

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 2017

Highlights:

- Sales revenue: MHRK **360.4**
- Gross margin: **14.75%**
- Operating income: MHRK **29.2**
- Income before tax: MHRK **26.2**
- Net profit: MHRK **19.9**
- Cash flow from operating activities: MHRK – **65.9**

Gordana Kovačević, President of Ericsson Nikola Tesla, comments:

„In Q1 2017, sales revenue of Ericsson Nikola Tesla Groups increased by 9% year-over-year due to continuous revenue growth in services for Ericsson and a significant growth in revenue in the domestic market. This neutralized the decline in revenue in CIS markets and the markets of South East Europe. We have kept the position of the largest Croatian ICT exporter and the largest exporter of knowledge. In line with our expectations, Ericsson market records a positive trend, primarily due to expanding responsibilities as well as competences of our experts in new technological areas.

Gross profit increased by 9.3%, while operating profit equals the profit level realized in Q1 2016. Profit before tax decreased by 8.4% year-over-year to MHRK 26.2 due to negative currency deviations. Although operating profit is at the same level as in Q1 2016 amounting to MHRK 29.2, net profit declined by 29.4 to MHRK 19.9. Unfavorable current legislation regarding R&D incentives, i.e. the absence of tax incentives, has directly impacted the decrease in net profit.

The end of Q1 was concluded with a lean balance sheet and equity ratio of 41.2 percent. Working capital efficiency, measured by the Working Capital Days (WCD) performance indicator further improved to 26 days. Total cash and cash equivalents, including short term financial assets, at the end of Q1 amount to MHRK 208.8. In line with expectations, a negative cash flow from operating activities was realized, mainly due to decreased inflows from customers and variable compensation payment to employees related to Company's good performance in 2016.

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Given the quarterly volatility, the cash flow should be observed at the annual level. We expect a return to a positive cash conversion rate in the upcoming quarters.

In the domestic market, a significant increase in sales revenue was recorded, mainly due to successful implementation of the Republic of Croatia border control system. This project, as well as our solutions for healthcare digitalization and the Joint Information System of Land Registry and Cadaster (JIS), is one of those projects that provide the platform for the wider structural reforms in Croatia. Sales growth on the domestic market neutralized the decline in sales on CIS and Southeast Europe markets. In these export markets, we continue with intense marketing and sales activities and expect new business in the upcoming period.

As part of our marketing and sales activities, the delegation of Ericsson Nikola Tesla, accompanied by numerous customers, visited Mobile World Congress 2017 (MWC) in Barcelona. I would like to highlight that also this year, our experts have contributed significantly to Ericsson solutions related to digital transformation. Their contribution was related to backbone of Ericsson's offer aimed at datacenters for work in a cloud characterized by high scalability. Another solution that was presented was the optimization of video content within the framework of Ericsson's cooperation with the leading Chinese video streaming service (iQIYI) and the most important telecom operator China Unicom.

Our company, as well as global Ericsson, continues with transformation processes and organizational and structural changes. By efficiently implementing transformation programs, we aim to strengthen business performance in strategic segments (4G/5G, Managed Services, OSS and BSS, Cloud solutions, Industry& Society) and on Ericsson's internal market and continuously invest in development of knowledge and competences. We have established a model of firm compliance between innovative ideas and strategic initiatives to support business growth and improve our way of working. Strengthening profitability and cost reductions continue to be our key priorities.

It is expected that economic uncertainty and business challenges will continue throughout 2017. Therefore, continuous adjustments to technological and market conditions, responsible risk management and optimal use of all resources remains in our focus."

Financial highlights for the Group:

- Sales revenue amounts to MHRK 360.4 (Q1 2016: MHRK 330.8), 9% increase year-over-year. Of the total sales revenue, the domestic market accounts for 24.4%, services to Ericsson account for 61.6% (of which 10.7% relates to Managed Services in Croatia), while other export markets participate with 14%.
- Sales in the Network segment amount to MHRK 212.3 (58.9% of the total sales revenue), IT&Cloud segment amount to MHRK 147.1 (40.8% of the total sales revenue), and Media segment is MHRK 1 (0.3% of the total sales revenue).
- Gross profit amounts to MHRK 53.2 (Q1 2016: MHRK 48.6), an increase by 9.3% year-over-year. Gross margin is at the level realized in Q1 2016, amounting to 14.7% (Q1 2016: 14.7%).

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- Sales and administrative costs increased by 29.3% year-over-year to MHRK 24.2 (Q1 2016: MHRK 18.7), primarily as a result of variable compensation to employees and intensified marketing and sales activities.
- Operating profit equals profit realized in Q1 2016, amounting to MHRK 29.2 (Q1 2016: MHRK 29.2).
- Loss from financial activities amounts to MHRK 3 (Q1 2016: loss from financial activities was MHRK 0.6), primarily due to negative currency deviations.
- Profit before tax decreased by 8.4% year-over-year to MHRK 26.2 (Q1 2016: MHRK 28.6).
- All tax losses carried forward on the basis of tax reliefs from R&D projects have been used in 2016. Respectively, in Q1 2017, income tax liability was calculated amounting to MHRK 6.2 (Q1 2016: MHRK 0.3).
- Net profit is MHRK 19.9 (Q1 2016: MHRK 28.2), and is lower 29.4% year-over-year. ROS is 5.5% (Q1 2016: 8.5%).
- Cash flow from operating activities amounts MHRK – 65.9 (Q1 2016: MHRK -25.3). The cash conversion rate is -137%.
- Total cash and cash equivalents, including short term financial assets, as at March 31, 2017 amount to MHRK 208.8 (28% of the total assets), while at the end of 2016 they amounted to MHRK 287.7 (35.6% of the total assets).
- The Company has a lean balance sheet with the total assets of MHRK 745.2. Equity ratio is 41.2%.
- With related parties, the transactions were as follows: sales of products and services amount to MHRK 204.1 (Q1 2016: MHRK 202.7), while procurement of products and services amount to MHRK 60.1 (1 Q1 2016: MHRK 74.6).
- As at March 31, 2017 balances outstanding with related parties were as follows: receivables amounted to MHRK 134.1 (end of 2016: MHRK 90.9), and payables to MHRK 64.9 (end of 2016: MHRK 89.3).

Business situation in major markets

[In the domestic market](#), sales revenue amounted to MHRK 87.9, 59% increase year-over-year.

Cooperation with our strategic partner Vipnet was continued on the modernization of radio access network and transport telecom network, as well as on increasing the capacity of 3G and 4G technologies. Testing of new functionalities in various areas of core and access network, contributing to increased quality of service and new services for end users, is ongoing.

Business cooperation with Hrvatski Telekom (HT) was extended with a three-year contract on telecommunication equipment maintenance, and in the segment of fixed telecommunication network modernization, by IMS system upgrade. Furthermore, we delivered solutions for modernization of access, core and transport IP network of HT Group (HT, Iskon, Optima).

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With the mobile operator Tele2, cooperation was agreed regarding core network upgrade. We increased their transport network capacity in the microwave and fiber optics segments. Furthermore, we provided core network support services, as well as maintenance services for their network.

In the segment of ICT solutions for Industry & Society, numerous activities regarding of healthcare digitalization are ongoing. In January 2017, the Republic of Croatia border control system was successfully delivered. Seven border locations (six in the east, and one in the south of Croatia) were equipped with the latest sensor equipment (radar and cameras) and connected into a joint "green border" surveillance system.

[In export markets \(Ericsson market excluded\)](#) sales revenue decreased by 20% year-over-year to MHRK 50.3.

In the markets of Southeast Europe (Bosnia and Herzegovina, Montenegro and Kosovo) sales revenue decreased by 33.4% year-over-year, amounting to MHRK 19.9. Unfavorable economic and political situation impacts the level and the dynamics of operator's investments. The collaboration with the operators in the segment of maintenance and modernization of fixed and mobile networks is ongoing.

With HT Mostar, contracts were signed for the extension and modernization of the mobile network monitoring systems, as well as for maintenance services for Ericsson equipment in HT Mostar network.

In CIS market, sales revenue amounts to MHRK 30.4, decrease by 8.4% year-over-year. Implementation of projects contracted in 2016 is ongoing. Strong marketing and sales activities continue, with the aim of further business development with existing and new customers.

[In Ericsson market](#), sales revenue amounts to MHRK 222.2, an increase by 5% year-over-year. Ericsson Nikola Tesla Servisi d.o.o. (daughter company of Ericsson Nikola Tesla d.d.) contributed to revenue in this market segment with MHRK 38.5.

During the management meeting of Ericsson Nikola Tesla Research and Development Center (attended by representatives of all Ericsson Corporation units with which we cooperate), our Center was given recognition for its performance. Furthermore, the readiness for even more intense cooperation in the future was expressed. During Q1, in line with our expectation, increased business volume in network radio products and products related to user data was approved. All development projects were realized as planned.

Research projects in developing network virtualization functionalities have continued, with the aim of enabling new solutions on Cloud platform. We strengthen competencies in the segment of Data science through research projects as well as Ericsson Garage Croatia projects. Machine learning algorithms are being applied in the area of care for elderly citizens and network security.

The experts of Center for Services and Solutions for Network & Media have been engaged in numerous projects for our customers worldwide, such as: A1 Austria, Swisscom Switzerland, Slovak Telekom Slovakia, Vodafone Global, Vodafone United Kingdom, O2 United Kingdom, Three United Kingdom, China Unicom China, MTN Rwanda, and Orange Togolese Republic. These are complex activities in defining and creating new solutions, analysis, optimization and upgrade of existing networks, as well as providing consulting services. Furthermore, there was substantive engagement in the development and implementation of software tools for management and

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optimization of mobile networks, such as: Smart Laptop, Smart Rollout Support, Rehome Automation, and Ericsson Network Engineer.

The experts of Center for Solutions and Services for IT&Cloud have been engaged in numerous projects for the customers worldwide, such as: Tango Luxembourg, Vodafone United Kingdom, O2 United Kingdom, Motorola United Kingdom, British Telecom/Everything Everywhere, Telekom Austria Group (TAG), DT Pan-Net, Telekom Slovenije Slovenia, T-Mobile Czech Republic, Vodafone Czech Republic, DIGI Hungary, TMO USA and DoCoMo Japan. In the listed projects, the Network Applications & Cloud Infrastructure and Digital Business Systems experts were the most engaged ones. Furthermore, the Center's Project Office was engaged in activities for the needs of the following customers: Telekom Slovenije, TAG, A1 Austria, Post Luxembourg, Orange Belgium, DT Germany, etc.

Other information

Ericsson Nikola Tesla Annual General Meeting shall be held on June 6, 2017. The right to participate at the Annual General Meeting have all shareholders, or their proxies, respectively, who register to participate until May 30, 2017, at the latest.

The shareholders who have the Company shares registered on their securities account in the Central Depository & Clearing Company on June 12, 2017 are entitled for dividend payment in total amount of HRK 90 per share (HRK 20 regular dividend and HRK 70 extraordinary dividend). Ex-dividend date is June 9, 2017. The dividend shall be paid on July 6, 2017.

Notice of Ericsson Nikola Tesla Annual General Meeting, including the proposals of all decisions, was published on the Company's web page <http://www.ericsson.hr/20170426-notice>.

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Ericsson Nikola Tesla's major shareholders (as at March 31, 2017)

	Number of shares	% of share capital
Telefonaktiebolaget LM Ericsson	653.473	49.07
Addiko 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 d.d. / PBZ Croatia osiguranje Mandatory Pension Fund, B category	22.627	1.70
Zagrebačka banka d.d. / Custodian Account for Unicredit Bank Austria AG – clients account	17.230	1.29
PBZ d.d. / The Bank of New York as Custodian	16.504	1.24
Zagrebačka banka d.d. / State Street Bank and Trust Company, Boston	13.935	1.05
PBZ d.d. / Custodian client account	8.979	0.67
Addiko d.d. / Raiffeisen Voluntary Pension Fund	7.934	0.60
OTP BANKA d.d./INS683	6.119	0.46
Other shareholders	419.445	31.50

Share price information in Q1 2017:

Highest (HRK)	Lowest (HRK)	Closing (HRK)	Market cap. (in MHRK)
1,444.00	1,164.99	1,364.00	1,816.4

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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 January 2017 to 31 March 2017 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 31 March 2017

	2017	2016
	HRK '000	HRK '000
Sales revenue	360.399	330.789
Cost of sales	-307.243	-282.140
Gross profit	53.156	48.649
Selling expenses	-13.317	-10.527
Administrative expenses	-10.912	-8.206
Other operating income	207	154
Other operating expenses	58	-886
Operating profit	29.192	29.183
Finance income	662	0
Finance expense	-3.700	-617
Finance expense – net	-3.039	-617
Profit before tax	26.154	28.566
Income tax	-6.206	-319
Profit for the year	19.948	28.247
Other comprehensive income	-68	-127
Total comprehensive income for the year	19.879	28.120

Ericsson Nikola Tesla d.d.
Consolidated statement of financial position
as at 31 March 2017

	2017 HRK '000	2016 HRK '000
ASSETS		
Non-current assets		
Property, plant and equipment	118.318	122.897
Intangible assets	7.002	7.285
Loans and receivables	78.999	81.160
Equity securities	386	40
Deferred tax assets	14.250	14.250
Total non-current assets	218.955	225.632
Current assets		
Inventories	24.227	9.796
Trade receivables	151.675	174.952
Receivables from related parties	121.036	88.858
Other receivables	13.196	14.325
Income tax receivable	1.406	1.172
Financial assets at fair value through profit or loss	62.980	62.993
Prepayments and accrued income	5.940	5.671
Cash and cash equivalents	145.794	224.725
Total current assets	526.253	582.492
TOTAL ASSETS	745.208	808.124
EQUITY AND LIABILITIES		
Equity		
Share capital	133.165	133.165
Treasury shares	-1.630	-1.630
Legal reserves	6.658	6.658
Retained earnings	168.632	148.686
Total equity	306.825	286.879
Non-current liabilities		
Interest-bearing borrowings	8.657	8.962
Other non-current liabilities	24.155	24.288
Employee benefits	8.804	8.560
Total non-current liabilities	41.616	41.810
Current liabilities		
Payables to related parties	49.795	73.215
Interest-bearing borrowings	65	0
Trade and other payables	122.224	156.413
Income tax payable	27.863	21.659
Provisions	16.865	16.011
Accrued charges and deferred revenue	179.956	212.137
Total current liabilities	396.767	479.435
Total liabilities	438.383	521.245
TOTAL EQUITY AND LIABILITIES	745.208	808.124

Ericsson Nikola Tesla d.d.
Consolidated statement of cash flows
for the period ended 31 March 2017

	2017 HRK '000	2016 HRK '000
Cash flows from operating activities		
<i>Profit before tax</i>	26.154	28.566
Adjustments for:		
Depreciation and amortisation	11.009	12.870
Impairment losses and reversals	-24	-101
Net increase of provisions	5.704	257
Gain on sale of property, plant and equipment	-37	-38
Net gain on remeasurement of financial assets	13	-504
Amortisation of discount	-3	0
Interest income	-1.761	-854
Interest expense	6	20
Foreign exchange losses	7.177	1.058
Equity-settled transactions	-67	316
	48.170	41.590
<i>Changes in working capital</i>		
In receivables	-8.887	-32.498
In inventories	-14.431	-10.763
In payables	-90.373	-23.382
<i>Cash generated from operations</i>	-65.521	-25.053
Interest paid	-6	-20
Income taxes paid	-354	-204
Net cash from operating activities	-65.881	-25.277
Cash flows from investing activities		
Interest received	705	508
Acquisition of subsidiaries	-346	0
Proceeds from sale of property, plant and equipment	41	34
Purchases of property, plant and equipment, and intangible assets	-10.250	-7.920
Deposits collected with financial institutions - net	10	-3.392
Purchases of financial assets at fair value through profit and loss	0	-5.000
Net cash generated/(used) in investing activities	-9.840	-15.771
Net cash from financing activities	0	0
Effects of exchange rate changes on cash and cash equivalents	-3.209	-1.334
Net increase/decrease in cash and cash equivalents	-78.931	-42.382
Cash and cash equivalents at the beginning of the year	224.725	233.195
Cash and cash equivalents at the end of the year	145.794	190.812

ENCLOSURE 1

Reporting period:

1.1.2017.

to

31.03.2017

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

Internet address: www.ericsson.hr

Code and city / municipality: 133 ZAGREB

Code and county: 21 GRAD ZAGREB

Number of employees: 3.003
(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:

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Name and surname: Kovačević Gordana

(authorized representatives)

Documents to be published:

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

(seal)

(signature of authorized representative)

Balance Sheet
as at 31 March 2017

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	225.631.535	218.955.092
I. INTANGIBLE ASSETS (004 do 009)	003	7.284.911	7.002.306
1. Research & Development expenditure	004		
2. Patents, licences, royalties, trade marks, software&similar rights	005	3.111.665	2.829.060
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	122.897.058	118.318.487
1. Land	011	15.605.344	15.605.344
2. Property	012	27.637.641	28.303.683
3. Plants and equipment	013	62.902.184	56.210.595
4. Tools, plants&vehicles	014	16.398.060	17.146.684
5. Biological asset	015		
6. Prepayments for tangible assets	016		
7. Assets under construction	017	270.059	970.357
8. Other tangible assets	018	83.770	81.825
9. Investments property	019		
III. FINANCIAL ASSETS (021 do 028)	020	28.156.940	27.632.445
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	28.116.940	27.246.686
7. Other non-current financial assets	027	40.000	385.759
8. Investment accounted by equity method	028		
IV. RECEIVABLES (030 do 032)	029	53.042.871	51.752.099
1. Receivables from subsidiaries	030	2.041.774	2.041.774
2. Receivables from credit sales	031	50.395.179	49.110.963
3. Other receivables	032	605.918	599.361
V. DEFERRED TAX ASSETS	033	14.249.755	14.249.755
C) CURENT ASSETS (035+043+050+058)	034	576.820.993	520.312.875
I. INVENTORIES (036 do 042)	035	9.795.795	24.226.566
1. Raw materials & consumables	036		49.292
2. Work in progress	037	9.788.066	24.175.474
3. Products	038		
4. Merchandise	039		
5. Prepayments for inventories	040	7.729	1.800
6. Other available-for-sale assets	041		
7. Biological asset	042		
II. RECEIVABLES (044 do 049)	043	279.307.110	287.312.465
1. Receivables for trade debt of subsidiaries	044	88.857.879	132.047.125
2. Trade receivables	045	174.952.345	140.663.483
3. Receivables for trade debts of participating entities	046		
4. Amounts receivable from employees	047		
5. Receivables from government agencies	048	2.496.267	2.820.406
6. Other receivables	049	13.000.619	11.781.451
III. FINANCIAL ASSETS (051 do 057)	050	62.993.219	62.980.251
1. Investments in subsidiaries	051		
2. Loans to subsidiaries	052		
3. Participating interests (stakes)	053		
4. Loans to participating interest	054		
5. Investments in securities	055	62.993.219	62.980.251
6. Loans & deposits	056		
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	224.724.869	145.793.593
D) PREPAYMENTS AND ACCRUED INCOME	059	5.671.596	5.940.165
E) TOTAL ASSETS (001+002+034+059)	060	808.124.124	745.208.133
F) OFF-BALANCE SHEET ITEMS	061		

EQUITY AND LIABILITIES			
A) EQUITY (063+064+065+071+072+075+078)	062	286.878.862	306.825.143
I. SHARE CAPITAL	063	133.165.000	133.165.000
II. CAPITAL RESERVES	064		
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	20.849.076	20.849.076
1. Legal reserves	066	6.658.250	6.658.250
2. Reserves for treasury shares	067	15.820.446	15.820.446
3. Treasury shares and stakes (less)	068	1.629.620	1.629.620
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS (073-074)	072	22.120.979	132.863.396
1. Retained earnings	073	22.120.979	132.863.396
2. Loss brought forward	074		
VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR (076-077)	075	110.743.807	19.947.672
1. Profit for the financial year	076	110.743.807	19.947.672
2. Loss for the financial year	077		
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	8.560.375	8.804.349
1. Provisions for redundancy costs	080	8.560.375	8.804.349
2. Provisions for tax obligations	081		
3. Other provisions	082		
C) NON-CURRENT LIABILITIES (084 do 092)	083	33.249.511	32.811.669
1. Amounts payable to subsidiaries	084	14.340.912	14.524.783
2. Liabilities for loans, deposits and other	085		
3. Liabilities towards banks and other financial institutions	086	8.961.889	8.657.102
4. Amounts payable for prepayment	087		
5. Trade payables	088	2.041.774	2.041.774
6. Amounts payable for securities	089		
7. Liabilities toward participating interests	090		
8. Other non-current liabilities	091	7.904.937	7.588.010
9. Deferred tax	092		
D) CURRENT LIABILITIES (094 do 105)	093	267.298.329	216.811.418
1. Amounts payable to subsidiaries	094	73.215.063	49.794.502
2. Liabilities for loans, deposits and other	095		
3. Liabilities towards banks and other financial institutions	096	0	65.039
4. Amounts payable for prepayment	097		
5. Trade payables	098	49.718.507	45.815.786
6. Amounts payable for securities	099		
7. Liabilities toward participating interests	100		
8. Amounts payable to employees	101	92.981.733	64.362.815
9. Liabilities for taxes and contributions	102	51.383.027	56.773.276
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	212.137.047	179.955.554
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	808.124.124	745.208.133
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	286.878.862	306.825.143
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 2017 to 31 March 2017

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	335.345.381	335.345.381	365.441.471	365.441.471
1. Sales revenue	112	330.789.145	330.789.145	360.399.102	360.399.102
2. Other operating income	113	4.556.236	4.556.236	5.042.369	5.042.369
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	306.161.819	306.161.819	336.249.097	336.249.097
1. Changes in inventories of finished products and work in progress	115	-10.788.813	-10.788.813	-14.387.408	-14.387.408
2. Raw material and consumables used (117 do 119)	116	122.486.790	122.486.790	144.729.902	144.729.902
a) Cost of raw materials & consumables	117	59.200.060	59.200.060	87.281.560	87.281.560
b) Cost of goods sold	118				
c) Other costs	119	63.286.730	63.286.730	57.448.343	57.448.343
3. Staff costs (121 do 123)	120	174.918.579	174.918.579	183.935.250	183.935.250
a) Net salaries	121	93.139.547	93.139.547	102.264.505	102.264.505
b) Employee income tax and contributions	122	57.676.108	57.676.108	56.825.665	56.825.665
c) Employer's contributions	123	24.102.923	24.102.923	24.845.080	24.845.080
4. Depreciation and amortisation expense	124	12.869.510	12.869.510	11.009.443	11.009.443
5. Other costs	125	6.419.019	6.419.019	10.099.567	10.099.567
6. Impairment losses (127+128)	126	0	0	0	0
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128	0	0	0	0
7. Provisions	129				
8. Other operating expenses	130	256.734	256.734	862.342	862.342
III. FINANCIAL INCOME (132 do 136)	131	902.136	902.136	661.564	661.564
1. Interest, foreign exchange gains, dividends and other income from related	132			64.632	64.632
2. Interest, foreign exchange gains, dividends and other income from non-related and other entities	133	853.853	853.853	596.932	596.932
3. Income from associates and ownership interests	134				
4. Unrealized gains	135				
5. Other financial income	136	48.283	48.283		
IV. FINANCIAL EXPENSES (138 do 141)	137	1.519.264	1.519.264	3.700.229	3.700.229
1. Interest, foreign exchange losses and other expenses with related parties	138				
2. Interest, foreign exchange differences and other expenses with non-related and other entities	139	1.519.264	1.519.264	3.687.261	3.687.261
3. Unrealized losses	140				
4. Other financial expenses	141			12.969	12.969
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	336.247.517	336.247.517	366.103.035	366.103.035
X. TOTAL EXPENSES (114+137+143 + 145)	147	307.681.083	307.681.083	339.949.326	339.949.326
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	28.566.433	28.566.433	26.153.709	26.153.709
1. Profit before tax (146-147)	149	28.566.433	28.566.433	26.153.709	26.153.709
2. Loss before tax (147-146)	150	0	0	0	0
XII. INCOME TAX EXPENSE	151	319.247	319.247	6.206.037	6.206.037
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	28.247.187	28.247.187	19.947.672	19.947.672
1. Profit for the period (149-151)	153	28.247.187	28.247.187	19.947.672	19.947.672
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	28.247.187	28.247.187	19.947.672	19.947.672
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	28.247.187	28.247.187	19.947.672	19.947.672
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)	158	0	0	0	0
1. Exchange differences arising from foreign operations	159	-127.113	-127.113	-68.459	-68.459
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	-127.113	-127.113	-68.459	-68.459
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	168	28.120.074	28.120.074	19.879.213	19.879.213
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	28.120.074	28.120.074	19.879.213	19.879.213
2. Attributable to non-controlling interests	170				

CASH FLOW STATEMENT - Indirect method
in the period 01 January 2017 to 31 March 2017

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	28.566.433	26.153.709
2. Depreciation and amortisation	002	12.869.510	11.009.443
3. Increase in liabilities	003		
4. Decrease in receivables	004		
5. Decrease in inventories	005		
6. Other increase in cash flow	006		10.646.554
I. Total increase in operating cash flow (001 do 006)	007	41.435.943	47.809.706
1. Decrease in liabilities	008	23.382.370	90.373.074
2. Increase in receivables	009	32.497.843	8.887.290
3. Increase in inventories	010	10.762.682	14.430.771
4. Other decrease in cash flow	011	70.500	
II. Total decrease in operating cash flow (008 do 011)	012	66.713.395	113.691.135
A1) NET INCREASE IN OPERATING CASH FLOW (007-012)	013		
A2) NET DECREASE IN OPERATING CASH FLOW (012-007)	014	25.277.452	65.881.429
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Proceeds from sale of property, plant and equipment	015	34.105	41.268
2. Net disposal of financial assets	016		
3. Interest received	017	507.814	704.617
4. Dividend received	018		
5. Other cash from investing activities	019		
III. Total cash flow from investing activities (015 do 019)	020	541.919	745.885
1. Purchase of property, plant and equipment and intangible assets	021	7.920.290	10.250.239
2. Purchase of financial instruments	022	3.392.458	
3. Other cash flow used in investing activities	023	5.000.000	336.063
IV. Total cash flow from investing activities (021 do 023)	024	16.312.749	10.586.302
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025		
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES (024-020)	026	15.770.830	9.840.418
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		
3. Repayment of finance lease	033		
4. Repurchase of treasury shares	034		
5. Other cash flow used in financial activities	035	1.334.213	3.209.430
VI. Total cash flow used in financial activities (031 do 035)	036	1.334.213	3.209.430
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037		
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	1.334.213	3.209.430
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039		
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	42.382.495	78.931.277
Cash and cash equivalents at the beginning of the period	041	233.194.810	224.724.869
Increase in cash and cash equivalents	042	0	0
Decrease in cash and cash equivalents	043	42.382.495	78.931.277
Cash and cash equivalents at the end of the period	044	190.812.315	145.793.593

STATEMENT OF CHANGES IN EQUITY
for the period from 1.1.2017 to 31.3.2017

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	20.849.076	20.849.076
4. Retained earnings	004	22.120.979	132.863.396
5. Profit or loss for the period	005	110.743.807	19.947.672
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	286.878.862	306.825.143
11. Foreign exchange differences from investments in foreign operations	011	-127.113	-68.459
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	-127.113	-68.459
17 a. Parent company share in subsidiary	018	-127.113	-68.459
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		IT & Cloud		Media		Unallocated		Total	
	31.3.2017.	31.3.2016.	31.3.2017.	31.3.2016.	31.3.2017.	31.3.2016.	31.3.2017.	31.3.2016.	31.3.2017.	31.3.2016.
	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn
Segment sales revenue	212.284	211.462	147.088	119.252	1.027	75	0	0	360.399	330.789
Operating profit	24.753	23.710	18.411	13.371	527	8	-14.498	-7.905	29.192	29.184

2. Transactions with related parties

	31.3.2017.	31.3.2016.
	'000 kn	'000 kn
Total sales	204.061	202.739
Total purchases	60.058	74.594

3. Balances with related parties

	31.3.2017	31.12.2016
	'000 kn	'000 kn
Receivable	134.089	90.900
Payable	64.860	89.256

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