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HOME MEMBER STATE: Republic of Croatia  
REGULATED MARKET SEGMENT: Regular Market of the Zagreb Stock Exchange

## Ericsson Nikola Tesla Group

Zagreb, July 24, 2025

Management Report on the Company and Ericsson Nikola Tesla Group business performance with comments on the financial results for H1 2025

### Highlights:

- Sales revenue: EUR 110.8 million
- Gross margin: 12.5%
- Operating profit: EUR 11.4 million
- Profit before tax: EUR 11.8 million
- Net profit: EUR 9.6 million
- Cash flow from operating activities: EUR 0.9 million

Gordana Kovačević, President of Ericsson Nikola Tesla's Management Board, commented:

“In H1 2025, total sales revenue amounted to EUR 110.8 million, up by 1.7% year-over-year, as a result of increased sales in Croatia and a stable sale of services to Ericsson. We continue to witness a slowdown of telecom operators’ investments in mobile infrastructure, uncertainties related to complex digital transformation projects and pressures on the prices of our products and services. In such a challenging market environment, in order to ensure stable business performance and maintain competitiveness, we focus on business diversification through the development of new products and services, and new customers. Furthermore, we focus on cost effectiveness and efficiency of our business processes, and some of the key steps we take on this path are the introduction of technology such as artificial intelligence, automation of business processes and initiatives within internal digital transformation.

During Q2, we have continued to fulfill our obligations in line with multi-year contracts related to the expansion and modernization of telecom networks, and we have been working intensely on the realization of activities and new business opportunities in the Digital Society segment. We would like to highlight a contract with the Croatian Pension Insurance Institute (HZMO) related to the building and implementation of an IT system to support basic processes (eHZMO), and the contract with the company Odašiljači i veze (OİV) for the design and construction of passive

electronic communications infrastructure. We have also continued the cooperation with the Ministry of the Interior of the Republic of Croatia related to the maintenance of stationary and mobile systems for monitoring the external EU border.

In export markets, we have continued quality cooperation on the modernization and maintenance of mobile networks of operators HT Mostar, Crnogorski Telekom, Ipko Kosovo, and Telekom Kosova. We participated at the 26th International Economy Fair Mostar, where we presented advanced solutions from the portfolio of ENT and Ericsson that enable digital transition and the connection of various industries and society, such as Mission Critical Networks, Intelligent Transportation Systems (ITS), solutions for the introduction of a single European number for emergency situations 112, as well as Ericsson Nikola Tesla's hospital information solution.

During Q2, our Research and Development Center (R&D) continued the development of functionalities on new Radio platforms, the development of strategic functionalities in the domain of 5G RAN software, and Compute platforms functionalities. The strategic focus of R&D remains on building organizational E2E software development capability and positioning Ericsson Nikola Tesla as a supplier that is highly performing and capable to deliver such solutions in the most complex areas of mobile technology (Network segment). We are constantly working on acquiring new responsibilities in strategic areas, and the fact that we are continuously among the best rated R&D Centers, as well as the high quality of our deliveries, puts us in a good position to be chosen as a strategic partner for new business opportunities.

At this year's Ericsson Nikola Tesla Technology Days, the latest technology solutions and innovations were presented to our customers from Croatia and abroad (Hrvatski Telekom, A1 HR, Telemach HR, HT Mostar, BH Telecom, mtel BIH), as well as to the representatives of regulators, the academic community, media and employees. Special emphasis was placed on solutions for 5G networks monetization, application of 5G technologies for mission critical network communications for emergency services, public safety and defense, as well as the construction of communication network for critical railway infrastructure based on 5G technology (FRMCS- Future Railway Mobile Communications System). In addition to the application of technology in telecommunications and various industries, scientific research work was presented on the example of the EU co-funded project *Digiphy* which shows Extended Reality (XR) communication and interaction through a dynamically refreshed digital twin.

In terms of financial indicators, gross profit amounted to EUR 13.9 million, down by 12.0% year-over-year, as a result of increased material and employee costs, and activities aimed at optimizing operations. Gross margin was 12.5% (H1 2024: 14.5%). Operating profit amounted to EUR 11.4 million, down by 13.2% year-over-year, as a result of lower gross profit and increased selling and administrative expenses. Operating margin amounted to 10.3% (H1 2024: 12.0%). Net profit amounted to EUR 9.6 million, up by 24.8% year-over-year. We concluded end of H1 with a solid balance sheet and an equity ratio of 36.7%. Cash and cash equivalents, including the short-term financial assets, amounted to EUR 56.6 million, which accounts for 32.5% of the total assets. A positive cash flow from operating activities was achieved in the amount of EUR 0.9 million (H1 2024: EUR - 5.1 million).

Our strategy is focused on strengthening the leading position in mobile networks, growth in the Digital Society

segment, and excellence in services and R&D. We base it on sustainable growth, market diversification and strengthening technology leadership. The focus is clear: innovation, competencies, persistence and resilience. Looking ahead, we are investing in new products, business segments and customers, AI which is necessary to accelerate innovation and drive internal efficiency, cyber security and the competencies of our employees in the domain of AI and digital transformation.“

## Financial highlights for the Group:

- Sales revenue amounted to EUR 110.8 million (H1 2024: EUR 108.9 million), up by 1.7% year-over-year.
- Sales according to business segments: Telecom amounted to EUR 31.6 million (H1 2024: EUR 30.5 million), Digital Society amounted to EUR 8.2 million (H1 2024: EUR 7.3 million), R&D and Services amounted to EUR 71.0 million (H1 2024: EUR 71.1 million).
- Gross profit amounted to EUR 13.9 million (H1 2024: EUR 15.8 million), down by 12.0 % year-over-year as a result of increased material and employee costs, and activities aimed at optimizing operations. Gross margin decreased to 12.5% (H1 2024: 14.5%).
- Selling and administrative expenses increased by 8.3% year-over-year and amounted to EUR 6.0 million (H1 2024: EUR 5.5 million), primarily as a result of increased costs in order to capture new business opportunities. The share of selling and administrative expenses in the total sales revenue was 5.4% (H1 2024: 5.1%).
- Operating profit amounted to EUR 11.4 million (H1 2024: EUR 13.1 million), down by 13.2% year-over-year, as a result of lower gross profit and increased selling and administrative expenses. Operating margin was 10.3% (H1 2024: 12.0%).
- Profit from financial activities amounted to EUR 0.4 million (H1 2024: EUR 0.5 million), as a result of decline in interest income due to the decrease in interest rates in the market.
- Profit before tax decreased by 13.9% year-over-year and amounted to EUR 11.8 million (H1 2024: EUR 13.7 million).
- Net profit amounted to EUR 9.6 million (H1 2024: EUR 7.7 million), up by 24.8% year-over-year as a result of lower income tax. Return on sales (ROS) was 8.7% (H1 2024: 7.1%).
- Working capital efficiency, expressed in Working Capital Days (WCD), was 47 days (H1 2024: 35 days). WCD continues to be affected by the demanding projects in terms of work and capital engagement, along with the extended dynamics of collection of receivables on all markets.
- Cash flow from operating activities was EUR 0.9 million (H1 2024: EUR -5.1 million) due to increased activities related to collection of customers receivables and ensuring current liquidity.
- Cash and cash equivalents, including the short-term financial assets, as at June 30, 2025, amounted to EUR 56.6 million (32.5 % of the total assets), and at the end of 2024 they amounted to EUR 63.1 million (35.1% of the total assets).
- The Group has a solid balance sheet with the total assets of EUR 174.2 million as at June 30, 2025, down by 3.1% compared to the end of 2024, primarily because of lower short-term receivables as well as cash and cash

equivalents, while the inventory has been increasing. At the end of H1 2025, equity ratio was 36.7% (end of 2024: 37.9%).

- With related parties, the transactions were as follows: sales of products and services amounted to EUR 69.9 million (H1 2024: EUR 69.8 million), while the procurement of products and services amounted to EUR 14.9 million (H1 2024: EUR 15.2 million).
- As at June 30, 2025, balances outstanding with related parties were as follows: receivables amounted to EUR 36,7 million (end of 2024: 39.5 million), and payables amounted to EUR 7.7 million (end of 2024: EUR 16.4 million).

### Business situation in major markets

**In the domestic market** sales revenue amounted to EUR 28.0 million (H1 2024: EUR 23.4 million), up by 19.6% year-over-year.

With Hrvatski Telekom (HT) the deliveries are ongoing based on the exclusive multi-year contracts in the field of microwave technology and the radio and core part of the mobile network. During Q2, a special focus was on equipment delivery, integration and optimization of complex network configurations for a concert in Zagreb, which gathered more than 500 thousand visitors. For the first time in Croatia, for the needs of such an event, an advanced Ericsson Live RAN Insights solution was implemented - a system for almost simultaneous monitoring of performance of 4G/5G RAN network. The implementation of this solution made it possible to obtain timely key feedback from the network and optimize network resources, which had a positive impact on the excellent performance of HT's radio network during the concert. For the needs of Ericsson corporation, this platform is developed by the experts from our Services Center. In addition to deliveries related to the radio network, in cooperation with HT, Ericsson Nikola Tesla also secured a private 5G campus network for mobile connectivity of 735 POS devices.

Furthermore, the activities continued on the implementation of Ericsson dual-mode 5G Core network, which additionally strengthens the foundation to introduce advanced 5G services in the mobile network of Hrvatski Telekom.

With our partner A1 Hrvatska, in line with the multi-year contracts, we have been working on the modernization of radio network, on the extension of coverage and capacity of the 5G radio network, and on the modernization and construction of the convergent core network and microwave transmission systems.

In the Digital Society segment, a contract was signed with the Croatian Pension Insurance Institute (HZMO) related to the building and implementation of an IT system to support basic processes (eHZMO). The project aims to increase the level of quality of services for users and improve work efficiency by modernizing the IT system and business processes.

When it comes to national and public safety, contracts were signed with the Ministry of the Interior of the Republic of Croatia related to the maintenance of stationary and mobile systems for monitoring the external EU border.

We have signed a contract with OiV for the design and construction of passive electronic communications

infrastructure on a turnkey basis, goal of which is to reduce the digital gap between urban and rural areas.

**In export markets** (excluding services to Ericsson) sales revenue amounted to EUR 11.7 million (H1 2024: EUR 14.4 million), down by 18.2% year-over-year, as a result of lower sales revenue in Kosovo, which is due to the fact that in November 2024 we have finished a large project of modernization of the overall radio access network of Telekom Kosova, six months before the agreed deadline.

In Bosnia and Herzegovina, with the operator HT Mostar, in line with the previously signed contracts, we have been working on the expansion of the radio access network, the implementation of software management services for the entire installed base of Ericsson solutions in their network, and the implementation of access control and quality of service for the introduction of VoLTE functionality. With the operator BH Telecom, we have been working on the modernization of mobile network in the domain of microwave transmission systems (Mini Link).

In Kosovo, with the operator IPKO, we continue the cooperation on the modernization of 4G/5G mobile network, transport network and on service projects in core network, while with the operator Telekom Kosova, software expansions of 5G core network were agreed.

In Montenegro, with the operator Crnogorski Telekom, we have continued the activities on their mobile network modernization, by delivering equipment and services based on multi-year exclusive agreements which encompass radio and core part of the network. A special focus is on the implementation of Ericsson dual-mode 5G Core network, which secures a high technological readiness for the introduction of advanced 5G services.

With the Ministry of the Interior of Montenegro, the upgrade and modernization of the 112 system was contracted.

In Cyprus, the activities are ongoing on the replacement and modernization of the land administration information system of the Department of Lands and Surveys of the Republic of Cyprus.

**In Ericsson market** sales revenue remained at the same level year-over-year, amounting to EUR 71.0 million (H1 2024: EUR 71.1 million).

During Q2, our R&D Center has continued on the development of functionalities on new Radio platforms, the development of strategic functionalities in the domain of 5G RAN software, and Compute platforms functionalities. The strategic focus of R&D remains on building organizational E2E software development capability and on additionally positioning Ericsson Nikola Tesla as the supplier that is highly performing and capable to deliver such solutions in the most complex areas of mobile technology (Network segment). We are also continuously working on gaining new responsibilities in strategic areas.

Experts from the Customer Services and Solutions Center, in addition to engagement for the customers of Ericsson Nikola Tesla Group, were also engaged on many projects for Ericsson customers. The activities include creating solutions, defining network parameters, and optimization and integration of networks for mobile operators in many EU Member States, as well as 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. An example is a platform Ericsson Live RAN Insights, which was very successfully used with our partner HT at the huge concert in Zagreb, as well as at most global mass events such as the Olympic Games in Paris, Super Bowl, FIFA World Cup in Qatar...

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.

### Other information

At the Annual General Meeting of Ericsson Nikola Tesla joint-stock company, held on June 26, 2025, the decision was reached to pay a regular dividend amounting to EUR 10.54 per share from the retained earnings from 2023 and the retained earnings from 2024. The dividend was paid on July 23, 2025, to all the Company's shareholders that on July 2, 2025, had the Company's shares registered on their securities account in the Central Depository & Clearing Company.

Discharge from liability was given to the Company's President of the Management Board, for the exercise of duties in 2024, as well as to the members of the Company's Supervisory Board and its Chairman in relation to the exercise of their duties in 2024. Furthermore, the Remuneration Report for Supervisory Board members and the Management Board in 2024 was approved. Ana Vrsaljko Metelko, was re-elected as the member of the Supervisory Board for the new 4 (four) year term. KPMG Croatia d.o.o., was appointed as the Auditor for the year 2025 and 2026.

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For more information about Ericsson Nikola Tesla's business, please visit: [www.ericssonnikolatesla.hr](http://www.ericssonnikolatesla.hr)

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

Statement  
of the Management Board responsibility

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

Unaudited financial statements for the period January 1, 2025 to June 30, 2025 present a true and fair view of the financial position of the Company and the Group and of the financial performance and cash flows in compliance with applicable accounting standards.

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