

Ericsson Nikola Tesla *income statement*

For the year ended 31 December 2006

	2006	2005
	HRK '000	HRK '000
Sales revenue	1,634,141	1,624,515
Cost of sales	(1,347,875)	(1,300,964)
Gross profit	286,266	323,551
Other operating income	75,112	96,739
Distribution expenses	(67,900)	(70,141)
Administrative expenses	(42,120)	(43,452)
Other operating expenses	(52,902)	(90,554)
Results from operating activities	198,456	216,143
Interest income and other financial income*	93,505	64,506
Net foreign exchange losses	(25,690)	(12,057)
Profit before Financial cost and Income tax expense (EBIT)	266,271	268,592
Financial cost (including Interest expense and excluding Net foreign exchange losses)	(1,751)	(190)
Profit before tax	264,520	268,402
Income tax expense	(30,747)	(32,714)
Profit for the year	233,773	235,688
Earnings per share (HRK)	177.06	178.82

** includes Amortization of discount in the amount of HRK 59,698 thousand (2005; 18,773).*

According to IAS accounting principles for long term financing Amortization of discount, are classified as financial income. Figures for year 2005 have been reclassified to be comparable with 2006.

Ericsson Nikola Tesla *balance sheet*

As at 31 December 2006

	2006 HRK '000	2005 HRK '000
ASSETS		
Non-current assets		
Property, plant and equipment	200,333	206,150
Intangible assets	3,888	2,894
Non-current loans and receivables	389,140	247,719
Equity securities	45	45
Deferred tax assets	14,181	20,176
Total non-current assets	607,587	476,984
Current assets		
Inventories	30,608	30,934
Trade receivables	490,334	621,313
Receivables from related parties	70,192	48,278
Income tax receivable	872	8,739
Other receivables	24,269	28,324
Other current financial assets	436,952	492,146
Prepayments and accrued income	1,249	2,730
Cash and cash equivalents	280,767	192,320
Total current assets	1,335,243	1,424,784
TOTAL ASSETS	1,942,830	1,901,768

Ericsson Nikola Tesla *balance sheet (continued)*

As at 31 December 2006

	2006 HRK '000	2005 HRK '000
EQUITY AND LIABILITIES		
Equity		
Share capital	133,165	266,330
Treasury shares	(3,119)	(4,561)
Legal reserves	20,110	20,110
Retained earnings	<u>1,422,337</u>	<u>1,208,681</u>
Total equity	<u>1,572,493</u>	<u>1,490,560</u>
Non-current liabilities		
Interest-bearing borrowings	1,415	3,109
Employee benefits	<u>4,331</u>	<u>4,054</u>
Total non-current liabilities	<u>5,746</u>	<u>7,163</u>
Current liabilities		
Payables to related parties	70,083	112,732
Interest-bearing borrowings	586	307
Trade and other payables	122,754	107,233
Provisions	14,734	11,735
Accrued charges and deferred revenue	<u>156,434</u>	<u>172,038</u>
Total current liabilities	<u>364,591</u>	<u>404,045</u>
Total liabilities	<u>370,337</u>	<u>411,208</u>
TOTAL EQUITY AND LIABILITIES	<u>1,942,830</u>	<u>1,901,768</u>

Ericsson Nikola Tesla *statement of cash flows*

For the year ended 31 December 2006

	2006 HRK'000	2005 HRK'000
Cash flows from operating activities		
<i>Profit before tax</i>	264,520	268,402
Adjustments for:		
Depreciation and amortisation	73,286	53,912
Impairment losses and reversal	(5,695)	(24,719)
Change in provisions	5,339	3,560
Net loss on sale of property, plant and equipment	918	85
Net gains on non trading financial assets	(9,187)	(17,263)
Amortisation of discount	(59,698)	(18,773)
Interest income	(24,620)	(28,470)
Interest expense	1,751	190
Foreign exchange gains	(6,091)	(19,321)
Equity-settled transactions	5,800	2,097
	246,323	219,700
Increase in non-current loans and receivables	(129,091)	(210,779)
Decrease in inventories and receipt from insurance company	37,272	17,596
Decrease in receivables	114,905	46,703
Increase in payables	(32,004)	29,329
(Decrease) / increase in other operating assets and liabilities	-	(977)
	237,405	101,572
<i>Cash generated from operations</i>	237,405	101,572
Interest paid	(1,751)	(190)
Income taxes paid	(18,045)	(54,596)
Net cash from operating activities	217,609	46,786
Cash flows from investing activities		
Interest received	24,316	28,650
Purchases of property, plant and equipment, and intangible assets	(69,381)	(109,968)
Decrease / (increase) in non-current deposits	3,326	449
Net disposal/(acquisition) of other non-trading financial assets	64,029	(163,706)
Net cash used in investing activities	22,290	(244,575)

Ericsson Nikola Tesla *statement of cash flows (continued)*

For the year ended 31 December 2006

	2006 HRK'000	2005 HRK'000
Cash flows from financing activities		
Repayment of interest-bearing borrowings	(1,430)	(415)
Dividends paid	(25,077)	(23,652)
Capital redemption	(131,403)	-
<i>Net cash used in financing activities</i>	<u>(157,910)</u>	<u>(24,067)</u>
Effects of exchange rate changes on cash and cash equivalents	6,458	19,321
Net increase (decrease) in cash and cash equivalents	88,447	(202,535)
Cash and cash equivalents at the beginning of the year	192,320	394,855
Cash and cash equivalents at the end of the year	<u>280,767</u>	<u>192,320</u>