

GENERAL REPORT 2008  
Ericsson Nikola Tesla d.d.

## COMPANY POSITION REPORT

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► **GORDANA KOVAČEVIĆ, MSc,**  
President of Ericsson Nikola Tesla d.d.

► **2008 - despite increasingly difficult conditions, the Company is performing according to plan**

In 2008, despite the large global crisis and the fact that trends and conditions in a complex and dynamic industry such as ICT were more demanding than ever before, Ericsson Nikola Tesla's business performance was in line with its plans. Keeping in mind all the circumstances under which we were operating in 2008, I believe we can be satisfied with our results and with the fact that our business remains stable and is growing.

In terms of technology, this past year shall be marked by positive trends in our industry, including the successful entry of mobile broadband access in the market and the exponential growth of mobile users throughout the world. I am optimistic when it comes to the long-term success of our industry, since communication is a basic human need and ICT acts as a catalyst in every society. However, in view of increasingly challenging business conditions, we live in an era of global repositioning and rearranging. This is why innovativeness, new operational models and the ability to quickly adapt are becoming key factors in differentiating between numerous global market players of equal quality, including those in our industry.





Although the current crisis makes long-term planning difficult, Ericsson Nikola Tesla strives to keep its position as a successful and stable organization by taking advantage of adaptable business strategies which are quickly implemented. We have continued to position ourselves in strategic areas in the domestic and international markets with the help of systematic and specific activities directed towards new generation networks and services, multimedia solutions and systems integration. Alongside our strong commitment to R&D and other specialized activities, innovativeness in all our operations, a motivational company culture and social responsibility, this is how we achieved positive business results during the last year to the satisfaction of all our stakeholders.

In 2008 we concentrated on cutting our operational costs even more by optimizing business processes and focusing on risk management, while taking into account business conditions and our strategic goals within different markets. We have also continued to create competitive advantages based on business excellence which is a result of implementing joint resources, offering the best solutions and our experience. Our success in the field of high technology and our high position in the global organization is a result of our speed, knowledge, flexibility, quality, professionalism and a very important element in our field – innovativeness. This is why we improved identifying, developing and rewarding innovative work methods at both the individual and organizational unit levels. Through the local innovation process, our experts created several innovations valued worldwide which improved processes and yielded significant savings. As part of our Company reward and motivation program we obtained 3,000 treasury shares for distributing among employees.

A large part of our activities and achieved profits came from R&D and other professional contributions towards the global organization. This aspect of our operations experienced further growth in 2008, which is in line with the new responsibilities acquired and recruitment conducted since the previous period. Keeping in mind how important this business segment is for the future of the entire Company, in the upcoming period we shall continue to place maximum focus on this area in order to improve our competitiveness.

Our plans have materialized and in some areas even exceeded the previous year results. Thus, profit before tax was 6% higher than in 2007. Compared to the previous year, Ericsson Nikola Tesla yielded the following business results in 2008:

- ▷ MHRK 1,757.5 (MHRK 1,779.9) or 1% decrease in orders booked
- ▷ MHRK 1,800.1 (MHRK 1,781.5) or 1% increase in sales revenue
- ▷ MHRK 212 (MHRK 200.5) or 6% increase in profit before tax when compared to previous year, which is a significantly higher result than planned
- ▷ Positive cash flow from operating activities
- ▷ Motivational company culture, confirmed by the annual employee survey Dialog
- ▷ High esteem level and positive image of Ericsson Nikola Tesla in Croatia apparent in the satisfaction of all its stakeholders - customers, partners, employees, senior public officials, the academic community and the media, which all participated in an independent survey carried out by the Zagreb Institute of Economics.

Thus, in 2008 we retained our financial stability and profitability, job positions and our market position – primarily as the largest Croatian exporter of knowledge.

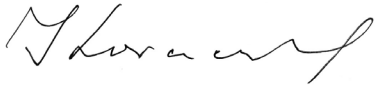
For many years now, in line with the latest markets trends, the Company has been systematically developing its market position within Croatia, Ericsson and export markets throughout Central and Eastern Europe as well as Central Asia. We are now faced with serious challenges and high demands, as we have been many times throughout our lengthy history. As the Croatian leader in the field of high technology, we must maintain our strategic technological focus and reliance on the strong Ericsson brand as well as on our own development, employees and their knowledge. This combination of global and local synergy offers our customers and stakeholders quality, reliability and trust. Based on our experience, I can say that our emphasis on strategic focus areas and internal synergy during difficult market conditions have proven to be crucial for business stability.

Having assessed operational risks for Ericsson Nikola Tesla in 2009, I would like to point out the following:

- ▷ Possible negative impacts due to serious disturbances in the financial market and the beginning of a decline in investment in network development on behalf of operators
- ▷ Further pressure on product and service prices
- ▷ Increasing demand for customer financing
- ▷ Decrease in investments in ICT projects by state administrative bodies, municipal authorities and the business segment
- ▷ Negative impact of a strong HRK and changes in EUR and USD exchange rates
- ▷ Continued political uncertainty and instability in some markets.

The entire world, including Croatia, is searching for new models of sustainable development and true leaders due to the financial crisis. There is a growing need for new skills which are not just of a technical nature but are interdisciplinary, cognitive and problem-solving. During these dynamic times, which include frequent unforeseeable challenges, well-chosen strategy along with quick tactical and operational implementation as well as company leadership come into full play. This is quite a demanding task, yet worth every effort.

All other data which need to be an integral part of the annual company report, in compliance with Article 250a of the Company Act, are to be found in the Annual report for 2008, which is comprised of the General report, Social report and Financial statements as at December 31, 2008.



**Gordana Kovačević,**

President of Ericsson Nikola Tesla d.d.

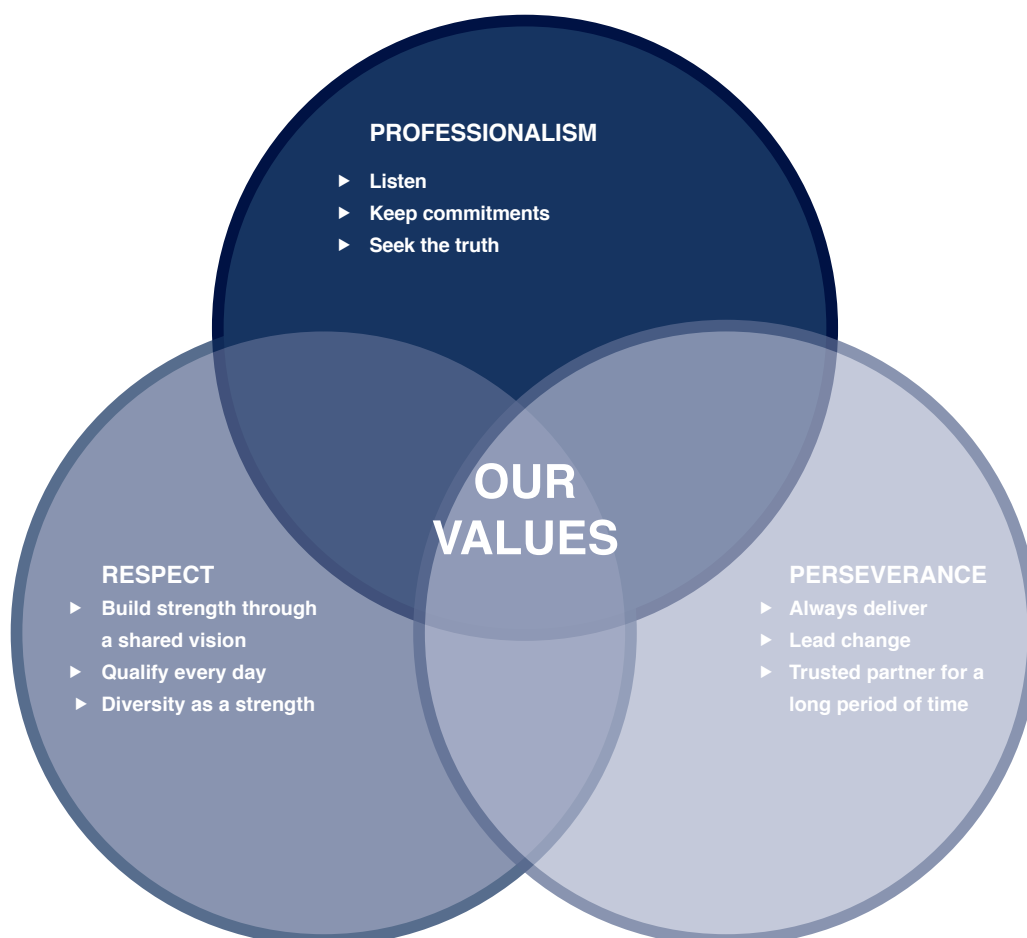


## OUR VALUES

Ericsson Nikola Tesla stimulates a prosperous environment by providing access to cutting-edge information-communications systems and technologies and by offering innovative ICT solutions which improve quality of life and create new values. The Company shares the following core values with the Ericsson Corporation, of which it is a member: professionalism, respect and perseverance.

Added values for all stakeholders, including the wider community, are created by striving towards professional perfection and a developed business culture, which are strongly linked to social responsibility, as well as a constant increase in profitability and operational expertise. Along with this, the Company pays special attention to economic prosperity, social development and environmental protection.

One of Ericsson Nikola Tesla's greatest values is innovativeness. Thus, along with constantly enriching its product and service portfolio, the Company enhances its organization with the aim of implementing Company strategy as efficiently as possible. The Company develops responsible, loyal employees, fully dedicated to benefiting customers, the Company and indirectly the wider community.



## STRATEGY, FOCUS AREAS, PRIORITIES AND TARGETS

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Today's shifting business environment and a dynamic market situation characterized by a strong competition and a fast development of new technologies on one hand and the world recession and its global consequences on the other, challenge very much the sustainability of long-term strategies. Despite this, or exactly for this reason, strategies play a role more significant than ever before. Our business strategies are founded on facts describing the current situation in business and technology segments in all relevant markets and on the trend analysis relating to ICT industry and e-business.

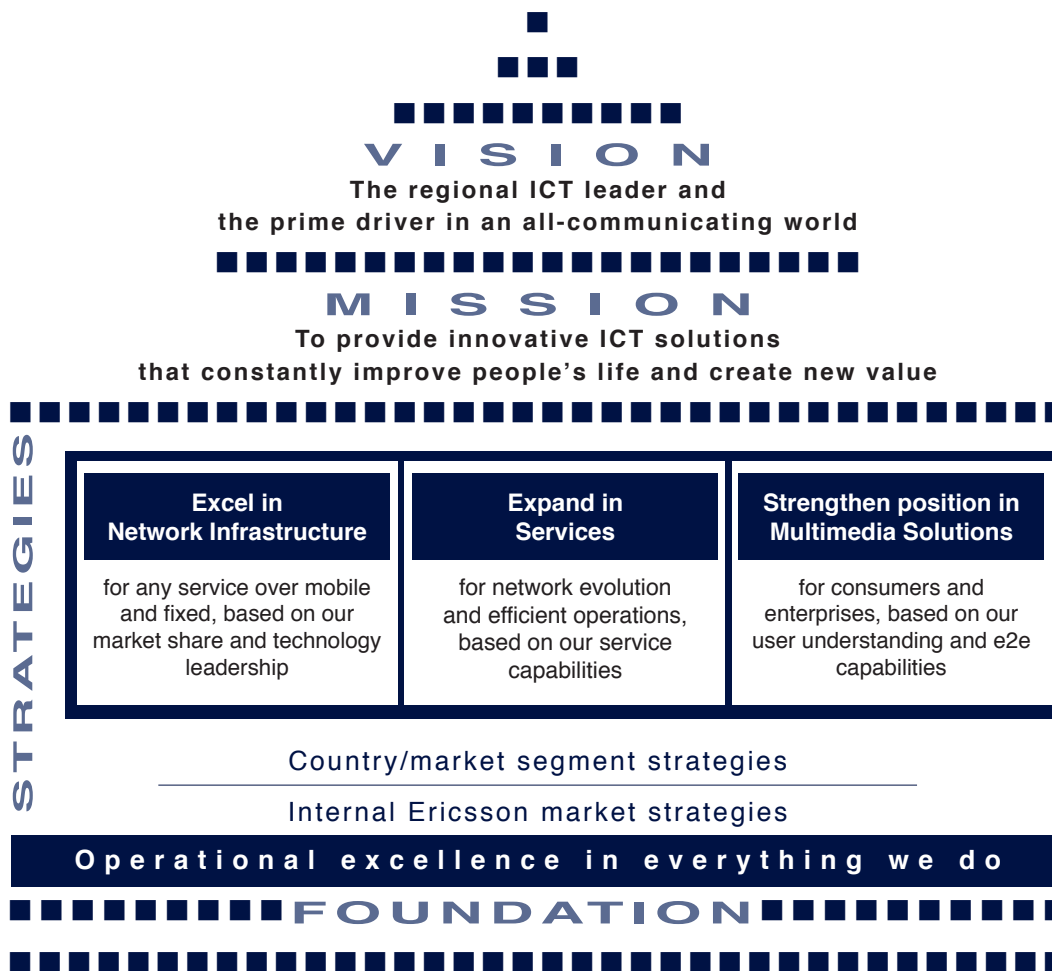
To continue our good performance and to maintain our long-term profitability and market position we have carefully reconsidered, reviewed and defined the Company strategy for the upcoming four-year period. Considering the fact that the Company is in the global Ericsson Group, we have attuned the ETK strategy to Corporate strategy and business processes. The strategy execution and targets achievement are founded on the principles of modern leadership, knowledge sharing and competence development and on proactive and innovative approach in all our activities.

Technology trends indicate a further development of IP-based core networks, a growing broadband access in both wireline and wireless networks and a shift to the new-generation network architecture. Accordingly, a continued dynamic introduction of broadband services and a growing number of Internet users are to be expected. A highly intensive growth of global telecom market is expected in the wireless segment. The convergence of wireless and wireline services and a further convergence of telecom and multimedia industry are in full swing. New business opportunities are unveiled in the informatization of the governmental bodies and enterprises. Focus is put on top quality ICT solutions that are attuned to the requirements and needs of users to enhance their efficiency and competitiveness. ICT remains a business sector with a promising outlook in the worldwide economy. Numerous professional analyses and studies show that today's global society is strongly focused on the use of information and communications technologies. The forthcoming ICT industry development will instill new ways of communicating and working and ensure a much faster knowledge accumulation and utilization.

Ericsson Nikola Tesla's development strategy is focused on strengthening further the Company's position in key business segments in domestic, internal Ericsson and export markets. Our desire is that our customer should perceive us as an innovative and reliable business partner who supports and improves their business operations. Our desire is also to achieve competitive advantage with our operational excellence founded on resources sharing, best solutions and practices. We also wish to attract the best people and to develop and retain competent and motivated high performers; we build on everyone's ambition to succeed in a challenging, competitive and diverse environment.

Ericsson Nikola Tesla's strategic framework is founded on operational excellence; it is composed of the requirements to be met in order to accomplish the Company's vision of the regional ICT leader who drives and directs the communication development. We expect to exceed all previous results, excel in the network infrastructure segment, expand our operations in the services segment and strengthen our position in the multimedia solutions segment. We have developed detailed strategies for particular countries, market segments and the internal Ericsson market as key prerequisites for all technology and business challenges.





This year the Company management has defined four strategic focus areas that are crucial for further development but require commitment from the entire Company:

- ▷ Secure sales growth including broader portfolio
- ▷ Secure healthy margins and cash flow
- ▷ Secure commercial leadership
- ▷ Strengthen hosted functions competitiveness.

To improve tactical and operational deployment we have also defined the Company's priorities. This new concept with top 5 priorities should ensure a faster, more efficient and cost-optimized approach, positive synergy in terms of resources and the carefully orchestrated efforts of the management and employees. Top 5 priorities 2009 include detailed activities that should enable us to achieve financial benefits, strengthen our competitive position and ensure required competency.

Founded on the strategic focus areas (SFA) and priorities the Company's key performance indicators and targets for the forthcoming one-year period have been defined. To balance all the interest areas, the targets are grouped in five perspectives: Financial, Customer, Competitive Position, Internal Efficiency and Employees. Thus defined key targets with clearly set values and ways of measurement are a rational basis for the strategy implementation and execution.

During the upcoming period, Ericsson Nikola Tesla will endeavor to maintain its long-term profitability and market position as its potential for the future, by making strategic business moves alongside the synergic utilization of all its resources.



## BUSINESS ACTIVITIES

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As an integral part of the Ericsson Corporation and the global ICT industry, Ericsson Nikola Tesla focuses on cutting-edge communications solutions and has the status of a "brainware" provider.

The Company's core business activities include the following:

- ▷ Marketing and sales in Croatia, within the Ericsson Corporation and in dozens of export markets in Central and Eastern Europe as well as Central Asia and the Middle East
- ▷ Research and development
- ▷ Design of end-to-end communications solutions
- ▷ System integration for complex systems in all segments of operations
- ▷ Wide range of services
- ▷ Innovativeness in the development of new products, services and business models as well as continuous advancement of existing business processes.

## PRODUCTS AND SERVICES

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We provide our customers with the complete Ericsson portfolio of telecommunications products, solutions and services:

- ▷ Infrastructural telecommunications solutions for mobile and fixed network operators, internet service providers (ISP) and enterprises
- ▷ Solutions in the areas of national and public security
- ▷ Solutions for digital cities
- ▷ Solutions for intelligent transport systems
- ▷ Solutions for broadcast operators as well as television and radio program transmitters
- ▷ Multimedia solutions for media companies and telecommunications operators
- ▷ Information systems and application solutions in e-areas (e.g. e-health)
- ▷ Consulting, implementation, system integration, management and customer support services.







## POSITION IN CROATIA

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Ericsson Nikola Tesla has positioned itself in Croatia as a company that conducts the following:

- ▷ Provides innovative ICT solutions which improve lives and create new values
- ▷ Contributes to the prosperity of its environment by ensuring access to modern information and communications systems and technologies
- ▷ Carries out sophisticated jobs in the area of advanced technology, and plays an active role in e-projects
- ▷ Plays the role of one of the biggest exporters in the country, as well as the biggest knowledge exporter
- ▷ Employs and retains young and talented specialists
- ▷ Initiates and leads positive social and economic changes in Croatia and the countries in which it operates.

## POSITION WITHIN THE ERICSSON CORPORATION

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Due to the competence and skills of its specialists, as well as its work methods and management style, Ericsson Nikola Tesla has been recognized within the Ericsson Corporation as the following:

- ▷ Strong research and development center
  - ▷ Global and regional center of excellence for end-to-end communications solutions
  - ▷ Global and regional service center
  - ▷ Regional center for system integration
  - ▷ Ericsson Mobility World Center within the Market Unit Central Europe
  - ▷ Major e-systems center
  - ▷ Marketing and sales network.
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## SALES AND MARKETING

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In the total 2008 sales revenue the domestic market accounts for 31%, knowledge export to Ericsson for 23%, and export to other countries for 46%.

**In domestic market** we continued our collaboration with the strategic partners Vipnet, T-HT and Tele2 in introducing cutting-edge communications technologies in their networks.

In addition to further 2G and 3G infrastructure evolution and expansion, Ericsson Nikola Tesla collaborates with Vipnet within a long-term frame agreement for 2G and 3G Core Network; pursuant to this the Vipnet network is being migrated to the latest-generation core network infrastructure. T-HT and Ericsson Nikola Tesla collaborate in broadband access network, IP network, transmission systems and multimedia services, specifically for IPTV Head-end equipment. T-HT and Ericsson Nikola Tesla also signed a contract for the IPTV stream and picture quality measurement system, the first of the kind in the country. The Company continued its longstanding collaboration with the mobile operator Tele2 Croatia with an exclusive-supplier contract. Pursuant to this, Ericsson Nikola Tesla has been delivering communications solutions and services for GSM and UMTS systems upgrading and also the transmission equipment.

The sales in the enterprise domain are weaker due to the postponed realization or start of projects, mainly in the government administration and in government-owned enterprise segment.

Sales revenue in domestic market totals MHRK 556.4, slightly down year-over-year (MHRK 560.3).

**In Ericsson Nikola Tesla's export markets** (without knowledge sales in Ericsson market) the sales in 2008 total MHRK 823.9, which is 2% up year-over-year.

In the regional markets (Bosnia and Herzegovina, Montenegro and Kosovo) the Company achieved excellent business results. Total sales revenue increased 7.2% year-over-year to MHRK 417, out of which MHRK 224.9 alone were achieved in Bosnia and Herzegovina.

A remarkable success is the contract for the implementation of 3G HSPA solution in the BH Telecom network, signed end of 2008. Over the year Ericsson Nikola Tesla and BH Telecom concluded several contracts for the expansion and modernization of wireless and wireline telecom networks and for the service network expansion. With the operator HT Mostar the Company agreed a GSM wireless network expansion and upgrading the GSM radio access network. In addition, a contract for the healthcare networking information service was concluded with the Mostar Clinical Hospital.

In Montenegro, the Company contracted the Emergency Call Center – Center 112. It is about the turn-key solution that includes all required hardware and network components and also the system and application software.

In the Kosovo market, work on GSM network expansion for the mobile operator Ipko was continued. The company strengthened its position in the market by signing a contract with a new customer, the operator PTK (Post and Telecommunications of Kosovo J.S.C.), for the wireline broadband access to the Internet contents and services based on the cutting-edge VDSL2 technology.

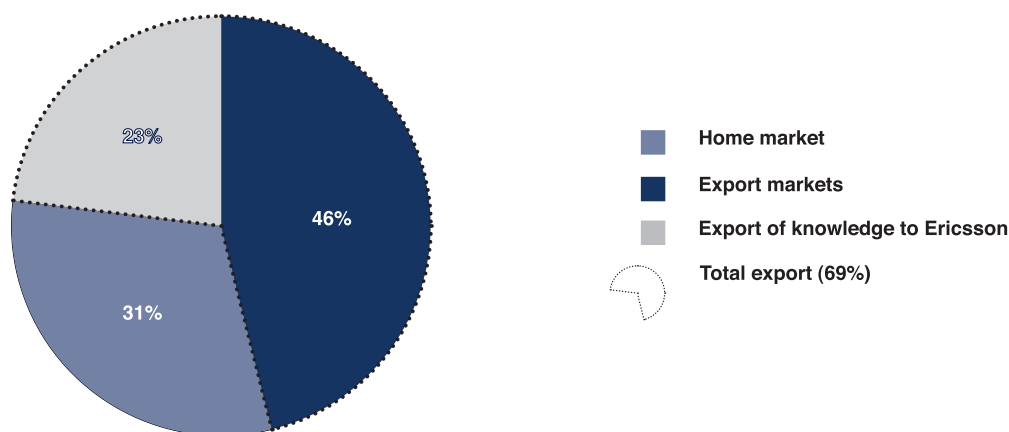
In the Commonwealth of Independent States, CIS, the longstanding cooperation between Ericsson Nikola Tesla and FE VELCOM, the first GSM operator in Belarus, continued with a contract for a major GSM network expansion, including the





### Three Company cornerstones

(% of net sales 2008)



delivery of switching, radio and transmission equipment and services. Over the year the Company signed a number of other contracts in the CIS market, both with its traditional and with new business partners. The contracts include the expansion and modernization of wireline telecom networks, solution delivery for a wireline broadband network and delivery of the cutting-edge IP-oriented solutions for enterprises. The sales revenue in the market totals MHRK 406.9, down 2.7% year-over-year, primarily due to global financial crisis, but also because of postponed realizations.

**Knowledge sales in Ericsson market** by Research and Development Center (R&D) and Global Service Delivery Center (GSDC) as well as by units responsible for customer solution and services, account for a significant share in overall business results. Export to Ericsson in 2008 totals MHRK 419.7, up 1.6% year-over-year.

R&D Center obtained additional responsibilities regarding the integration and verification services and broadened its responsibilities and competences in IP technology. The software development activities are oriented to the latest-generation network nodes and traffic routers for wireless and wireline users. Research is focused on several Company projects covering a wide range of activities, from new ICT areas up to standardization and prototype solution realization.

The Global Service Delivery Center, GSDC Croatia, was certified for the second level of Ericsson's Service Delivery Maturity Model, SDMM. It is a complex matrix model where the maturity is viewed from three aspects – people management, delivery performance and organizational culture. GSDC additionally strengthened its position in wireless telephony by acquiring the authorization from the Ericsson Corporation for service delivery in wireless core networks domain. The Center also obtained a new responsibility as a global competence center for IMS (IP Multimedia Subsystem).



## SCIENTIFIC AND RESEARCH ACTIVITIES

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The R&D Center that operates within Ericsson Nikola Tesla is one of Ericsson's largest R&D Centers. Alongside many design projects within R&D, activities in the research area are also significant. Very successful and continual cooperation with eminent Croatian faculties, namely the Faculty of Electrical Engineering and Computing (FER), at the University of Zagreb, and the Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture (FESB), at the University of Split, brought about interesting and useful results.

The major common projects were Agent-based Service & Telecom Operations Management (A-STORM) with the goal of proposing business-driven and context-aware provisioning of personalized/group-oriented services in converged telecom networks; Future Advanced Multimedia Service Enablers (FAME) with the goal of proposing advanced enablers for future multimedia services (e.g. session-level QoS signaling and negotiation for multimedia services) and Application of Sensor and Mobile Ad hoc Networks in Telecommunications (S-Net) with the goal of providing concept, architecture and technology mapping of the machine2machine (M2M) system to integrate wireless sensor networks in telecommunications IP services frameworks.

During the year, our experts were also active in the scientific project New Architectures and Protocols in Converged Telecommunications Networks which is co-financed by the Croatian Ministry of Science, Education and Sports. The Company currently has two EU-funded projects: the first one is the Middleware Platform for eMPOWERing Cognitive Disabled and Elderly (M-POWER) which is in its final phase. During the year, significant contributions from our employees led to very appreciated project results. The second project, Quality Impact Prediction for Evolving Service-oriented Software (Q-ImPrESS) was initiated at the beginning of the year. Additionally, participation in the EU Tempus Project with the objective to build program engineering competence centers in Croatia (KISEK project) was continued.

The highlight of the year was the very successful Summer Camp 2008 in which 38 students from both Zagreb and Split participated and whose main theme was Enabling Technologies and Methods for Next Generation Services. The camp lasted from June 30 till September 12. The goals of the Summer Camp were to study selected problems relevant to the active research and development projects within the R&D Center as well as to the e-health unit. The general idea was to propose innovative solutions and prototype applications, with the active involvement of students in research. Selected areas of interest included: e-health applications, agent-based provisioning of personalized/group-oriented services in converged telecom networks, advanced enablers in IMS, and software engineering practices, as well as a set of topics related to innovations and improvements in R&D. Project management activities included regular steering meetings held during the course of the Summer Camp.





## EVENTS IN 2008

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- ▶ Regular annual press conferences for Ericsson Nikola Tesla were held in Zagreb and Split to present business results from 2007 and the outlook for 2008.
- ▶ Ericsson Nikola Tesla organized the Ericsson Sailing Tour 2008 in Dubrovnik, which was an event combining sailing and a presentation of the latest multimedia functionalities. More than a hundred high-ranking representatives of the leading operators in Central Europe as well as domestic business systems providers attended the event.
- ▶ Ericsson Nikola Tesla became a partner of the Croatian Olympic Committee for innovative technical solutions.
- ▶ The 31st MIPRO, being the largest international conference on ICT and microelectronics in Croatia and this part of Europe, was held. Ericsson Nikola Tesla's specialists actively participated in the conference.
- ▶ The Annual Shareholders' Meeting of Ericsson Nikola Tesla was held.
- ▶ Ericsson Nikola Tesla presented its Intelligent Transport System concept to the public.
- ▶ A delegation from the Ministry of Finance, headed by Finance Minister Ivan Šuker, paid a visit to the company.
- ▶ For the eighth consecutive time, Ericsson Nikola Tesla presented the attractive new features of its corporate portfolio during the Information and Communications Technology Festival (INFOFEST) held in Budva.
- ▶ The theme of Ericsson Nikola Tesla's third Suppliers' and Business Partners' Day was directed towards relationships with suppliers whose products, solutions or services were integrated into Company solutions for customers.
- ▶ Ericsson Nikola Tesla's innovation process was presented at the first Zagreb Economic Forum.
- ▶ The President of Ericsson Nikola Tesla, Gordana Kovačević, MSc, participated in the activities of the Regional Economic Forum for Member States of the Central European Free Trade Agreement (CEFTA), during the conference relating to "Business Advantages and Obstacles in the Region".
- ▶ Ericsson Nikola Tesla's experts held a well-received presentation in front of more than 200 attendees during the 11th Croatian Call Center Conference.
- ▶ Ericsson Nikola Tesla's 10th annual Family Day was celebrated by more than 2,000 employees, pensioners and their family members.
- ▶ With the aim of ensuring quality staff for the future, for the second consecutive year, the Company established a scholarship award program for regular students attending their final years of the Faculty of Electrical Engineering and Computing (FER) and the Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture (FESB).
- ▶ The Company celebrated the end of another successful business year at its Christmas party which included over 600 guests from Croatia, the region and the Corporation.

## COMPANY PERFORMANCE

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► **OSCAR WALLSTÉN,**  
Finance Director of Ericsson Nikola Tesla d.d.

The first half of 2008 was just an extrapolation of the positive business development as we had in 2007. During the autumn, we saw an enormous uncertainty spread on the market. This uncertainty derived from the banking sector. Despite the general financial slowdown, we managed to deliver a sales growth of 1% YoY. Once again export markets and in particular the neighboring markets, stood for the increase of business volumes.

► **Macro development**

The free fall of the USD suddenly changed into an unexpected and strong appreciation. The kuna/euro rate, due to less FDI and a lower general demand for kuna, depreciated by the end of the year. If it would not have been for a decisive and brave currency policy by The Croatian National Bank, I am sure we would have had a much weaker kuna today. We have actively worked on lowering our exposure to foreign currencies, in particular to the US dollar. Our ambition is to generate profit and cash flow from operations and secure as limited exposure as possible from the financial market movements.





## FINANCIAL HIGHLIGHTS 2008

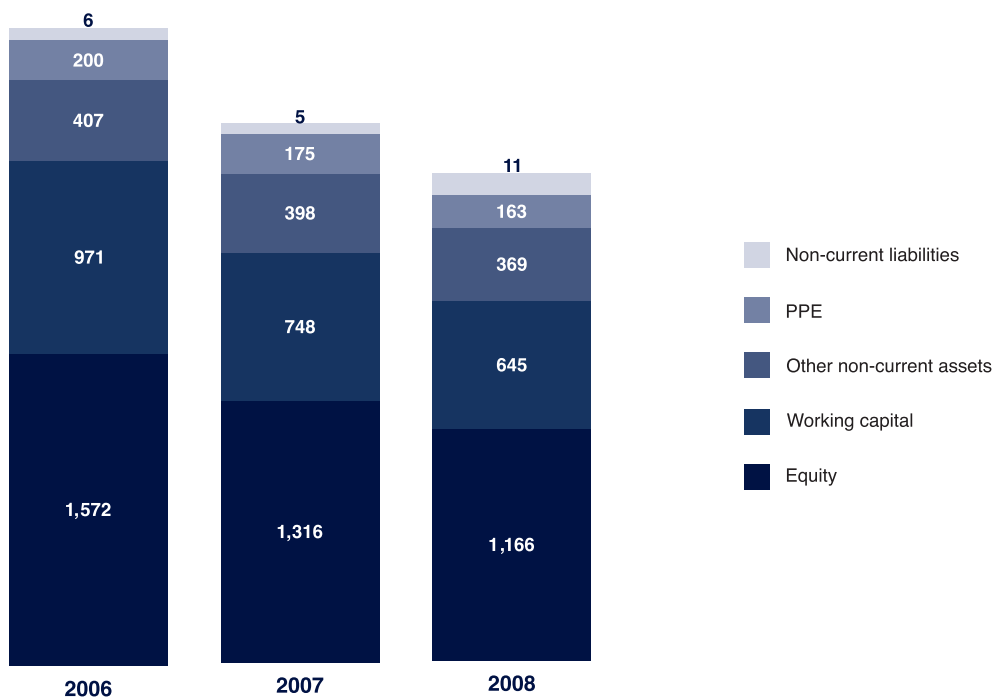
	in MHRK, except per share amounts		
	2008	2007	2006
<b>Profitability:</b>			
Sales revenue	1,800	1,781	1,634
Operating profit	163	137	198
Pretax profit	212	201	265
Profit for the year	204	200	234
Operating expenses	165	158	163
Operating expenses/Sales revenue	9%	9%	10%
Earnings per share (EPS) in HRK	155	152	177
<b>Financial position at year-end:</b>			
Total assets	1,521	1,734	1,943
Working capital	645	748	971
Capital employed	1,177	1,321	1,579
Equity	1,166	1,316	1,572
Cash and cash equivalents	318	338	281
<b>Ratios:</b>			
Return on equity	16%	14%	15%
Return on capital employed (ROCE)	17%	14%	17%
Equity ratio	77%	76%	81%
Capital turnover	1.4	1.2	1.1
Current ratio	2.9	2.8	3.7
P/E ratio	7.7	22.5	14.1



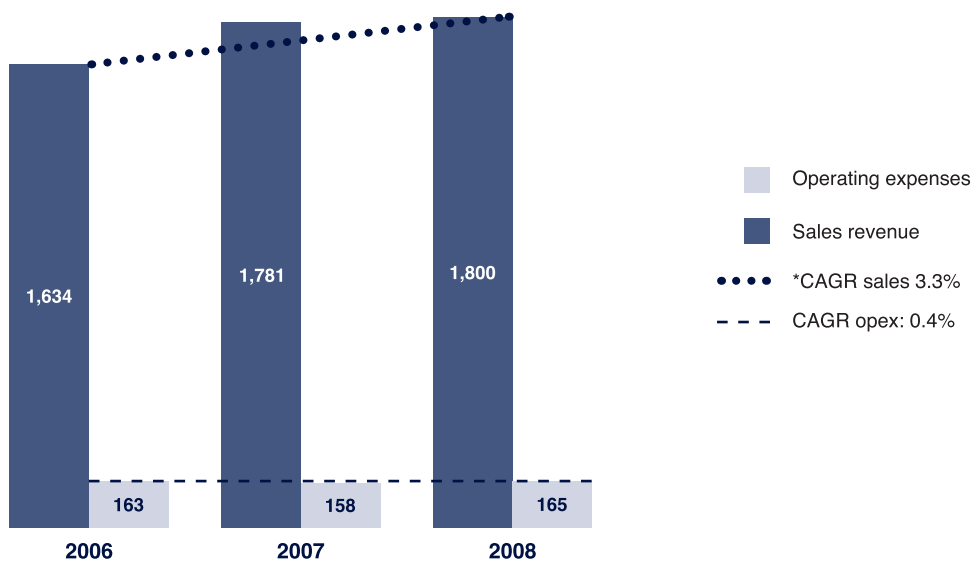




Balance sheet structure (in MHRK)



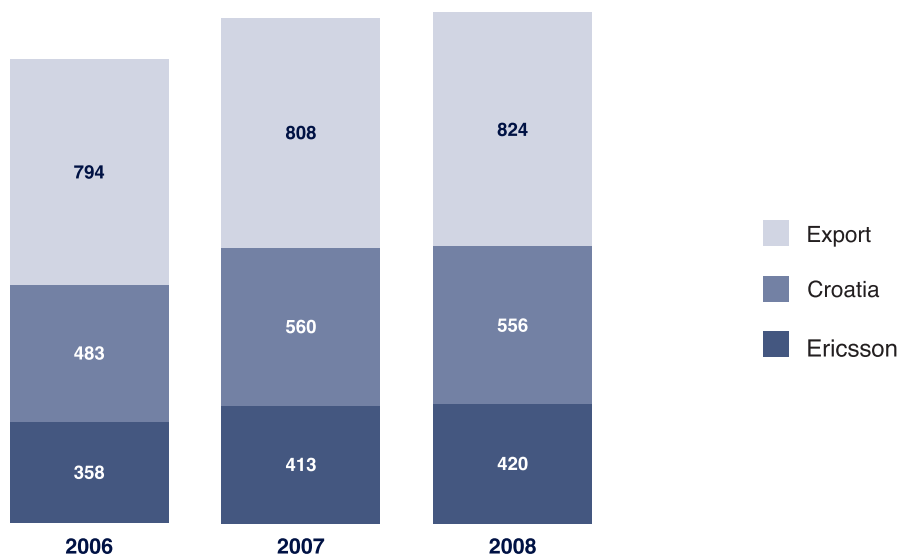
Sales revenue and operating expenses (in MHRK)



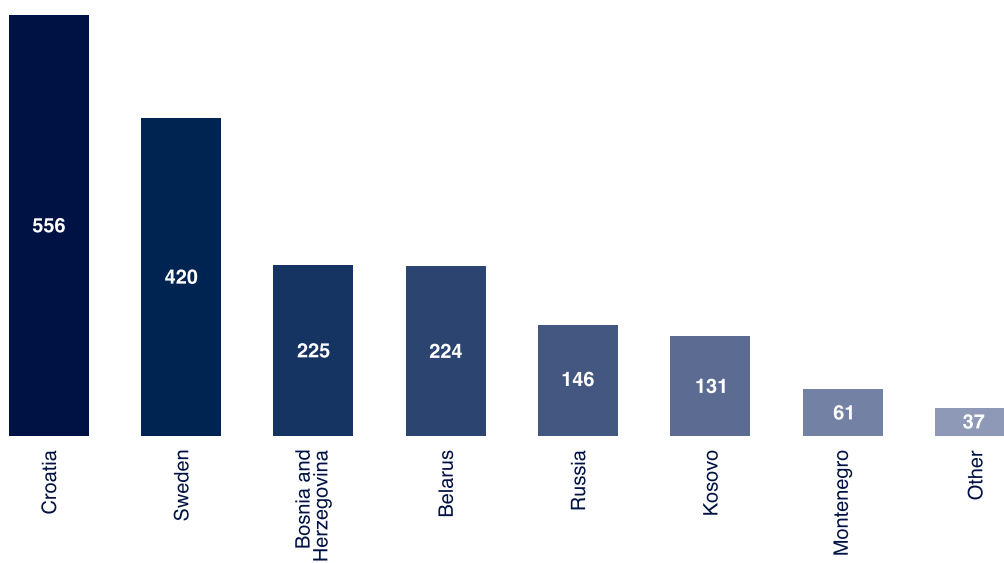
\*CAGR (Compound Annual Growth Rate)



Sales revenue by ETK cornerstones  
(in MHRK)



Sales revenue by markets in 2008 (in MHRK)





## INFORMATION FOR SHAREHOLDERS

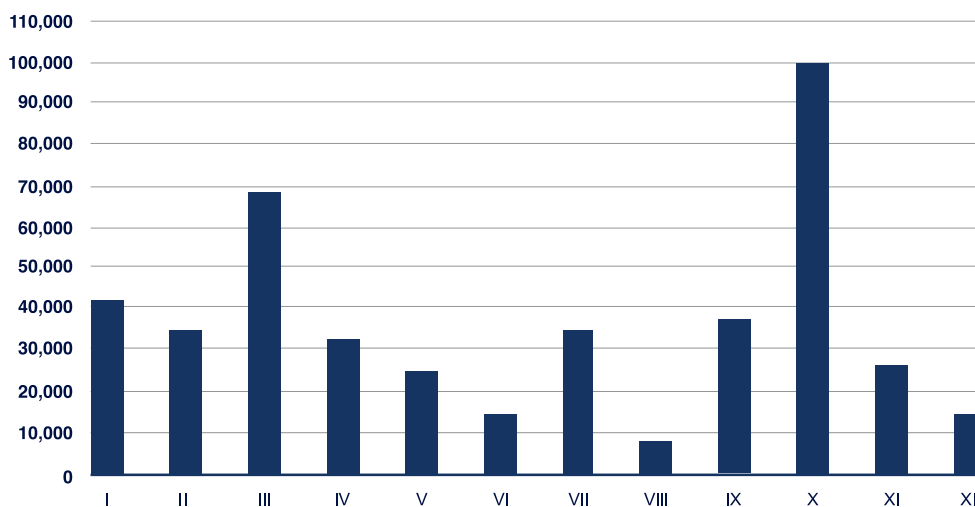
Shares of Ericsson Nikola Tesla (ERNT-R-A) were listed in the quotation of public joint stock companies in the Zagreb Stock Exchange on July 17, 2003. Following the entry into effect of the new Capital Market Act, in January 2009, shares are being traded in the "Regular Market".

### ► Share trading and price movement

During 2008 almost 440,000 shares were traded – 56% more than in 2007. Total turnover is insignificantly higher than last year's but significantly higher than in 2006, amounting to MHRK 952. Ericsson Nikola Tesla's shares are the fifth most liquid in the Zagreb Stock Exchange, with a 5.4% share in the total turnover.

In 2008 Ericsson Nikola Tesla's market capitalization decreased by 65% to MHRK 1,598 (MHRK 4,554.2 in 2007). The official stock market index (CROBEX) recorded a decrease of 67%.

Trading volume in 2008



Month	No. of shares
	ZSE
I	42,442*
II	34,972
III	68,571*
IV	32,660
V	25,307
VI	14,763
VII	34,854
VIII	7,729
IX	37,806*
X	100,065
XI	26,268
XII	14,522
<b>Total</b>	<b>439,959*</b>

\*including regular and block transactions



Average daily share price movement 2003 - 2008 in the ZSE  
(in HRK)



Share price and turnover	2003	2004	2005	2006	2007	2008
Highest (HRK)	475	1,550	2,300	2,600	4,300	3,490
Lowest (HRK)	250	440	1,495	1,850	2,450	1,000
Last – end of year (HRK)	445	1,480	1,914	2,500	3,420	1,200
Turnover (MHRK)	117.6	313.8	638.4	500.7	947.4	952.0

ERNT-R-A share price and CROBEX movements in 2008





► **Share capital**

As of December 31, 2008 the share capital of the joint stock company Ericsson Nikola Tesla amounted to HRK 133,165,000 divided into 1,331,650 ordinary registered series A shares. Each share carries one vote at the General Shareholder's Assembly. At the end of 2008 the total number of treasury shares was 13,588 (1.02% of the share capital). The shares are under the ownership of 6,313 shareholders.

► **Shareholders**

Below is a list of Ericsson Nikola Tesla's major shareholders as at December 31, 2008.

Shareholders	No. of shares	Percentage of share capital
Telefonaktiebolaget LM Ericsson	653,473	49.07%
Hypo-Alpe-Adria-Bank d.d. / Raiffeisen mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.d.	110,090	8.27%
Zagrebačka banka d.d. / joint trustee account for Unicredit Bank Austria AG	36,871	2.77%
PBZ d.d. / joint trustee client account	34,719	2.61%
Societe Generale-Splitska banka d.d. / Erste Plavi mandatory pension fund	32,619	2.45%
Societe Generale-Splitska banka d.d. / Allianz ZB d.o.o. mandatory pension fund	19,562	1.47%
Hypo-Alpe-Adria-Bank d.d. / PBZ Croatia osiguranje d.d. mandatory pension fund	18,240	1.37%
Erste & Steiermarkische bank d.d. / CSC	13,963	1.05%
Ericsson Nikola Tesla d.d.	13,588	1.02%
Croatian Privatization Fund	11,848	0.89%
Other	386,677	29.03%

► **Ericsson Nikola Tesla's General Shareholders' Assembly**

The General Shareholders' Assembly was held on May 27, 2008 HRK 81,866,800 of capital was represented at the assembly which is 61.48% of total share capital.

The Supervisory Board's report regarding the supervision of the Company operations in 2007 was accepted and a statement of release for the Company's Managing Director and members of the Supervisory Board was issued.

Resolutions were passed regarding profit allocation and dividend payment amounting to HRK 270 per share for the fiscal year 2007 for all Company shareholders who, as of May 20, 2008 had Company shares registered on their securities accounts in the Central Depository Agency. Dividend payment was effected on June 18, 2008.

Resolutions were passed regarding changes to the Company Statute: in Article 3 an activity was annexed which reads: "Production of medical products", and in Article 32 the first sentence was altered so as to read: "The deadline for profit allocation shall be defined by the Shareholders' Assembly in accordance with legal provisions."

Roland Nordgren, President of Ericsson's Market Unit Central Europe, was elected as a new member of the Ericsson Nikola Tesla Supervisory Board, while Carita Jönsson, Head of Management System Audits and Region Europe, the Middle East and Africa was once again elected as a member of the Supervisory Board.

KPMG Croatia d.o.o. za reviziju, Zagreb, was once again appointed as the Company auditor.

