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## THE REPORT OF THE SUPERVISORY BOARD OF ERICSSON NIKOLA TESLA ON THE SUPERVISION PERFORMED ON THE COMPANY'S OPERATIONS IN 2011

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 2011.

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 and business plans, market conditions and trends in ICT industry. Further topics of discussions were as follows: strategic projects, investment management, issues relating to human resources and business risks. Besides, the Supervisory Board continuously monitored the business development and responsibilities of the Research & Development Centre, Operations & Competence Center (OCC) and IT & Test Environment (ITTE) Service delivery Croatia. 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.

At extraordinary Supervisory Board meetings, the members discussed dividend payment, 2010 annual financial reports and 2011 targets.

During 2011, the Company business performance was impacted by the deterioration in market conditions marked by economic slowdown both in Croatia and the region, cautious customer investments, strong competition and price pressure. Taking into account the above, we believe that the Company had a solid performance.

In the course of the year the Board composition remained the same. As his mandate has expired Prof. Ignac Lovrek, Ph.D. was re-elected as Supervisory Board member with the mandate renewed for a further four years at the Annual Assembly of the Company held on May 31, 2011.

The Audit Committee held five sessions in 2011, where it discussed financial performance during the year and annual financial statements, audit plan for 2011, 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 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