

## ERICSSON NIKOLA TESLA D.D.

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

### Highlights:

- Sales revenue: MHRK **1,364.3**
- Gross margin: **13.0%**
- Operating profit: MHRK **91.4**
- Net profit: MHRK **91.3**
- Cash flow from operating activities: MHRK **243.1**
- Information on dividend proposal amount will be subsequently published

Gordana Kovačević, the President of Ericsson Nikola Tesla comments:

„Business results in 2015 show a stable business performance. Sales revenue increased by 3.8% year-over-year. A significant increase in revenue was recorded in Ericsson market, thus neutralizing the revenue decrease in other markets. If we analyze the relation between internal and external customers from 2010, until 2015, share of internal Ericsson market in the Group revenue increased from 36% to 60%. During 2015, internal Ericsson market share significantly grew due to increased volume in managed services, but also due to new responsibilities within global organization (research and development center, global and regional services centers, as well as customer solutions centers). We have maintained the position as the Croatia's leading ICT exporter and the leading exporter of knowledge. In 2015 we continued hiring and employed 435 experts. The number of employees working in research and development surpassed 1,000 and at the end of 2015 Ericsson Nikola Tesla Group had a total of 2,789 employees.

In other markets, sales revenue decreased as some projects and contracts have been postponed. The factors that slowed down certain processes are slow economic development and, in some markets, political uncertainty. An additional challenge for our business performance is strong competition and global customers/operators centralized procurement & consolidation.

On the other hand, new business opportunities are created through the convergence of operators and industry, and their transformation through mobility, broadband and cloud. Our markets recognize an increasing importance and role ICT has on transformation processes in business and society. To our customers we want to be the leading ICT

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transformation partner. Our significant advantage is a strong position and customers' trust we enjoy in local and regional markets, thus empowering us to be the leading ICT transformation partner to our customers.

Almost every key financial performance indicator shows positive trend. Operating profit increased by 12.2% year-over-year to MHRK 91.4, while net profit increased by 4.6% to MHRK 91.3. Gross margin is slightly 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 substantially business and operating risks and allow lower levels of working capital to be employed. Our continuous focus on cost efficiency has brought solid cost savings. Sales and administrative costs decreased by 9.1% year-over-year, thus ensuring a solid operating income. A strong cash flow from operating activities of MHRK 243.1, allowed build-up of the total cash balances, including short term financial assets to MHRK 287.1. Continuous focus on working capital efficiency has led to a decrease in the account receivables by 9% year-over-year and inventory levels by 31.5% year-over-year. The working capital efficiency, measured by the performance indicator Working Capital Days (WCD) is 32 days. The cash conversion rate is at high 153%. In 2015, the annual Employee Engagement Survey (Dialog) confirmed the Company's motivating culture and strong employee engagement. Furthermore, the annual Customer Satisfaction Survey confirmed a high level of satisfaction among our key customers/partners.

We continued partnership with universities and research institutions by implementing joint projects, some of which are funded by the European Union. In 2015 we marked 15 years of Ericsson Nikola Tesla Summer Camp. During this period, more than 600 students from universities in the country and abroad participated in the Summer Camp and realized more than 400 innovative high-tech projects.

In line with our strategy, during 2015 we worked on various projects and initiatives focused on business development in all markets, and profitability improvement through cost efficiency and business excellence.

Through the strategic initiative that focuses on business growth in the domestic and export markets (without the internal Ericsson market), we focused on key deals in 2015, as well as defining strategic areas and competence development.

During the year, we realized several key deals. Business deals/contracts with Vipnet and Kosovo operator IPKO in mobile network segment, thus keeping the solo vendor position for these operators. In ICT solutions for Industry and Society segment, I would like to highlight contracts regarding the upgrade and expansion of Joint Information System of Land Registry and Cadaster, and maintenance and upgrade of the Republic of Croatia Central Healthcare Information System (CEZIH). For the Ministry of the Interior of the Republic of Croatia for Operational and Communication Center we implemented the solution for assistance in emergency situations. In CIS market, new business opportunities emerged in operators' segment and in eHealth segment, with two new customers in Armenia and Kazakhstan.

We continued to invest in targeted areas (IP networks, Cloud, TV & Media, Industry & Society, OSS and BSS). Sales grew by 12% year-over-year, reaching MHRK 194.2, corresponding to 14% of Group sales.

An initiative focused on business growth in internal Ericsson market resulted in increase in business volume and new responsibilities. We took over the responsibility and also became the largest development center for the CUDB (Centralized User Data Base) node design. Our experts had an important role in developing one of the most

significant Ericsson projects in 2015, HDS 8000 (Hyperscale Datacenter System) and become the Ericsson competence hub for this solution. Development Unit Radio Access gained responsibility for LTE development. In Services organizations, new global responsibilities were obtained for RAN, OSS and Cloud as well as global responsibilities for GRAN (GSM radio access network) network design & optimization and BSP (Blade Server Platform) customer support.

Our Networked Society strategy remains unchanged. Our aim is to strengthen the position / sales in core business, in targeted growth areas and to increase profitability and market competitiveness by cost optimization. Considering the business results, in combination with our ongoing strategic initiatives, we are well positioned to create future value for our customers, shareholders, employees and society“.

#### Ericsson Nikola Tesla Group financial highlights:

- Sales revenue amount to MHRK 1,364.3 (2014: MHRK 1,314.9), 3.8% increase year-over-year. Of the total sales revenue, the domestic market accounts for 21.5%, services to Ericsson account for 60.2%, while other export markets participate with 18.3%.
- Sales in the network segment amount to MHRK 613.4 (45% of the total sales), services segment amounts to MHRK 705.1 (51.7% of the total sales), and support solution segment accounts for MHRK 45.7 (3.3% of the total sales).
- Gross profit amounts to MHRK 177.2 (2014: MHRK 179.6), a 1.3% decrease year-over-year. Gross margin slightly decreased to 13.0% (2014: 13.7%) due to an increase in services to Ericsson in total business mix.
- Selling and administrative expenses were decreased by 9.1% to MHRK 82.2 (2014: MHRK 90.5).
- Operating profit increased by 12.2% and amounts to MHRK 91.4 (2014: MHRK 81.4).
- Net finance income is MHRK 1.6 (2014: MHRK 6.9) due to low interest rate environment and net foreign exchange losses on cash and short-term financial assets.
- Net profit increased by 4.6% year-over-year and amounts to MHRK 91.3 (2014: MHRK 87.4). Return on sales (ROS) is 6.7% (2014: 6.6%).
- Cash flow from operating activities is MHRK 243.1 (2014: MHRK 176.4). The cash conversion rate is 153%. WCD is 32 days.
- Total cash and cash equivalents, including short term financial assets, as at 31 December 2015 amount to MHRK 287.1 (39.7% of the total assets), while at the end of 2014 amounted to MHRK 231.0 (33.0% of the total assets).
- The Group has a solid balance sheet with total assets of MHRK 723.9, a 3.5% increase year-over-year. The equity ratio is at 42.5%.

- With related parties, the transactions were as follows: sales of products and services amounted to MHRK 868.5 (2014: MHRK 634.5), while the purchase of products and services amounted to MHRK 253.3 (2014: MHRK 367.9).
- As at 31 December 2015, balances outstanding with related parties were as follows: receivables amounted to MHRK 117.0 (end 2014: MHRK 86.6), and payables MHRK 52.7 (end 2014: MHRK 46.5).

### Business situation in major markets

[In the domestic market](#) sales revenue amounted to MHRK 293.5, 12% decrease year-over-year.

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

Business collaboration with Hrvatski Telekom (HT) was marked by implementation of MPLS (Multi-Protocol Label Switching) architecture in core and access IP network. This project was further strengthened and expanded by the delivery of data security solution in IP networks. Business collaboration on IP core telecommunication network modernization started with Iskon. Activities regarding IP core infrastructure maintenance are ongoing with Optima Telekom. The year was also marked by a successful delivery of HT telecommunication infrastructure build and maintenance services.

The collaboration with mobile operator Tele 2 continued on core and transport network modernization, with the aim of expanding the existing capacities and introducing new functionalities. Furthermore, we continue to provide support services as well as telecom network maintenance. During the year, the project regarding the enhancement of core network infrastructure functional reliability was finished, thus enabling the operator to efficiently introduce new Networked Society services.

In Q4, in the segment of ICT solutions for Industry & Society, eHealth informatization continues. The implementation of the first national platform for mHealth was completed as well as informatization of processes regarding eMedial Assistive Devices and eHome Care/ePhysical Home Therapy. Within the project eHospitals, mutual information networking was agreed with several medical institutions. Informatization of Land Registry and Cadaster successfully continues, by signing a new contract on delivery of software with the aim of expanding the Joint Information System platform. Furthermore, contracts regarding implementation of telecommunication exchange equipment in Zagreb Airport as well as maintaining the 112 Systems of the National Protection and Rescue Directorate have been signed.

[In export markets \(without the Ericsson market\)](#) sales revenue amount to MHRK 249.4, 29% lower year-over-year. The slow economic development and political uncertainty affect the level and the dynamics of operators' investment.

In the markets of Southeast Europe (Bosnia and Herzegovina, Montenegro and Kosovo) sales revenue decreased by 15% year-over-year and amounted MHRK 176.7.

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

In Q4, a contact was signed with BH Telecom regarding upgrade of the radio access network and upgrade and expansion of the BH Telecom packet core network capacity.

In Kosovo market, the collaboration on expansion of IPKO mobile network continues, as well as with Crnogorski Telekom in Montenegro.

In CIS market, sales revenues amount to MHRK 72.7, a decrease by 50% year-over-year. The activities of modernizing fixed and mobile networks with several key customers are ongoing. New business opportunities have emerged in the operator segment and e-Health segment.

**In Ericsson market** sales revenue amounted to MHRK 821.4, an increase by 31% year-over-year. Ericsson Nikola Tesla Servisi d.o.o., a daughter company of Ericsson Nikola Tesla d.d., contributed with MHRK 181.8.

Ericsson Nikola Tesla Research and Development Centre (R&D) continues its successful work. The application and platform software development for mobile systems within the development units (DU Radio, PDU Mobile Core, PDU User Data Management and PDU Infrastructure & Hardware) are going as planned, as well as the activities of development and services for so-called already implemented fixed network base. During the year, we have additionally strengthened our position which resulted in 10% increased volume, compared to the previous year. Our R&D center in 2015 was again estimated as one of the best and most reliable research and development centers in the Ericsson Group, which confirms the continuity of excellence and gives encouragement to future work and collaboration development. In line with the strategic plans, R&D begun with the competence development, required for new assignments.

Service Delivery Center experts have been engaged in numerous projects for the following customers: BASE Belgium, Deutsche Telekom Germany, Docomo Japan, TeliaSonera Sweden, Vodafone Ireland, Vodafone UK, O2 Great Britain, T-Mobile USA, Orange France, Polkomtel Poland and Telecom Slovenije. We can highlight the activities regarding IPTV project for Vodafone Ireland, LTE optimization for O2 Great Britain, VOLTE for Deutsche Telekom Germany, OBS transformation for T-Mobile USA, Cloud project for Orange France and Docomo Japan and MPS (Mobile Positioning System) for Polkomtel Poland.

The Centre's experts also provided e2e solutions and consulting services for Mobility Saudi Arabia, MTN South Africa, Orange Botswana, Vodafone Netherlands and T-mobile Czech Republic.

Intensive work is ongoing on the development and implementation of 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 and other.

The experts of Global Competence Domain for RAN & OSS are working on several Ericsson strategic projects. We would like to highlight partnership with OTT companies (Facebook in Thailand and TenCent in Hong Kong) in optimizing end user experience and creating global e2e optimization team.

The energy and the effort invested in creating innovation climate and innovations at Ericsson Nikola Tesla is reflected through the development of new products and solutions in line with the network society strategy and

numerous awards to individuals and teams. Ericsson Global Network Design and Optimization forum awarded, as the best innovation, the idea SNACK (*Social Network Application Coverage Kit*), which addresses the problem of optimizing the telecom network settings, bearing in mind the end use experience. The solution for Automated Aerial Radio frequency measurement by using drone for radio access network measurement and optimization was also awarded.

Ericsson Nikola Tesla Servisi d.o.o., a services provider in telecommunication infrastructure build and maintenance, significantly contributes to business results. In 2015, the transformation process has begun, with the aim to align the Company with Ericsson's global models and standards for providing managed services. Furthermore, the state of the art Network Operations Centre in this part of Europe, was opened.

#### Other information

Ericsson Nikola Tesla's major shareholders (as at 31 December 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	41,117	3.09
Hypo Alpe-Adria-Bank d.d. / PBZ Croatia osiguranje Mandatory Pension Fund, B category	27,521	2.07
PBZ d.d. / The Bank of New York as custodian	21,951	1.65
Zagrebačka banka d.d. / Custodian client account for Unicredit Bank Austria AG	14,770	1.11
Zagrebačka banka d.d. / State Street Bank and Trust Company, Boston	12,350	0.93
PBZ d.d. / Custodian Client Account	8,469	0.64
Hypo Alpe-Adria-Bank d.d. / Raiffeisen Voluntary Pension Fund	7,934	0.60
PBZ d.d. / State Street client account	7,436	0.56
Other shareholders	413,115	31.00

Information on share price in 2015:

Highest (HRK)	Lowest (HRK)	Closing (HRK)	Market cap. (in MHRK)
1,390	930	1,045	1,391.6

Ericsson Nikola Tesla d.d.  
Krapinska 45  
Zagreb

OIB: 84214771175

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:

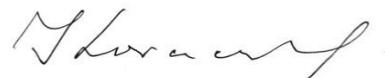
**Statement of the Management Board responsibility**

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 31 Dec 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**



*For additional information, please contact:*

**Snježana Bahtijari**  
**Company Communication Director**  
Ericsson Nikola Tesla d.d.  
Krapinska 45  
HR-10 002 Zagreb  
Phone: + 385 1 365 4556  
Mobile: +385 91 365 4556  
Fax: +385 1 365 3156  
E-mail: [snjezana.bahtijari@ericsson.com](mailto:snjezana.bahtijari@ericsson.com)

**Orhideja Gjenero**  
**Investor Relations Manager**  
Ericsson Nikola Tesla d.d.  
Krapinska 45  
HR-10 002 Zagreb  
Phone: +385 1 365 4431  
Mobile: +385 91 365 4431  
Fax: +385 1 365 3156  
E-mail: [orhideja.gjenero@ericsson.com](mailto:orhideja.gjenero@ericsson.com)  
E-mail: [odnosi.investitor@ericsson.com](mailto:odnosi.investitor@ericsson.com)

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

*Communication*  
Ericsson Nikola Tesla

Ericsson Nikola Tesla d.d.  
 Consolidated statement of comprehensive income  
 for the period ended 31 December 2015

	<b>2015</b>	<b>2014</b>
	HRK '000	HRK '000
Sales revenue	1.364.258	1.314.868
Cost of sales	-1.187.023	-1.135.261
<b>Gross profit</b>	<b>177.235</b>	<b>179.607</b>
Selling expenses	-49.066	-56.330
Administrative expenses	-33.121	-34.125
Other operating income	4.489	3.772
Other operating expenses	-8.168	-11.488
<b>Operating profit</b>	<b>91.369</b>	<b>81.436</b>
Finance income	1.761	6.903
Finance expense	-199	-8
Finance income – net	1.562	6.895
<b>Profit before tax</b>	<b>92.931</b>	<b>88.331</b>
Income tax	-1.582	-981
<b>Profit for the year</b>	<b>91.349</b>	<b>87.350</b>
Other comprehensive income	-17	78
<b>Total comprehensive income for the year</b>	<b>91.332</b>	<b>87.428</b>

Ericsson Nikola Tesla d.d.  
 Consolidated statement of financial position  
 as at 31 December 2015

	2015 HRK '000	2014 HRK '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	137.667	135.715
Intangible assets	6.532	5.481
Loans and receivables	19.235	19.153
Equity securities	40	40
<b>Total non-current assets</b>	<u>163.474</u>	<u>160.389</u>
<b>Current assets</b>		
Inventories	21.187	30.946
Trade receivables	131.800	190.572
Receivables from related parties	113.949	81.849
Other receivables	3.396	2.820
Income tax receivable	1.204	8
Financial assets at fair value through profit or loss	53.917	44.081
Prepayments and accrued income	1.744	1.956
Cash and cash equivalents	233.195	186.963
<b>Total current assets</b>	<u>560.392</u>	<u>539.195</u>
<b>TOTAL ASSETS</b>	<u>723.866</u>	<u>699.584</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	133.165	133.165
Treasury shares	-3.434	-8.462
Legal reserves	6.658	6.658
Retained earnings	171.539	204.106
<b>Total equity</b>	<u>307.928</u>	<u>335.467</u>
<b>Non-current liabilities</b>		
Interest-bearing borrowings	-	32
Employee benefits	9.060	5.622
Other non-current liabilities	12.345	8.933
<b>Total non-current liabilities</b>	<u>21.405</u>	<u>14.587</u>
<b>Current liabilities</b>		
Payables to related parties	40.087	41.661
Interest-bearing borrowings	32	356
Trade and other payables	164.477	147.559
Provisions	10.003	11.073
Accrued charges and deferred revenue	179.934	148.881
<b>Total current liabilities</b>	<u>394.533</u>	<u>349.530</u>
<b>Total liabilities</b>	<u>415.938</u>	<u>364.117</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>723.866</u>	<u>699.584</u>

Ericsson Nikola Tesla d.d.  
 Consolidated statement of cash flows  
 for the period ended 31 December 2015

	2015 HRK '000	2014 HRK '000
<b>Cash flows from operating activities</b>		
Profit before tax	92.931	88.331
Adjustments for:		
Depreciation and amortisation	51.851	46.280
Impairment losses and reversals	2.748	13.971
Net increase of provisions	10.560	3.670
Gain on sale of property, plant and equipment	-240	-53
Net gain on remeasurement of financial assets	21	-336
Amortisation of discount	-69	-330
Interest income	-3.833	-6.459
Interest expense	199	8
Foreign exchange losses	2.073	768
Equity-settled transactions	2.933	4.568
	<hr/> 159.174	<hr/> 150.418
<i>Changes in working capital</i>		
In receivables	23.799	31.403
In inventories	9.759	20.560
In payables	52.793	-25.889
	<hr/> 245.525	<hr/> 176.492
Interest paid	-198	-8
Income taxes paid	-2.181	-100
	<hr/> 243.146	<hr/> 176.384
<b>Net cash from operating activities</b>		
<b>Cash flows from investing activities</b>		
Interest received	2.945	5.951
Proceeds from sale of property, plant and equipment	355	193
Purchases of property, plant and equipment, and intangible assets	-64.212	-45.259
Deposits collected with financial institutions - net	66	999
Purchases of financial assets at fair value through profit and loss	-92.000	-45.900
Proceeds from sale of financial assets at fair value through profit and loss	82.142	112.000
	<hr/> -70.704	<hr/> 27.984
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	-4.061	-2.768
Dividends paid	-119.715	-424.933
	<hr/> -123.776	<hr/> -427.701
Effects of exchange rate changes on cash and cash equivalents	-2.434	-1.032
<b>Net increase/decrease in cash and cash equivalents</b>	<hr/> 46.232	<hr/> -224.365
Cash and cash equivalents at the beginning of the year	186.963	411.328
<b>Cash and cash equivalents at the end of the year</b>	<hr/> 233.195	<hr/> 186.963

**ENCLOSURE 1**

Reporting period:

1.1.2015.

to

31.12.2015

**Quarterly Financial Report TFI-POD**Tax number (MB): **03272699**Registration number (MBS): **080002028**Personal identification number (OIB): **84214771175**Issuer: **ERICSSON NIKOLA TESLA D.D. ZAGREB**Postal code and location: **10000 ZAGREB**Street and number: **Krapinska 45**E-mail: [etk.company@ericsson.com](mailto:etk.company@ericsson.com)Internet address: [www.ericsson.hr](http://www.ericsson.hr)Code and city / municipality: **133 ZAGREB**Code and county: **21 GRAD ZAGREB**Number of employees: **2.789**

(at the end of year)

Consolidated Report: **Yes**Business activity code: **2630**

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

Libratel d.o.o. | Zagreb, Selska 93 | **01449613**ETK BH d.o.o. | Sarajevo, Fra Andjela Zvizdovića broj 1 | **65-01-0996-11**Ericsson Nikola Tesla d.d. - Branch office of Kosovo | Republika Kosova, Kalabria, Obj 1., Bl 1, Kati 1 Nr.13 | **70633647**Ericsson Nikola Tesla Servisi d.o.o. | Zagreb, Krapinska 45 | **080921748**

Book-keeping office: | |

Contact person: **Tatjana Ricijaš**

(Name and surname of contact person)

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

(authorized representatives)

**Documents to be published:**

1. Consolidated 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 consolidated financial statements

(seal)

(signature of authorized representative)

**Balance Sheet**  
as at 31 December 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>160.389.100</b>	<b>163.473.923</b>
I. INTANGIBLE ASSETS (004 do 009)	<b>003</b>	5.481.195	6.532.238
1. Research & Development expenditure	<b>004</b>		
2. Patents, licences, royalties, trade marks, software&similar rights	<b>005</b>	1.307.950	2.358.992
3. Goodwill	<b>006</b>	4.173.246	4.173.246
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>	135.715.229	137.667.153
1. Land	<b>011</b>	15.605.344	15.605.344
2. Property	<b>012</b>	30.024.740	28.795.979
3. Plants and equipment	<b>013</b>	76.086.523	79.854.141
4. Tools, plants&vehicles	<b>014</b>	11.320.107	11.790.157
5. Biological asset	<b>015</b>		
6. Prepayments for tangible assets	<b>016</b>		
7. Assets under construction	<b>017</b>	2.579.181	1.529.980
8. Other tangible assets	<b>018</b>	99.334	91.552
9. Investments property	<b>019</b>		
III. FINANCIAL ASSETS (021 do 028)	<b>020</b>	7.403.441	7.355.515
1. Investments in subsidiaries	<b>021</b>		
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	7.315.515
7. Other non-current financial assets	<b>027</b>	40.000	40.000
8. Investment accounted by equity method	<b>028</b>		
IV. RECEIVABLES (030 do 032)	<b>029</b>	11.789.235	11.919.018
1. Receivables from subsidiaries	<b>030</b>	4.133.330	3.087.341
2. Receivables from credit sales	<b>031</b>	3.352.403	4.996.512
3. Other receivables	<b>032</b>	4.303.502	3.835.165
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>	30.946.083	21.187.029
1. Raw materials & consumables	<b>036</b>	5.185	26.132
2. Work in progress	<b>037</b>	30.922.400	21.140.600
3. Products	<b>038</b>		
4. Merchandise	<b>039</b>		
5. Prepayments for inventories	<b>040</b>	18.498	20.298
6. Other available-for-sale assets	<b>041</b>		
7. Biological asset	<b>042</b>		
II. RECEIVABLES (044 do 049)	<b>043</b>	275.249.664	250.348.770
1. Receivables for trade debt of subsidiaries	<b>044</b>	81.849.371	113.948.483
2. Trade receivables	<b>045</b>	190.571.947	131.800.200
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>	915.708	2.517.022
6. Other receivables	<b>049</b>	1.912.638	2.083.066
III. FINANCIAL ASSETS (051 do 057)	<b>050</b>	44.080.515	53.917.400
1. Investments in subsidiaries	<b>051</b>		
2. Loans to subsidiaries	<b>052</b>		0
3. Participating interests (stakes)	<b>053</b>		
4. Loans to participating interest	<b>054</b>		
5. Investments in securities	<b>055</b>	44.080.515	53.917.400
6. Loans & deposits	<b>056</b>		
7. Other financial assets	<b>057</b>		
IV. CASH AND CASH EQUIVALENTS	<b>058</b>	186.963.270	233.194.810
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>			
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>699.584.715</b>	<b>723.866.108</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>			
	<b>061</b>		

<b>EQUITY AND LIABILITIES</b>			
<b>A) EQUITY</b> (063+064+065+071+072+075+078)	<b>062</b>	<b>335.466.574</b>	<b>307.927.764</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	21.131.256
1. Legal reserves	<b>066</b>	6.658.250	6.658.250
2. Reserves for treasury shares	<b>067</b>	24.746.708	17.907.366
3. Treasury shares and stakes (less)	<b>068</b>	8.462.264	3.434.360
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>	92.009.269	62.282.442
1. Retained earnings	<b>073</b>	92.009.269	62.282.442
2. Loss brought forward	<b>074</b>		
<b>VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR</b> (076-077)	<b>075</b>	87.349.610	91.349.066
1. Profit for the financial year	<b>076</b>	87.349.610	91.349.066
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>14.587.602</b>	<b>21.404.919</b>
1. Amounts payable to subsidiaries	<b>084</b>	4.799.908	9.258.086
2. Liabilities for loans, deposits and other	<b>085</b>	0	0
3. Liabilities towards banks and other financial institutions	<b>086</b>	31.935	0
4. Amounts payable for prepayment	<b>087</b>	0	0
5. Trade payables	<b>088</b>	4.133.330	3.087.341
6. Amounts payable for securities	<b>089</b>	0	0
7. Liabilities toward participating interests	<b>090</b>	0	0
8. Other non-current liabilities	<b>091</b>	5.622.429	9.059.491
9. Deferred tax	<b>092</b>		
<b>D) CURRENT LIABILITIES</b> (094 do 105)	<b>093</b>	<b>200.649.596</b>	<b>214.599.434</b>
1. Amounts payable to subsidiaries	<b>094</b>	41.661.457	40.087.089
2. Liabilities for loans, deposits and other	<b>095</b>		
3. Liabilities towards banks and other financial institutions	<b>096</b>	355.803	32.424
4. Amounts payable for prepayment	<b>097</b>		
5. Trade payables	<b>098</b>	53.384.032	43.050.717
6. Amounts payable for securities	<b>099</b>		
7. Liabilities toward participating interests	<b>100</b>		
8. Amounts payable to employees	<b>101</b>	73.635.920	95.706.619
9. Liabilities for taxes and contributions	<b>102</b>	31.612.383	35.722.585
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>148.880.943</b>	<b>179.933.991</b>
<b>F) TOTAL EQUITY AND LIABILITIES</b> (062+079+083+093+106)	<b>107</b>	<b>699.584.715</b>	<b>723.866.108</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>	335.466.574	307.927.764
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 31 December 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>1.333.205.263</b>	<b>408.779.162</b>	<b>1.383.614.361</b>	<b>402.244.312</b>
1. Sales revenue	112	1.314.867.901	403.404.925	1.364.258.272	396.643.447
2. Other operating income	113	18.337.362	5.374.237	19.356.089	5.600.865
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	<b>1.251.769.920</b>	<b>383.014.062</b>	<b>1.292.245.570</b>	<b>372.061.253</b>
1. Changes in inventories of finished products and work in progress	115	27.223.406	20.607.378	9.781.900	11.092.027
2. Raw material and consumables used (117 do 119)	116	589.108.170	168.067.366	508.943.843	143.580.471
a) Cost of raw materials & consumables	117	324.005.828	93.836.566	233.961.136	60.229.599
b) Cost of goods sold	118				
c) Other costs	119	265.102.341	74.230.801	274.982.707	83.350.872
3. Staff costs (121 do 123)	120	538.443.632	159.154.563	667.549.006	179.414.584
a) Net salaries	121	275.311.905	91.402.702	371.444.785	103.821.776
b) Employee income tax and contributions	122	185.992.179	44.283.105	200.938.923	50.304.750
c) Employer's contributions	123	77.139.548	23.468.756	95.165.298	25.288.058
4. Depreciation and amortisation expense	124	46.279.682	12.522.640	51.851.417	13.439.604
5. Other costs	125	31.921.423	6.397.810	49.215.665	22.238.127
6. Impairment losses (127+128)	126	14.003.764	15.333.833	2.688.050	1.190.501
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128	14.003.764	15.333.833	2.688.050	1.190.501
7. Provisions	129				
8. Other operating expenses	130	4.789.845	930.471	2.215.690	1.105.940
<b>III. FINANCIAL INCOME (132 do 136)</b>	<b>131</b>	<b>6.903.488</b>	<b>3.645.256</b>	<b>4.001.554</b>	<b>1.480.151</b>
1. Interest, foreign exchange gains, dividends and other income from related	132				
2. Interest, foreign exchange gains, dividends and other income from non-related and other entities	133	6.199.593	3.488.456	3.833.262	1.385.741
3. Income from associates and ownership interests	134				
4. Unrealized gains	135				
5. Other financial income	136	703.895	156.801	168.292	94.410
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	<b>8.342</b>	<b>7.719</b>	<b>2.438.921</b>	<b>21.745</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	8.342	7.719	2.438.921	21.745
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>1.340.108.750</b>	<b>412.424.419</b>	<b>1.387.615.915</b>	<b>403.724.463</b>
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	<b>1.251.778.262</b>	<b>383.021.781</b>	<b>1.294.684.491</b>	<b>372.082.998</b>
<b>XI. PROFIT OR LOSS BEFORE TAX (146-147)</b>	<b>148</b>	<b>88.330.488</b>	<b>29.402.638</b>	<b>92.931.423</b>	<b>31.641.466</b>
1. Profit before tax (146-147)	149	88.330.488	29.402.638	92.931.423	31.641.466
2. Loss before tax (147-146)	150	0	0	0	0
<b>XII. INCOME TAX EXPENSE</b>	<b>151</b>	<b>980.877</b>	<b>980.877</b>	<b>1.582.358</b>	<b>1.582.358</b>
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>87.349.611</b>	<b>28.421.761</b>	<b>91.349.065</b>	<b>30.059.108</b>
1. Profit for the period (149-151)	153	87.349.611	28.421.761	91.349.065	31.641.466
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	87.349.611	28.421.761	91.349.065	31.641.466
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>87.349.611</b>	<b>28.421.761</b>	<b>91.349.065</b>	<b>30.059.108</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	12.792	3.565	-17.197	-11.569
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>12.792</b>	<b>3.565</b>	<b>-17.197</b>	<b>-11.569</b>
<b>V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	<b>87.362.403</b>	<b>28.425.326</b>	<b>91.331.868</b>	<b>30.047.539</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	87.362.403	28.425.326	91.331.868	30.047.539
2. Attributable to non-controlling interests	170				

**CASH FLOW STATEMENT - Indirect method**  
 in the period 01 January 2015 to 31 December 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>	88.330.488	92.931.423
2. Depreciation and amortisation	<b>002</b>	46.279.682	51.851.417
3. Increase in liabilities	<b>003</b>		52.792.907
4. Decrease in receivables	<b>004</b>	31.402.506	23.798.111
5. Decrease in inventories	<b>005</b>	20.559.955	9.759.054
6. Other increase in cash flow	<b>006</b>	15.700.201	12.012.493
<b>I. Total increase in operating cash flow (001 do 006)</b>	<b>007</b>	<b>202.272.832</b>	<b>243.145.406</b>
1. Decrease in liabilities	<b>008</b>	25.889.139	
2. Increase in receivables	<b>009</b>		
3. Increase in inventories	<b>010</b>		
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>25.889.139</b>	<b>0</b>
<b>A1) NET INCREASE IN OPERATING CASH FLOW (007-012)</b>	<b>013</b>	<b>176.383.693</b>	<b>243.145.406</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>	193.390	354.981
2. Net disposal of financial assets	<b>016</b>	112.000.000	82.142.023
3. Interest received	<b>017</b>	5.950.798	2.944.524
4. Dividend received	<b>018</b>		
5. Other cash from investing activities	<b>019</b>	999.228	65.846
<b>III. Total cash flow from investing activities (015 do 019)</b>	<b>020</b>	<b>119.143.416</b>	<b>85.507.374</b>
1. Purchase of property, plant and equipment and intangible assets	<b>021</b>	45.259.159	64.211.417
2. Purchase of financial instruments	<b>022</b>	45.900.000	92.000.000
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>91.159.159</b>	<b>156.211.417</b>
<b>B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)</b>	<b>025</b>	<b>27.984.257</b>	
<b>B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES (024-020)</b>	<b>026</b>		<b>70.704.043</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>	424.933.178	119.714.758
3. Repayment of finance lease	<b>033</b>		
4. Repurchase of treasury shares	<b>034</b>	2.768.045	4.061.560
5. Other cash flow used in financial activities	<b>035</b>	1.031.648	2.433.505
<b>VI. Total cash flow used in financial activities (031 do 035)</b>	<b>036</b>	<b>428.732.870</b>	<b>126.209.823</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>428.732.870</b>	<b>126.209.823</b>
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	<b>039</b>		46.231.540
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	<b>040</b>	224.364.920	
Cash and cash equivalents at the beginning of the period	<b>041</b>	411.328.191	186.963.270
Increase in cash and cash equivalents	<b>042</b>		46.231.540
Decrease in cash and cash equivalents	<b>043</b>	224.364.920	0
Cash and cash equivalents at the end of the period	<b>044</b>	186.963.270	233.194.810

**STATEMENT OF CHANGES IN EQUITY**  
 for the period from 1.1.2015 to 31.12.2015

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	22.942.695	21.131.256
4. Retained earnings	004	92.009.269	62.282.442
5. Profit or loss for the period	005	87.349.610	91.349.066
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>335.466.574</b>	<b>307.927.764</b>
11. Foreign exchange differences from investments in foreign operations	011	77.542	-17.197
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>77.542</b>	<b>-17.197</b>
17 a. Parent company share in subsidiary	018	77.542	-17.197
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 consolidated Financial Statements

### 1. Segment reporting

	Networks		Professional Services		Support solutions		Unallocated		Total	
	31.12.2015. '000 kn	31.12.2014. '000 kn								
Segment sales revenue	613.439	700.197	705.134	569.288	45.685	45.383	0	0	1.364.258	1.314.868
Operating profit	33.260	40.780	85.533	69.729	4.489	4.204	-31.913	-33.277	91.369	81.436

### 2. Transactions with related parties

	31.12.2015. '000 kn	31.12.2014. '000 kn
Total sales	868.527	634.549
Total purchases	253.307	367.853

### 3. Balances with related parties

	31.12.2015. '000 kn	31.12.2014. '000 kn
Receivable	117.035	86.649
Payable	52.725	46.461

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