

PRESS INFO

October 27, 2021



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LEI: 5299001W91BFWSUOVD63
HOME MEMBER STATE: Republic of Croatia
REGULATED MARKET SEGMENT: Regular market of the Zagreb Stock Exchange

Business results of Ericsson Nikola Tesla Group for the first nine months 2021

Ericsson Nikola Tesla achieved excellent results in the first nine months

- Sales revenue increased in all market segments and amounted to MHRK 1,533.0 (first nine months 2020: MHRK 1,443.5), up by 6.2% year-over-year;
- Gross profit was MHRK 176.8 (first nine months 2020: MHRK 125.1), up by 41.3% year-over-year, while gross margin increased to 11.5% (first nine months 2020: 8.7%).
- Net profit amounted to MHRK 114.7 (first nine months 2020: MHRK 67.2), up by 70.9% year-over-year.
- Strengthening strategic partnerships in operator segment; new contracts signed regarding solution delivery in Industry 4.0

In the first nine months 2021, all Ericsson Nikola Tesla Group key performance indicators recorded growth and show a continuation of excellent business results.

"We have closed another successful quarter, during which we have continued to achieve excellent business results and position ourselves as the market leader in new technologies. The most significant event of the third quarter, which will impact the overall telecom market of the Republic of Croatia, was a public auction of the frequency spectrum for 5G network, held

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in August. By allocating 5G spectrum, for the operators in Croatia a new chapter was opened in the implementation of 5G technology, which has the potential to transform our economy. Ericsson Nikola Tesla Group shall, in cooperation with all the stakeholders of the ecosystem, which includes key operators, industry, public administration and education sector, try to use 5G innovation potential in the best way possible to create new opportunities and revenues in various sectors. This is the only way in which we can secure sustainability and global competitiveness of our economy, in addition to creating new job opportunities.“ – said **Gordana Kovačević, president of Ericsson Nikola Tesla**, and continued: “Compared with the first nine months of 2020, sales revenue increased by 6.2%, and revenue growth was realized in all market segments. With the export share of 52.4% in total sales results, the company is highly ranked on the list of Croatia’s largest exporters. Gross margin records a significant increase to 11.5% (first nine months of 2020: 8.7%), because of business mix, lower transition and transformation costs, and the effect of operating and cost efficiency programs. As a result of higher gross profit and retaining selling and administrative expenses at the approximately same level year-over-year, the operating profit increased by 73.3% to MHRK 132.2, while net profit increased by 70.9% to MHRK 114.7. A strong cash flow from operating activities was also realized, amounting to MHRK 235.3, and thus cash and cash equivalents, including the short-term financial assets, at the end of third quarter amounted to MHRK 400.9.“

In the domestic market, in the operator segment, immediately after the allocation of 5G radio-frequency spectrum our partners HT and A1 Hrvatska have, launched the full implementation of this new technology across Croatia. Our company, as the provider of solutions, equipment, and services for 5G, provided an extensive support to operators in this demanding process. We are proud of the fact that we are recognized and valued as a reliable partner, who provides the best user experience for the customer on quality and safe infrastructure, and that independent international tests, year after year, prove that our customers’ networks are best in class.

In ICT for Industry & Society, we have been working intensely on innovative solutions for Industry 4.0, i.e. project in the area of e-Health, e-Business, and public safety, and new contracts with the Croatian Ministry of Justice and Public Administration, State Geodetic Administration, and the Ministry of the Interior of the Republic of Croatia strengthened the overall business results. Furthermore, we were successful in e-Environment, and therefore, with the Ministry of Economy and Sustainable Development, and the Croatian Agency for SMEs, Innovations, and Investments, we have signed a contract for the grant from EU Structural and Investment Funds with the aim to implement WaterQ project (digital transformation of water quality monitoring). The company „Elektroprivreda Hrvatske zajednice

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Herceg Bosne d.d. Mostar“ selected our ICT solution that will enable a predictive analysis with the purpose to improve environmental protection and sustainable development.

During Q3, we have continued a quality cooperation with major customers in export markets, by focusing on timely delivery of contracted business deals and new business opportunities. In the project of Central Software Platform for the Centralized e-Health System of the Republic of Belarus, for which we signed a contract in Q4 2020, the delivery of the second stage of project is ongoing.

The delivery of services for Ericsson has also been continuously growing, and all the activities and deliveries are ongoing as planned. Moreover, internal users of our Research & Development Center (R&D), which is, with more than 1500 experts, mainly software developers, the biggest one in the region, have once again expressed a high level of satisfaction of R&D Center deliveries in all categories and business segments.

Taking care of our employees' health and wellbeing is a strategic priority for the Company, and the challenges, caused by the pandemic, have showed once again that people are the strength of Ericsson Nikola Tesla Group. Therefore, we have been investing in competence development and continued hiring, and during 2021, we have hired 347 experts. Taking into account the company's strategic plans and needs, we would like to invite ICT experts who are interested in working on interesting tasks, especially in software development, to join us.

There are disruptions in global supply chain, which we are carefully monitoring, and take certain measures to mitigate the negative impact on our contractual obligations on all markets. We expect that issues regarding delivery will continue to represent a risk.

In the end of the report for the first nine months of 2021, Gordana Kovačević, President of Ericsson Nikola Tesla, stated: “The results realized during the first nine months, in addition to strong leadership and the dedication and motivation of our employees, support our belief that the Group's 2021 targets will be achieved. The role of ICT industry has been growing and will continue to grow as a platform that will enable development, connectivity and create new opportunities for industries and individuals. In addition to the recognized Ericsson technology leadership in 5G, innovative solutions and products developed in Ericsson Nikola Tesla and the quality of our experts, which has been additionally verified on numerous projects worldwide, Ericsson Nikola Tesla is, and will remain, an important factor in creating a comprehensive 5G ecosystem. Therefore, our focused strategy with a vision of a world where unlimited connectivity and innovative ICT solutions improve lives, redefine business and create a sustainable future, remains unchanged and gains additional momentum.”

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Ericsson Nikola Tesla, Company communications

Ericsson enables communications service providers to capture the full value of connectivity. The company's portfolio spans Networks, Digital Services, Managed Services, and Emerging Business and is designed to help our customers go digital, increase efficiency and find new revenue streams. Ericsson's investments in innovation have delivered the benefits of telephony and mobile broadband to billions of people around the world. The Ericsson stock is listed on Nasdaq Stockholm and on NASDAQ New York.

Ericsson Nikola Tesla is an associated company of the Ericsson Group which leads and supports modern communications. The company's activities include marketing and sales, research and development, design of the total communications solution, services in the multi-service and mobile networks area including the mobile Internet and complex system integration in all business areas. The company provides innovative ICT solutions that constantly improve people's life and create new value. Shares of Ericsson Nikola Tesla are traded in the Regular Market of the Zagreb Stock Exchange under the stock exchange symbol ERNT-R-A.

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