

SHORTENED PROSPECTUS

of the listing at the Quotation of Public Joint-Stock Companies

ERICSSON NIKOLA TESLA d.d.

joint stock company with its registered place of business in Zagreb, Krapinska 45,
organised pursuant to the law of the Republic of Croatia
and entered into the Register of Companies
of the Commercial Court in Zagreb, Subject Identification No. 080002028
(Hereinafter: Issuer)

Adviser on listing at the Joint-Stock Company Quotation

Raiffeisenbank Austria d.d.
Zagreb, Petrinjska 59

Zagreb, 10 June 2003

The members of the Supervisory Board and of the Management Board of Ericsson Nikola Tesla d.d. (Hereinafter: the Issuer) whose names are stated in this shortened Prospectus accept the responsibility for the contents of the shortened Prospectus.

According to their conviction, and all knowledge and data available to the members of the Supervisory Board and of the Management Board of the Issuer, the data from this shortened Prospectus constitute a comprehensive and true survey of the assets and liabilities, profit and loss, financial position and operations of the Issuer. The data from the shortened Prospectus also provide a comprehensive and true survey of the rights contained in the securities to be listed, and any and all facts that might influence the completeness and truthfulness of this shortened Prospectus have not been omitted either.

Pursuant to the Law on Securities Market (Official Gazette 84/2002) and the Regulation on the contents of the shortened Prospectus, as well as the terms of private issuance of securities (Official Gazette 61/1997) this shortened Prospectus was approved by the Securities Commission of the Republic of Croatia. Thus it was confirmed that the shortened Prospectus contains all the data defined by the laws and regulations of the Republic of Croatia and can therefore be made public.

The auditor of the Issuer was the audit company Arthur Andersen d.o.o. Zagreb who carried out the audit of financial statements for the year ended December 31, 2002. As regards the financial statements for the year ended 31 December 2002, the Auditor expressed its unqualified opinion (see Auditor's report).

The advisor on the listing of the company into the Quotation of Public Joint-Stock Companies is the Raiffeisenbank Austria d.d. with the registered place of business in Zagreb, Petrinjska 59.

This shortened Prospectus is not an offer for sale, or an invitation to purchase, on the part of, or on behalf of either the Issuer or the Raiffeisenbank Austria d.d., or on the part of, or on behalf of any other person related to them, their affiliates or representatives. The shortened Prospectus shall not be considered as a recommendation to purchase the shares of the Issuer, and any prospective Purchaser is referred to establish his own evaluation of the financial position and business performance of the Issuer including the inherent risks, among them those described in chapter 3 «Risk factors»”.

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1 SUMMARY

The data in this summary were taken over from an integral survey of detailed data presented in other chapters of this shortened Prospectus and this fact has to be taken into account when reading this summary. The terms used in the summary, and not defined otherwise in it, have the meaning as elsewhere in this shortened Prospectus.

ERICSSON NIKOLA TESLA d.d.

Share capital, shares and voting right

The share capital of Ericsson Nikola Tesla d.d. as of the date of issuance of this shortened Prospectus is 399,495,000 Croatian kunas and is divided into 1,331,650 ordinary registered shares, «A» series, each of them to the par value of 300 Croatian kunas. The shares have been issued as non-material securities. The share capital was paid in to the full amount.

The General Assembly of the Issuer of May 8, 2003 adopted the Decision on the share capital decrease by reduction of nominal amount (par value) of shares, by which the share capital of Issuer is decreased from 399,495,000 Croatian kunas, by 133,165,000 Croatian kunas, to the amount of 266,330,000 Croatian kunas, and the par value of a share is thus decreased to 200 Croatian kunas. The mentioned Decision was reported to the Commercial Court in Zagreb, and it shall be enforced after the legal deadlines required for the notification of the intended decrease of share capital have expired and after the effected decrease (of share capital) has been registered in the Court Register. According to that Decision, the amount by which the share capital is reduced shall be paid out to shareholders who have shares of the Issuer on their securities account with the Central Depository Agency (CDA) ten days ahead of the General Assembly, i.e. on April 28, 2003; every share shall be represented in the payment with the amount of 100 Croatian kunas, and this amount shall be paid out within three months after the date this becomes legally possible.

Although the current Articles of Association of the Issuer provide for the Issuer's Management Board consent to the transfer of shares, the shares are entirely freely transferable, pursuant to legal provisions. To achieve compliance of the Articles of Association wording with legal provisions and actual state of facts, as the Stock Ledger is already kept with the Central Depository Agency (CDA), this very Assembly made a Decision on Amendments to the Articles of Association determining that the shares are non-material securities existing in electronic form only in the CDA computer system, and the acquisition, the change in ownership or the termination of ownership and other rights on non-materialized securities is done by entering relevant data into the electronic files of the CDA computer system, in accordance with their rules and guidelines. The defined final draft of the Articles of Association of the Issuer was submitted to the Commercial Court of Zagreb, and shall take effect after having been entered into the Court Register. Until then the provisions contradicting the law shall not be applied.

At the General Assembly of the Issuer the shareholders have one vote per every ordinary share.

Dividends

The payment and the amount of dividends for the Issuer's shares are approved by a decision of the General Assembly based on a proposal by the Supervisory Board and the Management Board (President). The General Assembly can decide that the dividends shall not be paid. The deadline for payment of dividends is 90 days from the date of the closing of the Assembly at which the decision on payment of dividends was made, except if by this very decision the Assembly provided otherwise.

In the last seven years the Issuer has paid the dividend. Within the usual framework of dividend payment, the commitment of the Management Board and of the Supervisory Board of the Issuer is – and their proposals have so far been accepted at the Assembly - to propose such payment of dividends that shall secure an adequate dividend level in compliance with the growth of net income, with corresponding level of future income, investments and in compliance with other relevant factors.

Risk factors

Prior to investing into the shares of the Issuer, the prospective investors are advised to read carefully the chapter «Risk factors».

2 DATA ON SECURITIES

2.1 Type and description of shares

The share capital of the Issuer is divided into 1,331,650 ordinary registered, "A" series shares; par value of each share being 300 Croatian kunas. In compliance with the Decision of the General Assembly of May 8, 2003 on the decrease of share capital by reduction of par value of share, the par value of a share shall be 200 Croatian kunas after this decrease of share capital has been entered into the Court Register.

The Issuer's shares have been issued in non-materialized form and exist only as electronic recordings in the Central Depository Agency (CDA) computer system. Every share entitles to one vote at the General Assembly.

2.2 Share designation, Share Ledger

The Issuer's shares are entered into the CDA Depository under the designation: ERNT-R-A.

2.3 Corporate name, registered place of business and address of the Issuer

Ericsson Nikola Tesla, the joint stock company for the manufacture of telecommunications systems and equipment, with its registered place of business in Zagreb, Krapinska 45.

2.4 Rights of shareholders, obligations of the Issuer

Although the current Articles of Association of the Issuer provide for consent by the Management Board to the transfer of shares, pursuant to the provisions of the Securities Market Law, the shares are freely transferable and there are no restrictions regarding the transferability of shares or any other rights or burdens that may diminish the shareholders' rights. For that purpose the General Assembly of May 8, 2003 made a Decision on Changes and Amendments to the Articles of Association, by which it determined among other things that the acquisition, change in ownership or the termination of ownership and other rights on non-materialized securities (shares) is done by entering relevant data into the electronic files (recordings) of the CDA computer system, in accordance with their rules and guidelines. The defined final draft of the Articles of Association of the Issuer was submitted to the Commercial Court in Zagreb, and it shall take effect after it has been entered into the Court Register.

The shareholders are entitled to participate in the net income of the Issuer, and to be informed of the business performance of the Issuer and also of all data relevant for decision-making at the Issuer. Regarding the operations of the Issuer, the shareholders effectuate their right at the General Assembly. Every ordinary share entitles to one vote at the General Assembly.

The Issuer is obliged to convene the General Assembly when required but at least once a year for approval of annual financial statements (Ordinary Meeting), at latest 180 days after the expiration of a business year. The Issuer is obliged to inform the shareholders on the operations and any data relevant for decision-making.

2.5 Taxation

This summary of taxation procedure related to stock ownership is based on applicable laws of the Republic of Croatia at the time this Prospectus was drafted. Any and all later changes of regulations, interpretations, of judicial and administrative decisions can change the stated provisions. Such changes, interpretations and/or decisions may have both retroactive effect and tax consequences for shareholders.

The tax treatment of a shareholder can differ, depending on the specific situation of the shareholder, and in that sense specific rules that are not discussed here may apply to certain shareholders. Also, possible tax consequences pursuant to the laws of other countries that may affect some shareholders are not discussed here. No decisions related to any information presented herein have been requested nor shall they be requested from the competent authorities of the Republic of Croatia. This summary is not a legal opinion and consequently the tax aspects that may be relevant to a shareholder are not considered here in their entirety.

Every present and future shareholder should consult his/her tax adviser on tax consequences that may arise from his/her ownership of shares, or from any other kind of disposal of shares, including the applicability and effect of tax legislation of the Republic of Croatia and of other countries, or international tax agreements, as well as possible changes of relevant tax legislation adopted after the date of this Prospectus.

Dividend taxation

The dividends received by Croatian legal entities are not taxed (Income Tax Law, Official Gazette 127/2000, Regulation on the Income Tax, Official Gazette 54/2001). The dividends realized by foreign legal entities are subject to income tax in form of withholding tax at 15 % rate, except when there is an effective agreement on avoidance of double taxation with the country where the foreign dividend receiver has its registered place of business; then the taxation rates determined in the agreement are applied.

The dividends received by natural persons are taxed at 15 percent rate (Income Tax Law, Official Gazette 127/2000, the Regulation on the Income Tax, Official Gazette 54/2001) and also by local taxes at a rate defined by a decision of local authorities.

As an exception, the dividends are not taxed if paid out of the retained earnings realized till 2000.

Retained earnings of the Issuer made until 2000 amount to HRK 299,492,473.64. This is the balance as at 31 December 2002 and as at 30 April 2003, excluding 2002 net income allocation. According to the decision of the Issuer's General Assembly held in May 2003, the dividends for 2002 in the amount of HRK 18,396,364.00 shall also be paid out of these retained earnings.

Share trading

Share trading is not taxed.

Taxation of return on equity

Pursuant to Croatian legislation, there is no special tax on the return on equity.

The return on equity realized by Croatian legal entities is included in the income tax base like any other regular earnings. The net income is taxed at 20 percent rate.

The return on equity realized by natural persons who are taxpayers of the Republic of Croatia is not included in the income tax base and is not taxable.

2.6 Name and address of institution through which the Issuer covers its liabilities towards the shareholders

The Issuer covers its liabilities towards the shareholders directly or through the Central Depository Agency d.d. Zagreb, Ksaver 200.

3 RISK FACTORS

3.1 General

Before making a decision on a purchase/sale of shares of the Issuer the potential investor should carefully consider all described risks as well as all other information stated in this shortened Prospectus. In case some of the described risks should occur, that might have adverse effect on performance and on the financial position of the Issuer. In that case the market price of shares of the Issuer could drop and the holder of the Issuer's shares could lose part or all of the invested money.

The market price of shares of the Issuer depends not only on the Issuer's business performance but also on the trends on capital markets in Croatia and abroad. Also, it is possible that the price variation of the Issuer's shares does not indicate any relation to the business performance of the Issuer. Such changes and variations may have a short-term and long-term effect and may cause the market price of the Issuer's share to be lower than at the time of the purchase. Under certain conditions the market price of the Issuer's share may become even zero, i.e. the holder of the Issuer's share can lose the entire capital he/she invested into the stock.

Further in this section the risks are discussed that influence the yield from shares and the share price related to the Issuer's performance, whereas a potential investor can obtain a survey of the general situation on the stock market of the Republic of Croatia and elsewhere from the media, brokerages, stock exchange, etc. It has to be pointed out that rarely some of these risks would appear alone, a combination, i.e. simultaneous appearance of two or more such risks is much more probable. The exposure to some risks (e.g. natural disasters, international terrorism, etc.) can neither be forecasted nor controlled. Furthermore, as the conditions of business in any company, including the Issuer constantly change, it is possible that in the future one or several risks occur that are not mentioned here at all, and their occurrence can cause a partial or a complete loss of capital invested into the purchase of shares of the Issuer.

3.2 Political risks

The Issuer has its registered place of business in the Republic of Croatia, but in the last two calendar years a major part of its total sales is realized through exports to Europe, Asia and Africa. Also, the majority of the telecommunications equipment and services is imported from abroad. For these reasons political stability, peace and good economic relations with the neighbouring and other countries are vital for the Issuer's operations.

Political risks include numerous risks of negative aspects in the international relations, ranging from the risk of international sanctions being imposed to the risk of interstate conflicts. At this moment, the political relations of the Republic of Croatia with the neighbouring countries and its accession to various international agreements lead to the conclusion that the wartime conflicts will not start again, on the contrary, that international cooperation with the neighbouring countries and in a wider region will become stronger. In favour of this speaks the fact that the Republic of Croatia has become a member of the WTO and CEFTA. The relations of Croatia with the countries where the Issuer operates are stable, so that the business risk of the Issuer is quite small and it is mentioned here as a possibility, rather than actual risk.

Also, as for quite some time now the Republic of Croatia has been in the phase of transition from one political and economic system into another, the legal framework for the operations has not been fully established yet; especially the judicial practice does not have a definite shape. The legislative and the executive branch of the government can also pass regulations that may affect the operations of the Issuer.

3.3 Market-related risks

The trends in the telecommunications sector in general, and accordingly the Issuer's performance, are greatly conditioned by the trends in the global economy, but also in the regional economies where the Issuer operates. The recession in the global economy has created in the last couple of years a very difficult environment for the global telecommunications industry. Doubtlessly, 2002 was also a very difficult year for the entire sector. Negative trends in the operations of worldwide known telecommunications companies resulted in billions of euros of loss. At the same time, several hundred thousands of jobs were lost in this industry.

Future trends in the telecommunications industry will doubtlessly have major influence on operations and the financial position of the providers of telecommunications equipment and services, including the Issuer.

In spite of the unfavourable business environment, over the last three years the Issuer has managed to maintain continuity in sales growth. Here we have to point out the relative growth in export that reached as much as 80 percent of total sales in 2002. The orientation to the export markets among which the most significant being Russia, Sweden, Belarus, Bosnia and Herzegovina, Montenegro, Sudan, Ukraine, contributes to a higher diversification of sales portfolio, i.e. it reduces the possible risk of concentration. On the other hand, the export expansion exposes the Issuer to additional risks resulting from the specific features of these markets, as well as from their regional positioning. Thus the oil price, for instance, has an obvious major influence on the alteration of phases in business cycles of economy in Russia and Kazakhstan. The market-related risk for Ukraine and Uzbekistan is greatly determined by the condition and success level of local agriculture whereas for some states, where the Issuer performs operations, the international community has issued recommendations to avoid business cooperation. Furthermore, a complete lack of any budget control is a constant hazard to the Issuer in those partner states where the telecommunications sector has not been privatised yet.

The competition is a special success factor in positioning the Issuer in major target markets. The competitive pressure is extremely strong in most markets where the Issuer is present. The estimations point to a considerable surplus in production capacity with majority of global telecom players, so that exceptional efforts on the part of the management and employees of the Issuer are required, not only to conquer new markets, but also to retain the traditionally good positioning at the domestic and the aforesaid export markets.

3.4 Financial risks

In view of the large share of export in total sales, but also regarding the currency provision in domestic purchase and sale agreements, the exposure to currency variation risk (depreciation or appreciation of accounting currency) affects considerably the level of business performance and the cash flow of the Issuer. Due to the neglectably small usage of external sources of financing, the major exposure to currency risk results from commercial arrangements denominated in foreign currencies, mostly in US dollar (USD) and euro (EUR). The negative aspect of currency risk, that manifests itself in the form of negative exchange rate differences, was very much pronounced at the Issuer in 2002, primarily due to a drop of US dollar. In spite of considerably better operational results of the Issuer in 2002 compared with the preceding year, a large amount of accounted negative exchange rate differences led to a poorer performance for that year compared to 2001. As the falling trend of the US dollar continued in early 2003, and there is no exact method of forecasting the exchange rates, the currency risk remains a significant factor in the Issuer's performance. In order to reduce this risk the Management of the Issuer took certain steps (the so called «hedging»), which have so far proved to be quite effective.

Continuous efforts to improve the collection of outstanding debts from customers resulted in a decrease of provisions for unrecoverable receivables. A considerably shortened time for collection of debts was achieved with activities such as approval of cash discounts, but also with a better support by financial institutions the Issuer collaborates with, especially banks. Although the possibility of a crisis occurring in the banking sector has been greatly reduced in comparison with the 1990-ies, possible difficulties the banks may encounter in Croatia and in a wider region would surely affect the operations of the Issuer. This because traditionally a large part of the Issuer's assets is kept in banks as time deposits, mostly in foreign currency. Here we can also raise the question of hyper liquidity, that is to say of opportunity costs of safekeeping the assets in most liquid form and with limited possibility of placing the cash assets with satisfactory yield. Besides, the value of bonds in the Issuer's assets may substantially vary depending on the interest rates trends of in the Croatian and global financial market. From the aspect of financing, the ownership structure with one major and many small shareholders may be an obstacle to the efforts to increase the share capital of the Issuer by issuing new shares.

3.5 Technological and operational risks

The technology used by the Issuer is based on the technologies of the Ericsson Group. Simultaneously with the development and purchase of equipment from the Group the know-how is transferred and the training of the employees of the Issuer is carried out. Delays between the development of new solutions and possible implementation by the Issuer become increasingly smaller, to which also the R&D Centre in Croatia has contributed. The Issuer's operations are mostly related to fixed telephony. Over the last year in this area the sales have dropped and less and less money is invested into the development of this technology. Related to this, the Issuer greatly depends on the decisions made by the Ericsson Group regarding the areas to which considerably reduced funds for R&D shall be directed.

3.6 Relations with the Ericsson Group

As at 31 December 2002, the major single Issuer's shareholder was the Swedish company Telefonaktiebolaget LM Ericsson with 49.07% shares and 49.73% votes (difference between the percentage of shares and votes is due to treasury shares holding no voting rights). This Company's share in the Issuer's share capital has not changed in the few recent annual Balance Sheets of the Issuer. The influence of Telefonaktiebolaget LM Ericsson is obvious especially in the process of appointing the Issuer's Management Board and Supervisory Board members. However, there is a pretty large level of autonomy in business and financial policy implementation. To corroborate this, it should be stated that the Issuer's financial statements are not included in the Ericsson Group consolidated statements.

Since it is exactly the Ericsson Group that is the largest Issuer's supplier of telecommunications equipment and services and one of its main customers, it is possible that the Issuer's operations and financial position are adversely affected. This could occur in case of reduction of the ownership share or the Issuer's ownership structure being completely abandoned by the Ericsson Group as well as in case of radical changes in the business policy of the Group. This might also lead to redefining the right to use the Ericsson Group brand name.

The Ericsson Group has been undergoing the restructuring phase and has been constantly adapting to the market situation. It has to be noted that special attention has been paid to the Group investments. Business co-operation between the Group, on the one hand, and the Issuer as sales channel, on the other hand, is realized only if the Issuer contributes to the added value. During a few recent years, the Ericsson Group has been the Issuer's main supplier and its main single customer, especially in the area of development. Consequently, the majority of the Issuer's employees have so far been dependent on business relations between the Issuer and the Ericsson Group.

At the time of preparing this shortened Prospectus version, the Issuer's exposure to the above mentioned risks cannot be quantified with certainty.

3.7 Risks related to human resources

A great part of the Issuer's success so far has been based on its highly skilled experts and experienced employees being capable to achieve top-level results. Professional, experienced and motivated management at all levels have also significantly affected the Issuer's results so far. Special attention has been paid to employees' competence development and this is very important in view of the Issuer being a part of the telecommunications sector. On the other hand, by comparing the average staff costs in Croatia and in the world concerning the competitive position in the telecommunications industry, it can be seen that operating conditions in Croatia are better than it is the case with employers in Western Europe. However, competitors in East European and Asian countries have, for the most part, lower personnel expenses than it is the case with the Issuer. In addition, implementation of the organizational changes continues to be directed towards downsizing, what could in the following period result in greater Issuer's expenses for severance payments. This is especially important in view of a continuous Issuer's orientation towards outsourcing as a substitution for the activities having been performed by the Issuer so far. In this group of risks it has to be, by all means, mentioned that there is a constant threat of key managers and experts leaving the Issuer.

3.8 Risks related to environmental pollution

Although the Issuer's operations, at the time of this shortened Prospectus issue, do not cause any adverse environmental impact, the Issuer's former production plants (locations: Krapinska 45 and Viktora Žganeca 2, Zagreb) were used mostly for printed circuit boards production as well as for standard surface treatments, whereby various hazardous chemicals were used. During production processes, various types of hazardous waste were also produced on these locations.

In 1996, in order to improve environmental performance, the Issuer started the Environmental Management System implementation, while the system for substitution of hazardous chemicals was used even before that. In 1996, the Issuer started the process of closing down its production plants but the locations continued to be subject to regular internal and external environmental audits. Furthermore, an international consultant, engaged by the Issuer, has recently completed the Phase I Environmental Site Assessment. The assessment results will be part of the Issuer's Environmental Review to be published by the end of 2003. The environmental audits performed so far and the latest environmental report mainly relate to former surface treatment activities. However, there have been no compliance issues reported. In case of any adverse environmental impact, it is not possible to predict the costs of its remedy.

4 DATA ON THE ISSUER

4.1 Corporate history

Ericsson Nikola Tesla d.d. is a Croatian company with over fifty years of successful operations. It has always been a leading specialized supplier and exporter of telecom equipment, software solutions and services in Central and Eastern Europe.

The Issuer was founded as a result of the privatisation of the enterprise Nikola Tesla - Poduzeće za proizvodnju telekomunikacijskih sistema i uređaja, po. –the legal form characteristic for the economic and legal system in the former Yugoslavia.

The Issuer was incorporated on 13 May 1995 with an initial share capital of HRK 501,366,225. The Issuer was registered with the Commercial Court of Zagreb on 13 June 1995. Following the decision of the General Assembly of 17 December 1998, the initial capital of the Issuer, amounting to HRK 501,366,225 was reduced by HRK 101,871,225 and now amounts to HRK 399,495,000. In November 1999, the period of six months from submitting the proposal to the court for satisfactory resolution of liabilities to the suppliers expired and the Company paid out HRK 101,067,000. The remaining balance of HRK 804,000 relates to treasury shares that the Company had at that date. The reduction of the share capital was carried out by reducing the nominal value of the issued shares from DEM 100 to HRK 300.

According to the ownership structure as of 30 April 2003, Telefonaktiebolaget LM Ericsson (Ericsson) is the major single shareholder of the Company, holding 49.07% of shares, small shareholders own 48.18 % of the Company's shares, while the Croatian Privatisation Fund owns 2.75 % of the Company's shares.

4.2 Corporate name, place of business, scope of activities, legal form, court registration number

ERICSSON NIKOLA TESLA, the joint stock company for manufacture of telecommunications systems and equipment, has its seat in Zagreb, Krapinska 45.

As its basic scope of activity, the Issuer deals with marketing, sales, design, engineering, research and development, installation, testing and maintenance of telecommunications and other related systems and equipment.

As stated in the Court Register, the Issuer's scope of activity is the following:

1. Manufacture of broadcasting and communications devices and equipment
2. Manufacture of electrical machines and devices
3. Manufacture of office machines and computers
4. Manufacture of instruments and devices for measurement and control
5. Manufacture of equipment for control of industrial processes
6. Installation works
7. Manufacture of other metal products
8. Wholesale trade and trade agency
9. Representation of foreign firms and foreign trade agency
10. Investment projects abroad
11. Road transportation of goods (cargo)
12. Goods warehousing
13. Computer and computer-related activities
14. Research and development in natural sciences, engineering and technology
15. Architectural and engineering activities and related technical consultancy
16. Project design and implementation, consultancy in the areas of electricity, electronics, information and industry
17. Preparation of technical documentation for radio network and for radio station broadcasting the radio or TV program
18. Installation and maintenance of facilities, technical equipment and installations, telecommunications and radio communications for third parties
19. Technical check-up of radio stations and common antenna system and cable TV
20. Import of radio stations for further sales or lease

21. Telecommunications equipment lease and sales
22. Accounting services

The Issuer is organized and existing as a joint stock company, registered in the Register of Companies of the Zagreb Commercial Court, Subject Identification No. 080002028. The Certificate of Incorporation, with all the Issuer's registered data, is to be found among the documents available to view (see Documents available to view - General Information).

4.3 Registered share capital, paid-in share capital and total capital stock

The Issuer's initial share capital amounts to HRK 399,495,000 and is divided into 1,331,650 ordinary registered shares, A series, with nominal value of HRK 300 per share. Shares have been issued in non-materialized form. The initial share capital has been paid in its total amount.

At the General Assembly of 8 May 2003, a Decision was made on decrease in share capital through reducing the share nominal value, by which the Issuer's share capital was decreased from the amount of HRK 399,495,000 by the amount of HRK 133,165,000 to the amount of HRK 266,330,000, and the share nominal value was reduced to HRK 200. The above stated Decision was reported to the Zagreb Commercial Court and will take effect upon expiry of all legal deadlines for announcing the intention of initial share capital decrease and upon registration of the capital decrease in the Court Register.

There is no initial share capital approved nor there are any issued securities that could be replaced with the Issuer's shares. The Issuer has not undertaken to issue new shares or any other securities which would give any voting rights to their owners or which would be replaceable with the Issuer's shares.

4.4 Shareholders' structure (shareholders with prevailing influence)

The ownership structure as at 30 April 2003 was the following:

No.	Shareholder	No. of shares	Ownership percentage	Vote percentage	HRK
1	Foreign legal entities and natural persons	663,549	49.83%	50.50%	199,064,700
2	Domestic natural persons	539,091	40.48%	41.03%	161,727,300
3	Domestic legal entities	59,990	4.50%	4.57%	17,997,000
4	Custody account	51,396	3.86%	3.91%	15,418,800
5	Treasury shares	17,624	1.32%	-	5,287,200
	Total	1,331,650	100.00%	100.00%	399,495,000

List of 10 major shareholders with voting rights as at 30 April 2003:

No.	Shareholder's name/corporate name	No. of shares	Vote percentage
1	Telefonaktiebolaget LM ERI	653,473	49.73%
2	Croatian Privatisation Fund	36,657	2.79%
3	Milorad Konjević	27,912	2.12%
4	PBZ d.d., Custody Account	15,600	1.19%
5	Branislav Zec	15,000	1.14%
6	PBZ d.d.	8,296	0.63%
7	Raiffeisenbank Austria d.d., Custody Account	7,765	0.59%
8	Miroslav Jeličić Purko	7,248	0.55%
9	Raiffeisenbank Austria d.d., Custody Account	6,810	0.52%
10	Srećko Bahovec	6,528	0.50%
	Others	546,361	40.24%
	Total:	1,331,650	100.00%

4.5 Total number of votes at the General Assembly, number of treasury shares, total number of shareholders with voting rights and the list of shareholders having 5% or more of the total number of votes

The total of 1,331,650 ordinary shares have been issued, each of them giving the right to 1 vote, which means that there are 1,331,650 votes at the General Assembly of the Issuer.

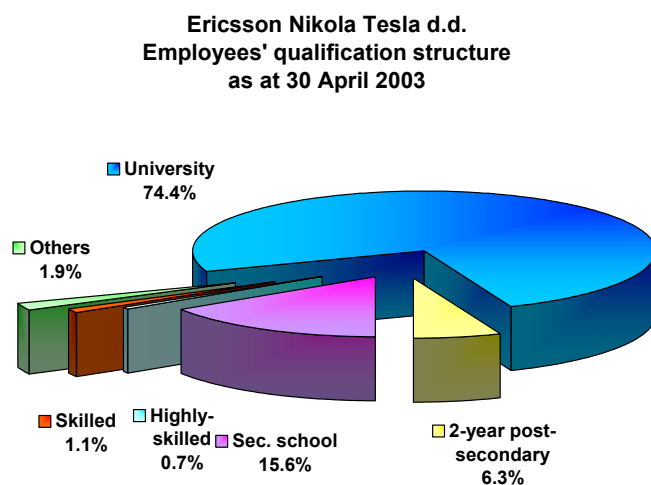
As at 30 April 2003, the Issuer is the holder of 17,624 treasury shares.

As at the same day, there is a total number of 3,724 shareholders recorded in the Stock Ledger as the holders of ordinary shares who, on this basis, have the right to vote at the Issuer's General Assembly. There is only one shareholder having 5% or more of the total number of votes, i.e. Telefonaktiebolaget LM ERICSSON, S-1262 Stockholm, Telefonvagen 30.

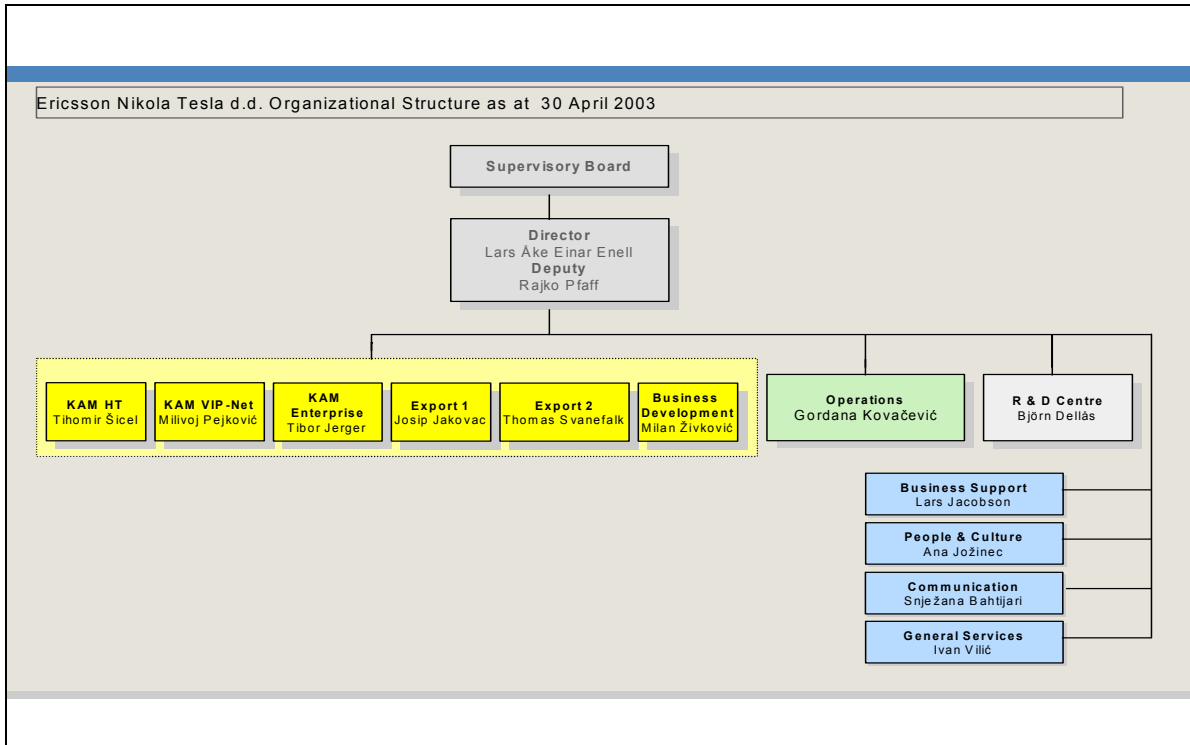
4.6 Employees' qualification structure

As at 30 April 2003, there were 1,081 employees at Ericsson Nikola Tesla d.d., their qualification structure being the following:

- 804 employees with the university degree
- 68 employees with two-year post-secondary school qualifications
- 169 employees with secondary school qualifications
- 8 highly skilled workers
- 12 skilled workers
- 20 others (employees with lower education - semi-skilled and unskilled workers).



4.7 Company organizational structure



4.8 Company real estate

Ericsson Nikola Tesla d.d. is the owner of the following real estate:

- Real estate in Zagreb, Krapinska 45, being the Company seat (where the Management Board and the greatest part of business premises are placed), registered in the land register file No. 17779, cadastral community Zagreb, plot No. 4829/3, total surface area: 48.623 square metres;
- Real estate in Zagreb – GRANA, Viktora Žganeca 2, plot No. 2751, cadastral community Dubrava, total surface area: 14.514 square metres.
- Real estate in Split, Vinkovačka 21 and 23, plot No. 6331/94, cadastral community Split, total surface area: 983 m². A preliminary agreement has been made with a company from Split on sales of the total real estate.

The above stated real property is free of any encumbrances, rights or pretensions on behalf of third parties. As regards the Zagreb real estate, the proposal made by RC Parish of St. Marko Križevčanin for property restitution has been recorded but it has not been placed against the Issuer.

The Issuer has leased part of its real estate. In general, long-time leases are in question. The total of 7,818.34 square metres have been leased on the Krapinska location, with 14 lessees in question. The Issuer has took on lease 2,423.59 square metres in Split for its own purposes. All lease agreements are standardized and define very precisely the lessor-lessee rights and obligations.

Besides the real estate used for business purposes, the Issuer also owns 16 flats in Zagreb, which have not been purchased by their tenancy-right holders. Lease contracts have not been made with six of them and an eviction lawsuit is under way against one tenancy-right holder. It is presently at a standstill as the settlement is expected.

4.9 INTELLECTUAL PROPERTY

The Issuer has licences for all programs and tools that have been used in its operations. As at 31 December 2002 there were 132 licence agreements for which the fee amounting to MHRK 62.5 was paid in 2002.

In addition to the licence agreements, the Issuer has reported to the State Intellectual Property Office, LION trademark, acknowledged and registered in the Trademark Register under No. Z20010344, and TRAMP trademark, acknowledged and registered in the Trademark Register under No. Z20011634, and the Issuer has also submitted three patent applications, published in the Croatian Intellectual Property Herald. LION and TRAMP trademark information can be accessed on the web pages of the State Intellectual Property Office:

- www.dziv.hr/DigitalLibrary/zigovi/Obrada.asp?regbroj=20010344;
- www.dziv.hr/DigitalLibrary/zigovi/Obrada.asp?regbroj=20011634

It is to be noted that LION has no figurative elements and is the word mark only.

4.10 Investments in companies

The Issuer is the founder and the sole member of the following companies:

(i) Ericsson Tesla SoftLab d.o.o., with its seat in Zagreb, Krapinska 45, with the initial capital of HRK 20,000 and its scope of activity being the following: computer and computer-related activities, research & development, experimental development, project design and preparing of technical documentation, transfer of knowledge in the areas of electricity, electronics as well as information, telecommunications and related technology, installation and maintenance of facilities, check-up of technical equipment and installations as well as telecommunications, radio communications, antenna systems and cable TV for third parties, purchase and sales of goods, trade agency on domestic and foreign markets, construction work, project engineering and supervision, telecommunications equipment lease and sales;

(ii) ETK Enterprise d.o.o., with its seat in Zagreb, Krapinska 45, with the initial capital of HRK 20,000 and its scope of activity being the following: publishing, goods warehousing, real estate business, computer and computer-related activities, market research and public opinion poll, business and management consulting, advertising, research work, experimental development, project design and preparing of technical documentation, transfer of knowledge in the areas of electricity, electronics as well as information, telecommunications and related technology, installation and maintenance of facilities, check-up of technical equipment and installations as well as telecommunications, radio communications, antenna systems and cable TV for third parties, purchase and sales of goods, trade agency on domestic and foreign markets, transportation of people and cargo (local and international road traffic), international forwarding.

Both companies have been founded as “shell companies” and presently do not perform any operations.

The Issuer has 25% share in EXi d.o.o. for telecommunications services, Zagreb, as joint venture with EXi Limited, Manchester, Great Britain.

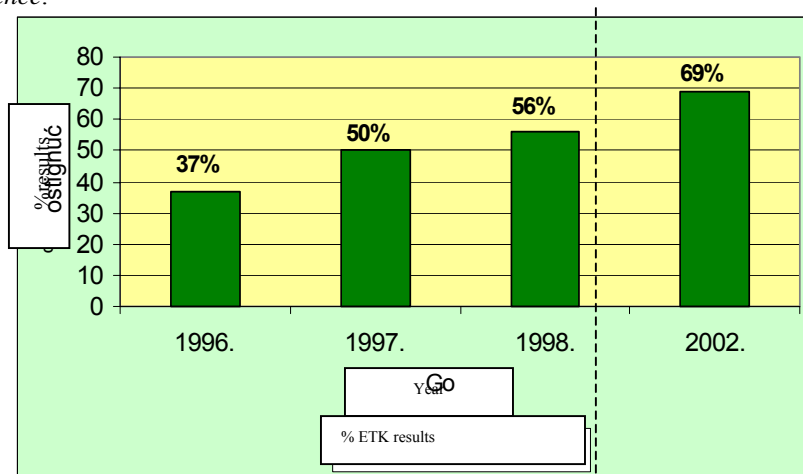
The Issuer is a shareholder of Elektrosvjaz d.d., seated in Ulan Ude, the Buryat Republic, where it holds 7.543 shares representing 10.67% of share capital investment. The Issuer is also one of the founders of INCOM d.d., Moscow, the Russian Federation, with 13.68% of share capital investment. In the Issuer's Balance Sheet the fair value of these investments is zero.

4.11 Quality Management

The Issuer uses the integrated Quality, Environment and OH&S Management System as well as Self-Assessment method according to the EFQM Excellence Model (European model). This Management System efficiency has been confirmed through the obtained ISO 9001:1994, ISO 9001:2000 (Research and Development Centre) and ISO 14001 certificates. Presently, the Issuer is undergoing preparations for the planned simultaneous re-certification of the quality system in compliance with ISO 9001:2000 (ETK without the Research and Development Centre), conversion of the environment certificate and certification of OH&S system.



Self-Assessments in the period 1996-2002 according to the EFQM Excellence Model showed the Issuer's significant improvements in implementing the TQM (Total Quality Management) concept. The result of the first Self-Assessment survey in 1996 was 37% or 370 out of possible 1000 points. In 2002 the achievement, according to the European excellence criteria, was 690 points. Stimulated by these results, the Issuer applied for obtaining the next level of excellence through the system audit performed by EFQM auditors. It is expected that in October 2003 the Issuer will be granted, as the first company in Croatia, the EFQM certificate *Recognised for Excellence*.



4.12 Authorizations and licenses

The Issuer owns the required authorizations and licenses of the competent authorities as follows:

1. The right to perform activities stated in the Telecommunications Law, Art. 27, Paragraph 1, Item 2, issued by the Croatian Telecommunications Bureau, class: 344-04/02-01/05, Reg. No.: 376-02-02-163 ŽO/IK, of 27 January 2003, valid until 5 December 2003, based on which the Issuer was listed among the companies allowed to perform the following activities: import, lease and sales of telecommunications terminal equipment and radio equipment;
2. The right to perform activities stated in the Telecommunications Law, Art. 27, Paragraph 1, Item 2, issued by the Croatian Telecommunications Bureau, class: 344-04/02-01/05, Reg. No.: 376-02-02-163a ŽO/IK, of 27 January 2003, valid until 5 December 2003, based on which the Issuer was listed among the companies allowed to perform the following activities: 1. installation and maintenance of telecommunications facilities, installations and equipment for third parties: 1.1. TT of wired installations and exchanges in residential and business facilities; 1.2. Optical installations in residential and business facilities; 1.3. Mobile communications base stations; 1.4. Other radio stations.
3. Based on the Law on Waters, Art. 131, Paragraph 1, *Narodne novine* (the Official Gazette) No. 107/1995 and according to the opinion of the Croatian Waters Authority, the City Office for Urban Development, Architecture, Housing, Utilities and Traffic issued a Water Licence, Class UP/I-325-11/2002-01/9, Reg. No.: 251-05-71/100-2002-2. The licence is of a five-year validity and regulates the wastewater quantity and quality as well as testing frequency of waste water quality.

5 DATA ON THE ISSUER'S SCOPE OF ACTIVITY

5.1 Short description of the Issuer's scope of activity

The main activity of the Issuer is development and production of software and services for telecommunications systems, project engineering and integration of total communications solutions for telecom operators, providing services to private and public enterprises as well as testing, sales and maintenance of communications solutions and systems.

5.2 Basic data on current legal and other disputes

The Issuer is a party in 32 lawsuits altogether (mainly concerning housing, labour, indemnity and bankruptcy issues), with claims in the amount of MHRK 4.5 while proceedings initiated against the Issuer amount to MHRK 1 million. In addition, there are a few minor offence court proceedings under way against the Issuer but possible fines cannot significantly influence the Issuer's financial position or stability. Now follows a survey of the most important lawsuits:

1. 150 small shareholders holding 7.05% of share capital vs. Ericsson Nikola Tesla d.d. concerning two decisions of the Issuer's General Assembly of 18 June 1998, to be declared null and void, i.e. a Decision on approval of the basic financial statements for 1997 and a Decision on 1997 net profit allocation, whereby according to the shareholders the Issuer's proposal and decision made at the General Assembly included too low net profit to be paid to shareholders. The Zagreb Commercial Court closed the main hearing in 2002 but reopened it again in 2003 in order to get the expert opinion. At the moment it is difficult to predict the court decision.
2. Former employee vs. Ericsson Nikola Tesla d.d. in a dispute initiated in 1991 regarding a possible Issuer's obligation to buy a one-room flat.
3. Ericsson Nikola Tesla d.d. vs. Novotec d.o.o. concerning the outstanding debt in the amount of HRK 1.985. mil. The Issuer has a decision on distraint but the possibility of collection of payments is questionable.
4. Solidha Progetti s.p.a. vs. Ericsson Nikola Tesla d.d. threatened to initiate the arbitration proceedings for indemnity amounting to EUR 1.3 mil. because of faulty Internet kiosks. In the meantime, the Issuer terminated the contract and required payment for delivered, non-paid kiosks in the total amount of EUR 165 thousand. At the beginning of the year, the Issuer was notified that bankruptcy proceedings were instituted against Solidha Progetti s.p.a.. According to the information obtained from the Croatian Chamber of Commerce, the Issuer's collection of outstanding debts for delivered Internet kiosks is questionable.
5. 32 former employees vs. Ericsson Nikola Tesla d.d. trying to get payment concerning delayed salaries, holiday cash grants and severance payments in the total amount of HRK 640 thousand. They are outsourced employees employed with Novotec d.o.o., which has been sold, so that here the wasted passive legitimation is in question.

Except for the above stated proceedings, the Issuer has not been involved in any court, arbitration and/or other proceedings which might have and/or have had significant influence on the Issuer's financial position nor such proceedings, as far as the Issuer is informed, are presently conducted or pending.

5.3 Awards and acknowledgements

As acknowledgement for its successful performance, the Issuer won *Zlatna kuna* (Golden Marten) for 2002 in the category of large enterprises.

In addition, Mrs. Gordana Kovačević, Vice-President and Director of Operations won the award *Poslovna žena godine 2001. u Hrvatskoj* (Business Woman of the Year 2001 in Croatia).

6 DATA ON THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION, AND PROFIT & LOSS

The following tables represent a summary of financial information of Ericsson Nikola Tesla d.d. (the Issuer) for 2002 and for the first four months of 2003. The 2002 information has been taken over from the financial statements audited by Arthur Anderson d.o.o. and has to be read in the context of these statements. The audit has been performed in accordance with the International Standards on Auditing and the financial statements have been prepared in accordance with the International Financial Reporting Standards, as required by the Croatian Accounting Law. As regards the first four months of 2003 the information has been taken over from non-audited financial statements.

6.1 Income Statement of Ericsson Nikola Tesla d.d.

<i>HRK '000</i>	Jan-Apr/2003	2002
Sales	405,235	1,414,135
Subsidies	-	-
Other operating income	12,699	28,586
Total operating income	417,934	1,442,721
<i>Operating costs</i>		
Changes in inventories of finished goods and work-in-progress	8,981	10,410
Costs of components and raw materials	163,787	557,199
Other external costs (services)	82,140	298,255
<i>Staff costs</i>		
Wages and salaries	39,846	125,300
Pension, health insurance and other payroll costs	34,539	122,123
Depreciation, amortisation and impairment of fixed assets	16,636	58,373
Depreciation of current assets	8	(17,425)
Provisions against risks	9,948	10,394
Other operating costs	18,951	58,939
Total operating costs	374,836	1,223,568
Operating profit (loss)	43,098	219,153
Financial income	26,947	79,547
Financial expense	(20,531)	(130,434)
Net result from financial activities	6,416	(50,887)
Income before taxation	49,514	168,266
Taxation	(9,903)	(38,234)
Net income for the year	39,611	130,032
Basic earnings per share (HRK)	30.14	98.96

6.2 Balance Sheet of Ericsson Nikola Tesla d.d.

<i>HRK '000</i>	As at 30 April 2003	As at 30 December 2002
ASSETS		
B. Non-current assets		
Intangible assets	3,891	4,560
Tangible fixed assets	159,579	168,356
Investments	10,333	10,169
Investments in subsidiaries	40	40
Investments in affiliates	5	5
Long-term receivables	51,281	78,585
Deferred tax assets	13,179	13,179
Total non-current assets	238,308	274,894
C. Current assets		
Inventories	94,696	102,931
Receivables from affiliates	31,895	42,602
Receivables from customers	371,652	497,526
Other receivables	162,902	21,610
Total receivables	566,449	561,738
Financial assets	103,191	100,152
Cash and cash equivalents	485,651	441,473
Total current assets	1,249,988	1,206,294
D. Prepayments and accrued income	4,598	1,860
F. TOTAL ASSETS	1,492,894	1,483,048

Balance Sheet of Ericsson Nikola Tesla d.d. (continued)

<i>HRK '000</i>	As at 30 April 2003	As at 31 December 2002
LIABILITIES		
A. Equity and reserves		
Share capital	399,495	399,495
Share premium	804	804
Reserves	36,958	36,958
Retained earnings	605,433	475,401
Profit for the year	39,611	130,032
	<hr/>	<hr/>
	682,002	642,391
Total equity and reserves	<hr/> 1,082,301	<hr/> 1,042,690
C. Non-current liabilities		
Employee benefit obligation	3,535	3,544
Long-term loans	4,123	3,951
	<hr/>	<hr/>
Total non-current liabilities	7,658	7,495
D. Current liabilities		
Liabilities toward affiliates	45,824	158,770
Current financial liabilities	16,442	19,645
Income tax payable	1,603	5,854
Accounts payable and other short-term liabilities	181,643	64,940
Provisions	26,130	26,974
	<hr/>	<hr/>
Total current liabilities	271,642	276,183
E. Accruals and differed income	<hr/> 131,293	<hr/> 156,680
Total liabilities	<hr/> 410,593	<hr/> 440,358
F. TOTAL EQUITY AND LIABILITIES	<hr/> 1,492,894	<hr/> 1,483,048

6.3 Cash Flow Statement of Ericsson Nikola Tesla d.d.

	<i>HRK '000</i>	Jan-Apr/2003	2002
Cash flow from operating activities			
<i>Net income for the year</i>		39,610	130,032
Adjustments for:			
Depreciation and amortisation		16,636	55,188
Change in provisions		(844)	4,830
Change in employee benefit obligation		(9)	(785)
Deferred taxation			2,071
Current taxation		9,903	36,163
Losses on fixed assets disposed		8	5,519
Provision for doubtful receivables		12,653	22,923
Provision against inventories			6,942
Change in fair value of embedded derivatives		(4,325)	33,834
Investment income		(9,020)	(24,958)
Unrealised foreign exchange differences		8,157	5,290
<i>Operating profit before working capital changes</i>		72,769	277,049
(Increase) / decrease in inventories		8,235	(68,810)
(Increase) / decrease in receivables		616	(168,961)
Increase / (decrease) of accounts payable		4,923	82,930
Increase / (decrease) in accrued charges and deferred income		(25,387)	71,634
(Increase) / decrease of prepaid expenses and accrued income		(2,738)	1,307
<i>Net cash generated from operations before taxation</i>		58,418	195,149
(Income taxes paid) / recovered		(14,154)	(56,635)
Net cash generated from operations		44,264	138,514
Cash flow used in investment activities			
Interest received		9,020	24,958
Purchase of tangible fixed assets		(7,203)	(48,916)
Purchase of intangible fixed assets		(15)	(2,613)
Increase in long-term deposits		(164)	(420)
Net change in current financial assets		(1,917)	(46,140)
Employees' apartments		20	1,053
<i>Cash used in investment activities</i>		(259)	(72,078)
Cash flow from financial activities			
Repayment of long-term loans		173	(129)
Dividends paid			(18,396)
<i>Cash used in financing activities</i>		173	(18,525)
Net cash inflow		44,178	47,911
			HRK '000
Cash and cash equivalents as at 31 December 2001		393,562	
Net cash inflow		47,911	
Cash and cash equivalents as at 31 December 2002		441,473	
Net cash inflow		44,178	
Cash and cash equivalents as at 30 April 2003		485,651	

7 REPORT ON AUDIT OF BASIC FINANCIAL STATEMENTS FOR 2002

8 DATA ON PERSONS RESPONSIBLE OF THE ISSUER

8.1 Management Board members

Name		Address	JMBG*
Lars Åke Einar Enell	Director	Zagreb	

8.2 Supervisory Board members

Name		Address	JMBG*
Mats Dahlin	Chairman	Sweden	
Pär Lövgren,	Vice-Chairman	Sweden	
Darko Marinac	Member	Zagreb	
Ignac Lovrek	Member	Zagreb	
Zvonimir Jelić	Member	Samobor	

* In accordance with the provisions of the Law on Amendments to the Law on Personal Identification Number (JMBG), applied as of 1 January 2003, the personal identification number is not public information and therefore it shall not be used in this Prospectus.

9 INTEREST OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD MEMBERS

As at 30 April 2003, only Mr. Zvonimir Jelić, the Supervisory Board member, was holder of 5 Issuer's shares.

Neither the Management Board member nor the Supervisory Board members have the right to purchase the Issuer's shares under privileged conditions or the right to receive payment through the Issuer's shares.

10 GENERAL INFORMATION

Approvals

Publishing of this shortened Prospectus has been approved by the Croatian Securities Commission. The Prospectus has also been approved and its copy signed by all the Management Board and Supervisory Board members of the Issuer. According to this, all agreements, approvals and/or authorizations needed for this shortened Prospectus, as required by the applicable Croatian legislation, have been granted or obtained.

No significant changes

According to the understanding of the Issuer's Management Board and Supervisory Board there have been no significant changes in the Issuer's financial and business positions after 10 June 2003.

Auditors

Arthur Andersen d.o.o., Zagreb, as the Issuer's auditor, performed the audit of financial statements for the year ended 31 December 2002. As regards the financial statements for the year ended 31 December 2002, the Auditor expressed its unqualified opinion (see Auditor's report).

The Issuer's auditor for 2003, appointed at the Issuer's General Assembly held on 8 May 2003, is KPMG Croatia d.o.o. za reviziju, Zagreb, Centar Kaptol, Nova Ves 11.

Current assets

The Management Board is of the opinion that the Issuer has sufficient current assets for its present needs.

Options and material contracts

As at the publishing date of this Prospectus there are no options on the Issuer's shares. In the two years prior to the publishing date of this shortened Prospectus there were no material contracts or contracts outside the Issuer's usual and regular scope of activity.

Statement made by the Management Board and Supervisory Board members

By signing this shortened Prospectus, the Management Board and Supervisory Board members give the following statement:

“In our opinion and according to all our understanding and the available data, we declare that all data stated in this Prospectus make a whole and true survey of the Issuer's assets and liabilities, profit and losses, financial position and operations, rights comprised in the related securities and that the facts that might affect the wholeness and reliability of this Prospectus have not been omitted.”

Documents available to view

Copies of the following documents may be viewed at the Issuer's premises (ERICSSON NIKOLA TESLA d.d., Krapinska 45, Zagreb) during normal office hours (Monday – Friday), within 14 days upon this shortened Prospectus approval:

1. Shortened Prospectus
2. Articles of Association
3. Certificate of Incorporation (Court Registration Certificate)
4. Audited financial statements for the year ended 31 December 2001
5. Audited financial statements for the year ended 31 December 2002

Financial statements can be accessed on the Issuer's web page.

Ericsson Nikola Tesla d.d. Zagreb

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10 000 Zagreb
Republic of Croatia

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Web: <http://www.ericsson.hr>
E-mail: etk@etk.ericsson.se

Auditor of the Issuer

Arthur Andersen d.o.o.
Milana Sachsa 1
10 000 Zagreb
Phone: + 385 (1) 248 05 55
+ 385 (1) 248 07 10
Fax: + 385 (1) 248 05 56

Adviser on listing at the Joint-Stock Companies Quotation

Raiffeisenbank Austria d.d.
Petrinjska 59
10 000 Zagreb
Phone: + 385 (1) 4566-466
Fax: + 385 (1) 4811-624

Ericsson Nikola Tesla d.d., Zagreb
Supervisory Board

Mats Dahlin
Chairman

Pär Lövgren
Vice-Chairman

Darko Marinac
Member

Ignac Lovrek
Member

Zvonimir Jelić
Member

Ericsson Nikola Tesla d.d., Zagreb
Management Board

Lars Åke Einar Enell
Director

Advisor on listing at the Public Joint Stock Companies Quotation, Raiffeisenbank Austria d.d.

Zdenko Adrović
President of the Management Board

Damir Grbavac
Procurator

- END OF TRANSLATION -

No.

Date:

To all to whom these Presents shall come, I, Katarina Bijelić Beti, Vitasovićeve poljana 5, Zagreb, certified court interpreter and translator for English language, duly admitted and sworn by the Decree of the District Court of Zagreb - No. 4 Su-784/02, on 27 June 2002, do hereby certify that the above translation fully corresponds to its original in the Croatian language.