

Ericsson Nikola Tesla d.d.

The Management Report on the Company and Ericsson Nikola Tesla Group business performance with comments on the financial results for the first nine months of 2018

Highlights:

- Sales revenue: MHRK **1,080.5**
- Gross margin: **12.3 %**
- Operating profit: MHRK **81.9**
- Profit before tax: MHRK **84.1**
- Net profit: MHRK **62.3**
- Cash flow from operating activities: MHRK **22.4**

Gordana Kovačević, the President of Ericsson Nikola Tesla commented:

“In the first nine months of 2018, Ericsson Nikola Tesla Group sales revenue amounted to MHRK 1,080.5, up by 1% year-over-year. Increased investments in mobile networks modernization and digital transformation have enabled a strong sales growth in the domestic market. In addition to operators' segment, we also recorded good results in Industry & Society segment. Export markets showed lower sales revenue affected primarily by the ramping down of network modernization projects and challenges related to political and economic situation. Opposed to the sales decline in export markets, Ericsson internal market once again recorded a solid growth and contributed to the stability of financial performance.

We are proud that our experts, together with colleagues from global Ericsson, create technologies that provide opportunities for personal growth and development to individuals, and open new opportunities for globally competitive development to industry and society. Globally, Ericsson collaborates with key partners to enable 5G mobile networks that will offer higher data transfer rates, facilitating services such as 4K/8K video content, solutions based on augmented and virtual reality to end-users. Low network latency and faster data transfer will also enable various industry segments to reduce costs through automation, remote control and Artificial Intelligence in Cloud.

Ericsson Nikola Tesla follows global trends, and this March at the Company's headquarters we were the first in Croatia to demonstrate the possibilities of 5G technology. During summer, we supported leading Croatian operators in their 5G demos in real environment, focusing on end-user services. Furthermore, we have extended our research and development activities, and opened an office in Osijek where approximately thirty employees work on development of 4G and 5G mobile communications. Further employment and expansion of responsibilities is planned.

We also marked the 18th anniversary of Ericsson Nikola Tesla's Summer Camp, which confirms that over the years, numerous young experts have recognized Ericsson Nikola Tesla as a company that offers both advanced technologies and the possibility for career development. From the very beginning, when we initiated Summer Camp in cooperation with the Faculty of Electrical Engineering and Computing of the University of Zagreb, our goal has

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been to enable graduate students to gain their first work experience by working on interesting projects where their talent and innovativeness are recognized. Students from different faculties from Zagreb, Split, Osijek, Rijeka, and neighboring countries participated in this year's Summer Camp and with the help of their mentors worked in teams on projects related to the Internet of Things (IoT), 5G technology, machine learning, radio networks, and R&D tools.

According to the Croatian national report of the recently finished European LIFE Clim'Foot project, Ericsson Nikola Tesla is the only private company in Croatia that calculated its carbon footprint and based on that analysis created a corresponding plan to reduce the Company's impact on the environment and has already undertaken a range of activities. Thus, the Company has started an energy efficiency improvement project co-financed by European Union under the operational program "Competitiveness and cohesion 2014 – 2020".

In terms of financial results, gross profit is up by 4.3%, while operating profit increased by 16.2%, due to slightly increased sales revenue and gross margin, lower sales and administrative costs and less impact of currency deviations compared to the first nine months of the previous year. Net profit rose by 20.2% to MHRK 62.3. End of Q3 was concluded with a lean balance sheet and an equity ratio of 30%. A positive cash flow from operating activities was achieved due to proactive collection of customer receivables. At the end of Q3, total cash and cash equivalents, including short-term financial assets, amounted to MHRK 197.5. Working capital efficiency remained strong, and expressed in Working Capital Days (WCD), was 30. Cash conversion rate was 17%.

In Q3 we have initiated a new strategic planning cycle for the period until 2023, based on continuous analysis of the situation on all relevant markets and projections of ICT industry trends. We remain focused on the following strategic segments: 4G/5G mobile solutions, digital transformation solutions, Managed Services, and solutions in the Industry & Society segment. Furthermore, our strategic focus is placed on gaining new responsibilities and projects and strengthening competitiveness on the global Ericsson market. Our goal is to keep the position as a quality Ericsson center, by efficient service delivery based on key competencies, automation, and advanced solutions for analysis and network management.

In response to challenging market environment, we closely cooperate with customers, adapt our organization and ways of working, and invest in competence development and our technology leadership with a focus on 5G. We stay focused on cost and operating efficiency, capital efficiency and risk management to strengthen the already solid financial foundation of the Company."

Financial Highlights for the Group:

- Sales revenue amounted to MHRK 1,080.5 (first nine months 2017: MHRK 1,069.4), up by 1% year-over-year. Of the total sales revenue, domestic market accounted for 21.5%, services to Ericsson accounted for 64.3% (of which 12.0% related to Managed Services in Croatia), while other export markets accounted for 14.2%.
- Sales in the Networks segment amounted to MHRK 651.7 (first nine months 2017: MHRK 536.6), Digital Services accounted for MHRK 299.5 (first nine months 2017: MHRK 401.7), Managed Services amounted to MHRK 128.6 (first nine months 2017: MHRK 129.2), and the segment Emerging Business and Other amounted to MHRK 0.7 (first nine months 2017: MHRK 1.9).
- Gross profit amounted to MHRK 133.2 (first nine months 2017: MHRK 127.6), up by 4.3% year-over-year. Gross margin increased to 12.3% (first nine months 2017: 11.9%).
- Sales and administrative costs were 14.6% lower year-over-year and amounted to MHRK 52 (first nine months 2017: MHRK 60.9).

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- Operating profit amounted to MHRK 81.9 (first nine months 2017: MHRK 70.4), up by 16.2% year-over-year.
- Gain from financial activities amounted to MHRK 2.2 (first nine months 2017: loss from financial activities was MHRK -2.6).
- Profit before tax increased by 24% year-over-year to MHRK 84.1 (first nine months 2017: MHRK 67.8).
- Net profit was 20.2% higher year-over-year and amounted to MHRK 62.3 (first nine months 2017: MHRK 51.9). Return on Sales (ROS) was 5.8% (first nine months 2017: 4.9%).
- Cash flow from operating activities amounted to MHRK 22.4 (first nine months 2017: MHRK 39). Despite proactive collection of receivables from customers, cash flow from operating activities is lower due to higher inventory in connection with the ongoing networks modernization projects. Cash conversion rate was 17 % (first nine months 2017: 31%).
- Total cash and cash equivalents, including short term financial assets, as at 30 September 2018 amounted to MHRK 197.5 (23.4% of the total assets), while at the end of 2017, it amounted to MHRK 243.8 (29.7% of the total assets).
- As at September 30, 2018, the Company had a lean balance sheet with total assets of MHRK 844.5, 2.7% higher compared to end-2017. The level of inventory significantly increased primarily as a result of ongoing network modernization projects, while other assets are lower compared to end-2017. Equity ratio amounted to 30% (end-2017: 28.7%).
- With related parties, the transactions were as follows: sales of products and services amounted to MHRK 707.7 (first nine months 2017: MHRK 667.0), while procurement of products and services amounted to MHRK 255.7 (first nine months 2017: MHRK 184.8).
- As at 30 September 2018 balances outstanding with related parties were as follows: receivables amounted to MHRK 108 (end of 2017: MHRK 105.6), and payables to MHRK 98.1 (end of 2017: MHRK 124.4).
- It is estimated that the effects of the adoption of International Financial Reporting Standards, IFRS 15 and IFRS 9, effective for reporting periods as of January 1, 2018, will 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 restated.

Business situation in major markets

In the domestic market sales revenue amounted to MHRK 231.8, up by 27.1% year-over-year.

With strategic partner A1 Hrvatska, we continue to cooperate on implementing a multi-year frame agreement that encompasses modernization and expansion of radio access network by using the latest products from Ericsson's portfolio. Furthermore, this July in Zagreb, with the use of Ericsson equipment, A1 demonstrated fully functional 5G technology by achieving data transfer speeds faster than 20Gbit/s in real environment. At the same time, along with record-breaking data transfer speeds, 4 demos were held showing how the upcoming 5G technology will make the life of citizens easier in the field of medicine, traffic, gaming, and video streaming.

The collaboration in the field of transport telecom network and core network continues, which contributes to increased quality and new services for end-users.

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With the operator Hrvatski Telekom (HT), the activities on radio access network modernization in Zagreb are ongoing. HT plans to upgrade radio access network on the entire territory of the Republic of Croatia by the end of 2019. The project encompasses modernization of infrastructure, transport capacities and radio equipment. The first step has already been achieved in Istria by replacing all the existing base stations with 5G compatible base stations. A public demo of 5G functionalities in real environment on the first 5G equipment at the 3.5 GHz frequency spectrum was held in mid-July in Pula. HT has thus demonstrated realistic possibilities of 5G technology expected in Croatia in 2020.

Furthermore, business cooperation in the segment of fixed telecommunication network modernization, and the delivery of telecommunication infrastructure build and maintenance services continues.

With the mobile operator Tele2, we have been working on increasing the voice core network capacity and have contracted the expansion of microwave transport network. Furthermore, we have continued to provide support services for voice core network.

In the segment of ICT solutions for Industry & Society, activities on the implementation and upgrade of the Joint Information System for Land Registry and Cadaster are ongoing. Additionally, during Q3 a contract was signed with the State Geodetic Administration encompassing the service of developing an application solution and implementing a system of cadaster of infrastructure (HR-KI) and One Stop Shop.

In export markets (except Ericsson market) sales revenue amounted to MHRK 153.5, down by 28.4% year-over-year.

In the markets of Southeast Europe (Bosnia and Herzegovina, Montenegro and Kosovo) sales revenue amounted to MHRK 84.4, down by 13% year-over-year. Currently, there are challenges in Bosnia and Herzegovina due to unfavorable economic and political situation. Results achieved on other markets are in line with plans. We would like to highlight the continuation of good cooperation with the operators HT Mostar, Crnogorski Telekom and Ipko on modernization and maintenance of telecommunication networks.

In CIS market, sales revenue amounted to MHRK 69.1, down by 41.2% year-over-year due to fewer new network modernization projects. The main activities are related to LTE network build for the operators beCloud in Belarus and IDC in Moldova. Furthermore, the activities on a complex project of healthcare system informatization in Kazakhstan, in cooperation with the Ministry of Healthcare of the Republic of Kazakhstan, are ongoing. We are also focused on marketing and sales activities with the existing and new customers.

In Ericsson market sales revenue amounted to MHRK 695.2, an increase by 3.4% 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 129.2 (first nine months 2017: MHRK 128.7).

Ericsson Nikola Tesla's R&D Center remains focused on expansion of responsibilities for the development of 5G network systems, strengthening competencies and technology transfer. Over the years, the fastest growing activities and responsibilities have been related to radio development, on 3G/4G/5G projects that are important to Ericsson's strategic plans within the Networks segment. In the segment of User Data Management, we successfully continue working on the development of telecommunication nodes. Currently, transfer of responsibilities for UDM network integration and verification is ongoing. In Development Unit Cloud, we are working on the verification and quality control of HDS products and NFVi solutions. Our experts are also working on virtualization projects for MSC (Mobile Switching Centre) for numerous customers, such as: A1 Slovenia, Vodafone Czech Republic, Sprint IoT USA, TIM Italy, O2 United Kingdom, Alfa MIC1 Lebanon, etc.

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Moreover, the representatives of Ericsson's units that collaborate with our R&D Center (members of the so-called Operative Steering Group) have once again highly evaluated the work of our R&D Center at the meeting held in September. This is a result of our employees' engagement in all business segments, innovativeness and good R&D's strategic positioning, as well as continuous and dedicated team work.

Within Ericsson ONE, a global innovation platform, we continue to work on projects in Segments of Analytics and IoT, with the aim to secure new business growth areas.

Services and Solutions Center for Networks & Media have been engaged in projects for the customers worldwide: A1 Telekom Austria Group, LIGI Group, Swisscom Switzerland, Vodafone Netherlands. These are complex activities in the field of expert analysis, creating new innovative solutions, optimizing and upgrading the existing networks, and consulting. We continued to work on the development and implementation of software tools for mobile networks management and optimization.

Services and Solutions Center for Digital Services was engaged in various projects for the customers, such as: A1 Slovenia, British Telecom UK, Deutsche Telekom Germany, DoCoMo Japan, EURO Information Telecom France, KDDI Japan, KPN Netherlands, Melita Malta, Ogero Lebanon, Post Luxembourg, Swisscom Switzerland, Telekom Slovenije, Slovak Telekom, TIM Italy, Telefonica Spain, Telenor Hungary, Veon Russia, Vodafone Netherlands, Turkcell Turkey, Wind Italy and Wind Greece. The projects include design, network applications, cloud infrastructure, and digital business systems.

Ericsson Nikola Tesla Servisi successfully realized the services of monitoring, maintenance and build of the telecommunication network of HT. The activities on mobile infrastructure modernization and projects regarding fixed infrastructure are ongoing.

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Other information

Ericsson Nikola Tesla major shareholders (as at September 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
Addiko Bank d.d. / PBZ Croatia osiguranje mandatory pension fund, B category	16,810	1.26
Zagrebačka banka d.d. / Unicredit Bank Austria AG – clients account	15,828	1.19
PBZ d.d. / The Bank of New York as Custodian	14,427	1.08
Zagrebačka banka d.d. / State Street and Trust Company, Boston	13,050	0.98
PBZ d.d. / custodian client account	9,826	0.74
Splitska banka d.d. /OTP Index fund - open-end alternative investment fund with public offering	8,412	0.63
Addiko Bank d.d. / Raiffeisen voluntary pension fund	7,934	0.60
Other shareholders	425,923	31.98

Share price information in Q3 2018:

Highest (HRK)	Lowest (HRK)	Closing (HRK)	Market cap. (In MHRK)
1,095.00	1,010.00	1,045.00	1,391.57

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Ericsson Nikola Tesla d.d.
Krapinska 45
Zagreb

OIB: 84214771175

Pursuant to the Articles 462 to 468 of the Capital Market Law (Official Gazette 65/18) 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 Jan 1, 2018 to Sep 30, 2018 present a true and fair view of the financial position of the Company and the Group and of the financial performance and cash flows in compliance with applicable accounting standards.

Managing Director:

Gordana Kovačević, MSc

A handwritten signature in dark ink, appearing to read "Gordana Kovačević".

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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>

ENCLOSURE 1

Reporting period:

1.1.2018.

to

30.09.2018

Quarterly Financial Report TFI-PODTax number (MB): **03272699**Registration number (MBS): **080002028**Personal identification
number (OIB): **84214771175**Issuer: **ERICSSON NIKOLA TESLA D.D. ZAGREB**Postal code and location: **10000** **ZAGREB**Street and number: **Krapinska 45**E-mail: etk.company@ericsson.comInternet address: www.ericsson.hrCode and city / municipality: **133** **ZAGREB**Code and county: **21** **GRAD ZAGREB**Number of employees: **2.348**
(at the end of year)Consolidated Report: **NO**Business activity code: **2630**

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

Book-keeping office:

Contact person: **Tatjana Ricijaš**

(Name and surname of contact person)

Telephone: **+385 (0)1 365 3343**Telefaks: **+385 (0)1 365 3174**E-mail: tatjana.ricijas@ericsson.comName and surname: **Kovačević Gordana**

(authorized representatives)

Documents to be published:

1. Financial Statements (Balance Sheet, Income statement, Cash Flow Statement, Statement of Changes in Equity)
2. Management Commentary Statement with notes
3. Responsibility of the Management for the preparation of the financial statements

(seal)

(signature of authorized representative)

Balance Sheet
as at 30 September 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	197.601.203	170.936.807
I. INTANGIBLE ASSETS (004 do 009)	003	1.287.513	831.110
1. Research & Development expenditure	004		
2. Patents, licences, royalties, trade marks, software&similar rights	005	1.287.513	831.110
3. Goodwill	006	0	0
4. Prepayments for intangible assets	007		
5. Intangible assets under construction	008		
6. Other intangible assets	009		
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	98.010.608	98.186.268
1. Land	011	15.605.344	15.605.344
2. Property	012	30.071.396	28.671.134
3. Plants and equipment	013	42.219.839	43.401.132
4. Tools, plants&vehicles	014	8.315.942	8.829.212
5. Biological asset	015		
6. Prepayments for tangible assets	016		
7. Assets under construction	017	1.722.098	1.609.294
8. Other tangible assets	018	75.989	70.152
9. Investments property	019		
III. FINANCIAL ASSETS (021 do 028)	020	28.947.849	29.139.598
1. Investments in subsidiaries	021	1.092.798	1.092.798
2. Loans to subsidiaries	022		
3. Participating interests (stakes)	023		
4. Loans to participating interest	024		
5. Investments in securities	025		
6. Loans & deposits	026	27.855.052	28.046.801
7. Other non-current financial assets	027		
8. Investment accounted by equity method	028		
IV. RECEIVABLES (030 do 032)	029	55.018.983	28.443.581
1. Receivables from subsidiaries	030	1.156.317	0
2. Receivables from credit sales	031	53.318.299	28.145.199
3. Other receivables	032	544.367	298.381
V. DEFERRED TAX ASSETS	033	14.336.250	14.336.250
C) CURENT ASSETS (035+043+050+058)	034	592.189.188	625.009.926
I. INVENTORIES (036 do 042)	035	17.347.970	135.408.714
1. Raw materials & consumables	036		12
2. Work in progress	037	17.347.970	135.408.702
3. Products	038		
4. Merchandise	039		
5. Prepayments for inventories	040	0	0
6. Other available-for-sale assets	041		
7. Biological asset	042		
II. RECEIVABLES (044 do 049)	043	345.235.285	297.388.798
1. Receivables for trade debt of subsidiaries	044	186.857.448	108.810.109
2. Trade receivables	045	140.802.419	163.686.504
3. Receivables for trade debts of participating entities	046		
4. Amounts receivable from employees	047		
5. Receivables from government agencies	048	2.239.325	18.087.645
6. Other receivables	049	15.336.093	6.804.540
III. FINANCIAL ASSETS (051 do 057)	050	84.520.095	68.514.704
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	84.520.095	68.514.704
6. Loans & deposits	056		
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	145.085.838	123.697.711
D) PREPAYMENTS AND ACCRUED INCOME	059	5.066.714	15.764.861
E) TOTAL ASSETS (001+002+034+059)	060	794.857.105	811.711.594
F) OFF-BALANCE SHEET ITEMS	061		

EQUITY AND LIABILITIES			
A) EQUITY (063+064+065+071+072+075+078)	062	223.456.418	240.168.994
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	4.734.925	24.820.723
1. Retained earnings	073	4.734.925	24.820.723
2. Loss brought forward	074		
VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR (076-077)	075	64.283.338	60.910.115
1. Profit for the financial year	076	64.283.338	60.910.115
2. Loss for the financial year	077		
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	5.279.213	5.525.787
1. Provisions for redundancy costs	080	5.279.213	5.525.787
2. Provisions for tax obligations	081		
3. Other provisions	082		
C) NON-CURRENT LIABILITIES (084 do 092)	083	15.220.927	15.542.701
1. Amounts payable to subsidiaries	084	1.153.980	0
2. Liabilities for loans, deposits and other	085	0	0
3. Liabilities towards banks and other financial institutions	086	8.377.944	9.594.633
4. Amounts payable for prepayment	087	0	0
5. Trade payables	088	0	0
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	5.948.068
9. Deferred tax	092		
D) CURRENT LIABILITIES (094 do 105)	093	359.589.638	313.792.985
1. Amounts payable to subsidiaries	094	135.507.890	107.986.486
2. Liabilities for loans, deposits and other	095		
3. Liabilities towards banks and other financial institutions	096	0	1.062.550
4. Amounts payable for prepayment	097		
5. Trade payables	098	113.421.232	59.317.697
6. Amounts payable for securities	099		
7. Liabilities toward participating interests	100		
8. Amounts payable to employees	101	91.900.759	97.664.623
9. Liabilities for taxes and contributions	102	18.759.757	47.586.861
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	191.310.908	236.681.128
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	794.857.105	811.711.594
G) OFF-BALANCE SHEET ITEMS	108		
ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report)			
A) CAPITAL AND RESERVES			
1. Attributable to equity holders of the parent company's capital	109		
2. Attributable to minority interest	110		

Note 1.: APPENDIX TO THE BALANCE SHEET (to be filled in by entites who submitting consolidated financial statements).

INCOME STATEMENT
for the period 01 January 2018 to 30 September 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	1.074.882.584	362.233.316	959.598.896	283.418.371
1. Sales revenue	112	1.057.560.208	353.088.692	945.433.448	278.488.275
2. Other operating income	113	17.322.376	9.144.625	14.165.448	4.930.096
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	1.007.247.137	345.970.699	879.603.965	286.304.625
1. Changes in inventories of finished products and work in progress	115	-29.415.323	27.335.231	-118.060.606	-82.825.270
2. Raw material and consumables used (117 do 119)	116	512.081.244	146.376.618	462.384.112	186.130.851
a) Cost of raw materials & consumables	117	176.324.914	43.699.277	265.233.860	114.588.127
b) Cost of goods sold	118				
c) Other costs	119	335.756.330	102.677.342	197.150.253	71.542.724
3. Staff costs (121 do 123)	120	459.318.357	149.409.215	473.803.018	169.095.944
a) Net salaries	121	243.723.484	84.859.297	265.032.861	97.136.118
b) Employee income tax and contributions	122	152.742.277	44.812.508	146.569.314	50.366.525
c) Employer's contributions	123	62.852.596	19.737.409	62.200.842	21.593.301
4. Depreciation and amortisation expense	124	27.750.003	8.549.108	22.608.697	6.969.503
5. Other costs	125	26.467.077	5.924.554	26.401.841	5.973.953
6. Impairment losses (127+128)	126	9.447.973	8.311.952	1.503.913	856.396
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128	9.447.973	8.311.952	1.503.913	856.396
7. Provisions	129				
8. Other operating expenses	130	1.597.806	64.020	10.962.990	103.249
III. FINANCIAL INCOME (132 do 136)	131	1.811.547	1.493.178	3.310.214	3.109.233
1. Interest, foreign exchange gains, dividends and other income from related parties	132	136.467	44.316	0	0
2. Interest, foreign exchange gains, dividends and other income from non-related and other entities	133	1.675.079	1.342.790	1.377.625	1.260.938
3. Income from associates and ownership interests	134				
4. Unrealized gains	135				
5. Other financial income	136	0	106.072	1.932.590	1.848.295
IV. FINANCIAL EXPENSES (138 do 141)	137	4.411.851	102.380	1.149.608	5.426
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	4.190.209	102.380	1.149.608	5.426
3. Unrealized losses	140				
4. Other financial expenses	141	221.642			
V. SHARE OF INCOME OF ASSOCIATES	142				
VI. SHARE OF LOSS OF ASSOCIATES	143				
VII. EXTRAORDINARY - OTHER INCOME	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL INCOME (111+131+142 + 144)	146	1.076.694.131	363.726.494	962.909.111	286.527.604
X. TOTAL EXPENSES (114+137+143 + 145)	147	1.011.658.988	346.073.079	880.753.574	286.310.051
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	65.035.143	17.653.415	82.155.537	217.553
1. Profit before tax (146-147)	149	65.035.143	17.653.415	82.155.537	217.553
2. Loss before tax (147-146)	150	0	0	0	0
XII. INCOME TAX EXPENSE	151	15.203.265	4.126.839	21.245.422	56.259
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	49.831.878	13.526.576	60.910.115	161.293
1. Profit for the period (149-151)	153	49.831.878	13.526.576	60.910.115	161.293
2. Loss for the period (151-148)	154	0	0	0	0
ANNEX TO THE PROFIT AND LOSS ACCOUNT (to be filled in by entities submitting consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributable to owners of the company	155				
2. Attributable to non-controlling interests	156				
STATEMENTS OF COMPREHENSIVE INCOME (to be filled in by entities who work in compliance with IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	49.831.878	13.526.576	60.910.115	161.293
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)	158	0	0	0	0
1. Exchange differences arising from foreign operations	159				
2. Revaluation of non-current assets and intangible assets	160				
3. Gains or loss available for sale investments	161				
4. Gains or loss on net movement on cash flow hedges	162				
5. Gains or loss on net investments hedge	163				
6. Share of the other comprehensive income/loss of associates	164				
7. Actuarial gain / loss on post employment benefit obligations	165				
III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (158-166)	167	0	0	0	0
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	168	49.831.878	13.526.576	60.910.115	161.293
APPENDIX Statement of Comprehensive Income (to be filled in by entities submitting consolidated financial statements)					
VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD					
1. Attributable to owners of the company	169				
2. Attributable to non-controlling interests	170				

CASH FLOW STATEMENT - Indirect method
in the period 01 January 2018 to 30 September 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	65.035.143	82.155.537
2. Depreciation and amortisation	002	27.750.003	22.608.697
3. Increase in liabilities	003		
4. Decrease in receivables	004		71.117.176
5. Decrease in inventories	005		
6. Other increase in cash flow	006	3.833.159	17.046.733
I. Total increase in operating cash flow (001 do 006)	007	96.618.305	192.928.144
1. Decrease in liabilities	008	18.264.642	45.114.448
2. Increase in receivables	009	12.804.705	
3. Increase in inventories	010	29.429.826	118.060.744
4. Other decrease in cash flow	011		
II. Total decrease in operating cash flow (008 do 011)	012	60.499.173	163.175.191
A1) NET INCREASE IN OPERATING CASH FLOW (007-012)	013	36.119.133	29.752.952
A2) NET DECREASE IN OPERATING CASH FLOW (012-007)	014		
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Proceeds from sale of property, plant and equipment	015	131.322	113.704
2. Net disposal of financial assets	016	31.759.617	
3. Interest received	017	2.026.387	1.715.101
4. Dividend received	018	77.166	70.243
5. Other cash from investing activities	019		15.988.612
III. Total cash flow from investing activities (015 do 019)	020	33.994.491	17.887.660
1. Purchase of property, plant and equipment and intangible assets	021	22.668.096	24.431.902
2. Purchase of financial instruments	022	7.700	
3. Other cash flow used in investing activities	023	3.219.413	
IV. Total cash flow from investing activities (021 do 023)	024	25.895.209	24.431.902
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025	8.099.283	
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES (024-020)	026		6.544.242
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	119.887.128	43.290.768
3. Repayment of finance lease	033		
4. Repurchase of treasury shares	034		
5. Other cash flow used in financial activities	035	2.246.826	1.306.070
VI. Total cash flow used in financial activities (031 do 035)	036	122.133.954	44.596.837
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037		
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	122.133.954	44.596.837
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039		
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	77.915.539	21.388.126
Cash and cash equivalents at the beginning of the period	041	213.375.495	145.085.838
Increase in cash and cash equivalents	042	0	0
Decrease in cash and cash equivalents	043	77.915.539	21.388.126
Cash and cash equivalents at the end of the period	044	135.459.956	123.697.711

STATEMENT OF CHANGES IN EQUITY
for the period from 1.1.2018 to 30.9.2018

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	4.702.149	24.820.723
5. Profit or loss for the period	005	49.831.878	60.910.115
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	208.548.102	240.168.994
11. Foreign exchange differences from investments in foreign operations	011	0	0
12. Current and deferred taxes	012		
13. Cash flow hedge	013		
14. Changes in accounting policies	014		
15. Prior year adjustment	015		
16. Other changes in equity	016		
17. Total increase/decrease in equity (AOP 011 do 016)	017	0	0
17 a. Parent company share in subsidiary	018	0	0
17 b. Minority interest	019		

Items that decrease equity have negative sign

Items from 001 to 009 are state of balance sheet date

Notes to the Financial Statements

1. Segment reporting

	Networks		Digital services		Managed Services		Emerging Business and Other		Unallocated		Total	
	30.09.2018.	30.09.2017.	30.09.2018.	30.09.2017.	30.09.2018.	30.09.2017.	30.09.2018.	30.09.2017.	30.09.2018.	30.09.2017.	30.09.2018.	30.09.2017.
	'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	648.807	528.792	294.285	397.636	1.629	129.207	713	1.925	0	0	945.433	1.057.560
Operating profit	87.672	63.807	14.342	36.185	1.826	1.846	151	597	-23.997	-34.800	79.995	67.635

2. Transactions with related parties

	30.09.2018.	30.09.2017.
	'000 kn	'000 kn
Total sales	589.045	675.950
Total purchases	268.411	320.015

3. Balances with related parties

	30.09.2018.	31.12.2017.
	'000 kn	'000 kn
Receivable	108.810	188.014
Payable	107.986	136.662

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