

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 2018

Highlights:

- Sales revenue: MHRK **341.0**
- Gross margin: **17.7%**
- Operating profit: MHRK **42.4**
- Profit before tax: MHRK **41**
- Net profit: MHRK **30.3**
- Cash flow from operating activities: MHRK **9.4**

Gordana Kovačević, the President of Ericsson Nikola Tesla comments:

In Q1 2018, Ericsson Nikola Tesla Group sales revenue amounted to MHRK 341, down by 5.4% year-over-year. In line with expectations, there was a continuous revenue growth from services to Ericsson, primarily driven by expansion of responsibilities in our R&D center and other competence centers. We hired 73 new experts in Q1, and thus at the end of Q1 Ericsson Nikola Tesla Group had 3,088 employees.

At the event “Focused on the future”, we made public our gaining of new responsibilities in the development of the fifth-generation of mobile communications (5G), which will result in the expansion of our R&D activities in Osijek along with the existing locations in Zagreb and Split. This is an investment that will enable hiring of a substantial number of experts, and activities at a new location, with all their positive influence, will contribute to the economic and technological development of Slavonia. With its 1,300 employees, the company’s R&D center represents the largest R&D center in Croatia that already creates advanced solutions for customers worldwide. New activities will additionally strengthen our position in Ericsson and other markets. The “Focused on the future” event also featured the first live demonstration of 5G technology in Croatia. It is the development of new solutions, products and services based on 5G technology that will enable new business models to our partners, operators and other industries and at the same time create opportunities for new job openings. By entering a new technology cycle, the company will need to make additional significant investments.

Despite lower sales revenue on domestic market, in Q1 we signed several strategic contracts, which has strengthened our market position and created prerequisites for better positioning in the future periods. With Hrvatski Telekom, we signed a contract for further mobile network modernization using the latest Ericsson mobile networks solutions. We continued to cooperate with Vipnet on the implementation of a multi-year framework agreement that includes the modernization and extension of the radio access network. With the Ministry of Healthcare of the Republic of Croatia, we signed a contract related to a number of solutions which will enable a more efficient management of the healthcare system.

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In the export markets, slow economic development and regulatory environment affected the level and dynamics of operators' investments. Marketing and sales activities are ongoing on several projects in the telecom segment, as well as in the Industry & Society segment.

Almost all key performance indicators show a positive trend compared to Q1 2017. Our continued focus on operational excellence improvements enabled cost savings, which in turn improved the margin and reduced our operational expenses.

Gross margin increased to 17.7%. Operating profit increased by 45.1% to MHRK 42.4, as a result of higher gross margin and lower sales and administrative costs. Net profit rose by 52% to MHRK 30.3. Q1 was closed with a lean balance sheet and an equity ratio of 34.7%. Working capital efficiency, expressed in Working Capital Days (WCD), was 27. A proactive collection of receivables resulted in a positive cash flow from operating activities. At the end of the quarter, total cash and cash equivalents, including short-term financial assets, amounted to MHRK 239.6.

At the *Mobile World Congress* (MWC) in Barcelona, Ericsson presented new developments and potential for business growth enabled by innovations in 5G, IoT and Digital business. One of demos in the area *Innovate together* showed the intelligent care system for the elderly, which was developed in *Ericsson Garage Croatia*. This system, called "*Intelligent Care Assistance*" can detect patterns in an elderly person's habits based on the data collected from unobtrusive sensors by using advanced machine learning algorithms.

The company continues to strengthen partnerships with Universities, start-ups and other scientific-research institutions by implementing joint projects, some of which are funded by the EU. During Q1, the following projects were implemented: Ensuring Optimal Healthcare for People with Mental Health Problems, Development and Implementation of the IT System for the Monitoring of the General Administrative Procedure Act (ZUP), and the first phase of the project WaterQ.

The European Commission's new study analyzed the impact of EU-Funded ICT research and development projects on active and healthy ageing. Three projects, in the development of which our company significantly contributed, were among the top 25 most influential projects in the last 11 years. These projects are: Carewell that enables multi-layer integration for patients with complex needs, eWALL that delivers innovative home environment, and UNIVERSAAL that supports an open platform for the so called Ambient Assisted Living.

In line with our strategy, we continue to strengthen our position in important areas: 4G/5G, OSS/BSS, Digital Transformation, Managed Services, and IoT through efficient implementation of transformation programs. In Ericsson internal market, our aim is to keep the existing responsibilities and expand them, while maintaining high quality of delivered services.

It is quite certain that economic uncertainty and business challenges will mark the entire year. Therefore, our strong focus remains on continuous adjustment to technological and market conditions, responsible risk management and optimal use of all resources."

Financial Highlights for the Group:

- Sales revenue amounted to MHRK 341 (Q1 2017: MHRK 360.4), 5.4% lower year-over-year. Of the total sales revenue, domestic market accounted for 17%, Ericsson services accounted for 69.7% (of which 12.3% related to MS in Croatia), while other export markets accounted for 13.3%.
- Sales in the Network segment amounted to MHRK 203.4 (Q1 2017: MHRK 175.5), Digital Services segment amounted to MHRK 95.4 (Q1 2017: MHRK 144.2), Managed Services segment amounted to MHRK 41.9 (Q1 2017: MHRK 39.7) and Other amounted to MHRK 0.3 (Q1 2017: MHRK 1).

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- Gross profit amounted to MHRK 60.4 million (Q1 2017: MHRK 53.2), 13.7% up year-over-year. Gross margin increased to 17.7% (Q1 2017: 14.7%).
- Sales and administrative costs were 26.7% lower year-over-year and amounted to MHRK 17.8 (Q1 2017: MHRK 24.2).
- Operating profit amounted to MHRK 42.4 (Q1 2017: MHRK 29.2), an increase by 45.1% year-over-year.
- A loss of financial activities of MHRK 1.4 was realized (Q1 2017: loss of financial activities was MHRK 3 million) due to negative currency deviations.
- Profit before tax increased by 56.8% year-over-year and amounted to MHRK 41 (Q1 2017: MHRK 26.2).
- In Q1 2018, there were no tax incentives for R&D, as the State Aid for Research and Development Projects has not yet entered into force. Accordingly, the income tax liability was calculated amounting to MHRK 10.7 (Q1 2017: MHRK 6.2).
- Net profit was 52% higher year-over-year and amounted to MHRK 30.3 (Q1 2017: MHRK 19.9). Return on Sales (ROS) was 8.9% (Q1 2017: 5.5%).
- Cash flow from operating activities was MHRK 9.4 (Q1 2017: MHRK -65.9) due to proactive collection of receivables. The cash conversion rate was 17% (Q1 2017: -137%).
- Total cash and cash equivalents, including short-term financial assets as at March 31, 2018, amounted to MHRK 239.6 (31.4% of total assets), while at the end-2017 it amounted to MHRK 243.8 (29.7% of total assets).
- As at March 31, 2018, the Company had a lean balance sheet with total assets of MHRK 763.8, 7% lower compared to end-2017, mainly due to lower short-term receivables. Equity ratio amounted to 34.7% (end-2017: 28.7%).
- With related parties, the transactions were as follows: sales of products and services amounted to MHRK 203.8 (Q1 2017: MHRK 204.1), while procurement of products and services amount to MHRK 70.8 (Q1 2017: MHRK 60.1).
- As at March 31, 2018 balances outstanding with related parties were as follows: receivables amounted to MHRK 117.5 (end of 2017: MHRK 105.6), and payables to MHRK 79.8 (end of 2017: MHRK 124.4).
- The effects of adoption of new International Financial Reporting Standards (IFRS) effective on or after 1 January 2018 will have no material impact on the Company's earnings, retained or current, compared to previous years. The cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and comparatives will not be restated.

The Group opted to adopt the new IFRS 15 standard using the modified retrospective approach. The impact of IFRS 15 implementation is estimated to be immaterial to equity at transition date, 1 January 2018.

IFRS 9 introduces new rules and a new impairment model for financial assets. Based on the assessments undertaken to date, the Group does not expect a material impact in the loss allowance for trade creditors and other financial assets.

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Business situation in major markets

In the domestic market sales revenue amounted to MHRK 57.9, a decrease by 34.1% year-over-year.

With strategic partner Vipnet, we continued to cooperate on implementation of a multi-year frame agreement that encompasses the modernization and expansion of radio access network by using the state-of-the-art technologies from Ericsson's extensive portfolio. The collaboration in the field of transport telecom network and core network continues, which contributes to an increased service quality and new services for end users. Testings of new functionalities in various segments are ongoing, demonstrating speeds of 750 Mbit/s in radio access network, which is already supported by more than 10% of the available mobile devices.

With Hrvatski Telekom, a further mobile network modernization was agreed, which will enable an even better coverage, higher speeds and network capacity and, consequently, a better user experience. The contracted support will include Ericsson's latest solutions related to mobile networks. Business cooperation in the segment of fixed telecommunication network modernization, and the delivery of telecommunication infrastructure build and maintenance services continues.

During Q1, for the mobile operator Tele 2 we increased the voice core network capacity, continued to work on the extension of microwave transport network and provide support services for voice core network.

In ICT for Industry&Society, we signed a contract for the delivery of a solution for an efficient healthcare system management with the Ministry of Healthcare of the Republic of Croatia. The Smart parking project in Split was successfully implemented.

In export markets (except Ericsson market) sales revenue amounted to MHRK 45.4, a decrease by 9.7% year-over-year.

In the markets of Southeast Europe (Bosnia and Herzegovina, Montenegro and Kosovo) sales revenue amounted to MHRK 24, an increase of 20.5% year-over-year. The collaboration with operators in the segment of maintenance and modernization of fixed and mobile networks is ongoing.

In CIS market, sales revenue amounted to MHRK 21.5, a decrease by 29.4% year-over-year. Sales in the first quarter is in line with plans. In the following quarter, we expect to increase market share in LTE segment in Belarus. Marketing and sales activities continue with the existing and new customers in telecom and e-healthcare segments.

In Ericsson market, sales revenue amounted to MHRK 237.6, an increase by 7% year-over-year. The contribution of Ericsson Nikola Tesla Servisi d.o.o., a daughter company of Ericsson Nikola Tesla d.d., to revenue in this market segment amounted to MHRK 42 (Q1 2017: MHRK 38.5).

In Ericsson Nikola Tesla Research & Development Center, expansion of responsibilities for the development of 5G network systems is ongoing, in radio networks and data management.

The activities within other development units are ongoing as planned, focused on the development of Network Functions Virtualization, with the aim to enable new solutions on the cloud platform.

The unit for the development of services in fixed networks defined new development plans, showing the continuity of business in this segment.

At the end of Q1, at the R&D management meeting which gathered the representatives of all units with which we cooperate in Ericsson Corporation, our R&D Center was once again recognized by innovative organizational culture and was highly evaluated for the work quality and efficiency. The possibility of further extension of responsibilities was highlighted.

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Technology incubator Ericsson Garage Croatia is focused on marketing and monetization of solutions in the field of analytics, IoT, Virtual Reality/Augmented Reality, machine learning, etc. Other than at the Mobile World Congress, the projects on which Ericsson Garage Croatia worked were presented to our customers and partners at the event "Taste of Barcelona". The quality of the projects was recognized globally, and we received the invitation from Ericsson Corporation to present our Garage solutions at similar customer events.

The experts of Center for Services and Solutions for Networks & Media have been engaged in projects for numerous customers worldwide, such as: LGI Group, MTN Republic of South Africa, Orange Group, Swisscom Switzerland, Telekom Austria Group (TAG), Vodafone Netherlands. These are complex activities of expert analysis, creation of new innovative solutions, optimization and upgrading of the existing networks, and consulting. There are ongoing activities related to the development and implementation of software tools for mobile networks management and optimization.

Experts from Services and Solutions Center for Digital Services were engaged in various projects for customers, such as: A1 Slovenia, British Telecom United Kingdom, KDDI Japan, Maktel Macedonia, MTel Bulgaria, Ogero Lebanon, Orange Belgium, Post Luxembourg, Swisscom Switzerland, Telekom Austria Group (TAG), Telekom Serbia, TIM Italy, T-Mobile Czech Republic, Telefonica in Colombia, Germany, Netherlands and the United Kingdom, Telestra Australia, Veon Russia, Vodafone Netherlands, Wind3 Italy, and Wind Greece. These activities include design, network applications, Cloud infrastructure and digital business systems.

The company Ericsson Nikola Tesla Servisi successfully provided the services of monitoring, maintenance and build of Hrvatski Telekom's telecommunication network. In Q1, all project goals were reached or exceeded, thus providing additional value to our strategic customer, as well as to end users of customer's telecommunication services.

Other information

Ericsson Nikola Tesla Annual General Meeting shall be held on June 20, 2018. The right to participate at the Annual General Meeting have all shareholders, or their proxies, respectively, who register to participate until June 13, 2018, at the latest.

The shareholders who have the Company shares registered on their securities account in the Central Depository & Clearing Company on June 28, 2018 are entitled for dividend payment of HRK 32.5 per share. Ex-dividend date is June 27, 2018.

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Ericsson Nikola Tesla major shareholders (as at March 31, 2018)

	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
Zagrebačka banka d.d. / Unicredit Bank Austria AG – clients account	17,300	1.30
Addiko Bank d.d. / PBZ Croatia osiguranje mandatory pension fund, B category	16,810	1.26
PBZ d.d. / The Bank of New York as custodian	16,271	1.22
Zagrebačka banka d.d. / State Street and Trust Company, Boston	13,935	1.05
PBZ d.d. / custodian client account	9,544	0.72
Addiko Bank d.d. / Raiffeisen voluntary pension fund	7,934	0.60
OTP BANKA d.d./INS683	7,677	0.58
Other shareholders	423,302	31.77

Share price information in Q1 2018:

Highest (HRK)	Lowest (HRK)	Closing (HRK)	Market cap. (In MHRK)
1,240.00	1,105.00	1,165.00	1,551.4

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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:

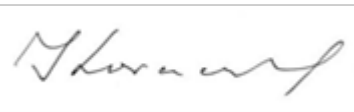
Statement of the Management Board responsibility

The accompanying consolidated and non-consolidated 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 2018 to 31 March 2018 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", written over a horizontal line.

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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 2018

	2018	2017
	HRK '000	HRK '000
Sales revenue	340.985	360.399
Cost of sales	-280.551	-307.243
Gross profit	60.434	53.156
Selling expenses	-10.328	-13.317
Administrative expenses	-7.423	-10.912
Other operating income	559	207
Other operating expenses	-876	58
Operating profit	42.366	29.192
Finance expense/income – net	-1.366	-3.039
Profit before tax	41.001	26.154
Income tax	-10.674	-6.206
Profit for the year	30.327	19.948
Other comprehensive income	-62	-68
Total comprehensive income for the year	30.264	19.879

Ericsson Nikola Tesla d.d.
Consolidated statement of financial position
as at 31 March 2018

	2018 HRK '000	2017 HRK '000
ASSETS		
Non-current assets		
Property, plant and equipment	107.895	108.712
Intangible assets	5.880	6.160
Loans and receivables	96.556	82.874
Equity securities	40	40
Deferred tax assets	14.912	14.901
Total non-current assets	225.283	212.687
Current assets		
Inventories	39.034	18.872
Trade receivables	107.210	144.445
Contract assets*	34.066	0
Receivables from related parties	88.423	104.483
Other receivables	22.824	90.289
Income tax receivable	982	986
Financial assets at fair value through profit or loss	84.528	84.520
Prepayments and accrued income	6.389	6.457
Cash and cash equivalents	155.034	159.261
Total current assets	538.490	609.313
TOTAL ASSETS	763.773	822.000
EQUITY AND LIABILITIES		
Equity		
Share capital	133.165	133.165
Treasury shares	-280	-280
Legal reserves	6.658	6.658
Retained earnings	125.297	96.031
Total equity	264.840	235.574
Non-current liabilities		
Borrowings	8.060	8.381
Employee benefits	8.667	8.576
Other non-current liabilities	13.388	13.104
Total non-current liabilities	30.116	30.061
Current liabilities		
Payables to related parties	69.753	113.078
Trade and other payables	190.743	220.390
Contract liabilities*	99.129	0
Income tax payable	10.966	528
Provisions	20.503	26.619
Accrued charges and deferred revenue	77.723	195.750
Total current liabilities	468.817	556.365
Total liabilities	498.933	586.426
TOTAL EQUITY AND LIABILITIES	763.773	822.000

* Following IFRS 15 application

Ericsson Nikola Tesla d.d.
Consolidated statement of cash flows
for the period ended 31 March 2018

	2018 HRK '000	2017 HRK '000
Cash flows from operating activities		
<i>Profit before tax</i>	41.001	26.154
Adjustments for:		
Depreciation and amortisation	9.497	11.009
Impairment losses and reversals	-195	-24
Net increase of provisions	3.080	5.704
Gain on sale of property, plant and equipment	-26	-37
Net loss/(gain) on remeasurement of financial assets	-25	13
Amortisation of discount	0	-3
Interest income	-451	-1.761
Interest expense	177	6
Foreign exchange losses/(gains)	2.777	7.177
Equity-settled transactions	0	-67
	55.834	48.170
<i>Changes in working capital</i>		
In receivables	69.280	-8.887
In inventories	-20.162	-14.431
In payables	-95.130	-90.373
<i>Cash generated from operations</i>	9.822	-65.521
Interest paid	-177	-6
Income taxes paid	-243	-354
Net cash from operating activities	9.402	-65.881
Cash flows from investing activities		
Interest received	564	705
Proceeds from sale of property, plant and equipment	73	41
Purchases of property, plant and equipment, and intangible assets	-12.770	-10.250
Deposits given to financial institutions - net	0	10
Purchases of financial assets at fair value through profit and loss	18	0
Net cash used in investing activities	-12.115	-9.840
Cash flows from financing activities		
Dividends paid	-19	
Net cash used in financing activities	-19	0
Effects of exchange rate changes on cash and cash equivalents	-1.495	-3.209
Net decrease in cash and cash equivalents	-4.227	-78.931
Cash and cash equivalents at the beginning of the year	159.261	224.725
Cash and cash equivalents at the end of the year	155.034	145.794

ENCLOSURE 1

Reporting period:

1.1.2018.

to

31.03.2018

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.comInternet address: www.ericsson.hr

Code and city / municipality: 133 ZAGREB

Code and county: 21 GRAD ZAGREB

Number of employees: 3.088
(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

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70633647

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Zagreb, Krapinska 45

080921748

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192753195

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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 2018

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	212.686.963	225.283.296
I. INTANGIBLE ASSETS (004 do 009)	003	6.159.781	5.880.189
1. Research & Development expenditure	004		
2. Patents, licences, royalties, trade marks, software&similar rights	005	1.986.535	1.706.943
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	108.711.755	107.894.504
1. Land	011	15.605.344	15.605.344
2. Property	012	30.071.396	29.532.587
3. Plants and equipment	013	45.630.313	42.916.858
4. Tools, plants&vehicles	014	15.548.803	15.329.153
5. Biological asset	015		
6. Prepayments for tangible assets	016		
7. Assets under construction	017	1.779.909	4.436.519
8. Other tangible assets	018	75.989	74.043
9. Investments property	019		
III. FINANCIAL ASSETS (021 do 028)	020	27.895.052	27.414.936
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	27.855.052	27.374.936
7. Other non-current financial assets	027	40.000	40.000
8. Investment accounted by equity method	028		
IV. RECEIVABLES (030 do 032)	029	55.018.983	69.181.262
1. Receivables from subsidiaries	030	1.156.317	1.156.318
2. Receivables from credit sales	031	53.318.299	67.490.857
3. Other receivables	032	544.367	534.088
V. DEFERRED TAX ASSETS	033	14.901.393	14.912.405
C) CURENT ASSETS (035+043+050+058)	034	602.856.687	532.101.082
I. INVENTORIES (036 do 042)	035	18.871.791	39.033.817
1. Raw materials & consumables	036		2.478
2. Work in progress	037	18.870.116	39.029.539
3. Products	038		
4. Merchandise	039		
5. Prepayments for inventories	040	1.675	1.800
6. Other available-for-sale assets	041		
7. Biological asset	042		
II. RECEIVABLES (044 do 049)	043	340.203.486	253.505.071
1. Receivables for trade debt of subsidiaries	044	104.483.167	116.387.506
2. Trade receivables	045	144.444.882	113.312.078
3. Receivables for trade debts of participating entities	046		
4. Amounts receivable from employees	047		
5. Receivables from government agencies	048	75.614.883	17.328.397
6. Other receivables	049	15.660.555	6.477.090
III. FINANCIAL ASSETS (051 do 057)	050	84.520.295	84.527.888
1. Investments in subsidiaries	051		
2. Loans to subsidiaries	052	0	0
3. Participating interests (stakes)	053		
4. Loans to participating interest	054		
5. Investments in securities	055	84.520.295	84.527.888
6. Loans & deposits	056		
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	159.261.116	155.034.305
D) PREPAYMENTS AND ACCRUED INCOME	059	6.456.236	6.388.918
E) TOTAL ASSETS (001+002+034+059)	060	821.999.886	763.773.295
F) OFF-BALANCE SHEET ITEMS	061		

EQUITY AND LIABILITIES			
A) EQUITY (063+064+065+071+072+075+078)	062	235.574.056	264.840.244
I. SHARE CAPITAL	063	133.165.000	133.165.000
II. CAPITAL RESERVES	064		
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	21.273.156	21.273.156
1. Legal reserves	066	6.658.250	6.658.250
2. Reserves for treasury shares	067	14.895.346	14.895.346
3. Treasury shares and stakes (less)	068	280.440	280.440
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS (073-074)	072	13.249.718	80.075.522
1. Retained earnings	073	13.249.718	80.075.522
2. Loss brought forward	074		
VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR (076-077)	075	67.886.182	30.326.566
1. Profit for the financial year	076	67.886.182	30.326.566
2. Loss for the financial year	077		
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	8.576.219	8.666.868
1. Provisions for redundancy costs	080	8.576.219	8.666.868
2. Provisions for tax obligations	081		
3. Other provisions	082		
C) NON-CURRENT LIABILITIES (084 do 092)	083	21.484.460	21.448.731
1. Amounts payable to related parties	084	6.263.290	6.275.953
2. Liabilities for loans, deposits and other	085	0	0
3. Liabilities towards banks and other financial institutions	086	8.380.524	8.060.243
4. Amounts payable for prepayment	087	0	0
5. Trade payables	088	1.151.642	1.151.642
6. Amounts payable for securities	089	0	0
7. Liabilities toward participating interests	090	0	0
8. Other non-current liabilities	091	5.689.003	5.960.893
9. Deferred tax	092		
D) CURRENT LIABILITIES (094 do 105)	093	360.614.874	295.364.287
1. Amounts payable to subsidiaries	094	113.078.355	69.752.901
2. Liabilities for loans, deposits and other	095		
3. Liabilities towards banks and other financial institutions	096		
4. Amounts payable for prepayment	097		
5. Trade payables	098	121.407.602	93.349.372
6. Amounts payable for securities	099		
7. Liabilities toward participating interests	100		
8. Amounts payable to employees	101	105.255.147	98.444.354
9. Liabilities for taxes and contributions	102	20.873.771	33.642.892
10. Dividend payables	103		
11. Liabilities directly associated with the assets classified as held for sale	104		
12. Other current liabilities	105		174.769
E) ACCRUED CHARGES AND DEFERRED REVENUE	106	195.750.278	173.453.166
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	821.999.886	763.773.295
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	235.574.056	264.840.244
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 2018

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	365.441.471	365.441.471	346.599.298	346.599.298
1. Sales revenue	112	360.399.102	360.399.102	340.984.807	340.984.807
2. Other operating income	113	5.042.369	5.042.369	5.614.491	5.614.491
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	336.249.097	336.249.097	304.232.937	304.232.937
1. Changes in inventories of finished products and work in progress	115	-14.387.408	-14.387.408	-20.159.423	-20.159.423
2. Raw material and consumables used (117 do 119)	116	144.729.902	144.729.902	123.940.744	123.940.744
a) Cost of raw materials & consumables	117	87.281.560	87.281.560	61.602.693	61.602.693
b) Cost of goods sold	118				
c) Other costs	119	57.448.343	57.448.343	62.338.050	62.338.050
3. Staff costs (121 do 123)	120	183.935.250	183.935.250	181.176.228	181.176.228
a) Net salaries	121	102.264.505	102.264.505	102.133.582	102.133.582
b) Employee income tax and contributions	122	56.825.665	56.825.665	55.619.676	55.619.676
c) Employer's contributions	123	24.845.080	24.845.080	23.422.970	23.422.970
4. Depreciation and amortisation expense	124	11.009.443	11.009.443	9.497.225	9.497.225
5. Other costs	125	10.099.567	10.099.567	9.744.262	9.744.262
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	862.342	862.342	33.902	33.902
III. FINANCIAL INCOME (132 do 136)	131	661.564	661.564	458.934	458.934
1. Interest, foreign exchange gains, dividends and other income from related	132	64.632	64.632	0	0
2. Interest, foreign exchange gains, dividends and other income from non-related and other entities	133	596.932	596.932	451.341	451.341
3. Income from associates and ownership interests	134				
4. Unrealized gains	135				
5. Other financial income	136			7.593	7.593
IV. FINANCIAL EXPENSES (138 do 141)	137	3.700.229	3.700.229	1.824.789	1.824.789
1. Interest, foreign exchange losses and other expenses with related parties	138				
2. Interest, foreign exchange differences and other expenses with non-related and other entities	139	3.687.261	3.687.261	1.824.789	1.824.789
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	366.103.035	366.103.035	347.058.232	347.058.232
X. TOTAL EXPENSES (114+137+143 + 145)	147	339.949.326	339.949.326	306.057.725	306.057.725
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	26.153.709	26.153.709	41.000.507	41.000.507
1. Profit before tax (146-147)	149	26.153.709	26.153.709	41.000.507	41.000.507
2. Loss before tax (147-146)	150	0	0	0	0
XII. INCOME TAX EXPENSE	151	6.206.037	6.206.037	10.673.941	10.673.941
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	19.947.672	19.947.672	30.326.566	30.326.566
1. Profit for the period (149-151)	153	19.947.672	19.947.672	30.326.566	30.326.566
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	19.947.672	19.947.672	30.326.566	30.326.566
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	19.947.672	19.947.672	30.326.566	30.326.566
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)	158	0	0	0	0
1. Exchange differences arising from foreign operations	159	-68.459	-68.459	-62.378	-62.378
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	-68.459	-68.459	-62.378	-62.378
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	168	19.879.213	19.879.213	30.264.188	30.264.188
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	19.879.213	19.879.213	30.264.188	30.264.188
2. Attributable to non-controlling interests	170				

CASH FLOW STATEMENT - Indirect method
in the period 01 January 2018 to 31 March 2018

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	26.153.709	41.000.507
2. Depreciation and amortisation	002	11.009.443	9.497.225
3. Increase in liabilities	003		
4. Decrease in receivables	004		69.280.187
5. Decrease in inventories	005		
6. Other increase in cash flow	006	10.646.554	4.916.441
I. Total increase in operating cash flow (001 do 006)	007	47.809.706	124.694.359
1. Decrease in liabilities	008	90.373.074	95.129.923
2. Increase in receivables	009	8.887.290	
3. Increase in inventories	010	14.430.771	20.162.027
4. Other decrease in cash flow	011		
II. Total decrease in operating cash flow (008 do 011)	012	113.691.135	115.291.950
A1) NET INCREASE IN OPERATING CASH FLOW (007-012)	013		9.402.409
A2) NET DECREASE IN OPERATING CASH FLOW (012-007)	014	65.881.429	
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Proceeds from sale of property, plant and equipment	015	41.268	73.290
2. Net disposal of financial assets	016		
3. Interest received	017	704.617	564.217
4. Dividend received	018		
5. Other cash from investing activities	019		17.598
III. Total cash flow from investing activities (015 do 019)	020	745.885	655.104
1. Purchase of property, plant and equipment and intangible assets	021	10.250.239	12.769.862
2. Purchase of financial instruments	022		
3. Other cash flow used in investing activities	023	336.063	
IV. Total cash flow from investing activities (021 do 023)	024	10.586.302	12.769.862
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025		
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES (024-020)	026	9.840.418	12.114.757
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		19.000
3. Repayment of finance lease	033		
4. Repurchase of treasury shares	034		
5. Other cash flow used in financial activities	035	3.209.430	1.495.463
VI. Total cash flow used in financial activities (031 do 035)	036	3.209.430	1.514.463
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037		
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	3.209.430	1.514.463
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039		
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	78.931.277	4.226.811
Cash and cash equivalents at the beginning of the period	041	224.724.869	159.261.116
Increase in cash and cash equivalents	042	0	0
Decrease in cash and cash equivalents	043	78.931.277	4.226.811
Cash and cash equivalents at the end of the period	044	145.793.593	155.034.305

STATEMENT OF CHANGES IN EQUITY
for the period from 1.1.2018 to 31.3.2018

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	132.863.396	80.075.522
5. Profit or loss for the period	005	19.947.672	30.326.566
6. Revaluation of property, plant and equipment	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial financial assets available for sale	008		
9. Other revaluations	009		
10. Total capital and reserves (AOP 001 do 009)	010	306.825.143	264.840.244
11. Foreign exchange differences from investments in foreign operations	011	-68.459	-62.378
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	-68.459	-62.378
17 a. Parent company share in subsidiary	018	-68.459	-62.378
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	
	31.03.2018.	31.03.2017.	31.03.2018.	31.03.2017.	31.03.2018.	31.03.2017.	31.03.2018.	31.03.2017.	31.03.2018.	31.03.2017.	31.03.2018.	31.03.2017.
	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn
Segment sales revenue	203.419	175.504	95.356	144.191	41.896	39.677	314	1.027	0	0	340.985	360.399
Operating profit	41.047	31.216	12.715	10.581	806	1.403	33	490	-12.235	-14.498	42.366	29.192

2. Transactions with related parties

	31.03.2018.	31.03.2017.
	'000 kn	'000 kn
Total sales	203.841	204.061
Total purchases	70.786	60.058

3. Balances with related parties

	31.03.2018.	31.12.2017.
	'000 kn	'000 kn
Receivable	117.544	105.639
Payable	79.803	124.380

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