

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 H1 2018

Highlights:

- Sales revenue: MHRK **762.4**
- Gross margin: **15.5%**
- Operating profit: MHRK **83.9**
- Profit before tax: MHRK **83**
- Net profit: MHRK **61.5**
- Cash flow from operating activities: MHRK **6.3**

Gordana Kovačević, the President of Ericsson Nikola Tesla comments:

In H1 2018, Ericsson Nikola Tesla Group sales revenue amounted to MHRK 762.4, up by 7.5% year-over-year, mainly driven by higher sales revenue in the domestic market. In line with expectations, services to Ericsson record a growth, primarily due to new responsibilities in R&D as well as in the Services and Solutions Expert Centers. We have continued to invest in preparation for introducing 5G mobile communication systems, in competence development, and in testing systems. During H1, we hired 142 new experts, primarily in R&D in the field of 5G, and thus at the end of H1 Ericsson Nikola Tesla Group had 3,113 employees.

Sales revenue in the domestic market are growing since the operators have increased investments in the modernization of telecommunication networks, in order to respond to the demands of the exponential data traffic growth, while at the same time improving quality and reducing costs. At the beginning of the year, we started activities on modernization of Hrvatski Telekom's radio access networks, which will enable the introduction of 5G technology after the necessary radio frequency spectrum is assigned. We continued to cooperate with Vipnet on the implementation of a multi-year framework agreement that also includes modernization and expansion of radio access network prepared for introduction of 5G. We have achieved good results in the Industry & Society segment as well.

The export markets showed somewhat lower sales revenue, affected primarily by the ramping down of network modernization projects and difficulties in the political and economic environment. In order to strengthen our market position, we continue with intense marketing and sales activities. During the International Economy Fair – Mostar 2018, we have presented our technology solutions for digital economy. Furthermore, with the University of Mostar we have signed an agreement on cooperation in the field of ICT, as well as in science and research activities. We have continued a successful

PRESS INFO

July 24, 2018



cooperation with HT Mostar by signing further expansion and modernization of radio access network, and in order to provide an efficient support to HT Mostar, Ericsson Nikola Tesla has also opened an office in Mostar.

All key performance indicators show a positive trend. Gross profit increased by 23% year-over-year. Operating profit increased by 58.7% due to higher sales revenue, gross margin improvement, lower sales and administrative expenses and lower impact of currency development compared to previous year. Our focus on operational excellence has enabled further cost reduction and an even better utilization of resources. Net profit rose by 64.6% to MHRK 61.5. End of H1 was concluded with a lean balance sheet and an equity ratio of 36.2%. Working capital efficiency, expressed in Working Capital Days (WCD), was 24 days. A positive cash flow from operating activities was realized as a result of proactive collection of receivables from customers. At the end of H1, total cash, including short-term financial assets, amounted to MHRK 227.9.

The Company is using state aids, which are based on registering investment projects and the employment related to these projects, in line with the Investment Promotion and Development of Investment Climate Act from 2012, and the Investment Promotion Act from 2015. In parallel, the Company was granted the maximum amount of MHRK 20 for a project of energy renewal of our buildings and plants, in the framework of financing selected project proposals submitted under the invitation "The increase of energy efficiency and renewable energy sources in manufacturing industries". The funds are to be used by the end of 2020. This project will enable annual savings of more than 4.6 million kWh and at the same time reduce CO2 emission by nearly 1400 tonnes. The project is worth more than MHRK 73 and will be completed within three years.

In line with our business strategy, we continue to strengthen our position in strategic areas: 4G/5G mobile solutions, OSS/BSS, Digital Transformation, Managed Services, IoT and Industry & Society segment. We work closely with our customers to define the optimal business models to enable them new sources of revenue and high quality of end user experience.

Furthermore, our strategic focus is placed on gaining new responsibilities and projects as well as strengthening competitiveness on the global Ericsson market.

In order to respond to a challenging market environment, we adapt our organization and our ways of working, encourage innovativeness and invest in new technologies and the development of new knowledge and skills. We will continue to focus on strategic risk management, cost and operating efficiency."

Financial Highlights for the Group:

- Sales revenue amounted to MHRK 762.4 (H1 2017: MHRK 709), up by 7.5% year-over-year. Of the total sales revenue, domestic market accounted for 25%, services to Ericsson accounted for 63.2% (of which 12.2% relate to Managed Services in Croatia), while other export markets accounted for 11.8%.

PRESS INFO

July 24, 2018



- Sales in the Networks segment amounted to MHRK 463.2 (H1 2017: MHRK 363.4), Digital Services amounted MHRK 206.4 (H1 2017: MHRK 258.1), Managed Services amounted to MHRK 92.4 (H1 2017: MHRK 85.8), and Emerging Business and Other amounted to MHRK 0.3 (H1 2017: MHRK 1.7).
- Gross profit amounted to MHRK 118.5 (H1 2017: MHRK 96.3), up by 23% year-over-year. Gross margin increased to 15.5% (H1 2017: 13.6%).
- Sales and administrative costs were 18.3 % lower year-over-year and amounted to MHRK 35.3 (H1 2017: MHRK 43.1).
- Operating profit amounted to MHRK 83.9 (H1 2017: MHRK 52.9), an increase by 58.7% year-over-year.
- The loss from financial activities was significantly lower year-over-year and amounted to MHRK -0.9 (H1 2017: loss from financial activities was MHRK -4.0).
- Profit before tax increased by 69.8% year-over-year and amounted to MHRK 83 (H1 2017: MHRK 48.9).
- As the State Aid for Research and Development Projects has not yet entered into force, there were no tax incentives for R&D in H1 2018, and the income tax liability was calculated amounting to MHRK 21.6 (H1 2017: MHRK 11.5).
- Net profit increased by 64.6% year-over-year to MHRK 61.5 (H1 2017: MHRK 37.4). ROS was 8.1% (H1 2017: 5.3%).
- Cash flow from operating activities amounted to MHRK 6.3 (H1 2017: MHRK -59.3) due to proactive collection of receivables. Cash conversion rate was 5% (H1 2017: -65%).
- Total cash, including short term financial assets, as at June 30, 2018 amounted to MHRK 227.9 (27.9% of the total assets), while at the end of 2017 it amounted to MHRK 243.8 (29.7% of the total assets).
- As at June 30, 2018, the Company had a lean balance sheet with total assets of MHRK 817.7, 1% lower compared to end-2017, mainly due to lower long-term receivables. At the same time, in line with forecast, the level of inventory increased due to an increased number of ongoing projects. Equity ratio is 36.2% (end 2017: 28.7%).
- With related parties, the transactions were as follows: sales of products and services amounted to MHRK 486.7 (H1 2017: MHRK 450.1), while procurement of products and services amounted to MHRK 153.2 (H1 2017: MHRK 127).
- As at June 30, 2018 balances outstanding with related parties were as follows: receivables amounted to MHRK 114.7 (end of 2017: MHRK 105.6), and payables to MHRK 64.7 (end of 2017: MHRK 124.4).
- New International Financial Reporting Standards, IFRS 15 and IFRS 9 are effective for annual periods beginning on or after January 1, 2018. It is estimated that the effects of the adoption will

PRESS INFO

July 24, 2018



not significantly affect the retained or current earnings of the Company in relation to previous years. The cumulative effect of the adoption is recognized in retained earnings as at January 1, 2018 and the comparative data will not be revised.

Business situation in major markets

In the domestic market sales revenue amounted to MHRK 190.6, an increase by 38% year-over-year.

With strategic partner Vipnet, we continue to cooperate on implementing a multi-year frame agreement that encompasses modernization and expansion of radio access network by using the state-of-the-art products from Ericsson's portfolio. The collaboration in the field of transport telecom network and core network continues, which contributes to an increased quality and new services for end users, such as VoLTE. Continuous testing of new functionalities is ongoing.

During H1, in cooperation with Hrvatski Telekom, the activities on radio access network modernization in the Istrian region were finished, thus creating prerequisites for implementing 5G network in this region. Thus, Istria became the first region in Croatia where HT installed the state-of-the-art equipment, which includes additional capacities of 4G network, as well as the latest functionalities (IoT). Business cooperation in the segment of fixed telecommunication network modernization, and the delivery of telecommunication infrastructure build and maintenance services continues.

For the mobile operator Tele2 we increased the capacity of core and transport network with the aim to ensure sufficient capacities for introducing new services and quick user activation. Furthermore, we have been continuously working on providing support services for voice core network.

In ICT for Industry & Society, we have successfully finished the upgrade of Operational and Communication Center (OKC) of the Ministry of the Interior of the Republic of Croatia. A new, one-year contract was signed with the Ministry of Justice and the State Geodetic Administration on the maintenance of the Joint Information System for Land Registry and Cadaster. With the Ministry of Healthcare of the Republic of Croatia the delivery of a solution for an efficient healthcare system management is ongoing.

In export markets (except Ericsson market) sales revenue amounted to MHRK 90, down by 14% year-over-year.

In the markets of Southeast Europe (Bosnia and Herzegovina, Montenegro and Kosovo) sales revenue amounted to MHRK 45.9, down by 7.6% year-over-year. During Q2, the collaboration with the operators on maintenance and modernization of fixed and mobile networks continued.

In CIS market, sales revenue amounted to MHRK 44.1, down by 19.4 % year-over-year. The results in H1 are in line with expectations. The activities on LTE network build in Belarus are ongoing. Moreover, marketing and sales activities continue with the existing and new customers in telecom segment and e-Health segment.

PRESS INFO

July 24, 2018



In Ericsson market sales revenue amounted to MHRK 481.8, up by 3.3% 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 amounts to MHRK 92.9 (H1 2017: MHRK 85.1).

Ericsson Nikola Tesla's R&D Center continues its activities as planned for 2018, with a focus on expanding the responsibilities for the development of 5G network systems in radio access network, strengthening competencies and technology transfer. The Data Management Unit was focused on establishing the granted global responsibilities for network verification for new products. The activities within other development units were ongoing as planned with a focus on the development of network functions virtualization, with the aim to enable new solutions on the cloud platform.

As part of Ericsson global reorganization, Ericsson Garage Croatia will be transformed into Ericsson ONE. Through Ericsson ONE, a global innovation platform, Ericsson intends to unify and make more efficient all the innovation initiatives within the corporation, and our company, due to numerous innovative solutions, continues to have an important role in Ericsson ONE community.

The experts of Center for Services and Solutions for Networks & Media have been engaged in projects for numerous customers worldwide, such as: A1 Telekom Austria Group, LGI Group, Swisscom Switzerland, 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 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 the customers, such as: A1 Slovenija, British Telecom United Kingdom, DoCoMo Japan, KPN Netherlands, Ogero Lebanon, Post Luxembourg, Swisscom Switzerland, Telekom Slovenije Slovenia, Slovak Telekom Slovakia, TIM Italy, Telefonica Spain, Telenor Hungary, Veon Russia, Vodafone Netherlands, Wind Italy, and Wind Greece. These activities include design, network applications, cloud infrastructure and digital business systems.

Ericsson Nikola Tesla Servisi successfully provided the services of monitoring, maintenance and build of Hrvatski Telekom's telecommunication network. In H1, the realization of key projects regarding fixed infrastructure was finished, and the mobile infrastructure modernization started. An additional progress was achieved in automation of network monitoring, thus realizing the prerequisite for increasing additional value for the strategic customer, as well as to end users of the customer's telecommunication services.

PRESS INFO

July 24, 2018



Other information

At the Annual General Meeting of Ericsson Nikola Tesla joint stock company, held on June 20, 2018, among other decisions, a decision was adopted on dividend payment, amounting to HRK 32.50 per share from retained earnings from 2016 and 2017. The total dividend payment amounting to MHRK 43.3 was paid on July 10, 2018. Shareholders also elected Franck Pierre Roland Bouétard as a new member of the Supervisory Board and reelected Dubravko Radošević as the member of the Supervisory Board.

Ericsson Nikola Tesla major shareholders (as at June 30, 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	42,453	3.19
Zagrebačka banka d.d. / Unicredit Bank Austria AG – clients account	17,000	1.28
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	15,971	1.20
Zagrebačka banka d.d. State Street and Trust Company, Boston	13,050	0.98
PBZ d.d. / custodian client account	9,826	0.74
Addiko Bank d.d. / Raiffeisen mandatory pension fund	7,934	0.60
Splitska banka d.d. /OTP Index fund - open-end alternative investment fund with public offering	7,521	0.56
Other shareholders	424,098	31.85

Share price information in H1 2018:

Highest (HRK)	Lowest (HRK)	Closing (HRK)	Market cap. (In MHRK)
1,240.00	1,035.00	1,045.00	1,391.6

PRESS INFO

July 24, 2018



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 January 2018 to 30 June 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".

PRESS INFO

July 24, 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 30 June 2018

	2018 HRK '000	2017 HRK '000
Sales revenue	762.374	709.044
Cost of sales	-643.844	-612.695
Gross profit	118.530	96.349
Selling expenses	-19.692	-24.794
Administrative expenses	-15.561	-18.350
Other operating income	591	260
Other operating expenses	52	-579
Operating profit	83.921	52.887
Finance expense/income – net	-890	-3.990
Profit before tax	83.031	48.897
Income tax	-21.554	-11.544
Profit for the year	61.477	37.353
Other comprehensive income	-47	-89
Total comprehensive income for the year	61.430	37.263

Ericsson Nikola Tesla d.d.
Consolidated statement of financial position
as at 30 June 2018

	2018 HRK '000	2017 HRK '000
ASSETS		
Non-current assets		
Property, plant and equipment	103.179	108.712
Intangible assets	5.601	6.160
Loans and receivables	55.023	82.874
Equity securities	40	40
Deferred tax assets	14.904	14.901
Total non-current assets	178.747	212.687
Current assets		
Inventories	53.499	18.872
Trade receivables	182.628	144.445
Contract assets*	39.236	0
Receivables from related parties	94.499	104.483
Other receivables	19.774	90.289
Income tax receivable	1.042	986
Financial assets at fair value through profit or loss	84.605	84.520
Prepayments and accrued income	20.373	6.457
Cash and cash equivalents	143.281	159.261
Total current assets	638.936	609.313
TOTAL ASSETS	817.683	822.000
EQUITY AND LIABILITIES		
Equity		
Share capital	133.165	133.165
Treasury shares	-280	-280
Legal reserves	6.658	6.658
Retained earnings	156.536	96.031
Total equity	296.079	235.574
Non-current liabilities		
Borrowings	8.900	8.381
Employee benefits	8.811	8.576
Other non-current liabilities	12.742	13.104
Total non-current liabilities	30.453	30.061
Current liabilities		
Payables to related parties	55.083	113.078
Trade and other payables	171.850	220.390
Contract liabilities*	109.038	0
Income tax payable	21.835	528
Provisions	23.534	26.619
Accrued charges and deferred revenue	109.812	195.750
Total current liabilities	491.152	556.365
Total liabilities	521.604	586.426
TOTAL EQUITY AND LIABILITIES	817.683	822.000

* Following IFRS 15 application

Ericsson Nikola Tesla d.d.
Consolidated statement of cash flows
for the period ended 30 June 2018

	2018 HRK '000	2017 HRK '000
Cash flows from operating activities		
<i>Profit before tax</i>	83.031	48.897
Adjustments for:		
Depreciation and amortisation	18.217	21.789
Impairment losses and reversals	648	1.140
Net increase of provisions	18.037	6.936
Gain on sale of property, plant and equipment	-36	-87
Net loss/(gain) on remeasurement of financial assets	766	158
Amortisation of discount		-3
Interest income	-1.034	-2.317
Interest expense	214	12
Foreign exchange losses/(gains)	-2.505	14.102
Equity-settled transactions		134
	117.337	90.761
<i>Changes in working capital</i>		
In receivables	18.802	-21.035
In inventories	-34.627	-58.719
In payables	-73.386	-51.044
<i>Cash generated from operations</i>	28.126	-40.037
Interest paid	-214	-12
Income taxes paid	-21.613	-19.215
Net cash from operating activities	6.299	-59.264
Cash flows from investing activities		
Interest received	1.258	1.202
Proceeds from sale of property, plant and equipment	95	100
Purchases of property, plant and equipment, and intangible assets	-21.624	-19.977
Deposits given to financial institutions - net		19
Proceeds from sale/(purchases) of financial assets at fair value through profit and loss	24	-8
Net cash used in investing activities	-20.247	-18.664
Cash flows from financing activities		
Dividends paid	-19	-82
Net cash used in financing activities	-19	-82
Effects of exchange rate changes on cash and cash equivalents	-2.014	-3.781
Net decrease in cash and cash equivalents	-15.981	-82.138
Cash and cash equivalents at the beginning of the year	159.261	224.725
Cash and cash equivalents at the end of the year	143.281	142.587

ENCLOSURE 1

Reporting period:

1.1.2018.

to

30.06.2018

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: 3.113
(at the end of year)

Consolidated Report: Yes

Business activity code: 2630

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

Libratel d.o.o.

Zagreb, Selska 93

01449613

ETK BH d.o.o.

Sarajevo, Fra Anđela Zvizdovića broj 1

65-01-0996-11

Ericsson Nikola Tesla d.d. - Branch office of Kosovo Republika Kosova, Kalabria, Obj 1., BII 1, Kati 1 Nr.13

70633647

Ericsson Nikola Tesla Servisi d.o.o.

Zagreb, Krapinska 45

080921748

Ericsson Nikola Tesla BY d.o.o.

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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 30 June 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	178.746.907
I. INTANGIBLE ASSETS (004 do 009)	003	6.159.781	5.601.174
1. Research & Development expenditure	004		
2. Patents, licences, royalties, trade marks, software&similar rights	005	1.986.535	1.427.928
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	103.178.583
1. Land	011	15.605.344	15.605.344
2. Property	012	30.071.396	28.762.221
3. Plants and equipment	013	45.630.313	42.379.944
4. Tools, plants&vehicles	014	15.548.803	15.656.664
5. Biological asset	015		
6. Prepayments for tangible assets	016		
7. Assets under construction	017	1.779.909	702.312
8. Other tangible assets	018	75.989	72.098
9. Investments property	019		
III. FINANCIAL ASSETS (021 do 028)	020	27.895.052	27.942.412
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	27.902.412
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	27.121.032
1. Receivables from subsidiaries	030	1.156.317	
2. Receivables from credit sales	031	53.318.299	26.595.788
3. Other receivables	032	544.367	525.245
V. DEFERRED TAX ASSETS	033	14.901.393	14.903.707
C) CURENT ASSETS (035+043+050+058)	034	602.856.687	618.563.236
I. INVENTORIES (036 do 042)	035	18.871.791	53.498.774
1. Raw materials & consumables	036		
2. Work in progress	037	18.870.116	53.497.004
3. Products	038		
4. Merchandise	039		
5. Prepayments for inventories	040	1.675	1.769
6. Other available-for-sale assets	041		
7. Biological asset	042		
II. RECEIVABLES (044 do 049)	043	340.203.486	337.179.317
1. Receivables for trade debt of subsidiaries	044	104.483.167	114.915.175
2. Trade receivables	045	144.444.882	201.447.500
3. Receivables for trade debts of participating entities	046		
4. Amounts receivable from employees	047		
5. Receivables from government agencies	048	75.614.883	14.043.936
6. Other receivables	049	15.660.555	6.772.706
III. FINANCIAL ASSETS (051 do 057)	050	84.520.295	84.604.590
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	84.604.590
6. Loans & deposits	056		
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	159.261.116	143.280.555
D) PREPAYMENTS AND ACCRUED INCOME	059	6.456.236	20.372.826
E) TOTAL ASSETS (001+002+034+059)	060	821.999.886	817.682.969
F) OFF-BALANCE SHEET ITEMS	061		

EQUITY AND LIABILITIES			
A) EQUITY (063+064+065+071+072+075+078)	062	235.574.056	296.078.644
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	80.163.436
1. Retained earnings	073	13.249.718	80.163.436
2. Loss brought forward	074		
VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR (076-077)	075	67.886.182	61.477.052
1. Profit for the financial year	076	67.886.182	61.477.052
2. Loss for the financial year	077		
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	8.576.219	8.811.327
1. Provisions for redundancy costs	080	8.576.219	8.811.327
2. Provisions for tax obligations	081		
3. Other provisions	082		
C) NON-CURRENT LIABILITIES (084 do 092)	083	21.484.460	21.641.456
1. Amounts payable to related parties	084	6.263.290	6.855.985
2. Liabilities for loans, deposits and other	085	0	0
3. Liabilities towards banks and other financial institutions	086	8.380.524	8.899.678
4. Amounts payable for prepayment	087	0	0
5. Trade payables	088	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	5.885.792
9. Deferred tax	092		
D) CURRENT LIABILITIES (094 do 105)	093	360.614.874	279.560.525
1. Amounts payable to subsidiaries	094	113.078.355	55.082.856
2. Liabilities for loans, deposits and other	095		
3. Liabilities towards banks and other financial institutions	096		875.826
4. Amounts payable for prepayment	097		
5. Trade payables	098	121.407.602	64.156.291
6. Amounts payable for securities	099		
7. Liabilities toward participating interests	100		
8. Amounts payable to employees	101	105.255.147	84.295.814
9. Liabilities for taxes and contributions	102	20.873.771	74.974.970
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	211.591.017
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	821.999.886	817.682.969
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	296.078.644
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 2018 to 30 June 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	719.172.410	353.755.231	773.532.653	427.128.080
1. Sales revenue	112	709.044.246	348.645.144	762.374.355	421.389.548
2. Other operating income	113	10.128.164	5.110.086	11.158.299	5.738.533
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	666.285.092	330.060.287	689.611.700	385.573.488
1. Changes in inventories of finished products and work in progress	115	-58.712.928	-44.325.520	-34.626.888	-14.467.465
2. Raw material and consumables used (117 do 119)	116	300.590.051	155.896.375	297.371.557	173.430.814
a) Cost of raw materials & consumables	117	140.916.817	53.673.768	156.545.952	94.943.259
b) Cost of goods sold	118				
c) Other costs	119	159.673.234	102.222.607	140.825.605	78.487.555
3. Staff costs (121 do 123)	120	374.175.701	190.204.226	368.120.258	186.944.030
a) Net salaries	121	195.855.884	106.545.507	206.870.944	104.715.900
b) Employee income tax and contributions	122	126.315.062	56.457.325	111.920.838	56.322.624
c) Employer's contributions	123	52.004.755	27.201.394	49.328.476	25.905.506
4. Depreciation and amortisation expense	124	21.789.274	10.779.831	18.216.859	8.719.634
5. Other costs	125	25.773.188	15.673.621	29.022.656	19.278.394
6. Impairment losses (127+128)	126	1.136.021	1.160.313	647.517	842.242
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128	1.136.021	1.160.313	647.517	842.242
7. Provisions	129				
8. Other operating expenses	130	1.533.785	671.443	10.859.741	10.825.840
III. FINANCIAL INCOME (132 do 136)	131	1.214.908	553.344	1.082.053	623.119
1. Interest, foreign exchange gains, dividends and other income from related	132	92.152	27.520	0	0
2. Interest, foreign exchange gains, dividends and other income from non-related and other entities	133	1.122.756	525.824	997.758	546.417
3. Income from associates and ownership interests	134				
4. Unrealized gains	135				
5. Other financial income	136	0	0	84.295	76.702
IV. FINANCIAL EXPENSES (138 do 141)	137	5.205.248	1.505.019	1.971.725	146.936
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	4.877.534	1.190.274	1.971.725	146.936
3. Unrealized losses	140				
4. Other financial expenses	141	327.714	314.745		
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	720.387.317	354.308.575	774.614.706	427.751.199
X. TOTAL EXPENSES (114+137+143 + 145)	147	671.490.340	331.565.306	691.583.425	385.720.424
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	48.896.977	22.743.268	83.031.282	42.030.775
1. Profit before tax (146-147)	149	48.896.977	22.743.268	83.031.282	42.030.775
2. Loss before tax (147-146)	150	0	0	0	0
XII. INCOME TAX EXPENSE	151	11.544.129	5.338.092	21.554.229	10.880.289
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	37.352.848	17.405.176	61.477.052	31.150.487
1. Profit for the period (149-151)	153	37.352.848	17.405.176	61.477.052	31.150.487
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	37.352.848	17.405.176	61.477.052	31.150.487
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	37.352.848	17.405.176	61.477.052	31.150.487
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)	158	0	0	0	0
1. Exchange differences arising from foreign operations	159	-89.370	-20.911	-46.692	15.686
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	-89.370	-20.911	-46.692	15.686
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	168	37.263.478	17.384.265	61.430.360	31.166.172
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	37.263.478	17.384.265	61.430.360	31.166.172
2. Attributable to non-controlling interests	170				

CASH FLOW STATEMENT - Indirect method
in the period 01 January 2018 to 30 June 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	48.896.977	83.031.282
2. Depreciation and amortisation	002	21.789.274	18.216.859
3. Increase in liabilities	003		
4. Decrease in receivables	004		18.802.373
5. Decrease in inventories	005		
6. Other increase in cash flow	006	847.679	
I. Total increase in operating cash flow (001 do 006)	007	71.533.929	120.050.513
1. Decrease in liabilities	008	51.044.090	73.385.888
2. Increase in receivables	009	21.035.229	
3. Increase in inventories	010	58.718.798	34.626.983
4. Other decrease in cash flow	011		5.738.653
II. Total decrease in operating cash flow (008 do 011)	012	130.798.117	113.751.523
A1) NET INCREASE IN OPERATING CASH FLOW (007-012)	013		6.298.990
A2) NET DECREASE IN OPERATING CASH FLOW (012-007)	014	59.264.188	
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Proceeds from sale of property, plant and equipment	015	100.182	94.913
2. Net disposal of financial assets	016		
3. Interest received	017	1.201.549	1.258.450
4. Dividend received	018		
5. Other cash from investing activities	019	19.158	23.502
III. Total cash flow from investing activities (015 do 019)	020	1.320.889	1.376.866
1. Purchase of property, plant and equipment and intangible assets	021	19.977.206	21.623.501
2. Purchase of financial instruments	022		
3. Other cash flow used in investing activities	023	353.459	
IV. Total cash flow from investing activities (021 do 023)	024	20.330.665	21.623.501
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025		
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES (024-020)	026	19.009.776	20.246.636
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	82.310	19.000
3. Repayment of finance lease	033		
4. Repurchase of treasury shares	034		
5. Other cash flow used in financial activities	035	3.781.428	2.013.915
VI. Total cash flow used in financial activities (031 do 035)	036	3.863.738	2.032.915
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037		
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	3.863.738	2.032.915
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039		
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	82.137.702	15.980.561
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	82.137.702	15.980.561
Cash and cash equivalents at the end of the period	044	142.587.167	143.280.555

STATEMENT OF CHANGES IN EQUITY
for the period from 1.1.2018 to 30.6.2018

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	132.909.553	80.163.436
5. Profit or loss for the period	005	37.352.848	61.477.052
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	324.276.477	296.078.644
11. Foreign exchange differences from investments in foreign operations	011	-89.370	-46.692
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	-89.370	-46.692
17 a. Parent company share in subsidiary	018	-89.370	-46.692
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		Emerging Business and Other		Unallocated		Total	
	30.06.2018.	30.06.2017.	30.06.2018.	30.06.2017.	30.06.2018.	30.06.2017.	30.06.2018.	30.06.2017.	30.06.2018.	30.06.2017.	30.06.2018.	30.06.2017.
	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn			'000 kn	'000 kn
Segment sales revenue	463.167	363.360	206.446	258.128	92.422	85.832	339	1.724	0	0	762.374	709.044
Operating profit	82.493	52.629	16.647	25.457	2.001	2.744	-19	410	-17.201	-28.353	83.921	52.887

2. Transactions with related parties

	30.06.2018.	30.06.2017.
	'000 kn	'000 kn
Total sales	<u>486.679</u>	<u>450.093</u>
Total purchases	<u>153.215</u>	<u>127.001</u>

3. Balances with related parties

	30.06.2018.	31.12.2017.
	'000 kn	'000 kn
Receivable	<u>114.696</u>	<u>105.639</u>
Payable	<u>64.697</u>	<u>124.380</u>

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