

Pursuant to Article 263 and Article 300c of the Companies Act and the provision of the Articles of Association of the company **LEDO d.d. Zagreb, Marijana Čavića 1a** (hereinafter: the Company), the Supervisory Board of the Company composed of: Ljerka Puljić - President, Ante Todorčić – Deputy of the President, Mislav Galić - Member, Marica Guina - Member, Srećko Žganec - Member, Kristijan Buk – Member, Milenko Arapović - Member, submits to the General Assembly of the Company the following

R E P O R T

on the performed supervision of the Company's business in 2014 and examination of the annual financial statements

The Supervisory Board, in accordance with its obligations under Article 263 of the Companies Act and the Articles of Association, performed supervision of the Company's business operations, with special supervision of the legality of its work, use of material resources and bookkeeping, in accordance with the regulations, and analyzed the realization of the planned results as well as implementation of the main objectives of the business policy. Following the performed supervision of the Company's business operations, the Supervisory Board has unanimously determined that the Company operates in accordance with the law, the Articles, the Company's other acts and decisions of the General Assembly.

In 2014, the Supervisory Board was composed of seven members: Ljerka Puljić (President), Ante Todorčić (Deputy of President), Marica Guina (Member), Mislav Galić (Member), Srećko Žganec (Member), Kristijan Buk (Member), Dražen Jurjević (Member).

The current Supervisory Board acts after Mr. Mislav Galić, Mr. Srećko Žganec and Mr. Kristijan Buk were elected as Members to the Supervisory Board at the beginning of the mandate on 25 March 2013, where Mr. Mislav Galić will perform the duty until the expiry of the mandate of the previous member Mirko Novosel i.e. until 31 August 2015, whilst Mr. Srećko Žganec and Kristijan Buk were elected for a period of four years. On 20 March 2015 Mr. Milenko Arapović was elected as a new member of the Supervisory Board for a term of four years replacing previous member Dražen Jurjević.

During the year 2014, the Supervisory Board held 14 meetings and conducted telephone and electronic voting as well as direct voting at the meeting and was duly informed by the Management Board on the business policy and other general issues related to the future conduct of business operations, all important business events and ongoing operations, profitability, revenues and expenses, business operations that could be of great importance for the profitability and liquidity of the company and generally on the state of the Company.

The Supervisory Board reviewed, within a statutory deadline referred to in Article 300c of the Companies Act, the annual financial statements with the independent auditor's opinion submitted by the Management Board and found that the statements were made in accordance with the accounting records and that they present fair and objective financial position and results of the Company for the year ended 31 December 2014. Since the Supervisory Board has no objections to the reports submitted to it by the Board, the Supervisory Board approves the annual financial statements for the year 2014. Likewise, the Supervisory Board agrees with the independent auditor's opinion.

The Management Board submitted to the Supervisory Board a proposal for allocation of profits earned in the year 2014, which established that, in the mentioned period, the Company made a net profit in the amount of HRK 145.908.577,96 and which suggests that the profit is distributed in a way that the amount of HRK 78.462.865,96 is allocated to retained earnings, while the amount of HRK 67.445.712,00 is paid out as dividend. The Supervisory Board agrees with the above proposals of the Management Board on the distribution of profit from business operations.

In addition to the financial results for the year 2014, the Supervisory Board has reviewed and accepted the Company's business policy for the year 2015, which is primarily focused on optimization of business processes and improving the Company's business operations, innovation as well as expansion and improvement of product range. Attention of the Management Board was drawn to the

need for greater engagement with regard to achieving better business results in the forthcoming year as well as a greater financial discipline.

On 24 June 2014, the Audit Committee issued at its meeting a report on the operations of the company as at 31 December 2014 and approved a proposal of an independent external auditor of the Company for the year 2015. In that regard, the Audit Committee has studied and reviewed all the documentation that is the subject and part of the annual financial report of Ledo d.d. as well as of the entire Ledo consolidated group and the documentation of the companies of which Ledo dd is the owner, and found that the financial statements for the year 2014 were prepared by fair and consistent application of accounting policies and IFRS. Furthermore, it proposed to the Supervisory Board re-appointment of external auditors Baker Tilly Discordia d.o.o. as statutory auditors of the Company for the year 2015.

During the year 2014, the Supervisory Board had no other specially established committees for specific areas of supervision.

Following the above, the Supervisory Board proposes to the General Assembly that, in accordance with Article 300e of the Companies Act and the provisions of the Articles of Association of the Company, it approves the annual financial statements for the business year ended 31 December 2014, and that it makes other decisions under its jurisdiction in accordance with the proposals of the Management Board and the Supervisory Board.

In Zagreb, 16 July 2014

President of the Supervisory Board

Ljerka Puljić

