Annual Report 2024

Creating a sustainable future inspired by technology

Table of contents

ENT

Table of contents

Management report

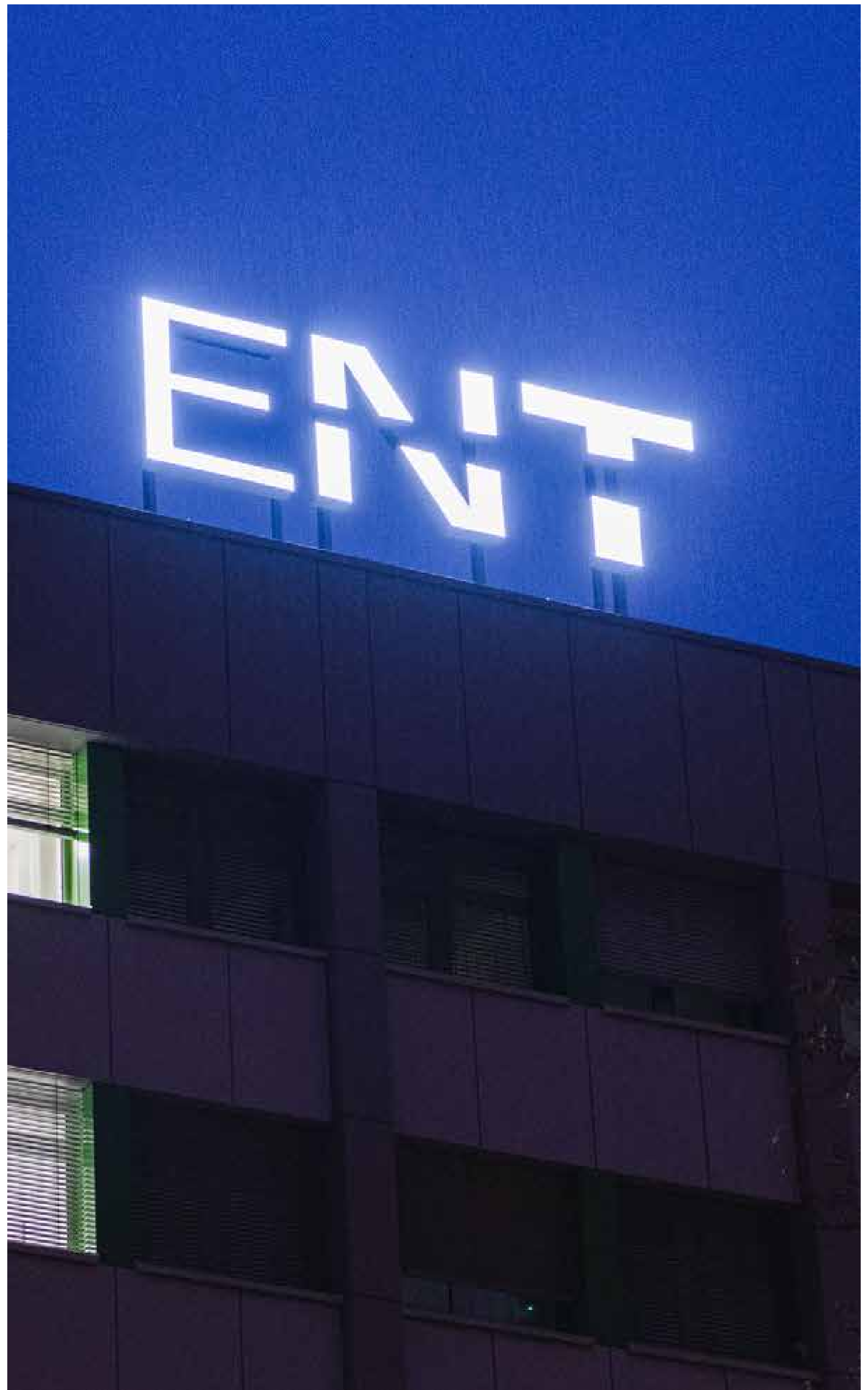
Sustainability report

Financial statements report

Ericsson Nikola Tesla Group in brief

Parent company: Ericsson Nikola Tesla d.d.

Core business: Provider of modern information and communications products, solutions, software and services



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Telephone	Zagreb / +385 1 36 53 535 Split / +385 21 20 58 00 Osijek / +385 1 36 53 535
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E-mail	ent.company@ericssonnikolatesla.com pravni.poslovi@ericssonnikolatesla.com
Web	https://www.ericssonnikolatesla.com
Personal identification number (OIB)	84214771175
Commercial court registration number (MBS)	080002028
Statistical number (MBPS)	3272699
Share capital	EUR 17,674,030.00
Number of shares	1,331,650 registered shares
Ownership structure	LM Ericsson 49.07%, other shareholders 50.50%, treasury shares 0.43% (as at December 31, 2024)

Ericsson Nikola Tesla shares (ERNT-R-A) are traded in the Regular Market of the Zagreb Stock Exchange (ZSE)

IBAN	RBA	HR7624840081100331673
	ZABA	HR8423600001101235687
	PBZ	HR2223400091110012058
	ERSTE	HR8824020061100414168
	OTP	HR5324070001024070003

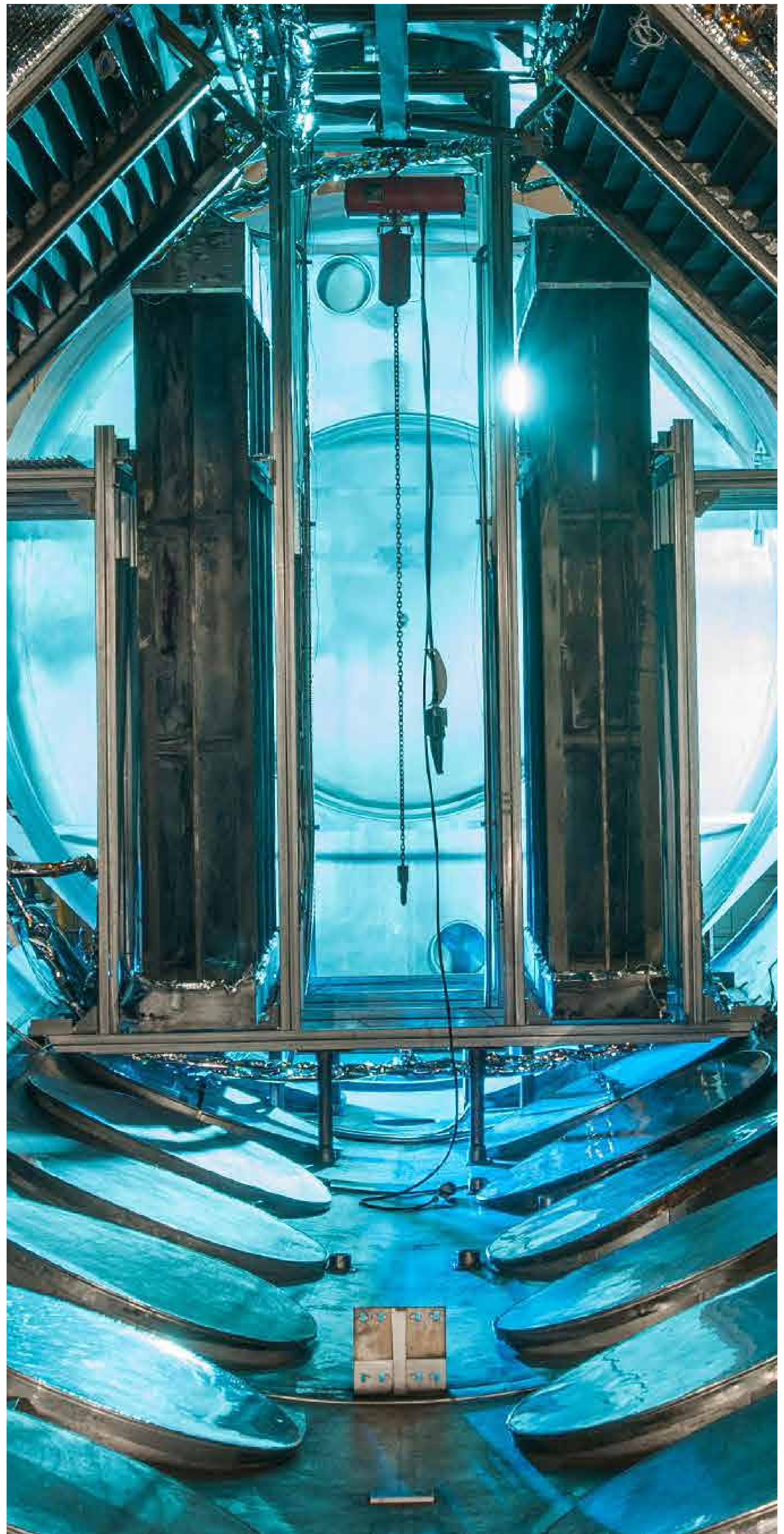
Management Board	**Gordana Kovačević**, MSc, President of the Management Board **Hrvoje Benčić**, member of the Management Board **Damir Bušić**, member of the Management Board **Milan Živković**, MSc, member of the Management Board
Chairperson of the Supervisory Board	**Stefan Kötz**

Subsidiaries and branch offices

Ericsson Nikola Tesla Servisi d.o.o.

Core business: Provider of network infrastructure build and maintenance services

Address	Krapinska 45, HR-10 002 Zagreb
Telephone	+385 1 30 38 890
Fax	+385 1 30 38 601
E-mail	entservisi@ericssonnikolatesla.com
Web	https://ericssonnikolatesla.com/en/about-us/subsidiaries/
Personal identification number (OIB)	47445593925
Commercial court registration number (MBS)	080921748
Ownership structure	Ericsson Nikola Tesla d.d. 100 percent
IBAN	RBA HR2124840081107008882
	ZABA HR4723600001102860133
	ESB HR7324020061100756266
Director	Antonia Kujundžić Velimirović
Chairperson of the Supervisory Board	Gordana Kovačević, MSc



Ericsson Nikola Tesla BH d.o.o.

Core business: Provider of modern information and communications products, solutions, software and services

Address	Ulica kralja Petra Krešimira IV, Lamela B-bb, Mostar, Bosnia and Herzegovina
Telephone	+387 36 446 492
Fax	+387 36 446 494
E-mail	https://ericssonnikolatesla.com/en/about-us/subsidiaries/
Web	4201717070003
Unique identification number (JIB)	201717070003
Commercial court registration number (MBS)	58-01-0534-18
Ownership structure	Ericsson Nikola Tesla d.d. 100 percent
IBAN	UniCredit Bank BA393386904896538387
	Raiffeisen Bank BA391611000002324857
	Sparkasse Bank BA391995320006014921
Director	Adnan Halimić
Chairperson of the Supervisory Board	Gordana Kovačević, MSc

Branch office Sarajevo

Address	Fra Anđela Zvizdovića 1, Sarajevo, Bosnia and Herzegovina
Telephone	+387 33 252 260
Fax	+387 33 209 419
Unique identification number (JIB)	4201717070011
Director	Adnan Halimić

Libratel d.o.o.

Core business: Provider of telecom services; installation, putting into service and upgrading telecom equipment (core and access network)

Address	Selska 93, HR-10 002 Zagreb
Telephone	+385 1 36 54 035
Fax	+385 1 36 54 038
E-mail	libratel@libratel.hr
Web	www.libratel.hr
Personal identification number (OIB)	97566215530
Commercial court registration number (MBS)	080300404
Ownership structure	Ericsson Nikola Tesla d.d. 100 percent
IBAN	ZABA HR7623600001101211096
Director	Branko Dronjic

Ericsson Nikola Tesla d.d. – Branch office Kosovo

Djelatnost: Provider of modern information and communications products, solutions, software and services

Address	Vicianum, Arbëria 3 - Veranda C2.7, lokali Nr.1/A, 10000 Priština, Republic of Kosovo
Telephone	+381 38 749 080
Tax number (PDV ID)	600411235
Registration number	70633647
Ownership structure	Ericsson Nikola Tesla d.d. 100 percent
Director	Besar Spahija

Highlights 2024

EUR 249.5 million
(EUR 304.2 million)
Sales revenue

11.4%
(10.5%)
Gross margin

EUR 22.1 million
(EUR 24.8 million)
Operating profit

8.9%
(8.1%)
Operating margin

EUR 15.6 million
(EUR 22.2 million)
Net profit

EUR 10.3 million
(EUR 16.7 million)
Cash flow from operating activities

73.4%
The share of export in total revenue

- Strengthening the leading position in mobile networks
- Growth in the Digital Society segment, a step towards new markets and customers
- Implementation of several demanding projects, signing a number of strategically important contracts and gaining new responsibilities
- Quality cooperation with customers, investment in technology leadership and development of our employees
- Further employment
- Digital transformation of the company with the application of the highest business standards and the support of AI
- Celebration of the company's 75th anniversary and presentation of the company's new visual identity

Statement by the President of Ericsson Nikola Tesla

In November, we marked our 75th anniversary of doing business, and on this occasion, we presented the company's new visual identity, implemented with the aim of expanding business and a stronger visualization of our own ICT solutions and services. Technology leadership, strong innovation capacity and competent employees represent our strength and a prerequisite for a sustainable future.

The ICT sector has a key role in the digital green transition, which is the ultimate goal of the EU Digital Agenda, Croatia's Digital Strategy, and the strategies of other countries. As a leader in ICT market in Croatia and the region, Ericsson Nikola Tesla encourages further development and implementation of 5G technology that ensures a strong, secure and resilient infrastructure, as well as a platform for innovation and increase of productivity. In addition, our solutions and services for the digital society enable the transition of industries and public administration, improving business and the quality of people's lives.

The demand for advanced solutions, digital infrastructure, ICT solutions for transformation of industries and public services, with the application of the latest technologies such as 5G, Artificial Intelligence, Extended Reality, Cloud solutions, etc., open opportunities for our further growth and development.

Market overview

The year 2024 was another dynamic business year in which we had a stable business performance and provided the best technological solutions and services in all business segments for our customers and partners. We implemented a few demanding projects, signed several strategically important contracts and gained additional responsibilities in the R&D segment, as well as in the solutions and services segment for Ericsson global customers. In order to achieve stable business performance, we focused on our strategic customers, remaining competitive in the markets owing to our technology leadership, developing the strategic competencies of employees and their retention, as well as strengthening profitability and cost efficiency. We have also invested in the development of new, innovative products and services, growing business in new markets and with new customers.

We have been actively participating in the rollout and modernization of communication infrastructure, especially in broadband Internet and 5G technology. In the domestic market, the focus is on modernization and extension of the radio part of mobile network of Hrvatski Telekom (HT), and the implementation of Ericsson dual-mode 5G Core for 4G/5G core network, in line with the strategic agreements signed at the end of 2023, and in the beginning of 2024. With our partner A1 Hrvatska, in line with the multi-year agreement, we have been working on the extension of coverage and capacity of the 5G radio and on the modernization of the core network.

We have continued successful cooperation with the operators Telekom Kosovo and IPKO in Kosovo market, where we are recognized as a reliable partner that, through its innovative products and solutions, contributes to the introduction of the state-of-the-art telecommunication solutions in this market. Moreover, our office in Priština, which currently has more than 20 software designers who work on the development of the latest technologies (5G, Cloud,..), has the potential for further growth and progress. In other export markets, we have continued our quality cooperation with the operators HT Mostar and Crnogorski Telekom on the modernization of their telecommunication networks.

In regard to the Digital Society segment, i.e. ICT solutions for digital transformation of business and public services, in the last year we have signed many new contracts with numerous ministries and other key customers in Croatia. The activities are ongoing on the replacement and modernization of the land administration information system of the Department of Lands and Surveys of Cyprus.

> We have been actively participating in the rollout and modernization of communication infrastructure.

Our R&D Center, which has more than 1,500 experts, has, owing to a great quality of software it delivers, additionally strengthened its position within the global Ericsson Corporation, and is one of the best rated centers for software development within Ericsson. In 2024, we gained new responsibilities for the development of 5G Radio Access Network (RAN), which is strategically important because it will enable us to build additional E2E capability within networks software/modules. In line with the new responsibilities, the growth of our R&D center has continued with more than 100 experts hired, and additional expansion is planned during 2025.

Excellent results on the realization of demanding tasks for Ericsson customers were also achieved by our teams working on solutions and services for customers. I would like to highlight new responsibilities for the development of software tools for mobile networks management and optimization.

> *Our approach to work, quality execution of assumed obligations, and partnership with customers is what we are recognized for and what puts us in a good position to continue stable business performance and to create added value for all our stakeholders.*
>
> *- Gordana Kovačević*

Main business risks

For some time now, we have been witnessing political and macroeconomic uncertainties on a global scale, which slow down investment cycles and have an unfavorable impact on the demand for our products, and the products of our customers. The processes from recognizing business opportunities to customers reaching decisions also take time. We also predict the continuation of lower operators' investments in network modernization due to their focus on 5G monetization and slow/postponed introduction of 5G on certain markets.

In 2024, we were faced with further significant increase in the cost of living and inflationary pressures in Croatia, which has affected the increase in labor costs. Moreover, we were also exposed to pressures on the prices of our products and services, short project implementation deadlines, unfavorable payment terms related to complex digital transformation projects and an increase of business operation costs due to regulatory requirements and cyber security.

In order to continue a successful business performance, we are taking the necessary measures to reduce all risks: strategic, operational, financial, security and regulatory. Our integrated risk management system (Enterprise Risk Management), which has been a part of our management system for many years and which we have been continuously improving, makes it easier for us to recognize and mitigate potential business risks..

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Key financial performance indicators

Total sales revenue amounted to EUR 249.5 million, down by 18% year-over-year, primarily due to lower revenue in the domestic market as a result of non-renewal of the contract with Hrvatski Telekom regarding managed services. For comparable units, if we exclude revenue from managed services with Hrvatski Telekom, the total sales revenue would increase by 11.3% year-over-year. Sales revenue in the operator segment in export markets and the Digital Society segment recorded growth and, together with the stable business performance in Ericsson market, partially offset the decline in sales revenue in the operator segment in the domestic market.

Gross profit amounted to EUR 28.4 million (2023: EUR 31.8 million), down by 10.7% year-over-year, mainly due to lower sales revenue. Gross margin increased to 11.4% (2023: 10.5%) as a result of business mix and activities focused on improving efficiency and cost optimization. Operating profit amounted to EUR 22.1 million, down by 10.6% year-over-year, as a result of lower sales revenue and gross profit. Operating margin was 8.9% (2023: 8.1%). We concluded the end of the year with a solid balance sheet and an equity ratio of 37.9%. Cash and cash equivalents, including the short-term financial assets, amounted to EUR 63.1 million, which accounts for 35.1% of the total assets. In line with our expectations, a positive cash flow from operating activities was achieved in the amount of EUR 10.3 million (2023: EUR 16.7 million).

Ethics and compliance

In 2024, we continued to strengthen our company's culture, with integrity and ethics in the center of everything we do, and the leading principle of "implementing zero tolerance for corruption throughout all organizational levels".

The Supervisory Board, the Audit Committee and the Executive Management have been regularly analyzing key risks during meetings and discussing compliance issues in order to ensure that the company does business in line with the highest standards. Our employees are required to adhere to the Code of Business Ethics in their daily operations. It is required from all stakeholders that have a contractual relation with Ericsson Nikola Tesla Group to adhere to the Ericsson Nikola Tesla Group's Code of Conduct for Business Partners. During last year, we have been working intensively on the implementation of the new cycle of ABC RA (Anti-Bribery & Corruption Risk Assessment) analysis in Ericsson Nikola Tesla Group, and until the end of the year, we have fulfilled the improvements that ABC RA had initiated.

Special attention was paid to training in the area of the potential conflict of interest in regard to additional external engagements of employees and members of the management-supervisory bodies. The vetting of employees in key positions continued. In 2024, the employees and students working for ENT Group were required to confirm the understanding of the Code of Business Ethics by signing it. The Code of Business Ethics states examples of corruption, the ways to fight corruption, and the channels to report corruption.

Social responsibility

Through our own activities and the activities in cooperation with the academic community, we strive to contribute to the development of quality, highly educated ICT experts who will work in Croatia on high value-added jobs, and we will continue to do so in 2025.

In line with our strategy to strengthen the cooperation with the academic community, we have signed a Memorandum of Understanding on the development of new models of cooperation with the Faculty of Engineering

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and Computing (FER) and have opened joint scientific research laboratory Inventorium. In the beginning of December, the first Inventorium Day was held at the company's headquarters, where joint research activities of ENT and FER were presented. In total, 27 projects from various domains were presented, such as Embedded Systems, Data Science, Artificial Intelligence (AI), Extended Reality (XR), Digital Twin technology, 5G, Network API, Data Governance and EU Data Spaces. Moreover, we have been actively contributing to the strengthening of innovation potential, transfer of knowledge and technologies, and giving students the opportunity to apply academic knowledge on concrete innovative projects through ENT Summer Camp, which we have been hosting for 23 years.

> In 2024, we continued to strengthen our company's culture, with integrity and ethics in the center of everything we do.

Outlook

Another challenging year is ahead of us, and it requires our full focus. We are working intensively on strategy implementation and realization of strategic directives for the next period. Our goal is to keep the leading position in the operator segment, R&D and services, by providing services of high-quality in line with our contractual obligations and customer expectations. In the Digital Society segment, the trends of further digitalization of business entities and public administration continue. Our goal is to use these opportunities, not only in Croatia and neighbouring countries, but also on the broader international market.

We expect the intensification of activities regarding Mission Critical Networks for national and public safety, as well as the implementation of railway communication network in Croatia based on the latest 5G solutions (FRMCS- Future Railway Mobile Communications System), where we believe our technology leadership and the experience of our experts will be recognized.

In order to secure stable business performance, we are focused on profitability, cost and operational efficiency, cash flow from operating activities, and responsible risk management. We continue to invest in the digital transformation of our business by introducing new automated tools and by optimizing processes using artificial intelligence.

The company has a strong intellectual and innovative potential that we have been continuously developing. Our focus remains on the development of employees' competencies in order to improve their skills and adopt new technologies. In order to additionally award and motivate our key employees, in line with the decision of the extraordinary Annual General Meeting, the Company's Management Board was given consent to award the employees up to additional 10,000 treasury shares. We have continued to buy treasury shares, and in 2024 we bought 3,309 shares on the Zagreb Stock Exchange.

Over the years, faced with challenges, changes, but also opportunities, we have built a strong and successful company that is an ICT leader in Croatia and in the region; a company that, through its products, solutions and services, positively impacts the lives of people every day. Our approach to work, quality execution of assumed obligations, and partnership with customers is what we are recognized for and what puts us in a good position to continue stable business performance and to create added value for all our stakeholders.

Business situation in major markets

In the total sales revenue in 2024, the domestic market accounted for 26.6%, services to Ericsson accounted for 56.4%, while other export markets accounted for 17.0%.

In the domestic market sales revenue amounted to EUR 66.4 million (2023: EUR 130.3 million), down by 49.1% year-over-year. Lower sales revenue is a result of non-renewal of a contract with Hrvatski Telekom regarding managed services and lower capital investments of our customers in the mobile telecom infrastructure.

With Hrvatski Telekom we have been cooperating on the modernization and extension of the radio part of mobile network in line with the multi-year agreement signed at the beginning of 2024, based on which Ericsson Nikola Tesla will be the exclusive supplier of the radio part of Hrvatski Telekom's mobile network (RAN) until the end of 2027. Furthermore, the activities of implementation of Ericsson dual-mode 5G Core for 4G/5G core network are ongoing as planned.

With A1 Hrvatska, in line with the multi-year agreement, the activities are ongoing on the extension of coverage and capacity of the 5G radio network, as well as on the modernization and construction of the convergent core network and the modernization of microwave transmission systems.

In the Digital Society segment, several new contracts were signed with key customers in Croatia, such as Ministry of Justice, Public Administration and Digital Transformation, Ministry of the Interior, Ministry of Health, Ministry of Tourism and Sport, Ministry of Culture and Media, State Geodetic Administration, Croatian Employment Service, Central State Office for the Development of Digital Society, City of Split, City of Osijek, City of Zagreb, and CARNET. We would like to highlight the contract with the Croatian Employment Service (CES), related to the delivery of a system to support the basic processes of the CES, the e-Advisor system, and improved user profiling, and a contract with the Ministry of the Interior of the Republic of Croatia regarding the delivery of mobile systems for green border monitoring. With the Ministry of Tourism and Sport, we signed contracts regarding digital tourism, and with the Croatian National Tourist Board, contracts were signed for the eVisitor system modernization. With the Ministry of Health, we contracted the support and corrective maintenance of the CEZIH system Subsystem 1 software.

In export markets (excluding services to Ericsson) sales revenue amounted to EUR 42.4 million (2023: EUR 32.2 million), up by 31.6% year-over-year.

In the market of Kosovo, with the operator Telekom Kosova we have successfully completed the last stage of modernization of radio access network; six months before the contracted deadline. We have achieved and exceeded the set targets – modernization of the radio network of Telekom Kosova, which consists of a total of 550 base station locations, the achievement of top network performance with improved energy efficiency, and Telekom Kosova confirmed their satisfaction with the performance and the results of the project.

With the operator IPKO, the activities are ongoing on the modernization and expansion of the functionalities of its core network, as well as on the extension of coverage and capacity of 5G network.

With HT Mostar, we have been working on the implementation of the latest technological version of the Ericsson IMS (IP Multimedia Subsystem) solution, the introduction of VoLTE (Voice over LTE) service, and on the expansion of radio access network and transmission network of this operator. As part of the Agreement on Business-Technical Cooperation signed with HT Mostar, a web application for mapping of tourist resources was developed, which enables the marking of the most important destinations and sights with important information for tourists and visitors.

With Crnogorski Telekom, the activities are ongoing on the implementation of Ericsson dual-mode 5G Core for 4G/5G core network.

With the company Logicom Solutions from Cyprus, a contract was signed on the replacement and modernization of the land administration information system of the Department of Lands and Surveys of Cyprus. The first stage of the project started at the beginning of October.

In Ericsson market sales revenue is somewhat lower (0.7%) year-over-year and amounted to EUR 140.7 million (2023: EUR 141.7 million) due to higher engagement of experts from the Services and Solutions Center on projects for the customers of Ericsson Nikola Tesla. Revenue from R&D activities increased by 7% year-over-year.

ENT R&D Center is one of the best rated centers for the services of software development in Ericsson. In 2024, new responsibilities were gained for the development of 5G Radio Access Network (RAN), which is strategically important as it will enable us to build additional E2E capability within networks software/modules. In line with the new responsibilities, R&D Center has continued to grow with more than 100 experts hired, and additional expansion is planned during 2025. The main development projects within R&D Center were in the segments Remote Radio, Massive MIMO, Software Defined Infrastructure and G4 baseband. Among many activities, a new version of RAN Compute products was delivered, which enable a greater capacity and better performance with lower energy consumption of RAN network.

Experts from the Customer Services and Solutions Center, in addition to customers of Ericsson Nikola Tesla Group, were engaged on projects for Ericsson customers through activities of creating solutions and defining network parameters, and optimization and integration of solutions and technologies in many EU Member States and other countries such as: the United Kingdom, Switzerland, Norway, the United States of America, Canada, Australia, India, Mexico, etc. These are complex projects that, among other activities, included the introduction of 5G technology, operational and business support systems, as well as projects of introduction of core solutions in Cloud.

The activities have also continued on the development and implementation of software tools for management and optimization of mobile networks, which are used in network rollout by many operators worldwide, and additional responsibilities were also gained.

In 2024, we worked on research projects in the areas of security and data protection, sustainable infrastructure, green technology, urban mobility, improving the quality of life of senior citizens, etc.; some of which were financed by the EU funds. We have successfully completed the EU H2020 IA project Pharaon, which was focused on applied research and development of innovations, and Erasmus+ InnoVET project, focused on digital and green transition.

Quality cooperation was achieved with the company Aeris Communications on projects regarding IoT.

The teams working on activities in the field of IT& Engineering Services, in addition to providing support and achieving excellent results on test environment management projects and IT operations for Ericsson corporation, also have a key role in the processes of Ericsson Nikola Tesla Group's digital transformation.

Business responsibilities and activities

Ericsson Nikola Tesla d.d.

Ericsson Nikola Tesla is the leading provider of communications products and services for communications service providers, as well as a provider of ICT solutions and engineering ICT services for customers in the Digital Society segment. The company has a strong Research & Development Center, as well as many Service Centers. The company also provides a modern test environment which enables quality testing of the operators' networks and testing for the internal users' requirements. It is among the leading exporters in Croatia, and number one when it comes to exporting ICT software development services.

The company successfully responds to customers' demands and needs by combining an advanced Ericsson portfolio with an innovative portfolio of Ericsson Nikola Tesla.

The company's main activities encompass:

- research and development, software development and other services
- creating and implementing e2e ICT solutions for communications service providers
- ICT solutions for Digital Society
- local, regional, and global service provisioning
- marketing and sales network.

Ericsson Nikola Tesla Servisi d.o.o.

The core business of Ericsson Nikola Tesla Servisi is providing services related to design, geodesy and project management. The company has the following certificates in the segment of planning and designing electronic communication infrastructure and solar power plants, as well as providing geodetic services: ISO 9001:2015, ISO 14001:2015, ISO 27001:2013 and ISO 45001:2018.

The company's activities are:

- electronic communication infrastructure planning and design services
- planning and designing solar power plants
- cadastral survey
- geodetic services for the design, construction and maintenance
- project management.

Libratel d.o.o.

Libratel's core business is providing telecom services; installing, putting into service and upgrading telecom equipment (core and access network).

Ericsson Nikola Tesla BH d.o.o.

The company operates on the market of Bosnia and Herzegovina and delivers products and services offered by Ericsson Nikola Tesla Group.

Ericsson Nikola Tesla d.d. – Branch office Kosovo

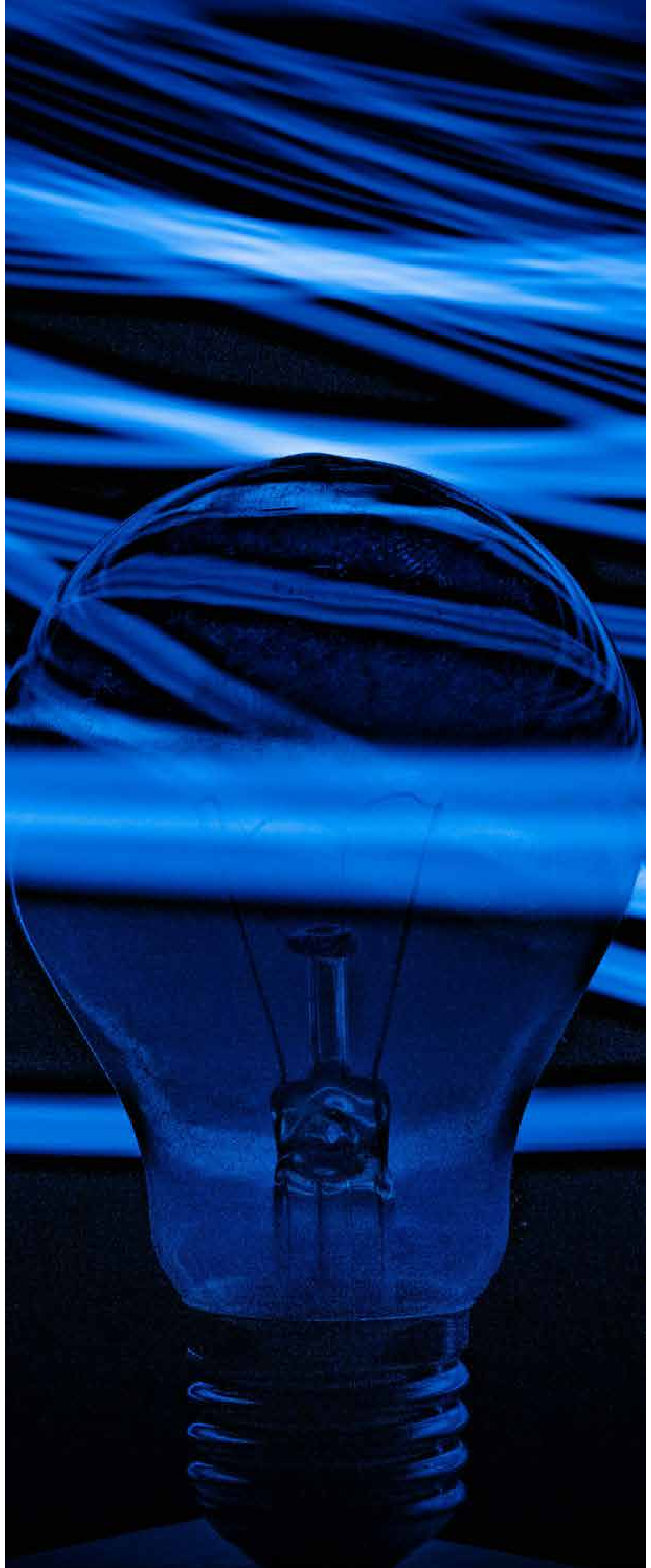
The branch office operates on the Kosovo market and delivers products and services offered by Ericsson Nikola Tesla Group.

Scientific and research activities

Scientific and research activities are aligned with the company's strategic goals and primarily focused on applied research and the implementation of new technologies.

Alongside the Ericsson Nikola Tesla research unit, which leads the company's scientific and research activities, the company also has the Institute for Telecommunications and Informatics. The Institute, as a non-legal subentity, connects all employees engaged in scientific and research activities within the company. At the center of the Institute are doctors of science and doctoral students. The Institute was established in 1963. In 1987, it received an award from the City of Zagreb for successful research work, the development of complex telecommunications systems, and continuous education of its members. Due to many years of efforts made in these activities, Ericsson Nikola Tesla is included in the list of scientific institutions in the Republic of Croatia.

Scientific and research activities can be divided into internal, involving only company employees, and collaborative, involving not only company teams but also research teams from academia and other organizations, including international scientific research organizations and companies. In addition to specific projects, the company actively contributes to strengthening the overall ecosystem that supports scientific and research activities. To that effect we would also like to highlight the contribution to strengthening cooperation between the scientific community and the economy achieved through active participation in and chairmanship of the Economic Council of the University of Zagreb, constituted at the beginning of 2024 as an advisory body to the Rector, the Rector's Board, the extended Rector's Board and the Senate with a focus on improving the work of the University and its positioning as the leading Croatian higher education and scientific research institution. The objectives of the Economic Council include, among others, determining the needs of the economy for experts, participating in the design and establishment of joint activities in the field of research, development, knowledge and technology transfer, participating in programs for the establishment of innovation centers, promoting the results of cooperation between the University and the economy. In the realization of such goals, the company continued to invest in joint projects that integrate the research potential of research teams from the academy and its own needs. In this sense, we continued a high-quality research cooperation with the Faculty of Electrical Engineering and Computing, University of Zagreb, within which research was conducted on communication between different devices in general machine communication with an emphasis on analyzing the current state of standards



implementation, analyzing the impact of environmental factors, analyzing progress in European data spaces, and analyzing case studies in the field of the integration of environmental data into urban design. Traffic and Logistics Data Science Lab at the Faculty of Transport and Traffic Science, University of Zagreb, has continued with its work. Activities were carried out with the Faculty of Electrical Engineering, Computing, and Information Technologies in Osijek (FERIT) within the joint research laboratory opened in 2023, when a Cooperation Agreement in the field of information and communication technologies was signed. Projects related to the application of artificial intelligence, energy efficiency, and improving the quality of communication systems were conducted within the research laboratory at the Faculty of Electrical Engineering, Mechanical Engineering, and Naval Architecture of the University of Split.

Among the activities that marked 2024 stands out the opening of a joint scientific research laboratory and the beginning of another chapter in the decades-long successful cooperation between ENT and the Faculty of Electrical Engineering and Computing of the University of Zagreb. On June 6, 2024, the Dean of the Faculty and the President of the company signed a Memorandum of Understanding to develop new models of cooperation in teaching and research within the "Inventorium" program. The goal of this cooperation is a closer connection of science and economy as a predisposition for local and national economic development and the development of the knowledge society that we strive for. The laboratory is located on Ericsson Nikola Tesla premises in Zagreb. The name itself is coined from the English word "invent" and the Latin word "laboratorium", and represents a technological laboratory where innovative ideas for the future are created. It will be used for research activities, and it will enable researchers to work on the development of the latest ICT technologies. The laboratory has equipment with which students can analyze network availability and characteristics, and the plan is to start developing additional analytical methods and by using artificial intelligence predict network behaviors and automate characteristics for optimum communication user experience. This will enable creation and implementation of new ideas and obtaining new research results.

In her speech in front of representatives of academia and business, president of Ericsson Nikola Tesla Gordana Kovačević, MSc, said: "The space, equipment, knowledge and support of our employees are made available for various forms of activities that we will continue to jointly consider and define in a partnership relationship in order to further strengthen our teams for additional strides in the research area of the development of

new technologies." Prof. Vedran Bilas, PhD, dean of the Faculty of Electrical Engineering and Computing of the University of Zagreb, expressed his satisfaction with the continuation of the successful multidecade partnership and pointed out: "Croatia can develop technologically only if there is an environment and interaction of entrepreneurs, companies and academic institutions with high ambitions and excellent results. The Faculty of Electrical Engineering and Computing of the University of Zagreb (FER) is also recognized for its cooperation with the economy, and strengthening and expanding this cooperation is one of our strategic goals. The decades-long partnership between FER and Ericsson Nikola Tesla can serve as an example of good practice as it includes numerous models of cooperation in research, education and innovation, which is continuously supplemented and developed, and which significantly contributes to the creation of talents and the development of their careers. We are particularly pleased that the new laboratory opens up opportunities for multidisciplinary research."

In 2024, the "XR Communication and Interaction through a Dynamically Updated Digital Twin of Smart Space" DIGIPHY project was launched as part of the Targeted Scientific Research Program, which supports collaborative industrial research projects conducted in cooperation between companies and research organizations. The project is co-financed by the EU in the amount of EUR 1,499,402.16 with the aim of researching and designing technologies that enable immersive and intuitive XR (eXtended Reality) inter-personal communication and interaction, as well as the remote presence and interaction of persons and objects in the visual representation of a dynamically updated digital twin, spatially and temporally synchronized with a physical smart space (equipped with sensors and actuators). Prototype XR-applications will be developed for two case studies, to be tested and validated in a 5G network in the laboratory prototype.

In 2024, we continued to work on the Horizon 2020 project PHARA-ON (Pilots for Healthy and Active Ageing, grant #857188, https://www.pharaon.eu/), which started at the end of 2019. The purpose of this project was to test and consolidate the platforms for technology-assisted living, focusing on improving the independence and quality of life for the elderly. All six pilots were successfully completed, including the pilots in Italy and Slovenia, in which the company's team played the role of technical integration and coordination, and piloting its own solution in real conditions with real users. Over 750 different devices were integrated for the pilot in Italy and Slovenia. Good practices and experiences have also been communicated at various conferences and events in the last 5 years, including in Croatia at the "Entrepreneurs and New

Technologies" conference, organized by the Croatian Personal Data Protection Agency (AZOP) on January 26, 2024 on the occasion of the European Personal Data Protection Day.

The InnoVET project (https://visitkarlovaccounty.hr/erasmus/) was also successfully completed. This project focused on digital and green transition and was financed from the EU program Erasmus+. A digital database of tourist attractions was developed in collaboration with educational institutions as local partners, educational materials were created and possibilities in the application of information technologies and citizen science were explored. The role of the company's team included specifying requirements, designing solutions, and developing a web application for viewing tourist attractions and reporting about dangers.

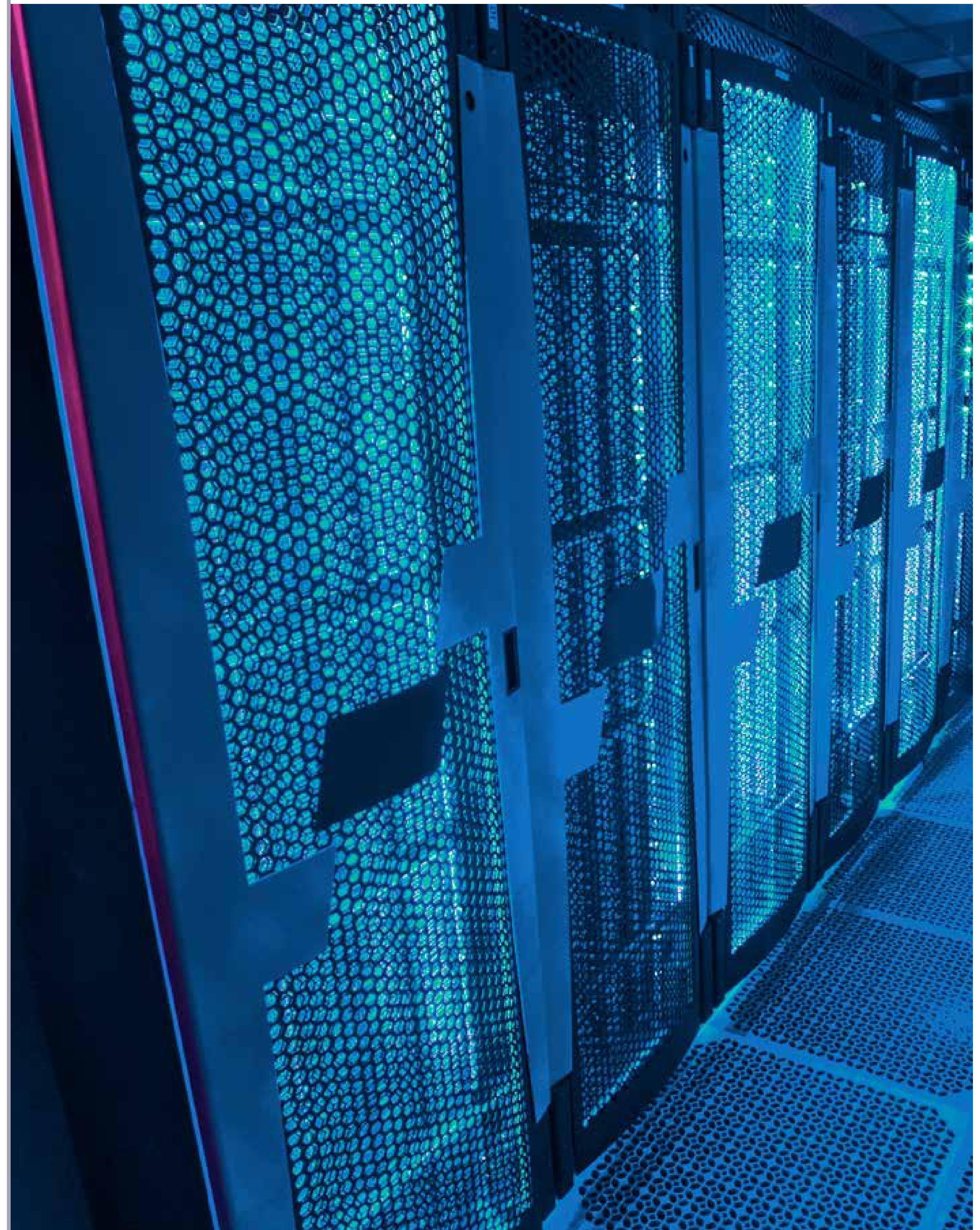
We continued working on the Horizon Europe TRUSTEE project (Trust and Privacy Preserving Computing Platform for Cross-Border Federation of Data, grant #101070214, https://horizon-trustee.eu/), which started in 2022 with the aim to establish a green, secure and reliable framework that would respect privacy, aggregate various interdisciplinary data repositories (from the domains such as healthcare, education, energy, space, cars, cross-border data exchange), and that would take into consideration other European spaces to join data and transnational initiatives, such as GAIA-X i EOSC (European Open Science Cloud). The stored data have a homomorphic encryption, thus offering researchers the option to search and use data in an encrypted domain. The company team's role is to lead a working package related to conceptualization, use cases and architecture, as well as to participate in all other activities. We continued working on the Horizon H2020 OLGA project (Holistic & Green Airports, Grant agreement #101036871, https://www.olga-project.eu/) in the domain of green airports and smart cities, with the aim of meeting the European decarbonization targets even before the set deadline, through the development of 35 innovative solutions that preserve the environment and biodiversity. The company's team was working on solutions for the sustainability of the Zagreb airport's building, as well as its traffic optimization. We continued working on the Horizon 2020 SmartEPC project (Next Generation of Energy Performance Contracting, grant #101031639, https://energy-cities.eu/project/smart-epc/) in the domain of planning and optimizing electricity consumption, with a focus on public lighting and new services for energy savings. The project aims to integrate energy efficient services with other energy services, thus focusing on contracting energy characteristics and creating new sources of revenue for the local government. The company's team is responsible for the case study of the existing technologies and the concept draft of ICT SMART EPC.

Work continued on projects of the European Digital Innovation Hub, which promote interdisciplinary research and digital transformation, enable practical applications, and actively work on knowledge sharing, training, education, skill development, and networking. The EDIH Adria project (European Digital Innovation Hub Adriatic Croatia, https://www.edihadria.eu) within the framework of the Digital Europe Program (DEP) encompasses the private and public sector in the area of Adriatic Croatia along with the networking and synergy cooperation in the entire Croatian territory, and also with other EDIHs in the EU. Activities include testing before investments, training in the digital skills domain, support to digitalization, innovative ecosystem and networking. The EDIH AI4Health.Cro project (Artificial Intelligence for Smart Healthcare and Medicine, https://ai4healthcro.eu/) provides a comprehensive support to companies and public entities with advanced services and technologies based on artificial intelligence, addressing the needs of health and public health care systems for digital transformation. The services are related to the development of innovations in digital health care, testing solutions and standards based on artificial intelligence in strategic topics in digital health care, and education.

The 23rd Ericsson Nikola Tesla Summer Camp was successfully held in our offices in Zagreb, Split and Osijek. This year, 69 students from 10 faculties, supported by 73 mentors, worked on 27 projects, solving the challenges of modern industry and society with the help of cutting-edge technologies such as AI, XR, Big Data, etc. On the last day of the Summer Camp, a presentation of the results of work on the projects was held for all interested employees of our company. Closing of the 23rd Ericsson Nikola Tesla Summer Camp was marked by a ceremony held on Friday, September 6th, at the company's headquarters in Zagreb, which was attended by representatives of the academic community.

The company's Institute worked on activities in the field of analyzing big data, applying machine learning and artificial intelligence methods in areas of interest. A very successful cooperation was continued with the corporate research unit in the development of technologies for a digital twin of the business environment for industry application, based on the Internet of Things, with a highlight on managing knowledge. We have a new PhD, one doctoral student successfully completed their qualifying doctoral exam, and one doctoral student successfully completed the public interview. Several articles have been published at international conferences as the result of the work of our Institute, and events have been organized at conferences (MIPRO, SoftCOM, SST) in which our employees were the speakers.

Important events 2024

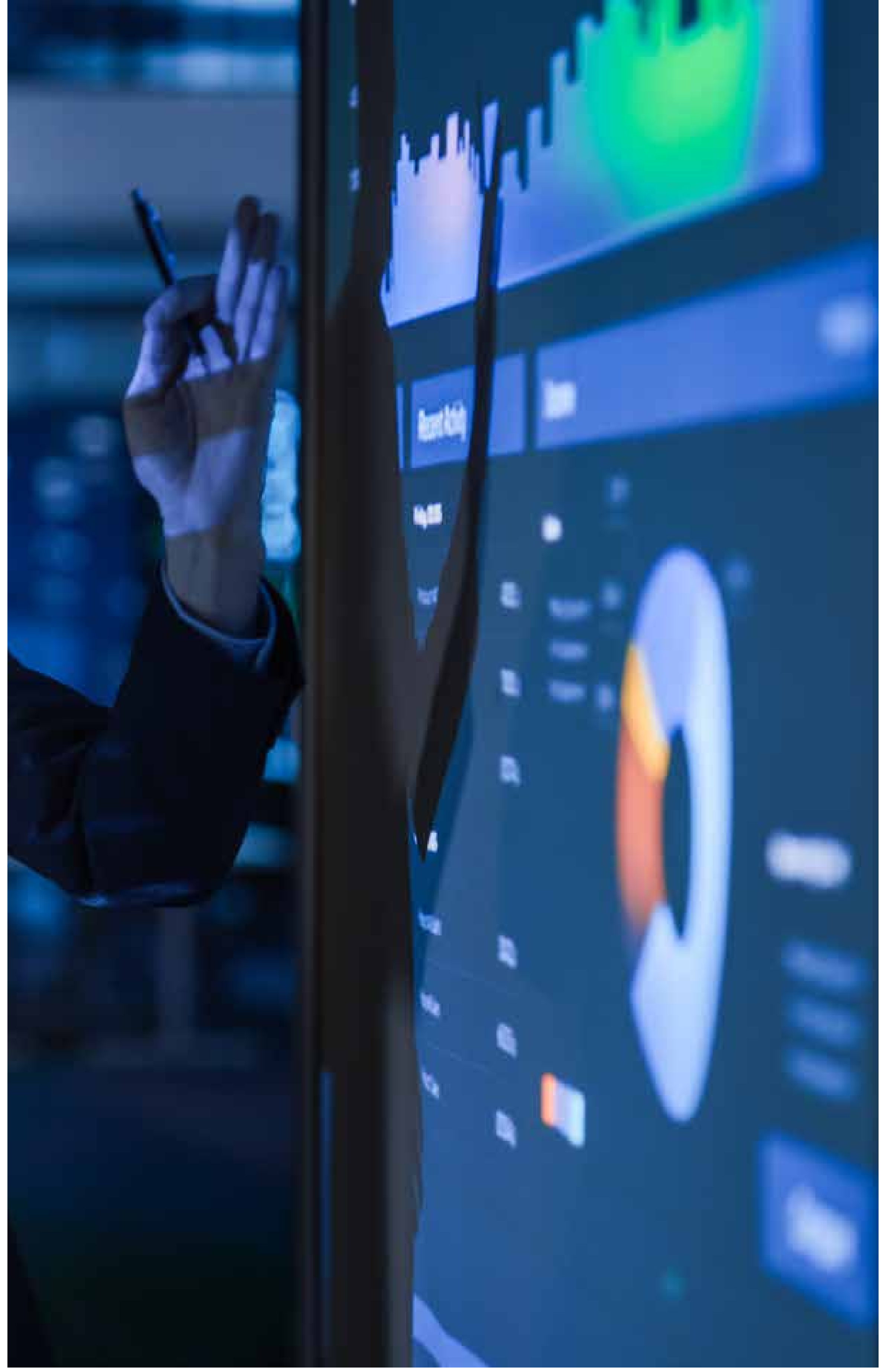


January-March

- Several contracts worth almost 8 million euros (excluding VAT) have been signed related to the digital transformation of society in Croatia and the modernization of communication networks in the markets of neighbouring countries. The contracts include: a contract with the Ministry of the Interior of the Republic of Croatia for the delivery of mobile systems for green border monitoring; a contract with Hrvatske ceste on the establishment of the National access point; a contract with the Ministry of Culture and Media related to eCulture; a contract with the Ministry of Justice and Public Administration and the State Geodetic Administration related to the Joint Information System of Land Registers and Cadastre; a contract with the Central State Office for the Development of the Digital Society, we have contracted the delivery of the Once Only Technical System (OOTS) platform for the exchange of services at the level of the European Union.
- Bidding Consortium Ericsson Nikola Tesla d.d. and Profico (Innovatio Proficit d.o.o.) signed a contract worth nearly EUR 1.9 million with the Croatian Employment Service (CES) related to the procurement of a system to support the basic processes of the CES, the e-Savjetnik (e-Advisor) system and improved user profiling.
- Hrvatski Telekom (HT) and Ericsson Nikola Tesla (ENT) signed a cooperation agreement based on which ENT will be the exclusive supplier of the radio part of Hrvatski Telekom's mobile network (RAN) until the end of 2027.
- Ericsson Nikola Tesla hosted the conference under the title "Entrepreneurs and New Technologies" organized by the Croatian Personal Data Protection Agency on the occasion of European Data Protection Day. As part of the conference, a panel discussion titled "Artificial Intelligence: What Awaits Us in 2024?" was held, featuring Andrej Grgurić, Director of Research at Ericsson Nikola Tesla.
- As part of the MC2 student competition, the interested students from the Zagreb University of Applied Sciences (TVZ) visited Ericsson Nikola Tesla's office in Zagreb.
- In February, the company's Zagreb office was visited by students from Jelkovec High School. At the 5G/IoT Lab, part of the advanced innovative technological solutions developed by Ericsson Nikola Tesla was presented to them.
- Miroslav Kantolić, member of the Leadership Team at Ericsson Nikola Tesla participated in a panel discussion "At the Border Between Science and Industry" held as part of the Scynergy '24 pilot project conference, which connects the scientific and business community for the purpose of commercializing scientific work, in which Ericsson Nikola Tesla also participates.
- At the awards ceremony of the Croatian Managers' & Entrepreneurs' Association (CROMA) held in February 2024, the company's president Gordana Kovačević was awarded the Lifetime Achievement Award.
- In February, a conference for the media and investors were held to announce the company's results for the year 2023.
- At the constituting meeting of the Economic Council of the University of Zagreb held on March 15, 2024, Gordana Kovačević was elected as the President of the Economic Council of the University of Zagreb, which consists of 12 representatives from the economic and financial sector.
- In March, the Federal Minister of Transport and Communications (FMPK) of Bosnia and Herzegovina Andrijana Katić visited the headquarters of the Ericsson Nikola Tesla Group in Zagreb, where she met with president of the company Gordana Kovačević and Chairman of the Supervisory Board Franck Bouetard.
- Ericsson Nikola Tesla signed several new contracts related to the modernization and maintenance of communication networks and the digital transformation of society, worth nearly EUR 5 million. The implementation of the latest technological version of the Ericsson Evolved Packet Core (EPC) and Diameter Signaling Controller (DSC) solutions was contracted with HT Mostar. With the Kosovo operator IPKO several projects for the modernization and maintenance of the core network were contracted. Projects for the modernization and maintenance of mobile networks in other export markets were also contracted. In the field of digital society, a number of jobs related to the digital transformation of healthcare, land administration, public administration and security, business communications, transport and sustainability (Smart Energy) have been contracted in Croatia.
- Company experts participated in one of the events within the MC2 student competition organized by the student council of the Zagreb University of Applied Sciences (TVZ). This was the so-called "Pitch Day," where students from STEM fields presented their projects to company representatives.

April–June

- In the ICTbusiness TV report from MWC 2024 in Barcelona, interviews were published with some of the key figures in the telecommunications sector in the region, including an interview with Gordana Kovačević, president of Ericsson Nikola Tesla.
- We participated in the 3rd MUZZA Science Week held at the South East European Center for Entrepreneurial Learning (SEECEL). Željko Antolić, director of Human Resources, participated in a panel discussion under the title "Professions of the Future".
- We signed new contracts worth EUR 4 million in the field of communication networks and the digital transformation of society with HT Mostar related to support services for the maintenance of Ericsson solutions in fixed and mobile networks. Several contracts have been signed on the domestic market in the field of digital transformation solutions. A project of cadastral surveys on the island of Korčula was contracted with the State Geodetic Administration. Contracts were signed with the Ministry of the Interior, as were contracts in the field of digital transformation of public services, healthcare, the financial industry and the delivery of communication equipment for business systems.
- We participated in various student events – a hackathon in the field of finance organized by the xFER Association and the Financial Club, a hackathon organized by the Electrical Engineering STudents' European assoCiation (EESTEC) at FER, which was organized to mark the end of the Workshop on Embedded Systems (WES), and our colleague from R&D Viktor Skolan gave a talk at a student event organized by the BEST Association.
- Our company was an exhibitor at the 25th Mostar fair. At the fair, the president of the company Gordana Kovačević and the president of the Management Board of HT Eronet Goran Kraljević, PhD, signed an Agreement on business and technical cooperation for the development of solutions based on a platform for monitoring environmental parameters with the aim of supporting smart cities. Gordana Kovačević participated in a panel discussion under the title "Sustainable Business – an Opportunity for Positive Change" organized by the Croatian Chamber of Commerce as part of the Fair, and as part of the forum under the title "EU Perspectives for Bosnia and Herzegovina – experience of the Republic of Croatia".
- Our company had a booth at TVZ Career Day, which is a student job fair organized by the TVZ Student Body.
- At the HR Breakfast event under the title "Learning culture," organized by Algebra MBA and Selectio, our colleague Nives Raič, Talent and Development Manager, participated in the panel discussion.



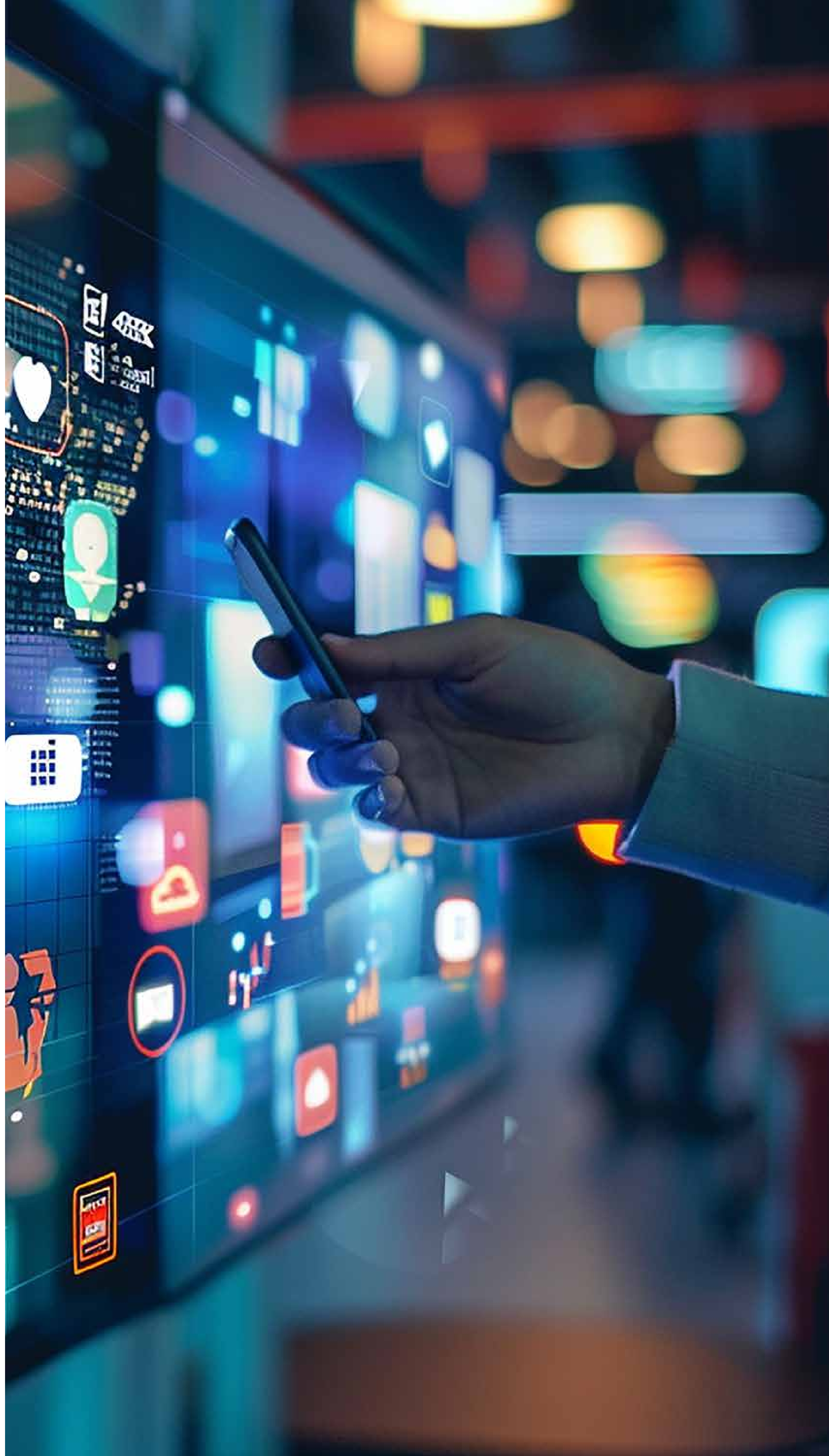
- At the beginning of May, a hybrid session for employees titled "ENT AI Landscape" was held at the company's headquarters. It was organized by ENTER Academy and the ETK/S Enhance Cross Unit Collaboration program, where some of the company's AI projects were presented.
- Traditionally, we participated in the 17th Job Fair, which is organized by the Faculty of Electrical Engineering and Computing and the Electrical Engineering Students' Club, where we also organized a workshop under the title "Software Development on Embedded Systems".
- New multi-year jobs worth EUR 11 million were contracted for the Kosovo operator IPKO, which include the expansion and modernization of its radio 2G/4G/5G and core network, as well as a number of projects in the field of digital transformation of state administration, public services and security and healthcare, as well as the maintenance of communication infrastructure.
- At the event organized for interested providers of water supply and drainage services held on May 23 at Ericsson Nikola Tesla headquarters in Zagreb, the WaterQ™ solution for systematization, management and reporting on the quality of drinking water was presented.
- Our company participated at the 8th Dump Days student conference organized by the DUMP student association.
- A Memorandum of Understanding on the development of new models of cooperation in teaching and research as part of the "Inventorium" program was signed in June between Ericsson Nikola Tesla and the Faculty of Electrical Engineering and Computing of the University of Zagreb. This marked the official opening of the joint scientific research laboratory Inventorium.
- President of the Republic of Croatia Zoran Milanović hosted the leadership of the Croatian Managers' & Entrepreneurs' Association (CROMA) and the winners of the annual HUM CROMA awards, including Gordana Kovačević, president of Ericsson Nikola Tesla, this year's winner of the Lifetime Achievement Award.
- Darko Gvozdanović, Head of eHealth at Ericsson Nikola Tesla, participated in a panel discussion "Time to Accelerate – Europe Together Against Cancer", organized by the European Cancer Organization (ECO).
- In June, Ericsson Nikola Tesla Technology Days were held at the company's headquarters in Zagreb. New technological solutions such as attractive use cases of 5G technology from the leading technological event Mobile World Congress (MWC) Barcelona and a number of advanced technological solutions developed in the company were presented.
- On the occasion of the ceremonial session and celebration of the 64th anniversary of the Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture (FESB) in Split, Ericsson Nikola Tesla, as the company that employed the largest number of students who completed some of the studies at FESB in the previous year, received a certificate of appreciation, which was received on behalf of the company by Dean Marušić, head of our office in Split.
- In June, we hosted four student groups in our Zagreb office. Three of them were from FER and one from FERIT.
- The Annual General Meeting of Ericsson Nikola Tesla joint-stock company was held on Thursday, June 27, 2024, at the company's headquarters in Zagreb.

July-September

- We participated in the DIRA conference, which brings together graduates, teachers, and the Economic Council of the Institute for Electronic Systems and Information Processing (ZESOI) at FER. Andrej Grguric, PhD, director of Research at Ericsson Nikola Tesla, became a new permanent member of the council.
- On July 15 started Ericsson Nikola Tesla Summer Camp 2024, a workshop for the best students, primarily those in the STEM field, who tackle given challenges by creating technological solutions for them with the help of mentors.
- In Osijek a contract was signed with a bidding consortium made up of Ericsson Nikola Tesla and A1 Hrvatska for the development and implementation of a single and comprehensive City web and mobile app. The contract worth EUR 707,500.00 was signed by the mayor of Osijek Ivan Radić and president of Ericsson Nikola Tesla Gordana Kovačević.
- A number of contracts worth more than EUR 15 million were signed in the field of digital transformation and modernization, expansion and maintenance of communication networks. In Croatia we contracted many projects regarding the digital transformation of the state administration, public services and security, smart cities, hospital systems, communication systems for enterprise users and maintenance of existing systems. On the market of Bosnia and Herzegovina, a contract was signed with HT Mostar for the implementation of the latest technological version of the Ericsson IMS (IP Multimedia Subsystem) solution as well as the introduction of VoLTE (Voice over LTE) service. In Kosovo, a contract was signed for the optimization and maintenance of IPKO's network and the expansion of Kosovo Telecom's capacity.
- The end of the 23rd Ericsson Nikola Tesla Summer Camp was marked by a ceremony held in early September. In 2024, 69 students from 10 faculties, supported by 73 mentors, worked on 27 projects, solving the challenges of modern industry and society with the help of cutting-edge technologies such as AI, XR and Big Data.
- We participated in the conference under the title "Support Sustainability," which was organized by the Croatian Chamber of Economy (HGK).
- Milan Živković, director of Strategy and Business Development, and Hrvoje Hadžić, Innovation Strategy and Business Development Manager, participated in the 66th international ELMAR symposium, where one of the main topics was 5G network.
- New jobs worth nearly EUR 14 million were contracted in the field of digital transformation and modernization, expansion and maintenance of mobile networks. A contract was signed with the Logicom Solutions company from Cyprus on the replacement of the land administration information system of the Department of Lands and Surveys of Cyprus. With the company Split parking d.o.o., we contracted the replacement and expansion of the existing sensor system for vehicle detection in street parking lots. With the operator HT Mostar new jobs related to expansion of the operator's radio access network and transmission network were contracted. With the operator IPKO from Kosovo, a contract was signed for the maintenance of this operator's network and the expansion of the functionality of the core network.

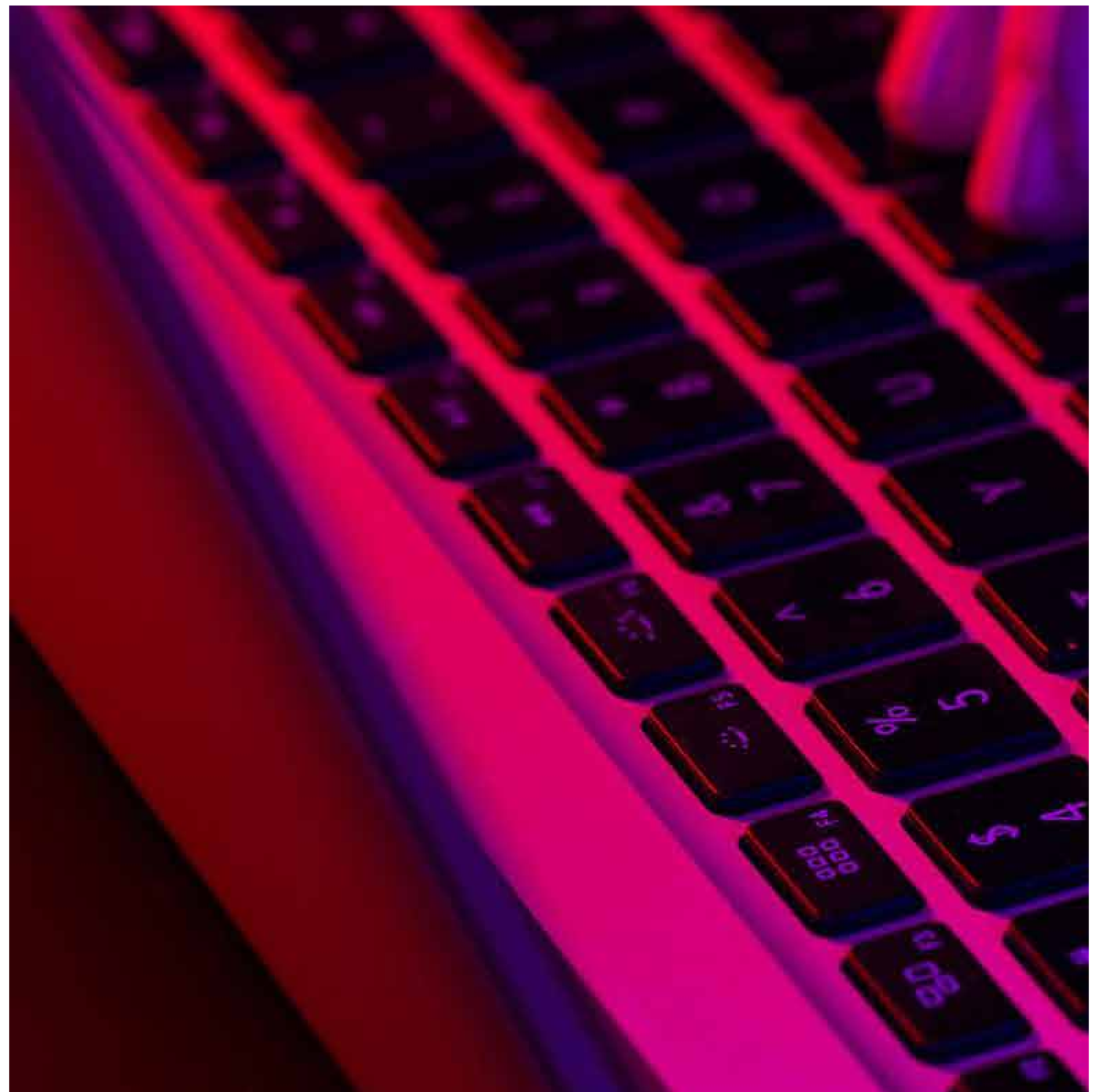
October-December

- We participated in the Open Doors Day and Career Day (DOVIK) at the Faculty of Electrical Engineering, Computer Science and Information Technology Osijek (FERIT).
- Director of the Ericsson Nikola Tesla's office in Kosovo Besar Spahija and Hrvoje Hadžić participated in the first "The Future of 5G Technology" conference held in Kosovo.
- At a ceremony held in the Office of the President of the Republic of Croatia, Zoran Milanović, President of the Republic of Croatia, presented awards to deserving individuals, companies and associations in the field of culture, economy, science and sports. Gordana Kovačević, president of Ericsson Nikola Tesla, was awarded the Order of the Croatian Star with the effigy of Blaž Lorković for exceptional contribution and special merits in the economy.
- President of Ericsson Nikola Tesla and her associates participated in the ceremony marking the 40th anniversary of the Faculty of Transport Sciences, and our company received the Faculty's award for long-term successful cooperation on scientific and research projects.
- At the meeting of all stakeholders of the ITS project

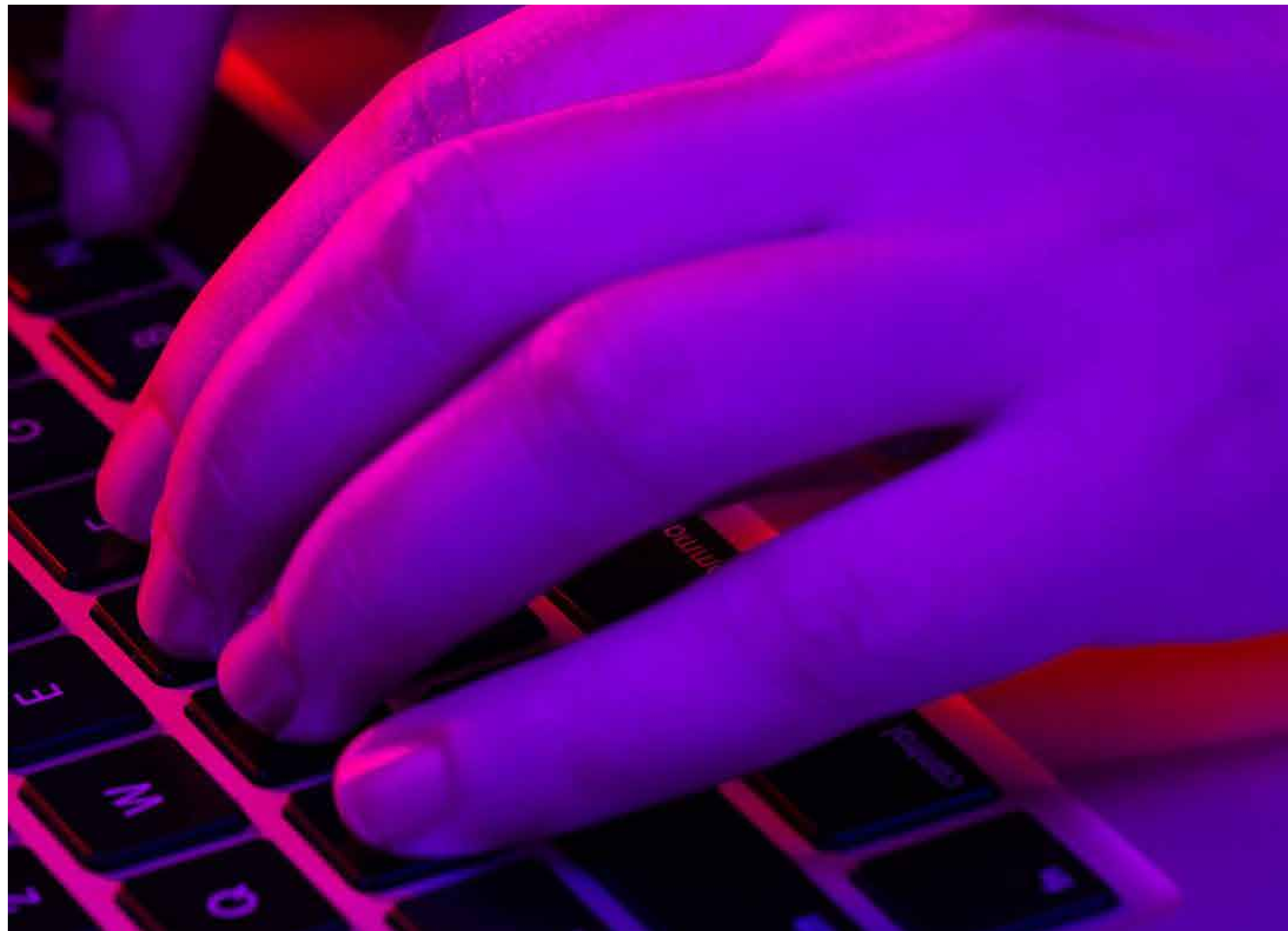


"Introduction of Intelligent Transport Systems in the Functional Area of the City of Split" held in October at the Split City Administration, the current results of the project were presented. The project is co-financed by the European Union's Cohesion Fund, and the contract worth EUR 11,967,289.80 was signed at the beginning of 2023 by the City of Split and a consortium made up of KING ICT d.o.o. and Ericsson Nikola Tesla d.d.

- We participated in the KosICT conference in Pristina, one of the key events for promoting digital transformation and innovation in Kosovo and the region.
- Gordana Kovačević, president of Ericsson Nikola Tesla, was elected by the Supervisory Board for another term of office starting January 1, 2025.
- Antonija Lončar, director of Marketing, Communications and Corporate Social Responsibility, participated in the panel discussion held as part of the conference dedicated to the Corporate Sustainability Due Diligence Directive adopted by the European Union.
- At the AI2Future conference "AI Beyond Hype", which was held in October, visitors learnt how AI technology can be applied in the field of environmental protection from Veronika Ozretić Vidak, a software developer at Ericsson Nikola Tesla.
- The Ambassador of the Kingdom of Sweden to the Republic of Croatia Anna Boda, accompanied by Hrvoje Pokupec from the Embassy of the Kingdom of Sweden, visited Ericsson Nikola Tesla office in Osijek.
- Ericsson Nikola Tesla has signed new contracts in the field of digital transformation worth more than EUR 7 million (excluding VAT). A contract was signed with the Ministry of Health related to the support and corrective maintenance of the CEZIH system Subsystem 1 software for a period of 12 months. A four-year contract was signed with CARNET for the implementation and maintenance of the register of documents issued in the education system (diplomas, certificates, etc.). A group of economic operators including Ericsson Nikola Tesla (holder), the Faculty of Transport and Traffic Sciences, University of Zagreb (member) and Ernst & Young Consulting (subcontractor), signed with the City of Zagreb a contract related to the carrying out of a traffic analysis with the aim of preparing a feasibility study for the construction of bridges in the western part of Zagreb.
- At the WorkIn' Science (WISe) – Career Day at PMF, we presented career opportunities at Ericsson Nikola Tesla.
- Our company's representatives participated in two important events held in Bosnia and Herzegovina. Adnan Halimić, director of Ericsson Nikola Tesla BH, participated in a panel discussion "Towards Efficient Mobility With Zero Emissions in Cities" held as part of the opening of the Sustainable Development Week in Bosnia and Herzegovina. Karlo Guštin, business development manager for sustainability, presented a part of our portfolio in the field of sustainable development at the international conference "Let's Build a Sustainable Bosnia and Herzegovina" held in October in Sarajevo.
- In mid-November, we participated in the second cybersecurity conference in Kosovo, where Hrvoje Marinović gave a presentation under the title "5G Security: Addressing Key Vulnerabilities in 5G Device, API, and IoT Ecosystems".
- In November we celebrated 75 years of successful business, and on this occasion also presented the company's new visual identity. At the event, which gathered numerous guests, including high-ranking representatives of national and local authorities, the diplomatic corps, customers and partners, entrepreneurs, members of the academia, representatives of Ericsson corporation, media and former and current employees, the company's long history of tradition, transformation, innovation and achievements of Ericsson Nikola Tesla was celebrated. On the occasion, a two-day educational event for all ENT Group employees was held in Šibenik.
- The extraordinary General Meeting of Ericsson Nikola Tesla joint-stock company was held on November 22, 2024 at the company's headquarters in Zagreb.



- The scientific conference "Artificial Intelligence and Healthcare – Challenges and Potentials" was held at the Catholic University of Croatia, where Mario Ravić, Head of IoT and Digital Health at Ericsson Nikola Tesla, presented the EDIH AIHealth.Cro project in which our company acts as a partner.
- We reported on the implementation of the collaborative scientific research project DIGIPHY. The project is implemented at Inventorium, a scientific and research laboratory at ENT, which was opened in cooperation with the Faculty of Electrical Engineering and Computing of the University of Zagreb. Partners in the project co-financed by the EU in the amount of EUR 1,499,402.16 are the University of Zagreb – the Faculty of Electrical Engineering and Computing, Diversitas IT Sustavi d.o.o. – Delta Reality and Ericsson Nikola Tesla d.d.
- We participated in the Career Speed Dating organized by FER Career Center and eSTUDENT student association.
- On the occasion of the first official visit of the Prime Minister of the Republic of Kosovo to our country, the Croatian Chamber of Economy (HGK) organized the Croatia-Kosovo Economic Forum and Gordana Kovačević, president of Ericsson Nikola Tesla, participated in the event.
- Mirjana Kranjčić, Manager responsible for eHealth, took part in the conference under the title "Women in Digital" held at the Faculty of Organization and Informatics (FOI) in Varaždin.

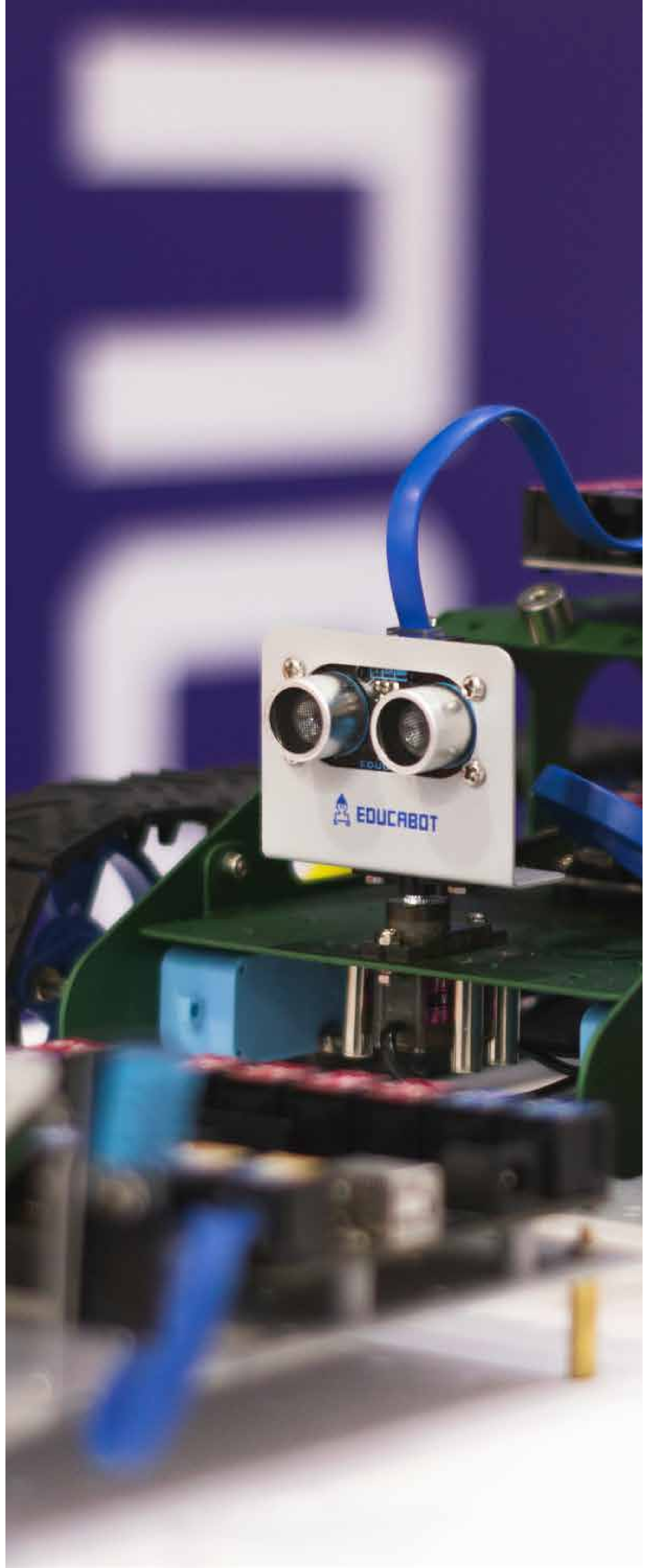


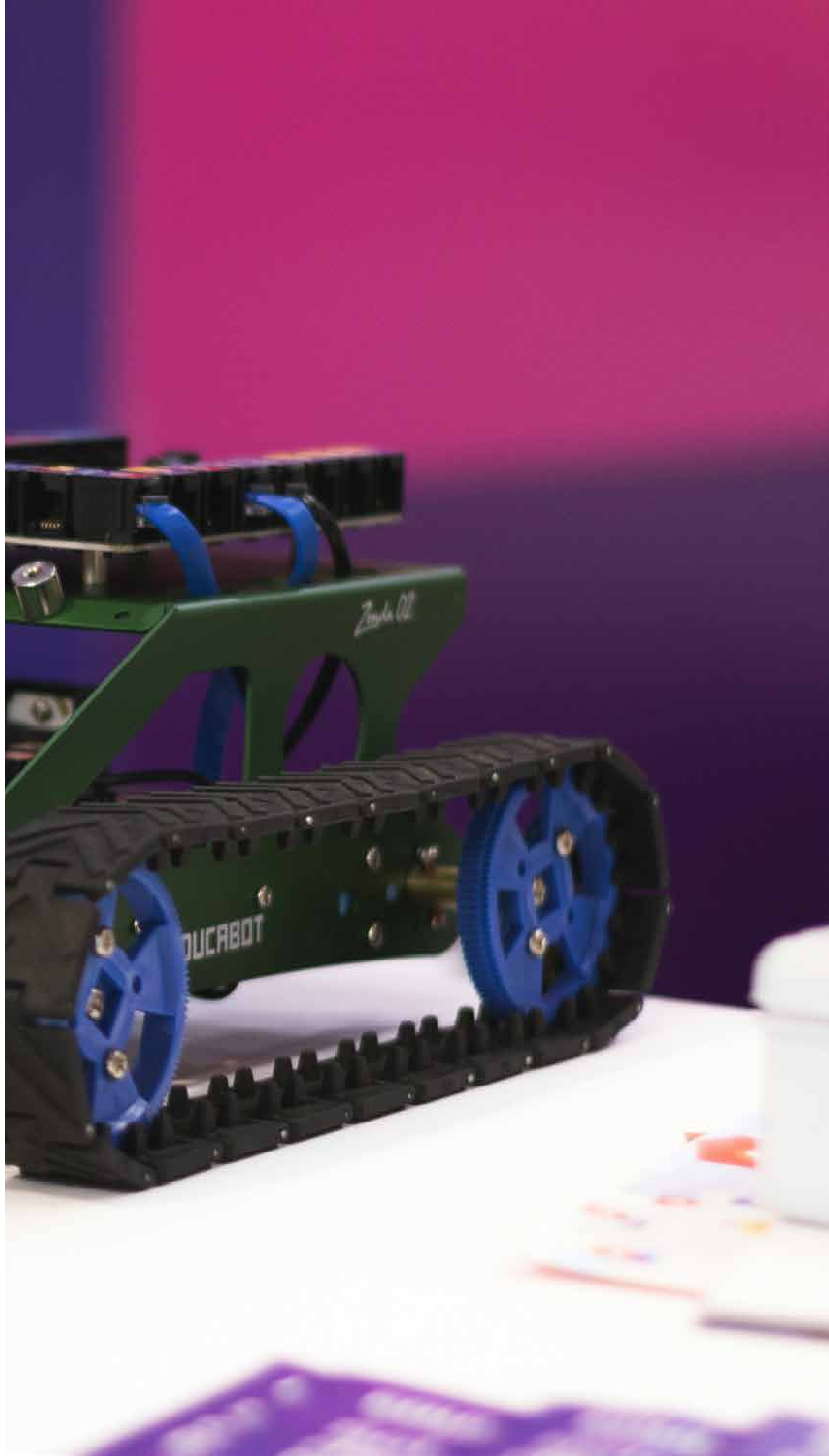
Memberships

By participating in the work of various professional associations, organizations, scientific institutions etc., ENT Group's experts enable the transfer of knowledge and experience and contribute to a more efficient representation of certain positions and realization of goals in a specific area, regarding an issue, crisis, etc.

There are more than 70 organizations that they contribute to, including the following: the Croatian Employers' Association, the Croatian Chamber of Economy, Lider magazine Club of Exporters, Croatian Business Council for Sustainable Development (HR PSOR), the Croatian Standards Institute, Institute of Electrical and Electronics Engineers (IEEE), PMI Croatia, and many others.

Ericsson Nikola Tesla participates in socially important initiatives and platforms, such as UNICEF's Think Tank on children's rights and CSR, HR PSOR Diversity Charter, etc.





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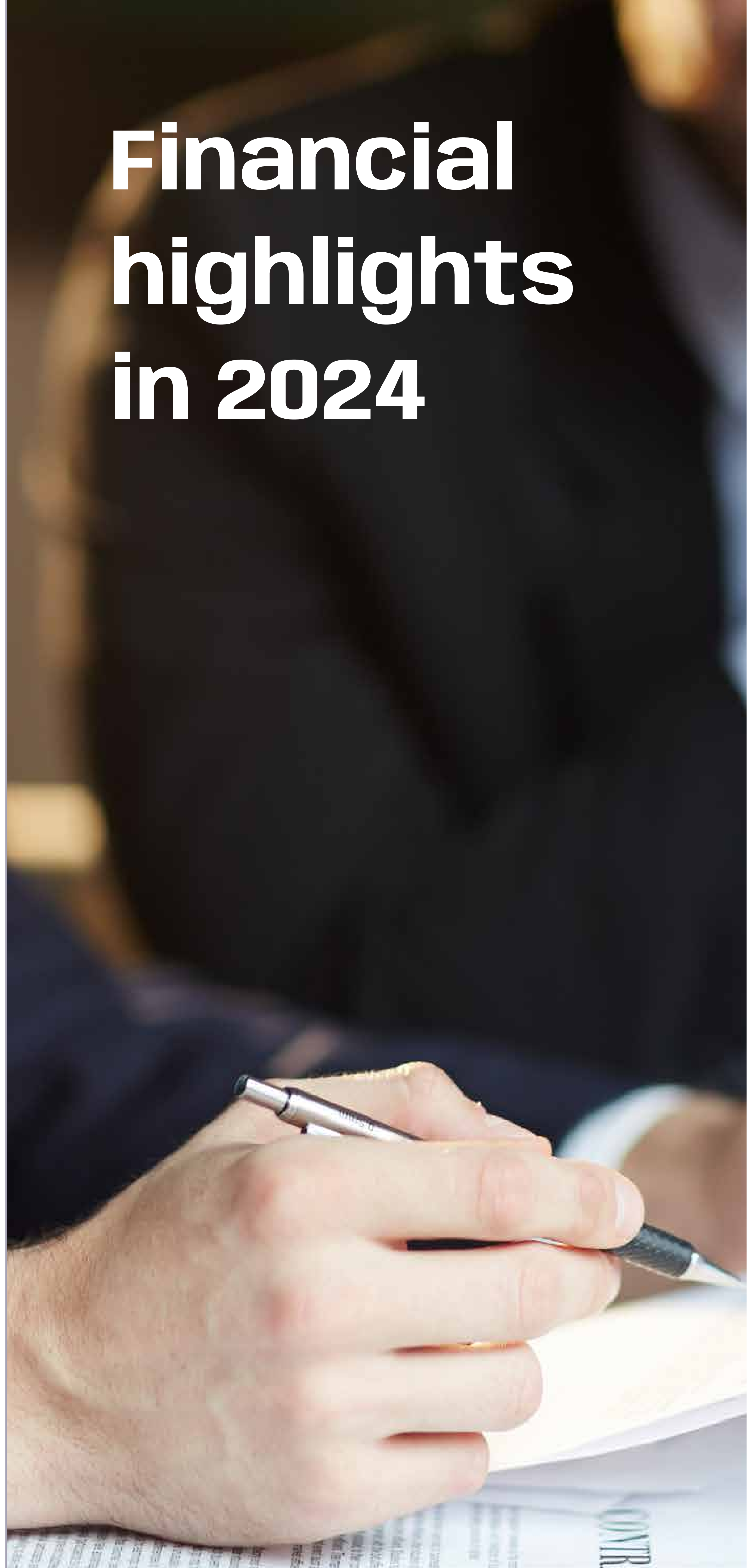
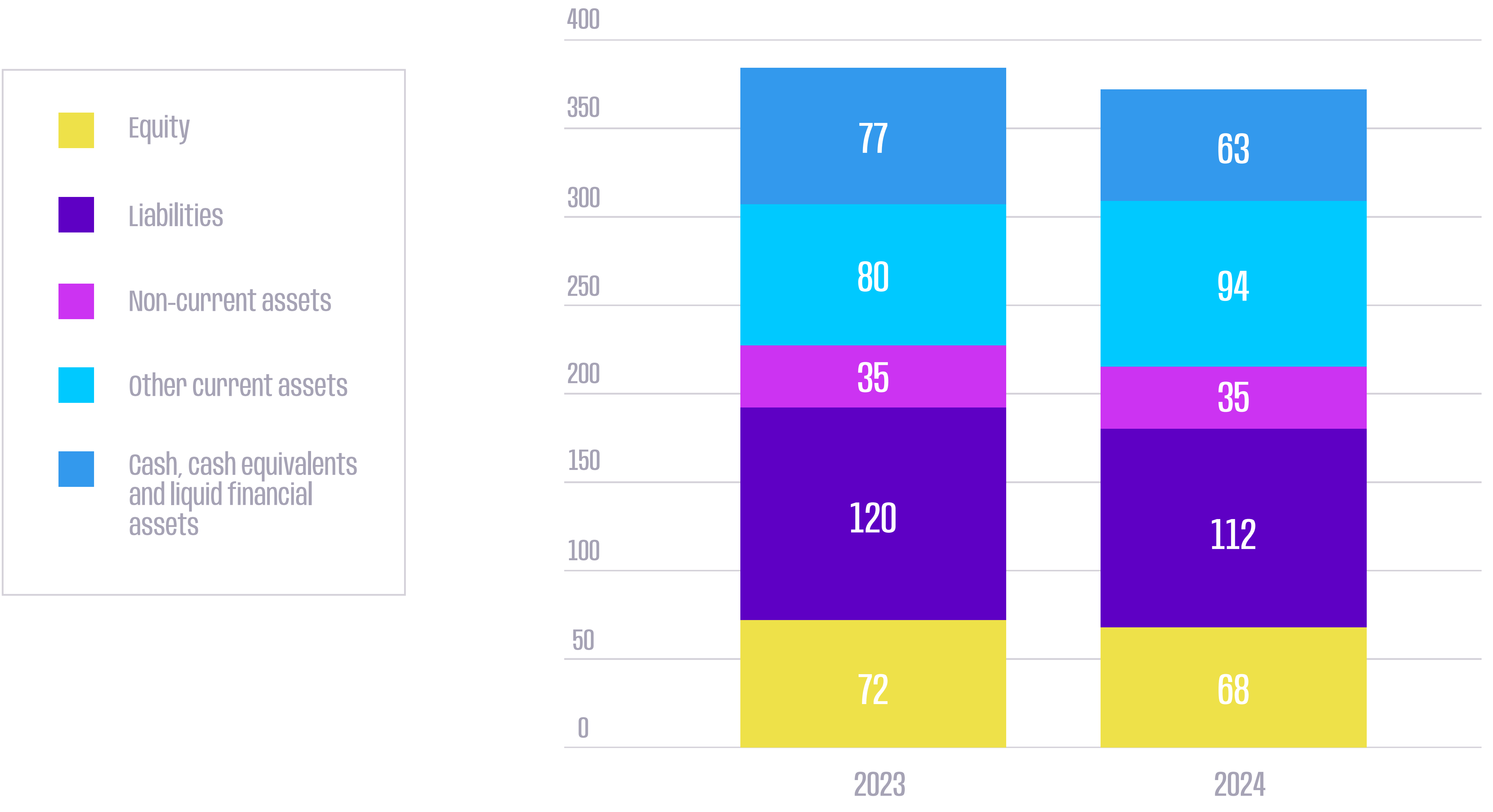


Financial highlights in 2024

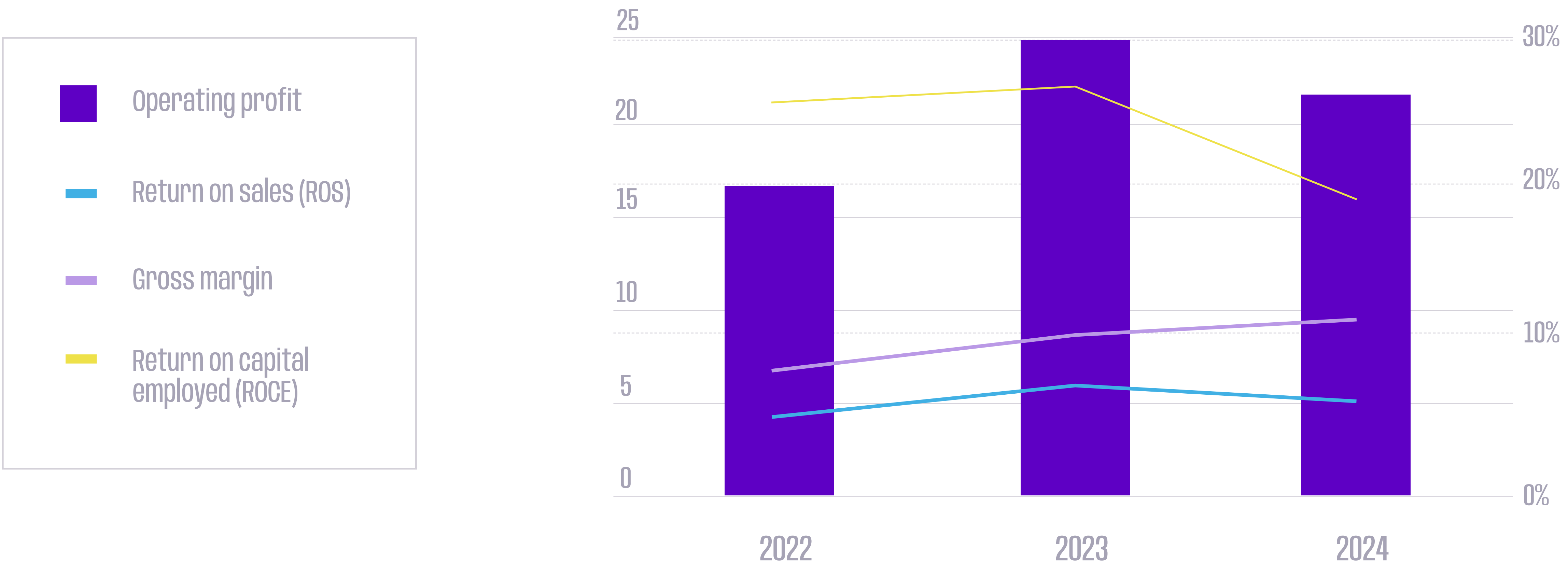
	Ericsson Nikola Tesla Group 2024	Ericsson Nikola Tesla Group 2023	Ericsson Nikola Tesla Group 2022	Ericsson Nikola Tesla d.d. 2024	Ericsson Nikola Tesla d.d. 2023	Ericsson Nikola Tesla d.d. 2022
Statement of comprehensive income and cash flow items (in EUR million)						
Sales revenue	249	304	298	243	232	220
Selling and Administration expenses	-12	-13	-13	-12	-11	-11
Operating profit	22	25	17	29	21	19
Profit for the year	16	22	16	22	19	20
Operating cash flow	10	17	25	11	6	27
Year-end position (in EUR million)						
Total assets	180	193	167	166	163	136
Cash, cash equivalents and liquid financial assets	63	77	74	54	60	65
Capital employed	82	87	63	77	75	53
Equity	68	72	58	63	61	49
Per share indicators						
Earnings per share (EPS) in euro	12	17	12	17	14	15
Dividends per share	10.54 eur	15 eur	6 eur	10.54 eur	15 eur	6 eur
Number of shares outstanding, average (in millions)	1.326	1.323	1.323	1.326	1.323	1.323
Other information (in EUR million)						
Additions to property, plant and equipment	3	2	2	3	2	2
Depreciation of property, plant and equipment	3	3	4	3	3	4
Alternative Performance Measures (APMs)						
Gross margin	11.4%	10.5%	8.2%	11.3%	11.2%	7.9%
Operating margin	8.9%	8.1%	5.7%	12.0%	8.9%	8.7%
EBITDA margin	11.0%	10.1%	7.9%	14.1%	10.8%	10.9%
Return on equity (ROE)	22.9%	30.6%	28.4%	35.7%	31.1%	43.8%
Return on capital employed (ROCE)	19.1%	25.6%	25.4%	29.3%	25.2%	39.3%
Return on sales (ROS)	6.3%	7.3%	5.3%	9.2%	8.1%	8.9%
Equity ratio	37.9%	37.6%	34.7%	37.9%	37.1%	36.3%
Capital turnover	3.1	3.5	4.8	3.2	3.1	4.4
Current ratio	1.5	1.5	1.3	1.5	1.5	1.3
P/E ratio	15.6	11.9	18.9	10.8	14.0	15.4

* As proposed by the Management Board and Supervisory Board

Balance sheet structure (in MEUR)



Operating profit (in MEUR), Gross margin, ROCE and ROS (in percentages)



ENT

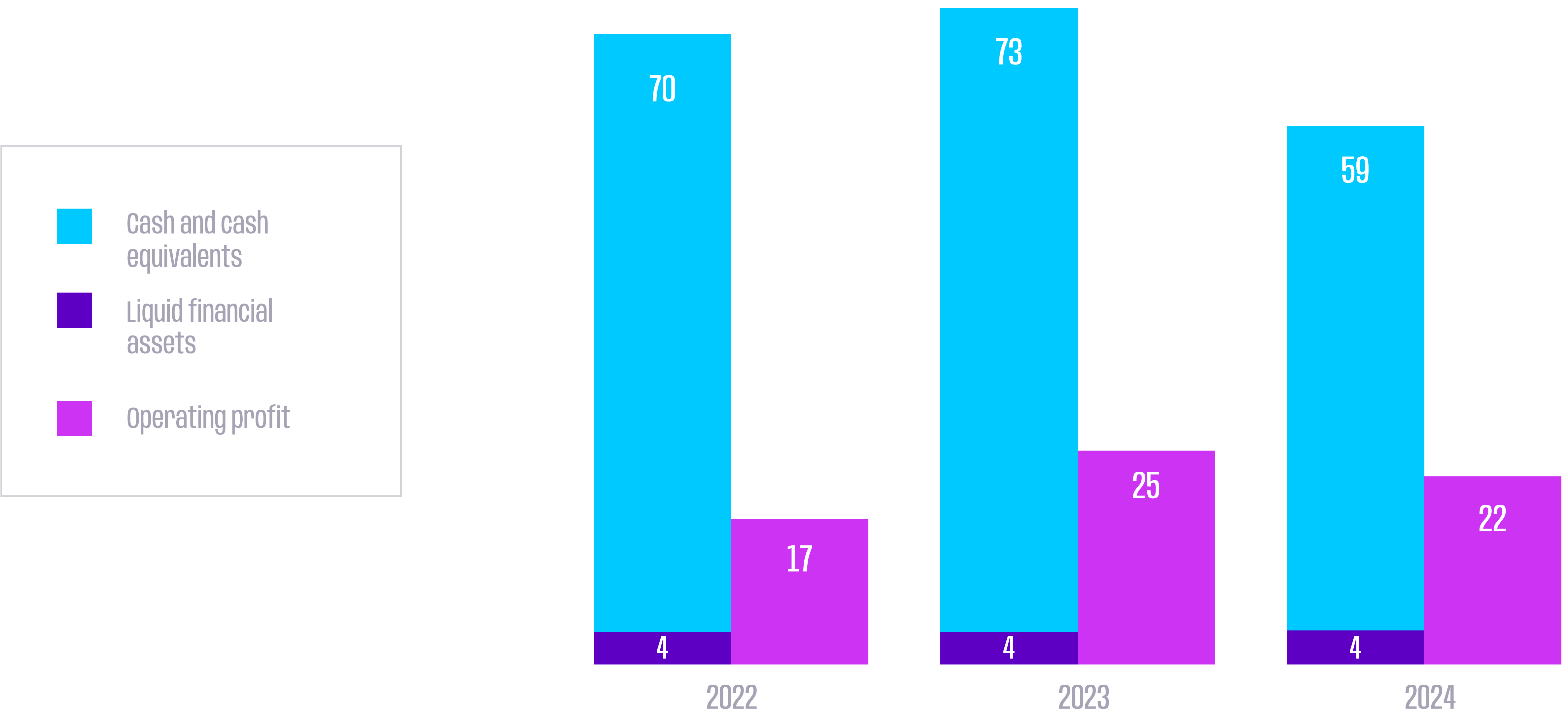
Table of contents

Management report

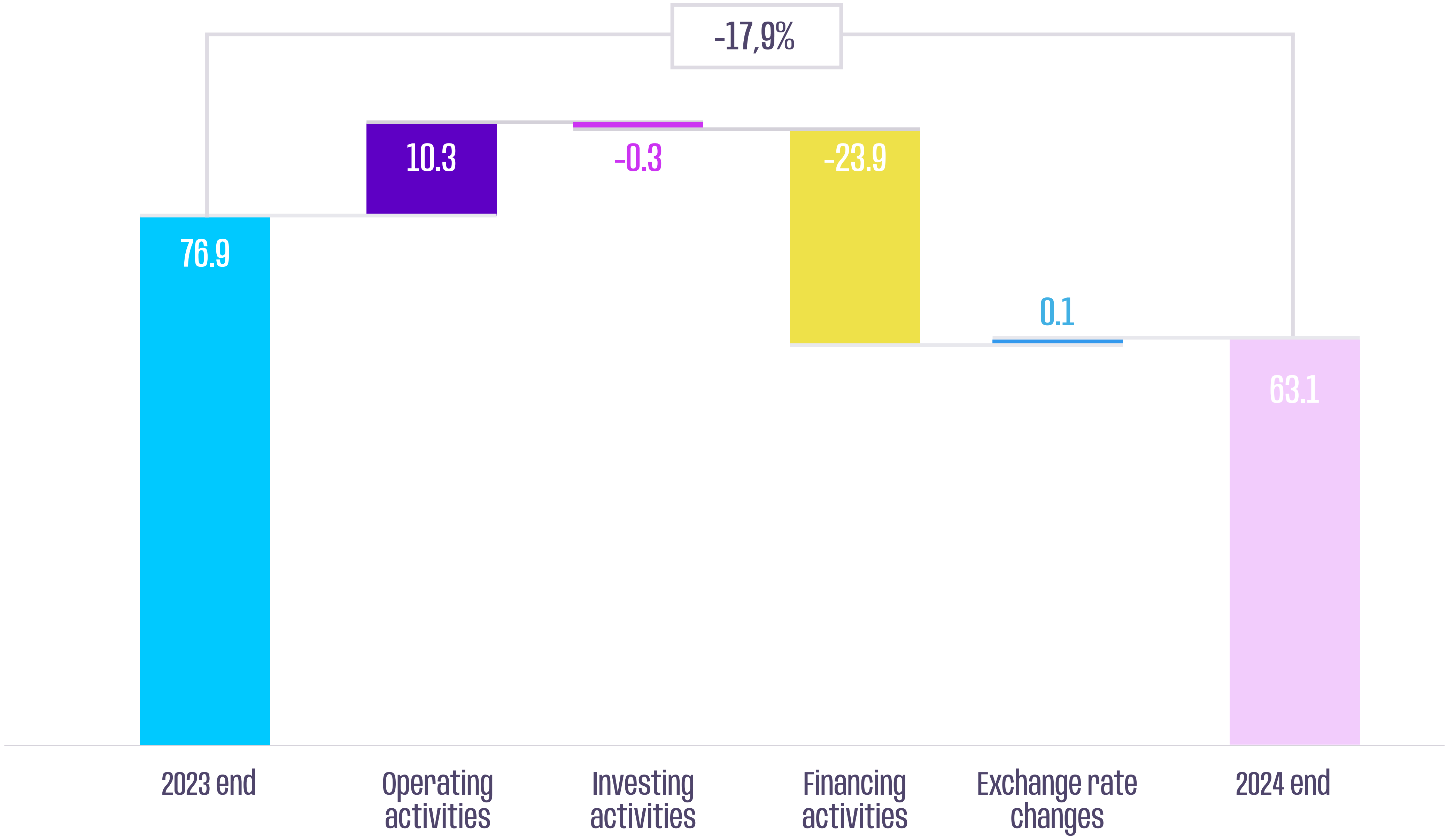
Sustainability report

Financial statements report

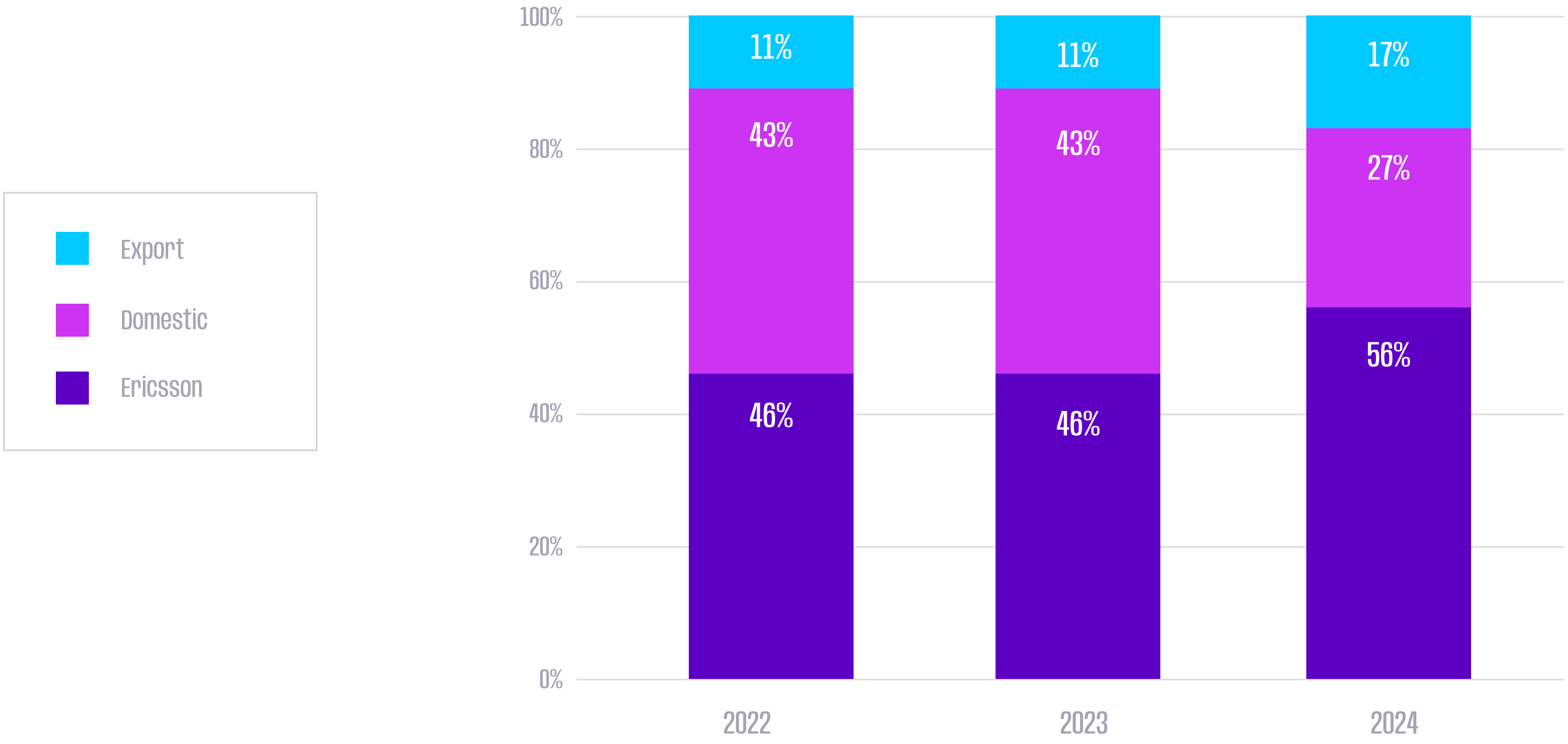
Development of **liquid assets and operating cash flow** (in MEUR)



Change in liquid asses (in MEUR)



Sales revenue by market
(in percentages)



ENT

Statement by the Director of Finance

In 2024, we witnessed complex geopolitical and macroeconomic conditions at the global level and the risks and opportunities associated with them. In the eurozone, some member states recorded negative developments in their own economies, while Croatia maintained a real GDP growth trend at a rate higher than the European average. According to the forecasts of the Croatian Central Bank, growth of approximately 3% is expected to continue this year, primarily driven by domestic demand, salary growth, high employment and investments. At the same time, Croatia is still under strong inflationary pressures, which we have also felt in our own business in the form of rising costs of labor, services, energy sources and materials. In addition, we were exposed to pressure from our customers on the prices of our products and services despite rising employee costs and the increase in the cost of living.

Taking into account all the dynamics of the business environment, ENT Group undertook numerous activities in order to maintain the stability and sustainability of the business. We strive to strategically consolidate our key positions in the ICT sector with the aim of increasing our market share. Moreover, we work on further improving our technological solutions and strengthening our relationships with key customers and partners. To achieve this, we strive to implement the always up-to-date activities to adapt our internal environment and work processes in order to increase efficiency and reduce costs. We invest in the education and training of our employees to ensure that they are ready for new challenges and new technologies.

We are exploring new sources of financing for business operations and customers by intensifying cooperation with domestic and international banks. We are utilizing co-financing opportunities (including EU funds) for a part of our research projects through which we maintain presence and visibility in that community. These steps we take confirm our ability to find ways to continue business without disruption and achieve positive results in all areas as well as to contribute to competence development and innovation despite the financial challenges that the projects put in front of us.

Sales revenue are EUR 249.5 million, down by 18.0% year-over-year. The main reasons for this are the non-renewal of the managed services contract with Hrvatski Telekom and slow-down of operators' investments in mobile telecom infrastructure in the domestic market, which is partially offset by the growth of revenue in the Digital Society segment in export markets and continued stable business performance in the market of services for Ericsson. Gross margin increased from 10.5% to 11.4% as a result of business mix and efficiency increase and cost reduction initiatives.

Working Capital Days (WCD) increased from 32 to 38 days, mainly as a result of the extended dynamics of collection of customer receivables in all markets, particularly in Ericsson's market. If we exclude services to Ericsson, WCD decreased to 28 days down from 48 days in 2023 as a result of increased efficiency in certain extremely demanding projects in terms of work and capital engagement. Operational expenses are down by 6.5% year-over-year to EUR 12.1 million due to significantly lower costs of using the corporate trademark for 2024, which acts as a counterbalance to the increase in investment costs in developing new business opportunities, celebrating the company's 75th anniversary and introducing a new visual identity. As a result of lower sales revenue and lower gross profit, operating profit decreased by 10.6% amounting to EUR 22.1 million, while the profit from financial activities increased from EUR 0.5 million to EUR 1.1 million, as a result of higher interest income due to an increase in interest rates.

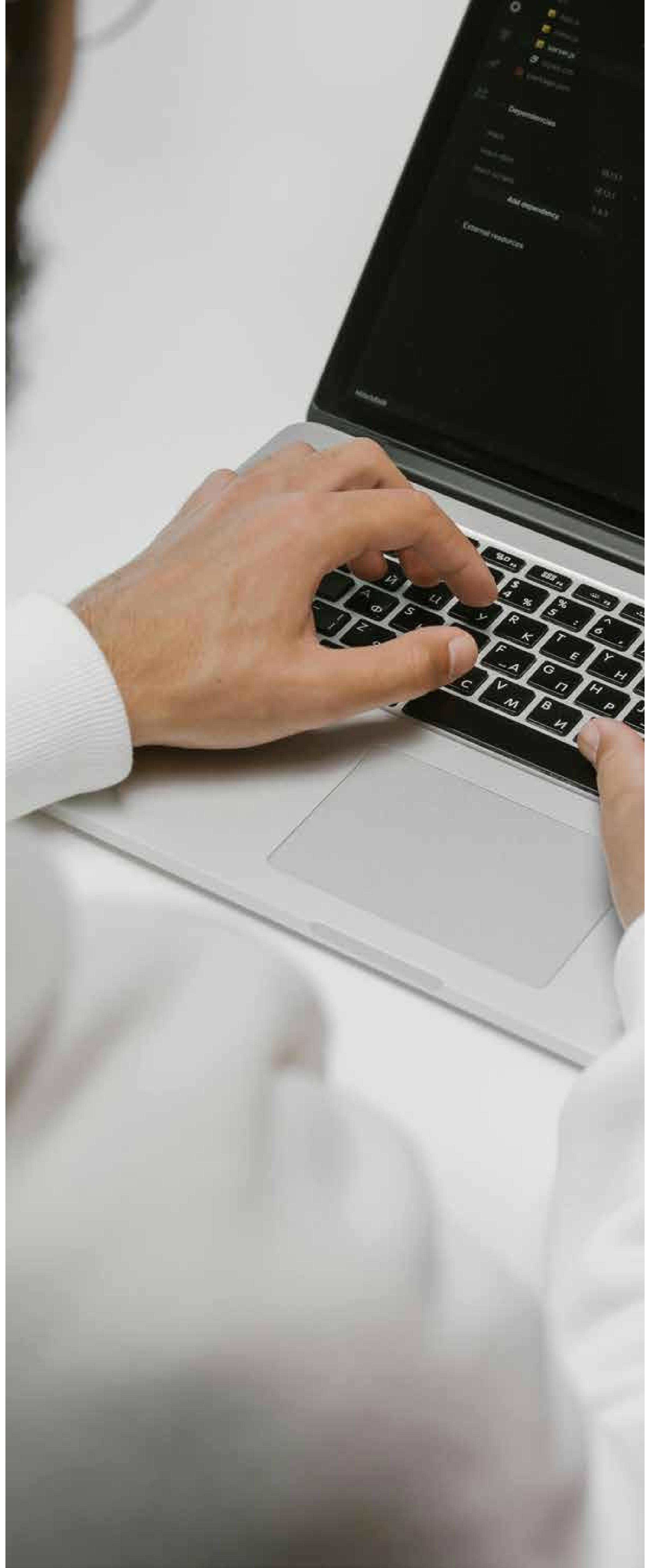
We have kept a stable financial position by reporting assets of EUR 179.7 million in the Group's balance sheet as at December 31, which is a decrease of 6.7% compared to EUR 192.6 million at the end of the previous year, influenced by expected changes in cash equivalents due to business requirements. Cash flow from operating activities amounted to EUR 10.3 million (2023: EUR 16.7 million) and ensures a stable start for operations in 2025.

Our expectations for 2025 in terms of risks and opportunities are somewhat in line with those for the year before. We are prepared for difficulties and challenges. We strategically think about where we want to be and what market positions we want to occupy. We weigh every decision in achieving agreed goals. We learn from our own experience, but also from the experiences of our customers and partners, as well as the environment, and on top of that, we always return to innovation as the main driver of our success.

Damir Bušić,
Director Finance, Sourcing and Commercial Management

We have kept a stable financial position by reporting assets of EUR 179.7 million in the Group's balance sheet as at December 31, which is a decrease of 6.7% compared to EUR 192.6 million at the end of the previous year, influenced by expected changes in cash equivalents due to business requirements.

Information for shareholders



Shares of Ericsson Nikola Tesla d.d. are traded in the Regular Market of the Zagreb Stock Exchange under the symbol ERNT-R-A.

Share trading and price trend

According to the regular turnover in 2024, Ericsson Nikola Tesla's share is ranked fourth on the Zagreb Stock Exchange with a turnover of EUR 22.0 million (2023: EUR 11.1 million). In block transactions, an additional EUR 1.7 million were traded (2023: EUR 273.8 thousand).

In 2024, share price decreased by 7.79% to EUR 183.5. At the end of 2024, Ericsson Nikola Tesla's market capitalization was EUR 244.4 million (end of 2022: EUR 265.0 million). As regards the free float market capitalization, Ericsson Nikola Tesla is ranked fourteenth on the Zagreb Stock Exchange, with EUR 123.4 million, which represents 1.7 % of the total free float market capitalization. At the end of 2024, Ericsson Nikola Tesla's share weight in CROBEX Index was 3.9%.

On the Zagreb Stock Exchange, the share turnover within the orderbook was about +10% better, ETFs were traded as much as +61.6% more, and in the end the total turnover was +23.6% higher than in 2023. Market value, expressed in market capitalization, strengthened by +26.3% when it comes to shares, while the ETFs' increased as much as +211%.

Indexes achieved excellent results. During 2024, CROBEX exceeded the limit of 3,000 points and realized an increase of almost +26%, surpassing the main stock market indexes such as Dow Jones, S&P 500 and DAX. Blue-chip index CROBEX10 increased almost +30%, and indexes CROBEXtr and CROBEX10tr, which also integrate the dividend yield, ended the year with an increase of +30.4% and +33.5%. The sector index CROBEXindustrija has achieved a record increase of +39.05%, while CROBEXkonstrukt increased by +26.79%. The performance of CROBEXnutris (-5.73%), CROBEXturist (-0.16%) and CROBEXtransport (-17.9%) was negative.

Liquidity was concentrated in a smaller number of shares, and the most traded shares were the ones from HT, Končar, Podravka, Ericsson Nikola Tesla and Končar - D&ST.

Trading in 2024

ERNT-R-A Share price and turnover	2020	2021	2022	2023	2024
Highest (EUR)	203.1	258.8	270.8	255.0	226.0
Lowest (EUR)	135.4	199.1	187.8	191.5	177.0
Last - end of year (EUR)	199.1	239.4	226.3	199.0	183.5
Turnover (in EUR million) - within the orderbook	16.1	11.2	11.0	11.1	22.0
Turnover (in EUR million) block transactions	0.70	4.44	0.91	0.27	1.7
trade volume - within the orderbook	93,010	50,525	47,841	52,579	110,328
trade volume - block transactions	3,500	19,638	4,171	1,250	8,950
Dividend per share (EUR)	10.9	8.5	6	15	10.54*

*Dividend proposal submitted to the Annual General Meeting of the joint-stock company Ericsson Nikola Tesla

Table of contents

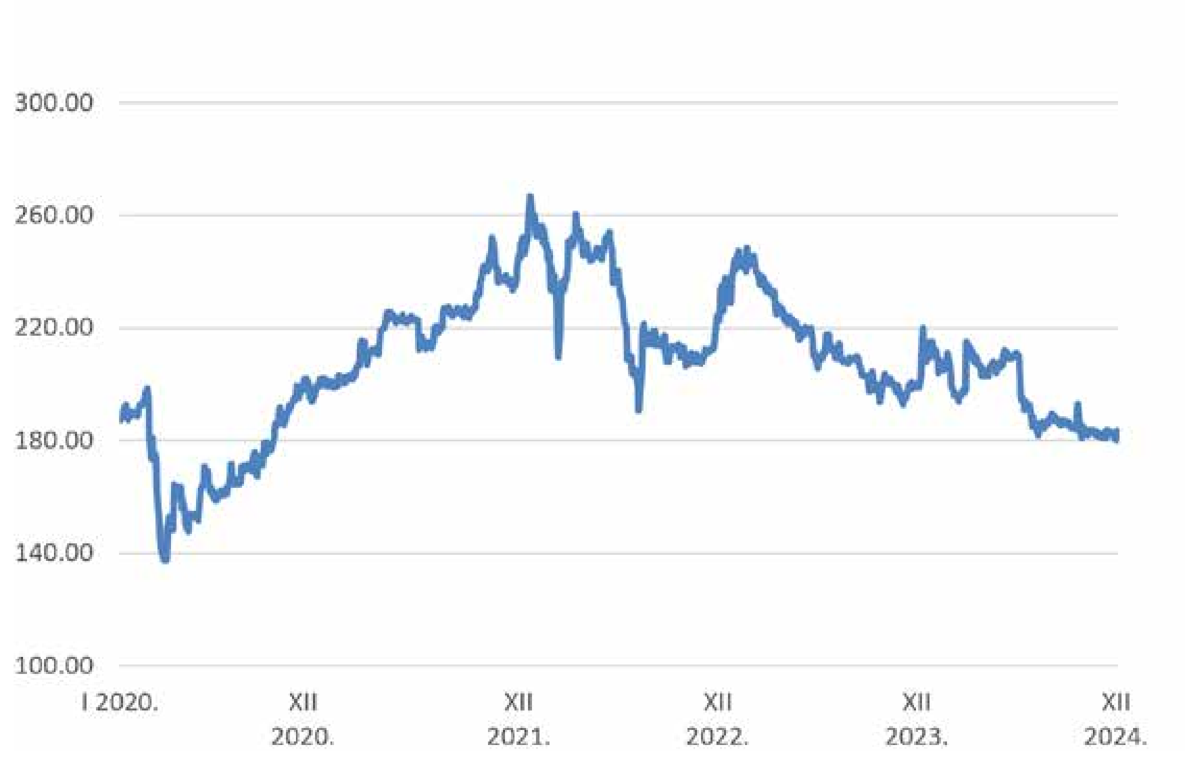
Management report

Sustainability report

Financial statements report

ERNT-R-A share turnover and average price trend in 2024 (in EUR) (graph 01)

Average ERNT-R-A share price trend 2020 - 2024 (in EUR) (graph 02)



Share capital

As at December 31, 2024, Ericsson Nikola Tesla joint-stock company had a share capital amounting to EUR 17,674,030.00 divided into 1,331,650 ordinary shares without the nominal value. Each share carries one vote at the company's Annual General Meeting. The total number of treasury shares at the end of 2024 was 5,728 representing 0.43% of the share capital. The shares were owned by 7,071 shareholders.

Shareholders

Ericsson Nikola Tesla d.d. major shareholders as at 31 December 2024.

Shareholders	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
PBZ d.d. / custodian client account	20,255	1.52
Raiffeisenbank Austria d.d. / Raiffeisen voluntary pension fund	18,360	1.38
OTP banka d.d. / OTP Index fund – open-end alternative investment fund with public offering	9,501	0.71
PBZ d.d. / Raiffeisen mandatory pension fund, A category	6,523	0.49
Vuleta Ivica	6,280	0.47
Ericsson Nikola Tesla d.d.	5,728	0.43
Raiffeisenbank Austria d.d. / custodian account	4,879	0.37
HITA-VRIJEDNOSNICE D.D./ Marodi Antun	4,397	0.33
Other shareholders	478,740	35.95

Ericsson Nikola Tesla's Annual General Meetings

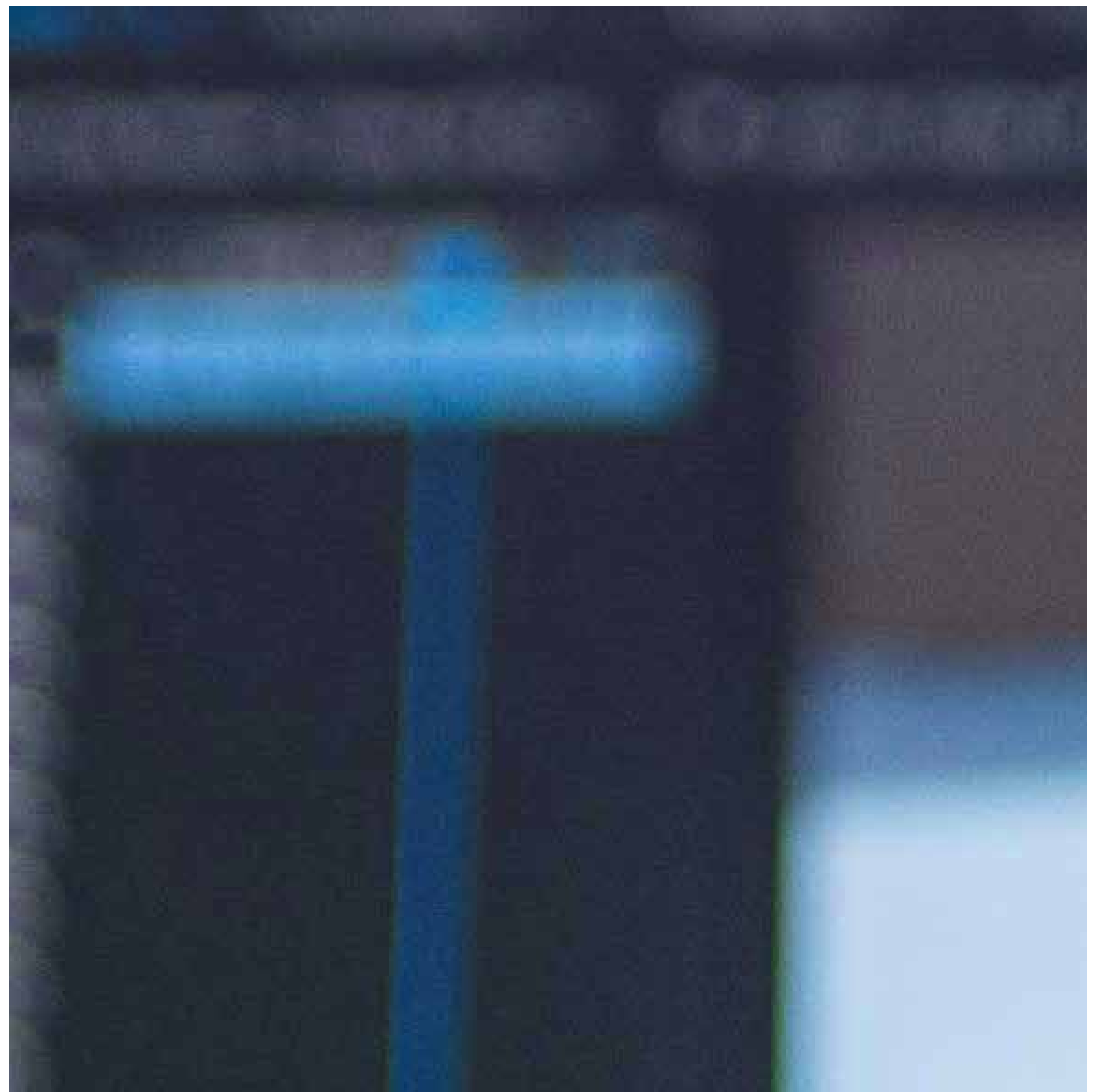
The regular Annual General Meeting of Ericsson Nikola Tesla joint-stock company was held on June 27, 2024, at the company's headquarters in Zagreb. For participation in the work of the Annual General Meeting 61.02 percent of the Company's total share capital was registered.

Prior to voting on the proposed decisions, the Company's Managing Director, Gordana Kovačević, presented in detail the Group's and the Company's business results in 2023, and additionally commented on Ericsson Nikola Tesla Group's strategy, business outlook and future trends. Furthermore, Damir Bušić, Director of Finance, Sourcing and Commercial Management, presented the financial statements and key financial indicators for 2023.

Independent Auditors' Report was presented by Domagoj Hrkač, Partner at KPMG Croatia. Olgica Spevec presented the Supervisory Board's Report on the Performed Supervision of the Company's business operations in 2023.

In line with the published Agenda, Ericsson Nikola Tesla joint-stock company Annual General Meeting adopted the following Decisions:

- the Report of the Company's Supervisory Board on the Performed Supervision in 2023 is approved
- the decision is reached to supplement the Company's scope of business activities, in a way that in addition to the existing activities, the following activities are added:
    - activity of electronic communications networks and services
    - geodetic activities
    - testing of electrical and lightning protection installations
    - installation, repair and maintenance of heating, ventilation and cooling devices
    - chemical cleaning and disinfection of refrigerating, air-conditioning and ventilation systems and equipment
    - design and manufacture of products and parts for air-conditioning and ventilation
    - manufacture of articles of concrete, gypsum (plaster) and artificial stone
    - cutting, shaping and finishing of stone
    - activity of waste transport
    - setting up and dismantling temporary traffic signaling
- the decision is reached on the amendment of the Company's Articles of Association pursuant to the previous decision to supplement the Company's scope of business activities;
- it was decided that the Company's net profit for the financial year 2023, amounting to EUR 18,840,713.66 will be allocated to retained earnings. The Company's shareholders will be paid a regular dividend of EUR 10 per share and an extraordinary dividend of EUR 5 per share, i.e. a total of EUR 15 per share from the retained earnings from 2022 and the retained earnings from 2023. The dividend shall be paid on July 17, 2024 (payment date) to all the Company's shareholders that on July 03, 2024 (record date) have the Company's shares registered on their securities account in the Central Depository & Clearing Company.
- Remuneration Report for Supervisory Board members and Management Board in 2023 together with the Independent limited assurance report on the Remuneration Report of Ericsson Nikola Tesla d.d. is approved.
- Discharge from liability is given to Gordana Kovačević, the Company's Managing Director, in relation to the exercise of her duties in 2023.
- Discharge from liability is given to the members of the Company's Supervisory Board and its Chairman in relation to the exercise of their duties in 2023.
- it was decided that KPMG Croatia d.o.o. is appointed as the auditor of business performance for the year 2024.



The extraordinary Annual General Meeting of Ericsson Nikola Tesla joint-stock company was held on November 22, 2024, at the company's headquarters in Zagreb. For participation in the work of the Annual General Meeting, 60.89 percent of the Company's total share capital was registered, and the following decisions were reached:

- it was decided that the amount of 4 MEUR from 2023 retained earnings will be allocated to reserves for treasury shares and the Company's Management Board was given consent to award the Company's employees up to 10,000 treasury shares.
- the decision was reached on amending the Company's Articles of Association as follows:

Article 25 is amended and now reads as follows:

"The Management Board of the Company consists of one to five members.

In case the Company's Management Board has more than one member, the Management Board has a President of the Management Board. The members and the President of the Management Board are appointed by the Supervisory Board.

The president of the Management Board or the director (in the case when the Management Board has only one member) is appointed for a maximum of five years. When the Management Board consists of several members, the other members of the Management Board are appointed for a maximum of four years.

The director, members of the Management Board and the President of the Management Board can be re-appointed to that position without limitation of the number of mandates."

Article 26 is amended and now reads as follows:

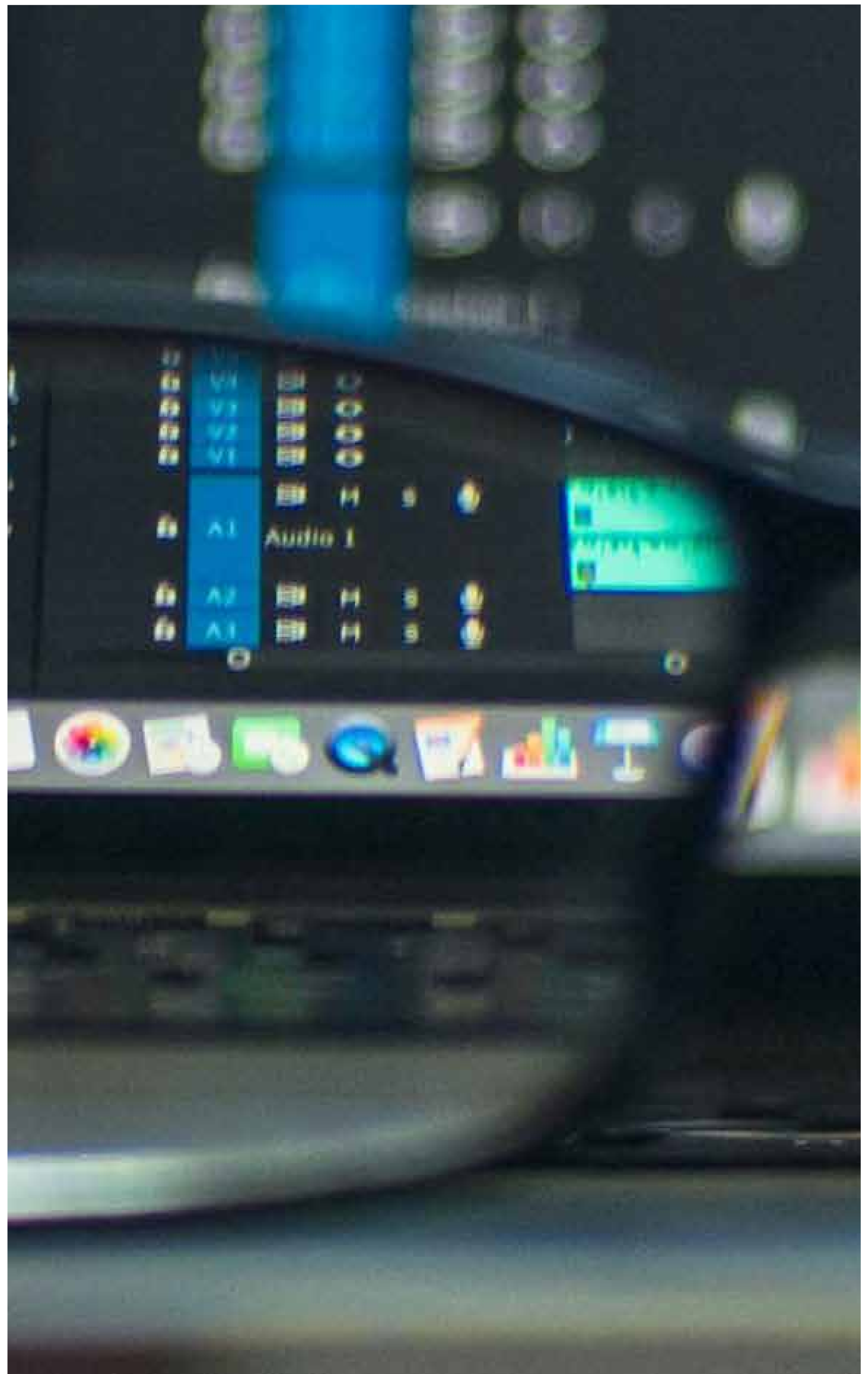
"When the Management Board consists of only one member - the director, he represents the company individually and independently.

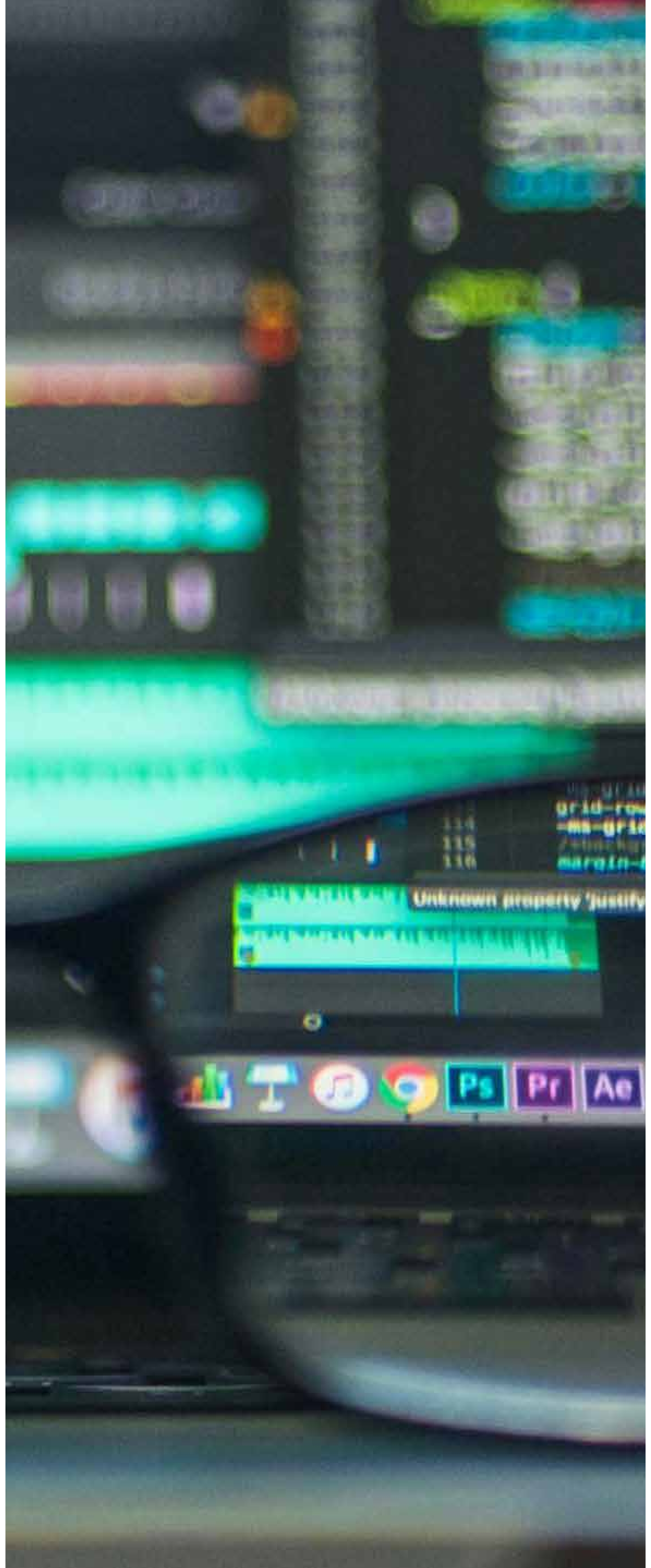
When the Management Board consists of several members, the President of the Management Board represents the Company individually and independently, and the other members of the Management Board represent the Company together with another member of the Management Board. All commercial and other powers of attorney, including procura, are granted by the Management Board in accordance with its powers of representation.

The Management Board makes decisions at meetings, by majority vote of the Management Board members. In case of an equal number of votes, the President of the Management Board has the deciding vote.

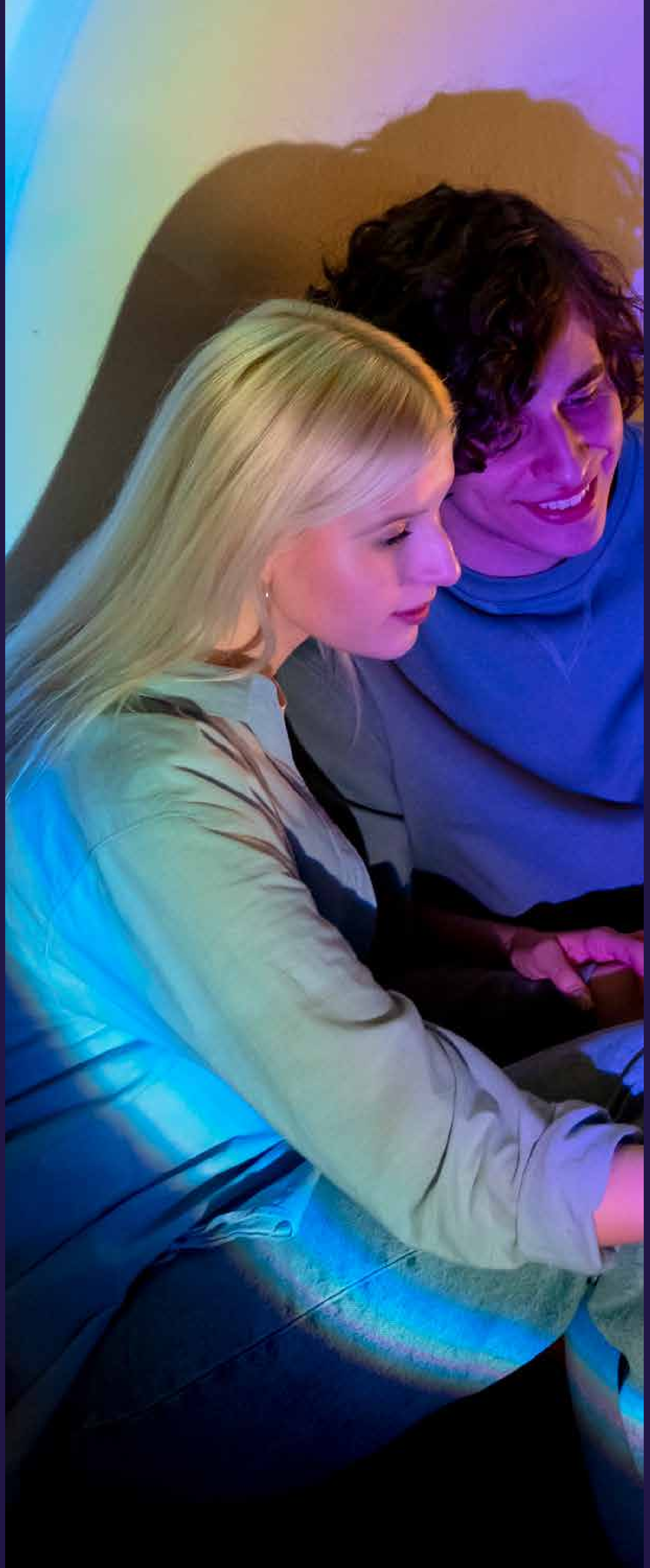
The work of the Management Board can be regulated by the Rules of Procedure of the Management Board adopted by the Supervisory Board, or by the Management Board with the approval of the Supervisory Board."

- the revised Remuneration Policy for the Management Board was approved.
- the decision was reached on the election of Stefan Kötz, Head of Mission Critical Networks & Strategic Projects in Market Area Europe & Latin America (MELA) in Ericsson, as a member of the Supervisory Board, for a 4 (four) year term.





Sustainability report 29



Introduction

The Ericsson Nikola Tesla Group Sustainability Report for 2024 was prepared in accordance with the European Sustainability Reporting Standards (ESRS) and represents an important step forward in the further development of the sustainability reporting and management system. Although the Group has been applying numerous practices in the field of responsible business for a number of years, this report fully applies the regulatory framework for the first time and it requires a structured and transparent presentation of material environmental, social and governance impacts, risks and opportunities in accordance with the principles of double materiality.

The Report not only reflects existing practices but serves as a foundation for establishing and further improving the processes necessary for relevant, comprehensive and credible reporting in the future. During its preparation, areas requiring additional actions were identified – including data collection and processing, harmonization of methodologies, and integration of ESG aspects into management processes. The Report also has a developmental function because it allows for identification of where changes are necessary in order to effectively manage material impacts, risks and opportunities.

ESRS 2 - General disclosures

1 Basis for preparation of report

This chapter provides the basic information about the regulatory framework, the scope of consolidation and the approach of the ENT Group to the value chain in the context of sustainability, with an explanation of the use of the possible exemptions from the disclosure of the information, and the confirmation that all the relevant branch offices and subsidiaries are included in the consolidated report. Furthermore, it describes the specifics in the way of reporting, including time horizons, level of uncertainty in estimations, sources of disclosures based on other regulations, and the use of the right to gradually introduce certain requirements from ERSR standards in the first years of reporting.

BP1 General basis for preparation of sustainability statements

Introduction and regulatory framework

This Sustainability Report was prepared in accordance with Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022[1] which was transposed into the Croatian legislative system in the Accounting Act (OG 85/2024)[2] and Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023[3]. It was also prepared in accordance with Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020[4], Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021[5], Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021[6] and Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023[7].

Scope of consolidation and inclusion of subsidiaries and branch offices

The report was prepared on a consolidated basis, identical to the one in the financial statements of the ENT Group. All subsidiaries and branch offices are included in this consolidated sustainability report and there are no exemptions in accordance with Article 19a(9) or Article 29a(8) of Directive 2013/34/EU.

The consolidated Sustainability Report includes the following companies and subsidiaries:

- Parent company: Ericsson Nikola Tesla d.d.
- Subsidiaries and branch offices: Ericsson Nikola Tesla Servisi d.o.o.[8], Ericsson Nikola Tesla BH d.o.o., Libratel d.o.o. and Ericsson Nikola Tesla d.d. – Branch office Kosovo. .

Value chain

The main value chains of ENT Group, which are also the main strategic business segments, are considered in the Sustainability Report: Telecommunications operators, Digital society, Research and development (R&D) – software development and ICT services. In these segments, the ENT Group identifies and manages material risks, opportunities and impacts on people and the environment as well as its own business operations, taking into account the entire value chain and its direct and indirect business relationships. ENT Group policies apply to all levels of value chains, and information on indicators from the ESRS S4 and ESRS G1 topical areas includes data on both upstream and downstream value chain.

Use of exemptions from disclosure (intellectual property, confidential information)

In this Report, ENT Group did not use the option of omitting certain information corresponding to intellectual property, know-how or results of innovation. Furthermore, we have used the allowed disclosure exemption with regard to upcoming events or matters being negotiated in the first reporting period as prescribed in Article 29(8) of the Accounting Act harmonized with Article 19a(3) and Article 29a(3) of Directive 2013/34/EU.

[1] Corporate Sustainability Reporting Directive, CSRD

[2] https://narodne-novine.nn.hr/clanci/sluzbeni/full/2024_07_85_1474.html

[3] European Sustainability Reporting Standard, ESRS

[4] Taxonomy Regulation

[5] Delegated Disclosure Regulation

[6] Delegated Climate Regulation

[7] Delegated Regulation Amending the Delegated Climate Regulation

[8] The technology unit for the construction and maintenance of HT network transferred from Ericsson Nikola Tesla Servisi d.o.o. to Hrvatski Telekom (HT) on 31 December 2023 with a total of 672 employees and 287 vehicles.

BP-2 Disclosures in relation to specific circumstances

Periods

ENT Group reports according to the following periods: the short-term period is the reporting period as in the financial statements, the medium-term period is from the end of the reporting period up to five years. Due to the extremely rapid development of technologies and dynamic technological changes, ENT Group does not currently report long-term, i.e. for a period of more than five years.

Sources of estimation and outcome uncertainty

The collection of data on Scope 3 greenhouse gas emissions (GHG) categories, in accordance with the GHG Protocol from upstream and downstream value chain, is subject to significant uncertainty of up to 30% arising from limited availability of input data, the use of a spend-based method leading to lower data accuracy, and methodological limitations of the calculations dating back to 2017, when greenhouse gas emissions from Scopes 1, 2 and 3 were calculated for the first time.

Certain topics that are explored in this report, and include disclosures relating to the future, are subject to risks and uncertainty. Such disclosures have no guarantee, and future activities and developments may materially differ from the described or implied ones.

Disclosures stemming from other legislation

In addition to regulations as set out in the Introduction and regulatory framework, ENT's Scope 1, 2 and 3 GHG emissions disclosures are based on the GHG Protocol, an international standard for measuring and managing Scope 1, 2 and 3 GHG emissions.

Use of phase-in provisions in accordance with Appendix C of ESRS 1

ENT Group exercises the right to phase-in the following disclosure requirements from individual topical standards:

- **ESRS 2 – SBM-1**: Strategy, business model and value chain: The undertaking shall report the information prescribed by ESRS 2 SBM-1 paragraph 40(b) (breakdown of total revenue by significant ESRS sector) and 40(c) (list of additional significant ESRS sectors) starting from the application date specified in a Commission Delegated Act to be adopted pursuant to Article 29b(1) third subparagraph, item (ii), of Directive 2013/34/EU.
- **ESRS 2 – SBM-3**: Material impacts, risks and opportunities and their interaction with strategy and business model. ENT Group exercised its right to omit the information required by item 48(e) in the first reporting year, which relates to the expected financial consequences. Additionally, in accordance with Appendix C, during the first three reporting years, ENT Group will, for practical reasons, only disclose qualitative information regarding this requirement as it is unable to present quantitative data.
- **ESRS E1 – E1-9**: Anticipated financial effects from material physical and transition risks and potential climate-related opportunities. ENT Group exercises the right to omit the information prescribed in item E1-9 in the first year of reporting. Additionally, during the first three reporting years, ENT Group will, for practical reasons, only disclose qualitative information regarding this requirement as it is unable to present quantitative data.

2 Governance

GOV-1- The role of the administrative, management and supervisory bodies

The composition and diversity of the administrative, management and supervisory bodies

In the reporting period, Ericsson Nikola Tesla d.d. applied the governance model in which the Management Board consists of one member - the Company's Managing Director, appointed by the Supervisory Board for a five-year term, with the possibility of re-election. In 2024, the Managing Director was Gordana Kovačević. At the extraordinary Annual General Meeting of Ericsson Nikola Tesla d.d., held on November 22, 2024, a decision was reached on amending the Company's Articles of Association, and in the future the Management Board may consist of one to five members.

The Supervisory Board consists of five members; four members are elected by the Company's General Meeting, and one member is elected by employees. The members of the Supervisory Board are appointed for a four-year term, with the possibility of re-election. The Supervisory Board has two independent members. As a specialized subcommittee of the Supervisory Board, the Audit Committee consists of three members, whereby most of the members are independent of the Company, including the Chairperson. The members of the Management Board, the Supervisory Board, and the Audit Committee, have expertise in finance and accounting, as well as competencies relevant for the ICT sector.

Diversity of the governance bodies with the highest decision-making authority

Governance body	Total number of members	Number of women	Number of men	% of men	% of women
Supervisory Board	5	2	3	60%	40%
Management Board	1	1	0	0%	100%
Executive Management [9]	16	4	12	75%	25%

The roles and responsibilities of the governance bodies

The role of the Management Board and the Supervisory Board is defined by the Croatian Companies Act, the Company's Articles of Association and the Corporate Governance Principles, and internal rules.

[9] The Company's President is also a member of the Executive Management

Role of the Management Board

- Adopts and implements the Company's strategy and business plans.
- Takes special care of relations with shareholders and their interests.
- Reports to the Supervisory Board about financial and business results, as well as other important business issues.
- Adopts acts and standard business procedures and ensures accounting and financial control.
- Establishes an organizational structure, appoints and recalls the members of the Executive Management, and determines the principles of their remuneration.
- Supervises the work of the Executive Management and ensures succession and development plan.
- Prepares annual reports and analyzes deviations from strategic plans.
- Monitors and manages impacts, risks and opportunities, of which it regularly informs the Supervisory Board. Includes defining key sustainability indicators related to managing environmental and social impacts, as well as sustainability risks and opportunities.

Role of the Supervisory Board

- The main responsibility of the Supervisory Board is to supervise the management of the Company's business.
- Regularly receives the reports from the Management Board about key business aspects.
- Informs shareholders about its role in supervising and ensuring compliance with the law.
- Approves annual financial statements, analyses profit allocation and proposes the appointment of auditors.
- The Supervisory Board may convene the Company's Annual General Meeting and must convene it when this is necessary for the good of the Company.
- In its work, it applies ethical standards and takes care of the Company's and shareholders' interests.

Role of the Audit Committee

- Supervises financial statements and analyses key risks, internal controls and security aspects.
- Most Committee members are independent, including the Chairperson.
- The Committee regularly cooperates with the Director of Finance and other relevant functions, responsible for internal controls and risks, as well as compliance and security management.

Identity of the members of the Supervisory Board and the Audit Committee

Stefan Kötz

(Member and the Chairperson of the Supervisory Board since November 22, 2024)

Head of Mission Critical Networks & Head of Strategic Projects in Ericsson's Market Area Europe and Latin America (MELA). Member of the Management Board of Ericsson GmbH, Germany. From June 2022 to January 2023, Mr. Kötz held the role of acting Head of Market Area Europe and Latin America. Before that, he was the Head of Customer Unit Western Europe, responsible for business in Germany, Netherlands, Switzerland and in Liechtenstein. He graduated in Telecommunications from the University Kaiserlautern. He is a member of the advisory board of NRW Investment Bank and the Management Board of Ericsson AG Switzerland.

Franck Pierre Roland Bouétard

(Chairperson of the Supervisory Board until November 22, 2024, member since 2018, re-elected in 2022)

Former Regional Head in Ericsson for France, Algeria, Tunisia, Belgium, and Luxembourg, as well as Head of Orange, Altice and Iliad global accounts (until the end of 2023). Graduated from Ecole Nationale Supérieure des Télécommunications (Télécom Paris) and IFA (Institut Français des Administrateurs) at Sciences Po Paris. He is a board member of Hub One (Aéroport de Paris), IN Group (French State), the Swedish Chamber of Commerce in France, Article 1 association, and Telecom Paris engineering school. Senior Advisor for European private equity funds and for CEOs of European mid cap high tech companies in AI, electrical vehicles, billing systems, cyber security and cloud infrastructure.

Olgica Spevec

(independent member since 2019, re-elected on June 14, 2023, Deputy Chair of the Chairperson of the Supervisory Board, and the Chair of the Audit Committee since December 17, 2020)

Director of Amplus Consult Ltd, Zagreb. From 2014 to 2022 she was a business consultant and Director of Amplus Consult Ltd. Before that, she was the President of the Competition Council in the Croatian Competition Agency (2003 – 2013) and Assistant Minister of the Economy (2000 – 2003). MSc of Economy, University of Zagreb - Faculty of Economics.

Ana Vrsaljko Metelko

(independent member of the Supervisory Board, elected on June 29, 2021)

Attorney and founder of the Law Office Ana Vrsaljko Metelko, Zagreb. As of March 2021, in cooperation with Ostermann and Partners LLP Law Firm. Partner in Žurić i Partneri Law Firm (2017 – 2020), previously a lawyer in the same law firm (2008 – 2017). In-house Lawyer at Tankerska plovidba d.d. (2006 -2007). Graduated at Law School, University of Zagreb.

Petar Šimundža

(Member of the Supervisory Board and employees' representative)

System Software Engineer at Ericsson Nikola Tesla d.d.. Graduated in Electrical Engineering, Telecommunications, Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture, University of Split. In Ericsson Nikola Tesla since 1997. Before that, he worked at the Ministry of the Interior (1994 – 1997), company Adut (1992 – 1994) and Daniel-commerce (1991 – 1992) Participant in the Homeland War, member of the Croatian Armed Forces, Air Surveillance and Guidance Brigade.

Carl Henrik Magnus Carle

(Member of the Supervisory Board since June 14, 2023, appointed as a member of the Audit Committee on June 29, 2023)

Ericsson Head of Finance & Business Management for IPR & Licensing. Graduated from Uppsala University in Sweden and holds a Master of Science degree in Business Studies and Economics.

The Audit Committee acts as a specialized subcommittee of the Supervisory Board and consists of three members: Olgica Spevec, Chairperson of the Audit Committee, Carl Henrik Magnus Carle, member of the Audit Committee, Vesna Vašiček, independent member of the Audit Committee.

MANAGEMENT BOARD AND THE EXECUTIVE MANAGEMENT:

President of the Management Board
Gordana Kovačević

Member of the Management Board and Director, Customer Solutions and Services
Hrvoje Benčić

Member of the Management Board and Director, Finance, Sourcing & Commercial Management
Damir Bušić

Member of the Management Board and Director, Strategy and Business Development
Milan Živković

Director, Research
Andrej Grgurić

Director, Marketing, Communication and Corporate Social Responsibility
Antonija Lončar

Director, Legal Affairs
Branka Vučemilo Elezović

Director, IT&Test Environment Operations
Branko Dronjić

Director, R&D Center
Drago Holub

Director, General Services
Goran Ožbolt

Director, Sales and Marketing for Hrvatski Telekom and Crnogorski Telekom
Ivan Barać

Director, Sales and Marketing for Export markets (Operators segment)
Jagoda Barać

Director, Sales and Marketing for A1 Croatia
Miroslav Kantolić

Director, ICT for Digital Society
Tihomir Fabeta

Director, Sales and Marketing for Digital Society
Vjeran Buća

Director, Human Resource
Željko Antolić

The expertise and skills on sustainability matters

The Company's Management Board and the Supervisory Board gather members with many years of experience and expertise in various fields, which ensures the overall understanding of the ICT industry, business strategies and market challenges. This synergy enables informed and quality decision-making, as well as effective business management.

The Company's Management Board relies on Executive Management that consists of, in addition to the Managing Director, the directors of key organizational units, who possess domain knowledge and relevant experience in the ICT industry. Additionally, the Company's business performance in the region is supported through local offices in Bosnia and Herzegovina, and Kosovo, where the management relies on the competencies of local employees, thus ensuring a better understanding the specifics of the market and the regulatory framework.

To ensure expert support, transparency in decision-making, and efficient management of key business areas, the Company has specialized boards, including:

- Security, Risks and Compliance Board,
- Investment Board,
- Innovation Steering Committee,
- Committee for Group Program of Change Management and Digital Transformation.

In line with the regulatory requirements of the European Union, national legislation and the Group's targets in implementation of sustainability and reporting, during 2024 the following committees were established:

- The Steering Committee for ENT Group Sustainability,
- The Working Committee for ENT Group Sustainability, that aims to coordinate ESG activities and reporting.

The establishment of these Committees ensures a systematic approach to sustainability, monitoring regulatory changes and integration of ESG factors in the Company's strategic governance.

The Working Committee for ENT Group Sustainability gathers

the representatives of organizational units who possess expertise in areas key to sustainability reporting, including management, human resources, strategy, environmental protection, and occupational health and safety.

Pursuant to new reporting requirements, during 2024 the members of the Working Committee attended professional training, including:

- Education on corporate sustainability organized by the Croatian Business Council for Sustainable Development (HRPSOR),
- Taxonomy courses, and ESG Academy of the Croatian Chamber of Economy (HGK),
- HANFA's seminar about ESRS,
- Consultations on carbon footprint CO_2 calculation.

ENT

Corporate governance and due diligence

Policies MDR-P – Policies adopted to manage material sustainability matters

Overview of policies

Ericsson Nikola Tesla Group consistently implements the principles of responsible business, harmonizing its corporate policies with international norms and standards. The application of the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the International Labor Organization (ILO) Conventions reflects a commitment to ethical business and regulatory compliance.

ENT Group is focused on respecting human rights and employee rights, protecting competition, preserving the environment and transparent reporting. By implementing certified quality, information security and business continuity management systems (ISO standards), it ensures compliance with regulations and protection of the interest of all stakeholders.

Code of Corporate Governance

Code of Ericsson Nikola Tesla d.d. (ENT) is based on the legislation of the Republic of Croatia and recommendations from OECD Principles of Corporate Governance. When updating the document, the undertaking has aligned to the greatest extent possible with the recommendations of the national Corporate Governance Code, adopted by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange, which has been in effect since 1 January 2021. An amended version of the Code was adopted at the end of 2024.

The national Code is aligned with the G20 Principles and the Organization for Economic Co-operation and Development (OECD) on corporate governance and additionally emphasizes the obligation of the Supervisory Board and the Management Board to follow the recommendations of responsible business conduct. These recommendations are defined in the OECD Guidelines for Multinational Enterprises and in the relevant OECD Due Diligence Guidance for Responsible Business Conduct. ENT Group is currently implementing the process of harmonization with the aforementioned OECD Guidelines and will continue to take the necessary steps throughout 2025 to ensure their consistent application in business. ENT Group applies the OECD Guidance for Responsible Business, including in-depth analysis of sustainability risks and integration of sustainability into business strategy. During 2025, further adaptation to the updated national Code of Corporate Governance and alignment with the OECD Guidelines for Multinational Enterprises are planned.

Code of Business Ethics

ENT Group's Code of Business Ethics sets out clear rules for responsible business, including commitment to human rights, anti-corruption and environmental protection. ENT Group applies the UN Global Compact principles and reference international documents such as the Universal Declaration of Human Rights, the ILO Declaration of Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the UN Convention against Corruption. Respect for human rights concerns all aspects of business while ensuring fair and safe working conditions. Through the application of the UN Guiding Principles on Business and Human Rights, ENT Group avoids and/or mitigates actual and potential negative impacts on human rights, ensures fair and safe working conditions, freedom of association, collective bargaining and non-discrimination, respects privacy and freedom of expression, including the protection of personal data and ensuring transparent digital practices. The policy of zero tolerance for corruption defines the prohibition of bribery, fraud, embezzlement and money laundering. These obligations apply to all employees and business partners, including suppliers and representatives of public authorities and public services.

Code of Conduct for Business Partners

ENT Group requires business partners, including suppliers, to adhere to high standards of ethical business practices, including the protection of human rights, fair and safe working conditions, and environmental standards. The Code is based on internationally recognized principles, including the Ten Principles of the United Nations Global Compact, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the Responsible Business Alliance (RBA) Code of Conduct.

ENT Group's business partners are required to establish effective due diligence processes in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. This refers to the extraction and procurement of raw materials, including but not limited to tin, tantalum, tungsten and gold, which are used in products supplied to the ENT Group, its customers or business partners.

ENT Group implements a policy of zero tolerance for corruption and actively opposes any form of financial irregularities, including bribery, extortion, embezzlement and unethical financial transactions. Business partners must adhere to the same principles of anti-corruption, promote integrity, transparency and ethical business practices, and ensure compliance with all relevant laws and regulations.

Additional requirements for business partners

Environmental protection requirements

In the document Business Partner Environmental Requirements, ENT defined additional requirements in the area of climate and environmental protection that are mandatory for all business partners delivering hardware components and products, construction services, supply services, field maintenance work and network development activities, as well as those with high environmental risks. The requirements focus on products and services, production, transportation, energy consumption, water and waste management, and a circular approach. Business partners must reduce the negative impact of their products and processes through design, supply chain and life cycle optimization. Conditions are prescribed regarding the use of materials, environmental emissions, transportation methods, and energy-efficient practices. Partners are also required to monitor and report on their own environmental goals, including reducing their carbon footprint and rationally managing water resources.

Occupational health and safety requirements

The document ENT Group Specific Supplier Occupational Health and Safety Standards defines general and specific requirements for suppliers who provide construction, field maintenance and network installation services and all other suppliers who perform high-risk jobs. Business partners must ensure systematic management of occupational health and safety, including appointing responsible persons, conducting risk assessments, and complying with legal regulations. All workers must be trained, medically fit and use appropriate protective equipment.

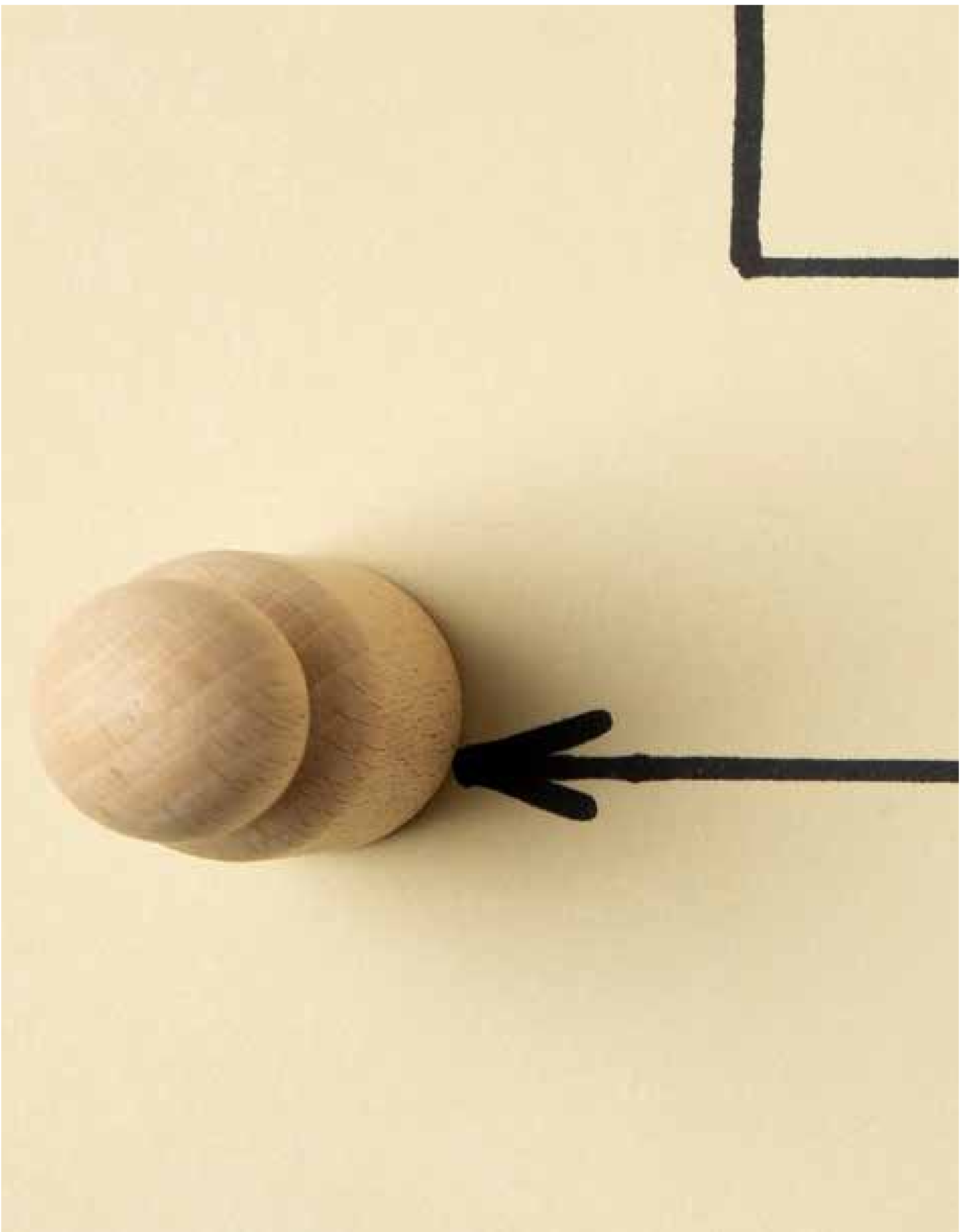
It is mandatory to report incidents, especially serious accidents, within 24 hours, and cooperate in investigating the cause. For high-risk projects, partners must develop safety plans and actively manage risks. Subcontractors must comply with the same safety standards, and equipment must be regularly tested and certified. Ericsson Nikola Tesla Group requires constant monitoring and improvement of safety practices in order to ensure high standards of occupational health and safety.

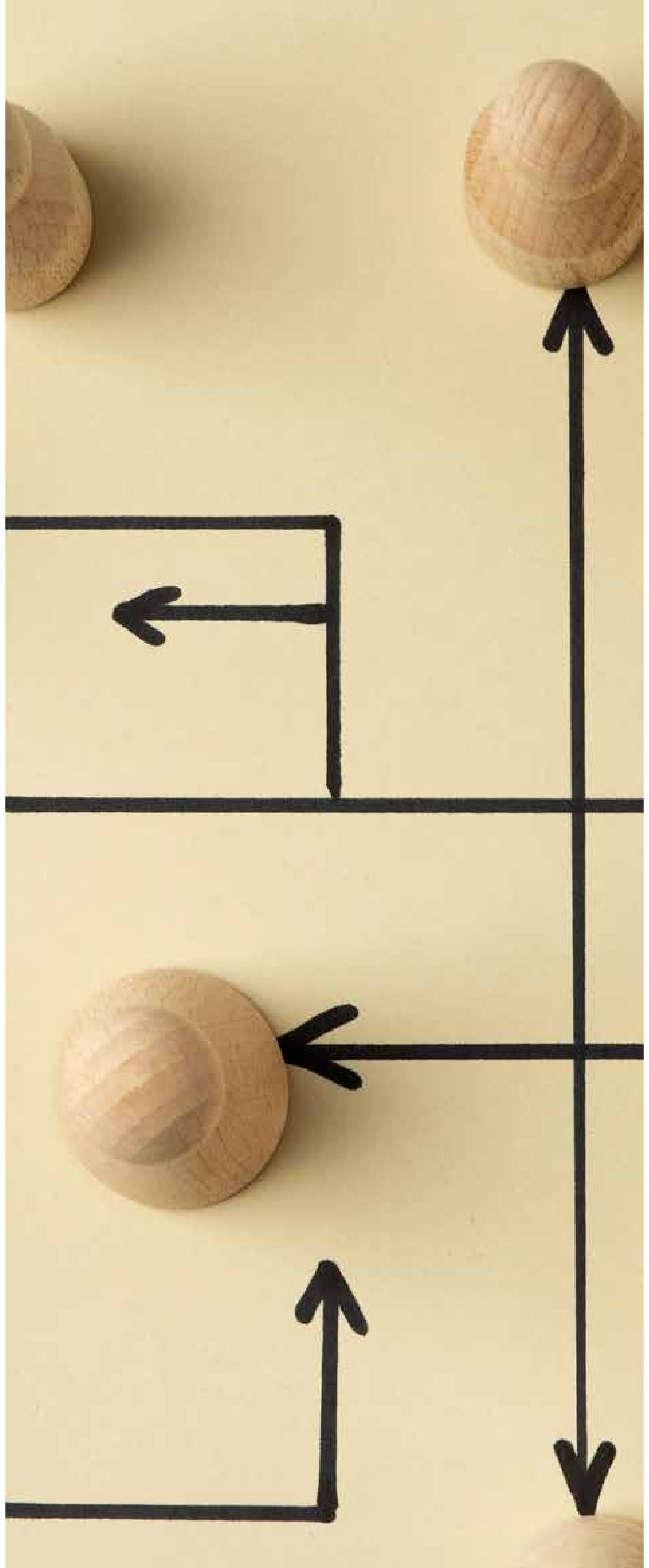
Rulebook on the Independent Internal Audit function

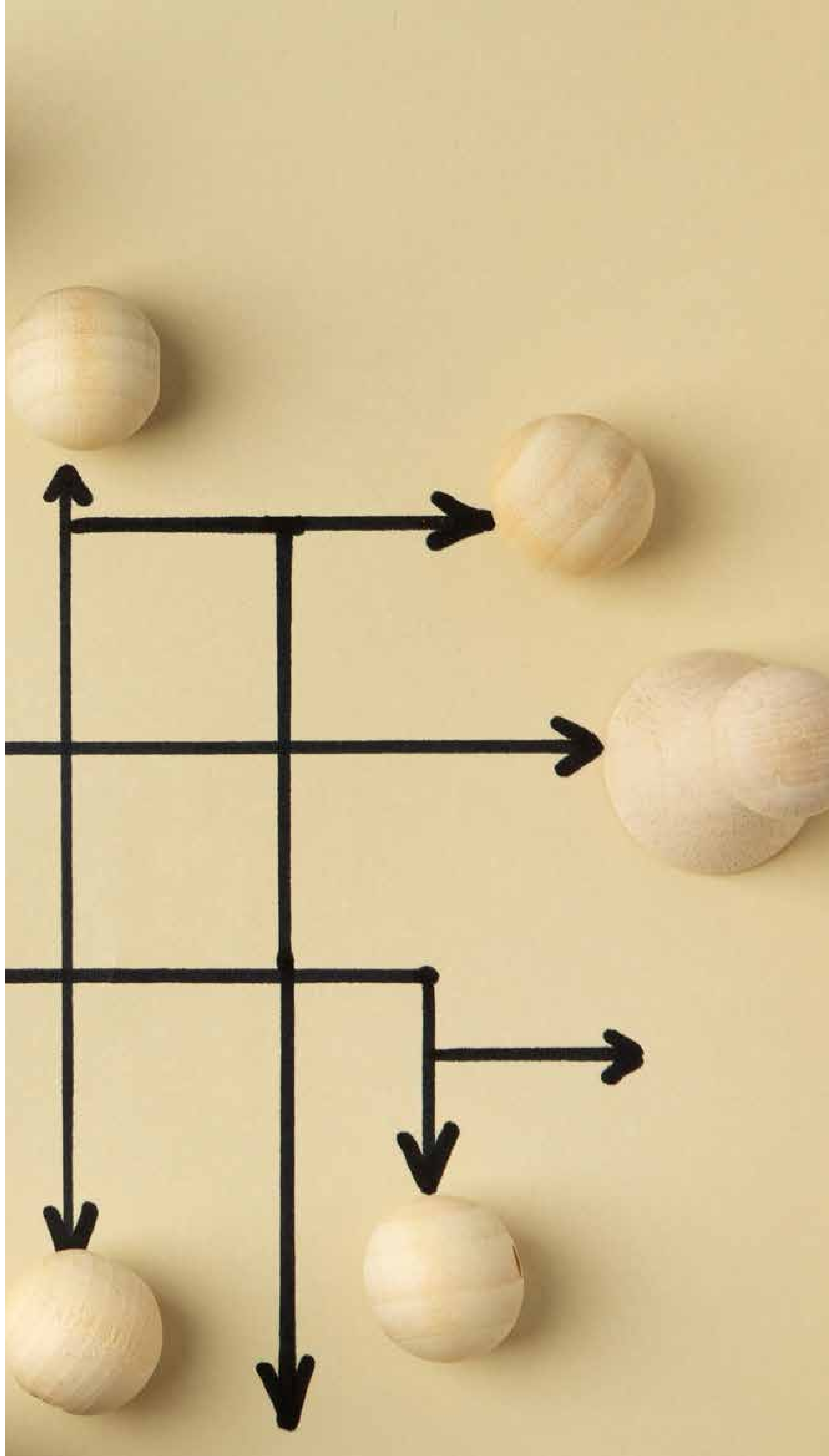
The purpose, mission, role, authorities, responsibilities and all other requirements related to the Independent Internal Audit function in the ENT Group are described in detail in the Rulebook on the Independent Internal Audit function in the ENT Group. The Rulebook refers to the Code of Business Ethics and the Code of Ethics of Internal Auditors, which are based on OECD, UN and ILO guidelines.

Compliance and protection mechanisms

ENT Group's corporate policies and business practices are aligned with international standards, with special emphasis on security, privacy and product safety. ENT Group continuously aligns its business operations with the OECD Guidelines for Multinational Enterprises. ENT Group's corporate management system includes ISO 9001 (quality management), ISO 14001 (environmental management), ISO 27001 (information security management) and ISO 22301 (business continuity management), ensuring a structured and standardized approach to business processes.







Comprehensive overview of compliance and protection mechanisms

Scope	Method of application
Transparency and information disclosure	Data management according to ISO 27001 ensures information protection, compliance with data protection regulations, and availability to relevant stakeholders in a transparent manner. ENT Group discloses information about its structure, activities, corporate policies and effects on the environment, society and governance, ensuring the availability and clarity of data.
Financial compliance and taxation	Financial operations must be fully compliant with local laws and regulations, including the preparation and timely submission of statutory reports to competent authorities. Compliance with accounting standards, including International Financial Reporting Standards (IFRS), is essential for transparent and accurate financial reporting. Compliance with tax regulations is mandatory, along with accurate and timely submission of returns to tax authorities. All financial statements and transactions must be in accordance with the Group's approval policy and Code of Conduct for Business Partners, with strict adherence to ethical standards and the Corporate Sustainability Due Diligence Directive (CSDDD). Business partners and suppliers must demonstrate compliance with ENT's Code of Conduct for Business Partners, as well as with regulations related to environmental protection and occupational health and safety.
Data and product safety	The application of ISO 27001 ensures comprehensive cyber security measures, data protection and safe product development in accordance with international guidelines on responsible corporate behavior. ENT Group ensures that solutions, products and data are protected, managed and processed in a safe manner, in accordance with the GDPR regulation.
Privacy protection and digital security	ENT Group applies strict personal data protection and privacy as well as product safety measures to prevent unauthorized access and ensure the digital rights of individuals. ENT Group is committed to protecting personal data which include personal information relating to everyone who works for the ENT Group, customers and their end users.
Human and workrelated rights	Various channels for reporting irregularities related to human and work-related rights are available at ENT Group. Employees can submit a report through the Committee for Receiving and Resolving Complaints, which operates in accordance with the Labor Act and internal regulations, the incident reporting box at locations in Zagreb, Split and Osijek, and through the Ask CEO channel which enables direct communication by email with the President of Ericsson Nikola Tesla. Also, the Voice of ENT Group survey regularly provides employees with the opportunity to express their opinion about the company's work environment and business practices. External stakeholders can also submit reports of suspected human rights violations via the Compliance Line.
Protection of business partners	ENT Group's business partners and their employees may report suspected violations of applicable laws or the Code of Conduct for Business Partners by using one of the available channels. Reports can be sent to the email address of the relevant compliance department or anonymously via the official Compliance Line. All reports received in good faith are considered in accordance with applicable legislation. Information about available reporting channels is available at ENT Group's official website. ENT Group does not allow any form of discrimination or retaliation against persons who report suspected non-compliance.
Environmental sustainability	ENT Group implements environmental protection measures and continuously improves the management system in these areas through an integrated management system which includes both ISO 14001 and other internal policies. Management extends to the upstream value chain through the application of environmental requirements criteria for suppliers, including the implementation of audits.

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GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

The highest governance bodies are regularly informed about sustainability matters through structured reports, meetings and strategic workshops. During the reporting period, these bodies have considered key impacts, risks and opportunities related to sustainability and have reached relevant decisions.

Informing the bodies and the frequency of reporting in 2024, including the relevant boards and committees:

- The Supervisory Board held a total of 9 meetings, including 4 regular, 4 extraordinary, and one strategic workshop. The topics of the meetings included business results, status of main risks and the efficiency of risk management and internal control systems, shareholders relations and share price movement.
- The Management Board informs the Supervisory Board monthly through ENT Monthly Business Report, which includes an overview of market trends, financial results, status of main and strategic programs. The program "Attracting, developing and retaining employees" was given special focus.
- Executive Management held 12 meetings, including a strategic workshop, where they discussed business and financial results, primary risks status and the program of "Attracting, developing and retaining employees".
- The Audit Committee met five times, including an extraordinary meeting, in order to analyze financial results, audit plans and the status of main risks. It also discussed risk management quality control, security, compliance and corporate sustainability reporting. It decided about the reported potential violations of compliance, and supervised and evaluated ethics and compliance program, and the effectiveness of risk management and internal control systems and provided recommendations to the Supervisory Board and the Management Board.
- Security, Risks and Compliance Board held 6 meetings, where they discussed the aspects of security, data protection, independent internal audit and compliance.
- The Annual General Meeting of Shareholders decided on profit allocation, remuneration policy and remuneration reports for the members of the Management Board and the Supervisory Board, giving discharge from liability to the Management Board and the Supervisory Board, the election of the member of the Supervisory Board, appointment of the independent auditor of annual financial statements, amendments to the Company's Articles of Association, as well as other issues established by the Croatian Companies Act and the Company's Articles of Association. In 2024, two Annual General Meetings were held – a regular Annual General Meeting in June and an extraordinary Annual General Meeting in November.

GOV-3– Integration of sustainability-related performance in incentive schemes

Remuneration policy for the governance bodies with the highest decision-making authority

Remuneration of the Supervisory Board

The remuneration model is based on a fixed remuneration, whereby external and internal factors are taken into consideration, including the current possibilities of Ericsson Nikola Tesla Group, practices of local companies in telecom industry, as well as the internal policies of salaries and remunerations in ENT and ENT Group. The remunerations of the Supervisory Board members are independent of the Company's business results and do not include a variable part of compensation. The remuneration policy of the Supervisory Board members currently does not include sustainability-related targets.

Each member of the Supervisory Board is entitled to receive a monthly remuneration amounting to half of the average monthly gross salary paid in the Company in the month for which the remuneration is paid. The members of the Supervisory Board, who are also members of the Audit Committee, additionally receive a monthly amount of EUR 500.00. Additionally, the members of the Supervisory Board have the right to reimbursement of appropriate expenses incurred during the performance of their duties. However, they are not entitled to severance pay, additional payments from the Company or the Company's subsidiaries, or the right to participate in the plan for awarding shares.

The members of the Supervisory Board, who are connected to the largest single shareholder, LM Ericsson, or are employees of a company from Ericsson Group and are elected at the Company's Annual General Meeting of Shareholders, give up the right to monthly remuneration in line with the internal policies of their employer. A member of the Audit Committee Vesna Vašiček, for each meeting she attended, is entitled to receive a remuneration amounting to half of the average monthly gross salary paid in the Company.

The remunerations paid for the work and the reimbursements of other expenses of the members of the Supervisory Board and the Audit Committee in 2024.

Gross 1 (EUR)		Remuneration for work	Other expenses
Franck Bouetard	Chairperson until November 22, 2024	15,674.87	12,902.04
Stefan Kötz	Chairperson since November 22, 2024	-	320.59
Olgica Spevec	Member; Deputy Chair of the Chairperson of the Supervisory Board (also the Chair of the Audit Committee)	23,479.34	649.27
Ana Vrsaljko Metelko	Member	17,479.34	581.20
Petar Šimundža	Member and employees' representative	17,479.35	-
Carl Henrik Magnus Carle	Member (also a member of the Audit Committee)	-	187.72
Vesna Vašiček	Member of the Audit Committee	7,240.67	295.38

The remunerations paid to certain members of the Supervisory Board and the Audit Committee in 2024 encompass the remunerations paid for their work and the reimbursements of other expenses incurred during the performance of their duties. The Company did not approve any advance payments or loans to the members of the Supervisory Board, and there are no financial obligations of the Company towards the members of the Supervisory Board. Furthermore, the Company did not give any gifts or additional benefits to the members of the Supervisory Board, thus ensuring transparency and compliance with the polices of corporate governance.

Remuneration of the Management Board

Ericsson Nikola Tesla has a Remuneration Policy for the members of the Management Board. The Remuneration Policy for the members of the Management Board is based on the principle of attracting, motivating, and retaining highly qualified professionals and securing a transparent, sustainable and goal-oriented awarding system. The remuneration and reward for the work performed by the Management Board are based on sustainable development and growth of the Company, whereby they are carried out in line with the Remuneration Policy for the members of the Management Board, which was adopted by the Supervisory Board. This Remuneration Policy was adopted at the extraordinary Annual General Meeting of the Company, held on November 22, 2024.

The total remuneration of the members of the Management Board consists of:

1. Fixed component, which includes a contractual payment and/or salary
2. Variable component, defined in line with the Remuneration Policy for the members of the Management Board

The Management Board of the Company consists of one member, Gordana Kovačević – President of Ericsson Nikola Tesla, and in 2024 she was paid the following gross 1 amounts:

- Fixed annual basic salary: EUR 329,854.72
- Variable component of remuneration: EUR 96,620.47

During 2024, the Management Board was not allocated any of the Company's own shares.

Additional benefits of the job, including the company car, meals in the company, medical check-up, supplementary health insurance, vacation allowance and salary in kind, amounted to EUR 10,317.49.

Remuneration elements for the Management Board

The remuneration and reward for the work performed by the Management Board are based on sustainable development and growth of the Company and are carried out in line with the Remuneration Policy which was adopted by the Supervisory Board and approved by the Company's extraordinary Annual General Meeting on November 22, 2024. The total remuneration for the

Management Board includes a fixed and variable component, whereby the amount of the basic payment is determined based on responsibility level, complexity of assignments, complexity and size of organization, and comparable companies on the market. The basic monthly contract payment is agreed in individual employment contracts or managerial contracts.

Short term incentive plan is based on the strategic determinants of the future business development and business goals, approved by the Supervisory Board for each business year. Short term incentive plan is used to stimulate the achievement of financial targets, with the option to include sustainability indicators, such as ESG targets. The level of achievement is determined at the target level, and the corresponding remuneration is included in the Management Board's variable component. In 2024, the Management Board was not paid any one-time bonuses and was not allocated the Company's treasury shares. Furthermore, the Management Board did not participate in the long-term incentive plans. The allocation of treasury shares, when applicable, is based on the decision of the Supervisory Board and depends on exceptional business results or high expectations for the future period.

In addition to the basic remuneration, the Management Board has the right to additional benefits, such as the company car, meals in the company, medical check-up, supplementary health insurance, vacation allowance and salary in kind. In case a contract is terminated due to personal or business reasons, the Company is obliged to pay severance pay as defined in the Labor Act and in individual contract, whereby the amount of severance pay may not exceed the amount of 60% of the average gross salary paid over the 3 months preceding the termination of the employment relationship for every year of service. In the case of retirement, severance pay is determined according to the Collective Agreement, with the maximum amount being an equivalent of 18 average monthly gross salaries paid over the 3 months preceding the termination of employment.

Upon termination of the mandate, members of the Management Board are subject to a contractual ban of market competition. Additionally, they do not receive compensation for participation in the Supervisory Boards in companies in which the Company directly or indirectly owns its share, as well as in professional associations related to the Company's business operations. Their participation in management boards, supervisory boards, or advisory bodies outside ENT Group is possible only if it is approved in advance by the Supervisory Board, with a limitation of holding no more than two positions.

GOV-4 – Statement on due diligence

Core elements of due diligence	Paragraphs in the Sustainability Statement
Embedding due diligence in governance, strategy and business model	• GOV-1 – The role of the administrative, management and supervisory bodies • Corporate governance and due diligence: Overview of policies (Policies MDR-P – Policies adopted to manage material sustainability matters) • GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies • GOV-5 – Risk management and internal controls over sustainability reporting
Engaging with affected stakeholders in all key steps of the due diligence	• Corporate governance and due diligence: Overview of policies (Policies MDR-P – Policies adopted to manage material sustainability matters) and Comprehensive overview of compliance and protection mechanisms • SBM 2 – Interests and views of stakeholders • S1-1 – Policies related to own workforce (Protection mechanisms and Access to irregularity reporting) • S1-2 – Processes for engaging with own workers and workers' representatives about impacts
Identifying and assessing adverse impacts	• SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model • S1-3 – Processes to remediate negative impacts and channels for own workers to raise concerns • S1-17 – Incidents, complaints and severe human rights impacts • G1-1 – Business conduct policies and corporate culture • G1-3 – Prevention and detection of corruption and bribery • G1-2 – Management of relationships with suppliers • G1-6 – Payment practices
Taking measures to eliminate negative effects	• E1-3 – Actions and resources in relation to climate change policies • S1-4 – Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions • S4-3 – Processes to remediate negative impacts and channels for consumers and end-users to raise concerns • S4-4 – Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions • G1-6 – Payment practices
Tracking the effectiveness of these efforts and communicating	• GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies • GOV-5 – Risk management and internal controls over sustainability reporting

GOV-5 – Risk management and internal controls over sustainability reporting

Integrated risk management

Ericsson Nikola Tesla Group applies an integrated enterprise risk management (ERM) system and a due diligence approach to ensure efficient, responsible, ethical and compliant business. The system is focused on timely identification, assessment and mitigation of potential risks, with an emphasis on regulatory requirements, sustainability factors and reputational risks, thereby strengthening the long-term resilience of the business.

Risk management is carried out within individual organizational units, where responsible persons assess and make decisions on risk reduction measures in accordance with their area of work. Competent bodies within the Group provide support in adopting policies, defining goals and coordinating activities for risks that appear in multiple functions, such as sourcing, sales, payments, security and quality. Regular risk monitoring is ensured through a reporting and assessment system which is included in management processes at the Executive Management level.

ENT Group's internal audit operates completely independently, ensuring objective and impartial oversight of key processes within the organization. At the end of 2024, the development of a new internal audit strategy began, which will be fully aligned with the upcoming Global Internal Audit Standards (2025). The aim of the new strategy is to improve the oversight system, increase transparency, and ensure full compliance with the latest international practices in the field of internal audit.

Sensitive Business Framework

In 2024, ENT Group established a new Sensitive Business Framework to ensure compliance with international frameworks and regulatory EU requirements and to manage potential ethical, legal and reputational risks. This framework defines procedures for identifying, assessing and managing business activities that may carry increased risks, and its application began on 1 January 2025.

In developing the framework, ENT Group relied on relevant international frameworks and European regulations, including the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Rights at Work, and the OECD Guidelines for Multinational Enterprises, which set guidelines for responsible business. The framework is also aligned with the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD), which define the undertakings' obligations to manage negative impacts in value chains in terms of human rights and the environment.

Strategic approach to risk management

Risk management in ENT Group is based on a proactive approach that includes:

- identifying key risks in a financial, regulatory, operational, social and environmental context,
- strategic decision-making based on the analysis of sensitive business areas,
- linking risk management and business objectives, where sustainability and compliance are integrated into decision-making processes.

Responsibilities and roles of key management bodies

The Management Board and the Supervisory Board actively participate in monitoring and making decisions related to business risks and due diligence. The Security, Risks and Compliance Board of ENT Group plays a key role in assessing and monitoring sensitive business activities and ensuring the effectiveness of internal controls and compliance.

Role of the Management Board

The Management Board of ENT Group is responsible for determining the strategy and business plan, and ensuring their implementation, whereby risk management is an integral part of this process. Specific responsibilities include:

- ensuring consistent accounting and financial controls, which includes identifying and managing financial risks.
- identifying, assessing and monitoring risks that may affect business operations.
- oversight of the operations of the Executive Management and assessment of potential risks associated with operational activities.
- preparation of business reports, including assessment of deviations from planned goals and analysis of their causes.
- timely notification of the Supervisory Board about potential events that may affect the results, financial position or reputation of the Company.
- reporting on all observed irregularities and proposing appropriate measures to resolve them.

Role of the Supervisory Board

The Supervisory Board supervises the work of the Management Board, whereby risk management is a key area of responsibility. Their key responsibilities include:

- supervision of the Company's business operations with the aim of ensuring compliance with the Company's regulations and acts,
- control over transactions with related parties to ensure transparency and prevent conflicts of interest, thereby reducing the risk of abuse of power and unfair business practices,
- evaluation of business strategy and financial statements, including risk assessment related to operations and investments to ensure adequate treatment of identified risks,
- timely assessment of potential financial and legal consequences, with confirmation of fair value by an independent expert before each transaction, which reduces the risk of financial irregularities,
- ensuring the application of procedures for approving and publishing transactions, in order to ensure compliance with the law and financial reporting standards.

Role of the Security, Risks and Compliance Board

ENT Group's Security, Risks and Compliance Board oversees and manages key aspects of risk and regulatory compliance within the organization. Their responsibility is to ensure that rules and procedures are implemented in accordance with regulatory requirements, internal policies and international standards. The Board cooperates with the Management Board, Executive Management and line managers of all organizational units to ensure effective risk management and consistent application of corporate acts.

As part of its activities, the Security, Risks and Compliance Board oversees the following key areas:

- Human Resources – ensuring compliance with labor regulations, the Code of Business Ethics, and laws on employment and the protection of workers' dignity, with regular assessment of risks related to work relations, equality, and immigration regulations.
- Finance – oversight of the submission of financial and tax reports, compliance with accounting standards, approval policy and ethical rules of financial operations, and integrity of suppliers through continuous due diligence.
- Sales and Trade Compliance – ensuring compliance with internal sales guidelines and regulatory requirements,

particularly in sensitive business areas such as government and defense affairs and import and export permit management.
- Legal Affairs – monitoring compliance with legal, regulatory and contractual obligations, implementing measures to prevent bribery and corruption, ensuring compliance with competition laws, and protecting intellectual property and personal data.
- General Services – compliance with quality and security standards, such as ISO 27001, ISO 9001, ISO 14001 and ISO 45001, monitoring contractual obligations and legal requirements, managing risks related to health, occupational health and safety and environmental protection, and defining a framework for business continuity.
- Communications and Corporate Social Responsibility (CSR) – ensuring transparency in reporting, management of reputational risks and compliance with regulations related to relations with investors, corporate communications and marketing.

In addition to the above activities, the Business Partner Review Board assesses the compliance of business relationships based on data collected through due diligence procedures conducted in Sourcing and Finance. The Board makes recommendations to the Management Board and Executive Management regarding the approval or rejection of cooperation with business partners or business models that pose unacceptable compliance risks. For each of the above areas, responsibility is defined at the level of directors of organizational units, while the Board continuously monitors and proposes measures to mitigate risks, ensure regulatory compliance and make informed decisions.

Management of prime company risks

The list of prime company risks is defined at the beginning of each business year. Based on information from Executive Management, the Management Board proposes an initial list of risks which is then considered by the Supervisory Board. The Supervisory Board may adjust the list of risks by shortening or expanding it. In the event that new potential risks are identified during the year, the list of prime risks may be updated to reflect current challenges and ensure a timely response. Depending on the type of risk, a crisis team responsible for rapid action to mitigate or reduce negative effects is formed.

<u>Risk categorization and monitoring</u>

The prime company risks are classified into the following groups:
- strategic,
- business,
- operational,
- financial,
- security,
- regulatory,
- reputational.

Sustainability risks are included in the above groups.

For each category, specific risks (one or more) are identified, which are then continuously monitored and for which appropriate measures and activities are defined to reduce risks and reduce or avoid their negative consequences. Certain risks are integrated into strategic programs at the company level, ensuring their systematic management.

Risk status can be one of the following:
- off track – significant deviations that require immediate corrective action,
- concern – areas of potential concern that require monitoring,
- on target – risks under control, without the need for additional interventions.

These statuses are also presented at the meetings of the Audit Committee and Supervisory Board. Risks labeled "off track" are subject to detailed analysis and discussion, and based on the reports presented, the Audit Committee and Supervisory Board issue guidelines and approve further steps and action measures. Meetings of the Audit Committee and Supervisory Board are held quarterly, and more often if necessary.

<u>Role of Executive Management</u>

In addition to participating in the initial preparation of the risk list proposal, Executive Management regularly monitors the status of key risks and implemented activities through monthly meetings. Based on insights and trends, possible improvements are suggested to upgrade risk management and ensure the company's long-term resilience.

<u>Sustainability risks for 2024</u>

ENT Group has identified the following prime sustainability risks for 2024:

1. **Requirements related to ESG regulation**

Increased requirements for compliance with the ESG (Environmental, Social, Governance) regulatory framework represent a significant challenge. The company continuously monitors regulatory changes, particularly those related to the European Sustainability Reporting Standard (ESRS), to ensure timely compliance and transparent reporting on impacts, risks and opportunities.

2. **Data privacy and security**

Data privacy and security are recognized as a key risk in a digitally connected world. To reduce exposure to threats, regular cyber security assessments are conducted and strict data protection measures are implemented. This risk is especially important in view of the increasing dependence of business on digital technologies, the EU's 5G Security Toolbox, the requirements of the EU's most extensive directive on cyber security so far, the NIS2 Directive, and the requirements of the Cyber Resilience Act which improves the cyber security standards of products that contain a digital component, requiring manufacturers to ensure cyber security throughout the life cycle of their products.

3. **Workforce availability and employee turnover**

Maintaining stability in terms of number and competence of employees and reducing turnover of key talents are the main priorities. This risk is highlighted in the context of increased demand for qualified professionals and dynamic changes in the labor market. ENT Group takes steps to ensure competitive working conditions, invest in employee training and develop programs that encourage their motivation and loyalty.

4. **Cybersecurity as a management risk**

Cybersecurity has been identified as a priority within the framework of company risk management. Given the increasing number of threats in the digital space, proactive approaches have been implemented to manage cyber security-related risks. This includes investing in technological systems to detect and prevent attacks, as well as educating employees on security practices.

3 Strategy

SBM-1 – Strategy, business model and value chain

Ericsson Nikola Tesla Group is a supplier of communication products, innovative ICT solutions and related services. As one of the leading Croatian exporters, the Group stands out in the segment of exporting ICT software development services, relying on the expertise of highly educated professionals and continuous investment in innovation.

The Group bases its competitiveness and market position on technical expertise, high-quality deliveries, a broad technology portfolio, and a strong presence on the local, regional and global market. The business purpose is focused on developing innovative ICT platforms and solutions that support digital transformation, while vision includes creating a society in which technology enables sustainable development and long-term value for all stakeholders.

Business is conducted in accordance with key values: excellence, integrity and perseverance. The aim is to ensure continuous improvement of solutions, responsible business operations and achievement of strategic goals while adapting to the dynamic market and regulatory environment.

Business model

Ericsson Nikola Tesla Group's business model is based on creating value for key stakeholders:

- for employees by encouraging talent development, enabling professional advancement and ensuring work-life balance,
- for shareholders through sustainable growth of company value,
- for customers by enabling new sources of revenue, improving user experience and increasing operational efficiency,
- for the society through responsible business and development of solutions that contribute to digitalization, sustainability, decarbonization and ICT infrastructure development.

The Group operates in an extremely dynamic environment that requires adaptability and continuous monitoring of market, technological and social changes. The strategic approach includes the digital transformation of business processes, investment in research and development, and expansion of the service portfolio in key business segments.

Strategic business segments

The business strategy encompasses four key segments, each with defined strategic priorities:

1. **Telecommunications operators**

- delivery of ICT products, solutions and services from Ericsson, Ericsson Nikola Tesla and other selected suppliers,
- implementation of advanced telecommunications solutions based on cloud and network functions virtualization,
- technical and advisory services, as well as testing services for operator networks on a local and global level,
- creation and implementation of complete solutions for radio, transmission and core networks,
- support systems, as well as other solutions such as media and private network solutions, which also includes network planning and design services,
- design, construction, monitoring and maintenance of fixed and mobile telecommunications infrastructure, integration and optimization of networks, support and consulting,
- development of programmable, automated, cloud-based networks that enable more efficient network performance and advanced network services that contribute to sustainability through optimized resource consumption and reduced environmental footprint,
- strategic goals include preserving and increasing market share, demonstrating technological leadership, accelerating the implementation of 5G networks with leading customers, strengthening strong local presence and competencies, and continuously improving work methods and organizational capacities.

2. **Digital Society**

- development of digitalization solutions in the areas of healthcare, transportation, public administration, public and national security, land registry and infrastructure management as well as solutions for sustainable and smart energy management,
- offer of services from design, implementation and integration to maintenance, including business process automation, analytical platforms and data systems,
- offer of hardware, software and services that encompasses a wide range of solutions applicable in various business sectors; this includes integrated data management platforms, specialized digital solutions and products tailored to business users, as well as advanced analytical technologies that enable process optimization, operational efficiency improvement and informed strategic decision-making,
- focus on profitable sales growth, development of the portfolio of solutions, improvement of work methods and strengthening of organizational capacities.

3. **Research & Development (R&D) – software development**

- ENT R&D Center is the largest software design center in the region and it covers all phases of software development for telecommunications radio and core networks, including analysis, technical specifications, development, testing and integration.
- in 2024, new responsibilities were taken on for the development of Ericsson's 5G Radio Access Network (RAN), which represents a strategic step forward in strengthening capacity for the development of E2E solutions within network software modules. This expanded role brings, among other things, a number of positive impacts on society and the environment. End-to-end 5G solutions enable energy efficiency, emissions reduction and optimization of network infrastructure, while simultaneously improving digital inclusion and driving innovation in sustainable industries. This reduces the ecological footprint and improves the quality of life through more advanced connectivity and technological possibilities.
- strategic priorities include strengthening the position in strategic areas, exploring new opportunities for growth, and building organizational capacities for long-term sustainability and competitiveness.

4. **ICT services**

- provision of technical and consulting services in the domain of system integration, planning, optimization and support of ICT systems,
- development of specialized software tools for management and optimization of telecommunications networks,
- solutions in the field of production and distribution of media content, a communication solution for medium and large companies, a data management platform (IoT) and others,
- focus on stable growth in the delivery of ICT services, development of a highly competent and competitive service center, and continuous development and improvement of key competencies.

These strategic business segments are also the main value chains of the ENT Group.

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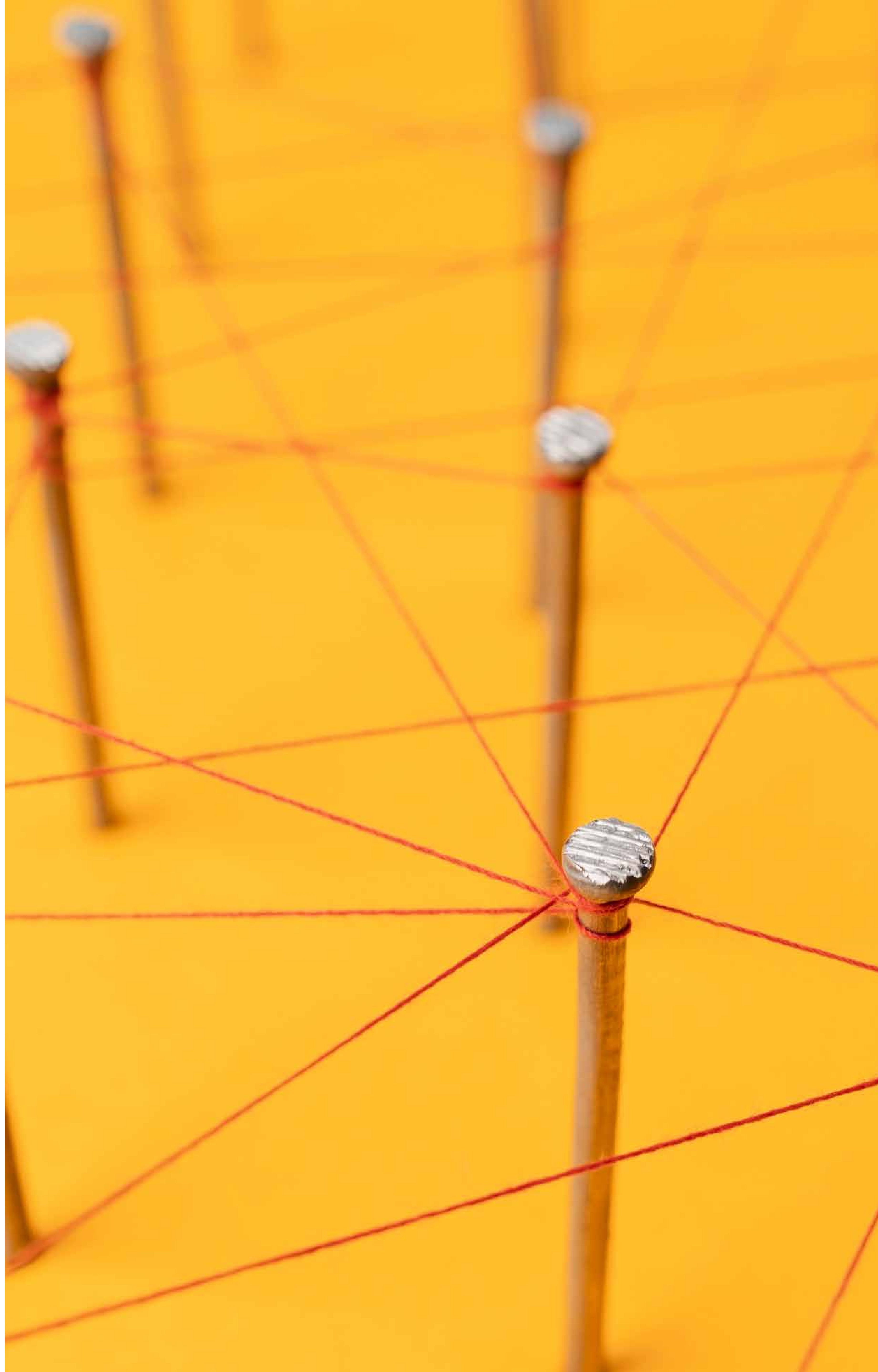
Overview of ENT Group value chains

Upstream	Own operations	Downstream
• Ericsson • Telecommunications infrastructure • Software licenses • Hardware components	• Software development in R&D • Expert optimization and system integration services • E2E solutions • Testing, technical specifications • Software verification and integration • Creation of e2e solutions for radio, transmission and core networks • Designing fixed and mobile telecommunications infrastructure • Design and development of digitalization solutions in strategic ENT areas • Scientific and research activities • Attracting, developing and retaining expert employees and talents	• Ericsson radio and/or core network • Delivery of expert services to Ericsson customers • Delivery of ICT products, solutions and services by Ericsson, ENT and other selected suppliers • Delivery of advanced cloud-based telecommunications solutions and network functions virtualization • Supervision and maintenance of fixed and mobile telecommunications networks • Network optimization, support and advisory services • Delivery of products, solutions and services for digitalization in strategic ENT areas • ICT solution implementation, integration and maintenance services



SBM-2 – Interests and views of stakeholders

Continuous dialogue

ENT Group fosters continuous dialogue with its stakeholders through diverse interaction mechanisms, ensuring two-way communication and transparent relationship management. Feedback, expressed interests and expectations of stakeholders are systematically collected and analyzed, with relevant information influencing decision-making and adjustments in business strategy. Cooperation with stakeholders is carried out through clearly defined and structured processes, including formalized communication channels and appeals and corrective procedures, which enable the effective identification and addressing of key challenges and opportunities.

Employees and social dialogue

ENT Group actively involves employees in decision-making processes through the Human Resources department, line organizations and unions. A particularly important tool for understanding the opinions of employees is the annual Voice of ENT Group survey, the results of which are carefully analyzed and used to improve business processes and adapt business operations. The survey results influence decision-making related to working conditions, process optimization, organizational culture, and professional development opportunities. Regular cooperation with the union is carried out through negotiations on the Agreement about Salary Policy and Other Payments. During these negotiations, issues of material and social security of employees, working conditions, job security and professional development are considered. In addition to union structures, employees are also involved through clearly defined roles within the organization, including cooperation with the Management Board, Executive Management, and managers.

Customers

ENT Group organizes its business in such a way that each customer or group of customers has an assigned sales organization that ensures customized communication and cooperation. This model enables a more efficient understanding of customer needs and optimization of the product and service offering. Through this system, ENT Group actively monitors market trends and customer demands to ensure the relevance of its solutions and services and long-term partnerships with key market players. In addition to monitoring customer satisfaction through its own evaluations and survey feedback, global Ericsson conducts regular evaluations of the ENT R&D Center four times a year.

Suppliers

ENT Group recognizes suppliers as partners in ensuring the quality and sustainability of its products and services. As part of its sourcing policy, the Group sets clear standards and requires suppliers to comply with the Code of Conduct for Business Partners, which includes criteria in the areas of human rights protection, working conditions, ethical business practices and environmental responsibility. To ensure consistent application of these standards, ENT Group conducts systematic assessments and audits of suppliers, identifies areas for improvement, and actively encourages their participation in compliance and training programs. With this approach, it strengthens the resilience of its supply chain, reduces risks, and contributes to the development of sustainable business practices across the entire partner ecosystem.

Shareholders

Shareholders are involved in strategic decision-making through transparent communication channels and the management structure of the company. They are informed through the Management Board, the Executive Management, Investor Relations Manager, and the Department for Marketing, Communications and Corporate Social Responsibility (CSR). ENT Group uses regular reports, annual general meetings and strategic meetings to ensure that shareholders have timely and accurate information about key business activities and financial results.

Academic community

ENT Group fosters strong cooperation with the academic community through research projects, innovation development, and educational programs aimed at strengthening the professional capacities of future professionals. This cooperation is achieved through partnerships with faculties and research institutes, participation in scientific and technological initiatives, and joint work on projects that contribute to sustainable development and digital transformation. In addition, ENT Group actively engages students through student jobs, mentoring programs, and research assignments, enabling them to acquire practical knowledge and skills in a real business environment. With this approach, it not only encourages the development of new talents, but ensures the influx of qualified experts, contributing to long-term competitiveness and innovation potential of the company and the ecosystem.

Targeted dialogue

In addition to the continuous dialogue with stakeholders, ENT Group organized a targeted dialogue with experts to gather additional insights and comments on the results of the dual materiality assessment. The process involved experts from the ICT industry with an emphasis on technological innovation and information systems management, from the media industry with in-depth knowledge of the domestic and foreign ICT market and technological trends, as well as from the field of European research and innovation policies.

The complex dynamics between the quarterly economy and green policies are highlighted, emphasizing their often irreconcilable nature. On the one hand, businesses strive for continuous growth and financial results in short time cycles, while on the other hand, sustainability requires long-term strategic changes that are currently not a universal priority. This difference in approaches puts ENT, as a sustainability-oriented organization, in an unequal position compared to organizations that do not prioritize sustainability and are not exposed to the same regulatory, financial and market pressures.

Identified threats include the high dependence of society and the economy on technologies and digital platforms, which increases their vulnerability, especially in the context of cyber threats and potential attacks. Experts warned of the exponential growth of electronic waste and the significant increase in energy consumption required for artificial intelligence and data centers, which creates additional environmental and infrastructure challenges.

The difference between the internal and external influences of the ENT Group and the key challenges and opportunities were emphasized, while the key challenges and opportunities in the context of technological development, energy efficiency and competitiveness on the global market were recognized. Internally, employee training and rational use of technological resources play a key role, whereby technology should be understood as a tool for increasing efficiency. In the segment of products and services, ENT Group should focus on increasing the energy efficiency of standard solutions, which would enable global energy savings. Although the growth in energy consumption for artificial intelligence and data centers is inevitable, it can be managed more effectively by introducing indicators for monitoring consumption.

As an organization at the source of technological development, ENT Group bears special responsibility for supporting partners who shape national priorities and dynamics in the field of cyber security and data management. This responsibility is further emphasized by the fact that global critical infrastructure protection providers have significantly reduced their direct presence in Croatia and the region. In this context, localized presence and delivery capacities are key factors of competitiveness – and ENT Group has both.

Long-term sustainability and competitive advantage require clearly defined strategic points that generate the greatest value, as well as a vision and ambitions for a period of seven to ten years, which are not subject to short-term market changes. Such an approach enables a more effective organizational transformation. When it comes to own ICT solutions, opportunities for the ENT Group lie in the so-called software productization – the development of solutions that are globally applicable without significant adjustments, thus ensuring their replicability on the global market. However, in an environment where a large number of agile start-ups operate, the key success factor will be business volume.

Regarding competitiveness within the European Union, it was emphasized that it cannot be achieved without leaving the comfort zone. Current business conditions within the EU are not fully adapted to global competition, therefore it is necessary to redefine ways of working and focus on increasing efficiency and market proactivity. Every employee should understand the connection between their work and the company's financial performance and continuously look for ways to improve competitiveness.

Regarding the impact of artificial intelligence on employees, the importance of education was emphasized so that employees can effectively use AI in business processes. Although artificial intelligence can significantly increase productivity, it cannot replace programmers, but can make them faster and more efficient. In conclusion, it was underlined that the European Union should strive to develop own knowledge and technological capacities, instead of copying existing solutions. The key challenge is not only the development of talent, but also their retention, given the increasing global competition for highly qualified specialists. This requires a systematic approach that includes creating attractive opportunities for the growth and professional development of young employees, without which the EU risks further talent drain.

The comments also included the double materiality assessment methodology. The need to add an annex with data and sources on the basis of which the calculations were made was highlighted, which would ensure greater transparency and traceability. It was also recommended to present information more effectively visually by using graphs or heat maps to increase clarity and facilitate understanding of the results. The parts of the assessment that refer to European initiatives and relevant professional literature were positively evaluated, which contributes to the validity and credibility of the findings. Finally, the need for a clearer representation of business relationships was emphasized, either through visualization or a more detailed elaboration of the business structure, which would further strengthen the methodological framework of the assessment.

This dialogue enabled ENT Group to obtain relevant feedback on the validity of key findings in the context of current social, market, technological and regulatory trends, thereby further strengthening the relevance and contextual alignment of the dual materiality assessment.

Cross-cutting standards	Environment	Society	Governance
ESRS 1 General requirements	**ESRS E1 Climate change**	**ESRS S1 Own workforce**	**ESRS G1 Business conduct**
ESRS 2 General disclosures	ESRS E2 Pollution	ESRS S2 Workers in the value chain	
	ESRS E3 Water and marine resources	ESRS S3 Affected com-munities	
	ESRS E4 Biodiversity and ecosystems	**ESRS S4 Consumers and end-users**	
	ESRS E5 Resource use and circular economy		

SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

Summary of material topics

Material topics for Ericsson Nikola Tesla Group are highlighted.

Overview of material impacts, risks and opportunities of the ENT Group

This overview includes a description of the impact, risk or opportunity, a materiality assessment and the level of the value chain. The time horizon for all impacts, risks and opportunities is the same, covering the short and medium term.

Table of contents

Management report

Sustainability report

Financial statements report

ESRS E1 Climate change

The dual materiality assessment covered specific sustainability factors related to climate change mitigation.

Description of impact, risk or opportunity	Materiality of impact, risk or oportunity	Level of value chain
Scope 1 GHG emissions In 2024, gross GHG emissions (location-based) amounted to 246.44 tCO$_2$e, which is a decrease of 77.18% compared to 2023, primarily due to the reduction of the fleet by 287 vehicles. ENT Group has not yet defined emission reduction targets according to the SBTi methodology and EU climate goals. Transition risk is considered with a focus on 2030 and short-term emission reduction targets, but the goal of achieving net zero emissions by 2050 is also taken into account. The opportunity for ENT Group lies in strengthening the resilience of the business model through setting emission reduction targets and strategic transition planning.	Actual negative impact • Category: important Risk • Category: important Opportunity • Category: important	Own operations
Scope 2 GHG emissions In 2024, Scope 2 gross GHG emissions (location-based) amounted to 1,527.23 tCO$_2$e, which is a decrease of 12.18% compared to 2023. ENT Group uses 100% of electricity from renewable sources in Zagreb (86.62% of total consumption), but the remaining emissions still contribute to climate change. Emission reduction targets according to the SBTi methodology and EU climate goals have not yet been defined. The transition risk for Scope 2 refers to the cost of compliance with regulatory requirements. The opportunity for ENT Group lies in strengthening the resilience of the business model through setting emission reduction targets and strategic transition planning, including purchasing electricity from renewable sources for other locations and developing capacity for its own renewable energy production.	Actual negative impact • Category: important Risk • Category: important Opportunity • Category: important	Own operations
Scope 3 GHG emissions Scope 3 emissions make up 72% of ENT Group's total emissions, with the largest contribution from Purchased goods and services and Capital goods. The 30% uncertainty limits the faithful representation of the impact in the value chain and the application of the SBTi methodology. Due to its high share in total emissions, Scope 3 carries the greatest transition risks, especially in terms of compliance costs. Improving methodology and collaborating with suppliers are key to collecting more accurate data, defining targets, and effectively managing emissions in the value chain.	Actual negative impact • Category: important Risk • Category: material Opportunity • Category: important	Upstream and downstream value chain
Energy consumption In 2024, ENT Group consumed a total of 6,549.16 MWh of electricity, which represents the largest share in the total consumption of all energy sources. The second largest share is the consumption of thermal energy from heating plants in Zagreb and Osijek, with a consumption of 2,679.97 MWh. The share of fossil energy sources in total energy consumption amounted to 37.31%, nuclear energy sources represent 1.17%, and renewable energy sources 61.53%.	Actual negative impact • Category: important	Own operations
Purchasing energy from renewable sources ENT Group in Zagreb uses 100% renewable electricity (ZelEn green energy) which accounts for 86.62% of total electricity consumption, reducing Scope 2 emissions and stimulating demand for green energy. Additional positive impact is possible through the expansion of this practice to other locations, especially in Split, which accounts for 10.15% of total electricity consumption. The introduction of ZelEn energy in Split would reduce Scope 2 emissions and accelerate the energy transition within the ENT Group.	Potential positive impact • Category: informative due to limited scope	Own operations
Energy production from renewable sources ENT Group plans to build a photovoltaic power plant with a capacity of 1244 kWp in 2025, with an expected annual production of 1.2 GWh, which will reduce Scope 2 emissions by 157 tCO$_2$e per year (10.28%). This investment, already included in the capital investment plan, has a high probability of realization. It will be financed with own funds in the amount of almost one million EUR, with an expected return in six years.	Potential positive impact • Category: informative due to limited scope	Own operations

Description of impact, risk or opportunity	Materiality of impact, risk or oportunity	Level of value chain
ICT solutions that support sustainable digital transition and decarbonization ENT Group enables digital transformation with the help of the Internet of Things (IoT), 5G and the eEnvironment platform, which integrates environmental data and sensors for improved resource management. Digitalization and decarbonization complement each other, and the 5G network is key because it is 90% more efficient than previous generations. Ericsson estimates that it could reduce emissions in Europe by 55-170 MtCO_2e annually by 2030[10]. Business is characterized by an extremely dynamic environment in which digitalization and decarbonization create new business models, while geopolitical, regulatory and market changes, as well as the announced strengthening of the EU's defense and security capacities, create complex risks. The demand for specialized experts in artificial intelligence, cyber security, advanced analytics, and sustainable technology is highlighted, which is driving strong competition for talent and retention of key competencies. EU regulations such as the Clean Industrial Deal and the Industrial Decarbonisation Accelerator Act are opening up the market for sustainable and energy-efficient digital solutions. This framework allows ENT Group to expand its portfolio through the development of 5G infrastructure and digital platforms for more efficient resource management.	Actual positive impact • Category: exceptional Risk • Category: critical Opportunity • Category: exceptional potential	Entire value chain

[10] Ericsson (2024). Digital transformation of industries to enable Net Zero

ESRS S1 Own workforce

The dual materiality assessment covered all sustainability factors related to Working conditions and Equal treatment and opportunities for all. Other work-related rights are not relevant to the ENT Group's business model. In addition, the assessment includes two specific impacts: Attracting, developing and retaining expert employees and talents program and the Stock share program.

Description of impact, risk or opportunity	Materiality of impact, risk or oportunity	Level of value chain
Secure employment ENT Group ensures employment stability and compliance with contractual obligations, with 96.7% of permanently employed employees and 99.7% working full-time.	Actual positive impact • Category: important	Own operations
Adequate wages All ENT Group employees receive a salary above 60% of the median monthly contracted internal salary, which ensures fair income distribution and avoids significant income imbalances. The ratio of the total annual salary of the President of Ericsson Nikola Tesla is 10.69 compared to the median total annual salary of all employees, which confirms the balance of the remuneration system in accordance with market conditions and the responsibilities of management positions.	Actual positive impact • Category: material	Own operations
Social dialogue The employee union is the company's key social partner, with whom it regularly cooperates through information and consultation in accordance with the Labor Act.	Actual positive impact • Category: important	Own operations

Table of contents

Management report

Sustainability report

Financial statements report

Description of impact, risk or opportunity	Materiality of impact, risk or oportunity	Level of value chain
Freedom of association, the existence of works councils and the information, consultation and participation rights of workers At Ericsson Nikola Tesla, employees are represented by 13 union representatives, who act as the works council in protecting and promoting their rights and interests with the employer. The workers' council was not established because a union proposal was not submitted nor was it requested by at least 20% of the employees, as prescribed by Article 141 of the Labor Act.	Actual positive impact • Category: important	Own operations
Collective bargaining, including rate of workers covered by collective agreements Annual negotiations on salary policy and material and social security take place between the negotiating committees of the trade union and the employer. The dialogue between employees and management is based on clearly defined responsibilities and meetings, while information is transmitted to employees in a timely manner through internal communication channels.	Actual positive impact • Category: important	Own operations
Work-life balance Ericsson Nikola Tesla Group encourages work-life balance through flexible working conditions, including flexible working hours and the possibility to work remotely. The system of flexible working hours ensures that employees have greater autonomy in organizing their workday, with focus on completing their work tasks. Additionally, the option of working from home for up to 10 days per month or permanent remote work is available, depending on business needs and agreement with superiors. In 2024, 9.94% (276) of employees were entitled to family leave, and 81.16% (224) of them exercised that right. Looking at gender, family leave was used by 44.20% (122) of men and 36.96% (102) of women out of the total number of employees entitled to leave.	Actual positive impact • Category: important	Own operations
Health and safety ENT Group continuously reduces risks associated with working conditions, including eye strain, prolonged sitting, and mental health. Preventive programs like PrevENTion, medical check-ups and safety trainings are key to protecting employees. The safety system is based on risk assessment, internal audits and compliance with the ISO 45001 certificate. All new employees undergo mandatory trainings, while the incident reporting process enables a timely analysis of the cause and appropriate measures. In 2024, two serious injuries were recorded, with no occupational illnesses or fatalities. The same safety standards apply to external contractors, with the obligation to comply with legal and internal protection measures.	Actual positive impact • Category: material	Own operations
Gender equality and equal pay for work of equal value In the ENT Group, women and men in the same position, with the same level of job complexity and work experience, earn equal wages. Overall, the average wage of men is 9.5% higher, which is a smaller difference compared to the IT sector average (14.1%) and the European Union (12%). This difference is primarily due to structural factors, such as the fact that women on average have about 10% shorter work experience in the company. The wage gap is more pronounced among younger employees, while it decreases with longer work experience – women with more than 30 years of experience earn more than men on average, and women in management positions earn 4% higher wages.	Actual positive impact • Category: material	Own operations
Training and skills development ENT Group systematically invests in employee development through performance assessment, training and competency development. 96% of employees undergo the Individual Performance Management process, while the Talent Management tool is used to track key skills. Enter Academy was founded in 2024, which offers internal and external training, technical training and online courses. The Elementis digital platform was also implemented, enabling access to trainings and development activities. During 2024, employees completed 68,927 hours of training (an average of 28.77 hours per employee), with 82% of employees participating, confirming a high level of professional development. Women completed 32.91 hours and men completed 26.78 hours of training.	Actual positive impact • Category: exceptional	Own operations

Description of impact, risk or opportunity	Materiality of impact, risk or oportunity	Razina lanca vrijednosti
The employment and inclusion of people with disabilities The employment process at ENT Group is based on objective criteria and equal opportunities for all candidates, including people with disabilities, to whom working conditions are adapted. In 2024, the company employed 21 person with disabilities, in cooperation with the Croatian Employment Services, associations and experts. Open dialogue enables monitoring of the special needs of sensitive groups, while the human resources department provides support through organizational psychologists and employee experience specialists.	Actual positive impact • Category: important	Own operations
Measures against violence and harassment in the workplace ENT Group ensures fair and transparent working conditions through systematic mechanisms for the protection of human and work-related rights. The Rulebook on Protection of Employee's Dignity defines the prevention of discrimination and harassment, with a special committee for processing reports. Employees can report irregularities to the Committee for the Protection of Employee Dignity, via mailboxes at locations in Zagreb, Split and Osijek or by using the Ask CEO channel. External stakeholders can submit reports by using the Compliance Line, ensuring broad outreach and effective protection of rights.	Actual positive impact • Category: material	Own operations and downstream
Diversity In 2020, ENT Group set a goal of increasing the representation of women in management bodies by 2025, and by November 2024, this goal had already been achieved - women make up 40% of the Supervisory Board. In Executive Management, the share of women is 25%, with a plan to grow to 30%, while in line management it is currently 27%, with the same growth goal. The structure of employees shows the dominance of experienced professionals, where 65.43% of employees are between 30 and 50 years old. Those under 30 years old make up 19.19%, reflecting the influx of new talent, while 15.38% of employees over 50 years old ensure the transfer of knowledge and experience.	Actual positive impact • Category: material	Own operations
Privacy ENT Group ensures the protection of employees' personal data by applying high security standards and strict access control. Data Protection Officer oversees regulatory compliance, while the Privacy Team manages data protection within the organization. Access to personal data is limited to managers, relevant departments and contractual partners, with systematic monitoring measures. Training employees on privacy protection is a key part of the Code of Business Ethics, and all new employees and students undergo training. In 2024, 143 employees and 234 students completed the training, thereby strengthening awareness and consistent application of safety rules.	Actual positive impact • Category: material	Own operations
Attracting, developing and retaining expert employees and talents Expert employees and talents are key to ENT Group's competitiveness and innovation. Focus on stable working conditions, work-life balance and strategic development programs ensures the continuity of key competencies in the dynamic ICT sector. Growing global competition, accelerated technological change and the development of artificial intelligence increase the need for constant improvement and adaptation of competencies, while the availability and demand for specialized experts can affect long-term employee retention. ENT Group provides the opportunity to work on the latest technologies, such as 5G, artificial intelligence and machine learning, which stimulates motivation, professional growth and strengthens market position. Digitalization and decarbonization additionally open up space for business diversification.	Actual positive impact • Category: exceptional Risk • Category: critical Opportunity • Category: exceptional potential	Own operations
Stock share program Ericsson Nikola Tesla Group has been implementing a stock share award program since 2004 as a mechanism for motivating, rewarding and retaining key experts. The program enables employees to share ownership in the company, which strengthens their engagement and long-term dedication. It is carried out through two models: award stock shares, which are given to employees for exceptional contributions to business operations, and loyalty stock shares intended for employees with more than two years of work experience in the company. These programs represent an important tool for long-term employee motivation and retention. In 2024, 3,467 stock shares were awarded to 231 employees, while more than 1,000 employees have received a total of over 58,000 stock shares since the start of the program. This corresponds to a share of approximately 28% of employees who were granted stock shares, calculated based on the number of employees as of 31 December 2024.	Actual positive impact • Category: material	Own operations

ESRS S4 Consumers and end-users

The dual materiality assessment covered relevant sustainability factors related to Impacts related to information for consumers / or end users and Social inclusion of consumers and/or end users: Privacy and Responsible marketing practices. The assessment also includes a specific impact: customer satisfaction.

Description of impact, risk or opportunity	Materiality of impact, risk or oportunity	Level of value chain
Privacy ENT Group ensures information and privacy protection through ISO 27001, GDPR compliance and internal policies. Strict cyber security and data protection measures prevent unauthorized access and protect the rights of customers and users. Since ENT Group's primary business relationships are focused on commercial customers, while end users are located further down the value chain, there is no separate policy for protecting their data. Their rights are covered by security compliance mechanisms, exchange of requests and policy adaptation. Anonymous irregularity reporting enables transparency, and all reported cases are analyzed and reported to the competent authorities. Data security is managed by the business unit director in cooperation with security teams and customers.	Actual positive impact • Category: material	Own operations and downstream
Responsible marketing practices ENT Group responsibly and transparently presents ICT solutions and their benefits. Clear communication reduces the risk of misleading claims and informs users about the benefits of digitalization, strengthening trust in digital solutions.	Actual positive impact • Category: material	Own operations and downstream
Customer satisfaction ENT Group continuously invests in the development of technologies, monitoring of market trends and optimization of business processes in order to ensure high customer satisfaction. Through annual surveys, evaluation meetings, and R&D performance analysis, the user experience is systematically improved. The results from 2024 show 97.08% of satisfied customers, while the R&D Center consistently scores above 90%, confirming the quality of delivered solutions. Key risks include reduced investments by telecommunications operators in network modernization, short deadlines and unfavorable payment terms in digital transformation projects, which ENT Group is addressing by adapting business models, regulatory cooperation, and optimizing delivery. Opportunities for growth are found in the digital transformation of Croatia and the EU, especially through artificial intelligence, cloud solutions, sustainable technologies and 5G private networks, including the modernization of the 5G network in the region, the development of 5G railway communication network and projects for the digital transformation of public services and the support to national and public safety and mission critical infrastructure.	Actual positive impact • Category: material Risk • Category: material Opportunity • Category: exceptional potential	Own operations and downstream

ESRS G1 Business conduct

The dual materiality assessment covered relevant sustainability factors related to Business conduct, except for animal welfare, which is not applicable in the context of the ENT Group's business model.

Description of impact, risk or opportunity	Materiality of impact, risk or opportunity	Level of value chain
Corporate culture ENT Group fosters high ethical standards and a culture of compliance, ensuring zero tolerance for corruption, transparent mechanisms for reporting irregularities (whistleblowing) and clearly defined procedures for investigating incidents. The Code of Business Ethics and the Code of Conduct for Business Partners obligate all employees and external collaborators to respect the principles of ethical business practices, while mechanisms for reporting irregularities are available to all stakeholders, including anonymous channels.	Actual positive impact • Category: material	Entire value chain
Protection of whistleblowers ENT Group implements a systematic whistleblower protection system with appointed persons of confidence for Ericsson Nikola Tesla d.d., Ericsson Nikola Tesla Servisi d.o.o. and Libratel d.o.o. Reports are received through internal and external channels, with whistleblower protection and a transparent investigation process. In 2024, two reports of irregularities were received (one internal and one external). Both reports were investigated and dismissed because no irregularities were confirmed.	Actual positive impact • Category: material	Own operations and downstream
Political influence and lobbying activities ENT Group does not conduct activities aimed at political influence or engage in lobbying regarding its own impacts, risks and opportunities, which is clearly defined in the Code of Business Ethics. ENT Group also does not provide direct or indirect support to political parties, committees or political officials. The political engagement of employees is completely separate from their professional roles and the business of ENT Group.	Actual positive impact • Category: material	Own operations and downstream
Management of relationships with suppliers including payment practices ENT Group conducts systematic supplier verification through transparent sourcing procedures, audits, and financial and regulatory compliance analysis. Suppliers are assessed according to criteria such as political and financial exposure, payment of wages and settlement of tax obligations, while social and environmental standards are defined in the Code of Conduct for Business Partners. Although it does not have a separate policy to prevent late payments, ENT Group uses an automated internal notification system to reduce the risk of delays, along with regular communication with suppliers to manage financial obligations in a timely manner. In 2024, there were no court proceedings related to late payments.	Actual positive impact • Category: material	Upstream and own operations
Corruption and bribery – Prevention and detection including training ENT Group consistently implements a zero-tolerance policy for corruption, with mechanisms for reporting irregularities, a monitoring system, and an investigation process. Employees, suppliers and other stakeholders can report suspected corrupt practices through anonymous and non-anonymous channels, and all reports are thoroughly investigated. In 2024, all employees re-signed the Code of Business Ethics and underwent training on conflict of interest and anti-corruption practices. High-risk functions, such as sales and sourcing, had 100% training coverage, while members of management bodies were provided with internal and external training. Special focus is placed on the management of conflicts of interest in order to preserve the integrity of the business and strengthen the trust of internal and external stakeholders.	Actual positive impact • Category: material	Entire value chain
Corruption and bribery - Incidents In 2024, there were no convictions or fines related to violations of anti-corruption and bribery regulations in the ENT Group.	Actual positive impact • Category: material	Entire value chain

Table of contents

Management report

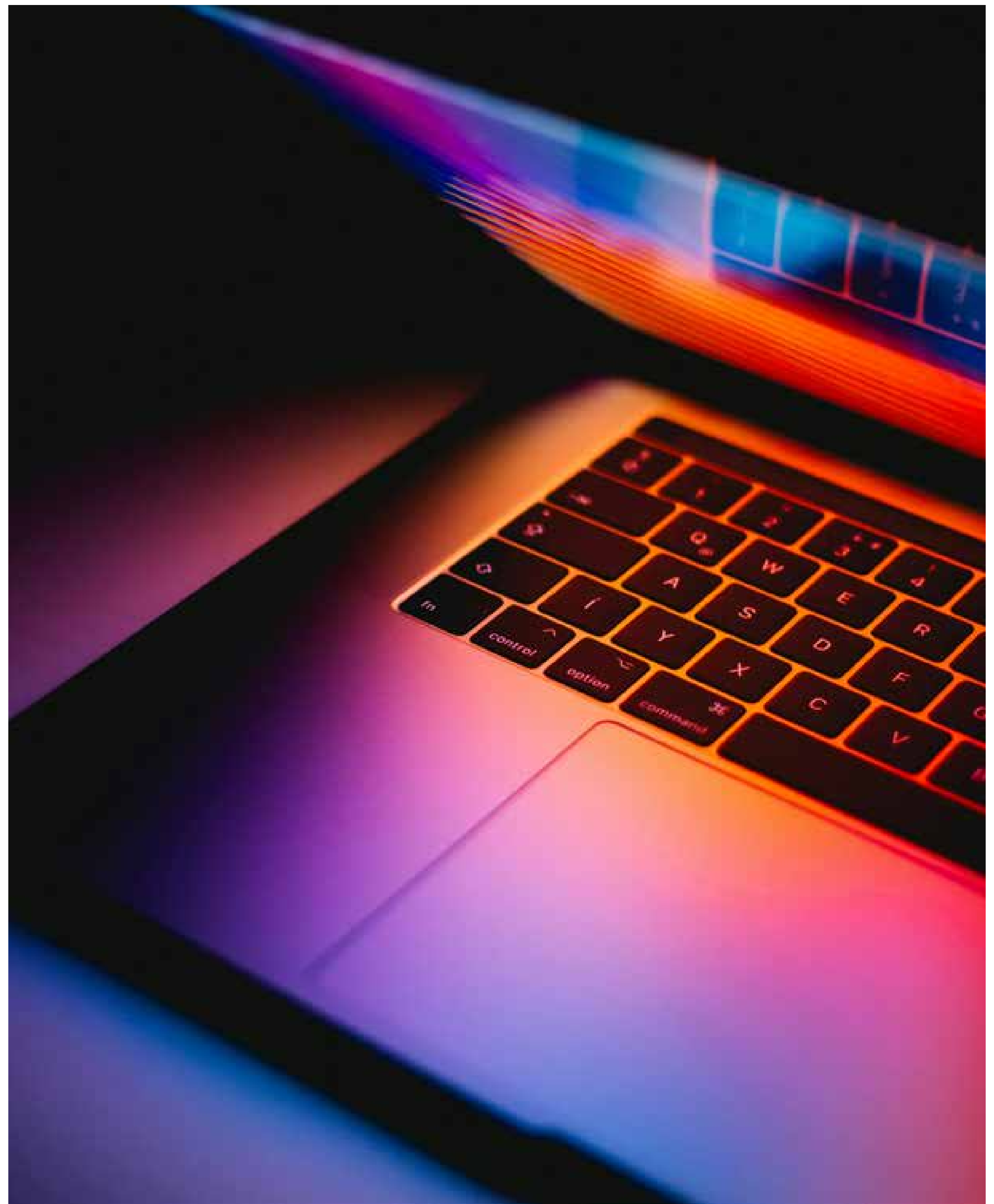
Sustainability report

Financial statements report

Material impacts, risks and opportunities and their interaction with strategy and business model

ENT Group is developing its business model and strategic approach through the integration of the value chain into three key business levels. Instead of looking at individual segments separately, the approach encompasses the overall connection between upstream suppliers, own operations, and downstream deliveries of products, solutions, and services. This framework enables alignment of business strategy with key resources and competencies, thereby optimizing operational efficiency and increasing value for stakeholders.

ENT Group's value chain is structured to ensure stability and innovation through three main levels of interaction: cooperation with key technology partners in the procurement of infrastructure and licenses, development and optimization of its own technological capacities, and implementation and delivery of customized solutions for business users. This strategic model enables flexibility in adapting to market changes and facilitates digital transformation and business sustainability.



Category	Impact on strategy and business model	Risks	Opportunities	Connection to value chain
Climate change and energy efficiency (ESRS E1)	Reducing Scope 1 and Scope 2 emissions through energy efficiency and purchasing electricity from renewable sources. Scope 3 emissions (72% of total emissions) pose the greatest challenge.	Regulatory pressures to reduce emissions, the cost of ESG compliance, the lack of a Transition plan as a key tool to ensure the financing of the transition, as well as manage the risks and opportunities of decarbonization.	Application of energyefficient 5G networks, investment in a photovoltaic power plant (2025), application of the Greenhouse Gas Protocol (GHG Protocol, 2024) and setting goals in accordance with the SBTi methodology.	Upstream: cooperation with Ericsson on a more sustainable radio and/or core network Own operations: Optimization of energy consumption in offices and data centers. Downstream: Devel-oping environmentally efficient ICT solutions for customers.
Digital transformation and cyber security (ESRS S4, G1)	Advanced ICT solutions for the digitalization of the health, transport, security and public administration sectors. Increased need for user cyber security and privacy protection.	Increase in cyber attacks, regulatory requirements (5G Security Toolbox, NIS2 Directive and the Cyber Resilience Act, geopolitical risks and digital sovereignty).	Development of security solutions for data protection in the cloud, cooperation with government bodies on mission critical infrastructure, strengthening of customer trust.	Upstream: Procurement of security components and data protection software. Own operations: Development of ICT solutions that apply high standards of cyber security, data protection and user privacy Downstream: Delivery of ICT solutions that provide users with high levels of cyber security, protection of personal data and preservation of privacy.
Market competition and attracting and retaining talent (ESRS S1)	ENT Group depends on highly educated ICT experts, and global competition for talent is growing. The need for specialists in AI, 5G networks and advanced analytics affects employment.	The lack of experts, rapid technology development requires constant education and adaptation of competencies, customer pressure to keep service prices as affordable as possible, and rising costs of living.	Internal training and Enter Academy, employee stock share program, cooperation with faculties and research institutions.	Own operations: Focus on education, talent development and employment stability. Downstream: Strengthening competitiveness through both employee expertise and the quality of solution delivery.

ENT

IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities

ENT Group operates in several markets and supplies communication products, innovative ICT solutions and related services. Given the diverse offering and broad operational reach, an analysis of significant impacts, risks and opportunities was conducted across all segments of the value chain, including upstream suppliers, internal operations and downstream relationships with customers and end users.

In this reporting period, for the first time the double materiality assessment was conducted in line with the requirements of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standard (ESRS), as was additionally explained in the chapter Introduction and regulatory framework. Since this is the first implementation of such an approach, there is no earlier reference procedure for comparison, nor are there earlier modifications. The next review date for materiality assessment is planned for Q1 2026, in line with the internal reporting cycle and sustainability strategic planning of ENT Group.

Key stakeholders and their relevance

The stakeholders of ENT Group include shareholders, employees, customers, suppliers and regulatory authorities. The company has been continuously cooperating with these stakeholders in order to assess the impact of its operations and business relationships, ensuring appropriate mechanisms of reporting and protection in terms of actual or potential negative impacts, and responsible business.

Business relationships and activities in the value chain

ENT Group maintains a network of business relationships that includes:

- upstream suppliers – key partners, including leading technology suppliers such as Ericsson, provided telecommunications infrastructure, software licenses and hardware components; supplier management based on criteria of technological excellence, security, sustainability and regulatory compliance;
- internal operations – ENT Group develops and optimizes its own technological capacities, with an emphasis on innovations in telecommunications and digital solutions. Internal activities include research and development (R&D), strategic talent management, and ensuring sustainable and secure business processes.
- downstream relationships – ENT Group cooperates with Ericsson, telecommunications operators, the public sector and business users, to whom customized technological solutions are delivered. Although there is no direct interaction with end users, indirect influence is present through digital infrastructure and user experience.

Methodological framework for identification and assessment of impacts, risks and opportunities

To ensure a comprehensive understanding of significant impacts, risks and opportunities, ENT Group has conducted a structured analysis that includes:

- mapping business relationships and activities – key interaction points within the value chain were identified, along with an assessment of environmental, social and governance (ESG) impact levels;
- stakeholder analysis – continuous dialogue feedback from all structured processes, including formalized appeals mechanisms, was reviewed;
- assessment of material impacts – key environmental and social impacts associated with business operations were identified;
- risk and opportunity analysis – risks and opportunities related to impacts, technological innovation, regulation, market changes and geopolitical challenges were assessed. In risk assessment, ENT Group was guided by the results of an internal assessment of main risks, which was carried out at the beginning of 2024 for the current year[11].

The identification of ENT Group's material impacts, risks and opportunities began with an analysis of sustainability factors according to ESRS 1 AR16. In addition to the topical requirements of ESRS, factors specific to ENT Group's business model were additionally taken into account. To assess the materiality of the impact, the ESRS criteria of scale, scope, irremediable character of the impact and its probability were applied, while the criteria of likelihood of occurrence and scale were used for the qualitative assessment of financial materiality. 18 categorical variables were included using a scale from 1 to 5, including binary assessments of actuality or potentiality of impact, and categories of time horizon and place in the value chain. Categorical variables relating to actual and potential negative impacts on society and the environment are defined in accordance with the principles of due diligence.

In order to ensure an objective assessment of materiality, thresholds have been set for different categories of impacts, risks and opportunities. These thresholds allow for a systematic classification of results and support informed decision-making based on quantitative criteria. Impacts, risks and opportunities are classified into the following categories: critical, material, important, informative or minimal, depending on their assessed severity and likelihood. This approach ensured consistency in the analysis and laid the foundation for directing resources to manage the most important sustainability issues.

The results of the first double materiality assessment were presented to the President of the Management Board of Ericsson Nikola Tesla and the members of the Executive Management of ENT Group. During a structured decision-making process, the executive leadership considered key findings of the assessment, including identified material impacts, risks and opportunities, and confirmed their relevance for the Group's business performance. The decision to accept the assessment results was reached, taking into account strategical context, regulatory requirements and feedback from key functions within the organization. This ensured an appropriate internal control and managerial responsibility over the process of materiality assessment, in line with the principles of good governance and transparency.

Excluded subtopics and topics for ENT Group

ESRS E1 Climate change (Climate change adaptation)

ENT Group conducted an internal assessment of environmental threats, including extreme weather conditions, earthquakes and floods, and identified possible operational disruptions and damages; however, all the physical risks were evaluated as low, and have already been encompassed by the existing control measures. Since the assessment was not conducted in line with the requirements of ESRS E1 standard, a comprehensive analysis in line with the standard is planned for the next reporting cycle.

ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities: Pollution (ESRS E2), Water and marine resources (ESRS E3), Biodiversity and ecosystems (ESRS E4), Resource use and circular economy (ESRS E5), Workers in the value chain (ESRS S2), Affected communities (ESRS S3)

Taking into account ENT Group's business model, which is based on the development of software solutions, digitalization and the provision of ICT services without industrial processes and management of physical resources, the impacts arising from pollution, water consumption, pressure on marine resources, degradation of biodiversity, circular use of materials, treatment of workers in the value chain, and impacts on affected communities were not assessed as material.

ENT Group does not manage plants, nor does it participate in the processes which include the emission of harmful substances, use of resources or direct environmental impacts. Moreover, ENT Group's value chain is based on highly specialized partnerships in the field of technology, where ENT does not exercise a material impact on the working conditions of third parties. Based on the business activities of ENT Group, reporting on impacts on civil, political, economic, social and cultural rights of communities and the rights of indigenous peoples, can be justifiably excluded.

Due to the lack of material impacts in the mentioned topical areas, ENT Group did not establish specific procedures to identify and assess material impacts, risks and opportunities related to ESRS E2, E3, E4, E5, S2 and S3. These topics were not recognized as material through the initial sustainability assessment, which is based on the analysis of business model, sector characteristics, and the existing business practices. Accordingly, the disclosure requirement according to ESRS 2 IRO-1 is not applicable in the context of the above standards.

[11] The results of the risk assessment conducted while preparing this report enabled a more detailed and broader consideration of impacts, risks and opportunities of sustainability, with the inclusion of relevant stakeholders. Its results will serve as a starting point for a deeper integration in the overall framework of ENT Group's risk management. In the next reporting cycle, the results of the double materiality assessment will be integrated with internal risk assessment and systematically included in the review of the existing management practices, including the assessment of the overall risk profile of the company.

IRO-2 – Requirements in ESRS covered by the undertaking's sustainability statements

Overview table of all covered requirements

Disclosure requirement	Description	Chapter - same as "Description"	Page
Cross-cutting standards			
ESRS 2 - General disclosures			
Basis for preparation			
BP-1	General basis for preparation of sustainability statements		30
BP-2	Disclosures in relation to specific circumstances		31
GOV-1	The role of the administrative, management and supervisory bodies		32
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies		39
GOV-3	Integration of sustainability-related performance in incentive schemes		39
GOV-4	Statement on due diligence		41
GOV-5	Risk management and internal controls over sustainability reporting		42
Strategy			
SBM-1	Strategy, business model and value chain		44
SBM-2	Interests and views of stakeholders		46
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model		47
Impact, risk and opportunity management			
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities		55
IRO-2	Disclosure Requirements in ESRS covered by the undertaking's sus-tainability statement		56
MDR-P	Policies adopted to manage material sustainability matters		36
MDR-A	Actions and resources in relation to material sustainability matters	See MDR-P, SBM-3, S1-1	38, 47, 76
MDR-M	Metrics in relation to material sustainability matters	See MDR-P, SBM-2, S1-2	38, 46, 78
MDR-T	Tracking effectiveness of policies and actions through targets	See S1-5, S1-6, Specific impact	79, 80, 86

Disclosure requirement	Description	Chapter - same as "Description"	Page
Topical standards			
ESRS E1 Climate change			
ESRS E1-1	Transition plan for climate change mitigation		70
ESRS 2 IRO-1	Description of the processes to identify and assess material climate-related impacts, risks and opportunities		55
ESRS E1-2	Policies related to climate change mitigation and adaptation		70
ESRS E1-3	Actions and resources in relation to climate change policies		70
ESRS E1-4	Targets related to climate change mitigation and adaptation		70
ESRS E1-5	Energy consumption and mix		70
ESRS E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions		72
ESRS E1-7	GHG removals and GHG mitigation projects financed through carbon credits		74
ESRS E1-8	Internal carbon pricing		74
ESRS E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities		74
ESRS S1 Own workforce			
ESRS S1-1	Policies related to own workforce		76
ESRS S1-2	Processes for engaging with own workers and workers' representa-tives about impacts		78
ESRS S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns		78
ESRS S1-4	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities re-lated to own workforce, and effectiveness of those actions		78
ESRS S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities		79
ESRS S1-6	Characteristics of the undertaking's employees		80
ESRS S1-7	Characteristics of non-employees in the undertaking's own workforce		-
ESRS S1-8	Collective bargaining coverage and social dialogue	See S1-2	78

Disclosure requirement	Description	Chapter - same as "Description"	Page
ESRS S1-9	Diversity metrics		82
ESRS S1-10	Adequate wages		82
ESRS S1-11	Social protection		82
ESRS S1-12	Persons with disabilities		82
ESRS S1-13	Training and skills development metrics		82
ESRS S1-14	Health and safety metrics		85
ESRS S1-15	Work-life balance metrics		86
ESRS S1-16	Compensation metrics (pay gap and total compensation)		86
ESRS S1-17	Incidents, complaints and severe human rights impacts		86
Specific impact	Stock share program		86
ESRS S4 Consumers and end-users			
ESRS S4-1	Policies related to consumers and end-users		87
ESRS S4-2	Processes for engaging with consumers and end-users about impacts		87
ESRS S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns		87
ESRS S4-4	Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions		87
ESRS S4-5	Targets for managing material negative impacts, advancing positive impacts, and managing material risks and opportunities		88
ESRS G1 Business conduct			
ESRS G1-1	Business conduct policies and corporate culture		91
ESRS G1-2	Management of relationships with suppliers		93
ESRS G1-3	Prevention and detection of corruption and bribery		93
ESRS G1-4	Confirmed incidents of corruption or bribery		93
ESRS G1-5	Political influence and lobbying activities		93
ESRS G1-6	Payment practices		93
Specific impact	Effective management of all aspects of security and data protection		94

Overview table of data in cross-cutting and topical standards that derive from other EU legislation

Disclosure requirement	Description	Datapoint	Sustainable Finance Disclosures Regulation	Pillar 3 reference	Benchmark Regulation	Climate Law	Page / materiality
ESRS 2 GOV-1	Board's gender diversity	21 (d)	Indicator n. 13 in Table I of Annex I		Commission Delegated Regulation (EU) 2020/1816, Annex II		Page n. 32
ESRS 2 GOV-1	Percentage of board members who are independent	21 (c)			Delegated Regulation (EU) 2020/1816, Annex II		Page n. 32
ESRS 2 GOV-4	Statement on due diligence	30	Indicator n. 10 in Table III of Annex I				Page n. 41
ESRS 2 SBM-1	Involvement in activities related to fossil fuel activities	40 (d) i	Indicator n. 4 in Table I of Annex I	Article 449a Regulation (EU) No 575/2013 Commission Implementing Regulation (EU) 2022/2453, Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk	Delegated Regulation (EU) 2020/1816, Annex II		Not material
ESRS 2 SBM-1	Involvement in activities related to chemical production	40 (d) ii	Indicator n. 9 in Table II of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Not material
ESRS 2 SBM-1	Involvement in activities related to controversial weapons	40 (d) iii	Indicator n. 14 in Table I of Annex I				Not material
ESRS E1-1	Transition plan to reach climate neutrality	14				Regulation (EU) 2021/1119, Article 2(1)	Not material
ESRS E1-1	Undertakings excluded from Paris-aligned Benchmarks	16 (g)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book - Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 12(1)(d) to (g) and Article 12(2)		Not material
ESRS E1-4	GHG emission reduction targets	34	Indicator n. 4 in Table II of Annex I	Article 449a Regulation (EU) No 575/2013 Delegated Regulation (EU) 2020/1818, Article 6			Not material
ESRS E1-5	Energy consumption from fossil sources disaggregated by sources	38	Indicator n. 5 in Table I and indicator n. 5 in Table II of Annex I				Page n. 71
ESRS E1-5	Energy intensity associated with activities in high climate impact sectors	40-43	Indicator n. 6 in Table I of Annex I				Not material

Disclosure requirement	Description	Datapoint	Sustainable Finance Disclosures Regulation	Pillar 3 reference	Benchmark Regulation	Climate Law	Page / materiality
ESRS E1-6	Gross Scope 1, 2, 3 and Total GHG emissions	44	Indicator n. 1 and 2 in Table I of Annex I	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)			Page n. 74
ESRS E1-6	Gross GHG emissions intensity	53-55	Indicator n. 3 in Table I of Annex I	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics Delegated Regulation (EU) 2020/1818, Article 8(1)			Page n. 74
ESRS E1-7	GHG removals and carbon credits	56				Regulation (EU) 2021/1119, Article 2(1)	Not material
ESRS E1-9	Exposure of the benchmark portfolio to climate-related physical risks	66			Delegated Regulation (EU) 2020/1818, Delegated Regulation (EU) 2020/1816, An-nex II		Not material
ESRS E1-9	Disaggregation of monetary amounts by acute and chronic physical risk	66 (a)		Regulation (EU) No 575/2013, Article 449a Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Expo-sures subject to physical risk.			Not material
ESRS E1-9	Location of significant assets at material physical risk	66 (c)		Regulation (EU) No 575/2013, Article 449a Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.			Not material
ESRS E1-9	Breakdown of the carrying value of its real estate assets by energy-efficiency classes	67 (c)		Regulation (EU) No 575/2013, Article 449a Commission Implementing Regulation (EU) 2022/2453 paragraph 34;Template 2: Banking book – Climate change transition risk: Loans collateralised by immovable property – Energy efficiency of the collateral			Not material
ESRS E1-9	Degree of exposure of the portfolio to climate-related opportunities	69			Delegated Regulation (EU) 2020/1818, Annex II		Not material

ENT

Disclosure requirement	Description	Datapoint	Sustainable Finance Disclosures Regulation	Pillar 3 reference	Benchmark Regulation	Climate Law	Page / materiality
ESRS E2-4	Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	28	Indicator n. 8 Table I of Annex I, Indicator n. 2 Table II of Annex I, Indicator n. 1 Table II of Annex I, Indicator n. 3 in Table II of Annex I				Not material
ESRS E3-1	Water and marine resources	9	Indicator n. 7 in Table II of Annex I				Not material
ESRS E3-1	Dedicated policy	13	Indicator n. 8 in Table II of Annex I				Not material
ESRS E3-1	Sustainable oceans and seas	14	Indicator n. 12 in Table II of Annex I				Not material
ESRS E3-4	Total water recycled and reused	28 (c)	Indicator n. 6.2 in Table II of Annex I				Not material
ESRS E3-4	Total water consumption in m3 per net revenue on own operations	29	Indicator n. 6.1 in Table II of Annex I				Not material
ESRS 2 - IRO 1	E4	16 (a) i	Indicator n. 7 in Table I of Annex I				Not material
ESRS 2 - IRO 1	E4	16 (b)	Indicator n. 10 in Table II of Annex I				Not material
ESRS 2 - IRO 1	E4	16 (c)	Indicator n. 14 in Table II of Annex I				Not material
ESRS E4-2	Sustainable land / agriculture practices or policies	24 (b)	Indicator n. 11 in Table II of Annex I				Not material
ESRS E4-2	Sustainable oceans / seas practices or policies	24 (c)	Indicator n. 12 in Table II of Annex I				Not material
ESRS E4-2	Policies to address deforestation	24 (d)	Indicator n. 15 in Table II of Annex I				Not material
ESRS E5-5	Hazardous waste and radioactive waste	39	Indicator n. 9 in Table I of Annex I				Not material
ESRS 2 - SBM3 - S1	Risk of incidents of forced labor	14 (f)	Indicator n. 13 in Table III of Annex I				Not material
ESRS 2 - SBM3 - S1	Risk of incidents of child labor	14 (g)	Indicator n. 12 in Table III of Annex I				Not material
ESRS S1-1	Human rights policy commitments	20	Indicator n. 9 in Table III and indicator n. 11 in Table I of Annex I				Page n. 76

Zahtjev za objavljivanje	Opis	Podatkovna točka	Uredba o objavljivanju informacija o održivom financiranju	Treći stup	Propisi o referentnim vrijednostima	Europski zakon o klimi	Stranica / značajnost
ESRS S1-1	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8	21			Delegated Regulation (EU) 2020/1816, Annex II		Page n. 76
ESRS S1-1	Processes and measures for preventing trafficking in human beings	22	Indicator n. 11 in Table III of Annex I				Not material
ESRS S1-1	Workplace accident prevention policy or management system	23	Indicator n. 1 in Table III of Annex I				Page n. 76
ESRS S1-3	Grievance/complaints handling mechanisms	32 (c)	Indicator n. 5 in Table III of Annex I				Page n. 78
ESRS S1-14	Number of fatalities and number and rate of work-related accidents	88 (b) and (c)	Indicator n. 2 in Table III of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Page n. 85
ESRS S1-14	Number of days lost to injuries, accidents, fatalities or illness	88 (e)	Indicator n. 3 in Table III of Annex I				Page n. 85
ESRS S1-16	Unadjusted gender pay gap	97 (a)	Indicator n. 12 in Table I of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Page n. 86
ESRS S1-16	Excessive CEO pay ratio	97 (b)	Indicator n. 8 in Table III of Annex I				Page n. 86
ESRS S1-17	Incidents of discrimination	103 (a)	Indicator n. 7 in Table III of Annex I				Page n. 86
ESRS S1-17	Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines	104 (a)	Indicator n. 10 in Table I and indicator n. 14 in Table III of Annex I		Delegated Regulation (EU) 2020/1816, Delegated Regulation (EU) 2020/1818, Annex II, Article 12(1)		See MDR-P, Page n. 36
ESRS 2 - SBM3 - S2	Significant risk of child labor or forced labor in the value chain	11 (b)	Indicator n. 12 and 13 in Table III of Annex I				Not material
ESRS S2-1	Human rights policy commitments	17	Indicator n. 9 in Table III and indicator n. 11 in Table I of Annex I				Not material
ESRS S2-1	Policies related to value chain workers	18	Indicator n. 11 and 4 in Table III of Annex I				Not material
ESRS S2-1	Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines	19	Indicator n. 10 in Table I of Annex I		Delegated Regulation (EU) 2020/1816, Delegated Regulation (EU) 2020/1818, Annex II, Article 12(1)		Not material
ESRS S2-1	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8	19			Delegated Regulation (EU) 2020/1816, Annex II		Not material

ENT

Zahtjev za objavljivanje	Opis	Podatkovna točka	Uredba o objavljivanju informacija o održivom financiranju	Treći stup	Propisi o referentnim vrijednostima	Europski zakon o klimi	Stranica / značajnost
ESRS S2-4	Human rights issues and incidents connected to its upstream and downstream value chain	36	Indicator n. 14 in Table III of Annex I				Not material
ESRS S3-1	Human rights policy commitments	16	Indicator n. 9 in Table III of Annex I and indicator n. 11 in Table I of Annex I				Not material
ESRS S3-1	Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines	17	Indicator n. 10 in Table I of Annex I		Delegated Regulation (EU) 2020/1816, Delegated Regulation (EU) 2020/1818, Annex II, Article 12(1)		Not material
ESRS S3-4	Human rights issues and incidents	36	Indicator n. 14 in Table III of Annex I				Not material
ESRS S4-1	Policies related to consumers and end users	16	Indicator n. 9 in Table III and indicator n. 11 in Table I of Annex I				Page n. 87
ESRS S4-1	Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines	17	Indicator n. 10 in Table I of Annex I		Delegated Regulation (EU) 2020/1816, Delegated Regulation (EU) 2020/1818, Annex II, Article 12(1)		Not material
ESRS S4-4	Human rights issues and incidents	35	Indicator n. 14 in Table III of Annex I				Not material
ESRS G1-1	United Nations Convention against Corruption	10 (b)	Indicator n. 15 in Table III of Annex I				Page n. 91
ESRS G1-1	Protection of whistleblowers	10 (d)	Indicator n. 6 in Table III of Annex I				Page n. 91
ESRS G1-4	Fines for violation of anti-corruption and anti-bribery laws	24 (a)	Indicator n. 17 in Table III of Annex I		Commission Delegated Regulation (EU) 2020/1816, Annex II		Page n. 93
ESRS G1-4	Standards of anti-corruption and anti-bribery	24 (b)	Indicator n. 16 in Table III of Annex I				See MDR-P, Page n. 38

Environment

The chapter on the environment provides an overview of the ENT Group's approach to managing environmental aspects of business, with a focus on compliance with the regulatory requirements and the contribution to the sustainable development goals. It consists of two main subchapters: The key performance indicators according to the EU Taxonomy that present the environmental sustainability of economic activities; and ESRS E1 Climate change, which encompasses the approach to climate change mitigation and adaptation, calculation of GHG emissions and related measures.

Key Performance Indicators in line with the EU Taxonomy

In accordance with Article 8 of Regulation (EU) 2020/852 on establishing a framework to facilitate sustainable investment (Taxonomy Regulation), we report on the proportion of turnover, capital expenditure (CapEx) and operating expenses (OpEx) related to activities that are::

- taxonomy-eligible / non-eligible and
- activities aligned / not aligned with technical compliance criteria according to the EU taxonomy

in total consolidated turnover, capital expenditure and operating expenses.

Accounting categories

- Turnover = sales revenue

For registered activities, turnover includes sales revenue from products and sales revenue from services. It is presented in Note 5 "Sales revenue" in the consolidated financial statements..

- Capital expenditures (CapEx)

The following in included: items of property, plant and equipment, costs of replacing parts of certain items at the time of their occurrence that are expected to generate future economic benefits. It is presented in Note 12 "Property, plant and equipment", Note 13 "Intangible assets" and Note 28 "Leases" in the consolidated financial statements.

- Operating expenses (OpEx)

The following is included: direct expenses of projects and expenses that refer to research and development, measures of operating maintenance of buildings, short-term lease, maintenance and repair and all other direct expenses that refer to everyday maintenance of property, plant and equipment that are presented in the consolidated financial statements of profit and loss as other business expenses.

Double counting is avoided by preparing data at a consolidated level, harmonizing with consolidated financial statements, classifying data by categories in such a way that one piece of data cannot be listed in multiple categories, and defining which categories can be counted as aligned, not aligned, or not eligible activities.

Approach

The following criteria were applied in the assessment of the activities:

- that the activities meet our own criteria of economic activity in that they generate or will generate revenue
- that they correspond to the descriptions from Annex I and Annex II of Commission Delegated Regulation (EU) 2021/2139[12]
- that the activities have technical criteria for verification. .

Changes in disclosures compared to the previous reporting period

In the reporting period for 2024, a change was introduced in the methodological approach to the application of the EU Taxonomy compared to the previous year. Specifically, a more conservative approach to technical alignment verification was applied, whereby for each activity, the prerequisite for recognition of alignment was the fulfillment of all requirements with sufficient documentation and evidence of meeting the technical criteria.

Due to the above approach, no activity was identified in 2024 that would meet all the conditions for alignment with the taxonomy technical criteria, which to some extent limits comparability to data from previous periods. Additionally, due to the changed approach in defining categories, in the reporting year 2024 there were deviations in the method of recording them compared to previous periods. Instead of the previous presentation, in which the operating expenses (OpEx) for relevant activities included direct project implementation costs (including working hours, travel costs and engagement of external contractors), in 2024 only costs related to the renovation of existing buildings and regular operational maintenance are included. Consequently, and given the change in methodological approach, comparison with previous reporting years is not applicable, which is indicated by "n/a" in the table.

Assessment of activities according to the criteria of eligibility and alignment

Within the framework of the application of Regulation (EU) 2020/852, an assessment of activities was carried out according to the criteria of eligibility and alignment with EU Taxonomy.

Turnover

Eligible turnover includes total sales revenue generated from the activity Computer programming, consultancy and related

[12] Commission Delegated Regulation (EU) 2023/2486 was not included in the assessment

activities (code 8.2 Annex I – Climate change mitigation). This turnover relates to the development of software solutions and the provision of technical and professional support services in the field of computer activities[13]. It represents a change from the previous reporting period, as this activity was subsequently included in the list of eligible activities for climate change mitigation.

Operating expenses (OpEx)

Eligible operating expenses include expenses related to the renovation of existing buildings and regular operational maintenance measures, including:

- maintenance and repair costs,
- direct expenses related to day-to-day management of properties, plants and equipment.

Capital expenditures (CapEx)

The following expenditures related to taxonomy-eligible activities are recognized in the category of eligible capital expenditures:

- installation, maintenance and repair of energy efficiency equipment (code 7.3): putting up LED lighting in the Administrative building
- installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings (code 7.5): upgrade of the Power Monitoring Expert (PME) system to optimize energy management in technical areas at the Split location
- transport by motorbikes, passenger cars and light commercial vehicles (code 6.5): car leasing costs
- acquisition and ownership of buildings (code 7.7): purchase of elevators, entrance doors, office furniture and rental of business premises
- data processing, hosting and related activities (code 8.1): procurement of data center equipment

Since the alignment assessment requires detailed information on the supplier's alignment with the technical criteria of EU Taxonomy, it was not currently possible to fully assess to what extent individually identified eligible capital expenditure (CapEx) and operating expenses (OpEx) meet all the requirements for taxonomy alignment.

For 2022, all capital expenditures related to Taxonomy non-eligible activities, so the comparison with 2024 is not applicable (in the table below, "n/a" is entered in the fields for comparison with 2022). Similarly, business activities with codes 7.3 and 7.5, which were listed as not Taxonomy-aligned in 2023, due to the previously described application of a more conservative approach to technical alignment verification, are listed under eligible but not Taxonomy-aligned activities in 2024 and comparison with the previous year is not applicable (entries in the table "n/a").

Criteria: Do No Significant Harm - DNSH

As part of the assessment of eligible activities alignment with the DNSH criterion, no cases were identified in the 2024 reporting period in which activities would cause significant harm to other environmental objectives according to the taxonomy.

Minimum safeguards

The requirements of minimum safeguards have been met for the identified activities. This is based on fulfilling human rights obligations and applying due diligence practices, in line with the requirements of ESRS 2, including topics S1 (Own workforce), S4 (Consumers and end users) and G1 (Business conduct).

[13] Unlike the previous reporting year, when the activity Computer programming, consultancy and related activities was classified under Annex II – Climate change adaptation, in 2024 the same activity is included in Annex I – Climate change mitigation. Due to this change in classification, comparison with the previous period is not applicable, which is indicated with "n/a" in the table.

Share of aligned and eligible total turnover per environmental objectives

Environmental objectives	Proportion of taxonomy-aligned total turnover per objective	Proportion of taxonomy-eligible total turnover per objective
Climate change mitigation	–	75.5%
Climate change adaptation	–	–
Sustainable use and protection of water and marine resources	–	–
Transition to circular economy	–	–
Pollution prevention and control	–	–
Protection and restoration of biodiversity and ecosystems	–	–

Share of aligned and eligible operating expenses per environmental objectives

Environmental objectives	Proportion of taxonomy-aligned OPEX per bjective	Proportion of taxonomy-eligible OPEX per objective
Climate change mitigation	–	43.0%
Climate change adaptation	–	–
Sustainable use and protection of water and marine resources	–	–
Transition to circular economy	–	–
Pollution prevention and control	–	–
Protection and restoration of biodiversity and ecosystems	–	–

Share of aligned and eligible capital expenditure per environmental objectives

Environmental objectives	Proportion of taxonomy-aligned CAPEX per objective	Proportion of taxonomy-eligible CAPEX per objective
Climate change mitigation	–	100.0%
Climate change adaptation	–	–
Sustainable use and protection of water and marine resources	–	–
Transition to circular economy	–	–
Pollution prevention and control	–	–
Protection and restoration of biodiversity and ecosystems	–	–

Table of contents

Management report

Sustainability report

Financial statements report

Turnover

Financial year 2024				Substantial contribution criteria						Do No Significant Harm (DNSH) criteria										
Economic activity (1)	Code (2)	Turnover (3)	Proportion of turnover year 2024 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy aligned (A.1) or eligible (A.2) turnover, year N-2 (2022) (18)	Proportion of Taxonomy aligned (A.1) or eligible (A.2) turnover, year N-1 (2023) (19)	Category enabling activity (20)	Category transitional activity (21)
		EUR	%	Y;No ; N/EL	Y;No ; N/EL	Y;No ; N/EL	Y;No ; N/EL	Y;No ; N/EL	Y;No ; N/EL	Yes;No;	Yes;No;	Yes;No;	Yes;No;	Yes;No;	Yes;No;	Yes;No;	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which enabling		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	E	
Of which transitional		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Computer programming, consultancy and related activities	8.2	188,439,751	75.5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								n/a	82.5%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**188,439,751**	**75.5%**	**100%**	N/EL	N/EL	N/EL	N/EL	N/EL								n/a	82.5%		
A) Turnover of Taxonomy-eligible activities (A.1 + A.2)		**188,439,751**	**75.5%**	**100%**	N/EL	N/EL	N/EL	N/EL	N/EL								n/a	82.5%		
B) TAXONOMY NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy non-eligible activities		**61,033,620**	**24.5%**																	
TOTAL		**249,473,371**	**100%**																	

Capital expenditure

Financial year 2024				Substantial contribution criteria						Do No Significant Harm (DNSH) criteria										
Economic activity (1)	Code (2)	Capital expenditure (3)	Proportion of Capital expenditure year 2024 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy aligned (A.1) or eligible (A.2) turnover, year N-2 (2022) (18)	Proportion of Taxonomy aligned (A.1) or eligible (A.2) turnover, year N-1 (2023) (19)	Category enabling activity (20)	Category transitional activity (21)
		EUR	%	Y;No ; N/EL	Y;No ; N/EL	Y;No ; N/EL	Y;No ; N/EL	Y;No ; N/EL	Y;No ; N/EL	Yes;No;	Yes;No;	Yes;No;	Yes;No;	Yes;No;	Yes;No;	Yes;No;	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Capital expenditure of environmentally sustainable activities (Taxonomy-aligned)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which enabling		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	E	
Of which transitional		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		T
A.2 Capital Expenditure of Taxonomy-eligible but not environmentally sustainable activities (not Taxono-my-aligned activities)																				
Data processing, hosting and related activities	8.1	635,821	11.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								n/a	8.4%		
Computer programming, consultancy and related activities	8.2	3,319,902	57.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								n/a	2.0%		
Installation, maintenance and repair of energy efficiency equipment	7.3	19,719	0.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								n/a	n/a		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	6,521	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								n/a	n/a		
Acquisition and ownership of buildings	7.7	432,103	7.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								n/a	80.5%		
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	1,390,852	24.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								n/a	5.8%		
Capital Expenditure of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**5,804,918**	**100.0%**	**100%**	N/EL	N/EL	N/EL	N/EL	N/EL								n/a	n/a		
A) Capital Expenditure of Taxonomy-eligible activities (A.1 + A.2)		**5,804,918**	**100.0%**	**100%**	N/EL	N/EL	N/EL	N/EL	N/EL								n/a	n/a		
B) TAXONOMY NON-ELIGIBLE ACTIVITIES																				
Capital Expenditure of Taxonomy non-eligible activities		**1,249**	**0.0%**																	
TOTAL (A + B)		**5,806,167**	**100%**																	

Operating expenses

Financial year 2024				Substantial contribution criteria						Do No Significant Harm (DNSH) criteria										
Economic activity (1)	Code (2)	Operating expenses (3)	Proportion of operating expenses year 2024 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy aligned (A.1) or eligible (A.2) turnover, year N-2 (2022) (18)	Proportion of Taxonomy aligned (A.1) or eligible (A.2) turnover, year N-1 (2023) (19)	Category enabling activity (20)	Category transitional activity (21)
		EUR	%	Y;No ; N/EL	Y;No ; N/EL	Y;No ; N/EL	Y;No ; N/EL	Y;No ; N/EL	Y;No ; N/EL	Yes;No;	Yes;No;	Yes;No;	Yes;No;	Yes;No;	Yes;No;	Yes;No;	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Operating Expenses of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which enabling		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	E	
Of which transitional		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		T
A A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Renovation of existing buildings	7.2	153,822	6.8%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								n/a	n/a		
Acquisition and ownership of buildings	7.7	818,528	36.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								n/a	n/a		
Operating Expenses of Taxonomy-eligible, but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**972,350**	**43.0%**	**100%**	N/EL	N/EL	N/EL	N/EL	N/EL								n/a	n/a		
A) Operating Expenses of Taxonomy-eligible activities (A.1 + A.2)		**972,350**	**100.0%**	**100%**	N/EL	N/EL	N/EL	N/EL	N/EL								n/a	n/a		
B) TAXONOMY NON-ELIGIBLE ACTIVITIES																				
Operating expenses of Taxonomy non-eligible activities		**1,291,553**	**57.0%**																	
TOTAL (A + B)		**2,263,903**	**100.0%**																	

ESRS E1 Climate change

E1-1 – Transition plan for climate change mitigation

Due to the complexity and scope of the transition plan, ENT Group currently does not have a Climate Change Mitigation Plan that would ensure the alignment of the strategy and business model with the transition to a sustainable economy and the limitation of global warming to 1.5°C, in accordance with the Paris Agreement and the goal of the European Green Deal of net zero emissions by 2050. The implementation of this activity is planned for 2025.

E1-2 – Policies related to climate change mitigation and adaptation

The Environmental Management Policy in the ENT Group is an integral part of the broader Quality, Environmental and Occupational Health and Safety Policy. It is aimed at efficient use of resources, reduction of the ecological footprint and ensuring energy efficiency in all operational segments. However, ENT Group currently does not have a separate policy dedicated to mitigating climate change and adapting to these changes. Such a policy will be developed during 2025 and will be separate from the existing Environmental Management Policy due to its specific objectives, stakeholders involved and resources required for its implementation.

E1-3 – Actions and resources in relation to climate change policies

In 2024, ENT began a project to replace fluorescent lighting with LED lighting in the Administrative building, which will be implemented in four phases until 2028. Every year, the lighting on two floors will be changed, starting from the basement to the sixth floor. The new LED lighting supports the DALI protocol for smart control, and the effects of the project will be monitored through monthly monitoring of electricity consumption. A total of 1,600 lighting fixtures will be replaced, which will reduce electricity consumption by 55% (46,000 kWh per year) and CO_2e emissions by 6 tCO_2e. In the third quarter of 2024, LED lighting was installed on two floors, with an investment of EUR 22,000. This reduced annual electricity consumption by 3,000 kWh, resulting in a reduction in CO_2e emissions by 400 kg.

The construction of a photovoltaic power plant with a capacity of 1 MW is planned in 2025 at the premises in Zagreb, with an expected annual production of 1.2 GWh of electricity. This will reduce Scope 2 emissions by 157 tCO_2e per year, which will be repeated every year during the life of the power plant, provided that the energy produced is used for ENT Group's own needs, instead of electricity from the grid that has the same emission factor.

Implementation includes the procurement of a software tool for management and monitoring, while post-construction maintenance and supervision will be ensured through a service level agreement (SLA) with the contractor. Total value of the investment is EUR 940,000, and it will be financed from own funds, with an expected return within six years.

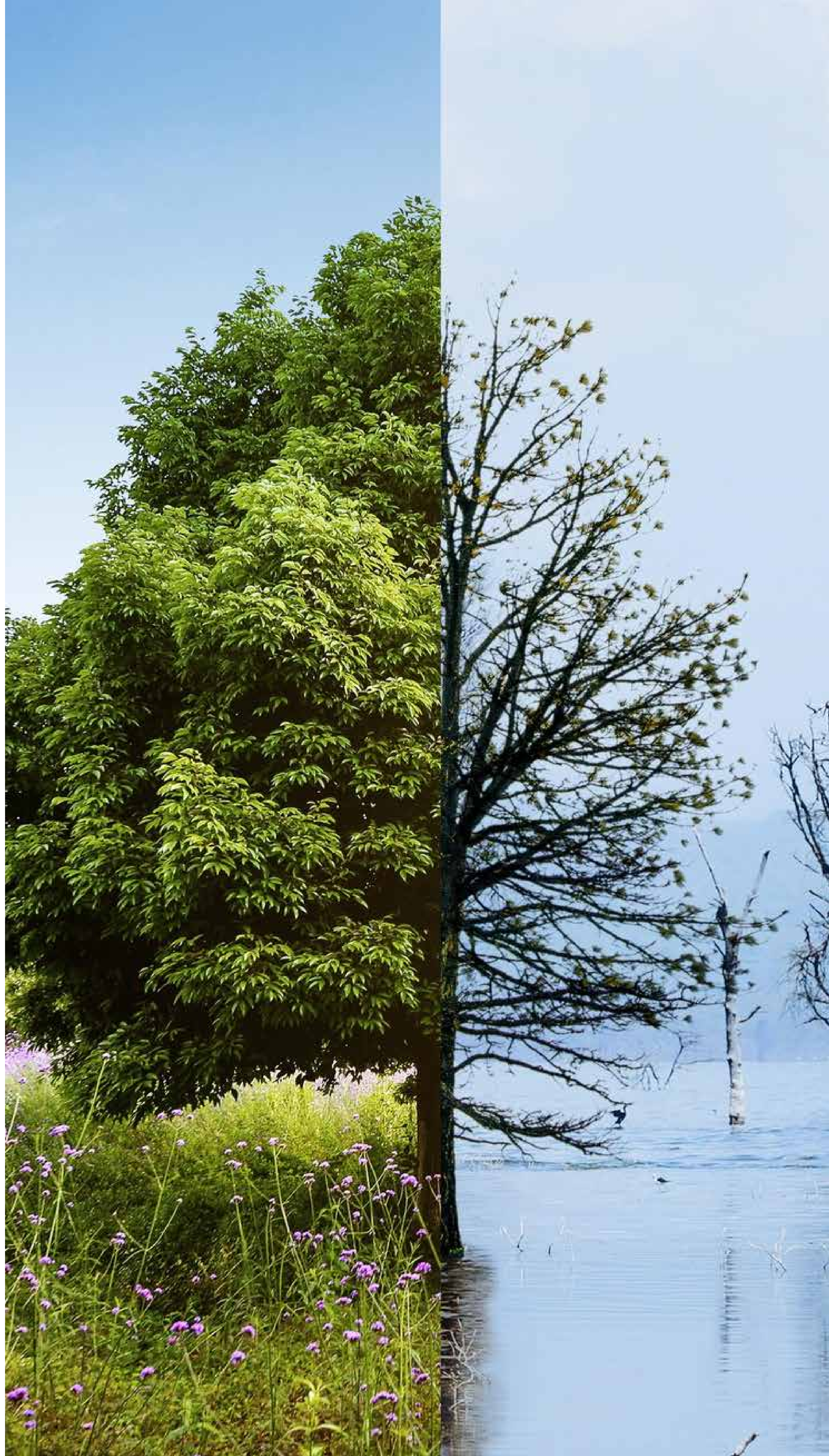
Further measures to mitigate and adapt to climate change will be defined during 2025.

E1-4 – Targets related to climate change mitigation and adaptation

To ensure alignment with a science-based approach, ENT Group will define specific targets for reducing Scope 1, 2 and 3 GHG emissions during 2025, aligned with limiting global warming to 1.5°C and net zero emission reduction targets by 2050 in line with the European Green Deal. Specific goals, in addition to reducing emissions, will focus on the use of renewable energy sources, increasing energy efficiency and reducing climate risks, as ENT Group decarbonization priorities.

E1-5 – Energy consumption and mix

ENT Group's energy consumption data for 2024 includes electricity and thermal energy from Scope 2, as well as natural gas and fuel for vehicles listed in Scope 1 (using fuel conversion factors). In 2024, ENT Group consumed a total of 6,549.16 MWh of electricity, which represents the largest share in the total consumption of all energy sources. The second largest share



ENT

is the consumption of thermal energy from heating plants in Zagreb and Osijek, with a consumption of 2,679.97 MWh. The share of fossil energy sources in total energy consumption amounted to 37.31%, nuclear energy sources represent 1.17%, and renewable energy sources 61.53%.

To present the combination of energy sources in the table Energy consumption and mix, the structure of the share of individual sources of electricity was used, as supplied by HEP Opskrba according to the available data for the year 2024. According to this data, the largest share in electricity supply is held by hydroelectric power plants, which account for 30% of total production. This is followed by thermal power plants with a share of 18% and nuclear power plants with a share of 13%. Renewable sources of energy, excluding hydroelectric power plants, contribute with 8%. The remaining part of electricity, a total of 31%, is covered by imports. This structure shows significant dependence on domestic hydroelectric power plants and thermal power plants, with a certain reliance on nuclear energy and imports, while renewable sources outside of hydroelectric power plants still have a smaller share in the total supply.

Energy consumption and mix in ENT Group

	Energy consumption and mix	Comparative (2023)	Year N (2024)
(1)	Fuel consumption from coal and coal products (MWh)	-	-
(2)	Fuel consumption from crude oil and petroleum products (MWh)	3,852.00	685.00
(3)	Fuel consumption from natural gas (MWh)	107.80	120.00
(4)	Fuel consumption from other non-renewable sources (MWh)	30.87	157.68
(5)	Consumption of purchased or acquired electricity, heat, steam, and cooling from non-renewable sources (MWh)	2,006.00	2,679.00
(6)	**Total non-renewable energy consumption (MWh) (calculated as the sum of lines 1 to 5)**	**5,996.67**	**3,641.68**
	Share of non-renewable sources in total energy consumption (%)	**45.96%**	**37.31%**
(7)	**Consumption from nuclear sources (MWh)**	**17.64**	**113.88**
	Share of nuclear sources in total energy consumption (%)	**0.14%**	**1.17%**
(8)	Fuel consumption for renewable sources including biomass (which includes industrial and municipal waste of biological origin, biogas, hydrogen from renewable sources, etc.) (MWh)	-	-
(9)	Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh)	7,032.27	6,005.88
(10)	Consumption of self-generated non-fuel renewable energy (MWh)	-	-
(11)	**Total renewable energy consumption (MWh) (calculated as the sum of lines 8 to 10)**	**7,032.27**	**6,005.88**
	Share of renewable sources in total energy consumption (%)	**53.90%**	**61.53%**
	Total energy consumption (MWh) (calculated as the sum of lines 6 and 11)	**13,046.58**	**9,761.44**
	Amount for which origin cannot be determined (HEP import) in MWh	**38.22**	**271.56**

Table of contents

Management report

Sustainability report

Financial statements report

E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions

In the calculation of greenhouse gas (GHG) emissions and their CO_2 equivalents, ENT Group applies the GHG Protocol using an operational control approach. This means that the emissions calculation includes all entities over which ENT Group has operational control, including the parent company Ericsson Nikola Tesla d.d., as well as subsidiaries and branch offices: Ericsson Nikola Tesla Servisi d.o.o. (Zagreb), Ericsson Nikola Tesla BH d.o.o., Libratel d.o.o. (Zagreb) and Ericsson Nikola Tesla d.d. – Branch office Kosovo.

ENT Group operations include the calculation of GHG emissions of CO_2, N_2O and CH_4 in all Scope 1, 2 and 3 categories, as these gases have been identified as relevant and present due to the Group operational activities. On the other hand, emissions of fluorinated gases, such as PFCs, SF_6 and NF_3, are not recognized in the ENT Group business processes and are therefore not included in the calculation.

When calculating emissions, relevant emission factors were applied, taking into account national, international and industry-recognized databases. In addition, the total CO_2 equivalent was calculated, which allows for a comprehensive assessment of the ENT Group's impact on GHG emissions, while for certain Scope 3 categories, the CO2e factor was used and no breakdown by gas is available.

Classification of market-based emissions is not fully possible because only the location in Zagreb uses energy from renewable sources, which is confirmed by the ZelEn certificate of the electricity supplier HEP Opskrba d.o.o. Since other locations do not have certificates or contracts for the use of green energy, when calculating emissions according to this approach, the average grid emission factor is applied. On the other hand, in the location-based approach, emissions are calculated using the average grid emission factor for the last available year, which is currently 2022.

The first comprehensive calculation of ENT Group emissions was carried out in 2017 using the Bilan Carbone tool as part of the LIFE Clim'Foot project, in cooperation with the Energy Institute Hrvoje Požar. The year 2017 was defined as the reference year for reporting purposes. In order to ensure consistency and comparability of data, in 2024 the same methodology and extent of emission categories in Scope 3 were applied as in 2017.

The following data sources were used to calculate emissions:

- invoices from energy and fuel suppliers
- data from energy consumption meters
- travel orders and reports from travel agencies
- logistics data for transportation and distribution
- financial data and other relevant business reports

Additionally, for all Scope 3 categories, relevant emission factors taken from national emission factor databases, IPCC sources and other internationally recognized data sources were applied. The level of uncertainty regarding calculation varies across categories, with greater uncertainty for Scope 3 due to limited availability of primary activity data.

Scope 1

Scope 1 emissions include direct emissions from energy sources under the operational control of the ENT Group, including fuel consumption for managed company vehicles, natural gas used for meal preparation, and fugitive emissions from refrigerants in air conditioning systems. In 2024, the total emissions of Scope 1 amounted to 246.44 tCO_2e, which represents a significant drop of 77% compared to 2023, when emissions amounted to 1,079.78 tCO_2e. This reduction is primarily the result of a reduction in the number of company vehicles in the ENT Group's fleet[14], which led to a significant reduction in emissions from mobile energy sources.

The calculation of emissions is based on the application of relevant emission factors to measured consumption quantities, with the primary data sources being fuel and gas supplier invoices and energy consumption meter data. Due to the high reliability of available data, the level of uncertainty regarding calculation was estimated at 5%, with the highest precision achieved for fuel and natural gas. However, the uncertainty is somewhat higher for fugitive emissions of refrigerant gases, due to possible variations in losses of substances from the system.

Scope 2

Indirect Scope 2 emissions include emissions associated with the consumption of purchased electricity and thermal energy in workplaces at all locations within the ENT Group. As previously stated (E1-6), only the Zagreb location uses electricity from renewable sources, while the other locations apply appropriate average grid emission factors.

In 2024, the total emissions of Scope 2 amounted to 1,527.20 tCO_2e according to the location-based approach, which represents a reduction of 12% compared to 2023, when emissions amounted to 1,739.07 tCO_2e. The reduction in emissions is the result of increased energy efficiency at certain locations, primarily through the optimization of electricity consumption. Key contributions include the rationalization of energy use for the operation of test environments during the summer and winter holidays, and the modernization of lighting by introducing LED technology in part of the premises of the Administrative building in Zagreb.

According to the market-based approach, the total emissions of Scope 2 amounted to 1061.08 tCO_2e, which represents an increase of 10% compared to 2023, when emissions amounted to 964.57 tCO_2e.

The calculation of emissions is based on the application of a location- and market-based approach, with the use of supplier invoices and data from energy consumption meters as primary data sources. Given the high reliability of these sources, the level of uncertainty in calculation was estimated at 5%, ensuring a relatively precise assessment of the impact of energy consumption on the ENT Group's total emissions.

Scope 3

Scope 3 emissions include indirect emissions that occur in the upstream and downstream parts of ENT Group's value chain, outside of own operations.

In 2024, the total emissions of Scope 3 amounted to 4,569.40 tCO_2e, which represents a reduction of 7% compared to 2023, when emissions amounted to 4,891.92 tCO_2e. This reduction in emissions can be attributed to reductions in several key categories such as business travel and daily employee commuting, which previously accounted for a significant portion of ENT Group's overall carbon footprint. Despite the decrease, Scope 3 emissions still account for the largest share of ENT Group's total emissions at 72%.

Upstream emissions include emissions from purchased goods and services, which include purchased materials, lower-value services and employee meals, and emissions from capital goods, such as investments in IT equipment and furniture.

[14] Due to the fact that the technology unit for the construction and maintenance of HT's network was transferred from Ericsson Nikola Tesla Servisi d.o.o. on 31 December 2023.

Fuel- and energy-related activities not included in Scope 1 and 2 are listed here, including gas, electricity and thermal energy consumption, and emissions from inbound transport and distribution of goods. Furthermore, Scope 3 includes emissions from waste generated in business operations, business travel and employee commuting to work. In the business travel category, emissions are calculated based on travel orders and travel agency data, while for employee commuting, estimates based on modal split are used, with some employees using public transport, buses or private cars.

Since ENT Group does not produce or sell its own physical products, emissions in the following downstream categories are not recognized: processing of sold products, use of sold products, downstream leased assets, franchises and investments. However, certain emissions occur in the category of downstream transport and distribution, mainly related to the delivery of equipment needed to implement technological solutions. Due to low materiality, these emissions are minimal in the total carbon footprint of the ENT Group, but are still stated under Scope 3.

The estimation of Scope 3 emissions is associated with certain levels of uncertainty, mainly due to the limited availability of primary data from suppliers and users, as well as the use of estimates and conversion factors for certain activities. Depending on emission category, the level of uncertainty varies between 10% and 30%, with estimates with higher uncertainty mainly related to inbound and outbound transport, purchased goods and services, and capital goods due to the use of a spend-based method.

Overview of the share of emissions calculated based on the use of primary data from suppliers in Scope 3

Scope 3 categories	Calculation method/ Reason for exclusion	Share of emissions calculated using primary data from suppliers	Level of uncertainty
Upstream categories			
Purchased goods and services	Spend-based method	0%	10%
Capital goods	Spend-based method	0%	10%
Fuel- and energy-related activities	Average data method	0%	15%
Upstream transportation and distribution	Fuel-based method	0%	30%
Waste generated in operations	Method specific to the type of waste	0%	5%
Business travel	Distance-based method	76%	20%
Employee commuting	Distance-based method	0%	20%
Upstream leased assets	ENT has no leased assets	-	-
Downstream categories			
Downstream transportation and distribution	Fuel-based method	0%	25%
Processing of sold products	ENT has no material products to process	-	-
Use of sold products	ENT does not sell prod-ucts that cause emis-sions in this category	-	-
End-of-life treatment of sold products	ENT does not sell physi-cal products that have an end of life cycle	-	-
Downstream leased assets	ENT does not lease assets to third partie	-	-
Franchises	ENT does not operate through franchises	-	-
Investment	ENT does not invest in financial instruments	-	-

Total GHG emissions of the ENT Group classified into Scope 1 and 2 emissions and Scope 3 emissions

Scope		Emission (tCO2e)	2024	2023	2017	2024 / 2023		2024 / 2017	
Scope 1	1-1	Stationary energy sources	24.40	21.78	34.05				
	1-2	Mobile energy sources	183.02	998.00	10.17				
	1-3	Process emissions	-	-	-				
	1-4	Fugitive emissions	39.03	60.00	658.50				
		TOTAL Scope 1	**246.44**	**1,079.78**	**702.72**	-833.34	-77%	-456.28	-65%
Scope 2	2-1	Electricity consumption (location-based)	954.10	932.80	5,556.49				
		Electricity consumption (market-based)	488.71	158.30	5,556.49				
	2-2	Consumption of energy for heating and cooling	573.10	806.27	2,453.95				
		TOTAL Scope 2 (location-based)	**1,527.20**	**1,739.07**	**8,010.44**	-211.87	-12%	-6,483.24	-81%
		TOTAL Scope 2 (market-based)	**1,061.71**	**964.57**	**8,010.44**	-94.14	10%	-6,948.73	-87%
		TOTAL Scope 1 and 2 (lo-cation-based)	**1,773.64**	**2,818.85**	**8,713.16**	-1,045.21	-37%	-6,939.52	-80%
		TOTAL Scope 1 and 2 (market-based)	**1,308.15**	**2,044.35**	**8,713.16**	-736.20	-36%	-7,405.01	-85%
Scope 3	3-1	Purchased goods and ser vices	1,379.01	1,611.58	699.45				
	3-2	Capital goods	2,146.59	872.00	338.00				
	3-3	Fuel- and energy-related activities not included in Scope 1 or 2	286.10	361.00	769.26				
	3-4	Upstream transportation and distribution	10.06	46.05	55.60				
	3-5	Waste generated in operations	37.21	82.29	63.45				
	3-6	Business travel	275.70	1,230.59	4,096.30				
	3-7	Employee commuting	426.00	677.41	1,333.23				
	3-8	Upstream leased assets	-	-	-				
	3-9	Downstream transportation and distribution	8.73	-	-				
	3-10	Processing of sold products	-	-	-				
	3-11	Use of sold products	-	-	-				
	3-12	End-of-life treatment of sold products	-	11.00	9.78				
	3-13	Downstream leased assets	-	-	-				
	3-14	Franchises	-	-	-				
	3-15	Investment	-	-	-				
		TOTAL Scope 3	**4,569.40**	**4,891.92**	**7,365.07**	-322.52	-7%	-2,795.67	-38%
		TOTAL Scope 1, 2 and 3 (location-based)	**6,343.04**	**7,710.77**	**16,078.23**	-1,367.73	-18%	-9,735.19	-61%
		TOTAL Scope 1, 2 and 3 (market-based)	**5,877.55**	**6,936.27**	**16,078.23**	-1,058.72	-15%	-10,200.68	-63%
		number of employees	2,913.00	3,600.00	3,059.00				
		specific emission (tCO2e/employee)	2.33	2.14	5.26				

GHG intensity based on net revenue

The table shows the intensity of GHG emissions per net revenue for 2023 and 2024, with the values remaining stable, with a slight increase in the location-based approach and a decrease in the market-based approach. Total net revenue in 2024 decreased by 18% compared to 2023, primarily reflecting the decline in revenue in the Croatian market.

GHG intensity based on net revenue	2024 (tCO2e/ EUR)	2023 (tCO2e/ EUR)	2024/ 2023
Total GHG emissions (location-based) per net revenue	25.42	25.34	100.31%
Total GHG emissions (market-based) per net revenue	23.55	22.80	103.31%

E1-7 – GHG removals and GHG mitigation projects financed through carbon credits

ENT Group is not currently implementing GHG removal or GHG mitigation projects financed through carbon credits.

E1-8 – Internal carbon pricing

There is currently no internal carbon pricing system implemented within the ENT Group.

E1-9 – Anticipated financial effects from material physical and transition risks and potential climate-related opportunities

In the first reporting year, ENT Group uses the option of omitting information about the anticipated financial effects from material physical and transition risks and potential climate-related opportunities. During the first three years of reporting, ENT Group will publish exclusively qualitative information, until the necessary frameworks and methodologies for assessing and quantifying physical and transition risks are established.

Society

Attracting, developing and retaining employees

The chapter provides a detailed overview of social aspects of sustainability, with an emphasis on working conditions, equal opportunities, protection of rights and responsible service provision. The focus is on attracting, developing and retaining skilled employees, which ENT Group recognizes as a strategic priority in the context of global competition for talents and fast technological changes. Moreover, it provides the mechanisms to protect employee dignity, health and safety, systems of reporting irregularities, and measures to ensure an inclusive and safe working environment. In relation to consumers and end users, ENT Group describes the approach to the safety of products and services, transparency of information, digital availability and procedures to resolve complaints and protect user rights.

ESRS S1 Own workforce

S1-1- Policies related to own workforce

In its business operations, ENT Group applies the UN Guiding Principles on Business and Human Rights from 2011 and follows clear policies and guidelines that ensure a fair, safe, and inclusive work environment. The business is based on the mandatory application of the Code of Business Ethics, which applies to all employees, subcontractors, and private contractors under the leadership of the Group's managers or within the Group's business premises.

The Code includes mechanisms for protection against discrimination, including protection based on racial and ethnic origin, skin color, gender, sexual orientation, gender identity, disability, age, religion, political opinion, national or social origin, and other grounds defined by the legislation of the European Union and national regulations.

In addition to the obligation to comply with the Labor Act, the Code defines that child labor, human trafficking, and forced, bonded, and compulsory labor are strictly prohibited. All work activities must be carried out on a voluntary basis, without coercion or threats, with special attention paid to preventing negative impacts on children. In this context, during the hiring process, the age of the candidate is verified, in order to ensure compliance with the legislative requirements.

ENT Group also operates based on the following internal acts:

Rulebook on the Peaceful Resolution of Labor Disputes

This Rulebook provides employees with a fair and impartial procedure to resolve disputes. A special decision determined the composition of mediators and the peace council, which is responsible for receiving and handling employee complaints. The Compliance and Investigation Service is responsible for the analysis, investigation and decision making regarding the actions taken, thus ensuring an objective resolution of the consequences of the reported incidents. The Rulebook clearly defines that the resolution of a dispute cannot be less favorable for the employee than the decision for which the employee submitted the request, thus ensuring fairness and protection of employee rights.

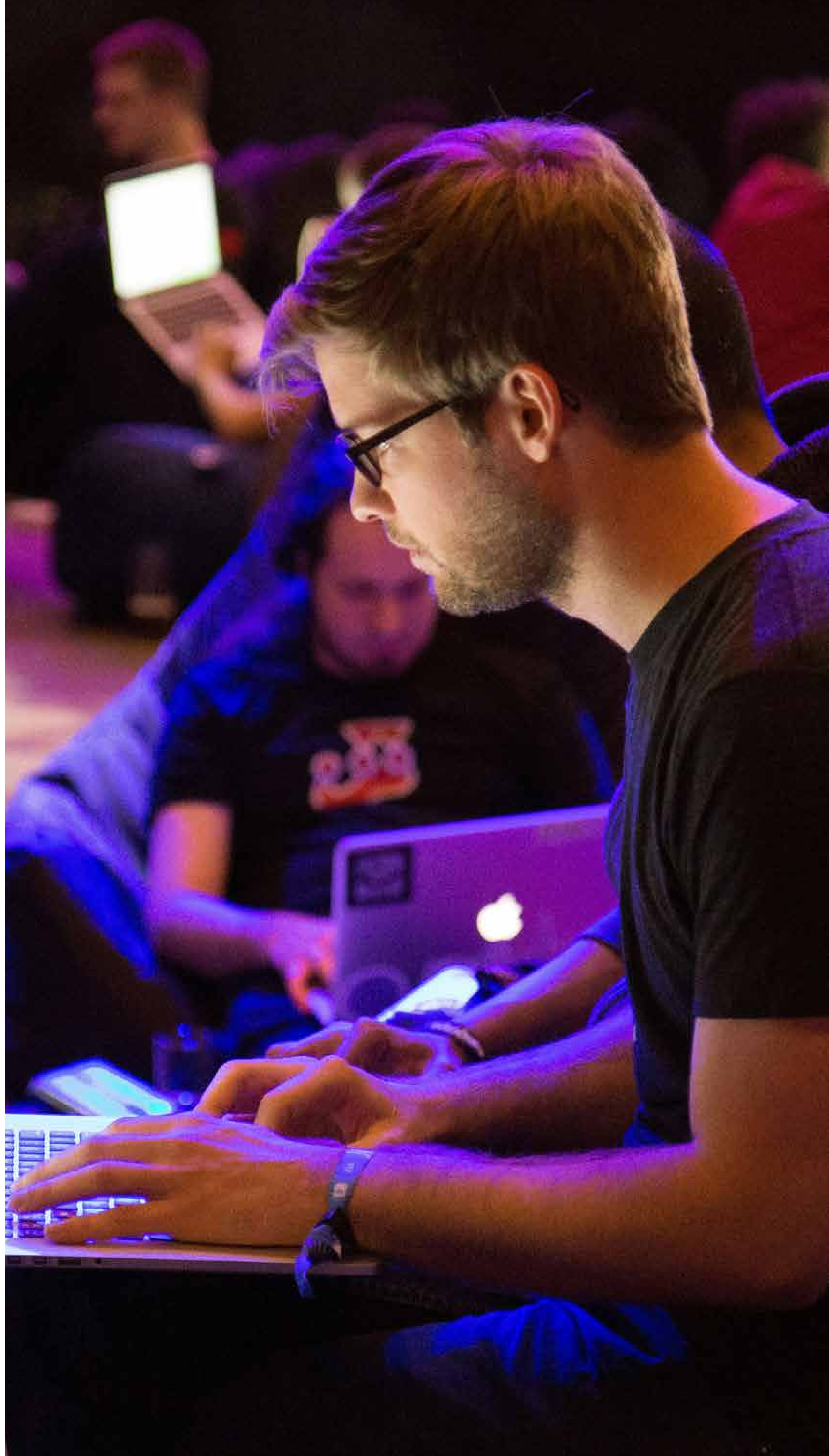
Rulebook on Procedures and Protection of Employee's Dignity

The Rulebook on Procedures and Protection of Employee's Dignity defines the procedure to protect the employee's dignity, which is carried out by the Committee for Receiving and Resolving Complaints Related to the Protection of Employees' Dignity within eight days from the date it receives the complaint. This Regulation ensures protection against sexual harassment, discrimination and other forms of harassment, by defining unwanted behaviors and the grounds on which the protection is applied. In case of confirmed harassment or discrimination, the Committee proposes to the employer to take the corresponding labor-legal action.

Corrective or disciplinary measures

These guidelines define the principles applied in ENT Group when carrying out corrective or disciplinary measures towards employees. The measures are carried out after the Compliance Officer, based on the investigation upon the received complaint, determines compliance violation. The aim of the document is to ensure that the determined violations are resolved in a transparent and consistent way, taking into account all the relevant facts and circumstances of each individual case. This approach ensures fairness and consistency, thus additionally strengthening the compliance culture within the organization.

ENT Group also applies internal acts that regulate compliance and investigations procedures, securing transparency and objectivity. The procedure of internal reporting for ENT Group's compliance establishes rules and guidelines to report irregularities, while the document Investigation Handling defines the way to conduct investigations in cases of potential violations of compliance. These acts enable a systematic approach to reporting and solving cases, with clearly defined responsibilities and mechanisms to protect the integrity of



the process. Detailed information can be found in the chapter Business conduct (ESRS G-1).

Mechanisms to protect employee dignity and secure work environment without discrimination

Ericsson Nikola Tesla Group applies mechanisms to protect human and labor rights, securing fair and transparent working conditions for all employees. The Rulebook on Procedures and Protection of Employee's Dignity defines procedures to prevent and protect employees from discrimination, harassment and sexual harassment, while a special committee is appointed for receiving and handling complaints.

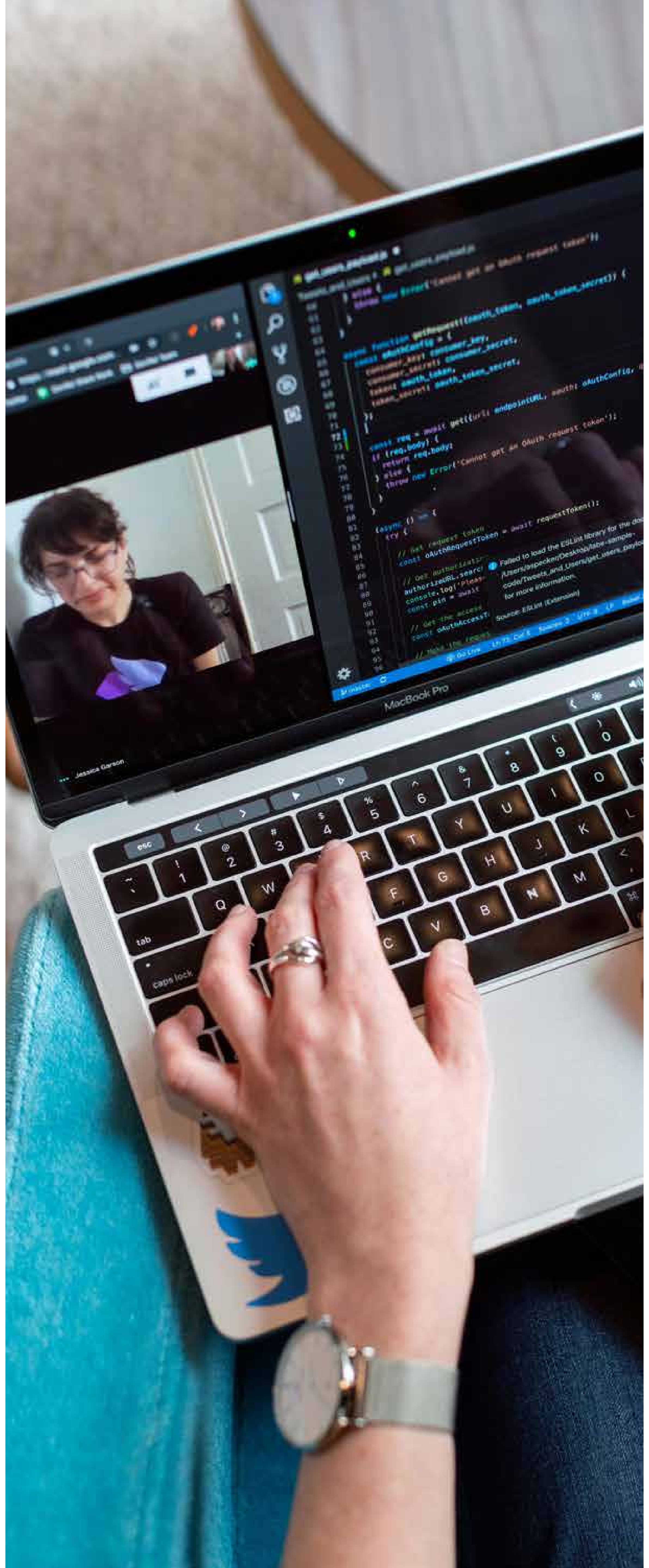
Protection mechanisms include:

- active measures against abuse and harassment, whereby appropriate actions are taken in case of complaint, while ensuring the protection of the complainant
- respecting labor rights, while applying transparent policies of awarding and securing equal opportunities for professional development
- supporting employees in achieving work-life balance, thus enabling a stable and encouraging working environment
- open communication and employee participation, which enables exchanging ideas and participating in improving business processes

The hiring process is based on objective criteria and ensures equal opportunities for all candidates, including persons with disabilities, to whom working conditions are adapted in accordance with the relevant legislation.

Ways to report irregularities

Various channels are available to report irregularities related to human and labor rights. Employees can submit a report through Committee for Receiving and Resolving Complaints Related to the Protection of Employees' Dignity which operates in line with the Labor Act and internal rulebooks, the incident reporting box at locations in Zagreb, Split and Osijek, as well as through Ask CEO channel, which enables a direct communication via e-mail with Ericsson Nikola Tesla's President. In case of suspected human rights violations, external stakeholders can also submit a report via compliance line, which secures a wide reach and an effective protection system.



Occupational Health and Safety

The management of employee health and safety is carried out through a framework aligned with the national legislation and the Labor Rulebook. The identification and management of risks are key elements of approach, with the aim to reduce the number of potential accidents and ensure a safe working environment. The system of health protection encompasses proactive measures of prevention, education for employees, and the application of the best practices in the sector, thus contributing to overall business sustainability.

Supporting an inclusive and flexible working environment

In line with the Rulebook on Determining Quota for Hiring Persons with Disabilities[15], we ensured workplace and work environment adjustments to enable persons with disabilities to have equal working conditions and professional development. ENT Group encourages work-life balance through flexible working conditions, including flexible working hours and the possibility to work remotely. The system of flexible working hours ensures that employees have greater autonomy in organizing their workday, with a focus on completing their work tasks. Additionally, the Policy on Working Remotely was introduced, enabling remote work up to 10 days per month, or permanently from home, thereby providing employees with greater flexibility and work-life balance.

Continuous improvement of workforce protection policies

Policies of protection of human rights and working conditions are continuously improved through regular audits and adjustments, ensuring their compliance with the legal standards, international standards and best industry practices.

An approach based on responsible and adaptable business secures continuous improvement of fair, safe and inclusive working conditions, thereby not only supporting the company's long-term sustainability, but also strengthening its competitiveness in the ICT sector by creating an encouraging work environment that responds to modern challenges and employees' needs.

[15] Official Gazette 145/20

Impact, risk and opportunity management

S1-2 – Processes for engaging with own workers and workers' representatives about impacts

Dialog and cooperation with employees and social partner

At Ericsson Nikola Tesla, the protection and promotion of employees' rights and interests are represented by 13 union representatives, who perform the function of the Workers Council. The Workers' Council was not established because a union proposal was not submitted nor was it requested by at least 20% of the employees, as prescribed by Article 141 of the Labor Act. Ericsson Nikola Tesla's trade union is the company's key social partner, with whom regular cooperation is maintained through informing and counseling, in line with the provisions of the Labor Act. The positions of union representatives are actively considered while creating new policies and other internal acts that refer to employees.

Human Resources Director and the negotiating committee participate in annual negotiations with the union about the Agreement about Salary Policy and Other Payments. During these negotiations, issues related to material and social security, working conditions, job security and professional development are addressed.

The cooperation between the Management Board and the employees has clearly defined roles and responsibilities, including the Management Board, Executive Management, managers, and employee representatives in the Union Executive Committee[16].

In order for the employees to be timely informed about their rights and obligations, information is regularly shared through internal communication channels, including email, intranet, e-announcement boards, and direct communication with the line manager.

In line with the Labor Act, regular meetings and consultations with the social partner enable an ongoing dialog between employees and managers.

The needs of particularly sensitive groups of employees, such as employees with disabilities and foreign employees, are addressed through an open dialog. Moreover, employees from especially sensitive groups have the support of the Human Resources Department at any time, namely the organizational psychologist and employee experience specialist.

Additionally, performance review and career development talk is held once a year, while employee satisfaction and engagement are evaluated through an anonymous survey Voice of ENT.

S1-3 – Processes to remediate negative impacts and channels for own workers to raise concerns

Open communication and irregularities reporting system

Ericsson Nikola Tesla Group encourages open communication and responsible behavior of employees in recognizing and reporting potential irregularities. The employees are advised to first talk to their manager or a senior manager about the observed irregularities, unless the manager is directly related to the incident. In such cases, they can report it directly to the Compliance and Investigation Service, or through other channels, anonymously or non-anonymously.

Detailed information about the available channels to report irregularities can be found on the web page Company governance – Ericsson Nikola Tesla d.d., including the Bylaw on Internal Reporting of Irregularities for all companies of ENT Group. Employees, suppliers and other stakeholders can submit reports, whereby all the reports are handled in line with the established procedures.

For additional discretion, there are incident reporting boxes for anonymous reporting placed within the company, thus securing the protection and trust of the person reporting.

The effectiveness of reporting channels is monitored through statistical analysis of all the reports that were received from employees, business partners, and other (anonymous and non-anonymous) persons reporting. Since 2018, each report has been recorded through parameters such as the type of the report, geographic area, processing time, and the possibility for feedback communication with the person reporting.

Feedback is provided when the person reporting leaves contact information. In cases when the report was made anonymously, for example via email or box without the possibility of further communication, feedback is not possible.

Employees can express their trust in the system also in the annual anonymous survey Voice, in which they evaluate the satisfaction of the available reporting channels, communication possibility and the overall ethics in doing business.

In 2024, ENT Group received two reports of irregularities. All the reports were processed within an average period of 30 days, with the communication established towards the persons reporting, who expressed their satisfaction with the feedback provided.

Settlement of individual labor disputes

ENT Group adopted a Rulebook on Peaceful Resolution of Individual Labor Disputes, which enables employees a fair and unbiased procedure of dispute resolution. A special decision determined the composition of mediators and the peace council, which is responsible for receiving and handling employee complaints.

The Compliance and Investigation Service is responsible for the analysis, investigation and decision making regarding the actions taken, thus ensuring an objective resolution of the consequences of the reported incidents.

The rulebook clearly defines that the resolution of a dispute cannot be less favorable for the employee than the decision for which the employee submitted the request, thus ensuring fairness and protection of employee rights.

S1-4 – Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

Managing material impacts on employees

In order to ensure positive outcomes for employees and effectively manage material impacts on them, systematic measures are applied to prevent, solve challenges and create a stimulating work environment. These measures include preventing negative impacts, responding to the existing challenges, encouraging positive changes and ongoing monitoring of the effectiveness of the initiatives undertaken.

[16] It consists of union members and the representatives of organizational units who, in line with the Articles of Association of the Employees' Union, participate in the work of the Union. Executive Committee has 20 members.

Prevention and mitigation of potential negative impacts

- Mental health programs are integrated in the work environment to provide support for employees in managing stress and ensuring their well-being.
- Safety protocols are continuously being improved, aiming to reduce the risks of work-related injuries, strictly adhering to health and safety standards.
- Flexible working conditions enable better alignment of business and private obligations, thus increasing employee productivity and engagement.

Mechanisms to solve material impacts

- Channels to report problems allow employees to express their concerns in a safe way and anonymously through several available channels.
- Prompt response to reports ensures that irregularities are investigated in a timely manner, and that appropriate corrective measures are taken.

Encouraging positive changes

- Development programs and continuous education enable the adopting of new knowledge and skills, thus providing employees with the opportunities for professional growth and long-term employability.
- Providing support for innovation and excellence encourages the development of creative solutions by rewarding accomplishments and investing in research and development.
- Improving healthcare includes an approach to preventive medical checkups and other measures focused on employees' wellbeing.

Monitoring and evaluating the effectiveness of measures

- Regular feedback channels ensure the collection of employee feedback and the evaluation of the success of implemented programs.
- Reporting on the impact of the measures undertaken ensures transparency and continuous adjustment of strategies based on data analysis and survey results.

Managing material risks and seizing opportunities

In the context of dynamic changes in the labor market, measures to reduce risks and seize strategic opportunities are continuously being implemented, with the aim of the company's long-term sustainability and competitiveness.

Measures to mitigate material risks and seize material opportunities

- Employee education and career guidance are aligned with the latest industry trends, thus ensuring adaptation to changes and long-term employability.
- Occupational health and safety are continuously improved through strict protocols that reduce the risk of occupational diseases and work-related injuries. The activities are continuously carried out through PrevENTion program in order to improve employee health and encourage healthy habits.
- Development of internal talents allows the retention of experts through training programs and opportunities of advancement within the company.
- Encouraging innovations and research is carried out through cooperation with the academic institutions and participation in research projects.
- Flexible working conditions contribute to increasing productivity and employee satisfaction by providing the opportunity to work remotely and have flexible working hours.

The option of occasional remote work (working from home) reduces employees commuting to work (impact on almost 100% of the Group's employees). ENT encourages using bicycles to commute to work. Employees have secured parking and bicycle service within the campus at the Zagreb location (impact on 70% of the Group's employees).

Key activities and workshops in 2024 dedicated to employee health

In 2024, in cooperation with the Croatian Institute of Public Health, ENT organized various activities, aiming to promote healthy lifestyle. At locations in Zagreb and Osijek, a Health Check Point was organized, where the employees had the opportunity to measure their mood and receive advice from mental health experts. A lecture dedicated to mental health, titled My Health, was held in Split.

- Online webinar „Stress and importance of maintaining quality relationship with the partner "; with more than 300 participants.
- Health Check Point in Osijek and Zagreb, where employees had the chance to measure their mood and receive psychological advice (Osijek: 30 participants, Zagreb: 120 participants).
- Celebrating the Red Dress Day, raising awareness about the prevention, diagnosis, and control of cardiovascular diseases in women.
- Hybrid workshop "Anxiety and how to deal with it" was held in Split (15 participants on site, 50 online); the recording was published on PrevENTion pages and viewed 516 times.
- Workplace Health Week, during which educational materials about healthy lifestyle habits were distributed to employees.
- My Health lecture "Safely commute to work by bicycle – without sweating and panicking ", with the aim of promoting safe and sustainable mobility.
- Health Day in cooperation with Multisport, on the occasion of the World Health Day, available to all employees.
- An interview with an OBGYN on the occasion of the World Ovarian Cancer Day, which further emphasized the importance of prevention and timely diagnosis.

Medical checkups and employee feedback

In 2024, a total of 1 443 employees had a medical checkup. After the medical checkup, an anonymous survey assessed service satisfaction, whereby an average score was 4.46 out of 5, which shows a high level of employee satisfaction.

All the activities within the Wellbeing program are available to all employees, and feedback confirms their relevance and usefulness. After the initiatives were carried out:

- 98.6% of employees who participated would recommend the topics to their colleagues.
- 86.3% of respondents stated that they acquired new knowledge, applicable both in their private and professional life.

Ericsson Nikola Tesla Group continues to develop and adjust the program of promoting employee health and well-being, thus ensuring a sustainable and holistic approach to physical and mental health in the workplace.

S1-5– Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

Maintaining a high level of employee engagement (eEngagement) and satisfaction (eSatisfaction)

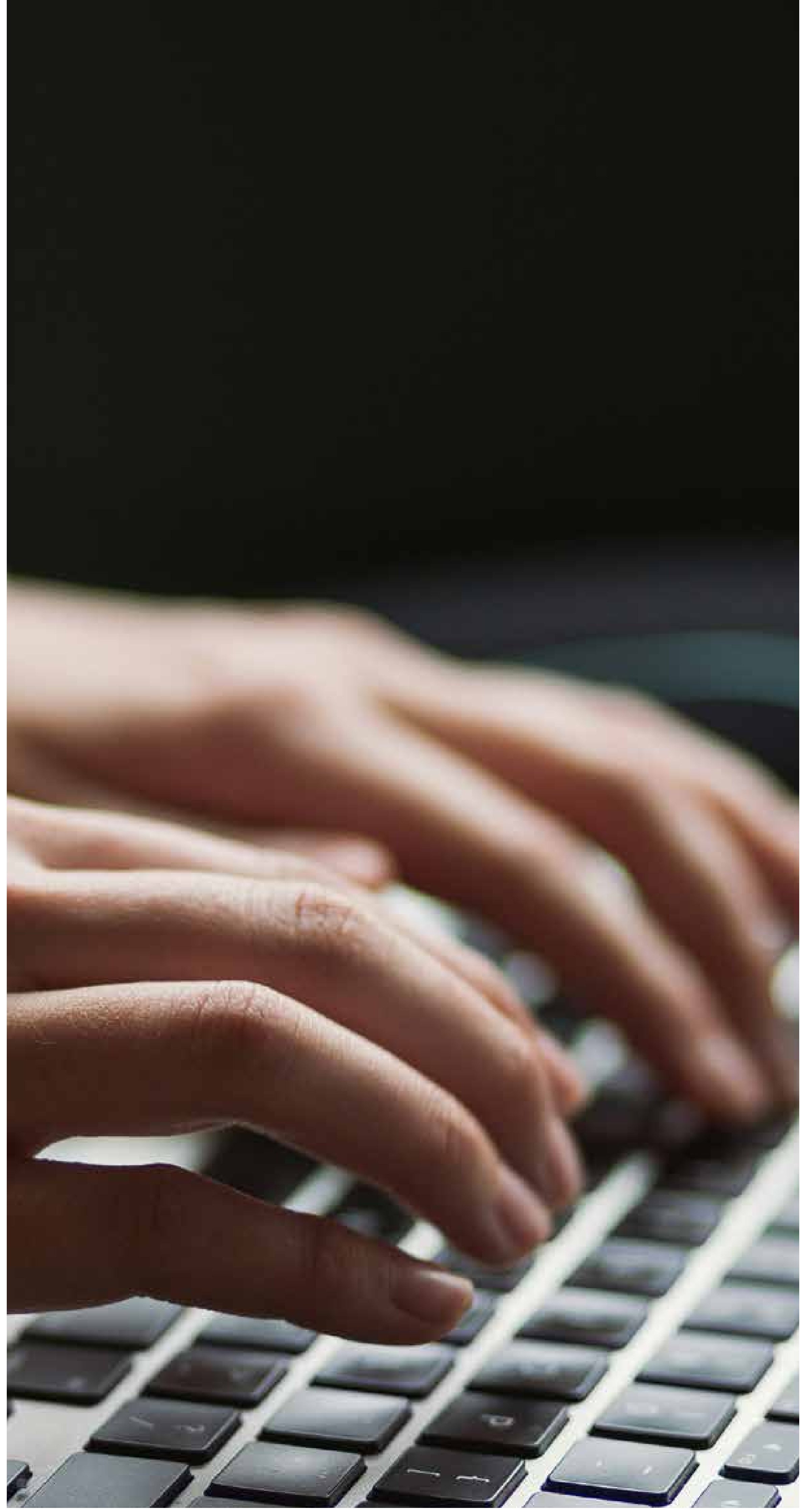
This target is key to achieving business goals and successful implementation of Ericsson Nikola Tesla Group's strategy. In order to ensure that this goal is achieved, the following key performance indicators (KPIs) have been defined, which enable monitoring and improving the satisfaction and engagement of ENT Group's employees. These indicators are monitored through an annual analysis of the results of the VOICE survey:

1. Participation rate in the VOICE survey – an indicator of employee engagement in providing feedback and participating in creating a better working environment. In 2024, the participation rate was 82%, which shows employees' great interest to actively participating in shaping the organizational culture.
2. eEngagement index – measures employee engagement through several aspects of work, including motivation, complexity of the job, sense of purpose, career development and the quality of feedback. The survey results in 2024 show a high level of employee engagement, with the engagement index being 75 points, with 74% of favorable responses, 14% of neutral responses, and 9% of unfavorable responses.
3. eSatisfaction index – measures the level of employee satisfaction. The current value is 68, whereby 63% of employees expressed exceptional satisfaction and/or satisfaction, 27% is neutral and 10% is dissatisfied.
4. Simplification index – an indicator that measures the perception of employees about the effectiveness of business processes and removal of obstacles in work. The current value is 72, whereby 72% of employees believe that the processes are optimized, 20% are neutral, while 8% believe there are significant obstacles in work.

Strengthening gender equality and inclusion in ENT Group

In line with the Code of Corporate Governance, in 2020 ENT Group's Supervisory Board set a target to increase the representation of women in the company's key management bodies until 2025. This target encompasses the percentage of women in the Supervisory Board, the Executive Management, line management and the total number of employees of ENT Group.

Until November 2024, significant progress was achieved in gender representation within the company. The percentage of women in the Supervisory Board reached 40%, thus achieving the target set for 2025. In Executive Management, the percentage of women is 25%, with a planned increase to 30% until 2025. In line management, including team leaders and project programs managers, the representation of women is currently 27%, with the aim of reaching 30% in 2025.



Gender	Total
Male	2.083
Female	830
Other	0
Not reported	0
Total employees	2.913

ENT Group will continue to implement transparent hiring and promotion procedures with the aim to ensure gender equality in line with the best practices and regulatory requirements, including the EU Directive that mandates a minimum of 33% of women directors, including executive and non-executive directors by the end of June 2026.

Strengthening Occupational Health and Safety (OHS) system through audits and informing employees

In 2024, OHS goals encompassed carrying out different types of audits, including internal audits, audits of suppliers, field audits and on-site audits. 22 audits were planned; however, the goal was surpassed and on the level of ENT Group 25 audits were carried out which provided additional insights in terms of compliance and effectiveness of the OHS system. As planned, ENT Group's employees received two OHS Newsletters, which provided key information about safety standards and recommendations. Moreover, four meetings of OHS Team were held; two in Zagreb, one in Split, and a joint meeting as part of preparations for external audit, thus ensuring coordination and improvement of OHS at Group's level.

S1-6– Characteristics of the undertaking's employees

At the end of 2024, Ericsson Nikola Tesla Group had a total of 2 913 employees, whereby men accounted for 71.51%, while women accounted for 28.49%. This distribution reflects the representation of women in the ICT sector in Croatia which, according to the Croatian Bureau of Statistics, amounted to 30% in December 2024.

The largest company within the Group is Ericsson Nikola Tesla d.d. (ENT) with 2 790 employees, which accounts for 95.8% of the total number of employees. Other entities, including branch offices and subsidiaries in the region, have a significantly smaller number of employees, with the highest number of women recorded in branch office Kosovo (37.5%), while Libratel d.o.o. has the highest percentage of men (84.0%).

Employment structure in ENT Group according to employment type as at December 31, 2024

Most of the ENT Group employees are permanent employees (2817 employees, accounting for 96.7% of employees), while temporary employees accounted for 3.30% (96 employees). Almost all employees are full-time employees (2904 employees), while only nine employees are part-time employees.

ENT

ENT Group employee breakdown by entity as at December 31, 2024

Ericsson Nikola Tesla Group	December 2024	Male	Female	M%	F%
ENT Group	2913	2083	830	71.51%	28.49%
Ericsson Nikola Tesla d.d. – ENT	2790	1992	798	71.40%	28.60%
Ericsson Nikola Tesla Servisi d.o.o. – EHR	47	35	12	74.47%	25.53%
Libratel d.o.o.	25	21	4	84.00%	16.00%
Ericsson Nikola Tesla BH d.o.o. – TBA	35	25	10	71.43%	28.57%
Ericsson Nikola Tesla d.d. Branch office Kosovo – TXK	16	10	6	62.50%	37.50%

ENT Group employee breakdown by gender as at December 31, 2024

	Female	Male	Total
Number of employees (headcount/FTE)	830	2.083	2.913
Number of permanent employees (head count/FTE)	804	2.013	2.817
Number of temporary employees (head count/FTE)	26	70	96
Number of non-guaranteed hours employees (head count/FTE)	0	0	0
Number of full-time employees (head count/FTE)	825	2.079	2.904
Number of part-time employees (head count/FTE)	5	4	9

Employee retention

An average number of employees in Ericsson Nikola Tesla Group during 2024 was 2902, while a total of 185 employees left the company due to various reasons, including voluntary departures, dismissal, retirement, death or expiration of employment contract.

The turnover rate in ENT Group was 6.37%[17], while according to Gartner global research from 2022, turnover rate in the age group between 18 and 29 in the ICT sector was 19.9%. The same research showed that employees in IT are more prone to quit their jobs compared to employees outside IT.[18] Therefore, ENT Group also closely monitors the rate of unwanted departures, with the aim that it does not exceed 3.5%, whereby the result achieved in 2024 is 3.39%, which shows the success of managing key talents and retaining experts within the company.

Methodology of data collection and analysis

The data were collected from an internal employee database and were processed by applying statistical analysis, whereby descriptive methods were used. To calculate the number of employees, a headcount approach was used, which means that all employees were taken into consideration, regardless of whether they work full-time or part-time. The date December 31, 2024, was used to present the total number of employees, while the average number of employees during the year was used to calculate the turnover rate.

Employment structure and flexible forms of work

Ericsson Nikola Tesla Group employs a certain number of employees with fixed number of working hours, and provides flexible working conditions, thus ensuring support to employees in various life situations.

Key reasons for flexible forms of employment include:

- Students – working on a student contract with the possibility of later employment.
- Retirees – engaged to work part-time in order to additionally contribute to business and the community.
- Parents – enabling reduced working hours in case of extended parental leave or care of a child with health issues.
- Personal reasons – adjustment of working hours for employees who need more flexible working conditions.

In 2024, out of 287 students, 71 of them became ENT Group's employees.

Note: The reference position in the financial report that confirms the total number of employees is listed in chapter 8 – Personnel expenses, showing the employment status as at December 31, 2024, on page 116.

[17] Turnover rate = (185/2902)×100≈6.37%

[18] https://www.gartner.com/en/newsroom/press-releases/2022-03-09-gartner-survey-finds-only-29-percent-of-tech-workers-have-high-intent-to-stay-with-current-employer

S1-9 – Diversity metrics

Management and age structure in ENT Group

The highest management level of Ericsson Nikola Tesla Group consists of the Management Board and the members of the Executive Management, whereby women account for 25% (4 women), while men account for 75% (12 men). This distribution reflects the current representation of women in leadership positions, with efforts to ensure greater diversity in management structures in the long term.

ENT Group has three age groups of employees, whereby the employees between the age of 30 to 50 (65.43%), account for the largest share of the workforce, which highlights the dominant presence of experienced professionals.

- Employees younger than 30: 559 employees (19.19%), which shows the significant presence of young experts and an influx of new talents, often through student and internship programs.
- Employees between 30 and 50: 1906 employees (65.43%), which accounts for the largest share of the workforce and reflects the stability of the working population with developed competencies.
- Employees older than 50: 448 employees (15.38%), which ensures the transfer of knowledge and experience within the organization.

S1-10 – Adequate wages

Adequate system of wages in Ericsson Nikola Tesla Group

All Ericsson Nikola Tesla Group employees have a monthly contracted salary above 60% of the median of monthly contracted internal salary, which confirms the fairness and adequacy of salary system.

The threshold is defined according to career levels and complexity of job position, and the calculation is based on employee data on 31 December 2024, whereby the President of Ericsson Nikola Tesla is excluded from the analysis.

Methodology to estimate adequate wages

To estimate the adequacy of income, a threshold of 60% of the median value of the internal monthly contracted salary (gross 1) was used, which is in line with the methodologies used by the international institutions:

- In Croatia, the at-risk-of-poverty threshold is defined at 60% of the national median equivalent income, according to the data of the Croatian Bureau of Statistics.
- OECD uses a similar approach, whereby the same threshold is used for international comparison of poverty rate among member states.

S1- 11 Social protection

Social protection and support to employees of Ericsson Nikola Tesla Group

All employees of Ericsson Nikola Tesla have health insurance at the Croatian Health Insurance Fund (HZZO), which ensures their protection against loss of income during sick leave. In addition to mandatory health insurance, the Group additionally provides social protection for employees in case of major life events, based on the provisions of the Collective Agreement and the Labor Rulebook.

Financial support in extraordinary situations

In line with the Collective Agreement, the employees are provided with maximum tax-free allowances in cases of:

- long-term sick leave or the need for medical treatment, thus ensuring the financial stability of employees during periods of temporary incapacity for work.
- acquired disability, where financial support for adapting to the new situation is defined.
- birth of a child, whereby employees are provided additional support while their family is growing.
- retirement, ensuring employees transition to a new phase of life with appropriate financial support.

S1 – 12 Persons with disabilities

Hiring persons with disabilities in ENT Group

In 2024, 21 employees with disabilities worked in Ericsson Nikola Tesla Group, which represents 0.72% of the total number of employees. The recruitment process is carried out in cooperation with the Croatian Employment Service (CES), experts from the Croatian Employment Service, associations of persons with disabilities, and with the recommendations of the existing employees. Persons with disabilities are hired based on their competencies and skills in the ICT sector, whereby they are provided with equal opportunities for development and professional advancement as other employees.

Obligation of quota employment and the application of the NERA system

ENT Group monitors its quota obligation of employing persons with disabilities through the system NERA, which enables employers to::

- electronically submit e-statements, e-announcements, and e-reports to the Institute for Expertise, Professional Rehabilitation, and Employment of Persons with Disabilities.
- be notified about the number of job positions exempt from the quota.
- deliver contracts about the fulfillment of the substitute quota and to report about its fulfillment.

S1-13 – Training and skills development metrics

Employee development and talent management in Ericsson Nikola Tesla Group

Ericsson Nikola Tesla Group has been continuously investing in employee development through structured processes of estimation of impact and training programs, thus ensuring professional growth and adjustment of employees to dynamic demands of the ICT sector.

Performance management and career development

Through the Individual Performance Management process, 96% of employees of the parent company (Ericsson Nikola Tesla d.d.) have their work performance estimated. This process enables managers to provide employees with feedback about their work during individual conversations, talk about career development options and define activities for development needed for further advancement. Talent Management tool is used to manage talents, which enables systematic monitoring and development of employees' key competencies.

Enter Academy – strategic approach to education

In order to additionally strengthen the processes of education and increase employee competence level, in April 2024, ENT Group founded the Enter Academy, whereby all the initiatives in terms of knowledge and skill development have been consolidated within a single platform.

The Academy encompasses a wide range of training programs, including:

- Internal and external programs to develop soft skills and

leadership skills (Moments, Development Hub).
- Specialized technical training adjusted to smaller teams or individuals.
- Online educations using Coursera, which enables access to globally recognized programs.
- Participating in professional seminars and conferences, based on business needs and employee specializations.

Elementis – new training management system

In 2024, ENT Group implemented Elementis, a new system for online training management and employee competence development. Having been developed within the company, Elementis enables centralized and digitalized management of learning, thus enabling employees to have easier access to educational content and development activities. The system is being developed gradually, and already in the first stage, online learning was made available for all employees, and until the end of 2024, it contained more than 100 of its own educational content. In the coming stages, adding new functionalities is planned, such as certificate tracking, course registration, insight into development activities and interactive knowledge exchange. Elementis is not only a training platform, but also a tool that encourages the culture of learning, connects employees and supports their professional development on all levels.

Internal exchange of knowledge and additional initiatives

Except for formal training programs, ENT Group has a series of internal initiatives focused on knowledge exchange within teams and between departments. These activities are recorded in time report system, and are summed up within the Self-training column, which enables tracking employee individual development activities.

Competence development and employee participation in training during 2024

During 2024, Ericsson Nikola Tesla Group employees participated in professional development training, attending a total of 68 927 hours of education, including all the recorded programs and estimated data.

Employee participation in training programs

TOver the year, 82% of employees participated in some kind of training program, whereby 94% of female employees and 77% of male employees participated. An average number of training hours per employee was 28.77, whereby female employees participated in 32.91 hours of training, while male employees had an average of 26.78 hours of training. A higher proportion of female employees in training programs demonstrates their active participation in development programs, while the total number of training hours shows that a significant number of employees continuously develop through various forms of professional development.

Structure of training programs

Training encompassed various programs, including:
- Internal soft skills program (Moments) – a total of 2 936 hours offered; 1 615 hours realized.
- External soft skills program (Development Hub) – 7 292 hours offered, with a high level of realization of 6 976 hours.
- Technical training on demand – 8 132 hours offered, fully realized.
- Online training via Coursera – 2 861 hours offered, fully realized.
- Seminars and conferences – 2 900 hours offered, also fully realized.
- Internally led training, recorded in time report system – 43 077 hours offered, fully realized.

Most of the training was realized through self-training programs, which shows a significant self-initiative of employees in learning and development..

Table 1 Distribution of hours of training programs according to the number of active participants, broken down by gender

Training program	Internal soft skill (Moments)	External soft skill (Development)	Technical training (on demand)	Coursera	Seminars and conferences	Self-training (from time report)	Total	*ENT/S programs	*Total (including data from estimation)
All employees									
Total number of hours offered	2,936	7,292	8,132	2,861	2,900	43,077	**67,198**	3,366	**70,564**
Total number of hours realized	1,615	6,976	8,132	2,861	2,900	43,077	**65,561**	3,366	**68,927**
Utility	55%	97%	100%	100%	100%	100%	**98%**	100%	**98%**
Total number of Group's employees	2,913	2,913	2,913	2,913	2,913	2,913	**2,913**	2,913	**2,913**
Number of unique participants (all)	110	300	243	153	149	992	**1,947**	449*	**2,396**
*estimation of unique participants									
Average number of hours of realization per participant (all)	14.68	23.25	33.47	18.70	19.46	24.83	**33.67**	7.50	**28.77**
Share in the total number of employees	4%	10%	8%	5%	5%	34%	**67%**	15%	**82%**
Female									
Total number of the Group's female employees	830	830	830	830	830	830	**830**	830	**830**
Number of hours for female employees	651	2,456	1,796	494	1,112	17,992	**24,501**	1,258*	**25,759**
Number of unique female employees	44	109	58	44	59	301	**615**	168*	**783**
*estimation from the overall ratio for women									
Average number of hours realized per female participant	14.80	22.53	30.97	11.23	18.85	59.77	**39.84**	7.50	**32.91**
Share in the total number of female employees	5%	13%	7%	5%	7%	36%	**74%**	20%	**94%**
Male									
Total number of Group's employees	2,083	2,083	2,083	2,083	2,083	2,083	**2,083**	2,083	**2,083**
Number of unique male participants	964	4,520	6,336	2,367	1,788	25,086	**41,061**	2,108*	**43,169**
Number of unique male participants	66	190	185	109	90	691	**1,331**	281*	**1,612**
*estimation from the overall ratio for men									
Average number of hours realized per unique male participant	14.61	23.79	34.25	21.72	19.87	36.30	**30.85**	7.50	**26.78**
Share in the total number of male employees	3%	9%	9%	5%	4%	33%	**64%**	14%	**77 %**

* Because the ENT/S training program was carried out via Teams platform, the number of participants was recorded based on the attendance data. However, gender distribution was not directly available. In order to secure the highest possible accuracy of data, the approximate distribution of men and women was made based on the ratios established in other thoroughly documented training activities. This approach enabled consistency and representativeness of the data within the overall training analysis in ENT Group.

S1-14- Health and safety metrics

Managing Occupation Health and Safety in Ericsson Nikola Tesla Group

The system of Occupation Health and Safety Management in Ericsson Nikola Tesla Group is based on continuous monitoring of identified risks and opportunities, with defining goals and key performance indicators (KPI). The processes of system improvement are carried out at the Group level, ensuring consistency in the application of protection measures and adaptation to changing business conditions.

The system is implemented through multiple levels of management, including the Management Board, appointed OHS authorized persons, employees' commissioners and OHS experts, and risks are continuously identified and eliminated. Internal audits ensure compliance with legal and internal requirements, which is confirmed by the certificate ISO 45001.

As key risks, ENT Group recognized eyestrain, static and dynamic efforts associated with prolonged sitting, as well as stress and mental health of employees. In order to effectively reduce these risks, a range of preventive measures and programs was implemented to support employees' physical and mental health.

Employee training and incident reporting

New employees undergo mandatory training on the OHS system, while line managers are being trained continuously and in line with the legal deadlines. The process of incident reporting is organized to enable fast identification and analysis of cause, and employees are encouraged to report injuries, illness, accidents and dangerous situations in a timely manner, regardless of whether they work in an office, on site, or remotely.

Work-related injuries in 2024

During 2024, two work-related injuries were recorded that were classified as major injuries according to the national classification of injuries. One injury happened at the employer's premises, while the other happened during a business trip abroad. Due to these injuries, a total of 35 days of sick leave were recorded, and the rate of the recorded work-related injuries for ENT Group's employees is 0.33 injuries based on 1 000 000 hours worked. During the year there were no reported fatalities, neither among employees nor among external contractors.

Prevention and improvement of OHS system

Risk management is based on regularly estimating safety threats and establishing concrete measures to reduce them. Prolonged sitting, eyestrain, stress and mental health of employees have been recognized as key challenges. Through systematic activities, including the PrevENTion program and organization of professional lectures, efforts are made to raise awareness about the negative impacts of work environment, and secure support to employees in preserving their physical and mental health.

Protecting health and safety of external contractors

Ericsson Nikola Tesla Group sets high health and safety standards not only for its own employees, but also for external contractors. All contractors are obliged to respect legal requirements and the Group's internal standards, with a clear message that non-compliance with these measures is unacceptable.

According to the current risk assessment, eyestrain, static and dynamic efforts associated with prolonged sitting, as well as risks related to stress and mental health of employees, have been recognized by the company, and an entire range of activities and measures was created, such as regular medical checkups and the PrevENTion program, in order to reduce the consequences of these risks to a minimum. Professional lectures about mental and physical health and workplace-related risks were also organized. Activities that enable us to eliminate the consequences of long hours of sitting in the workplace were also shown and promoted. In 2024, there were no recorded occupational or work-related illnesses according to the list prescribed by the ILO and aligned with the list of occupational diseases at the national level.

Overall performance review of ENT Group in 2024

Disclosure request	% / number	Comment
Percentage of people from own workforce encompassed by the OHS system based on legal requirements and/ or recognized stand-ards or guidelines	98.9%	All employees of Ericsson Nikola Tesla Group are encompassed by the OHS system, in line with the legal requirements and internal standards. New employees are trained within 60 days from the day they are hired, while periodic training is carried out every five years for the OHS authorized persons and commissioners.
Number of fatalities of its own workforce as a result of work-related injuries and work-related ill health	0	There were no fatalities.
Number of fatalities as a result of work-related injuries and work-related ill health of other workers working on the undertaking's sites	0	There were no fatalities of contract workers.
Number of recorded work-related accidents for own workforce	2	Two work-related injuries.
Rate of recorded work-related accidents for own workforce	0.33	Taking into account the total number of em-ployees and hours worked during the year, the rate of injuries per one million hours worked is 0.33.
Number of recorded cases of work-related ill health of employees	0	There were no recorded cases of ill health.
Number of workdays lost to work-related inju-ries and fatalities from work-related acci-dents, work-related ill health and fatalities from ill health of employees	35	Two work-related injuries resulted in a total of 35 days of sick leave.

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S1-15- Work-life balance

Ericsson Nikola Tesla Group, in line with the Labor Act, Collective Agreement and Labor Rulebook, ensures all employees the right to family-related leave. In 2024, 9.94% (276) of employees had the right to family-related leave, and out of those, 81.16% (224) used this right. According to breakdown by gender, 44.20% (122) of men and 36.96% (102) of women used the family-related leave out of the total number of employees with the right to family-related leave.

S1-16- Compensation metrics (pay gap and total compensation)

If the job positions of the same complexity of tasks and work experience are compared, the differences in salaries between men and women are not noticeable. The average contracted monthly salary (gross 1) of men in ENT Group is 9.5% higher compared to the average contracted monthly salary of women.

A comparison of the data for the EU, Croatia and IT industry shows that income differences between men and women exist on all levels. According to the Eurostat data for 2022, the average difference in income was 12.7% in the EU (12% for 2023), and 13.2% in Eurozone. In Croatia, this difference is 12.5%, which is in line with the EU average, while the difference in ENT Group is less than the average of IT industry, where the difference in incomes amounts to 14.1%. According to this indicator in the IT sector, Croatia ranks fifth in the EU.

A deeper analysis of the data shows that the difference of 9.5% is significantly lower than the average of the IT industry, whereby the income gap is more pronounced in the younger population up to 40 years of age, and after that the gap is significantly closing. In the group of employees with more than 30 years of experience, women have higher average salaries than men. This kind of distribution can be linked to longer absence of women in the earlier career stages due to alignment of business and family obligations, while in the later career stages the differences in income are equalized.

Data on the average years of service in the company show that women in ENT Group have on average 10% less years of service than men, which can additionally impact the income gap. Analysis of salaries in managing positions shows that women in these positions are paid 4% more than men, which shows a positive trend in closing the income gap on higher organizational levels.

The annual total remuneration ratio in 2024 of the President of Ericsson Nikola Tesla (Management Board) to the median annual total remuneration for[19] all employees is 10.69.[20]

S1-17 – Incidents, complaints and severe human rights impacts

Protection of employees' dignity and human rights in 2024

During 2024, the Committee for the Protection of Employees' Dignity did not receive any complaints, and there were no recorded incidents related to the violations of human rights.

Specific impact – program of awarding shares (Stock share program)

Since 2004, Ericsson Nikola Tesla Group carries out a program of allocating shares to employees and has been using it as a mechanism to reward, motivate, and long-term dedication of employees. Through this model, employees are given an opportunity to become the company's shareholders, thereby additionally strengthening their engagement and belonging to the organization.

The program is focused on retaining and motivating key experts, who have been continuously achieving above average results, initiating business initiatives, and have specialized knowledge and skills, which are key to implementing the company's business strategy.

There are two models of awarding shares::

- Bonus shares – are awarded to employees for their exceptional contribution to work in the form of a package of shares with the right to acquire ownership within a defined period.
- Loyalty shares – are intended for the employees with more than a year tenure, whereby the right of ownership is acquired gradually within a period of two to four years, depending on the conditions defined in individual contracts.

In 2024, a total of 3 467 shares were awarded for 231 employees, which confirms the strategic importance of this model, and its role in the long-term retention of key talents. Since the program was launched, ENT Group has had seven cycles of awarding shares. Through the programs so far, more than 1000 employees were included in the program and more than 58 000 shares were awarded. This corresponds to an equivalent of approximately 28% of employees who have been awarded shares, calculated according to the number of employees as at December 31, 2024.

[19] The annual total remuneration for 2024 included the following payments: Contracted salary + additional payments (overtime, standby, awards, meals, transport, kindergarten fee, children's gift, Closed Voluntary Pension Fund payments, anniversary awards, Christmas voucher, Short Term Variable, All Employee Award, vacation allowance.

[20] The President of Ericsson Nikola Tesla was excluded from the median calculatio.

ESRS S4 consumers and end-users

S4-1- Policies related to consumers and end-users

Taking into account the specifics of ENT Group's value chain, primary business relationships are focused on commercial customers, while end-users are further down the value chain. Therefore, ENT Group does not have a separately defined policy solely for consumers and end-users; however, their rights are included in the Code of Business Ethics and Code of Conduct for Business Partners, with defined standards of information and privacy protection.

S4-2- Processes for engaging with consumers and end-users about impacts

Data and product security is a key aspect of ENT Group's business, and cooperation with the customers and relevant stakeholders is carried out in line with the standard ISO 27001, which ensures comprehensive measures of information protection and secure development of products. Cooperation with the customers and other stakeholders in this context occurs through information exchange on security requirements, compliance and risks, participation in professional conferences, and adjustment of security policies in line with the latest regulatory and market demands. The estimation of relevance of information, and their integration in security measures is made by the director of the competent business unit, in cooperation with the teams for security and compliance.

S4-3 – Processes to remediate negative impacts and channels for consumers and end-users to raise concerns

External channels of the grievance mechanism to report corruption and other non-compliance are available to customers, end-users and general public on the company's publicly accessible webpage Company governance - Ericsson Nikola Tesla d.d. . Anonymous lines in Croatian and English are provided to report non-compliance, as well as contact information for all questions related to business compliance. This channel is also listed in the Code of Business Ethics and Code of Conduct for Business Partners, and it is binding for all business partners through contractual relationships. All stakeholders, whether they are reporting anonymously or not through a channel that enables feedback, receive feedback about the status of the report, process handling and its conclusion. Furthermore, administrative, management and supervisory bodies (AMSB) are regularly informed about the reports by the Compliance and Investigation Officer, thereby ensuring transparency and consistent implementation of procedures in line with the relevant regulatory requirements.

S4-4 – Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions

ICT industry is characterized by rapid and continuous changes in technology and ongoing innovations, whereby consumers and end-users expect advanced user experience and new functionalities which are in line with the technology leadership of ENT Group. ENT Group recognizes the impact on satisfaction of consumers and end-users through several parallel activities and undertakes appropriate measures to achieve positive impacts.

One of the key measures to ensure a positive impact on consumers and end-users is continuous investment in developing employee competencies[21] , as well as monitoring global and industry trends in order to secure relevance and competitiveness of technologies which ENT Group develops and delivers. However, this impact is indirect, considering that ENT Group's business model is focused on commercial customers, while end-users are further down the value chain.

Managing user satisfaction is based on systematic evaluations and customer feedback. ENT Group has been regularly carrying out customer satisfaction surveys, and the evaluations are carried out:

- after the project was delivered, and for long-term projects after every key milestone.
- The results of the annual survey of ENT Group's customer satisfaction have shown that in 2024, 97.08% of the respondents were satisfied or very satisfied with the service delivery, thus exceeding the highest level of the internally set target.

Furthermore, customer satisfaction with the ENT Group's deliveries can also be seen in regular evaluations of Ericsson Nikola Tesla's R&D Center, which are performed four times a year by global Ericsson. The evaluations include the score of eight key performance indicators (KPIs), including Execution Capability, Domain and Discipline Excellence, Innovation and Operational Excellence, Delivery Efficiency, Delivery Performance, R&D Strategic Fit, Business Relationship Handling, and Quality Performance. In 2024, in all four evaluations, the total score for ENT R&D Center exceeded the highest target and was 94%.

Additionally, through semi-annual evaluation meetings (Management Business Review), the quality of the delivered services and solutions is analyzed in detail, as well as internal processes and business organization, and for several years ENT R&D Center has been continuously achieving top results in terms of quality and competencies, thus ensuring continuity of positive impacts on customers and indirectly end-users.

Managing material risks related to consumers and end-users

ENT Group identifies key external risk factors that can affect consumer and end-user satisfaction, especially in the segments Telecommunication Operators and Digital Society:

- reduction of operators' investments in network modernization, due to their focus on monetization of 5G technology.
- short project implementation deadlines in the Digital Society

[21] For more information, please see S1-13

segment, which can affect the capacity of delivery.
- unfavorable payment terms related to complex digital transformation projects, which can hinder the long-term sustainability of delivery.

In order to reduce these risks, ENT Group has been continuously working to optimize operational processes, adjust business models and improve cooperation with key customers and regulatory bodies.

S4-5- Targets for managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

To ensure sustainable growth and development, ENT Group sets targets to manage material negative impacts, advance positive impacts, and manage risks and opportunities.

Targets to increase consumer and end-user satisfaction:

- Maintaining customer satisfaction above 90%, according to the satisfaction survey.
- Continuously achieving high evaluation score of R&D Center, 90% or above.
- Reducing identified issues in solution deliveries, by continuously improving the quality of processes and products.

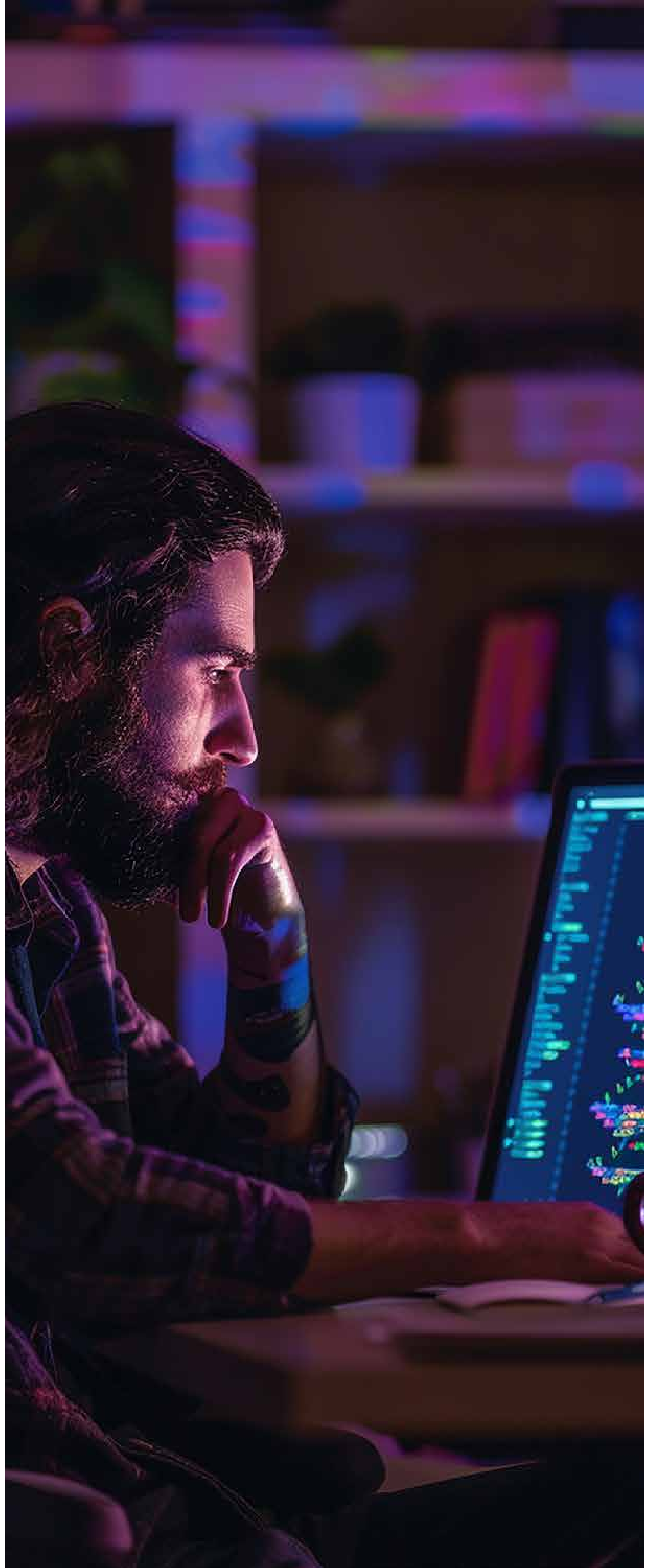
Strategies to minimize negative impacts and risks:

- Development of flexible business models which enable the adjustment to market conditions.
- Investments in digital transformation processes in order to optimize delivery in terms of quality and within short deadlines.

Opportunities for further growth and development:

Material opportunities for further growth have been recognized in Digital Croatia Strategy and Digital EU, whereby key technologies of the future include:

- Artificial Intelligence (Generative AI) and Machine Learning
- Cloud solutions and sustainable technology
- 5G networks and programmable networks
- Mission Critical Networks for national and public safety



Medium-term opportunities of ENT Group lie in:

Implementation of the most advanced 5G networks for telecom operators in Croatia and exports markets

- Development of 5G private networks, standalone or in cooperation with the operators, adjusted to specific needs of the industry and business sector.
- Implementation of Mission Critical Networks for national and public safety.
- Introduction of railway communication network in Croatia based on the latest 5G solutions (Future Railway Mobile Communications System – FRMCS).
- Implementation of digital transformation projects of public services and services through the development of end-to-end ICT solutions, fully adjusted to specific needs and demands of customers, with the focus on key spheres- healthcare, transport, state administration, public and national safety, managing land registry and infrastructure.
- Development of solutions for sustainable and smart energy management and digitalization of business processes, enabling greater efficiency, safety and sustainability in public and private sectors.
- Placement of our own ICT solutions for digital transformation on the global market.
- Improvement and capitalization of intellectual resources through strategic development of software solutions, with the aim of creating high value digital products and services that increase added value and enable long-term market sustainability.

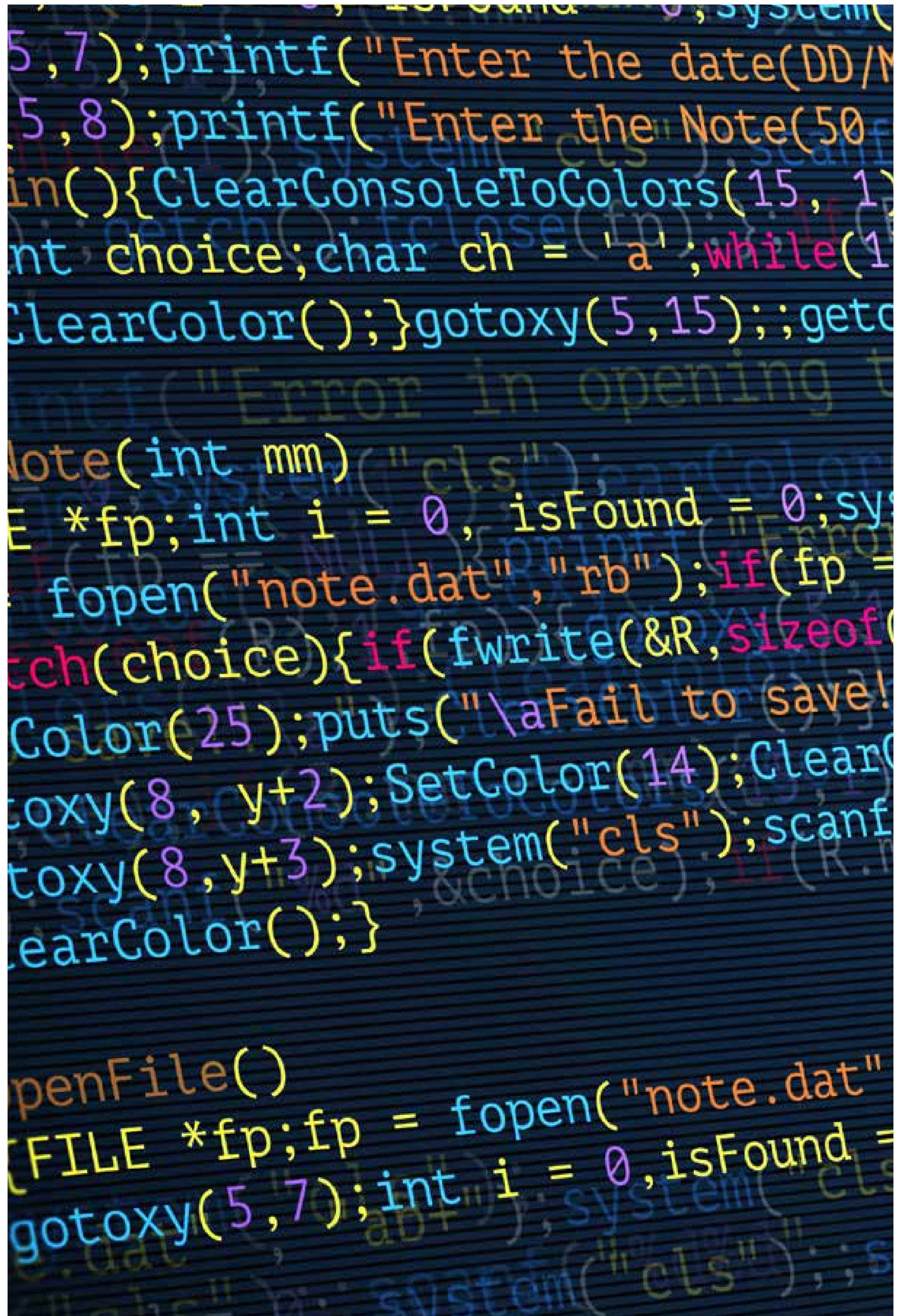
Key aspects of these ENT Group's opportunities create space to develop services adjusted to specific needs of end-users and the society, encouraging digital transformation and technological progress. Key aspects include:

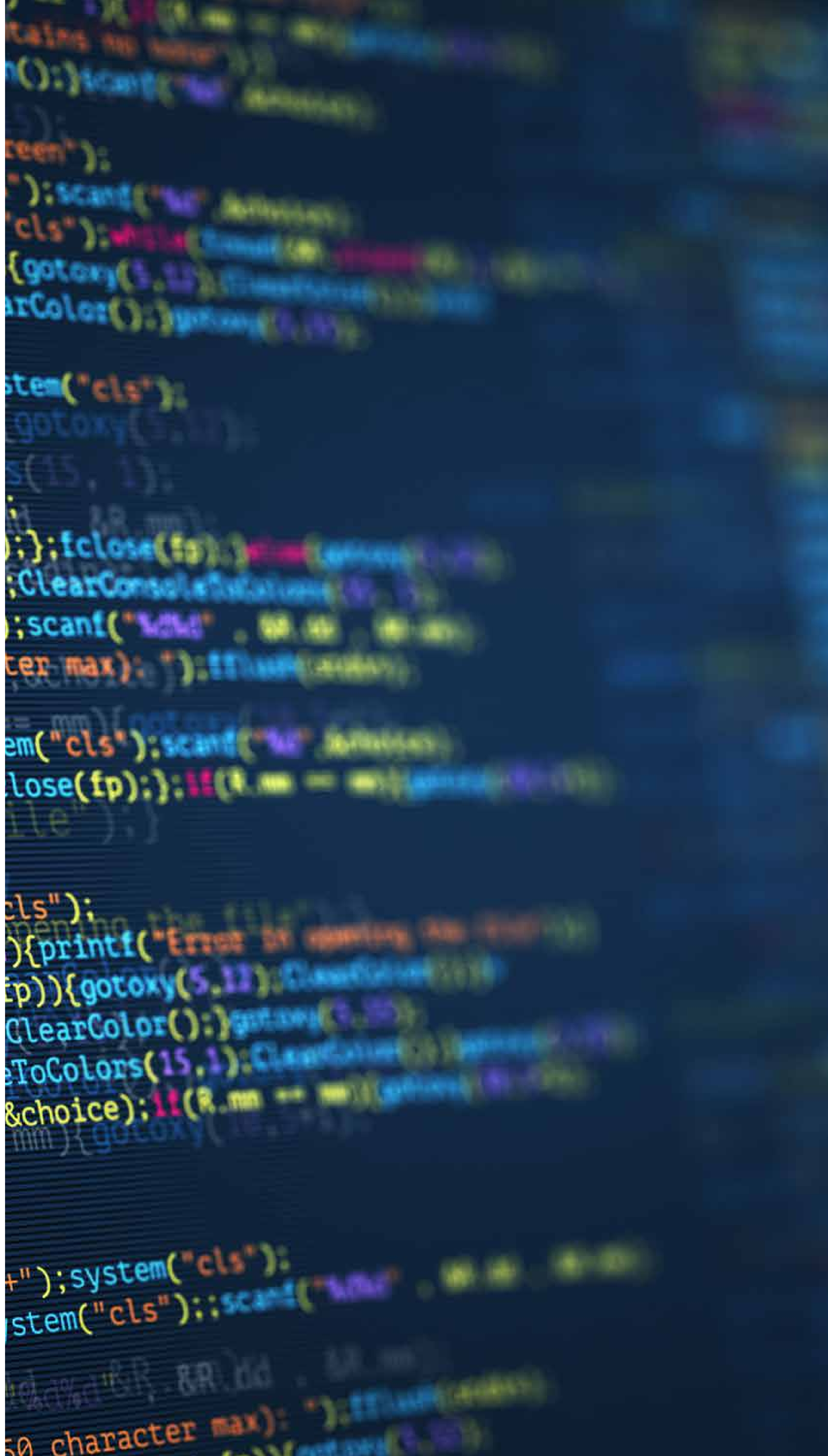
1. Improving digital connectivity and end-user experience
    - The implementation of advanced 5G networks enables faster data transfer, lower latency[22] and greater reliability, which creates space for new digital services
    - Modernization of telecommunication networks improves user experience and encourages economic growth through digital transformation

[22] Minor delays in data transfer between the device and the network

2. Private and secure communication networks
   - Communications of high-performance are the foundation of digital transformation in production, mining, energy companies, on platforms, as well as in processing industry, seaports, airports, smart cities, healthcare, etc. These kinds of private networks enable the customer to manage their own networks and provide reliable, safe and agile 4G and 5G connectivity, increase agility, efficiency, safety and profitability.
   - Development of 5G private networks enables industries such as production, healthcare and logistics safe, reliable and fast connectivity, by optimizing work processes, increasing operational efficiency and improving work environment through automation.
3. Safety and reliability for citizens and critical infrastructure
   - Implementation of mission critical networks to support national and public safety on the state-of-the-art 4G and 5G technologies ensures reliable and continuous communication for emergency services, such as 112 (police, ambulance, firefighters) and supports a faster and more efficient response in critical situations, which ensures reliable and safe communication channels for companies and citizens.
4. Improving public and city traffic through digitalization
   - Implementation of FRMCS system (Future Railway Mobile Communications System) in Croatia can mean safer, more accurate and better organized railway services.
   - Optimization of city traffic by introducing intelligent transport systems, which provides benefits for public transport managers and citizens by being better informed in real time, having improved safety and advanced digital solutions.
5. Closing the digital gap and improving digital inclusion
   - Building digital infrastructure, as the foundation for the implementation of digital solutions, ensures access to information and digital services, enables data flow, increases efficiency of public and private services, and reduces operational expenses.
   - Digital solutions are widely accessible to industries and individuals, regardless of the location, thus closing the digital gap between urban and rural areas and thereby creating equal opportunities for all.
   - Improving digital competencies allows citizens and companies to participate more actively in digital economy and to use advanced technologies, while end-users achieve benefits through an improved approach to education, health services, e-Government and labor market, thereby increasing the quality of life and creating new economic opportunities.

Strong domain experience, technology leadership, innovation capacity, and expert employees secure a competitive advantage for ENT Group in development and implementation of advanced ICT solutions that have a positive impact on consumers and end-users.





Governance

The chapter provides an overview of the ENT Group's approach to business ethics, compliance and integrity through clearly defined polices, rules and control mechanisms. It encompasses key topics, such as anti-corruption, management of relationships with suppliers, payment practices, lobbying activities and protection of whistleblowers. The chapter also addresses the specific impact of effective management of all aspects of security and data protection, including cyber resilience and user rights protection.

ENT

ESRS G1 Business conduct

G1-1 – Business conduct policies and corporate culture

The Ericsson Nikola Tesla Group Code of Business Ethics, which employees sign upon em-ployment and renew periodically, expresses zero tolerance for all forms of corruption. The prohibition of commission, bribery, fraud, embezzlement and money laundering is underlined.

At Ericsson Nikola Tesla Group, all employees and associates are expected to act responsi-bly. Any suspected violation of the Code can be reported through available channels, includ-ing to superior managers. If the responsible manager cannot resolve the case or does not act appropriately, the report can be forwarded to a higher authority or through the official report-ing channels listed on the ENT Group website: Company governance - Ericsson Nikola Tesla d.d.

The Code of Conduct for Business Partners is a mandatory part of every contract with suppli-ers and other partners. It contains rules to prevent corruption and other unethical practices and allows reporting.

Information on key regulations and management codes is available on the company's public website in Croatian and English Upravljanje kompanijom - Ericsson Nikola Tesla d.d. and Company governance - Ericsson Nikola Tesla d.d. In addition to employees and business partners, reports of suspected irregularities can also be submitted by other external persons, either directly or anonymously, by using available channels.

Ericsson Nikola Tesla Group does not tolerate discrimination or any countermeasures against persons who report non-compliance in good faith. The procedures for reporting and investigating irregularities are defined in the publicly available Bylaws on Internal Reporting of Irregularities, which apply to companies in the Republic of Croatia with more than 50 employ-ees. Ericsson Nikola Tesla d.d., Ericsson Nikola Tesla Servisi d.o.o. and Libratel d.o.o. have Bylaws on Internal Reporting of Irregularities.

In addition to the publicly published Bylaws on Internal Reporting of Irregularities, Ericsson Nikola Tesla Group also has internal regulations that prescribe in detail the investigation pro-cedure and the conclusion of the investigation process. In accordance with the Labor Act, a Committee for Receiving and Resolving Complaints Related to the Protection of Employees' Dignity has been established. The Committee receives complaints, conducts investigations and, in the event of a violation, proposes appropriate sanctions.

Ways of communicating and implementing policies in the ENT Group

At ENT Group, policies are communicated through several different channels, depending on the target group and the purpose of the communication. One of the ways is through the pro-cess of creating and updating policies, which includes members of the Executive Manage-ment, the Security, Risks and Compliance Board and the Management Board. During this pro-cess, they can propose changes and agree on policy contents before they are adopted.

Members of the Supervisory Board and Audit Committee are regularly informed about chang-es or the introduction of new policies, with those relevant to their decision-making role being presented to them in detail. Employees are notified of new policies through internal commu-nication channels, including the intranet, e-mails, and bulletin boards. Policies related to labor law also go through a consultation process with union representatives, who then provide ad-ditional information to members.

Employees are also informed about policies through targeted training. Priority is given to groups that are more exposed to risks, followed by training of other employees. Records are kept of all conducted trainings, whether conducted by internal trainers or external experts en-gaged by decision of the Safety, Risks and Compliance Board.

Reporting irregularities pursuant to the Act for the Protection of Persons Reporting Irregularities

Ericsson Nikola Tesla d.d., Ericsson Nikola Tesla Servisi d.o.o. and Libratel d.o.o. apply By-laws on Internal Reporting of Irregularities which regulate procedures for reporting, investigat-ing and resolving irregularities. These bylaws ensure the protection of whistleblowers and define the available reporting channels.

Internal reporting includes actions or omissions that are unlawful or contrary to the aim and purpose of the Act for the Protection of Persons Reporting Irregularities. This includes irregu-larities in public procurement, financial services, money laundering prevention, product and transport safety, environmental protection, public health, consumer rights, and protection of privacy and information systems security. It also covers violations affecting the financial in-terests of the European Union, competition, state aid and tax arrangements that are contrary to the objectives of the regulations.

In addition, other violations of national legislation can be reported if they endanger the public interest. ENT Group ensures multiple reporting channels and provides protection to reporting parties, including the option of anonymous reporting. The procedures for reporting and inves-tigating irregularities are clearly defined in the bylaws, and reports are possible through multi-ple available channels, with ensured anonymity and protection of the reporting party.

Persons of Confidence at Ericsson Nikola Tesla d.d., Ericsson Nikola Tesla Servisi d.o.o. and Libratel d.o.o. are obliged to receive and confirm reports of irregularities within seven days, protect the reporting party and take necessary actions within their jurisdiction. They are also required to forward reports to professional services, monitor the progress of the investiga-tion, and provide feedback to the reporting party within 30 to up to a maximum of 90 days. The identity of the reporting party must remain protected, and in the event of unresolved ir-regularities, the report may be forwarded to the competent authorities.

ENT Group is responsible for ensuring an internal system for the protection of persons re-porting irregularities, appointing persons of confidence, and protecting persons reporting ir-regularities from any negative consequences. It is also obliged to ensure the storage of data from reports, record keeping and taking measures to resolve irregularities, which may include sanctions for violators or reporting to the competent institutions.

Incident investigation and compliance training at Ericsson Nikola Tesla Group

Ericsson Nikola Tesla Group conducts a systematic investigation of incidents, including those related to corruption, bribery and occupational health and safety. Investigations are conducted according to predefined procedures, and decisions are made by competent bodies depending on the severity of the incident – from managers and the Management Board to the Safety, Risk and Compliance Board, the Audit Committee and the Supervisory Board.

Every year, ENT Group determines mandatory training for all employees, along with special programs adapted to certain categories of employees. Data on conducted anti-corruption training is published in annual reports, while detailed information on training for employees and target groups of employees is delivered through the internal reporting system to the Ex-ecutive Management, Management Board, Security, Risk and Compliance Board, Audit Com-mittee and Supervisory Board.

All new employees and students hired to work in the undertaking attend mandatory introduc-tory anti-corruption courses that emphasize zero tolerance for corruption and key provisions of the Code of Business Ethics. These courses are held monthly, on company premises and via live broadcast, and a test at the end, i.e. verification of acquired knowledge, is mandatory.

Targeted workshops on anti-corruption are held for certain groups of employees and organi-zational units, led by the Compliance and Investigation Service with the support of internal and external lecturers, whereby special attention is paid to employees in functions with a higher risk of corruption, especially in sales and sourcing, which are fully included (100%) in the training programs.

Strengthening ethical awareness in 2024

In 2024, all ENT Group employees were required to re-read, understand and sign the updated Code of Business Ethics, which further raised awareness of ethical standards, integrity and zero tolerance for corruption, and a total of 2,939 employees and 344 students confirmed it by signing that they had read and understood its content.

Training of employees and students on business conduct in the ENT Group

In 2024, the course on business compliance was also published on the ENT Group training platform, which enabled wider access to training. Furthermore, 158 employees and 234 students completed the introductory seminar, which includes a section on anti-corruption compliance.

Special emphasis in 2024 was placed on training on conflicts of interest and management of potential conflicts, with the aim of ensuring business compliance and prevention of undesirable situations.

Training held for	Employees or students	Of which managers
Total employees	3,004	240
Total persons in training	2,925	240
Students in total	428	Not managers
Total persons in training	385	Not managers

Overview of training, methods and their frequency in 2024

With regard to business conduct training, the Compliance Officer keeps records of all previous compliance trainings, including anti-corruption and competition.

Training title	Method and duration	Frequency	Mandatory
Code of Business Ethics	reading and acceptance by signature on the computer; 1 hour	annually	YES
Compliant business (for new employees)	live, in the classroom and on the computer; 0.5 hours	monthly	YES
Anti-corruption compliance and Public Pro-curement	on the computer / platform		NO
Compliant business	on the computer; 0.5 hours		NO

G1-2 – Management of relationships with suppliers

In addition to the Code of Conduct for Business Partners, ENT Group manages relationships with its suppliers through a supplier verification process. The sourcing process is described in detail in the document Sourcing Process in the ENT Group. This process is carried out continuously and includes an assessment of political and financial exposure, compliance with tax obligations, regularity of employee wages payment, and additional obligations regarding environmental protection and occupational health and safety.

Transparency is ensured by implementing defined sourcing procedures, including tenders and supplier audits.

ENT Group – Annual supplier audits

ENT Group conducts annual audits of its suppliers, whereby their selection is based on clearly defined criteria prescribed by the document Supplier Selection Criteria for Audit Plan. These criteria include total business volume, participation in significant projects, results of previous audits, financial indicators, exchange of sensitive information, and the types of goods and services provided by the supplier.

Scope of the audits

Audits are conducted in accordance with the type of goods and services supplied by the supplier and with regard to the following standards and regulations:

- ISO 9001 – Quality Management System,
- ISO 14001 – Environmental Management System,
- ISO 45001 – Occupational Health and Safety,
- ISO 27001 – Information Security,
- GDPR – General Data Protection Regulation.

Audits conducted in 2024

During 2024, ENT Group conducted six supplier audits, including:

- two audits according to ISO 14001, with no identified non-conformities,
- two audits according to ISO 45001, with no identified non-conformities,
- other audits according to appropriate standards.

Audits according to ISO 45001 – Occupational Health and Safety

Occupational health and safety audits cover compliance with legal requirements, risk assessment, incident analysis and the implementation of safety measures, including the use of protective equipment, evacuation drills and site visits.

Environmental protection audits (ISO 14001)

Compliance verification includes meeting ENT requirements and legal obligations related to waste management, packaging and work spaces. If the supplier holds an ISO 14001 certificate, audits additionally include the identification of environmental aspects, environmental protection objectives and risks, emergency procedures, and GAP analysis of compliance with laws.

ENT Group does not have a specific policy to prevent late payments, but it uses automatic internal notifications to approve invoices to avoid delays. Suppliers are regularly contacted to check the status of commitments.

G1-3 – Prevention and detection of corruption and bribery

Employees who notice potential irregularities are encouraged to discuss it with their manager, provided that they are not involved in the incident, and to jointly file an internal report with the Compliance and Investigation Service. Employees of the Ericsson Nikola Tesla Group, suppliers and others can report suspicions of bribery and corruption through available channels for reporting irregularities.

There is a clearly defined decision-making process for investigations and improvement measures. The Audit Committee or, in more serious cases, the Supervisory Board, receives a detailed report with suggestions for improvement to prevent future irregularities. Decisions are made by the competent authority, while the internal Security, Risk and Compliance Board oversees the implementation of recommended improvements.

Investigators are selected based on the type and severity of the report, and the selection process is conducted by the Chair of the Audit Committee (who is not an employee) and the Compliance and Investigation Officer (who acts independently of line management). Investigators may be internal or external, and special care is taken to avoid conflicts of interest. If the report is related to a person in the decision-making bodies, that person is excluded from the decision-making process.

The results of investigations and necessary measures are decided by the Audit Committee, and in more complex cases by the Supervisory Board. The internal Security, Risk and Compliance Board is informed about the conclusions and monitors the implementation of corrective measures in business processes.

The undertaking provided professional training and conference participation to functions responsible for compliance and compliance reviews, as well as to Persons of Confidence and Deputy Persons of Confidence who receive reports under the Act for the Protection of Persons Reporting Irregularities.

G1-4 – Confirmed incidents of corruption or bribery

During 2024, there were no convictions in the Ericsson Nikola Tesla Group for violations of anti-corruption and bribery regulations, and consequently no fines.

G1-5 – Political influence and lobbying activities

There were no such activities in the 2024 business year. The ENT Group Code of Business Ethics states that ENT shall not make donations or pay or otherwise endorse, directly or indirectly, political parties, committees and politicians. ENT Group employees' political engagement and political beliefs may not be linked with ENT Group or their workplace at ENT Group.

G1-6 – Payment practices

The average time it takes ENT Group to pay invoices from the date the contractual or legal payment period begins is 70 days (from the date the invoice is issued). An analysis of contracted and actual payment terms for supplier invoices shows that domestic suppliers are paid on average within 58 days from the date of invoice issuance, while the equivalent average payment term for foreign suppliers is 92 days. Payment dynamics largely depend on the terms of contracts with end customers, since a significant portion of suppliers are external contractors and subcontractors on projects.

Payments to suppliers are made once a week. When it comes to the category of domestic suppliers, payment compliance with the agreed terms is 55%; however, within 10 days of the agreed payment terms, the percentage is 86%. In the category of foreign suppliers, payment compliance with the agreed terms is 12% (as a result of cooperation with companies within the Ericsson Group); however, within 10 days of the agreed payment terms, the percentage is 76%. These practices reflect business dynamics and specific contractual relationships with suppliers, as well as the adjustment of payment terms to business needs and contractual obligations.

In 2024, there are no pending court cases related to late payments.

Specific impact: Effective management of all aspects of security and data protection

ENT Group Information security

Ericsson Nikola Tesla Group attaches great importance to information security, integrating it into all aspects of its products and solutions. The company applies the Secure by Design approach, which enables a managed approach to the implementation of security and privacy based on risk assessment, adapted to the requirements of the target environment and challenges. This approach helps meet stakeholder expectations and keep up with rapid changes in technology and constant changes in legislation.

ENT Group has a comprehensive approach to security and a security practice that encompasses all aspects: security checks, physical protection, data security, business collaboration security, and IT system security. Due to growing cyber threats, special attention has been paid to cyber security, which is becoming a new component of the overall security system.

Information security refers to the practice of protecting information from unauthorized access, use, disclosure, alteration, or destruction. The aim of information security is to ensure the confidentiality, integrity and availability of information, which is often referred to as the CIA triad.

Application of ISO/IEC 27001 certificate in ENT Group

The ISO/IEC 27001 certificate confirms that ENT Group has established a systematic and structured approach to information security management. Within the framework of an integrated management system, this standard ensures the continuous protection of data and information systems through clearly defined risk management processes, security controls and regular compliance checks.

By applying this standard, the company identifies, assesses and minimizes security threats and ensures the confidentiality, integrity and availability of information. The certificate also serves as proof of compliance with regulatory requirements and stakeholder expectations, which is especially important in the context of cooperation with clients, partners, and regulatory authorities.

Through ISO/IEC 27001, ENT Group not only protects data and business operations from cyber threats and unauthorized access but continuously improves security processes to face new challenges in the technological and legislative environment.

Technological data protection and business continuity management

ENT Group uses advanced security technologies to protect data and IT systems, including next-generation firewalls, email security systems, endpoint protection, and Extended Detection and Response (XDR) platforms. These systems enable continuous monitoring, identification and neutralization of cyber threats, thereby reducing the risk of security incidents and unauthorized access.

To ensure business resilience in the face of various risks, the company acquired ISO 22301 certification for business continuity management in 2024. This standard enables the establishment of effective strategies and operational procedures that ensure the stability of business processes even in crisis situations, such as cyber attacks, natural disasters or other extraordinary events. By implementing this certificate, ENT Group further strengthens its ability to respond to multidimensional threats in the global business environment.

Personal data protection management in the ENT Group

Ericsson Nikola Tesla Group has a Data Protection Officer (DPO), who oversees compliance with personal data protection regulations and serves as a point of contact for employees, suppliers and other stakeholders. They are also the head of the Privacy Team, composed of data protection and information security experts.

Access to personal data in the ENT Group is limited to managers, certain employees and suppliers, to the extent necessary to perform their jobs, with contractual and legal protection measures. Data processing control is carried out through a monitoring system, including regular checks of key processes.

All employees are trained on personal data protection, and new employees and students attend introductory training as part of the Code of Business Ethics. In 2024, 143 employees and 234 students completed this training.

Before hiring, suppliers undergo in-depth due diligence, including security and personal data protection checks. ENT Group continuously improves data protection controls in order to adapt them to business processes and the portfolio of products and services.

In 2024, there were no confirmed incidents of personal data breach.

Statement on the application of the Code of Corporate Governance

Ericsson Nikola Tesla d.d. was among the first companies in Croatia to adopt its own Code of Corporate Governance (in April 2005), based on the legislation of the Republic of Croatia and the recommendations published in OECD Corporate Governance Working Papers. These principles clearly describe and define the rights and obligations of the Management Board, the Supervisory Board and shareholders (https://ericssonnikolatesla.com/wp-content/uploads/2024/11/Nacela-korporativnog-upravljanja.pdf **).**

The company also applies the Corporate Governance Code adopted by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange. The Code has been in force as of January 1, 2021, and is available on the website of the Zagreb Stock Exchange (https://zse.hr/**) and Hanfa (**https://www.hanfa.hr/**). The Company operates in line with the good practice of corporate governance and mostly adheres to the recommendations of the Code. The explanation of deviations from certain recommendations, whose application is currently not practical for the Company, are listed in the Annual Questionnaire on Compliance with the Corporate Governance Code, which was approved by the Company's Supervisory Board. The Questionnaire is available on the ZSE and the company's website.**

Deviations from the Corporate Governance Code are as follows:

Chapter 3: Appointment of the Management Board and the Supervisory Board members

The role of the nomination committee

The Supervisory Board does not have an established nomination committee; the Chairperson of the Supervisory Board carries out these activities pursuant to the Rules of Procedure of Ericsson Nikola Tesla d.d.'s Supervisory Board.

Chapter 4: The Supervisory Board and its committees

Composition of the Supervisory Board

The Supervisory Board of the Company has five members, two of which were elected at the proposal of the largest shareholder, one member is an employee representative, and the remaining two members are independent.

Committees of the Supervisory Board

The Supervisory Board has an Audit Committee; however, it does not have a nomination committee and a remuneration committee. Due to more efficient work and the fact that the Company's Management Board has one member, the tasks of the nomination committee and the remuneration committee are carried out by the Chairperson of the Supervisory Board pursuant to the Rules of Procedure of Ericsson Nikola Tesla d.d. Supervisory Board.

Chapter 5: Management Board

Management Board duties

In the reporting period, the Company's Management Board consisted of one member - the Company's Managing Director, therefore the Management Board did not have its own Rules of Procedure of the Management Board that defines the distribution of responsibilities between the Management Board members, and the way in which they cooperate. The responsibilities and the way of working of the Company's Managing Director are prescribed by the Articles of Association, Code of Corporate Governance of Ericsson Nikola Tesla d.d., and the Governance Model of Ericsson Nikola Tesla Group.

Composition of the Management Board

In performing tasks, the Management Board closely cooperates with other members of the Executive Management (directors of the main organizational units). Furthermore, to ensure additional transparency when making certain key decisions, the following committees were established: Security, Risk and Compliance Board, Investment Board, Innovation Steering Committee, Product Portfolio Management Committee, Committee for Group Program of Change Management and Digital Transformation, Acquisition Steering Board, Steering Committee for Real Estate, Steering Committee for Group Sustainability, Artificial Intelligence Board.

Chapter 6: Remuneration of the members of the Management Board and the Supervisory Board

Remuneration of the Management Board members

Share options are not part of the package of the Management Board remuneration, therefore, there is no defined period during which the Management Board should not exercise these options from the date of grant.

Chapter 9: Annual General Meeting

The maximum possible presence of the persons stipulated in Article 81 of the Code was achieved.

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Independent Auditor's Limited Assurance Report on the Consolidated Sustainability Report

To the Shareholders of Ericsson Nikola Tesla d.d.

Limited assurance conclusion

We have performed a limited assurance engagement on whether the Consolidated Sustainability Report of Ericsson Nikola Tesla d.d. ("the Company") and its subsidiaries (collectively, "the Group"), included in the *Sustainability Report* section of the Group's Management Report as of and for the year ended 31 December 2024 ("the Sustainability Report"), has been prepared in accordance with the Croatian Accounting Law (Official Gazette 85/24,145/24) ("the Accounting Law").

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the Group's Sustainability Report as of and for the year ended 31 December 2024 is not prepared, in all material respects, in accordance with the Accounting Law, including:

- Compliance with the European Sustainability Reporting Standards ("ESRS"), including that the process carried out by the Group to identify the information reported in the Sustainability Report ("the Process") is in accordance with the description set out in the *IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities* section thereof; and
- Compliance of the disclosures in the *Key Performance Indicators in line with the EU Taxonomy* (*EU Taxonomy)* section of the Sustainability Report with the reporting requirements of Article 8 of Regulation (EU) 2020/852 ("the Taxonomy Regulation").

Our conclusion on the Sustainability Report does not extend to any other information that accompanies or contains the Sustainability Report and our limited assurance report thereon, nor to any information within the Sustainability Report not in scope of our assurance engagement. We have not performed any assurance procedures as part of this engagement with respect to such other information. However, we audited the Company's separate and the Group's consolidated financial statements as of and for the year ended 31 December 2024 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, forming part of the other information, and our auditor's reports thereon are also included with the other information.

Basis for conclusion

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB). Our responsibilities under this standard are further described in the "Our responsibilities" section of our report.

We have complied with the independence and other ethical requirements of the International Code of Ethics of Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA code), together with the ethical requirements that are relevant to our assurance engagements on the Sustainability Reports in Croatia.

Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the IAASB. This standard requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Other matter – Comparative information

Our assurance engagement does not extend to comparative information in respect of earlier periods. Our conclusion is not modified in respect of this matter.

This version of our limited assurance report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our audit report takes precedence over this translation.

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Independent Auditor's Limited Assurance Report on the Consolidated Sustainability Report

(continued)

Responsibilities for the Sustainability Report

The Management Board of the Company is responsible for designing, implementing and maintaining a process to identify the information reported in the Sustainability Report in accordance with the ESRS and for disclosing this Process in the *IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities* section of the Sustainability Report. This responsibility includes:

- Understanding the context in which the Group's activities and business relationships take place and developing an understanding of its affected stakeholders;
- Identifying the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected to affect, the Group's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- Assessing the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- Developing methodologies and making assumptions that are reasonable in the circumstances.

The Management of the Company is further responsible for the preparation of the Sustainability Report in accordance with the Accounting Law, including:

- Compliance with the ESRS;
- Preparing the disclosures in the *Key Performance Indicators in line with the EU Taxonomy (EU taxonomy)* section of the Sustainability Report, in compliance with Article 8 of the Taxonomy Regulation;
- Designing, implementing and maintaining such internal controls that the Management of the Company determines are necessary to enable the preparation of the Sustainability Report such that it is free from material misstatement, whether due to fraud or error; and
- Selecting and applying appropriate sustainability reporting methods and making assumptions and estimates about individual sustainability disclosures that are reasonable in the circumstances.

Those charged with governance are responsible for overseeing the reporting process for the Group's Sustainability Report.

Inherent limitations in preparing the Sustainability Report

There are inherent limitations regarding the measurement or evaluation of the sustainability matters presented in the Sustainability Report subject to limited assurance, which have been set out below:

- As described in the *BP-2 Disclosures in relation to specific circumstances* section, greenhouse gas emissions quantification is subject to inherent uncertainty as a result of both scientific and estimation uncertainty;
- In reporting forward-looking information in accordance with the ESRS, the Management is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. The actual outcome is likely to be different since anticipated events frequently do not occur as expected;

In determining the disclosures in the Sustainability Report, the Management interprets undefined legal and other terms. Undefined legal and other terms may be interpreted differently, including the legal conformity of their interpretation and, accordingly, are subject to uncertainties.

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Independent Auditor's Limited Assurance Report on the Consolidated Sustainability Report

(continued)

Our responsibilities

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the Sustainability Report is free from material misstatement, whether due to fraud or error, and reporting our limited assurance conclusion to the Company's shareholders. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Report as a whole.

Our responsibilities in relation to the Process for reporting the Sustainability Report, include:

- Obtaining an understanding of the Process but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process; and
- Designing and performing procedures to evaluate whether the Process is consistent with the Group's description of its Process, as disclosed in the *IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities* section.

Our other responsibilities in respect of the Sustainability Report include:

- Obtaining an understanding of the Group's control environment, processes and information systems relevant to the preparation of the Sustainability Report but not evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness;
- Identifying disclosures where material misstatements are likely to arise, whether due to fraud or error; and
- Designing and performing procedures focused on disclosures in the Sustainability Report where material misstatements are likely to arise. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of the work we performed as the basis for our conclusion

A limited assurance engagement involves performing procedures to obtain evidence about the Sustainability Report. We designed and performed our procedures to obtain evidence about the Sustainability Report that is sufficient and appropriate to provide a basis for our conclusion.

The nature, timing and extent of our procedures depended on our understanding of the Sustainability Report and other engagement circumstances, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the Sustainability Report. We exercised professional judgment and maintained professional skepticism throughout the engagement.

In conducting our limited assurance engagement, with respect to the Process, the procedures we performed included:

- Obtaining an understanding of the Process by:
  - performing inquiries to understand the sources of the information used by management (including stakeholder engagement, business plans and strategy documents); and
  - inspecting the Group's internal documentation of its Process.
- Evaluating whether the evidence obtained from our procedures about the Process was consistent with the description of the Process set out in the *IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities* section.

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Independent Auditor's Limited Assurance Report on the Consolidated Sustainability Report

(continued)

Summary of the work we performed as the basis for our conclusion (continued)

In conducting our limited assurance engagement with respect to the Sustainability Report, the procedures we performed included:

- Obtaining an understanding of the Group's reporting processes relevant to the preparation of its Sustainability Report by performing inquiries of the relevant personnel and inspecting the Group's internal documentary evidence;
- Evaluating whether material information identified by the Process is included in the Sustainability Report;
- Evaluating whether the structure and the presentation of the Sustainability Report is in accordance with the ESRS;
- Performing inquiries of relevant personnel and analytical procedures on selected disclosures in the Sustainability Report;
- Performing substantive assurance procedures on a sample basis on selected disclosures in the Sustainability Report;
- Obtaining evidence on the methods, assumptions and data for developing material estimates and forward-looking information and on how these methods were applied;
- Obtaining an understanding of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Sustainability Report;
- Evaluating whether the standardized reporting templates required by the Taxonomy Regulation were appropriately used to present the key performance indicators;
- Assessing whether the taxonomy disclosures are reconciled, where relevant, with the Group's consolidated financial statements; and
- Performing substantive assurance procedures on selected taxonomy disclosures.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

KPMG Croatia d.o.o.

KPMG Croatia d.o.o. za reviziju **29 April 2025**

Croatian Certified Auditors

Eurotower, 17th floor
Ivana Lučića 2a

10000 Zagreb

Croatia

This version of our limited assurance report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our audit report takes precedence over this translation.

ENT

Financial statements report 98

Ericsson Nikola Tesla d.d.

Consolidated Financial Statements and Independent Auditors' Report 31 December 2024

Profile of the Parent Company and its subsidiaries (the Group)

History and incorporation

Ericsson Nikola Tesla d.d. (the Parent Company) is a Croatian company with over seventy years of continuous operations. It is a leading supplier and exporter of specialized telecommunications equipment, ICT solutions, software and services in Central and Eastern Europe.

The Parent Company was founded on 13 May 1995, as a result of the privatization of the enterprise Nikola Tesla - Poduzeće za proizvodnju telekomunikacijskih sistema i uređaja, po.

Ericsson Nikola Tesla d.d. has prepared these consolidated financial statements for the Parent Company and its subsidiaries:

- two are domiciled and active in Croatia:
  - Ericsson Nikola Tesla Servisi d.o.o.
  - Libratel d.o.o.
- One is domiciled and active in Bosnia and Herzegovina,
  - Ericsson Nikola Tesla BH d.o.o.

Principal activities

The principal activities of the Group are research and development of telecommunications software and services, design, testing and integration of total communications solutions, managed services, supply and maintenance of communications solutions and ICT solutions, towards customers within the Ericsson Group, customers in the Republic of Croatia, and Bosnia and Herzegovina, and several customers in Central and Eastern Europe.

Ericsson Nikola Tesla d.d. is a joint-stock company incorporated in Croatia. The headquarters of the Parent Company are in Zagreb, Krapinska 45.

Code of Corporate Governance

The Group applies the Code of Corporate Governance of the Zagreb Stock Exchange and meets the obligations derived therefrom, with the exception of provisions whose application is not practical at the moment.

Ericsson Nikola Tesla Group

Profile of the Parent Company and its subsidiaries (the Group) (continued)

Supervisory Board, Audit Committee, Management Board and executive management of Ericsson Nikola Tesla d.d.

Supervisory Board

The Supervisory Board members during 2024 and up to the release of these consolidated statements were:

Stefan Kötz	Chairperson from 22 November 2024	Appointed on 22 November 2024
Franck Pierre Roland Bouétard	Chairperson until 22 November 2024	Reappointed on 27 June 2022
Olgica Spevec	Member; Deputy Chair	Appointed on 13 June 2019; reappointed for Deputy Chair of Supervisory Board on 14 June 2023
Ana Vrsaljko Metelko	Member	Appointed on 29 June 2021
Petar Šimundža	Member and employees' representative	Appointed on 29 November 2022
Carl Henrik Magnus Carle	Member	Appointed on 14 June 2023

Audit Committee

The Audit Committee members during 2024 and up to the release of these consolidated statements were:

Olgica Spevec	Chairperson	Appointed on 17 December 2020
Vesna Vašiček	Member	Appointed on 21 February 2017
Carl Henrik Magnus Carle	Member	Appointed on 29 June 2023

Ericsson Nikola Tesla Group

Profile of the Parent Company and its subsidiaries (the Group) (continued)

Management Board

The Management Board has four members:

Gordana Kovačević	President of the Management Board	Appointed on 9 April 2025
Hrvoje Benčić	member of the Management Board	Appointed on 9 April 2025
Damir Bušić	member of the Management Board	Appointed on 9 April 2025
Milan Živković	member of the Management Board	Appointed on 9 April 2025

Executive management

Members of the Executive Management:

Gordana Kovačević	President of the Management Board
Hrvoje Benčić,	member of the Management Board and Director, Customer Solutions and Services
Damir Bušić	member of the Management Board and Director, Finance, Sourcing and Commercial Management
Milan Živković	member of the Management Board and Director, Strategy and Business Development & GIR
Andrej Grgurić	Director, Research
Antonija Lončar	Director, Marketing, Communications & Corporate Social Responsibility
Branka Vučemilo Elezović	Director, Legal
Branko Dronjić	Director, IT&Test Environment Operations
Drago Holub	Director, R&D Center
Goran Ožbolt	Director, General Services
Ivan Barać	Director, Sales and Marketing for Hrvatski Telekom and Crnogorski Telekom
Jagoda Barać	Director, Sales and Marketing for Export markets for Operators segment
Miroslav Kantolić	Director, Sales and Marketing for A1 Croatia
Tihomir Fabeta	Director, ICT for Industry and Society
Vjeran Buća	Director, Sales and Marketing for Industry and Society
Željko Antolić	Director, Human Resources

Ericsson Nikola Tesla Group

Responsibilities of the Management and Supervisory Board for the preparation and approval of the annual consolidated financial statements

The Management Board is required to prepare consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group and of the results of its operations and cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such consolidated financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Management Board is responsible for the submission to the Supervisory Board of its annual report on the business situation of the Group together with the annual consolidated financial statements, following which the Supervisory Board is required to approve the annual consolidated financial statements which will be presented at the Annual General Meeting of Shareholders.

The consolidated financial statements set out below were authorized by the Management Board on 29 April 2025 for issue to the Supervisory Board and are signed below.

Gordana Kovačević

President of the Management Board

Hrvoje Benčić

member of the Management Board

Damir Bušić

member of the Management Board

Milan Živković

member of the Management Board

Ericsson Nikola Tesla d.d.

Krapinska 45

10000 Zagreb

Croatia

ENT Ericsson Nikola Tesla d.d.
Krapinska 45,
HR - 10000, Zagreb,
CROATIA 19

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Independent Auditors' Report to the shareholders of Ericsson Nikola Tesla d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Ericsson Nikola Tesla d.d. ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information (further referred to as "the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditors' Report to the shareholders of Ericsson Nikola Tesla d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters (continued)

REVENUE RECOGNITION

Revenue in 2024: EUR 249,473 thousand (2023: EUR 304,231 thousand). As at 31 December 2024: trade accounts receivable: EUR 24,960 thousand; contract liabilities: EUR 20,789 thousand (31 December 2023: trade accounts receivable: EUR 28,603 thousand; contract liabilities: EUR 27,085 thousand).

Please refer to the Note 1 *Revenue recognition* of Material accounting policies, Note 4 c) *Revenue recognition* of Critical accounting estimates and judgements, Note 5 *Sales revenue* and Note 6 *Segment reporting* in the financial statements..

Key audit matter	How our audit addressed the matter
In the year ended 31 December 2024, the Group's principal revenue streams included sales of products and software, as well as provision of services, including installation and integration services, maintenance and support. Application of revenue recognition principles of the relevant financial reporting standard, IFRS 15 *Revenue from Contracts with Customers* ("the Standard") is complex and requires making significant assumptions and judgment. Particular complexity is associated with the following factors: — In the Group's Networks and Digital services segment, goods and services with different revenue recognition patterns may be sold as part of one contract or several contracts accounted for as one arrangement. The Group applies significant judgment, among other things, in identifying contracts which require to be combined and accounted for as one arrangement, and identifying performance obligations therein, including those, if any, resulting from warranties and non-returnable upfront fees; — Each performance obligation requires evaluation of whether it is satisfied over time or at a point in time. The determination requires a thorough consideration of contractual provisions to understand when control of the promised products or services is transferred to customers;	Our audit procedures in this area included, among others: — Updating our understanding of and evaluating the Group's revenue recognition process, and testing related key internal controls, in particular those associated with project feasibility and approvals, segregation of duties, determination of revenue recognition pattern, fulfillment and finalization of contracts and customer acceptance; — Assessing the Group's revenue recognition policy for compliance with relevant provisions of the Standard; — For a sample of contracts with customers concluded during the audited year, inspecting contractual provisions and making inquiries of project managers and relevant finance personnel in order to challenge the Group's: ○ Meeting of the contract existence criteria, including, among other things, those relating to the parties' commitment to their obligations and probability of collecting the consideration due; ○ Identification of the contracts which require to be accounted for on a combined basis and of performance obligations within contracts. The procedure included, among other things, assessing the nature of the warranties provided to customers for potential consideration as performance obligations;

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Independent Auditors' Report to the shareholders of Ericsson Nikola Tesla d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters (continued)

REVENUE RECOGNITION *(CONTINUED)*

Key audit matter *(continued)*	How our audit addressed the matter *(continued)*
— Although contracts with customers are usually agreed with fixed transaction price, significant judgement is required in allocating the transaction price to the performance obligations. The transaction price, which is the consideration the Group expects to receive for the transfer of products and services to the customer, is allocated to the performance obligations based on their relative standalone selling price; In the wake of the above factors, we considered revenue recognition to be associated with a significant risk of material misstatement in the consolidated financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.	○ Determination of total contract consideration, by reference to contracts with customers and subsequent modifications to the framework agreement, if any; ○ Allocation of the contract consideration to each of the identified performance obligations, based on their estimated stand-alone selling prices, also by reference to the sales department's data and the analysis of current transaction prices; ○ Determination of the timing of the transfer of control, the resulting pattern of revenue recognition and revenue amounts, by reference to sales invoices, inventory and shipping documents, customer acceptance forms and other documents as appropriate. — For a sample of customers, obtaining confirmations of the accounts receivable outstanding as at the reporting date, and challenging any significant differences between amounts confirmed and the Group's records by inspecting the underlying documentation such as contracts with customers, invoices, shipping documents and customer acceptance forms; — Examining whether the Group's revenue recognition-related disclosures in the financial statements appropriately address the relevant quantitative and qualitative requirements of the applicable financial reporting framework.

Independent Auditors' Report to the shareholders of Ericsson Nikola Tesla d.d. (continued)

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the Management Report (together with Sustainability Statement) and Corporate Governance Report included in the Annual Report of the Group but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With regard to the Management Report, and the Corporate Governance Report, we also performed procedures prescribed by applicable legal requirements and we report that:

- the information given in the Management Report and the Corporate Governance Report for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report, excluding the Sustainability Report (which constitutes a separate part of the Management Report), and the Corporate Governance Report have been prepared, in all material respects, in accordance with applicable legal requirements;
- with respect to the Sustainability Report (which is included as part of the other information and constitutes a separate part of the Management Report), we performed a limited assurance engagement, the results of which were presented in a separate limited assurance report with an unmodified conclusion.

If, based on the work we have performed above, we conclude that there is a material misstatement, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with EU IFRS, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditors' Report to the shareholders of Ericsson Nikola Tesla d.d. *(continued)*

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report to the shareholders of Ericsson Nikola Tesla d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 27 June 2024 to audit the consolidated financial statements of Ericsson Nikola Tesla d.d. for the year ended 31 December 2024. Our total uninterrupted period of engagement is six years, covering the year ended 31 December 2019 to 31 December 2024.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 24 April 2025;
- we have not provided any prohibited non-audit services (NASs) referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit.

The engagement partner on the audit resulting in this independent auditors' report is Domagoj Hrkać.

Independent Auditors' Report to the shareholders of Ericsson Nikola Tesla d.d. *(continued)*

Report on Compliance with the ESEF Regulation

In accordance with the requirements of Article 462 paragraph 5 of Capital Market Act, we are required to express an opinion on compliance of the consolidated financial statements of the Group as at and for the year ended 31 December 2024, as included in the attached electronic file *FI-ERNT-2024-1Y-Revidirano-Konsolidirano-EN.xbri*, with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation of the consolidated financial statements in a digital format that complies with the RTS on ESEF. This responsibility includes:

- the preparation of the consolidated financial statements in the applicable xHTML format and their publication;
- the selection and application of appropriate iXBRL tags, using judgment where necessary;
- ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

Those charged with governance are responsible for overseeing the Group's ESEF reporting, as a part of the financial reporting process.

Auditors' Responsibilities

Our responsibility is to express an opinion on whether the consolidated financial statements comply, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements of set out in the RTS on ESEF, whether due to fraud or error. Reasonable assurance is a high degree of assurance. However, it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with the RTS on ESEF.

Our procedures included, among other things:

- obtaining an understanding of the tagging process;
- evaluating the design and implementation of relevant controls over the tagging process;
- tracing the tagged data to the consolidated financial statements of the Group presented in human-readable format;
- evaluating the completeness of the Group's tagging of the consolidated financial statements;

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Independent Auditors' Report to the shareholders of Ericsson Nikola Tesla d.d. *(continued)*

Report on Compliance with the ESEF Regulation *(continued)*

Auditors' Responsibilities (continued)

- evaluating the appropriateness of the use of iXBRL elements selected from the ESEF taxonomy used and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements; and
- evaluating the appropriateness of the format of the consolidated financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, based on the procedures performed and evidence obtained, the consolidated financial statements of the Group as at and for the year ended 31 December 2024 presented in ESEF format and contained in the aforementioned attached electronic file, have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

Our opinion does not represent an opinion on the true and fair view of the financial statements as this is included in our Report on the Audit of the Financial Statements. Furthermore, we do not express any assurance with respect to other information included in documents in the ESEF format.

KPMG Croatia d.o.o.

KPMG Croatia d.o.o. za reviziju **29 April 2025**
Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

Ericsson Nikola Tesla Group

Consolidated statement of comprehensive income

for the year ended 31 December 2024

	Notes	2024 EUR '000	2023 EUR '000
Sales revenue	5, 6	249,473	304,231
Cost of sales	7	(221,053)	(272,421)
Gross profit		28,420	31,810
Selling expenses	7	(5,769)	(5,810)
Administrative expenses	7	(6,377)	(7,178)
Other operating income	7	5,909	6,706
Other operating expenses	13(i)	-	(554)
Impairment loss on financial assets		(39)	(217)
Operating profit		22,144	24,757
Finance income	9	1,881	717
Finance expense	9	(777)	(238)
Finance income/(expense), net	9	1,104	479
Profit before tax		23,248	25,236
Income tax	10	(7,651)	(3,042)
Profit for the year		15,597	22,194
Other comprehensive income			
Currency translation differences		-	3
Total comprehensive income for the year		15,597	22,197
Earnings per share (EUR)	11	11.76	16.78

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Ericsson Nikola Tesla Group

Consolidated statement of financial position

as at 31 December 2024

Assets	Notes	2024 EUR '000	2023 EUR '000
Non-current assets			
Property, plant and equipment	12	14,896	14,729
Right of use assets	28	14,258	15,028
Intangible assets	13	1,150	385
Loans and receivables	14	1,267	2,587
Deferred tax assets	10	2,658	2,506
Total non-current assets		34,229	35,235
Current assets			
Inventories	15	9,567	9,931
Trade receivables	16	24,960	28,603
Receivables from related parties	29 (c)	39,458	37,402
Other receivables	17	4,662	1,496
Income tax receivables		1,133	786
Prepayments		2,549	2,254
Financial assets at fair value through profit or loss	18	4,393	4,235
Cash and cash equivalents	19	58,733	72,655
Total current assets		145,455	157,362
Total assets		179,684	192,597

Ericsson Nikola Tesla Group

Consolidated statement of financial position (continued)

as at 31 December 2024

Equity and liabilities	Notes	2024 EUR '000	2023 EUR '000
Equity			
Share capital	20 (a)	17,674	17,674
Treasury shares	20 (b)	(1,140)	(1,256)
Legal and other reserves	20 (c)	2,020	1,230
Reserve for treasury shares	20 (d)	7,413	4,157
Retained earnings		42,045	50,660
Total equity		68,012	72,465
Non-current liabilities			
Borrowings	21	15	114
Lease liabilities	28	12,601	13,250
Other non-current liabilities	22	1	12
Employee benefits	23 (a)	1,047	943
Total non-current liabilities		13,664	14,319
Current liabilities			
Payables to related parties	29 (c)	16,428	15,062
Borrowings	21	-	469
Trade and other payables	24	39,656	38,467
Income tax payable		2,124	690
Provisions	25	1,227	1,583
Accrued charges and deferred revenue	26	15,662	20,400
Contract liabilities	27	20,789	27,085
Lease liabilities	28	2,122	2,057
Total current liabilities		98,008	105,813
Total liabilities		111,672	120,132
Total equity and liabilities		179,684	192,597

Ericsson Nikola Tesla Group

Consolidated statement of changes in equity

for the year ended 31 December 2024

	Share capital	Treasury shares	Legal and other reserves	Reserve for treasury shares	Translation reserve	Retained earnings	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
As at 1 January 2023	17,674	(2,268)	884	5,353	(3)	36,174	57,814
Changes in equity for 2023							
Total comprehensive income	-	-	-	-	3	22,194	22,197
Dividend distribution for 2022, Note 20 (e)	-	-	-	-	-	(7,927)	(7,927)
Purchase of treasury shares, Note 20 (b)	-	(184)	-	-	-	-	(184)
Shares granted, Note 23 (b)	-	1,196	-	(1,196)	-	-	-
Transfer, Note 20 (c)	-	-	346	-	-	(346)	-
Disposal of foreign operation	-	-	-	-	-	(42)	(42)
Share-based payments, Note 23 (b)	-	-	-	-	-	607	607
Total contributions by and distributions to owners of the parent recognized directly in equity	-	1,012	346	(1,196)	-	(7,708)	(7,546)
As at 31 December 2023	17,674	(1,256)	1,230	4,157	-	50,660	72,465
As at 1 January 2024	17,674	(1,256)	1,230	4,157	-	50,660	72,465
Changes in equity for 2024							
Total comprehensive income	-	-	-	-	-	15,597	15,597
Dividend distribution for 2023, Note 20 (e)	-	-	-	-	-	(19,880)	(19,880)
Purchase of treasury shares, Note 20 (b)	-	(628)	-	-	-	-	(628)
Shares granted, Note 23 (b)	-	744	-	(744)	-	-	-
Transfer, Note 20 (c)	-	-	790	4,000	-	(4,790)	-
Share-based payments, Note 23 (b)	-	-	-	-	-	458	458
Total contributions by and distributions to owners of the parent recognized directly in equity	-	116	790	3,256	-	(24,212)	(20,050)
As at 31 December 2024	17,674	(1,140)	2,020	7,413	-	42,045	68,012

Ericsson Nikola Tesla Group

Consolidated statement of cash flows

for the year ended 31 December 2024

	Notes	2024 EUR '000	2023 EUR '000
Cash flows from operating activities			
Profit before tax		23,248	25,236
Adjustments for:			
Depreciation and amortization	7, 12, 13,28	5,277	6,036
Impairment losses and reversals		(39)	335
(Gain)/loss on sale of property, plant and equipment		(37)	5
Net loss/(gain) on remeasurement of financial assets		(158)	(111)
Amortization of discount		(2)	(12)
Interest income		(1,718)	(595)
Dividend income		(1)	-
Interest expense		759	245
Foreign exchange (gain)/loss, net		(29)	(21)
Share-based payments	23 (b)	458	607
Changes in working capital:			
In receivables		1,877	(18,724)
In inventories		439	3,295
In provisions		(251)	(695)
In payables		(12,110)	4,234
Cash generated from operations		17,713	19,835
Interest paid		(762)	(232)
Income taxes paid		(6,654)	(2,858)
Net cash from operating activities		10,297	16,745
Cash flows from investing activities			
Interest received		1,705	641
Dividends received		1	-
Proceeds from sale of property, plant and equipment		356	9
Purchases of property, plant and equipment, and intangible assets		(2,392)	(2,109)
Deposits given to financial institutions, net		-	792
Net cash used in investing activities		(330)	(667)

Ericsson Nikola Tesla Group

Consolidated statement of cash flows (continued)

for the year ended 31 December 2024

	Notes	2024 EUR '000	2023 EUR '000
Cash flows from financing activities			
Repayment of borrowings	21	(1,256)	(2,408)
Purchase of treasury shares	20 (b)	(628)	(184)
Dividends paid	20 (e)	(19,897)	(7,934)
Payment of lease liabilities	28	(2,097)	(2,779)
Net cash used in financing activities		(23,878)	(13,305)
Effects of exchange rate changes on cash and cash equivalents		(11)	10
Net (decrease)/increase in cash and cash equivalents		(13,922)	2,783
Cash and cash equivalents at the beginning of the year		72,655	69,872
Cash and cash equivalents at the end of the year	19	58,733	72,655

Notes to the Consolidated Financial Statements of Ericsson Nikola Tesla Group

1 Material accounting policies

Reporting entity

Ericsson Nikola Tesla d.d. (the Parent Company) is a joint-stock company incorporated and domiciled in Croatia. The address of its registered office is Krapinska 45, 10000 Zagreb, the Republic of Croatia. The Parent Company's shares are listed on the Public Joint Stock Company listing on the Zagreb Stock Exchange. Ericsson Nikola Tesla d.d. has prepared these consolidated financial statements as at 31 December 2024 and for the year then ended for the Parent Company, its subsidiaries of which two are domiciled and active in Croatia and one in Bosnia and Herzegovina (together "the Group"). A summary of the Group's principal accounting policies is set out below.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS). These consolidated financial statements also comply with the Croatian Accounting Act in effect on the date of issue of these consolidated financial statements. These consolidated financial statements are a translation of the official statutory IFRS consolidated financial statements.

Basis of preparation

The consolidated financial statements are prepared on the historical cost basis, with the exception of financial instruments which are carried at fair value. These comprise derivative financial instruments and financial assets and liabilities at fair value through profit or loss. Policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 2).

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. Judgements made by executive management in the application of IFRSs that have significant effect on the consolidated financial statements and estimates are discussed in Note 4.

Going concern

The executive management have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment where the entity operates ('the functional currency'). The consolidated financial statements are presented in EURO (EUR), which is the Parent Company's functional and the Group's presentation currency and have been rounded to the nearest thousand.

1 Material accounting policies (continued)

Revenue recognition

IFRS 15 "Revenue from Contracts with Customers" is a principle-based model of recognizing revenue from customer contracts. It has a five-step model that requires revenue to be recognized when control over goods and services are transferred to the customer.

The following paragraphs describes the types of contracts, when performance obligations are satisfied, and the timing of revenue recognition. They also describe the normal payment terms associated with such contracts and the resulting impact on the statement of financial position over the duration of the contracts. The vast majority of the Group's business is for the sale of standard products and services.

Standard solution

Products and services are classified as standard solutions if they do not require significant installation and integration services to be delivered. Installation and integration services are generally completed within a short period of time from the delivery of the related products.

These products and services are viewed as separate distinct performance obligations. This type of customer contract is usually signed as a frame agreement and the customer issues individual purchase orders to commit to purchases of products and services over the duration of the agreement.

Revenue for standard products shall be recognized when control over the equipment is transferred to the customer at a point in time. This assessment shall be viewed from a customer's perspective considering indicators such as transfer of titles and risks, customer acceptance, physical possession, and billing rights. Control of an asset therefore refers to the ability to direct use of and obtain substantially all of the remaining benefits from the asset.

Furthermore, control includes the ability to prevent other entities from using and obtaining the benefits from an asset. The benefits of an asset are the potential cash flows (inflows or savings in outflows) that can be obtained directly or indirectly. For hardware sales, transfer of control is usually deemed to occur when the equipment arrives at the customer site and for software sales, when the licenses are made available to the customer. Software licenses may be provided to the customer at a point in time, activated or ready to be activated by the customer at a later stage, therefore revenue is recognized when customer obtains control of the software.

Contractual terms vary, therefore judgment will be applied when assessing the indicators of transfer of control.

Revenue for installation and integration services is recognized upon completion of the service. Costs incurred in delivering standard products and services are recognized as costs of sales when the related revenue is recognized in the Income Statement.

Costs incurred relating to performance obligations not yet fully delivered are recognized as inventories.

Transaction prices under these contracts are usually fixed, and mostly billed upon delivery of the hardware or software and completion of installation services. Customer finance agreements may be agreed separately with some customers where payment terms exceed 179 days.

Revenue for recurring services such as customer support and managed services is recognized as the services are delivered, generally pro-rata over time. Costs incurred in delivering recurring services are recognized as cost of sales as they are incurred. Transaction prices under these contracts are billed over time, often on a quarterly basis.

Contract liabilities or receivables may arise depending on whether the quarterly billing is in advance or in arrears.

Contract for standard products and services applies to business in all segments.

Customized solution

Some products and services are sold together as part of a customized solution to the customer. This type of contract requires significant installation and integration services to be delivered within the solution, normally over a period of more than 1 year. These products and services are viewed together as a combined performance obligation. This type of contract is usually sold as a firm contract in which the scope of the solution and obligations of both parties are clearly defined for the duration of the contract.

Notes to the Consolidated Financial Statements of Ericsson Nikola Tesla Group (continued)

1 Material accounting policies (continued)

Revenue recognition (continued)

Customized solution (continued)

Revenue for the combined performance obligation shall be recognized over time if progress of completion can be reliably measured and enforceable right to payment exists over the duration of the contract. The progress of completion is estimated by reference to the output delivered such as achievement of contract milestones and customer acceptance. This method determines revenue milestones over the duration of the contract, and it is considered appropriate as it reflects the nature of the customized solution and how integration service is delivered in these projects.

If the criteria above are not met, then all revenue shall be recognized upon the completion of the customized solution, when final acceptance is provided by the customer. Costs incurred in delivering customized solutions are recognized as costs of sales when the related revenue milestone is recognized in the Income Statement. Costs incurred relating to future revenue milestones are recognized as Inventories and assessed for recoverability on a regular basis.

Transaction price under these contracts is usually a fixed fee, split into a number of progress payments or billing milestones as defined in the contract. In most cases, revenue recognized is limited to the progress payments or unconditional billing milestones over the duration of the contract, therefore no contract asset or contract liability arises on these contracts. Customer finance agreements may be agreed separately with some customers where payment terms exceed 365 days. Contract for customized solution applies to the Industry and Society business, Business Support Systems (BSS) business, within the segment Digital Services, and the Media Solutions business within the segment Emerging Business and Other.

Right to use (RTU)

The nature of Ericsson's promise is to provide a right to use Ericsson's IP as it exists (in terms of form and functionality) at the point in time at which the license is granted to the customer. This means that the customer can direct the use of, and obtain substantially all the remaining benefits from, the license at the point in time at which the license transfers.

Customer contract related balances

Trade receivables include amounts that have been billed in accordance with customer contract terms and amounts that the Group has an unconditional right to, with only passage of time before the amounts can be billed in accordance with the customer contract terms. Customer finance credits arise from credit terms exceeding 179 days in the customer contract or a separate financing agreement signed with the customer. Customer finance is a class of financial assets that is managed separately from receivables. See note 30(d) for further information on credit risk management of trade receivables and customer finance credits.

In accordance with IFRS 15, where significant financing is provided to the customer, revenue is adjusted to reflect the impact of the financing transaction. These transactions could arise from the customer finance credits above if the contracted interest rate is below the market rate or through implied financing transactions due to payment terms of more than one year from the date of transfer of control.

Contract asset is unbilled sales amount relating to performance obligation that has been satisfied under customer contract but is conditional on terms other than only the passage of time before payment of the consideration is due. Under previous standards these unbilled sales balances have been included within trade receivables. Contract liability relates to amounts that are paid by or due from customers for which performance obligations are unsatisfied or partially satisfied. Under previous standards these balances have been disclosed as deferred revenue within other current liabilities, and the Group concluded that the balances meet the definition of contract liability under IFRS 15. Advances from customers are also included in the contract liability balance.

1 Material accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are shown at cost or deemed cost, less accumulated depreciation and impairment losses.

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other expenditure on repairs and maintenance is expensed as incurred. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Land is not depreciated. Depreciation on other assets is provided on a straight-line basis to allocate their cost over the estimated economic useful life of the assets. The estimated useful lives are as follows:

	Useful lives
Buildings	5 – 30 years
Plant and equipment	2 – 10 years
Other	5 – 7 years

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated statement of comprehensive income.

Intangible assets acquired separately

Intangible assets are stated on initial recognition at cost and subsequently at cost less accumulated amortization and impairment losses.

Amortization is provided on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets include acquired computer software and are amortized on a straight-line basis over their useful life of 2–4 years. Cost associated with maintaining computer software is recognized as an expense as incurred.

Internally generated intangible assets

Expenses resulting from research activities are recognised as expenses for the period in which they arise. Costs incurred for the development of products to be sold, leased, or otherwise marketed or intended for internal use are capitalized as from when technological and economic feasibility has been established until the product is available for sale or use.

Subsequent to initial recognition, internally developed intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortization of capitalized development expenses is made according to the straight-line method over their estimated useful lives, which is normally three years. Internally developed intangible assets are included in software development and intangible assets under construction.

Impairment of non-financial assets

Assets that have an indefinite useful life (such as goodwill) are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1 Material accounting policies (continued)

Financial assets at amortized cost

Financial assets are classified as amortized cost if the contractual terms give rise to payments that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held in a business model whose objective is to hold financial assets in order to collect contractual cash flows. These assets are subsequently measured at amortized cost using the effective interest method, minus impairment allowances. Interest income and gains and losses from financial assets at amortized cost are recognized in financial income.

Financial assets at fair value through profit or loss (FVTPL)

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near term. Derivatives are classified as held for trading, unless they are designated as hedging instruments for the purpose of hedge accounting. Assets held for trading are classified as current assets. Debt instruments classified as FVTPL, but not held for trading, are classified on the balance sheet based on their maturity date (i.e. those with a maturity longer than one year are classified as non-current). Investments in shares and participations are classified as FVTPL and classified as non-current financial assets. Gains or losses arising from changes in the fair values of the FVTPL category (excluding derivatives and customer financing) are presented in the income statement within financial income in the period in which they arise. Gains and losses on derivatives are presented in the income statement as follows. Gains and losses on derivatives that hedge foreign exchange risks are presented as net foreign exchange gains and losses. Gains and losses on customer financing are presented in the income statement as selling expenses. Dividends are recognised as other income in profit or loss when the right to receive payment is established.

Cash and cash equivalents

Cash comprises cash held at banks and on hand. Cash equivalents include demand deposits and time deposits with maturities up to three months. Cash and cash equivalents are carried at amortized cost because: (i) they are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest, and (ii) they are not designated at fair value through profit and loss.

Impairment of cash, trade receivables and contract assets

Financial assets affected by the new model are cash and cash equivalents, deposits, trade receivables and contract assets.

Two unified models were developed for relatable financial assets. Cash equivalents and deposits are assessed for impairment under one unified model and trade receivables and contract assets are assessed for impairment under another unified model. Cash equivalents and deposits are assessed based on probability of default as well as Group exposure to certain financial institution at the time of default. To determine probability of default, country credit rating of financial institution is used, as well as the rating of future outlook is used.

Expected loss on cash, cash equivalents and deposits for each financial institution gives the total expected credit loss. There were no significant changes to the model during the year. The Group has determined that credit risk largely depends on both the payment pattern of the customer as well as the risk in the country where the customer resides (e.g. ability to make cross-border payments).

1 Material accounting policies (continued)

Impairment of cash, trade receivables and contract assets (continued)

Therefore, expected credit losses (ECLs) are calculated using a provision matrix that specifies a fixed rate depending both on the number of days past due and the country risk rating. The country risk ratings depend on the ratings used by all Export Credit Agencies within the OECD. The rates defined in the provision matrix are based on historical loss patterns for certain portfolio of customers. Each customer is regulatory monitored and these rates are adjusted for current conditions as well as management expectations for changes to political risks and payment patterns of certain customer in the future. There were no significant changes to the model during the year.

Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate.

Financial liabilities

Financial liabilities are recognized when the Group becomes bound to the contractual obligations of the instrument. Financial liabilities are derecognized when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of other inventories is based on the First In First Out (FIFO) principle and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. In case of manufactured inventories, the cost includes materials, labor and related overhead, and expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Slow-moving and obsolete inventories have been written down to their estimated realizable value.

Share capital

Share capital is stated in euro at nominal value.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where the Parent Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently

reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the equity holders.

Income tax

The tax expense for the period is based on taxable profit for the year and comprises current and deferred tax. Income tax is recognized in the consolidated statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Parent Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Consolidated Financial Statements of Ericsson Nikola Tesla Group (continued)

1 Material accounting policies (continued)

Income tax (continued)

Deferred income tax is recognized by using the balance sheet liability method on temporary differences arising between tax basis of assets and liabilities and their carrying amount in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect either accounting or taxable profit or loss. Deferred tax assets and liabilities are not discounted and are classified as non-current assets and/or liabilities in the balance sheet. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the Group reassesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured by using the tax rates expected to apply to taxable profit in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Foreign currencies

Transactions denominated in foreign currencies are translated into functional currency at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency at the balance sheet date have been translated to functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising from translation are included in the consolidated statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to functional currency at foreign exchange rates ruling at the dates the values were determined. Non-monetary assets and items that are measured in terms of "historical cost of a foreign currency" are not retranslated.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment where the entity operates ('the functional currency'). The consolidated financial statements are presented in Euro (EUR), which is the Parent Company's functional and the Group's presentation currency.

The results and financial position of all the Group's entities with a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken into other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in equity are reclassified from other comprehensive income to the income statement as part of the gain or loss on sale.

1 Material accounting policies (continued)

Employee benefits

a) Long-term service benefits

The Group provides employees with jubilee and one-off retirement awards. The obligation and costs of these benefits are determined by using the Projected Unit Credit Method. The Projected Unit Credit Method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the benefit obligation.

b) Share-based payments

The Group operates an equity-settled, share-based compensation plan allowing the employees to receive shares according to internal policy. The fair value of the employee services received in exchange for the grant of the shares is recognized as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the shares. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted. At each balance sheet date, the Parent Company revises its estimates of the number of shares that are expected to become granted. It recognizes the impact of the revision of original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity. When distributed upon vesting date, treasury shares are credited at average purchase cost and recorded against retained earnings.

c) Bonus plans

The Group recognizes a liability and an expense for bonuses as a provision where contractually obliged or where there is past practice that has created a constructive obligation.

Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. The most significant provisions in the consolidated financial statements are provisions for warranty claims, penalty claims and litigation. If the effect is material and if the obligation is expected to be settled in a period of over 12 months, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities. The increase in the provision due to passage of time is recognized as interest expense.

Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognized using the original effective interest rate.

Notes to the Consolidated Financial Statements of Ericsson Nikola Tesla Group (continued)

1 Material accounting policies (continued)

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board that makes strategic decisions.

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Government grants

Grants from the government are recognized within "Other operating income" at their fair value where there is reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized over the period necessary to match them with the costs that they are intended to compensate.

Grants relating to property, plant and equipment are recognized in profit or loss over the periods and in the proportions in which depreciation on those assets is recognized. In statement of financial position, government grant is deducted in arriving at the carrying amount of the underlying asset and is recognized in the profit or loss over the useful life of depreciable asset by way of a reduced depreciation charge.

Dividend distribution

Dividend distribution to the shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the shareholders.

Consolidation and goodwill

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of identifiable acquiree's net assets.

Goodwill is initially measured as excess of the aggregate of the consideration transferred and the fair value of non-controlling interest in the acquiree and acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. If this is lower than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of comprehensive income.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1 Material accounting policies (continued)

Leases

As a lessee

As a lessee, the Group leases property and vehicles. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on its relative stand-alone price.

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

The Group uses a number of practical expedients when applying IFRS 16 to leases. In particular, the Group:

- does not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- does not recognize right-of-use assets and liabilities for leases of low value assets; and
- excludes initial direct costs from the measurement of the right-of-use asset at the date of initial application.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate, the weighted average rate applied is 2.81% (2023: 2.50%).

As a lessor

The Group leases out its own property and the Group has classified these leases as operating leases.

The Group sub-leases some of its properties. Under IFRS 16, the right-of-use assets recognized from the head leases are presented in investment property and measured at fair value at that date. The Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset and concluded that they are operating leases under IFRS 16.

The Group has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

Notes to the Consolidated Financial Statements of Ericsson Nikola Tesla Group (continued)

2 Changes in accounting policies

There were no changes in accounting policies for the financial year ending as at 31 December 2024 in comparison with prior reporting period.

3 New accounting standards and interpretations

Adoption of new and amended International Financial Reporting Standards

Current standards, amendments to existing standards, and implementations – adopted during 2024

In 2024, the following standards, amendments to existing standards, and interpretations came into effect:

- Amendments to IAS 1 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Restrictive Terms*;
- Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures – Supplier Financing Arrangements*;
- Amendments to IFRS 16 *Leases: Lease Liability in a Sale and Leaseback Transaction*.

The adoption of these standards has not resulted in significant effects on the amounts recognized in the balance sheet or the income statement, or on the disclosed accounting policies.

Standards, amendments to existing standards, and interpretations that have been issued but are not yet effective

Several new amendments and interpretations to existing standards have been issued but are not yet effective as of the date of publication of the financial statements. If applicable, the Group intends to adopt these standards when they become effective.

4 Critical accounting estimates and judgements

Accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment losses on loans and receivables

The Group reviews its receivables to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the consolidated statement of comprehensive income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and receivables before the decrease can be identified with an individual loan or receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with parameters relevant to assets in the Group.

(b) Derecognition of receivables with off-balance sheet financing

From 2016, the Group entered into several new customer contracts in the foreign market. The contracts include delivery of equipment and sale of services with 15% up-front payment while remaining 85% have deferred payment terms up to 54 months.
The Group financed the sale of equipment through a Supplier credit arrangement.
The arrangement includes: (i) matching cash receipts from customer with payments to the bank, (ii) assignation of insurance policy to the bank, and (iii) ceding future cash receipts from the customer to the bank through special purpose accounts secured by special purpose deposits (Note 14).
By transferring to the bank its contractual right to receive the cash flows, the Group transferred the financial asset to the bank. In terms of derecognition criteria, the Group analyzed transfer of risk and rewards of the receivable, specifically related to credit risk and late payment risk.
The Credit risk is shifted from international customer to the risk from domestic insurance company default, which is considered as significant transfer in credit risk. The Group issued guarantees to the financing bank for risk of non-performance by the insurance company which is disclosed in Note 22. The issued guarantee for non-performance of the insurance company is recognized initially at fair value and subsequently at the higher of the unamortized balance of the initial fair value and the best estimate of expenditure required to settle the obligation under the guarantee.
Late payment risk was transferred based on the fact that the special purpose deposit covers the late payment charges and/or history of payments with the customer do not historically evidence late payment risk as substantial to the agreement.
Having transferred the right to cash flows and substantially all the risk and rewards relating to 90% of receivables, the management concluded that it was appropriate to derecognize 90% of the related receivables from the balance sheet. The remaining 10% of the receivables remain on the balance sheet as long-term receivables from the customer (Note 14) and a 10% of the related financing liability to the bank is recorded as borrowings (Note 21).

Notes to the Consolidated Financial Statements of Ericsson Nikola Tesla Group (continued)

4 Critical accounting estimates and judgements (continued)

c) Revenue recognition

The Group uses estimates and judgments in determining the amount and timing of revenue under IFRS 15, particularly when determining the transaction price and its allocation to performance obligations identified under the contract.

Transaction price may consist of variable elements such as discounts and contract penalties. Transaction price, including variable considerations, is estimated at the commencement of the contract (and periodically thereafter). Judgment is used in the estimation process based on historical experience with the type of business and customer.

IFRS 15 also requires revenue to be allocated to each performance obligations by reference to their stand-alone selling prices. The Group considers that an adjusted market assessment approach should be used to estimate stand-alone selling prices for its products and services for the purposes of allocating transaction price. These estimates are comprised of prices set for similar customer and circumstances, adjusted to reflect appropriate profit margins for the market. Estimates are used to determine discounts that relate specifically to each performance obligations, thus impacting their stand-alone selling prices.

The management applies judgment when assessing the customer's ability and intention to pay in a contract. The assessment is based on the latest customer credit standing and the customer's past payment history. This assessment may change during the contract execution, and if there is evidence of deterioration in the customer's ability or intention to pay, then under IFRS 15 no further revenue shall be recognized until the collectability criteria is met. Conversely, this assessment may also change favorably over time, upon which revenue shall now be recognized on a contract that did not initially meet the collectability criteria.

Revenue for standard products shall be recognized when control over the equipment is transferred to the customer at a point in time. This assessment shall be viewed from a customer's perspective considering indicators such as transfer of titles and risks, customer acceptance, physical possession, and billing rights.

Control of an asset therefore refers to the ability to direct use of and obtain substantially all the remaining benefits from the asset. Control includes the ability to prevent other entities from using and obtaining the benefits from an asset. The benefits of an asset are the potential cash flows (inflows or savings in outflows) that can be obtained directly or indirectly.

Judgment may be applied in determining whether risk and rewards have been transferred to the customer and whether the customer has accepted the products. In a sale of software license, judgment may also be applied to determine when the software is made available to the customer by considering when they can direct the use of, and obtain substantially all the benefits of, the license. Often all indicators of transfer of control are assessed together and an overall judgment formed as to when transfer of control has occurred in a customer contract.

Revenue for customized solutions shall be recognized over time if progress of completion can be reliably measured and enforceable right to payment exists over the duration of the contract. The progress of completion is estimated by reference to the output delivered such as achievement of contract milestones and customer acceptance. Judgments are applied when determining the appropriate revenue milestones that best reflect the progress of completion and are aligned with key acceptance stages within the contract.

5 Sales revenue

Analysis of revenue by category:

	2024			2023		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
		At a point in time	Over time		At a point in time	Over time
Sales revenue from products	59,475	49,478	9,997	47,189	37,716	9,473
Sales revenue from services	189,998	172,955	17,043	257,042	236,320	20,722
	249,473	222,433	27,040	304,231	274,036	30,195

6 Segment reporting

The Group has determined the operating segments based on the reports reviewed by the Management Board that are used to make strategic decisions. The Management Board assesses the performance of the operating segments based on a measure of adjusted Operating profit. The measurement basis excludes the effects of administration expenses.

When determining the operating segments, the Group has looked at which market and to what type of customers the Group's products are aimed, and through what distribution channels they are sold, as well as to commonality regarding technology, research and development.

To best reflect the business focus and to facilitate comparability with the Ericsson Group, four operating segments are reported:

- Networks include radio and transport solutions with supporting services, based on industry standards and offered via scalable modular platforms. The portfolio enables customers to evolve their telecom networks across generations to 5G.
- Digital Services include products and services providing solutions for our Telecom and Industry & Society customers' digital transformation journeys across the support systems BSS and OSS, Telecom Core, and IT Cloud domains through a combination of products, technology and expertise in networks, software, cloud, and business processes.
- Managed Services are offered in three main areas: Networks, IT, and Network Design & Optimization.
- Other includes products and services that enable content owners, broadcasters, TV service providers and network operators to efficiently deliver, manage and monetize new TV experiences. In addition, segment Other includes iconectiv and emerging business such as Internet of Things and Unified Delivery Network (UDN).

The Management Board does not monitor assets and liabilities by segments and therefore this information is not disclosed.

Notes to the Consolidated Financial Statements of Ericsson Nikola Tesla Group (continued)

6 Segment reporting (continued)

Revenues determined based on the geographic location of customers are disclosed in this note. The Group's assets are located in Croatia, Bosnia and Herzegovina and Kosovo.

	2024			2023		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
		At a point in time	Over time		At a point in time	Over time
Sales revenue in domestic market	66,370	48,132	18,238	130,329	109,791	20,538
Sales revenue to Ericsson	138,249	138,249	-	141,123	141,123	-
Sales revenue in Bosnia and Herzegovina, Montenegro and Kosovo	37,799	32,097	5,702	20,517	15,100	5,417
Other export sales revenue	7,055	3,955	3,100	12,262	8,022	4,240
	249,473	222,433	27,040	304,231	274,036	30,195

	Networks		Digital services		Managed services		Other		Unallocated		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Sales revenue	153,306	145,166	92,567	78,482	3,093	80,108	507	475	-	-	249,473	304,231
Timing of revenue recognition:												
At a point in time	141,691	126,817	77,142	66,636	3,093	80,108	507	475	-	-	222,433	274,036
Over time	11,615	18,349	15,8425	11,846	-	-	-	-	-	-	27,040	30,195
Operating profit	18,434	18,849	10,055	8,858	(484)	4,206	20	22	(6,376)	(7,178)	22,144	24,757
Finance income/ (expense), net											1,104	479
Profit before tax											23,248	25,236
Income tax											(7,651)	(3,042)
Profit for the year											**15,597**	**22,194**

Notes to the Consolidated Financial Statements of Ericsson Nikola Tesla Group (continued)

7 Expenses by nature

Cost of sales, selling expenses and administrative expenses consist of the following expenses by nature:

	2024	2023
	EUR '000	EUR '000
Changes in contract work in progress (Note 15)	4,222	(3,044)
Material and external services [1]	84,979	129,430
Personnel expenses (Note 8)	138,721	152,987
Depreciation and amortization (Notes 12, 13, 28)	5,277	6,036
	233,199	285,409

[1] Including fees to auditors of EUR 98 thousand (2023: EUR 102 thousand). Fees to auditors relate to statutory audit services amounted to EUR 80 thousand (2023: EUR 86 thousand), ESG limited review amounted to EUR 18 thousand (2023: EUR 0 thousand) while fees related to other services amounted to EUR 0 thousand (2023: EUR 16 thousand).

Other operating income

Other operating income consists of rent income in total amount of EUR 5,335 thousand (2023: EUR 4,500 thousand) and other in total amount of EUR 574 thousand (2023: EUR 2,206 thousand).

8 Personnel expenses

	2024	2023
	EUR '000	EUR '000
Net salaries	78,694	86,280
Taxes and contributions	49,112	55,263
Other payroll-related costs	10,457	10,837
Equity-settled transactions (Note 23 (b))	458	607
	138,721	152,987

Personnel expenses include EUR 21,126 thousand (2023: EUR 23,648 thousand) of defined pension contributions paid or payable into obligatory pension plans. Contributions are calculated as a percentage of employees' gross salaries.
Other payroll-related costs mainly relate to termination benefits in the amount of EUR 178 thousand (2023: EUR 58 thousand), and to transportation expenses and vacation accrual cost.
As at 31 December 2024, the total number of employees was 2,913 (2023: 3,600).

Notes to the Consolidated Financial Statements of Ericsson Nikola Tesla Group (continued)

9 Finance income/(expense), net

	2024	2023
	EUR '000	EUR '000
Interest income	1,718	595
Net change in fair value of financial assets at fair value through profit and loss	161	111
Amortisation of discount	2	11
Finance income	1,881	717
Interest expense	(759)	(233)
Net foreign exchange loss	(18)	(5)
Finance expense	(777)	(238)
Finance income/(expense), net	1,104	479

10 Income tax expense

Income tax has been calculated on the taxable income at statutory tax rates applicable to profits in the respective countries. Income tax expense recognized in the consolidated statement of comprehensive income comprises:

	2024	2023
	EUR '000	EUR '000
Current income tax expense	(7,803)	(2,362)
Total deferred tax income/(expense)	152	(680)
Total income tax expense	(7,651)	(3,042)

Deferred tax from tax losses

As at 31 December 2024 the Group did not recognize deferred income tax assets of EUR 96 thousand (2023: EUR 14 thousand) in respect of cumulative tax losses amounting to EUR 535 thousand (2023: EUR 75 thousand) that can be carried forward against future taxable income.

10 Income tax expense (continued)

Deferred tax from tax losses (continued)

A tax loss may be carried forward for five years subsequent to the year in which it was incurred. The availability of tax losses against future periods, subject to review by the Ministry of Finance, is as follows:

	2024	2023
	EUR '000	EUR '000
Tax loss for 2022 – expires 31 December 2027	-	75
Tax loss for 2024 – expires 31 December 2029	535	-
	-	75

Effective tax rate reconciliation

The tax on the profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2024	2023
	EUR '000	EUR '000
Profit before tax	23,248	25,236
Tax calculated at domestic tax rates applicable to profits in the respective countries	4,139	4,513
Tax effects of:		
Permanent non-deductible expenses	27	167
Effects of temporary differences	152	(47)
Tax incentives	(82)	(1,563)
Tax losses utilized	(14)	(28)
CIT from previous years	3,429	-
Tax charge	7,651	3,042
Effective tax rate	32.9%	12.1%

Tax incentives totaling EUR 82 thousand (2023: EUR 1,563 thousand) include tax allowances for certain expenditure, as employment and education and training, as defined by Croatian tax legislation. The underlying expenditure is included in cost of sales.
The Croatian Income Tax Act is subject to different interpretations and changes in respect of certain expenses which reduce the tax base. The Management Board's interpretation of the law relating to these transactions and activities of the Group may be disputed by the relevant authorities. The Tax Authority has taken a different view in interpreting the laws and judgments, and some of the transactions and activities that have not been disputed in the past are disputed during 2024 resulting in one-time tax expense from the previous years.

Notes to the Consolidated Financial Statements of Ericsson Nikola Tesla Group (continued)

10 Income tax expense (continued)

Deferred tax from other temporary differences

The Group recognized deferred tax assets in the amount of EUR 2,658 thousand (2023: EUR 2,506 thousand) relating to temporary differences arising from:

- Accrued interest expenses
- Impairment of receivables
- Accrued expenses from contracts
- Warranty provisions
- Provisions for jubilee awards and retirement
- Right of use asset and lease liabilities

	Deferred tax assets
	EUR '000
As at 1 January 2023	3,187
Tax credited to the Income statement	277
Tax charged to the Income statement	(958)
As at 31 December 2023	2,506
As at 1 January 2024	2,506
Tax credited to the Income statement	551
Tax charged to the Income statement	(399)
As at 31 December 2024	2,658

11 Earnings per share

	2024	2023
Profit for the year (EUR '000)	15,597	22,194
Weighted Average Number of Shares Outstanding at the year-end	1,325,756	1,322,709
Earnings per share (EUR)	11.76	16.78

Basic and fully diluted earnings per share are the same since the Parent Company does not have any dilutive potential ordinary shares.

12 Property, plant and equipment

	Land and buildings	Plant and equipment	Asset under construction	Other	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
As at 1 January 2023					
Cost or valuation	27,743	31,261	274	18	59,296
Accumulated depreciation	(18,316)	(24,872)	-	(15)	(43,203)
Net book amount	9,427	6,389	274	3	16,093
Year ended 31 December 2023					
Opening net book amount	9,427	6,389	274	3	16,093
Transfer of asset under construction	-	269	(273)	4	-
Additions	-	1,760	78	4	1,842
Disposals	(30)	(37)	-	-	(67)
Depreciation charge	(589)	(2,542)	-	(8)	(3,139)
Closing net book amount	8,808	5,839	79	3	14,729
As at 31 December 2023					
Cost or valuation	27,637	29,768	79	26	57,510
Accumulated depreciation	(18,829)	(23,929)	-	(23)	(42,781)
Net book amount	8,808	5,839	79	3	14,729
Year ended 31 December 2024					
Opening net book amount	8,808	5,839	79	3	14,729
Transfer of asset under construction	21	36	(57)	-	-
Additions	12	1,885	1,377	-	3,274
Disposals	-	(333)	-	-	(333)
Depreciation charge	(542)	(2,232)	-	-	(2,774)
Closing net book amount	8,299	5,195	1,399	3	14,896
As at 31 December 2024					
Cost or valuation	27,670	27,980	1,399	26	57,075
Accumulated depreciation	(19,371)	(22,785)	-	(23)	(42,179)
Net book amount	8,299	5,195	1,399	3	14,896

As at 31 December 2024, the Group had contracts totaling EUR 924 thousand (2023: EUR 36 thousand) related to future equipment purchases.

Asset under construction mostly relates to building energy reconstruction in Krapinska 45, Zagreb.

The Group acts as a lessor under operating leases, mainly in respect of land and buildings. Property leased to others with a carrying value of EUR 462 thousand (2023: EUR 342 thousand) is included within land and buildings. These assets are depreciated at the same depreciation rates as other buildings. Subsequent renewals are negotiated with the lessee. No contingent rents are charged. Portions of the property which is held for rental could not be sold separately or leased out separately under finance lease. Consequently, the IAS 40 criteria for separate investment property recognition are not met.

Notes to the Consolidated Financial Statements of Ericsson Nikola Tesla Group (continued)

13 Intangible assets

	Application software	Goodwill (i)	Qwn developed software	Assets under construction	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
As at 1 January 2023					
Cost or valuation	821	554	-	-	1,375
Accumulated amortization	(731)	-	-	-	(731)
Net book amount	90	554	-	-	644
Year ended 31 December 2023					
Opening net book amount	90	554	-	-	644
Additions from internal development, Note 20 (c)	-	-	-	346	346
Disposal	-	(554)	-	-	(554)
Amortization charge	(51)	-	-	-	(51)
Closing net book amount	39	-	-	346	385
As at 31 December 2023					
Cost or valuation	825	-	-	346	1,171
Accumulated amortization	(786)	-	-	-	(786)
Net book amount	39	-	-	346	385
Year ended 31 December 2024					
Opening net book amount	39	-	-	346	385
Transfer of asset under construction	-	-	343	(343)	-
Additions from internal development, Note 20 (c)	-	-	18	812	830
Additions	15	-	-	-	15
Amortization charge	(40)	-	(40)	-	(80)
Closing net book amount	14	-	321	815	1,150
As at 31 December 2024					
Cost or valuation	575	-	361	815	1,751
Accumulated amortization	(561)	-	(40)	-	(601)
Net book amount	14	-	321	815	1,150

(i) In September 2014, the Group signed business unit transfer agreements by which the Group acquired a business from Hrvatski Telekom d.d. The agreements included transfer of employees, supplier contracts, organizational structure, activities and operational processes. The business comprises acquired assets and assumed liabilities to employees. In 2023 goodwill was written off to other operating expenses following the decision of Hrvatski Telekom in June 2023 to take back the technological segment for the construction and maintenance of the HT network from 1 January 2024.

14 Loans and receivables

	2024	2023
	EUR '000	EUR '000
Deposits with financial institutions, denominated in EUR	852	1,542
Non-current receivables from foreign customers, denominated in EUR	246	714
Loans given, Note 4 (b)	66	223
Receivables for sold apartments	103	109
Total loans and receivables	1,267	2,588
Impairment allowance on loans and receivables	-	(1)
	1,267	2,587

Deposits with financial institutions in the amount of EUR 1,422 thousand (2023: EUR 1,422 thousand) are used as a collateral for Supplier credit arrangement and performance guarantees disclosed in Note 4 (b), with interest rate from 0.10% to 0.15% and maturing in year 2026. The amount maturing in 2025 is disclosed in note 15.

The rest of the deposits with financial institutions of EUR 120 thousand (2023: EUR 120 thousand) are placed as guarantee deposits for housing loans provided to the employees with a remaining maturity of over three years.

Loans and receivables from customers are partially secured with bank guarantees and letters of credit. The current portion of the non-current receivables is classified under current assets.

Receivables for sold apartments are linked to the counter value of euro, repayments are made by deduction from monthly salary and the loans are secured with collateral on the house or apartment. Receivables for sold apartments and housing loans provided to a limited number of employees bear fixed interest rates of up to 5% per annum.

Non-current portion of foreign and domestic loans and receivables from customers

	2024	2023
Due	EUR '000	EUR '000
2025	-	691
2026	312	246
	312	937

Notes to the Consolidated Financial Statements of Ericsson Nikola Tesla Group (continued)

15 Inventories

	2024	2023
	EUR '000	EUR '000
Raw materials	4,620	762
Contract work in progress	4,947	9,169
	9,567	9,931

Slow-moving or obsolete inventories have been written down to their estimated realizable value through an impairment allowance. The impairment allowance is included within cost of sales in the consolidated statement of comprehensive income in total amount of EUR 75 thousand (2023: EUR 1 thousand).

16 Trade receivables

	2024	2023
	EUR '000	EUR '000
Foreign trade receivables	8,896	7,334
Current portion of non-current foreign receivables	986	705
Total current foreign receivables	9,882	8,039
Domestic trade receivables	15,299	20,739
Impairment allowance on receivables	(221)	(175)
	24,960	28,603

16 Trade receivables (continued)

Movements in impairment allowance on loans and receivables were as follows:

	2024	2023
	EUR '000	EUR '000
As at 1 January	629	350
Impact of discounting non-current receivables	(1)	(12)
Receivables written off during the year as uncollectible	(98)	(85)
Impairment on receivables/(release of impairment on receivables)	194	376
As at 31 December [1]	724	629

[1] Including impairment provision for receivables from related parties of 301 thousand (2023: EUR 419 thousand).

17 Other receivables

	2024	2023
	EUR '000	EUR '000
Advances given	2,780	641
Deposits	690	-
Net VAT receivables	226	-
Receivables for existing customer financing agreements (note 4b)	840	756
Other receivables	126	98
	4,662	1,496

Notes to the Consolidated Financial Statements of Ericsson Nikola Tesla Group (continued)

18 Financial assets at fair value through profit or loss

	2024	2023
	EUR '000	EUR '000
Financial assets at fair value through profit or loss		
- Equity securities	112	66
- Investment in open-ended investment funds	4,281	4,169
	4,393	4,235

19 Cash and cash equivalents

	2024	2023
	EUR '000	EUR '000
Cash and demand deposits	58,878	72,826
Impairment loss (Note 30(d))	(145)	(171)
	58,733	72,655

20 Equity

(a) Share capital

As at 31 December 2024, the share capital is represented by 1,331,650 (2023: 1,331,650) of authorized, issued and fully paid ordinary shares, with a total registered value of EUR 17,674 thousand (2023: EUR 17,674 thousand). The Company's shares nominal value of HRK 100.00 each was substituted with the shares without the nominal value at the Annual General Meeting held on 14 June 2023. Holders of the ordinary shares are entitled to receive dividends as declared at the Annual General Meeting and are entitled to one vote per share at the Annual General Meeting.

The shareholders as at 31 December are:

	Number of shares	% held	Number of shares	% held
	2024		2023	
Telefonaktiebolaget LM Ericsson	653,473	49.07	653,473	49.07
Other shareholders	672,449	50.50	672,291	50.49
Treasury shares	5,728	0.43	5,886	0.44
	1,331,650	100.00	1,331,650	100.00

(b) Treasury shares

These shares are initially held as "treasury shares" and are regularly granted to key management and other employees as a part of the share-based program established in 2004, as described in Note 23 (b). Shares transferred to employees are recognized on a first-in-first-out basis.

Movements in treasury shares are as follows:

	Number of shares	Number of shares
	2024	2023
As at 1 January	5,886	10,011
Purchased during the year	3,309	870
Distributed during the year	(3,467)	(4,995)
As at 31 December	5,728	5,886

(c) Legal and other reserves

A legal reserve in the amount of 5% of total share capital was formed during previous periods by appropriation of 5% of net profit per annum up to a cap of 5% of share capital. The legal reserve may be used to cover losses if the losses are not covered by current net profit or if other reserves are not available. The Group recorded the required level of legal reserves in 2000 and no further allocation to legal reserves is required. Legal reserves up to 5% of total share capital are not distributable.

Pursuant to the Accounting Act, the reserves for unwritten value of development costs are recognized for internally generated intangible asset in the amount of EUR 1,136 thousand (2023: EUR 346 thousand).

(d) Reserve for own shares

Reserve for own shares is separated by the decision of Annual General Meeting.

20 Equity (continued)

(e) Dividends

Dividends payable are not accounted for until they have been ratified at the Annual General Meeting of shareholders. On 27 June 2024, the Annual General Meeting approved a regular dividend of EUR 10 per share and an extraordinary dividend of EUR 5 per share in respect of 2023, totaling EUR 19,880 thousand.

Cash dividends authorized and paid for previous years were as follows:

	2024	2023
	EUR '000	EUR '000
EUR 6.00 per share for 2022	-	7,927
EUR 15.00 per share for 2023	19,880	-
Prior year dividend payout	17	7
	19,897	7,934

21 Borrowings

	2024	2023
	EUR '000	EUR '000
Loans	-	469
Borrowings, Note 4 (b)	15	114
Total liabilities for borrowings	15	583
Short term portion	-	469
Long term portion	15	114

Changes in liabilities from financing activities	Borrowings
	EUR '000
Year ended 31 December 2023	
Opening net book amount	2,091
Cash transactions	
Repayment of loans and borrowings	(2,408)
Non-cash transactions	
Overtake of liability towards bank	1,005
Foreign exchange differences	(1)
Release of obligations (Note 4(b))	(104)
Closing net book amount	583
Year ended 31 December 2024	
Opening net book amount	583
Cash transactions	
Repayment of loans and borrowings	(1,256)
Non-cash transactions	
Overtake of liability towards bank	799
Release of obligations (Note 4(b))	(111)
Closing net book amount	583

Loan is taken due to the Energy Efficiency project for premises in Zagreb (Krapinska 45). Loan is taken with fixed interest rate. Borrowings movement reflect increase and repayment of the obligations toward banks arising from refinancing of customer credit. Non-cash item is generated by forming obligation toward banks for existing customer financing agreements.

Notes to the Consolidated Financial Statements of Ericsson Nikola Tesla Group (continued)

22 Other non-current liabilities

	2024	2023
	EUR '000	EUR '000
Liabilities for issued guarantee, Note 4 (b)	-	10
Other non-current liabilities, Note 4 (b)	1	2
	1	12

23 Employee benefits

a) Long-term service benefits

The Group does not operate any pension schemes or other retirement benefit schemes for the benefit of any of its employees or management. In respect of all of the personnel, such social payments as required by the authorities are paid. These contributions form the basis of social benefits payable out of the Croatian Pension Insurance Institute to the Croatian employees upon their retirement. Additionally, in 2001 the Parent Company signed an Annex to the Union Agreement based on which employees are entitled to a benefit upon early retirement.

However, the Group pays a one-time benefit amounting to EUR 1,061.78 for each employee who retires. Additionally, the Group pays jubilee awards in respect of each 5 years of service of an employee, starting from the 10th year and ending in the 40th year. The principal actuarial assumptions used to determine retirement and jubilee obligations as at 31 December 2024 were a 1.92% discount rate (2023: 1.92%) and a 5.97% (2023: 6.97%) rate of average employment turnover.

Movements in long-term service benefits were as follows:

	Jubilee awards	Retirement	Total	Jubilee awards	Retirement	Total
			2024			2023
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
As at 1 January	820	123	943	910	193	1,103
Obligation created during the year	176	82	258	120	13	133
Obligation fulfilled during the year	(144)	(10)	(154)	(210)	(3)	(213)
Obligation reversed during the year	-	-	-	-	(80)	(80)
As at 31 December	852	195	1,047	820	123	943

23 Employee benefits (continued)

b) Share-based payments

In 2004, the Parent Company established its Loyalty program, a share-based scheme under key employees are entitled to receive the Parent Company´s shares conditional on the employee completing certain years of service (the vesting period) from the grant date.

The treasury shares are distributed to eligible employees upon ratification at the Annual General Meeting.

In 2024 the Parent Company continued its Loyalty program and granted additional shares to eligible employees under vesting condition related to years of service with the Parent Company.

Movements in shares under the Award and Loyalty programs are as follows:

	2024	2023
	Number of shares	Number of shares
As at 1 January	5,625	10,650
Granted	797	-
Exercised	(3,467)	(4,995)
Expired	(125)	(30)
As at 31 December	2,830	5,625

Vesting conditions for shares granted under Loyalty program are one to four years of service.

The fair value of service received in return for shares granted is measured by reference to the observable market price of shares at the grant date.

During 2024, the Group had EUR 458 thousand of expenses (2023: EUR 607 thousand) in respect of share-based payments, which are included in personnel expenses as disclosed in Note 8.

Notes to the Consolidated Financial Statements of Ericsson Nikola Tesla Group (continued)

24 Trade and other payables

	2024	2023
	EUR '000	EUR '000
Trade payables	14,980	12,027
Liabilities to employees	18,136	21,428
VAT liabilities	2,884	1,002
Other current liabilities	3,656	4,010
	39,656	38,467

The Group participates in a supplier finance arrangements under which its suppliers may elect to receive early payment of their invoices from a bank as well as arrangements used for optimizing Group's cash flows. Under both types of the arrangements, the bank agrees to pay amounts due to participating suppliers in respect of invoices owed by the Group and the Group repays the bank at a later date. The purpose of early payment arrangement is to provide the willing suppliers the benefit of early payment and the purpose of arrangements used for optimizing Group's cash flows is deferring the payment to bank after the initial supplier invoice due date which supports efficient cash flow management of the Group. Share of payable turnover that is included in any sort of supplier finance arrangement is 8% in value.

The Group has derecognized the original trade payables relating to the arrangements in favor of bank when entering into the arrangements since the original liability was replaced with liability towards bank.

From the Group's perspective, the arrangement does not extend payment terms towards suppliers participating beyond the normal terms agreed with other suppliers that are not participating. The Group does not incur any additional interest towards the bank on the amounts due to the suppliers that are participating in early payment arrangements. For the part of arrangements related to cash flow management, the Group pays interest towards the bank for the arrangements that are under prolonged due date. The Group therefore includes the amounts subject to the arrangements within trade payables because the nature and function of these payables remains the same.

All payables under the arrangement are classified as current as at 31 December 2024 and 2023.

25 Provisions

Movements in provisions were as follows:

	Warranty reserve	Termination benefits	Other reserve	Total
	EUR '000	EUR '000	EUR '000	EUR '000
As at 1 January 2023	242	649	1,226	2,117
Additional provisions	30	701	-	731
Unused provisions reversed	(9)	(11)	-.	(20)
Provisions used during the year	(91)	(831)	(342)	(1,245)
As at 31 December 2023	172	508	902	1,583
As at 1 January 2024	172	508	902	1,583
Additional provisions	87	353	-	440
Unused provisions reversed	-	-	(40)	(40)
Provisions used during the year	(7)	(600)	(149)	(756)
As at 31 December 2024	252	261	713	1,227

The warranty reserve is established to cover the expected warranty claims on products sold during the year. Reversal of warranty reserves relates to expired warranties.

26 Accrued charges and deferred revenue

	2024	2023
	EUR '000	EUR '000
Deferred revenue	723	713
Accrued charges for unused holidays	4,410	4,569
Accrued charges in respect of service contracts	7,392	8,337
Other accrued charges	3,137	6,781
	15,662	20,400

Deferred revenue represents mainly government grants relating to costs which are deferred and recognized in income statement at the same time when the relating costs are recognized.
Accrued charges in respect of service contracts mainly represent costs incurred for which no invoice has been received from supplier or other external contractor at the balance sheet date.

27 Contract liabilities

The Group has recognized the following liabilities arising from contracts with customers:

	31 December 2024	31 December 2023
	EUR '000	EUR '000
Contract liabilities – advances from customers	9,295	14,208
Contract liabilities – deferred revenue	11,494	12,877
Total current contract liabilities	20,789	27,085

As at 31 December 2024 the Group recognized EUR 20,789 thousand (2023: EUR 27,085 thousand) of contract liabilities in respect of the contracts related to modernization of mobile and fixed network, project-related services and support activities and other.

The following table presents information on unsatisfied performance obligations resulting from long-term contracts with customers.

	31 December 2024	31 December 2023
	EUR '000	EUR '000
Aggregate amount of the transaction price allocated to long-term contracts that are fully unsatisfied	7,371	68,578
Aggregate amount of the transaction price allocated to long-term contracts that are partially unsatisfied	67,223	12,575
	74,594	81,153

The Group expects to recognize approximately 24% of the transaction price allocated to the remaining performance obligations as revenue in financial year 2025, 28% as revenue in financial year 2026, 24% as revenues in financial year 2027, 17% as revenues in financial year 2028 and 7% as revenues in financial year 2029.
All other contracts are for periods of one year or less or are billed based on time incurred.

28 Leases

(a) Leases as lessee

The Group leases warehouse, office premises and parking lots. The leases typically run for a period of 5 years, with an option to renew the lease after that date. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The warehouse, office premises and parking lots were entered many years ago as combined leases of land and buildings.

The Group leases vehicles under a number of leases. The leases typically run for a period of 3 to 5 years.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

	2024	2023
	EUR '000	EUR '000
Balance as at 1 January	15,028	5,926
Depreciation charge for the year	(2,422)	(2,844)
Increase of right-of-use assets	1,683	12,547
Modifications	(2)	-
Derecognition of RoU assets	(30)	(601)
Balance as at 31 December	14,258	15,028

Amounts recognized in Statement of comprehensive income

Leases under IFRS 16	2024	2023
	EUR '000	EUR '000
Interest on lease liabilities	421	211
Income from sub-leasing	184	8
Expenses relating to short-term leases	155	360

Notes to the Consolidated Financial Statements of Ericsson Nikola Tesla Group (continued)

28 Leases (continued)

(a) Leases as lessee (continued)

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The following table sets out a movement in lease liability:

	2024	2023
	EUR '000	EUR '000
Balance as at 1 January	15,307	5,947
Repaid lease liability	(2,097)	(2,779)
Additions to lease liability	1,544	12,547
Modifications	(2)	-
Derecognition of lease	(30)	(601)
Interest expense	421	211
Interest paid	(421)	(211)
FX rate	-	193
Balance as at 31 December	14,723	15,307

(b) Leases as lessor

The Group leases out its property consisting of commercial properties. All leases are classified as operating leases from a lessor perspective.

Operating lease

The Group leases out its owned commercial properties. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognized by the Group during 2024 was EUR 5,335 thousand (2023: EUR 4,500 thousand).

The following table sets out a maturity analysis of lease payments to be received after the reporting date.

Operating leases under IFRS 16	2024	2023
	EUR '000	EUR '000
Less than one year	1,993	1,542
Between one and three years	1,663	2,138
Between three and five years	1,267	1,186
More than five years	2,005	1,772
Total	6,927	6,638

Table of contents

Management report

Sustainability report

Financial statements report

29 Balances and transactions with related parties

For the purposes of these consolidated financial statements, parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.
The Group is a related party to the Ericsson Group via the 49.07% (2023: 49.07%) shareholding by Telefonaktiebolaget LM Ericsson, which is also the ultimate parent of the Ericsson Group.
The Group has related-party relationships with Telefonaktiebolaget LM Ericsson, Ericsson Group subsidiaries and associates, the Supervisory Board, the Management Board and other executive management.

(a) Key transactions with the related parties

Major transactions with the Ericsson Group companies may be summarized as follows:

	Telefonaktiebolaget LM Ericsson		Other Ericsson Group consolidated companies		Total	
	2024	2023	2024	2023	2024	2023
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Sales of goods and services						
Sales revenue	-	-	138,249	141,123	138,249	141,123
Other income	-	-	-	547	-	547
	-	-	138,249	141,670	138,249	141,670
Purchases of goods and services						
Licenses	18	815	2,346	1,874	2,364	2,689
Cost of sales	-	-	41,150	37,554	41,150	37,554
	18	815	43,496	39,428	43,514	40,243

The sales of goods and services transactions have been directly negotiated between the involved parties and agreed on an individual basis. The Group pays: (i) license fees on sales of services and products, (ii) corporate trademark licenses, (iii) support services, (iv) R&D tools and (v) IS/IT fee. The license fee is paid as a percentage of sales of services and sales of products.

29 Balances and transactions with related parties (continued)

(b) Key management compensation

The key management includes the executive management listed under the Parent Company profile, comprising the Management Board member and the directors of the main organizational units, which on the Group level also includes the directors of daughter companies.

	2024	2023
	EUR '000	EUR '000
Salaries and other short-term employee benefits	3,347	4,010
	3,347	4,010

The members of the executive management and the Supervisory Board held 4,053 ordinary shares at the year-end (2023: 3,308 shares).
In addition, the Group paid remuneration totaling EUR 116 thousand (2023: EUR 72 thousand) to the Supervisory Board and Audit Committee members during 2024.

(c) Year-end balances arising from sales and purchases of goods and services

Year-end balances arising from key transactions with Ericsson Group companies may be summarized as follows:

	Trade receivable		Trade payable	
	2024	2023	2024	2023
	EUR '000	EUR '000	EUR '000	EUR '000
Telefonaktiebolaget LM Ericsson (LME), largest individual shareholder	-	-	-	-
Other Ericsson Group companies	39,458	37,402	16,428	15,062
	39,458	37,402	16,428	15,062

30 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk. Exposure to currency, interest rate and credit risk arises in the normal course of the Group's business. Risk management is carried out by a treasury department and its principal role is to actively manage investment of excess liquidity as well as financial assets and liabilities, and to manage and control financial risk exposures. The Group also has a customer finance function with the main objective to find suitable third-party financing solutions for customers and to minimize recourse to the Group. Risk management policies that relate to financial instruments can be summarized as follows:

(a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to US dollars as a substantial proportion of receivables and foreign revenues are denominated in this currency. Risk management relies on attempts to match, as much as possible, revenues in each currency with the same currency expenditure. The Group may enter into foreign currency forward contracts to hedge economically its exposure to currency risk arising on operating cash flows.

As at 31 December 2024, if the US dollar had weakened/strengthened by 1% (2023: 1%) against the Euro, with all other variables held constant, the net result after tax for the reporting period would have been EUR 1 thousand higher/lower (2023: EUR 19 thousand), mainly as a result of foreign exchange losses/gains on translation of cash, cash equivalents, deposits, trade payables, customer receivables and customer financing denominated in US dollar.

Other currencies to which the Group is exposed are: SEK, BAM, PLN, GBP.

The Group continues to focus on securing natural hedges and active currency management and to minimize impacts from currency moves. The Group's exposure to foreign currencies is shown in the table below.

Notes to the Consolidated Financial Statements of Ericsson Nikola Tesla Group (continued)

30 Financial risk management (continued)

(a) Currency risk (continued)

The tables below present the currency analysis and the resulting gap.

2024	USD	Other currency	Total foreign currencies	EUR	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Loans and receivables	-	-	-	1,267	1,267
Trade and other receivables	339	1,372	1,711	68,502	70,213
Financial assets at fair value through profit or loss	-	-	-	4,393	4,393
Cash and cash equivalents	1	2,535	2,536	56,197	58,733
	-	3,907	4,247	130,359	134,606
Borrowings and lease liabilities	-	(101)	(101)	(14,637)	(14,738)
Trade and other payables	(510)	(153)	(663)	(66,840)	(67,503)
	(510)	(254)	(764)	(81,477)	(82,241)
Currency gap	(170)	3,653	3,483	48,882	52,365

2023	USD	Other currency	Total foreign currencies	EUR	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Loans and receivables	-	-	-	2,587	2,587
Trade and other receivables	2,810	969	3,779	64,504	68,283
Financial assets at fair value through profit or loss	-	-	-	4,144	4,144
Cash and cash equivalents	116	2,202	2,318	70,337	72,655
	2,926	3,171	6,097	141,572	147,669
Borrowings and lease liabilities	-	(136)	(136)	(15,751)	(15,887)
Trade and other payables	(647)	(201)	(848)	(67,535)	(68,383)
	(647)	(337)	(984)	(83,286)	(84,270)
Currency gap	2,279	2,834	5,113	58,286	63,399

30 Financial risk management (continued)

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group mainly has its customer financing at a fixed interest rate and only a small portion of customer financing is affected by possible changes in market interest rates, the risk of fluctuating market interest rates is considered low. The Group also has deposits in financial institutions at a variable interest rate.

As at 31 December 2024:

– if the effective EUR interest rate on EUR deposits had increased/decreased by 1% (2023: 1%) on an annual level, the net result due to changes in EUR deposits after tax for the reporting period would have been EUR 369 thousand higher/lower (2023: EUR 136 thousand);

– if the effective USD interest rate on USD deposits had increased/decreased by 1% (2023: 1%) on an annual level, the net result due to changes in USD deposits after tax for the reporting period would have been EUR 1 thousand higher/lower (2023: EUR 0 thousand).

The following table presents the annual average interest rates exposure of financial assets.

	Average interest rates 2024	Average interest rates 2023
	%	%
Loans and receivables	0.09	0.07
Cash and cash equivalents	2.51	2.64

Notes to the Consolidated Financial Statements of Ericsson Nikola Tesla Group (continued)

30 Financial risk management (continued)

(c) Price risk

The Group has insignificant exposure to debt securities price risk due to low investments and all classified in the statement of financial position at fair value through profit or loss (investments funds).

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Significant risk is associated with high level of customer finance receivables.
The internal directives to manage the credit risks have been tightened during 2015 with the implementation of updated credit management framework and implementation of credit evaluation tools to manage credit risks.
Credit Management function within the Group Treasury has been established to further assist the Group in managing its credit risk exposure. New customers are only accepted on satisfactory completion of a detailed credit check of the customer and a review of the related country risk. Outstanding credit arrangements are monitored on a quarterly or annual basis depending on risk category. Impairment losses are calculated by discounting receivables. Additionally, there is credit concentration risk as the Group has a significant portion of receivables outstanding from a small number of customers. As at 31 December 2024, the five largest customers represent 71% of total net trade receivables (2023: 76%). The Group considers that its maximum exposure to credit risk is reflected in the amount of trade receivables (Notes 14 and 16) and other receivables (Note 17), not including impairment for doubtful receivables. Ageing analysis of these receivables is within the maturity analysis table shown further in this note.
Letters of credit are used as a method for securing payments from customers operating in certain markets, in particular in markets with unstable political and/or economic environments. By having banks confirming the letters of credit, the political and commercial credit risk exposures are mitigated.
Prior to the approval of new facilities reported as customer finance, an internal credit risk assessment is conducted in order to assess the credit rating (for political and commercial risk) of each transaction. A reassessment of the credit rating for each customer finance facility is made on a regular basis.
The Group defines customer financing as any credit period longer than 179 days. The Group is working closely with Croatian Bank for Reconstruction and Development (HBOR) and partnership banks to secure risk mitigation. Provisions related to customer finance risk exposures are only made when they are reliably measurable and where, after the financing arrangement has become effective, certain events occur which are expected to have a significant adverse impact on the borrower's ability and/or willingness to service the outstanding debt. These events can be political (normally outside the control of the borrower) or commercial, e.g. the borrower's deteriorating creditworthiness.
Security arrangements for customer finance facilities normally include pledges of equipment and pledges of certain of the borrower's assets. If available, third-party risk coverage may also be arranged. "Third-party risk coverage" means that a financial payment guarantee covering the credit risk has been issued by a bank, an export credit agency or other financial institution. It may also be a credit risk transfer under the so-called "sub-participation arrangement" with a bank, whereby the credit risk and the funding is taken care of by the bank for the part covered by the bank. A credit risk cover from a third party may also be issued by an insurance company.

Impairment of financial assets

Cash equivalents amounted to EUR 58,733 thousand as at 31 December 2024 (31 December 2023: EUR 72,655 thousand). Provisions for expected credit losses on cash and deposits amounted to EUR 145 thousand as at 31 December 2024 (31 December 2023: EUR 171 thousand). The Group's write-offs have historically been low.

Trade receivables, receivables from related party and contract assets together amounted to EUR 64,418 thousand as at 31 December 2024 (31 December 2023: EUR 66,005 thousand). Provisions for expected credit losses on trade receivables and receivables from related party amounted to EUR 268 thousand as at 31 December 2024 (31 December 2023: EUR 283 thousand). The Group's write-offs have historically been low.

30 Financial risk management (continued)

(d) Credit risk (continued)

The following tables provide an ageing detail of current and overdue amounts in respect of all customer loans and receivables as at 31 December 2024.

Table 1	Payment due date for total customer loans and receivables*					
	Due balance	Up to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
2024						
Foreign receivables	5,040	3,293	1,595	246	-	10,174
Domestic receivables	11,883	3,435	-	-	-	15,318
Receivables from related parties	38,967	791	-	-	-	39,758
	55,890	7,519	1,595	246	-	65,250

* excluding impairment allowance

2023						
Foreign receivables	5,812	1,863	455	826	-	8,956
Domestic receivables	19,572	1,186	-	-	-	20,758
Receivables from related parties	31,606	6,208	-	-	-	37,814
	56,990	9,257	455	826	-	67,528

* excluding impairment allowance

Table 2	Ageing of total due customer loans and receivables				
	Up to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
2024					
Foreign receivables	3,711	526	803	-	5,040
Domestic receivables	11,135	582	137	29	11,883
Receivables from related parties	38,546	366	55	-	38,967
	53,392	1,474	995	29	55,890
2023					
Foreign receivables	5,102	474	236	-	5,812
Domestic receivables	17,632	1,696	237	7	19,572
Receivables from related parties	31,129	324	130	23	31,606
	53,863	2,494	603	30	56,990

Notes to the Consolidated Financial Statements of Ericsson Nikola Tesla Group (continued)

30 Financial risk management (continued)

(e) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. As the Group has no significant commitments in financial instruments, the risk lies only in its daily operations. The Group has a strong focus on its cash flow with daily updates on actual development and monthly updated forecasts. The Group's maturity profile demonstrates the strong liquidity position of the Group and therefore the risk is considered low. The table below presents the maturity analysis and the resulting gap.

The Group has a revolving credit facility with our core banks should an extraordinary liquidity need arise. As at 31 December 2024, the facility remained untapped.

2024	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Loans and receivables	-	-	70	993	204	1,267
Trade and other receivables	65,914	922	3,377	-	-	70,213
Current financial assets	4,393	-	-	-	-	4,393
Cash and cash equivalents	58,733	-	-	-	-	58,733
	129,040	922	3,447	993	204	134,606
Borrowings	(12)	-	-	-	(3)	(15)
Lease liabilities	(202)	(356)	(1,544)	(7,394)	(5,227)	(14,723)
Trade and other payables	(37,729)	(8,307)	(13,218)	(8,249)	-	(67,503)
	(37,943)	(8,663)	(14,762)	(15,643)	(5,230)	(82,241)
Maturity gap	91,097	(7,741)	(11,315)	(14,650)	(5,026)	52,365

2023	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Loans and receivables	99	-	108	2,233	147	2,587
Trade and other receivables	60,724	4,976	2,544	32	7	68,283
Current financial assets	4,144	-	-	-	-	4,144
Cash and cash equivalents	72,655	-	-	-	-	72,655
	137,622	4,976	2,652	2,265	154	147,669
Borrowings	(516)	-	(63)	(12)	-	(591)
Lease liabilities	(270)	(323)	(1,464)	(5,936)	(7,303)	(15,296)
Trade and other payables	(35,664)	(23,000)	(3,493)	(6,226)	-	(68,383)
	(36,450)	(23,323)	(5,020)	(12,174)	(7,303)	(84,270)
Maturity gap	101,172	(18,347)	(2,368)	(9,909)	(7,149)	63,399

The Group participates in a supplier finance arrangement with the purpose of providing the willing suppliers early payment compared with the related invoice payment due date as well as arrangements for Group's efficient cash flow management which allows the Group to centralize payments of trade payables to the bank rather than paying each supplier individually and safeguard the Group's cash position.
From the Group's perspective, the early payment arrangements do not extend payment terms beyond the normal terms agreed with other suppliers that are not participating; on average, the payment terms for invoices relating to participating suppliers are shortened by 60 days compared with the normal terms agreed with other suppliers that are not participating. For the part of arrangements related to cash flow management (with prolonged due date), the original invoices are paid by the bank to suppliers on due date. Payment to the bank is deferred in average for 212 days after the original invoice due date to suppliers.

30 Financial risk management (continued)

(f) Fair value estimation

Financial assets at fair value through profit and loss are carried at fair value at the balance sheet date. The fair value is estimated by reference to their quoted active market price at the balance sheet date which represents Level 1 input (Note 18).

A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. There are no financial assets derived from level 2 inputs which represent different valuation techniques based on observable market data or from level 3 inputs which represent different valuation techniques based on no observable market data.

The Group's principal financial instruments not carried at fair value are cash and cash equivalents, trade receivables, other receivables, non-current loans and receivables, trade and other payables and borrowings.

The fair value of loans and receivables and the fair value of borrowings are calculated based on the Management's best estimate of discounted expected future principal and interest cash flows, using the market-related rate for a similar instrument at the balance sheet date as a discount rate. Fair values and carrying amounts are not significantly different as the loans and receivables were granted at market rates, which were not substantially different from market rates at the end of the reporting year. Current financial assets are stated at fair value that is based on quoted prices at the balance sheet date without any deduction for transaction costs.

The carrying amount of cash and cash equivalents and of bank deposits reflects fair value due to the short-term maturity of these financial instruments. Similarly, the amortized cost carrying amounts of trade receivables and payables with remaining life of less than one year and which are all subject to normal trade credit terms reflect fair values. In 2024 1.33% (2023: 1.33%) interest rates were used for determining fair values, which are based on available market rates for similar financial instruments.

(g) Capital management

The Group's objectives when managing capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To provide adequate requirements for capital resources, as far as possible, by the retention of profit;
- To maintain a prudent balance sheet with adequate component of cash and short-term assets, as well as equity and other investments; and
- To secure adequate back-up funding facilities should a need arise.

The Group is generating sufficient cash from operations to fund liabilities as they become due, finance customers when required and budgeted investments, and pay dividends.

The Group monitors capital using the statutory minimum capital requirement. Shareholders' equity is disclosed in Note 20 to the consolidated financial statements.

Ericsson Nikola Tesla d.d.

Financial Statements and Independent Auditors' Report 31 December 2024

Ericsson Nikola Tesla d.d.

Company profile

History and incorporation

Ericsson Nikola Tesla d.d. (the Company) is a Croatian company with over seventy years of continuous operations. It is a leading supplier and exporter of specialized telecommunications equipment, ICT solutions, software and services in Central and Eastern Europe.

The Company was founded on 13 May 1995, as a result of the privatization of the enterprise Nikola Tesla - Poduzeće za proizvodnju telekomunikacijskih sistema i uređaja, po.

According to the ownership structure as at 31 December 2024, Telefonaktiebolaget LM Ericsson (Ericsson) holds 49.07% of the Company's shares. Other shareholders own the remaining 50.50% of the Company's shares and 0.43% is held as treasury shares.

Principal activities

The principal activities of the Company are research and development of telecommunications software and services, design, testing and integration of total communications solutions, and supply and maintenance of communications solutions and ICT solutions towards customers within the Ericsson Group, customers in the Republic of Croatia, and Bosnia and Herzegovina, and several customers in Central and Eastern Europe.

Ericsson Nikola Tesla d.d. is a joint-stock company incorporated in Croatia. The headquarters of the Company are in Zagreb, Krapinska 45.

Code of Corporate Governance

The Company applies the Code of Corporate Governance of the Zagreb Stock Exchange and meets the obligations derived therefrom, with the exception of provisions whose application is not practical at the moment.

Ericsson Nikola Tesla d.d.

Company profile (continued)

Supervisory Board, Audit Committee, Management Board and Executive management of Ericsson Nikola Tesla d.d.

Supervisory Board

The Supervisory Board members during 2023 and up to the release of these statements were:

Stefan Kötz	Chairperson from 22 November 2024	Appointed on 22 November 2024
Franck Pierre Roland Bouétard	Chairperson until 22 November 2024	Reappointed on 27 June 2022
Olgica Spevec	Member; Deputy Chair	Appointed on 13 June 2019; reappointed for Deputy Chair of Supervisory Board on 14 June 2023
Ana Vrsaljko Metelko	Member	Appointed on 29 June 2021
Petar Šimundža	Member and employees' representative	Appointed on 29 November 2022
Carl Henrik Magnus Carle	Member	Appointed on 14 June 2023

Audit Committee

The Audit Committee members during 2024 and up to the release of these consolidated statements were:

Olgica Spevec	Chairperson	Appointed on 17 December 2020
Vesna Vašiček	Member	Appointed on 21 February 2017
Carl Henrik Magnus Carle	Member	Appointed on 29 June 2023

Ericsson Nikola Tesla d.d.

Company profile (continued)

Management Board

The Management Board has four members:

Gordana Kovačević	President of the Management Board	Appointed on 9 April 2025
	Hrvoje Benčić, member of the Management Board	Appointed on 9 April 2025
	Damir Bušić, member of the Management Board	Appointed on 9 April 2025
	Milan Živković, member of the Management Board	Appointed on 9 April 2025

Executive management

Members of the Executive Management:

Gordana Kovačević	President of the Management Board
Hrvoje Benčić,	member of the Management Board and Director, Customer Solutions and Services
Damir Bušić	member of the Management Board and Director, Finance, Sourcing and Commercial Management
Milan Živković	member of the Management Board and Director, Strategy and Business Development & GIR
Andrej Grgurić	Director, Research
Antonija Lončar	Director, Marketing, Communications & Corporate Social Responsibility
Branka Vučemilo Elezović	Director, Legal
Branko Dronjić	Director, IT&Test Environment Operations
Drago Holub	Director, R&D Center
Goran Ožbolt	Director, General Services
Ivan Barać	Director, Sales and Marketing for Hrvatski Telekom and Crnogorski Telekom
Jagoda Barać	Director, Sales and Marketing for Export markets for Operators segment
Miroslav Kantolić	Director, Sales and Marketing for A1 Croatia
Tihomir Fabeta	Director, ICT for Industry and Society
Vjeran Buća	Director, Sales and Marketing for Industry and Society
Željko Antolić	Director, Human Resources

Ericsson Nikola Tesla d.d.

Responsibilities of the Management and Supervisory Board for the preparation and approval of the annual financial statements

The Management Board is required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company and of the results of its operations and cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Management Board is responsible for the submission to the Supervisory Board of its annual report on the business situation of the Company together with the annual financial statements, following which the Supervisory Board is required to approve the annual financial statements which will be presented to the Annual General Meeting of Shareholders.

The financial statements set out bellow were authorized by the Management Board on 29 April 2025 for issue to the Supervisory Board and are signed below.

Gordana Kovačević
President of the Management Board

Hrvoje Benčić
member of the Management Board

Damir Bušić
member of the Management Board

Milan Živković
member of the Management Board

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KPMG

Independent Auditors' Report to the shareholders of Ericsson Nikola Tesla d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Ericsson Nikola Tesla d.d. ("the Company"), which comprise the separate statement of financial position as at 31 December 2024, and the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information (further referred to as "the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2024 and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Independent Auditors' Report to the shareholders of Ericsson Nikola Tesla d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters (continued)

REVENUE RECOGNITION

Revenue in 2024: EUR 243,082 thousand *(2023: EUR 232,191 thousand)*. As at 31 December 2024: trade receivables: EUR 23,606 thousand; contract liabilities: EUR 14,475 thousand *(31 December 2023: trade receivables: EUR 17,897 thousand; contract liabilities: EUR 26,767 thousand)*.

Please refer to the Note 1 *Revenue recognition* of Material accounting policies, Note 4 c) *Revenue recognition* of Critical accounting estimates and judgements, Note 5 *Sales revenue* and Note 6 *Segment reporting* in the financial statements.

Key audit matter	How our audit addressed the matter
In the year ended 31 December 2024, the Company's principal revenue streams included sales of products and software, as well as provision of services, including installation and integration services, maintenance and support. Application of revenue recognition principles of the relevant financial reporting standard, IFRS 15 *Revenue from Contracts with Customers* ("the Standard") is complex and requires making significant assumptions and judgment. In the Company's case, particular complexity is associated with the following factors: — In the Networks and Digital services segment, goods and services with different revenue recognition patterns may be sold as part of one contract or several contracts accounted for as one arrangement. The Company applies significant judgment, among other things, in identifying contracts which require to be combined and accounted for as one arrangement, and identifying performance obligations therein, including those, if any, resulting from warranties and non-returnable upfront fees; — Each performance obligation requires evaluation of whether it is satisfied over time or at a point in time. The determination requires a thorough consideration of contractual provisions to understand when control of the promised products or services is transferred to customers;	Our audit procedures in this area included, among others: — Obtaining understanding of and evaluating the Company's revenue recognition process, and testing related key internal controls in particular the controls associated with project feasibility and approval, segregation of duties, determination of revenue recognition pattern, fulfillment and finalization of contracts and customer acceptance; — Assessing the Company's revenue recognition policy for compliance with relevant provisions of the Standard; — For a sample of contracts with customers concluded during the audited year, inspecting contractual provisions and making inquiries of project managers and relevant finance personnel in order to challenge the Company's: ○ Meeting of the contract existence criteria, including, among other things, those relating to the parties' commitment to their obligations and probability of collecting the consideration due; ○ Identification of the contracts which require to be accounted for on a combined basis and of performance obligations within contracts. The procedure included, among other things, assessing the nature of the warranties provided to customers for potential consideration as performance obligations;

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Independent Auditors' Report to the shareholders of Ericsson Nikola Tesla d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters (continued)

REVENUE RECOGNITION (CONTINUED)

Key audit matter *(continued)*	How our audit addressed the matter *(continued)*
— Although contracts with customers are usually agreed with fixed transaction price, significant judgement is required in allocating the transaction price to the performance obligations. The transaction price, which is the consideration the Company expects to receive for the transfer of products and services to the customer, is allocated to the performance obligations based on their relative standalone selling price; In the wake of the above factors, we considered revenue recognition to be associated with a significant risk of material misstatement in the financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.	○ Determination of total contract consideration, by reference to contracts with customers and subsequent modifications to the framework agreement, if any; ○ Allocation of the contract consideration to each of the identified performance obligations, based on their estimated stand-alone selling prices, also by reference to the sales department's data and the analysis of current transaction prices; ○ Determination of the timing of the transfer of control, the resulting pattern of revenue recognition and revenue amounts, by reference to sales invoices, inventory and shipping documents, customer acceptance forms and other documents as appropriate. — For a sample of customers, obtaining confirmations of the accounts receivable outstanding as at the reporting date, and challenging any significant differences between the amounts confirmed and the Group's records by inspecting the underlying documentation such as contracts with customers, invoices, shipping documents and customer acceptance forms; — Examining whether the Company's revenue recognition-related disclosures in the financial statements appropriately address the relevant quantitative and qualitative requirements of the applicable financial reporting framework.

Independent Auditors' Report to the shareholders of Ericsson Nikola Tesla d.d. (continued)

Report on the Audit of the Financial Statements *(continued)*

Other Information

Management is responsible for the other information. The other information comprises the Management Report (together with Sustainability Statement) and Corporate Governance Report included in the Annual Report of the Company but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With regard to the Management Report, and the Corporate Governance Report, we also performed procedures prescribed by applicable legal requirements and we report that:

- the information given in the Management Report and the Corporate Governance Report for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report, excluding the Sustainability Report (which constitutes a separate part of the Management Report), and the Corporate Governance Report have been prepared, in all material respects, in accordance with applicable legal requirements;
- with respect to the Sustainability Report (which is included as part of the other information and constitutes a separate part of the Management Report), we performed a limited assurance engagement, the results of which were presented in a separate limited assurance report with an unmodified conclusion.

If, based on the work we have performed above, we conclude that there is a material misstatement, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with EU IFRS, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent Auditors' Report to the shareholders of Ericsson Nikola Tesla d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditors' Report to the shareholders of Ericsson Nikola Tesla d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 27 June 2024 to audit the separate financial statements of Ericsson Nikola Tesla d.d. for the year ended 31 December 2024. Our total uninterrupted period of engagement is six years, covering the year ended 31 December 2019 to 31 December 2024.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 24 April 2025;
- we have not provided any prohibited non-audit services (NASs) referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit.

The engagement partner on the audit resulting in this independent auditors' report is Domagoj Hrkać.

Independent Auditors' Report to the shareholders of Ericsson Nikola Tesla d.d. *(continued)*

Report on Compliance with the ESEF Regulation

In accordance with the requirements of Article 462 paragraph 5 of Capital Market Act, we are required to express an opinion on compliance of the separate financial statements of the Company as at and for the year ended 31 December 2024, as included in the attached electronic file FI-ERNT-2024-1Y-Revidirano-Nekonsolidirano-EN.xbri, with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation of the separate financial statements in a digital format that complies with the RTS on ESEF. This responsibility includes:

- the preparation of the separate financial statements in the applicable xHTML format and their publication;
- the selection and application of appropriate iXBRL tags, using judgment where necessary;
- ensuring consistency between digitised information and the separate financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

Those charged with governance are responsible for overseeing the Company's ESEF reporting, as a part of the financial reporting process.

Auditors' Responsibilities

Our responsibility is to express an opinion on whether the consolidated financial statements comply, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements of set out in the RTS on ESEF, whether due to fraud or error. Reasonable assurance is a high degree of assurance. However, it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with the RTS on ESEF.

In respect of the subject matter, we have performed the following procedures:

- obtaining an understanding of the tagging process;
- evaluating the design and implementation of relevant controls over the tagging process;
- tracing the tagged data to the separate financial statements of the Company presented in human-readable format;
- evaluating the completeness of the Company's tagging of the separate financial statements;

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Independent Auditors' Report to the shareholders of Ericsson Nikola Tesla d.d. *(continued)*

Report on Compliance with the ESEF Regulation *(continued)*

Auditors' Responsibilities (continued)

- evaluating the appropriateness of the use of iXBRL elements selected from the ESEF taxonomy used and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements; and
- evaluating the appropriateness of the format of the separate financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, based on the procedures performed and evidence obtained, the separate financial statements of the Company as at and for the year ended 31 December 2024 presented in ESEF format and contained in the aforementioned attached electronic file, have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

Our opinion does not represent an opinion on the true and fair view of the financial statements as this is included in our Report on the Audit of the Financial Statements. Furthermore, we do not express any assurance with respect to other information included in documents in the ESEF format.

KPMG Croatia d.o.o.

KPMG Croatia d.o.o. za reviziju **29 April 2025**
Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

Ericsson Nikola Tesla d.d.

Statement of comprehensive income

for the year ended 31 December 2024

	Notes	2024 EUR '000	2023 EUR '000
Sales revenue	5, 6	243,082	232,191
Cost of sales	7	(215,727)	(206,288)
Gross profit		27,355	25,903
Selling expenses	7	(5,714)	(5,733)
Administrative expenses	7	(5,972)	(5,738)
Other operating income	7	13,611	6,332
Impairment loss on financial assets		(20)	(189)
Operating profit		29,260	20,575
Finance income	9	1,523	734
Finance expense	9	(774)	(235)
Finance income/(expense), net	9	749	499
Profit before tax		30,009	21,074
Income tax	10	(7,539)	(2,233)
Profit for the year		22,470	18,841
Other comprehensive income		-	-
Total comprehensive income for the year		22,470	18,841
Earnings per share (EUR)	11	16.95	14.24

Ericsson Nikola Tesla d.d.

Statement of financial position

as at 31 December 2024

Assets	Notes	2024 EUR '000	2023 EUR '000
Non-current assets			
Property, plant and equipment	12	14,769	14,352
Right of use assets	29	14,096	14,818
Intangible assets	13	1,146	384
Investments in subsidiaries	15	4	4
Loans and receivables	14	1,268	2,587
Deferred tax assets	10	2,556	2,322
Total non-current assets		33,839	34,467
Current assets			
Inventories	16	8,581	9,781
Trade receivables	17	23,606	17,897
Receivables from related parties	30(c)	40,035	37,893
Other receivables	18	3,667	1,180
Prepayments		2,540	2,237
Financial assets at fair value through profit or loss	19	4,393	4,235
Cash and cash equivalents	20	49,316	55,568
Total current assets		132,138	128,791
Total assets		165,977	163,258

Ericsson Nikola Tesla d.d.

Statement of financial position (continued)

as at 31 December 2024

Equity and liabilities	Notes	2024 EUR '000	2023 EUR '000
Equity			
Share capital	21 (a)	17,674	17,674
Treasury shares	21 (b)	(1,140)	(1,256)
Legal and other reserves	21 (c)	2,020	1,230
Reserve for treasury shares	21 (d)	7,413	4,157
Retained earnings		36,969	38,711
Total equity		62,936	60,516
Non-current liabilities			
Borrowings	22	15	114
Lease liabilities	29	12,545	13,126
Other non-current liabilities	23	1	13
Employee benefits	24 (a)	1,044	934
Total non-current liabilities		13,605	14,187
Current liabilities			
Payables to related parties	30 (c)	15,969	13,907
Borrowings	22	-	467
Trade and other payables	25	38,924	29,559
Income tax payable		2,110	690
Provisions	26	1,189	1,558
Accrued expense and deferred revenue	27	14,755	13,750
Contract liabilities	28	14,475	26,767
Lease liabilities	29	2,014	1,857
Total current liabilities		89,436	88,555
Total liabilities		103,041	102,742
Total equity and liabilities		165,977	163,258

Ericsson Nikola Tesla d.d.

Statement of changes in equity

for the year ended 31 December 2024

	Share capital	Treasury shares	Legal and other reserves	Reserve for treasury shares	Retained earnings	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
As at 1 January 2023	17,674	(2,268)	884	5,353	27,537	49,180
Changes in equity for 2023						
Profit for the year	-	-	-	-	18,841	18,841
Transactions with owners						
Dividend distribution for 2022, Note 21 (e)	-	-	-	-	(7,927)	(7,927)
Purchase of treasury shares, Note 21 (b)	-	(184)	-	-	-	(184)
Shares granted, Note 24 (b)	-	1,196	-	(1,196)	-	-
Transfer, Note 21 (c)	-	-	346	-	(346)	-
Share-based payments, Note 24 (b)	-	-	-	-	606	606
Total contributions by and distributions to owners recognized directly in equity	-	1,012	346	(1,196)	(7,667)	(7,505)
As at 31 December 2023	17,674	(1,256)	1,230	4,157	38,711	60,516
As at 1 January 2024	17,674	(1,256)	1,230	4,157	38,711	60,516
Changes in equity for 2024						
Profit for the year	-	-	-	-	22,470	22,470
Transactions with owners						
Dividend distribution for 2023, Note 21 (e)	-	-	-	-	(19,880)	(19,880)
Purchase of treasury shares, Note 21 (b)	-	(628)	-	-	-	(628)
Shares granted, Note 24 (b)	-	744	-	(744)	-	-
Transfer, Note 21 (c)	-	-	790	4,000	(4,790)	-
Share-based payments, Note 24 (b)	-	-	-	-	458	458
Total contributions by and distributions to owners recognized directly in equity	-	116	790	(3,256)	(24,212)	(20,050)
As at 31 December 2024	17,674	(1,140)	2,020	7,413	36,969	62,936

Ericsson Nikola Tesla d.d.

Statement of cash flows

for the year ended 31 December 2024

	Notes	2024 EUR '000	2023 EUR '000
Cash flows from operating activities			
Profit before tax		30,009	21,074
Adjustments for:			
Depreciation and amortization	7,12,13,29	5,118	4,398
Impairment losses and reversals		(20)	(99)
(Gain)/loss on sale of property, plant and equipment		(55)	14
Net loss/(gain) on remeasurement of financial assets		(158)	(111)
Amortization of discount		(2)	(12)
Interest income		(1,360)	(612)
Dividend income		(7,493)	(49)
Interest expense		759	190
Foreign exchange (gain)/losses, net		(28)	35
Share-based payments	24 (b)	458	606
Changes in working capital:			
In receivables		(6,921)	(21,701)
In inventories		1,200	(2,329)
In provisions		(259)	(368)
In payables		(3,278)	6,738
Cash generated from operations		17,970	7,774
Interest paid		(752)	(193)
Income taxes paid		(6,294)	(1,366)
Net cash from operating activities		10,924	6,215
Cash flows from investing activities			
Proceeds from loans given		-	1,000
Interest received		1,347	661
Dividends received		7,493	49
Proceeds from sale of property, plant and equipment		49	4
Purchases of property, plant and equipment, and intangible assets		(2,296)	(1,999)
Deposits given to financial institutions, net		-	792
Proceeds from disposal of foreign operation		-	44
Net cash used in investing activities		6,593	551

Ericsson Nikola Tesla d.d.

Statement of cash flows (continued)

for the year ended 31 December 2024

	Notes	2024 EUR '000	2023 EUR '000
Cash flows from financing activities			
Repayment of borrowings	22	(1,256)	(2,402)
Purchase of treasury shares	21 (b)	(628)	(184)
Dividends paid	21 (e)	(19,897)	(7,934)
Payment of lease liabilities	29	(1,976)	(1,366)
Net cash used in financing activities		(23,756)	(11,886)
Effects of exchange rate changes on cash and cash equivalents		(12)	9
Net increase/(decrease) in cash and cash equivalents		(6,252)	(5,111)
Cash and cash equivalents at the beginning of the year		55,568	60,679
Cash and cash equivalents at the end of the year	20	49,316	55,568

1 Material accounting policies

Reporting entity

Ericsson Nikola Tesla d.d. (the Company) is a joint-stock company incorporated and domiciled in Croatia. The address of its registered office is Krapinska 45, 10000 Zagreb, the Republic of Croatia. The Company's shares are listed on the Public Joint-Stock Company listing on the Zagreb Stock Exchange. A summary of the Company's principal accounting policies is set out below.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRSs). These financial statements also comply with the Croatian Accounting Act in effect on the date of issuing of these financial statements. These financial statements are a translation of the official statutory IFRS financial statements.

Basis of preparation

The financial statements are prepared on the historical cost basis, with the exception of financial instruments which are carried at fair value. These comprise derivative financial instruments and financial assets and liabilities at fair value through profit or loss. Policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 2).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. Judgements made by the executive management in the application of IFRSs that have significant effect on the financial statements and estimates are discussed in Note 4.

The Company has issued these separate financial statements in accordance with Croatian regulations. The Company has also prepared consolidated financial statements as at 31 December 2024 and for the year then ended in accordance with IFRS for the Company and its subsidiaries (the Group), which were approved by the Management Board on 29 April 2025. In the consolidated financial statements, subsidiary undertakings (listed in Note 15) and those companies in which the Group indirectly has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations have been fully consolidated. Users of these non-consolidated financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2024 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole.

Going concern

The executive management have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Functional and presentational currency

The Company's financial statements have been prepared in EURO (EUR), which is the currency of the primary economic environment in which the entity operates ('the functional currency') and the presentation currency have been rounded to the nearest thousand. The closing exchange rate as at 31 December 2024 was EUR 1.044 per USD 1 (2023: EUR 1.050).

1 Material accounting policies (continued)

Revenue recognition

IFRS 15 "Revenue from Contracts with Customers" is a principle-based model of recognizing revenue from customer contracts.

It has a five-step model that requires revenue to be recognized when control over goods and services are transferred to the customer.

The following paragraphs describes the types of contracts, when performance obligations are satisfied, and the timing of revenue recognition. They also describe the normal payment terms associated with such contracts and the resulting impact on the statement of the financial position over the duration of the contracts. The vast majority of the Company's business is for the sale of standard products and services.

Standard solution

Products and services are classified as standard solutions if they do not require significant installation and integration services to be delivered. Installation and integration services are generally completed within a short period of time, from the delivery of the related products.

These products and services are viewed as separate distinct performance obligations. This type of customer contract is usually signed as a frame agreement and the customer issues individual purchase orders to commit to purchases of products and services over the duration of the agreement.

Revenue for standard products shall be recognized when control over the equipment is transferred to the customer at a point in time. This assessment shall be viewed from a customer's perspective considering indicators such as transfer of titles and risks, customer acceptance, physical possession, and billing rights. Control of an asset therefore refers to the ability to direct use of and obtain substantially all of the remaining benefits from the asset.

Furthermore, control includes the ability to prevent other entities from using and obtaining the benefits from an asset. The benefits of an asset are the potential cash flows (inflows or savings in outflows) that can be obtained directly or indirectly. For hardware sales, transfer of control is usually deemed to occur when the equipment arrives at the customer site and for software sales, when the licenses are made available to the customer. Software licenses may be provided to the customer at a point in time, activated or ready to be activated by the customer at a later stage, therefore revenue is recognized when customer obtains control of the software.

Contractual terms may vary; therefore, judgment will be applied when assessing the indicators of transfer of control.

Revenue for installation and integration services is recognized upon completion of the service. Costs incurred in delivering standard products and services are recognized as costs of sales when the related revenue is recognized in the Income Statement.

Costs incurred relating to performance obligations not yet fully delivered are recognized as inventories.

Transaction prices under these contracts are usually fixed, and mostly billed upon delivery of the hardware or software and completion of installation services. Customer finance agreements may be agreed separately with some customers where payment terms exceed 179 days.

Revenue for recurring services such as customer support and managed services is recognized as the services are delivered, generally pro-rata over time. Costs incurred in delivering recurring services are recognized as cost of sales as they are incurred. Transaction prices under these contracts are billed over time, often on a quarterly basis.

Contract liabilities or receivables may arise depending on whether the quarterly billing is in advance or in arrears. Contract for standard products and services applies to business in all segments.

Customized solution

Some products and services are sold together as part of a customized solution to the customer. This type of contract requires significant installation and integration services to be delivered within the solution, normally over a period of more than 1 year. These products and services are viewed together as a combined performance obligation. This type of contract is usually sold as a firm contract in which the scope of the solution and obligations of both parties are clearly defined for the duration of the contract.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

1 Material accounting policies (continued)

Revenue recognition (continued)

Customized solution (continued)

Revenue for the combined performance obligation shall be recognized over time if progress of completion can be reliably measured and enforceable right to payment exists over the duration of the contract. The progress of completion is estimated by reference to the output delivered such as achievement of contract milestones and customer acceptance. This method determines revenue milestones over the duration of the contract, and it is considered appropriate as it reflects the nature of the customized solution and how integration service is delivered in these projects.

If the criteria above are not met, then all revenue shall be recognized upon the completion of the customized solution, when final acceptance is provided by the customer. Costs incurred in delivering customized solutions are recognized as costs of sales when the related revenue milestone is recognized in the Income Statement. Costs incurred relating to future revenue milestones are recognized as Inventories and assessed for recoverability on a regular basis.

Transaction price under these contracts is usually a fixed fee, split into a number of progress payments or billing milestones as defined in the contract. In most cases, revenue recognized is limited to the progress payments or unconditional billing milestones over the duration of the contract, therefore no contract asset or contract liability arises on these contracts.

Customer finance agreements may be agreed separately with some customers where payment terms exceed 365 days. Contract for customized solution applies to the Industry and Society business, Business Support Systems (BSS) business, within the segment Digital Services, and the Media Solutions business within the segment Emerging Business and Other.

Right to use (RTU)

The nature of Ericsson's promise is to provide a right to use Ericsson's IP as it exists (in terms of form and functionality) at the point in time at which the license is granted to the customer. This means that the customer can direct the use of, and obtain substantially all the remaining benefits from, the license at the point in time at which the license transfers.

Customer contract related balances

Trade receivables include amounts that have been billed in accordance with customer contract terms and amounts that the Company has an unconditional right to, with only passage of time before the amounts can be billed in accordance with the customer contract terms.

Customer finance credits arise from credit terms exceeding 179 days in the customer contract or a separate financing agreement signed with the customer. Customer finance is a class of financial assets that is managed separately from receivables. See note 31 (d) for further information on credit risk management of trade receivables and customer finance credits.

In accordance with IFRS 15, where significant financing is provided to the customer, revenue is adjusted to reflect the impact of the financing transaction. These transactions could arise from the customer finance credits above if the contracted interest rate is below the market rate or through implied financing transactions due to payment terms of more than one year from the date of transfer of control. The Company has elected to use the practical expedient not to adjust revenue for transactions with payment terms, measured from the date of transfer of control, of one year or less.

Contract asset is unbilled sales amount relating to performance obligation that has been satisfied under customer contract but is conditional on terms other than only the passage of time before payment of the consideration is due. Under previous standards these unbilled sales balances have been included within trade receivables.

Contract liability relates to amounts that are paid by or due from customers for which performance obligations are unsatisfied or partially satisfied. Under previous standards these balances have been disclosed as deferred revenue within other current liabilities, and the Company concluded that the balances meet the definition of contract liability under IFRS 15. Advances from customers are also included in the contract liability balance.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

1 Material accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are shown at cost or deemed cost, less accumulated depreciation and impairment losses.

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other expenditure on repairs and maintenance is expensed as incurred. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Land is not depreciated. Depreciation on other assets is provided on a straight-line basis to allocate their cost over the estimated economic useful life of the assets. The estimated useful lives are as follows:

Useful lives	
Buildings	5 – 30 years
Plant and equipment	2 – 10 years
Other	5 – 7 years

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the statement of comprehensive income.

Intangible assets acquired separately

Intangible assets are stated on initial recognition at cost and subsequently at cost less accumulated amortization and impairment losses.

Amortization is provided on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets include acquired computer software and are amortized on a straight-line basis over their useful life of 2-4 years. Cost associated with maintaining computer software is recognized as an expense as incurred.

Internally generated intangible assets

Expenses resulting from research activities are recognised as expenses for the period in which they arise. Costs incurred for the development of products to be sold, leased, or otherwise marketed or intended for internal use are capitalized as from when technological and economic feasibility has been established until the product is available for sale or use.

Subsequent to initial recognition, internally developed intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortization of capitalized development expenses is made according to the straight-line method over their estimated useful lives, which is normally three years. Internally developed intangible assets are included in software development and intangible assets under construction.

Impairment of non-financial assets

Assets that have an indefinite useful life (such as goodwill) are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

1 Material accounting policies (continued)

Financial assets at amortized cost

Financial assets are classified as amortized cost if the contractual terms give rise to payments that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held in a business model whose objective is to hold financial assets in order to collect contractual cash flows. These assets are subsequently measured at amortized cost using the effective interest method, less impairment allowances. Interest income and gains and losses from financial assets at amortized cost are recognized in financial income.

Financial assets at fair value through profit or loss (FVTPL)

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near term. Derivatives are classified as held for trading, unless they are designated as hedging instruments for the purpose of hedge accounting. Assets held for trading are classified as current assets. Debt instruments classified as FVTPL, but not held for trading, are classified on the balance sheet based on their maturity date (i.e. those with a maturity longer than one year are classified as non-current). Investments in shares and participations are classified as FVTPL and classified as non-current financial assets. Gains or losses arising from changes in the fair values of the FVTPL category (excluding derivatives and customer financing) are presented in the income statement within financial income in the period in which they arise. Gains and losses on derivatives are presented in the income statement as follows.
Gains and losses on derivatives that hedge foreign exchange risks are presented as net foreign exchange gains and losses. Gains and losses on customer financing are presented in the income statement as selling expenses. Dividends are recognised as other income in profit or loss when the right to receive payment is established.

Cash and cash equivalents

Cash comprises cash held at banks and on hand. Cash equivalents include demand deposits and time deposits with maturities up to three months. Cash and cash equivalents are carried at amortized cost because: (i) they are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest, and (ii) they are not designated at fair value through profit and loss.

Impairment of cash, trade receivables and contract assets

Financial assets affected by the new model are cash and cash equivalents, deposits, trade receivables and contract assets.
Two unified models were developed for relatable financial assets. Cash equivalents and deposits are assessed for impairment under one unified model and trade receivables and contract assets are assessed for impairment under another unified model.
Cash equivalents and deposits are assessed based on probability of default as well as the Company's exposure to certain financial institution at the time of default. To determine probability of default, country credit rating of financial institution is used, as well as the rating of future outlook.
Expected loss on cash, cash equivalents and deposits for each financial institution gives the total expected credit loss. There were no significant changes to the model during the year. The Company has determined that credit risk largely depends on both the payment pattern of the customer as well as the risk in the country where the customer resides (e.g. ability to make cross-border payments).

1 Material accounting policies (continued)

Impairment of cash, trade receivables and contract assets (continued)

Therefore, expected credit losses (ECLs) are calculated using a provision matrix that specifies a fixed rate depending both on the number of days past due and the country risk rating. The country risk ratings depend on the ratings used by all Export Credit Agencies within the OECD. The rates defined in the provision matrix are based on historical loss patterns for certain portfolio of customers. Each customer is regulatory monitored and these rates are adjusted for current conditions as well as management expectations for changes to political risks and payment patterns of certain customer in the future. There were no significant changes to the model during the year.

Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate.

Financial liabilities

Financial liabilities are recognized when the Company becomes bound to the contractual obligations of the instrument. Financial liabilities are derecognized when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of other inventories is based on the First In First Out (FIFO) principle and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. In case of manufactured inventories, the cost includes materials, labor and related overhead, and expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Slow-moving and obsolete inventories have been written down to their estimated realizable value.

Share capital

Share capital is stated in euro at nominal value.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

1 Material accounting policies (continued)

Income tax

The tax expense for the period is based on taxable profit for the year and comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized by using the balance sheet liability method on temporary differences arising between tax basis of assets and liabilities and their carrying amount in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect either accounting or taxable profit or loss. Deferred tax assets and liabilities are not discounted and are classified as non-current assets and/or liabilities in the balance sheet. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the Company reassesses unrecognized deferred tax assets and the carrying amount of deferred tax assets.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured by using the tax rates expected to apply to taxable profit in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Foreign currencies

Transactions denominated in foreign currencies are translated into functional currency at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency at the balance sheet date have been translated to functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising from translation are included in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to functional currency at foreign exchange rates ruling at the dates the values were determined.

Non-monetary assets and items that are measured in terms of "historical cost of a foreign currency" are not retranslated.

1 Material accounting policies (continued)

Employee benefits

a) Long-term service benefits

The Company provides employees with jubilee and one-off retirement awards. The obligation and costs of these benefits are determined by using the Projected Unit Credit Method. The Projected Unit Credit Method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the benefit obligation.

b) Share-based payments

The Company operates an equity-settled, share-based compensation plan allowing the Company's employees to receive shares. The fair value of the employee services received in exchange for the grant of the Company's shares is recognized as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the shares. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted. At each balance sheet date, the Company revises its estimates of the number of shares that are expected to become granted. It recognizes the impact of the revision of original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity. When distributed upon vesting date, treasury shares are credited at average purchase cost and recorded against retained earnings.

c) Bonus plans

The Company recognizes a liability and an expense for bonuses as a provision where contractually obliged or where there is past practice that has created a constructive obligation.

Provisions

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. The most significant provisions in the financial statements are provisions for warranty claims, penalty claims and litigation. If the effect is material and if the obligation is expected to be settled in a period of over 12 months, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities. The increase in the provision due to passage of time is recognized as interest expense.

Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognized using the original effective interest rate.

1 Material accounting policies (continued)

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board that makes strategic decisions.

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Government grants

Grants from the government are recognized within "Other operating income" at their fair value where there is reasonable assurance that the grant will be received, and the Company will comply with all attached conditions.
Government grants relating to costs are deferred and recognized over the period necessary to match them with the costs that they are intended to compensate.
Grants relating to property, plant and equipment are recognized in profit or loss over the periods and in the proportions in which depreciation on those assets is recognized. In statement of financial position, government grant is deducted in arriving at the carrying amount of the underlying asset and is recognized in the profit or loss over the useful life of depreciable asset by way of a reduced depreciation charge.

Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Investments in subsidiaries

Investments in subsidiaries in which the Company has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations are recorded at cost less impairment losses, if any. Impairment is tested annually whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Investments in subsidiaries for which an impairment loss has been recorded are tested at each reporting date for a potential reversal of impairment.

Dividend income is recognized when the right to receive payment is established.

1 Material accounting policies (continued)

Leases

As a lessee

As a lessee, the Company leases property and vehicles. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component based on its relative stand-alone price.

However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

The Company uses a number of practical expedients when applying IFRS 16 to leases. In particular, the Company:

- does not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- does not recognize right-of-use assets and liabilities for leases of low value assets; and
- excludes initial direct costs from the measurement of the right-of-use asset at the date of initial application.

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate, the weighted average rate applied is 2.81% (2023: 2.50%).

As a lessor

The Company leases out its own property and the Company has classified these leases as operating leases.

The Company sub-leases some of its properties. Under IFRS 16, the right-of-use assets recognized from the head leases are presented in investment property and measured at fair value at that date. The Company assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset and concluded that they are operating leases under IFRS 16.
The Company has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

2 Changes in accounting policies

There were no changes in accounting policies for the financial year ending as at 31 December 2024 in comparison with prior reporting period.

3 New accounting standards and interpretations

Adoption of new and amended International Financial Reporting Standards

Current standards, amendments to existing standards, and implementations – adopted during 2024

In 2024, the following standards, amendments to existing standards, and interpretations came into effect:

- Amendments to IAS 1 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Restrictive Terms*;
- Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures – Supplier Financing Arrangements*;
- Amendments to IFRS 16 *Leases: Lease Liability in a Sale and Leaseback Transaction*.

The adoption of these standards has not resulted in significant effects on the amounts recognized in the balance sheet or the income statement, or on the disclosed accounting policies.

Standards, amendments to existing standards, and interpretations that have been issued but are not yet effective

Several new amendments and interpretations to existing standards have been issued but are not yet effective as of the date of publication of the financial statements. If applicable, the Company intends to adopt these standards when they become effective.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

4 Critical accounting estimates and judgements

Accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment losses on loans and receivables

The Company reviews its receivables to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and receivables before the decrease can be identified with an individual loan or receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with parameters relevant to assets in the Company.

(b) Derecognition of receivables with off-balance sheet financing

From 2016, the Company entered into several new customer contracts in the foreign market. The contracts include delivery of equipment and sale of services with 15% up-front payment while remaining 85% have deferred payment terms up to 54 months.

The Company financed the sale of equipment through a Supplier credit arrangement. The arrangement includes: (i) matching cash receipts from customer with payments to the bank, (ii) assignation of insurance policy to the bank, and (iii) ceding future cash receipts from the customer to the bank through special purpose accounts secured by special purpose deposits (Note 14).

By transferring to the bank its contractual right to receive the cash flows, the Company transferred the financial asset to the bank. In terms of derecognition criteria, the Company analyzed transfer of risk and rewards of the receivable, specifically related to credit risk and late payment risk.

The credit risk is shifted from international customer to the risk from domestic insurance company default which is considered as significant transfer in credit risk. The Company issued guarantees to the financing bank for risk of non-performance by the insurance company which is disclosed in Note 23. The issued guarantee for non-performance of the insurance company is recognized initially at fair value and subsequently at the higher of the unamortized balance of the initial fair value and the best estimate of expenditure required to settle the obligation under the guarantee.

Late payment risk was transferred based on the fact that the special purpose deposit covers the late payment charges and/or history of payments with the customer do not historically evidence late payment risk as substantial to the agreement.

Having transferred the right to cash flows and substantially all the risk and rewards relating to 90% of receivables, management concluded that it was appropriate to derecognize 90% of the related receivables from the balance sheet. The remaining 10% of the receivables remain on the balance sheet as long-term receivables from the customer (Note 14) and a 10% of the related financing liability to the bank is recorded as borrowings (Note 22).

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

4 Critical accounting estimates and judgements (continued)

(c) Revenue recognition

The Company uses estimates and judgments in determining the amount and timing of revenue under IFRS 15, particularly when determining the transaction price and its allocation to performance obligations identified under the contract.

Transaction price may consist of variable elements such as discounts and contract penalties. Transaction price, including variable considerations, is estimated at the commencement of the contract (and periodically thereafter). Judgment is used in the estimation process based on historical experience with the type of business and customer.

IFRS 15 also requires revenue to be allocated to each performance obligations by reference to their stand-alone selling prices. The Company considers that an adjusted market assessment approach should be used to estimate stand-alone selling prices for its products and services for the purposes of allocating transaction price. These estimates are comprised of prices set for similar customer and circumstances, adjusted to reflect appropriate profit margins for the market. Estimates are used to determine discounts that relate specifically to each performance obligations, thus impacting their stand-alone selling prices.

The Management applies judgment when assessing the customer's ability and intention to pay in a contract. The assessment is based on the latest customer credit standing and the customer's past payment history. This assessment may change during the contract execution, and if there is evidence of deterioration in the customer's ability or intention to pay, then under IFRS 15 no further revenue shall be recognized until the collectability criteria is met. Conversely, this assessment may also change favorably over time, upon which revenue shall now be recognized on a contract that did not initially meet the collectability criteria.

Revenue for standard products shall be recognized when control over the equipment is transferred to the customer at a point in time. This assessment shall be viewed from a customer's perspective considering indicators such as transfer of titles and risks, customer acceptance, physical possession, and billing rights.

Control of an asset therefore refers to the ability to direct use of and obtain substantially all the remaining benefits from the asset. Control includes the ability to prevent other entities from using and obtaining the benefits from an asset. The benefits of an asset are the potential cash flows (inflows or savings in outflows) that can be obtained directly or indirectly. Judgment may be applied in determining whether risk and rewards have been transferred to the customer and whether the customer has accepted the products. In a sale of software license, judgment may also be applied to determine when the software is made available to the customer by considering when they can direct the use of, and obtain substantially all the benefits of, the license. Often all indicators of transfer of control are assessed together and an overall judgment formed as to when transfer of control has occurred in a customer contract.

Revenue for customized solutions shall be recognized over time if progress of completion can be reliably measured and enforceable right to payment exists over the duration of the contract. The progress of completion is estimated by reference to the output delivered such as achievement of contract milestones and customer acceptance. Judgment are applied when determining the appropriate revenue milestones that best reflect the progress of completion and are aligned with key acceptance stages within the contract.

5 Sales revenue

Analysis of revenue by category:

	2024			2023		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
		At a point in time	Over time		At a point in time	Over time
Sales revenue from products	55,410	46,146	9,264	42,976	34,170	8,806
Sales revenue from services	187,672	171,016	16,656	189,215	168,712	20,503
	243,082	217,162	25,920	232,191	202,882	29,309

6 Segment reporting

The Company has determined the operating segments based on the reports reviewed by the Management Board that are used to make strategic decisions. The Management Board assesses the performance of the operating segments based on a measure of adjusted Operating profit. The measurement basis excludes the effects of administration expenses.

When determining the operating segments, the Company has looked at which market and to what type of customers the Company's products are aimed, and through what distribution channels they are sold, as well as to commonality regarding technology, research and development.

To best reflect the business focus and to facilitate comparability with the Ericsson Group, four operating segments are reported:

- Networks include radio and transport solutions with supporting services, based on industry standards and offered via scalable modular platforms. The portfolio enables customers to evolve their telecom networks across generations to 5G.
- Digital Services include products and services providing solutions for our Telecom and Industry & Society customers' digital transformation journeys across the support systems BSS and OSS, Telecom Core, and IT Cloud domains through a combination of products, technology and expertise in networks, software, cloud, and business processes.
- Managed Services are offered in three main areas: Networks, IT, and Network Design & Optimization.
- Other includes products and services that enable content owners, broadcasters, TV service providers and network operators to efficiently deliver, manage and monetize new TV experiences. In addition, segment Other includes iconectiv and emerging business such as Internet of Things and Unified Delivery Network (UDN).

The Management Board does not monitor assets and liabilities by segments and therefore this information is not disclosed.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

6 Segment reporting (continued)

Revenues determined based on the geographic location of customers are disclosed in this note. All the Company's assets are located in Croatia.

	2024			2023		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
		At a point in time	Over time		At a point in time	Over time
Sales revenue in domestic market	65,113	46,875	18,238	64,441	43,903	20,538
Sales revenue to Ericsson	137,937	137,937	-	140,308	140,308	-
Sales revenue in Bosnia and Herzegovina, Montenegro and Kosovo	32,977	28,396	4,581	15,246	10,649	4,597
Other export sales revenue	7,055	3,954	3,101	12,196	8,022	4,174
	243,082	217,162	25,920	232,191	202,882	29,309

	Networks		Digital services		Managed services		Other		Unallocated		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Sales revenue	149,770	139,869	90,543	77,495	2,262	14,352	507	475	-	-	243,082	232,191
Timing of revenue recognition												
At a point in time	138,783	121,862	75,610	66,193	2,262	14,352	507	475	-	-	217,262	202,882
Over time	10,987	18,007	14,933	11,302	-	-	-	-	-	-	25,920	20,359
Operating profit	22,242	17,180	12,757	8,349	198	764	35	20	(5,972)	(5,738)	29,260	20,575
Finance income/(expense), net											749	499
Profit before tax											30,009	21,074
Income tax											(7,539)	(2,233)
Profit for the year											22,470	18,841

7 Expenses by nature

Cost of sales, selling expenses and administrative expenses consist of the following expenses by nature:

	2024	2023
	EUR '000	EUR '000
Changes in contract work in progress (Note 16)	5,154	(4,591)
Material and external services [1]	82,553	87,061
Personnel expenses (Note 8)	134,588	130,891
Depreciation and amortization (Notes 12, 13, 29)	5,118	4,398
	227,413	217,759

[1] Including fees to auditors of EUR 82 thousand (2023: EUR 77 thousand). Fees to auditors relate to statutory audit services amounted to EUR 64 thousand (2023: EUR 61 thousand), ESG limited review amounted to EUR 18 thousand (2023: EUR 0 thousand) while fees related to other services amounted to EUR 0 thousand (2023: EUR 16 thousand).

Other operating income

Other operating income consists of income from profit of daughter companies in total amount of EUR 7,518 thousand (2023: EUR nil thousand), rent income in total amount of EUR 5,498 thousand (2023: EUR 4,813 thousand), and other in total amount of EUR 595 thousand (2023: EUR 1,520 thousand).

8 Personnel expenses

	2024	2023
	EUR '000	EUR '000
Net salaries	76,148	73,305
Taxes and contributions	47,840	47,924
Other payroll-related costs	10,142	9,056
Equity-settled transactions (Note 24 (b))	458	606
	134,588	130,891

Personnel expenses include EUR 20,482 thousand (2023: EUR 20,255 thousand) of defined pension contributions paid or payable into obligatory pension plans. Contributions are calculated as a percentage of employees' gross salaries.

Other payroll-related costs relate to transportation expenses, vacation accrual cost and other personnel provisions as well as to termination benefits that amount EUR 174 thousand (2023: EUR 42 thousand).

As at 31 December 2024, total number of employees was 2,790 (2023: 2,792).

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

9 Finance income/(expense), net

	2024	2023
	EUR '000	EUR '000
Interest income	1,360	612
Amortisation of discount	2	11
Net change in fair value of financial assets at fair value through profit and loss	161	111
Finance income	1,523	734
Interest expense	(759)	(193)
Net foreign exchange loss	(15)	(42)
Finance expense	(774)	(235)
Finance income/(expense), net	1,360	499

10 Income tax expense

Income tax has been calculated on the taxable income at statutory tax rate of 18% (2023: 18%). Income tax expense recognized in the statement of comprehensive income comprises:

	2024	2023
	EUR '000	EUR '000
Current income tax expense	(7,774)	(1,932)
Total deferred tax income/(expense)	235	(301)
Total income tax expense	(7,539)	(2,233)

10 Income tax expense (continued)

Effective tax rate reconciliation

The reconciliation between tax expense and accounting profit is shown as follows:

	2024	2023
	EUR '000	EUR '000
Profit before tax	30,009	21,074
Income tax at 18% (2023: 18%)	5,402	3,793
Tax effects of:		
Permanent non-deductible expenses	26	16
Non-taxable income	(1.353)	-
Effects of temporary differences	68	(59)
Tax incentives	(33)	(1,517)
CIT from previous years	3,429	-
Tax charge	7,539	2,233
Effective tax rate	25.1%	10.6%

Tax incentives totaling EUR 33 thousand (2023: EUR 1,517 thousand) include tax allowances for certain expenditure, as employment and education and training, as defined by Croatian tax legislation. The underlying expenditure is included in cost of sales.

The Croatian Income Tax Act is subject to different interpretations and changes in respect of certain expenses which reduce the tax base. The Management Board's interpretation of the law relating to these transactions and activities of the Company may be disputed by the relevant authorities. The Tax Authority has taken a different view in interpreting the laws and judgments, and some of the transactions and activities that have not been disputed in the past are disputed during 2024 resulting in one-time tax expense from the previous years.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

10 Income tax expense (continued)

Deferred tax from other temporary differences

The Company recognized deferred tax assets in the amount of EUR 2,557 thousand (2023: EUR 2,322 thousand) relating to temporary differences arising from:

- Accrued interest expenses
- Impairment of receivables
- Accrued expenses from contracts
- Warranty provisions
- Provisions for jubilee awards and retirement
- Right of use asset and lease liabilities

	Deferred tax assets
	EUR '000
As at 1 January 2023	2,623
Tax credited to the Income statement	221
Tax charged to the Income statement	(522)
As at 31 December 2023	2,322
As at 1 January 2024	2,322
Tax credited to the Income statement	454
Tax charged to the Income statement	(219)
As at 31 December 2024	2,557

11 Earnings per share

	2024	2023
Profit for the year (EUR '000)	22,470	18,840
Weighted Average Number of Shares	1,325,756	1,322,709
Earnings per share (EUR)	16.95	14.24

Basic and fully diluted earnings per share are the same since the Parent Company does not have any dilutive potential ordinary shares.

12 Property, plant and equipment

	Land and buildings	Plant and equipment	Asset under construction	Other	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
As at 1 January 2023					
Cost	27,743	27,859	236	18	55,856
Accumulated depreciation	(18,316)	(21,982)	-	(15)	(40,313)
Net book amount	9,427	5,877	236	3	15,543
Year ended 31 December 2023					
Opening net book amount	9,427	5,877	236	3	15,543
Transfer of asset under construction	-	231	(235)	4	-
Additions	-	1,688	78	4	1,770
Disposals	(30)	(17)	-	-	(47)
Depreciation charge	(589)	(2,317)	-	(8)	(2,914)
Closing net book amount	8,808	5,462	79	3	14,352
As at 31 December 2023					
Cost	27,637	26,472	79	26	54,214
Accumulated depreciation	(18,829)	(21,010)	-	(23)	(39,862)
Net book amount	8,808	5,462	79	3	14,352
Year ended 31 December 2024					
Opening net book amount	8,808	5,462	79	3	14,352
Transfer of asset under construction	21	36	(57)	-	-
Additions	12	1,771	1,377	-	3,160
Disposals	-	(6)	-	-	(6)
Depreciation charge	(542)	(2,195)	-	-	(2,737)
Closing net book amount	8,299	5,068	1,399	3	14,769
As at 31 December 2024					
Cost	27,670	27,269	1,399	26	56,364
Accumulated depreciation	(19,371)	(22,201)	-	(23)	(41,595)
Net book amount	8,299	5,068	1,399	3	14,769

As at 31 December 2024, the Company had contracts totaling EUR 924 thousand (2023: EUR 36 thousand) related to future equipment purchases.

The Company acts as a lessor under operating leases, mainly in respect of land and buildings. Property leased to others with a carrying value of EUR 558 thousand (2023: EUR 672 thousand) is included within land and buildings. These assets are depreciated at the same depreciation rates as other buildings. Subsequent renewals are negotiated with the lessee. No contingent rents are charged. Portions of the property which is held for rental could not be sold separately or leased out separately under finance lease. Consequently, the IAS 40 criteria for separate investment property recognition are not met.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

13 Intangible assets

	Asset under construction	Qwn developed software	Application software	Total
	EUR '000	EUR '000	EUR '000	EUR '000
As at 1 January 2023				
Cost or valuation	-	-	550	550
Accumulated amortization	-	-	(460)	(460)
Net book amount	-	-	90	90
Year ended 31 December 2023				
Opening net book amount	-	-	90	90
Additions from internal development, Note 21 (c)	346	-	-	346
Amortization charge	-	-	(52)	(52)
Closing net book amount	346	-	38	384
As at 31 December 2023				
Cost or valuation	346	-	550	896
Accumulated amortization	-		(512)	(512)
Net book amount	346	-	38	384
Year ended 31 December 2024				
Opening net book amount	346	-	38	384
Transfer of asset under construction	(343)	343	-	-
Additions from internal development, Note 21 (c)	812	18	-	830
Additions	-	-	11	11
Amortization charge	-	(40)	(39)	(79)
Closing net book amount	815	321	10	1,146
As at 31 December 2024				
Cost or valuation	815	361	561	1,737
Accumulated amortization	-	(40)	(551)	(591)
Net book amount	815	321	10	1,146

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

14 Loans and receivables

	2024	2023
	EUR '000	EUR '000
Deposits with financial institutions, denominated in EUR	853	1,542
Non-current receivables from foreign customers, denominated in EUR	246	714
Loans given, Note 4 (b)	66	223
Receivables for sold apartments	103	109
Total loans and receivables	1,268	2,588
Impairment allowance on loans and receivables	-	(1)
	1,268	2,587

Deposits with financial institutions in the amount of EUR 1,423 thousand (2023: EUR 1,422 thousand) are used as a collateral for Supplier credit arrangement and performance guarantees disclosed in Note 4 (b), with interest rate from 0.10% to 0.15% and maturing in year 2026. The amount maturing in 2025 is disclosed in note 15.

The remainder of the deposits with financial institutions in the amount of EUR 120 thousand (2023: EUR 120 thousand) are placed as guarantee deposits for housing loans provided to the employees, and with a remaining maturity of over three years.

Loans and receivables from customers are partially secured with bank guarantees and letters of credit. The current portion of the non-current receivables is classified under current assets.

Receivables for sold apartments are linked to the counter value of euro, repayments are made by deduction from monthly salary and the loans are secured with collateral on the house or apartment. Receivables for sold apartments and housing loans provided to a limited number of employees bear fixed interest rates of up to 5% per annum.

Non-current portion of foreign and domestic loans and receivables from customers

	2024	2023
Due	EUR '000	EUR '000
2025	-	691
2026	312	246
	312	937

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

15 Investments in subsidiaries

		2024	2023
	Ownership	EUR '000	EUR '000
Ericsson Nikola Tesla Servisi d.o.o.	100%	2	2
Libratel d.o.o.	100%	1	1
Ericsson Nikola Tesla BH d.o.o.	100%	1	1
		4	4

16 Inventories

	2024	2023
	EUR '000	EUR '000
Raw materials	4,620	666
Contract work in progress	3,961	9,115
	8,581	9,781

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

17 Trade receivables

	2024	2023
	EUR '000	EUR '000
Foreign trade receivables	8,896	7,334
Current portion of non-current foreign receivables	986	705
Total current foreign receivables	9,882	8,039
Domestic trade receivables	13,859	9,958
Impairment allowance on receivables	(135)	(100)
	23,606	17,897

Movements in impairment allowance on loans and receivables were as follows:

	2024	2023
	EUR '000	EUR '000
As at 1 January	556	301
Impact of discounting non-current receivables	(1)	(12)
Receivables written off during the year as uncollectible	(98)	(85)
Impairment on receivables/(release of impairment on receivables)	184	352
As at 31 December (1)	641	556

(1) Including impairment provision for receivables from related parties of EUR 300 thousand (2023: EUR 418 thousand).

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

18 Other receivables

	2024	2023
	EUR '000	EUR '000
Advances given	2,059	419
Deposits	690	-
Receivables for existing customer financing agreements (note 4b)	829	756
Other receivables	89	5
	3,667	1,180

19 Financial assets at fair value through profit or loss

	2024	2023
	EUR '000	EUR '000
Financial assets at fair value through profit or loss		
- Equity securities	112	66
- Investment in open-ended investment funds	4,281	4,169
	4,393	4,235

20 Cash and cash equivalents

	2024	2023
	EUR '000	EUR '000
Cash and demand deposits	49,396	55,671
Impairment loss (Note 31(d))	(80)	(103)
	49,316	55,568

21 Equity

(a) Share capital

As at 31 December 2024, the share capital of the Company is represented by 1,331,650 (2023: 1,331,650) of authorized, issued and fully paid ordinary shares, with a total registered value of EUR 17,674 thousand (2023: EUR 17,674 thousand). The Company's shares nominal value of HRK 100.00 each was substituted with the shares without the nominal value at the Annual General Meeting held on 14 June 2023. The holders of the ordinary shares are entitled to receive dividends as declared at the Annual General Meeting and are entitled to one vote per share at the Annual General Meeting.

The Company's shareholders as at 31 December are:

	Number of shares	% held	Number of shares	% held
	2024		2023	
Telefonaktiebolaget LM Ericsson	653,473	49.07	653,473	49.07
Other shareholders	672,449	50.50	672,291	50.49
Treasury shares	5,728	0.43	5,886	0.44
	1,331,650	100.00	1,331,650	100.00

(b) Treasury shares

These shares are held initially as "treasury shares" and are regularly granted to key management and other employees as a part of the share-based program established during 2004, as described in Note 24 (b). Shares transferred to employees are recognized on a first-in-first-out basis.

Movements in treasury shares are as follows:

	Number of shares	Number of shares
	2024	2023
As at 1 January	5,886	10,011
Purchased during the year	3,309	870
Distributed during the year	(3,467)	(4,995)
As at 31 December	5,728	5,886

(c) Legal and other reserves

A legal reserve in the amount of 5% of total share capital was formed during previous periods by appropriation of 5% of net profit per annum up to a cap of 5% of share capital. The legal reserve may be used to cover losses if the losses are not covered by current net profit or if other reserves are not available. The Company recorded the required level of legal reserves in 2000 and no further allocation to legal reserves is required. Legal reserves up to 5% of total share capital are not distributable.

Pursuant to the Accounting Act, the company has EUR 1,136 thousand (2023: EUR 346 thousand) relating to reserves for unwritten value of development costs recognized as internally generated intangible asset.

(d) Reserve for own shares

Reserve for own shares is separated by the decision of Annual General Meeting.

21 Equity (continued)

(e) Dividends

Dividends payable are not accounted for until they have been ratified at the Annual General Meeting of shareholders. On 27 June 2024, the Annual General Meeting approved a regular dividend of EUR 10 per share and an extraordinary dividend of EUR 5 per share in respect of 2023, totaling EUR 19,880 thousand.

Cash dividends authorized and paid for previous years were as follows:

	2024	2023
	EUR '000	EUR '000
EUR 6.00 per share for 2022	-	7,927
EUR 15.00 per share for 2023	19,880	-
Prior year dividend payout	17	7
	19,897	7,934

22 Borrowings

	2024	2023
	EUR '000	EUR '000
Loans	-	467
Borrowings, Note 4 (b)	15	114
Total liabilities for borrowings	15	581
Short term portion	-	467
Long term portion	15	114

Changes in liabilities from financing activities	Borrowings
	EUR '000
Year ended 31 December 2023	
Opening net book amount	2,085
Cash transactions	
Repayment of loans and borrowings	(2,402)
Non-cash transactions	
Overtake of liability towards bank	1,003
Foreign exchange differences	(1)
Release of obligations (Note 4(b))	(104)
Closing net book amount	581
Year ended 31 December 2024	
Opening net book amount	581
Cash transactions	
Repayment of loans and borrowings	(1,256)
Non-cash transactions	
Overtake of liability towards bank	799
Release of obligations (Note 4(b))	(109)
Closing net book amount	15

Loan is taken due to the Energy Efficiency project for premises in Zagreb (Krapinska 45). Loan has fixed interest rate. Borrowings movement reflect increase and repayment of the obligations toward banks arising from refinancing of customer credit.

Recognition of liabilities is generated by forming obligation toward banks for existing customer financing agreements.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

23 Other non-current liabilities

	2024	2023
	EUR '000	EUR '000
Liabilities for issued guarantee, Note 4 (b)	-	11
Other non-current liabilities, Note 4 (b)	1	2
	1	13

24 Employee benefits

a) Long-term service benefits

The Company does not operate any pension schemes or other retirement benefit schemes for the benefit of any of its employees or management. In respect of all of the Company's personnel, such social payments as required by the authorities are paid. These contributions form the basis of social benefits payable out of the Croatian Pension Insurance Institute to the Croatian employees upon their retirement. Additionally, in 2001 the Company signed an Annex to the Union Agreement based on which employees are entitled to a benefit upon early retirement.

However, the Company pays a one-time benefit amounting to EUR 1,061.78 for each employee who retires. Additionally, the Company pays jubilee awards in respect of each 5 years of service, of an employee, starting from the 10th year and ending in the 40th year. The principal actuarial assumptions used to determine retirement and jubilee obligations as at 31 December 2024 were a 1.92% discount rate (2023: 1.92%) and a 5.97% (2023: a 6.73%) rate of average employment turnover.

Movements in long-term service benefits were as follows:

	Jubilee awards	Retirement	Total	Jubilee awards	Retirement	Total
			2024			2023
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
As at 1 January	813	121	934	659	108	767
Obligation created during the year	125	80	205	225	13	238
Obligation fulfilled during the year	(89)	(6)	(95)	(71)	-	(71)
As at 31 December	849	195	1,044	813	121	934

Table of contents

Management report

Sustainability report

Financial statements report

24 Employee benefits (continued)

b) Share-based payments

In 2004, the Parent Company established its Loyalty program, a share-based scheme under key employees are entitled to receive the Parent Company´s shares conditional on the employee completing certain years of service (the vesting period) from the grant date.
The treasury shares are distributed to eligible employees upon ratification at the Annual General Meeting.
In 2024 the Parent Company continued its Loyalty program and granted additional shares to eligible employees under vesting condition related to years of service with the Parent Company.

Movements in shares under the Award and Loyalty programs are as follows:

	2024	2023
	Number of shares	Number of shares
As at 1 January	5,625	10,650
Granted	797	-
Exercised	(3,467)	(4,995)
Expired	(125)	(30)
As at 31 December	2,830	5,625

Vesting conditions for shares granted under Loyalty program are one to four years of service.

The fair value of service received in return for shares granted is measured by reference to the observable market price of shares at the grant date.

During 2024, the Company had EUR 458 thousand of expenses (2023: EUR 606 thousand) in respect of share-based payments, which are included in personnel expenses as disclosed in Note 8.

25 Trade and other payables

	2024	2023
	EUR '000	EUR '000
Trade payables	14,610	6,249
Liabilities to employees	17,923	19,678
VAT liabilities	2,817	179
Other current liabilities	3,574	3,453
	38,924	29,559

The Company participates in a supplier finance arrangements under which its suppliers may elect to receive early payment of their invoices from a bank as well as arrangements used for optimizing Company's cash flow. Under both types of arrangements, the bank agrees to pay amounts due to participating suppliers in respect of invoices owed by the Company and the Company repays the bank at a later date. The purpose of early payment arrangement is to provide the willing suppliers with the benefit of early payment and the purpose of arrangements used for optimizing Company's cash flows is deferring the payment to bank after the initial supplier invoice due date which supports efficient cash flow management of the Company. Share of payable turnover that is included in any sort of supplier finance arrangement is 7% in value.
The Company has derecognized the original trade payables relating to the arrangements in favor of bank when entering into the arrangements since the original liability was replaced with liability towards bank.
From the Company's perspective, the arrangement does not extend payment terms towards suppliers participating beyond the normal terms agreed with other suppliers that are not participating. The Company does not incur any additional interest towards the bank on the amounts due to the suppliers that are participating in early payment arrangements. For the part of arrangements related to cash flow management, the Company pays interest towards the bank for the arrangements that are under prolonged due date. The Company therefore includes the amounts subject to the arrangements within trade payables because the nature and function of these payables remains the same.
All payables under the arrangement are classified as current as at 31 December 2024 and 2023.

26 Provisions

Movements in provisions were as follows:

	Warranty reserve	Termination benefits	Other reserve	Total
	EUR '000	EUR '000	EUR '000	EUR '000
As at 1 January 2023	221	649	1,223	2,093
Additional provisions	30	701	-	873
Unused provisions reversed	(9)	(11)	-	(20)
Provisions used during the year	(90)	831	(325)	(1,246)
As at 31 December 2023	152	508	898	1,558
As at 1 January 2024	152	508	898	1,558
Additional provisions	74	353	-	427
Unused provisions reversed	-	-	(40)	(40)
Provisions used during the year	(7)	(600)	(149)	(756)
As at 31 December 2024	219	261	710	1,189

The warranty reserve is established to cover the expected warranty claims on products sold during the year. Reversal of warranty reserves relates to expired warranties.

27 Accrued charges and deferred revenue

	2024	2023
	EUR '000	EUR '000
Deferred revenue	723	713
Accrued charges for unused holidays	4,326	3,993
Accrued charges in respect of service contracts	7,297	7,415
Other accrued charges	2,409	1,629
	14,755	13,750

Deferred revenue represents mainly government grants relating to costs which are deferred and recognized in income statement in the same time when the relating costs are recognized.
Accrued charges in respect of service contracts mainly represent costs incurred for which no invoice has been received from supplier or other external contractor at reporting date.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

28 Contract liabilities

The Company has recognized the following liabilities arising from contracts with customers:

	31 December 2024	31 December 2023
	EUR '000	EUR '000
Contract liabilities – advances from customers	3,293	14,208
Contract liabilities – deferred revenue	11,182	12,559
Total current contract liabilities	14,475	26,767

As at 31 December 2024 the Company recognized EUR 14,475 thousand (2023: EUR 26,767 thousand) of contract liabilities in respect of the contracts related to modernization of mobile and fixed network, project-related services and support activities and other.

The following table presents information on unsatisfied performance obligations resulting from long-term contracts with customers.

	31 December 2024	31 December 2023
	EUR '000	EUR '000
Aggregate amount of the transaction price allocated to long-term contracts that are fully unsatisfied	7,327	67,246
Aggregate amount of the transaction price allocated to long-term contracts that are partially unsatisfied	63,999	9,388
	71,326	76,634

The Company expects to recognize approximately 21% of the transaction price allocated to the remaining performance obligations as revenue in financial year 2025, 29% as revenues in the financial year 2026, 24% as revenues in the financial year 2027, 18% as revenues in the financial year 2028 and 8% as revenues in the financial year 2029.

All other contracts are for periods of one year or less or are billed based on time incurred.

29 Leases

a) Leases as lessee

The Company leases warehouse, office premises and parking lots. The leases typically run for a period of 5 years, with an option to renew the lease after that date. For certain leases, the Company is restricted from entering into any sub-lease arrangements.

The warehouse, office premises and parking lots were entered many years ago as combined leases of land and buildings.

The Company leases vehicles under a number of lease contracts. The leases typically run for a period of 3 to 5 years.

Information about leases for which the Company is a lessee is presented below.

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

	2024	2023
	EUR '000	EUR '000
Balance as at 1 January	14,818	4,105
Depreciation charge for the year	(2,301)	(1,432)
Increase of right-of-use assets	1,597	12,166
Derecognition of RoU assets	(18)	(21)
Balance as at 31 December	14,096	14,818

Amounts recognized in Statement of comprehensive income

	2024	2023
	EUR '000	EUR '000
Interest on lease liabilities	413	175
Income from sub-leasing	226	97
Expenses relating to short-term leases	47	159

29 Leases (continued)

a) Leases as lessee (continued)

Extension options

Some property leases contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility.

The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The following table sets out a movement in lease liability:

	2024	2023
	EUR '000	EUR '000
Balance as at 1 January	14,983	4,131
Repaid lease liability	(1,976)	(1,367)
Additions to lease liability	1,569	12,166
Derecognition of lease	(18)	(21)
Interest expense	413	175
Interest paid	(413)	(175)
FX rate	-	74
Balance as at 31 December	14,559	14,983

b) Leases as lessor

The Company leases out its property consisting of commercial properties. All leases are classified as operating leases from a lessor perspective.

Operating lease

The Company leases out its owned commercial properties. The Company has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognized by the Company during 2024 was EUR 5,498 thousand (2023: EUR 4,813 thousand).

The following table sets out a maturity analysis of lease payments to be received after the reporting date.

Operating leases under IFRS 16	2024	2023
	EUR '000	EUR '000
Less than one year	2,094	1,562
Between one and three years	1,743	2,138
Between three and five years	1,267	1,186
More than five years	2,005	1,772
Total	7,109	6,657

30 Balances and transactions with related parties

For the purposes of these financial statements, parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Company is a related party to the Ericsson Group via the 49.07% (2023: 49.07%) shareholding by Telefonaktiebolaget LM Ericsson, which is also the ultimate parent of the Ericsson Group.

The Company has related-party relationships with Telefonaktiebolaget LM Ericsson, Ericsson Group subsidiaries and associates, the Supervisory Board, the Management Board and other executive management.

(a) Key transactions with the related parties

Major transactions with the Ericsson Group companies may be summarized as follows:

	Telefonaktiebolaget LM Ericsson		Other Ericsson Group consolidated companies		Ericsson Nikola Tesla Group consolidated companies		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Sales of goods and services								
Sales revenue	-	-	137,938	140,308	1,111	847	139,049	141,155
Other income	-	-	1,440	4,627	-	381	1,440	5,008
	-	-	139,378	144,935	1,111	1,228	140,489	146,163
Purchases of goods and services								
Licenses	18	455	2,287	1,732	-	-	2,305	2,187
Cost of sales	-	-	37,203	37,822	2,092	4,589	39,295	42,411
	18	455	39,490	39,554	2,092	4,589	41,600	44,598

The sales of goods and services transactions have been directly negotiated between the involved parties and agreed on an individual basis. The Company pays: (i) license fees on sales of services and products, (ii) corporate trademark licenses, (iii) support services, (iv) R&D tools and (v) IS/IT fee. The license fee is paid as a percentage of sales of services and sales of products.

30 Balances and transactions with related parties (continued)

(b) Key management compensation

The key management includes the executive management listed under the Parent Company profile, comprising the Management Board member and the directors of the main organizational units.

	2024	2023
	EUR '000	EUR '000
Salaries and other short-term employee benefits	2,965	3,151
	2,965	3,151

The members of the executive management and the Supervisory Board held 4,053 ordinary shares at the year-end (2023: 3,308 shares).

In addition, the Company paid remuneration totaling EUR 95 thousand (2023: EUR 72 thousand) to the Supervisory Board and Audit Committee members during 2024.

(c) Year-end balances arising from sales and purchases of goods and services

Year-end balances arising from key transactions with Ericsson Group companies may be summarized as follows:

	Trade receivable		Trade payable	
	2024	2023	2024	2023
	EUR '000	EUR '000	EUR '000	EUR '000
Telefonaktiebolaget LM Ericsson (LME), largest individual shareholder	-	-	-	-
Other Ericsson Group companies	39,352	37,152	15,774	13,411
Subsidiaries:				
Ericsson Nikola Tesla BH d.o.o.	629	476	147	150
Ericsson Nikola Tesla Servisi d.o.o.	54	265	25	326
Ericsson Nikola Tesla d.d. – Branch office Kosovo, Note 15	-	-	-	-
Libratel d.o.o.	-	-	23	20
	40,035	37,893	15,969	13,907

31 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk. Exposure to currency, interest rate and credit risk arises in the normal course of the Company's business. Risk management is carried out by a treasury department and its principal role is to actively manage investment of excess liquidity as well as financial assets and liabilities, and to manage and control financial risk exposures. The Company also has a customer finance function with the main objective to find suitable third-party financing solutions for customers and to minimize recourse to the Company. Risk management policies that relate to financial instruments can be summarized as follows:

(a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to US dollars, as a substantial proportion of receivables and foreign revenues are denominated in these currencies. Risk management relies on attempts to match, as much as possible, revenues in each currency with the same currency expenditure. The Company may enter into foreign currency forward contracts to hedge economically its exposure to currency risk arising on operating cash flows.

As at 31 December 2024, if the US dollar had weakened/strengthened by 1% (2023: 1%) against the Euro, with all other variables held constant, the net result after tax for the reporting period would have been EUR 1 thousand higher/lower for the Company (2023: EUR 19 thousand), mainly as a result of foreign exchange losses/gains on translation of cash, cash equivalents, deposits, trade payables, customer receivables and customer financing denominated in US dollar.

Other currencies to which The Group is exposed are: SEK, BAM, PLN, GBP.

The Company continues to focus on securing natural hedges and active currency management and to minimize impacts from currency moves. The Company's exposure to foreign currencies is shown in the table below.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

31 Financial risk management (continued)

(a) Currency risk (continued)

The tables below present the currency analysis and the resulting gap.

2024	USD	Other currency	Total foreign currencies	EUR	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Loans and receivables	-	-	-	1,268	1,268
Trade and other receivables	339	91	430	66,878	67,308
Financial assets at fair value through profit or loss	-	-	-	4,393	4,393
Cash and cash equivalents	1	1,301	1,302	48,014	49,316
	340	1,392	1,732	120,553	122,285
Borrowings and lease liabilities	-	-	-	(14,574)	(14,574)
Trade and other payables	(484)	-	(484)	(59,812)	(60,296)
	(484)	-	(484)	(74,386)	(74,870)
Currency gap	(144)	1,392	1,248	46,167	47,415

2023	USD	Other currency	Total foreign currencies	EUR	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Loans and receivables	-	-	-	2,587	2,587
Trade and other receivables	2,810	86	2,896	54,071	56,967
Financial assets at fair value through profit or loss	-	-	-	4,144	4,144
Cash and cash equivalents	116	1,213	1,329	54,239	55,568
	2,926	1,299	4,225	115,041	119,266
Borrowings and lease liabilities	-	-	-	(15,561)	(15,561)
Trade and other payables	(647)	(7)	(654)	(57,670)	(58,324)
	(647)	(7)	(654)	(73,231)	(73,885)
Currency gap	2,279	1,292	3,571	41,810	45,381

31 Financial risk management (continued)

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Company mainly has its customer financing at a fixed interest rate and only a small portion of customer financing is affected by possible changes in market interest rates, the risk of fluctuating market interest rates is considered low. The Company also has deposits in financial institutions at a variable interest rate.

As at 31 December 2024:

- if the effective EUR interest rate on EUR deposits had increased/decreased by 1% (2023: 1%) on an annual level, the net result due to changes in EUR deposits after tax for the reporting period would have been EUR 295 thousand higher/lower (2023: EUR 136 thousand).
- if the effective USD interest rate on USD deposits had increased/decreased by 1% (2023: 1%) on an annual level, the net result due to changes in USD deposits after tax for the reporting period would have been EUR 1 thousand higher/lower (2023: EUR 0 thousand);

The following table presents the annual average interest rates exposure of financial assets and liabilities:

	Average interest rates	Average interest rates
	2024	2023
	%	%
Loans and receivables	0.09	0.07
Cash and cash equivalents	2.56	2.82

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

31 Financial risk management (continued)

(c) Price risk

The Company has insignificant exposure to debt securities price risk due to low investments and all classified in the statement of financial position at fair value through profit or loss (investments funds).

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Significant risk is associated with a high level of customer finance receivables.

The internal directives to manage the credit risks have been tightened during 2015 with the implementation of updated credit management framework and implementation of credit evaluation tools to manage credit risks.

Credit Management function within the Treasury has been established to further assist the Company in managing its credit risk exposure. New customers are only accepted on satisfactory completion of a detailed credit check of the customer and a review of the related country risk. Outstanding credit arrangements are monitored on a quarterly or annual basis depending on risk category. Impairment losses are calculated by discounting receivables. Additionally, there is credit concentration risk as the Company has a significant portion of receivables outstanding from a small number of customers. As at 31 December 2024, the five largest customers represent 73% of total net trade receivables (2023: 76%).

The Company considers that its maximum exposure to credit risk is reflected in the amount of trade receivables (Notes 14 and 17) and other receivables (Note 18), not including impairment for doubtful receivables. Ageing analysis of these receivables is within the maturity analysis table shown further in this note.

Letters of credit are used as a method for securing payments from customers operating in certain markets, in particular in markets with unstable political and/or economic environments. By having banks confirming the letters of credit, the political and commercial credit risk exposures are mitigated.

Prior to the approval of new facilities reported as customer finance, an internal credit risk assessment is conducted in order to assess the credit rating for political and commercial risk of each transaction. A reassessment of the credit rating for each customer finance facility is made on a regular basis.

The Company defines customer financing as any credit period longer than 179 days. The Company is working closely with Croatian Bank for Reconstruction and Development (HBOR) and partnership banks to secure risk mitigation.

Provisions related to customer finance risk exposures are only made when they are reliably measurable and where, after the financing arrangement has become effective, certain events occur which are expected to have a significant adverse impact on the borrower's ability and/or willingness to service the outstanding debt. These events can be political normally outside the control of the borrower or commercial, e.g. the borrower's deteriorating creditworthiness.

Security arrangements for customer finance facilities normally include pledges of equipment and pledges of certain of the borrower's assets. If available, third-party risk coverage may also be arranged. "Third-party risk coverage" means that a financial payment guarantee covering the credit risk has been issued by a bank, an export credit agency or other financial institution. It may also be a credit risk transfer under the so-called "sub-participation arrangement" with a bank, whereby the credit risk and the funding is taken care of by the bank for the part covered by the bank. A credit risk cover from a third party may also be issued by an insurance company.

Impairment of financial assets

Cash equivalents amounted to EUR 49,316 thousand as at 31 December 2024 (31 December 2023: EUR 55,568 thousand). Provisions for expected credit losses on cash and deposits amounted to EUR 80 thousand as at 31 December 2024 (31 December 2023: EUR 103 thousand). The Company's write-offs have historically been low.

Trade receivables, receivables from related party and contract assets together amounted to EUR 63,641 thousand as at 31 December 2024 (EUR 55,790 as at 31 December 2023). Provisions for expected credit losses on trade receivables and receivables from related party amounted to EUR 253 thousand as at 31 December 2024 (to EUR 260 thousand as at 31 December 2023). The Company's write-offs have historically been low.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

31 Financial risk management (continued)

(d) Credit risk (continued)

The following tables provide an ageing detail of current and overdue amounts in respect of all customer loans and receivables as at 31 December 2024 and 2023.

Table 1	Payment due date for total customer loans and receivables *					
	Due balance	Up to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
2024						
Foreign receivables	5,040	3,293	1,595	246	-	10,174
Domestic receivables	10,444	3,435	-	-	-	13,879
Receivables from related parties	39,566	768	-	-	-	40,334
	55,050	7,496	1,595	246	-	64,387

* excluding impairment allowance

	Due balance	Up to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Total
2023						
Foreign receivables	5,812	1,863	455	826	-	8,956
Domestic receivables	9,360	617	-	-	-	9,977
Receivables from related parties	32,123	6,188	-	-	-	38,311
	47,295	8,668	455	826	-	57,244

* excluding impairment allowance

Table 2	Ageing of total due customer loans and receivables				
	Up to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
2024					
Foreign receivables	3,711	526	803	-	5,040
Domestic receivables	10,217	187	11	29	10,444
Receivables from related parties	39,214	297	55	-	39,566
	53,142	1,010	869	29	55,050
2023					
Foreign receivables	5,102	474	236	-	5,812
Domestic receivables	8,501	820	32	7	9,360
Receivables from related parties	31,863	158	79	23	32,123
	45,466	1,452	347	30	47,295

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

31 Financial risk management (continued)

(e) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. As the Company has no commitments in financial instruments, the risk lies only in its daily operations. The Company has a strong focus on its cash flow with daily updates on actual development and monthly updated forecasts. The Company's maturity profile demonstrates the strong liquidity position of the Company and therefore the risk is considered low. The table below presents the maturity analysis and resulting gap.

The Company has a revolving credit facility with our core banks should an extraordinary liquidity need arise. As at 31 December 2024, the facility remained untapped.

2024	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Loans and receivables	-	-	70	994	204	1,268
Trade and other receivables	64,146	918	2,244	-	-	67,308
Current financial assets	4,393	-	-	-	-	4,393
Cash and cash equivalents	49,316	-	-	-	-	49,316
	117,855	918	2,314	994	204	122,285
Borrowings	(12)	-	-	-	-	(12)
Lease liabilities	(176)	(340)	(1,492)	(7,327)	(5,227)	(14,562)
Trade and other payables	(36,682)	(8,150)	(12,741)	(2,723)	-	(60,296)
	(36,870)	(8,490)	(14,233)	(10,050)	(5,227)	(74,870)
Maturity gap	80,985	(7,572)	(11,919)	(9,056)	(5,023)	47,415

2023	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Loans and receivables	99	-	108	2,233	147	2,587
Trade and other receivables	54,504	1,525	938	-	-	56,967
Current financial assets	4,144	-	-	-	-	4,144
Cash and cash equivalents	55,568	-	-	-	-	55,568
	114,315	1,525	1,046	2,233	147	119,266
Borrowings	(501)	-	(63)	(12)	-	(576)
Lease liabilities	(153)	(304)	(1,402)	(5,823)	(7,301)	(14,983)
Trade and other payables	(29,111)	(20,362)	(2,625)	(6,226)	-	(58,324)
	(29,765)	(20,666)	(4,090)	(12,061)	(7,301)	(73,883)
Maturity gap	84,550	(19,141)	(3,044)	(9,828)	(7,154)	45,383

The Company participates in a supplier finance arrangement with the purpose of providing the willing suppliers with early payment compared with the related invoice payment due date as well as arrangements for Company's efficient cash flow management which allows the Company to centralize payments of trade payables to the bank rather than paying each supplier individually and safeguard the Company's cash position.

From the Company's perspective, the early payment arrangements do not extend payment terms beyond the normal terms agreed with other suppliers that are not participating; on average, the payment terms for invoices relating to participating suppliers are shortened by 60 days compared with the normal terms agreed with other suppliers that are not participating. For the part of arrangements related to cash flow management (with prolonged due date), the original invoices are paid by the bank to suppliers on due date. Payment to the bank is deferred in average for 212 days after the original invoice due date to suppliers.

31 Financial risk management (continued)

(f) Fair value estimation

Financial assets at fair value through profit and loss are carried at fair value at the balance sheet date. The fair value is estimated by reference to their quoted active market price at the balance sheet date which represents Level 1 input (Note 19).

A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. There are no financial assets derived from level 2 inputs which represent different valuation techniques based on observable market data or from level 3 inputs which represent different valuation techniques based on no observable market data.
The Company's principal financial instruments not carried at fair value are cash and cash equivalents, trade receivables, other receivables, non-current loans and receivables, trade and other payables and borrowings. The fair value of loans and receivables and the fair value of borrowings are calculated based on the Management's best estimate of discounted expected future principal and interest cash flows, using the market-related rate for a similar instrument at the balance sheet date as a discount rate. Fair values and carrying amounts are not significantly different as the loans and receivables were granted at market rates, which were not substantially different from market rates at the end of reporting year.
Current financial assets are stated at fair value that is based on quoted prices at the balance sheet date without any deduction for transaction costs.

The carrying amount of cash and cash equivalents and of bank deposits reflects fair value due to the short-term maturity of these financial instruments. Similarly, the amortized cost carrying amounts of trade receivables and payables with remaining life of less than one year and which are all subject to normal trade credit terms reflect fair values. In 2024 1.33% (2023: 1.33%) interest rates were used for determining fair values, which are based on available market rates for similar financial instruments.

(g) Capital management

The Company's objectives when managing capital are:
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to provide adequate requirements for capital resources, as far as possible, by the retention of profit;
- to maintain a prudent balance sheet with adequate component of cash and short-term assets, as well as equity and other investments; and
- to secure adequate back-up funding facilities should a need arise.

The Company is generating sufficient cash from operations to fund liabilities as they become due, finance customers when required and budgeted investments, and pay dividends.

The Company monitors capital using the statutory minimum capital requirement. Shareholders' equity is disclosed in Note 21 to the financial statements.

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The Report of Ericsson Nikola Tesla d.d. Supervisory Board on the supervision performed on the Company's business operations in 2024

April 29, 2025

Pursuant to the provisions of the Croatian Companies Act and Ericsson Nikola Tesla d.d. Articles of Association, the Supervisory Board of Ericsson Nikola Tesla d.d. monitored the managing of the Company's business operations, taking respective decisions and conclusions at four (4) regular and four (4) extraordinary Supervisory Board meetings, held in 2024.

In 2024, the members of the Supervisory Board were:

- Stefan Kötz (Chairperson, appointed on November 22, 2024)
- Franck Pierre Roland Bouétard (Chairperson until November 22, 2024)
- Olgica Spevec (Deputy Chair)
- Ana Vrsaljko Metelko (Member)
- Petar Šimundža (Member and employees' representative)
- Carl Henrik Magnus Carle (Member)

There was full attendance of the Supervisory Board members at the meetings.

The Company's Management Board regularly informed the Supervisory Board on all important business activities, assets and liabilities positions, revenues, and the course of business performance.

At regular meetings, the Supervisory Board discussed the situation on major markets, activities and contracts with customers, key risks, focus areas, financial performance, realization of targets, strategic directions, investments, and compliance. Further topics of discussion encompassed the effectiveness of risk management and internal control systems, dividend proposal, significant business transactions that include the Company and its related parties, as well as issues regarding human resources, shareholders and share price development.

At extraordinary Supervisory Board meetings, the members discussed preliminary financial results for 2023, targets for 2024, approval of annual financial statements for 2023, dividend policy, the Remuneration Report for Supervisory Board members and Management Board in 2023, and the election of the Supervisory Board's Chairperson. Special attention was paid to the new visual identity and changes in the governance model of Ericsson Nikola Tesla Group.

In March 2024, the Management Board and the Supervisory Board hold strategic workshop, at which they analyzed financial plans of Ericsson Nikola Tesla Group for the period 2024 to 2027 for every business segment (Telco, Digital Society, R&D, Service delivery) as well as progress by each strategic direction. The Supervisory Board concluded that the implementation of the strategy is progressing well and gave guidelines for further activities. They also supported the introduction of a new strategic program in the field of artificial intelligence. The goal of this program is to apply artificial intelligence in creating new business opportunities and internally to simplify the company's business processes and reduce costs. During the year, the Supervisory Board was continuously informed about the progress of each strategic direction.

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Ericsson Nikola Tesla's strategy relies not only on technology leadership, but also on operational excellence, strong governance, a culture of ethics and integrity and securing the best talents. In 2024, the Supervisory Board continued to support the activities on strengthening business practice in regard to ethics and compliance to ensure that the Company meets the highest standards, in line with the Code of Business Ethics of Ericsson Nikola Tesla Group. The Compliance and Investigation Officer regularly informed the members of the Supervisory Board about the reported and processed compliance concerns, the checks conducted and decisions reached on the identified risks with business partners, the vetting of employees on key positions, and the training on compliance, anti-corruption and fair competition held for employees. Effective verification of situations that represent the potential conflicts of interest continued, as well as informing and training of employees and their managers on the conflict-of-interest management process.

The Supervisory Board also focused on the efficiency of the risk management system and internal control. Based on the report of the Independent Internal Auditor (IIA) and the opinion of the Audit Committee which was based on independent internal and external audits of the management system, the Supervisory Board concluded that Ericsson Nikola Tesla Group has an effective integrated system of managing business risks. The IIA function is well organized and has the independence necessary to manage this type of work.

At the beginning of 2025, the Supervisory Board performed a self-assessment of the effectiveness, competences and composition of the Supervisory Board and its Audit Committee in 2024, as well as the performance of individual members. Furthermore, the Supervisory Board assessed the efficiency of cooperation with the Management Board and the adequacy of the support and information it receives from the Management Board. The evaluation was performed by the Supervisory Board itself, without the engagement of external advisors, through detailed questionnaires and open discussions.

The overall conclusion is that Ericsson Nikola Tesla's Supervisory Board and its Audit Committee were pro-active and efficient in performing their tasks, and have the required level of competences, knowledge and experience aligned with the requirements of the Company's business. High degree of commitment and responsibility of all members in performing duties arising from membership in the Supervisory Board is highlighted, as well as good understanding of the business environment and a focus on strategy execution, finance, risks, compliance and governance. Furthermore, close and open communication and constructive dialogue with the Management Board and a high level of trust and support to the Company's Management Board in dealing with various challenges are highlighted.

In the forthcoming period, the Supervisory Board will continue to provide support to the Management Board and Executive Management in strategy execution and will provide support and advice regarding new products, customers and markets with the aim of increasing sales and profitability. It will maintain its focus on the overall financial performance, the main risks and challenges of ENT Group, and strengthen communication with investors. Due to the planned changes in the governance model, a decision was made to establish a Nomination Committee and Remuneration Committee.

The Management Board assessed its own effectiveness in 2024 and presented its conclusions to the Supervisory Board.

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In 2020, the Supervisory Board set a target percentage regarding the representation of women; namely 40% of women in the Supervisory Board and 30% in the Executive Management, among managers and at the level of the entire company by 2025. At the end of 2024, the share of women in the Supervisory Board was 40% and 25% in Executive Management. Ericsson Nikola Tesla is on the right track regarding this target. At the Group level, the share of women among line managers, program/project managers and team leaders was 27%, and in the total number of employees 28%. At the Company level, the share of women among line managers, program/project managers and team leaders was 27%, and in the total number of employees 29%.

Analyzing the reports of the Management Board and monitoring the movement of key financial indicators, the Supervisory Board believes that the Ericsson Nikola Tesla Group achieved solid business results in 2024, despite the challenging geopolitical and market environment. The Group was focused on the realization of projects related to modernization and expansion of telecommunication networks and digital transformation of the public and private sector on domestic and export markets, quality delivery and new responsibilities from the Ericsson corporation, as well as finding new business opportunities. The company's 75th anniversary was celebrated, and the company's new visual identity was presented.

In 2025, the Group remains focused on its strategic directives, risk management, simplification of processes and operational efficiency as well as free cash flow, with the aim of achieving defined goals and building a stronger company in the future.

The work of Audit Committee

The Audit Committee, a sub-committee of the Supervisory Board of Ericsson Nikola Tesla d.d., held five (5) meetings in 2024, during which it discussed the financial performance during the year and annual financial statements, audit plan for 2024, internal and external audit findings, high-level risks and their possible impact on Group's results. Furthermore, it reviewed internal quality control and risk management system, issues regarding compliance, IT security, status of corporate sustainability report and performed other tasks in line with the Audit Act and the Audit Committee Charter. The Committee regularly informed other members of the Supervisory Board about its activities and conclusions and gave recommendations to the Supervisory Board on the topics of their interest.

The Audit Committee met regularly with external auditors to review the audit plan and findings, audited annual financial statements, audit fee, corporate sustainability reporting requirements, as well as other audit and accounting issues. It evaluated the performance of the external auditors and enquired into their qualifications, independence and objectivity. After negotiations with the external auditors, the Committee approved the audit fee for 2024.

The Audit Committee approved Operational Excellence/Development & Quality team and Independent Internal Audit (IIA) plans and objectives for 2024 and monitored the implementation. It also discussed and gave recommendations regarding IIA Strategic plan for the period 2025 – 2027.

With respect to compliance, the Audit Committee evaluated and monitored Ericsson Nikola Tesla Group Ethics and Compliance Program further improvements, done after thorough internal assessment and reported to the Audit Committee by Independent Internal Audit Officer and Compliance and Investigation Officer. The Audit Committee decided about reported compliance concerns, supported continuation of workshops related to conflict-of-interest regulation and supported raising awareness of employees through their signing of Ericsson Nikola Tesla Group Code

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of Business Ethics. The Audit Committee supports all the measures and processes that are in place, as well as further strengthening of the compliance organization. The Audit Committee is of the opinion that Ericsson Nikola Tesla Group has well-established and efficient risk management and compliance procedures. Continuous improvements are recommended due to changeable market environment.

Based on the recommendation of the Audit Committee, the Supervisory Board proposed to the Annual General Meeting of Shareholders the appointment of KPMG Croatia d.o.o as the auditor of Ericsson Nikola Tesla d.d. for 2025.

During 2024, the members of the Audit Committee were: Olgica Spevec (Chairperson) independent Ericsson Nikola Tesla Supervisory Board Member, Vesna Vašiček (Member), external expert, and Carl Henrik Magnus Carle (Member), Ericsson's representative in the Supervisory Board. There was full attendance of Audit Committee members at all meetings.

Based on the review of financial and other relevant business documents, the Management Board's report, and the Company's auditors' report, the Supervisory Board concluded the following:

- To the best of our knowledge, Ericsson Nikola Tesla d.d. in all material aspects operates in compliance with the laws and Company's enactments and in accordance with the decisions made by the Annual General Meeting;
- The annual financial reports have been prepared in accordance with the business records of Ericsson Nikola Tesla d.d. and its subsidiaries, and in all material aspects
- reflect the correct financial and business situation of Ericsson Nikola Tesla d.d. and its subsidiaries;
- The Management Board's proposal relating to net profit allocation is supported and approved;
- There are no objections regarding the Management Board's report on the Company's position and consequently the report is approved;
- There are no objections regarding the Sustainability Report and consequently the report is approved;
- There are no objections regarding the Auditors' Report and consequently the report is approved;
- Pursuant to the above stated, the submitted annual reports are approved.

Pursuant to the Croatian Companies Act, Article 300 d and Accounting Law, Articles 24 and 29, the following documents are enclosed to this Report:

1. The Management Board's Decision on Approving the consolidated and non-consolidated Annual financial statements and Sustainability Report;
2. The Decision by the Supervisory Board on Approving the consolidated and non-consolidated Annual financial statements and Sustainability report;
3. The Management Board and Supervisory Board Decisions on allocating retained earnings from the year 2023 and the Company's profit achieved in the financial year 2024.

For the Supervisory Board

Stefan Kött, Chairperson

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Ericsson Nikola Tesla d.d. Zagreb
Krapinska 45

OIB: 84214771175

Zagreb, 29. travnja 2025.

Predmet: **Odluka Uprave Društva o utvrđenju godišnjih financijskih izvješća i Izvještaja o održivosti**

Temeljem članka 300.d Zakona o trgovačkim društvima te člancima 24 i 29 Zakona o računovodstvu, a nakon primitka suglasnosti Nadzornog odbora dioničkog društva Ericsson Nikola Tesla d.d. Zagreb donosim slijedeću ODLUKU:

- Utvrđuju se revidirana godišnja financijska izvješća Društva za 2024.g.
- Utvrđuju se revidirana godišnja konsolidirana financijska izvješća Društva i njegovih podružnica („Grupa") za 2024.g.
- Prihvaćen je Izvještaj poslovodstva za Društvo i Ericsson Nikola Tesla Grupu čiji je sastavni dio Izvještaj o održivosti za 2024. godinu

Ericsson Nikola Tesla d.d. Zagreb
Uprava

Gordana Kovačević
Predsjednica Uprave

Hrvoje Benčić
Član Uprave

Damir Bušić
Član Uprave

Milan Živković
Član Uprave

Zagreb, April 29, 2025

Subject: **Management Board Decision on Approving Annual Financial Reports and the Sustainability Report**

In accordance with the Company Act, Article 300.d and subsequent to the approval of the Supervisory Board of the Joint Stock Company Ericsson Nikola Tesla d.d. Zagreb, I herewith forward the following DECISION:

- The audited Annual Financial Statements of the Company for 2024 have been approved.
- The audited Annual Consolidated Financial Statements of the Company and its subsidiaries (the "Group") for 2024 have been approved.
- The Management Report for the Company and Ericsson Nikola Tesla Group was accepted, of which the Sustainability Report for 2024 is an integral part.

Ericsson Nikola Tesla d.d. Zagreb
Management Board

Gordana Kovačević
President of Management Board

Hrvoje Benčić
Member of Management Board

Damir Bušić
Member of Management Board

Milan Živković
Member of Management Board

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Zagreb, 29. travnja 2025.

Predmet: **Odluka Nadzornog odbora Društva o utvrđenju revidirani godišnjih financijskih izvješća i Izvještaja o održivosti**

Temeljem članka 300.d Zakona o trgovačkim društvima te člancima 24 i 29 Zakona o računovodstvu Nadzorni odbor dioničkog društva Ericsson Nikola Tesla d.d. Zagreb donosi slijedeće:

- Utvrđuju se revidirana godišnja financijska izvješća Društva za 2024. godinu.
- Utvrđuju se revidirana godišnja konsolidirana financijska izvješća Društva i njegovih podružnica („Grupa") za 2024. godinu.
- Prihvaćen je Izvještaj poslovodstva za Društvo i Ericsson Nikola Tesla Grupu čiji je sastavni dio Izvještaj o održivosti za 2024. godinu

Ericsson Nikola Tesla d.d. Zagreb
Za Nadzorni odbor

Stefan Kötz
Predsjednik

Zagreb, April 29, 2025

Subject: **Supervisory Board Decision on Approving audited Annual Financial Reports and the Sustainability Report**

Pursuant to the Company Act, Article 300.d, and Accounting Law, Articles 24 and 29, the Supervisory Board of the Joint Stock Company Ericsson Nikola Tesla d.d. Zagreb, hereby confirms that:

- The audited Annual Financial Statements of the Company for 2024 have been approved.
- The audited Annual Consolidated Financial Statements of the Company and its subsidiaries (the "Group") for 2024 have been approved.
- The Management Report for the Company and Ericsson Nikola Tesla Group was accepted, of which the Sustainability Report for 2024 is an integral part.

Ericsson Nikola Tesla d.d. Zagreb
For Supervisory Board

Stefan Kötz
Chairperson

Ericsson Nikola Tesla d.d.
Krapinska 45,
HR - 10000, Zagreb,
CROATIA
06

Ericsson Nikola Tesla d.d. Zagreb
Krapinska 45
OIB: 84214771175

Zagreb, 29. travnja 2025.

Predmet: **Prijedlog Odluke Uprave i Nadzornog odbora Društva o raspodjeli zadržane dobiti iz 2023. i o uporabi dobiti Društva ostvarene u financijskoj godini 2024.**

Temeljem članka 300.b Zakona o trgovačkim društvima, Uprava i Nadzorni odbor dioničkog društva Ericsson Nikola Tesla d.d. Zagreb predlažu Glavnoj skupštini Društva usvajanje sljedeće odluke:

- Dobit Društva za financijsku godinu 2024. u iznosu od 22.469.997,40 EUR rasporedit će se u zadržanu dobit.
- Dioničarima Društva isplatit će se dividenda u iznosu od 10,54 eura po dionici iz zadržane dobiti iz 2023. i 2024. godine.

Ericsson Nikola Tesla d.d. Zagreb

Za Nadzorni odbor

Stefan Kötz
Predsjednik

Uprava

Gordana Kovačević
Predsjednica Uprave

Hrvoje Benčić
Član Uprave

Damir Bušić
Član Uprave

Milan Živković
Član Uprave

Zagreb, April 29, 2025

Subject: **Management Board and Supervisory Board Decision proposal on allocating retained earnings from year 2023 and the Company profit achieved in the financial year 2024**

Pursuant to the Company Act, Article 300.b the Management Board and the Supervisory Board of the Joint Stock Company Ericsson Nikola Tesla d.d. Zagreb, propose to shareholders at the Annual General Meeting to adopt the following decision:

- The Company's net profit for the financial year 2024, amounting to EUR 22.469.997,40 will be allocated to retained earnings.
- The Company shareholders shall be paid dividend of EUR 10.54 per share out of retained earnings from year 2023 and retained earnings from year 2024.

Ericsson Nikola Tesla d.d. Zagreb

For Supervisory Board

Stefan Kötz
Chairperson

Management Board

Gordana Kovačević
President of Management Board

Hrvoje Benčić
Member of Management Board

Damir Bušić
Member of Management Board

Milan Živković
Member of Management Board

ENT Ericsson Nikola Tesla d.d.
Krapinska 45,
HR - 10000, Zagreb,
CROATIA 06

NOTE:
This is not the official version; the official version of the Annual Report is in ESEF format.

Ericsson Nikola Tesla