

## ERICSSON NIKOLA TESLA D.D.

The Management Report on the Group and the Company Ericsson Nikola Tesla business performance and comments on the financial results for the nine months 2015

### Highlights:

- Sales revenues: MHRK **967.6**
- Gross margin: **12.9 %**
- Operating profit: MHRK **61.2**
- Net profit: MHRK **60.9**
- Cash flow from operating activities: MHRK **138.1**

Gordana Kovačević, the President of Ericsson Nikola Tesla, comments:

"Sales revenues in the first nine months 2015 increased by 6.2% year-over-year. A significant increase in revenue was recorded in Ericsson market, thus neutralizing revenue decrease in other markets. During 2015, Ericsson Nikola Tesla Group employed 410 new professionals.

Almost all the key financial performance indicators show positive trends. Operating profit increased by 10% year-over-year to MHRK 61.2, while net profit increased by 3% to MHRK 60.9. Gross margin is lower year-over-year, as a result of change in business mix (increase in services to Ericsson) and a continuous price pressure. This change in business mix results in lower margin, however, at the same time it reduces exposure to business and operating risks. Our continuous focus on cost efficiency brings good results. Sales and administrative costs decreased by 11% year-over-year, thus ensuring a solid operating profit growth. A strong cash flow from operating activities of MHRK 138.1, allowed build-up of the total cash balances, including short term financial assets to MHRK 195.8. The working capital efficiency, measured by the performance indicator Working Capital Days (WCD) is 33 days. The cash conversion rate is at high 138%.

In the domestic market, together with the intensive activities with our key customers in the operator segment, I believe that the role of Ericsson Nikola Tesla is recognized in the informatization of national healthcare system and the realization of projects that ensure a more efficient management at the state administration level. Sales revenues decreased year-over-year, because our customers in the radio access network and eSystems segments postponed their investments or delayed contract signing. As far as the export markets are concerned, new business opportunities, primarily in Bosnia & Herzegovina, are expected in the next period. In CIS market, marketing and sales activities are ongoing on several projects in the telecom, as well as in the Industry & Society segment (eHealth).

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End of September, we marked the 15th Anniversary of Ericsson Nikola Tesla Summer Camp. This project is one of the successful examples of bringing together education and economy, launched in collaboration with the Faculty of Electrical Engineering and Computing in 2001. To this day, more than 600 students participated in the Summer Camp and together with the support of their mentors from Croatia and abroad, they realized more than 400 projects. In this way, we find top talents and strengthen our position in a demanding global market, and at the same time, we provide an opportunity for students to work in teams on innovative high-tech projects.

During the third quarter we launched a new cycle of strategic planning for the period up to 2018, by analyzing the current situation in all relevant markets and trends related to the future developments in the ICT industry. Our goal is to strengthen the position in strategic business segments (4G/LTE, OSS/BSS, TV & Media, Managed Services, Industry & Society). Moreover, on the Ericsson market, we want to keep and extend our responsibilities, while maintaining a high quality of delivered services.

With our strategic initiatives, we are well positioned to create values to our customers in a transforming ICT market."

#### Financial summary:

- Sales revenues amount to MHRK 967.6 (first nine months 2014: MHRK 911.5), 6.2% increase year-over-year. Of the total sales revenues, the domestic market accounts for 21.2%, services to Ericsson account for 60.4%, while other export markets participate with 18.4%.
- Sales in the network segment amounts to MHRK 438.8 (45.4% of the total sales revenue), services segment amounts to MHRK 496.9 (51.3% of the total sales revenue), and support solution segment accounts for MHRK 31.9 (3.3% of the total sales revenue).
- Gross profit amounts to MHRK 124.6 (first nine months 2014: MHRK 122.3), an increase by 2% year-over-year. Gross margin decreased to 12.9% (first nine months 2014: 13.4%), primarily due to business mix changes.
- Distribution and administrative expenses decreased by 11% year-over-year and amount to MHRK 60.1 (first nine months 2014: MHRK 67.5).
- Operating profit increased by 10% year-over-year and amounts to MHRK 61.2 (first nine months 2014: MHRK 55.7).
- Net finance income is MHRK 0.1 (first nine months 2014: MHRK 3.3) primarily due to lower interest income and net foreign exchange losses on cash and short-term financial assets as a result of HRK appreciation.
- Net profit increased by 3% year-over-year and amounts to MHRK 60.9 (first nine months 2014: MHRK 58.9). Return on Sales (ROS) is 6.3% (first nine months 2014: 6.5%).
- Cash flow from operating activities is MHRK 138.1 (first nine months 2014: MHRK 133.3). The cash conversion rate is at 138%. WCD is 33 days.

- Total cash and cash equivalents, including short term financial assets, as at 30 September 2015 amount to MHRK 195.8 (31.5% of the total assets), while at the end of 2014 amounted to MHRK 231.0 (33.0% of the total assets).
- The Company has a lean balance sheet with total assets of MHRK 621.5. The equity ratio is at solid 44.9%.
- With related parties, the transactions were as follows: sales of products and services amounted to MHRK 610.8 (first nine months 2014: MHRK 430.8), while the purchase of products and services amounted to MHRK 199.2 (first nine months 2014: MHRK 265.7).
- As at 30 September 2015, balances outstanding with related parties were as follows: receivables amounted to MHRK 105.4 (end 2014: MHRK 86.6), and payables MHRK 37.5 (end 2014: MHRK 46.5).

## Business situation in major markets

**In the domestic market** sales revenues amounted to MHRK 205.6, 13.3% decrease year-over-year.

During Q3, the collaboration with the strategic partner Vipnet continued on the modernization of radio access network and transport telecom network, as well as on increasing the capacity of 3G and 4G technology. Further testing is ongoing, regarding new functionalities in various core and radio access network segments that contribute to the increased quality and new services to end users.

With Hrvatski Telekom (HT) we are working on strategic projects related to development and transformation of network and services, and we continue to provide the services of telecommunications infrastructure build and maintenance.

With Tele2, activities are ongoing on software upgrading and finalizing the project of enhancing functional reliability of core network infrastructure. The focus is placed on further enhancing the capacities of transmission network in the segments of microwave connections and fiber technologies.

In the business segment of ICT solutions for Industry & Society, a two-year contract was signed regarding maintenance and upgrades of CEZIH – Central Healthcare Information System of the Republic of Croatia. Furthermore, the contract was signed with Hrvatska elektroprivreda (HEP) relating to maintenance of communication network. For the Ministry of the Interior of the Republic of Croatia for the need of Operational and communication center we successfully implemented the solution for assistance in emergency situations.

**In export markets (except for Ericsson market)**, sales revenues amount to MHRK 177.6, 26.3% decrease year-over-year. The unfavorable political and economic situation impacts the operators' investment.

In Southeast Europe (Bosnia and Herzegovina, Montenegro and Kosovo) sales revenues decreased by 2.7% year-over-year to MHRK 123.2.

In Bosnia and Herzegovina, the collaboration with BH Telecom and HT Mostar (HT Eronet) continues in the segment of modernizing fixed and mobile networks with an emphasis on mobile broadband internet access.

With HT Eronet, a contract was signed related to the Evolved Packet Core, a technology solution that ensures greater capacities and the development of new services.

In Montenegro market, with Crnogorski Telekom, we continue our successful collaboration on expanding and upgrading the radio access network (2G, 3G and LTE). During Q3, the Mobile Positioning System (MPS), which enables positioning of the mobile subscribers who are calling the Emergency call number 112, was implemented.

For the Ministry of the Interior of Montenegro we successfully implemented a new solution for emergency calls 112 based on Coordcom solution.

In Kosovo market, with the operator IPKO, we continued collaboration in the segment of radio access network expansion and the upgrade of microwave and 2G/3G/4G radio networks.

In CIS market, sales revenues amount to MHRK 54.4, 52.4% decrease year-over-year. The marketing and sales activities are ongoing on several projects in the telecom, as well as in the Industry & Society segment (eHealth).

**In Ericsson market**, sales revenues amounted to MHRK 584.4, an increase by 34.9% year-over-year. Ericsson Nikola Tesla Servisi d.o.o. (managed services) contributed with MHRK 125.8.

Within the Ericsson Nikola Tesla Research and Development Centre (R&D), along with activities on numerous development projects, the transfer of competencies and responsibilities for several work domains was finished. We should highlight the software application development within the Radio Development Unit. In other Development Units (PDU Mobile Core, PDU User Data Management, PDU Infrastructure & Hardware and BUGS Global legacy & Harvest Network) all the activities were carried out successfully and according to plan.

End of September, a series of meetings were held between R&D Development Units with the representatives of Ericsson Product Development Units. Based on the detailed business performance analysis, at the final meeting held in Zagreb, the quality of work and the current high ranking of our center were highlighted. The results confirm continuity of excellence and boost the future work and development of collaboration.

Service Delivery Center experts have been engaged in numerous projects for the following customers: Base Belgium, Deutsche Telekom Germany, EE Great Britain, Translink Netherlands, Vodafone Czech Republic, Vodafone Ireland, Swisscom Switzerland, P4 Poland. We can highlight the activities connected with the IPTV project for Vodafone Ireland, Order care project for Translink Netherlands, VoLTE and WiFi projects for EE Great Britain, PostLUX Luxembourg and Vodafone Czech Republic.

The Centre's experts also provided consulting services and services of configuration and dimensioning for Orange Botswana, Vodafone Netherlands, T-mobile Czech Republic, Turkcell Turkey and MTN and Zain Sudan. There is intensive work ongoing on developing and implementing software tools for mobile network management and optimization, such as: Smart Laptop, E// Design Optimization Service, Smart Rollout Support, Rehoming Automation Management Tool, Radio Network Proposal Tool, etc.

The Global Competence Domain for RAN & OSS has ongoing activities on Facebook project. The responsibility for RAN network e2e optimization has been obtained.

#### Other information

Ericsson Nikola Tesla's major shareholders (as at 30 September 2015)

	Number of shares	% of share capital
Telefonaktiebolaget LM Ericsson	653,473	49.07
Hypo Alpe-Adria-Bank d.d. / Raiffeisen Mandatory Pension Fund, B category	123,514	9.28
Societe Generale-Splitska banka d.d. / Erste Plavi Mandatory Pension Fund, B category	32,961	2.48
Hypo Alpe-Adria-Bank d.d. / PBZ Croatia osiguranje Mandatory Pension Fund, B category	27,523	2.07
PBZ d.d. / State Street client account	23,542	1.77
PBZ d.d. / The Bank of New York as custodian	22,367	1.68
Zagrebačka banka d.d. / Custodian client account for Unicredit Bank Austria AG	17,320	1.30
Zagrebačka banka d.d. / State Street Bank and Trust Company, Boston	12,350	0.93
PBZ d.d. / Custodian Client Account	10,988	0.83
Hypo Alpe-Adria-Bank d.d. / Raiffeisen Voluntary Pension Fund	7,934	0.60
Other shareholders	399,678	30.00

Information on share price in Q3 2015:

Highest (HRK)	Lowest (HRK)	Closing (HRK)	Market cap. (in MHRK)
1,177.99	1,030.01	1,051.01	1,399.6

Ericsson Nikola Tesla d.d.  
Krapinska 45  
Zagreb

OIB: 84214771175  
Tax No.: 03272699

Pursuant to the Articles 407 to 410 of the Capital Market Law (Official Gazette 88/08 and 146/08) the Managing Director of the joint stock company Ericsson Nikola Tesla d.d. Zagreb, Krapinska 45 gives the following:

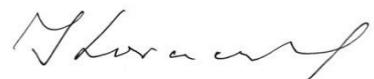
**Statement of the Management Board responsibility**

The accompanying consolidated and nonconsolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS). The financial statements also comply with the provisions of the Croatian Financial Accounting Law valid as of the date of these financial statements.

Unaudited financial statements for the period 1 Jan 2015 to 30 Sep 2015 present a true and fair view of the financial position of the Company and of its financial performance and its cash flows in compliance with applicable accounting standards.

**Managing Director:**

**Gordana Kovačević, MSc**



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*For more information about Ericsson Nikola Tesla's business performance, please visit:*  
<http://www.ericsson.hr>

*Communication*  
Ericsson Nikola Tesla

**ENCLOSURE 1**

Reporting period:

1.1.2015.

to

30.09.2015

**Quarterly Financial Report TFI-POD**Tax number (MB): 03272699Registration number (MBS): 080002028Personal identification number (OIB):  
84214771175Issuer: **ERICSSON NIKOLA TESLA D.D. ZAGREB**Postal code and location: 10000 **ZAGREB**Street and number: Krapinska 45E-mail: [etk.company@ericsson.com](mailto:etk.company@ericsson.com)Internet address: [www.ericsson.hr](http://www.ericsson.hr)Code and city / municipality 133 ZAGREBCode and county 21 GRAD ZAGREB Number of employees: 1.913Consolidated Report NO Business activity code: 2630

Entities in consolidation (according to IFRS)	Registered seat:	Tax number (MB):

Book-keeping office:    Contact person **Tatjana Ricijaš**

(Name and surname of contact person)

Telephone: +385 (0)1 365 3343 Telefaks: +385 (0)1 365 3174E-mail: [tatjana.ricijas@ericsson.com](mailto:tatjana.ricijas@ericsson.com)Name and surname: **Kovačević Gordana**  
(authorized representatives)**Documents to be published:**

1. Financial Statements (Balance Sheet, Income statement, Cash Flow Statement, Statement of Changes in Equity)
2. Management Commentary Statement with notes
3. Responsibility of the Management for the preparation of the financial statements

(seal)

(signature of authorized representative)

**Balance Sheet**  
as at 30 September 2015

Issuer: Ericsson Nikola Tesla d.d.

Item	AOP	Previous period	Current period
1	2	3	4
<b>A) RECEIVABLES FOR REGISTERED UNPAID CAPITAL</b>			
<b>B) NON CURRENT ASSETS (003+010+020+029+033)</b>	<b>002</b>	<b>150.274.226</b>	<b>153.228.834</b>
I. INTANGIBLE ASSETS (004 do 009)	<b>003</b>	1.295.766	863.230
1. Research & Development expenditure	<b>004</b>		
2. Patents, licences, royalties, trade marks, software&similar rights	<b>005</b>	1.295.766	863.230
3. Goodwill	<b>006</b>	0	0
4. Prepayments for intangible assets	<b>007</b>		
5. Intangible assets under construction	<b>008</b>		
6. Other intangible assets	<b>009</b>		
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	<b>010</b>	129.752.400	133.093.776
1. Land	<b>011</b>	15.605.344	15.605.344
2. Property	<b>012</b>	30.024.740	28.294.796
3. Plants and equipment	<b>013</b>	76.182.440	82.127.545
4. Tools, plants&vehicles	<b>014</b>	5.261.361	4.329.719
5. Biological asset	<b>015</b>		
6. Prepayments for tangible assets	<b>016</b>		
7. Assets under construction	<b>017</b>	2.579.181	2.642.874
8. Other tangible assets	<b>018</b>	99.334	93.497
9. Investments property	<b>019</b>		
III. FINANCIAL ASSETS (021 do 028)	<b>020</b>	7.436.826	7.386.054
1. Investments in subsidiaries	<b>021</b>	73.385	73.385
2. Loans to subsidiaries	<b>022</b>		
3. Participating interests (stakes)	<b>023</b>		
4. Loans to participating interest	<b>024</b>		
5. Investments in securities	<b>025</b>		
6. Loans & deposits	<b>026</b>	7.363.441	7.312.669
7. Other non-current financial assets	<b>027</b>		
8. Investment accounted by equity method	<b>028</b>		
IV. RECEIVABLES (030 do 032)	<b>029</b>	11.789.235	11.885.774
1. Receivables from subsidiaries	<b>030</b>	4.133.330	2.933.353
2. Receivables from credit sales	<b>031</b>	3.352.403	4.693.389
3. Other receivables	<b>032</b>	4.303.502	4.259.032
V. DEFERRED TAX ASSETS	<b>033</b>	0	0
<b>C) CURRENT ASSETS (035+043+050+058)</b>			
I. INVENTORIES (036 do 042)	<b>035</b>	21.128.206	27.293.105
1. Raw materials & consumables	<b>036</b>	5.185	3.222
2. Work in progress	<b>037</b>	21.104.523	27.271.385
3. Products	<b>038</b>		
4. Merchandise	<b>039</b>		
5. Prepayments for inventories	<b>040</b>	18.498	18.498
6. Other available-for-sale assets	<b>041</b>		
7. Biological asset	<b>042</b>		
II. RECEIVABLES (044 do 049)	<b>043</b>	266.344.092	211.303.936
1. Receivables for trade debt of subsidiaries	<b>044</b>	84.860.265	103.410.808
2. Trade receivables	<b>045</b>	178.882.847	106.757.947
3. Receivables for trade debts of participating entities	<b>046</b>		
4. Amounts receivable from employees	<b>047</b>		
5. Receivables from government agencies	<b>048</b>	739.029	1.079.202
6. Other receivables	<b>049</b>	1.861.951	55.979
III. FINANCIAL ASSETS (051 do 057)	<b>050</b>	56.598.608	27.891.348
1. Investments in subsidiaries	<b>051</b>		
2. Loans to subsidiaries	<b>052</b>	12.518.291	
3. Participating interests (stakes)	<b>053</b>		
4. Loans to participating interest	<b>054</b>		
5. Investments in securities	<b>055</b>	44.080.317	27.891.348
6. Loans & deposits	<b>056</b>		
7. Other financial assets	<b>057</b>		
IV. CASH AND CASH EQUIVALENTS	<b>058</b>	182.106.153	160.614.224
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>			
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>059</b>	<b>1.931.795</b>	<b>7.720.086</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>060</b>	<b>678.383.080</b>	<b>588.051.532</b>
	<b>061</b>		

<b>EQUITY AND LIABILITIES</b>			
<b>A) EQUITY</b> (063+064+065+071+072+075+078)	<b>062</b>	<b>329.657.396</b>	<b>270.147.205</b>
I. SHARE CAPITAL	<b>063</b>	133.165.000	133.165.000
II. CAPITAL RESERVES	<b>064</b>		
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	22.942.695	22.942.695
1. Legal reserves	<b>066</b>	6.658.250	6.658.250
2. Reserves for treasury shares	<b>067</b>	24.746.708	24.746.708
3. Treasury shares and stakes (less)	<b>068</b>	8.462.264	8.462.264
4. Statutory reserves	<b>069</b>		
5. Other reserves	<b>070</b>		
IV. REVALUATION RESERVES	<b>071</b>		
<b>V. RETAINED EARNINGS</b> (073-074)	<b>072</b>	90.799.764	56.221.186
1. Retained earnings	<b>073</b>	90.799.764	56.221.186
2. Loss brought forward	<b>074</b>		
<b>VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR</b> (076-077)	<b>075</b>	82.749.938	57.818.324
1. Profit for the financial year	<b>076</b>	82.749.938	57.818.324
2. Loss for the financial year	<b>077</b>		
<b>VII. MINORITY INTEREST</b>	<b>078</b>		
<b>B) PROVISIONS</b> (080 do 082)	<b>079</b>	0	0
1. Provisions for redundancy costs	<b>080</b>		
2. Provisions for tax obligations	<b>081</b>		
3. Other provisions	<b>082</b>		
<b>C) NON-CURRENT LIABILITIES</b> (084 do 092)	<b>083</b>	<b>9.469.071</b>	<b>9.579.303</b>
1. Amounts payable to subsidiaries	<b>084</b>	4.133.330	4.133.330
2. Liabilities for loans, deposits and other	<b>085</b>		
3. Liabilities towards banks and other financial institutions	<b>086</b>		
4. Amounts payable for prepayment	<b>087</b>		
5. Trade payables	<b>088</b>		
6. Amounts payable for securities	<b>089</b>		
7. Liabilities toward participating interests	<b>090</b>		
8. Other non-current liabilities	<b>091</b>	5.335.741	5.445.973
9. Deferred tax	<b>092</b>		
<b>D) CURRENT LIABILITIES</b> (094 do 105)	<b>093</b>	<b>198.862.924</b>	<b>165.204.251</b>
1. Amounts payable to subsidiaries	<b>094</b>	62.755.317	50.887.877
2. Liabilities for loans, deposits and other	<b>095</b>		
3. Liabilities towards banks and other financial institutions	<b>096</b>	0	0
4. Amounts payable for prepayment	<b>097</b>		
5. Trade payables	<b>098</b>	45.195.377	28.251.479
6. Amounts payable for securities	<b>099</b>		
7. Liabilities toward participating interests	<b>100</b>		
8. Amounts payable to employees	<b>101</b>	67.949.062	64.979.144
9. Liabilities for taxes and contributions	<b>102</b>	22.963.168	21.085.751
10. Dividend payables	<b>103</b>		
11. Liabilities directly associated with the assets classified as held for sale	<b>104</b>		
12. Other current liabilities	<b>105</b>		
<b>E) ACCRUED CHARGES AND DEFERRED REVENUE</b>	<b>106</b>	<b>140.393.689</b>	<b>143.120.772</b>
<b>F) TOTAL EQUITY AND LIABILITIES</b> (062+079+083+093+106)	<b>107</b>	<b>678.383.080</b>	<b>588.051.532</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>108</b>		

**ANNEX TO THE BALANCE SHEET** (to be filled in by entrepreneur submitting consolidated financial report)

**A) CAPITAL AND RESERVES**

1. Attributable to equity holders of the parent company's capital	<b>109</b>		
2. Attributable to minority interest	<b>110</b>		

Note 1.: APPENDIX TO THE BALANCE SHEET (to be filled in by entities who submitting consolidated financial statements).

**INCOME STATEMENT**  
for the period 01 January 2015 to 30 September 2015

Issuer: Ericsson Nikola Tesla d.d.

Item	AOP	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
<b>I. OPERATING INCOME (112+113)</b>	<b>111</b>	<b>908.821.057</b>	<b>256.141.004</b>	<b>948.672.071</b>	<b>288.174.132</b>
1. Sales revenue	112	895.935.176	252.327.440	936.151.461	284.499.546
2. Other operating income	113	12.885.882	3.813.564	12.520.610	3.674.585
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	<b>856.818.391</b>	<b>249.329.990</b>	<b>890.968.445</b>	<b>279.303.564</b>
1. Changes in inventories of finished products and work in progress	115	7.964.611	-3.107.203	-6.166.862	-2.635.255
2. Raw material and consumables used (117 do 119)	116	415.146.135	106.384.361	443.823.305	131.441.493
a) Cost of raw materials & consumables	117	213.174.659	36.067.111	151.978.024	27.769.476
b) Cost of goods sold	118				
c) Other costs	119	201.971.476	70.317.251	291.845.280	103.672.017
3. Staff costs (121 do 123)	120	366.865.461	122.670.881	392.282.714	131.962.956
a) Net salaries	121	177.521.181	59.018.859	180.179.257	60.923.156
b) Employee income tax and contributions	122	137.456.074	45.698.776	156.416.964	52.888.525
c) Employer's contributions	123	51.888.206	17.953.246	55.686.493	18.151.275
4. Depreciation and amortisation expense	124	33.669.414	11.769.894	36.944.824	12.832.147
5. Other costs	125	24.397.277	7.093.965	21.507.490	4.874.356
6. Impairment losses (127+128)	126	4.912.012	2.900.111	1.497.548	772.900
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128				
7. Provisions	129				
8. Other operating expenses	130	3.863.481	1.617.980	1.079.426	54.968
<b>III. FINANCIAL INCOME (132 do 136)</b>	<b>131</b>	<b>5.349.250</b>	<b>2.988.644</b>	<b>2.596.017</b>	<b>1.300.039</b>
1. Interest, foreign exchange gains, dividends and other income from related parties	132				
2. Interest, foreign exchange gains, dividends and other income from non-related and other entities	133	4.802.156	2.947.158	2.522.135	1.300.039
3. Income from associates and ownership interests	134				
4. Unrealized gains	135				
5. Other financial income	136	547.094	41.486	73.882	
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	<b>1.497.570</b>	<b>817</b>	<b>2.481.319</b>	<b>47.023</b>
1. Interest, foreign exchange losses and other expenses with related parties	138				
2. Interest, foreign exchange differences and other expenses with non-related and other entities	139	1.497.570	817	2.481.319	47.023
3. Unrealized losses	140				
4. Other financial expenses	141				
<b>V. SHARE OF INCOME OF ASSOCIATES</b>	<b>142</b>				
<b>VI. SHARE OF LOSS OF ASSOCIATES</b>	<b>143</b>				
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	<b>914.170.308</b>	<b>259.129.648</b>	<b>951.268.088</b>	<b>289.474.171</b>
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	<b>858.315.961</b>	<b>249.330.806</b>	<b>893.449.764</b>	<b>279.350.587</b>
<b>XI. PROFIT OR LOSS BEFORE TAX (146-147)</b>	<b>148</b>	<b>55.854.346</b>	<b>9.798.842</b>	<b>57.818.324</b>	<b>10.123.584</b>
1. Profit before tax (146-147)	149	55.854.346	9.798.842	57.818.324	10.123.584
2. Loss before tax (147-146)	150	0	0	0	0
<b>XII. INCOME TAX EXPENSE</b>	<b>151</b>				
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>55.854.346</b>	<b>9.798.842</b>	<b>57.818.324</b>	<b>10.123.584</b>
1. Profit for the period (149-151)	153	55.854.346	9.798.842	57.818.324	10.123.584
2. Loss for the period (151-148)	154	0	0	0	0
<b>ANNEX TO THE PROFIT AND LOSS ACCOUNT (to be filled in by entities submitting consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Attributable to owners of the company	155				
2. Attributable to non-controlling interests	156				
<b>STATEMENTS OF COMPREHENSIVE INCOME (to be filled by entities who work in compliance with IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	<b>55.854.346</b>	<b>9.798.842</b>	<b>57.818.324</b>	<b>10.123.584</b>
<b>II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)</b>	<b>158</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1. Exchange differences arising from foreign operations	159				
2. Revaluation of non-current assets and intangible assets	160				
3. Gains or loss available for sale investments	161				
4. Gains or loss on net movement on cash flow hedges	162				
5. Gains or loss on net investments hedge	163				
6. Share of the other comprehensive income/loss of associates	164				
7. Actuarial gain / loss on post employment benefit obligations	165				
<b>III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD</b>	<b>166</b>				
<b>IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (158-166)</b>	<b>167</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	<b>55.854.346</b>	<b>9.798.842</b>	<b>57.818.324</b>	<b>10.123.584</b>
<b>APPENDIX Statement of Comprehensive Income (to be filled in by entities submitting consolidated financial statements)</b>					
<b>VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD</b>					
1. Attributable to owners of the company	169				
2. Attributable to non-controlling interests	170				

52.002.666 6.811.015 57.703.626 8.870.567

**CASH FLOW STATEMENT - Indirect method**  
 in the period 01 January 2015 to 30 September 2015

Issuer: Ericsson Nikola Tesla d.d.

Item	AOP	Previous period	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	<b>001</b>	55.854.346	57.818.324
2. Depreciation and amortisation	<b>002</b>	33.669.414	36.944.824
3. Increase in liabilities	<b>003</b>		
4. Decrease in receivables	<b>004</b>	93.864.719	60.525.415
5. Decrease in inventories	<b>005</b>	705.546	
6. Other increase in cash flow	<b>006</b>	12.108.117	486.934
<b>I. Total increase in operating cash flow (001 do 006)</b>	<b>007</b>	<b>196.202.142</b>	<b>155.775.497</b>
1. Decrease in liabilities	<b>008</b>	65.444.258	22.751.601
2. Increase in receivables	<b>009</b>		
3. Increase in inventories	<b>010</b>		6.164.898
4. Other decrease in cash flow	<b>011</b>		
<b>II. Total decrease in operating cash flow (008 do 011)</b>	<b>012</b>	<b>65.444.258</b>	<b>28.916.500</b>
<b>A1) NET INCREASE IN OPERATING CASH FLOW (007-012)</b>	<b>013</b>	<b>130.757.885</b>	<b>126.858.997</b>
<b>A2) NET DECREASE IN OPERATING CASH FLOW (012-007)</b>	<b>014</b>		
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1. Proceeds from sale of property, plant and equipment	<b>015</b>	103.753	294.874
2. Net disposal of financial assets	<b>016</b>	79.100.000	78.142.023
3. Interest received	<b>017</b>	5.426.113	2.438.179
4. Dividend received	<b>018</b>		
5. Other cash from investing activities	<b>019</b>	964.141	62.201
<b>III. Total cash flow from investing activities (015 do 019)</b>	<b>020</b>	<b>85.594.006</b>	<b>80.937.277</b>
1. Purchase of property, plant and equipment and intangible assets	<b>021</b>	36.892.999	44.988.402
2. Purchase of financial instruments	<b>022</b>		62.000.000
3. Other cash flow used in investing activities	<b>023</b>		
<b>IV. Total cash flow from investing activities (021 do 023)</b>	<b>024</b>	<b>36.892.999</b>	<b>106.988.402</b>
<b>B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)</b>	<b>025</b>	<b>48.701.008</b>	
<b>B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES (024-020)</b>	<b>026</b>		<b>26.051.125</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Proceeds from issuance of financial instruments	<b>027</b>		
2. Proceeds from loans	<b>028</b>		
3. Other cash flow from financial activities	<b>029</b>		
<b>V. Total cash flow from financial activities (027 do 029)</b>	<b>030</b>	<b>0</b>	<b>0</b>
1. Repayment of interest-bearing borrowings	<b>031</b>		
2. Dividend paid	<b>032</b>	424.922.141	119.714.758
3. Repayment of finance lease	<b>033</b>		
4. Repurchase of treasury shares	<b>034</b>		
5. Other cash flow used in financial activities	<b>035</b>	2.646.839	2.585.043
<b>VI. Total cash flow used in financial activities (031 do 035)</b>	<b>036</b>	<b>427.568.979</b>	<b>122.299.801</b>
<b>C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)</b>	<b>037</b>		
<b>C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)</b>	<b>038</b>	<b>427.568.979</b>	<b>122.299.801</b>
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	<b>039</b>		
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	<b>040</b>	248.110.087	21.491.929
Cash and cash equivalents at the beginning of the period	<b>041</b>	404.269.422	182.106.153
Increase in cash and cash equivalents	<b>042</b>	0	0
Decrease in cash and cash equivalents	<b>043</b>	248.110.087	21.491.929
Cash and cash equivalents at the end of the period	<b>044</b>	156.159.335	160.614.224

**STATEMENT OF CHANGES IN EQUITY**  
 for the period from 1.1.2015 to 30.9.2015

Item	AOP	Previous period	Current period
1	2	3	4
1. Share capital	001	133.165.000	133.165.000
2. Capital reserves	002		
3. Reserves from profit	003	25.710.740	22.942.695
4. Retained earnings	004	92.786.320	56.221.186
5. Profit or loss for the period	005	55.854.346	57.818.324
6. Revaluation of property, plant and equipment	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial financial assets available for sale	008		
9. Other revaluations	009		
<b>10. Total capital and reserves (AOP 001 do 009)</b>	<b>010</b>	<b>307.516.406</b>	<b>270.147.205</b>
11. Foreign exchange differences from investments in foreign operations	011		
12. Current and deferred taxes	012		
13. Cash flow hedge	013		
14. Changes in accounting policies	014		
15. Prior year adjustment	015		
16. Other changes in equity	016		
<b>17. Total increase/decrease in equity (AOP 011 do 016)</b>	<b>017</b>	<b>0</b>	<b>0</b>
17 a. Parent company share in subsidiary	018		
17 b. Minority interest	019		

Items that decrease equity have negative sign

Items from 001 to 009 are state of balance sheet date

## Notes to the Financial Statements

### 1. Segment reporting

	Networks		Professional Services		Support services		Unallocated		Total	
	30.9.2015. '000 kn	30.9.2014. '000 kn								
Segment sales revenue	418.905	479.127	487.903	390.188	29.343	26.620	0	0	936.151	895.935
Operating profit/(loss)	8.632	11.880	69.760	61.667	1.762	1.485	-22.451	-23.030	57.704	52.003

### 2. Transactions with related parties

	30.9.2015. '000 kn	30.9.2014. '000 kn
Total sales	622.541	436.669
Total purchases	317.613	269.184

### 3. Balances with related parties

	30.9.2015. '000 kn	31.12.2014. '000 kn
Receivable	106.344	102.179
Payable	55.021	71.689

4. Other notes to the financial statements are disclosed within the Management Board report.