
THE REPORT OF THE SUPERVISORY BOARD OF ERICSSON NIKOLA TESLA ON THE SUPERVISION PERFORMED ON THE COMPANY'S OPERATIONS IN 2014

In accordance with the provisions of the Croatian Company Law and Ericsson Nikola Tesla Statute, the Supervisory Board of Ericsson Nikola Tesla has reviewed the Company's operations, taking respective decisions in four regular and three extraordinary board meetings held during 2014.

The Company Management regularly informed the Supervisory Board on all important business activities and the course of the Company business performance. At the board meetings the Supervisory Board reviewed the financial results, business plans, market conditions and ICT industry trends. Further topics of discussions were as follows: strategic projects, investments, business risks, innovations and issues relating to human resources. The Supervisory Board continuously monitored the business development and responsibilities of the Research & Development Centre, Operations & Competence Center, Engagement Practices and IT & Test Environment (ITTE) Croatia. The Supervisory Board analyzed and approved the Company's Business Strategy 2014–2017, as well as strategic direction and initiatives necessary for further business development. Profitability improvement program, through cost efficiency and operational excellence, has been approved and will be followed up regularly together with other strategic initiatives on Supervisory Board meetings during 2015.

At extraordinary Board meetings, the members discussed dividend payment, 2013 annual financial reports, targets for 2014, as well as entering into the new business segment "managed services".

For purpose of the realization of a Managed Services contract with Hrvatski Telekom, the Ericsson Nikola Tesla subsidiary, Ericsson Nikola Tesla Servisi d.o.o. (EHR), was founded. The primary activity of the subsidiary is construction and maintenance of telecommunications infrastructure.

Ericsson Nikola Tesla is a dynamic company, operating in an exciting and challenging market environment with good long-term perspectives. By analyzing the Managing Director reports and key financial indicators, our conclusion is that the company achieved solid financial performance.

At the meeting held on December 11, 2014, the Supervisory Board re-elected the Managing Director, Mrs. Gordana Kovačević for a new mandate, effective January 1, 2015. During 2014 there was no change in the Supervisory Board composition. As his mandate has expired, Mr. Dubravko Radošević was re-elected as Supervisory Board member with the mandate renewed for a further four years at the Annual General Meeting held on May 27, 2014.

The Audit Committee held four sessions in 2014. During these sessions, the Audit Committee discussed financial performance during the year, the annual financial statements, 2014 audit plan, audit findings,

internal control and risk management system and performed other tasks defined by the Audit Law. The Audit Committee regularly informed other Supervisory Board members of its findings and recommendations. On the day of this report issuance, the Audit Committee is comprised of Mr. Ignac Lovrek, Chairman and Mrs. Carita Jönsson, Member.

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

- To the best of our knowledge Ericsson Nikola Tesla in all material aspects operates in compliance with the laws and Company's enactments and in accordance with the decisions made by the Shareholder's Assembly.
- The annual financial reports have been prepared in accordance with the Company's business records and in all material respects reflect the correct financial and business situation of the Company;
- 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 Company Act, art. 300d the following documents are enclosed with this report:

1. Decision by the Managing Director on the established consolidated and non-consolidated annual financial statements;
2. Decision by the Supervisory Board on the established consolidated and non-consolidated annual financial statements;

For the Supervisory Board



Roland Nordgren, Chairman