

The Report of Ericsson Nikola Tesla d.d. Supervisory Board on the supervision performed on the Company's operations in 2018

April 25, 2019

Pursuant to provisions of the Croatian Companies Act and Ericsson Nikola Tesla d.d. Statute, the Supervisory Board of Ericsson Nikola Tesla d.d. has reviewed the Company's business, taking respective decisions and conclusions at four regular and two extraordinary Supervisory Board meetings during 2018.

In 2018, the members of the Supervisory Board were:

Franck Pierre Roland Bouétard (Chairman as of June 20, 2018)

Arun Bansal (Chairman until June 20, 2018)

Ignac Lovrek (Deputy Chairman)

Vidar Mohammar (Member)

Dubravko Radošević (Member)

Vladimir Filipović (Member and Employee representative as of November 29, 2018)

Zvonimir Jelić (Member and Employee representative until July 8, 2018).

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

At the meetings, the Supervisory Board discussed financial results, business situation in the domestic and export markets, and ICT industry trends. Moreover, the Supervisory Board continuously monitored business development, as well as the responsibilities of Research & Development Center, Digital Services & Operations, Networks, ICT for Industry and Society and IT & Engineering Services units. Further topics of discussions encompassed business plans and strategic projects, business risks, investments, innovation management, compliance issues, and issues regarding human resources and shareholders.

The Supervisory Board reviewed Ericsson Nikola Tesla Group's Business Strategy 2018 – 2023, as well as financial plans incl. sales ambition and strategic priorities for each business segment.

The Supervisory Board has dedicated time to ensure that Ericsson Nikola Tesla Group is continuously looking for ways to strengthen its ethics and compliance work.

At extraordinary Board meetings, the members discussed 2017 annual financial reports, 2017 dividend payment, and defining 2018 targets.

Analyzing the Managing Director's reports and key financial indicators, the Supervisory Board concluded that Ericsson Nikola Tesla Group had a successful business performance in 2018, and achieved good financial results, along with a healthy balance sheet and a solid cash position. Ericsson Nikola Tesla Group gained new responsibilities in global corporation, primarily in research and development, and strengthened business in the domestic market. Due to a challenging market environment and demanding projects, the Group remains focused on strategic risk management and cost and operational efficiency.

The Audit Committee, a subcommittee of Ericsson Nikola Tesla's Supervisory Board, held four meetings in 2018. At the meetings, the Committee discussed financial performance during the year, annual financial statements, 2018 audit plan, audit findings, quality control and risk management system, as well as security and compliance issues. The Audit Committee regularly presented its findings and recommendations to the Supervisory Board.

During 2018, the Audit Committee monitored the process of selecting new Company's auditor. Based on the recommendation of the Audit Committee, the Supervisory Board proposes the appointment of KPMG Croatia as Ericsson Nikola Tesla's new auditor to shareholders at the AGM 2019.

In 2018, members of the Audit Committee were: Ignac Lovrek (Chairman), Vidar Mohammar (Member) and Vesna Vašiček (Member).

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. 300d, the following documents are enclosed to this report:

1. Managing Director's Decision 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



Franck Pierre Roland Bouétard, Chairman

**Ericsson Nikola Tesla d.d. Zagreb
Krapinska 45**

OIB: 84214771175

Zagreb, 25. travnja 2019

Zagreb, April 25, 2019

Predmet: Odluka Uprave Društva

Subject: Managing Director Decision

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 2018.g.
- Utvrđuju se godišnja konsolidirana financijska izvješća Društva i njegovih podružnica („Grupa“) za 2018.g.

- The Annual Financial Reports of the Company for 2018 have been submitted and approved.
- The Annual Consolidated Financial Statements of the Company and its subsidiaries (the “Group“) for 2018 have been submitted and approved.

Ericsson Nikola Tesla d.d. Zagreb
Uprava

Ericsson Nikola Tesla d.d. Zagreb
Managing Director

Gordana Kovačević



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Zagreb, 25. travnja 2019.

Zagreb, April 25, 2019

Predmet: **Odluka Nadzornog odbora Društva**

Subject: **Supervisory Board Decision**

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 2018.g.
- Utvrđuju se godišnja konsolidirana financijska izvješća Društva i njegovih podružnica („Grupa“) za 2018. godinu.
- The Annual Financial Reports of the Company for 2018 have been submitted and approved.
- The Annual Consolidated Financial Statements of the Company and its subsidiaries (the "Group") for 2018 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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