

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 2017

Highlights:

- Sales revenue: MHRK **1,481.6**
- Gross margin: **10.2 %**
- Operating profit: MHRK **75.7**
- Profit before tax: MHRK **73.0**
- Net profit: MHRK **67.9**
- Cash flow from operating activities: MHRK **108.2**

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

„In 2017, Ericsson Nikola Tesla Group sales revenue amounted to MHRK 1,481.6, 6.9% lower year-over-year. We continued to work on implementation of key projects, leaning on our technology leadership, employees' knowledge, and partnerships with customers. At the same time, we were implementing measures to cut costs at all organizational levels. Significant investments were made in new business opportunities to secure business sustainability in target areas. The year 2017 was also marked by increased investments related to new technology changes as a preparation for 5G mobile communication systems.

The percentage of export in Group's total sales revenue is around 70%, which makes us the largest Croatian ICT exporter, especially when it comes to export of knowledge.

In the domestic market, sales revenue increased year-over-year. I would like to highlight the continuation of excellent cooperation with our strategic partners. Vipnet selected our company for further development of their radio access network, thus allowing us to maintain sole vendor position in this business segment. With Hrvatski Telekom we expanded cooperation in Managed Services and are currently working on several strategic projects. The operators increase their focus on the demands of end-users, who want faster access to mobile Internet, “anytime, anywhere, any device”. Accordingly, capital investments are focused on network infrastructure, capacity increase and increase of speed in both fixed and mobile networks, creating prerequisites for the introduction of 5G networks, quality and digital transformation. I would like to highlight excellent results in the Industry & Society segment in Croatia, where we contracted important projects during 2017, some of which were fully implemented.

These are projects related to digitization of healthcare, Joint Information System of Land Registry and Cadaster, and the build of the system for monitoring the borders of the Republic of Croatia.

We continued successful cooperation with the operators in neighboring countries, which resulted in signing several contracts in 2017. However, some projects were postponed, and thus sales revenue decreased year-over-year. We expect an increase in sales revenue in 2018, primarily in Bosnia and Herzegovina, after the regulatory framework for the introduction of 4G networks becomes effective.

In CIS market, sales revenues are significantly lower year-over-year, primarily driven by ramp-down of network modernization projects and unfavorable currency fluctuations. During the year, we focused on implementation of previously contracted projects.

Due to the complexities of a large strategic project, provisions and project adjustments were made in Q4 based on existing circumstances and in anticipation of future events, which had an impact on profit in 2017. The perceptual return on sales is higher compared to the previous year, if currency effects and provisions are excluded.

The Group's financial position remains good and represents a solid base for the realization of all set goals. Gross margin is 10.2% and operating profit is MHRK 75.7. A positive cash flow from operating activities was achieved, amounting to MHRK 108.2. Total cash and cash equivalents, including short term financial assets, at the end of the year amounted to MHRK 243.8. Working capital efficiency, expressed in Working Capital Days (WCD), was 31. Cash conversion was at 68%. There were no tax incentives for R&D in 2017, however, we hope that in 2018, after the State Aid Act for R&D Projects comes into force, we will be able to use these incentives.

Business performance in Ericsson market continues to grow, due to new responsibilities and competencies of our experts in Research and Development as well as solutions and services expert centers. The percentage of this market segment increased in total sales revenue. Ericsson Corporation recognized the quality, knowledge and innovativeness of our experts in various areas, from research and development to digital services and operations, convergent network solutions, professional services and managed services.

Furthermore, in 2017 we continued to hire experts, primarily in research and development, due to additional responsibilities for 4G and 5G mobile networks. At the end of 2017, our Research and Development Center had 1,267 employees, thus representing the biggest concentration of R&D experts in Croatia, while Ericsson Nikola Tesla Group had a total of 3,060 employees.

Our innovation capacity is our main advantage and we further strengthen it through various projects. Among other, attention is given to the technology incubator *Ericsson Garage Croatia*, which serves as a place for developing and testing new technologies and solutions. The innovations which are being developed within *Ericsson Garage Croatia* encompass both the ideas of our employees and the ideas which are a result of cooperation with scientific and research institutions. Our aim is also to establish the cooperation with the start-up community in Croatia. I would also like to mention Ericsson Nikola Tesla Summer Camp, which had good results this year as well. In the past seventeen years, in cooperation with the Faculty of Electrical Engineering and Computing (Zagreb), the Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture (Split), as well as many other scientific institutions from Croatia and abroad, we hosted more than 800 top students, mostly STEM students, who created



studies, prototypes, analysis and solutions related to current ICT trends. Through these activities, Ericsson Nikola Tesla has an important role in Ericsson's innovations, and encourages young people to focus their professional development towards ICT industry.

Our daughter company, Ericsson Nikola Tesla Servisi d.o.o., continued to provide high quality services of monitoring, maintenance, and build of telecommunication network to Hrvatski Telekom. During the year, key projects in build of mobile broadband network were realized, as well as projects in optical networks design and build. Furthermore, the growth trend in the segment of providing services towards other operators in Europe continued.

We are approaching the new business cycle aware of the complexity and the dynamics of ICT industry trends. Therefore, by implementing strategic initiatives/ transformation programs, we continue to strengthen our position in key areas: 4G/5G, OSS/BSS and Digital Transformation, Managed Services, and IoT, by using the latest technology and business models and concepts, such as Cloud solutions, Network Functions Virtualization (NFV), Software-Defined Networking (SDN), X as a service model (XaaS), etc. In Ericsson internal market, our aim is to keep the existing responsibilities and expand them, while maintaining high quality of delivered services. The strong focus remains on cost and operating efficiency, as well as strategic risk management.

Our long-term strategy remains focused on the mentioned strategic initiatives with the aim to achieve excellence and support our customers on their transformation journeys.

Financial highlights for the Group:

- Sales revenue amounts to MHRK 1,481.6 (2016: MHRK 1,591.6), down by 6.9% year-over-year. Of the total sales revenue, the domestic market accounts for 18.7%, services to Ericsson account for 62.5% (of which 12.1% relates to Managed Services in Croatia), while other export markets participate with 18.8%.
- Sales in the Networks segment amounts to MHRK 739.3 (2016.: MHRK 806.5), Digital Services segment amounts to MHRK 559.6 (2016.: MHRK 593.1), Managed Services segment amounts to MHRK 178.9 (2016.: MHRK 185.9) and segment Other amounts to MHRK 3.8 (2016.: MHRK 6.1).
- Gross profit amounts to MHRK 150.9 (2016: MHRK 189.8), down by 20.5% year-over-year. Gross margin decreased to 10.2% (2016: 11.9%), mainly due to provisions and customer project adjustments, as well as negative currency deviations.
- Sales and administrative costs amount to MHRK 79.6 (2016: MHRK 77.1), an increase by 2.4% year-over-year, mainly due to intensified marketing and sales activities.
- Operating profit decreased by 33.4% and amounts to MHRK 75.7 (2016: MHRK 113.6), due to lower sales volumes and gross profit.
- Loss from financial activities is MHRK -2.6 (2016: gain from financial activities MHRK 5.2), primarily due to negative currency deviations.
- Profit before tax decreased by 38.5% to MHRK 73.0 (2016: MHRK 118.8).

- Net profit decreased by 38.7% year-over-year to MHRK 67.9 (2016: MHRK 110.7). Return on sales (ROS) is 4.6% (2016: 7%).
- Adjusted ROS (excluding currency impact and provisions) is 8.2% and is higher compared to 2016 in percentage as well as in absolute amount.
- A solid cash flow from operating activities was realized, amounting to MHRK 108.2 (2016: MHRK 187), due to good collection of trade receivables. Cash conversion rate is at 68% (2016: 97%), while WCD is 31 (2016: 26 days).
- Total cash and cash equivalents, including short term financial assets, as at December 31, 2017 was MHRK 243.8 (29.7% 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. Total assets amounted to MHRK 822, an increase by 1.7% year-over-year. Equity ratio was 28.7%.
- With related parties, the transactions were as follows: sales of products and services amounted to MHRK 896.4 (2016: MHRK 894.9), while procurement of products and services amounted to MHRK 312.9 (2016: MHRK 396.9).
- As at December 31, 2017, balances outstanding with related parties were as follows: receivables amounted to MHRK 105.6 (end of 2016: 90.9), and payables to MHRK 124.4 (end of 2016: MHRK 89.3).

Business situation in major markets

In the domestic market, sales revenue amounted to MHRK 276.6 (2016: MHRK 268.8), an increase by 3% year-over-year.

With strategic partner Vipnet, a long-term frame agreement was signed, which encompasses modernization and expansion of radio access network by using the state-of-the-art technologies from Ericsson's extensive portfolio. This partnership will enable the transformation of Vipnet's 4G network towards LTE Advanced Pro and 5G networks, based on advanced radio functionalities. The agreed activities will enable further increase in transfer speed and enhance customer experience of 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 successful collaboration in the segment of telecommunication infrastructure build and maintenance services continues.

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With the mobile operator Tele2, activities regarding upgrade of core and transport networks continue. During Q4 2017, we increased the core network capacity and delivered equipment for extension of microwave transport network. We have also continued to provide core network support services.

In the field of ICT solutions for Industry & Society, we continued numerous activities regarding national security, digitization of state administration business processes, and eHealth. In 2017, we realized contracts worth more than MHRK 80 for the implementation of the Schengen Border Control System. Thirteen border locations were equipped with the state-of-the-art sensor equipment and connected in the joint monitoring system - Green Borders. Our flagship in the field of ICT solutions for Industry & Society – JIS (Joint Information System for Land Registry and Cadaster) was enriched with new functionalities. We have been continuously working on building services towards all other state bodies to connect JIS, as one of the basic registers, to their systems. In the field of eHealth, we have realized the first phase of monitoring the approval of especially expensive medications. We are also working on the implementation of Hospital Information Systems within several medical institutions. Furthermore, we cooperate with the pharmaceutical industry, where, quality patient support program has been enabled by using our solutions.

[In export markets \(Ericsson market excluded\)](#) sales revenue amounted to MHRK 279.2 (2016: MHRK 450.4), down by 38% year-over-year.

In the markets of Southeast Europe (Bosnia and Herzegovina, Montenegro and Kosovo) sales revenue amounted to MHRK 136.3 (2016: MHRK 149.3), down by 9% year-over-year. Slow economic development and regulatory environment impacted the level and dynamics of operators' investments.

With HT Mostar, contracts were signed for the extension and modernization of the system for mobile network monitoring, as well as the extension and modernization of radio access network. With BH Telecom, a contract was signed for modernization and extension of OSS, and the extension of radio access network. The modernization and upgrade of 112 system for the Ministry of Security of Bosnia and Herzegovina was completed. With Ipko, we continued the cooperation in the field of maintenance, modernization, and extension of mobile network. The virtual Evolved Packet Core solution was implemented and put into operation in the network of Crnogorski Telekom, as well as the solution User Data Consolidation in a Box, which ensures the flexibility and the speed necessary for efficient introduction of new services. In 2017, the mobile network of Crnogorski Telekom was awarded P3 certificate as the best mobile network in Montenegro for the third consecutive time.

In CIS market, sales revenue amounted to MHRK 142.9 (2016: MHRK 301.1), down by 53% year-over-year. Apart from focusing on implementation of previously contracted projects, we continue with the marketing and sales activities with the aim of acquiring new customers. In these markets, customer financing is key, therefore, to take advantage of these business opportunities, there is an increased need to cooperate with the Croatian Bank for Reconstruction and Development (HBOR) and commercial banks.

[In Ericsson market](#), sales revenue amounted to MHRK 925.8 (2016: MHRK 872.4), up by 6% year-over-year.

In Ericsson Nikola Tesla Research & Development Center, activities have been extended regarding the development of 4G and 5G systems (Radio Development). Accordingly, we have been employing and educating new experts. The activities within other development units, Mobile Core, User Data Management, and Cloud, have

been ongoing as planned. Research projects regarding virtualization and Big Data processing are ongoing. There is a significant focus on developing network functions virtualization, with the aim of enabling new solutions on the Cloud platform. During 2017, our R&D Center received acknowledgment for excellent performance from Ericsson colleagues, who also highlighted the possibility of extending current activities and responsibilities.

Ericsson Garage Croatia, a technology incubator, is focused on monetization of innovative proposals and creating advanced solutions in the field of analytics, IoT, Virtual Reality/Augmented Reality, Machine Learning, etc.

The experts in Center for Services and Solutions for Networks & Media have been working on projects for numerous customers worldwide, such as: A1 (Austria), Alfa (Lebanon), Bouygues Telekom (France), China Unicom (China), Deutsche Telekom (Germany), MTN (Rwanda), O2 (United Kingdom), Orange (France), Orange (Togolese Republic), Polkomtel (Poland), Robi (Bangladesh), Slovak Telekom (Slovakia), Smartone (Hong Kong), Swisscom (Switzerland), Three (United Kingdom), TMO (USA), and Vodafone in Germany, Netherlands, Portugal, and United Kingdom. These are complex activities of expert analysis, creating new innovative solutions, optimization and upgrade of existing networks and consultancy services. The work on development and implementation of software tools for managing and optimization of mobile networks, such as: Smart Laptop, Smart Rollout Support, Rehoming Automation Management Tool, and Ericsson Network Engineer, continued.

The experts in Digital Services and Solutions Center were engaged in various demanding projects for customers, such as: AsiaCell (Iraq), British Telecom (United Kingdom), Deutsche Telekom (Germany), DIGI (Hungary), DoCoMo (Japan), GO (Malta), Motorola (United Kingdom), Mobistar (Belgium), Orange (Belgium), O2 (Ireland), Panasonic (United Kingdom), Post (Luxembourg), Slovak Telekom (Slovakia), Swisscom (Switzerland), Simobil (Slovenia), Telekom Austria Group (TAG), TMO USA, Telenor Scandinavia, T-Mobile (Czech Republic), Telefonica (United Kingdom), Telefonica (Germany), Telefonica (Colombia), Tele2 (Sweden), Telenet (Belgium), Telekom Slovenije (Slovenia), Tango (Luxembourg), Telecom Italy Mobile, Telekom Egypt, Vodafone (Ireland), Veon (Russia), Vivacom (Bulgaria), Vodafone (Czech Republic), Wind3 (Italy), and Wind (Greece). These are activities related to design, network applications, infrastructure for Cloud and Digital Business Systems.

The contribution of Ericsson Nikola Tesla Servisi d.o.o., a daughter company of Ericsson Nikola Tesla d.d., to sales revenue in this market segment amounts to MHRK 178.5 (2016: MHRK 182.7).

The Managed Services contract with key customer Hrvatski Telekom was extended and expanded to cover geodetic and documentation services.

We highlight the following key goals and business results:

- fulfilling of all planned operating goals – successfully providing services of monitoring, maintenance and build of telecommunication network towards Hrvatski Telekom, as well as towards other telecommunication companies in Europe.
- apart from realizing business performance in the segment of design and build, and realizing a high level of successful corrective maintenance, the plan of preventive maintenance was also achieved, with the aim of increasing the satisfaction and loyalty of HT's telecommunication services users.
- fulfilling of a very demanding goal of building optical networks, especially in FTTH (*Fiber to the Home*).

The company Ericsson Nikola Tesla Servisi successfully participated in the realization of Ericsson projects abroad, where high performance and quality of employees were recognized.

Other information

Ericsson Nikola Tesla major shareholders (as at December 31, 2017)

	Number of shares	% of share capital
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 Insurance mandatory pension fund, B category	20,744	1.56
Zagrebačka banka d.d. / Unicredit Bank Austria AG – clients account	16,700	1.25
PBZ d.d. / The Bank of New York as custodian	16,601	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
OTP Banka d.d./INS683	8,099	0.61
Addiko bank d.d. / Raiffeisen voluntary pension fund	7,934	0.60
Other shareholders	419,691	31.50

Share price information in 2017:

Highest (HRK)	Lowest (HRK)	Closing (HRK)	Market cap. (in MHRK)
1,444.00	1,066.51	1,203.99	1,603.3

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:

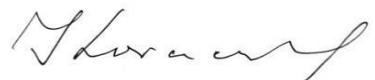
Statement of the Management Board responsibility

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 2017 to 31 Dec 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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February 23, 2018



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 December 2017

	2017 HRK '000	2016 HRK '000
Sales revenue	1.481.555	1.591.602
Cost of sales	-1.330.699	-1.401.797
Gross profit	150.856	189.805
Selling expenses	-45.621	-44.153
Administrative expenses	-33.943	-33.548
Other operating income	7.455	4.658
Other operating expenses	-3.069	-3.179
Operating profit	75.678	113.583
Finance expense/income – net	-2.632	5.244
Profit before tax	73.046	118.827
Income tax	-5.159	-8.083
Profit for the year	67.887	110.744
Other comprehensive income	-114	-49
Total comprehensive income for the year	67.773	110.695

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

	2017 HRK '000	2016 HRK '000
ASSETS		
Non-current assets		
Property, plant and equipment	108.712	122.897
Intangible assets	6.160	7.285
Loans and receivables	82.874	81.160
Equity securities	40	40
Deferred tax assets	14.901	14.250
Total non-current assets	<u>212.687</u>	<u>225.632</u>
Current assets		
Inventories	18.872	9.796
Trade receivables	144.445	174.952
Receivables from related parties	104.483	88.858
Other receivables	90.289	14.325
Income tax receivable	986	1.172
Financial assets at fair value through profit or loss	84.520	62.993
Prepayments and accrued income	6.456	5.671
Cash and cash equivalents	159.261	224.725
Total current assets	<u>609.313</u>	<u>582.492</u>
TOTAL ASSETS	<u>822.000</u>	<u>808.124</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	133.165	133.165
Treasury shares	-280	-1.630
Legal reserves	6.658	6.658
Retained earnings	96.031	148.686
Total equity	<u>235.574</u>	<u>286.879</u>
Non-current liabilities		
Interest-bearing borrowings	8.381	8.962
Employee benefits	8.576	8.560
Other non-current liabilities	13.104	24.288
Total non-current liabilities	<u>30.061</u>	<u>41.810</u>
Current liabilities		
Payables to related parties	113.078	73.215
Interest-bearing borrowings	5	0
Trade and other payables	220.385	156.413
Income tax payable	528	21.659
Provisions	26.619	16.011
Accrued charges and deferred revenue	195.750	212.137
Total current liabilities	<u>556.365</u>	<u>479.435</u>
Total liabilities	<u>586.426</u>	<u>521.245</u>
TOTAL EQUITY AND LIABILITIES	<u>822.000</u>	<u>808.124</u>

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

	2017 HRK '000	2016 HRK '000
Cash flows from operating activities		
<i>Profit before tax</i>	73.046	118.827
Adjustments for:		
Depreciation and amortisation	41.314	48.734
Impairment losses and reversals	10.916	16.398
Net increase of provisions	21.172	18.999
Gain on sale of property, plant and equipment	-150	-102
Net loss/(gain) on remeasurement of financial assets	644	-2.033
Amortisation of discount	3	-657
Interest income	-4.948	-3.346
Interest expense	267	582
Foreign exchange losses/(gains)	16.207	-5.322
Equity-settled transactions	268	1.262
	<hr/> 158.739	<hr/> 193.342
<i>Changes in working capital</i>		
In receivables	-76.264	-75.303
In inventories	-9.076	11.391
In payables	55.731	60.289
	<hr/> 129.130	<hr/> 189.719
Interest paid	-267	-582
Income taxes paid	-20.628	-2.100
	<hr/> 108.235	<hr/> 187.037
Cash flows from investing activities		
Interest received	2.397	2.753
Dividend received	77	212
Proceeds from sale of property, plant and equipment	149	83
Purchases of property, plant and equipment, and intangible assets	-29.405	-37.488
Deposits given to financial institutions - net	-2.200	-19.846
Purchases of financial assets at fair value through profit and loss	-54.008	-89.000
Proceeds from sale of financial assets at fair value through profit and	31.760	81.745
	<hr/> -51.230	<hr/> -61.541
Cash flows from financing activities		
Purchase of treasury shares	-	-1.140
Dividends paid	-119.887	-132.846
	<hr/> -119.887	<hr/> -133.986
Effects of exchange rate changes on cash and cash equivalents	-2.582	20
Net decrease in cash and cash equivalents	<hr/> -65.464	<hr/> -8.470
Cash and cash equivalents at the beginning of the year	224.725	233.195
Cash and cash equivalents at the end of the year	<hr/> 159.261	<hr/> 224.725

ENCLOSURE 1

Reporting period:

1.1.2017.

to

31.12.2017

Quarterly Financial Report TFI-PODTax number (MB): 03272699Registration number (MBS): 080002028Personal identification number (OIB): 84214771175Issuer: **ERICSSON NIKOLA TESLA D.D. ZAGREB**Postal code and location: 10000 ZAGREBStreet and number: Krapinska 45E-mail: etk.company@ericsson.comInternet address: www.ericsson.hrCode and city / municipality 133 ZAGREBCode and county 21 GRAD ZAGREBNumber of employees: 3.060

(at the end of year)

Consolidated Report YesBusiness activity code: 2630

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

Libratel d.o.o. Zagreb, Selska 93 01449613ETK BH d.o.o. Sarajevo, Fra Andjela Zvizdovića broj 1 65-01-0996-11Ericsson Nikola Tesla d.d. - Branch office of Kosovo Republika Kosova, Kalabria, Obj 1., Bl 1, Kati 1 Nr.13 70633647Ericsson Nikola Tesla Servisi d.o.o. Zagreb, Krapinska 45 080921748Ericsson Nikola Tesla BY d.o.o. Bjelorusija, Minsk, Ulica Zibickaja 2 192753195Book-keeping office: Contact person Tatjana Ricijaš

(Name and surname of contact person)

Telephone: +385 (0)1 365 3343Telefaks: +385 (0)1 365 3174E-mail: tatjana.ricijas@ericsson.comName 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 December 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	212.686.963
I. INTANGIBLE ASSETS (004 do 009)	003	7.284.911	6.159.781
1. Research & Development expenditure	004		
2. Patents, licences, royalties, trade marks, software&similar rights	005	3.111.665	1.986.535
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	108.711.755
1. Land	011	15.605.344	15.605.344
2. Property	012	27.637.641	30.071.396
3. Plants and equipment	013	62.902.184	45.630.313
4. Tools, plants&vehicles	014	16.398.060	15.548.803
5. Biological asset	015		
6. Prepayments for tangible assets	016		
7. Assets under construction	017	270.059	1.779.909
8. Other tangible assets	018	83.770	75.989
9. Investments property	019		
III. FINANCIAL ASSETS (021 do 028)	020	28.156.940	27.895.052
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	27.855.052
7. Other non-current financial assets	027	40.000	40.000
8. Investment accounted by equity method	028		
IV. RECEIVABLES (030 do 032)	029	53.042.871	55.018.983
1. Receivables from subsidiaries	030	2.041.774	1.156.317
2. Receivables from credit sales	031	50.395.179	53.318.299
3. Other receivables	032	605.918	544.367
V. DEFERRED TAX ASSETS	033	14.249.755	14.901.393
C) CURRENT ASSETS (035+043+050+058)	034	576.820.993	602.856.687
I. INVENTORIES (036 do 042)	035	9.795.795	18.871.791
1. Raw materials & consumables	036		
2. Work in progress	037	9.788.066	18.870.116
3. Products	038		
4. Merchandise	039		
5. Prepayments for inventories	040	7.729	1.675
6. Other available-for-sale assets	041		
7. Biological asset	042		
II. RECEIVABLES (044 do 049)	043	279.307.110	340.203.486
1. Receivables for trade debt of subsidiaries	044	88.857.879	104.483.167
2. Trade receivables	045	174.952.345	144.444.882
3. Receivables for trade debts of participating entities	046		
4. Amounts receivable from employees	047		
5. Receivables from government agencies	048	2.496.267	75.614.883
6. Other receivables	049	13.000.619	15.660.555
III. FINANCIAL ASSETS (051 do 057)	050	62.993.219	84.520.295
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	62.993.219	84.520.295
6. Loans & deposits	056		
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	224.724.869	159.261.116
D) PREPAYMENTS AND ACCRUED INCOME	059	5.671.596	6.456.236
E) TOTAL ASSETS (001+002+034+059)	060	808.124.124	821.999.886
F) OFF-BALANCE SHEET ITEMS	061		

EQUITY AND LIABILITIES			
A) EQUITY (063+064+065+071+072+075+078)	062	286.878.862	235.574.056
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	21.273.156
1. Legal reserves	066	6.658.250	6.658.250
2. Reserves for treasury shares	067	15.820.446	14.895.346
3. Treasury shares and stakes (less)	068	1.629.620	280.440
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS (073-074)	072	22.120.979	13.249.718
1. Retained earnings	073	22.120.979	13.249.718
2. Loss brought forward	074		
VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR (076-077)	075	110.743.807	67.886.182
1. Profit for the financial year	076	110.743.807	67.886.182
2. Loss for the financial year	077		
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	8.560.375	8.576.219
1. Provisions for redundancy costs	080	8.560.375	8.576.219
2. Provisions for tax obligations	081		
3. Other provisions	082		
C) NON-CURRENT LIABILITIES (084 do 092)	083	33.249.511	21.484.460
1. Amounts payable to subsidiaries	084	14.340.912	6.263.290
2. Liabilities for loans, deposits and other	085		0
3. Liabilities towards banks and other financial institutions	086	8.961.889	8.380.524
4. Amounts payable for prepayment	087		0
5. Trade payables	088	2.041.774	1.151.642
6. Amounts payable for securities	089		0
7. Liabilities toward participating interests	090		0
8. Other non-current liabilities	091	7.904.937	5.689.003
9. Deferred tax	092		
D) CURRENT LIABILITIES (094 do 105)	093	267.298.329	360.614.874
1. Amounts payable to subsidiaries	094	73.215.063	113.078.355
2. Liabilities for loans, deposits and other	095		
3. Liabilities towards banks and other financial institutions	096	0	5.190
4. Amounts payable for prepayment	097		
5. Trade payables	098	49.718.507	121.402.412
6. Amounts payable for securities	099		
7. Liabilities toward participating interests	100		
8. Amounts payable to employees	101	92.981.733	105.255.147
9. Liabilities for taxes and contributions	102	51.383.027	20.873.771
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	195.750.278
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	808.124.124	821.999.886
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	235.574.056
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 31 December 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	1.613.649.094	465.001.383	1.509.425.019	421.422.856
1. Sales revenue	112	1.591.601.572	457.292.018	1.481.555.318	412.156.865
2. Other operating income	113	22.047.523	7.709.364	27.869.701	9.265.991
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	1.500.065.558	411.073.560	1.433.746.960	416.175.721
1. Changes in inventories of finished products and work in progress	115	11.352.533	46.227.663	-9.082.050	20.775.662
2. Raw material and consumables used (117 do 119)	116	662.328.859	161.347.500	591.120.691	177.856.570
a) Cost of raw materials & consumables	117	339.402.569	66.953.033	289.357.439	97.932.209
b) Cost of goods sold	118				
c) Other costs	119	322.926.290	94.394.468	301.763.252	79.924.360
3. Staff costs (121 do 123)	120	710.408.957	182.705.118	751.589.696	195.734.575
a) Net salaries	121	393.455.311	104.067.485	417.407.701	116.699.240
b) Employee income tax and contributions	122	218.632.648	53.667.648	231.705.623	52.763.396
c) Employer's contributions	123	98.320.998	24.969.986	102.476.371	26.271.939
4. Depreciation and amortisation expense	124	48.734.883	11.117.843	41.314.755	9.686.535
5. Other costs	125	42.851.280	5.870.674	47.920.440	10.686.925
6. Impairment losses (127+128)	126	16.357.255	555.312	10.883.428	1.435.455
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128	16.357.255	555.312	10.883.428	1.435.455
7. Provisions	129				
8. Other operating expenses	130	8.031.791	3.249.450	0	0
III. FINANCIAL INCOME (132 do 136)	131	5.826.027	2.974.434	3.084.413	1.264.929
1. Interest, foreign exchange gains, dividends and other income from related	132	248.920	10.158	145.304	8.837
2. Interest, foreign exchange gains, dividends and other income from non-related and other entities	133	3.293.650	2.558.224	2.596.897	913.880
3. Income from associates and ownership interests	134				
4. Unrealized gains	135				
5. Other financial income	136	2.283.457	406.052	342.212	342.212
IV. FINANCIAL EXPENSES (138 do 141)	137	582.120	488.216	5.716.916	1.292.330
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	582.120	488.216	4.976.164	773.220
3. Unrealized losses	140				
4. Other financial expenses	141			740.752	519.110
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	1.619.475.122	467.975.817	1.512.509.432	422.687.784
X. TOTAL EXPENSES (114+137+143 + 145)	147	1.500.647.678	411.561.776	1.439.463.876	417.468.052
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	118.827.444	56.414.041	73.045.557	5.219.733
1. Profit before tax (146-147)	149	118.827.444	56.414.041	73.045.557	5.219.733
2. Loss before tax (147-146)	150	0	0	0	0
XII. INCOME TAX EXPENSE	151	8.083.637	3.856.800	5.159.375	-10.788.668
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	110.743.807	52.557.241	67.886.182	16.008.401
1. Profit for the period (149-151)	153	110.743.807	52.557.241	67.886.182	16.008.401
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	110.743.807	52.557.241	67.886.182	16.008.401
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	110.743.807	52.557.241	67.886.182	16.008.401
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)	158	0	0	0	0
1. Exchange differences arising from foreign operations	159	-48.609	68.439	-114.399	-75.854
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	-48.609	68.439	-114.399	-75.854
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	168	110.695.198	52.625.680	67.771.783	15.932.547

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	110.695.198	52.625.680	67.771.783	15.932.547
2. Attributable to non-controlling interests	170				

CASH FLOW STATEMENT - Indirect method
 in the period 01 January 2017 to 31 December 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	118.827.444	73.045.557	
2. Depreciation and amortisation	002	48.734.883	41.314.755	
3. Increase in liabilities	003	60.289.164	55.730.874	
4. Decrease in receivables	004			
5. Decrease in inventories	005	11.391.234		
6. Other increase in cash flow	006	23.097.913	23.484.300	
I. Total increase in operating cash flow (001 do 006)	007	262.340.638	193.575.485	
1. Decrease in liabilities	008			
2. Increase in receivables	009	75.303.699	76.264.106	
3. Increase in inventories	010		9.075.996	
4. Other decrease in cash flow	011			
II. Total decrease in operating cash flow (008 do 011)	012	75.303.699	85.340.102	
A1) NET INCREASE IN OPERATING CASH FLOW (007-012)	013	187.036.939	108.235.383	
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	82.840	148.946	
2. Net disposal of financial assets	016	81.745.408	31.737.357	
3. Interest received	017	2.752.753	2.397.141	
4. Dividend received	018	211.771	77.166	
5. Other cash from investing activities	019		22.259	
III. Total cash flow from investing activities (015 do 019)	020	84.792.771	34.382.870	
1. Purchase of property, plant and equipment and intangible assets	021	37.487.816	29.405.221	
2. Purchase of financial instruments	022	89.000.000	54.007.700	
3. Other cash flow used in investing activites	023	19.845.976	2.200.000	
IV. Total cash flow from investing activities (021 do 023)	024	146.333.792	85.612.921	
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025			
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES (024-020)	026	61.541.021	51.230.051	
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	19.767		
V. Total cash flow from financial activities (027 do 029)	030	19.767	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	1.140.000		
5. Other cash flow used in financial activities	035		2.581.957	
VI. Total cash flow used in financial activities (031 do 035)	036	133.985.626	122.469.085	
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037			
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	133.965.859	122.469.085	
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039			
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	8.469.941	65.463.753	
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	8.469.941	65.463.753	
Cash and cash equivalents at the end of the period	044	224.724.869	159.261.116	

STATEMENT OF CHANGES IN EQUITY
 for the period from **1.1.2017** to **31.12.2017**

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	21.273.156
4. Retained earnings	004	22.120.979	13.249.718
5. Profit or loss for the period	005	110.743.807	67.886.182
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	235.574.056
11. Foreign exchange differences from investments in foreign operations	011	-48.609	-114.399
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	-48.609	-114.399
17 a. Parent company share in subsidiary	018	-48.609	-114.399
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		Digital Services		Managed Services		Other		Unallocated		Total	
	31.12.2017.	31.12.2016.	31.12.2017.	31.12.2016.	31.12.2017.	31.12.2016.	31.12.2017.	31.12.2016.	31.12.2017.	31.12.2016.	31.12.2017.	31.12.2016.
	Restated	Restated	Restated	Restated	Restated	Restated	Restated	Restated	Restated	Restated	'000 kn	'000 kn
Segment sales revenue	739.306	806.548	559.558	593.115	178.883	185.860	3.809	6.079	0	0	1.481.555	1.591.602
Operating profit	95.214	72.523	19.872	60.005	5.744	6.489	586	1.248	-45.737	-26.682	75.678	113.584

2. Transactions with related parties

	31.12.2017.	31.12.2016.
	'000 kn	'000 kn
Total sales	896.360	894.895
Total purchases	312.868	396.872

3. Balances with related parties

	31.12.2017.	31.12.2016.
	'000 kn	'000 kn
Receivable	105.639	90.900
Payable	124.380	89.256

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