



Zagreb, March 8, 2011

THE REPORT OF THE SUPERVISORY BOARD OF ERICSSON NIKOLA TESLA ON THE SUPERVISION PERFORMED ON THE COMPANY'S OPERATIONS IN 2010

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 two extraordinary meetings held during 2010.

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, the domestic and export markets status, market conditions and trends in ICT industry. Further topics of discussions were as follows: business plans and strategic projects, business risks and issues relating to human resources. Besides, the Supervisory Board continuously monitored the business development and responsibilities of the Research and Development Centre, Service Supply Centre and Business Ericsson Test Environment unit (BETE).

At extraordinary Board meetings, the members discussed dividend payment and impairment of receivables in Kazakhstan.

The Supervisory Board analyzed and approved the Company's Business Strategy 2011 –2015 and the focus areas and strategic programs necessary for further business development. The Company management determined the key objectives for 2011 with explicitly defined tasks and ways of measurements and the Supervisory Board approved them, correspondingly.

During 2010, the Company business performance was impacted by the deterioration in market conditions marked by cautious customer investments, problems with collection of outstanding debts in the Kazakhstan market, as well as the shortage in industrial components and bottleneck in supply. Despite of the above, we consider that the Company has managed to maintain a good position in the markets and achieved good financial results with a healthy balance sheet and a solid cash position.

In the course of the year the Board composition changed as follows: A new member to the Supervisory Board is Dubravko Radošević, who was elected at the Annual Assembly of the Company held on May 20, 2010.

The Audit Committee held five sessions in 2010, where it discussed financial performance during the year and annual financial statements, audit plan for 2010, 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 on the Company's business situation 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 annual financial statements;
2. Decision by the Supervisory Board on the established annual financial statements;

For the Supervisory Board



Roland Nordgren, Chairman