

Zagreb, April 9, 2013



THE REPORT OF THE SUPERVISORY BOARD OF ERICSSON NIKOLA TESLA ON THE SUPERVISION PERFORMED ON THE COMPANY'S OPERATIONS IN 2012

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, making respective decisions in four regular and three extraordinary meetings held during 2012.

The Company management regularly informed the Supervisory Board on all important business activities and the course of the Company business performance. At the meetings the Supervisory Board reviewed the financial results, business plans, market conditions and trends in ICT industry. Further topics of discussions were as follows: strategic projects, investment management, business risks and issues relating to human resources. Besides, 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 2013–2015 as well as focus areas, strategic priorities and key deals necessary for further business development.

At extraordinary Board meetings, the members discussed dividend payment, 2011 annual financial report and 2012 targets.

By analyzing the Managing Director reports and key financial indicators, our conclusion is that despite the aggravated business conditions, the company preserved its good position both in domestic and export markets and achieved good financial result with the strong balance sheet and cash flow.

During 2012 there was no change in the Board composition. As the mandates of Mr. Roland Nordgren and Mrs. Carita Jönsson expired they were re-elected for an additional four year period at the Annual Assembly of the Company held on June 5, 2012.

The Audit Committee held four sessions in 2012, where it discussed financial performance during the year and the annual financial statements, the audit plan for 2012, 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.

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Based on the review of financial and other relevant business documents, the Managing Director's report on the Company's business situation and reports 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 Annual General Meeting.
- The annual financial statements of the Company and the annual consolidated financial statements of the Company and its subsidiaries (the "Group) have been prepared in accordance with the business records of the Company and its subsidiaries and in all material respects reflect the correct financial and business situation;
- 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' reports and consequently the reports are 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 annual financial statements;
2. Decision by the Supervisory Board on the established annual financial statements;

For the Supervisory Board

Roland Nordgren, Chairman