GENERAL REPORT 2011

Ericsson Nikola Tesla d.d.

Gordana Kovačević, MSc,
President of
Ericsson Nikola Tesla d.d.

COMPANY POSITION REPORT

DEAR SHAREHOLDERS,

The telecom industry is facing the most challenging times. Both economy and society expect us, technology and innovation/thought leader, to enter a new communications and networked society era. Our growth and development potential depends on three major forces: broadband, mobility and the cloud. They affect business, people and environment in the best possible way. Ericsson Nikola Tesla supports this agenda.

The year 2011 was yet another demanding and tough one characterized by negative economic trends that considerably affected Ericsson Nikola Tesla's performance and achievements. This was especially evident in the slowdown and decrease in capital investments by telecom operators as well as decreased government investments into infrastructure projects within the ICT segment accompanied by continued price pressure. All this additionally slowed down the realization of our planned activities and strategic goals.

A decline in net sales resulted in the considerable decrease of business volume both in the domestic and CIS markets. This was partly compensated by better situation and results achieved

in our export markets, primarily in Bosnia and Herzegovina and Montenegro, as well as Ericsson market. The Ericsson market remains strong despite adjustments to our pricing in order to stay competitive in the demanding global market. In the total sales revenue, the share of domestic market was 23 percent, and export represented 77 percent (export to Ericsson market accounted for 39.6 percent and to other countries 37.8 percent). Despite the challenging business environment, the Company maintained and in some markets increased its market share.

The gross margin is lower compared to 2010, reflecting continuous price pressure in all markets and 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 projects in the Industry and Society segment as well as investments into development projects. It is important to point out that following the impairment of withholding tax receivables as well as impairment of other doubtful receivables, the Company's risk related to collection of receivables has been significantly reduced.

Under such challenging market conditions, our focus on strategic programs/key deals has helped us to somewhat offset the effects of crisis. In partnership with our customers, at home and abroad, we realized a number of significant projects. I would like to underline our activities in transformation and modernization of the existing networks into new generation networks. Along with these activities, Ericsson Nikola Tesla achieved significant results in terms of our responsibilities assigned in the global organization in the areas of Research and Development, Service Delivery Center and other centers of expertise. ICT implementation continued also in a non-operator segment, both in business systems and government administration with strong focus on well-selected areas. The best illustration for this is e-Health solution, our recognizable high-tech-product. However, last year we witnessed the negative impact of crisis, which resulted in reduced volume of business activities and postponement in realization of large ICT infrastructure projects. Furthermore, in the domestic market the continued recession and 6 percent tax imposed on mobile services had a negative impact on operators' investments.

In the last few Company reports, I emphasized the importance of innovations not only to our current operations but also to secure our competitiveness in the future. The present industrial and technological revolution that will take us into networked society can be survived, in terms of business operations, only with individuals and teams/organizations that are innovative, motivated and committed to common goals.

2011 – IN BRIEF

- ORDERS BOOKED MHRK 1,161.3 (MHRK 1,311.3)
- SALES REVENUES MHRK 1,165.7 (MHRK 1,218.9)
- NET PROFIT MHRK 28 (MHRK 24)
- GROSS MARGIN 12 % (17%)
- CASH FLOW FROM OPERATING ACTIVITIES MHRK 135 (MHRK 366.4)
- RETAINED MARKET POSITION
- COST AND OPERATIONAL EFFICIENCY
- INVESTMENT INTO CREATIVE AND ADVANCED SOLUTIONS AND SERVICES, STATE-OF-THE-ART TESTING EQUIPMENT, WORKING CONDITIONS AND EMPLOYEES' COMPETENCE DEVELOPMENT
- JOBS RETAINED

In 2011, Ericsson Nikola Tesla yielded the following business results (2010 figures in brackets):

- Orders booked MHRK 1,161.3 (MHRK1,311.3)
- Sales revenues MHRK 1,165.7 (MHRK 1,218.9)
- Net profit MHRK 28 (MHRK 24)
- Cash flow from operating activities MHRK 135 (MHRK 366.4)
- Motivational Company culture and strong employee engagement - confirmed by the annual employee questionnaire (Dialog)
- Customer satisfaction - confirmed by the annual customer satisfaction questionnaire (Customer Satisfaction Survey)
- Satisfaction of shareholders, investors and general public - confirmed by the awards granted by the Zagreb Stock Exchange and *Poslovni dnevnik*, a Croatian business daily, for transparent business operations and best relations with investors in Croatia.

In brief, in 2011 we achieved solid net income, and sound cash flow from operating activities, thus providing the stable balance sheet. This is of strategic importance since it is a firm base on which we continue to invest into market/customers, development projects as well as our employees' knowledge and skills in order to strengthen our market position.

OUTLOOK

We live in extraordinary times, characterized by uncertain economic climate and strong competition, technological innovation and data growth, all happening simultaneously. All of this places particular pressures on the market and our customers, which presents us with both challenges and opportunities.

The telecom and ICT market will continue with dynamic development in 2012. A further strong growth of data traffic, generated by a significant increase in the number of mobile smart devices (smartphone, i-pad, etc.) as well as by increased internet usage, is expected. Consequently, further expansion of fixed broadband access to xDSL technologies and introduction of high-rate technologies based on optics (FTT-x) are expected. The mobile broadband access technology will continue the intensive development by implementation of 3G and 3.5G mobile technologies (HSPA, HSPA+) while in Croatia the first steps in LTE commercial implementation are expected. We also expect a significant modernization of the existing mobile networks applying SRAN concept (Single Radio Access Network), enabling the operators to be more efficient and optimize costs.

As regards edge and core networks, transformation towards "all-IP" Next-Generation Convergent Networks based on IMS architecture will be continued.

We also expect, in all our markets, the modernization of Operation Support System (OSS) and Business Support System (BSS), thus enabling operators to offer a wide range of convergent services regardless of the location or the user approach.

ICT implementation should be continued in Industry and Society segment as well, no matter whether enterprise or state administration is in question, taking into account effects and benefits achieved by development, implementation and usage of ICT solutions and services.

Bearing in mind all business challenges and need for quick adaptation, there is no doubt that in 2012 we shall continue to focus on business stability by fully analyzing and reacting to all business risks and by ensuring optimal utilization and continual development of our resources.

Having assessed operational risks for Ericsson Nikola Tesla in 2012, I would like to point out the following:

- Challenging global economic conditions may adversely impact the demand and pricing regarding our products and services;
- Operators' and other customers' reduced capital expenditures;
- Intense competition regarding our existing competitors as well as new entrants, incl. IT companies entering ICT market;
- Customers' and competitors' consolidation may have further impact on product and service prices;
- Continued political uncertainty and instability in some markets;
- If our customers' financial conditions decline, we will be exposed to increased credit and commercial risk;
- Having the majority of our revenues in EUR and USD, our business is exposed to foreign exchange fluctuations;
- In order to remain competitive, we need to retain highly qualified and extraordinary employees.

Ericsson Nikola Tesla operates in line with the current corporate policies and directives, the Croatian legislative regulations as well as principles of corporate governance and business ethics.

In the forthcoming period, respecting all changeable business circumstances, we shall seek to strengthen our position in strategic business segments and strategic Company markets. The mission and strategy of Ericsson Nikola Tesla as well as our wanted position by 2015 are directed towards key stakeholders: customers, employees and shareholders. It is all about value creation, understanding the needs, sharing knowledge and the partnership among those included in various processes and activities in the Company, global organization, our markets and the society as a whole. The key Company programs are strongly focused on growth, business improvement and appropriate cost base, efficiency and wise investments.

On the way towards the networked society, for which it is estimated that some 50 billion devices will be networked by 2020, we are now at the mid point of revolutionary changes that we in Ericsson community describe as follows: "When one person gets connected, their life changes. When everything connects, the world changes. And we are in the midst of this as an industry".

Ericsson Nikola Tesla needs to continue with creating and delivering best-in-class solutions, understanding market and customers' needs, focusing on innovative/thought leadership and knowledge sharing, what will be a firm ground for the Company's future development.

All other data, being an integral part of the annual Company report, pursuant to Article 250 (a) of the Company Act, can be found in the enclosed 2011 Annual Report, comprising the General Report, Social Report and Financial Statements as at December 31, 2011.

Gordana Kovačević
President
Ericsson Nikola Tesla d.d.

BUSINESS RESPONSIBILITIES / ACTIVITIES

Ericsson Nikola Tesla is a leading regional provider of information and communications technology solutions that, through innovative approach and thought leadership, drives opportunities and creates value together with its customers.

The Company's core business activities include the following:

- Research and Development Center;
- Center for e2e communications solutions;
- Service Delivery Center;
- Center for ICT solutions in Industry and Society segment;
- Marketing and sales of information and telecommunications products, solutions and services.

Ericsson Nikola Tesla:

- Provides innovative ICT solutions that improve people's lives and creates new value for both business and society;
- Contributes to the prosperity of its environment by ensuring access to modern information and communications systems and technologies;
- Operates in the area of advanced technologies, and plays an active role in e-projects;
- Is among leading exporters in Croatia, and the largest Croatian exporter of knowledge;
- Provides modern test environment of highest standards.

PRODUCTS AND SERVICES

Ericsson Nikola Tesla offers its customers and partners a complete portfolio of Ericsson/3PP communications products, solutions and services in the following segments:

- High-performance networks;
- World-class operations and network evolution;
- Multimedia with leading Business Support Systems, TV solutions and applications;
- Solutions for selected industry and society segments (e2e concept).

SALES AND MARKETING

In 2011, our domestic market accounted for 23 percent, export accounted for 77 percent (export to Ericsson market 39 percent, and export to other countries 38 percent) of Ericsson Nikola Tesla's total sales revenues.

DOMESTIC MARKET

Domestic market sales revenues totaled MHRK 263, which is 21 percent lower year-over-year. A trend of slowing down and decrease in capital investments by telecom operators as well as decrease in government investments regarding infrastructure projects within ICT segment has been present. The recession and extra tax imposed on mobile services negatively affected operators' investments.

During 2011, the partnership with Vipnet continued on expansion and upgrade of 2G and 3G infrastructure, with a special focus on implementation and testing of new technological solutions, such as broadband wireless data transmission at the speed higher than 100 Mbps. The cooperation also continued in the area of core network upgrade, with the implementation and testing of new functionalities, as well as in the area of transmission system upgrade.

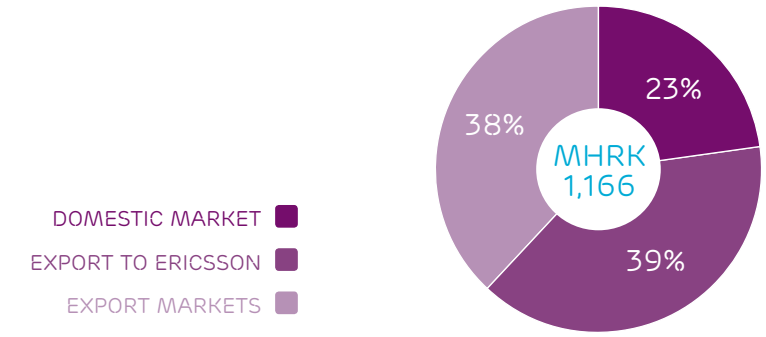
Our cooperation with Hrvatski Telekom (HT) was primarily focused on the project of network transformation into the new generation network and expanding the broadband access to internet. Together with HT, the Company successfully completed the testing of the state-of-the-art wireless access technology. By continuing user migration process to IMS architecture, HT went on with transfer to the full implementation of the fixed and mobile convergent architecture.

The cooperation with mobile operator Tele2 has been focused on further building of 2G and 3G infrastructure and implementation of new functionalities, with a special focus on transmission rate increase and mobile broadband coverage. The successful cooperation was confirmed at the beginning of the year by signing a contract on mobile network support and maintenance services.

The main focus in the ICT segment for Industry and Society was on upgrading the national ICT healthcare system, implementation of Joint Information System (JIS) for Land Registry and Cadastre and modernization of the Croatian Railways infrastructure.

With general hospital in Gospić, the Company completed the implementation of the basic ICT infrastructure, as the precondition for implementation of the Hospital Information System Care4U. Thus, this hospital joined the group of hospitals, such as: Children's Hospital Srebrnjak in Zagreb, General Hospital Zadar, and the University Clinic Mostar, where the given system has already been successfully implemented.

Sales by market in 2011



EXPORT MARKETS

In export markets (except for Ericsson market), the sales revenues totaled MHRK 442, which is a 3-percent decrease year-over-year.

In the regional markets (Bosnia and Herzegovina, Montenegro and Kosovo), the sales revenues totaled MHRK 270, which was a growth by 31 percent year-over-year. This revenue growth resulted from the increased sales in Bosnia and Herzegovina. The business volume with Crnogorski Telekom also reported growth.

The expected investments into the Industry and Society segment were not realized due to postponed projects.

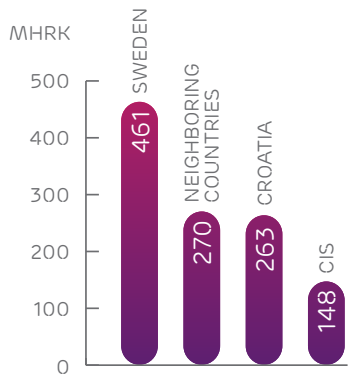
Several valuable contracts were signed with BH Telecom on the modernization and extension of the mobile network as well as the modernization and capacity increase of the fixed network. These contracts enable faster and simpler administration of mobile BH Telecom network users, advanced services and better coverage of users, higher speeds in 3G networks as well as the attractive broadband services of high quality. They also 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.

Ericsson Nikola Tesla made a contract with HT Mostar on expansion and modernization of the current mobile network in 2G and 3G segments. This contract is of special importance since it made Ericsson Nikola Tesla the sole provider of the radio part of HT Mostar network. The contract is also the basis for introduction of attractive 3G functionalities as well as providing better quality, higher rate and availability of services in the whole territory of Bosnia and Herzegovina. In addition, the contract on delivery and implementation of number portability service in the fixed network, and the contract on support service providing for fixed and mobile networks have been signed.

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 Crnogorski 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 have access to HSDPA+ technology that enables data transmission rate of up to 42 Mbps. Also, a contract was made on the modernization of the Multimedia Messaging Service Center with the modern Messaging-In-One solution.

Major markets in 2011



In the last quarter, a frame agreement was signed, defining the cooperation in the radio access network for the next five years. Within this agreement, Crnogorski Telekom will be supplied Ericsson EVO RAN solution, which enables a multi-standard radio transmission covering the second and the third generations of mobile telephony as well as LTE technology.

Sales revenues in CIS markets totaled MHRK 148, what is 37 percent less year-over-year. The sales revenue decrease was primarily due to decreased investment of telecom operators in Belarus reflecting economic and political crisis in the country. Due to consolidation of big operators and centralization of authority related to network modernization, strategic decisions in the CIS markets have been postponed.

During the year, the Company signed several contracts concerning modernization and extension of mobile and fixed networks as well as IP-oriented solutions for business users in Belarus, Russia, Moldova and Kazakhstan. In addition to the continued cooperation with the long-term partners, a contract was made with a new customer MTS, the international operator from Minsk.

A number of projects related to mobile health, applying EMH solution, have been started in the United Arab Emirates, Armenia, Sri Lanka, Malaysia, Japan and India.

EXPORT TO ERICSSON

Sales revenues in the Ericsson market totaled MHRK 461, an increase of 7 percent year-over-year.

During 2011, Ericsson Nikola Tesla's Research and Development Center continued with development of new functionalities in fixed and radio networks. The Center was assigned new activities and global customer responsibilities. Its experts were engaged in preparing advanced system solutions for France Telecom and new operators in Kuwait and Morocco. A continued support in network modernization has been provided for the world's leading operators, such as Virgin Media, UK Gamma, GTS Poland, RINA India, Eircom Ireland, Tele2 and Telenor.
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, TIM and WIND/Orange from Italy.
As of the platform segment of activities, it is to mention intensified work on development of hardware and software solutions for LTE generation of EVO IT network. In the area of fixed broadband access, a large step forward was enabled by the construction of the state-of-the art laboratory, thus extending the range of service offering for Ericsson products integration. The new testing laboratory for Connectivity Packet Platform (CPP) activities was built that, due to its high standards, was selected the demo centre for Region Western & Central Europe and some other areas.

A continuous focus on innovations in Ericsson Nikola Tesla resulted in the increased number of innovations and proposed patents. Two proposals were awarded at corporate level, thus proving that innovativeness of our specialists has been globally recognized.

Experts from Service Delivery Center were engaged in numerous projects, such as: IMS Deutsche Telekom (the largest IMS project in the Region Western & Central Europe, the full migration of DT fixed network from PSTN to IMS), IMS Telefonica Germany, LTE projects for Vodafone Germany and Vodafone Great Britain, 3G project for Vodafone India, Managed Services for Mobistar Belgium transport network, the project Messaging in One for Vodafone Great Britain, MSC-S BC upgrade for Vodafone Czech Republic, IMS upgrade and SGSN swap for Telecom Austria Group, IPTV projects for Telecom Austria and Telefonica, TSS 4.0 project for Netia Poland, realization of Smart Laptop tool for automatic integration in the USA and NCELL management system automatic tool for Softbank Mobile Japan. The Company was assigned the regional responsibility for Vodafone Application Support Office.

SCIENTIFIC AND RESEARCH ACTIVITIES

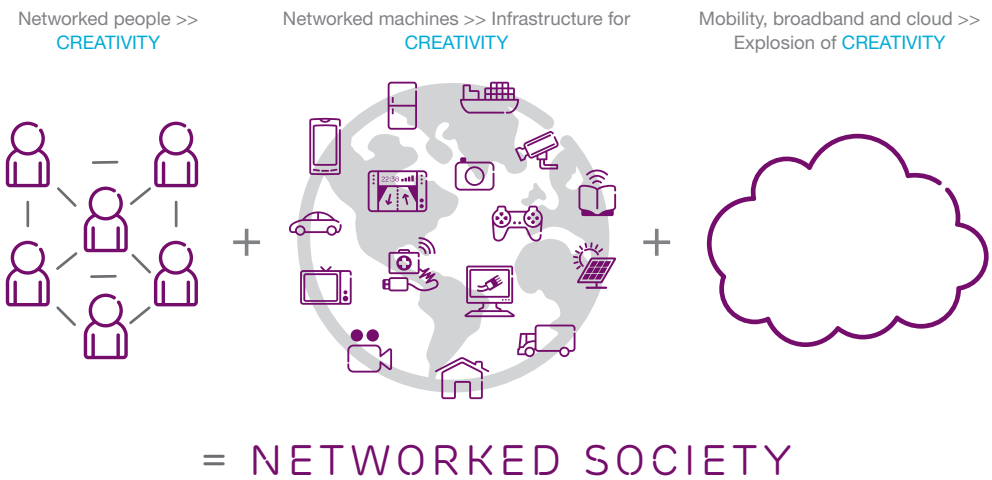
Development activities of Ericsson Nikola Tesla's R&D Center are taking place in the following three major units: Core & IMS Technology, Radio Systems, IP & Broadband and Business Unit Global Services - BUGS. Within these areas the Center is actively involved in development and support activities regarding numerous key products from the Ericsson product portfolio.

R&D activities in the Wireline Switching Operations have contributed to the upgrade of global fixed networks. There were a lot of activities concerning functional upgrades and new implementations for a huge list of operators. A continuous growth in expertise and responsibility of our specialists in the area of IS platform, as well as in DU IP&Broadband GPON is to be mentioned.

R&D Center plays a leading role and gives a strong contribution in the field of PDU platform by supplying solutions, such as Evo ET, EvoC EPB, next generation platform for RBS (CBM3), RNC in Pool and IPv6 for MGW gateway as well as numerous smaller solutions. As for Evo ET solution, the Center has taken the full responsibility in the technical and management respect in order to be able to supply a complex and high-quality solution within a tight and demanding time schedule.
In the Mobile Core FDC platform, the MSCR12A project solution was completed with an excellent feedback on quality, especially regarding stability and quality of TTC solution for Softbank, Japan.

In addition, the successful and fruitful cooperation with the leading Croatian universities continued through several research projects and common activities. The cooperation was extended to other institutions that participated in the 11th Summer Camp. The 2011 Summer Camp entitled "New Challenges for the Next Decade" took place from 4 July to 9 September 2011, including some interruptions. All previous Summer Camps were organized by Ericsson Nikola Tesla in cooperation with the Faculty of Electrical Engineering and Computing, University of Zagreb, and the Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture, University of Split. In the organization of the 11th Summer Camp participated also the Faculty of Engineering, University of Rijeka, the Faculty

Networking promotes creativity



of Electrical Engineering, University of Sarajevo, and the University College for Applied Computer Engineering, Zagreb.

The goal of the 11th Summer Camp was to study selected problems relevant for the active research and development projects within Ericsson Nikola Tesla, as well as for work on applications and demos for customers and internal tools for future use within the Company. The general idea was an active involvement of students, the Camp participants, in research activities, giving them the possibility to offer improvements of current solutions and propose new innovative solutions and prototype applications. During the Summer Camp, students' activities covered the following areas: healthcare-related projects and products, topics related to the European project UNIVERsal Open Platform and Reference Specification for Ambient Assisted Living, various solutions/demos for customers, and tools for use within the Company.

A very important part of research activities was participation in the EU funded projects. One of them is the above mentioned UNIVERsal Open Platform and Reference Specification for Ambient Assisted Living, which was started in February 2010, and is planned to last for 4 years. The main goal of this project is to make it technically feasible and economically viable to conceive, design and deploy new, innovative Ambient Assisted Living (AAL) services.

Additional aspects of research activities were directed towards collaboration with Ericsson Corporation. Our research team worked on joint projects with colleagues from Hungary and Sweden, with a goal of further technology research on real projects named Model Driven Development (MDD). The name means a very quick and efficient writing and application of computer programs at minimum cost. The Bridgepoint executable UML tool was used in the project.

A very good cooperation with the Faculty of Electrical Engineering and Computing, University of Zagreb, on machine-to-machine (M2M) communication project is to be mentioned. A successful demo application, with investigation of IP traffic domain, was made. It is intended for testing purposes and as substitution for some very expensive equipment that has been used so far. Additionally, we have commonly investigated a possibility of using the Integrated Multiprotocol Network Emulator/Simulator (IMUNES) in the Company testing domains as replacement for some additional investments into the equipment that performs basic network routing by using virtual environment. The results have been very promising and we started to use the system for testing of customized toolset solutions.

INFORMATION AND COMMUNICATIONS TECHNOLOGIES IMPROVE THE QUALITY OF LIFE

Although the term technology is usually related to modern times, the human species' use of technology began with the conversion of natural resources into simple tools. While, at the very beginning, art and science had been often made for their own sake, technology has always been a means of improving the quality of life. This remains the same even today, so it can be claimed that the key role of information and communications technology, usually abbreviated as ICT, is to make human lives better in all aspects. In spite of the fact that in the modern world information and communications technology has a special role, it is tightly connected to science and innovations in the broadest sense of the term. The ICT industry that Ericsson Nikola Tesla is also involved in is recognized as a powerful driver of development of other industries and society at large.

ICT development is based on mobility and broadband access, which make it possible to address such pressing issues of modern civilization like health care, poverty, education and climate change. Even a passing glance at our everyday lives witnesses that ICT solutions and services have a positive impact on people, businesses and society, and protect resources and the environment.

TRENDS AND DRIVERS

At the beginning of every year, analysts and consulting firms make predictions and forecasts of the ICT development in the upcoming period. No matter how much they differ in details, they all agree that "a human face of technological innovation" will create a differential advantage in the future.

Global trends

Various ICT devices are rapidly improving and there is an ever-increasing number of them. Due to the falling component prices, they include advanced technology at the same price. Together with the increased number of computers, especially personal computers, tablets and smart phones the quantity of transmitted data increases as well. There are predictions that mobile devices will be used even more for watching recorded TV contents on trips or in public transport systems. It is also predicted that the majority of users will mainly use short-range wireless links for data transmission. The Near Field Communication technology that allows rapid exchange of data at short distances wirelessly will experience further growth, and it is expected that approximately one percent of data will be directly exchanged between devices by the end of the year. Consequently, it is considered that managing large amounts of data will soon become a major global challenge.

NETWORKED SOCIETY

Ericsson's vision of a networked society, where everything that can benefit from a connection will be connected, implies numerous innovation opportunities, but also a permanent investment into new knowledge, solutions, products and services.

In the ICT industry, there is a huge potential for innovation and collaboration, ideas are exchanged online without limits in terms of time or geography, and new business models are being tested continually. The world is in the midst of a technological revolution where ICT makes the networked society a reality. When one person connects, his or her life changes. With everything connected, our world changes. That is the essence of the networked society where industries are connected, and benefits are provided to public administration, security, health care and education. There will be a significant shift from person-to-person (P2P) to machine-to-machine (M2M) communications, and Ericsson estimates there will be 50 billion connected devices by 2020.

The three driving forces are coming together as the foundation of the networked society: mobility, broadband, and the cloud. To support these forces, Ericsson launched new products and concepts.

They include Ericsson Device Connection Platform, which helps operators to launch quickly and easily M2M solutions, Antenna Integrated Radio - the first stepping stone towards a heterogeneous network, IP networking portfolio, and a PC as a Service solution, which allows operators to bundle software in the cloud on top of mobile broadband subscriptions for consumers.

Networked society

Although Ericsson is developing a new ‘capacitive coupling’ technology in which the human body is used as a conduit to transfer a huge amount of data, here we shall focus on the already recognized benefits of the existing technologies, platforms and solutions.

INTERNET PROTOCOL

IP (Internet Protocol) and LTE (Long Term Evolution) technologies are among the main elements of the networked society. In view of increased possibilities that Ericsson offers in transport and routing area, the fact that in 2011 Current Analysis, a provider of competitive analysis, has upgraded rating of Ericsson’s IP portfolio is very important for further development of this segment. The analysts say Ericsson’s 4th Generation IP products and leadership in wireless technology offer operators a unique combination of expertise.

Following analysis in five Service Provider Infrastructure categories – solutions, products/roadmap, service/support, strategy/execution, momentum/traction – Ericsson’s overall ranking, or ‘threat index’ as Current Analysis calls its rating system, increased to “Leader”, the highest classification possible.

Current Analysis has concluded that the Ericsson transport and routing portfolio is designed for operators to deliver an efficient transition to an all-IP services infrastructure. Current Analysis has noted that the portfolio is set to deliver results to operators through Ericsson’s 4th Generation IP Networking vision, at the same time offering significant OPEX and CAPEX savings.

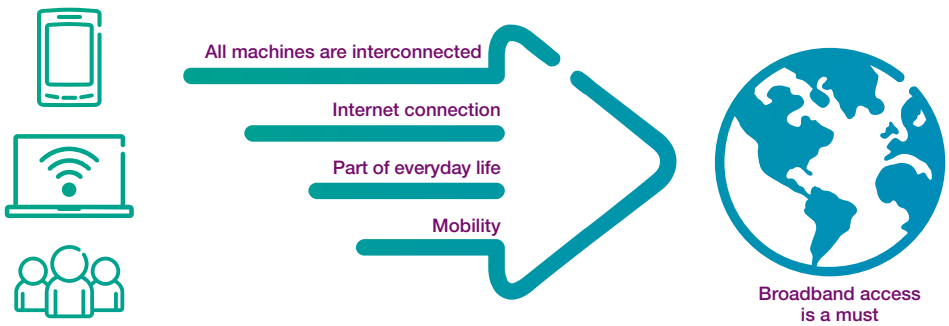
LTE - LTE ADVANCED TECHNOLOGY

LTE technology provides fast mobile broadband access. In spite of economic crisis, new investments are made in LTE technology globally in order to enhance the speed and capacity of mobile networks.

In the last year, Ericsson went one step further and demonstrated the next step of LTE, known as LTE Advanced, to the Swedish Post and Telecom Agency (PTS). The demonstration featured speeds more than 10 times faster than those currently experienced by LTE consumers in Sweden.

The system, based on commercial hardware, was operating on a test frequency provided by the PTS. This enabled Ericsson to demonstrate LTE Advanced functionality such as carrier aggregation of 3 x 20 MHz (60 MHz aggregated) over the air in a mobile environment for the first time. The demo system was based on Ericsson’s multimode, multistandard radio base station, RBS 6000. Live traffic was streamed between the RBS and a moving van from which network performance could be monitored.

Broadband access



LTE Advanced will further enhance the speed and capacity that will be needed in the networked society in the years to come. The technology is compliant with the 3GPP Release 10 global standard. Recently, the International Telecommunication Union (ITU) also selected LTE Advanced as one of the technologies that fulfills International Mobile Telecommunications criteria. The first stages of LTE Advanced are expected to be in commercial operation in 2013.

Ericsson has achieved a world leading position in terms of LTE technology. Its networks have been launched on five continents and it is the only vendor to have won a managed services deal for LTE. Ericsson is the prime driver of open standards and has had a greater impact than any other player on the LTE specifications released to date. Ericsson holds 25 percent of all essential patents related to LTE technology.

Ericsson stresses the importance of quality assurance in the network, especially as cloud services become a place for new business innovations and services. It is predicted there will be close to 5 billion mobile broadband subscriptions by 2016. Ericsson launched a range of different caching solutions in the Smart Services Router and Radio Network Controller to help operators improve the end-user experience and to optimize capacity use in IP and radio networks.

E-GOVERNANCE, E-INCLUSION AND E-SUSTAINABILITY

In the world where the networked society has a billion of unique users, e-government applications are becoming an increasingly important channel for private citizens, companies and public administration. Studies show that e-government increases GDP and contributes to social development. To reach that goal, investments have to be made in ICT infrastructure and solutions. Some large cities have successfully met many social, economic and environmental targets by making extensive investments in ICT. Singapore, for example, is a pioneer in traffic-congestion management. Seoul, meanwhile, is using ICT to realize many environmental benefits of high-tech initiatives. Sao Paulo has been awarded several national and international awards for its e-inclusion programs. These initiatives highlight an awareness of the need for improving ICT literacy and the key role that it has in enabling further development. In Delhi, several promising initiatives aim to leverage ICT for the benefit of citizens. An excellent example of a multi-stakeholder project is Eko, which enables low-value financial transactions to be completed by using mobile phones or through retail outlets.

Increased GDP per capita often is equated with increased consumption and thus increased impact on the environment, for example due to increased CO_2 emissions. ICT can be used to reduce the consumption, for example, with smart commuting. A sustainable development path may also include usage of virtual services (e.g. e-banking, e-video rental or e-library) as opposed to physical products.

IN 2020, SOME 4.25 BILLION "DIGITAL NATIVES" ARE EXPECTED, I.E. PERSONS WHO GREW UP WITH DIGITAL TECHNOLOGY

A project worth mentioning is the Refugees United, realized in cooperation with the UN High Commission for Refugees. At the moment, about 65 thousand refugees can use mobile services to search and reconnect with family members and friends from whom they were separated.

ICT IN RURAL COMMUNITIES

Feasibility studies conducted by the University Malaysia Sarawak (UNIMAS) show that the Ericsson Mobile Innovation Village model, inspired by the Millennium Village projects under the United Nations Millennium Development Goals, could empower rural communities with its remote health monitoring, mobile IP communications, and cloud computing components. A three-month needs, assessment, feasibility and impact (NAFI) study conducted by doctors from the Faculty of Medicine and Health Sciences of the UNIMAS, and the Center of Excellence for Rural Informatics (CoERI) of the UNIMAS was focused on learning and education, remote health monitoring, and mobile IP-based communications. The UNIMAS study found that only 11 percent of the participants are using the internet. However, the students and teachers participating in the study were receptive and positive that internet access would be beneficial. The educational content was made accessible via Ericsson's PC as a Service (PCaaS) cloud-computing solution, using a tablet PC linked to a mobile-broadband network.

The Mobile Innovation Village (MIV) model was intended to enrich people's lives through the use of mobile and communications technologies. The initiative has been deployed in many regions, showcasing and piloting a number of new mobile health care and education services.

The study gave insights on how the MIV model can be improved and replicated for use in other remote areas, in line with Ericsson's global vision of the networked society.

INTERACTIVE TV AND MULTIMEDIA SERVICES FOR EDUCATION AND ENTERTAINMENT

LTE technology is known for its ultrafast mobile broadband capabilities. Now it is helping to deliver better quality live-TV coverage from events on the move, improving the experience for both broadcasters and viewers.

The development of LTE technology means that, given sufficient coverage, broadcasters can bypass satellite communication and use the bandwidth of the wireless technology instead to stream HD-quality television live and free from interference, regardless of where the cameraman moves. This means

VIDEO TRAFFIC PERMANENTLY GROWS. IN 2015, VIDEO SHARE WILL BE SOME 90 PERCENT OF THE TOTAL NETWORK TRAFFIC.

high-speed mobile broadband can provide broadcasters with more flexibility for camera coverage options during live events, free from the large-scale physical support of satellite trucks and other equipment vehicles. The world's first live-TV broadcast using LTE technology was in Sweden in June 2010. Live-TV broadcast using LTE technology was also used in Shenzhen, China, at the Universiade 2011, the World University Games.

Interactive, on-demand TV services and content are available on different devices. Complete Ericsson solution includes encoding, encrypting, publishing and delivery of content and applications.

Ericsson made its first managed services deal with a media company in Asia, which includes a broad range of Ericsson TV solutions that enable consumers to watch their video content at any time, anywhere, on a wide variety of devices.

A project developed jointly by Ericsson and Melbourne University Institute for a Broadband-Enabled Society (IBES) received a Global Innovation Award at the 2011 Global Telecoms Business Awards ceremony in London. The award recognizes collaboration between the University of Melbourne, IBES and Ericsson in developing Uni TV. The Uni TV project explores the use of IPTV to deliver education across a number of fields such as medicine, chemistry and engineering by delivering 3D content to help students understand complex topics. The combination of video and internet technologies in IPTV means that the end-users are far more in control of what they watch - and how and when they watch - than the traditional passive viewer model.

Ericsson's leadership in IPTV was also highlighted in March 2011 when the Ericsson Multiscreen TV solution won the Best Multiscreen TV Service Award at the IP&TV Industry Awards 2011 and the South-South Award. South-South News is a 24-hour access global digital media platform for the countries of the South, which connects and publishes news on efforts in sustainable economic and social development.

The above mentioned technologies can be widely used in the entertainment industry. Mobile applications, in addition to news and weather forecast, are mostly used for entertainment. In view of the ICT industry and connectivity to the consumer electronics industry, Ericsson developed a solution called Ericsson In-Game Communication, deploying its existing voice technology in the gaming sphere.

E/M-HEALTH

There are many opportunities for health care to benefit from mobility, broadband, and cloud computing. Although hospitals and other medical institutions today use thousands of systems, computers and devices, they often cannot communicate with one another to share information. Interoperability and standardization would be one way to start solving the undesirable aspects of system fragmentation. In the networked society benefits are possible when things as well as people are connected intelligently.

Better and faster patient data management and analysis, real time guidance to providers at primary points of care, monitoring of the chronically ill and rapid interventions to pre-empt medical episodes - all these things and more are now becoming possible. Since health is one of few universal categories, Ericsson is especially committed to innovations in health care, where Ericsson Nikola Tesla plays a key role. The Croatian citizens already enjoy the benefits of e-Referral and e-Prescription, and Croatia takes the first place in implementation of these services in the world at the national level.

Wireless technology will soon be integral to the whole spectrum of health care. Mobile health solutions are part of Ericsson's vision of the networked society, where everything that can benefit from a connection will be connected.

During 2011, employees in Ericsson India participated in a pilot project that integrated the possibilities of Ericsson Mobile Health (EMH) platform and Business Communication Suite (BCS) solution for enterprise communications. Technology bridged a distance of almost 2,000 kilometers between medical staff in Bangalore and employees in New Delhi. Each employee was provided with a 30-minute remote consultation session.

The solution provides organizations with improved patients' care and considerable cost reduction, while employees enjoy the benefits of remote check-up.

Ericsson's mobile initiative related to health care in Vietnam, with EMH developed by Ericsson Nikola Tesla being a key part, won the Best ICT Initiatives in Health Care at eAsia 2011, Asia's prestigious ICT event. The remote monitoring system enabled the patients to send their weight, blood pressure and ECG data for analysis and thus avoid traveling to the nearest hospital. The medical staff, on the other hand, confirmed that the proposed mobile health solution had been well accepted among patients and that the system was extremely user-friendly. Since most high-risk patients encounter problems outside hospital, i.e. at work or at home, this solution enables doctors to register and start solving a health problem much earlier than before.

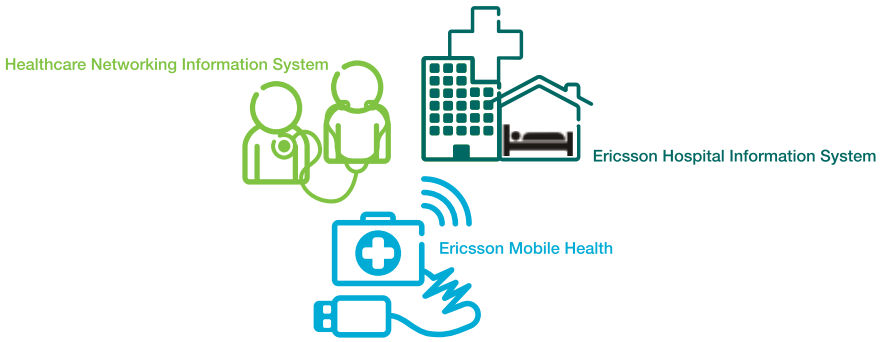
The Ambient Assisted Living (AAL) solutions, when used within a healthcare system, generally improve patients' care and considerably reduce costs, because patients can be released from hospitals earlier. Sensors recording vital health data, which patients can carry with them and integrate them into their everyday lives, additionally save hundreds of hours annually, because patients would otherwise stay in hospitals for vital signs measurements. These solutions also significantly increase the quality of life of chronically ill patients and are well suited for people with high level of health awareness, having skills to control and monitor their own illness, and actively participate in their own treatment. These solutions provide treatment based on valid and authentic health data, and are also valuable to emergency medical teams.

E-MOBILITY

Ericsson's solutions in the area of Intelligent Transport Systems (ITS) are a part of strategic portfolio focused on efficient energy use and positive environmental impact.

Ericsson Nikola Tesla is among leaders in the implementation of Ericsson's solutions in the given area and an important player in the corporate ITS strategy. There is a variety of solutions and prototypes from the given area in which Ericsson Nikola Tesla plays a significant role. These are eCall, automatic notification on traffic accident, maritime traffic control system in the Port of Rijeka, traffic control and information system prototype in the city of Zagreb as well as the ICT prototype solution for management of the power supply stations network, which is necessary for electric vehicles supply. These solutions are a part of the initiative to acquaint general public with e-Mobility concept, its advantages, capabilities and challenges by means of an information portal. Its goal is to develop the market for electric vehicles and adequate infrastructure in Croatia.

Smart e-Health solutions



In addition to the already well-known solutions of using renewable energy sources for base stations power supply and reduction of CO_2 emissions, it is to be mentioned that 400 ships will be equipped with mobile and satellite communications systems that will provide optimal control and monitoring of, for example information of fuel consumption in the real time.

These examples just confirm that the concept of a networked society creates endless opportunities that are limited only by our imagination.

ICT IN CROATIA

Information systems and communication networks have become the nervous system of a modern society. Recent ICT analyses show that Croatia is lagging behind the world, because there are many areas that are still not networked, especially in the sphere of public administration and local self-government. The right to broadband internet access is more and more frequently mentioned as a human right that governments should provide their citizens with.

It has been estimated that for every 1,000 additional broadband users, about 80 new jobs are created and for every 10-percentage-point increase in broadband penetration, GDP increases by 1 percentage point. A full broadband coverage in Croatia by 2020 can lead to economic recovery and competitiveness through increase of GDP and creation of new jobs. The implementation of the Broadband Strategy plan in Croatia is directly addressing challenges in traffic control, health care and education, and is the foundation of green economy and sustainable development.

What Croatia needs is the efficient synergy of science, economy and government to increase e-literacy and awareness about the need of a lifelong learning and creative use of technologies for the benefit of all mankind.

ROLE OF ERICSSON NIKOLA TESLA

Ericsson Nikola Tesla operates in a global information and communications environment and not only has access to the most recent technologies, but also participates in their development. In order to keep its competitive edge, the Company is committed to development of high technology, innovative and organization culture, and investment in research and expert centers, knowledge and talents who will be given opportunity to work on demanding projects. Ericsson Nikola Tesla is the first winner of the Croatian Innovativeness Quotient award among large-sized companies.

In addition, the Company has had a long history of successful collaboration in the fields of R&D and education with the Faculty of Electrical Engineering and Computing, University of Zagreb, and the Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture, University of Split, thus creating prerequisites for its own future, future of the students at these universities and the Croatian society at large.

As a part of Ericsson corporation and the leading ICT company in the region, Ericsson Nikola Tesla recognizes its role as the initiator of changes in society as well as its responsibility for the ICT development. Therefore, it is only creativity and imagination that can limit us when thinking about the potential of the ICT industry in the networked society.

EVENTS IN 2011

- The round table on the future development of telecommunications sector in Croatia and the region, held in conjunction with the presentation of the Deloitte research: “Trends in telecommunications in 2011”, was attended by Gordana Kovačević, the President of Ericsson Nikola Tesla.

- In Japan, our expert team implemented a new tool in the Softbank network that enables self-organization of the network. The tool takes care about the relations among all cells in the Softbank network covered by Ericsson, involving almost 65 million people.

- Within its exhibition area at the Mobile World Congress, MWC 2011 in Barcelona, Ericsson showed several attractive demo solutions, including Ericsson Mobile Health (EMH), a system for remote monitoring of patients, developed at Ericsson Nikola Tesla.

- At the regular annual press conference, organized by Ericsson Nikola Tesla, the Company announced business results in 2010 and expectations for 2011. The conference was attended by a large number of reporters from written media, radio and TV as well as representatives of investors and financial analysts.

- At IT Arena 2011, which is the regional conference on IT industry, our experts joined the panel discussion on IT outsourcing.

- At the Zagreb Faculty of Economics, eStudent, the student organization, held a lecture on “Women Leaders”. Gordana Kovačević, the President of Ericsson Nikola Tesla, brought her experiences achieved by working in the leading Croatian company engaged in the production of knowledge.

- Ericsson and Vodafone, at CeBIT in Hannover, jointly presented Ericsson Mobile Health project. As regards a specially designed “Corner of the Future”, among many innovative solutions, a special attention was paid to the health care segment.

- A regional conference on electronic communications, SEE Telekom Arena 2011, brought together numerous experts from home and abroad. Through four panel discussions, the European and local experts from the region, including experts from Ericsson Nikola Tesla, presented the relevant information on the current state of the industry as well as emerging trends.

- At the Energy Institute Hrvoje Požar (EIHP), a press conference on the e-mobility initiative was held, promoting the use of electric vehicle, one of the most efficient and eco-friendly forms of individual transport. The conference was attended by Ericsson Nikola Tesla’s representative.

- The Croatian National Council for Occupational Health and Safety at Work organized, on Ericsson Nikola Tesla’s premises, the celebration of the National Day of Occupational Health and Safety at Work. Ericsson Nikola Tesla’s positive practice was presented. Attendees included representatives of the Government, trade unions, professional organizations and specialists in the safety at work area.

- Under the auspices of the Croatian President, the 1st Congress of Croatian Managers and Entrepreneurs was held. It was co-organized by the Croatian Managers and Entrepreneurs’ Association - CROMA, the Croatian Chamber of Trades and Crafts and the Croatian Employers’ Association. The President of Ericsson Nikola Tesla presented to the audience her vision of the Croatian economy development.

- The meeting of leading managers responsible for Ericsson’s customers in Central Europe was held in Zagreb. During their touring the Company, at the four so called “innovations points”, our experts presented to the guests several innovative projects and solutions.

- The end event of this year’s Summer Camp, entitled “Synergy Drives Changes” and held at Ericsson Nikola Tesla, gathered numerous Summer Camp participants, representatives of the academic community, and hosts from Ericsson Nikola Tesla and Ericsson.

- A conference on social responsibility and anticorruption, held under the motto “Responsibility, Integrity and Transparency in Business”, was jointly organized by the Croatian Ministry of Justice, the Swedish Embassy, the Royal Danish Embassy and the Croatian Employers’ Association. The President of Ericsson Nikola Tesla held a lecture on social responsibility and anticorruption.

- EDUCA PLUS, the International Conference on Lifelong Learning and Human Resource Development, organized by the Croatian Chamber of Economy, was held in Zagreb. This year’s conference theme was “People - the potential of today, the capital tomorrow”. In the panel discussion, providing examples of successful cooperation between education and the economy, which contributes to strengthening the competitiveness of youth in the labor market, the experts from Ericsson Nikola Tesla presented the Company’s positive experiences.

- Following the process of project management funded by the European Commission, Andy Rooke, a representative of the European Organization ERTICO and the HeERO project coordinator paid a visit to Ericsson Nikola Tesla and talked to the representatives of the national consortium in charge of the HeERO pilot project.

- The Christmas Party, organized by the Company, gathered more than 600 guests from home and abroad and marked the end of another financial year.

Rafal Rybkowski,
Finance Director of
Ericsson Nikola Tesla d.d.

COMPANY PERFORMANCE

The year 2011 was characterized by continued economic challenges at both the global and country levels. Banking sector crisis developed eventually into sovereign debt crisis with many European economies experiencing severe problems to maintain public debt and deficits.
Throughout the year we have seen a number of unprecedented actions of most of the central banks to provide necessary liquidity to the financial market as well as governance interventions to address the debt crisis.
Most of the leading economies continued to struggle to go back on the growth path, many of them were on the brink of recession while overall regional recovery remained weak and fragile. Deteriorating consumer confidence resulted in reduced spending having additional negative impact on many industries.
Situation in the financial sector obviously impacted other industries, primarily where long-term investments are essential. Certain governmental investment projects were also impacted and delayed. Focus on cash flow and cautious approach to capital expenditures were noticed through the year among most of the telecommunications operators, especially in the domestic market.

Consolidation and globalization in the telecommunications market, affecting investments and implying further price pressure combined with changed business mix in portfolio, had impacted our operational and financial performance.
In the short term, the trend in the industry is believed to persist as well as macroeconomic uncertainties.

Despite the challenges faced, we remained focused and committed to deliver value to our stakeholders. We also remained determined to deliver exceptional values to our customer through innovation and by addressing unique market opportunities.

Orders booked and net sales declined by 11 percent and 4 percent respectively. However, we managed to maintain book-to-bill ratio in range of one-to-one, securing a firm foundation for start of 2012.
Gross margin was affected by less favorable business mix between products and services, continued price pressure from operators and investments in Industry and Society projects.
The gross margin consequently declined to 12.2 percent in 2011 compared to 16.9 percent in the previous year.

Selling and administrative expenses remained flat in relation to previous year in amount. At the same time, OPEX ratio to net sales deteriorated mainly due to lower sales.

Operating profit was affected by a one-off impairment. Due to the unique tax position that is a combination of significant tax loss carried forward and continued tax reliefs on part of existing R&D projects, the Company does not expect to be tax liable for the next years. Therefore, it would not be able to recover withholding tax assets in the amount of HRK 42.9 million which were consequently impaired in 2011.

Net income improved modestly to HRK 28 million. Operating cash flow amounted to HRK 135 million.

We adhered to our business and financial goals focusing on improving our balance sheet position, working capital and risk management. As a result of it, we ended the year with stable and even stronger balance sheet giving us good and solid foundation for future challenges and for grasping new market opportunities in the future.

Company ultimate financial goals and focus areas remain unchanged going forward.
Our efforts to streamline and increase efficiency of our operations will be even more emphasized during 2012 in order to be able to provide competitive and price efficient solutions to our customers.

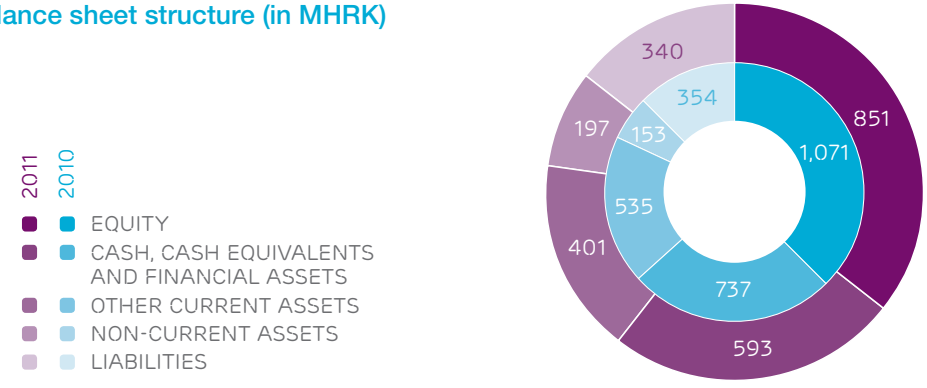
We are committed to continue to deliver value to our shareholders. We believe in strong market fundamentals in a longer-term perspective driven by networked society, surging data consumption and traffic growth. It will further increase demand from operators to provide infrastructure and cutting-edge technology. In our opinion, Ericsson Nikola Tesla is well-positioned to meet this demand as well as add exceptional value in services to advice and assist our customers to cope with increasing complexity of the networks.

Rafal Rybkowski
Finance Director
Ericsson Nikola Tesla d.d.

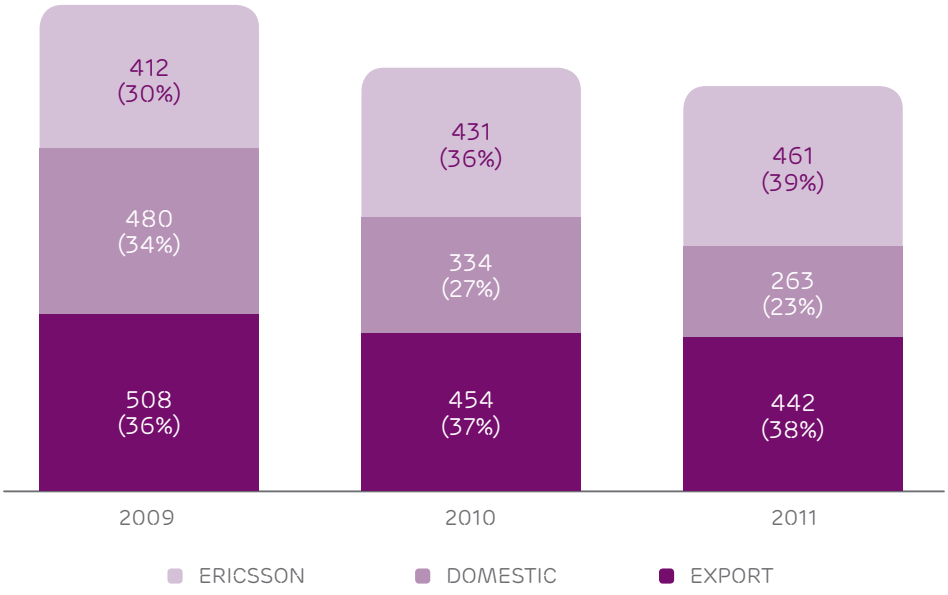
2011 FINANCIAL HIGHLIGHTS

in MHRK, except per share amounts	2011	2010	2009
PROFITABILITY:			
Sales revenue	1,166	1,219	1,400
Gross margin	12%	17%	13%
Operating profit	-12	-15	66
Profit before tax	22	26	127
Profit for the year	28	24	128
Operating expenses	168	237	138
Earning per share (EPS) in HRK	21	18	98
FINANCIAL POSITION AT YEAR-END:			
Total assets	1,191	1,425	1,552
Cash, cash equivalents and financial assets	593	737	536
Capital employed	857	1,079	1,210
Equity	851	1,071	1,200
RATIOS:			
Return on equity (ROE)	2.9%	2.1%	10.8%
Return on capital employed (ROCE)	2.9%	2.3%	10.6%
Return on sales (ROS)	2.4%	2.0%	9.1%
Equity ratio	71.4%	75.2%	77.3%
Capital turnover	1.2	1.1	1.2
Current ratio	3.0	3.7	3.2
P/E ratio	51.4	75.6	13.7

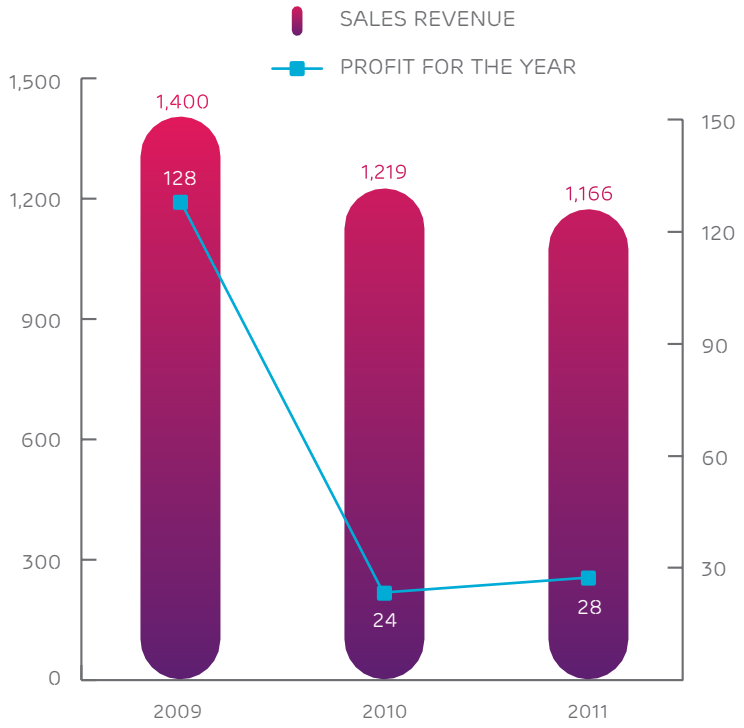
Balance sheet structure (in MHRK)



Sales revenue by ETK cornerstones (in MHRK and percentage)



Sales revenue and profit for the year (in MHRK)



INFORMATION FOR SHAREHOLDERS

Shares of Ericsson Nikola Tesla are traded in the Regular Market of the Zagreb Stock Exchange under the stock exchange symbol ERNT-R-A.

SHARE TRADING AND PRICE MOVEMENT

Ericsson Nikola Tesla's share is the seventh most liquid one on the Zagreb Stock Exchange (ZSE) with 3.3 percent share in the equity ZSE turnover. In 2011, share turnover amounted to MHRK 174.9 and the year before it amounted to MHRK 168.8.

At the end of 2011, Ericsson Nikola Tesla's market capitalization amounted to MHRK 1,438.2, while at the end of 2010 it amounted to MHRK 1,783.7.

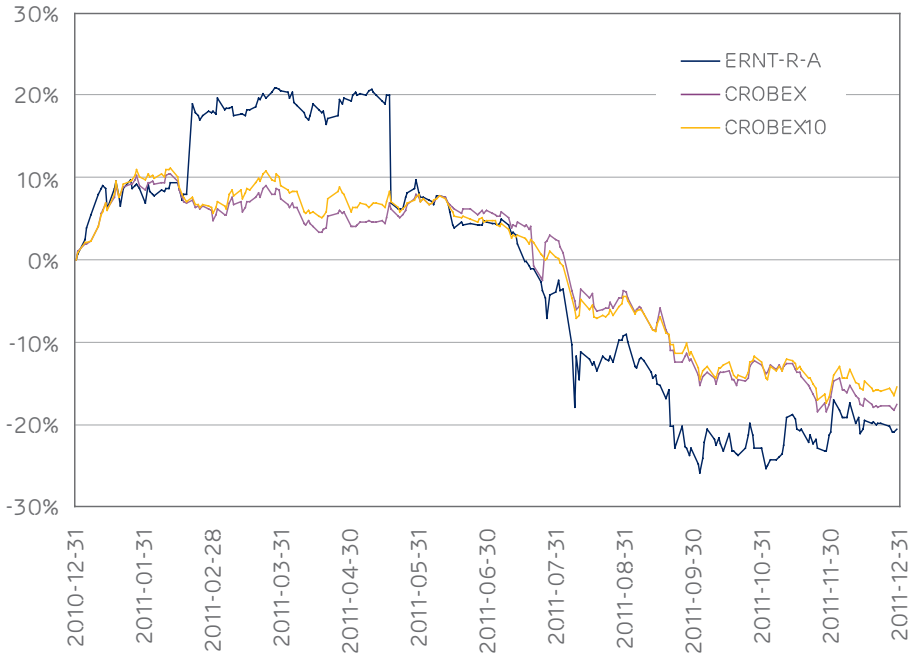
During 2011, Ericsson Nikola Tesla's share value mainly followed the trends of share indices CROBEX and CROBEX10. A significant jump in value in February is a reflection of trading after the dividend was declared, but after the expiration of the period during which shareholders were entitled to receive dividends, the share value was corrected.

Ericsson Nikola Tesla was awarded by the Zagreb Stock Exchange and *Poslovni dnevnik*, a Croatian business daily, for the best relations with investors in Croatia in 2011.

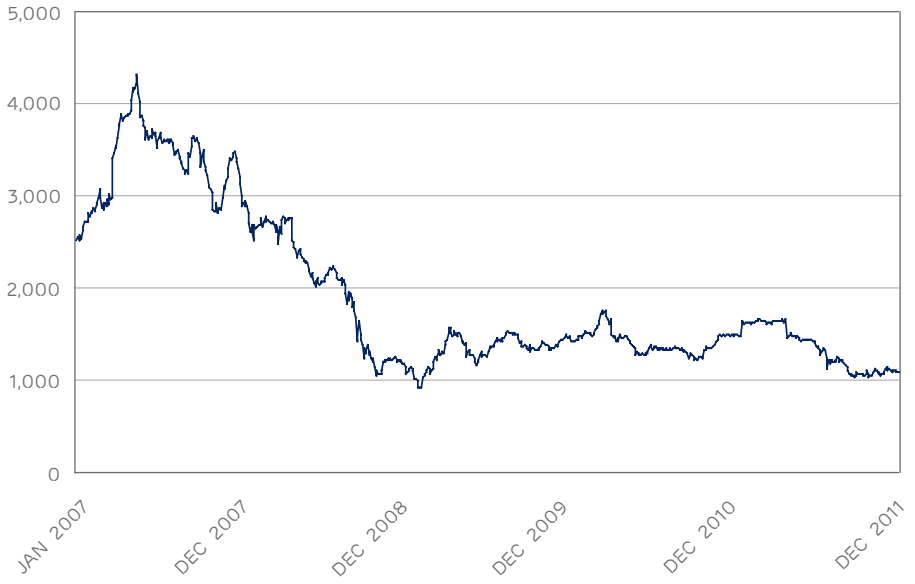
At the end of 2011, Ericsson Nikola Tesla was granted membership, for a second consecutive year, in the CEERIUS Sustainability Index. The CEERIUS (CEE Responsible Investment Universe) is the sustainability index of Vienna Stock Exchange, composed of the leading companies in relation to economic performance as well as social and ecological awareness, that are listed on stock exchanges in Central, Eastern and South-Eastern Europe.

Trading volume in 2011

Comparative Ericsson Nikola Tesla's share price movement and share indices on the Zagreb Stock Exchange in 2011



Average Ericsson Nikola Tesla's share price movement 2007 – 2011 (in HRK)



Share price and turnover	2007	2008	2009	2010	2011
Highest (HRK)	4,300	3,490	1,575	1,777	1,650
Lowest (HRK)	2,450	1,000	820	1,181	1,000
Last – end of year (HRK)	3,420	1,200	1,340	1,361	1,080
Turnover (MHRK)	947.4	952.0	196.2	168.8	174.9
Dividend per share (HRK)	**270**	**70**	**120**	**190**	**170 ***

* Proposal for dividend amount sent to Ericsson Nikola Tesla's Annual Meeting of Shareholders for approval

SHARE CAPITAL

As at December 31, 2011 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 Annual Meeting of Shareholders. The total number of treasury shares at the end of 2011 was 4,262 (0.32 percent of the share capital). Shares were owned by 6,777 shareholders.

SHAREHOLDERS

Below follows a list of Ericsson Nikola Tesla's major shareholders as at December 31, 2011.

Shareholders	Number of shares	Percentage of share capital
Telefonaktiebolaget LM Ericsson	653,473	49.07%
Hypo-Alpe-Adria-Bank d.d. / Raiffeisen mandatory pension fund	121,486	9.12%
Societe Generale-Splitska banka d.d. / Erste Plavi mandatory pension fund	32,961	2.48%
Zagrebačka banka d.d./ custodian account for Unicredit Bank Austria AG	32,298	2.43%
Hypo-Alpe-Adria-Bank d.d. / PBZ Croatia osiguranje mandatory pension fund	30,615	2.30%
PBZ d.d. / State Street client account	22,810	1.71%
Societe Generale-Splitska banka d.d. / AZ mandatory pension fund	15,376	1.15%
PBZ d.d. / custodian client account	14,902	1.12%
PBZ d.d. / The Bank of New York as custodian	12,927	0.97%
Societe Generale-Splitska banka d.d. / Societe Generale Splitska banka d.d.	8,062	0.61%
Other	386,740	29.04%

ERICSSON NIKOLA TESLA'S ANNUAL MEETING OF SHAREHOLDERS IN 2011

The joint stock company Ericsson Nikola Tesla held its Annual Meeting of Shareholders on May 31, 2011. The amount of HRK 83,962,600 of share capital was represented at the Meeting, which was 63.05 percent of the total Company share capital.

Besides the shareholders' representatives and the Company management, the Meeting was attended by the Chairman of the Supervisory Board, Roland Nordgren, and the members of the Supervisory Board: Ignac Lovrek, Carita Jönsson and Zvonimir Jelić. The major shareholder, LM Ericsson, was represented by Tomas Malm. The Meeting was presided by Snježana Bahtijari, Director of Marketing and Communications (including CSR).

A resolution was passed regarding a regular dividend payment amounting to HRK 20 per share, and an extraordinary dividend payment amounting to HRK 170 per share, totaling HRK 190 per share. Payment of HRK 93.79 was effected from the non-allocated retained earnings realized in 2006 and 2009 and from profit for 2010, while payment of HRK 96.21 was effected from a portion of retained earnings realized in 2001. Dividend was paid out to the Company's shareholders who, as at May 24, 2011, had Company's shares registered on their securities accounts in the Central Depository & Clearing Company. Dividend payment was effected on June 29, 2011.The Company's total profit amount for 2010 of HRK 24,061,617.82 was allocated for dividend payout.

Concerning the Company's business management in 2010, the statement of release for Gordana Kovačević, the Company's Director, as well as for the Chairman and the members of the Supervisory Board was issued. In addition, decisions were made on the Statute amendments as proposed in the agenda. Mr. Ignac Lovrek was re-elected as the Supervisory Board member for another four-year term.

At the Annual Meeting, PricewaterhouseCoopers d.o.o., Zagreb was reappointed as the Company auditor for 2011.

The joint stock company Ericsson Nikola Tesla held its Annual Meeting of Shareholders on May 31, 2011