

PRESS INFO

July 22, 2022



ERICSSON NIKOLA TESLA d.d.
Krapinska 45
10000 Zagreb

SECURITY: ERNT (ISIN: HRERNTA0000)
LEI: 5299001W91BFWSUOVD63
HOME MEMBER STATE: Republic of Croatia
REGULATED MARKET SEGMENT: Regular market of the Zagreb Stock Exchange

Ericsson Nikola Tesla Group

Management Report on the Company and Ericsson Nikola Tesla Group business performance with comments on the financial results for H1 2022

Highlights:

- Sales revenue: MHRK **1,062.3**
- Gross margin: **9.7%**
- Operating profit: MHRK **76.9**
- Profit before tax: MHRK **80.0**
- Net profit: MHRK **68.4**
- Cash flow from operating activities: MHRK **20.5**

Gordana Kovačević, the President of Ericsson Nikola Tesla, commented:

„In H1 2022, we continued to implement many projects in the domestic and export markets and achieved sales revenue of more than one billion HRK. We had a solid business performance despite the extremely turbulent political environment, inflation, increase in the prices of labor, energy and materials, disruptions in supply, as well as lack of STEM experts. The war in Ukraine has a significant impact on our business in Belarus, as well as in the surrounding markets. Due to the sanctions imposed by EU, the termination of eHealth implementation contract for the Republic of Belarus was initiated. We have stopped the signing of the already agreed new contracts and postponed the implementation of the previously signed multi-year contracts with telecom operators in Belarus, the further implementation of which will depend on the development of the situation with sanctions, that we continuously monitor.

The domestic market was marked by the continuation of investment of the leading operators in the network infrastructure. Accordingly, in the observed period we have continued with the deliveries related to 5G network and fiber-optic network for Hrvatski Telekom, which recently once again received the umlaut 'Best in Test' awards for the best and fastest fixed and mobile network. The results of umlaut analysis were certainly positively impacted by the quality implementation of projects, in which our experts have participated. With our strategic partner A1 Hrvatska, we have continued the cooperation on the expansion of coverage and capacity of radio 5G network, expansion of capacity of 4G network, and modernization of convergent 5G core network.

PRESS INFO

July 22, 2022



Furthermore, as part of a pilot project, in cooperation with the company Odašiljači i veze, we have implemented a private 5G network at a factory in the Šibenik-Knin County, based on Ericsson Private 5G solution. This solution represents a fully independent 5G network of high performance, high level of security, with remote control and automation capabilities. One of the possible applications of 5G private networks is the automated monitoring of warehouse conditions using drones, and the factory is provided with reliable wireless mobile technology for various types of devices.

In the Digital Society segment, activities on e-health, e-business and public safety projects continued, and new contracts were also signed. Based on the two-year frame agreement with the State Geodetic Administration and the Ministry of Justice and Public Administration, which we announced in June 2021, we have contracted the continuation of cooperation related to support services for the application system of the Joint Information System of Land Registry and Cadaster (JIS).

As regards innovative solutions, our Research and Development (R&D) Center, as well as our expert centers for services and solutions have been recognized for excellence by Ericsson corporation and have been continuously given new responsibilities, thus significantly contributing to the Group's business results. We are proud that Ericsson Nikola Tesla Group has more than 1,800 employees, who work on software design, out of total of more than 3,500 employees and there is a potential for further growth.

With the aim of further development of the company, in addition to the expansion of the existing offices in Zagreb, Split and Osijek, we opened a new office in Rijeka at the beginning of June. In this way, we optimize our business activities and ensure the necessary professional capacities, and we make it possible for our experts to stay in Croatia and continuously develop their skills by working in the dynamic ICT industry, on the latest technologies and interesting projects in cooperation with top experts from all over the world. By opening our offices in other Croatian cities, we additionally boost economic and technological development, and as a socially responsible entrepreneur we contribute to the equal development of Croatia.

In export markets, despite numerous challenges, we have continued a quality cooperation with long-term customers in the neighboring markets on mobile networks modernization. I would like to highlight a contract with HT Mostar on providing support for the maintenance of fixed and mobile network until the end of 2023, further activities on the modernization of Crnogorski Telekom's mobile network which include the increase of capacities, expansion and coverage of the entire Montenegro with 5G signal, as well as putting into operation the first 5G pilot network in Kosovo with the operator IPKO.

In H1 2022, more than 130 employees joined our Group, mainly highly educated STEM experts. Engagement in our company enables ICT experts to positively impact the life and work of millions of people through their daily work. Therefore, I believe that also in the future, STEM experts will recognize Ericsson Nikola Tesla as an employer of their choice.

Compared to H1 2021, sales revenue increased by 4.7% at Group level, mainly due to sales increase in services to Ericsson. Gross margin decreased to 9.7%, due to sanctions against Belarus, increase of salaries as a response to inflationary pressure and rising prices of energy, raw materials and materials, while operating profit decreased by 35.6%, amounting to MHRK 76.9. A positive cash flow from operating activities was realized, amounting to MHRK 20.5, which is in line with the expectations, considering the market environment. We have concluded Q2 with a healthy balance sheet, with equity ratio of 30.9%. At the end of Q2, cash and cash equivalents, including short-term financial assets, amounted to MHRK 515.1 (41.0% of the total assets).

PRESS INFO

July 22, 2022



In order to mitigate risks, we continuously monitor the situation in all markets and business segments and take appropriate measures. Diversification of business enables us to have a stable performance and to mitigate the negative impacts of crisis by increasing our experts' engagement within the global organization in research and development as well as other high-value services, and we actively work on the development of existing and new business segments.

In 2022, we expect the demand for digital solutions to continue, which opens new opportunity for the company's business development. Therefore, regardless of all the challenges, we shall continue to invest in 5G and new technologies, Industry 4.0/5.0, new solutions, markets and customers, development of our employees' knowledge and skills, digital transformation of Ericsson Nikola Tesla Group, and open new jobs in order to secure the company's long-term development. We are also preparing for our additional quality contribution to the full development of Digital Croatia in the upcoming decade.,,

Financial highlights for the Group:

- Sales revenue amounted to MHRK 1,062.3 (H1 2021: MHRK 1,014.2), up by 4.7% year-over-year, mainly due to increase in services to Ericsson. In total sales revenue, the domestic market accounted for 41.5%, services to Ericsson accounted for 47.5%, while other export markets accounted for 11.0%. In the company's revenue, total export accounted for 58.5%.
- Sales in the Networks segment amounted to MHRK 521.3 (H1 2021: MHRK 468.3), Digital Services segment amounted to MHRK 286.6 (H1 2021: MHRK 282.3), Managed Services segment amounted to MHRK 252.7 (H1 2021: MHRK 260.1), and Emerging Business and Other amounted to MHRK 1.7 (H1 2021: MHRK 3.5).
- Gross profit was MHRK 103.5 (H1 2021: MHRK 154.3), down by 32.9 % year-over-year, primarily due to higher costs as a result of termination of eHealth implementation project in Belarus. Furthermore, gross profit was impacted by the increase of salaries as a response to inflationary pressures and increase in the prices of energy, raw materials and materials. Gross margin decreased to 9.7% (H1 2021: 15.2%).
- Selling and administrative expenses increased by 3.0% year-over-year, amounting to MHRK 44.3 (H1 2021: MHRK 43.0). The share of selling and administrative expenses in sales revenue was 4.17% (H1 2021: 4.24%).
- Operating profit amounted to MHRK 76.9, down by 35.6% year-over-year (H1 2021: MHRK 119.3) due to lower gross profit.
- Gain from financial activities amounted to MHRK 3.2 (H1 2021: MHRK 1.5), mainly due to higher interest income and positive exchange differences.
- Profit before tax decreased by 33.8% year-over-year to MHRK 80.0 (H1 2021: MHRK 120.8).
- Net profit amounted to MHRK 68.4 (H1 2021: MHRK 101.4), down by 32.6% year-over-year. Return on Sales (ROS) was 6.4% (H1 2021: 10.0%).
- Cash flow from operating activities amounted to MHRK 20.5 (H1 2021: MHRK 141.8), which is in line with the expectations taking into consideration the market environment.
- Working Capital Efficiency, expressed in WCD, was 10 days (H1 2021: 10 days). Excluding services to Ericsson, Working Capital Efficiency was 28 days (H1 2021: 22 days). The number of WCD is impacted by the implementation dynamics of the ongoing projects and disruptions in supply chains.

PRESS INFO

July 22, 2022



- Cash and cash equivalents, including short term financial assets, as at June 30, 2022 amounted to MHRK 515.1 (41.0% of the total assets), while at the end of 2021, they amounted to MHRK 510.5 (42,4% of the total assets) and is in line with the planned regular activities.
- The Group has a solid balance sheet with the total assets of MHRK 1,256.2 as at June 30, 2022, up by 4.4% compared to the end of 2021, which is mainly the result of an increase in receivables. Equity ratio was 30.9% (end of 2021: 33.6%). The decrease in equity ratio is the result of dividend calculation. The dividend shall be paid out in July 2022, and as at June 30, 2022, dividend payable amounting to MHRK 84.6 was shown in the balance sheet in "Trade and other payables".
- With related parties, the transactions were as follows: sales of products and services amounted to MHRK 504.8 (H1 2021: MHRK 455.3), while the procurement of products and services amounted to MHRK 124.1 (H1 2021: MHRK 143.1).
- As at June 30, 2022, balances outstanding with related parties were as follows: receivables amounted to MHRK 116.4 (end of 2021: MHRK 76.8), and payables to MHRK 58.9 (end of 2021: MHRK 12.6).

Business situation in major markets

In the domestic market, sales revenue amounted to MHRK 441.0 (H1 2021: MHRK 447.0), down by 1.3% year-over-year.

With Hrvatski Telekom, we have continued a quality cooperation by delivering solutions for 5G network and fiber-optic network, based on signed multi-year agreements. Furthermore, we are in the phase of implementation of three contracts related to the design and build of the passive part of FTTH (*Fiber To The Home*) networks and are co-financed by the European Structural and Investment Funds.

With A1 Hrvatska, we have continued the activities related to the expansion of coverage and capacity of radio 5G network, as well as the realization of contract related to build of convergent 5G core network. At the same time, the cooperation continued on the expansion of capacity of 4G network as well as on the modernization of microwave transmission systems.

As part of a pilot project, in cooperation with the company Odašiljači i veze, we have implemented a private 5G network at a factory in the Šibenik-Knin County.

In the segment Digital Society, we have contracted the continuation of cooperation related to the support services for the application system of the Joint Information System of Land Registry and Cadaster (JIS). Thus, our company has contracted the provision of support for JIS and OSS (One Stop Shop) systems until the end of May 2023. With the Central State Office for the Development of the Digital Society, a contract was signed regarding the project "Consolidation of National IT eHealth system (CEZIH healthcare infrastructure)" with the aim to further upgrade HW and SW. The activities have also continued on innovative solutions for Industry 4.0 in e-environment and smart cities.

In export markets (excluding services to Ericsson) sales revenue amounted to MHRK 116.5 (H1 2021: MHRK 111.5), up by 4.5% year-over-year.

The escalation of political and economic situation has a negative impact on the realization of contracted business in export markets, primarily in Belarus, and also reflects on new business opportunities.

PRESS INFO

July 22, 2022



In Bosnia and Herzegovina, with the operator HT Mostar, a contract was signed on providing support for the maintenance of fixed and mobile network of HT Mostar until the end of 2023. Realization of the contract, which is ongoing, will enable an easier and more agile management and maintenance of network systems for HT Mostar.

With Crnogorski Telekom, after the first commercial 5G network in Montenegro had been put into operation, further activities of mobile network modernization have continued, including the increase of capacity, expansion and coverage of the entire Montenegro with 5G signal.

With the operator IPKO, Kosovo, we have signed a contract for software subscription for 2022. Also, the first 5G pilot network was successfully put into operation.

In the market of Belarus, due to the sanctions introduced by EU, the procedure was initiated to terminate the contract related to the implementation of eHealth of the Republic of Belarus. We have also temporarily suspended all the activities on the realization of multi-year agreements with telecom operators, as well as signing of new contracts. The realization of the signed contracts depends on the sanction regimes and restrictive measures.

In Ericsson market, sales revenue amounted to MHRK 504.8 (H1 2021: MHRK 455.7), up by 10.8% year-over-year.

During Q2, Ericsson Nikola Tesla's Research and Development (R&D) Center has continued to deliver critical 5G features for Ericsson portfolio in areas Radio, compute Radio Access Networks and Unified Data Management. Within Cloud area, by taking over additional responsibilities, we have demonstrated the agility of the organization and have positioned even stronger within global Ericsson R&D market.

The experts from the Center for Services and Solutions for Customers, in addition to projects for the customers of Ericsson Nikola Tesla Group, were engaged on projects for Ericsson customers through activities of creating solutions and defining network parameters, optimization and integration of solutions and technologies in Australia, Austria, Bahrain, Belgium, Cuba, Czech Republic, Denmark, Germany, Greece, Hungary, Indonesia, Iraq, Ireland, Italy, Japan, Jordan, Kenya, Saudi Arabia, Libya, Lithuania, Luxembourg, Malaysia, Malta, Montenegro, Netherlands, Nigeria, Northern Macedonia, Norway, Oman, Pakistan, Portugal, Romania, Senegal, Serbia, Spain, Sweden, Switzerland, Slovenia, Slovakia, the United States of America, the United Kingdom, Tahiti, Jamaica, Morocco, etc. These are complex projects that, among other, included the activities on the introduction of 5G technology, operational and business support systems, as well as projects of introduction of core solutions in Cloud. On these projects, the experts of the Center for Services and Solutions for Customers, have often took over the leading project roles (leading solution architect, leading system integrator, project manager, etc.). The work has continued on the development and implementation of software tools for management and optimization of mobile networks that are used in the area of network build by numerous operators worldwide.

The teams working in the area of IT& Engineering Services, in addition to providing excellent support and achieving excellent results on test environment management projects and IT operations for Ericsson corporation, also had a key role in transformation processes of Ericsson Nikola Tesla Group and provided quality support for the work of Ericsson Nikola Tesla Group's employees and remote support to customers.

In the segment Digital Society, our experts, in addition to many projects for Ericsson Nikola Tesla's customers, also achieved quality results on projects in IoT platforms and Connected Urban Traffic for the needs of Ericsson corporation.

PRESS INFO

July 22, 2022



Other information

At the Annual General Meeting of Ericsson Nikola Tesla joint-stock company, held on June 27, 2022, among other decisions, a decision was adopted on dividend payment, amounting to HRK 64 per share out of retained earnings from the year 2020 and 2021. The dividend shall be paid out on July 22, 2022 to all the Company's shareholders who had the Company shares registered on their securities account in the Central Depository & Clearing Company on July 1, 2022.

The Annual General Meeting reached the decision to allocate the amount of HRK 10,000,000.00 from 2020 retained earnings to reserves for treasury shares and gave consent to the Company's Management Board to award up to 5,000 treasury shares to the Company's employees.

The President of the Supervisory Board, Franck Pierre Roland Bouétard, Ericsson Regional Head for France, Algeria, Tunisia, Belgium and Luxembourg, as well as Head of Orange, Altice and Iliad global accounts, was re-elected as a member of the Supervisory Board for a four-year term.

Furthermore, Remuneration Report for Supervisory Board members and Management Board in 2021 was approved. KPMG Croatia d.o.o., was again appointed as the Auditor for the year 2022."

Ericsson Nikola Tesla's major shareholders (as at June 30, 2022)

	Number of shares	% of share capital
Telefonaktiebolaget LM Ericsson	653,473	49.07
PBZ d.d. / Raiffeisen mandatory pension fund, B category	123,514	9.28
Erste & Steiermarkische Bank d.d.. / PBZ Croatia osiguranje mandatory pension fund, B category	40,490	3.04
OTP banka d.d. / Erste Plavi mandatory pension fund, B category	28,914	2.17
Raiffeisenbank Austria d.d. / Raiffeisen voluntary pension fund	16,739	1.26
PBZ d.d. / custodian client account	10,403	0.78
PBZ d.d. / The Bank of New York as Custodian	9,781	0.73
Ericsson Nikola Tesla d.d.	9,008	0.68
OTP banka d.d. / OTP Index fund – open-end alternative investment fund with public offering	8,372	0.63
Vuleta Ivica	5,318	0.40
Other shareholders	425,638	31.96

Share price information in Q2 2022:

Highest (HRK)	Lowest (HRK)	Last (HRK)	Market cap. (in MHRK)
1,990.00	1,735.00	1,740.00	2,317.1

PRESS INFO

July 22, 2022



Ericsson Nikola Tesla d.d.
Krapinska 45
Zagreb

OIB: 84214771175

Pursuant to the Articles 462 to 468 of the Capital Market Law (Official Gazette 65/18) the Managing Director of the joint stock company Ericsson Nikola Tesla d.d. Zagreb, Krapinska 45 gives the following:

Statement of the Management Board responsibility

The accompanying consolidated and non-consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS). The financial statements also comply with the provisions of the Croatian Financial Accounting Law valid as of the date of these financial statements.

Unaudited financial statements for the period January 1, 2022 to June 30, 2022 present a true and fair view of the financial position of the Company and the Group and of the financial performance and cash flows in compliance with applicable accounting standards.

Managing Director:

Gordana Kovačević, MSc

A handwritten signature in black ink, appearing to read "Gordana Kovačević".

PRESS INFO

July 22, 2022



For additional information, please contact:

Antonija Lončar

Director Marketing, Communication and CSR

Ericsson Nikola Tesla d.d.

Krapinska 45

HR-10 002 Zagreb

Tel.: +385 1 365 4473

Mob.: +385 91 365 4473

E-mail: antonija.loncar@ericsson.com

Orhideja Gjenero

Investor Relations Manager

Ericsson Nikola Tesla d.d.

Krapinska 45

HR-10 002 Zagreb

Tel.: +385 1 365 4431

Mob.: +385 91 365 4431

E-mail: orhideja.gjenero@ericsson.com

E-mail: odnosi.investitori@ericsson.com

For more information about Ericsson Nikola Tesla's business, please visit: <http://www.ericsson.hr>