

April 13, 2016



THE REPORT OF THE SUPERVISORY BOARD OF ERICSSON NIKOLA TESLA D.D. ON THE SUPERVISION PERFORMED ON THE COMPANY'S OPERATIONS IN 2015

In accordance with the 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 operations, taking respective decisions in four regular and three extraordinary Board meetings held during 2015.

In 2015 the members of the Supervisory Board were as follows:

Klas Roland Nordgren (Chairman)

Ignac Lovrek (Deputy Chairman)

Carita Annette Jönsson (Member until 2 June 2015)

Vidar Mohammar (Member as of 2 June 2015)

Dubravko Radošević (Member)

Zvonimir Jelić (Member and Employee representative).

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 discussed in detail the financial results, situation in the domestic and export markets and ICT industry trends. Further topics of discussions were as follows: business plans and strategic projects, business risks, investments, and issues regarding human resources and shareholders. Moreover, the Supervisory Board continuously monitored business development and responsibilities of the Research & Development Centre, Engagement Practices & Operations and IT & Test Environment Unit (ITTE).

At extraordinary Board meetings, the members discussed dividend payment, 2014 annual financial reports and risk management.

The Supervisory Board analyzed and approved the Business Strategy 2015 – 2018, as well as strategic priorities and initiatives, necessary for further business development. The Company management defined the targets for 2015 with explicitly defined tasks and ways of measurements and the Supervisory Board approved them, correspondingly.

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Analyzing the Managing Director's reports and the key financial indicators, the Supervisory Board evaluated that the Ericsson Nikola Tesla Group had a successful business performance in 2015 and achieved solid financial result, despite a changing and challenging market environment. The challenges to be highlighted are slow economic development and political uncertainty in most of the markets, consolidation and centralization of sourcing processes by the global customers and an intense competition environment. Ericsson Nikola Tesla Group has retained its position as ICT leader in Croatia and abroad, and its position of one of the leading exporters, especially as regards export of knowledge/services.

In the course of the year the Board composition changed as follows. At the Annual General Meeting held on 2 June, Vidar Mohammar, Vice president and Corporate Officer Finance was elected as the new Board member instead of Carita Annette Jönsson. Moreover, Ignac Lovrek was re-elected as Supervisory Board member with the mandate renewed for further four years.

The Audit Committee held four meetings in 2015. During these meetings, 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. Mr. Vidar Mohammar was appointed as the new member of the Audit Committee, instead of the Mrs. Carita Annette Jönsson, effective September 3, 2015.

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 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 respects 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;

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- Pursuant to the above stated, the submitted annual financial statements are approved.

Pursuant to the Companies 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

A handwritten signature in blue ink, appearing to read "Roland Nordgren", is written over a horizontal line.

Roland Nordgren, Chairman