

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 2017

Highlights:

- Sales revenue: MHRK **1,069.4**
- Gross margin: **11.9%**
- Operating profit: MHRK **70.4**
- Profit before tax: MHRK **67.8**
- Net profit: MHRK **51.9**
- Cash flow from operating activities: MHRK **39.0**

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

„In the first nine months, sales revenue of Ericsson Nikola Tesla Group decreased by 5.7% year-over-year. Despite continuous sales revenue growth from services in Ericsson market, we have still not been able to fully neutralize the decrease in sales in CIS markets. Sales revenue in the domestic market slightly decreased, while sales in the markets of Southeast Europe were on the same level as previous year. Ericsson market continues to record an increase in revenue due to expansion of responsibilities and new competencies of our experts in R&D and other expert centers. We have successfully entered into new technology areas, which resulted in high value added job openings. During the first nine months, we hired more than 200 new experts, primarily in R&D.

Almost all key performance indicators recorded a positive trend. Gross profit increased by 5.6%, while operating profit increased by 18.1% year-over-year. Profit before tax increased by 8.7% year-over-year to MHRK 67.8. Despite higher profit before tax, net profit decreased by 10.8% year-over-year due to absence of tax incentives for R&D activities. Gross margin increased year-over-year and amounts to 11.9%. We closed Q3 2017 with a healthy balance sheet and an equity ratio of 30.1%. A positive cash flow from operating activities was realized, amounting to MHRK 39. Dividend payment amounted to MHRK 119.9, so the total cash and cash equivalents, including short-term financial assets at the end of Q3 amounted to MHRK 178.4. Working capital efficiency remains strong, and expressed in Working Capital Days (WCD), is 33 days. Cash conversion is 31%.

In the domestic market, we are positioned as a reliable partner to our customers in implementing technical solutions for the Networked Society. I would like to highlight a multi-year agreement signed with our long-term partner Vipnet, which encompasses the modernization and expansion of radio access network. This agreement confirms our solo vendor position in this segment. As far as export markets are concerned, we expect new business opportunities in the upcoming period, primarily in Bosnia & Herzegovina. In CIS markets, sales and marketing activities are ongoing on several projects in telecom segment and Industry & Society segment.

End of September, we marked the 17th Anniversary of Ericsson Nikola Tesla Summer Camp. Over the years, in cooperation with FER from Zagreb, FESB from Split, and many other scientific institutions from Croatia and abroad, nearly 800 top STEM students, as well as students from other areas, participated. This year, 70 students from various faculties from Croatia, Great Britain, and Bosnia & Herzegovina, teamed up with their mentors, and worked on projects in the IoT segment, analytics, safety and Cloud Computing.

We continuously adjust to the demands and needs of the market and our customers and make the necessary structural changes. Furthermore, we continue to employ and invest in knowledge and competences of our employees, in order to timely and with quality respond to global market demands and ensure technological leadership.

During Q3, we focused on strategic planning for the upcoming period, by analyzing the situation in all relevant markets, as well as ICT industry trends. We want to strengthen our position in strategic areas: 4G/5G, OSS and BSS, Managed Services and IoT, using the state-of-the-art technology and business models and concepts, such as Cloud solutions, X as a service model (XaaS), etc. In Ericsson internal market, our aim is to maintain the existing responsibilities, and to expand them, with a high quality of delivered services. Considering the current market environment, the company's position and business strategy, our focus remains on strengthening profitability, operational efficiency and responsible risk management, as well as investing in new strategic areas.”

Financial highlights for the Group:

- Sales revenue amounts to MHRK 1,069.4 (first nine months 2016: MHRK 1,134.3), down 5.7% year-over-year. Of the total sales revenue, the domestic market accounts for 17%, services to Ericsson account for 62.9% (of which 12.0% relates to Managed Services in Croatia), while other export markets participate with 20.1%.
- Sales in the Network segment amounts to MHRK 651.5 (60.9% of the total sales revenue), IT and Cloud segment amounts to MHRK 416 (38.9% of the total sales revenue), and Media segment amounts to MHRK 1.9 (0.2% of the total sales revenue).
- Gross profit amounts to MHRK 127.6 (first nine months 2016: MHRK 120.8), up 5.6% year-over-year. Gross margin amounts to 11.9% (first nine months 2016: 10.7%).
- Sales and administrative expenses increased by 2.9% year-over-year to MHRK 60.9 (first nine months 2016: MHRK 59.2), primarily as a result of variable compensation to employees and intensified marketing and sales activities.
- Operating profit amounts to MHRK 70.4 (first nine months 2016: MHRK 59.7), up 18.1 year-over-year.



- Loss from financial activities amounts to MHRK 2.6 primarily due to negative currency deviations (first nine months 2016: gain from financial activities was MHRK 2.8).
- Profit before tax increased by 8.7% year-over-year and amounts to MHRK 67.8 (first nine months 2016: MHRK 62.4).
- Tax losses carried forward on the basis of tax reliefs from R&D projects were used in 2016. Respectively, the estimated income tax liability was calculated, amounting to MHRK 15.9 (first nine months 2016: HRK 4.2).
- Net profit is MHRK 51.9 (first nine months 2016: MHRK 58.2), down 10.8% year-over-year. Return on Sales (ROS) is 4.9% (first nine months 2016: 5.1%).
- Cash flow from operating activities amounts to MHRK 39.0 (first nine months 2016: MHRK 75.1). The cash conversion rate is 31%.
- Total cash and cash equivalents, including short term financial assets, as at September 30, 2017 amount to MHRK 178.4 (24.5% 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 727.0. Equity ratio is 30.1%.
- With related parties, the transactions were as follows: sales of products and services amounted to MHRK 667.0 (first nine months 2016: MHRK 649.6), while procurement of products and services amounts to MHRK 184.8 (first nine months 2016: MHRK 299.4).
- As at September 30, 2017, balances outstanding with related parties were as follows: receivables amounted to MHRK 98.4 (end of 2016: MHRK 90.9), and payables to MHRK 71.0 (end of 2016: MHRK 89.3).

Business situation in major markets

In the domestic market, sales revenue amounted to MHRK 182.4, down 1.5% year-over-year.

With strategic partner Vipnet, a multi-year frame agreement was signed, encompassing modernization and expansion of radio access network by using the state-of-the-art technologies from Ericsson's extensive portfolio. The agreed activities will enable further increase in transfer speed and improve user experience for Vipnet users.

Business cooperation with Hrvatski Telekom was continued in the segment of fixed telecommunication network modernization by signing a contract on IMS core system upgrade to the latest technology. The solutions for the modernization of access, core, and transport IP network of HT Group were delivered. The implementation of access devices within TeraStream project was completed. The collaboration in the segment of telecom infrastructure build and maintenance services continues.

With the mobile operator Tele2, an upgrade of MGw nodes was realized within the core network upgrade project. Furthermore, during the third quarter we continued to provide support services for Tele2 entire telecom network.

In the field of ICT solutions for Industry & Society, we have continued the activities in healthcare digitization, and digitization of the Joint Information System for Land Registry and Cadaster. Furthermore, with the Ministry of the Interior of the Republic of Croatia, the continuation of upgrade of the Border Control System was agreed. In addition to seven previously delivered locations, equipped for border control, the contracted project shall include additional six locations, which will further enhance border surveillance between the Republic of Croatia and the Republic of Serbia. Furthermore, we agreed the delivery of ICT solutions for smart parking for Split Parking utility company. This is the first overall solution for smart parking in Croatia, and represents one of the steps towards a smart city in the mobility segment.

In export markets (Ericsson market excluded) sales revenue amounted to MHRK 214.6, down 31.6% year-over-year.

In the markets of Southeast Europe (Bosnia and Herzegovina, Montenegro and Kosovo) sales revenue amounted to MHRK 97.1, up 0.8 % year-over-year. Long-term unfavorable economic and political situation in these markets has a negative impact on the level and dynamics of operators' investments. In Bosnia and Herzegovina, the operators' investments are expected after resolving regulatory prerequisites for introducing 4G networks. During Q3, we continued the cooperation with operators in fixed and mobile networks modernization and maintenance.

In CIS markets, sales revenue amounted to MHRK 117.5, down 46% year-over-year. We are currently engaged in implementation of projects agreed during 2016. Marketing and sales activities continue, with the aim of improving and developing business with the existing customers, as well as attracting new customers. In these markets, customer financing is key, therefore there is an increased need to cooperate with the Croatian Bank for Reconstruction and Development (HBOR) and commercial banks, in order to better take advantage of these business opportunities.

In Ericsson market, sales revenue amounted to MHRK 672.4, up 5.9% year-over-year. 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 128.7.

At the management meeting of Ericsson Nikola Tesla Research & Development Center (R&D), held in September, which gathered the representatives of all units with which we cooperate in Ericsson Corporation, our Center received recognition for its achievements and its ability to assume new responsibilities while retaining the quality level. The results confirm the continuity of excellence, and give impetus to future work and the development of cooperation. In Development Units (Radio, Mobile Core, User Data Management and Cloud) all activities are ongoing as planned. Within the technology innovation incubator *Ericsson Garage Croatia*, projects related to network safety, the application of machine learning algorithms, as well as the application of augmented reality technology for remote support, are ongoing.

The experts of Center for Services and Solutions for Networks & Media have been engaged in projects for numerous customers, such as: Swisscom (Switzerland), Deutsche Telekom (Germany), O2 (United Kingdom), A1 (Austria), Orange (France), Alfa (Lebanon) and Bouygues Telekom (France). These are complex activities of expert analysis, creation of new innovative solutions, optimization and upgrade of existing networks and consultancy services.

Intense work is ongoing on the development and implementation of software tools for mobile networks management and optimization, such as: Smart Laptop, Smart Rollout Support, Rehoming Automation Management Tool, and Ericsson Network Engineer.

Experts from Digital Services and Solutions Center were engaged in various demanding projects for customers, such as: Post (Luxembourg), Vodafone (Ireland), British Telecom (United Kingdom), Telekom Austria Group (TAG), Wind3 (Italy), Telekom Slovenije (Slovenia), T-Mobile and Vodafone (Czech Republic), DIGI (Hungary), Deutsche Telekom and Telefonica (Germany), Telefonica (Colombia), Telekom Egypt, Tele2 (Sweden), Veon (Russia), Orange (Belgium), and AsiaCell (Iraq). These activities include design, network applications, Cloud and digital business systems infrastructure.

In Q3, Ericsson Nikola Tesla Servisi d.o.o. was providing services of monitoring, maintenance, and build of telecommunication network to key customer. The growth trend in the segment of providing services towards other telecommunication companies in Europe continues. In the segment of telecommunication network monitoring, the range of application of Ericsson's tools for key customer's monitoring of business processes was expanded. Furthermore, the activities are ongoing regarding mobile broadband and optic network build, focusing on providing services to business users. Despite demanding weather conditions, especially in the southern part of Croatia, we continued to timely provide telecommunication network maintenance, which resulted in a high level of key customer's telecommunication network availability to end users.

Other information

Ericsson Nikola Tesla major shareholders (as at September 30, 2017)

	Number of shares	% of share capital
Telefonaktiebolaget LM Ericsson	653.473	49,07
Addiko banka d.d. / Raiffeisen mandatory pension fund, B category	123.514	9.28
Splitska banka d.d. / Erste Plavi mandatory pension fund, B category	41.890	3.15
Addiko banka d.d. / PBZ Croatia Insurance mandatory pension fund, B category	21.614	1.62
PBZ d.d. / The Bank of New York as Custodian	17.141	1,29
Zagrebačka banka d.d. / Unicredit Bank Austria AG – clients account	16.700	1.25
Zagrebačka banka d.d. / State Street Bank and Trust Company, Boston	13.935	1.05
PBZ d.d. / custodian client account	9.069	0.68
Addiko banka d.d. / Raiffeisen voluntary pension fund	7.934	0.60
OTP BANKA d.d./INS683	6.944	0.52
Other shareholders	419.436	31.49

Share price information in Q3 2017:

Highest (HRK)	Lowest (HRK)	Closing (HRK)	Market cap. (in MHRK)
1,285.00	1,066.51	1,141.00	1,519.4

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 30 September 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



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

ENCLOSURE 1

Reporting period:

1.1.2017.

to

30.09.2017

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: **2.223**

(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 September 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	204.635.689	195.443.157
I. INTANGIBLE ASSETS (004 do 009)	003	1.911.621	1.443.540
1. Research & Development expenditure	004		
2. Patents, licences, royalties, trade marks, software&similar rights	005	1.911.621	1.443.540
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	107.932.942	97.631.921
1. Land	011	15.605.344	15.605.344
2. Property	012	27.637.641	28.587.160
3. Plants and equipment	013	56.968.443	41.084.054
4. Tools, plants&vehicles	014	7.367.806	8.619.515
5. Biological asset	015		
6. Prepayments for tangible assets	016		
7. Assets under construction	017	269.937	3.657.914
8. Other tangible assets	018	83.770	77.934
9. Investments property	019		
III. FINANCIAL ASSETS (021 do 028)	020	28.190.325	29.942.040
1. Investments in subsidiaries	021	73.385	1.092.798
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	28.849.242
7. Other non-current financial assets	027		
8. Investment accounted by equity method	028		
IV. RECEIVABLES (030 do 032)	029	53.042.871	52.867.726
1. Receivables from subsidiaries	030	2.041.774	841.797
2. Receivables from credit sales	031	50.395.179	51.459.256
3. Other receivables	032	605.918	566.673
V. DEFERRED TAX ASSETS	033	13.557.930	13.557.930
C) CURENT ASSETS (035+043+050+058)	034	563.101.414	491.009.707
I. INVENTORIES (036 do 042)	035	9.189.927	38.619.753
1. Raw materials & consumables	036		20.432
2. Work in progress	037	9.183.998	38.599.321
3. Products	038		
4. Merchandise	039		
5. Prepayments for inventories	040	5.929	0
6. Other available-for-sale assets	041		
7. Biological asset	042		
II. RECEIVABLES (044 do 049)	043	277.542.973	285.364.736
1. Receivables for trade debt of subsidiaries	044	90.140.539	98.448.962
2. Trade receivables	045	173.362.621	167.078.419
3. Receivables for trade debts of participating entities	046		
4. Amounts receivable from employees	047		
5. Receivables from government agencies	048	1.280.627	10.031.956
6. Other receivables	049	12.759.185	9.805.399
III. FINANCIAL ASSETS (051 do 057)	050	62.993.020	31.565.262
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	62.993.020	31.565.262
6. Loans & deposits	056		
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	213.375.495	135.459.956
D) PREPAYMENTS AND ACCRUED INCOME	059	4.422.371	6.939.590
E) TOTAL ASSETS (001+002+034+059)	060	772.159.474	693.392.454
F) OFF-BALANCE SHEET ITEMS	061		

EQUITY AND LIABILITIES			
A) EQUITY (063+064+065+071+072+075+078)	062	278.249.670	208.548.102
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	14.668.954	4.702.149
1. Retained earnings	073	14.668.954	4.702.149
2. Loss brought forward	074		
VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR (076-077)	075	109.566.640	49.831.878
1. Profit for the financial year	076	109.566.640	49.831.878
2. Loss for the financial year	077		
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	5.486.755	5.329.545
1. Provisions for redundancy costs	080	5.486.755	5.329.545
2. Provisions for tax obligations	081		
3. Other provisions	082		
C) NON-CURRENT LIABILITIES (084 do 092)	083	18.901.100	15.681.028
1. Amounts payable to subsidiaries	084	2.041.774	841.797
2. Liabilities for loans, deposits and other	085		0
3. Liabilities towards banks and other financial institutions	086	8.954.389	8.580.328
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	7.904.937	6.258.903
9. Deferred tax	092		
D) CURRENT LIABILITIES (094 do 105)	093	264.297.352	290.404.932
1. Amounts payable to subsidiaries	094	96.211.444	79.574.350
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	42.594.642	105.405.616
6. Amounts payable for securities	099		
7. Liabilities toward participating interests	100		
8. Amounts payable to employees	101	82.421.635	70.878.829
9. Liabilities for taxes and contributions	102	43.069.632	34.546.137
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	205.224.597	173.428.846
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	772.159.474	693.392.454
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 entities who submitting consolidated financial statements).

INCOME STATEMENT
for the period 01 January 2017 to 30 September 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	1.130.265.196	403.790.763	1.074.882.584	362.233.316
1. Sales revenue	112	1.118.384.705	399.687.889	1.057.560.208	353.088.692
2. Other operating income	113	11.880.492	4.102.874	17.322.376	9.144.625
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	1.072.487.199	394.511.553	1.007.247.137	345.970.699
1. Changes in inventories of finished products and work in progress	115	35.480.130	13.833.500	29.415.323	27.335.231
2. Raw material and consumables used (117 do 119)	116	600.686.269	201.220.427	512.081.244	146.376.618
a) Cost of raw materials & consumables	117	259.350.813	90.465.055	176.324.914	43.699.277
b) Cost of goods sold	118				
c) Other costs	119	341.335.456	110.755.372	335.756.330	102.677.342
3. Staff costs (121 do 123)	120	428.313.281	142.837.506	459.318.357	149.409.215
a) Net salaries	121	230.232.934	79.682.425	243.723.484	84.859.297
b) Employee income tax and contributions	122	139.084.482	44.173.775	152.742.277	44.812.508
c) Employer's contributions	123	58.995.865	18.981.306	62.852.596	19.737.409
4. Depreciation and amortisation expense	124	34.356.697	10.769.308	27.750.003	8.549.108
5. Other costs	125	24.026.798	7.593.141	26.467.077	5.924.554
6. Impairment losses (127+128)	126	15.801.943	14.787.792	9.447.973	8.311.952
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128	15.801.943	14.787.792	9.447.973	8.311.952
7. Provisions	129				
8. Other operating expenses	130	4.782.341	3.469.879	1.597.806	64.020
III. FINANCIAL INCOME (132 do 136)	131	3.743.173	534.973	1.811.547	1.493.178
1. Interest, foreign exchange gains, dividends and other income from related parties	132	238.762	37.519	136.467	44.316
2. Interest, foreign exchange gains, dividends and other income from non-related and other entities	133	1.680.405	497.454	1.675.079	1.342.790
3. Income from associates and ownership interests	134				
4. Unrealized gains	135				
5. Other financial income	136	1.824.006	0	0	106.072
IV. FINANCIAL EXPENSES (138 do 141)	137	979.700	12.104	4.411.851	102.380
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	979.700	305	4.190.209	102.380
3. Unrealized losses	140				
4. Other financial expenses	141		11.799	221.642	
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	1.134.008.369	404.325.736	1.076.694.131	363.726.494
X. TOTAL EXPENSES (114+137+143 + 145)	147	1.073.466.899	394.523.657	1.011.658.988	346.073.079
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	60.541.470	9.802.079	65.035.143	17.653.415
1. Profit before tax (146-147)	149	60.541.470	9.802.079	65.035.143	17.653.415
2. Loss before tax (147-146)	150	0	0	0	0
XII. INCOME TAX EXPENSE	151			15.203.265	4.126.839
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	60.541.470	9.802.079	49.831.878	13.526.576
1. Profit for the period (149-151)	153	60.541.470	9.802.079	49.831.878	13.526.576
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 by entities who work in compliance with IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	60.541.470	9.802.079	49.831.878	13.526.576
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	60.541.470	9.802.079	49.831.878	13.526.576
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				

CASH FLOW STATEMENT - Indirect method
 in the period 01 January 2017 to 30 September 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	60.541.470	65.035.143	
2. Depreciation and amortisation	002	34.356.697	27.750.003	
3. Increase in liabilities	003	77.902.215		
4. Decrease in receivables	004			
5. Decrease in inventories	005			
6. Other increase in cash flow	006	20.540.588	3.833.159	
I. Total increase in operating cash flow (001 do 006)	007	193.340.970	96.618.305	
1. Decrease in liabilities	008		18.264.642	
2. Increase in receivables	009	90.446.722	12.804.705	
3. Increase in inventories	010	35.580.143	29.429.826	
4. Other decrease in cash flow	011			
II. Total decrease in operating cash flow (008 do 011)	012	126.026.865	60.499.173	
A1) NET INCREASE IN OPERATING CASH FLOW (007-012)	013	67.314.105	36.119.133	
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	75.068	131.322	
2. Net disposal of financial assets	016	58.795.335	31.759.617	
3. Interest received	017	1.967.426	2.026.387	
4. Dividend received	018	211.771	77.166	
5. Other cash from investing activities	019			
III. Total cash flow from investing activities (015 do 019)	020	61.049.600	33.994.491	
1. Purchase of property, plant and equipment and intangible assets	021	19.145.220	22.668.096	
2. Purchase of financial instruments	022	89.000.000	7.700	
3. Other cash flow used in investing activities	023	10.139.857	3.219.413	
IV. Total cash flow from investing activities (021 do 023)	024	118.285.077	25.895.209	
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025		8.099.283	
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES (024-020)	026	57.235.477		
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	132.845.626	119.887.128	
3. Repayment of finance lease	033			
4. Repurchase of treasury shares	034			
5. Other cash flow used in financial activities	035	911.936	2.246.826	
VI. Total cash flow used in financial activities (031 do 035)	036	133.757.562	122.133.954	
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037			
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	133.757.562	122.133.954	
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039			
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	123.678.934	77.915.539	
Cash and cash equivalents at the beginning of the period	041	218.499.492	213.375.495	
Increase in cash and cash equivalents	042	0	0	
Decrease in cash and cash equivalents	043	123.678.934	77.915.539	
Cash and cash equivalents at the end of the period	044	94.820.559	135.459.956	

STATEMENT OF CHANGES IN EQUITY
 for the period from 1.1.2017 to 30.9.2017

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	21.131.256	20.849.076
4. Retained earnings	004	14.232.223	4.702.149
5. Profit or loss for the period	005	56.951.578	49.831.878
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	225.480.056	208.548.102
11. Foreign exchange differences from investments in foreign operations	011		0
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	0	0
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		IT & Cloud		Media		Unallocated		Total	
	30.9.2017.	30.9.2016.	30.9.2017.	30.9.2016.	30.9.2017.	30.9.2016.	30.9.2017.	30.9.2016.	30.9.2017.	30.9.2016.
	Restated '000 kn	Restated '000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn
Segment sales revenue	643.687	701.661	411.949	415.650	1.925	1.073	0	0	1.057.560	1.118.385
Operating profit	54.040	52.194	47.737	30.919	658	80	-34.800	-25.415	67.635	57.778

2. Transactions with related parties

	30.9.2017. '000 kn	30.9.2016. '000 kn
Total sales	675.950	659.385
Total purchases	320.015	444.691

3. Balances with related parties

	30.9.2017. '000 kn	31.12.2016. '000 kn
Receivable	99.291	92.182
Payable	80.416	98.253

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