



# The Report of Ericsson Nikola Tesla d.d. Supervisory Board on the supervision performed on the Company's operations in 2019

April 29, 2020

Pursuant to 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 Company's business operations, taking respective decisions and conclusions at four regular and two extraordinary Supervisory Board meetings during 2019.

In 2019, the members of the Supervisory Board were:

Franck Pierre Roland Bouétard (Chairman)

Dubravko Radošević (appointed Deputy Chairman on June 14, 2019)

Ignac Lovrek (Member and Deputy Chairman until June 2, 2019)

Vidar Mohammar (Member)

Olgica Spevec (Member since June 13, 2019)

Vladimir Filipović (Member and Employees' Representative)

The Company's Management regularly informed the Supervisory Board on all important business activities, assets and liabilities positions, revenues 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. Further topics of discussion encompassed business risks, strategic projects, investments, innovation management, compliance issues, and issues regarding human resources and shareholders. Moreover, the Supervisory Board continuously monitored business development and responsibilities of Research & Development Center, Digital Services & Customer Operations, Networks, ICT for Industry and Society, IT & Engineering Services Unit and a daughter company Ericsson Nikola Tesla Servisi d.o.o..

The Supervisory Board reviewed and approved Ericsson Nikola Tesla Group's Business Strategy 2019 – 2023, as well as financial plans, including sales ambition and strategic priorities for each business segment. The Supervisory Board also supported the Digital Transformation program at Ericsson Nikola Tesla Group level, with the aim to additionally simplify the Company's key processes and automation.

Moreover, the Supervisory Board strongly supports further activities on strengthening ethics and compliance business practice to ensure that the Company lives up to the highest standards.

At extraordinary Board meetings, the members discussed 2018 annual financial reports, 2018 dividend proposal, defining 2019 targets, Group's business strategy and the proposition for taking over the full responsibility for Managed Services for Hrvatski Telekom.

Last year Ericsson Nikola Tesla celebrated 70 years of successful business. The Company's success is based on continuous development and implementation of the cutting-edge technology, strong leadership, competent and motivated employees, as well as long-term partnership with Ericsson.

Analyzing the Managing Director's report and key financial indicators, the Supervisory Board concluded that Ericsson Nikola Tesla Group had a successful business performance in 2019 and achieved good financial results, along with a solid balance sheet and adequate cash position. The year 2019 was marked by networks modernization projects in the domestic market as the preparation for the introduction of 5G technology, gaining additional responsibilities in research and development with a special focus on 5G, as well as activities in the Industry&Society segment. Due to a challenging market environment and demanding projects, Ericsson Nikola Group remains focused on strategic risk management and cost and operating efficiency, with the aim to achieve its business and financial targets as well as building an even stronger company long-term.

At the meeting held on December 17, 2019, the Supervisory Board re-appointed the Managing Director, Gordana Kovačević for a new term in office, effective January 1, 2020. In the course of the year the Board composition changed as follows. At the Company's Annual General Meeting, held on June 13, 2019, Olgica Spevec was elected as a new member of the Supervisory Board, succeeding Ignac Lovrek, who was a member and a Deputy Chairman.

The Audit Committee, a subcommittee of Ericsson Nikola Tesla's Supervisory Board, held four meetings in 2019. At the meetings, the Committee discussed financial performance during the year, annual financial statements, 2019 audit plan, audit findings, quality control and risk management system, as well as security and compliance issues. The Audit Committee monitored the Ericsson Nikola Tesla Group compliance calibration activities and participated in monitoring the process and taking decisions on the reported compliance concerns. The Audit Committee regularly presented its findings and recommendations to the Supervisory Board.

Based on the recommendation of the Audit Committee, the Supervisory Board proposed to the shareholders at the AGM the appointment of KPMG Croatia as the auditor of Ericsson Nikola Tesla d.d. for the year 2020.

In 2019, the members of the Audit Committee were: Dubravko Radošević (Member and Chairman since April 26, 2019), Ignac Lovrek (member and Chairman until April 26, 2019), 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 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 and proposal of Decision on allocating net profit from year 2019
2. Decision by the Supervisory Board on the established consolidated and non-consolidated annual financial statements and proposal of Decision on allocating net profit from year 2019

For the Supervisory Board



**ERICSSON**   
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Franck Pierre Roland Bouétard, Chairman

Ericsson Nikola Tesla d.d. Zagreb  
Krapinska 45

OIB: 84214771175

Zagreb, 28. travnja 2020

Zagreb, April 28, 2020

Predmet: **Odluka Uprave Društva o utvrđenju godišnjih financijskih izvješća i prijedlog odluke o upotrebi neto dobiti iz 2019.g.**

Subject: **Managing Director Decision on Approving Annual Financial Reports and proposal of Decision on allocating net profit from year 2019**

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:

- Utvrđuju se godišnja financijska izvješća Društva za 2019.g.
- Utvrđuju se godišnja konsolidirana financijska izvješća Društva i njegovih podružnica („Grupa“) za 2019.g.

Predlaže se Glavnoj skupštini dioničkog društva Ericsson Nikola Tesla d.d. donošenje sljedeće Odluke:

„Neto dobit Društva iz 2019. godine raspoređuje u zadržanu dobit.“

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:

- The Annual Financial Reports of the Company for 2019 have been submitted and approved.
- The Annual Consolidated Financial Statements of the Company and its subsidiaries (the “Group“) for 2019 have been submitted and approved.

The proposal to the General Assembly of the Joint Stock Company Ericsson Nikola Tesla d.d. is to make the following decision:

“The Company's net profit for 2019 is allocated into retained earnings.”

Ericsson Nikola Tesla d.d. Zagreb  
Uprava

Ericsson Nikola Tesla d.d. Zagreb  
Managing Director

Gordana Kovačević  
  
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OIB: 84214771175

Zagreb, 29. travnja 2020.

Zagreb, April 29, 2020

**Predmet: Odluka Nadzornog odbora Društva o utvrđenju godišnjih financijskih izvješća i prijedlog odluke o upotrebi neto dobiti iz 2019.g.**

Temeljem članka 300.d Zakona o trgovačkim društvima, Nadzorni odbor dioničkog društva Ericsson Nikola Tesla d.d. Zagreb donosi sljedeće:

- Utvrđuju se godišnja financijska izvješća Društva za 2019.g.
- Utvrđuju se godišnja konsolidirana financijska izvješća Društva i njegovih podružnica („Grupa“) za 2019. godinu.

Predlaže se Glavnoj skupštini dioničkog društva Ericsson Nikola Tesla d.d. donošenje sljedeće Odluke:

„Neto dobit Društva iz 2019. godine raspoređuje u zadržanu dobit.“

Ericsson Nikola Tesla d.d. Zagreb  
Za Nadzorni odbor

Franck Pierre Roland Bouétard  
Predsjednik



**Subject: Supervisory Board Decision on Approving Annual Financial Reports and proposal of Decision on allocating net profit from year 2019**

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:

- The Annual Financial Reports of the Company for 2019 have been submitted and approved.
- The Annual Consolidated Financial Statements of the Company and its subsidiaries (the "Group") for 2019 have been approved.

The proposal to the General Assembly of the Joint Stock Company Ericsson Nikola Tesla d.d. is to make the following decision:

"The Company's net profit for 2019 is allocated into retained earnings."

Ericsson Nikola Tesla d.d. Zagreb  
For Supervisory Board

Franck Pierre Roland Bouétard  
Chairman



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