

## ERICSSON NIKOLA TESLA D.D.

The Management Report on the Company and Ericsson Nikola Tesla Group business performance with comments on the financial results for Q1 2016

### Highlights:

- Sales revenues: MHRK **330.8**
- Gross margin: **14.7 %**
- Operating profit: MHRK **29.2**
- Net profit: MHRK **28.2**
- Cash flow from operating activities: MHRK **-25.3**

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

„Business results in Q1 2016 show a continuation of stable business performance. Sales revenues grew by 7% year-over-year. We continue to register a significant growth of revenue in the Ericsson market due to expansion of business activities and taking over of new responsibilities, thus neutralizing the revenue decrease in other markets. Revenue from research & development activities and sale of services in the Ericsson market, including Managed Services, account for 64.2% of total revenue. In Q1, we continued hiring and at Ericsson Nikola Tesla Group level employed 53 experts to work on projects that are relevant to the realization of the Networked Society strategy.

Unfavorable economic trends in the local and foreign markets, delays and a cautious approach of our customers when it comes to capital expenditures, continue to significantly burden our business. These are precisely the reasons why we recorded a decrease in sales revenue in the markets of Southeast Europe and in the local market. Fierce competition, consolidation & centralized procurement of our global customers/operators, present additional challenges to our business.

Despite a demanding business environment, new opportunities have emerged in the operator segment and in the e-health segment in the market of the Commonwealth of Independent States (CIS). I would like to point out that we have contracted new business related to LTE network construction with our customer the Moldavian operator Interdnestrom (IDC) and with a new customer, the Armenian operator Ucom. The implementation of the national eHealth system in Armenia was successfully completed during the first quarter.

Almost all the Key Financial Performance Indicators show positive movements in Q1 2016. Operating profit increased by 20.6% year-over-year to MHRK 29.2, while net profit grew by 12.3% to MHRK 28.2. Gross margin is slightly lower year-over-year due to business mix changes. Our continuous focus on cost efficiency has brought solid cost savings. Sales and administrative costs decreased by 10.9% year-over-year, thus ensuring a solid

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operating profit growth. Cash and cash equivalents, including short term financial assets amount to MHRK 250.2. The working capital efficiency, measured by the performance indicator Working Capital Days (WCD) is 31 days. In line with expectations, a negative cash flow from operations was recorded amounting to MHRK 25.3, mainly due to variable compensation payment to employees and decreased inflows from customers. Given its quarterly volatility, the cash flow should be viewed on a full-year basis. We expect to return to a positive cash conversion rate in the coming quarters.

The company continues its partner collaboration with universities and scientific institutions through joint projects, including EU co-funded projects. In Q1, two of the EU co-funded projects from the Operational Program "Regional Competitiveness 2007-2013" within the call RC.2.2.08 "Capacity Building for Research, Development and Innovation" were completed. Both projects, with the combined value of almost MHRK 11 had 16 months duration during which participants demonstrated that the efficient collaboration of the scientific research community and business gives creative and useful results.

In line with our strategy, we are focused on increasing sales revenue in our core business (radio access, core and transport networks and telecom services) and in targeted growth areas (IP networks, Cloud, TV & Media, OSS and BSS and Industry & Society – healthcare, public safety, transport, utilities). At the recently held Mobile World Congress (MWC) in Barcelona, Ericsson presented new solutions that drive digital transformation in the Networked Society thus demonstrating its technology leadership in 5G and the Internet of Things (IoT). It should be noted that, once again, our experts significantly contributed to the presented solutions. We are particularly pleased that presentations in Barcelona included our HDS 8000, Hyper-scale Datacenter System, the state-of-the-art scalable system for data centers based in the cloud that was developed, integrated and tested in our Research & Development Centre located in Zagreb and Split. Furthermore, in cooperation with our partner Deutsche Telekom, the latest solution for virtualization of Customer Premises Equipment (CPE) that enables advanced services in the cloud and completely new business models was showcased.

Accelerated technological changes and end-user needs require continued transformation and adaptation both for us and our customers. These processes are further intensified by the introduction of 5G, Internet of Things and Cloud technologies that are drivers of the new phase of industrial development. Ericsson announced a series of organizational and structural changes aimed at securing a more efficient Networked Strategy implementation and business and profitability growth. Our company, as a part of the global Ericsson, will continue the implementation of transformation processes to respond to needs of diverse business and market segments, secure further business development and remain competitive."

### Financial summary:

- Sales revenue amount to MHRK 330.8 (Q1 2015: MHRK 309.2), 7% increase year-over-year. Of the total sales revenue, the domestic market accounts for 16.7%, services to Ericsson account for 64.2%, while other export markets participate with 19.1%.
- Sales in the network segment amounts to MHRK 159.1 (48.1% of the total sales revenue), services segment amounts to MHRK 165.8 (50.1% of the total sales revenue), and support solution segment accounts for MHRK 5.9 (1.8% of the total sales).
- Gross profit amounts to MHRK 48.6 (Q1 2015: MHRK 46.1), up by 5.6% year-over-year. Due to business mix changes, gross margin decreased slightly to 14.7% (Q1 2015: 14.9%).

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- Distribution and administrative expenses decreased by 10.9% year-over-year and amount to MHRK 18.7 (Q1 2015: MHRK 21).
- Operating income increased by 20.6% year-over-year and amounts to MHRK 29.2 (Q1 2015: MHRK 24.2).
- Finance loss is MHRK 0.6 (Q1 2015: MHRK 1) primarily due to net foreign exchange losses on cash and short-term financial assets.
- Net income increased by 12.3% year-over-year and amounts to MHRK 28.2 (Q1 2015: MHRK 25.2). Return on Sales (ROS) is 8.5% (Q1 2015: 8.1%).
- Cash flow from operating activities is MHRK -25.3 (Q1 2015: MHRK 50.7). The cash conversion rate is -61%.
- Total cash and cash equivalents, including short term financial assets, as at March 31, 2016 amount to MHRK 250.2 (34.3% of the total assets), while at the end of 2015 amounted to MHRK 287.1 (39.7% of the total assets).
- The Group has a lean balance sheet with total assets of MHRK 728.9. The equity ratio is at 46.1%.
- With related parties, the transactions were as follows: sales of products and services amounted to MHRK 202.7 (Q1 2015: MHRK 167.7), while the purchase of products and services amounted to MHRK 74.6 (Q1 2015: MHRK 80.9. )
- As at 31 March 2016, balances outstanding with related parties were as follows: receivables amounted to MHRK 116.9 (end 2015: MHRK 117.0), and payables MHRK 72.7 (end 2015: MHRK 52.7).

### Business situation in main markets

In the domestic market total sales revenue amounted to MHRK 55.4, which is a decrease by 6.1% year-on-year.

Cooperation with our strategic partner Vipnet was continued on the modernization of radio access network and transport telecom network as well as on the increase of the capacity of 3G and 4G technologies. The first Radio Dot system was successfully integrated into Vipnet's commercial network, whereby the quality and end-user experience of the services, both voice and data, have been raised to the level that is currently among highest ones globally. Radio Dot system is designed to provide operators a continued high performance related to indoor calls and data traffic and a high-quality user experience to end-users.

With Hrvatski Telekom we continued collaboration on network modernization. Modernization of transport network started with the delivery of solution based on Multi-Protocol Label Switching (MPLS) architecture that has already been successfully implemented in Hrvatski Telekom's IP network. Furthermore, activities in the area of Managed Services, that is, the build and maintenance services of Hrvatski Telekom's telecommunications infrastructure have increased.

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Continued cooperation and activities in the identification and realization of future projects with Optima and Iskon should also be noted.

With the mobile operator Tele2 we worked on the modernization of core and transport networks to secure smooth operation of all systems at the time of the commercial launch of LTE service. The operator was mainly focused on securing sufficient network capacity to enable quality provision of the new service and fast user activation. Also, we continue to provide support and maintenance services for the entire telecommunications network.

In the area of ICT solutions for Industry & Society, Q1 shows continued digitalization of healthcare (eHealth). Digitalization of the approval process for particularly expensive medications started. The introduction of Integrating the Health Enterprise (IHE) profile was also contracted, which will standardize the existing eHealth system in line with the current European norms. The expansion of the Joint Information System of Land Registry and Cadaster was also successfully continued. Approximately 75% of regional offices throughout Croatia are currently covered by the new application.

[In export markets \(the Ericsson market excluded\)](#) the sales revenue amount to MHRK 63.1, 6.7% lower year-over-year.

In the markets of Southeast Europe (Bosnia and Herzegovina, Montenegro and Kosovo) sales revenues decreased by 32.4% year-on-year, amounting to MHRK 29.9. The unfavorable economic situation affects the operators' investment dynamics making it extremely slow. The cooperation with operators in the areas of fixed and mobile networks maintenance continued.

The sales revenues in CIS market amount to MHRK 33.2, an increase by 41.6% year-over-year. New business opportunities have emerged in the operator and e-health segments.

A contract comprising the LTE network construction, accompanying services and required software updates was signed with the Moldavian operator Interdnestrcom (IDC), whereby long-term successful collaboration was continued.

A framework contract on the national LTE network construction that includes the capital city of Yerevan was signed with the Armenian operator Ucom. The contract includes the supply of radio and core network equipment and relevant services. Ericsson Expert Analytics, a solution that allows operators to automatically take action relevant to customer satisfaction is also included.

[In the Ericsson market](#) sales revenue amount to MHRK 212.3, an increase by 16.3% year-over-year.

At the meeting of the management of Ericsson Nikola Tesla's Research & Development Centre in which representatives of global Ericsson units with which we collaborate were present, the work of our center received high marks and readiness for further more intense collaboration was expressed. Application and platform software development for mobile systems within development units (DU Radio, PDU Mobile Core, PDU User Data Management and PDU Infrastructure & Hardware) proceed as planned. Development and services business in the area of the so-called already installed fixed network base are also in line with plans. In Q1, our experts have taken over the full responsibility for Ericsson's Identification Register (EIR) within User Data Management. Radio software design business was expanded and our expert base in this area was increased with 40 newly hired experts.

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Our experts from Centers for Services and Solutions have been engaged in numerous projects for customers worldwide: BASE (Belgium), Proximus (Belgium), Telenet (Belgium), DT (Germany), KPN (the Netherlands), Slovak Telekom (Slovakia), T-Mobile (Czech Republic), Vodafone (Czech Republic), Telefonica O2 UK (United Kingdom), A1 (Austria), MCI (Iran), POST (Luxembourg), Omantel (Oman), Swisscom (Switzerland), T-Mobile US (USA), Telekom Slovenija (Slovenia), MTN (Republic of South Africa) and others. Their work involves complex expertise activities ranging from detailed analysis of the existing networks and solutions, defining and creation of new solutions, consultancy support, to optimization and upgrade of tools and functionalities in the areas of LTE, VoLTE, IPTV, IMS and other technologies. A further step was also made in the increase of competencies in the domain of Cloud, which resulted in intense regional cooperation and high-quality support to realization of customer projects to Ericsson teams in the Region Western and Central Europe.

Activities are intense in the areas of development and implementation of software tools for management and optimization of mobile networks such as: Smart Laptop, Ericsson Network Engineer, Extended Support Request, Smart Rollout Support, Rehome Automation Management Tool, Radio Network Proposal Tool and others.

The contribution of Ericsson Nikola Tesla Servisi d.o.o., daughter company of Ericsson Nikola Tesla d.d., to revenue in this market segment amounts to MHRK 40. Further company transformation aimed at alignment with new business models and all relevant standards in the field of telecommunications network build and maintenance services is ongoing.

### Other information

Ericsson Nikola Tesla's Annual General Meeting will be held on May 31, 2016. Shareholders and their proxies who register their attendance by May 24, 2016 at the latest are entitled to participate in this meeting.

Shareholders who have Ericsson Nikola Tesla shares listed in their securities account at the Central Depository & Clearing Company on June 6, 2016 (record date) are entitled to a dividend in the amount of HRK 100.00 per share (HRK 20.00 regular dividend and HRK 80.00 extraordinary dividend). Date on which shares of the company will be traded without dividend payment right is June 3, 2016 (ex-dividend date).

The dividend shall be paid out on June 17, 2016.

The convocation notice for Ericsson Nikola Tesla's Annual General Meeting, including all proposed decisions has been published at the Company's Internet site <http://www.ericsson.hr/20160421-notice>.

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Overview of major shareholders of Ericsson Nikola Tesla (as at March 31, 2016)

	Number of shares	% of share capital held
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	41,890	3.15
Hypo Alpe-Adria-Bank d.d. / PBZ Croatia osiguranje Mandatory Pension Fund, B category	27,054	2.03
PBZ d.d. / The Bank of New York as custodian	20,998	1.58
Zagrebačka banka d.d. / custodian account for Unicredit Bank Austria AG	16,950	1.27
Zagrebačka banka d.d. / State Street Bank and Trust Company, Boston	12,350	0.93
Hypo Alpe-Adria-Bank d.d. / Raiffeisen Voluntary Pension Fund	7,934	0.60
PBZ d.d. / State Street client account	6,935	0.52
OTP BANKA D.D./INS683	6,225	0.47
Other shareholders	414,327	31.11

Share prices in Q1 2016:

Highest (HRK)	Lowest (HRK)	Closing (HRK)	Market cap. (in MHRK)
1,134.89	940.00	1,117.00	1,487.5

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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 Jan 1, 2016 to March 31, 2016 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

A handwritten signature in black ink, appearing to read "Gordana Kovačević".

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For additional information, please contact:

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



**ENCLOSURE 1**

Reporting period:

1.1.2016.

to

31.3.2016

**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: **1.965**  
(at the end of year)Consolidated 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 3174**E-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 31 March 2016

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>001</b>		
<b>B) NON CURRENT ASSETS (003+010+020+029+033)</b>	<b>002</b>	<b>146.403.814</b>	<b>162.036.595</b>
I. INTANGIBLE ASSETS (004 do 009)	<b>003</b>	814.351	1.489.904
1. Research & Development expenditure	<b>004</b>		
2. Patents, licences, royalties, trade marks, software&similar rights	<b>005</b>	814.351	1.489.904
3. Goodwill	<b>006</b>		
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>	126.281.544	118.287.248
1. Land	<b>011</b>	15.605.344	15.605.344
2. Property	<b>012</b>	28.795.979	28.756.128
3. Plants and equipment	<b>013</b>	76.099.189	67.479.923
4. Tools, plants&vehicles	<b>014</b>	4.160.106	4.462.575
5. Biological asset	<b>015</b>		
6. Prepayments for tangible assets	<b>016</b>		
7. Assets under construction	<b>017</b>	1.529.374	1.893.671
8. Other tangible assets	<b>018</b>	91.552	89.607
9. Investments property	<b>019</b>		
III. FINANCIAL ASSETS (021 do 028)	<b>020</b>	7.388.900	10.690.685
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>	7.315.515	10.617.300
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>	11.919.018	31.568.759
1. Receivables from subsidiaries	<b>030</b>	3.087.341	3.087.341
2. Receivables from credit sales	<b>031</b>	4.996.512	24.727.936
3. Other receivables	<b>032</b>	3.835.165	3.753.482
V. DEFERRED TAX ASSETS	<b>033</b>		
<b>C) CURENT ASSETS (035+043+050+058)</b>	<b>034</b>	<b>542.930.938</b>	<b>525.692.561</b>
I. INVENTORIES (036 do 042)	<b>035</b>	19.760.973	28.115.365
1. Raw materials & consumables	<b>036</b>	16.698	0
2. Work in progress	<b>037</b>	19.725.777	28.096.867
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>	250.753.689	257.896.505
1. Receivables for trade debt of subsidiaries	<b>044</b>	117.472.219	118.497.238
2. Trade receivables	<b>045</b>	130.219.180	138.965.723
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>	1.216.957	433.544
6. Other receivables	<b>049</b>	1.845.334	
III. FINANCIAL ASSETS (051 do 057)	<b>050</b>	53.916.783	59.421.284
1. Investments in subsidiaries	<b>051</b>		
2. Loans to subsidiaries	<b>052</b>		
3. Participating interests (stakes)	<b>053</b>		
4. Loans to participating interest	<b>054</b>		
5. Investments in securities	<b>055</b>	53.916.783	59.421.284
6. Loans & deposits	<b>056</b>		
7. Other financial assets	<b>057</b>		
IV. CASH AND CASH EQUIVALENTS	<b>058</b>	218.499.492	180.259.408
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>059</b>	<b>1.836.290</b>	<b>3.140.887</b>
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>691.171.041</b>	<b>690.870.044</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>061</b>		

<b>EQUITY AND LIABILITIES</b>			
<b>A) EQUITY (063+064+065+071+072+075+078)</b>	<b>062</b>	<b>300.427.129</b>	<b>327.034.786</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>	21.131.256	21.131.256
1. Legal reserves	<b>066</b>	6.658.250	6.658.250
2. Reserves for treasury shares	<b>067</b>	17.907.366	17.907.366
3. Treasury shares and stakes (less)	<b>068</b>	3.434.360	3.434.360
4. Statutory reserves	<b>069</b>		
5. Other reserves	<b>070</b>		
IV. REVALUATION RESERVES	<b>071</b>		
V. RETAINED EARNINGS (073-074)	<b>072</b>	56.490.462	146.446.523
1. Retained earnings	<b>073</b>	56.490.462	146.446.523
2. Loss brought forward	<b>074</b>		
VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR (076-077)	<b>075</b>	89.640.412	26.292.007
1. Profit for the financial year	<b>076</b>	89.640.412	26.292.007
2. Loss for the financial year	<b>077</b>		
VII. MINORITY INTEREST	<b>078</b>		
<b>B) PROVISIONS (080 do 082)</b>	<b>079</b>	5.623.193	5.945.730
1. Provisions for redundancy costs	<b>080</b>	5.623.193	5.945.730
2. Provisions for tax obligations	<b>081</b>		
3. Other provisions	<b>082</b>		
<b>C) NON-CURRENT LIABILITIES (084 do 092)</b>	<b>083</b>	<b>3.087.341</b>	<b>3.590.165</b>
1. Amounts payable to subsidiaries	<b>084</b>	3.087.341	3.087.341
2. Liabilities for loans, deposits and other	<b>085</b>		
3. Liabilities towards banks and other financial institutions	<b>086</b>		502.824
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>		
9. Deferred tax	<b>092</b>		
<b>D) CURRENT LIABILITIES (094 do 105)</b>	<b>093</b>	<b>214.835.013</b>	<b>186.982.473</b>
1. Amounts payable to subsidiaries	<b>094</b>	74.543.935	80.119.771
2. Liabilities for loans, deposits and other	<b>095</b>		
3. Liabilities towards banks and other financial institutions	<b>096</b>		
4. Amounts payable for prepayment	<b>097</b>		
5. Trade payables	<b>098</b>	39.158.486	28.816.297
6. Amounts payable for securities	<b>099</b>		
7. Liabilities toward participating interests	<b>100</b>		
8. Amounts payable to employees	<b>101</b>	78.542.671	55.307.800
9. Liabilities for taxes and contributions	<b>102</b>	22.589.920	22.738.605
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>167.198.365</b>	<b>167.316.891</b>
<b>F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	<b>691.171.041</b>	<b>690.870.044</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>108</b>		
<b>ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report)</b>			
<b>A) CAPITAL AND RESERVES</b>			
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 entites who submitting consolidated financial statements).

**INCOME STATEMENT**  
for the period 01 January 2016 to 31 March 2016

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>290.574.256</b>	<b>290.574.256</b>	<b>328.468.785</b>	<b>328.468.785</b>
1. Sales revenue	112	286.857.757	286.857.757	324.510.711	324.510.711
2. Other operating income	113	3.716.499	3.716.499	3.958.074	3.958.074
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	<b>269.303.704</b>	<b>269.303.704</b>	<b>301.555.343</b>	<b>301.555.343</b>
1. Changes in inventories of finished products and work in progress	115	-26.537.527	-26.537.527	-8.371.090	-8.371.090
2. Raw material and consumables used (117 do 119)	116	145.727.763	145.727.763	149.225.191	149.225.191
a) Cost of raw materials & consumables	117	67.814.213	67.814.213	50.930.406	50.930.406
b) Cost of goods sold	118				
c) Other costs	119	77.913.551	77.913.551	98.294.785	98.294.785
3. Staff costs (121 do 123)	120	131.696.931	131.696.931	143.605.476	143.605.476
a) Net salaries	121	66.700.428	66.700.428	74.664.487	74.664.487
b) Employee income tax and contributions	122	46.456.686	46.456.686	49.370.500	49.370.500
c) Employer's contributions	123	18.539.817	18.539.817	19.570.489	19.570.489
4. Depreciation and amortisation expense	124	11.571.719	11.571.719	11.987.686	11.987.686
5. Other costs	125	6.127.442	6.127.442	4.851.345	4.851.345
6. Impairment losses (127+128)	126	294.427	294.427	0	0
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128	294.427	294.427	0	0
7. Provisions	129				
8. Other operating expenses	130	422.950	422.950	256.734	256.734
<b>III. FINANCIAL INCOME (132 do 136)</b>	<b>131</b>	<b>1.281.977</b>	<b>1.281.977</b>	<b>896.553</b>	<b>896.553</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	1.202.397	1.202.397	848.271	848.271
3. Income from associates and ownership interests	134				
4. Unrealized gains	135				
5. Other financial income	136	79.581	79.581	48.283	48.283
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	<b>96.253</b>	<b>96.253</b>	<b>1.517.989</b>	<b>1.517.989</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	96.253	96.253	1.517.989	1.517.989
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>291.856.233</b>	<b>291.856.233</b>	<b>329.365.338</b>	<b>329.365.338</b>
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	<b>269.399.957</b>	<b>269.399.957</b>	<b>303.073.331</b>	<b>303.073.331</b>
<b>XI. PROFIT OR LOSS BEFORE TAX (146-147)</b>	<b>148</b>	<b>22.456.276</b>	<b>22.456.276</b>	<b>26.292.007</b>	<b>26.292.007</b>
1. Profit before tax (146-147)	149	22.456.276	22.456.276	26.292.007	26.292.007
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>22.456.276</b>	<b>22.456.276</b>	<b>26.292.007</b>	<b>26.292.007</b>
1. Profit for the period (149-151)	153	22.456.276	22.456.276	26.292.007	26.292.007
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>22.456.276</b>	<b>22.456.276</b>	<b>26.292.007</b>	<b>26.292.007</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>22.456.276</b>	<b>22.456.276</b>	<b>26.292.007</b>	<b>26.292.007</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				

**CASH FLOW STATEMENT - Indirect method**  
in the period 01 January 2016 to 31 March 2016

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	001	22.456.276	26.292.007
2. Depreciation and amortisation	002	11.571.719	11.987.686
3. Increase in liabilities	003	4.144.523	
4. Decrease in receivables	004	38.291.112	
5. Decrease in inventories	005		
6. Other increase in cash flow	006	1.937.315	257.791
<b>I. Total increase in operating cash flow (001 do 006)</b>	<b>007</b>	<b>78.400.944</b>	<b>38.537.483</b>
1. Decrease in liabilities	008		25.338.808
2. Increase in receivables	009		27.459.182
3. Increase in inventories	010	26.535.373	8.354.392
4. Other decrease in cash flow	011		
<b>II. Total decrease in operating cash flow (008 do 011)</b>	<b>012</b>	<b>26.535.373</b>	<b>61.152.382</b>
<b>A1) NET INCREASE IN OPERATING CASH FLOW (007-012)</b>	<b>013</b>	<b>51.865.571</b>	
<b>A2) NET DECREASE IN OPERATING CASH FLOW (012-007)</b>	<b>014</b>		<b>22.614.899</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1. Proceeds from sale of property, plant and equipment	015	196.845	34.105
2. Net disposal of financial assets	016	9.247.637	
3. Interest received	017	1.285.311	507.814
4. Dividend received	018		
5. Other cash from investing activities	019	10.311	
<b>III. Total cash flow from investing activities (015 do 019)</b>	<b>020</b>	<b>10.740.104</b>	<b>541.919</b>
1. Purchase of property, plant and equipment and intangible assets	021	13.064.094	6.440.433
2. Purchase of financial instruments	022		5.000.000
3. Other cash flow used in investing activities	023		3.392.458
<b>IV. Total cash flow from investing activities (021 do 023)</b>	<b>024</b>	<b>13.064.094</b>	<b>14.832.891</b>
<b>B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)</b>	<b>025</b>		
<b>B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES (024-020)</b>	<b>026</b>	<b>2.323.990</b>	<b>14.290.973</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Proceeds from issuance of financial instruments	027		
2. Proceeds from loans	028		
3. Other cash flow from financial activities	029		
<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	031		
2. Dividend paid	032		
3. Repayment of finance lease	033		
4. Repurchase of treasury shares	034		
5. Other cash flow used in financial activities	035	473.434	1.334.213
<b>VI. Total cash flow used in financial activities (031 do 035)</b>	<b>036</b>	<b>473.434</b>	<b>1.334.213</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>473.434</b>	<b>1.334.213</b>
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	49.068.147	
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040		38.240.085
Cash and cash equivalents at the beginning of the period	041	182.106.153	218.499.492
Increase in cash and cash equivalents	042	49.068.147	0
Decrease in cash and cash equivalents	043	0	38.240.085
Cash and cash equivalents at the end of the period	044	231.174.299	180.259.408

**STATEMENT OF CHANGES IN EQUITY**  
for the period from 1.1.2016 to 31.3.2016

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	174.218.031	146.446.523
5. Profit or loss for the period	005	22.456.276	26.292.007
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>352.782.002</b>	<b>327.034.786</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>	0	0
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	
	31.3.2016.	31.3.2015.	31.3.2016.	31.3.2015.	31.3.2016.	31.3.2015.	31.3.2016.	31.3.2015.	31.3.2016.	31.3.2015.
	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn
Segment sales revenue	152.960	125.135	165.653	149.465	5.897	12.257	0	0	324.511	286.858
Operating profit	6.391	-3.136	28.110	30.037	48	1.862	-7.636	-7.492	26.913	21.271

### 2. Transactions with related parties

	31.3.2016.	31.3.2015.
	'000 kn	'000 kn
Total sales	<u>208.307</u>	<u>171.267</u>
Total purchases	<u>120.261</u>	<u>102.283</u>

### 3. Balances with related parties

	31.3.2016.	31.12.2015.
	'000 kn	'000 kn
Receivable	<u>119.299</u>	<u>120.559</u>
Payable	<u>83.207</u>	<u>77.631</u>

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