AD PLASTIK d.d.

REPORT ON THE PERFORMED SUPERVISION OVER MANAGEMENT OF BUSINESS OF AD PLASTIK GROUP FOR 2018

I. Introductory part

Composition of the Supervisory Board:

Drandin Dmitry Leonidovich, President,
Ivica Tolić, Vice President,
Hrvoje Jurišić, member,
Zoja Crnečki, member,
Nikitina Nadezhda Anatolyevna, member,
Igor Anatolyevich Solomatin, member,
Robert Kuhta, member

Subject to supervision:

The Supervisory Board has examined:

- Annual Financial Statements of AD PLASTIK d.d. for 2018,
- Consolidated Annual Financial Statement of AD PLASTIK Group for 2018,
- Report by auditing company Deloitte d.o.o. on the performed audit of the Annual Financial Statements of AD PLASTIK Group for 2018,
- Annual Report by Management Board on the status of AD PLASTIK Group for 2018,
- Draft decision on the use of profit realized in 2018

II. Results of examination

1) The Company has conducted business in accordance with the laws and acts of the Company and the decisions of the General Assembly.

2) Annual Financial Statement of AD PLASTIK d.d. for 2018, as well as Consolidated Annual Financial Statement of AD PLASTIK Group for 2018 have been drawn up in accordance with the status set out in Company's account ledgers. The Supervisory Board has no objections and it has agreed with the aforementioned financial statements.

3) The Supervisory Board has adopted the report by an independent auditor - the auditing company Deloitte d.o.o. Zagreb on the performed audit of the Annual Financial Statements of AD PLASTIK Group for 2018 and it has no objections regarding the said Auditor's Report.

4) The Supervisory Board has adopted the report by Management Board on the status of AD PLASTIK Group for 2018, including the report on the status of the company at the level of AD PLASTIK d.d. and AD PLASTIK Group and it has no objections regarding the said report by Management Board.

5) The Supervisory Board is of the opinion that the proposal of the Management Board on the use of profit realized by AD PLASTIK d.d. in the business year 2018 is consistent with the business results, that it is in the function of the business plan for the current year, that it protects the interests of the shareholders and that it complies with the positive regulations of the Republic of Croatia. Therefore, the Supervisory Board has given its consent to the submitted proposal of the Management Board on the use of the Company's profit for 2018, as follows:

Profit of AD PLASTIK d.d. realized in 2018 after taxation amounts to HRK 88,961,262.00 and it shall be used as follows:

- for dividend payment in the amount of HRK 52,494,800.00
- remaining portion for retained earnings.

Accrued dividend for the Company's own shares as of the date which is relevant for the acquisition of a claim for dividend payment, shall be allocated to retained earnings.

It has been proposed to the General Assembly to adopt draft decision from the previous paragraph.

6) The Supervisory Board has examined management of business of the Company and the Group as follows:

6.1. by reviewing the Company's and Group's reports, namely: Balance Sheet with the sum of assets and liabilities, Statement of Profit and Loss, Cash Flow Statement for 2018, indicating the net increase in cash and cash equivalents, as well as Notes to the Financial Statements.

6.2. by discussing the reports set out in the paragraph 6.1. at the meetings of the Supervisory Board.

6.3. by reviewing the reports on audit for 2018 performed by auditing company Deloitte, d.o.o. and by discussing the mentioned report at the Supervisory Board's meeting held on May 23, 2019.

7) During 2018 the Supervisory Board held 4 (four) meetings, namely: on May 24, 2018, on July 12, 2018, on September 12, 2018 and on December 13, 2018.

In addition to the regular reports by the Company's Management Board on the results and status of business of the Company and the Group, as well as joint business development consultations, the following issues have been discussed in more detail at the meetings of the Supervisory Board:

- Draft decision on the use of profit for 2017 as well as on dividend payment,
- Report on the implementation of the policy on the provision of non-audit services for 2017,
- Report on the implementation of the corporate management policy of subsidiary and affiliated companies of the company AD PLASTIK d.d. for 2017,
- Draft decision on giving the prior consent to the Management Board to acquire 100% share in the trading company TISZA AUTOMOTIVE Kft in Hungary,
- Proposal of the Annual Business Plan of AD PLASTIK Group for 2019,

- Proposal of the Medium Term Development Plan of AD PLASTIK Group for the period 2019 – 2021
- Draft decision on determining candidates for two members of the Supervisory Board,
- Draft decision on appointing two members of the Audit Committee.

In addition, during 2018 the Supervisory Board held three extraordinary meetings in accordance with the rules of procedure for the Supervisory Board regarding extraordinary meetings, namely:

- on February 1, 2018 on giving consent to the Management Board of AD PLASTIK d.d. for the adoption of Business Plan of AD PLASTIK Group for 2017 (plus an expenses plan for the bonus to the Management Board and management),
- on April 16, 2018 on draft decision on adoption of the Interim Report by Management of AD PLASTIK Group for 2017 (Q4),
- on October 12, 2018 on draft decision on granting consent to the Management Board of AD PLASTIK d.d. for sale and acquisition of real estate in the area of cadastral municipality Solin.

Three commissions of the Supervisory Board operated in 2018:

a) During 2018 Audit Committee held four meetings, as follows:

- 22nd meeting on April 16, 2018 when the following documents were adopted: Report on realization of the Annual Internal Audit Plan for 2017; Report on the implementation of the policy on the provision of non-audit services for 2017; Annual Internal Audit Plan for 2018; and Report on the audit of the process of drawing up the Business Plan of AD PLASTIK Group for 2017;
- 23rd meeting on May 24, 2018 when Report by Audit Committee on the performed supervision over conduction of mandatory audit of Annual Financial Statements of AD PLASTIK d.d. and Consolidated Annual Financial Statements of AD PLASTIK Group for 2017 were adopted, Annual Financial Statements of AD PLASTIK d.d. and Consolidated Annual Financial Statements of AD PLASTIK Group for 2017 were reviewed, as well as Auditor's Reports on the performed audit of aforementioned financial statements and it also made recommendations to the Supervisory Board to adopt those reports. Apart from that, the Audit Committee also discussed draft decisions on the use of profit realized in 2017 and dividend payment, as well as on appointment of the auditor for 2018 and determining remuneration for its work. It made recommendations to the Supervisory Board to adopt Drafts of the said decisions. In addition, the Audit Committee accepted the Internal Audit Report for the 1 (first) quarter of 2018;
- 24th meeting on September 12, 2018 when the Audit Committee discussed and adopted the Internal Audit Report for the 2 (second) quarter of 2018;
- 25th meeting on December 13, 2018 when the Audit Committee discussed and adopted the Internal Audit Report for the 3 (third) quarter of 2018 as well as Proposal for amendments to the rules of procedure of Internal Audit Service.

b) On December 13, 2018 the Appointment Committee held a meeting when proposal for candidates for two members of the Supervisory Board was adopted, as well as for two members of the Audit Committee of AD PLASTIK d.d.

c) During 2018 Remuneration Committee held two meetings, namely:

- 8th meeting on May 24, 2018 when draft decision on remunerating the President and the members of the Management Board of AD PLASTIK d.d. for the successful work in 2017 was adopted;
- 9th meeting on December 13, 2018 when draft decision on special remuneration payment to the President of the Management Board of AD PLASTIK d.d. for contribution to the successful work and improvement of the business of the company AD PLASTIK d.d. was adopted.

8) The Supervisory Board and the Management Board have accepted and adopted financial statements at Company and Group level.

9) Decisions of the Management Board and Supervisory Board on the financial statements for 2018 are attached to this report.

10) The Supervisory Board has estimated that each of its individual members is competent to perform tasks that fall under the remit of the Supervisory Board according to law, and that each member has significantly contributed to the work of the Supervisory Board during 2018. The Supervisory Board has also estimated that the joint work and cooperation of all members of the Supervisory Board in 2018 was satisfactory and that the work of the Supervisory Board as a whole was successful in the said year.

11) The Supervisory Board has estimated that its relationship with the Management Board in 2018 was correct.

President of the Supervisory Board
Dmitry Leonidovich Drandin

