

Ericsson Nikola Tesla d.d.
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Ericsson Nikola Tesla Group

Zagreb, February 17, 2026

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

Highlights:

- Sales revenue: EUR 238.6 million
- Gross margin: 11.9%
- Operating profit: EUR 20.9 million
- Profit before tax: EUR 21.5 million
- Net profit: EUR 17.7 million
- Cash flow from operating activities: EUR 17.5 million
- Dividend proposal: EUR 13.52 per share

Siniša Krajnović, President of the Management Board of Ericsson Nikola Tesla, commented:

“Despite demanding market conditions, the Ericsson Nikola Tesla Group achieved stable results in 2025 and remained focused on realizing its key strategic objectives. Total sales revenue amounted to EUR 238.6 million, down by 4.4% year-over-year, primarily due to lower activity in export markets and somewhat weaker demand in the domestic market. At the same time, revenue growth in the Services to Ericsson segment and the further strengthening of our role within the global organization mitigated short-term negative trends and contributed to the overall stability of the business.

The strategic focus was directed toward three key areas: strengthening the leading position in mobile networks, growing and diversifying the business within the Digital Society segment, and achieving excellence in the Services for Ericsson segment (Research and Development, and Customer Solutions and Services). In a year marked by continued investment in 5G, increasing demand for digital solutions, and the need for greater operational efficiency, the Ericsson Nikola Tesla Group reaffirmed its position as a key technology partner to domestic and regional operators as well as institutional customers.

In the domestic market, significant projects were delivered in the telecommunications segment, focusing on network modernization and the expansion of network capacity. With Hrvatski Telekom, we continued our long-standing partnership through the implementation of 4G/5G core network, modernization of the radio access network, and introduction of advanced solutions such as Ericsson Live RAN Insights. A new five-year exclusive contract in the field of microwave technologies was also signed, further reaffirming the trust and long-term cooperation between the two companies. Cooperation with A1 Hrvatska also continued successfully through the modernization of the convergent core network and the expansion of coverage and capacity of the 5G radio network, with a strong focus on optimizing network resources and increasing operational efficiency.

In 2025, the Digital Society segment was marked by the implementation of key projects for our public sector customers. New contracts with the Ministry of the Interior, the State Geodetic Administration, the Ministry of Justice, Public Administration and Digital Transformation, the Ministry of Tourism and Sport, and the Croatian Pension Insurance Institute reaffirmed the high level of expertise and quality that ENT provides in the development and implementation of complex ICT systems supporting the digital transformation of public services. In the period ahead, we expect growth in this segment, primarily driven by investment cycles related to the continuation of the European Union's external border surveillance project and the digital transformation of both the public and private sectors.

In the export markets, successful cooperation continued with operators in Bosnia and Herzegovina, Montenegro, and Kosovo. Activities were focused on expanding 4G/5G radio infrastructure, modernizing transport and core networks, and implementing advanced solutions for quality monitoring and network performance optimization. The decline in revenue compared with the previous year was the result of the completion of a major mobile network modernization project for Telekom Kosovo at the end of 2024.

Sales revenue in the Services to Ericsson segment is growing, reaffirming the strategic importance of the ENT R&D Center within Ericsson's global ecosystem and highlighting the value of our Services and Solutions Center. Throughout 2025, ENT R&D delivered quality results in the development of advanced RAN functionalities, further strengthening Ericsson's global technology portfolio. It was once again recognized as one of Ericsson's highest-rated R&D software development suppliers and selected as a preferred partner for 5G/6G RAN software development. In line with this, we further strengthened our development capacities and attracted new experts. In addition to supporting our customers, the Services and Solutions Center experts worked on a wide range of projects for Ericsson customers throughout Europe and globally, providing professional services for solutions in the telecommunications segment.

Financial indicators confirm the stability of the business. Gross profit amounted to EUR 28.3 million, remaining almost at the level of the previous year, with the gross margin increasing to 11.9%, reflecting a favorable sales mix and activities focused on operational optimization and cost efficiency. Operating profit amounted to EUR 20.9 million, with an operating margin of 8.8%, while net profit increased to EUR 17.7 million due to lower tax expenses. Cash flow from operating activities amounted to EUR 17.5 million, and the balance sheet remains stable, with an equity ratio of 41%.

Intensive cooperation with academia continued, remaining essential for the development of the industry and for securing future ICT professionals. Inventorium Day 2025, held in November, once again confirmed the long-standing partnership between Ericsson Nikola Tesla and the Faculty of Electrical Engineering and Computing, as well as their strong commitment to joint research and innovation. In the laboratory that brings together experts, professors, and students, projects are being developed in the fields of 5G, IoT, XR, data science, and artificial intelligence, along with concrete prototypes emerging from interdisciplinary cooperation.

Entering a new phase of development, the Ericsson Nikola Tesla Group will place an even stronger focus on reinforcing technological leadership and business excellence. The emphasis is on increasing innovation capacity, deepening cooperation with customers, partners, the academic community and relevant institutions, as well as continuously developing talent and organizational culture. In this context, we are working on preparing a new, long-term ENT 2030 strategy which will define the Group's direction for growth and transformation in the years ahead. As the largest ICT company in Croatia, we aim to further contribute to strengthening economic, technological, and scientific competitiveness.

I am confident that the initiatives we are implementing, as well as those planned within the 2030 strategy, together with contracted projects and new market opportunities, will ensure continued growth and further strengthen the company's market position in the coming years.

The Management Board and the Supervisory Board shall propose to the General Meeting of the Company the payment of a dividend in the amount of EUR 13.52 per share, as a confirmation of our responsible approach toward shareholders."

Financial highlights for the Group:

- Sales revenue amounted to EUR 238.6 million (2024: EUR 249.5 million), down by 4.4% year-over-year, resulting from lower sales revenue on both the domestic and export markets (primarily due to the timing of modernization projects in the Kosovo market where the majority of modernization activities were completed in 2024). The decrease was partially mitigated by the growth in sales regarding Services to Ericsson.
- Sales by business segment amounted to: Telecom EUR 68.9 million (2024: EUR 77.6 million), Digital Society EUR 26.3 million (2024: EUR 31.2 million), Services to Ericsson EUR 143.4 million (2024: EUR 140.7 million).
- Gross margin recorded a slight increase and amounted to 11.9% (2024: 11.4%). Despite lower sales revenue, gross profit remained almost at the level of the previous year and amounted to EUR 28.3 million (2024: EUR 28.4 million). This result reflected a favorable sales mix and activities focused on operational optimization and cost efficiency, with the effects becoming particularly visible in the fourth quarter of 2025.
- Selling and administrative expenses amounted to EUR 12.6 million, up 3.5% year-over-year (2024: EUR 12.1 million). This increase was primarily related to higher investments in the development of new business opportunities. Selling and administrative expenses accounted for 5.3% of total sales revenue (2024: 4.9%).

- Operating profit amounted to EUR 20.9 million (2024: EUR 22.1 million), representing a decrease of 5.6% year-over-year, as a result of higher selling and administrative expenses and lower other operating revenue. The operating margin remained stable at 8.8% (2024: 8.9%).
- Profit from financial activities amounted to EUR 0.6 million (2024: EUR 1.1 million), reflecting lower interest income due to reduced market interest rates.
- Profit before tax amounted to EUR 21.5 million (2024: EUR 23.2 million), down by 7.5 % year-over-year.
- Net profit amounted to EUR 17.7 million (2024: EUR 15.6 million), up by 13.8% year-over-year as a result of an additional one-off tax expense recognized in 2024. Return on Sales (ROS) increased to 7.4% (2024: 6.3%).
- Cash flow from operating activities amounted to EUR 17.5 million (2024: EUR 10.3 million), driven by intensified activities related to the collection of receivables and measures undertaken to ensure current liquidity.
- Working capital efficiency, expressed in Working Capital Days (WCD), amounted to 47 days (2024: 38 days). This increase reflects the labor- and capital-intensive projects, as well as prolonged collection cycles across all markets.
- Cash and cash equivalents, including short-term financial assets, amounted to EUR 51.9 million as at 31 December 2025 (30.5% of total assets), compared to EUR 63.1 million (35.1% of total assets) at the end of 2024.
- The Group maintains a stable balance sheet, with total assets amounting to EUR 170.4 million as at 31 December 2025, representing a decrease of 5.2% compared to the end of 2024. The reduction in assets primarily reflects lower levels of cash and other receivables, while receivables from related parties and inventories increased in line with regular contractual activities. The share of equity in total assets increased to 41.0% (end of 2024: 37.9%).
- With related parties, the transactions were as follows: sales of products and services amounted to EUR 141.3 million (2024: EUR 138.2 million), while the procurement of products and services amounted to EUR 38.3 million (2024: EUR 43.5 million). Variations in sales and procurement with related parties over the years are the result of the usual delivery dynamics under our contractual activities.
- As at December 31, 2025, balances outstanding with related parties were as follows: receivables amounted to EUR 44.1 million (end of 2024: EUR 39.5 million), and payables amounted to EUR 13.1 million (end of 2024: EUR 16.4 million).

Business situation in major markets

In the domestic market, sales revenue amounted to EUR 64.7 million (2024: EUR 66.4 million), down by 2.6 % year-over-year.

Ericsson Nikola Tesla continued its successful cooperation with its strategic partner Hrvatski Telekom through the implementation of multi-year contracts covering deliveries and services in the areas of the radio segment of the mobile network, microwave technology, and 4G/5G core network. A new 5-year contract was signed with Hrvatski Telekom in

Q1, according to which ENT will be the exclusive supplier of Hrvatski Telekom for microwave equipment for the next 5 years. During the year, activities related to the modernization and expansion of the mobile network continued, including the implementation of Ericsson's dual-mode 5G Core solution and preparations for the introduction of the 5G standalone (5G SA) architecture. Projects with a strong innovation component were also realized, including the advanced Ericsson Live RAN Insights solution for near-real-time monitoring of 4G/5G RAN network performance.

In cooperation with our strategic partner A1 Hrvatska, and in line with multi-year contracts, activities were carried out in the area of radio network modernization, as well as in expanding coverage and increasing 5G radio network capacity, with the aim of improving service quality and the overall user experience. At the same time, activities related to the modernization and rollout of the convergent core network continued, ensuring greater flexibility, scalability, and readiness of the network for the introduction of new digital and 5G services. Modernization of microwave transmission systems was also undertaken.

In the Digital Society business segment, we signed a number of new contracts with key customers on the domestic market. We would like to highlight the contract with the Ministry of the Interior of the Republic of Croatia related to the maintenance of stationary and mobile systems for surveillance of the EU's external border; the two-year contract with the State Geodetic Administration and the Ministry of Justice, Public Administration and Digital Transformation for the maintenance of the Joint Information System of Land Registry and Cadaster (JIS); the framework agreement with the Ministry of Tourism and Sport for the continued digitalization of the tourism sector; the contract with the Croatian Pension Insurance Institute (HZMO) for the development and implementation of an IT system supporting core processes (eHZMO); and the contract with Odašiljači i veze (OIV) for the design and construction of passive electronic communications infrastructure.

In export markets (excluding services to Ericsson) sales revenue amounted to EUR 30.5 million (2024: EUR 42.4 million), down by 28.0% year-over-year.

We continued the modernization and expansion of the HT Mostar network through a range of activities aimed at improving quality and increasing network capacity. Main priorities included the expansion of the LTE network, the introduction of VoLTE functionality, and the modernization of key network management systems.

With the operator BH Telecom, we worked on the modernization of the mobile network in the area of microwave transmission systems.

With the operator Crnogorski Telekom, we continued the modernization of the mobile network through the delivery of equipment and services based on multi-year contracts covering both the radio and core part of the network. A key focus area was the implementation of the Ericsson dual-mode 5G Core.

With Telekom Kosovo, we continued cooperation on the modernization of the mobile network through continuous maintenance and upgrades of the core, radio, and transmission infrastructure, as well as software and hardware expansions of the 4G/5G radio and transport network. With the operator IPKO, we worked on maintaining its mobile network, modernizing and expanding the 4G/5G radio and transport network, and upgrading and modernizing the core network. These activities ensured network stability, increased capacity, and technological readiness for the further

development of advanced 5G services.

In Cyprus, activities are underway 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 amounted to EUR 143.4 million (2024: EUR 140.7 million), up by 1.9% year-over-year.

The ENT R&D Center has had a successful year marked by growth, technological advancements, and further confirmation of its role within Ericsson's global ecosystem. During the year, the team was strengthened by hiring 120 new experts, significantly increasing development capacity in key areas of network technologies. Particularly noteworthy is the contribution to the development of advanced RAN functionalities which have played an important role in the evolution of the 5G portfolio. R&D teams delivered a range of functionalities that directly contribute to Ericsson's global technological leadership, once again confirming ENT's ability to take on and execute demanding development tasks within network software.

In addition to supporting the customers of the Ericsson Nikola Tesla Group, experts from the Customer Services and Solutions Center were also engaged in numerous projects for Ericsson's global customers. Activities include solution design, definition of network parameters, and the optimization and integration of networks for mobile operators across numerous EU member states, as well as in other countries globally. These are complex projects that, among other activities, included the introduction of 5G technology, operational and business support systems, as well as projects for the introduction of core solutions in Cloud. Activities also continued on the development and implementation of software tools for mobile networks management and optimization for numerous operators, using, among other things, AI technology.

Research projects

Throughout 2025, we continued to conduct applied research in the fields of telecommunications, 5G networks, smart and XR systems, the Internet of Things, and artificial intelligence, in close cooperation with the Faculty of Electrical Engineering and Computing (FER), Faculty of Transport and Traffic Sciences (FPZ), Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture (FESB) and Faculty of Electrical Engineering, Computer Science and Information Technology (FERIT) through joint laboratories and research projects. We successfully completed several EU co-funded projects, including SmartEPC, TRUSTEE, and EDIH Adria, and continued work on the DIGIPHY, OLGA, and EDIH AI4Health.Cro projects. We further strengthened the innovation ecosystem through the ENT Summer Camp and ENT Inventorium activities, with ENT Summer Camp being recognized as the best student program at the Best Employer Brand Awards Adria 2025.

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For more information about Ericsson Nikola Tesla's business, please visit: www.ericssonnikolatesla.com

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 December 31, 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.

Siniša Krajnović, President of the Management Board

Branka Vučemilo Elezović, member of the Management Board

Damir Bušić, member of the Management Board

Hrvoje Benčić, member of the Management Board

Milan Živković, member of the Management Board