

## The Report of Ericsson Nikola Tesla d.d. Supervisory Board on the supervision performed on the Company's operations in 2022

April 21, 2023

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 managing of the Company's business operations, taking respective decisions and conclusions at four (4) regular and two (2) extraordinary Supervisory Board meetings, held in 2022.

In 2022, the members of the Supervisory Board were:

- Franck Pierre Roland Bouétard (Chairperson)
- Olgica Spevec (Deputy Chair)
- Ana Vrsaljko Metelko (Member)
- Petra Vranjes (Member, on December 30, 2022, she resigned with effect as of January 01, 2023)
- Vladimir Filipović (Member and employees' representative until November 29, 2022)
- Petar Šimundža (Member and employees' representative since November 29, 2022)

There was full attendance of the Supervisory Board members at the meetings, except for the meeting held on February 3, 2022, when Petra Vranjes was absent.

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.

At regular meetings, the Supervisory Board discussed business environment, risk management, activities with the customers, focus areas, strategic projects, realization of targets and financial performance. Further topics of discussion encompassed investments, compliance, significant business transactions that include the Company and its related parties, as well as issues regarding human resources and shareholders. The Supervisory Board has been regularly informed about the development of business and responsibilities of the Research & Development Center, Customer Services and Solutions Center, Center for ICT solutions for Digital Society, IT & Engineering Services Unit, and the daughter company Ericsson Nikola Tesla Servisi d.o.o..

At extraordinary Supervisory Board meetings, the members discussed targets for 2022, impact of crisis in Belarus on the Group's business activities and results in 2022, approval of annual financial statements for 2021, dividend proposal for 2021, and the Remuneration Report for Supervisory Board members and Management Board in 2022.

Based on a continuous focus on retaining, developing and attracting people to secure business continuity, the Company's Supervisory Board supported the Management Board proposal to

allocate MHRK 10 from retained earnings from 2020 for the program of purchase of treasury shares that will be used to pay a part of the bonus as well as an award for the Company's employees. Furthermore, the Management Board was given consent to allocate up to 5,000 treasury shares to the Company's employees. The Company's Annual General Meeting approved the above proposals.

In March 2022, a strategic workshop between the Management Board and the Supervisory Board was held, at which the strategic directions for the next five-year period were analyzed in detail and concrete guidelines for the further development of the company were proposed. During the year, the Supervisory Board has been continuously informed about the progress of each strategic direction.

The Supervisory Board strongly supported the activities on strengthening ethics and compliance business practice in order to secure that the Company meets the highest standards, in line with the Code of Business Ethics of Ericsson Nikola Tesla Group. Ericsson Nikola Tesla's Compliance and Investigation Officer regularly informed the members of the Supervisory Board about the reported compliance concerns, vetted third parties with indicated risks, evaluations of conflicts of interest, compliance trainings for employees and improvements done after risk assessments.

The Supervisory Board also focused on the efficiency of the risk management system and internal control. Based on the recommendation of the Audit Committee, which was based on the independent internal and external audits of the management system, the Supervisory Board concluded that the Ericsson Nikola Tesla Group has an efficient and strong integrated system of managing business risks - Enterprise Risk Management, with concrete measures for improvement.

The Supervisory Board conducted a self-assessment of the effectiveness, competences and composition of the Supervisory Board and its Audit Committee, as well as the performance of individual members. Furthermore, the Supervisory Board assessed the efficiency of cooperation with the Management Board and the adequacy of the support and information it receives from the Management Board. The evaluation was performed by the Supervisory Board itself, without the engagement of external advisors. The tools for assessment included detailed questionnaires and discussions.

The overall conclusion is that Ericsson Nikola Tesla's Supervisory Board and its Audit Committee performed well, had sufficient knowledge and experience, and were efficient in performing their

tasks. Especially strong is open communication with the Management Board, continuous support to the Management Board in overcoming various challenges, dedicated and responsible work of each Supervisory Board member, unanimity in decision making process, quality strategic discussion, dedication to risk and compliance management, continuous monitoring of financial results and the diversity of the Supervisory Board members in term of their qualifications and gender representation.

In the forthcoming period, the Supervisory Board will continue to monitor strategic directions and provide support to the Management Board and Executive Management in overcoming business challenges, will maintain focus on profitability and other key financial indicators as well as business risks. Furthermore, it will continue to strengthen the communication of Supervisory Board members with the Company's shareholders to receive feedback about their expectations.

The Management Board assessed its own effectiveness in 2022 and presented its conclusions and future plans at the Supervisory Board meeting. The Supervisory Board members agreed with the self-assessment of the Management Board and thanked the Management Board for successfully managing Ericsson Nikola Tesla Group in challenging 2022.

In 2020, the Supervisory Board set a target percentage regarding the representation of women; namely 40% of women in the Supervisory Board and 30% in the Executive Management, among managers and at the level of the entire company in the next five years. At the end of 2022, the representation of women in the Supervisory Board was 60%. At Group's level, the representation of women in Executive Management was 23.5%, among line managers, program & project managers 26%, and among the total number of employees 25%.

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 in 2022, despite a challenging geopolitical and economic environment. An increase in sales revenue was achieved owing to sales growth in services to Ericsson and sales in the Digital Society segment in the domestic market. During 2022, the Group was focused on the realization of many projects related to modernization and expansion of telecommunication networks and digital transformation of the public and private sector, quality delivery and new responsibilities from Ericsson corporation, as well as finding new opportunities in order to partially offset the impacts of sanctions imposed on Belarus on business results. With the aim of continuation of stable business performance, the Group remains focused on its strategic

directions, risk management, cost efficiency, as well as further strengthening of the company's culture based on integrity, ethics and compliance.

#### Work of the Audit Committee

The Audit Committee, a sub-committee of the Supervisory Board of Ericsson Nikola Tesla d.d., held five (5) meetings in 2022, during which it discussed the financial performance during the year and annual financial statements, audit plan for 2021, internal and external audit findings, high-level risks, quality control and risk management system, issues regarding compliance and safety and performed other tasks defined by Audit Act and the Audit Committee Charter.

The Audit Committee met regularly with external auditors to review the audit plan and findings, audit fee as well as the Report on the audit of the financial statements. It evaluated the performance of the external auditors and enquired into their qualifications, independence and objectivity. After negotiations with external auditors, the Committee approved audit fee for 2022. It also pre-approved all non-audit services provided by the external auditors.

The Committee monitored the activities and approved Operational Excellence, Development & Quality team and Independent Internal Audit plan and objectives for 2022. The Committee reviewed Ericsson Nikola Tesla integrated system of managing business risks – ERM, based on the „Three Lines of Defense“ model, in which there is the Independent Internal Audit function as the „3rd Line of Defense“. Risk management, internal controls and compliance requirements have been checked during 2022 by independent internal audits and assessments, as well as by external audits of Ericsson Nikola Tesla Group Management System. Based on the outcome of the mentioned audits and assessments, the Committee concluded that Ericsson Nikola Tesla Group has efficient risk management system at all organizational and functional levels.

With respect to compliance, the Committee decided about reported compliance concerns. It evaluated and monitored Ericsson Nikola Tesla Group Ethics and compliance program activities with the special focus on tracking improvements after anti-bribery and corruption risk assessments conducted internally and externally. The Audit Committee opinion is that Ericsson Nikola Tesla Group has well established and efficient compliance procedures.

Based on the recommendation of the Audit Committee, the Supervisory Board proposed to the General Meeting of Shareholders the appointment of KPMG Croatia as the auditor of Ericsson Nikola Tesla d.d. for 2023.

During 2022, the members of the Audit Committee were: Olgica Spevec (Chairperson), Vesna Vašiček (Member) and Petra Vranjes (Member). There was full attendance of Audit Committee members at the meetings.

Based on the review of financial and other relevant business documents, the Management Board's report, and the Company's 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 Management Board's proposal relating to net profit allocation is supported and approved
- There are no objections regarding the Management Board'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 Croatian Companies Act, Article 300 d, the following documents are enclosed to this Report:

1. Management Board's Decision on Approving consolidated and non-consolidated annual financial statements;
2. Decision by the Supervisory Board on Approving consolidated and non-consolidated annual financial statements;
3. Management Board and Supervisory Board Decision proposal on allocating retained earnings from year 2021 and the Company profit achieved in the financial year 2022.

For the Supervisory Board



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Franck Pierre Roland Bouétard, Chairperson

Ericsson Nikola Tesla d.d. Zagreb  
Krapinska 45

OIB: 84214771175

Zagreb, 21. travnja 2023.

Zagreb, April 21, 2023

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

**Subject: Management Board 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 2022.g.
- Utvrđuju se godišnja konsolidirana financijska izvješća Društva i njegovih podružnica („Grupa“) za 2022.g.
- The Annual Financial Statements of the Company for 2022 have been approved.
- The Annual Consolidated Financial Statements of the Company and its subsidiaries (the “Group“) for 2022 have been approved.

Ericsson Nikola Tesla d.d. Zagreb  
Uprava

Ericsson Nikola Tesla d.d. Zagreb  
Management Board

Gordana Kovačević



  
Ericsson Nikola Tesla d.d.  
Krapinska 45  
HR-10 000 Zagreb  
CROATIA

Gordana Kovačević



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Ericsson Nikola Tesla d.d. Zagreb  
Krapinska 45  
OIB: 84214771175

Zagreb, 21. travnja 2023.

Zagreb, April 21, 2023

**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 slijedeće:

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 2022.g.
- Utvrđuju se godišnja konsolidirana financijska izvješća Društva i njegovih podružnica („Grupa“) za 2022. godinu.

- The Annual Financial Statements of the Company for 2022 have been approved.
- The Annual Consolidated Financial Statements of the Company and its subsidiaries (the “Group“) for 2022 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  
Chairperson



Ericsson Nikola Tesla d.d. Zagreb  
Krapinska 45  
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Zagreb, 21. travnja 2023.

**Predmet: Prijedlog Odluke Uprave i Nadzornog odbora Društva o raspodjeli zadržane dobiti iz 2021. i o uporabi dobiti Društva ostvarene u financijskoj godini 2022.**

Temeljem članka 300.b Zakona o trgovačkim društvima, Uprava i Nadzorni odbor dioničkog društva Ericsson Nikola Tesla d.d. Zagreb predlažu Glavnoj skupštini Društva usvajanje sljedeće odluke:

- Dobit Društva za financijsku godinu 2022. u iznosu od 19.579.104,23 EUR (147.518.760,85 kuna) rasporedit će se u zadržanu dobit.
- Dioničarima Društva isplatit će se dividenda u iznosu od 6 eura po dionici iz zadržane dobiti iz 2021. i 2022. godine.

Zagreb, April 21, 2023


**Subject: Management Board and Supervisory Board Decision proposal on allocating retained earnings from year 2021 and the Company profit achieved in the financial year 2022**

Pursuant to the Company Act, Article 300.b the Management Board and the Supervisory Board of the Joint Stock Company Ericsson Nikola Tesla d.d. Zagreb, propose to shareholders at the Annual General Meeting to adopt the following decision:

- The Company's net profit for the financial year 2022, amounting to EUR 19,579,104.23 (HRK 147,518,760.85) will be allocated to retained earnings.
- The Company shareholders shall be paid dividend of EUR 6 per share out of retained earnings from year 2021 and retained earnings from year 2022.

Ericsson Nikola Tesla d.d. Zagreb

Za Nadzorni odbor

  
\_\_\_\_\_  
Franck Pierre Roland Bouétard  
Predsjednik

Uprava

  
\_\_\_\_\_  
Gordana Kovačević

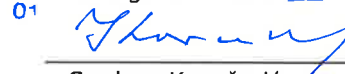
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Ericsson Nikola Tesla d.d. Zagreb

For Supervisory Board

  
\_\_\_\_\_  
Franck Pierre Roland Bouétard  
Chairperson

Management Board

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Gordana Kovačević