

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 the nine months of 2016

Highlights:

- Sales revenue: MHRK **1,134.3**
- Gross margin: **10.7%**
- Operating income: MHRK **59.7**
- Profit before tax: MHRK **62.4**
- Net profit: MHRK **58.2**
- Cash flow from operating activities: MHRK **75.1**

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

„During the first nine months, Ericsson Nikola Tesla continued its stable business performance. Sales revenue increased by 17% year-over-year, due to a significant increase in revenue in CIS and Ericsson market, thus neutralizing the decline in revenue in the domestic market, as well as the markets of Southeast Europe.

Despite the demanding market environment, our investments in new solutions development, as well as strong marketing and sales activities brought us success in CIS market. The main activities there concern the healthcare informatization in Kazakhstan, and the implementation of LTE networks in Belarus, Moldova and Armenia. During Q3, in collaboration with the Armenian operator Ucom, an advanced LTE network was rolled out in the capital city of Yerevan. Furthermore, the collaboration was agreed with the Belarusian company beCloud, regarding the delivery of LTE network and related services in three regions of the Republic of Belarus.

Export of services to Ericsson is growing, due to business expansion and new responsibilities in R&D center and Service Expertise Unit, which shows that the quality and added values that we deliver have been recognized by Corporation and the customers worldwide. Since the beginning of 2016, we hired 227 experts, most of whom work on research and development of new ICT products, solutions and services that address the Networked Society requirements.

In the markets of Southeast Europe, we record a decrease in sales revenue due to negative economic trends and complex political situation. In the domestic market, strong competition, as well as global customers/operators'

consolidation and centralization of sourcing processes, pose additional challenges. In the eSystems segment, many projects have been postponed due to early parliamentary elections.

In the first nine months 2016, net profit amounted to MHRK 58.2, representing 5.1% ROS. Gross margin is lower year-over-year, due to changing business mix and continued price pressure. We continue to exercise firm cost control. Sales and administrative costs decreased by 1.5% year-over-year. The end of the quarter was concluded with a lean balance sheet and an equity ratio of 31.6%. A positive cash flow from operating activities was realized, amounting to MHRK 75.1. The total cash, including short-term financial assets, amounts to MHRK 193.8. Working capital efficiency remains strong, expressed in working capital days of 25. The cash conversion rate is 59%.

Estimated income tax expense disclosed for the period amounts to HRK 4.2 million. Income tax is calculated based on the tax laws, which includes the use of the Program relating to tax incentives for research and development projects and accompanying tax loss. Since the Program expired on 31 December 2014, the legal basis for applying for new research and development projects does not exist. Accordingly, income tax expense was recognized based on the estimate that the remaining tax reliefs and tax loss are not sufficient to offset the income tax base.

At the end of September, we marked the closing of 16th Ericsson Nikola Tesla Summer Camp. In this year's Summer Camp, a total of 62 students from 16 faculties from Croatia and neighboring countries participated. With the help of their mentors they worked on 26 projects in the following segments: IoT, Big Data, e/m Health and SW tools. Over time, Summer Camp became a recognizable and valued brand, representing an example of quality collaboration between business and the academic community. More than 700 students, who participated in the Summer Camp during the last 16 years, had the opportunity to work in real ICT industry environment, and to participate in the process of creating the latest technology products, solutions and services.

During the third quarter we launched a new cycle of strategic planning for the period up to 2019, by analyzing the current situation in all relevant business and technology segments and trends relating to the future developments in the ICT industry. Our goal is to strengthen business performance in strategic segments through transformation programs (4G/LTE, Managed Services, Operations and Business Support Systems, Cloud, Industry & Society), as well as Ericsson internal market. It is expected that economic uncertainty and unfavorable industry trends will continue in the future period. Therefore, a significant place in our strategy is dedicated to responsible risk management and cost and efficiency.

We continue to strengthen our technology leadership through innovation and invest in knowledge and competences of our employees, because that is precisely what makes us a strong business partner to existing and new customers. “

Financial highlights for the Group:

- Sales revenue amounts to MHRK 1,134.3 (first nine months 2015: MHRK 967.6), 17.2% increase year-over-year. Of the total sales revenue, the domestic market accounts for 16.3%, services to Ericsson account for 56% (of which 11.7% relates to Managed Services in Croatia), while other export markets participate with 27.7%.

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- Sales in the network segment amounts to MHRK 551.4 (48.6% of the total sales revenue), services segment amounts to MHRK 563.2 (49.7% of the total sales revenue), and support solutions segment accounts for MHRK 19.7 (1.7% of the total sales).
- Gross profit amounts to MHRK 120.8 (first nine months 2015: MHRK 124.6), down by 3% year-over-year. Due to changing business mix and continued price pressure, gross margin decreased to 10.7% (first nine months 2015: 12.9%).
- Selling and administrative expenses decreased by 1.5% year-over-year to MHRK 59.2 (first nine months 2015: MHRK 60.1).
- Operating income decreased by 2.5% year-over-year and amounts to MHRK 59.7 (first nine months 2015: MHRK 61.2).
- Net finance income is MHRK 2.8 (first nine months 2015: MHRK 0.1), primarily due to revaluation of financial assets.
- Profit before tax increased by 1.8% year-over-year and amounts to MHRK 62.4 (first nine months 2015: MHRK 61.3). The estimated income tax expense amounts to MHRK 4.2 (first nine months 2015: MHRK 0.4).
- Net profit is MHRK 58.2 (first nine months 2015: MHRK 60.9). ROS is 5.1% (first nine months 2015: 6.3%).
- Cash flow from operating activities is MHRK 75.1 (first nine months 2015: MHRK 138.1).
- Total cash and cash equivalents, including short term financial assets, as at September 30, 2016 amount to MHRK 193.8 (26.1% of the total assets), while at the end of 2015 they amounted to MHRK 287.1 (39.7% of the total assets).
- The Group has a lean balance sheet with total assets of MHRK 741.9 (end of 2015: MHRK 723.9). The equity ratio is at 31.6%.
- With related parties, the transactions were as follows: sales of products and services amounted to MHRK 649.6 (first nine months 2015: MHRK 610.8), while procurement of products and services amounted to MHRK 299.4 (first nine months 2015: MHRK 199.2).
- As at September 30, 2016 balances outstanding with related parties were as follows: receivables amounted to MHRK 100.6 (end of 2015: MHRK 117.0), and payables MHRK 92.5 (end of 2015: MHRK 52.7).

Business situation in main markets

In the domestic market, the total sales revenue amounted to MHRK 185.2, a decrease by 9.9 percent year-over-year.

The cooperation with the strategic partner Vipnet has continued on the modernization of radio access network and transport telecom network, as well as on 3G and 4G technology capacity increase. Further testing of new

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functionalities is ongoing in various areas of core and access network that contribute to the increased quality and new services for end users.

Business cooperation with Hrvatski Telekom has continued in the segment of modernization of the fixed telecom network, delivering solutions for Hrvatski Telekom's access IP network and transport network. Activities in the segment of telecom infrastructure build and maintenance services have intensified. Activities related to identification and realization of future projects are ongoing.

With the mobile operator Tele2, we engaged in the upgrade of software support for the network core nodes monitoring system. In order to insure sufficient network data transfer capacity, we worked on the transport network upgrade in microwave and fiber optic areas. Furthermore, we provide support and maintenance services for Tele2 entire telecom network.

In the field of ICT solutions for Industry & Society, we have continued the healthcare informatization (eHealth). In cooperation with the Croatian Health Insurance Fund (HZZO) we started the implementation of the eHealth Record, as well as the Portal for Patients available through eCitizens system.

Implementation of the Joint Information System of Land Registry and Cadaster continues with success and will be completed with the inclusion of the Zagreb Municipal Office for Cadaster.

In export markets (Ericsson market excluded) sales revenue amounted to MHRK 313.9, an increase by 76.8 percent year-over-year.

In Southeast Europe markets (Bosnia and Herzegovina, Montenegro and Kosovo) sales revenue decreased by 21.8 percent year-over-year and amounts to MHRK 96.3. The unfavorable economic and political 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.

In Q3, a contract related to fixed core network modernization, using the state-of-the-art Ericsson solutions, was signed with the Bosnia & Herzegovina operator HT Mostar. This modernization will enable quick development of fixed and mobile multimedia services in HT Mostar network.

In the Commonwealth of Independent States market, sales revenue amounted to MHRK 217.6, an increase by 300.1 percent year-over-year. The realization of projects in Kazakhstan, Belarus, Moldova and Armenia is ongoing.

During Q3, the collaboration on LTE network delivery, roll out and related services was agreed with the Belarusian company beCloud. This project that will be implemented by end 2017, belongs to the second phase of LTE technology introduction in three Belarusian regions.

In cooperation with the Armenian operator Ucom, an advanced LTE network, based on Ericsson multi-standard radio equipment and the best in class Antenna Integrated Radio (AIR) system, was rolled out in the area of the capital city of Yerevan. The roll out of this network supports the rapidly increasing data traffic in Armenia, and enables an increased quality, speed and more advanced applications.

In the Ericsson market, sales revenue amounted to MHRK 635.2, an increase by 8.7 percent year-over-year.

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In the Research & Development, activities related to software application and platform development for radio systems within the Network Radio Development Unit significantly increased. Activities within the development units Mobile Core, User Data Management and Cloud are ongoing as planned.

Research projects are strongly focused on the segment of Big Data processing and analysis as well as on the virtualization and cloud solutions.

Ericsson Nikola Tesla Summer Camp that lasted five weeks gathered 62 students from Croatia and neighboring countries. Led by their mentors, they worked on 26 projects in the areas of Big Data processing and analysis; IoT, e/m-Health and Virtual and Augmented Reality.

Service and Solutions Delivery Center experts have been engaged in projects for customers worldwide: BASE (Belgium), DIGI (Hungary), POST (Luxembourg), Tango (Luxembourg), Telefonica (Germany), Deutsche Telekom Group, Telekom Austria Group, Vodafone (United Kingdom), Swisscom (Switzerland), Telekom Slovenije (Slovenia), Turk Telekom (Turkey), etc. We can highlight the activities related to Virtualization/Cloud for POST (Luxembourg) and Tango (Luxembourg), VSPP (Video Storage & Processing Platform) for Swisscom (Switzerland), ONE Core and BSS for Telekom Austria Group, and UDM (User Data Management) for BASE (Belgium), DIGI (Hungary) and Vodafone (United Kingdom). With our radio access network competence domain regional team transferring to Global Services Organization, Ericsson Nikola Tesla became an important site in the Global Expertise Unit, according to the number of experts. We would like to highlight that the experts of this unit developed the tool for supporting Key Events (Key Event Experience) that was used during the Olympic Games in Brazil. Furthermore, we provided e2e solutions design and consultancy services for KPN (Netherlands), MTN (Iran), Slovak Telekom (Slovakia), and Telefonica O2 (United Kingdom), as well as to Ericsson Teams in the Regions Western and Central Europe and Middle East.

There is a substantive engagement in the development and implementation of software tools for mobile networks 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.

The contribution of the 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 133.3. From key activities towards Hrvatski Telekom in the past quarter, we would like to highlight a successful completion of the VDSL (Very high bit rate Digital Subscriber Line) user migration project, successful continuation of the project regarding capacity increase and mobile broadband coverage as well as additional engagement in the program of design and construction of fiber optic networks. Activities towards other customers in Europe in the area of radio access network modernization and fiber optic network design and build expanded. The transformation process aimed to adaptation to new business models and accompanying standards in the segment of telecom network build and maintenance services is ongoing.

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Other information

Overview of major shareholders of Ericsson Nikola Tesla (as at September 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	1.70
PBZ d.d. / The Bank of New York as custodian	21,298	1.60
Zagrebačka banka d.d. / custodian account for Unicredit Bank Austria AG	17,280	1.30
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	0.60
PBZ d.d. / custodian client account	7,295	0.55
OTP BANKA d.d./INS683	6,225	0.47
Other shareholders	416,409	31.25

Share prices in Q3 2016:

Highest (HRK)	Lowest (HRK)	Closing (HRK)	Market cap. (MHRK)
1,165	1,000.03	1,142	1,520.7

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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 1 Jan 2016 to 30 Sep 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".

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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>

Ericsson Nikola Tesla d.d.
Consolidated statement of comprehensive income
for the period ended 30 September 2016

	2016	2015
	HRK '000	HRK '000
Sales revenue	1.134.310	967.615
Cost of sales	-1.013.477	-842.970
Gross profit	120.833	124.645
Selling expenses	-33.673	-35.552
Administrative expenses	-25.489	-24.524
Other operating income	199	2.152
Other operating expenses	-2.214	-5.535
Operating profit	59.656	61.186
Finance income	2.852	281
Finance expense	-94	-176
Finance expense/income – net	2.758	104
Profit before tax	62.413	61.290
Income tax	-4.227	-396
Profit for the period	58.187	60.894
Other comprehensive income	-117	-59
Total comprehensive income for the period	58.070	60.835

Ericsson Nikola Tesla d.d.
Consolidated statement of financial position
as at 30 September 2016

	2016 HRK '000	2015 HRK '000
ASSETS		
Non-current assets		
Property, plant and equipment	124.603	137.667
Intangible assets	6.752	6.532
Loans and receivables	84.695	19.235
Other non-current assets	40	40
Total non-current assets	216.091	163.474
Current assets		
Inventories	56.153	21.187
Trade receivables	165.527	131.800
Receivables from related parties	98.716	113.949
Other receivables	2.037	3.396
Income tax receivable	1.269	1.204
Financial assets at fair value through profit or loss	85.584	53.917
Prepayments and accrued income	8.285	1.744
Cash and cash equivalents	108.265	233.195
Total current assets	525.836	560.392
TOTAL ASSETS	741.927	723.866
EQUITY AND LIABILITIES		
Equity		
Share capital	133.165	133.165
Treasury shares	-3.434	-3.434
Legal reserves	6.658	6.658
Retained earnings	97.727	171.539
Total equity	234.116	307.928
Non-current liabilities		
Interest-bearing borrowings	2.992	-
Employee benefits	9.082	9.060
Other non-current liabilities	18.557	12.345
Total non-current liabilities	30.630	21.405
Current liabilities		
Payables to related parties	76.349	40.087
Interest-bearing borrowings	3	32
Trade and other payables	139.025	164.477
Provisions	13.058	10.003
Accrued charges and deferred revenue	248.745	179.934
Total current liabilities	477.181	394.533
Total liabilities	507.811	415.938
TOTAL EQUITY AND LIABILITIES	741.927	723.866

Ericsson Nikola Tesla d.d.
Consolidated statement of cash flows
for the period ended 30 September 2016

	2016 HRK '000	2015 HRK '000
Cash flows from operating activities		
<i>Profit before tax</i>	62.413	61.290
Adjustments for:		
Depreciation and amortisation	37.617	38.412
Impairment losses and reversals	15.831	1.542
Net increase of provisions	13.616	1.628
Gain on sale of property, plant and equipment	-78	-172
Net gain on remeasurement of financial assets	-1.674	47
Amortisation of discount	-288	-
Interest income	-1.932	-2.543
Interest expense	94	176
Foreign exchange losses, net	795	2.112
Equity-settled transactions	947	-2.304
	127.341	100.187
<i>Changes in working capital</i>		
In receivables	-91.642	53.975
In inventories	-34.966	-1.308
In payables	76.095	-12.886
<i>Cash generated from operations</i>	76.829	139.968
Interest paid	-94	-177
Income taxes paid	-1.593	-1.717
Net cash (used in)/from operating activities	75.142	138.074
Cash flows from investing activities		
Interest received	1.974	2.445
Dividend received	212	-
Proceeds from sale of property, plant and equipment	75	295
Purchases of property, plant and equipment, and intangible assets	-28.231	-53.736
Deposits collected with financial institutions - net	-10.140	62
Purchases of financial assets at fair value through profit and loss	58.795	78.142
Proceeds from sale of financial assets at fair value through profit and loss	-89.000	-62.000
Net cash (used in)/generated from investing activities	-66.315	-34.792
Cash flows from financing activities		
Purchase of treasury shares	-	-
Dividends paid	-132.846	-119.714
Net cash used in financing activities	-132.846	-119.714
Effects of exchange rate changes on cash and cash equivalents	-912	-2.585
Net increase/decrease in cash and cash equivalents	-124.930	-19.017
Cash and cash equivalents at the beginning of the year	233.195	186.963
Cash and cash equivalents at the end of the period	108.265	167.946

ENCLOSURE 1

Reporting period:

1.1.2016.

to

30.9.2016.

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: **2.887**
(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 Anđela Zvizdovića broj 1****65-01-0996-11****Ericsson Nikola Tesla d.d. - Branch office of Kosovo****Republika Kosova, Kalabria, Obj 1., BII 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)

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(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 30 September 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	163.473.923	216.090.555
I. INTANGIBLE ASSETS (004 do 009)	003	6.532.238	6.752.354
1. Research & Development expenditure	004		
2. Patents, licences, royalties, trade marks, software&similar rights	005	2.358.992	2.579.108
3. Goodwill	006	4.173.246	4.173.246
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	137.667.153	124.602.822
1. Land	011	15.605.344	15.605.344
2. Property	012	28.795.979	27.312.186
3. Plants and equipment	013	79.854.141	60.739.221
4. Tools, plants&vehicles	014	11.790.157	13.362.765
5. Biological asset	015		
6. Prepayments for tangible assets	016		
7. Assets under construction	017	1.529.980	7.497.589
8. Other tangible assets	018	91.552	85.716
9. Investments property	019		
III. FINANCIAL ASSETS (021 do 028)	020	7.355.515	17.479.723
1. Investments in subsidiaries	021		
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	17.439.723
7. Other non-current financial assets	027	40.000	40.000
8. Investment accounted by equity method	028		
IV. RECEIVABLES (030 do 032)	029	11.919.018	67.255.656
1. Receivables from subsidiaries	030	3.087.341	1.887.364
2. Receivables from credit sales	031	4.996.512	61.639.315
3. Other receivables	032	3.835.165	3.728.977
V. DEFERRED TAX ASSETS	033	0	0
C) CURENT ASSETS (035+043+050+058)	034	558.648.010	517.551.850
I. INVENTORIES (036 do 042)	035	21.187.029	56.152.739
1. Raw materials & consumables	036	26.132	116.712
2. Work in progress	037	21.140.600	56.015.729
3. Products	038		
4. Merchandise	039		
5. Prepayments for inventories	040	20.298	20.298
6. Other available-for-sale assets	041		
7. Biological asset	042		
II. RECEIVABLES (044 do 049)	043	250.348.770	267.550.424
1. Receivables for trade debt of subsidiaries	044	113.948.483	98.716.265
2. Trade receivables	045	131.800.200	165.527.401
3. Receivables for trade debts of participating entities	046		
4. Amounts receivable from employees	047		
5. Receivables from government agencies	048	2.517.022	2.600.856
6. Other receivables	049	2.083.066	705.902
III. FINANCIAL ASSETS (051 do 057)	050	53.917.400	85.584.072
1. Investments in subsidiaries	051		
2. Loans to subsidiaries	052	0	0
3. Participating interests (stakes)	053		
4. Loans to participating interest	054		
5. Investments in securities	055	53.917.400	85.584.072
6. Loans & deposits	056		
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	233.194.810	108.264.614
D) PREPAYMENTS AND ACCRUED INCOME	059	1.744.175	8.284.643
E) TOTAL ASSETS (001+002+034+059)	060	723.866.108	741.927.047
F) OFF-BALANCE SHEET ITEMS	061		

EQUITY AND LIABILITIES			
A) EQUITY (063+064+065+071+072+075+078)	062	307.927.764	234.115.802
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	62.282.442	21.632.980
1. Retained earnings	073	62.282.442	21.632.980
2. Loss brought forward	074		
VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR (076-077)	075	91.349.066	58.186.566
1. Profit for the financial year	076	91.349.066	58.186.566
2. Loss for the financial year	077		
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	9.059.491	9.081.535
1. Provisions for redundancy costs	080	9.059.491	9.081.535
2. Provisions for tax obligations	081		
3. Other provisions	082		
C) NON-CURRENT LIABILITIES (084 do 092)	083	12.345.427	21.548.732
1. Amounts payable to subsidiaries	084	9.258.086	13.443.153
2. Liabilities for loans, deposits and other	085	0	0
3. Liabilities towards banks and other financial institutions	086	0	2.992.132
4. Amounts payable for prepayment	087	0	0
5. Trade payables	088	3.087.341	1.887.364
6. Amounts payable for securities	089	0	0
7. Liabilities toward participating interests	090	0	0
8. Other non-current liabilities	091		3.226.084
9. Deferred tax	092		
D) CURRENT LIABILITIES (094 do 105)	093	214.599.434	228.435.810
1. Amounts payable to subsidiaries	094	40.087.089	76.349.450
2. Liabilities for loans, deposits and other	095		
3. Liabilities towards banks and other financial institutions	096	32.424	3.410
4. Amounts payable for prepayment	097		
5. Trade payables	098	43.050.717	39.274.025
6. Amounts payable for securities	099		
7. Liabilities toward participating interests	100		
8. Amounts payable to employees	101	95.706.619	82.050.349
9. Liabilities for taxes and contributions	102	35.722.585	30.758.576
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	179.933.991	248.745.168
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	723.866.108	741.927.047
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	307.927.764	234.115.802
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 September 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	981.370.049	292.395.060	1.148.647.712	409.115.988
1. Sales revenue	112	967.614.825	288.178.509	1.134.309.553	404.021.177
2. Other operating income	113	13.755.224	4.216.551	14.338.159	5.094.810
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	920.184.317	283.479.647	1.088.991.998	400.462.432
1. Changes in inventories of finished products and work in progress	115	-1.310.127	-740.925	-34.875.129	14.050.330
2. Raw material and consumables used (117 do 119)	116	365.363.372	95.656.674	500.981.358	165.800.199
a) Cost of raw materials & consumables	117	173.731.537	33.851.218	272.449.531	92.083.424
b) Cost of goods sold	118				
c) Other costs	119	191.631.834	61.805.456	228.531.827	73.716.775
3. Staff costs (121 do 123)	120	488.134.422	166.982.891	527.703.838	175.531.730
a) Net salaries	121	229.312.339	78.817.619	289.387.826	99.458.227
b) Employee income tax and contributions	122	188.944.844	64.942.788	164.965.000	52.359.183
c) Employer's contributions	123	69.877.240	23.222.484	73.351.012	23.714.321
4. Depreciation and amortisation expense	124	38.411.813	13.452.465	37.617.040	11.997.362
5. Other costs	125	26.977.538	7.300.674	36.980.606	14.825.140
6. Impairment losses (127+128)	126	1.497.549	772.900	15.801.943	14.787.792
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128	1.497.549	772.900	15.801.943	14.787.792
7. Provisions	129				
8. Other operating expenses	130	1.109.751	54.968	4.782.341	3.469.879
III. FINANCIAL INCOME (132 do 136)	131	2.616.688	1.252.849	3.808.713	536.149
1. Interest, foreign exchange gains, dividends and other income from related parties	132	125.317	0	238.762	37.519
2. Interest, foreign exchange gains, dividends and other income from non-related and other entities	133	2.417.489	1.252.849	1.692.550	498.630
3. Income from associates and ownership interests	134				
4. Unrealized gains	135				
5. Other financial income	136	73.882	0	1.877.400	0
IV. FINANCIAL EXPENSES (138 do 141)	137	2.512.462	57.123	1.051.023	26.905
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	2.512.462	15.528	997.628	15.106
3. Unrealized losses	140				
4. Other financial expenses	141		41.596	53.395	11.799
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	983.986.737	293.647.909	1.152.456.424	409.652.137
X. TOTAL EXPENSES (114+137+143 + 145)	147	922.696.779	283.536.771	1.090.043.021	400.489.337
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	61.289.958	10.111.138	62.413.403	9.162.800
1. Profit before tax (146-147)	149	61.289.958	10.111.138	62.413.403	9.162.800
2. Loss before tax (147-146)	150	0	0		
XII. INCOME TAX EXPENSE	151	396.219	167.763	4.226.837	2.002.696
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	60.893.739	9.943.375	58.186.566	7.160.104
1. Profit for the period (149-151)	153	60.893.739	9.943.375	58.186.566	7.160.104
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	60.893.739	9.943.375	58.186.566	7.160.104
2. Attributable to non-controlling interests	156				
STATEMENTS OF COMPREHENSIVE INCOME (to be filled by entities who work in compliance with IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	60.893.739	9.943.375	58.186.566	7.160.104
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)	158	0	0	0	0
1. Exchange differences arising from foreign operations	159	-58.721	-53.093	-117.048	7.078
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	-58.721	-53.093	-117.048	7.078
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	168	60.835.018	9.890.282	58.069.518	7.167.182
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	60.835.018	9.890.282	58.069.518	7.167.182
2. Attributable to non-controlling interests	170				

CASH FLOW STATEMENT - Indirect method
in the period 01 January 2016 to 30 September 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	61.289.958	62.413.403
2. Depreciation and amortisation	002	38.411.813	37.617.040
3. Increase in liabilities	003		76.095.332
4. Decrease in receivables	004	53.974.561	
5. Decrease in inventories	005		
6. Other increase in cash flow	006		25.624.139
I. Total increase in operating cash flow (001 do 006)	007	153.676.331	201.749.915
1. Decrease in liabilities	008	12.885.646	
2. Increase in receivables	009		91.642.040
3. Increase in inventories	010	1.308.164	34.965.709
4. Other decrease in cash flow	011	1.408.026	
II. Total decrease in operating cash flow (008 do 011)	012	15.601.836	126.607.750
A1) NET INCREASE IN OPERATING CASH FLOW (007-012)	013	138.074.495	75.142.166
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	294.874	75.068
2. Net disposal of financial assets	016	78.142.023	58.795.335
3. Interest received	017	2.444.780	1.974.246
4. Dividend received	018		211.771
5. Other cash from investing activities	019	62.201	
III. Total cash flow from investing activities (015 do 019)	020	80.943.878	61.056.420
1. Purchase of property, plant and equipment and intangible assets	021	53.736.134	28.231.363
2. Purchase of financial instruments	022	62.000.000	89.000.000
3. Other cash flow used in investing activities	023		10.139.857
IV. Total cash flow from investing activities (021 do 023)	024	115.736.134	127.371.219
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025		
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES (024-020)	026	34.792.256	66.314.799
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	119.714.758	132.845.626
3. Repayment of finance lease	033		
4. Repurchase of treasury shares	034		
5. Other cash flow used in financial activities	035	2.585.043	911.936
VI. Total cash flow used in financial activities (031 do 035)	036	122.299.801	133.757.562
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037		
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	122.299.801	133.757.562
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039		
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	19.017.562	124.930.195
Cash and cash equivalents at the beginning of the period	041	186.963.270	233.194.810
Increase in cash and cash equivalents	042	0	0
Decrease in cash and cash equivalents	043	19.017.562	124.930.195
Cash and cash equivalents at the end of the period	044	167.945.708	108.264.615

STATEMENT OF CHANGES IN EQUITY
for the period from 1.1.2016 to 30.9.2016

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	62.010.761	21.632.980
5. Profit or loss for the period	005	60.893.739	58.186.566
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	279.012.195	234.115.802
11. Foreign exchange differences from investments in foreign operations	011	-58.721	-117.048
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	-58.721	-117.048
17 a. Parent company share in subsidiary	018	-58.721	-117.048
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	
	30.9.2016.	30.9.2015.	30.9.2016.	30.9.2015.	30.9.2016.	30.9.2015.	30.9.2016.	30.9.2015.	30.9.2016.	30.9.2015.
	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn
Segment sales revenue	551.365	438.859	563.202	496.883	19.742	31.873	0	0	1.134.310	967.615
Operating profit	15.069	9.575	72.439	73.491	-1.623	1.706	-26.229	-23.587	59.656	61.186

2. Transactions with related parties

	30.9.2016.	30.9.2015.
	'000 kn	'000 kn
Total sales	649.618	610.812
Total purchases	299.372	199.191

3. Balances with related parties

	30.9.2016.	31.12.2015
	'000 kn	'000 kn
Receivable	100.604	117.035
Payable	92.466	52.725

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