

The Report of Ericsson Nikola Tesla d.d. Supervisory Board on the supervision performed on the Company's operations in 2020

April 23, 2021

Pursuant to the provisions of the Croatian Companies Act and Ericsson Nikola Tesla d.d. Articles of Association, the Supervisory Board of Ericsson Nikola Tesla d.d. monitored the Company's business operations, taking respective decisions and conclusions at four (4) regular and five (5) extraordinary Supervisory Board meetings, held in 2020. There was full attendance of Supervisory Board members at all meetings.

In 2020, the members of the Supervisory Board were:

Franck Pierre Roland Bouétard (Chairman)

Olgica Spevec (appointed Deputy Chair on December 17, 2020)

Vidar Mohammar (Member)

Dubravko Radošević (Member; Deputy Chairman until December 17, 2020)

Vladimir Filipović (Member and Employees' Representative)

The Company's Management Board regularly informed the Supervisory Board on all important business activities, assets and liabilities positions, revenues, and the course of business performance.

The Supervisory Board dedicated special attention to the impact of COVID-19 pandemic as well as the consequences of the two catastrophic earthquakes, first in Zagreb on March 22nd, and second in the Banovina (cca. 50 km far from Zagreb) on December 29th, highlighting the importance of caring for health and safety of all Ericsson Nikola Tesla employees. At the regular meetings, the Supervisory Board discussed business environment, activities with the customers in the domestic and export markets, key risks, focus areas, strategic projects, realization of targets and financial performance. Further topics of discussion encompassed investments, compliance issues, as well as issues regarding human resources and shareholders. The Supervisory Board has been continuously monitoring business development and responsibilities of Research & Development Center, Center for Digital Services, Customer Operations & Networks, Center for ICT solutions for Industry and Society, IT & Engineering Services Unit, and a daughter company Ericsson Nikola Tesla Servisi d.o.o.

At extraordinary Supervisory Board meetings, the members discussed targets for 2020, impact of the COVID-19 pandemic and earthquakes in Zagreb and Banovina on achieving Ericsson Nikola Tesla Group's business plans, approval of annual financial reports for 2019, dividend proposal for 2019, the application of the Code of Corporate Governance adopted by Croatian Financial Services Supervisory Agency and Zagreb Stock Exchange, and the vetting procedures for key positions, including the members of the Supervisory Board.

The Supervisory Board strongly supported the activities on strengthening ethics and compliance business practice to ensure that the Company meets the highest standards, in line with the Code of Business Ethics of Ericsson Nikola Tesla Group.

During the year, special focus was on compliance with the Code of Corporate Governance (in force since the beginning of 2020). In line with this, the categories of the Management Board Decisions that require a previous approval or consultation with the Supervisory Board have been defined. Also, the targeted percentage of women in the Supervisory Board, Executive Management, among line managers and on the level of the entire company until 2025 has been defined - 40% of women in Supervisory Board, and 30% in Executive Management, among the line managers, and at the level of the entire company.

The Supervisory Board conducted a self-assessment of the effectiveness, competencies and composition of the Supervisory Board and its Committee as well as the performance of individual SB members. Furthermore, the Supervisory Board assessed the effectiveness of cooperation with the Management Board and the adequacy of the support and information it receives from the Management Board.

The evaluation was led the Supervisory Board itself without the engagement of external advisors. Evaluation tools included detailed questionnaires and discussions.

Overall conclusion is that ETK Supervisory Board and its Audit Committee performed well, have sufficient experience and were effective in performing their main tasks. Especially strong is strategic alignment with the Management Board, devotion of Supervisory Board members to the ambition of the Company and support to the Management Board in achieving its goals. The Supervisory Board will continue improving its ways of working and strengthening its resilience including diversity and succession planning.

The Management Board assessed its own effectiveness and presented its conclusions at the meeting of the Supervisory Board. All members of the Supervisory Board agreed with the self-assessment of the Management Board.

Furthermore, the Supervisory Board analyzed the efficiency of the risk management and internal control systems, and with the aim of continuous improvement, reached a decision on implementing a function of independent internal auditor.

Analyzing the reports of the Management Board and monitoring the development of key financial indicators, the Supervisory Board assessed that Ericsson Nikola Tesla Group had a successful business performance during the challenging 2020, mitigating the main business risks in a good way. The Group achieved increase in sales revenue and orders booked as well as a strong cash flow from operating activities. The year was marked by a successfully implemented project of taking over the full responsibility for managed services for HT from Ericsson Corporation, and network modernization activities with an emphasis on the introduction of 5G technology in the domestic market. In addition, numerous business deals were realized in Croatia and in export markets, and several significant multi-year business agreements have been signed which strengthened the market position and created a solid foundation for the future.

The company's success can be attributed to responsible business, development and implementation of the state-of-the-art technologies, strong leadership, professional and motivated employees and a long-term partnership with Ericsson. The Supervisory Board is positive regarding long-term prospects of ICT industry and is convinced that Ericsson Nikola Tesla Group is well positioned to realize its strategy of further development of the company.

The Audit Committee, a sub-committee of the Supervisory Board of Ericsson Nikola Tesla, held six (6) meetings in 2020, during which it discussed the financial performance during the year, approval of annual financial statements, plan and findings of external audit, quality control and risk management system as well as compliance and safety issues.

The Audit Committee monitored Ericsson Nikola Tesla Group compliance process and program activities. Furthermore, it also monitored key positions vetting procedures and decided about reported compliance concerns. It analyzed the compliance with the Code of Corporate Governance in detail, as well as effectiveness of the risk management system and internal control, and regularly informed the Supervisory Board of its conclusions and recommendations.

Based on the recommendation of the Audit Committee, the Supervisory Board proposed to the Annual General Meeting of Shareholders the appointment of KPMG Croatia as the auditor of Ericsson Nikola Tesla d.d. for 2021.

During 2020, the members of the Audit Committee were: Dubravko Radošević (Member and Chairman until December 17, 2020), Vidar Mohammar (Member), and Vesna Vašiček (Member). Olgica Spevec was appointed as a new Member and the Chair of the Audit Committee on December 17, 2020, instead of Dubravko Radošević. All Audit Committee members were present at all meetings.

Based on the review of financial and other relevant business documents, the Managing Director's report, and the auditors' report, the Supervisory Board concluded the following:


- To the best of our knowledge, Ericsson Nikola Tesla d.d. in all material aspects operates in compliance with the laws and Company's enactments and in accordance with the decisions made by the Annual General Meeting
- The annual financial reports have been prepared in accordance with the business records of Ericsson Nikola Tesla d.d. and its subsidiaries, and in all material aspects reflect the correct financial and business situation of Ericsson Nikola Tesla d.d. and its subsidiaries
- The Managing Director's proposal relating to net income (profit) allocation is supported and approved

- There are no objections regarding the Managing Director's report and consequently the report is approved
- There are no objections regarding the Auditors' report and consequently the report is approved
- Pursuant to the above stated, the submitted annual financial statements are approved.

Pursuant to the Companies Act, art. 300 d, the following documents are enclosed to this report:

- Managing Director's Decision on Approving consolidated and non-consolidated annual financial statements;
- Decision by the Supervisory Board on Approving consolidated and non-consolidated annual financial statements.

For the Supervisory Board



Franck Pierre Roland Bouétard, Chairman

Ericsson Nikola Tesla d.d. Zagreb
Krapinska 45

OIB: 84214771175

Zagreb, 23. travnja 2021

Zagreb, April 23, 2021

**Predmet: Odluka Uprave Društva o utvrđenju godišnjih
financijskih izvješća**

**Subject: Managing Director Decision on Approving
Annual Financial Reports**

Temeljem članka 300.d Zakona o trgovačkim društvima, a nakon primitka suglasnosti Nadzornog odbora dioničkog društva Ericsson Nikola Tesla d.d. Zagreb donosim slijedeću ODLUKU:

In accordance with the Company Act, Article 300.d and subsequent to the approval of the Supervisory Board of the Joint Stock Company Ericsson Nikola Tesla d.d. Zagreb, I herewith forward the following DECISION:

- Utvrđuju se godišnja financijska izvješća Društva za 2020.g.
- Utvrđuju se godišnja konsolidirana financijska izvješća Društva i njegovih podružnica („Grupa“) za 2020.g.

- The Annual Financial Statements of the Company for 2020 have been approved.
- The Annual Consolidated Financial Statements of the Company and its subsidiaries (the “Group“) for 2020 have been approved.

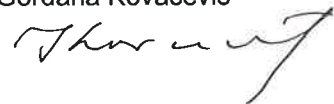
Ericsson Nikola Tesla d.d. Zagreb
Uprava

Ericsson Nikola Tesla d.d. Zagreb
Managing Director

Gordana Kovačević



Gordana Kovačević



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Zagreb, 23. travnja 2021.

Zagreb, April 23, 2021

Predmet: Odluka Nadzornog odbora Društva o utvrđenju godišnjih financijskih izvješća

Subject: Supervisory Board Decision on Approving Annual Financial Reports

Temeljem članka 300.d Zakona o trgovačkim društvima, Nadzorni odbor dioničkog društva Ericsson Nikola Tesla d.d. Zagreb donosi sljedeće:

Pursuant to the Company Act, Article 300.d the Supervisory Board of the Joint Stock Company Ericsson Nikola Tesla d.d. Zagreb, hereby confirms that:

- Utvrđuju se godišnja financijska izvješća Društva za 2020.g.
 - Utvrđuju se godišnja konsolidirana financijska izvješća Društva i njegovih podružnica („Grupa“) za 2020. godinu.
- The Annual Financial Statements of the Company for 2020 have been approved.
 - The Annual Consolidated Financial Statements of the Company and its subsidiaries (the “Group“) for 2020 have been approved.

Ericsson Nikola Tesla d.d. Zagreb
Za Nadzorni odbor

Ericsson Nikola Tesla d.d. Zagreb
For Supervisory Board

Franck Pierre Roland Bouétard
Predsjednik

Franck Pierre Roland Bouétard
Chairman

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