

AD Plastik d.d.

Joint-stock company
for automotive plastic components manufacturing

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AD PLASTIK, d.d., Solin
SUPERVISORY BOARD
Solin, July 2, 2020

- 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 2019

I. Introductory part

Composition of the Supervisory Board:

Drandin Dmitry Leonidovich, President,
Ivica Tolić, Vice President,
Bože Plazibaš, member,
Ivka Bogdan, member,
Nikitina Nadezhda Anatolyevna, member,
Solomatin Igor Anatolyevich, member,
Robert Kuhta, member

Subject to supervision:

The Supervisory Board has examined:

- Annual Financial Statements of AD PLASTIK d.d. for 2019,
- Consolidated Annual Financial Statement of AD PLASTIK Group for 2019,
- Report by audit firm Deloitte d.o.o. on the performed audit of the Annual Financial Statements of AD PLASTIK Group for 2019,
- Annual Report by Management Board on the status of AD PLASTIK Group for 2019,
- Draft decision on the use of profit realized in 2019

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 2019, as well as Consolidated Annual Financial Statement of AD PLASTIK Group for 2019 have been drawn up in accordance with the status set out in Company's account ledgers. The Supervisory Board has no objections and it gave consent to the aforementioned financial statements.
- 3) The Supervisory Board has adopted the report by an independent auditor - the audit firm Deloitte d.o.o. Zagreb on the performed audit of the Annual Financial Statements of AD PLASTIK Group for 2019 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 2019, 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 draft decision of the Management Board on the use of profit realized by AD PLASTIK d.d. in the business year 2019 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 Management Board of the Company to allocate a part of the profit realized in 2019 in the amount of HRK 21,698,677.00 to other reserves from profit to cover the unwritten-off development costs stated in the Company's assets as of December 31, 2019 and to use the remaining profit of the Company for 2019 in the amount of HRK 68,447,074.00 as follows:

- for a dividend in the amount of HRK 16,522,104.00, which has already been paid in the form of an advance dividend in accordance with the decision of the Management Board of the Company dated February 27, 2020,
- the rest in the amount of HRK 51,924,970.00 for 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 2019, indicating the net decrease 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 2019 performed by audit firm Deloitte, d.o.o. and by discussing the mentioned report at the Supervisory Board's meeting held on July 2, 2020.

7) During 2019 the Supervisory Board held 5 (five) meetings, namely: on March 4, 2019, on March 21, 2019, on May 23, 2019, on September 5, 2019 and on December 12, 2019.

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 2018 as well as on dividend payment,
- Report on the implementation of the policy on the provision of non-audit services for 2018,
- Report on the implementation of the corporate management policy of subsidiary and affiliated companies of the company AD PLASTIK d.d. for 2018,
- Draft decision on appointment of the President of the Management Board of AD PLASTIK d.d.,
- Draft decision on appointing one member of the Supervisory Board,
- Draft decision on appointing two members of the Appointment Committee and one member of the Audit Committee,
- Draft Decision on appointment of the person in charge of monitoring the policy for provision of non-audit services,
- Draft Rules of procedure on amendments to the Rules of procedure for the Audit Committee,
- Draft Annual Business Plan of AD PLASTIK Group for 2020,
- Draft Medium Term Development Plan of AD PLASTIK Group for the period 2020 – 2022

In addition, during 2019 the Supervisory Board held one meeting by correspondence, namely on December 18, 2019 on draft decision on giving consent to the Management Board of AD PLASTIK d.d. for the purchase of 2 (two) shares of the company AO AD PLASTIK TOGLIATTI, Russian Federation.

Three commissions of the Supervisory Board operated in 2019:

a) During 2019 Audit Committee held four meetings, as follows:

- 26th meeting on March 21, 2019 where the following documents were adopted: Internal Audit Report on planned activities for improvements with the aim of correcting the results set out in the Internal Audit Report from December 2018; Report on realization of the Annual Internal Audit Plan for 2018; Report on the implementation of the policy on the provision of non-audit services for 2018; Annual Internal Audit Plan for 2019; Draft Decision on appointment of the person in charge of monitoring the policy for provision of non-audit services, Draft Decision on appointment of the Director of Internal Audit, and Draft Rules of procedure on amendments to the Rules of procedure for the Audit Committee;

- 27th meeting on May 23, 2019 where 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 2018 were adopted, Annual Financial Statements of AD PLASTIK d.d. and Consolidated Annual Financial Statements of AD PLASTIK Group for 2018 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 these reports. Apart from that, the Audit Committee also discussed draft decisions on the use of profit realized in 2018 and dividend payment, as well as on appointment of the auditor for 2019 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 in relation to the realization and implementation of recommendations in 2018;

- 28th meeting on September 5, 2019 where the Audit Committee discussed and adopted the Report of the Director of Internal Audit on the audits performed in the 2nd quarter of 2019;

- 29th meeting on December 12, 2019 where the Audit Committee discussed and adopted the Report of the Director of Internal Audit on the audits performed in the 3rd quarter of 2019, and the Draft Annual Internal Audit Plan of AD PLASTIK d.d. for 2020.

b) During 2019 Appointment Committee held two meetings, namely:

- on May 23, 2019 when the proposal of the candidate for one member of the Supervisory Board, for one member of the Audit Committee, and for 2 (two) members of the Appointment Committee of AD PLASTIK d.d. was adopted, and

- on September 5, 2019 when a recommendation was given to the Supervisory Board on the appointment of Mr. Marinko Došen as the President of the Management Board of AD PLASTIK d.d. for another term of office.

c) During 2019 Remuneration Committee held two meetings, namely:

- 10th meeting on May 23, 2019 when draft decision on remunerating the President and the members of the Management Board of AD PLASTIK d.d. for the successful work in 2018 was adopted, and

- 11th meeting on September 5, 2019 when draft Management Agreement with the President of the Management Board of 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 2019 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 2019. The Supervisory Board has also estimated that the joint work and cooperation of all members of the Supervisory Board in 2019 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 of the Company in 2019 was correct.

President of the Supervisory Board
Drandin Dmitry Leonidovich

