

# 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 amounted 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 black ink, appearing to read 'Gordana Kovačević', is placed over a horizontal line.

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



**Balance Sheet**  
as at 31 March 2018

**Issuer: Ericsson Nikola Tesla d.d.**

Item	AOP	Previous period	Current period
1	2	3	4
<b>A) RECEIVABLES FOR REGISTERED UNPAID CAPITAL</b>			
<b>B) NON CURRENT ASSETS (003+010+020+029+033)</b>	<b>002</b>	<b>197.601.203</b>	<b>211.439.168</b>
I. INTANGIBLE ASSETS (004 do 009)	<b>003</b>	1.287.513	1.132.736
1. Research & Development expenditure	<b>004</b>		
2. Patents, licences, royalties, trade marks, software&similar rights	<b>005</b>	1.287.513	1.132.736
3. Goodwill	<b>006</b>	0	0
4. Prepayments for intangible assets	<b>007</b>		
5. Intangible assets under construction	<b>008</b>		
6. Other intangible assets	<b>009</b>		
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	<b>010</b>	98.010.608	98.321.186
1. Land	<b>011</b>	15.605.344	15.605.344
2. Property	<b>012</b>	30.071.396	29.532.587
3. Plants and equipment	<b>013</b>	42.219.839	40.112.828
4. Tools, plants&vehicles	<b>014</b>	8.315.942	8.616.637
5. Biological asset	<b>015</b>		
6. Prepayments for tangible assets	<b>016</b>		
7. Assets under construction	<b>017</b>	1.722.098	4.379.747
8. Other tangible assets	<b>018</b>	75.989	74.043
9. Investments property	<b>019</b>		
III. FINANCIAL ASSETS (021 do 028)	<b>020</b>	28.947.849	28.467.734
1. Investments in subsidiaries	<b>021</b>	1.092.798	1.092.798
2. Loans to subsidiaries	<b>022</b>		
3. Participating interests (stakes)	<b>023</b>		
4. Loans to participating interest	<b>024</b>		
5. Investments in securities	<b>025</b>		
6. Loans & deposits	<b>026</b>	27.855.052	27.374.936
7. Other non-current financial assets	<b>027</b>		
8. Investment accounted by equity method	<b>028</b>		
IV. RECEIVABLES (030 do 032)	<b>029</b>	55.018.983	69.181.262
1. Receivables from subsidiaries	<b>030</b>	1.156.317	1.156.318
2. Receivables from credit sales	<b>031</b>	53.318.299	67.490.857
3. Other receivables	<b>032</b>	544.367	534.088
V. DEFERRED TAX ASSETS	<b>033</b>	14.336.250	14.336.250
<b>C) CURRENT ASSETS (035+043+050+058)</b>	<b>034</b>	<b>592.189.188</b>	<b>526.393.267</b>
I. INVENTORIES (036 do 042)	<b>035</b>	17.347.970	38.408.095
1. Raw materials & consumables	<b>036</b>		747
2. Work in progress	<b>037</b>	17.347.970	38.407.348
3. Products	<b>038</b>		
4. Merchandise	<b>039</b>		
5. Prepayments for inventories	<b>040</b>	0	0
6. Other available-for-sale assets	<b>041</b>		
7. Biological asset	<b>042</b>		
II. RECEIVABLES (044 do 049)	<b>043</b>	345.235.285	281.961.036
1. Receivables for trade debt of subsidiaries	<b>044</b>	186.857.448	161.487.793
2. Trade receivables	<b>045</b>	140.802.419	111.949.865
3. Receivables for trade debts of participating entities	<b>046</b>		
4. Amounts receivable from employees	<b>047</b>		
5. Receivables from government agencies	<b>048</b>	2.239.325	2.301.783
6. Other receivables	<b>049</b>	15.336.093	6.221.594
III. FINANCIAL ASSETS (051 do 057)	<b>050</b>	84.520.095	84.527.688
1. Investments in subsidiaries	<b>051</b>		
2. Loans to subsidiaries	<b>052</b>	0	0
3. Participating interests (stakes)	<b>053</b>		
4. Loans to participating interest	<b>054</b>		
5. Investments in securities	<b>055</b>	84.520.095	84.527.688
6. Loans & deposits	<b>056</b>		
7. Other financial assets	<b>057</b>		
IV. CASH AND CASH EQUIVALENTS	<b>058</b>	145.085.838	121.496.448
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>059</b>	<b>5.066.714</b>	<b>4.971.274</b>
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>794.857.105</b>	<b>742.803.709</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>061</b>		

<b>EQUITY AND LIABILITIES</b>			
<b>A) EQUITY</b> (063+064+065+071+072+075+078)	<b>062</b>	<b>223.456.418</b>	<b>252.735.663</b>
I. SHARE CAPITAL	<b>063</b>	133.165.000	133.165.000
II. CAPITAL RESERVES	<b>064</b>		
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	21.273.156	21.273.156
1. Legal reserves	<b>066</b>	6.658.250	6.658.250
2. Reserves for treasury shares	<b>067</b>	14.895.346	14.895.346
3. Treasury shares and stakes (less)	<b>068</b>	280.440	280.440
4. Statutory reserves	<b>069</b>		
5. Other reserves	<b>070</b>		
IV. REVALUATION RESERVES	<b>071</b>		
<b>V. RETAINED EARNINGS</b> (073-074)	<b>072</b>	4.734.925	68.020.263
1. Retained earnings	<b>073</b>	4.734.925	68.020.263
2. Loss brought forward	<b>074</b>		
<b>VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR</b> (076-077)	<b>075</b>	64.283.338	30.277.245
1. Profit for the financial year	<b>076</b>	64.283.338	30.277.245
2. Loss for the financial year	<b>077</b>		
<b>VII. MINORITY INTEREST</b>	<b>078</b>		
<b>B) PROVISIONS</b> (080 do 082)	<b>079</b>	5.279.213	5.369.862
1. Provisions for redundancy costs	<b>080</b>	5.279.213	5.369.862
2. Provisions for tax obligations	<b>081</b>		
3. Other provisions	<b>082</b>		
<b>C) NON-CURRENT LIABILITIES</b> (084 do 092)	<b>083</b>	<b>15.220.927</b>	<b>15.171.875</b>
1. Amounts payable to subsidiaries	<b>084</b>	1.153.980	1.153.980
2. Liabilities for loans, deposits and other	<b>085</b>	0	0
3. Liabilities towards banks and other financial institutions	<b>086</b>	8.377.944	8.057.003
4. Amounts payable for prepayment	<b>087</b>	0	0
5. Trade payables	<b>088</b>	0	0
6. Amounts payable for securities	<b>089</b>	0	0
7. Liabilities toward participating interests	<b>090</b>	0	0
8. Other non-current liabilities	<b>091</b>	5.689.003	5.960.893
9. Deferred tax	<b>092</b>		
<b>D) CURRENT LIABILITIES</b> (094 do 105)	<b>093</b>	<b>359.589.638</b>	<b>301.358.838</b>
1. Amounts payable to subsidiaries	<b>094</b>	135.507.890	92.051.601
2. Liabilities for loans, deposits and other	<b>095</b>		
3. Liabilities towards banks and other financial institutions	<b>096</b>	0	0
4. Amounts payable for prepayment	<b>097</b>		
5. Trade payables	<b>098</b>	113.421.232	85.448.369
6. Amounts payable for securities	<b>099</b>		
7. Liabilities toward participating interests	<b>100</b>		
8. Amounts payable to employees	<b>101</b>	91.900.759	87.800.749
9. Liabilities for taxes and contributions	<b>102</b>	18.759.757	35.883.351
10. Dividend payables	<b>103</b>		
11. Liabilities directly associated with the assets classified as held for sale	<b>104</b>		
12. Other current liabilities	<b>105</b>		174.769
<b>E) ACCRUED CHARGES AND DEFERRED REVENUE</b>	<b>106</b>	<b>191.310.908</b>	<b>168.167.470</b>
<b>F) TOTAL EQUITY AND LIABILITIES</b> (062+079+083+093+106)	<b>107</b>	<b>794.857.105</b>	<b>742.803.709</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>108</b>		

**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	<b>109</b>		
2. Attributable to minority interest	<b>110</b>		

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 2018 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
<b>I. OPERATING INCOME (112+113)</b>	<b>111</b>	<b>363.404.062</b>	<b>363.404.062</b>	<b>302.451.664</b>	<b>302.451.664</b>
1. Sales revenue	112	359.344.204	359.344.204	297.807.081	297.807.081
2. Other operating income	113	4.059.858	4.059.858	4.644.582	4.644.582
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	<b>334.767.464</b>	<b>334.767.464</b>	<b>260.219.817</b>	<b>260.219.817</b>
1. Changes in inventories of finished products and work in progress	115	14.600.037	14.600.037	-21.059.253	-21.059.253
2. Raw material and consumables used (117 do 119)	116	176.984.245	176.984.245	114.289.723	114.289.723
a) Cost of raw materials & consumables	117	84.769.749	84.769.749	59.525.333	59.525.333
b) Cost of goods sold	118				
c) Other costs	119	92.214.496	92.214.496	54.764.390	54.764.390
3. Staff costs (121 do 123)	120	153.183.251	153.183.251	150.464.196	150.464.196
a) Net salaries	121	79.595.910	79.595.910	83.388.600	83.388.600
b) Employee income tax and contributions	122	53.063.940	53.063.940	47.861.439	47.861.439
c) Employer's contributions	123	20.523.400	20.523.400	19.214.157	19.214.157
4. Depreciation and amortisation expense	124	9.718.008	9.718.008	8.213.327	8.213.327
5. Other costs	125	8.619.656	8.619.656	8.277.923	8.277.923
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
<b>III. FINANCIAL INCOME (132 do 136)</b>	<b>131</b>	<b>645.252</b>	<b>645.252</b>	<b>456.196</b>	<b>456.196</b>
1. Interest, foreign exchange gains, dividends and other income from related parties	132	64.632	64.632	0	0
2. Interest, foreign exchange gains, dividends and other income from non-related and other entities	133	593.589	593.589	448.603	448.603
3. Income from associates and ownership interests	134				
4. Unrealized gains	135				
5. Other financial income	136			7.593	7.593
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	<b>3.685.477</b>	<b>3.685.477</b>	<b>1.850.108</b>	<b>1.850.108</b>
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	3.685.477	3.685.477	1.850.108	1.850.108
3. Unrealized losses	140				
4. Other financial expenses	141	12.969	12.969		
<b>V. SHARE OF INCOME OF ASSOCIATES</b>	<b>142</b>				
<b>VI. SHARE OF LOSS OF ASSOCIATES</b>	<b>143</b>				
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	<b>364.049.314</b>	<b>364.049.314</b>	<b>302.907.860</b>	<b>302.907.860</b>
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	<b>338.452.941</b>	<b>338.452.941</b>	<b>262.069.926</b>	<b>262.069.926</b>
<b>XI. PROFIT OR LOSS BEFORE TAX (146-147)</b>	<b>148</b>	<b>25.596.374</b>	<b>25.596.374</b>	<b>40.837.934</b>	<b>40.837.934</b>
1. Profit before tax (146-147)	149	25.596.374	25.596.374	40.837.934	40.837.934
2. Loss before tax (147-146)	150	0	0	0	0
<b>XII. INCOME TAX EXPENSE</b>	<b>151</b>	<b>5.981.873</b>	<b>5.981.873</b>	<b>10.560.690</b>	<b>10.560.690</b>
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>19.614.501</b>	<b>19.614.501</b>	<b>30.277.245</b>	<b>30.277.245</b>
1. Profit for the period (149-151)	153	19.614.501	19.614.501	30.277.245	30.277.245
2. Loss for the period (151-148)	154	0	0	0	0
<b>ANNEX TO THE PROFIT AND LOSS ACCOUNT (to be filled in by entities submitting consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Attributable to owners of the company	155				
2. Attributable to non-controlling interests	156				
<b>STATEMENTS OF COMPREHENSIVE INCOME (to be filled by entities who work in compliance with IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	<b>19.614.501</b>	<b>19.614.501</b>	<b>30.277.245</b>	<b>30.277.245</b>
<b>II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)</b>	<b>158</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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				
<b>III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD</b>	<b>166</b>				
<b>IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (158-166)</b>	<b>167</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	<b>19.614.501</b>	<b>19.614.501</b>	<b>30.277.245</b>	<b>30.277.245</b>
<b>APPENDIX Statement of Comprehensive Income (to be filled in by entities submitting consolidated financial statements)</b>					
<b>VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD</b>					
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 2018 to 31 March 2018

Issuer: Ericsson Nikola Tesla d.d.			
Item	AOP	Previous period	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	<b>001</b>	25.596.374	40.837.934
2. Depreciation and amortisation	<b>002</b>	9.718.008	8.213.327
3. Increase in liabilities	<b>003</b>		
4. Decrease in receivables	<b>004</b>	6.791.659	50.175.257
5. Decrease in inventories	<b>005</b>		
6. Other increase in cash flow	<b>006</b>	11.007.118	15.811.545
<b>I. Total increase in operating cash flow (001 do 006)</b>	<b>007</b>	<b>53.113.158</b>	<b>115.038.064</b>
1. Decrease in liabilities	<b>008</b>	99.278.181	103.981.216
2. Increase in receivables	<b>009</b>		
3. Increase in inventories	<b>010</b>	14.643.400	21.060.125
4. Other decrease in cash flow	<b>011</b>		
<b>II. Total decrease in operating cash flow (008 do 011)</b>	<b>012</b>	<b>113.921.581</b>	<b>125.041.342</b>
<b>A1) NET INCREASE IN OPERATING CASH FLOW (007-012)</b>	<b>013</b>		
<b>A2) NET DECREASE IN OPERATING CASH FLOW (012-007)</b>	<b>014</b>	<b>60.808.423</b>	<b>10.003.278</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1. Proceeds from sale of property, plant and equipment	<b>015</b>	41.268	73.290
2. Net disposal of financial assets	<b>016</b>		
3. Interest received	<b>017</b>	704.616	561.497
4. Dividend received	<b>018</b>		
5. Other cash from investing activities	<b>019</b>	9.696	17.598
<b>III. Total cash flow from investing activities (015 do 019)</b>	<b>020</b>	<b>755.580</b>	<b>652.385</b>
1. Purchase of property, plant and equipment and intangible assets	<b>021</b>	8.949.715	12.724.034
2. Purchase of financial instruments	<b>022</b>		
3. Other cash flow used in investing activities	<b>023</b>	345.759	
<b>IV. Total cash flow from investing activities (021 do 023)</b>	<b>024</b>	<b>9.295.474</b>	<b>12.724.034</b>
<b>B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)</b>	<b>025</b>		
<b>B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES (024-020)</b>	<b>026</b>	<b>8.539.894</b>	<b>12.071.649</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Proceeds from issuance of financial instruments	<b>027</b>		
2. Proceeds from loans	<b>028</b>		
3. Other cash flow from financial activities	<b>029</b>		
<b>V. Total cash flow from financial activities (027 do 029)</b>	<b>030</b>	<b>0</b>	<b>0</b>
1. Repayment of interest-bearing borrowings	<b>031</b>		
2. Dividend paid	<b>032</b>		19.000
3. Repayment of finance lease	<b>033</b>		
4. Repurchase of treasury shares	<b>034</b>		
5. Other cash flow used in financial activities	<b>035</b>	3.209.430	1.495.463
<b>VI. Total cash flow used in financial activities (031 do 035)</b>	<b>036</b>	<b>3.209.430</b>	<b>1.514.463</b>
<b>C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)</b>	<b>037</b>		
<b>C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)</b>	<b>038</b>	<b>3.209.430</b>	<b>1.514.463</b>
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	<b>039</b>		
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	<b>040</b>	72.557.747	23.589.390
Cash and cash equivalents at the beginning of the period	<b>041</b>	213.375.495	145.085.838
Increase in cash and cash equivalents	<b>042</b>	0	0
Decrease in cash and cash equivalents	<b>043</b>	72.557.747	23.589.390
Cash and cash equivalents at the end of the period	<b>044</b>	140.817.748	121.496.448

**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	<b>001</b>	133.165.000	133.165.000
2. Capital reserves	<b>002</b>		
3. Reserves from profit	<b>003</b>	20.849.076	21.273.156
4. Retained earnings	<b>004</b>	14.668.954	68.020.263
5. Profit or loss for the period	<b>005</b>	109.566.640	30.277.245
6. Revaluation of property, plant and equipment	<b>006</b>		
7. Revaluation of intangible assets	<b>007</b>		
8. Revaluation of financial financial assets available for sale	<b>008</b>		
9. Other revaluations	<b>009</b>		
<b>10. Total capital and reserves (AOP 001 do 009)</b>	<b>010</b>	<b>278.249.670</b>	<b>252.735.663</b>
11. Foreign exchange differences from investments in foreign operations	<b>011</b>	0	0
12. Current and deferred taxes	<b>012</b>		
13. Cash flow hedge	<b>013</b>		
14. Changes in accounting policies	<b>014</b>		
15. Prior year adjustment	<b>015</b>		
16. Other changes in equity	<b>016</b>		
<b>17. Total increase/decrease in equity (AOP 011 do 016)</b>	<b>017</b>	0	0
17 a. Parent company share in subsidiary	<b>018</b>	0	0
17 b. Minority interest	<b>019</b>		

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		Digital services		Managed Services		Other		Unallocated		Total	
	31.03.2018. '000 kn	31.03.2017. '000 kn										
Segment sales revenue	202.715	174.403	94.000	144.237	778	39.677	314	1.027	0	0	297.807	359.344
Operating profit	40.848	30.960	12.637	10.705	761	751	33	491	-12.048	-14.270	42.232	28.637

### 2. Transactions with related parties

	31.03.2018. '000 kn	31.03.2017. '000 kn
Total sales	214.745	206.995
Total purchases	121.617	103.714

### 3. Balances with related parties

	31.03.2018. '000 kn	31.12.2017. '000 kn
Receivable	162.644	188.014
Payable	93.206	136.662

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