

Ericsson Nikola Tesla Capital Markets Day

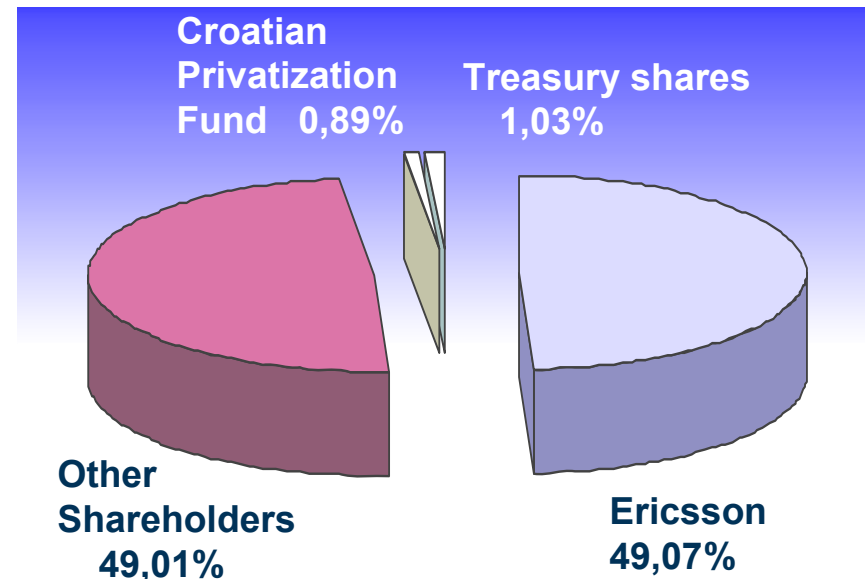
Gordana Kovačević

ETK President

Ericsson Nikola Tesla

An Information Communication Technology company

- Nikola Tesla was founded in 1949, co-operation with Ericsson started in 1953
- Ericsson Nikola Tesla is part of the globally renowned and globally present Ericsson Group since 1995



Ericsson Nikola Tesla

An Information Communication Technology company

- Ranked at the top of Croatian economy for over five decades
- Five decades of cooperation with Ericsson and a decade of membership in the Ericsson Group
- Long-time presence at the markets of CEMA



Our position in Croatia

- The company of “knowledge”
- Driver of the cutting edge information and communications technologies
- The biggest part of national wireline network and half the wireless network in Croatia is based on Ericsson’s product and services
- Partnership with key operators of wireline and wireless systems
- Enterprise and special systems offering, including e-systems



Our position in Ericsson

- Marketing & sales (indirect sales channel for Ericsson's products to 'small and difficult markets/customer')
- Global and regional competence center for
 - Solutions and Sales Support
 - Services and System Integration
 - Research & development
 - Mobility World Center
 - Mobile Data Solutions
- Experimental place for new ideas and pilots i.e. driver of e-system portfolio



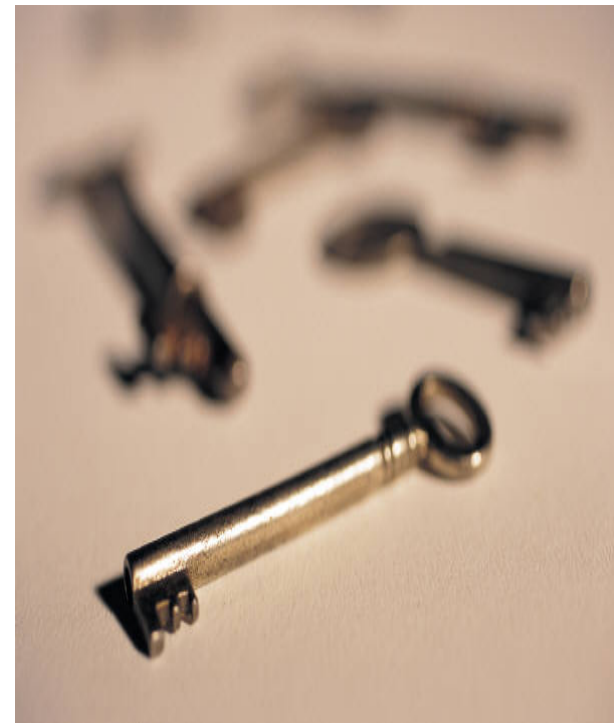
Three ETK corner-stones

- Home market – intensive partnership with the most important Croatian operators
- Export markets – business activities at more than thirty markets in CEMA
- Internal Ericsson's market – the competence centers for research & development and e2e communications solutions, services



Our goals 2005

- Establish new and strengthen existing business partnerships
- New responsibilities and strengthening the image as a responsible partner within Ericsson
- Take on local and regional leadership in e-systems
- Export volumes as in 2004 or slightly below
- Be preferred supplier in ICT industry



Top-priority activities

- Building-up the leading position in Croatia
- Fostering business excellence
- Building-up regional and global position
- Employees' competence development
- Attracting young and competent experts



Our achievements in 2005

Financial results (in MHRK)

	Q304	Q305	INDEX
■ Orders booked	1.345,8	1.356,0	100,8
■ Net sales	1.044,2	1.055,3	101,1
■ Profit before taxes	165,7	136,6	82,4
■ Cash flow from operating activities	178,8	191,1	106,9

Continued solid performance

A Series of Valuable contracts

- Intensive partnership with **VIPnet** and **T-HT**
- **New partnership** in the home market with operators: **Tele 2** and the Internet service provider **Vodatel**
- **Croatian Railway (HŽ)** - contracts for telephony and IP network upgrade
- **TOO TelecomNet, Kazakhstan** - largest single contract ever signed for multiservice network
- **JV MDC Velcom, Belarus** - contract for GSM network extension
- **Eronet, Bosnia and Herzegovina** - contract for GSM network extension and introduction of EDGE functionality
- **Monet, Montenegro** - contract for modernization of GSM network

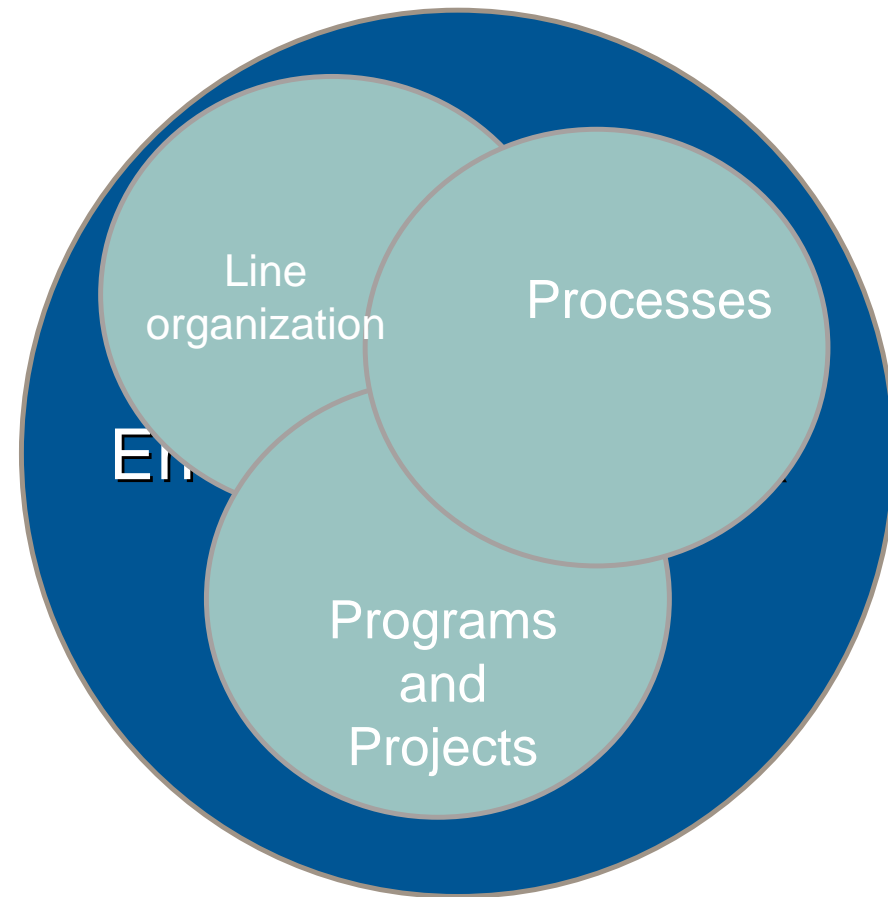


New Responsibilities within Ericsson

- New and extended responsibilities in Ericsson group; R&D, GSDC
- Strong growth of employment (2005 +189 new employees)
- Continuous development of employees' competence
- Additional investment in business premises, equipment, education
- Intensive work on developing the leadership capabilities of new and current managers
- To retain quality and cost-effectiveness

ETK – flexible organization

- Clear empowering and responsibilities
- Adjusted to new customers and present customers' needs
- Stronger synergy and links of various functions and organizations through projects and processes
- New programs/projects to boost creativity, cost efficiency and adaptation
- Visualizing and remuneration of quality specialists and teams



Awards and Recognition

- **ETK received the highest award of the City of Zagreb for its business performance in 2004**
- **Best Industrial Share in 2004**



Corporate Governance Principles

- Corporate Governance - integral part of company's operation (among the first in Croatia)
- Equal treatment of shareholders, transparency and responsibility towards all stakeholders, clearly defined rights and relationships between all stakeholders
- Timely and truthful information



Intellectual capital – the key to success

- Highly educated and expert human resources
- Modern management style and efficient leadership
- Dedication, competitive spirit and innovativeness
- Inspiring working environment



Intellectual capital – the key to success

- A team of more than 1250 experts
- 84% with university education
- 8% holders of a master's degree and a doctor's degree
- Currently 180 employees attend the post-graduate studies
- 500 employees younger than 32





Financial briefing

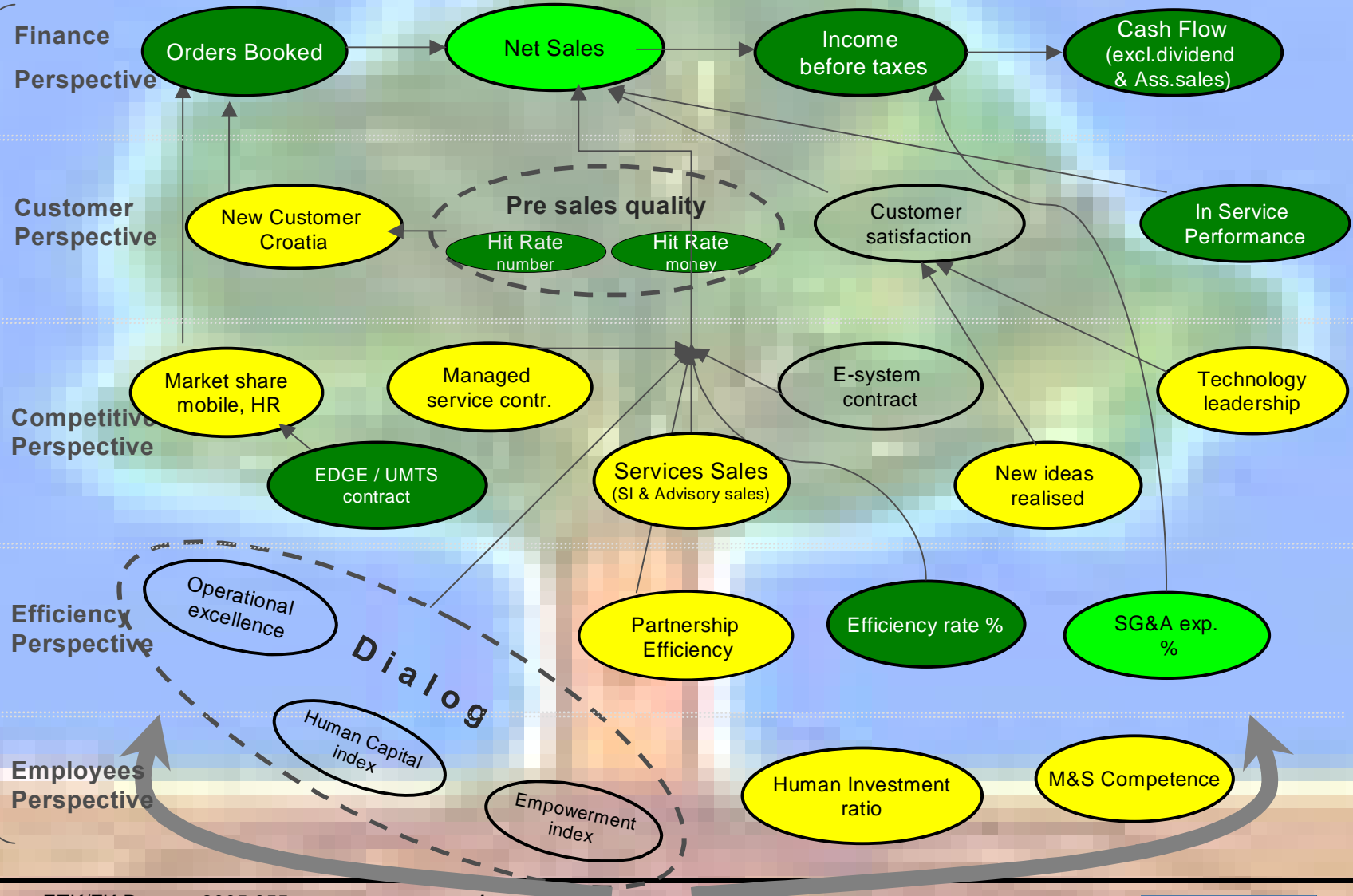
Maria Radtke
Finance Director



- Good performance
- "On-Track"
- Weak performance

ETK Key Performance Indicators Tree 05Q3A

SHAREHOLDERS



Financial results 9M 2005

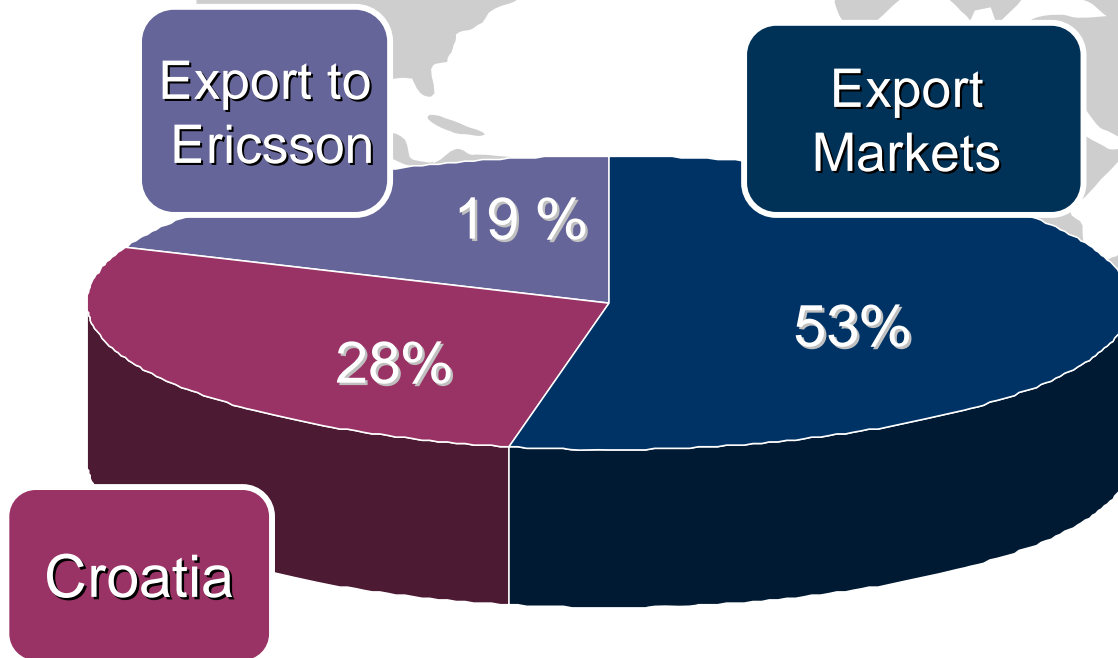
<i>HRK million</i>	<i>9M 2004</i>	<i>9M 2005</i>	<i>%</i>
Orders booked	1.345,8	1.356,0	1
Book-to-bill	1,29	1,28	
Net sales	1.044,2	1.055,3	1
Gross margin (%)	24,0	22,8	
Operating profit	152,0	117,6	-23
Operating margin (%)	14,6	11,1	
Net financial income	8,4	19,1	127
Income before tax	165,7	136,6	-18
Operating cash flow	178,8	191,1	
EPS	101	83	
ROS	16%	13%	



Continued solid performance

Top markets – 2005

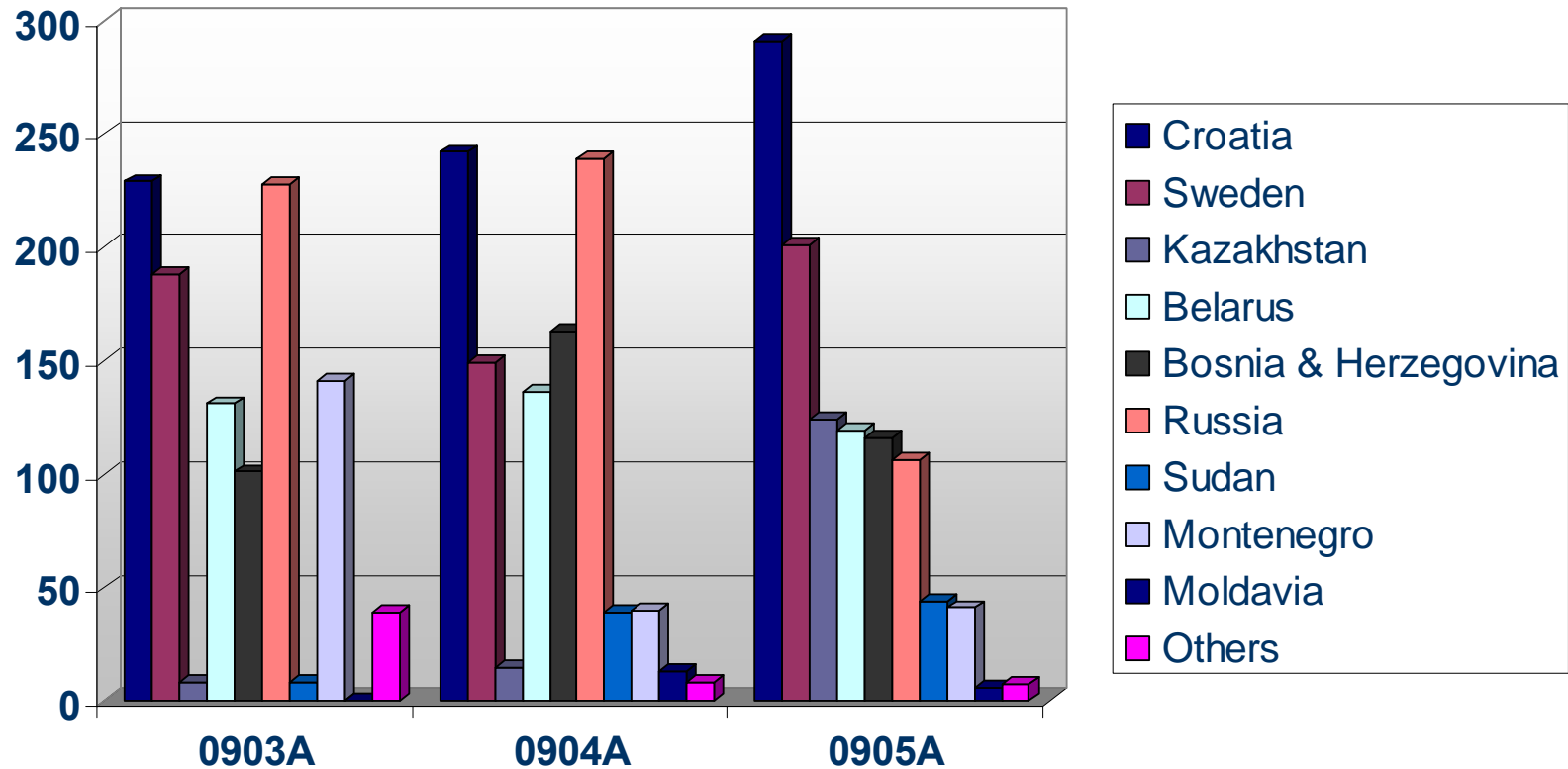
% of net sales



- Croatia 28%
- Sweden 19%
- Kazakhstan 12%
- Belarus 11%
- Bosnia and Herzegovina 11%
- Russia 10%
- Sudan 4%
- Montenegro 4%

Net sales by markets

in HRK million



- Strengthening the position in Croatia and internal Ericsson market (Sweden)
- Outstanding results in Kazakhstan

Balance sheet highlights

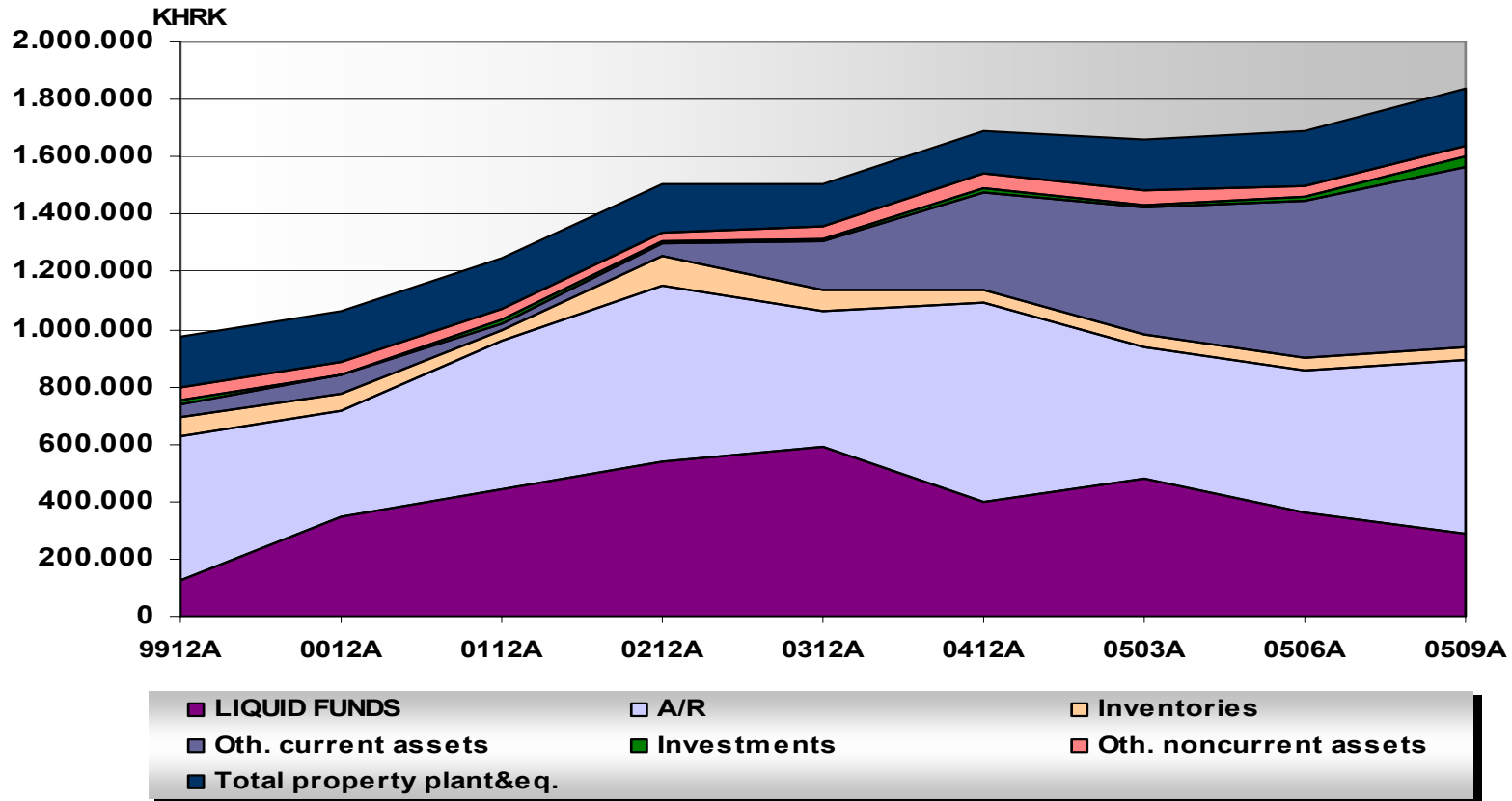
in HRK million

Assets	12M 2004	9M 2005	%
Cash and cash equivalents	395	290	-27
Financial assets	310	529	71
Inventories	49	45	-8
Short term receivables from customers	604	467	-23
Other current assets	30	99	230
Long term receivables from customers	89	138	55
Other non current assets	201	272	35
Total assets	1.678	1.840	10
Liabilities and shareholders equity			
Current liabilities	394	470	19
Non-current liabilities	7	7	0
Shareholders equity	1.277	1.363	7
Total liabilities and shareholders equity	1.678	1.840	10
ATO (receivable turnover) days	144	146	
ITO (inventory turnover) days	16	15	
Current ratio	3,51	3,11	

Focus on Operational Excellence

Assets development

= solid and healthy situation



- further strong inflows are expected, but also a number of outflows (customer financing, R&D investments, investments in premises for new employees, redemption payment)

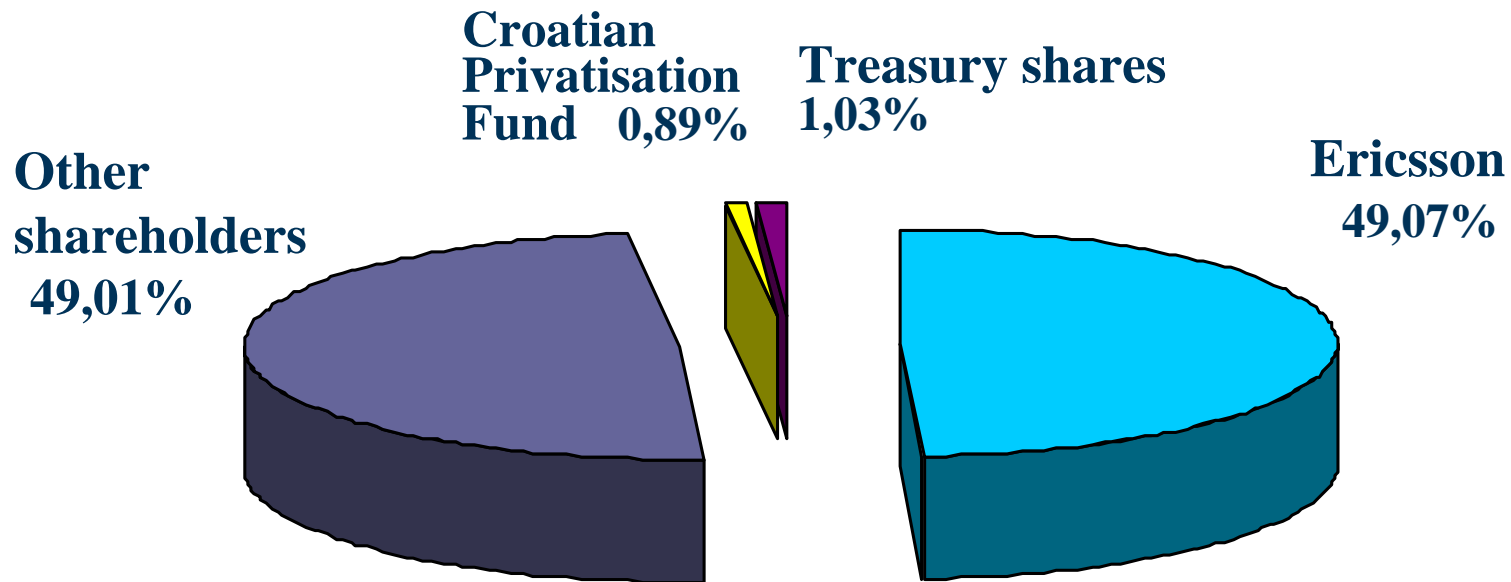
Financial challenge

- Continuous improvements in cost efficiency to compensate for price pressure
- Investments in competence (increasing no. of employees), facilities and customer financing
- Positive operational cash-flow from majority of the business



Ownership structure

(October, 2005)



- Number of shares; 1.331.650
- Total number of shareholders; 4000

Share prices and turnover

(October 28, 2005)

HRK



ERICSSON 

TAKING YOU FORWARD