ERICSSON NIKOLA TESLA

Management Report on Company's business situation and comments on the financial statements for the first nine months of 2011

Highlights:*

- Orders booked: MHRK **792.4**
- Sales revenues: MHRK **838.1**
- Gross margin: **10.3%**
- Operating profit: MHRK **2.9**
- Net profit: MHRK **25.2**
- Cash flow from operating activities: MHRK **90.5**

* As of Q1 2012, the Company will be reporting key financial indicators in line with Corporate recommendations. Highlights will include sales revenues, gross margin, operating profit, net finance income, net profit and cash flow from operating activities.

Gordana Kovačević, the President of Ericsson Nikola Tesla commented on the Company's performance:

The results of the Company's performance for the first nine months of 2011 show the orders booked decrease, and a slight drop in sales revenue year-over-year. The orders booked decrease of 24% has been primarily due to considerable pressure on prices of products and services as well as reduced investments by operators and government institutions into telecom equipment, services and ICT solutions, both in domestic and export markets. On the other hand, the orders booked in Ericsson market increased year-over year. The total sales revenue trend, year-over-year, reflects 83.7% revenue increase in the regional markets and 5% revenue increase in Ericsson market, thus compensating the revenue decline in both domestic and CIS markets.

The unfavorable political and economic trends have been still present in our major export markets as well as in potential ones. The continued recession and a special tax on mobile services have negatively affected operators' investments in the domestic market. We expect that the announced abolition of this special tax will positively impact the operators' investments in 2012. Furthermore, despite clear indicators by numerous developed economies of positive ICT impact on the society development, strategic projects in Croatia have been continuously postponed. Also, the administrative procedures, including slow decision making by ministries, influence the realization of the already contracted projects.

The gross margin declined considerably year-over-year due to investments into export markets aiming at securing new business and strengthening market share. In addition, the gross margin was impacted by the product/service mix and lower margins on certain projects in the Industry and Society segment as well as further investments into development projects. Also, the already mentioned trend of price pressure has been present in all markets.

The operating profit was influenced by the withholding tax write-off amounting to MHRK 23.7 in Q3 2011, as previously communicated in our result announcements starting from Q1 2011. The tax liability forecast for 2011 and 2012 showed that the Company will again be in a position of no income tax liability for the given years due to other tax reliefs (primarily due to existing R&D supports as well as the considerable tax loss carried forward), and will not be able to use the already approved tax certificates for 2009 for the income tax paid abroad. Therefore, it was necessary to write off these time limited claims, taking into account the precautionary principle.

The Company realized net income of MHRK 25.2. Cash flow from operating activities amounted to MHRK 90.5. After the dividend payment for 2010, totaling MHRK 251.3, the total cash balances, including short-term financial assets at the end of Q3, amounted to MHRK 556.3. The Company has a strong balance sheet with total assets of MHRK 1,123.4 and equity ratio of 75.4%.

In compliance with our strategic priorities, we have been focused on new responsibilities and new customers, thus maintaining and strengthening our market position. We offer the customers latest network transformation solutions and further development in the multimedia segment as well as broadband access through both mobile and fixed networks. We continue to invest into creative and advanced solutions and services, state-of-the-art testing equipment, working conditions and competence development in order to improve the employees' knowledge and skills in the attractive technologies.

There is no doubt that our operating environment will remain challenging in the period to come, so we shall be focused on operating under unfavorable business conditions as well as on a continued strong discipline with regard to risk management and investments, and finding new business models.

Financial Summary:

- Orders booked decreased by 24% year-over-year, and totaled MHRK 792.4, while sales revenue decreased by 1% and totaled MHRK 838.1.

- Domestic market accounts for 25%, exports to other countries 36%, and the export to Ericsson market accounts for 39% of the total sales revenue.
- Sales revenue can be further analyzed by business segments as follows: Network infrastructure including network rollout services MHRK 442 (52.7% of the total sales revenue), Professional services MHRK 369.3 (44.1% of the total sales revenue), and Multimedia solutions MHRK 26.9 (3.2% of the total sales revenue).
- The gross margin amounts to 10.3% (first nine months in 2010:18.4%). The considerable decrease in the gross margin year-over-year was due to the continuous price pressure in all markets as well as investments into export markets aiming at securing new business and strengthening market share. In addition, the gross margin was impacted by the product/service mix, lower margins on certain ICT projects within the Industry and Society segment and further investment into development projects.
- Distribution and administrative expenses have been under control and maintained the low level of MHRK 66.7. The mild increase in expenses year-over-year was mainly due to intensive pre-sales activities.
- Operating profit totaled MHRK 2.9 (first nine months in 2010: MHRK –41.1 including the write-off of Kazakhstan receivables amounting to MHRK126.5). Excluding the Kazakhstan receivables write-off, the operating profit was lower year-over-year due to gross margin decrease and MHRK 23.7 write-off of withholding tax.
- Net finance income totaled MHRK 22.2 (first nine months in 2010: MHRK18.4). The finance income increase primarily reflects the positive currency deviations while the interest rates income and the release of impairment reserves into finance income (discount amortization) were lower year-over-year.
- The Company achieved a net profit of MHRK 25.2 while in the first nine months of 2010 a loss of MHRK 22.7 was recorded due to write-off of Kazakhstan receivables.
- The sustainable growth and development of the Company has been secured by stable liquidity. Cash flow from operating activities totaled MHRK 90.5. Upon the 2010 dividend payout amounting to MHRK 251.3 in June this year, total cash balances including financial assets as of Sep 30, 2011 amounted to MHRK 556.3, which is 49.5% of the total assets.
- The Company has a strong balance sheet with total assets of MHRK 1.123.4 and the equity ratio of 75.4%.

- Major transactions with related parties totaled MHRK 355.9 (first nine months in 2010: MHRK 328.6), and the products and services purchase totaled MHRK 286.6 (first nine months in 2010: 245.6).
- Balances outstanding with related parties as at Sep 30, 2011 totaled MHRK 70.2 (end of 2010: MHRK 75.4), and the payables totaled MHRK 40.5 (end of 2010: MHRK 94.8).
- Disclosure on customer financing risks:
  After MHRK 23.7 withholding tax write-off in Q3 2011, the Company additionally reduced the credit risk. As at Sep 30, 2011 balances outstanding, in respect of customers' loans and receivables, totaled MHRK 339.2 (end of 2010: MHRK 452.7). Included in customer receivables were balances in respect of withholding tax from 2010 and 2011, the recoverability of which depends fully on the amount of the future taxable profit of the Company. The non-recoverability of the given amount may result in reduction of ROS.

Business situation in major markets

Domestic market sales totaled MHRK 208.2, a decrease by 7% year-over-year, primarily due to reduced operators' investments.

The partnership with Vipnet has continued in the segment of extension and modernization of 2G and 3G infrastructure, with a special attention paid to the implementation and testing of new technology solutions. The cooperation has also continued on the core network modernization including implementation and testing of new functionalities as well as in the transmission systems segment.

The cooperation with Croatian Telecom (HT) continued with the project of network transformation into the new generation network, extension of the broadband Internet access as well as testing of the latest wireless access technology. We work with HT on implementation of IMS architecture, which is the backbone of future core network aiming to offering end users numerous, valuable multimedia services and transition to the full implementation of fixed and mobile convergent architecture.

As of the mobile operator Tele2, we have been considerably engaged in further building of 2G and 3G infrastructure, and in implementing new functionalities, especially focusing on transmission rate increase and the service of mobile broadband Internet access coverage.

The major focus in ICT for Industry and Society business segment was on upgrading the national ICT primary healthcare system, realization of Cadastre and Land Database joint information system (ZIS) and the project for modernization of Croatian Railways (HŽ) infrastructure. A contract was signed on "One-Stop-Shop" subsystem development within the ZIS application and Land Database adjustments.

The implementation of ICT infrastructure as a prerequisite for introduction of Care4U-HIS (Care for You- Hospital Information System) in the General Hospital in Gospić has been completed.

In export markets (except for Ericsson market) sales totaled MHRK 301.8, a decrease by 2% year-over-year. These revenues include sales in export markets for Industry and Society business segment, which were classified within Ericsson market in the previous year.

In the regional markets (Bosnia and Herzegovina, Montenegro and Kosovo) sales revenues increased by 83.7% totaling MHRK 183.9, primarily due to the increase of sales revenues in the Bosnia and Herzegovina market. The sales to Montenegro Telecom also increased year-over-year. The expected investments into the Industry and Society segment were not realized due to postponed projects.

During Q3, Ericsson Nikola Tesla made several valuable contracts with BH Telecom on the modernization and extension of the mobile network as well as the modernization and capacity increase of the fixed network. These contracts will enable faster and simpler administration of mobile BH Telecom network users, advanced services and better coverage of users, higher speeds in 3G networks as well as the attractive broadband services of high quality.
The realization of this contract will provide BH Telecom with the possibility to introduce new services to the Bosnia and Herzegovina market, thus following the trends of the leading world operators.

As of ICT solutions in the Industry and Society segment, the project of initial implementation of the unique emergency system number 112 in Bosnia and Herzegovina was completed.

Concerning Montenegro Telekom, a contract was made on the upgrade, extension and modernization of the mobile and fixed networks as well as the implementation of the telephone number portability in mobile and fixed networks. It is to be pointed out that on the basis of the given contract T-Mobile users will be the first ones in Montenegro to be provided access to HSDPA+ technology that enables the data transmission rate of 42 Mb/s. Also, a contract was made on the modernization of the Multimedia Messaging Service Center with the modern Messaging-In-One solution.

Sales revenues from CIS market totaled MHRK100, 50% less year-over-year, primarily due to decreased investment of telecom operators in Belarus reflecting economic and political crisis in the country. It is to be underlined that currently intensive marketing and sales activities are going on in order to win new business regarding modernization and extension of networks with the existing and new customers.
During Q3, the Company signed several contracts in Belarus, Russia and Moldova concerning modernization and extension of mobile and fixed networks as well as IP-oriented solution for business customers. In Armenia, a contract was made on the pilot program for m-health, based on the wireless communications technology and Ericsson Mobile Health package.

As of ICT solutions for Industry and Society business segment in other export markets, currently we are active on the realization of the pilot projects for EMH solutions in United Arab Emirates and India.

In Ericsson market, the sales revenues totaled MHRK 328.1, an increase of 5% year-over-year.

The Research and Development Center continued with the development of new functionalities in the advanced radio networks. Owing to the wide range of competences and longtime successes in the development of a server product line for fixed networks, during the recent revision of responsibility in the fixed network segment within Ericsson Corporation, our centre was awarded new activities and global customer responsibility. It is to mention the intensified activities for France Telecom and new operators in Kuwait and Morocco for which advanced system solutions have been prepared. At the global level, a continued support in the modernization of fixed network has been provided for leading operators, such as Virgin Media, UK Gamme, GTS Poland, RINA India, Tele2 and Telenor as well as HT in the domestic market. The considerable growth resulted in employment of 30 specialists and reassignment of current resources in the Company. Thus, the Unit for fixed networks in Ericssona Nikola Tesla with 160 employees became the leading Ericsson center for fixed telecommunications.
In the Core Network Unit, activities have been continued on design, servers' functionality improvement for mobile network and numerous customizations in compliance with customers' needs. It is to point out comprehensive and large projects, such as the market project solution for the network modernization of the Japanese operator Softbank Mobile, Vfe Egypt, MTN Nigeria, Etisalat/Mobily Saudi Arabia, Bouygues Telecom France, Vfe Spain as well as TIM and WIND/Orange from Italy.
As of the platform segment of activities, it is to mention the current development of hardware and software solutions for LTE generation of EVO IT network. Further on, a large step forward in the area of fixed broadband access was enabled by the construction of the state-of-the art laboratory, thus extending the range of service offering for Ericsson products integration. By application of innovative solutions to meet the customer needs and by observing the highest standards, the new testing laboratory for Connectivity Packet Platform (CPP) activities was built. For its high standards, it was selected the demo centre for Region Western & Central Europe and some other areas.

Service Delivery Center experts continued their activities on numerous projects, such as LTE projects for Vodafone Germany and Vodafone Great Britain, 3G project for Vodafone India, MSC-S BC upgrade for Vodafone Check Republic, IMS upgrade and SGSN swap for Telecom Austria Group and TSS 4.0 project for Netia Poland. This centre offers considerable support to several Ericsson regions, in Broadband, IMS and IP network segment. Furthermore, the technological consulting team has a comprehensive responsibility for Deep Dive measurements. The aim of such measurements is to collect data from the largest world markets and investigate the traffic profile as well as its impact on mobile networks.

The continuous focus on innovations in Ericsson Nikola Tesla resulted in the increased number of patents that are expected to have direct and indirect impact on the business as a whole.

Other information

Ericsson Nikola Tesla major shareholders (as at Sep 30, 2011)

	No. of shares	*% of share capital*
Telefonaktiebolaget LM Ericsson	653,473	49.07
Hypo Alpe-Adria-Bank d.d. / Raiffeisen Mandatory Pension Fund	121,486	9.12
Zagrebačka banka d.d. / custodian client account for Unicredit Bank Austria AG	35,028	2.63
Societe Generale-Splitska banka d.d. / Erste Plavi Mandatory Pension Fund	33,661	2.53
Hypo Alpe-Adria-Bank d.d. / PBZ Croatia osiguranje Mandatory Pension Fund	30,615	2.30
PBZ d.d. / custodian client account	15,814	1.19
Societe Generale-Splitska banka d.d. / AZ Mandatory Pension Fund	15,376	1.15
PBZ d.d. / State Street client account	14,280	1,07
Ericsson Nikola Tesla d.d.	9,052	0.68
PBZ d.d. / The Bank of New York as custodian	8,149	0.61
Other shareholders	394,716	29.65

Q3 2011 share price information:

Highest (HRK)	*Lowest (HRK)*	*Closing (HRK)*	*Market cap. (in MHRK)*
1,435	*1,020.03*	*1,049.98*	*1,398.2*

Ericsson Nikola Tesla d.d.
Krapinska 45
Zagreb

OIB: 84214771175
Tax No.: 03272699

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 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 2011 to 30 Sep 2011 present a true and fair view of the financial position of the Company and of its financial performance and its cash flows in compliance with applicable accounting standards.

Managing Director:

Gordana Kovačević, MSc

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

Communication
Ericsson Nikola Tesla

Balance Sheet
as at 30 September 2011

Ericsson Nikola Tesla d.d.			
Item	AOP	Previous period	Current period
1	2	3	4
A) RECEIVABLES FOR REGISTARED UNPAID CAPITAL	001		
B) NON CURRENT ASSETS (003+010+020+029+033)	002	**153.025.109**	**186.027.076**
I. INTANGIBLE ASSETS (004 do 009)	003	4.813.753	3.982.855
1. Research & Development expenditure	004		
2. Patents, licences, royalties, trade marks, software&similar rights	005	4.813.753	3.982.855
3. Goodwill	006		
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	128.643.277	133.233.490
1. Land	011	15.605.344	15.605.344
2. Property	012	40.243.702	37.761.473
3. Plants and equipment	013	58.452.186	59.513.403
4. Tools, plants&vehicles	014	8.361.181	9.123.179
5. Biological asset	015		
6. Prepayments for tangible assets	016		
7. Assets under construction	017	5.850.402	11.105.468
8. Other tangible assets	018	130.460	124.624
9. Investments property	019		
III. FINANCIAL ASSETS (021 do 028)	020	7.121.093	7.301.009
1. Investments in subsidiaries	021	45.001	45.001
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	7.076.092	7.256.008
7. Other non-current financial assets	027		
8. Investment accounted by equity method	028		
IV. RECEIVABLES (030 do 032)	029	3.282.193	32.344.930
1. Receivables from subsidiaries	030		
2. Receivables from credit sales	031		28.409.804
3. Other receivables	032	3.282.193	3.935.125
V. DEFERRED TAX ASSETS	033	9.164.793	9.164.793
C) CURENT ASSETS (035+043+050+058)	034	**1.265.628.347**	**926.336.206**
I. INVENTORIES (036 do 042)	035	44.773.808	48.631.523
1. Raw materials & consumables	036	5.032.638	3.225.782
2. Work in progress	037	39.473.645	45.384.496
3. Products	038		
4. Merchandise	039		
5. Prepayments for inventories	040	267.526	21.245
6. Other available-for-sale assets	041		
7. Biological asset	042		
II. RECEIVABLES (044 do 049)	043	483.674.671	321.445.849
1. Receivables for trade debt of subsidiaries	044		
2. Trade receivables	045	422.387.287	279.167.053
3. Receivables for trade debts of participating entities	046		
4. Amounts receivable from employees	047		
5. Receivables from government agencies	048	49.975.661	29.834.719
6. Other receivables	049	11.311.723	12.444.077
III. FINANCIAL ASSETS (051 do 057)	050	63.254.351	77.002.312
1. Investments in subsidiaries	051		
2. Loans to subsidiaries	052		
3. Participating interests (stakes)	053		
4. Loans to participating interest	054		
5. Investments in securities	055	63.254.351	77.002.312
6. Loans & deposits	056		
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	673.925.517	479.256.522
D) PREPAYMENTS AND ACCRUED INCOME	059	**6.507.627**	**10.993.740**
E) TOTAL ASSETS (001+002+034+059)	060	**1.425.161.083**	**1.123.357.022**
F) OFF-BALANCE SHEET ITEMS	061	**221.374.495**	**239.038.812**
EQUITY AND LIABILITES			

A) EQUITY (063+064+065+071+072+075+078)	**062**	**1.071.024.009**	**846.746.271**
I. SHARE CAPITAL	**063**	133.165.000	133.165.000
II. CAPITAL RESERVES	**064**		
III. RESERVES FROM PROFIT (066+067-068+069+070)	**065**	37.379.327	37.379.327
1. Legal reserves	**066**	20.109.780	20.109.780
2. Reserves for treasury shares	**067**	33.520.443	33.520.443
3. Treasury shares and stakes (less)	**068**	16.250.897	16.250.897
4. Statutory reserves	**069**		
5. Other reserves	**070**		
IV. REVALUATION RESERVES	**071**		
V. RETAINED EARNINGS (073-074)	**072**	876.418.064	651.015.564
1. Retained earnings	**073**	876.418.064	651.015.564
2. Loss brought forward	**074**		
VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR (076-077)	**075**	24.061.618	25.186.380
1. Profit for the financial year	**076**	24.061.618	25.186.380
2. Loss for the financial year	**077**		
VII. MINORITY INTEREST	**078**		
B) PROVISIONS (080 do 082)	**079**	0	0
1. Provisions for redundancy costs	**080**		
2. Provisions for tax obligations	**081**		
3. Other provisions	**082**		
C) NON-CURRENT LIABILITIES (084 do 092)	**083**	**8.237.487**	**7.281.027**
1. Amounts payable to subsidiaries	**084**		
2. Liabilities for loans, deposits and other	**085**		
3. Liabilities towards banks and other financial institutions	**086**	3.345.829	2.545.678
4. Amounts payable for prepayment	**087**		
5. Trade payables	**088**		
6. Amounts payable for securities	**089**		
7. Liabilities toward participating interests	**090**		
8. Other non-current liabilities	**091**	4.891.658	4.735.349
9. Deffered tax	**092**		
D) CURRENT LIABILITIES (094 do 105)	**093**	**207.995.873**	**141.324.675**
1. Amounts payable to subsidiaries	**094**		
2. Liabilities for loans, deposits and other	**095**		
3. Liabilities towards banks and other financial institutions	**096**	1.672.916	1.795.046
4. Amounts payable for prepayment	**097**		
5. Trade payables	**098**	150.437.350	87.530.610
6. Amounts payable for securities	**099**		
7. Liabilities toward participating interests	**100**		
8. Amounts payable to employees	**101**	42.612.348	37.132.393
9. Liabilities for taxes and contributions	**102**	13.273.260	14.866.626
10. Dividend payables	**103**		
11. Liabilities directly associated with the assets classified as held for sale	**104**		
12. Other current liabilities	**105**		
E) ACCRUED CHARGES AND DEFERRED REVENUE	**106**	**137.903.714**	**128.005.049**
F) TOTAL EQUITY AND LIABILITIES(062+079+083+093+106)	**107**	**1.425.161.083**	**1.123.357.022**
G) OFF-BALANCE SHEET ITEMS	**108**	**221.374.495**	**239.038.812**
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 2011 to 30 September 2011

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**	**856.583.487**	**229.683.527**	**849.568.860**	**251.106.190**
1. Sales revenue	**112**	**844.969.309**	**227.897.196**	**838.127.557**	**247.112.047**
2. Other operating income	**113**	**11.614.177**	**1.786.331**	**11.441.303**	**3.994.143**
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	**114**	**897.684.683**	**216.927.362**	**846.623.694**	**279.227.065**
1. Changes in inventories of finished products and work in progress	**115**	**823.083**	**4.435.487**	**-5.910.851**	**10.058.811**
2. Raw material and consumables used(117 do 119)	**116**	**383.619.088**	**75.117.883**	**474.662.491**	**130.405.825**
a) Cost of raw materials & consumables	**117**	195.532.695	48.107.962	252.398.454	51.056.054
b) Cost of goods sold	**118**				
c) Other costs	**119**	188.086.393	27.009.921	222.264.037	79.349.771
3. Staff costs (121 do 123)	**120**	**305.746.101**	**100.107.751**	**297.925.297**	**97.591.466**
a) Net salaries	**121**	158.771.000	51.962.177	152.222.526	50.859.418
b) Employee income tax and contributions	**122**	102.451.442	33.530.052	98.225.855	32.818.466
c) Employer's contributions	**123**	44.523.659	14.615.522	47.476.917	13.913.582
4. Depreciation and amortisation expense	**124**	**42.595.147**	**13.850.729**	**36.672.238**	**11.909.943**
5. Other costs	**125**	**22.937.585**	**12.717.311**	**15.436.646**	**3.312.274**
6. Impairment losses (127+128)	**126**	**135.393.587**	**4.354.879**	**25.939.635**	**24.211.727**
a) non-current assets (except financial assets)	**127**				
b) current asssets (except financial assets)	**128**	135.393.587	4.354.879	25.939.635	24.211.727
7. Provisions	**129**				
8. Other operating expenses	**130**	**6.570.093**	**6.343.321**	**1.898.238**	**1.737.019**
III. FINANCIAL INCOME (132 do 136)	**131**	**24.882.884**	**6.937.810**	**22.379.576**	**16.418.051**
1. Interest, foreign exhange gains, dividends and other income from related parties	**132**				
2. Interest, foreign exchange gains, dividends and other income from non-related and other entities	**133**	**16.781.718**	**4.610.982**	**18.961.287**	**15.821.695**
3. Income from associates and ownership interests	**134**				
4. Unrealized gains	**135**				
5. Other financial income	**136**	**8.101.166**	**2.326.828**	**3.418.290**	**596.356**
IV. FINANCIAL EXPENSES (138 do 141)	**137**	**6.501.739**	**50.466**	**138.362**	**47.876**
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**	**6.501.739**	**50.466**	**138.362**	**47.876**
3. Unrealized losses	**140**				
4. Other financial expenses	**141**				
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**	**881.466.371**	**236.621.338**	**871.948.437**	**267.524.241**
X. TOTAL EXPENSES (114+137+143 + 145)	**147**	**904.186.422**	**216.977.828**	**846.762.057**	**279.274.941**
XI. PROFIT OR LOSS BEFORE TAX (146-147)	**148**	**-22.720.051**	**19.643.510**	**25.186.380**	**-11.750.700**
1. Profit before tax (146-147)	**149**	0	19.643.510	25.186.380	0
2. Loss before tax (147-146)	**150**	22.720.051	0	0	11.750.700
XII. INCOME TAX EXPENSE	**151**				
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	**152**	**-22.720.051**	**19.643.510**	**25.186.380**	**-11.750.700**
1. Profit for the period (149-151)	**153**	0	19.643.510	25.186.380	0
2. Loss for the period (151-148)	**154**	22.720.051	0	0	11.750.700
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 by entities who work in compliance with IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	**157**				
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)	**158**				
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. Acturial 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**				
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	**168**				
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 2011 to 30 September 2011

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	-22.720.051	25.186.380
2. Depreciation and amortisation	002	42.595.147	36.672.238
3. Increase in liabilities	003		
4. Decrease in receivables	004	566.492.140	104.201.774
5. Decrease in inventories	005	5.966.435	0
6. Other increase in cash flow	006	0	7.390.836
I. Total increase in operating cash flow (001 do 006)	007	**592.333.670**	**173.451.228**
1. Decrease in liabilities	008	112.662.842	78.884.876
2. Increase in receivables	009		
3. Increase in inventories	010	0	4.017.727
4. Other decrease in cash flow	011	137.833.375	
II. Total decrease in operating cash flow (008 do 011)	012	**250.496.217**	**82.902.603**
A1) NET INCREASE IN OPERATING CASH FLOW (007-012)	013	**341.837.453**	**90.548.625**
A2) NET DECREASE IN OPERATING CASH FLOW (012-007)	014	**0**	**0**
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Proceeds from sale of property, plant and equipment	015	37.050	80.030
2. Net disposal of financial assets	016	0	
3. Interest received	017	18.550.190	13.552.997
4. Dividend received	018		
5. Other cash from investing activities	019		
III. Total cash flow from investing activities (015 do 019)	020	**18.587.240**	**13.633.027**
1. Purchase of property, plant and equipment and intangible assets	021	28.063.417	40.457.755
2. Purchase of financial instruments	022	6.485.000	12.866.090
3. Other cash flow used in investing activites	023	109.847	179.915
IV. Total cash flow from investing activities (021 do 023)	024	**34.658.265**	**53.503.761**
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025	**0**	**0**
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES (024-020)	026	**16.071.025**	**39.870.733**
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	0	6.785.316
V. Total cash flow from financial activities (027 do 029)	030	0	6.785.316
1. Repayment of interest-bearing borrowings	031	822.993	842.953
2. Dividend paid	032	158.160.000	251.289.250
3. Repayment of finance lease	033		
4. Repurchase of treasury shares	034		
5. Other cash flow used in financial activities	035	2.383.342	
VI. Total cash flow used in financial activities (031 do 035)	036	**161.366.335**	**252.132.203**
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	**0**	**0**
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	**161.366.335**	**245.346.887**
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	164.400.094	0
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	194.668.995
Cash and cash equivalents at the beginning of the period	041	414.934.971	673.925.517
Increase in cash and cash equivalents	042	164.400.094	0
Decrease in cash and cash equivalents	043	0	194.668.995
Cash and cash equivalents at the end of the period	044	579.335.065	479.256.522

STATEMENT OF CHANGES IN EQUITY

for the period from 1.1.2011 to 30.9.2011

Ericsson Nikola Tesla d.d.

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	37.379.327	37.379.327
4. Retained earnings	004	876.418.064	651.015.564
5. Profit or loss for the period	005	24.061.618	25.186.380
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	**1.071.024.009**	**846.746.271**
11. Foreign exchange differences from investments in foreign operations	011		
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		
17 a. Parent company share in subsidiary	018		
17 b. Minority interest	019		

Items that decrease equity have negative sign
Items from 001 to 009 are state of balance sheet date