

Pursuant to Article 263 and Article 300c of the Companies Act and the provisions of the Articles of Association of the company **LEDO d.d. Zagreb, Marijana Čavića 9** (hereinafter: the Company), the Supervisory Board of the Company comprised of Ljerka Puljić – President, Ante Todorčić – Deputy President, Mislav Galić – member, Marica Guina – member, Srećko Žganec – member, Kristijan Buk – member, Dražen Jurjević – member submits to the General Assembly of the Company the following

R E P O R T

on the exercised supervision of the Company's conduct of business in 2012 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, conducted supervision of the business of the Company, with special supervision of the legality of its work, use of material resources and bookkeeping in accordance with regulations, and analyzed the achievement of the planned results as well as implementation of the basic business policy. Upon the performed supervision of the Company's business, the Supervisory Board has unanimously determined that the Company operates in accordance with the law, statutes and other laws of the Company and the resolutions of the General Assembly of the Company.

In 2012, the Supervisory Board was made up of 5 members: Ljerka Puljić (President), Ante Todorčić (Deputy President), Marica Guina (member), Mirko Novosel (member), Dražen Jurjević (member).

Mr. Dražen Jurjević was elected to the Supervisory Board commencing the mandate on 12 March 2012 and after the recalling of the member Denis Paradiš on 09 March 2012.

The current Supervisory Board acts after Mislav Galić, Srećko Žganec and Kristijan Buk were elected to the Supervisory Board commencing the mandate on 25 March 2013 with Mr. Mislav Galić acting as member until the expiry of the mandate of the previous member Mirko Novosel, i.e. until 31 August 2015, while Mr. Srećko Žganec and Mr. Kristijan Buk were elected for a period of 4 years.

During 2012 the Supervisory Board held seven meetings and conducted telephone voting and voting at the meetings and was duly informed by the Management Board on the business policy and other general issues related to the future of business operation, all important business events and ongoing operations, profitability, revenues and expenditures, operations that might be of great importance for the profitability and liquidity of the company and generally on the Company status.

The Supervisory Board has reviewed the annual financial statements within the statutory deadline of Article 300c of the Companies Act with the external auditor's opinion submitted by the Management Board and found that they were drawn up in accordance with the accounting records and that they present fairly and objectively the financial position and results of the Company for the year ended 31 December 2012. Since the Supervisory Board has no objections to the reports submitted to it by the Management Board, the Supervisory Board approves the annual financial statements for the year 2012. Likewise, the Supervisory Board agrees with the external auditor's opinion.

The Management Board submitted to the Supervisory Board proposal on allocation of profits realized in the year 2012, which established that in the stated period the Company made net profit in the amount of HRK 132,932,612.98 and which suggests that the profit should be allocated in the following way: retained earnings to be allocated an amount of HRK 94,108,802.98, legal reserve to be allocated an amount of HRK 1,781,250.00 and payment of dividends to be allocated an amount of HRK 37,042,560.00. The Supervisory Board agrees with the given proposals of the Management Board on the distribution of profit from operations.

In addition to the financial results for the year 2012, the Supervisory Board has reviewed and accepted the Company's business policy for the year 2013, which is primarily focused on improving the Company's business, expansion and improvement of product range, innovation and optimization of business processes. To the Management Board a need for greater engagement was indicated, with regard to achieving better results in the forthcoming year and greater financial discipline.

In accordance with the provision of Article 300c of the Companies Act, the Supervisory Board reports that no specially constituted committees for specific areas of supervision were established.

Following the above, the Supervisory Board proposes to the General Assembly, in accordance with the provision of Article 300e of the Companies Act and the Articles of Association of the Company, to determine the annual financial statements for the year ended 31 December 2012, and to make other decisions under its jurisdiction in accordance with the proposals of the Management Board and of the Supervisory Board.

In Zagreb, 10 July 2013

President of the Supervisory Board

Ljerka Puljić