

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 H1 2016

Highlights:

- Sales revenues: MHRK **730.3**
- Gross margin: **12.5%**
- Operating income: MHRK **51**
- Net profit: MHRK **51**
- Cash flow from operating activities: MHRK **38.2**

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

„Business results in H1 2016 show a continuation of stable business performance. Sales revenues grew by 7% year-on-year as a result of sales growth in the Ericsson market and in the Commonwealth of Independent States (CIS) market. The Ericsson market registers a continued growth due to business expansion and taking on of new responsibilities in Research & Development and Managed Services segments. In view of that, we continued hiring and employed 119 experts in Ericsson Nikola Tesla Group in H1 2016.

I am glad that our investments into development of new solutions and strong marketing and sales activities bring us success in the Commonwealth of Independent States (CIS). The recently completed implementation of the national healthcare information system of the Republic of Armenia that is entirely cloud-based is a particularly important additional reference for us. We continue to be successful in this market in the operator segment as well with the further expansion of Ucom's LTE network and the modernization of its 3G network. With the new big eHealth contract in Kazakhstan we reaffirm our leadership in realization of complex ICT solutions in the healthcare segment, which is one of the company's strategic domains.

In the local market and in the markets of Southeast Europe we record a fall in sales revenue due to negative economic and political trends. Tough competition and consolidation and centralization of procurement processes of global customers/operators pose additional challenges.

Net profit of MHRK 51 is in line with H1 2015 results, and corresponds to 7.0% return on sales. Gross margin continues to be under pressure in comparison to the same period of last year, due to changing business mix and continued price pressure from customers. We exercise firm cost control. Selling and administrative expenses have

PRESS INFO

July 26, 2016



been reduced by 1.7% YoY. We closed H1 with a healthy balance sheet and a solid equity ratio of 30.2%. Cash flow from operating activities is positive amounting to MHRK 38.2. Following payment of MHRK 132.8 dividend in June, total cash including short-term financial assets amounted to MHRK 163.2 at the end of H1. Working capital efficiency remains strong, expressed in working capital days (turnover) of 27. The cash conversion rate is 47%.

In line with our strategy, we continue to strengthen our position in core business and targeted areas for telecom operators and customers in the Industry & Society segment. We continue to invest into development of new products and solutions. Our strategic focus is also on acquisition of new responsibilities, new projects and strengthening of our global Ericsson market competitiveness. Consequently, and taking into account the need for constant transformation and Ericsson's organizational and structural changes, we have been adapting our organization, employing new experts and investing into our competence development.

It is expected that economic uncertainty and current sales trends will also prevail in the second half of the year. Therefore, continuing adaptation to market conditions coupled with responsible risk management and cost efficiency remain in the focus of our attention.

Digitalization opens new opportunities with existing and potential customers and we trust that our Networked Society strategy and ongoing activities will create future value for all our stakeholders."

Financial highlights for the Group:

- Sales revenues amounts to MHRK 730.3 (H1 2015: MHRK 679.4), 7% increase year-over-year. Of the total sales revenues, the domestic market accounts for 18.1%, services to Ericsson account for 60% (of which 12.5% relates to Managed Services in Croatia), while other export markets participate with 21.9%.
- Sales in the network segment amounts to MHRK 367.9 (50.4% of the total sales revenue), services segment amounts to MHRK 350.6 (48% of the total sales revenue), and support solutions segment accounts for MHRK 11.8 (1.6% of the total sales).
- Gross profit amounts to MHRK 91.3 (H1 2015: MHRK 93.6), down by 2.5% year-over-year. Due to changing business mix and continued price pressure, gross margin decreased to 12.5% (H1 2015: 13.8%).
- Distribution and administrative expenses decreased by 1.7% year-over-year and amount to MHRK 39.4 (H1 2015: MHRK 40.1).
- Operating income decreased by 2.4% year-over-year and amounts to MHRK 51 (H1 2015: MHRK 52.3).
- Net finance income is MHRK 2.2 (H1 2015: MHRK -1.1) primarily due to revaluation of financial assets.
- Net profit is at the previous year level amounting to MHRK 51 (H1 2015: MHRK 51). Return on Sales (ROS) is 7% (H1 2015: 7.5%).
- Cash flow from operating activities is MHRK 38.2 (H1 2015: MHRK 42.2). The cash conversion rate is 47%.

PRESS INFO

July 26, 2016



- Total cash and cash equivalents, including short term financial assets, as at June 30, 2016 amount to MHRK 163.2 (21.8% 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 749.7 (end 2015: MHRK 723.9). The equity ratio is at 30.2%.
- With related parties, the transactions were as follows: sales of products and services amounted to MHRK 441 (H1 2015: MHRK 393.7), while procurement of products and services amounted to MHRK 193.2 (H1 2015: MHRK 153.9).
- As at June 30, 2016, balances outstanding with related parties were as follows: receivables amounted to MHRK 89.4 (end 2015: MHRK 117.0), and payables MHRK 86.9 (end 2015: MHRK 52.7).

Business situation in main markets

In the domestic market the total sales revenues amounted to MHRK 131.9, which is a decrease by 14% year-over-year.

Cooperation with a strategic partner Vipnet has continued on the modernization of radio access network and transport telecom network as well as in the 3G and 4G capacity increase. Further testing of new functionalities in different areas of core and access networks that contribute to quality increase and new services for end users are ongoing.

Business cooperation with Hrvatski Telekom has continued in the segment of modernization of the fixed telecom network and the delivery of solutions for Hrvatski Telekom's access IP network and transport network. Activities in the segment of telecom infrastructure build and maintenance have intensified. Q2 2016 also saw continued cooperation and activities in identification and realization of future projects with companies Optima and Iskon, both parts of T-HT Group. Local activities on the international Pan-European IP project of Deutsche Telekom (DT Pan-Net) have also begun.

With the mobile operator Tele2 we worked on the upgrade of program support and modernization of core network, as well as on the transport network upgrade in the microwave and optical segments to ensure sufficient network capacity for introduction of new services and fast user activation. We also provide support and maintenance services for the entire telecom network.

In the field of ICT solutions for Industry & Society we have continued the healthcare digitalization (eHealth). We have signed contracts for the delivery of the hospital information systems to the University Hospital Center Split, the University Hospital for Infectious Diseases Fran Mihaljević, MD, and the Specialized Medical Rehabilitation Hospital Biokovka.

The implementation of the Joint Information System of Land Registry and Cadaster continues with success.

PRESS INFO

July 26, 2016



In export markets (the Ericsson market excluded) sales revenues amounted to MHRK 159.8, which is a growth by 15% year-over-year.

In Southeast Europe markets (Bosnia and Herzegovina, Montenegro and Kosovo) sales revenues decreased by 30.5% year-over-year and amount to MHRK 66.4. The unfavorable economic situation continues to have a negative impact on operators' investment dynamics making them extremely slow. Cooperation with operators in fixed and mobile networks maintenance has continued.

A cooperation agreement related to the new investment cycle until end 2018 was signed with Crnogorski Telekom. The cooperation agreement covers the areas of radio access network, mobile core network, IMS platform upgrade and new functionalities and Call Centre platform upgrade.

In the Commonwealth of Independent States market sales revenues amounted to MHRK 93.4, which is a growth by 117.6% year-over-year.

The contract for the digitalization of healthcare encompassing the delivery of an interoperable platform was signed with the Ministry of Health and Social Development of the Republic of Kazakhstan. The implementation that includes analysis, design, tailoring to local needs and installation, will last for one year approximately, whereas support services will continue for three years. The introduction of this system will enable better medical service for the citizens of Kazakhstan whilst ensuring savings and improving the national healthcare system management.

Continued cooperation was agreed with the Armenian operator Ucom for the expansion of their LTE network, introduction of new functionalities, increasing the capacity of core network and 3G network modernization.

In the Ericsson market the sales revenue amounted to MHRK 438.6, which is a growth by 13% year-over-year.

In the Research & Development area, activities related to software application and platform development for mobile systems within development units (PDU Radio, PDU Mobile Core, PDU User Data Management and PDU Infrastructure & Hardware), as well as activities of development and services in the so-called installed base of fixed network are ongoing as planned. Radio software design business has been significantly expanded engaging approximately 100 employees. The first phase of development of the new data platform HDS8000 was followed by customer support activities during installation (Telefonica, Swisscom, Vimplecom and others).

Activities related to virtualization and cloud solutions are ongoing within research framework. Ericsson Garage Croatia was set up as a new type of innovation incubator.

Our engagement with students in their final years of studies has been intense to provide them with a better guidance regarding competence requirements. Preparation of projects related to business expansion for this and the next year has also been intensified. In line with that, the topics for the new Ericsson Nikola Tesla Summer Camp 2016 have been defined.

Service and Solutions Delivery center experts have been engaged in various projects for customers worldwide: A1(Austria), BASE (Belgium), POST (Luxembourg), Tango (Luxembourg), Telefonica O2 (Germany), KPN (the Netherlands), Vodafone (Czech Republic), Vodafone (United Kingdom), Translink (the Netherlands), Motorola (United Kingdom), Telecom Makedonija (the Republic of Macedonia), Orange (Poland), Polkomtel (Poland),

PRESS INFO

July 26, 2016



Swisscom (Switzerland), Telekom Slovenia (Slovenia), Turk Telecom (Turkey) and others. We would like to highlight the activities related to the Cloud project for Telefonica O2 (Germany), vIMS for Tango (Luxembourg), Cloud Digital Video Recorder for A1 (Austria) and LTE roaming for Vodafone (Czech Republic). A further step was made in competence development in the cloud domain which has resulted in an intense regional cooperation and support to Ericsson teams in the Region Central and Western Europe. Our teams are leading all relevant regional projects in this area and are recognized as the key delivery center for the cloud domain.

Experts from our center have also provided e2e solutions design and consultancy services for Telefonica O2 (United Kingdom), T-Mobile (Czech Republic), Vodafone (Egypt), MTN (Afghanistan), Orange (Senegal) and Slovak Telekom (Slovakia).

There is substantive engagement in the development and implementation of software tools for mobile network management and optimization such as: Smart Laptop, Smart Rollout Support, Rehoming Automation Management Tool, Radio Network Proposal Tool, Ericsson Network Engineer, Extended Support Request, etc.

Experts in the GCD (the Global Competence Domain for RAN, OSS) have been working on several of Ericsson's strategic projects. We would like to highlight the cooperation with Unicom China on the network traffic optimization project and with Saudi Telecom on the e2e service quality verification project.

The contribution of company Ericsson Nikola Tesla Servisi d.o.o., a daughter company of Ericsson Nikola Tesla d.d., to revenue in this market segment amounts to MHRK 91. Further company transformation aimed to align the company with new business models and all relevant standards in the field of telecommunications network build and maintenance services is ongoing. This process includes activities related to the implementation of the solution for introduction of the remaining global MSDP (Managed Services Delivery Platform) tools and MSTOP (Managed Services Total Operations Practice) processes.

Other information

At the Annual General Meeting held on May 31, 2016, the decision was made to pay out the regular dividend in the amount of HRK 20.00 per share and the irregular dividend amounting to HRK 80.00 per share, that is the total of HRK 100.00 per share. The dividend was paid out on June 17, 2016 to all shareholders who had Ericsson Nikola Tesla shares listed in their securities account at the Central Depository & Clearing Company on June 6, 2016.

PRESS INFO

July 26, 2016



Overview of major shareholders of Ericsson Nikola Tesla (as at June 30, 2016)

	Number of shares	% of share capital held
Telefonaktiebolaget LM Ericsson	653,473	49.07
Addiko 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
Addiko bank d.d. / PBZ Croatia osiguranje Mandatory Pension Fund, B category	22,627	1.69
PBZ d.d. / The Bank of New York as custodian	21,298	1.59
Zagrebačka banka d.d. / custodian account for Unicredit Bank Austria AG	17,080	1.28
Zagrebačka banka d.d. / State Street Bank and Trust Company, Boston	13,705	1.03
Addiko bank d.d. / Raiffeisen Voluntary Pension Fund	7,934	0.59
PBZ d.d. / custodian client account	6,935	0.52
OTP BANKA d.d./INS683	6,225	0.46
Other shareholders	416,969	31.31

Share prices in Q2 2016:

Highest (HRK)	Lowest (HRK)	Closing (HRK)	Market cap. (MHRK)
1,129.99	990.00	1,008.97	1,343.6

PRESS INFO

July 26, 2016



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 2016 to 30 June 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 dark ink, appearing to read "Gordana Kovačević".

PRESS INFO

July 26, 2016



For additional information, please contact:

Snježana Bahtijari

Company Communications Director

Ericsson Nikola Tesla d.d.

Krapinska 45

HR-10 002 Zagreb

Tel.: + 385 1 365 4556

Mob.: +385 91 365 4556

Fax: +385 1 365 3156

E-mail: snjezana.bahtijari@ericsson.com

Orhideja Gjenero

Investor Relations Manager

Ericsson Nikola Tesla d.d.

Krapinska 45

HR-10 002 Zagreb

Tel.: +385 1 365 4431

Mob.: +385 91 365 4431

Fax: +385 1 365 3156

E-mail: orhideja.gjenero@ericsson.com

E-mail: odnosi.investitori@ericsson.com

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

ENCLOSURE 1

Reporting period:

1.1.2016.

to

30.6.2016

Quarterly Financial Report TFI-PODTax 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.comInternet address: www.ericsson.hrCode and city / municipality: **133** **ZAGREB**Code and county: **21** **GRAD ZAGREB**Number of employees: **2.019**
(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.comName 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 June 2016

Issuer: Ericsson Nikola Tesla d.d.			
Item	AOP	Previous period	Current period
1	2	3	4
A) RECEIVABLES FOR REGISTERED UNPAID CAPITAL	001		
B) NON CURRENT ASSETS (003+010+020+029+033)	002	146.403.814	155.084.238
I. INTANGIBLE ASSETS (004 do 009)	003	814.351	1.368.467
1. Research & Development expenditure	004		
2. Patents, licences, royalties, trade marks, software&similar rights	005	814.351	1.368.467
3. Goodwill	006		0
4. Prepayments for intangible assets	007		
5. Intangible assets under construction	008		
6. Other intangible assets	009		
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	126.281.544	113.515.747
1. Land	011	15.605.344	15.605.344
2. Property	012	28.795.979	28.050.981
3. Plants and equipment	013	76.099.189	61.519.981
4. Tools, plants&vehicles	014	4.160.106	5.360.788
5. Biological asset	015		
6. Prepayments for tangible assets	016		
7. Assets under construction	017	1.529.374	2.890.992
8. Other tangible assets	018	91.552	87.661
9. Investments property	019		
III. FINANCIAL ASSETS (021 do 028)	020	7.388.900	17.663.713
1. Investments in subsidiaries	021	73.385	73.385
2. Loans to subsidiaries	022		
3. Participating interests (stakes)	023		
4. Loans to participating interest	024		
5. Investments in securities	025		
6. Loans & deposits	026	7.315.515	17.590.328
7. Other non-current financial assets	027		
8. Investment accounted by equity method	028		
IV. RECEIVABLES (030 do 032)	029	11.919.018	22.536.310
1. Receivables from subsidiaries	030	3.087.341	1.887.364
2. Receivables from credit sales	031	4.996.512	16.909.117
3. Other receivables	032	3.835.165	3.739.829
V. DEFERRED TAX ASSETS	033		0
C) CURENT ASSETS (035+043+050+058)	034	542.930.938	545.829.551
I. INVENTORIES (036 do 042)	035	19.760.973	71.276.515
1. Raw materials & consumables	036	16.698	2.218.612
2. Work in progress	037	19.725.777	69.039.406
3. Products	038		
4. Merchandise	039		
5. Prepayments for inventories	040	18.498	18.498
6. Other available-for-sale assets	041		
7. Biological asset	042		
II. RECEIVABLES (044 do 049)	043	250.753.689	320.818.801
1. Receivables for trade debt of subsidiaries	044	117.472.219	88.519.999
2. Trade receivables	045	130.219.180	229.646.738
3. Receivables for trade debts of participating entities	046		
4. Amounts receivable from employees	047		
5. Receivables from government agencies	048	1.216.957	1.287.592
6. Other receivables	049	1.845.334	1.364.472
III. FINANCIAL ASSETS (051 do 057)	050	53.916.783	92.987.664
1. Investments in subsidiaries	051		
2. Loans to subsidiaries	052		0
3. Participating interests (stakes)	053		
4. Loans to participating interest	054		
5. Investments in securities	055	53.916.783	92.987.664
6. Loans & deposits	056		
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	218.499.492	60.746.571
D) PREPAYMENTS AND ACCRUED INCOME	059	1.836.290	10.653.356
E) TOTAL ASSETS (001+002+034+059)	060	691.171.041	711.567.145
F) OFF-BALANCE SHEET ITEMS	061		

EQUITY AND LIABILITIES			
A) EQUITY (063+064+065+071+072+075+078)	062	300.427.129	217.323.014
I. SHARE CAPITAL	063	133.165.000	133.165.000
II. CAPITAL RESERVES	064		
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	21.131.256	21.131.256
1. Legal reserves	066	6.658.250	6.658.250
2. Reserves for treasury shares	067	17.907.366	17.907.366
3. Treasury shares and stakes (less)	068	3.434.360	3.434.360
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS (073-074)	072	56.490.462	13.916.573
1. Retained earnings	073	56.490.462	13.916.573
2. Loss brought forward	074		
VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR (076-077)	075	89.640.412	49.110.186
1. Profit for the financial year	076	89.640.412	49.110.186
2. Loss for the financial year	077		
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	5.623.193	5.679.309
1. Provisions for redundancy costs	080	5.623.193	5.679.309
2. Provisions for tax obligations	081		
3. Other provisions	082		
C) NON-CURRENT LIABILITIES (084 do 092)	083	3.087.341	4.685.784
1. Amounts payable to subsidiaries	084	3.087.341	1.887.364
2. Liabilities for loans, deposits and other	085		0
3. Liabilities towards banks and other financial institutions	086		2.798.420
4. Amounts payable for prepayment	087		0
5. Trade payables	088		0
6. Amounts payable for securities	089		0
7. Liabilities toward participating interests	090		0
8. Other non-current liabilities	091		
9. Deferred tax	092		
D) CURRENT LIABILITIES (094 do 105)	093	214.835.013	211.420.722
1. Amounts payable to subsidiaries	094	74.543.935	97.970.653
2. Liabilities for loans, deposits and other	095		
3. Liabilities towards banks and other financial institutions	096		0
4. Amounts payable for prepayment	097		
5. Trade payables	098	39.158.486	32.765.820
6. Amounts payable for securities	099		
7. Liabilities toward participating interests	100		
8. Amounts payable to employees	101	78.542.671	56.333.253
9. Liabilities for taxes and contributions	102	22.589.920	24.350.995
10. Dividend payables	103		
11. Liabilities directly associated with the assets classified as held for sale	104		
12. Other current liabilities	105		
E) ACCRUED CHARGES AND DEFERRED REVENUE	106	167.198.365	272.458.316
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	691.171.041	711.567.145
G) OFF-BALANCE SHEET ITEMS	108		
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	109		
2. Attributable to minority interest	110		

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 30 June 2016

Issuer: Ericsson Nikola Tesla d.d.

Item	AOP	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112+113)	111	660.497.939	369.923.684	726.474.433	398.108.459
1. Sales revenue	112	651.651.914	364.794.158	718.696.816	394.186.105
2. Other operating income	113	8.846.025	5.129.526	7.777.618	3.922.355
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	611.664.880	342.361.176	677.975.647	376.523.114
1. Changes in inventories of finished products and work in progress	115	-3.531.607	23.005.920	-49.313.629	-40.942.539
2. Raw material and consumables used (117 do 119)	116	312.381.812	166.654.049	399.465.841	250.240.650
a) Cost of raw materials & consumables	117	124.208.548	56.394.335	168.885.758	117.955.351
b) Cost of goods sold	118				
c) Other costs	119	188.173.264	110.259.713	230.580.084	132.285.299
3. Staff costs (121 do 123)	120	260.319.758	128.622.827	285.475.775	141.870.299
a) Net salaries	121	137.631.736	70.931.308	150.550.509	74.475.230
b) Employee income tax and contributions	122	85.152.804	38.696.118	94.910.707	46.950.999
c) Employer's contributions	123	37.535.218	18.995.402	40.014.559	20.444.071
4. Depreciation and amortisation expense	124	24.112.677	12.540.958	23.587.389	11.599.703
5. Other costs	125	16.633.134	10.505.692	16.433.657	11.582.312
6. Impairment losses (127+128)	126	724.649	430.222	1.014.152	1.116.962
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128	724.649	430.222	1.014.152	1.116.962
7. Provisions	129				
8. Other operating expenses	130	1.024.458	601.508	1.312.462	1.055.728
III. FINANCIAL INCOME (132 do 136)	131	2.106.444	824.467	3.253.777	2.865.674
1. Interest, foreign exchange gains, dividends and other income from related parties	132			201.243	146.326
2. Interest, foreign exchange gains, dividends and other income from non-related and other entities	133	1.990.967	788.570	1.216.729	931.826
3. Income from associates and ownership interests	134				
4. Unrealized gains	135				
5. Other financial income	136	115.477	35.897	1.835.805	1.787.522
IV. FINANCIAL EXPENSES (138 do 141)	137	3.244.763	3.148.510	1.013.173	3.635
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	3.244.763	3.148.510	1.013.173	3.635
3. Unrealized losses	140				
4. Other financial expenses	141				
V. SHARE OF INCOME OF ASSOCIATES	142				
VI. SHARE OF LOSS OF ASSOCIATES	143				
VII. EXTRAORDINARY - OTHER INCOME	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL INCOME (111+131+142 + 144)	146	662.604.384	370.748.151	729.728.210	400.974.133
X. TOTAL EXPENSES (114+137+143 + 145)	147	614.909.643	345.509.686	678.988.819	376.526.749
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	47.694.741	25.238.465	50.739.391	24.447.384
1. Profit before tax (146-147)	149	47.694.741	25.238.465	50.739.391	24.447.384
2. Loss before tax (147-146)	150	0	0	0	0
XII. INCOME TAX EXPENSE	151			1.629.205	1.629.205
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	47.694.741	25.238.465	49.110.186	22.818.179
1. Profit for the period (149-151)	153	47.694.741	25.238.465	49.110.186	22.818.179
2. Loss for the period (151-148)	154	0	0	0	0
ANNEX TO THE PROFIT AND LOSS ACCOUNT (to be filled in by entities submitting consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributable to owners of the company	155				
2. Attributable to non-controlling interests	156				
STATEMENTS OF COMPREHENSIVE INCOME (to be filled in by entities who work in compliance with IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	47.694.741	25.238.465	49.110.186	22.818.179
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)	158	0	0	0	0
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				
III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (158-166)	167	0	0	0	0
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	168	47.694.741	25.238.465	49.110.186	22.818.179
APPENDIX Statement of Comprehensive Income (to be filled in by entities submitting consolidated financial statements)					
VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD					
1. Attributable to owners of the company	169				
2. Attributable to non-controlling interests	170				

48.833.059 27.562.508 48.498.787 21.585.345

CASH FLOW STATEMENT - Indirect method
in the period 01 January 2016 to 30 June 2016

Issuer: Ericsson Nikola Tesla d.d.			
Item	AOP	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	47.694.741	50.739.391
2. Depreciation and amortisation	002	24.112.677	23.587.389
3. Increase in liabilities	003		97.403.517
4. Decrease in receivables	004		
5. Decrease in inventories	005		
6. Other increase in cash flow	006		2.570.969
I. Total increase in operating cash flow (001 do 006)	007	71.807.417	174.301.265
1. Decrease in liabilities	008	23.230.542	
2. Increase in receivables	009	1.334.907	88.363.477
3. Increase in inventories	010	3.709.156	51.515.543
4. Other decrease in cash flow	011	49.372	
II. Total decrease in operating cash flow (008 do 011)	012	28.323.977	139.879.020
A1) NET INCREASE IN OPERATING CASH FLOW (007-012)	013	43.483.441	34.422.245
A2) NET DECREASE IN OPERATING CASH FLOW (012-007)	014		
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Proceeds from sale of property, plant and equipment	015	267.062	40.240
2. Net disposal of financial assets	016	64.157.527	51.803.193
3. Interest received	017	2.113.297	1.504.413
4. Dividend received	018		128.883
5. Other cash from investing activities	019	25.251	
III. Total cash flow from investing activities (015 do 019)	020	66.563.138	53.476.728
1. Purchase of property, plant and equipment and intangible assets	021	34.956.120	12.336.085
2. Purchase of financial instruments	022	62.000.000	89.000.000
3. Other cash flow used in investing activities	023		10.167.453
IV. Total cash flow from investing activities (021 do 023)	024	96.956.120	111.503.538
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025		
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES (024-020)	026	30.392.982	58.026.810
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Proceeds from issuance of financial instruments	027		
2. Proceeds from loans	028		
3. Other cash flow from financial activities	029		
V. Total cash flow from financial activities (027 do 029)	030	0	0
1. Repayment of interest-bearing borrowings	031		
2. Dividend paid	032	119.713.881	132.845.626
3. Repayment of finance lease	033		
4. Repurchase of treasury shares	034		
5. Other cash flow used in financial activities	035	3.228.865	1.302.731
VI. Total cash flow used in financial activities (031 do 035)	036	122.942.746	134.148.357
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037		
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	122.942.746	134.148.357
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039		
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	109.852.288	157.752.921
Cash and cash equivalents at the beginning of the period	041	182.106.153	218.499.492
Increase in cash and cash equivalents	042	0	0
Decrease in cash and cash equivalents	043	109.852.288	157.752.921
Cash and cash equivalents at the end of the period	044	72.253.865	60.746.571

STATEMENT OF CHANGES IN EQUITY
for the period from 1.1.2016 to 30.6.2016

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	55.552.857	13.916.573
5. Profit or loss for the period	005	47.694.741	49.110.186
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		
10. Total capital and reserves (AOP 001 do 009)	010	259.355.292	217.323.014
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		
17. Total increase/decrease in equity (AOP 011 do 016)	017	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	
	30.6.2016.	30.6.2015.	30.6.2016.	30.6.2015.	30.6.2016.	30.6.2015.	30.6.2016.	30.6.2015.	30.6.2016.	30.6.2015.
	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn
Segment sales revenue	356.346	295.721	350.380	332.427	11.971	23.504	0	0	718.697	651.652
Operating profit	17.934	4.989	48.978	55.897	-1.154	2.735	-17.259	-14.788	48.499	48.833

2. Transactions with related parties

	30.6.2016.	30.6.2015.
	'000 kn	'000 kn
Total sales	448.175	399.300
Total purchases	289.929	223.086

3. Balances with related parties

	30.6.2016.	31.12.2015.
	'000 kn	'000 kn
Receivable	90.407	120.559
Payable	99.858	77.631

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