



ERICSSON NIKOLA TESLA d.d.  
Krapinska 45, 10000 Zagreb

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, July 25, 2024

Management Report on the Company and Ericsson Nikola Tesla Group business performance with comments on the financial results for H1 2024

## Highlights:

- Sales revenue: EUR **108.9** million
- Gross margin: **14.5%**
- Operating profit: EUR **13.1** million
- Profit before tax: EUR **13.7** million
- Net profit: EUR **7.7** million
- Cash flow from operating activities: EUR **- 5.1** million

Gordana Kovačević, President of Ericsson Nikola Tesla, commented:

“In H1 2024, we continued to execute our obligations in line with the signed multi-year framework agreements related to extension and modernization of telecom networks. We worked intensely on new business opportunities in the Digital Society segment and gaining new responsibilities in our Research and Development (R&D) Center. The total sales revenue amounted to EUR 108.9 million, down by 21.1% year-over-year, primarily as a result of lower revenue in Croatian market due to the non-renewal of the contract with Hrvatski Telekom regarding managed services, as well as the operators' cautious investments in network modernization. Growth in sales revenue was recorded in export markets, where intense activities are ongoing on the contracted projects of mobile networks modernization. We are also pleased to continue successful cooperation with the operator IPKO Kosovo, which has selected us once again as a strategic partner for the projects of 5G core and 5G radio access network implementation and modernization.

In the Digital Society segment, in addition to work on the realization of contracted deals, intense presales activities were ongoing as well as activities related to the expansion of our portfolio in order to secure growth in the following years. During Q2, we contracted many projects regarding the digital transformation of the state administration, public services and security, healthcare, as well as expansion, modernization and maintenance of the communication infrastructure.

By delivering services to Ericsson, our R&D and other expert centers significantly contributed to the company's business results. At the regular quarterly evaluation of R&D centers, the representatives of the development units within the Ericsson corporation, with which our R&D Center cooperates, have highly rated the work of our experts in all categories and all business segments. Taking this into account, we are expecting new responsibilities in the development of 5G radio access network (RAN), as well as the opportunity for business growth in areas which are crucial to achieve our strategic target of building an organization with the E2E capability.

Furthermore, our employees from other expert centers received many recognitions for their work on telecom networks modernization projects for Ericsson's key customers worldwide.

At this year's Ericsson Nikola Tesla Technology Days, we showed the cases of 5G technology monetization from the leading technology event, Mobile World Congress (MWC) Barcelona, as well as many advanced technological solutions that were developed in our company. We presented Ericsson's latest 5G RAN hardware and software, in the development of which our experts are also engaged. We demonstrated the use cases of open network Application Programming Interfaces (APIs), the application of AI technology for smart traffic management, achieving greater energy efficiency, etc., and a solution for data processing in the context of ESG reporting.

We have continued to foster long-term cooperation with the academic community, and we have signed a Memorandum of Understanding on the development of new models of cooperation with the Faculty of Engineering and Computing of the University of Zagreb. Furthermore, we opened a joint scientific research laboratory Inventorium in our company's headquarters, which will contribute to the creation and realization of innovative ideas and the quality of STEM education.

Regarding financial indicators, compared to H1 2023, gross margin increased to 14.5%, as a result of business mix and cost control. However, due to lower sales revenue, gross profit decreased to EUR 15.8 million. As a result of lower gross profit, operating profit decreased by 10.9% YoY to EUR 13.1 million. Net profit was down by 36.8% YoY and amounted to EUR 7.7 million, partially because of additional tax expense from previous years due to change in interpretation of cost eligibility for tax deduction. We concluded the end of H1 with a solid balance sheet and an equity ratio of 33.5%. Cash and cash equivalents, including the short-term financial assets, amounted to EUR 69.7 million, which accounts for 38.7% of the total assets. In line with our expectations, a negative cash flow from operating activities was realized in the amount of EUR 5.1 million, as deliveries on some projects were prolonged by certain customers, as well as the impact of projects with longer implementation that are demanding in terms of work and capital engagement. We expect to achieve a positive cash flow from operating activities until the year-end.

Although we predict that market conditions will remain challenging until the end of 2024 due to the operators' slow investments, as well as long processes from the recognition of business opportunity to contract signing, we believe that our sales in H2 2024 will be positively affected by the realization of contracts in export markets, stable business performance in Ericsson market, and new business opportunities in the Digital Society segment. Therefore, our strong focus remains on the opportunities ahead of us, and we invest significantly in our employees' competence development, the development of Ericsson Nikola Tesla's products and their productization, as well as digital transformation of Ericsson Nikola Tesla Group. Through our activities, we continue to contribute to a better availability of digital technologies and services, as well as society's further development in the markets where we operate.

This year Ericsson Nikola Tesla marks 75 years of doing business. We will celebrate this jubilee in mid-November, when we will present the company's new trademark. The refreshment of our visual identity will contribute to our additional positioning within the global corporation and strengthen our step forward in the market of advanced ICT solutions for digital transformation of industries and public services, in line with the growth strategy in the following period. We are proud of our respectable business tradition, the opportunities we have in the further development of innovative solutions, products and services of Ericsson Nikola Tesla, as well as long-term partnership with Ericsson, with whom we continue to cooperate efficiently and effectively on the path of technology leadership."

### Financial highlights for the Group:

- Sales revenue amounted to EUR 108.9 million (H1 2023: EUR 138.0 million), down by 21.1% year-over-year, as a result of non-renewal of the contract with Hrvatski Telekom regarding managed services, operators' lower investments in telecom infrastructure in the domestic market and dynamics in the realization of contracted activities on export markets. The current position is in line with the forecast.
- In the total sales revenue, the domestic market accounted for 21.5%, services to Ericsson accounted for 65.3%, while other export markets accounted for 13.2%.
- Sales in the Networks segment amounted to EUR 71.1 million (H1 2023: EUR 71.7 million), Digital Services segment amounted to EUR 36.2 million (H1 2023: EUR 35.5 million), Managed Services segment amounted to EUR 1.3 million (H1 2023: EUR 30.5 million), and the segment Other amounted to EUR 269 thousand (H1 2023: EUR 242 thousand). There was an expected decrease in the Managed Services segment (as a result of termination of a significant contract with Hrvatski Telekom), however, the results in other segments remained at the same level year-over-year, or slightly better, which shows a stable business performance.
- Gross margin increased to 14.5% (H1 2023: 13.3%) as a result of business mix and cost control. However, due to lower sales revenue, gross profit decreased by 14.3% year-over-year and amounted to EUR 15.8 million (H1 2023: EUR 18.4 million).
- Selling and administrative expenses amounted to EUR 5.5 million (H1 2023: EUR 5.8 million). Selling expenses remained at the same level year-over-year, while administrative expenses are currently somewhat lower. The share of selling and administrative expenses in the total sales revenue was 5.1% (H1 2023: 4.2%).
- Operating margin increased to 12.0% (H1 2023: 10.7%). Operating profit amounted to EUR 13.1 million (H1 2023: EUR 14.7 million), down by 10.9% year-over-year, primarily due to lower sales revenue and gross profit.
- Profit from financial activities was EUR 540 thousand (H1 2023: EUR 119 thousand), as a result of higher interest income due to an increase in interest rates.
- Profit before tax decreased by 8.0% year-over-year and amounted to EUR 13.7 million (H1 2023: EUR 14.8 million).
- Net profit amounted to EUR 7.7 million (H1 2023: EUR 12.2 million), down by 36.8% year-over-year. The amount of income tax was increased due to additional tax expense from previous years due to change in interpretation of cost eligibility for tax deduction. Return on sales (ROS) was 7.1% (H1 2023: 8.8%).

- Cash flow from operating activities was EUR -5.1 million (H1 2023: EUR -5.4 million) because deliveries on some projects were prolonged by certain customers, as well as the impact of projects with longer implementation. We expect improvement and return to positive levels until the end of 2024.
- Working capital efficiency, expressed in Working Capital Days (WCD), was 35 days (H1 2023: 19 days), and excluding services to Ericsson, Working Capital Efficiency was 34 days (H1 2023: 41 days). The increase in WCD is affected by the demanding projects in terms of work and capital engagement in domestic and export markets, with additionally extended dynamics of collection of receivables in all markets.
- Cash and cash equivalents, including the short-term financial assets, as at June 30, 2024, amounted to EUR 69.7 million (38.7% of the total assets), and at the end of 2023 they amounted to EUR 76.9 million (39.9% of the total assets).
- The Group has a solid balance sheet with the total assets of EUR 180.0 million as at June 30, 2024, down by 6.6% compared to the end of 2023, mainly as the result of lower customer receivables due to lower sales revenue in managed services as well as lower cash and cash equivalents, while the inventory (work-in-progress) increased due to contract execution dynamics. End of H1 2024, the equity ratio was 33.5% (end of 2023: 37.6%).
- With related parties, the transactions were as follows: a stable sale of products and services was realized, amounting to EUR 69.8 million (H1 2023: EUR 72.2 million), while the procurement of products and services amounted to EUR 15.2 million (H1 2023: EUR 20.2 million).
- As at June 30, 2024, balances outstanding with related parties were as follows: receivables amounted to EUR 34.6 million (end of 2023: EUR 37.4 million), and payables amounted to EUR 11.8 million (end of 2023: EUR 15.1 million).

## Business situation in major markets

**In the domestic market** sales revenue amounted to EUR 23.4 million (H1 2023: EUR 51.8 million), down by 54.8% year-over-year as a result of non-renewal of the contract with Hrvatski Telekom regarding managed services, and the operators' cautious investments in network modernization.

With Hrvatski Telekom, we have continued our cooperation on modernization and expansion of the radio part of mobile network in line with the multi-year agreement, based on which Ericsson Nikola Tesla will be the exclusive supplier of the radio part of HT'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, we have been working on the expansion 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, we signed contracts with the Ministry of the Interior for the maintenance of the mobile systems for state border monitoring and the modernization of the portal of Directorate of Civil Protection. 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 Justice, Public Administration and Digital Transformation, we have contracted the creation of the IT platform mCitizen, upgrade of IT system of local and regional administration unit, and the upgrade of the eQuality system. With the Ministry of Health, we contracted the upgrade of the national contact point for the exchange of health data. With the Croatian Pension Insurance Fund, we contracted the development of service for support to business processes of integration with the IT system of the General Administrative Procedures Act. We have also signed contracts related to continuation of informatization with many hospitals. With the Central Depository & Clearing Company, we contracted the analysis of business processes.

**In export markets** (excluding services to Ericsson) sales revenue amounted to EUR 14.4 million (H1 2023: EUR 13.9 million), up by 3.4% year-over-year.

We signed a new multi-year contract with the Kosovo operator IPKO, which includes the modernization and development of the 5G core and 5G radio access network. With the operator Telekom Kosova, intensive activities are ongoing on the implementation of the contract related to the complete modernization and maintenance of the radio part of the mobile network.

With the operator HT Mostar, a long-term successful cooperation continued on the activities related to the support services for the maintenance of Ericsson solutions in fixed and mobile networks.

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

We continued our cooperation with operator Ucom Armenia on the modernization and maintenance of mobile networks.

**In Ericsson market** sales revenue amounted to EUR 71.1 million (H1 2023: EUR 72.2 million), down by 1.6% year-over-year, due to a higher engagement of the Services and Solutions Center's experts on projects for the customers of Ericsson Nikola Tesla. Revenue from R&D activities has been increasing.

In Q2, Ericsson Nikola Tesla's R&D Center has timely and with quality delivered the agreed development projects and kept the position as the leading R&D Center within global Ericsson. In 5G radio access network (RAN) development, we are working on obtaining new responsibilities that would enable further growth in key areas, as well as continuing to build an organization with the capacity to develop E2E solutions, which is a strategic goal in this business segment.

As in the previous quarter, the main development projects were in the segments: Remote Radio, Massive MIMO, Time Critical Services, resilience Network and Positioning, RBS Features & Configurations and G4 baseband, which are important for Ericsson technology leadership.

The main prerequisites for achieving all the business opportunities are efficient deliveries of high-quality software, agile organization and investment in equipment, test systems and competence development.

Experts from the Customer Services and Solutions Center, in addition to projects for the customers of Ericsson Nikola Tesla Group, were engaged on many projects for Ericsson customers through the 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, Bahrain, 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.

In the Digital Society segment our experts, in addition to many projects for the customers of Ericsson Nikola Tesla, have been achieving quality results on projects regarding IoT platforms and connected urban traffic for the needs of Ericsson corporation.

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, 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 27, 2024, a decision was adopted about the payment of regular dividend of EUR 10 per share and extraordinary dividend of EUR 5 per share, i.e. a total of EUR 15 per share, from the retained earnings from years 2022 and 2023. The dividend was paid on July 17, 2024, to all the Company's shareholders that on July 3, 2024, had the Company's shares registered in their securities account in the Central Depository & Clearing Company.

The decision was reached to supplement the Company's scope of business activities. Discharge from liability was given to the Company's Managing Director, in relation to the exercise of her duties in 2023. Discharge from liability was given to the members of the Company's Supervisory Board and its Chairman in relation to the exercise of their duties in 2023. Furthermore, the Remuneration Report for Supervisory Board members and Management Board in 2023 was approved. KPMG Croatia d.o.o., was appointed again as the Auditor for the year 2024.

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For more information about Ericsson Nikola Tesla's business, please visit: <http://www.ericsson.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, 2024 to June 30, 2024 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.

Managing Director:

Gordana Kovačević, MSc



Ericsson Nikola Tesla d.d.  
Consolidated statement of comprehensive income  
for the period ended 30 June 2024

	<b>2024</b>	<b>2023</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Sales revenue	108.868	137.958
Cost of sales	-93.086	-119.543
	<hr/>	<hr/>
<b>Gross profit</b>	<b>15.782</b>	<b>18.414</b>
Selling expenses	-2.617	-2.634
Administrative expenses	-2.906	-3.162
Other operating income	2.855	2.696
Other operating expenses	-	-554
Impairment loss on financial assets	-	-36
	<hr/>	<hr/>
<b>Operating profit</b>	<b>13.114</b>	<b>14.724</b>
	<hr/>	<hr/>
Finance income	1.086	206
Finance expense	-546	-87
	<hr/>	<hr/>
Finance income/(expense), net	540	119
	<hr/>	<hr/>
<b>Profit before tax</b>	<b>13.655</b>	<b>14.843</b>
Income tax	-5.953	-2.659
	<hr/>	<hr/>
<b>Profit for the year</b>	<b>7.701</b>	<b>12.184</b>
	<hr/>	<hr/>
Other comprehensive income	-	-28
	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>	<b>7.701</b>	<b>12.156</b>
	<hr/>	<hr/>
<b>Earnings per share (EUR)</b>	<b>5,81</b>	<b>9,22</b>



Ericsson Nikola Tesla d.d.  
Consolidated statement of financial position  
as at 30 June 2024

	2024	2023
	EUR '000	EUR '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	14.449	14.729
Right of use assets	14.901	15.028
Intangible assets	582	385
Loans and receivables	1.640	2.587
Deferred tax assets	2.506	2.506
<b>Total non-current assets</b>	<b>34.078</b>	<b>35.235</b>
<b>Current assets</b>		
Inventories	17.597	9.931
Trade receivables	18.181	28.603
Receivables from related parties	34.608	37.402
Other receivables	2.168	1.496
Income tax receivable	1.139	786
Prepayments	2.541	2.254
Financial assets at fair value through profit or loss	4.298	4.235
Cash and cash equivalents	65.362	72.655
<b>Total current assets</b>	<b>145.894</b>	<b>157.362</b>
<b>TOTAL ASSETS</b>	<b>179.972</b>	<b>192.597</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	17.674	17.674
Treasury shares	-1.324	-1.256
Legal and other reserves	1.447	1.230
Reserve for treasury shares	3.967	4.157
Retained earnings	38.442	50.660
<b>Total equity</b>	<b>60.206</b>	<b>72.465</b>
<b>Non-current liabilities</b>		
Borrowings	114	114
Lease liabilities	13.191	13.250
Other non-current liabilities	6	12
Employee benefits	926	943
<b>Total non-current liabilities</b>	<b>14.237</b>	<b>14.319</b>
<b>Current liabilities</b>		
Payables to related parties	11.771	15.062
Borrowings	1	469
Trade and other payables	41.963	38.467
Income tax payable	3.864	690
Provisions	1.096	1.583
Accrued charges and deferred revenue	18.430	20.400
Contract liabilities	26.195	27.085
Lease liabilities	2.209	2.057
<b>Total current liabilities</b>	<b>105.529</b>	<b>105.813</b>
<b>Total liabilities</b>	<b>119.766</b>	<b>120.132</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>179.972</b>	<b>192.597</b>

Ericsson Nikola Tesla d.d.  
Consolidated statement of cash flows  
for the period ended 30 June 2024

	2024 EUR '000	2023 EUR '000
<b>Cash flows from operating activities</b>		
<i>Profit before tax</i>	13.655	14.843
Adjustments for:		
Depreciation and amortisation	2.737	3.047
Impairment losses and reversals	6	518
Gain on sale of property, plant and equipment	-	-6
Net loss/(gain) on remeasurement of financial assets	-64	-31
Amortisation of discount	-	-8
Interest income	-1.012	-144
Interest expense	546	105
Foreign exchange (gain)/loss, net	-54	-55
Share-based payments	177	301
<i>Changes in working capital</i>		
In receivables	13.694	3.107
In inventories	-7.591	-10.757
In provisions	-503	-616
In payables	-23.358	-13.672
<i>Cash generated from operations</i>	-1.766	-3.368
Interest paid	-219	-86
Income taxes paid	-3.118	-1.902
<b>Net cash from (used in) operating activities</b>	<b>-5.103</b>	<b>-5.357</b>
<b>Cash flows from investing activities</b>		
Interest received	967	249
Dividends received	1	-
Proceeds from sale of property, plant and equipment	1	2
Purchases of property, plant and equipment, and intangible assets	-951	-503
Deposits given to financial institutions - net	-	261
<b>Net cash from/(used in) investing activities</b>	<b>18</b>	<b>9</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	-936	-1.347
Purchase of treasury shares	-258	-110
Dividends paid	-7	-
Payment of lease liabilities	-1.016	-1.377
<b>Net cash used in financing activities</b>	<b>-2.216</b>	<b>-2.834</b>
Effects of exchange rate changes on cash and cash equivalents	8	-1
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-7.293</b>	<b>-8.182</b>
Cash and cash equivalents at the beginning of the year	72.655	69.872
<b>Cash and cash equivalents at the end of the year</b>	<b>65.362</b>	<b>61.689</b>

Ericsson Nikola Tesla d.d.  
Consolidated statement of changes in equity  
for the period ended 30 June 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	<b>57.814</b>
<i>Changes in equity for the period:</i>							
Total comprehensive income	-	-	-	-	3	22.194	<b>22.197</b>
Dividend distribution	-	-	-	-	-	-7.927	<b>-7.927</b>
Purchase of treasury shares	-	-184	-	-	-	-	<b>-184</b>
Shares granted	-	1.196	-	-1.196	-	-	-
Transfer	-	-	346	-	-	-346	-
Disposal of foreign operation	-	-	-	-	-	-42	<b>-42</b>
Share-based payments	-	-	-	-	-	607	<b>607</b>
Total contributions by and distributions to owners of the parent recognized directly in equity	-	1.012	346	-1.196	-	-7.708	<b>-7.546</b>
As at 31 December 2023	<b>17.674</b>	<b>-1.256</b>	<b>1.230</b>	<b>4.157</b>	-	<b>50.660</b>	<b>72.465</b>
As at 1 January 2024	17.674	-1.256	1.230	4.157	-	50.660	<b>72.465</b>
<i>Changes in equity for the period:</i>							
Total comprehensive income	-	-	-	-	-	7.701	<b>7.701</b>
Dividend distribution	-	-	-	-	-	-19.879	<b>-19.879</b>
Purchase of treasury shares	-	-258	-	-	-	-	<b>-258</b>
Shares granted	-	190	-	-190	-	-	-
Transfer	-	-	217	-	-	-217	-
Share-based payments	-	-	-	-	-	177	<b>177</b>
Total contributions by and distributions to owners of the parent recognized directly in equity	-	-68	217	-190	-	-19.919	<b>-19.960</b>
As at 30 June 2024	<b>17.674</b>	<b>-1.324</b>	<b>1.447</b>	<b>3.967</b>	-	<b>38.442</b>	<b>60.206</b>