

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 27, 2021

- 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 2020

I. Introductory part

Composition of the Supervisory Board:

Drandin Dmitry Leonidovich, President (until July 20, 2020),
Bodrunov Sergey Dmitrievich, President (from August 04, 2020)
Ivica Tolić, Deputy President,
Bože Plazibat, member,
Ivka Bogdan, member,
Anatolyevna Nikitina Nadezhda, member (until July 20, 2020),
Koretskaya Alina Viktorovna, member (from July 20, 2020),
Solomatin Igor Anatolyevich, member,
Robert Kuhta, member (until May 14, 2020),
Anđelka Čulo, member (from May 14, 2020).

Subject to supervision:

The Supervisory Board has examined:

- Annual Financial Statements of AD Plastik d.d. for 2020,
- Consolidated Annual Financial Statement of AD PLASTIK Group for 2020,
- Report by audit firm KPMG Croatia d.o.o. on the performed audit of the Annual Financial Statements of AD PLASTIK Group for 2020,
- Annual Report by Management Board on the status of AD Plastik Group for 2020,
- Draft decision on the use of profit realized in 2020

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 2020, as well as Consolidated Annual Financial Statement of AD Plastik Group for 2020 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 KPMG Croatia d.o.o. Zagreb on the performed audit of the Annual Financial Statements of AD Plastik Group for 2020 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 2020, 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 2020 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 approves the submitted proposal of the Management Board on the use of the Company's profit realized in 2020, as follows:

- for dividend payment in the amount of HRK 33,596,672.00
- the rest for the retained earnings.

The calculated dividend amount of the Company's own shares, as of the day of the acquisition of the right to dividend payment, shall be included in 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 2020, 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 2020 performed by audit firm KPMG Croatia d.o.o. and by discussing the mentioned report at the Supervisory Board's meeting held on May 27, 2021.

7) During 2020 the Supervisory Board held 6 (six) meetings, namely: on February 27, 2020, on July 2, 2020, on August 4, 2020, on September 3, 2020, on October 29, 2020 and on December 17, 2020.

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 granting prior consent to the Management Board of the Company for advance dividend payment from the part of the Company's net profit realized in 2019,
- Draft Decision on granting prior consent to the Management Board of the Company for the sale of real estate owned by the Company located in Makarska;
- Draft Decision on the use of profit realized in 2019;
- Report on the implementation of the corporate management policy of subsidiary and affiliated companies of the company AD Plastik d.d. for 2019,
- Draft Decisions on the number of members of the Management Board of AD Plastik d.d., and their appointment;
- Draft Decision on the election of one member of the Supervisory Board, and the election of the President and Deputy President of the Supervisory Board;
- Draft Decisions on the appointment of two members of the Remuneration Committee, one member of the Audit Committee, and one member of the Appointment Committee;

- Draft Decisions on granting prior consent to the Management Board on the Rebalance of the Annual Business Plan of AD Plastik Group for 2020, and on the Code of Business Conduct and Policies of AD Plastik Group;
- Draft Annual Business Plan of AD Plastik Group for 2021;
- Draft Medium-Term Development Plan of AD Plastik Group for the period 2021 - 2023;
- Determining the Draft Decision on remuneration of the members of the Supervisory Board of AD Plastik d.d.

In addition, during 2020 the Supervisory Board held one meeting by correspondence, namely on April 9, 2020 on draft decision on acceptance of the Interim Business Report of AD Plastik Group for 2019 (Q4), and on the Report on the implementation of the policy on the provision of non-audit services for 2019.

Three commissions of the Supervisory Board operated in 2020:

a) During 2020 Audit Committee held three meetings, as follows:

- 30th meeting on April 9, 2020 where it accepted the Report of the Internal Audit Director on audits performed in the 4th quarter of 2019, Report on realization of the Annual Internal Audit Plan for 2019, and the Report on the implementation of the policy on the provision of non-audit services for 2019;
- 31st meeting on July 2, 2020 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 2019 was adopted, Annual Financial Statements of AD Plastik d.d. and Consolidated Annual Financial Statements of AD Plastik Group for 2019 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 2019, as well as on appointment of the auditor for 2020 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 Report of the Internal Audit Director on audits performed in the 1st quarter of 2020;
- 32nd meeting on December 17, 2020 where Audit Committee discussed the Report of the Internal Audit Director on audits performed in the 3rd quarter of 2020.

b) During 2020 Appointment Committee held one meeting, namely on July 2, 2020 where the proposals of the candidate for one member of the Supervisory Board, for one member of the Remuneration Committee, and for three members of the Management Board of AD Plastik d.d. were adopted.

c) During 2020 Remuneration Committee held two meetings, namely:

- 12th meeting on July 2, 2020 where draft manager's contracts with members of the Management Board of AD PLASTIK d.d. were adopted, and
- 13th meeting on December 17, 2020 where recommendation was given to the Supervisory Board on adopting the draft decision on remuneration of members of the Supervisory Board of AD Plastik d.d.

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 2020 are attached to this report.

10) Pursuant to the Company's Charter, the Supervisory Board operates in its full composition of seven members (three female members and four male members) who have been elected or appointed in

accordance with the Law, internal acts and the Company's Diversity Policy, which is assessed as the optimal number for effective performance of its duties. Members of the Supervisory Board have various knowledge, skills, and professional and practical experience necessary to properly perform their tasks, while the special requirement that at least one member of the Supervisory Board is expert in the field of accounting and/or auditing financial statements has also been met. Most members of the Supervisory Board also have international experience, which is of particular importance given that AD Plastik Group operates in the international market. In the described way, the necessary balance has been established in the composition of the Supervisory Board not only in terms of skills, experience and competencies, but also in terms of age (age range from 31 to 69) and gender, by supporting the appropriate level of representation of women (in the current composition more than 40%).

During 2020, the Supervisory Board and its committees regularly held their meetings, in which all members participated, and they function well, have a balanced composition and the necessary expertise that is in line with the requirements of the Company and the Group business, performing their roles and responsibilities in an appropriate and effective manner.

Consequently, the Supervisory Board assesses that each of its members, as well as a member of its committees, is competent to perform tasks that fall within the competence of the Supervisory Board and its committees pursuant to law, and that each member in 2020 significantly contributed to their work.

The Supervisory Board also assesses that the joint work and cooperation of all members of the Supervisory Board, as well as members of its committees in 2020 was satisfactory, and that the work of the Supervisory Board and its committees, as a whole, was successful in that year.

The Executive Director for Legal Affairs of the Company, who performs the duties of the Secretary of the Company, provided effective and timely administrative support in the preparation of the meetings of the Supervisory Board and its committees.

The Supervisory Board supports the Company's commitment to pay significant attention to the diversity aspect, and it will, in addition to the much-needed expertise and experience of candidates, consider this aspect of diversity in future proposals for election or appointment to the Supervisory Board of the Company.

11) The Management Board and the Supervisory Board work closely together for the benefit of the Company and the Group. During 2020, the Management Board regularly submitted to the Supervisory Board reports prescribed by law, and duly informed it of all major business events, business flow, revenue and expenses, all deviations of business events from the original plans, and the general condition of the Company and the Group. Following the above, the Supervisory Board assesses that its relationship with the Management Board of the Company in 2020 was correct.

President of the Supervisory Board
Bodrunov Sergey Dmitrievich