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Ericsson Nikola Tesla d.d.
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Security: ERNT (ISIN: HRERNTRA0000)
LEI: 5299001W91BFWSUOVD63
Home member state: Republic of Croatia
Regulated market segment: Regular Market of the Zagreb Stock Exchange

Ericsson Nikola Tesla Group

Zagreb, 23 July 2026

Management Report on the Company and Ericsson Nikola Tesla Group business performance with comments on the financial results for the first half of 2026

Highlights:

- Sales revenue: EUR 130.9 million
- Gross margin: 14.9%
- Operating profit: EUR 13.4 million
- Profit before tax: EUR 13.5 million
- Net profit: EUR 11 million
- Cash flow from operating activities: EUR 10.9 million

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

“The business performance of the Ericsson Nikola Tesla Group in the first half of 2026 was marked by positive trends, with growth achieved in sales revenue, profitability and contracted business. Sales revenue increased by 18.2% to EUR 130.9 million, contracted business reached EUR 166.4 million, while operating profit increased by 17.4% to EUR 13.4 million. At the same time, we maintained a strong cash position and a stable balance sheet. Business developments in the second quarter remained in line with the trends seen in the first quarter, alongside the continued implementation of key strategic priorities focused on strengthening competitiveness, operational efficiency and technological excellence.

In the Telecom Solutions segment, we highlight a new multi-year contract with A1 Hrvatska, under which Ericsson Nikola Tesla remains the sole supplier of the radio part of the mobile network and provider of maintenance services for the next five-year period. Successful cooperation also continued on the modernization and expansion of network infrastructure with Hrvatski Telekom and operators in Bosnia and Herzegovina, Montenegro and Kosovo. These projects confirm our technological leadership and further strengthening of partnerships with customers in both domestic and export markets.

In the Digital Society segment, we strengthened our market position by contracting and implementing digital transformation projects and developing solutions for critical communications and mission-critical systems. These projects are in the areas of healthcare, public administration, energy and public and national security. The new two-year contract for the support and development of the CEZIH system, as well as other projects related to public sector digitalization and the development of shared digital platforms, confirm our significant role in the digital transformation of public services. We are developing additional business opportunities in the area of mission-critical systems through cooperation with leading Croatian technology and scientific institutions, while increasingly positioning the company in the defense and national security segments.

The Software Engineering and Services segment represents the largest individual contribution to business performance and is one of the key drivers of the Group's development. Our Research and Development Center retained its leading position among Ericsson's development centers according to the overall assessment of quality, delivery performance and innovation. At the same time, we expanded development responsibilities in the area of radio access networks and strengthened competencies for the development of 5G and future 6G networks. In parallel, we are continuing the transformation of software development processes through the application of artificial intelligence, with a focus on introducing new AI tools and ways of working that further enhance development efficiency and quality. Experts from the Customer Solutions and Services Center were engaged in projects related to the development, integration and optimization of advanced network solutions for Ericsson's customers worldwide, including projects related to mission-critical infrastructure.

In line with the ENT2030 Strategy, we continue to invest in competence development, innovation and new technologies. During the first half of the year, ENT Innovation Challenge and ENT AI Hackathon were successfully held, fostering the development and application of artificial intelligence-based solutions, while the 25th edition of ENT Summer Camp continues to connect the academic community and industry and contributes to the development of new ICT talents.
The results achieved in the first half of the year reflect the strength of our portfolio, the expertise of our employees and the successful implementation of strategic initiatives. In the remainder of the year, we remain focused on delivering contracted business, developing new business opportunities, further strengthening our technological capabilities, and creating long-term value for our customers, employees and shareholders."

Financial highlights for the Group:

- Sales revenue amounted to EUR 130.9 million (H1 2025: EUR 110.8 million), up by 18.2 % year-over-year. Growth in revenue was recorded across all business segments compared to the same period of the previous year.
- Sales by market were as follows: EUR 39.1 million in the domestic market (H1 2025: EUR 28.0 million), EUR 74.6 million in services for Ericsson (H1 2025: EUR 69.9 million), and EUR 17.2 million in other export markets (H1 2025: EUR 12.8 million).

- Gross profit amounted to EUR 19.5 million (H1 2025: EUR 13.9 million), representing 40.1% increase year-over-year. The growth was driven by stronger sales activities in the previous period and an improved margin mix, primarily due to a higher share of high value-added business. Gross margin improved to 14.9% (H1 2025: 12.5%) with growth recorded in almost all business segments.
- Selling and administrative expenses increased by 25.9% year-over-year and amounted to EUR 7.5 million (H1 2025: EUR 6.0 million). The increase was primarily driven by strengthened sales activities in existing and new business areas, intensified activities supporting sales growth, investments in organizational capacities and the costs of implementing artificial intelligence across all business areas. The share of selling and administrative expenses in sales revenue was 5.8% (H1 2025: 5.4%).
- Operating profit amounted to EUR 13.4 million (H1 2025: EUR 11.4 million), up by 17.4% year-over-year, as a result of higher gross profit and improved gross margins achieved through operational efficiency programs. Operating margin amounted to 10.2% (H1 2025: 10.3%) and was slightly lower compared to 2025, primarily due to stronger sales activities in the current year and one-off positive effects recorded in 2025.
- Financial income amounted to EUR 132 thousand (H1 2025: EUR 373 thousand), reflecting one-off positive effects recorded in the same period in 2025 and lower interest income resulting from lower average reference interest rates during the first half of 2026.
- Profit before tax increased by 14.8% year-over-year, amounting to EUR 13.5 million (H1 2025: EUR 11.8 million).
- Net profit amounted to EUR 11 million (H1 2025: EUR 9.6 million), up by 14.5% year-over-year. Return on Sales (ROS) was 8.4% (H1 2025: 8.7%).
- Working Capital Efficiency, expressed in WCD, was 50 days (H1 2025: 47 days). The increase reflects the dynamics of project execution and higher working capital requirements related to complex customer solutions. The sales mix resulted in higher inventory levels and a longer working capital period.
- Cash flow from operating activities amounted to EUR 10.9 million (H1 2025: EUR 0.9 million), driven by regular and proactive collection of receivables and favorable trend in new business contracting.
- Cash and cash equivalents, including the short-term financial assets, amounted to EUR 53.8 million as of 30 June 2026 (31% of total assets), compared with EUR 51.9 million (30.5% of total assets) at the end of the previous year.
- The Group maintained a solid balance sheet with the total assets of EUR 173.9 million as at 30 June 2026, representing a slight increase of 2.1% compared to end of 2025. The increase was primarily driven by higher inventory levels related to customer contracts. Equity ratio at the end of Q2 2026 was 36.5% (end of 2025: 41%).
- With related parties, the transactions were as follows: sales of products and services amounted to EUR 74.6 million (H1 2025: EUR 69.9 million), while the procurement of products and services amounted to EUR 21.3 million (H1 2025: EUR 14.9 million).

- As at 30 June 2026, balances outstanding with related parties were as follows: receivables amounted to EUR 42.5 million (end of 2025: EUR 44.1 million) and payables amounted to EUR 11.2 million (end of 2025: EUR 13.1 million).

Business overview by segment

Sales by business segment in the first half of 2026 shows growth across all key business areas. The **Telecom Solutions** segment recorded EUR 43.7 million (H1 2025: EUR 31.6 million), the **Digital Society** segment recorded EUR 11.8 million (H1 2025: EUR 8.2 million), while the **Software Engineering and Services** segment recorded sales revenue of EUR 75.5 million (H1 2025: EUR 71.0 million).

Telecom Solutions

The Telecom Solutions segment recorded sales revenue growth (+38.3%), driven by the continuation of projects related to the modernization and expansion of mobile networks in both domestic and export markets.

In the domestic market, regular deliveries and activities continued under the existing multi-year contracts with Hrvatski Telekom covering the radio part of the mobile network, microwave equipment and the dual-mode 5G Core network. A new multi-year contract was signed with A1 Hrvatska, under which Ericsson Nikola Tesla remains the sole supplier of the radio part of the mobile network and provider of maintenance services for the next five years.

In export markets, the focus was on the further development of mobile networks in Bosnia and Herzegovina, Montenegro and Kosovo. With the operator HT Mostar, activities were carried out on the expansion of the radio access network and the provision of support services for the maintenance of Ericsson solutions in fixed and mobile networks. Cooperation with Crnogorski Telekom continued on the modernization and enhancement of the 5G network. With Telekom Kosovo, a contract was signed for the modernization of synchronization servers, while work on the mobile network continued. In addition, several contracts were signed with IPKO relating to the expansion of its 5G and transmission networks.

Digital Society

The Digital Society segment recorded sales revenue growth (+43.9%), driven by new contracts and the continued project execution in the areas of digital transformation, mission-critical systems and business communication systems.

A two-year contract was signed with the Ministry of Health of the Republic of Croatia for the support and corrective and adaptive maintenance of CEZIH subsystem 1, while contracts related to hospital information systems were signed with several healthcare institutions. In the energy sector, a two-year framework agreement was signed with HEP d.d. for the upgrade and maintenance of the switching system, and a framework agreement was signed with HEP ODS for the maintenance of microwave links. Contracts were also secured with the Ministry of Tourism and Sport, Croatian Roads and the Ministry of Justice, Public Administration and Digital Transformation for projects related to data integration, technical support and maintenance of digital platforms.

In export markets, activities continued on the modernization of the land administration information system of the Republic of Cyprus.

Software Engineering and Services

Software Engineering and Services segment recorded sales revenue growth of +6.3%, primarily through the continuation of activities for Ericsson and Ericsson's customers worldwide.

Ericsson Nikola Tesla's Research and Development Center retained its leading position among Ericsson's R&D suppliers according to the overall assessment of quality, delivery performance, execution capability, innovation and operational excellence. Activities were focused on the execution of key projects in the area of radio access and core networks, including the development of new radio and compute platforms, which represent an important technological foundation for the further development of Ericsson's solutions. In addition, new responsibilities were won for RAN Layer 1 and Layer 2 software development, thereby strengthening competencies in the development of key software layers required for 5G and future 6G radio access networks. The transformation of software development processes through the application of artificial intelligence also continued, with the aim of increasing the quality, efficiency and speed of delivery of software delivery.

Experts from the Customer Solutions and Services Center, in addition to working on projects for customers of the Ericsson Nikola Tesla Group, are also engaged in projects for Ericsson's customers worldwide, including projects related to the delivery of services for mission-critical infrastructure. Activities included solution design, definition of network parameters and network optimization and integration. Work on projects for the introduction of 5G technology, operational and business support systems and core solutions in Cloud continued. Activities also continued on the development and implementation of software tools for the management and optimization of mobile networks of operators with the increased use of AI technology. In the area of critical infrastructure, a new responsibility related to Ericsson's Security Manager product was also assumed.

Other information

At the Annual General Meeting of Ericsson Nikola Tesla joint-stock company, held on 10 June 2026, a decision was adopted regarding the dividend payment in the amount of EUR 13.52 per share from the retained earnings from 2024 and 2025. The dividend was paid on 7 July 2026, to all the Company's shareholders that on 16 June 2026 had the Company's shares registered on their securities account in the Central Depository & Clearing Company. Discharge was granted to the members of the Management Board of the Company for their management of the Company in 2025, and to the members of the Supervisory Board of the Company for their supervision of the management of the Company's business operations in 2025. Furthermore, Remuneration Report for Supervisory Board members and Management Board in 2025 was approved. KPMG Croatia d.o.o. is appointed as the Auditor for the year 2027.

For additional information, please contact:

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

Pursuant to Articles 462 to 468 of the Capital Market Act (Official Gazette 65/18), the Management Board of the joint-stock company Ericsson Nikola Tesla d.d. Zagreb, Krapinska 45, hereby issues 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 Accounting Act valid on the date when these financial statements are published.

Unaudited financial statements for the period from 1 January 2026 to 30 June 2026 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