

Ericsson Nikola Tesla *income statement*

For the year ended 31 December 2005

		<i>*Restated</i>
	2005	2004
	HRK '000	HRK '000
Net sales	1,624,515	1,551,661
Cost of sales	(1,300,964)	(1,187,416)
Gross profit	323,551	364,245
Other operating income	115,512	93,368
Distribution expenses	(70,141)	(66,815)
Administrative expenses	(43,452)	(47,323)
Other operating expenses	(90,554)	(125,732)
Operating profit before financing income	234,916	217,743
Financial income	45,733	48,827
Financial expenses	(12,247)	(20,314)
Net financial income	33,486	28,513
Profit before tax	268,402	246,256
Income tax expense	(32,714)	(28,863)
Net profit	235,688	217,393
Earnings per share (HRK)	178.82	165.44

**Corrections are made in order to apply new international accounting standards, application of which is mandatory from 1 January 2005.*

Ericsson Nikola Tesla *balance sheet* As at 31 December 2005

		<i>*Restated</i>
	2005	2004
	HRK '000	HRK '000
ASSETS		
Non-current assets		
Property, plant and equipment	206,150	150,354
Intangible assets	2,894	2,719
Non-current loans and receivables	247,719	107,138
Equity securities	45	45
Deferred tax assets	20,176	28,398
Total non-current assets	476,984	288,654
Current assets		
Inventories	30,934	48,530
Trade receivables	621,313	572,288
Receivables from related parties	48,278	31,226
Income tax receivable	8,739	-
Other receivables	28,324	30,864
Other current financial assets	492,146	310,716
Prepayments and accrued income	2,730	894
Cash and cash equivalents	192,320	394,855
Total current assets	1,424,784	1,389,373
TOTAL ASSETS	1,901,768	1,678,027
EQUITY AND LIABILITIES		
Equity		
Share capital	266,330	266,330
Treasury shares	(4,561)	(4,219)
Legal reserves	20,110	20,110
Retained earnings	1,208,681	994,625
Total equity	1,490,560	1,276,846
Non-current liabilities		
Interest-bearing loans and borrowings	3,109	3,559
Employee benefits	4,054	3,826
Total non-current liabilities	7,163	7,385
Current liabilities		
Liabilities to related parties	112,732	108,898
Interest-bearing loans and borrowings	307	272
Income tax payable	-	21,945
Trade and other payables	107,233	93,057
Provisions	11,735	11,768
Accrued charges and deferred revenue	172,038	157,856
Total current liabilities	404,045	393,796
Total liabilities	411,208	401,181
TOTAL EQUITY AND LIABILITIES	1,901,768	1,678,027

Ericsson Nikola Tesla *statement of cash flows*

For the year ended 31 December 2005

		<i>*Restated</i>
	2005	2004
	HRK '000	HRK '000
Cash flows from operating activities		
Profit before tax	268,402	246,256
Adjustments for:		
Depreciation and amortisation	53,912	44,799
Impairment losses and reversal	(43,492)	56,483
Change in provisions	3,560	1,912
Write-offs and loss on sale of property, plant and equipment	85	9,235
Net gains on non trading financial assets	(17,263)	6,977
Interest income	(28,470)	(46,412)
Interest expense	190	152
Foreign exchange gains	(19,321)	(19,767)
Reversal of impairment loss on buildings	-	(14,575)
Equity-settled transactions	2,097	4,995
	219,700	290,055
Increase in non-current loans and receivables	(97,538)	(18,467)
Increase in inventories	17,596	24,853
Increase in receivables	(66,538)	(261,515)
Decrease in payables	29,329	101,272
(Decrease) / increase in other operating assets and liabilities	(977)	703
Cash generated from operations	101,572	136,901
Interest paid	(190)	(152)
Income taxes paid	(54,596)	(5,507)
Net cash from operating activities	46,786	131,242
Cash flows from investing activities		
Interest received	28,650	44,224
Net purchase of property, plant and equipment, and intangible assets	(109,968)	(40,809)
Decrease / (increase) in non-current deposits	449	(755)
Net acquisition of other non-trading financial assets	(163,706)	(194,313)
Net cash from investing activities	(244,575)	(191,653)
Cash flows from financing activities		
Repayment of interest-bearing borrowings	(415)	(228)
Dividends paid	(23,652)	(22,338)
Capital redemption	-	(131,403)
Net cash from financing activities	(24,067)	(153,969)
Effects of exchange rate changes on cash and cash equivalents	19,321	9,668
Net increase in cash and cash equivalents	(221,856)	(204,712)
Cash and cash equivalents at the beginning of the year	394,855	589,899
Cash and cash equivalents at the end of the year	192,320	394,855