

ERICSSON NIKOLA TESLA GROUP

Annual report

2023

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
Address	Krapinska 45, PO Box 93, HR-10 002 Zagreb Ulica Domovinskog rata 61a, HR-21 000 Split Ulica Hrvatske Republike 29, HR-31 000 Osijek Vukovarska ul. 7A, HR-51000 Rijeka
Telephone	Zagreb / +385 1 36 53 535 Split / +385 21 20 58 00 Osijek / +385 1 36 53 535
Fax	Zagreb / +385 1 36 53 156 Split / +385 21 43 58 34 Osijek / +385 1 36 53 156
E-mail	etk.company@ericsson.com pravni.poslovi@ericssonnikolatesla.com
Web	https://www.ericsson.hr/en
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 percent,
other shareholders 50.49 percent,
treasury shares 0.44 percent
(as at December 31, 2023)

Share trading 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 /
Managing Director Gordana Kovačević, MSc

Chairperson of the
Supervisory Board Franck Pierre Roland Bouétard

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 38 503

Fax +385 1 30 38 601

E-mail ehr.company@ericsson.com

Web <https://www.ericsson.hr/en/ericsson-nikola-tesla-servisi-doo>

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 Dario Runje

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

Web <https://www.ericsson.hr/en/ericsson-nikola-tesla-bh-en>

Unique identification number(JIB) 4201717070003

Tax number (VAT id) 201717070003

Registration number 58-01-0534-18

Ownership structure Ericsson Nikola Tesla d.d. 100 percent

IBAN UniCredit Bank BA393386904896538387
Raiffeisen Bank BA391611000002324857

Director Adnan Halimić

Chairperson of the Supervisory Board Gordana Kovačević, MSc

Branch office Sarajevo

Address Fra Andela 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 <https://www.ericsson.hr/en/libratel-en>

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 Dronjić

Ericsson Nikola Tesla d.d. – Branch office Kosovo

Address Vicianum, Arbëria 3 - Veranda C2.7, lokali Nr.1/A, 10000 Prishtina
Republic of Kosovo

Telephone +381 38 749 080

Tax number (VAT id) 600411235

Registration number 70633647

Ownership structure Ericsson Nikola Tesla d.d. 100 percent

Director Besar Spahija

Ericsson Nikola Tesla BY d.o.o.*

Address Kirova str 8, office 33, 220030 Minsk, Republic of Belarus

Registration number 192753195

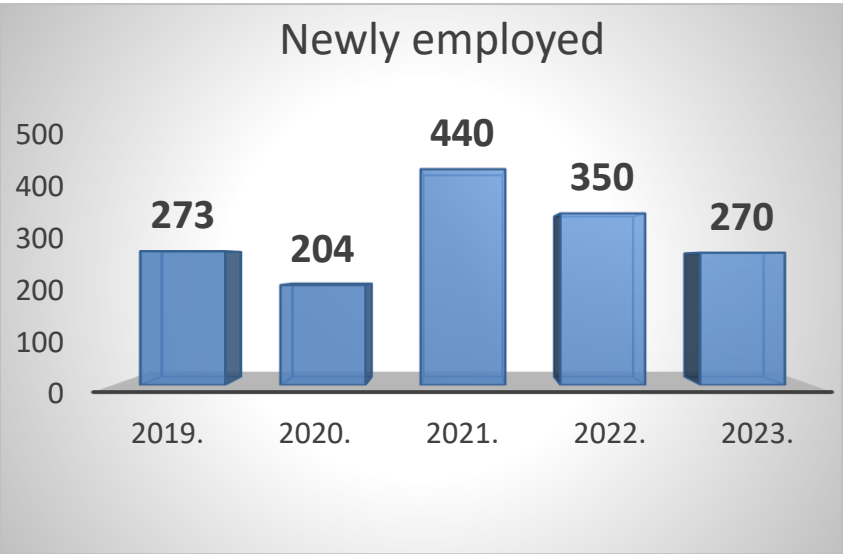
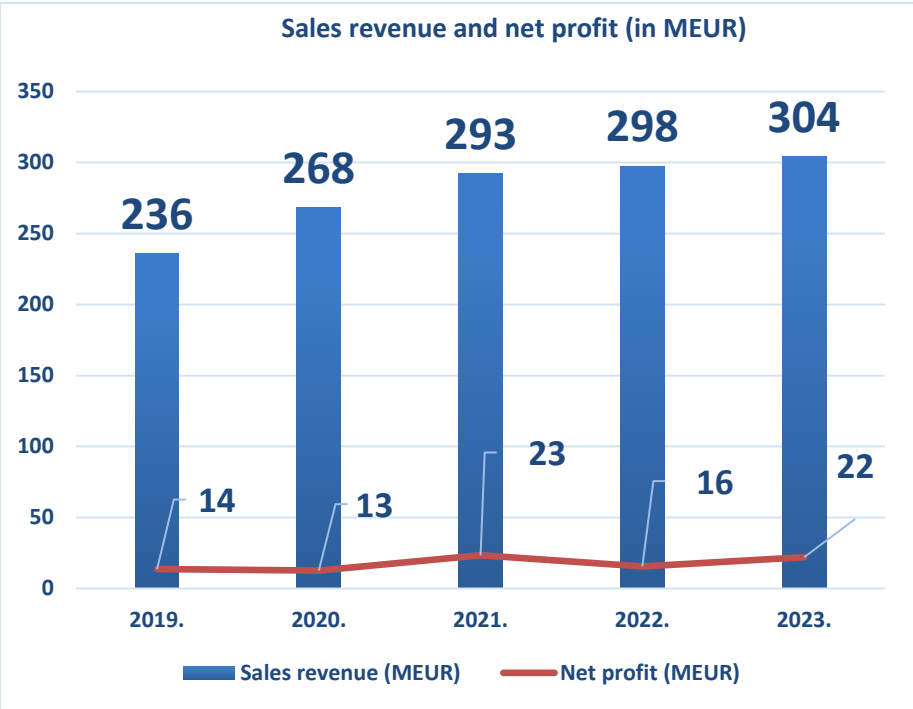
Ownership structure Ericsson Nikola Tesla d.d. 100 percent

Director Mario Lovreković

*Closed at the end of 2023.

Highlights 2023

- Sales revenue EUR 304.2 million (EUR 297.6 million)
- Gross margin 10.5% (8.2%)
- Net profit EUR 22.2 million (EUR 15.8 million)
- Cash flow from operating activities EUR 16.7 million (EUR 24.8 million)
- Quality cooperation with customers, investment in technology leadership and contribution of company experts to stable results
- Multi-year strategic contracts signed with the customers in Croatian and export markets
- In cooperation with the leading Croatian operators (HT, A1 HR) – continuation of fiber optic and 5G network rollout
- In the Digital Society segment – several contracts signed aimed at further digital transformation of public services
- Continuous high recognition of quality software deliveries by our R&D Center has secured the expansion of the existing as well as new responsibilities in 5G & Cloud technologies
- Continuation of quality cooperation with the operators HT Mostar, Crnogorski Telekom, IPKO Kosovo, Telekom Kosova, and Ucom Armenia on the modernization of their networks, and new strategic contracts
- The share of export in the total revenue is at a high level of 57.2%
- Strong market activities in line with our focused strategy
- Continuation of investments in research, development and implementation of modern ICT solutions, development of employees' knowledge and skills, and our own digital transformation
- Excellence in project execution with high cost and operational efficiency
- Strengthening the culture of ethics, integrity and compliance; risk management, profitability and cash flow have continuously been in our focus
- Further employment: 270 new experts employed, mainly highly educated in STEM (350)



Statement by the President of Ericsson Nikola Tesla



Gordana Kovačević, MSc
President of Ericsson Nikola Tesla

The evolution of internet technology and mobile networks has played a crucial role in the digitalization of public services, as well as automation of business processes. This transformation has had a strong impact on the ways we work and live, as well as on society at large. The pace of change has been increasing exponentially, which demands adjustments and continuous investments in the public and private sector.

As a leader in ICT in Croatia and the region, and a large exporter, Ericsson Nikola Tesla Group sees its significant role in the realization of strategy of Digital Europe until 2030 and Digital Croatia until 2032. The advancement in technology development that comes with new dimensions of internet, augmented reality, machine learning, artificial intelligence, and superfast networks, opens numerous opportunities for us. Ericsson Nikola Tesla has great experience, expertise, and capacities in the development of platform ICT solutions for various industries and services that enable the digital green transition of society at large. We have also been providing quality support to many operators in Croatia and other countries on the telecom networks modernization, with an emphasis on 5G implementation and monetization of many user cases based on 5G. Our solutions in the sustainability segment enable the reduction of emissions and contribute to the realization of global sustainable development goals and the decrease of negative impacts of climate change. In solution development, as well as everyday activities, we use the latest technologies, such as artificial intelligence and augmented reality, which solve certain problems or help to automate processes, thus enabling more efficient and effective business for customers, as well as quality user experience. Our

strong R&D Center, as well as other expert centers, have been globally recognized for their excellence and they provide highly efficient technical services and consulting. With more than 1,800 experts working on software design, Ericsson Nikola Tesla Group is the largest software design center in Croatia.

Market overview

In 2023, Ericsson Nikola Tesla Group achieved quality business results which showed our ability to efficiently react to market and macroeconomic challenges and respond to customer needs. The business environment was impacted by a number of political and economic uncertainties, emergence of new crisis hotspots, conflicts and tensions, as well as a continuation of inflationary pressure in the form of an increase in labor costs, increase of the prices of services, materials, as well as disruptions in supply chain. As a result of these impacts there was a slowdown of global economic activities, decrease of resilience of the countries in the Eurozone, and negative trends on the markets where we operate. As a result of quick adjustments and increased efforts, we have continued a stable business performance. In accordance with our strategy, we focused on strengthening our leading position in mobile networks, growing in the Digital Society segment, and maintaining and continuously improving our position in the Services and Research and Development segments. The share of export in the total revenue remained at a high level of 57.2%, which confirms our leading position in the ranking of Croatian software exporters. Quality cooperation with customers, investment in technological leadership and the contribution of our employees are the reasons we had yet another successful year.

In the domestic market, after a period of increased investments in network infrastructure, conditioned by the growth in demand for telecommunication services, and the allocation of 5G spectrum, the operators are focusing on 5G network monetization and are slowing down capital investments.

Our company continued to provide support to the leading operators Hrvatski Telekom and A1 Hrvatska in the modernization of their telecom networks. At the end of 2023, we signed a contract with Hrvatski Telekom regarding cooperation on the implementation of Ericsson dual-mode 5G Core for the 4G/5G core network, and we further strengthened our cooperation at the beginning of 2024 by signing a contract based on which we will be the exclusive supplier of the radio part of the mobile network (RAN) of Hrvatski Telekom until the end of 2027. This contract is a continuation with regard to the implementation of Ericsson's 5G network technology in Hrvatski Telekom's network, including the latest products and solutions of Ericsson's radio system, which started in 2018.

In the segment of managed services for Hrvatski Telekom until the end of 2023, as in all the previous years, we carried out our contractual obligations professionally and maintained the

highest quality of service. We have also successfully completed all the contracted projects related to the design and construction of broadband internet in areas where it was determined that there is no commercial interest of telecom operators in the construction of NGA networks. The projects were co-financed by the European Structural and Investment Funds. At the same time, in parallel with the deliveries, we ensured a smooth transition of the technology unit for the construction and maintenance of HT's network, which consists of about 670 employees and accompanying tangible assets, from the company Ericsson Nikola Tesla Servisi d.o.o. to HT Group from January 1, 2024.

Our strategic cooperation with A1 Hrvatska, which has lasted for over 22 years, has also successfully continued in 2023. In accordance with the multi-year framework contracts, we worked on the modernization and expansion of the 5G radio network capacity, the modernization and construction of the convergent core network, and the modernization of microwave transmission systems.

In the Digital Society segment, during the year we signed a number of new contracts in various areas, such as health, public administration, land registers and cadaster, tourism, etc., with numerous customers such as the Ministry of Justice and Public Administration, the Ministry of the Interior, the Ministry of Health, the Ministry of Labor, Pension System, Family and Social Policy, the Ministry of Tourism and Sport, the Ministry of Agriculture, State Geodetic Administration, Croatian Pension Insurance Institute, City of Split and CARNET. We expect the quality results in this segment to continue in 2024, based on the orders booked for these activities which have a common denominator of positive impact on further development of the economy, and availability and quality of public services.

With the company Odašiljači i veze d.o.o. we signed a contract for the Design and Construction of the NGN Aggregation Network – Eastern Croatia, which we will implement in the next four years. This project is part of the construction of the national broadband aggregation infrastructure of the next generation (Next Generation Network – NGN) and will provide small towns and rural areas with access to high-speed internet.

In export markets, we have continued our cooperation with the operators HT Mostar, Crnogorski Telekom, IPKO Kosovo, Telekom Kosova, and Ucom Armenia for the modernization of their telecommunications networks. We would like to highlight the new, multi-year contract with Crnogorski Telekom in the area of the 4G/5G core network, which was signed in December 2023. We worked intensively with the operator Telekom Kosova on the implementation of the contract signed at the end of 2022, which includes the modernization and virtualization of the core network and the introduction of the most advanced equipment in the radio part of the network. At the beginning of 2024, we continued our partnership with Telekom Kosova by signing a multi-year framework contract in the field of modernization and maintenance of this operator's radio network.

On the Belarusian market, we fulfilled all contractual obligations in the operator segment, signed before the introduction of sanctions, strictly adhering to the measures introduced by the EU institutions, and at the end of 2023 we closed the local company Ericsson Nikola Tesla BY.

The delivery of services to Ericsson continues to increase, and our R&D Center, as a result of the continuously high quality of the software it delivers, has strengthened its position in the global corporation, thus ensuring the retention of existing and expansion of new responsibilities in 5G & Cloud technologies. At the semi-annual R&D Management Business Review meetings, representatives of all development units with which our Research and Development Center cooperates confirmed the high level of quality of the R&D Center in all categories and business segments. Furthermore, with new hires in the offices in Croatia and Kosovo, the expansion of our R&D center continued, in line with business plans. I would also like to highlight the significant role that our experts from other expert centers have in the modernization of telecom networks for Ericsson's customers in the European Union and worldwide.

In 2023, we employed more than 200 experts who passed a demanding selection program, and with professional mentoring, they quickly acquire new knowledge, improve competencies, and integrate into the team.

Key financial performance indicators

At the Group's level, sales revenue increased by 2.2% year-over-year, amounting to EUR 304.2 million, with growth realized in the segment of services to Ericsson and on the domestic market, while the revenues on other export markets are somewhat lower year-over-year. Gross profit recorded an increase of 30.4% as a result of the business mix, successful risk mitigation and focus on operational and cost efficiency. Operating profit increased by 45.2% and amounted to EUR 24.8 million, while net profit increased by 40.3%, amounting to EUR 22.2 million. In accordance with expectations, a positive cash flow from business activities was realized, amounting to EUR 16.7 million, as the result of the dynamics of project completions and, accordingly, the dynamics of customer payments. Cash and cash equivalents, including the short-term financial assets, increased by 3.9% year-over-year and amounted to EUR 76.9 million (39.9% of the total assets).

Main business risks

Business risks that marked the previous periods also affect the business performance this year.

Geopolitical conflicts and macroeconomic uncertainties slow down investment cycles, have an unfavorable impact on the demand for our products and our customers' products, which has an impact on business growth. The processes from recognizing business opportunities to customer decisions also take time. We are also faced with the challenges on the ICT labor market and inflationary pressures in the form of increase of the prices of labor, services, energy and materials, and disruptions in supply chains. A challenging global environment, as well as consolidation among the providers of products and services, and new ICT companies entering the market lead to increased competition, which impacts the demand and prices of our products and services. The demand for customer financing continues, as well as our exposure to increased credit and financial risk, should our customers face adverse financial conditions.

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

Ethics and compliance

In 2023, we continued to strengthen our culture, with integrity and ethics in the center of everything we do. The emphasis was on operational excellence, responsibility, and strong management in the entire system. We have embedded zero tolerance for corruption as the leading principle on the highest levels of the company. Moreover, we have been implementing it throughout all organizational levels. The Supervisory Board 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. Therefore, all employees, as well as all other stakeholders that are in a contractual relation with the Group, are required to adhere to the Code of Business Ethics and the Code of Conduct for Business Partners of Ericsson Nikola Tesla Group in their daily operations. During 2023, we have been monitoring the efficiency of the implemented measures of eliminating or mitigating risks that were detected in the previous risks according to the standard of ABC analysis (Anti-Bribery & Corruption Standards and Framework). At the end of 2023, we started a new cycle of ABC RA (Anti-Bribery & Corruption Risk Assessment)

analysis in Ericsson Nikola Tesla Group. The Supervisory Board and the Audit Committee have been regularly informed about the implementation and the achievements of the ABC RA program, as well as continuous improvements of other elements of Ericsson Nikola Tesla Group's Ethics and Compliance Program. Further education in the field of compliance and anti-corruption for employees continued, along with checking the integrity of employees in key positions. At the beginning of 2023, the number and duration of anti-corruption courses for new employees was doubled, thus highlighting the importance of respecting the Code of Business Ethics and anti-corruption values.

Sustainability and social responsibility

In the context of technology development and accelerated digitalization, one of the basic challenges is cybersecurity. Digital networks require comprehensive security strategies to protect data and maintain user trust. Ericsson Nikola Tesla, as the leading Croatian ICT company, whose experts work on the development of the latest generations of ICT products and solutions, has the responsibility and role of promoting and raising awareness of the importance and opportunities that modern technologies bring to the economy and society. We also take care of the relevant security and regulatory aspects so that the implementation of ICT technologies and solutions is aligned with the stated requirements to a maximum degree.

Our company culture is based on compliance, ethics and integrity in business and daily activities. Therefore, we are pleased that the Croatian Financial Services Supervisory Agency (HANFA) has awarded our company for the second consecutive year with the award for the best compliance with the Code of Corporate Governance in the Company on the Regular Market category.

We have continuously been highlighting the importance of synergy between the economy and the academia and have been investing in quality joint projects. With the aim of strengthening and cooperating, as well as encouraging local and national development, we have signed a Cooperation Agreement in the field of information and communication technologies with the Faculty of Electrical Engineering, Computer Science and Information Technology of Josip Juraj Strossmayer in Osijek (FERIT) and founded a joint research lab. We held another Ericsson Nikola Tesla Summer Camp, titled: Digital transformation in action: How data changes our world. For more than 20 years, Summer Camp has been gathering the best students, mostly STEM students, and many of them are now our company's employees.

The mentioned activities support our efforts for further digitalization of life and work as an important component of sustainable development. In line with the European Commission's plan for the digital transformation of the society and the economy until 2030, titled "Path to

the Digital Decade”, as well as Croatia’s plan until 2032, and the EU Green Deal, we conduct programs to increase digital inclusion, develop technologies that enable digital and green transition, and cooperate with the community as a partner for social development and as a sensible employer in many urgent situations and crises.

Outlook

In 2024, we will continue to fulfill our obligations on the domestic market with quality and professionalism in accordance with the signed multi-year framework contracts related to the construction and modernization of telecom networks and the needs of our customers. However, due to the non-renewal of the contract in the field of managed services with Hrvatski Telekom, we expect lower sales revenue in the operator segment. We are focusing on more profitable and strategic areas from our core business, and investment in our sustainable future. In accordance with our great innovation potential and a high level of expertise and experience in the development of state-of-the-art ICT solutions, products and services, we also remain strongly focused on the Digital Society business segment, in which we have many references. Our company was one of the first to recognize the importance of digitalization and for many years has been developing and implementing state-of-the-art solutions that enable companies and state institutions to effectively transform processes, which can significantly strengthen their businesses and realize their full potential. In the export markets, we will continue with the implementation of contracted projects for customers in the operator segment, and our strong focus will be on new business opportunities and new customers. In the R&D segment we wish to maintain the position of a responsible and reliable partner, and we will continue to deliver quality software with a focus on strategic areas and the latest technologies.

In order to strengthen our current efforts and speed up the ongoing activities in the field of artificial intelligence we have launched a strategic program to analyze the potential business opportunities, efficiency gains, as well as risks that can occur by using artificial intelligence.

In line with our strategic goals, we invest in new business segments and customers, development of information and communication solutions based on the latest technologies, further development of our products and services, diversification of R&D business, competencies of our employees, we consider potential acquisitions, invest in the equipment for development and testing of new technologies, digital transformation of Ericsson Nikola Tesla Group and an additional step in the direction of renewable energy by implementing solar panels at our location at Krapinska 45 with the aim of long-term economic efficiency and a focus on green technologies. Also, we remain focused on timely identification and elimination of risks, operational efficiency, and tight cost management.

The company's long-term sustainable and successful operations in the coming period will be founded on strong leadership, our experts' competences, innovative products, solutions and services as well as values that are intertwined with all segments of our work. In Ericsson Nikola Tesla we continue with strong investments in technology leadership and innovativeness which, combined with top talents and operational excellence, builds our strong company culture.

Therefore, I would like to take this opportunity to thank the company's management team and all employees for their dedicated work, professionalism, and perseverance, as well as our customers and partners for their trust. I would like to thank the Supervisory Board of Ericsson Nikola Tesla for their support. In the end, I would like to thank our shareholders who believe in the success and sustainability of our business. Considering the company's quality business results realized in 2023, stable financial position and a high level of cash, at the meeting held on March 22, 2024, the Management Board and the Supervisory Board of Ericsson Nikola Tesla have jointly proposed to the Company's General Meeting to adopt a decision on dividend payment of EUR 15 per share: regular dividend amounting to EUR 10 per share and extraordinary dividend amounting to EUR 5 per share.

All other data comprising the annual company report pursuant to Article 250a of the Companies Act can be found in the enclosed 2023 Annual Report, consisting of a General Report, a Non-financial report (Sustainability Report), and Consolidated and Non-Consolidated Financial Statements, including the Independent Auditors' Report as at December 31, 2023.

Business model

In a diverse business environment that is rapidly and constantly changing, our business model is focused on creating values for all stakeholders - our shareholders, employees, customers, as well as our customers' customers (end users), our partners and suppliers, as well as the society at large.

We create additional value:

- for our shareholders through the growth of the value of our company
- for our employees by creating an environment that attracts, retains and develops top talents
- for our customers by enabling new revenue streams, increasing end-customer experience and a continuous growth of efficiency
- for the society at large by being a responsible and relevant driver of positive changes

The realization of our business model is based on the foundations of our company, as well as the foundations of our business.

The foundations of our company are our purpose and our company's vision.

Purpose:

To provide connectivity and innovation platforms for digital transformation.

Vision:

A world where ICT solutions transform society, securing sustainable future and value for all.

Foundations of our business are:

- Highly competent and innovative people, strong company culture
- Best-in-class digital infrastructure, solutions and services offers
- Leading position and expertise in areas of SW development and services delivery
- Strong local presence and perception

Our business segments are created accordingly.

Company strategy

The company's strategy provides a framework within which we agilely identify and act upon new opportunities and mitigate risks, with a goal of creating an environment where ICT solutions transform society, securing a sustainable future and value for all.

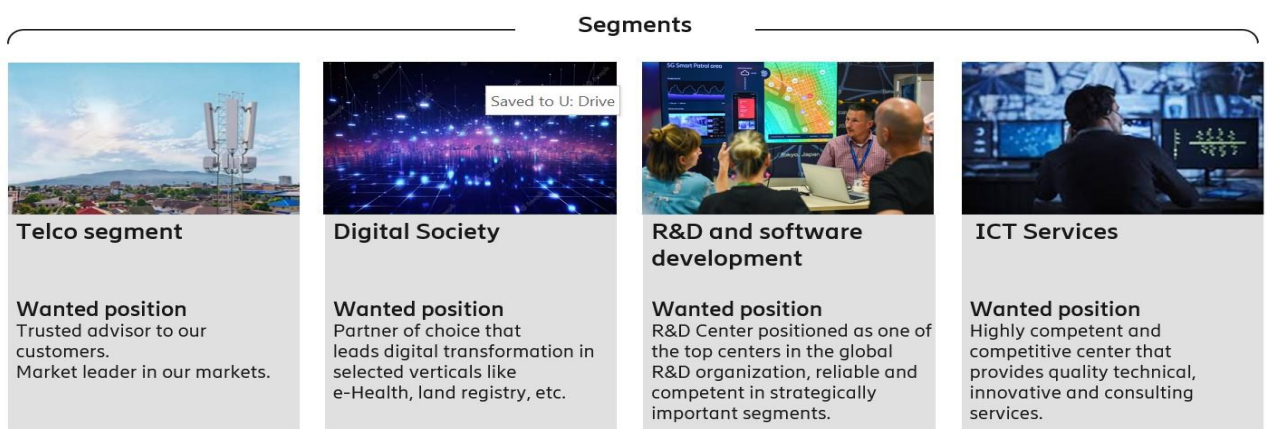
Within the framework of the company's strategy, we are focused on products, solutions and services to create digital infrastructure, innovative ICT solutions and software development services as well as related ICT services, which implies:

- scalable, resilient and reliable networks and platforms with superior efficiency and customer experience through automated operations and services
- integrated information systems, platform-based offerings, data-driven operations and integration capabilities for selected industries
- leading technical expertise and competences, securing efficient development of innovative, fault free, value-added SW products and services.

Our company's strategy has been continuously evolving and adapting to key themes and trends on the market. Three key themes can be identified as market priorities:

- finding and creating new services, i.e. new revenue streams
- focus on end-customer experience
- relentless efficiency in all operations

Thereby, by strictly adhering to our strategic choices, we address the need of CSPs and customers from the Digital Society segment for mobile broadband access with ubiquitous high speed and low latency connectivity as well as supporting digital transformation with solutions spanning from private networks to SW products and services for e-health, land registry, ITS, and other selected verticals. We address the needs of corporate customers through relentless focus on quality, delivering the best-in-class lead times and cost/performance benefits in development of SW products and execution of ICT services.



Ericsson Nikola Tesla Group Strategy

Purpose

To provide connectivity and innovation platforms for digital transformation

Vision

A world where ICT solutions transform society, securing sustainable future and value for all

Our customers' needs

New revenue streams

End-customer experience

Relentless efficiency

Our focus

Digital infrastructure, innovative ICT solutions, SW development and services

for CPNs or Enterprise use

for Corporate Customers

Our foundation

Highly competent & innovative people, strong company culture

Best-in-class digital infrastructure, solutions and services offering

Leading position & expertise in areas of SW development and services delivery

Strong local presence & perception

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 knowledge and providing engineering ICT 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 and 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 the monitoring, build and maintenance of telecommunications network infrastructure. Regarding the services portfolio and many years of experience in managing telecommunications projects, the company meets the most complex and most demanding market and technology requirements and offers a service on a turnkey basis.

The company's activities are:

- consultancy services, including design, geodetic activities, monitoring and resolving property-legal affairs
- constructing and maintaining telecommunications network
- monitoring and operating telecommunications network
- mounting telecommunications equipment, telecommunications system power and cooling.

Libratel d.o.o.

Libratel's core activity is to provide highly professional and cost-efficient telecom services, installation of telecom equipment, commissioning of telecom network, and telecom equipment upgrade.

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.

Ericsson Nikola Tesla BY d.o.o.

The company operated on the market of Belarus in 2023 solely to fulfill the remaining obligations from the contracts that were signed before March 2, 2022, in the civil telecommunications sector, in line with the valid sanction regulations of the Republic of Croatia and the European Union and the necessary time-limited export licenses issued by authorities. The company was closed at the end of 2023.

Products and services

In the telecommunication segment, the Group delivers an entire range of ICT products, solutions and services of Ericsson Nikola Tesla, Ericsson, and other selected providers.

Modern solutions that we offer are based on cloud infrastructure with network functions virtualization. We create and implement e2e solutions for radio, transmission and core networks, offer business support systems, as well as other solutions such as media solutions and solutions for private networks. The services we offer to telecommunication operators are planning and design of networks, design, build, monitoring and maintenance of fixed and mobile telecommunications infrastructure, networks integration and optimization, support, and consulting.

For the selected industry and market segments, for its customers and partners, Ericsson Nikola Tesla Group provides its own products, solutions and services for digitalization of companies and digital transformation of health care, transport, public administration, public and national security, solutions for managing land and infrastructure, and solutions for sustainability and smart energy management. We enable automation of business processes for business systems and offer IS/IT services ranging from design, implementation and integration to maintenance. The offer of hardware, software and services that refers to several business areas includes a platform for data management, solutions, products and services for business users and advanced analytical technologies.

The company's Research and Development Center, and other expert centers were recognized for their quality, reliability, and expertise, and provide highly efficient technical and consulting services.

Innovations represent an indispensable component in the development and application of the overall offer of solutions, services and products of Ericsson Nikola Tesla Group.

Business situation in major markets

In total sales revenue, the domestic market accounted for 42.8%, services to Ericsson accounted for 46.6%, while other export markets accounted for 10.6%. The share of total export represents 57.2% of the company's revenue.

In the domestic market, sales revenue amounted to EUR 130.3 million (2022: EUR 128.8 million), up by 1.2% year-over-year.

With Hrvatski Telekom (HT), we have continued our cooperation on the modernization and expansion of the mobile network and the realization of contractual obligations in the field of managed services. We have successfully completed all the contracted projects related to the design and construction of broadband internet for Hrvatski Telekom, which are co-financed by the European Structural and Investment Funds. On January 1, 2024, the technology unit for the construction and maintenance of HT's network was transferred from Ericsson Nikola Tesla Servisi d.o.o. to Hrvatski Telekom, in line with HT's development strategy. In December, we signed a multi-year agreement related to the implementation of Ericsson's dual-mode 5G Core for 4G/5G core networks for Hrvatski Telekom and Crnogorski Telekom.

With the operator A1 Hrvatska, in accordance with the multi-year framework agreements, we continue the activities on the expansion of coverage and capacity of 5G radio network, the modernization and build of the convergent core network, and the modernization of microwave transmission systems. Moreover, we have also delivered radio access active equipment for the build of the next generation mobile broadband access network in areas without broadband infrastructure and without a sufficient market interest for investments, co-financed by the European Structural and Investment Funds.

In the Digital Society segment, we have signed a number of contracts, among which we would like to highlight the contract with the company Odašiljači i veze d.o.o. for the Design and Construction of the NGN Aggregation Network – Eastern Croatia, the goal of which is to provide small towns and rural areas with access to high-speed internet. A contract was signed with the City of Split for the project Introduction of Intelligent Transport Systems in the Functional Traffic Area of the City of Split. Contracts were signed with the Ministry of Tourism and Sport for the services of the development of the eTourism central portal and creation of mobile apps. Activities have continued on the modernization of the Information System of Land Registry and Cadaster by signing contracts related to upgrading, maintenance and new measurements with the Ministry of Justice and Public Administration of the Republic of Croatia and the State Geodetic Administration. The procurement of corrective maintenance services for the Central Health Information System of the Republic of Croatia (CEZIH) for a period of 12 months was contracted with the Ministry of Health. In cooperation with the Ministry of the Interior, the maintenance of the state border monitoring system of the Republic of Croatia continues (Green Border).

In export markets (excluding services to Ericsson) sales revenue amounted to EUR 32.2 million (2022: EUR 32.8 million), down by 1.8% year-over-year.

We have continued a quality cooperation with the operators HT Mostar, Crnogorski Telekom, Telekom Kosova, IPKO and Ucom on the modernization, expansion and maintenance of their telecommunications networks.

With HT Mostar, we are working on the implementation of the 4G/4G+ mobile network, as well as services with regard to support and expansion of this operator's transmission network. A framework contract for the expansion of mini-link equipment as well as the procurement of services for the migration of IMS users to a single base was also signed. Our work contributed to the fact that HT Mostar won the Ookla award for the fastest mobile network in Bosnia and Herzegovina for the year 2023.

With Crnogorski Telekom, we have continued the activities on the software upgrade and modernization of the mobile network, which include increasing capacity, expanding and covering the entire country with a 5G signal, and in December 2023 we signed a new multi-year contract in the area of the 4G/5G core network. Crnogorski Telekom has the largest 5G and 4G network in Montenegro, and according to the official report from the Agency for Electronic Communications and Postal Services (EKIP), the fastest mobile network as well. With the operator Telekom Kosova, we work on the modernization of the radio and transmission part of the network, as well as core network, in line with the contract signed at the end of 2022. The first phase of the implementation of 5G base stations in the network of the operator IPKO has been completed, and activities are underway to modernize a part of the core network.

With the Ministry of the Interior of Montenegro, we have contracted the maintenance of the 112 Center, a single center for all the calls in emergency situations.

On the Belarusian market, we fulfilled all the contractual obligations towards the operators beCloud and A1 BY which were signed before the introduction of sanctions, strictly adhering to the measures introduced by the EU institutions. At the end of 2023, we closed the local company Ericsson Nikola Tesla BY.

In Ericsson market, sales revenue amounted to EUR 141.7 million (2022: EUR 135.9 million), up by 4.2% year-over-year.

In 2023, Ericsson's evaluation once again confirmed that our R&D Center is a reliable choice for a fast and efficient delivery of high-quality products and services, making it one of Ericsson's most successful partners. Feedback received showed high recognition in terms of efficient delivery of high-quality software, fast and quality deliveries of key features, continuous improvement in operations, organizational flexibility in developing, keeping, and using key competencies.

One of the main projects we worked on is the development of a new RAN Compute product family generation, where the main objective is to increase capacity compared to the current generation. Furthermore, we have delivered several key functionalities to Ericsson customers in India, Italy and the USA. We have also positioned ourselves in new, strategically important areas such as Cloud RAN. During Q4, our focus was on the development of the latest radio units in the Massive MIMO and mmWave segments, and we

delivered a key functionality to the operator JIO India.

Experts from the Customer Services and Solutions Center, in addition to projects for the customers of Ericsson Nikola Tesla Group, have worked on projects for Ericsson customers through the activities of creating solutions and defining network parameters, 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, Japan, India, Israel, Mexico, Tunisia, Indonesia, Singapore, the United Arab Emirates, Qatar, Bahrain, etc. These are complex projects that, among other activities, include the introduction of 5G technology, operational and business support systems, as well as projects of introduction of core solutions in Cloud. We would like to highlight our participation in the realization of the project of testing the applications' functionalities in Ericsson 5G core network on the distributed Google Cloud platform, thus contributing to Ericsson winning the recognition Google Cloud Industry Solution Technology Partner of the Year for 2023.

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.

Good results were achieved on IoT projects in cooperation with the company Aeris Communications, which took over this part of Ericsson's business and continued the cooperation with Ericsson Nikola Tesla.

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

Scientific and research activities

Ericsson Nikola Tesla has been continuously working on scientific and research activities that are aligned with the long-term strategic goals of business development. The activities are focused on the applied research for the development of new products, improvement of the company's development processes, as well as the application of new technologies for the requirements of our products, and their improvements.

Ericsson Nikola Tesla's Research Unit is the driving force behind scientific and research activities in the company, and in its research on joint projects it collaborates with the research and development centers in the Ericsson corporation, as well as universities, institutes and companies in Croatia and abroad. Ericsson Nikola Tesla's Institute that virtually connects organizations and experts who participate in scientific activities in the company, additionally improves the coordination of all research and scientific activities.

A part of research activities refers to participating in projects funded by the European Union. In 2023, 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 is to test and consolidate the platforms for technology-assisted living, focusing on improving the independence and quality of life for the elderly. The overall ecosystem was also launched, in which we work with new partners and services that want to be provided as an extended solution of the defined platform. Furthermore, in 2023 all the six pilot projects continued, also including the projects in Italy and Slovenia, where our role is the one of a technical coordinator. The activities regarding the improvement of interoperability platforms and tools, as well as system integration, also continued.

The activities on the following projects continued:

- on the Horizon Europe project TRUSTEE (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 will respect privacy, aggregate various interdisciplinary data repositories (from the domains such as health care, education, energy, space research, cars, cross-border data exchange), and that will take into consideration other European spaces for joining data and transnational initiatives, such as GAIA-X and EOSC (European Open Science Cloud). The stored data will have a homomorphic encryption, thus offering researchers the option to search and use data in an encrypted domain. Our role is to lead a working package related to conceptualization, user cases and architecture, and we also participate in all other project's work activities.

- on the Horizon H2020 project OLGA (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 a development of 35 innovative solutions that preserve the environment and biodiversity. The company has been working on solutions for the sustainability of the Zagreb airport's building, as well as its traffic optimization.

- on Horizon 2020 project SmartEPC (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 revenue streams for the local government. The company is responsible for the case study of the existing technologies and the concept draft of ICT SMART EPC.

- on the project InnoVET (<https://visitkarlovacounty.hr/erasmus/>) which is financed by the EU program Erasmus+, in cooperation with the Agency for Mobility and EU Programmes, it is carried out by the Regional Tourist Office of Karlovac County together with their partners. The project's main goals are the development of a digital base of tourist attractions in cooperation with the educational institutions as local partners, creation of educational materials and promotion of sustainable development in the tourist destination. The company has been working on the development of a web application and the e-Environment platform module for viewing tourist attractions and reporting about dangers. It also participates in requirement specification and solution design.

At the end of 2023, a four-year H2020 project INSULAE was finished (Maximizing the impact of innovative energy approaches in the EU islands, grant #824433, <http://insulae-h2020.eu/>) with the aim of applying technology and innovative solutions to decarbonize and improve lives on European islands. Our company participated in the case for the island Unije in Croatia, where the elements for energy consumption control in households were successfully developed. The project has contributed to the initiative for clean energy for EU islands by providing an investment planning tool, which can create action plans for islands for the production of their own sustainable, cheap energy. The researches were completed within the project co-financed by the European Structural Fund within the Competence Center for Smart Cities (CEKOM), led by the City of Rijeka. Through development in these projects, prototypes were created and new technologies were tested for smart city management, from infrastructure to traffic, all for the purpose of a more economic and greener management, as well as greater satisfaction and lower costs for citizens.

We have continued to work on the three-year project EDIH Adria (European Digital Innovation Hub Adriatic Croatia, <https://www.edihadria.eu>) of the European Center for Digital Innovations, which started in 2022 within the framework of the Digital Europe Program (DEP) which 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 encompass testing before investments, training in the digital skills domain, support to digitalization, innovative ecosystem and networking. We have also continued the activities on the EDIH AI4Health.Cro project (Artificial Intelligence for Smart Healthcare and Medicine, <https://ai4healthcro.eu/>) with the aim of providing 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 providing education.

We have successfully held the 22nd Ericsson Nikola Tesla's Summer Camp at our locations in Zagreb, Split and, for the first time, Osijek. Out of 170 students who applied, 64 students from 16 institutions of higher education from Croatia and the region were accepted to participate in the Summer Camp. They worked on 22 projects and were mentored by 46 experts from the company and universities. In 2023 as well, all the projects made an interesting confirmation of research concepts, and the students were pleased with the work and the obtained results. On the last day of Summer Camp, the presentation of the projects' results was held for all the company's interested employees.

A quality research cooperation with the Faculty of Electrical Engineering and Computing of the University of Zagreb was successfully realized also in 2023. A highlight was given to the project of research into the communication between various devices in the machine communication, the application of machine learning to air quality control, as well as the impact of new services on the planned network infrastructure to achieve continuous quality of service. We carried on with the research into the system for the optimization of radio signal transmission. Moreover, our employees who are enrolled in PhD programs have been working on these projects along with the faculty professors and the company's employees who already have a PhD.

With the Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture, University of Split, we have worked on the project with a special emphasis on data transfer security and the application of machine learning to replace data in time series data collection. The projects are carried out within our research lab on the premises of the Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture, University of Split.

We have signed a Cooperation Agreement in the field of information and communication technologies with the Faculty of Electrical Engineering, Computer Science and Information Technology in Osijek (FERIT) and founded a joint research lab. The Cooperation Agreement defines the projects which can realize new solutions for the application in the city's smart environment and ubiquitous communication solutions for digital transformation. In the lab, which is in our company, there is equipment through which the students can analyze network availability and characteristics, and the plan is to start with the development of additional analytical methods and by using artificial intelligence, predict network behaviors and automate characteristics for optimum communication user experience.

Traffic and Logistics Data Science Lab at the Faculty of Transport and Traffic Science, University of Zagreb, has also successfully worked on the activities. A special contribution was made in cooperation between the faculty and our company through the implementation of activities in collaboration with the students and data preparation and analysis for certain studies and joint solutions in commercial tenders in the traffic domain.

We have once again achieved quality results in cooperation with Ericsson's research unit in the development of technologies for a digital twin in the business environment for industry application, based on the Internet of Things, with a focus on managing knowledge.

We have published several articles in science magazines and at conferences, and during conferences (SoftCOM, MIPRO) we have organized events that were hosted by our researchers.

Important events - 2023

January-March

- New contracts were signed focusing on further digital transformation of society with the Ministry of Culture and Media of the Republic of Croatia for the services of development of National Archive Information System, with the Croatian Ministry of the Interior regarding green border protection, with the University Hospital for Infectious Diseases "Dr. Fran Mihaljević" for the maintenance of the integrated hospital information system. The total value of contracts amounts to EUR 2.4 million.
- The contracted activities are worth more than EUR 1.8 million for the project "Introduction of Intelligent Transport Systems in the Functional Traffic Area of the City of Split"
- As part of a skill at FER titled "Career Management", we have explained to students how technical interviews are conducted in our company.
- On the occasion of presenting the portal Euractiv.hr, the Company's President Gordana Kovačević participated in a panel and talked about the experiences of doing business after Croatia joined the EU.
- Students of the Faculty of Electrical Engineering, Computer Science and Information Technology, University of Osijek, visited our office in Osijek.
- As part of the project Girls own STEM, the representative of our company participated in a panel discussion: Why Gender Equality Is Important for STEM and shared her career experiences with the girls.
- In cooperation with the City Red Cross Society and the Croatian Institute for Transfusion Medicine, we have once again successfully organized another voluntary blood donation event at the company's premises in Zagreb, where 100 employees successfully donated blood.
- Ericsson Nikola Tesla Group published the full year business results for 2022: stable results, growth of revenue and total export.
- At the Mobile World Congress, members of the Executive Management introduced the novelties presented at Ericsson stand to customers and partners.
- We took part in the FrontEd workshop held by the student association EESTEC LC at FER and held a workshop about creating apps.

April-June

- We held a lecture at FER titled "Code with 0 Errors" and were partners in a hackathon.
- At a panel of the ICT-Society Forum we held a presentation addressing the topic of global risks and securities in IT and energy sector.
- At the Adria Procurement Event, the representative of strategic sourcing held a lecture "Digital Transformation of Sourcing" and received a recognition from the organizers for a quality implementation of Ericsson Nikola Tesla Group's digital transformation.

- We successfully presented the company at the International Economy Fair Mostar, Bosnia and Herzegovina, focusing on green transition.
- We participated at the D-fest event where we presented the ICT System e-Culture together with the representatives of the Croatian Ministry of Culture and Media and the National and University Library.
- We talked to students at the 16th Job Fair organized by the Faculty of Electrical Engineering and Computing, FER's Student Union and Electrical Engineering Students Club.
- At MUZZA Science Week, titled "Smart Future", we presented interesting examples of technology use to children and young people with the aim to familiarize them with STEM.
- At the panel "Partnership for Social Improvement" held during LEAP Summit, we presented how Ericsson Nikola Tesla has been working on corporate sustainability, and which activities and programs it implements with the aim to achieve sustainability development goals.
- At the 46th international gathering of ICT experts MIPRO 2023, Ericsson Nikola Tesla was awarded MIPRO annual ICT award, established in order to validate significant success in the profession in Croatia and beyond.
- National awards for environment, Green Prix, were awarded at the third Greencajt conference. Out of submitted innovations, the project that was awarded the majority of points was WaterQ, realized in cooperation of Ericsson Nikola Tesla as the project holder with the Croatian Institute for Public Health and the companies Telemetris d.o.o. and Gauss d.o.o. as partners.
- New contracts were signed in the segment of digital transformation of society, and in regard to expansion and modernization of communication solutions for business users, amounting to EUR 3.1 million related to tourism, land registry and cadaster, law, public administration, healthcare, as well as expansion and modernization of communication solutions for business users.
- We participated in many student events: Career Days at the University of Applied Sciences (TVZ) in Zagreb, speed dating event Meet the Mathematicians at the Faculty of Science (PMF) in Zagreb, conference Dump Days at the Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture (FESB) in Split, Open Days of the Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture in Split, and third Career Days at the Faculty of Geodesy (GEOF).
- The technological unit for the construction and maintenance of HT's network was a part of Ericsson Nikola Tesla Servisi d.o.o. and was separated from HT in September 2014 into the mentioned company. They performed tasks for Hrvatski Telekom in the domain of providing services for the construction and maintenance of electronic communication infrastructure and Hrvatski Telekom has decided to reintegrate them. The transfer of this unit, together with its employees, was carried out on January 1, 2024.
- Technology Days were held at Ericsson Nikola Tesla headquarters, presenting interesting Ericsson's novelties from the leading technology event, Mobile World Congress, as well as Ericsson Nikola Tesla's communication solutions for the digital transformation of industries and society, with a lot of interest from many customers, media, institutions, etc.

- The General Meeting of Ericsson Nikola Tesla joint-stock company was held on Wednesday, June 14, 2023, at the company's headquarters in Zagreb, Krapinska 45. A total of EUR 11,671,192.51 of the equity capital was registered for the participation in the work of the General Meeting, corresponding to 66.53 percent of the Company's total equity, which was sufficient for the General Meeting to reach valid decisions.
- At the conference on the occasion of the competition Croatian Sustainability Index (HRIO), in the panel titled "Sustainable Corporate Governance" we highlighted our dedication to high standards in all our activities.
- The company's Data Protection Officer participated in the 31st Conference of European Data Protection Authorities held in Budapest, where she presented our way of working.
- The company's representative participated in a panel about challenges in the future of virtual care at the biggest European conference related to IT application in healthcare, the HIMSS23 European Health Conference & Exhibition in Lisbon.

July-September

- We signed a Cooperation Agreement in the field of information and communication technologies with the Faculty of Electrical Engineering, Computer Science and Information Technology (FERIT) in Osijek and founded a joint research lab.
- Many contracts were signed in the segment of digital transformation of public administration and services. They amount to more than EUR 4 million (excluding VAT). The contract signed with Carnet includes the application of digital technology in teaching as part of the eSchools project. In terms of land administration, cooperation with the State Geodetic Administration continued. A contract was signed for the provision of support services for the digital geodetic study on the One-Stop-Shop, as well as the contract on the upgrade and maintenance of the Infrastructure Cadastre System.
- With the Ministry of the Interior of Montenegro we signed a contract on the maintenance of the 112 Center, a single center for all calls in emergency situations.
- For the operators in neighboring countries, new activities were contracted related to the modernization, expansion and maintenance of telecom mobile networks.
- EDIH (European Digital Innovation Hub) Adria is a three-year project that started in 2023, with the aim of Croatia's digital transformation regarding health and quality of life, transport and mobility, as well as energy and sustainable development. Ericsson Nikola Tesla participates in the realization of services for the Digital Maturity Assessment.
- We held the Summer Camp closing ceremony. This year our locations in Zagreb, Split and Osijek hosted more than 60 students from 16 institutions from Croatia and abroad. Under the leadership of 46 mentors, they worked on 22 projects whose topic was Digital transformation: How data changes our world.
- The project e-Culture - Digitization of Cultural Heritage was successfully completed. Our company participated as a technological partner.
- At the traditional conference of the Croatian Chamber of Economy (HGK) "Support Sustainability", ESG Rating awards were presented for the first time in six categories. Ericsson Nikola Tesla was awarded in the category of ESG Rating for the exemplary sustainable business model.

- In Zagreb headquarters, the final event of the WaterQ project was held; a research project that developed a solution for the digital transformation of water quality monitoring.

October-December

- At an international conference of HGK "Time for Industry", president of the company highlighted the role and the importance of ICT in the industry.
- The association Project Management Institute (PMI) Croatia visited the company.
- Gordana Kovačević participated at the Managers' Congress titled "Leaders of the Future" organized by the Croatian Managers' & Entrepreneurs' Association (CROMA). She took part in a panel on Generation Z.
- We held another Technology Days event due to great interest expressed by our customers and partners.
- We presented our company at the international KosICT Technology Festival and at the Faculty of Electrical and Computer Engineering, University of Prishtina.
- At the conference held by Jutarnji list and HANFA, titled "Corporate Governance and Sustainable Business - the Path to Climate Transition", Ericsson Nikola Tesla received an award for the best compliance with the Code of Corporate Governance in 2022 in the Company on the Regular Market category.
- At the conference that was held as part of the project Digital Croatia, which is a project of the daily newspaper Večernji list, we presented our achievements in regard to business digitalization.
- At the panel "ESG – Solution Providers" of the conference "IT Security / Cyber Insurance / Fintech / ESG" in Zagreb, in cooperation with the institutions from Bulgaria, Croatia, and Slovenia, we have highlighted the company's achievements in regard to sustainability.
- At the international conference held in Sarajevo "Let's Build a Sustainable BiH", Ericsson Nikola Tesla's solution e-Environment was presented.
- An international conference was held in Novi Sad titled "Towards a Humane City", addressing the topic of how to secure better mobility in cities, and we participated in the panel discussion "Reshaping Urban Mobility".
- President of the Republic of Croatia Zoran Milanović visited Ericsson Nikola Tesla. He was accompanied by Head of the Office of the President Orsat Miljenić, Special Adviser to the President for the Economy Velibor Mačkić, Adviser to the President for National Security Dragan Lozančić, and Spokesperson Nikola Jelić.
- At the official ceremony to celebrate 30 years of Croatian Employers' Association (HUP), Gordana Kovačević, President of Ericsson Nikola Tesla, participated in a panel discussion.
- On the occasion of 20 years of Association of Defense Industry, Croatian Chamber of Economy organized the Croatian Defense Industry Day conference. As we were an invited representative, we presented solutions in various areas of national importance, such as implementing important solutions, like the 112 Center, Management control center for the Ministry of the Interior, and a platform that helps in reaching decisions

while monitoring green borders.

- At the congress Healthcare and Health protection 2015 - 2030 - Future Z congress, we highlighted the importance and great value of data that is managed in the central part of the CEZIH system.
- At the meeting with the media, the HUP ICT association presented successful Croatian use cases of advanced technologies. We presented how to apply complex technologies in daily business, such as artificial intelligence, augmented reality, and robotization.
- The company's president participated at the presentation of the book Croatia - Sweden. In addition to presenting interesting data and comparison of the two countries, this book also highlights the partnership between Ericsson Nikola Tesla and Ericsson as an indispensable link of cooperation between Croatia and Sweden.
- As always, we have supported the Day of the Faculty of Electrical Engineering and Computing in Zagreb. For the 25th time, the awards presented by Ericsson Nikola Tesla were granted to the three best papers in the field of telecommunications. Our award is also the award with the longest tradition awarded by a company to FER students.
- We highlighted the current trends at the conference "Croatian IT: What awaits us tomorrow?", organized by Slobodna Dalmacija and Hanza Media in Split.
- Hrvatski Telekom and Crnogorski Telekom contracted the cooperation with Ericsson Nikola Tesla for the implementation of Ericsson's dual-mode 5G Core for 4G/5G core network.
- Ericsson Nikola Tesla d.d., on behalf of the economic consortium in which it participates with the companies Ericsson Nikola Tesla Servisi d.o.o. and Supra Net d.o.o., has signed a contract for the Design and Construction of the NGN Aggregation Network – Eastern Croatia with the company Odašiljači i veze d.o.o. in the amount of EUR 52,019,105.00 excluding VAT.
- We participated at the conference "Artificial Intelligence and Cybersecurity in Economy", held by HGK.
- Ericsson Nikola Tesla d.d. and Ericsson Nikola Tesla Servisi d.o.o. have successfully completed all the contracted projects related to the design and construction of broadband Internet for Hrvatski Telekom, co-financed by the European Structural and Investment Funds.
- The Institution for Professional Rehabilitation and Employment of Persons with Disabilities (URIHO) awarded Ericsson Nikola Tesla a recognition for long-term cooperation and contribution to the inclusion of people with disabilities in the community. The Croatian Red Cross awarded a recognition for providing support in the implementation of projects and programs for numerous vulnerable groups in the society.
- At the annual national conference "Using Knowledge to Improve Safety and Health at Work", the manager of operational excellence, development and quality and safety at work at Ericsson Nikola Tesla, was awarded the Silver Heart of Safety.
- Ericsson Nikola Tesla's office in Kosovo was visited by a high-level delegation: the Minister of Economy of Kosovo Artane Rizvanolli, Sweden's Ambassador to Kosovo Jonas Westerlund, and the director of the Nordic Chamber of Commerce in Kosovo Aferdita Pllana Ibrahim.
- We presented our ESG Platform at the conference "Strengthening Integrity and Compliance in Business - ESG Standards as a Tool to Prevent Corruption", organized by the International Chamber of Commerce (ICC) Croatia and the Croatian Chamber of

Economy (HGK).

- At the Green Matrix Summit in Osijek, we held a keynote presentation “A New ICT Era and Technologies”.
- We participated at the panel discussion “Reshoring/Nearshoring – the Impact of Geopolitical Situation on Bilateral Cooperation, Opportunities and Challenges” as part of the Austrian-Croatian Business Forum in Vienna.
- Students from the Spanish Center for Professional Education Uni Eibar-Ermua visited our company as part of their study visit to Croatia.
- At our locations in Zagreb, Split and Osijek, we held Advent celebration for our customers, partners, employees and the children of our employees.

Memberships, initiatives

By participating in the work of various professional associations, organizations, scientific institutions etc., the 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.

Here are just a few:

- Croatian Employers’ Association
 - Croatian Chamber of Economy
 - Lider magazine Club of Exporters
 - Croatian Business Council for Sustainable Development (HR PSOR)
 - Croatian Standards Institute
 - Institute of Electrical and Electronics Engineers (IEEE)
 - PMI Croatia
- and many others.

Initiatives

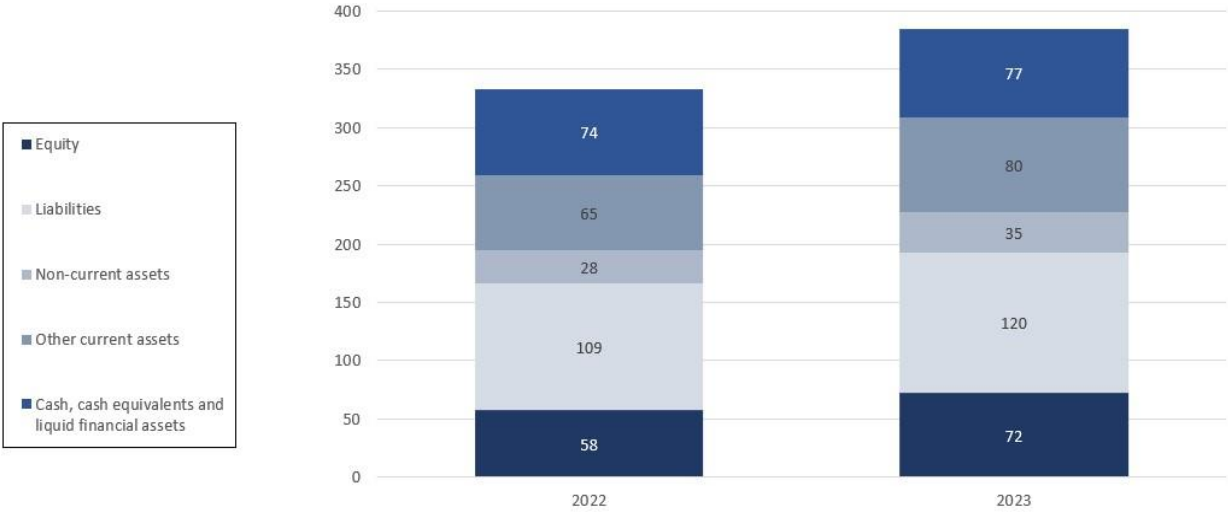
Ericsson Nikola Tesla participates in the following socially important initiatives and platforms:

- UNICEF’s Think Tank on children’s rights and CSR
- HR PSOR Diversity Charter, etc.

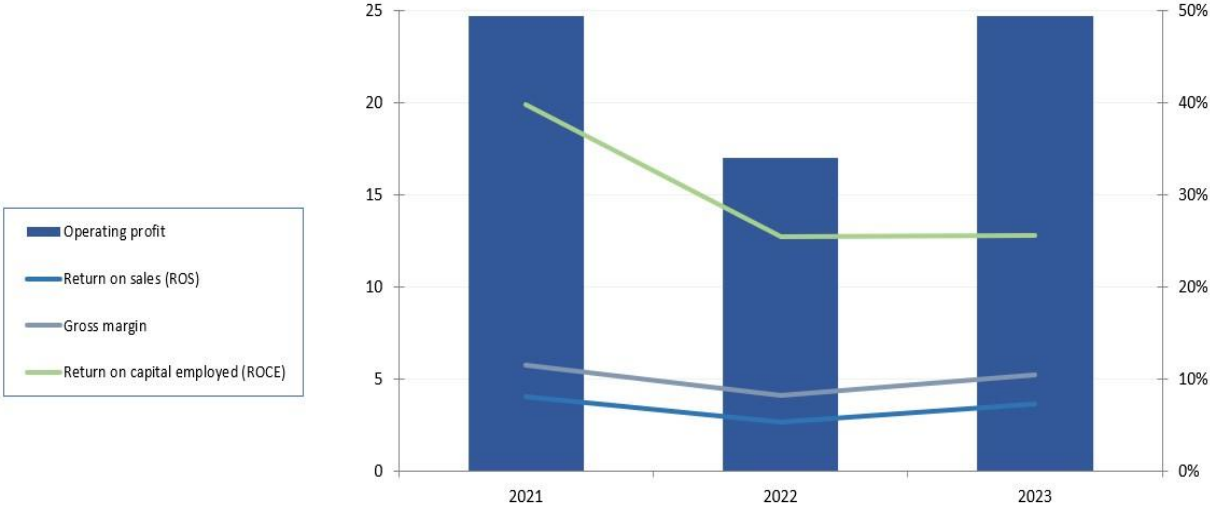
Financial highlights in 2023

	Ericsson Nikola Tesla Group			Ericsson Nikola Tesla d.d.		
	2023	2022	2021	2023	2022	2021
Statement of comprehensive income and cash flow items (in EUR million)						
Sales revenue	304	298	293	232	220	202
Selling and Administration expenses	-13	-13	-12	-11	-11	-11
Operating profit	25	17	25	21	19	15
Profit for the year	22	16	24	19	20	15
Operating cash flow	17	25	49	6	27	33
Year-end position (in EUR million)						
Total assets	193	167	160	163	136	117
Cash, cash equivalents and liquid financial assets	77	74	68	60	65	48
Capital employed	87	63	62	75	53	46
Equity	72	58	54	61	49	40
Per share indicators						
Earnings per share (EPS) in euro	17	12	18	14	15	11
Dividends per share	15 eur*	6 eur	8.5 eur	15 eur*	6 eur	8.5 eur
Number of shares outstanding, average (in millions)	1,323	1,323	1,331	1,323	1,323	1,331
Other information (in EUR million)						
Additions to property, plant and equipment	2	2	2	2	2	2
Depreciation of property, plant and equipment	3	4	5	3	4	4
Alternative Performance Measures (APMs)						
Gross margin	10.5%	8.2%	11.5%	11.2%	7.9%	11.2%
Operating margin	8.1%	5.7%	8.5%	8.9%	8.7%	7.3%
EBITDA Margin	10.1%	7.9%	11.0%	10.8%	10.9%	10.2%
Return on equity (ROE)	30.6%	28.4%	47.3%	31.1%	43.8%	37.8%
Return on capital employed (ROCE)	25.6%	25.4%	39.9%	25.2%	39.3%	32.0%
Return on sales (ROS)	7.3%	5.3%	8.0%	8.1%	8.9%	7.6%
Equity ratio	37.6%	34.7%	33.6%	37.1%	36.3%	34.4%
Capital turnover	3.5	4.8	5.0	3.1	4.4	4.2
Current ratio	1.5	1.3	1.3	1.5	1.3	1.3
P/E ratio	11.9	18.9	13.8	14.0	15.4	21.3
* As proposed by the Management Board and Supervisory Board						

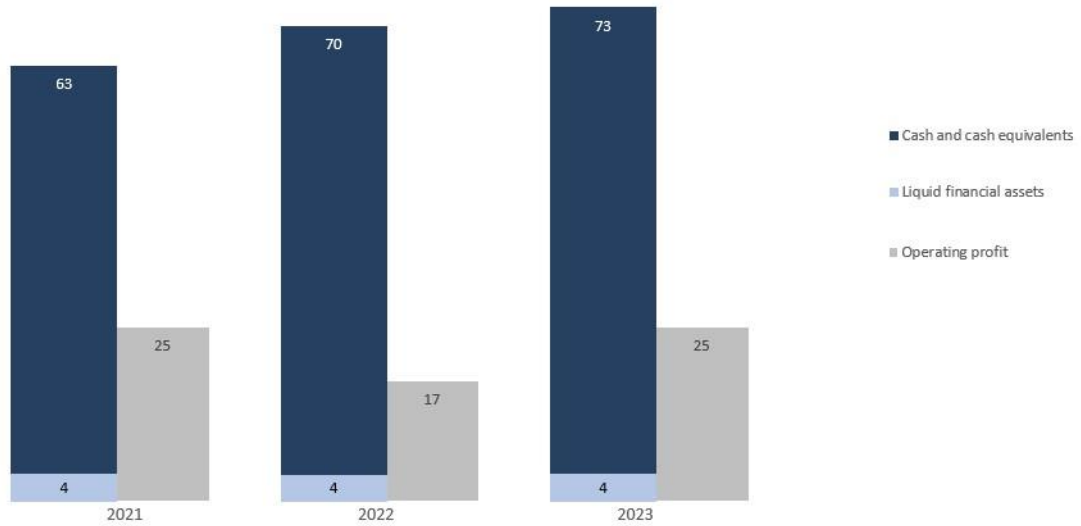
Balance sheet structure (in MEUR)



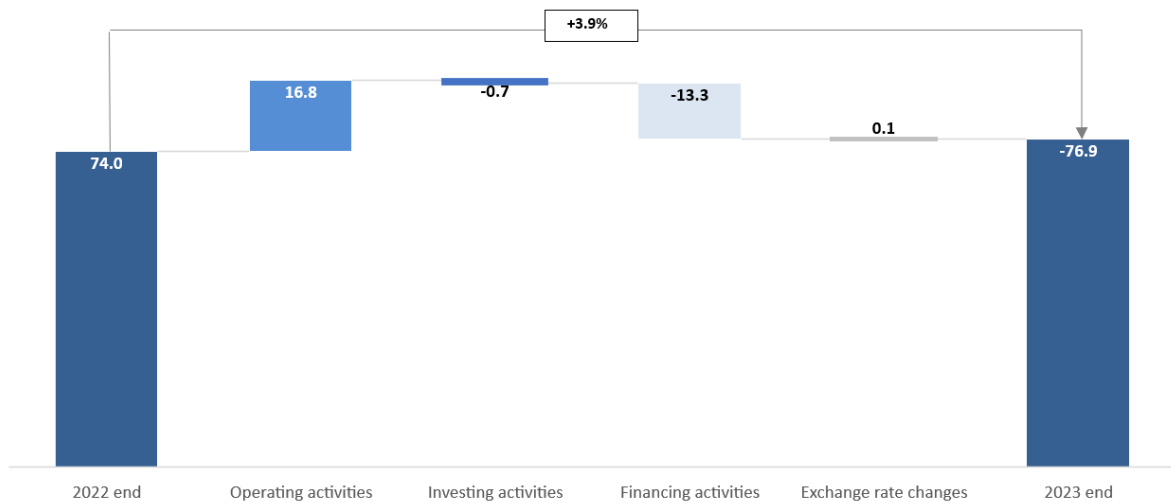
Operating profit (in MEUR), Gross margin, ROCE and ROS (in percentages)



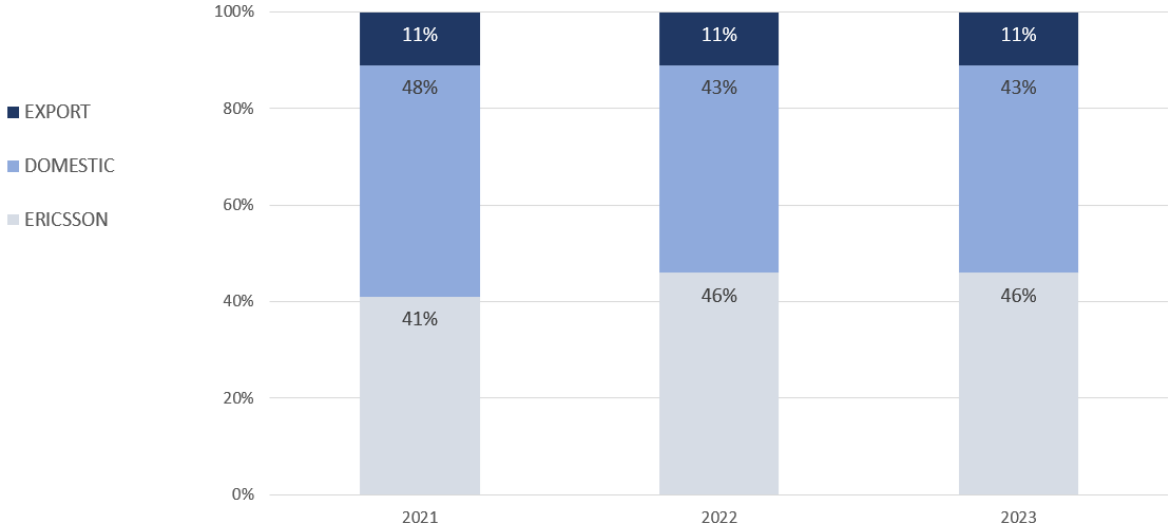
Development of liquid assets and operating cash flow (in MEUR)



Change in liquid assets (in MEUR)



Sales revenue by market (in percentages)



Statement by the Director of Finance



Damir Bušić,
Director Finance,
Sourcing and
Commercial Management

For Ericsson Nikola Tesla Group 2023 was a demanding year, not as much financially as related to strategic thinking about our existing market position; the continuation of market positioning regarding target markets and ICT segments; the need for a continuous adjustment of internal environment; way of working and compliance; all with the aim to implement our strategy in optimal and timely manner.

The use of artificial intelligence, automation and improvement of processes, extensive projects, such as fully equipped new premises in Split, and currency conversion from HRK to EUR, as well as a continuous need for a more efficient way of working, required serious consideration about the existing models of work, and their improvement. This resulted in significant adjustments of business operations through realization of internal digital transformation and business efficiency projects in regard to optimization and automation; all this bearing in mind the current regulation and legislation in Croatia, the EU and beyond; geopolitical situation on our markets, as well as continuously growing transparency requirements related to business sustainability. In addition, following the externally conditioned circumstance of some markets unavailability (e.g., Belarussian market) and non-renewal of contract (e.g., the contract with Hrvatski Telekom regarding managed services), it was necessary to accelerate the implementation of the part of our strategy that refers to additional investments in new competences, products and services, improvement of working conditions, investments in expansion and modernization of the existing work premises and creating additional capacities in data centers; all this investments started in the beginning of 2023. At the same time, we have additionally expanded our focus on business and customer financing sources, and in this segment we continue to cooperate intensively with the domestic and foreign banks. Moreover, we are entering into more projects that are financed by the EU funds and are aligned with our strategy to gain additional knowledge and develop innovation in green technologies and advanced ICT. All this proves our strength that despite the mentioned challenges, we found ways to continue operating profitably and achieve good and quality results in all business segments, and we would like to highlight sales performance, as a

result of a continuation of successful cooperation with our customers in the operator segment in Croatia and export markets. At the same time, we were working on new business opportunities and new customers, as well as maintaining a strong position in services to Ericsson, and a stronger focus on Digital Society segment.

Despite the complex circumstances in 2023, sales revenue increased by 2.2% from EUR 297.6 million to EUR 304.2 million owing to positive shifts in sales in Croatian market and services to Ericsson, which offset the decline in revenue from other export markets. Gross margin grew from 8.2% to 10.5%, resulting from increase in sales, business efficiency program, and lower costs incurred by contract termination and closing the office in the sanctioned market of Belarus during 2023. It is necessary to emphasize that inflation still had a strong impact on cost increase, and the total working capital increased, expressed in working capital days, from 13 days to 32 days which reflects the complexity in terms of work and capital engagement in demanding projects in Croatia and export markets. In addition, payment dynamics were prolonged on all markets, including Ericsson, which can be seen from the increase of working capital days from 32 days to 48 days related to services to Ericsson. Selling and administrative expenses remain impacted by investments in digital transformation and intense activities on securing new business opportunities, and they grew by 2.9 %, from EUR 12.6 million to EUR 13 million. As a result of business activities, operating profit increased by 45.2% from EUR 17.1 million to EUR 24.8 million. Finance income stabilized at EUR 0.5 million, and all these positive results led to an increase of profit before tax by 43.8%, from EUR 17.6 million to EUR 25.2 million, i.e. net profit increase from EUR 15.8 million to EUR 22.2 million, which is an increase of 40.3% year-over-year.

We have kept a stable financial position by reporting assets of EUR 192.6 million in the Group's balance sheet as at December 31, 2023, which is an increase of 15.6% compared to EUR 166.6 million at the end of 2022. The financial effects of these investments are presented in the cash flow statements, and we have maintained a positive cash flow from operating activities amounting to EUR 16.7 million.

A stable balance sheet is the result of continuous and focused compliance with the long-term guidelines in the following areas: (i) strengthening the company's cash flow by generating business and monitoring its collection, (ii) implementing projects while optimizing costs and working capital, (iii) securing new contracts within our focus areas in accordance with the set plans and strategy, (iv) overall optimization of the company's costs and management of business-critical investments, including all more significant aspects of sustainable business, and (v) further improvement of ethics and compliance program and building a company culture based on integrity and moral principles. Adhering to these guidelines in our daily work, we secure continuous quality, sustainability, results, and competitiveness.

We have been continuously working to timely recognize, assess, and mitigate risks. Furthermore, we have been investing in the knowledge and skills of our employees and expanded competences in key areas.

The results achieved in 2023, as well as in 2022, confirm that we face all the obstacles and challenges we come across while doing business with competence and full support, trust, and engagement of our employees. Furthermore, by overcoming those, we become more competitive in the markets where we operate, as well as capable of recognizing, estimating, and taking advantage of new business opportunities.

Information for shareholders

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

For the second consecutive year, the company received the recognition for the best compliance with the Code of Corporate Governance among the issuers on the Regular Market of the Zagreb Stock Exchange, awarded by the Croatian Financial Services Supervisory Agency (HANFA).

Share trading and price trend

According to the regular turnover in 2023, Ericsson Nikola Tesla's share is ranked eighth on the Zagreb Stock Exchange with a turnover of EUR 11.1 million (2022: EUR 11.0 million). In block transactions, an additional EUR 273.8 thousand were traded (2022: EUR 909.0 thousand).

In 2023, share price decreased by 12.1% to EUR 199. At the end of 2023, Ericsson Nikola Tesla's market capitalization was EUR 265.0 million (end of 2022: EUR 301.3 million). As regards the free float market capitalization, Ericsson Nikola Tesla is ranked tenth on the Zagreb Stock Exchange, with EUR 133.8 million, which represents 2.2 % of the total free float market capitalization. At the end of 2023, Ericsson Nikola Tesla's share weight in CROBEX Index was 5.5%.

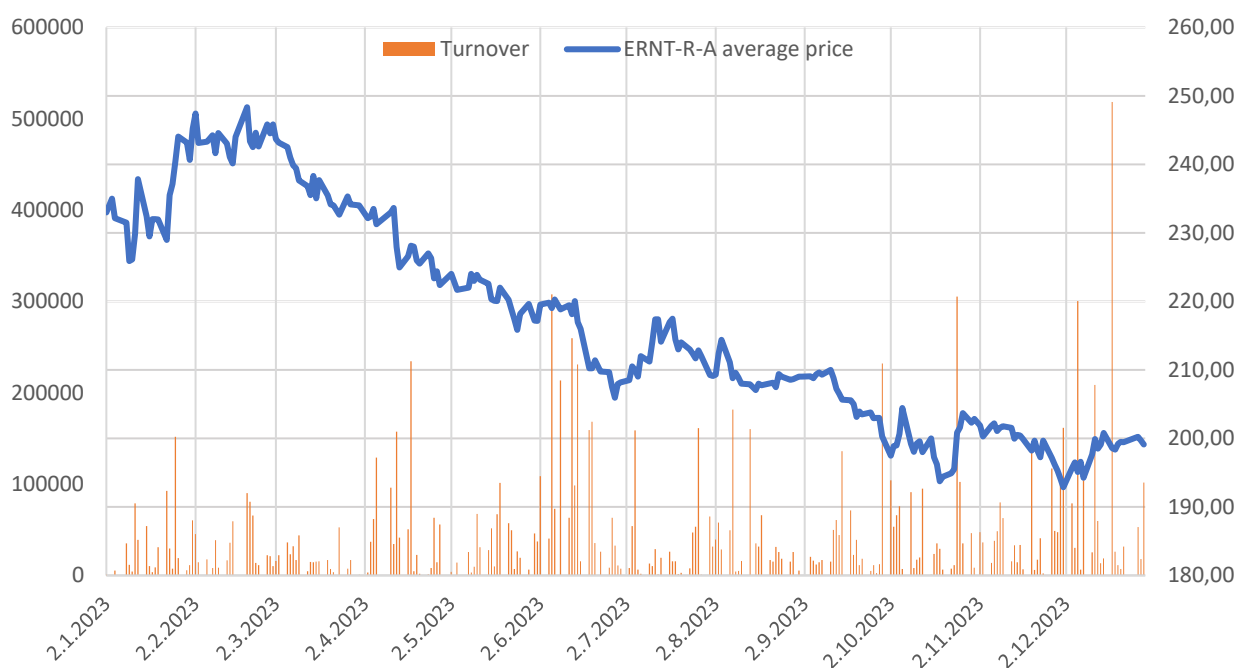
On the Zagreb Stock Exchange, the year started with modest trade statistic, however, during the year the market gained momentum and the share turnover within the orderbook increased by 17.5% year-over-year. However, lower block turnover in shares resulted in a 16.7 percent correction in the total turnover of shares.

The market capitalization of shares increased by 27%. All indexes, apart from CROBEXkonstrukt, have recorded double-digit growth. The highest growth was achieved by the sector index CROBEXindustrija (56.07%), while the lowest increase was achieved by CROBEXturist (16.7%).

ERNT-R-A Share price and turnover	2019	2020	2021	2022	2023
Highest (EUR)	187.8	203.1	258.8	270.8	255.0
Lowest (EUR)	129.01	135.4	199.1	187.8	191.5
Last - end of year (EUR)	185.8	199.1	239.4	226.3	199.0
Turnover (in EUR million) - within the orderbook	7.7	16.1	11.2	11.0	11.1
Turnover (in EUR million) - block transactions	-	0.70	4.44	0.91	0.27
trade volume - within the orderbook	49,652	93,010	50,525	47,841	52,579
trade volume - block transactions	-	3,500	19,638	4,171	1,250
Dividend per share (EUR)	6.5	10.9	8.5	6	15* (10 EUR regular and 5 EUR extraordinary dividend)

* As proposed by the Management Board and Supervisory Board

ERNT-R-A share turnover and average price trend in 2023 (in EUR)



Average ERNT-R-A share price trend 2019-2023 (In EUR)

Share capital

As at 31 December 2023, 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 General Meeting. The total number of treasury shares at the end of 2023 was 5,886 representing 0.44% of the share capital. The shares were owned by 6,769 shareholders.

Shareholders

Ericsson Nikola Tesla d.d. major shareholders as at 31 December 2023

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
Erste & Steiermarkische Bank d.d. / PBZ Croatia osiguranje mandatory pension fund, B category	40,490	3.04
Raiffeisenbank Austria d.d. / Raiffeisen voluntary pension fund	18,360	1.38
PBZ d.d. / custodian client account	14,351	1.08
OTP banka d.d. / OTP Index fund – open-end alternative investment fund with public offering	9,715	0.73
OTP banka d.d. / Erste Plavi mandatory pension fund, B category	9,613	0.72
PBZ d.d. / Raiffeisen mandatory pension fund, A category	6,523	0.49
Vuleta Ivica	5,960	0.45
Ericsson Nikola Tesla d.d.	5,886	0.44
Other shareholders	443,765	33.32

SUSTAINABILITY REPORT

Environment, Social, Governance
(ESG)

About the Sustainability Report

This sustainability report describes Ericsson Nikola Tesla Group's CSR activities in 2023. It encompasses information about strategy, approach, goals, policies, management, implementation, risks and opportunities relevant for significant aspects and impacts of the Group's business performance related to the environment, society and corporate governance, presented in a transparent and material manner. The report and additional information are available on the website of the parent company and the subsidiaries of Ericsson Nikola Tesla Group.

Report scope and limits

All the information and data mentioned in the report, unless stated otherwise, relate to activities and projects undertaken from 1 January 2023 to 31 December 2023. The report encompasses the activities undertaken by Ericsson Nikola Tesla d.d. as the parent company and all its subsidiaries in Croatia and abroad. The 2023 Annual Report provides information about the structure, the nature of ownership, legal form, subsidiaries as well as changes in the size, structure, and financial results of the Group. The previous report was published in April 2023, and it comprised data for 2022. This sustainability report has not been subject to external verification.

Reporting principles and framework

The principles of sustainability and social responsibility are applied in all segments of our business. The Group reports on its sustainability and the impact of corporate responsibility in line with the globally recognized standards and principles in order to provide stakeholders with all the required information about the Group's activities in this field. This report has been prepared in line with the GRI (Global Reporting Initiative) Standards. The report has been annually adjusted and changed in line with the material topics and their materiality for business.

The Group also reports on its progress in the field of human rights, environment, and anti-corruption in line with the UN Global Compact principles. The principle of stakeholder engagement, sustainability context, materiality and completeness, as well as response and impact, help the Group to define the content of the sustainability and social responsibility report. In order to ensure the quality of reporting, the Group applies principles of accuracy, balance, clarity and timeliness.

Additional information about the Group and its social responsibility, as well as the entire Annual Report, are available at www.ericsson.hr/en.

Statements about the future

Certain topics that are explored in this report and include statements relating to the future are subject to risks and uncertainty. Those who read this content should note

that such statements have no guarantee, and future actions and developments may fundamentally differ from the described or implied ones. We expressly deny the responsibility to update the statements relating to the future after publishing the report.

UN Goals

1 No Poverty

Regular and transparent payment of all taxes and contributions to the state budget and local government, ensuring thereby functioning and development of all activities which are important to the community, including taking care of the most vulnerable groups in society.

2 Zero Hunger

The company secured food for the most vulnerable social groups in Zagreb, Split, Osijek, and Vukovar.

3 Good Health and Well-being

We continue with intense activities in the field of e-Health by implementing a contract with the Croatian Ministry of Health for the services of corrective maintenance of the Central Healthcare Information System of the Republic of Croatia (CEZIH). We participate in the EDIH AI4Health.Cro project (Artificial Intelligence for Smart Healthcare and Medicine) with the aim of providing 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. When it comes to taking care of employees, we secure regular medical checkups for all our employees. Moreover, we take care about their physical and mental health through our PrevENTion program.

4 Quality Education

By engaging students in concrete projects in the company, as well as projects in cooperation with the academia (Summer Camp and other activities) we achieve synergy potential for all stakeholders. We participate in defining educational programs and contribute to their improvement.

Academic education is also in focus internally: in the parent company, the percentage of highly educated employees accounts for 96% of the total number of employees, while at the Group level it accounts for 86%.

In addition, Ericsson Nikola Tesla delivered 305 meteorological stations as aid in digital teaching within the CARNET's project, eSchools. The devices that measure the basic meteorological data will transfer data in real time to Ericsson Nikola Tesla's eEnvironment platform and, by comparing the current and historic values, enable students' and pupils' additional education in regard to climate change.

5 Gender Equality

We carry out activities in all segments of society with the aim of eliminating prejudice and stereotypes and encouraging interest in STEM professions from an early age (by participating in projects like MUZZA Science Week, etc.). We promote the importance of equal participation of women in ICT sector and in leadership positions. At the Company's level, the representation of women in the total workforce is 29%, and women hold 27% of managerial positions. Moreover, the representation of women at the Group's level in the total workforce is 25%, and women hold 25% of managerial positions.

6 Clean Water and Sanitation

At the end of 2023, the project IRI2 WaterQ was completed. This project deals with risks and estimation of the impacts of drinking water on people's health. Through implementation during the project, three public water supplies that in total have approximately 70,000 users have gained a better insight into the quality of drinking water, and they also gained access to analytical IT systems by which they also realized significant savings in the drinking water quality monitoring. Additionally, by carrying out commercial implementation of the WaterQ system at the Croatian Institute for Public Health, after the project was finished the prerequisites have been realized for the cooperation of public water supplies and the Croatian Institute for Public Health in the part of collecting data about the water quality of drinking water is aligned with the demands of the EU Directive about the water for human consumption, which was also transferred in the Croatian Act on Water for Human Consumption. It is important to highlight the pilot locations in small-scale rural water supplies Kalinje, Žumberak and Radočaj brodski. Due to the inaccessibility of the public water supply, these communities are developing their own distribution system, and our system provides the population with an insight in the quality of drinking water and enables them to share data with the public health institutions.

The next step is to implement WaterQ system in as many public water supplies as possible to achieve a total digitalization of data of water for human consumption, which is a prerequisite for various digital services that will enable all the users of public services an easy and user-friendly access to data about the quality of water the consume.

7 Affordable and Clean Energy

In our business operations, we use energy from renewable energy sources. We use waste heat from cooling our data center to heat the offices.

We participate in the EU HORIZON project INSULAE with the aim of developing and implementing innovative solutions for energy self-sufficiency and decarbonization of islands in the European Union. Three islands were selected, and one of them is the Croatian island Unije. This project contributes to the implementation of the "Clean Energy for EU Islands" initiative, helping to create action plans for the islands in order to produce cheap and sustainable energy. The plan is to reduce fossil fuel consumption on the islands by 11% through a wide implementation of solutions created in the project.

8 Decent Work and Economic Growth

We provide a pleasant working environment for our employees, encourage them to lifelong learning in order to stay competitive in the labor market during their entire life, and ensure fair, regular and competitive salaries. We have continued to work on increasing the existing comprehensive program of benefits.

9 Industry, Innovation and Infrastructure

In global Ericsson teams, we work on 5G-related solutions as the most important open innovation platform for the development of digital society and take over new responsibilities for the improvement of quality of our strategic partners' telecom infrastructure. Furthermore, we have also been working on many research and development projects in Industry 4.0 in the

field of transport, environment, etc. In addition to the fact that, as an industry, we are not in the category of significant polluters, we help other industries to achieve better quality monitoring of all the environmental parameters and to manage their environmental footprint. With our solution "eEnvironment Industry" we monitor all the relevant parameters and enable management of the overall process of collecting, central storage as well as processing and reporting in line with GRI and ESRS standards. Additionally, with ESG Platform, we help the industry to make a simpler transition to the new ESG concept of non-finance reporting, and we provide it with a tool to make its data relevant, accurate and confidential at any moment. We are working on the three-year project EDIH Adria (European Digital Innovation Hub Adriatic Croatia) of the European Center for Digital Innovations within the program Digital Europe, which encompasses the private and public sector in Adriatic Croatia, along with the networking and synergy cooperation in the entire Croatian territory, and also with other EDIHs in the EU. Activities encompass testing before investments, training in the digital skills domain, support to digitalization, innovative ecosystem, and networking.

10 Reduced Inequalities

Through the realization of national infrastructural solutions for the availability of fast Internet, we also increase the digital inclusion in smaller and rural areas, which allows citizens additional opportunities to use various advanced e-Services. By participating in the work of UNICEF's Think Tank on children's rights, we actively contribute to the development of new possibilities of education for children and young people, especially those from sensitive groups.

11 Sustainable Cities and Communities

We are working with partners on the project of establishing the system of automated traffic management in the City of Split. During the project, the Traffic Control and Monitoring Center (CKNP) will be established and equipped as the central control room for managing mobility, in which traffic is monitored and controlled, and from where mobility strategies are carried out. Thereby, this ensures that the entire traffic network has a better traffic flow, reduces travel time, increases safety in traffic, and reduces harmful consequences of traffic, such as emissions of harmful gases and noise. The project of population migration data analysis for the needs of the Ministry of the Sea, Transport and Infrastructure has continued through the delivery of an interactive WEB-GIS tool that contains data about daily migrations of population in the territory of the Republic of Croatia at the local self-government unit level, which serve for planning and optimizing services of public transportation of passengers within certain counties.

12 Responsible Consumption and Production

A significant part of our services is delivered remotely, primarily in the segment of network design and optimization, network integration and software upgrade, and we have continuously been working on their development.

The solution eEnvironment Industry enables quality monitoring and management of environmental parameters.

13 Climate Action

We have been working on solutions for the sustainability of the Zagreb airport's building, as well as its traffic optimization through Horizon H2020 project OLGA with the aim of meeting

the European decarbonization targets even before the set deadline, through a development of 35 innovative solutions that preserve the environment and biodiversity. In general, our solutions have a significant positive impact on our customers' energy consumption and carbon footprint reduction. In our own business operations, due to a significant percentage of employees working from home and the increased use of ICT solutions for remote work, all forms of travel have been reduced, and thus the use of means of transport. Therefore, in addition to the increase of energy efficiency and decrease in energy consumption, the company has also contributed to climate protection by reducing carbon footprint from these two sources.

15 Life on Land

Environmental sustainability aimed at reducing pollution and preservation of life on land is an integral part of our business strategy. This is achieved through responsible management of impacts from our own activities, and through a product portfolio with a focus on innovative 5G solutions that will significantly contribute to the preservation of ecosystems on land.

16 Peace, Justice and Strong Institutions

By developing solutions for the digitalization of land registry and cadaster, cultural heritage, tourism, state green borders monitoring, as well as for other security aspects, we provide an opportunity for more efficient work of institutions and a safer life.

17 Partnerships for the Goals

We form partnerships with all target groups. We have one of the leading roles and actively participate in national umbrella institutions that encourage corporate social responsibility: Croatian Business Council for Sustainable Development (HRPSOR), Croatian Employers' Association (HUP), Croatian Chamber of Economy (HGK), etc. We cooperate with universities and institutes on various projects and open a dialog with the community when solving important topics.

Our approach to sustainability

The purpose of Ericsson Nikola Tesla Group's business is to empower an intelligent, sustainable, and connected world. Sustainability is embedded in all the Group's activities and processes and represents a foundation for creating business values. The focus on sustainability and responsible business helps us to achieve two main goals: creating positive impacts and reducing all types of risks. Our goal is to be a responsible and relevant driver of positive changes in society.

Sustainability as the new value creator

Integration of sustainability and responsible business practice makes the Group's business more efficient. Focus on energy efficiency of the products we offer to the market helps the operators we do business with to reduce the costs of their networks, and also supports positive social and ecological effects in society. The aim of our endeavors is to improve all the characteristics in a business chain, create new value, and differ from our market competitors.

Responsible and sustainable business

Responsible business is the primary mark of the Group's long-term strategy, as well as our company culture. Respecting human rights on all levels of our business is in line with the United Nations Guiding Principles on Business and Human Rights. We believe that responsible business and making the right decisions in the whole value chain is crucial for the Group's business success. In addition to the team that is responsible for compliance, each Group's employee is responsible for implementing compliance in all the activities and processes in which they participate. We form partnerships with all our target groups and do business with integrity and transparency on all our markets.

Reporting company and value chain

As a responsible company, Ericsson Nikola Tesla also has the obligation to control the activities on every level of its value chain, which includes monitoring business relations, contracted activities, and supply chain. Ericsson Nikola Tesla has a long-term objective of responsible sourcing and has continuously been working to improve sustainable capacities in value chain. Accordingly, our suppliers must comply with high quality standards and adhere to the Code of Conduct and Code of Business Ethics, which impacts on their quality to be reselected, as well as checking due diligence of every newly contracted supplier. By respecting the Sustainable Development Goals (SDGs), we secure sustainable forms of consumption and production in preserving energy of movable and immovable property, and the reduction of carbon footprint on the environment.

Technology as the driver of positive changes

At Ericsson Nikola Tesla, we believe that communication is a basic human need, and that technology is the key driver of positive changes which are important for society's sustainable development. Therefore, it comes as no surprise that we have been recognized in society as a long-term relevant and responsible leader of the digital transformation process.

Strategy implementation and harmonization

The ICT industry plays an important role in the process of implementing UN Sustainable Development Goals and fulfilling the obligations foreseen by the Paris Agreement on Climate Change. In our organization, we use UN Sustainable Development Goals as a platform for the implementation of concrete activities to use technology, knowledge and experience of our experts to contribute as much as possible in achieving the set goals, thereby bringing benefits to all the people in the society. By implementing our own Sustainability strategy in all business activities, we work on the realization of ambitious ESG goals.

Energy, the environment and climate

ICT has a transforming role in providing support to other economy sectors by harmonizing business growth with a rational use of resources and can greatly contribute to the reduction of carbon dioxide emissions, as well as to the preservation of clean air, drinking water and other natural resources.

Commitment to circular economy

In order to increase our positive impact on the society, we are dedicated to circular economy, highlighting three key areas:

1. Leadership in energy efficiency and environmental characteristics of products;
2. Ecologically responsible use of materials, waste and water;
3. Reduction of carbon footprint in our activities.

Performance evaluation: Internet for all

The key part of our Strategy is to enable every person to use the Internet and mobile communications anywhere and at any time. In addition to providing global connectivity, we apply our technology every day; we have the leading role and are innovative in the field of information and communications technology, which is the key area of our business activities.

Setting goals

Adjusting our goals to the UN Sustainable Development Goals is more necessary than ever before because it is an integral part of a quality transformation of the society. To set further goals and track progress, we use framework and methodology to estimate and describe a positive effect we bring to society.

Impact and risk assessment

With the aim of providing support to business sustainability and social responsibility strategy, we measure annual and long-term goals of positive impacts and risk management. There are two main ways in which we measure our positive impact:

- activities and projects by which we contribute to sustainable development,
- reduction of greenhouse gas emissions.

We measure risk mitigation in the following areas:

- responsible sourcing,
- anti-corruption,
- adhering to the rules of responsible sales,
- occupational health and safety.

The way in which we implement our strategy is described in three sections of the report: business, environmental and social responsibility.

Business integration

Sustainability and social responsibility are integrated in the implementation of our business strategy, goal setting and business risks management. Sustainability and social responsibility policy, as well as our Code of Business Ethics and Code of Conduct are part of our management system and are applied in the entire Group.

Monitoring performance

Every year, we report from the perspective of achieving progress in key activities of the business chain and realizing the most important goals and achievements related to key material issues in our business. We will continue to be the leader in sustainable development both in society and on the markets where we operate. We will also continue to strengthen the impact of our technology in accelerating activities for achieving global Sustainable Development Goals.

SUSTAINABILITY STRATEGY

Our strategy integrates sustainability and corporate responsibility, thus creating prerequisites for an active role in implementing society's digital transformation and creating new value for all stakeholders. The Group measures and evaluates its ecological, social and economic impacts. Work in these areas represents a continuous journey, and strategy implementation encompasses three main areas:

Responsible business

Ericsson Nikola Tesla Group wishes to continue to develop responsible business practices to strengthen its position as a reliable partner with all the relevant stakeholders. We are proactive in numerous activities that encompass much more than complying with the law, and we have been continuously conducting programs in areas such as human rights, anti-corruption, occupational health and safety, as well as responsible supplier management.

Environmental sustainability

Through a circular economy, we wish to ensure solutions and services that will contribute to the creation of new value in the Group's business and positioning on the market.

Digital inclusion

By implementing innovative ICT solutions, Ericsson Nikola Tesla Group creates prerequisites for the availability of mobile broadband for all people.

Stakeholder engagement

Our stakeholders are divided into four main categories: customers, shareholders, employees, and society. The society comprises suppliers, public administration, civil society, non-governmental organizations (NGOs), industry partners, media, the academia, and the public. In addition to having a dialog in the areas defined by material topics, in communication with stakeholders, through various ways of engagement (Stakeholder engagement table), we have verified their opinions and interests in cooperating with us. Additional interaction was realized through social networks.

Table: Stakeholder engagement

Stakeholders	Our focus	Ways to engage
Customers	<ul style="list-style-type: none"> • Professionalism • Partnership in finding the best solutions • Innovativeness in offering comprehensive ICT solutions that have a positive impact on business, people's lives and the environment, including climate change • Measuring customer satisfaction 	<ul style="list-style-type: none"> • Cooperation on technology introduction • Regular meetings • Questionnaires
Employees	<ul style="list-style-type: none"> • Lifelong learning and training • Attractive jobs in the ICT sector • Equal development and work opportunities for all employees • Performance-based salary system • Motivating work environment • High-quality equipped workplace 	<ul style="list-style-type: none"> • Trainings • Questionnaires about employee satisfaction • Benefit programs and Bonus Club
Shareholders and investors	<ul style="list-style-type: none"> • Applying the principles of corporate governance • Objective and timely informing about the most 	<ul style="list-style-type: none"> • Individual and group meetings • ESG Questionnaires

	significant activities and achieved business results from the risk management aspect	
Suppliers and partners	<ul style="list-style-type: none"> • Due diligence checks of the supply chain transparency • Responsible sourcing of resources • Joint efforts to improve and enhance the supply chain • Knowledge transfer 	<ul style="list-style-type: none"> • Regular inspection (audit) in terms of compliance, quality, environment and occupational health and safety management • Seminars and workshops in anti-corruption, conflict minerals, protection of health and environment, etc.
Trade union	<ul style="list-style-type: none"> • Partnership • Consulting and engaging in the decision-making process • Supporting the union's work which includes the care for the interests of its members 	<ul style="list-style-type: none"> • Joint meetings of the union and the management board during the decision-making process
Business and professional associations	<ul style="list-style-type: none"> • Exchanging knowledge, experience and good practice 	<ul style="list-style-type: none"> • Participating in activities of professional associations when defining sector norms, standards, rulebooks, protection of rights, etc.
Government bodies	<ul style="list-style-type: none"> • Participation in the passing of legislation • Exchanging ideas • Encouraging favorable business environment 	<ul style="list-style-type: none"> • Engagement in various boards by representing positions in line with sustainable development demands • Articulated attitudes towards current topics in the public/media

Educational institutions	<ul style="list-style-type: none"> • Support educational initiatives through joint projects, etc. • Transfer of knowledge about the latest technologies • Financial aid 	<ul style="list-style-type: none"> • Research activities • Participating in bodies for improvement of programs for certain professions • Holding laboratory exercises, technical demos, lectures • Students' visits • Participating in students' events
Community	<ul style="list-style-type: none"> • Knowledge exchange • Support and cooperation in local initiatives • Financial aid 	<ul style="list-style-type: none"> • Participating in initiatives for digital inclusion, STEM jobs • Charity actions

Our material topics

Aiming to comply with the reporting obligations, pursuant to the Corporate Sustainability Reporting Directive (CSRD), we have been working to further link material topics with ESG impacts (environmental, social, and governance) in a way that we made them additionally traceable and comparable. Moreover, we have placed material topics in a stronger correlation with risks and opportunities.

The current status and estimation of material topics was first performed internally, within the team responsible for the annual report and assigned representatives of various company organizations. Afterwards, we have included various stakeholders in the estimation, through an individual approach and communication during external evaluations of suppliers, meetings, questionnaires, etc., and, in line with the findings, we have changed the material topics matrix. Every material topic, as well as its limits, i.e. where in the value chain the impact appears, are described in this report.

Approach and priorities

Our matrix of material aspects that we have detected as relevant for the Group's business performance consists of the following quadrants:

- we have recognized and actively participate in:

These are the aspects that were identified as the most significant ones for the Group and our stakeholders, so we actively participate in them. We are adapting to and/or are carrying out new management procedures in order to secure business sustainability and responsibility, mitigate potential risks and improve positive socio-economic and ecological impacts of, for example, ICT solutions, specifically 5G technology as an innovation platform for the improvement of all industries and people's lives, cloud computing, artificial intelligence, etc. Within this group, a special focus is given to topics related to the contribution to the protection of human health, preservation of natural resources and development of circular economy.

- we have assessed and are engaged in:

These are the aspects of particular interest to our stakeholders. We monitor them, report on our results in these areas and, when necessary, continue the dialog.

- we have assessed/recognized and participate when necessary:

These are the areas we work on with the selected stakeholders when necessary, but we do not necessarily report on them. We have established procedures by which we strive to ensure that, in relation to particular topics, we operate in accordance with our stakeholders' expectations.

Focus on selected key material topics

Our business decision for 2023 regarding material topics was to give special focus to these five key material topics of additional impact and relevance for our business and environment for the year mentioned.

- anti-corruption and compliance
- ICT's contribution to low-carbon economy
- digital inclusion
- taking care of health and OHS
- energy consumption.

We have monitored them in line with the new GRI standards and substantiated the requested demands.

BUSINESS RESPONSIBILITY

ESG

Responsible business

Ericsson Nikola Tesla Group and all its employees have a responsibility and commitment to the highest level of integrity and ethics in doing business. Integrity and ethics are an integral part of the company's culture and an essential characteristic of our everyday Way of Working and doing business. Operating with a strong sense of honesty is crucial to maintain credibility and preserve the trust of customers, partners, employees, shareholders, and all other stakeholders.

It is required from all stakeholders that have a contractual relation with the Group, as well as from all employees, to adhere to the Ericsson Nikola Tesla Group's Code of Conduct for Business Partners and Ericsson Nikola Tesla Group's Code of Business Ethics in their daily operations. These documents can be found at: <https://www.ericsson.hr/en/company-governance>.

Our management system is the foundation of our Way of Working. We responsibly approach our business activities at the highest levels in the company, starting with the Supervisory Board, the Management Board and all the members of the Executive Management.

Our Way of Working

Ericsson Nikola Tesla Group's policies, directives and processes encompass the following topics: responsible sourcing, occupational health and safety (OHS), environmental management, anti-corruption, human rights, trade and sales compliance. Code of Business Ethics, Code of Conduct for Business Partners, Trade Compliance Policy, Occupational Health and Safety Policy, and Sustainability Policy are a part of Ericsson Nikola Tesla Group's Management System. In this way, we ensure the integration of sustainability and corporate responsibility into every aspect of our business activities, wherever we do business.

External certification bodies and Ericsson Nikola Tesla Group's team for operational excellence and quality regularly verify the way in which we implement policies and directives, manage risks, and achieve our goals.

Code of Business Ethics

Creating a transparent environment in managing business is the Group's top priority. We use our Code of Business Ethics to show our commitment to acting honestly and truthfully in our business activities and our communication with the market. We expect the Company to be managed in line with the principles outlined in this Code. These standards should be met by everyone: members of the Supervisory Board, the Management Board and the Executive Management, as well as every individual working for Ericsson Nikola Tesla Group.

The Code of Business Ethics reflects the company's commitment to responsible business management, including:

- commitments we have as responsible citizens
- respecting human rights throughout our business operations
- occupational health and safety
- promoting sustainable development
- supporting the United Nations Global Initiative, as stated in the Code of Conduct for Business Partners.

The Code of Business Ethics also contains rules for all the individuals who are performing tasks in the companies of Ericsson Nikola Tesla Group and for Ericsson Nikola Tesla Group, including:

- ensuring full compliance with the laws, rules, and regulations in force
- promoting complete, fair, accurate, timely and comprehensible publication of data in financial reports and other press releases
- resolving potential conflicts of interests adequately
- protecting and using assets appropriately.

The Code emphasizes our zero tolerance for all types of corruption. All employees are obliged to read and sign the Code at the moment they become employees of the company and occasionally during the time spent working for the company.

Code of Conduct for Business Partners

Our Code of Conduct for Business Partners has been drawn up with the purpose of protecting human rights and promoting fair employment conditions, safety at work, responsible environmental management, and high ethical standards. The Code of Conduct applies to all the employees, contractors and suppliers. Our suppliers and their subcontractors are also required to adhere to the Code of Conduct or similar standards, as well as to confirm such adherence.

The Code is based on the ten principles set out in the United Nations Global Compact on human rights, labor, environment, and anti-corruption. Moreover, it emphasizes our objective to apply the United Nations Guiding Principles in our business.

Organization responsible for compliance

We have embedded zero tolerance for corruption as the leading principle on the highest levels of the company. Moreover, we have been implementing it throughout all organizational levels, along with a comprehensive set of rules and processes that all employees must adhere to. Our Risks and Compliance Board is responsible for the overall management of compliance within the Group, and the implementation of the Ethics and Compliance Program.

Compliance and Investigation Officer, with the help of the team responsible for compliance and compliance verification, is responsible to propose the development of the Ethics and Compliance Program elements and monitor its implementation, as well as to organize Risk and Compliance Board meetings.

Reporting non-compliance

Employees, suppliers, customers, and other partners associated with Ericsson Nikola Tesla Group can report a suspected breach of law or the Code of Business Ethics to the local executive manager, Compliance Officer or a Person of Confidence, as described on the web page: www.ericsson.hr/en/company-governance.

This website describes the way to submit anonymous reports via Compliance Line. This Compliance Line is operated by a third party and is available 24/7/365. It is possible to communicate in Croatian, Bosnian, Serbian, Montenegrin, and English. The anonymous reporting system is user-friendly. After the report is submitted, the third party delivers it to Ericsson Nikola Tesla Group, which will not have information about the sender's IP address or other metadata. The Compliance Officer receives reports and informs the Risk and Compliance Board and Audit Committee that determine the ways of further handling the report.

In 2023, there were no confirmed incidents of corruption.

Education for employees and suppliers

We provide various types of training to ensure that our employees and business partners respect all the aspects of our Code of Business Ethics and Code of Conduct.

– Anti-corruption

In 2023, Ericsson Nikola Tesla Group's employees had the obligation to complete the anti-corruption courses via an e-learning app that described real situations in everyday business environment. By providing such continuous education, we aim to increase risk awareness among all attendants, solve all dilemmas they could have and encourage them to act properly. In 2023, we have doubled the time of introductory anti-corruption courses for new employees, with the aim of raising awareness about risks, dilemmas and taking appropriate measures.

The previously adopted Bylaws on Internal Reporting of Irregularities and the selected Persons of Confidence and their deputies for three companies of Ericsson Nikola Tesla Group (Ericsson Nikola Tesla d.d., Ericsson Nikola Tesla Servisi d.o.o. and Libratel d.o.o.) enabled additional channels to report irregularities with additional protection of the whistleblower, in line with the new Whistleblower Protection Act.

– Human rights

As of December 2015, we have been providing e-learning courses on human rights and business for all our employees.

– Compliance

Our compliance workshops are focused on market competition and anti-corruption. We held workshops primarily in the organizational units that are potentially exposed to corruption risks, and organizational units that, due to their functions, have the possibility to be the first ones to notice potential breaches.

– Education for suppliers

Free online courses are available to all the suppliers and other stakeholders in four key areas: code of conduct, anti-corruption, occupational health and safety, and conflict minerals. The suppliers for which a high level of risk is established during verification for entry into a business relationship, or during the contractual relationship, are obliged to prove that they have passed these courses in order to continue to cooperate with us.

Managing business risks

In the process of creating and preserving values, Ericsson Nikola Tesla Group comes across numerous unexpected circumstances, derogations from the planned ways of behavior, business acceptable practices, etc. An important stronghold to overcome these negativities is a quality established process of integrated business risks management (Enterprise Risk Management (ERM)), which takes into account the overall risks to which the Group is exposed to, with the task of a more efficient corporate governance and meeting its targets.

Risk and Compliance Board

This Board has the main jurisdiction. The work of the Board includes monitoring risks and compliance as well as ensuring harmonization and risk mitigation. The Management Board, Executive Management, Risk and Compliance Board and line managers of all the Group's organizational units take care to comply with the directives.

The Management Board, Executive Management and Risk and Compliance Board monitor and regulate the following areas through specific elements:

– Human Resources:

compliance regarding labor relations and Workers Councils matters, compliance with the Code of Business Ethics, reviewing business practice to avoid the risk of employee claims due to discrimination (sex, disability, age, sexual orientation, religion, etc.), compliance with the laws on immigration and posted workers, compliance of obligations related to pensions.

– Finance:

preparing and filing statutory accounts with local authorities; compliance with accounting standards and IFRS, compliance with tax laws and filing appropriate returns to authorities,

compliance with the Group's Authorization Policy and Code of Conduct, compliance with the Code of Conduct and the Supply Chain Directive, suppliers' compliance with the Ericsson Nikola Tesla Code of Conduct for Business Partners, environmental and occupational health and safety requirements, suppliers' compliance with anti-corruption requirements by continuously screening supplier integrity and requesting due diligence reports.

– Sales & Trade Compliance:

sales compliance with the Group's Sales Directive, handling of approval requests related to Sensitive Business Areas, as well as Government and Defense business, trade compliance with the local laws, including administration of import/export licenses.

– Legal:

compliance with statutory, regulatory, and contractual obligations, requirements in the areas of Anti-Bribery & Corruption, Competition Law, compliance with corporate rules of data protection and intellectual property rights.

– General Services:

compliance with security directives and other legal obligations pursuant to Croatian laws, compliance with ISO 27001 and ISO 9001, compliance with insurance requirements and insurance claims notifications, compliance with lease agreements and local laws applicable to the activities carried out at branch office sites, managing risks related to occupational health and safety and the environment, demonstrating and auditing compliance with the policy, law and best practice of occupational health and safety, environmental management and compliance with ISO 14001 and ISO 45001 standards. Risk management defines the basic settings to create the Business Continuity Plan that aims to secure business continuity by mitigating risk levels and losses related to Ericsson Nikola Tesla Group's business processes and negative consequences for the employees, Management Board, customers, and suppliers.

– Communications & Corporate Social Responsibility (CSR):

compliance with Ericsson Nikola Tesla Group's policies and directives, directives of the Marketing, Communications and CSR Department, and Croatian laws and regulations (Securities Market Act, ZSE Rules, etc.), corporate communications and investor relations, including transparent and fair reporting, managing risks, i.e. perception in relation to the brand, external/internal and crisis communications, compliance with the donation and sponsorship directive.

Business Partner Review Board

Based on the inputs gathered through the screening process performed by Sourcing and Finance, this Board decides on compliance matters related to business partners with which the Group or the branch office does, or intends to do, business. The head of each unit is responsible for each of the mentioned areas. It is important to highlight that the Board proposes to the Management Board and Executive Management the decisions regarding the approval or rejection of business relations with a business partner and/or a specific deal structure, should it, at the discretion of the Board, be deemed that it would pose a compliance risk that cannot be mitigated.



Adequate methods and measures

Successful risk management requires an integrated approach. By linking organizational culture, means and practices with strategic goals and their execution, a framework is created to manage risks in certain scenarios with the aim to create, realize and retain values.

The Group's risk management includes an operational and process dimension, and the primary risks are defined as:

- strategic
- business
- operating
- financial
- security (IT, people, premises)
- reputational and compliance.

Three lines of defense

The ERM process has three lines of defense:

- The first line of defense refers to risk owners who are managing risks across certain organizational units. The holders are line managers, and the risk is related to their area of operations.
- The second line of defense refers to functions that monitor risks and functioning of controls on the first line of defense, and the control of central risk and compliance. The holders are the Management Board, Executive Management and the Group's Risk and Compliance Board, in a way that they support the owners of a certain risk in reaching policies, but also help define goals and actions with risks that include several functions. These are the risks that appear in several different functions at the same time, such as sourcing, sales, payments, safety, quality, etc. In order for the defense to function, all risk owners must regularly share information about the status of certain risks with the Risk and Compliance Board, which are regularly monitored and mitigated during the Executive Management meetings.
- The third line of defense refers to independent internal audit. The holder is an

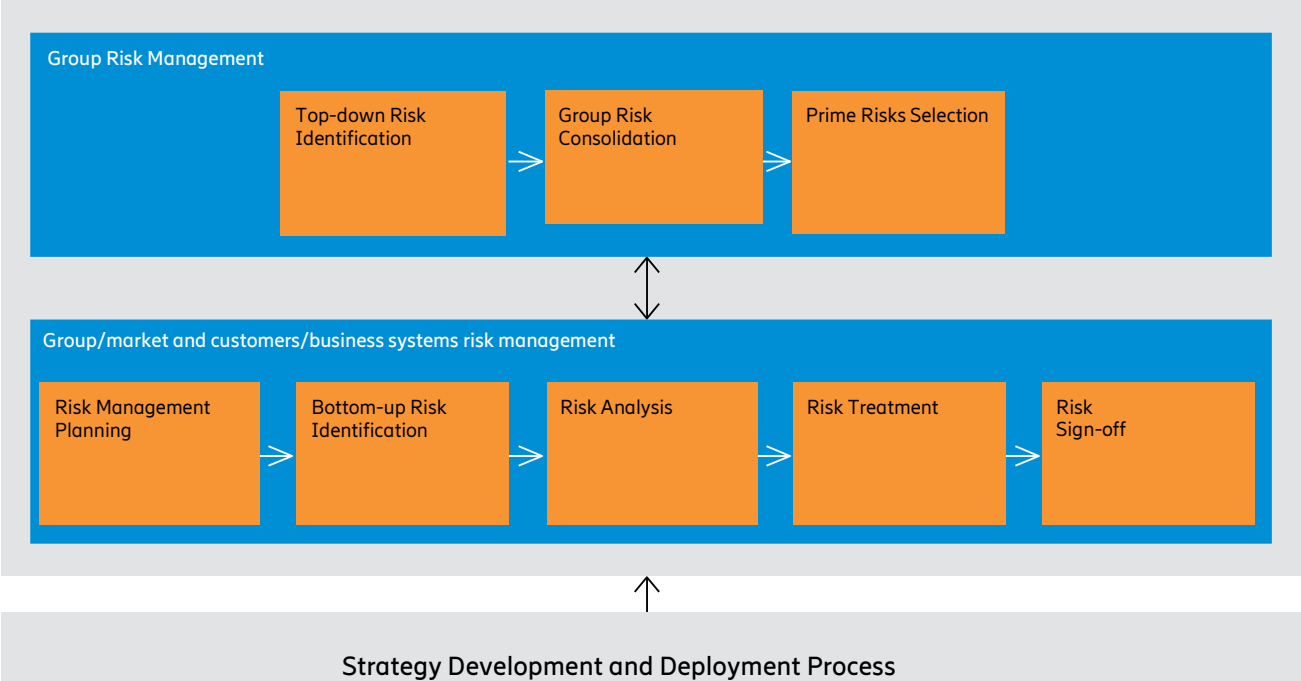
independent internal auditor. This business function was implemented in the Group in 2021. An independent internal auditor provides management and supervisory structures assurance based on a high level of independence and objectivity within the organization, and reports to the Audit Committee and the Supervisory Board of the Company, as well as to the Risk and Compliance Board.

A significant role in the overall system and process of risk management and internal controls system is also played by the external financial auditors and certification organizations that perform external audits related to ISO standards requirements, regulators, and other forms of external supervision in Ericsson Nikola Tesla Group.

As a confirmation of quality risk management and corporate governance in the Group, on 24 October 2023, Ericsson Nikola Tesla was awarded the recognition for the best compliance with the Code of Corporate Governance among the issuers on the Regular Market of the Zagreb Stock Exchange, according to indicators for 2022. The recognition was awarded by the Croatian Financial Services Supervisory Agency (HANFA) and Jutarnji list.

Mapping Risks

Intellectual property	Quality	Competition	Mergers & Acquisitions	Information security	Safety, protection, and business continuity
People	Management, risks and control	Laws and regulations	Geopolitical environment	Customers	Accounting
Treasury	Technology	Supply chain & Sourcing	Products and services	Project execution	Risks related to environment and impact on climate



Corporate governance

Corporate governance describes the way in which rights and responsibilities are shared between management bodies in accordance with the applicable laws, rules and internal procedures. Corporate governance also describes the system of reaching decisions and the structure through which shareholders can directly or indirectly control the way the Company is managed. Its long-term purpose is to continuously create economic value for all shareholders.

Management Board and Supervisory Board of Ericsson Nikola Tesla d.d. encourage the respect of corporate governance principles in order to ensure transparent business, protection of rights and equal treatment of all shareholders, as well as to strengthen the responsibility towards all stakeholders.

The Company's experts continuously, timely and objectively inform the public about all important business activities and achieved results, thus strengthening the public perception of a Company that fully implements the Code of Business Ethics.

Good governance of the Company strengthens the trust of all stakeholders, credibility towards customers, partners, employees, shareholders and others, and represents a significant factor in the company's competitiveness and long-term sustainability.

Regulation and compliance

Ericsson Nikola Tesla is a joint-stock company with shares listed on the Regular Market of the Zagreb Stock Exchange, and accordingly, is subjected to various regulations that affect its governance. The most significant regulations that apply to us are the following:

- the Companies Act
- the Capital Market Act
- Zagreb Stock Exchange Rules
- Code of Corporate Governance of the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange
- Applicable rulebooks of the Croatian Financial Services Supervisory Agency (HANFA)
- Applicable EU regulations.

Internal rules

In order to ensure compliance with legal and regulatory requirements and high standards we have set, Ericsson Nikola Tesla has adopted internal rules, which include:

- Articles of Association and work procedures of the Company's bodies
- Corporate Governance Principles of Ericsson Nikola Tesla
- Code of Business Ethics
- Code of Conduct for Business Partners
- the Group's steering documents, including the Group's rules and directives, instructions and business processes for control and risk management.

Code of Business Ethics

Our Code of Business Ethics summarizes the Group's basic policies and directives and contains rules which ensure business with a strong sense of integrity. This is crucial for maintaining trust and credibility towards our customers, partners, employees, shareholders, and other stakeholders. Everyone who works for Ericsson Nikola Tesla has an individual responsibility to ensure that business activities are performed in accordance with the Code of Business Ethics.

After they are employed, the employees confirm that they are aware of the principles of the Code of Business Ethics. This procedure is periodically repeated during their employment.

The Company's bodies

The General Meeting of a joint-stock company is a place where the shareholders exercise their legally established rights.

In addition to the members of the Supervisory Board, elected by the shareholders, the Supervisory Board has an employees' representative, elected by the Company's employees. The Supervisory Board supervises the management of the Company. The Management Board of the Company consists of one member, appointed by the Supervisory Board. The Management Board manages the Company's business under its own responsibility with the support of Ericsson Nikola Tesla's Executive Management. General Meeting appoints Ericsson Nikola Tesla's external auditors.

An Independent Internal Audit Officer, Compliance and Investigation Officer and Data Protection Officer (DPO) report on their work to the Audit Committee of the Supervisory Board and Risk and Compliance Board of Ericsson Nikola Tesla d.d..

General Meeting

General Meeting of Shareholders decides on the election and recall of the Supervisory Board members, profit allocation, policy of remuneration and the reports on the remuneration for the members of the Management Board and the Supervisory Board, discharge from liability to the Management Board and the Supervisory Board, appointment of an independent auditor of annual financial statements, amendments to the Company's Articles of Association, as well as other issues explicitly defined in the Companies Act and the Company's Articles of Association.

At the General Meeting, the decisions are reached by the majority of votes cast (simple majority), unless prescribed by law or the Articles of Association that it needs a larger majority. For example, the Companies Act defines that the decisions reached at the General Meeting related to amendments of the Articles of Association and increase or reduction of the share capital are to be reached by the votes which represent at least three quarters of the share capital represented at the General Meeting.

Ericsson Nikola Tesla's General Meeting is held in Zagreb, at the Company's headquarters. The date, time and place of the General Meeting, together with the respective Agenda, are published on Ericsson Nikola Tesla's web page no later than a month before the General Meeting is going to be held, with the extension for the days defined for the application of participating.

The shareholders who cannot participate in person at the General Meeting can exercise their right to vote by proxies. All documentation related to the General Meeting is available in Croatian and English.

The shareholders attending the General Meeting are entitled to ask questions which relate to the Group's business performance. In general, the majority of the Supervisory Board, Management Board and Executive Management members are present at the General Meeting to answer such questions. External auditor attends the General Meeting.

Ericsson Nikola Tesla's General Meetings in 2023

The regular General Meeting of Ericsson Nikola Tesla joint-stock company was held on June 14, 2023, at the company's headquarters in Zagreb, Krapinska 45. For participation in the work of the General Meeting EUR 11,671,192.51 of the share capital was registered, corresponding to 66.53 percent of the Company's total equity.

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

- the Report of the Company's Supervisory Board on the Performed Supervision in 2022 is approved;
- it was decided that in the procedure of alignment of the Company's share capital and the parts of this capital that refer to individual shares with the provisions of Article 21 of the Act on the Amendments to the Companies Act (Official Gazette, no. 114/22), all the Company's shares, in total 1,331,650, of the nominal value of HRK 100.00 each, shall be substituted with the shares without the nominal value, and the existing amount of the Company's share capital is converted in the amount expressed in Euro, by applying the fixed conversion rate of Kuna to Euro (EUR 1 = HRK 7.53450) and amounts to EUR 17,674,030.00. A part of the share capital, amounting to EUR 2.78, shall be distributed and allocated in the Company's capital reserves. In line with this Decision, the Company's Articles of Association are amended, and this Decision comes into force on day of the registration of the amendment of the Company's Articles of Association in the Court Register;
- it was decided that the Company's net profit for the financial year 2022, amounting to HRK 147,518,760.85 (EUR 19,579,104.23) will be allocated to retained earnings. The Company's shareholders will be paid a dividend of EUR 6 per share from the retained earnings from 2021 and retained earnings from 2022. The dividend shall be paid on July 11, 2023 (payment date) to all the Company's shareholders that on June 20, 2023 (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 2022 together with the Independent limited assurance report on the Remuneration Report of Ericsson Nikola Tesla d.d. was approved.
- Discharge from liability was given to Gordana Kovačević, the Company's Managing Director, as well as to the Chairperson and the members of the Company's Supervisory Board in relation to the exercise of their duties in 2022;
- a decision was reached on the re-election of the member of the Supervisory Board, Olgica Spevec, Director in Amplus Consult d.o.o.,
- a decision was reached on the election of Carl Henrik Magnus Carle, Ericsson Head of Finance & Business Management for IPR & Licensing, as a member of the Supervisory Board;

- it was decided that KPMG Croatia d.o.o. is re-appointed as the auditor of the Company's business performance for the year 2023;
- the counterproposal made by the shareholder OTP banka d.d. for and on behalf of Erste Plavi mandatory pension fund B category, to approve the dividend payment to shareholders in the gross amount of EUR 12.00 per share was not adopted.

In 2024, the regular General Meeting of Ericsson Nikola Tesla d.d. will be held on June 27 at the Company's headquarters, Krapinska 45, Zagreb. Additional information is available at Ericsson Nikola Tesla's web page.

Supervisory Board

The main task of the Supervisory Board is to supervise the management of the Company's business. Ericsson Nikola Tesla's Supervisory Board consists of five members, appointed for a four-year term with the possibility of re-election. Four members of the Supervisory Board are elected by the Company's General Meeting, and one is elected by employees.

In its work, the Supervisory Board shall apply high ethical standards and take into account the interests of the Company and its shareholders.

The Company's Management Board has regularly informed the Supervisory Board on all important business activities and course of business operations, as well as on all other items that the Supervisory Board asked for.

The Supervisory Board reports to the General Meeting on the supervision of business operations, approves the Consolidated and Non-Consolidated Annual Financial Statements for the year, presents the opinion on the Management Board proposal on the profit allocation and proposes the appointment of the Company's Auditor to the General Meeting.

Rules of Procedure of Ericsson Nikola Tesla's Supervisory Board are available at the Company's web page <https://ericsson.hr/en/company-governance>.

Work of the Supervisory Board in 2023

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 management of the Company's business operations, taking respective decisions and conclusions at four regular and three extraordinary Supervisory Board meetings held during 2023.

During 2023, the members of the Supervisory Board were:

- Franck Pierre Roland Bouétard (Chairperson)
- Olgica Spevec (Deputy Chair)
- Ana Vrsaljko Metelko (Member)
- Petar Šimundža (Member and employees' representative)
- Carl Henrik Magnus Carle (Member, appointed on June 14, 2023)

There was full attendance of the Supervisory Board members at the meetings, except for the meeting held on June 29, 2023, when Mr. Carle was absent.

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 in major markets, key risks, activities and contracts with the customers, focus areas, strategic projects, realization of targets, financial performance, investments and strategic directions. Further topics of discussion encompassed compliance, internal audit system, significant business transactions that include the Company and its related parties, as well as issues regarding human resources, shareholders and share value evolution.

The Supervisory Board has been regularly informed about the development of business and responsibilities of the Research & Development Center, Customer Services and Solutions Center, Center for ICT solutions for Digital Society, IT & Engineering Services Unit, and the daughter company Ericsson Nikola Tesla Servisi d.o.o.

At extraordinary Supervisory Board meetings, the members discussed preliminary financial results for 2022, targets for 2023, evaluation of Supervisory Board performance and cooperation with the Management Board, approval of annual financial statements for 2022, dividend proposal for 2022, and the Remuneration Report for the members of the Supervisory Board and the Management Board in 2022.

In April 2023, a strategic workshop between the Management Board and the Supervisory Board was held, at which the financial plans of Ericsson Nikola Tesla Group were analyzed for the period 2023-2026 for each business segment (Telecom, Digital Society, R&D, Service Delivery) as well as the progress of each strategic direction. The Supervisory Board commended the realized progress and gave directions for further activities.

The Supervisory Board strongly supported the activities on strengthening ethics and compliance business practice in order to ensure that the Company meets the highest standards, in line with the Code of Business Ethics of Ericsson Nikola Tesla Group. Ericsson Nikola Tesla's Compliance and Investigation Officer regularly informed the members of the Supervisory Board about the reported compliance concerns, vetted third parties with indicated risks, and efficiently established certifications of conflict-of-interest. The Supervisory Board also focused on the efficiency of the risk management system and internal control. During 2023, it has strengthened external and internal risks identification and monitored defined action plans to reduce these risks.

At the beginning of 2024, the Supervisory Board conducted a self-assessment of the effectiveness, competences and composition of the Supervisory Board and its Audit Committee in 2023, 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. The tools for assessment included detailed questionnaires and discussions. The overall conclusion is that Ericsson Nikola Tesla's Supervisory Board and its Audit Committee are efficient in performing their tasks and have knowledge and experience aligned with the requirements of

the Company's business. Close and open communication and constructive dialogue with the Management Board and Executive Management is especially highlighted, as well as individual competences of the Board's members, their preparation for the meetings and commitment to their individual roles, as well as the joint role of the Supervisory Board as an important component in the Company's overall business.

In the forthcoming period, the Supervisory Board will continue to monitor strategy execution and provide support to the Management Board and Executive Management to grow business and boost innovations through new products and business models. It will keep focus on key financial indicators, business risks and challenges. It will maintain quality of constructive and effective cooperation and communication (within the SB as well as with the MB) and will continue to strengthen transparent and open communication with the Company's shareholders.

The Management Board assessed its own effectiveness in 2023 and presented its conclusions at the Supervisory Board meeting.

In 2020, the Supervisory Board set a target percentage regarding the representation of women by 2025; namely 40% of women in the Supervisory Board and 30% in the Executive Management, among managers and at the level of the entire company. At the end of 2023, the share of women in the Supervisory Board was 40% and 25% in Executive Management. At Group's level, the share of women among line managers, program & project managers as well as among the total number of employees was 25%. Ericsson Nikola Tesla is on the right track regarding this target; at the company level, the share of women among line managers and program and project managers was 27% and in the total number of employees it was 29%.

Analyzing the reports of the Management Board and monitoring the development of key financial indicators, the Supervisory Board assessed that in 2023 Ericsson Nikola Tesla Group operated in line with its targets. The Group achieved quality business results, thanks to its strong market position, innovation potential and high level of experience in the development of modern ICT solutions, thus demonstrating strong resilience and the ability to adapt to challenging geopolitical and economic environment. The commitment and energy of Ericsson Nikola Tesla's employees are the key to the company's success. Therefore, strong emphasis is placed on career management, leadership and other factors that enable Ericsson Nikola Tesla to attract, motivate and retain talents.

In 2024, in line with the strategic directions, the Group remains focused on strengthening the activities in the Digital Society segment, in the quality of its deliveries, in enhanced collaboration model with Ericsson as well as finding new business models and opportunities in the markets. Furthermore, due to still challenging market conditions, the focus will remain on risk management, operational efficiency and continuous improvement of the company's culture based on integrity, ethics and compliance.

Work of the Audit Committee

The Audit Committee is a subcommittee of the Supervisory Board. Ericsson Nikola Tesla's Audit

Committee Charter is available at the Company's web page: <https://www.ericsson.hr/en/company-governance>.

During 2023, the members of the Audit Committee were: Olgica Spevec (Chairperson) an independent member of the Supervisory Board, Vesna Vašiček (Member) an external expert, Carl Henrik Magnus Carle (Member since June 29, 2023) Ericsson representative in the Supervisory Board. There was full attendance of Audit Committee members at the meetings.

In 2023, the Audit Committee held five meetings, during which it discussed the financial performance during the year and annual financial statements, audit plan for 2023, internal and external audit findings, key risks, quality control and risk management system, issues regarding compliance and safety, and performed other tasks defined by the Audit Act and the Audit Committee Charter.

The Audit Committee met regularly with external auditors to review the audit plan and findings, audit fee and the Report on the audit of the financial statements. It evaluated the performance of the external auditors and inquired into their qualifications, independence, and objectivity. After negotiations with external auditors, the Committee approved the audit fee for 2023. It also pre-approved all non-audit services provided by the external auditors.

The Committee monitored the activities and approved the plan and objectives of the team for Operational Excellence, Development & Quality and Independent Internal Audit for 2023. Risk management, internal controls and compliance requirements have been checked during the year by independent internal audits and assessments, as well as by external audits of Ericsson Nikola Tesla Group's Management System. Based on the outcome of the mentioned audits and assessments, the Committee concluded that Ericsson Nikola Tesla Group has an adequate and functional risk management system. A stronger focus on continuous improvements of processes and business efficiency was recommended.

With respect to compliance the Audit Committee decided about the reported compliance concerns. It evaluated and monitored Ericsson Nikola Tesla Group's Ethics and compliance program activities, tracking and evaluating improvements after assessments conducted internally and reported to the Committee by Independent Internal Audit Officer and Compliance and Investigation Officer. The Audit Committee has also encouraged the organization of workshops related to conflict-of-interest and initiated education on the novelties of the European Union Competition Act.

The Audit Committee's opinion is that Ericsson Nikola Tesla Group has well established and efficient compliance procedures. Furthermore, it supports all the measures and processes that are in place, as well as further strengthening of the compliance program.

Based on the recommendation of the Audit Committee, the Supervisory Board proposed to the General Meeting of Shareholders the appointment of KPMG Croatia d.o.o. as the auditor of Ericsson Nikola Tesla d.d. for 2024.

The Audit Committee regularly presented its conclusions and recommendations to members of the Supervisory Board.

Remuneration policy for the Supervisory Board

When defining a remuneration model for the work of the Supervisory Board members, various external and internal factors were taken into consideration, such as the Company's position and opportunities, practices of local companies in telecom industry, as well as the policies of salaries and remunerations in the Company and Ericsson Nikola Tesla Group.

The remunerations of the Supervisory Board members are independent of the Company's results and do not include a variable part of compensation. 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. A member of the Supervisory Board, who is also a member of the Audit Committee, additionally receives a monthly amount of EUR 500.00. 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.

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 (including reimbursement of expenses) to individual members of the Supervisory Board in 2023 for their work in the Supervisory Board.

Supervisory Board	Gross 1 (EUR)
Olgica Spevec, Deputy Chair	23,747.45
Ana Vrsaljko Metelko, Member	17,738.64
Petar Šimundža, Member and employees' representative	17,061.80

Vesna Vašiček, Audit Committee	8,536.89 (EUR)
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The members of the Supervisory Board who are connected to the largest single shareholder LM Ericsson and are elected at the Company's General Meeting of Shareholders, give up the right to remuneration in line with the policies of their employer.

The Company did not provide 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.

The Company did not give any gifts or benefits to the members of the Supervisory Board.

Management Board

The role of the Management Board in the management of the Company's business is defined by the Companies Act, Articles of Association and internal rule books of Ericsson Nikola Tesla d.d. The Management Board is obliged to consciously perform its duties, taking into account the Company's and its shareholders' interests. Ericsson Nikola Tesla has a one-member Management Board, a Managing Director, appointed by the Supervisory Board for a five-year term, with the possibility of re-election. Gordana Kovačević, Managing Director of the Company since January 1, 2005, was reappointed at the end of 2019 for another, fourth term in office.

The Management Board has the following non-transferable rights and obligations:

- to develop, discuss and approve the Company's strategy and business plan and to ensure its application;
- to regularly inform the Supervisory Board of financial and business results, strategy, and business plans as well as other issues which are important for the Company's business and position;
- to ensure the basis for managing business and for that purpose adopt appropriate acts and standard business procedures;
- to organize consistent accounting and financial control in accordance with applicable regulations and financial planning;
- to determine the business organization, to appoint and recall the members of the executive management with the purpose of establishing an effective organizational structure and to determine the principles of their remuneration;
- to supervise whether the work of executive management is in line with the relevant legal provisions, Articles of Association of Ericsson Nikola Tesla, decisions, and general enactments issued by the Management Board and the business plan;
- to evaluate first line managers and ensure succession and development plan;
- to prepare, in accordance with the Croatian Companies Act and other current regulations, the report on business performance and to warn of deviations in the actual business development compared to the previously defined plans and goals and to state the reasons for this;
- to inform the Supervisory Board of all detected non-compliance and agree upon the measures that must be implemented;
- to organize the General Meeting of Ericsson Nikola Tesla joint-stock company and execute the adopted decisions.

The Management Board is bound by the company's best interests and may not pursue personal interests in making decisions or use for themselves business opportunities intended for the

company. The Management Board is obliged to immediately inform the Chairperson of the Supervisory Board of the conflict of interest.

Remuneration Policy for the Management Board

The remuneration and reward for the work performed by the Management Board are focused on sustainable development and growth of the Company and are carried out in line with the Remuneration Policy for the Management Board adopted by the Supervisory Board and approved at the Company's General Meeting, held on June 29, 2022.

The amount of basic (contract) salary is determined based on responsibility level, complexity of tasks, size of organization, diversity of business segments and technologies involved, taking into account companies in the labor market, relevant in terms of core business, size, and complexity. Monthly contract salary is agreed upon in an individual employment contracts.

Annual target salary includes the contract salary and the variable component for achievement of annual business targets on the Commitment level. The annual target salary is reviewed once a year and, if necessary, adjustments are made on the condition that there are assets in the budget secured for this purpose.

In addition to the fixed basic salary, the annual target salary for the Management Board also includes a variable component, which depends on the performance, i.e. on the Company's achieved business goals. The STV (short-term variable pay) bonus scheme is used for the Management Board. The bonus is used to reward the achievement of the Company's targets, mainly financial ones, over the course of one year.

The Management Board's goals are defined in line with the Company's business goals which have been approved for a certain year and strategic determinants of the future business development. The ratio of the fixed basic annual salary and the annual bonus within one annual target salary for the Management Board is 80:20. In case defined goals are achieved on the Stretch level, the ratio is 67:33.

Allocation of treasury shares

If treasury shares are allocated to the Management Board, such allocation is based on the decision made by the Company's Supervisory Board, usually for a period of 3-4 years, and is conditioned by exceptionally good results in the past period, i.e. high expectations for the coming period.

Additional benefits of the job

In addition to the above components, compensation includes other additional benefits. Additional benefits are non-monetary benefits and services provided by the Company as well as receipts in kind, e.g. company car, meals in the company, medical check-up for the Management Board, severance pay when leaving the company, various education, etc.

Remuneration paid to the Management Board in 2023

In 2023, the following gross 1 amounts were paid to Gordana Kovačević, the Management

Board: fixed annual basic salary of EUR 329,765.47, annual bonus (short-term variable) of EUR 126,605.87. Additional benefits of the job (company car, non-taxable holiday allowance, meals in the company) amounted to EUR 7,409.15. During 2023, the Management Board was not allocated any of the Company's own shares.

Executive Management

Ericsson Nikola Tesla's Executive Management consists of the Managing Director and the directors of the main organizational units.

The Managing Director is responsible for the management of the daily business and is supported by other members of the Executive Management in her work.

Executive Management:

- defines the strategy and policy and establishes a strong corporate culture;
- defines goals for operational units, allocates resources and monitors the performance of particular units;
- ensures operational excellence and achieves synergy through efficient organization.

The members of the Executive Management are listed in the Financial Statements in the chapters Profile of the Parent Company and its subsidiaries (the Group) and Company profile. Additional information about the remunerations can be found in Note 29(b) "Key management compensation" of the Consolidated Financial Statements.

Ericsson Nikola Tesla Group Management System

Ericsson Nikola Tesla Group's management system encourages corporate culture and ensures management of business operations:

- to meet the goals of Ericsson Nikola Tesla's main stakeholders (customers, shareholders, employees);
- within defined risk limits and with reliable internal control;
- in accordance with relevant laws, Code of Corporate Governance and stock exchange rules.

Ericsson Nikola Tesla Group Management System is a framework consisting of rules and requests related to the Group's business performance, defined by described processes and organization, policies, guidelines, and instructions. The Management System is based on ISO 9001:2015 (international standard for quality management), ISO 14001:2015 (international environmental management standard), ISO 45001:2018 (international occupational health and safety management standard) and ISO 27001:2013 (international information security management standard). However, it is designed as a dynamic system which enables the Group

to adapt the system to varying requirements and expectations, including new legislation as well as customers' and other stakeholders' requests.

A management system is a prerequisite for operational excellence that results in an increased customer satisfaction, reduced costs, and increased competitiveness.

Members of the operational excellence, development and quality team perform internal control of processes and activities. The focus is on improving the integrated management system, executing strategy, managing business processes, reporting, and managing performance.

Target realization is also secured by the competent functions and boards, established pursuant to legal requirements, requirements of Ericsson Corporation and the needs of the company and/or requirements of Ericsson Nikola Tesla's Management Board.

In implementing its strategy and achieving business goals, the company is faced with various risks daily. The Management System takes these risks into consideration and enables their timely identification, analysis, and assessment, as well as taking appropriate preventive measures to eliminate or mitigate them. Risk management is incorporated into all business segments and all operational processes through the Management System.

Managers of all the Group's organizational units, together with the employees, actively participate in the risk management process.

At the Group's level or within individual companies of the Group, the following functions/committees were established, for example:

- Data Protection Officers
- Persons of Confidence and Deputies to Persons of Confidence
- Compliance and Investigation Officer
- Independent Internal Audit Officer
- Operational Excellence, Development and Quality Manager
- Occupational Health and Safety Board
- Security Board
- Risk and Compliance Board
- Investment Board
- Committee for Receiving and Resolving Complaints Related to Dignity Protection of Employees of Ericsson Nikola Tesla d.d.
- Company's Secretary of Ericsson Nikola Tesla d.d.
- Ericsson Nikola Tesla's R&D Croatia Operational Steering Group
- Distributorship Agreement Governance for the distribution of Ericsson products, solutions and services

- Postgraduate Management Board of Ericsson Nikola Tesla
- Innovation Steering Committee
- Steering Committee for Real Estate Program
- Technology Management Board
- Digital Transformation Program Board
- Steering Committee for Activities of Ericsson Nikola Tesla BY d.o.o.
- Steering Committee for Activities of Ericsson Nikola Tesla d.d. - Branch office Kosovo

Independent internal audit

Internal audit as a business function was established in Ericsson Nikola Tesla Group in 2021. This function is carried out by an independent internal auditor. The activities of an independent internal auditor are carried out in line with the requirements defined by the Rulebook on the Independent Internal Audit of Ericsson Nikola Tesla Group. An independent internal auditor submits regular quarterly reports about these activities to the Company's Audit Committee and Supervisory Board and the Risk and Compliance Board.

External auditors

External independent auditors, appointed by the General Meeting, perform the annual audit of financial statements and business reports to ensure an independent, objective opinion on the way the financial statements are prepared and presented. The independent auditor's report to the General Meeting is an integral part of the Annual Report.

KPMG Croatia d.o.o. was again chosen as the Company's auditor for 2023.

Chairperson of the Supervisory Board



Franck Pierre Roland Bouétard

(elected in 2018, re-elected on June 27, 2022)

Regional Head for France, Algeria, Tunisia, Belgium, and Luxembourg, as well as Head of Orange, Altice and Iliad global accounts.

Graduated from Ecole Nationale Supérieure des Télécommunications (Télécom Paris) and graduated from IFA (Institut Français des Administrateurs) at Sciences Po Paris.

Board member of the Swedish Chamber of Commerce in France, Article 1 association and Telecom Paris engineering school.

Deputy Chair of the Supervisory Board; Chair of the Audit Committee



Olgica Spevec

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

Director of the Amplus Consult Ltd, Zagreb:

2014 - 2022	Business consultant, Director of the Amplus Consult Ltd, Zagreb
2003 - 2013	President of the Competition Council in the Croatian Competition Agency
2000 - 2003	Assistant Minister of the Economy

MSc of Economy, University of Zagreb - Faculty of Economics, Croatia

Supervisory Board member



Ana Vrsaljko Metelko

(independent member, elected on June 29, 2021)

Attorney, Law Office Ana Vrsaljko Metelko, Zagreb

as of September 2020 – Ana Vrsaljko Metelko Law Office; as of March 2021 in cooperation with Ostermann and Partners LLP Law Firm, Zagreb

2008 – 2020 Žurić i Partneri Law Firm: Partner 2017-2020

2006 - 2007 Tankerska plovidba d.d., In-house Lawyer, Legal and Insurance Sector

Graduated at Law School, University of Zagreb

Member of the Supervisory Board and employees' representative



Petar Šimundža

(elected in 2022, member as of November 29, 2022)

System Software Engineer

Ericsson Nikola Tesla d.d.

Graduated in Electrical Engineering, Telecommunications, Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture, University of Split.

1997 –	Ericsson Nikola Tesla, Split
1994 – 1997	Ministry of the Interior, Split
1992 – 1994	Adut, Split
1991 – 1992	Daniel-commerce, Split
	Armed Forces of the Republic of Croatia – Air Brigade

Member of the Supervisory Board and Audit Committee



Carl Henrik Magnus Carle

(elected on June 14, 2023, as the member of the Supervisory Board, appointed as the 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.

Personal data protection

In addition to undoubted and numerous positive changes in terms of better connectivity of systems and people, technological revolution also brings new security risks and risks for personal data protection. Apps, connected devices and integrated networks become potential targets for various types of misuse, cyberattacks and theft of personal data or identity. Therefore, security and protection of personal data are priorities in technologies and services that the Group provides.

Acknowledging the fact that nowadays websites are one of the most important communication channels, various information on personal data processing is available at the link at the bottom of our every web page, i.e. web page depending on the category of data subjects that the Group is addressing (visitors, suppliers, employees, etc.). Thus, we make available all the necessary information related to processing and protection of personal data of various data subjects in a transparent, simple and fast way.

The Group has a Data Protection Officer whose task is to monitor compliance with the personal data protection rules. The Data Protection Officer is also the point of contact for all questions related to personal data protection that may be raised by organizational units, employees, suppliers, etc. Furthermore, the Data Protection Officer is the head of a virtual Privacy Team that consists of personal data protection experts and information security experts. In 2023, the Privacy Team was strengthened by new members and, moreover, Privacy Champions were appointed in certain organizational units.

Last year, the Group's Data Protection Officer participated in the Spring European Conference of Data Protection Authorities. At a panel discussion, she exchanged experiences about the tasks and role of data protection officers, and the challenges they come across in their work. The Group also participated in extensive research about the status of Data Protection Officers in organizations, by answering to a comprehensive questionnaire that the Croatian supervisory body for data protection sent to all legal entities in the Republic of Croatia.

Depending on the category, sensitivity and purpose of personal data collection and processing, limited access to some personal data in the Group is available to managers and employees of specific units, to the extent necessary to perform their duties. Moreover, this is available to suppliers who are entrusted with personal data processing under a corresponding processing agreement, and third parties who have a valid legal basis for personal data processing.

Controlling the collection and further processing of personal data is a mandatory part of operating practice, carried out through a special monitoring system, which includes consistent protection of personal data and regular and specific audits of key processes. In 2023, the Group worked on the improvement of controls for personal data protection to make them more integrated and adjusted to the Group's processes and its portfolio of products and services.

All our employees have been educated on the need and significance of respecting the right to personal data protection, which is included in the Code of Business Ethics, the basic document defining the behavior we expect from all our employees. In 2023, the Group proceeded to work on continuous employee education, especially by carrying out many specialized educations

organized by the national supervisory body for data protection, in cooperation with various experts.

Before hiring suppliers, the Group identifies the project's sensitivity and importance, and carries out due diligence of suppliers and solutions they intend to offer to the Group, which also includes checking security and personal data protection. In 2023, the Group invested additional efforts to check suppliers, i.e. third parties in general.

Due to the nature of our business, we have additional responsibility to efficiently address personal data since the analysis of an enormous amount of data generated by today's communication networks may create permanent benefits for society. The most effective way to realize this potential is to apply innovative technologies with strict adherence to the principles of personal data protection, whereas the results must bring benefits for all stakeholders.

In 2023, there were no confirmed incidents of personal data breach. This means that the Group has efficiently eliminated risks of minor security incidents and prevented them to escalate to a higher severity level, i.e. personal data breach.

Information security

Information and communications infrastructure has an important role in society and business activities. Large amounts of various information have been continuously processed, exchanged, and stored on various ICT systems. Every day, we are exposed to growing threats and risks of cybercrime, and the awareness of the importance of data is the foundation for the implementation of information security measures. Having regard to this, one of our key priorities is taking care of information security: both personal information and information related to business, customers and business partners. By applying high standards of data protection, we continuously balance between strict protection measures and efficiency in our daily operations.

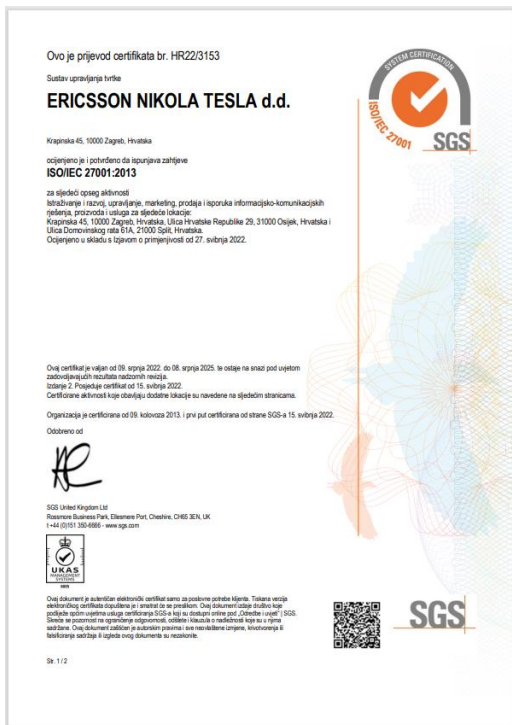
Ericsson Nikola Tesla Group has been continuously and devotedly implementing and carrying out security measures by respecting high protection standards of all data, with the aim to develop and deliver our products and services, and secure business continuity, regardless of the types of threats.

Management and policies

Managing information security is one of the key priorities for the Management Board and the overall management structure of Ericsson Nikola Tesla Group. Through its information security policy, the Group reflects the readiness and commitment to dedicate special attention to information security in regular business. There are five areas of information security of which we take care separately: security checks, physical security, data security, business cooperation security, and IT Security, as its most prominent part.

Security Management Board and Crisis Management Task Force are the umbrellas at Group level that deal with safety issues, from planning, implementing and monitoring to correcting. Special attention is given to security incidents and crisis situations. At Group level, a Security Manager was appointed who coordinates operations regarding risk management issues and all areas of security (information, personal, security of persons and property, business continuity and preserving the company's basic values). Considering the importance of information systems in ensuring the basic aspects of information security, there is also an IT Security Manager.

In order to operationally solve security issues, incident reporting is used for all employees and business partners. Reporting security incidents is an important part of the incident management process. According to incident type, security incidents are then processed in the competent organizational units. In 2023, there were four critical security incidents, which were successfully solved. In addition to operational activities for eliminating the causes and the consequences of incidents, incident management process also serves as one of the input data for the continuous improvement of security systems.



Ericsson Nikola Tesla uses an integrated Management System (EGMS), based on business standards (ISO 9001:2015, 14001:2015 and 45001:2018) which also includes the international information security standard ISO/IEC 27001:2013, i.e. ISMS as the information security management system. Ericsson Nikola Tesla d.d. has had a valid information security certificate ever since 2013 and validates it each year after regular audit performed by an authorized external auditor. In 2023, the three-year certification cycle continued, as well as the three-year process of adjustment to the latest version of 27001:2022 standard.

A mandatory part of the information security system is also regular education in information security for all employees and other participants of the Group's business processes, as well as the awareness-raising campaigns, among which we would like to highlight Ericsson Nikola Tesla Security Newsletter that encompasses topics regarding information security, corporate security, product security, protection of privacy, etc.

Risk management

The Group uses Enterprise Risk Management as a framework to manage risks. Considering the types of risks and areas where they occur, all departments in the company have the appropriate tools to estimate, process and propose measures to reduce risks.

For the requirements of information security, a range of organizational and technical measures have been implemented in order to eliminate or neutralize threats. Vital parts of IT equipment are continuously being monitored, and measures of protection, redundancy and increase of resilience for reliable business continuity are carried out, along with the plans for disaster recovery.

As both the areas where the biggest threats have been occurring and the forms in which they have been occurring have been continuously changing, our employees have been additionally educated and informed.

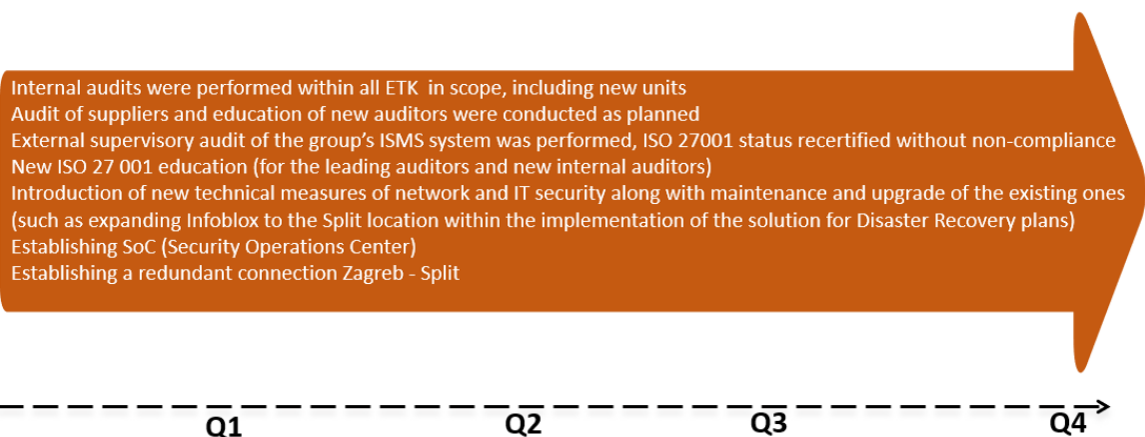
Managing crises

In addition to the continuously present cyber threats, the coronavirus and COVID-19 stopped to pose a significant threat to the Group's business security and employees' health as late as May 2023 when such a decision was reached in line with the public health recommendations. The main threat to business still was the crisis in Ukraine, which specially and directly reflected on the Group's security of employees and business in the neighboring Belarus. The business performance was also impacted by smaller hotspots (Armenia, Israel, Moldova, etc.). The Crisis Management Task Force is still reaching decisions and forwarding information to all the participants of business processes with the aim of maintaining the normal functioning of the Group's business.

By actively responding to these challenges, and as part of the social responsibility that Ericsson Nikola Tesla has as a company of special public interest, our experts and employees participate in organizing a civil protection system in the community. The system enables a fast and efficient response to the occurrence of crisis situations in a wider community as well.

Improvements in 2023

In 2023, several improvements were made in the field of information security, and we would like to highlight the following:



Application of Sales and Trade Compliance protects against risks in domestic and international business

Ericsson Nikola Tesla Group is one of the large Croatian exporters and doing business in various markets in addition to business opportunities also brings exposure to various risks. The best protection against potential risks is to be well informed, to apply legislation of each individual market and to monitor the current situation in the country of interest.

In order to protect the brand and stakeholders' interests, as well as to secure responsible behavior, and especially to protect human rights and ethical business operations in countries where the Group does business, Ericsson Nikola Tesla Group applies the Sales Compliance process. The Group's employees are also aware of the requirement to respect the laws of their own countries, as well as other countries where the Group does business, and special attention is given to Trade Compliance, i.e. potential sanctions and/or embargo.

Considering the geopolitical events and export markets where Ericsson Nikola Tesla Group operates, the activities related to sanctions were carried out last year as well. Sanctions represent international measures of restrictions and are an instrument of diplomatic or economic nature which strive to change the activities or policies such as violation of international law or human rights, or policies that do not comply with the rule of law or democratic principles.

Regarding this, during 2023 Ericsson Nikola Tesla Group delivered products and services in the market of Belarus solely to fulfill the remaining obligations from the contracts in the civil telecommunications sector that were signed before March 2, 2022, in line with the valid sanction regulations of the Republic of Croatia and the European Union and the export licenses issued by relevant authorities. In the market of Belarus at the end of 2023, all the remaining activities in the operator segment under contracts that were signed prior to the introduction of sanctions were finished.

Continuous focus on Sales Compliance and Trade Compliance

Sales Compliance process regulates actions in all stages of the sales process, direct or indirect sale and business connections. Sales Compliance enables quality assessment, prevention, and neutralization of potential negative impacts in the field of human rights and brand, thus preventing any kind of harmful, inappropriate, or unauthorized use of our products, solutions and services by customers, i.e. end users. The assessment is carried out according to the following criteria: portfolio (are these products, services, or knowledge sensitive), purpose for the use of products, profile and structure of the customers, as well as the user's country. Defining risks is also carried out regarding the limitation of human rights, corruption, freedom of expression, the right to privacy, and other parameters based on international standards and assessments.

Regulatory framework and sales processes prescribe one more process that additionally protects

against the negative impact on business. This is Trade Compliance, a process which consists of specific international and national laws and regulations, and especially the regulations of the European Union and the USA, as well as Ericsson's policies and directives that we should adhere to. Ericsson Nikola Tesla Group's employees are familiar with, and obliged to comply with, all the rules and regulations that are applicable in their area of work and defined in local directives and instructions. Employees can address all their questions and ask for support from experts responsible of the processes in a certain segment of business and their implementation.

Sales compliance risk methodology and activities in 2023

The basic verification criteria for determining compliance with risks and approving business opportunities in sales are (all the mentioned criteria are taken into consideration):

- country classification – considering the global political situation and international relations, a level of risk for each country is defined as: low; medium; high,
- customer classification – customers are classified as: civil customers or government and defense customers,
- technology risk – each product we are selling, i.e. each product that is in our database, must be classified in relation to technology risk,
- purpose of use – Compliance Board will evaluate a business opportunity in regard to posing a threat to the brand and protection of human rights, including data protection (GDPR), and decide if it is approved, approved with conditions, or rejected.

Based on the mentioned criteria, a decision is reached on the further course of a certain business opportunity. The decision can be: a business opportunity is approved - with or without precondition, or a business opportunity is rejected. Business opportunities that were approved with (a certain) precondition, must include technical and/or contract risk mitigation.

In 2023, Ericsson Nikola Tesla Group initiated 16 requests to verify sales compliance of business opportunities, of which 13 were approved without preconditions and three were approved with certain preconditions.

Digital transformation of sourcing

Ericsson Nikola Tesla Group accentuates transparency and efficiency of sourcing activities, and a responsible sourcing program ensures high standards during the sourcing process and in the supply chain in areas such as labor, the environment, human rights protection, ethical standards, and fight against corruption. This program enables persons with disabilities to be socially and professionally involved, and it provides them with business opportunities and realizes better conditions for them. Additionally, through the digitalization of sourcing processes, we are increasing the level of transparency and efficiency of the sourcing process.

The responsible sourcing program implies continuously carrying out supplier risk analysis, regular reviews of suppliers, estimations, performance comparison and other activities that ensure compliance with the Code of Conduct and the Code of Business Ethics. The Code of Conduct is based on the United Nations Global Compact Principles.

Our activities in 2023

In 2023, we were faced with challenges in the field of sourcing as a consequence of global disruptions related to availability of certain raw materials and materials, geopolitical situation, disruptions in transport, and increased costs of labor and energy prices.

Nevertheless, many sourcing activities were carried out for the purposes of projects related to our customers, as well as various projects for internal needs of the entire Ericsson Nikola Tesla Group. Allow us to highlight that last year 2,895 procurement projects were initiated for the needs of Ericsson Nikola Tesla Group.

Furthermore, last year all the sourcing activities were carried out via a digital sourcing tool, which enabled us to secure the traceability of sourcing processes and automation of certain steps in the sourcing process (automatic verification of compliance for the existing suppliers and automatic data preparation for issuing purchase orders). We secured transparency regarding procurement procedures and reaching decisions about supplier selection. By using a digital tool for sourcing, we have enabled the users to have a structured overview of all the sourcing activities in which they had participated, as well as information about the current status of the ongoing sourcing procedures.

Moreover, the option to digitally sign sourcing contracts was mostly used, which resulted in shortening the time needed to sign contracts, cost reduction, and a positive impact on the environment (less paper used).

The use of a digital tool also secured data collection based on which we have been carrying out various analyses with the aim of further improving the sourcing process.

Code of Conduct for Business Partners

The Group's suppliers are familiarized with the proposals of cooperation with the Group and accept regular reviews. It is important to point out that the requirements from the Code of Conduct for Business Partners are an integral part of all Ericsson Nikola Tesla's General Purchase Agreements. By signing these agreements, the suppliers fully accept them and shall:

- ensure that their employees and subcontractors are notified of the Code of Conduct and that they adhere to it
- on request, by providing information to Ericsson Nikola Tesla or its representative and/or by enabling access to its premises, confirm that both the supplier and its subcontractors adhere to the Code of Conduct
- notify Ericsson Nikola Tesla Group if they detect there has been any violation of the Code of Conduct in their business.

This Code of Conduct encompasses, when necessary, specific requirements for the suppliers related to occupational health and safety, as well as environmental protection, which can be found in the following documents:

- Ericsson Nikola Tesla Group General Supplier Occupational Health and Safety Standards
- Ericsson Nikola Tesla Group Specific Supplier Occupational Health and Safety Standards
- Business Partner Environmental Requirements.

Checking suppliers' compliance

In 2023, we have continued using the tools to check suppliers (Suppliers Screening Tool (SST) and Third Party Management (TPM)) to establish the suppliers' possible connection and involvement in corruption affairs, unethical behavior, operations, etc., as well as to consider the possibility of occurrence of corruptive activities depending on the type of service that the supplier delivers, the country of service delivery, payment conditions, etc. The mentioned tools provide us with an insight into local and global data on business entities.

By using a digital sourcing tool, we have automated the compliance verification of the existing suppliers, and thus accelerated the overall verification process.

In 2023, for the needs of sourcing projects, 3,590 supplier screenings were performed. More than 2,690 business entities with which Ericsson Nikola Tesla Group had a business relation were screened on a weekly basis. In addition, all the persons connected to these legal entities were screened (owners, directors, and members of management boards). Continuous use of the tools mentioned enables a continuous approach to relevant information and their interpretation, evaluation and understanding, which is necessary for us so that we can reach business decisions and optimize potential risks regarding the choice of suppliers and business partners.

Reporting non-compliance

Employees, suppliers, customers and other partners associated with Ericsson Nikola Tesla can report suspected infringements of the law or the Code of Conduct to the local executive manager or in a manner in accordance with the locally established procedure.

Any irregularity can be reported via e-mail at compliance.etk@ericsson.com or anonymously by using the Compliance Line at <https://ericsson.hr/en/company-governance>. The Compliance Line is available 24/7/365, and the report can be submitted via a user-friendly reporting system. The Compliance Line is operated by a third party, and after the report is submitted, the third party will deliver it to Ericsson Nikola Tesla Group, which will not have access to the sender's IP address. It is possible to submit a report in Croatian, Bosnian, Serbian, Montenegrin, English, and Russian.

Main risks:

- amended or new regulatory requirements that negatively impact the availability and the price of materials
- increased prices of materials/raw materials and services
- issues in transport which result in significantly longer times of delivery, delays and, in the end, increased costs
- increase of energy prices
- geopolitical situation
- inflation
- increased cost of labor

Zero tolerance for corruption

Ericsson Nikola Tesla Group has zero tolerance for bribery and corruption. Corruption entails serious legal and reputational risks; it hinders business growth; harms relationships with employees, customers, shareholders, suppliers, business partners and the society as a whole; and represents a significant obstacle to the economic and social development in countries across the world.

We have embedded zero tolerance for corruption as the leading principle on the highest levels of the company. Moreover, we have been implementing it throughout all organizational levels, along with a comprehensive set of rules and processes that all employees must adhere to.

Our approach

We continue to strengthen the rules and processes through which we set our own high expectations and ensure the ability to meet strict anti-corruption rules in all our markets. Ericsson Nikola Tesla Group's Code of Business Ethics and Ericsson Nikola Tesla Group's Code of Conduct for Business Partners are the two main policies that describe our commitment to anti-corruption. We have continuously been encouraging our approach to work that reflects anti-corruption and this is an important topic at Executive Management and employee meetings. During 2023, we have continued to monitor the efficiency of the implemented measures of eliminating or mitigating risks that had been identified in the previous years, in line with the ABC analysis (Anti-Bribery & Corruption Standards and Framework). At the end of 2023, we started a new cycle of ABC RA (Anti-Bribery & Corruption Risk Assessment) analysis in the entire Ericsson Nikola Tesla Group.

The Supervisory Board and the Audit Committee have regularly been informed about the implementation and the achievements of the ABC RA analysis, as well as about continuous improvements of other elements of Ericsson Nikola Tesla Group's Ethics and Compliance Program. All the Group's employees are regularly educated and pass the anti-corruption and compliance test. After completing education courses and tests, new employees certify with their signature that they agree to follow the company's Anti-corruption Policy. Anti-corruption is one of the essential components of internal audits. At the beginning of last year, the duration of anti-corruption courses for new employees doubled, thus emphasizing the importance of adhering to the Code of Business Ethics and the value of anti-corruption.

Ericsson Nikola Tesla Group does business in a responsible and legal way, and requires its business partners, subcontractors and suppliers to do the same. We reduce corruption risks by expressly stating our commitment to anti-corruption to suppliers and other business partners through our Code of Conduct for Business Partners and anti-corruption e-learning courses.

Suppliers and business partners

With our suppliers and business partners, we build long-term relationships which imply dialog, knowledge sharing and application of modern-day working models. Suppliers and their subcontractors are required to comply with the high-quality standards and adhere to the Code of Conduct for Business Partners and the Code of Business Ethics. In addition to continuously using tools to perform due diligence on suppliers and business partners for the purpose of anti-corruption, the company's evaluators also perform an external evaluation of the quality of key domestic suppliers by using a survey prepared in line with the standards.

We screen our suppliers and business partners by using the Suppliers Screening Tool (SST) to check their potential connection and involvement in corruption affairs or any kind of unethical behavior, operations, etc. By continuously monitoring relevant databases and through weekly reports on the obtained information about suppliers according to the set negative risks screening, the tool shows a possible connection of an individual business entity, or a person connected to a business entity, with some sort of risk. The risk itself may be of a financial nature; it may relate to the political exposure of the Management Board members, directors and owners connected to a business entity; and it may show whether the entity is listed on any sanction or a similar negative list.

Through digitalization program, activities in the systems of contracting and checking business partners were automated, thus enabling greater efficiency and transparency for the requirements of further activities related to business partners. The digitalization implemented in the previous years enabled in 2023 the tools for screening business partners to be connected to the sales processes tools, thus allowing simplification and automation of the part of the processes that were previously performed manually.

Our anti-corruption tools

- Code of Business Ethics
- Code of Conduct for Business Partners
- an app which enables anonymous reporting of non-compliance
- non-anonymous reporting of non-compliance to a Person of Confidence in line with the Whistleblower Act
- Anti-corruption program
- tools for screening suppliers and partners
- education
- raising awareness through messages to all employees.

Key elements of the Ethics and Compliance program

- leadership and culture
- policies and processes
- organization of compliance
- risk assessment
- training and communication
- awards and sanctions
- third-party management
- allegations and investigations
- monitoring process implementation
- due diligence in mergers and acquisitions.

Key data for 2023

- we have continued to organize compliance and anti-corruption courses and workshops for the Management Board, Executive Management, other managers and employees in all the units that might be exposed to corruption risks
- when the new sales process tools were presented, workshops with sales organizations and sales support organizations were held on the topic of mandatory compliance with fair market competition and anti-corruption
- anti-corruption was brought to attention at the meetings of the Group's Executive Management
- the Compliance and Investigation Team carried out the activities as scheduled to increase visibility, availability and meaning in preparing and carrying out education and decisions about compliance
- vetting the integrity of key positions continued
- after the public announcement of the Policy on Management of Conflict of Interest, the activities have intensified to inform and educate employees regarding the avoidance of conflict of interest, as well as the process of regulating employees' side jobs.

Main risks:

- Failure by employees or a third party to comply with anti-corruption laws and regulations, rules of fair market competition, code of business ethics, and related policies and directives.
- Potential conflicts of interest that include our employees and third parties.

People who create sustainable future

The Group's business success and growth is based on attracting, hiring and retaining experts who excel at innovation, knowledge, skills, dedication to work tasks and integrity. Our employees' professionalism and expertise, as well as high quality solutions and services they create and deliver have been recognized locally, regionally and globally. The Group's employees have been continuously developing and creating new products, solutions and services of high added value, important for the realization of digital transformation processes of industry and society at large.

We develop employees' potential, and nurture values

Most employees of Ericsson Nikola Tesla Group are ICT experts and experts from other associated areas, who use their knowledge and skills to contribute to the build, modernization and optimization of critical infrastructure to achieve the goals of digital green transition of the economy and society.

Due to the importance that the ICT industry has in shaping the future of all of us and the related responsibility towards a wider community, we hire candidates who, along with the expertise in the required area, also embody our core values – respect, professionalism, perseverance, and integrity. Therefore, we have defined in detail the necessary knowledge, skills, and characteristics that employees must possess, as well as areas of expertise on which we base our competitive advantage.

The parent company Ericsson Nikola Tesla employs approximately 1,800 software developers, which is the largest concentration of this type of experts in Croatia. Our way of mutual interaction, doing business, as well as cooperation with our customers and partners are based on the synergy of knowledge and values.

One of our important strategic goals is to be an employer of choice in an extremely competitive market of ICT experts. Therefore, in addition to the special attention we dedicate to attracting and retaining experts, we are also focused on planning the development of their potential.

We offer opportunities to help our employees reach their full potential

Our model of people management is focused on reaching the full potential of individuals and teams. The foundations of this model are:

- a clearly defined role of every individual and its importance for the company's success, as well as purposeful work assignments
- motivation for achieving excellent results and further learning, development and growth
- continuous feedback about the person's impact on the team's and the Group's success
- joint contribution of all individuals to achieving success
- diversity and inclusion as an encouragement for innovations

- creating an impact on results through effort, work, and commitment
- possibility of reaching decisions individually
- strong leadership that provides a clear guidance and support in target realization
- fairness in awarding.

An encouraging environment for growth and development

A dynamic, fast-growing ICT industry implies experts who not only agilely apply the obtained knowledge, but also continuously acquire new knowledge and find a way to apply this in the realization of complex projects for the digital transformation of industries and society. In order to additionally motivate employees to achieve targets, Ericsson Nikola Tesla Group has been continuously working on creating and improving the work environment, namely by:

- providing the possibility of lifelong learning and specialization, as well as career development
- ensuring attractive jobs and giving clear roles to each employee, in order to achieve common goals
- providing the possibility to work in global teams
- flexible working hours
- encouraging innovativeness in all work segments
- ensuring equal conditions of work and development to all employees
- recognizing and visualizing individuals and teams who achieve the best results
- a reward system based on the principle of equally awarding equal work results
- a modern equipped workplace with all the tools necessary for work
- a motivating company culture
- taking care of the employees' physical and mental health, and providing a high level of occupational health care
- a high level of occupational safety
- the possibility of saving in Ericsson Nikola Tesla's Closed Voluntary Pension Fund
- numerous benefits for working parents
- the possibility of recreation and socializing in sport and culture associations
- using the benefits of Bonus Club.

The Group retains a very small percentage of employees leaving the company compared to the labor market that is extremely demanding. In order to retain experts working for the company, we regularly carry out analyses of our employees' salary competitiveness, secure various benefits, enable competence development in various career directions, while at the same time maintaining a healthy work-life balance. We use the feedback we receive from employees who are leaving the company to further improve the way of working, retain experts and attract new talents.

Mentoring – individual support for new employees

Young experts have quality mentors who provide them with expert assistance in their daily work, follow their personal and professional development, and participate in the process of their career

planning. A well-thought process enables the mentor to perform a quality assessment of the trainee during the trainee period, and helps the trainees in their progress, development, acquiring necessary knowledge and skills, as well as receiving additional recommendations. For employees who have previous experience and knowledge, mentoring secures the best possible integration and connection with the company's culture, teams, and ways of working.

In 2023, Ericsson Nikola Tesla hired 203 new employees, who were mentored by 135 mentors, and special attention was given to trainees with the aim to speed up their inclusion into activities and processes.

An encouraging awarding system

The awarding system in Ericsson Nikola Tesla implies a unique system of salaries and benefits, by which employees are encouraged to use and develop their knowledge and capabilities, expand their area of responsibilities and authority, and are awarded in line with the achieved results and realized new values in their work. The system is based on the principle of equal award for equal results, the correlation between the goals set and the results realized, as well as the possibility to differentiate employees by considering their work accomplishments.

The system encompasses the following:

- contracted salary
- addition to the salary
- compensation to the salary
- variable pay compensation
- other payments towards employees
- benefits.

Each of the listed elements of the awarding system is regulated by the Labor Act and other regulations, the Company's Collective Agreement, the Salary Rulebook, as well as the annual Agreement about Salary Policy between the Company and the representative unions, as well as corresponding policies.

In line with the general goals of the salary system, the employees are additionally awarded for the results, the volume and importance of which exceed the expectations of their organizational unit or the company:

- the Company award / all employee award, paid in line with the realization of the previously planned business targets and conditions defined at the beginning of the year
- variable pay compensation for target realization (Short-term variable pay / Sales incentive plan - STV/SIP), paid out according to the realized annual targets of the Company and the Organizational Unit, in line with the rules defined by the Variable STV Policy payment, Salary Rulebook and the Agreement about Salary Policy for a given year.

Individual awards are considered as additional payments to the salary:

- awards for exceeding expectations
- award based on an internal competition for the achievement of previously defined and important goals for the organizational unit / company (awards per competition)
- awards for innovations for innovative solutions that were developed while working, or are work-related, are awarded in line with the Rulebook on awarding innovation solutions, and additional

payments for overtime, standby, night work, work during Sundays and on holidays.

In addition to the salary, the employees are paid:

- compensation for a hot meal
- commuting expenses
- addition to the salary for annual leave (vacation allowance).

Benefits

Taking care of employees, which is reflected in specific activities that contribute to the well-being and quality of work and life, is one of our main priorities and can be seen in the numerous benefits that employees have. Some of the benefits are: employer's payment and the possibility to have more favorable savings conditions in the Closed Voluntary Pension Fund of Ericsson Nikola Tesla, supplementary health insurance, kindergarten fee subsidy, holiday gift for the child in December, organized health checkups, shares for employees, modern IT equipment, continuous education, using the company's restaurant on campus, the possibility to join cultural and sport sections, using the benefits of the Bonus Club.

Benefits for parents

Work-life balance is an important factor in preserving physical and mental health and is especially challenging for young parents. Since more than 40% of our Group's employees are younger than 35, and knowing this is a period in life when most people decide to start their family, many measures have been implemented to help them achieve work-life balance. New parents in our company are entitled to aid for each newborn baby amounting to EUR 1,327.24. The parents of children with special needs have the right to annual aid amounting to EUR 2,655 gross and two additional days of annual leave. In addition to flexible working hours, days off for prenatal checkups, breastfeeding pauses, equal rights for fathers to go on paternity leave and other benefits, we also allow parents to bring children to work whenever the need for that occurs. Our employees' children up to the age of 15 are entitled to receive a gift in the value of EUR 132,72 per year, and their parents have the right to have two to six additional days of annual leave, depending on the age and the number of children, regardless of the fact which parent claims the child as a dependent. The children of our employees who passed away are entitled to receive a scholarship during their regular education. Since 2021, we have been helping employees to cover costs of regular preschool care, amounting to EUR 40 per child.

Ericsson Nikola Tesla's Closed Voluntary Pension Fund

At the beginning of 2005, in cooperation with the Raiffeisen pension fund, Ericsson Nikola Tesla d.d. founded the Closed Voluntary Pension Fund of Ericsson Nikola Tesla. In that way, as the sponsor of the Fund, the Company wanted to offer its employees, primarily the younger ones, a chance to realize maximum benefit from long-term savings in a closed pension fund.

As the sponsor of the Closed Voluntary Pension Fund (ETK ZDMF), in 2023 Ericsson Nikola Tesla

continued to further motivate employees to save in the Fund by paying an annual deposit of EUR 133.00 to each employee who is a member of the Fund.

In 2023, 89 employees joined the Fund, and at the end of 2023 the Fund had almost 2,270 members. Out of the total number of members, 1,893 are currently working in Ericsson Nikola Tesla, which accounts for 68% of the total number of Ericsson Nikola Tesla employees. At the end of 2023, the Fund's net assets amounted to EUR 8.4 million. Since the Fund was established, the Fund's average annual return has been 6.23%, and in 2023 it was 8.64%.

Monitoring employee engagement and satisfaction

We have been continuously monitoring employee engagement and satisfaction, whereby the Voice survey is an important tool for measuring the organization climate and gaining an insight into the employees' opinions on various areas of operations. We carry out the Voice survey annually, which contributes to maintaining a dialog with employees and gathering information about the satisfaction with various changes we have been introducing. In this way, we additionally strengthen feedback culture and change management. Employees and their managers participate in proposing changes and improvements in all segments of their work and business. In 2023, at Ericsson Nikola Tesla d.d. level, the survey on employee engagement was carried out with a response rate of almost 85 percent. A detailed analysis of the collected feedback shows us areas for improvement on all levels and all segments of the Group, on which we base relevant changes and adjustments.

Cooperation with the Union

We have been continuously working on aligning our organization with the market demands and needs, with the purpose of ensuring and strengthening competitiveness. In doing so, we exchange information and consult with the Union on all important topics pursuant to the law and the Collective Agreement.

PrevENTION – we care about physical and mental health of employees

The strategic focus on care about health, safety and well-being of employees and other stakeholders has been translated into internal policies and long-term good practice that has been carried out through defined processes and is applied in everyday work. This good practice is complemented by special programs, such as the PrevENTION program. This is a comprehensive program with a range of content with the aim of strengthening physical and mental health and is available to all employees. During 2023, within the PrevENTION program employees participated in various activities, such as professional lectures on physical health, mental well-being, social well-being, guided trainings, they participated in a hiking school and a running school, pub quizzes, etc.

Employee competence development - foundation of organizational culture

One of the main prerequisites for achieving Ericsson Nikola Tesla Group's long-term development strategy is to continuously invest in expertise in creating and implementing the leading technologies and digital solutions, and the highest level of professional, business and social skills of employees. Through its actions, cooperation with the universities in Croatia and abroad, and the development of its experts, the Group contributes to the digital green transition in line with the EU's Digital Decade targets, as well as to the competitive development of Croatian economy.

Opportunities for growth and development in future professions

Since the largest concentration of software development experts in Croatia is in our company (almost 1,800 of them), we are well-positioned to accept future experts and help them develop their careers.

In order to additionally strengthen our position as the Croatian leading exporter of software, we encourage our experts to develop knowledge, skills and competences necessary for future jobs that include working with the latest technologies, by offering them various opportunities for growth and development. We contribute to the lifelong learning of top experts through in-class, hybrid, or online courses and via online learning platforms where the employees themselves select the content, way and pace of adopting new knowledge and skills, according to their own preferences and possibilities. In addition to our own resources and the resources from the global corporation, we use the services of partner educational institutions from the public and private sector.

The importance of continuous work on adopting new knowledge and skills is also reflected in the organizational structure, and along with the separate unit for education – Ericsson Nikola Tesla's Education Center which operates as a flexible organization focused on providing a wide range of educational services for the needs of employees, customers and partners, in 2023 our ENT-ER Academy was launched. Our goal is for ENT-ER Academy to become a recognizable place for education and development of key future competences, attraction of new employees and improvement of competences of certain groups of our employees.

Mentoring system is an integral part of the company's new employee onboarding program, where the key role is given to the mentor and line manager and the company's business unit teams that play a key role in strengthening our leading position by continuously transferring knowledge to new colleagues and teams from other units.

Within the onboarding program, new unit members have theoretical and practical content available that helps them to become involved as fast as possible in everyday activities with the support of their colleagues. The content, and the program itself, have been continuously optimized in line with the requirements of employees and business.

The company's teams from various domains also organize internal programs of education in cooperation with the Education Center, thus directly contributing to the synergy between teams at company and Group level.

We create strong leaders

We have also been investing in the development of leadership, by giving it special attention, including a special program called New Leadership Program, aimed at developing leaders and talents as well as team management skills. In 2023, 28 employees completed the program. This is a comprehensive one-year program of developing leaders according to the Ericsson leadership framework management competence model. This program also integrates various methods of learning and teaching (modular courses, coaching and mentoring, e-learning, exchange of knowledge and experience, etc.), with a special focus on being mentored by senior managers and the application of acquired knowledge and skills in the work environment.

In 2023, we have also held several strategic educational programs, and we would like to highlight Sales Academy for Organizational Excellence. This program aims to further improve and strengthen sales and other management competencies which are important for sales and application of new knowledge and skills when realizing future sale opportunities. We gather new teams around our technical experts/leaders. These experts/leaders are educated, among other trainings, through a Technical Leadership Program; completed by 60 employees in 2023.

We contribute to building digital skills in the ecosystem

Ericsson Nikola Tesla's experts also have a long-term experience in creating and implementing the latest technologies and innovative ICT solutions for the digital society in eHealth, eBusiness, IoT solutions, solutions for transport management, and, most recently, eEnvironment segment. Their excellence has been recognized at a global level, and by using their knowledge they have been contributing to global projects of development and implementation of modern technology solutions. Due to this, they are regular guests at relevant conferences for professionals and transfer valuable knowledge and experience to other stakeholders in the ecosystem.

Individual approach to employee development

Every employee and their line manager agree on the individual tasks and development goals within the process of Individual Performance Management (IPM) and monitor and estimate their realization. Individual goals are aligned with the strategy of the organization and cascaded within the organization, which allows us to link the individual performance of each employee with the strategy and success of the department and the organization. Along with work tasks, development goals are also defined, and their realization is also monitored through the year with regular feedback from the line manager.

30,382 hours of education in total

1,204 education participants

25 hours of education on average per employee

Employee Occupational Health and Safety

The company has adopted and has been carrying out the employee occupational health and safety policy as one of its priorities. Accordingly, activities are carried out in order to achieve and retain a high level of care for our employees and other people we cooperate with, and we have been continuously recognizing areas where we can do even better.

Managing the Occupational Health and Safety System

Ericsson Nikola Tesla d.d., as the parent company, is responsible for determining strategy and processes, recognizing risks and opportunities, and launching initiatives focused on occupational health and safety which are then applied in all other companies of Ericsson Nikola Tesla Group.

The Occupational Health and Safety governance system encompasses all employees and is divided into several levels in the company.

The Management Board, together with its appointed OHS authorized persons, employees' commissioners voted by employees, and engaged OHS experts, takes preventive actions in order to eliminate the causes of threats and reduce risks. The purpose of preventive actions is to prevent occupational injuries and other incidents by applying all legislative requirements and requirements under relevant international standards.

During sessions of OHS committees that were established in the companies of Ericsson Nikola Tesla Group, and which also include employees' representatives, as well as during Executive Management meetings and meetings with the Union, the OHS system status is regularly presented and analyzed, and actions for its improvement are proposed.

Consultation with employees is ensured by communication through the employees' commissioner and other ways of communication. Employees are included and encouraged to actively participate in activities of developing and maintaining the occupational health and safety system.

Ericsson Nikola Tesla Group has the ISO 45001 certificate. External recertification audit of Ericsson Nikola Tesla Group was carried out by the certification body SGS Adriatica d.o.o. at the beginning of December 2023. External recertification audit for Ericsson Nikola Tesla Servisi d.o.o. was carried out by the certification body TÜV Austria in March 2023. The auditors from both audits concluded that the OHS system is fully aligned with the requirements of ISO 45001.

At least once a year, and if necessary, more often, Ericsson Nikola Tesla Group carries out a compliance check in line with the legal requirements in the field of occupational health and safety. Compliance of the OHS system with all the requirements is carried out by means of many internal audits in the entire Ericsson Nikola Tesla Group.

Managing OHS risks

Risk assessment is the most important process in the field of OHS. It contains a record of the current condition, analysis, and estimation of recognized risks, as well as a plan of measures to reduce the level of threat and the probability of unwanted scenarios happening. Risk assessment document is aligned at least once a year with the changes in legislation, environment and processes, demands of all stakeholders, as well as learned practices that arose from researching the incidents that occurred. Based on the recognized risks and opportunities, KPIs are set and monitored, and measures of improvement of the overall OHS system are implemented at Group level.

In line with the circumstances and relevant legislation, Group members update their risk assessments, and inform their employees and all other stakeholders thereof.

The majority of our colleagues at location in Zagreb, Split, Osijek, and Rijeka, as well as colleagues working at other locations in Croatia and abroad, perform their work tasks in the office. Therefore, it is important that the work premises are safe and ergonomically designed and adapted to every employee. Regular testing of workplace parameters and safety of electric installations in offices in all the Group's locations, equipping offices with new standing desks, carrying out fire protection measures, as well as regular evacuation and rescue exercises are just some of the measures that impact the quality of our employees' workspace.

Eyestrain, static 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. Other aspects of employee well-being were also recognized, such as financial well-being, and encouraging colleagues to socialize outside of work.

The company also applies a hybrid model of work for most employees. This is the result of monitoring trends and risks that occurred, as well as harmonizing with the changes in labor legislation.

In addition to working at the office, many employees work on sites. According to statistics, in addition to climbers, approximately 40% of tasks performed by Ericsson Nikola Tesla Servisi d.o.o. employees are considered tasks with special working conditions, which means this is a company of medium risk, and thus requires special engagement of our OHS experts. Challenging working conditions, such as working at height, working with electricity, and unfavorable weather conditions, require our continuous readiness, dedication and focus on executing work assignments in line with OHS rules in order to avoid risks and danger of injuries. We achieve this through regular medical checkups, quality protective equipment, continuous employee education and fieldwork supervision.

In addition to having supervised our employees, our OHS experts' audit teams performed supplier audits, paying special attention to compliance with OHS rules on high-risk projects. The situation on site showed that in most cases suppliers perform their work in line with the safety rules.

Education of employees and external associates

Last year we hired a significant number of new employees. All new employees passed an introductory seminar and a training for safety at work. All students and hired agency workers who cooperate with us on various projects also undergo training for safety at work. Expert training of employees for the tasks with special working conditions, as well as for providing first aid and evacuation and rescue, is held when necessary and in line with the job requirements.

With the aim of preserving health, working abilities and optimal efficiency, employees receive educational materials on various topics regarding OHS areas, such as working in unfavorable microclimate conditions, driving safely, reporting safety incidents and news regarding OHS.

In addition to taking care of our employees, we also take additional care of external contractors on various projects, who took over the obligation to comply not only with OHS legal regulations, but also with Ericsson Nikola Tesla Group's standards. We particularly brought to our external contractors' attention that for our company, adhering to OHS regulations represents an extremely important segment of doing business, and that the failure to do so is unacceptable. During the workshops for contractors, we try to provide an individual approach and care for each individual external contractor, in a way that we examine the situations they come across in their work, and with our advice help them to organize an OHS system within their organizations in the best way possible.

Reporting incidents in Ericsson Nikola Tesla Group

It is extremely important to undertake every action in order to avoid incidents and reduce their severity, should they occur. However, when incidents and accidents do happen, they have to be reported and investigated in order to identify the main causes and take measures to prevent their recurrence.

Employees are encouraged to report all OHS-related incidents, whether it concerns work-related injuries, illness, accidents, or dangerous situations, in line with the process and available templates that are applicable in the entire Group. The rules and instructions apply to all employees, whether they work in the office, on site, or remotely.

We respect human rights

In its business operations, Ericsson Nikola Tesla Group adheres to the UN Guiding Principles on Business and Human Rights (UNGPs) and has developed concrete quality practices. In everyday activities, this can be seen in the mandatory application of the Code of Business Ethics for everyone working for the Group, under the Group's executive management or on the Group's premises, whether they are an employee, a subcontractor, or a private contractor.

Ericsson Nikola Tesla Group respects and supports human rights, and we do this by conducting business in line with our Code of Business Ethics, and expect equally high standards from our employees, suppliers and partners. Our Rulebook on Procedures and Protection of Employee's Dignity secures the conditions of work for employees in which they will not be exposed to harassment, sexual harassment and discrimination from their manager, employees or other persons they come in contact with while performing their work.

In doing business, we adhere to the following guidelines in terms of human rights protection:

- When hiring, we are guided by the principles of human rights protection, not discriminating based on work experience, personal life experience along with individual origin, race, sex, ethnicity, sexual orientation. All candidates must sign adherence to our ethical principles. Furthermore, we ensure adaptation of working conditions to people with disabilities.
- We encourage mutual respect and an open dialog among employees.
- We undertake measures for employee protection from intimidation, sexual harassment, and other forms of abuse from other employees or external persons, such as customers, sellers, and clients. We provide support to employees who claim that they are exposed to intimidation, sexual or other abuse.
- When determining salary and awards, we are guided by objective facts and ensure a fair and transparent promotion and career development options.
- We respect the right to family life by adhering to legislation and providing various forms of support for parents.

We have been continuously investing in expanding human rights protection in practice through our policies, by regularly reviewing and aligning them with the law, and improving responsible and sustainable business conduct. The appointed Committee for the Protection of Employee's Dignity works on the identification of possible negative impacts on human rights and undertakes preventive measures to eliminate them.

The Code of Business Ethics includes:

- supporting the United Nations Global Compact ten principles;
- respecting human rights throughout our business operations, according to the United Nations Guiding Principles on Business and Human Rights;
- behaving in an ethical and socially responsible way;
- occupational Health and Safety;
- encouraging sustainable development

Our Code of Business Ethics strictly forbids any form of exploitation, including human trafficking and forced, bonded or compulsory labor. All work performed for the Group must be performed voluntarily, as agreed and without coercion or threats. Through our Code and Labor Act, which we must adhere to as an employer, we forbid child labor and apply the principles of precaution in order to avoid harming children because of our business operations. The individual's age must be verified and documented during the hiring process to ensure that the individual meets the working age requirement.

As already mentioned, we consider occupational health and safety of employees during all business activities our priority. The OHS management framework, which is regulated by law and our Labor Rulebook, enables us to consistently recognize and manage our health and risk situations, reduce the number of near misses, and helps us implement legal provisions and improve our overall business operations.

The company has special policies focused on preventing discrimination, including harassment, promoting equal opportunities and other ways of promoting diversity and inclusion (Code of Business Ethics - COBE, Rulebook on Procedures and Protection of Employee's Dignity).

COBE specifically encompasses the following grounds for discrimination: race and ethnicity, color, gender, sexual orientation, gender identity, disability, age, religion, political views, nationality, social origin, and other forms of discrimination encompassed by the EU regulations and national law.

Rulebook on determining quota for hiring persons with disabilities (Official Gazette, No. 145/20) prescribes the obligation to hire persons with disabilities. Ericsson Nikola Tesla, by adhering to laws and respecting the needs of persons with disabilities, has carried out workplace and work environment adjustments on its premises, as well as special adjustments of the equipment and means for working.

By introducing the new Policy on Remote Work, we have enabled employees flexible work by giving them an option to choose how they wish to work remotely (up to 10 days per month) or at a separated workplace (permanently working from home) to fulfill their potential and be more efficient in the workplace.

By respecting each individual opinion and the freedom of expression, once a year we conduct a survey ("Voice") and gain valuable feedback so that we can continue to build a company culture where individuals feel welcome and can express their opinion.

Diversity and inclusion are an integral part of our business

Diversity and inclusion contribute to our competitive advantage and represent the main components of Ericsson Nikola Tesla Group's company culture. We believe that differences enrich us, and inclusive teams who gather different individuals increase efficiency and innovations, thus creating a greater value for business.

In our teams, people with various qualities and talents gathered around mutual tasks complement each other and create and implement comprehensive solutions. In this way, every individual has the opportunity to make a unique contribution to the Group's success, by which we create prerequisites for long-term sustainable development of our business. Diversity and inclusion of our teams enables us to be ready to respond to the demands of our customers and the market, and create innovative, digital, green solutions.

The Group has zero tolerance for discrimination, which means no individual in the organization shall be discriminated based on race, color, sex, sexual orientation, gender, marital or parental status, pregnancy, religion, political opinion, nationality, ethnicity, social origin, social status, disability, age, union membership or any other characteristic protected by law.

Appreciation of mutual differences and acceptance of values that every individual brings to the work environment is visible in all the Group's processes and business activities.

We implement our Diversity and Inclusion Policy in all segments of our business and other activities, and this policy is incorporated in all other company policies, such as employment policy, managing human resources, etc. Implementing the policies of diversity and inclusion in all segments of business is encouraged and supervised by the organization's highest management bodies. The managers have an active role in putting teams together and creating a stimulating working environment where every individual feels included, valued and is ready to give their best. Such company culture is implemented in the entire organization, and it includes each and every one of our employees who shows respect for the colleagues, customers, partners and all other people they interact with in their everyday work and activities.

We contribute to a greater inclusion in the society

We operate in an industry that connects people regardless of their differences, and enables them to exchange opinions, ideas, knowledge, and to be active stakeholders in a society which is going through a digital transformation.

Digital green solutions that we create, mainly the ones in the domain of public services such as healthcare, land registry and cadaster or public administration, as well as planning, building, maintenance and modernization of the modern communication infrastructure, enable a greater involvement from the citizens by enabling them to access services from their homes. In addition to promoting and respecting diversity and inclusion in our daily business, we also

participate in relevant social initiatives, such as Croatian Diversity Charter, and various activities that promote a higher representation of women in STEM.

Integration of persons with disabilities

Modern practices of human resources management recognize the importance of diversity in the workplace and develop tools and processes for hiring and quality integration accordingly. One of the challenges is certainly the integration of employees with disabilities.

In this context, persons with disabilities do not represent people who are different from us, but employees who, with a bit of support, perform their tasks and contribute to organizational growth and development. This is also confirmed by the EVA app that was developed in Ericsson Nikola Tesla for the needs of blind and visually impaired persons and is a reflection of teamwork that includes persons with disabilities and truly celebrates diversity.

Furthermore, Ericsson Nikola Tesla, by adhering to laws and respecting the needs of employees with disabilities, has adjusted the workplace and work environment of its premises, as well as special adjustments of the equipment and tools for working.

The right to education is guaranteed to everyone, not only children, by the international system of human rights derived from the Universal Declaration of Human Rights. In addition, quality upbringing and education are a prerequisite to enjoy many other human rights, such as the right to work and the right to informed participation in political and social life.

Guided by its values – professionalism, perseverance, respect, and integrity – and the wish to strengthen our contribution to the society, through its operations Ericsson Nikola Tesla works on promoting inclusion by supporting various social groups in exercising their right to education.

Therefore, a decision was reached to grant scholarships to students with disabilities attending technical faculties. Following the competition, five scholarships were granted, and we believe that over time this number will grow.

Facts and figures

*as at December 31, 2023

Number of employees – Ericsson Nikola Tesla Group	2019	2020	2021	2022	2023
Ericsson Nikola Tesla d.d. – ETK	2,515	2,571	2,669	2,733	2,792
Libratel	29	27	61	29	26
Ericsson Nikola Tesla BH – TBA (as of 2012)	19	19	31	34	35
Ericsson Nikola Tesla Servisi d.o.o. – EHR (as of 2014)	651	610	701	731	735
Ericsson Nikola Tesla – Branch office Kosovo – TXK (as of 2015; ETK has merged this Branch Office in 2022)	1	1	1	2	12
Ericsson Nikola Tesla Belarus – TBY (since 2017 until 2023)	9	8	8	9	0
Total	3,224	3,236	3,471	3,538	3,600

Number of new hires – Ericsson Nikola Tesla Group	2019	2020	2021	2022	2023
Ericsson Nikola Tesla d.d. – ETK	240	183	273	254	203
Libratel	14	3	40	13	4
TBA	1	1	12	6	2
EHR	18	17	114	79	51
TXK	0	0	0	1	10
TBY	0	0	1	1	0
Total	273	204	440	354	270

Employee turnover – Ericsson Nikola Tesla Group	2019	2020	2021	2022	2023
Total number of employees	3,224	3,236	3,471	3,538	3,600
The number of new hires per year	273	204	440	354	270
Total % of increase in the number of employees	1.6%	0.4%	7.3%	1.9%	1.8%

Employee turnover – Ericsson Nikola Tesla d.d. – ETK	2019	2020	2021	2022	2023
Total number of employees	2,515	2,571	2,669	2,733	2,792
The number of new hires per year	240	183	273	254	203
Total % of increase in the number of employees	4.7%	2.2%	3.8%	2.4%	2.2%

Number of employees in Ericsson Nikola Tesla Group - as at December 31, 2023
(Distribution by sex and age)

age	1		2					3		
	ETK	% ETK	Libratel	TBA	EHR	TXK	Subsidiaries and branch offices	%	Group	%
younger than 25	131	5	0	2	15	7	24	3	155	4
26-35 years old	1,069	38	10	19	158	3	190	24	1,259	35
36-45 years old	831	30	11	6	107	1	125	15	956	27
46-55 years old	608	22	1	6	260	1	268	33	876	24
older than 55	153	5	4	2	195	0	201	25	354	10
Total	2,792	100	26	35	735	12	808	100	3,600	100
Male	1,985	71	22	25	643	10	700	87	2,685	75
Female	807	29	4	10	92	2	108	13	915	25
Average employee age	39		40	37	47	28	39		39	
32 years old or younger than 32	905	32	7	16	118	9	150	19	1,055	29
Average employment duration - in years	10		6	7	19	0	11		11	
Up to 2 years (2 full years and less than 2 years)	619	22	4	18	172	11	205	25	824	23

Qualification structure of Ericsson
Nikola Tesla Group – 2023

1			2						3	
Employees – Qualification structure	ETK	% ETK	Libratel	TBA	EHR	TXK	Subsidiaries and branch offices	%	Group	%
University degree	2,371	84.9	5	28	219	3	255	31.6	2,626	72
College degree & bacc.	307	11.0	2	5	154	5	166	20.5	473	13.1
Secondary education	113	4.0	19	2	317	4	342	42.3	455	12.6
Highly skilled workers	0	0.0	0	0	39	0	39	4.8	39	1.1
Skilled workers	0	0.0	0	0	3	0	3	0.4	3	0.1
Other	1	0.0	0	0	3	0	3	0.4	4	0.1
Total	2,792	100	26	35	735	12	808	100	3,600	100

University degree	2,678	96	7	33	373	8	421	52	3,099	86
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of which:

PhD	54		0	0	1	0	1		55	
MSc	122		1	4	11	0	16		139	
Total	176	6.3	1	4	12	0	17	2.1	193	5.4

Managers & Program and Project Managers

LM	ETK	%	Libratel	TBA	EHR	TXK	Subsidiaries and branch offices	%	Group	%
Number of managers	333		3	1	40	1	45		378	

of which:

Male managers	243		2	1	35	1	39		282	
Female managers	90	27	1	0	5	0	6	13	96	25

Average manager age	47		50	59	46	38	49		46	
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The ratio between the average total annual remuneration for an individual with the highest salary in the company and the total annual remuneration of all employees (without the individual with the highest salary)*

CEO / average everyone else*	9.86
Total annual remuneration (gross 1)** in 2023 CEO / average everyone else	11.33

* contracted salaries as at 31 December 2023

** includes the employees who have been employed for the whole year 2023. Includes all payments within a year: salary, overtime, standby, transport, hot meal, kindergarten fee, children's gift, Christmas voucher, Closed Voluntary Pension Fund payments, vacation allowance, annual award for all employees, variable payment for meeting the set annual targets

Occupational injuries in Ericsson Nikola Tesla Group

In 2023, the Group had no fatalities that result from work-related occupational injuries or illness related to work, as well as occupational diseases.

There were no work-related injuries, illness nor occupational disease related to working from home.

The rate of work-related injuries for 2023 for ETK is 1.44.

The rate of work-related injuries for 2023 for EHR is 2.40.

ETK	2022								2023								
	Zagreb		Split		Osijek		Rijeka		Zagreb		Split		Osijek		Rijeka		
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
Total number of injuries	1	0	0	0	0	0	0	0	0	1	2	0	0	0	0	0	0
Work-related injuries	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0
Injuries during commuting to/from work	1	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0
Major injuries	1	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0
Minor injuries	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0
Total worktime lost	189	0	0	0	0	0	0	0	0	237	0	0	0	0	0	0	0
Total working days lost	23	0	0	0	0	0	0	0	0	29	0	0	0	0	0	0	0

EHR (all locations in Croatia)	2022		2023	
	M	F	M	F
Total number of injuries	8	0	5	0
Work-related injuries	8	0	5	0
Injuries during commuting to/from work	0	0	0	0
Major injuries	4	0	0	0
Minor injuries	4	0	5	0
Total worktime lost	4,120	0	1,016	0
Total working days lost	515	0	127	0

2022:

- 8 work-related injuries on site (7 while working on site and 1 injury in traffic during work)

2023:

- 5 work-related injuries on site

ENVIRONMENTAL RESPONSIBILITY

ESG

Environmental responsibility

Since the beginning of temperature measuring, 2023 recorded the highest temperature at a global scale, which is yet another indicator that all the measures to cut GHG emissions must be implemented faster in order to achieve the ambition of 1.5 °C temperature rise until 2050, as compared to the preindustrial era.

Being an enabling activity for all the other industries in their transition, the ICT industry has great potential for green transition of all industries. Ericsson Research has shown that by 2030 digital technologies could cut greenhouse gas emissions by 15% in all industries. Furthermore, their macro analysis of 181 countries for the period of 2002 – 2020 has shown the correlation between connectivity and decarbonization: the increase of mobile broadband penetration by 10% has led to CO₂ reduction by 7% per citizen.

High-performance 5G, along with the application of machine learning, IoT and artificial intelligence, serving as platform for all industries, can support the transition to smart. Whether it regards smarter management of energy distribution, automation of production processes or establishing a safer and more sustainable traffic, 5G enables the transformation of the overall system, which is needed for decarbonization.

Solutions, products and services developed by Ericsson Nikola Tesla Group have a positive impact on business sustainability, the quality of people's lives and the environment. Since an important prerequisite for using any e-service is a quality infrastructure, we have been working with many telecom operators on their network modernization. Furthermore, by further informatization of big national systems, such as healthcare and land registry, we are contributing to the realization of the Digital Croatia Strategy, with a clear component of smart specialization and development.

At the same time, the Group continues to be focused on rational energy consumption and having a positive impact of technology on the environment, as well as on the operations in the entire value chain. Environmental Management Policy is an integral part of our Quality, Environmental and Occupational Health and Safety Policy, which is an umbrella document of our integrated management system described in the Handbook of the integrated management system of Ericsson Nikola Tesla Group. The processes and activities within the environmental management system, together with procedures and other documents of the system define a clearly established scope and sequence of activities, the corresponding responsibilities, authorities and verification methods.

The Group will continue to solve growing demands and expectations of stakeholders related to the company, particularly regarding transparency around the impact on business operations related to climate. In line with the above, this report brings an overview of the Group's activities in the field of sustainability and a presentation and evaluation of work in line with the EU Taxonomy environmental goals where we have recognized our impact. Since ICT industry is not

one of the sectors with a high risk for the environment, this impact is dominantly present in contribution to climate change mitigation, with the application of the Does No Significant Harm criteria and according to minimum social safeguards and human rights and labor rights.

The company's work on ecological sustainability is divided in the following areas:

- reduction of emissions from the supply chain and own activities;
- improvement of energy efficiency of products and services;
- implementation of circular economy approach when designing products and using materials;
- how the Group's products and services can enable society and other industries to reduce emissions.

Reduction of emissions from supply chain and own activities

The company's long-term goal to reduce emissions by 50% by 2030 encompasses emissions from the fleet vehicles, the use of business premises, business trips and transport. The Group's goal covers emissions from Scope 1 and 2, as well as Scope 3, business trips and employee transport (including remote work). By using renewable energy sources, carrying out the energy renewal of office premises and implementing remote work, the Group has already achieved its target; however, it does not stop there, but wants to get as close as possible to zero emissions by further optimization of consumption.

Improving energy efficiency of products and services, with the principle of circular economy

The Group's approach regarding environmental sustainability includes the reduction of the negative impact on the environment in the entire value chain which encompasses everything through circular economy, from design, production and use phase to re-use, return of products and processes at the end of the life cycle. Additionally, solutions and products based on using 5G technology, and in conditions of increased data traffic, achieve significant savings in energy consumption and the volume of used equipment (proven by breaking the energy curve).

The Group's products and services that enable the society and other industries to reduce emissions

Solutions that Ericsson Nikola Tesla provides in the segment of environmental protection and sustainable economic growth enable various industries to monitor, manage and reduce in a systematic way their own environmental footprint and potential negative impacts that the industry can have on the local community, natural ecosystems, and biodiversity. They can also be used by the local communities and others.

In 2023, Ericsson Nikola Tesla focused its business and portfolio in the field of environmental protection in four key directions:

a) Developing solutions for monitoring the quality of drinking water in public water supply systems and small private water supplies

The WaterQ project was officially finished in September 2023, when all the activities of the development and testing of IT solutions and sensors that were developed as part of the project were finished. This created prerequisites to go to market and generate revenue from the developed solution in line with the contract on assigning grants under IRI2. It is particularly important to highlight that Ericsson Nikola Tesla, in cooperation with the Croatian Institute for Public Health, has signed a commercial contract for the implementation and adaptation of WaterQ software solution in line with the obligations arising from the new Croatian Act on Water for Human Consumption. With this solution, Ericsson Nikola Tesla helps the Department for Water Safety and Supply of the Croatian Institute for Public Health, so that it can simplify the implementation of all operational activities and help water supplies to digitalize a part of the process of incident reporting on drinking water quality, and for the process of reporting contaminants in drinking water.

After the delivery of WaterQ system, all the water supplies that are obliged to report the results of internal control to the Croatian Institute for Public Health, shall from now on upload data via a web link directly in the central system of the Croatian Institute for Public Health.

On the other hand, the completion of this project also realized other prerequisites for commercialization towards water suppliers as the second part of the described ecosystem, whereby WaterQ system for water supplies brings a range of benefits:

- full digitalization and a central approach to all the drinking water related data (whether from internal or external measuring)
- full automation in the incident reporting process or discovering contaminants in drinking water
- an overview of data sent to the Croatian Institute for Public Health, related to incidents or contaminants
- historic data analysis with the aim to implement risk analysis to define a personalized monitoring plan, whereby water supplies can make additional savings when testing the drinking water quality.

b) Smart City solutions for a greater quality of city life

Ericsson Nikola Tesla, together with a consortium partner, delivered 305 meteorological stations to primary schools and high schools in every region in Croatia, for the needs of Croatian Academic and Research Network – CARNET, within the II stage of the project eSchools. One of the stations' characteristics, in addition to being powered by solar energy, is the option to send data to remote services for data collection and consolidation, which Ericsson Nikola Tesla has offered in this procurement. Meteorological stations collect the basic set of data (pressure, temperature, air humidity, wind - direction and speed, precipitation), and data

from the sensors are collected in Ericsson Nikola Tesla's platform eEnvironment so that all the primary schools' employees and pupils could have an insight into meteorological conditions around their school.

There are many potential benefits of introducing such a system, starting from educational purposes, as the pupils will be able to follow first-hand how meteorological conditions change, and how certain parameters are connected.

Climate change is ever-present and in the last 10 years we have had the opportunity to see first-hand the changes that are happening in everyday life. Awareness of the importance of climate preservation is crucial in preserving life on land, and therefore it is necessary to start education as soon as possible. Except the education about the seriousness of climate change consequences, we should also be aware how microclimate meteorological conditions impact everyday habits. By knowing precise microclimate conditions, teachers and pupils will be able to better plan extracurricular activities.

c) Industry footprint in the environment - ESG

At the end of last year, Ericsson Nikola Tesla completed the first phase of development of ESG data management module in addition to its eEnvironment platform.

This module helps all the companies that are required to disclose information in line with the Corporate Sustainability Reporting Directive (CSRD) and new non-financial reporting guidelines to:

- structure their business processes and take steps towards full digitalization of internal communication processes related to the creation of non-financial reports;
- digitalize the process of collecting all data that are required to create and review non-financial reports;
- digitalize and automate the process of ESG rating estimation of all the partners in their value chain;
- carry out climate risk assessment for all their resources, and keep their data in the central system, together with the rest of ESG data, in order to access them easily and use them in conjunction with all the relevant information.

Except in the process of preparation and drafting of the non-financial report, Ericsson Nikola Tesla's eEnvironment platform can also help companies in the impact part in order to measure and prove real savings in, for example, consumption of resources or to monitor their impact on the environment, in terms of water preservation or air quality (if the company, as the result of its business process has air emissions, or is obliged to hold a water permit). Additionally, the platform can help in the process of including end users/customers or other important stakeholders through gamification processes, aiming to encourage users to behave more responsibly towards the environment in the process of using a service or product that the company in question is placing on the market (for example, motivation to recycle plastic bottles, or motivating hotel guests to consume less water and electricity while they are on their annual leave or business trip).

It is important to mention that while it was developing this solution, Ericsson Nikola Tesla was bearing in mind its internal needs, and therefore this module is the foundation to create further

non-financial reports of Ericsson Nikola Tesla Group. Additionally, considering the market needs, the company has decided to offer its solutions to other companies that have recognized Ericsson Nikola Tesla ESG data management module as a strong tool to lead environmentally sustainable business.

d) Development of solution to support decision-making in traffic and urban mobility management – Trafikon

Ericsson Nikola Tesla has been developing a traffic and urban mobility management solution that consists of modules which can fully respond to various needs of urban areas. During the project, the name of the software product "Trafikon" was also protected by CEKOM trademark. Trafikon represents an application solution that is installed in the centers for traffic control and monitoring, and enables integration of various subsystems within the traffic vertical, as well as traffic control and management via a unique user interface that also includes GIS base. In the control center, the operator can control the changeable traffic signs, traffic lights, video monitoring systems, regulate the prioritization of public transport and emergency services, and read sensor data (traffic counters, meteorological, ecological sensors, etc.) via a single interface. Depending on the scenario, it is also possible to implement automatic or manual measures for traffic management. An integral part of Trafikon is a data aggregation platform that enables integration of various stakeholders and subsystems by using standardized interfaces (Datex 2, Netex, Siri), as well as specialized interfaces for atypical data sources (parking systems, public bicycle systems, anonymized data sets from telco networks). An integral part of the Trafikon module is also a mobile app for passenger information with the support to plan trips, where the advantage can be given to the use of sustainable ways of traveling. After the pilot project in the City of Rijeka, Trafikon makes the basis of the system for automated traffic management in the City of Split.

Climate change mitigation and adaptation



Energy sources

Energy sources in the Group represent a significant resource in business activities. Therefore, in 2023 their consumption was continuously monitored not only to optimize consumption regarding cost reduction, but also to reduce emissions. Considering the significance and clear double materiality, energy sources have been recognized as the key material topic within the Group.

Quantitative indicators of water and energy consumption for the past four years for the Group's location at Krapinska 45 are presented in the following table.

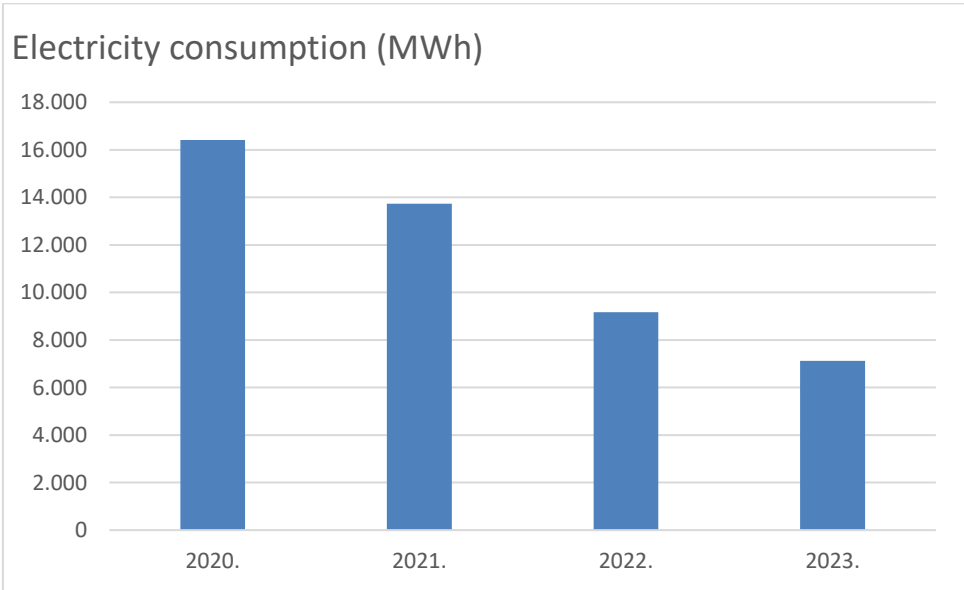
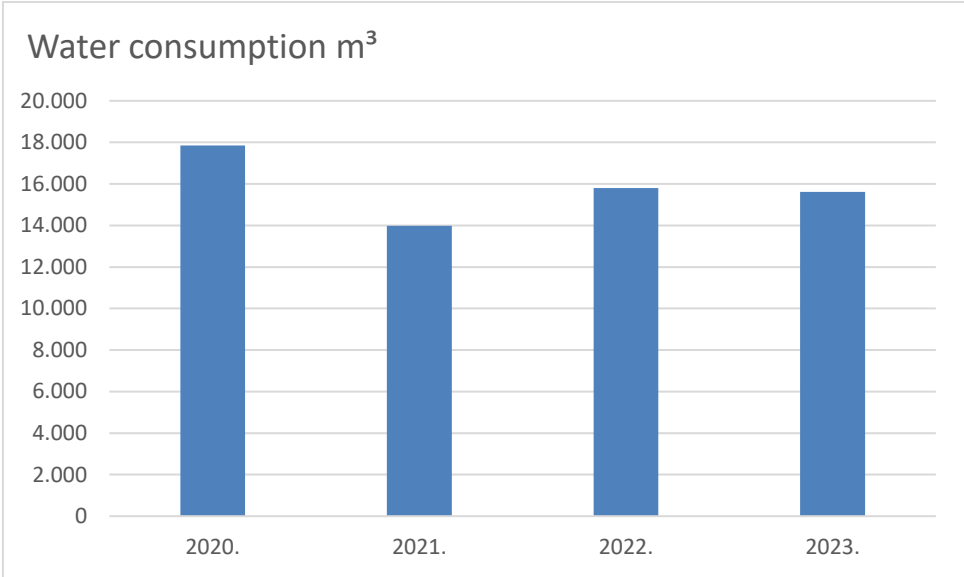
year	water (m ³)	steam (tonnes)	electricity (MWh) including the consumption from lessees	Electricity Ericsson Nikola Tesla Group (MWh)
2020	17,848	6,214	23,701	16,417
2021	13,990	6,018	22,556	13,732
2022	15,802	3,768	19,466	9,162
2023	15,621	3,290	17,036	7,119

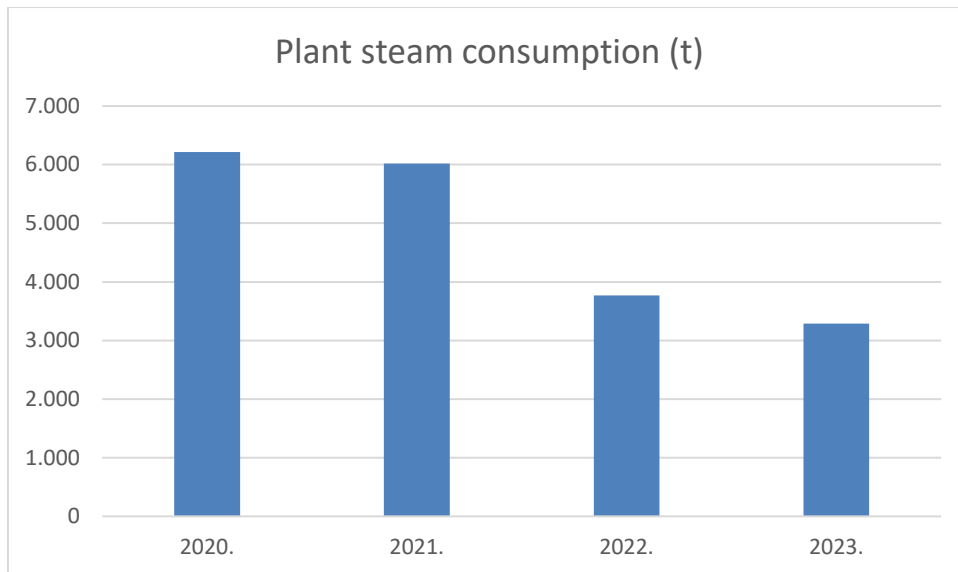
Compared to 2022, in 2023 the number of the Group's employees slightly increased by 1.3%, which represents one of the indicators of a stable business performance. Regardless of the stable indicators, the Group has reached for additional measures to optimize the consumption of energy resources and when comparing to the previous years at the Group level, it reduced the consumption of water, electricity, and plant steam as the most significant ones.

Main achievements in 2023

(compared to 2019)

- Waste reduced by 42%
- Water consumption reduced by 27%
- 53% less consumption of electricity for the production part of business operations
- Realized CO₂ reduction compared to 2022 by more than 150 t





Business trips and employees' daily commute

In 2023, a new working policy was introduced, enabling the employees to fully, or from time to time, work from home, which additionally reduced the number of employees' daily commute to and from work. The Group continues to encourage the use of ecologically acceptable means of transport. As it holds the "cycle-friendly" certificate, the Group encourages the use of bicycles as means of transport and secures parking space for bicycles in Zagreb and Osijek. In the coming period, it also plans to secure parking spaces for other Ericsson Nikola Tesla Group's locations.

Reducing business trips represents a great challenge. The Group replaces every business trip with online meetings through its control processes whenever this is possible. In the following period, an additional tool to book trips will be applied, which will calculate carbon dioxide footprint, based on which more specific actions will be applied to reduce emissions.

Transition to circular economy



Waste

Facts and figures

Waste generated at Ericsson Nikola Tesla's location in Zagreb, Krapinska 45, in 2023

Key waste code	Waste name	Amount (in kg)
15 01 01	Paper and cardboard packaging	45,780
20 01 01	Archive	1,770
20 01 02	Flat glass	1,160
15 01 02	Plastic packaging	15,400
15 01 03	Wooden packaging	24,860
17 04 05	Iron and steel	8,680
20 03 07	Bulky waste	11,400
17 09 04	Mixed construction waste	4,700
20 01 21*	Fluorescent tubes	140
16 02 13*	Electric and electronic waste	4,145
20 03 06	Sewage sludge	1,400
15 01 07	Packaging glass	330
20 01 33	Small batteries	160
Total (kg)		119,925

We are convinced that success can last only in compliance with ecological standards. Therefore, we take our corporate responsibility for ecological standards seriously. Using a management approach based on risks for the environment, risks can be identified and solved by using corresponding preventive measures and, if a risk should arise, corrected by using the appropriate corrective actions.

The limited nature of natural resources and social and ecological consequences of mining raw materials make the uncoupling of economic growth from the consumption of resources and the

development of circular economy key sustainability topics. Recognizing the importance of this topic, Ericsson Nikola Tesla Group has incorporated the topic of circular economy in the strategy with the goal to reduce CO₂ footprint.

We have been increasing our efforts in using recyclable materials. Since the majority of waste is packaging from procured items which are necessary for our work, we have been creating a new value chain through contractual relations and policies, and also impact our suppliers with the aim to use more environmentally friendly packaging.

Although the storm in Zagreb in July 2023 resulted in additional types and amounts of waste generated, we have managed to keep up the trend of reducing both municipal and sorted waste. Raising awareness among employees about the importance of separating waste through various workshops, internal audits and securing additional resources, i.e. containers to separate waste, has also contributed to this goal.

In 2023, Ericsson Nikola Tesla Group continued to do business responsibly, and by selecting responsible and licensed waste managers, takes care that the transferred waste follows the circular business model at the location where it operates, from collecting packaging waste, production of raw materials from the collected waste to production of new packaging and packaging solutions.

Pollution prevention and control

In 2023, based on the analysis of environmental aspects, energy sources and waste were recognized as significant aspects, and Ericsson Nikola Tesla Group established a range of processes in order to manage them.

Therefore, the issue of energy sources and waste has been translated into risks, and furthermore into goals, all with the aim of optimizing, i.e. reducing consumption, and consequently preventing pollution.

Based on the adopted action plan in case of extraordinary pollution, not a single incident related to environmental pollution was recorded in 2023. With the intention to prevent such an event, two simulation exercises were carried out related to fuel leakage from generators and vehicles.

As one of the significant aspects of pollution, waste is in the company's continuous focus, with the primary aim to reduce its creation. Depending on the number of employees on site and the scope of work, the amount of waste per category has been decreasing year after year. Additionally, owing to a consistent approach to separating waste, we have also brought the amount of municipal solid waste to a minimum.

Key Performance Indicators in line with the EU Taxonomy

Context

EU Taxonomy is an important tool for achieving environmental and climate ambitions of the European Green Deal in a way to encourage the finance sector and companies to investments that contribute to the European environmental protection goals.

For companies, and for Ericsson Nikola Tesla Group as well, sustainable business is crucial for several reasons. It contributes to profitability growth by reducing costs of energy, raw materials and waste, and opening new markets for sustainable products and services. Additionally, promoting sustainability ensures business continuity by reducing the risks related to climate change, disruptions in supply chain, changes in the regulatory framework, etc. The goal of the EU Taxonomy is to secure investments in green sustainable activities and realize return from them for the companies through transparency of financial data for the investors and diversion from the practice of greenwashing. Moreover, sustainable business attracts investors and enables access to financing through an increasing number of investment funds and banks that integrate ESG criteria into their financing decisions.

Sector's position

The EU observes ICT technologies through two aspects:

- the support of ICT sector in achieving sustainable business of other sectors

As the directive states, these technologies can, as an integral part of other economic activities, enable other sectors to achieve their goals of climate change mitigation, for example by improving the processes with various smart solutions and/or, based on quality data, be useful for decision-making with the purpose of reduction of greenhouse gas emissions.

- through an unstoppable growth of this sector (in particular in the data traffic segment) and the related share in the GHG emissions

This aspect was highlighted because, according to some reports, ICT consumes up to 10 percent of global electricity, and thus further improvements in sustainability are expected from this industry, especially related to energy efficiency.

Determining taxonomy eligible and non-eligible activities of the Ericsson Nikola Tesla Group

For the reporting year 2023, the ICT sector will report for the first time on taxonomy according to the newly developed technical screening criteria for seven eligible activities. Due to this, our taxonomy indicators for 2023 are significantly different compared to 2022, when we reported on taxonomy for the first time.

When determining the taxonomy eligible and non-eligible activities, we used:

- the National Classification of Activities (NKD) which is aligned with the statistical classification of economic activities (NACE) in Annex I and II of the Delegated Regulation 2021/2139
- Commission Delegated Regulation (EU) 2023/2486 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

Approach

Being guided by the principle of concrete, material reporting, we would precisely like to highlight the activities related to climate objectives on the one hand, while on the other hand they meet our own criteria of economic activity in the following way: they generate or will generate revenue, they correspond to descriptions from Annex I and Annex II and meet technical screening criteria, as follows:

- ANNEX I

Technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

- ANNEX II

Technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

Environmental objectives are:

1. Climate change mitigation - CCM (avoidance/reduction of greenhouse gas emission or increase of removing greenhouse gases)
2. Climate change adaptation - CCA (reducing or preventing a negative impact on the current or expected future climate or a risk from such a negative impact)
3. Sustainable use and protection of water and marine resources - WTR
4. Transition to a circular economy - CE (with an emphasis on reusing and recycling resources)
5. Pollution prevention and control - PPC
6. Protection and restoration of biodiversity and ecosystems - BIO.

Methodology

Taxonomy working group, gathering experts from all organizational units, has carried out due diligence of all business activities pursuant to the following requests:

- Economic activity contributes substantially to one of the six environmental protection objectives.
- Does no significant harm to any of the other environmental objectives.
- Is in line with the minimum social safeguards.

In addition to estimating whether the economic activities are eligible and aligned according to the EU's Delegated Regulation about climate, for each line of products and solutions from our own portfolio responsible technical experts have carried out the estimation of alignment according to technical screening criteria.

Division of business activities as taxonomy eligible and non-eligible activities

For the year 2023, we have added five new activities we had recognized as eligible, but not economically significant as they do not generate revenue (they are present as operational and/or capital expenditure), and are of smaller financial volume, i.e. they are not material to us.

Pursuant to Article 8 of the EU Regulation 2020/852, the tables for presenting the proportion in the total operational and capital expenditure show their aggregated amounts as operational and capital expenditures linked to the main eligible economic activities 8.1. and 8.2. Thus, we have avoided double presentation.

Evaluation of taxonomy eligible activities in line with compliance criteria

	Name of activity in line with Annex I and II of the Delegated Regulation 2021/2139	Description of activity in line with Annex I and II of the Delegated Regulation 2021/2139	Evaluation of compliance
8.2 Annex I	Data-driven solutions for GHG emissions reductions	Development or use of ICT solutions that are aimed at collecting, transmitting, storing data and at its modelling and use where those activities are predominantly aimed at the	Eligible, aligned - These are Ericsson Nikola Tesla's solutions for collecting data about various environmental

		<p>provision of data and analytics enabling GHG emission reductions. Such ICT solutions may include the use of decentralized technologies (i.e. distributed ledger technologies), Internet of Things (IoT), 5G and Artificial Intelligence. The economic activities in this category could be associated with several NACE codes, in particular J61, J62 and J63.11 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.</p>	<p>parameters and more efficient management thereof in the context of protection and consumption of resources, i.e. indirect reduction of harmful emissions. There is also representation of solutions from the domain of smart cities, smart traffic management and monitoring and optimization of processes with the aim of self-sustainability.</p> <ul style="list-style-type: none"> - According to the contribution type, the activity is categorized as enabling.
<p>8.2 Annex II</p>	<p>Computer programming, consultancy and related activities</p>	<p>Providing expertise in the field of information technologies: writing, modifying, testing and supporting software; planning and designing computer systems that integrate computer hardware, software and communication technologies; on-site management and operation of clients' computer systems or data processing facilities; and other professional and technical computer-related activities.</p> <p>The economic activities in this category could be associated with NACE code J62 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.</p>	<p>Eligible, not aligned</p> <ul style="list-style-type: none"> - Revenue from this activity is included for the first time as technical criteria were adopted. Includes revenues in the segment of development of software and support services in various expert and technical computer activities. - By contribution type, the activity is not categorized as enabling.

8.1 Annex II	Data processing, hosting and related activities (Annex II, 8.1)	Storage, manipulation, management, movement, control, display, switching, interchange, transmission or reception of diversity of data through data centers (618), including edge computing.	Eligible, aligned - In 2023, we invested in the new data center at our location in Split. - By contribution type, the activity is not categorized as enabling.
6.5 Annex II	Transport by motorbikes, passenger cars and light commercial vehicles	Purchase, financing, renting, leasing, and operation of vehicles. The economic activities in this category could be associated with several NACE codes, in particular H49.32, H49.39 and N77.11 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.	- Mostly eligible, not aligned - By contribution type, the activity is not categorized as enabling.
7.3 Annex II	Installation, maintenance and repair of energy efficiency equipment	Individual renovation measures consisting in installation, maintenance or repair of energy efficiency equipment. The economic activities in this category consist in one of the following individual measures, provided that they comply with minimum requirements set for individual components and systems in the applicable national measures implementing Directive 2010/31/EU and, where applicable, are rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation.	Eligible, aligned Maintenance and management of premises - By contribution type, the activity is not categorized as enabling.
7.5 Annex II	Installation, maintenance and repair of instruments	Consists of one of the following measures: (a) installation, maintenance	Eligible, aligned Maintenance and

	<p>and devices for measuring, regulation and controlling energy performance of buildings</p>	<p>and repair of zoned thermostats, smart thermostat systems and sensing equipment, including motion and day light control;</p> <p>(b) installation, maintenance and repair of building automation and control systems, building energy management systems (BEMS), lighting control systems and energy management systems (EMS);</p> <p>(c) installation, maintenance and repair of smart meters for gas, heat, cool and electricity;</p> <p>(d) installation, maintenance and repair of façade and roofing elements with a solar shading or solar control function, including those that support the growing of vegetation.</p>	<p>management of premises</p> <p>- By contribution type, the activity is not categorized as enabling.</p>
<p>7.7 Annex II</p>	<p>Acquisition and ownership of buildings</p>	<p>Buying real estate and exercising ownership of that real estate.</p> <p>The economic activities in this category could be associated with NACE code L68 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.</p>	<p>Eligible, aligned</p> <p>Management of business premises</p> <p>- By contribution type, the activity is not categorized as enabling.</p>

Key Performance Indicators according to Article 8 of the Taxonomy Regulation

Pursuant to the Delegated Regulation 2021/2178, we report on the proportion of revenue, capital expenditure and operational expenditure which are eligible/non-eligible, i.e. aligned/not aligned activities in the total consolidated sales revenue, capital expenditure and operational expenditure.

In the Taxonomy tables below, revenue is listed as turnover.

Accounting policies:

- Revenue = sales revenue

For the registered projects, revenue includes sales revenue from products and revenue from services.

- Capital expenditure (CAPEX): items of property, plant and equipment, costs of replacement of parts of certain items at the moment when they occur, from which economic benefits are expected in the future.

- Operational expenditure (OPEX): 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.

For registered projects, expenses include work time on projects, related traveling expenses and services of external suppliers needed for project execution.

Financial year 2023	Year 2023			Substantial contribution criteria							Does not significantly harm (DNSH) criteria							Minimum safeguards (17)	Proportion of Taxonomy aligned (A.1) or eligible (A.2) turnover, year N-1 (2022) (18)	Proportion of Taxonomy aligned (A.1) or eligible (A.2) turnover, year N-1 (2023) (18)	Category enabling activity (19)	Category transitional activity (20)
	Code (2)	Turnover (3)	Proportion of turnover year 2023 (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)							
Economic activities (1)		EUR	%	Yes; No N/EL	Yes; No N/EL	Yes; No N/EL	Yes; No N/EL	Yes; No N/EL	Yes; No N/EL	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)																						
Data-driven solutions for GHG emission reductions	8.2, I.	1,027,590.00	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%	0%	E			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		1,027,590.00	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%	0%	0%	0%		
Of which enabling		1,027,590.00	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%	0%	E			
Of which transitional		0.00	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%	0%		T		
(A.2) Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																						
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL													
Computer programming, consultancy and related activities	8.2, II.	250,943,338.00	82.00%	N/EL	EL	N/EL	N/EL	N/EL	N/EL													
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		250,943,338.00	82%	0%	82%	0%	0%	0%	0%													
A) Turnover of Taxonomy-eligible activities (A.1 + A.2)		251,970,928.00	83%	0%	82%	0%	0%	0%	0%													
B) TAXONOMY NON-ELIGIBLE ACTIVITIES																						
Turnover of Taxonomy non-eligible activities		52,260,252.00	17%																			
TOTAL		304,231,180.00	100%																			

Financial year 2023	Year 2023			Substantial contribution criteria						Does not significantly harm (DNSH) criteria										Category enabling activity (19)	Category transitional activity (20)
	Code (2)	Operational Expenditure (3)	Proportion of Operational Expenditure year 2023 (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) Operational Expenditure, year N-1 (2023) (18)	Proportion of Taxonomy aligned (A.1) or eligible (A.2) Operational Expenditure, year N-2 (2022) (18)			
Economic activities (1)		EUR	%	Yes; No N/EL	Yes; No N/EL	Yes; No N/EL	Yes; No N/EL	Yes; No N/EL	Yes; No N/EL	Yes; No N/EL	Yes; No N/EL	Yes; No N/EL	Yes; No N/EL	Yes; No N/EL	Yes; No N/EL	Yes; No	%	%	E	T	
A. TAXONOMY-ELIGIBLE ACTIVITIES			%																		
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
Data-driven solutions for GHG emission reductions	8.2, I.	1,183,195.00	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	%	0%	E		
Operational Expenditure of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		1,183,195.00	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	%	0%	0%	0%	
Of which enabling		1,183,195.00	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0	0	E		
Of which transitional		0.00	%	%						Y	Y	Y	Y	Y	Y	Y	%	%		T	
(A.2) Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL												
Computer programming, consultancy and related activities	8.2 II.	223,897,354.00	85%	N/EL	EL	N/EL	N/EL	N/EL	N/EL								0%	85%			
Operational Expenditure of Taxonomy-eligible, but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		223,897,354.00	85%	N/EL	EL	N/EL	N/EL	N/EL	N/EL								0%	85%			
A) Operational Expenditure of Taxonomy-eligible activities (A.1 + A.2)		223,897,354.00	85%	0%	85%	0%	0%	0%	0%								0%	85%			
B) TAXONOMY NON-ELIGIBLE ACTIVITIES																					
Operational Expenditure of Taxonomy non-eligible activities		39,329,873.00	15%																		
TOTAL (A + B)		263,227,227.00	100%																		

Table: Proportion of turnover in total turnover per climate objective

	Taxonomy-aligned per objective	Taxonomy eligible per objective
1. CCM	0%	-
2. CCA	-	82%
3. WTR	-	-
4. CE	-	-
5. PPC	-	-
6. BIO	-	-

Table: Proportion of operational expenditure in total operational expenditure per climate objective

	Taxonomy-aligned per objective	Taxonomy eligible per objective
1. CCM	0%	-
2. CCA	-	85%
3. WTR	-	-
4. CE	-	-
5. PPC	-	-
6. BIO	-	-

Table: Proportion of capital expenditure in total capital expenditure per climate objective

	Taxonomy-aligned per objective	Taxonomy eligible per objective
1. CCM	2%	-
2. CCA	0%	97%
3. WTR	-	-
4. CE	-	-
5. PPC	-	-
6. BIO	-	-

Note: The percentage is shown as zero, because the values are small.

Five-year investment plan

- Construction of a 1 MW photovoltaic power plant
 - Installation of a photovoltaic power plant on the roofs of Zagreb campus
- Replacing the existing lighting with more efficient, smart LED lighting
 - In the premises where there is still halogen lighting, we plan to replace it with energy efficient smart LED lighting with the aim to save electricity
- Improving energy efficiency of building 30
 - Following the energy efficiency project from 2021, we plan to improve the energy efficiency of the rest of the buildings (B30)
- Landscaping the company's yard according to sustainability requirements
 - Based on the project documentation, we plan to renew the yard of Zagreb campus
- Automation of heat stations
 - the aim of the project is heating system automation and more efficient energy consumption management
- Implementation of office premises microclimate smart management system
 - the aim of the project is the installation of sensors and control center for the control of microclimate parameters of office space and optimal use of lighting, heating/cooling and ventilation systems

SOCIAL RESPONSIBILITY

ESG

Social responsibility

As a socially responsible entrepreneur, we have focused our operations on activities and projects related to digital inclusion, responsibility towards the community and the use of technology in correlation with healthcare. We have cooperated on various projects with the academic and social community to create access technological solutions, create connectivity, support digital literacy and skill development in STEM areas.

Digital inclusion

We are convinced that our activities must correlate with our values and the community's need for further digitalization of life and work as an important factor for a sustainable future. They are related to the European Commission's plan for digital transformation of society and the economy by 2030 titled "Path to the Digital Decade". It states the Union's ambitions in the field of digital skills, digital infrastructure and digitalization of business and public services which have been recognized as a stimulus to the overall development.

Digital skills are especially important to successfully achieve these targets. Two targets have been defined in this area:

- to increase the share of adults with basic digital skills from current 56% to 80%;
- to raise the number of ICT experts from the current 8.4 million to 20 million.

Ericsson Nikola Tesla Group recognizes its impact and opportunities in digital inclusion and green transition; therefore, it carries out various programs and projects with various stakeholders with the aim of increasing digital literacy and faster implementation of new technologies.

Programs for young people

We encourage young people to learn and develop new digital skills and values for professions of the future. By participating in various events and projects, as well as our own projects for young people, we highlight the potential and opportunities that STEM professions provide, starting from projects aimed at the youngest generations, such as MUZZA Science Week to projects aimed at encouraging girls to choose STEM professions, etc.

Helping the community by using technology

We have been building a quality relation with the community not only via donations, but also by realizing programs that include using our knowledge and competences for the needs of the society and the community. This primarily refers to various solutions for a higher quality of life and work that we have been developing through partnerships for social development. We also sympathize with the affected communities, and regularly participate in humanitarian actions and initiatives.

Digital inclusion: young people in focus

We invest in the future of young people by empowering them to choose professions of the future. The academic community is our key partner in the realization of this activity.

The cooperation between Ericsson Nikola Tesla and the academic community is reflected through two important segments: on the one hand as futureproofing, a process in which the company secures quality workforce for the future period, while on the other hand it is very important from the point of view of student education as it gives them a quality insight into the latest examples from business practice.

In terms of employment, the benefits are mutual. The company gets to know talented, well-educated individuals who are informed about the latest technologies and ways of working. The company has the opportunity to identify promising candidates as potential future employees, especially through practice, mentoring and collaboration projects.

On the other hand, students have the opportunity to gain real experience of working in the industry before they graduate, which helps them acquire necessary skills and build a network of professional contacts. This form of cooperation makes it easier to transfer from university to the labor market and contributes to narrowing the gap between theory and practice.

As regards education, cooperation enables the exchange of knowledge and resources. The company can provide expert knowledge and real-life examples that complement the theoretical knowledge acquired during studies. On the other hand, the academic community can provide access to research and development of new technologies, as well as a critical overview of industry practices. This kind of cooperation encourages innovation and progress in the ICT sector and helps to adjust education to the actual needs of the labor market.

Benefit for the society at large

Integrating theory and practice and exchanging knowledge and resources contributes to the development of quality human resources and innovative solutions which are crucial for competitiveness and progress in the digital age. Therefore, promoting this kind of cooperation should be a priority for both companies and educational institutions, with the aim of creating a sustainable ecosystem that encourages growth and development of the ICT sector.

Mentoring as an indispensable synergy process

Mentoring plays an important role in shaping future experts and leaders in the industry. One of such examples is Mc2, a student competition organized by the student association of the Zagreb University of Applied Sciences since 2013, in which company has been participating by providing mentoring since the very beginning. Each year about 40 teams apply to take part in the

competition, and the experts from participating companies mentor the students. The teams mentored by experts from Ericsson Nikola Tesla always achieve top results.

Ericsson Nikola Tesla's Summer Camp is another example proving the value of mentoring. In 2023, 64 students were working on 22 projects and were mentored by 46 mentors.

Student fairs – excellent opportunity for live interaction

Student job fairs are crucial to connect ICT companies with students, allowing them to exchange information about job opportunities directly. These fairs enable students to get information about industry trends, find opportunities for internships and develop a network of professional contacts. Moreover, they contribute to raising awareness about career opportunities in the ICT sector among students, encouraging them to explore different directions of career development. Participating in student job fairs allows students to gain valuable experience and resources for future employment and career development in the industry.

Last year Ericsson Nikola Tesla participated in several career fairs. We would like to highlight Job Fair at FER, DUMP Days at FESB, which is always a success and is independently organized by the DUMP student association, and DOVIK at FERIT in Osijek.

A synergy of knowledge, experience and new ideas

During the year, Ericsson Nikola Tesla employs approximately 300 students who work in the company as student helpers. Most students come from the Faculty of Electrical Engineering and Computing (approximately 50 percent), followed by the Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture in Split, the Faculty of Science in Zagreb and Split, and the Faculty of Electrical Engineering, Computer Science and Information Technology in Osijek. In synergy with the company's senior colleagues (of whom there are about ten times more), through an ideal power ratio, for more than five decades (the first cooperation with FER dates to 1960s) we have been achieving admirable results in the ICT sector, the definition of which we practically set in the region.

Overview of events in 2023

CV Workshop at FER

As part of a skill at FER titled "Career Management", in an interactive lecture, we have explained to FER students how technical interviews are conducted in our company, what their aim is and how to prepare for them.

FERIT students visited our office in Osijek

Students of the Faculty of Electrical Engineering, Computer Science and Information Technology, University of Osijek, visited our office in Osijek. This visit by FERIT students was organized as part of the course Mobile Communications, taken in the 2nd year of undergraduate studies in Electrical Engineering, Communications and Informatics.

We participated in a panel discussion in the Girls own STEM project

The panel was organized by the Bioteka Association as part of the Girls own STEM project, an excellent initiative that won the first place in a global competition of projects at the international STEM competition of the Global Giving foundation in the field of education in July 2022.

App development workshop at FER

At the Faculty of Electrical Engineering and Computing, Ericsson Nikola Tesla's representatives held a workshop titled "Using public API data to create attractive Angular application".

Hackathon in competitive programming

At the Zagreb's Faculty of Electrical Engineering and Computing, our company participated in a series of lectures held at the event which culminated in a hackathon in competitive programming.

Job Fair at FER

At the Job Fair, organized by the Faculty, Student Association of FER, and Electrical Engineering Students' Club, our experts from key business areas presented the company and held a talk and a workshop.

First Career Day at Zagreb University of Applied Sciences (TVZ)

With more than 4,300 students in courses of informatics, computing, electrical engineering, mechanical engineering, mechatronics, civil engineering, digital economy and information security, and digital forensics, TVZ is becoming more interesting to employers. Approximately 60 companies used the opportunity to connect with the students.

Meet the mathematicians – getting to know mathematicians at PMF

This event in the form of speed dating connects companies and interested mathematics students from PMF in Zagreb. Over the last years, mathematics students have shown significant interest in becoming employees of our company.

Dump Days - a must event of the IT scene in Split

At FESB in Split, we have explained what it means to lead complex IT projects with the current state-of-the-art networks. Furthermore, we organized our Coding Challenge, and as always, got many questions from students at our stand.

FESB Day

One of the activities at the Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture Day in Split was a speed dating event in which we made direct contact with 25

students from FESB through one-on-one meetings. Moreover, we received an award as the employer who hired a significant number of students in the previous year.

Third Career Day at the Faculty of Geodesy

Since 2007, when it presented the Joint Information System of Land Registry and Cadaster (JIS), our company has been continuously improving JIS by developing various mobile and web applications. This is the reason why we are also interested in hiring experts in the field of geodesy.

Ericsson Nikola Tesla Summer Camp

More than 60 students from 16 faculties from Croatia and abroad participated in the 2023 Summer Camp.

DOVIK at FERIT

At the Faculty of Electrical Engineering, Computer Science and Information Technology (FERIT) in Osijek, the trends of employment in the ICT industry were presented. At the lecture "Students for Students", the experts from our Osijek office shared their experience of working for our company with students.

A Walk Through Careers at FOI

At the Career Week of the Faculty of Organization and Informatics (FOI) in Varaždin, our employees who graduated from FOI talked with the students.

Working in Science at PMF

We presented the activities of the company's R&D Center, the largest of its kind in Croatia, to students from various departments of the Faculty of Science (PMF) in Zagreb.

Career Week at the University of Rijeka

Considering the potential of our office in Rijeka, which has been operating since 2022, the student population of this university is certainly in our focus.

Career Speed Dating at FER

The students apply for focused eight-minute talks with the company's representatives. Our company was the choice of 34 students.

Helping the community and partnerships for development

In addition to its financial responsibility, Ericsson Nikola Tesla Group is highly aware of its responsibility towards the local community in which it operates. Mutual solidarity, assistance and empathy, as well as helping the community where we live and do business, are an integral part of the Group value system. Therefore, throughout 2023, we have been carefully following the events unfolding in our environment and have invested significant funds to realize various humanitarian activities, sponsorships, donations and initiatives in which technology, our solutions and services, as well as our experts' knowledge and skills have a key role.

Activities in 2023:

- Supporting and participating in the work of numerous scientific and professional conferences, workshops, and other professional gatherings
- Ericsson Nikola Tesla's Open Doors program for students from Croatia and abroad, to whom we presented solutions and technologies we have been developing
- Donation to SOS Children's Village Lekenik and Ladimirovci, which are a part of the Centers for Youth of Zagreb, Velika Gorica and Osijek. Additionally, owing to great response from our employees from Zagreb, Split, Osijek and Rijeka, we brightened up the holidays of children without adequate parental care from the age of one to 17 by gifting them presents according to their needs
- Supporting the Milky Way humanitarian race for the implementation of program for the mental health of children and young people in schools, titled School of Support. The company's team invested 1,045 hours of time and effort to advocate goals of the event and thus helped to spread awareness and destigmatization regarding mental health issues of children and young people
- Donation of used furniture to primary and secondary schools in Zagreb and its surrounding area
- In cooperation with the Institute of Transfusion Medicine Zagreb, and the City Red Cross Osijek and Institute of Transfusion Medicine Osijek, we have organized voluntary blood donation events at these two company's locations.

Collaborate with us

This report and all the important information about Ericsson Nikola Tesla can be found at <https://www.ericsson.hr/en/homepage>.

If you wish to find out more, give your comments, opinions or suggestions, make sure to communicate with us:

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Awards and recognitions

ESG Rating: Award for the exemplary sustainable business model

At the traditional conference of the Croatian Chamber of Economy (HGK) "Support Sustainability", ESG Rating awards were presented for the first time. The awards were presented in six categories: the best small, medium, large, public company, financial institution, and an award for the exemplary sustainable business model. Ericsson Nikola Tesla was awarded in the category of ESG Rating for the exemplary sustainable business model.

HANFA's Award for the best compliance with the Code of Corporate Governance

At the conference titled "Corporate Governance and Sustainable Business - the Path to Climate Transition", Ericsson Nikola Tesla received an award for the best compliance with the Code of Corporate Governance in 2022 in the Company on the Regular Market category.

Annual MIPRO Award for innovative ICT solutions and business systems development

At the 46th international gathering of ICT experts, MIPRO 2023, Ericsson Nikola Tesla was awarded the MIPRO annual ICT award, established to validate significant professional success in Croatia and beyond. Thus, Ericsson Nikola Tesla has become the first winner of this award in the category of legal entity for innovative ICT solutions and the contribution to the development of advanced business systems.

Green Prix for WaterQ

National awards for environment, Green Prix, were awarded at the third Greencajt conference, a regional green festival. Out of submitted innovations, the project that was awarded the majority of points was WaterQ, realized in cooperation of Ericsson Nikola Tesla as the project holder with the Croatian Institute for Public Health and the companies Telemetris d.o.o. and Gauss d.o.o. as partners.

Recognitions for humanity and corporate social responsibility

The Institution for Professional Rehabilitation and Employment of Persons with Disabilities (URIHO) awarded Ericsson Nikola Tesla a recognition for long-term cooperation and contribution to the inclusion of people with disabilities in the community. The Croatian Red Cross awarded us a recognition for providing support in the implementation of projects and programs for numerous vulnerable groups in the society.

Objectives and achievements

Ericsson Nikola Tesla’s sustainability and corporate responsibility objectives are aligned with the company’s strategy. The objectives are reviewed and reported annually and reflect our efforts to reduce risks and increase positive impacts.

Positive impact objectives

Long-term objective	2023 achievement
<p>Realize projects and solutions for customers related to achieving Sustainable Development Goals (SDGs)</p>	<p>Three cases were implemented in the Digital Society segment:</p> <p>Automated traffic control system in the City of Split Ericsson Nikola Tesla and partners have been working on a project to establish an automated traffic control system in the City of Split. During the project, the Traffic Control and Monitoring Center (CKNP) will be established as the central control room for managing mobility, in which traffic will be monitored and controlled, and mobility strategies carried out. In addition to the Center, the system for Traffic Management will also be delivered. It is a traffic lights system with an adaptive management of traffic in 84 traffic lights intersections where traffic lights programs will be optimized according to various parameters, such as the amount of traffic and traffic queues, whereby new programs will be applied in real time, with the aim to minimize the vehicles’ time to pass, and the average stops on the road network. Thereby, this ensures that the overall traffic network has a better traffic flow, reduces travel time, increases safety in traffic, and reduces harmful consequences of traffic, such as emissions of harmful gases and noise. In addition to the above mentioned, the following will also be delivered: an integrated solution for video monitoring of the traffic system, mobile application for providing information to passengers (drivers) via exchangeable traffic signs, a system for prioritizing the vehicles of public city transport and emergency services, and the system for monitoring weather conditions and the environment.</p> <p>Population migration data analysis for the needs of the Ministry of the Sea, Transport and Infrastructure Last year, a series of successful projects were continued based</p>

	<p>on analytics of massive data sets for the needs of strategic planning in traffic. Among other things, Ericsson Nikola Tesla has delivered an interactive WEB-GIS tool that contains data about daily migrations of population in the territory of the Republic of Croatia at the local self-government unit level, which serves for planning and optimizing services of public transportation of passengers within certain counties. Having an insight into real traffic needs of the population, and based on the available anonymized sets of data, the tool sets the basis for reaching decisions in regard to the optimization of transport offering for public transport of passengers, thus realizing significant savings (especially in rural areas) because transport is adjusted to the population's real requirements.</p> <p>Meteorological stations for eSchools Ericsson Nikola Tesla, together with a consortium partner, delivered 305 meteorological stations to primary schools and high schools in every region in Croatia, for the needs of Croatian Academic and Research Network – CARNET, within the II stage of the project eSchools. One of the stations' characteristics, in addition to being powered by solar energy, is the option to send data to remote services for data collection and consolidation. The basic set of data is collected (pressure, temperature, air humidity, wind - direction and speed, precipitation), and data from the sensors are collected in the background services of Ericsson Nikola Tesla's eEnvironment platform so that all the primary schools' employees and pupils can have an insight into meteorological conditions around their school.</p>
<p>Climate actions: Until 2030, cut our own emission of CO₂ in half (absolute amount) as compared to 2019</p>	<p>In 2023, Ericsson Nikola Tesla Group has continued to optimize energy sources. Therefore, compared to 2022, in addition to the stability of business activities, additional savings of all energy sources were achieved, and the most significant contribution to CO₂ reduction was achieved by reducing electricity consumption by 22% compared to 2022, or by 53% compared to 2019.</p>

Risk mitigation objectives

Long-term objective	2023 achievement
<p>Responsible sourcing:</p> <ul style="list-style-type: none"> – percentage of audits performed out of total audits planned (with the weight of 40% in total result) – percentage of successful implementation of corrective actions in total audit findings (with the weight of 60% in total result). Audits without findings will be treated as one closed finding. 	<p>100% achievement</p>
<p>Compliance program:</p> <p>Following each reported irregularity, propose the measures for improvement and lead the process of implementation of the proposed measures to prevent the occurrence of similar violations in the future.</p>	<p>All the irregularities reported during 2023 were investigated in detail. The investigation reports describe the objectively determined facts, and for all the violations that the investigation confirmed, the circumstances in which they occurred were identified. Improvement measures were proposed to prevent the occurrence of similar violations in the future. The proposed measures, together with the investigation reports, were accepted by the bodies that decide on the investigations conducted, and the reports were closed. The organizations of the process owners where the needs for improvements were identified conducted the proposed improvements during 2023. Independent internal audit has confirmed the implementation of the mentioned improvements.</p>
<p>Occupational Health and Safety (OHS)</p> <p>OHS-related audits: internal audits, supplier audits, field worker audits; 20 audits, depending on the priorities</p> <p>Training for the Employer’s authorized representatives for OHS; all managers</p> <p>OHS Newsletter for company’s employees; twice a year</p>	<p>28 occupational health and safety audits were carried out at various locations in the company and at the suppliers’ locations.</p> <p>Education was completed by 95% of line managers.</p> <p>OHS Newsletter was published once and has unified all the relevant information and changes in the OHS system that happened in 2023.</p>

<p>OHS team meetings; four times a year</p> <p>Workshops and lectures for employees regarding OHS (working in an ergonomic manner, working from home, health care topics, etc.); four workshops and/or lectures</p> <p>Education of persons for providing first aid at locations in Zagreb, Split, Osijek and Rijeka; 15 employees</p>	<p>Three OHS Committee meetings were held.</p> <p>Three My Health lectures were held within the PrevENTION program: two related to mental health and one related to employees' healthy diet. Furthermore, two Move Your Body trainings were held: a running training and a group excursion to Sljeme.</p> <p>Education was initiated for 27 employees at all the company's locations.</p>
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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://www.ericsson.hr/en/corporate-governance>).

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/en>) and HANFA (<https://www.hanfa.hr/en/>). The Company operates in line with 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 remuneration committee. Due to more efficient work and the fact that the 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

Since the Management Board consists of one member - the Company's Managing Director, the Management Board does not have its own Rules of Procedure of 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 Company's Articles of Association, Code of Corporate Governance of Ericsson Nikola Tesla, and the Governance Model of Ericsson Nikola Tesla Group.

Composition of the Management Board

In its work, the Management Board closely cooperates with the Executive Management that consist of, in addition to the Managing Director, the directors of main organizational units. Furthermore, in order to secure additional transparency when reaching certain important decisions, the following committees have been established: Risk and Compliance Board, Investment Board, Innovation Steering Committee, Technology Management Board, Group's Digital Transformation Program Board, Steering Committee for Real Estate.

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

Remuneration of the Management Board members

The Remuneration Policy prescribes that the Company's Management Board may not dispose of the shares it was attributed as part of the remuneration policy for at least a year since the date on which they were awarded. 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. The Remuneration Policy does not include the provisions that will specify in more detail the circumstances in which part of the Management Board member's remuneration would be withheld or their return would be requested.

Chapter 9: General Meeting

The maximum possible attendance of the persons stipulated in Article 81 of the Code was realized. The General Meeting was attended by: three members of the Supervisory Board of which one member is the Deputy Chair of the Chairperson of the Supervisory Board and the Chair of Audit Committee, Management Board and external auditors.

Financial statements of
Ericsson Nikola Tesla
Group and Independent
Auditors' Report

Ericsson Nikola Tesla d.d.

Consolidated Financial Statements
and Independent Auditors' Report
31 December 2023

Ericsson Nikola Tesla Group

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.
- One is domiciled in Belarus and liquidated in December 2023:
 - Ericsson Nikola Tesla BY 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 2023 and up to the release of these consolidated statements were:

Franck Pierre Roland Bouétard	Chairperson	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 2023 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 one member:

Gordana Kovačević	President	Reappointed on 17 December 2019
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Executive management

As at 31 December 2023, the executive management comprised:

Gordana Kovačević	Company President
Antonija Lončar	Director, Marketing, Communications & Corporate Social Responsibility
Branka Vučemilo Elezović	Director, Legal
Branko Dronjić	Director, IT&Test Environment Operations
Damir Bušić	Director, Finance, Sourcing and Commercial Management
Darko Huljenić	Director, Research
Drago Holub	Director, R&D Center
Goran Ožbolt	Director, General Services
Hrvoje Benčić	Director, Digital Services and Operations, Networks and Media
Ivan Barać	Director, Sales and Marketing for Hrvatski Telekom and Crnogorski Telekom
Jagoda Barać	Director, Sales and Marketing for Export markets for Operators segment
Milan Živković	Director, Strategy and Business Development & GIR
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

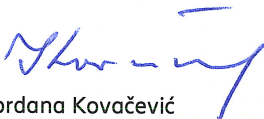
Responsibilities of the Management and Supervisory Board for the preparation and approval of the annual consolidated financial statements

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 22 April 2024 for issue to the Supervisory Board and are signed below.



Gordana Kovačević

President

Ericsson Nikola Tesla d.d.

Krapinska 45

10000 Zagreb

Croatia

ERICSSON 
Ericsson Nikola Tesla d.d.
Krapinska 45
HR-10 000 Zagreb
CROATIA 01



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 of the Group as at 31 December 2023, and its consolidated statements of comprehensive income, cash flows and changes in equity 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 2023 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.



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 2023: EUR 304,231 thousand (2022: EUR 297,576 thousand). As at 31 December 2023: trade accounts receivable: EUR 28,603 thousand; contract liabilities: EUR 27,085 thousand (31 December 2022: trade accounts receivable: EUR 30,290 thousand; contract liabilities: EUR 25,515 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
<p>In the year ended 31 December 2023, 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.</p> <p>Application of revenue recognition principles of the relevant financial reporting standard, IFRS 15 <i>Revenue from Contracts with Customers</i> ("the Standard") is complex and requires making significant assumptions and judgment. Particular complexity is associated with the following factors:</p> <ul style="list-style-type: none"> — 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; 	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> — 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: <ul style="list-style-type: none"> ○ 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;



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)*

<i>Key audit matter (continued)</i>	<i>How our audit addressed the matter (continued)</i>
<p>— 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;</p> <p>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.</p>	<ul style="list-style-type: none"> ○ 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. <p>— 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;</p> <p>— 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.</p>

Other Information

Management is responsible for the other information. The other information comprises the Management Report and Corporate Governance Statement 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 and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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.



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

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

Other Information (continued)

With respect to the Management Report and the Corporate Governance Statement, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether:

- the Management Report has been prepared in accordance with the requirements of Articles 21 and 24 of the Accounting Act,
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and procedures above, in our opinion:

- the information given in the Management Report and the Corporate Governance Statement for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report has been prepared, in all material respects, in accordance with the requirements of Articles 21 and 24 of the Accounting Act;
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report and the Corporate Governance Statement. We have nothing to report in this respect.

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.

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.



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 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 14 June 2023 to audit the consolidated financial statements of Ericsson Nikola Tesla d.d. for the year ended 31 December 2023. Our total uninterrupted period of engagement is five years, covering the year ended 31 December 2019 to 31 December 2023.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 22 April 2024;
- 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 2023, as included in the attached electronic file *FI-ERNT-2023-1Y-Revidirano-Konsolidirano-EN.zip*, 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;



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 2023 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 form of assurance with respect to the documents accompanying the annual report included in the attached electronic file.

KPNB Croatia d.o.o.

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

26 April 2024

Ericsson Nikola Tesla Group

Consolidated statement of comprehensive income

for the year ended 31 December 2023

		2023	2022
	Notes	EUR '000	EUR '000
Sales revenue	5, 6	304,231	297,576
Cost of sales	7	(272,421)	(273,185)
Gross profit		31,810	24,391
Selling expenses	7	(5,810)	(5,733)
Administrative expenses	7	(7,178)	(6,884)
Other operating income	7	6,706	5,323
Other operating expenses	13(i)	(554)	-
Impairment loss on financial assets		(217)	(44)
Operating profit		24,757	17,053
Finance income	9	717	966
Finance expense	9	(238)	(465)
Finance income/(expense), net	9	479	501
Profit before tax		25,236	17,554
Income tax	10	(3,042)	(1,737)
Profit for the year		22,194	15,817
Other comprehensive income:			
Currency translation differences		3	49
Total comprehensive income for the year		22,197	15,866
Earnings per share (EUR)	11	16.78	11.95

Ericsson Nikola Tesla Group

Consolidated statement of financial position

as at 31 December 2023

		2023	2022
Assets	Notes	EUR '000	EUR '000
Non-current assets			
Property, plant and equipment	12	14,729	16,093
Right of use assets	28	15,028	5,926
Intangible assets	13	385	644
Loans and receivables	14	2,587	2,093
Deferred tax assets	10	2,506	3,187
Total non-current assets		35,235	27,943
Current assets			
Inventories	15	9,931	13,226
Trade receivables	16	28,603	30,290
Receivables from related parties	29 (c)	37,402	17,884
Other receivables	17	1,496	2,077
Income tax receivables		786	7
Prepayments		2,254	1,169
Financial assets at fair value through profit or loss	18	4,235	4,124
Cash and cash equivalents	19	72,655	69,872
Total current assets		157,362	138,649
Total assets		192,597	166,592

Ericsson Nikola Tesla Group

Consolidated statement of financial position (continued)

as at 31 December 2023

		2023	2022
Equity and liabilities	Notes	EUR '000	EUR '000
Equity			
Share capital	20 (a)	17,674	17,674
Treasury shares	20 (b)	(1,256)	(2,268)
Legal and other reserves	20 (c)	1,230	884
Reserve for treasury shares	20 (d)	4,157	5,353
Reserve of currency conversion		-	(3)
Retained earnings		50,660	36,174
Total equity		72,465	57,814
Non-current liabilities			
Borrowings	21	114	215
Lease liabilities	28	13,250	3,703
Other non-current liabilities	22	12	1
Employee benefits	23 (a)	943	1,103
Total non-current liabilities		14,319	5,022
Current liabilities			
Payables to related parties	29 (c)	15,062	7,000
Borrowings	21	469	1,876
Trade and other payables	24	38,467	42,384
Income tax payable		690	561
Provisions	25	1,583	2,117
Accrued charges and deferred revenue	26	20,400	22,059
Contract liabilities	27	27,085	25,515
Lease liabilities	28	2,057	2,244
Total current liabilities		105,813	103,756
Total liabilities		120,132	108,778
Total equity and liabilities		192,597	166,592

Ericsson Nikola Tesla Group

Consolidated statement of changes in equity

for the year ended 31 December 2023

	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 2022	17,674	(1,648)	884	4,846	(52)	31,922	53,626
Changes in equity for 2022							
Total comprehensive income	-	-	-	-	49	15,817	15,866
Dividend distribution for 2021, Note 20 (e)	-	-	-	-	-	(11,235)	(11,235)
Purchase of treasury shares, Note 20 (b)	-	(1,440)	-	-	-	-	(1,440)
Shares granted, Note 23 (b)	-	820	-	(820)	-	-	-
Transfer	-	-	-	1,327	-	(1,327)	-
Share-based payments, Note 23 (b)	-	-	-	-	-	997	997
Total contributions by and distributions to owners of the parent recognized directly in equity	-	(620)	-	507	-	(11,565)	(11,678)
As at 31 December 2022	17,674	(2,268)	884	5,353	(3)	36,174	57,814
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

Ericsson Nikola Tesla Group

Consolidated statement of cash flows

for the year ended 31 December 2023

		2023	2022
	Notes	EUR '000	EUR '000
Cash flows from operating activities			
Profit before tax		25,236	17,554
Adjustments for:			
Depreciation and amortization	7, 12, 13,28	6,036	6,528
Effects of lease derecognition		-	-
Impairment losses and reversals		335	(234)
Gain on sale of property, plant and equipment		5	(85)
Net loss/(gain) on remeasurement of financial assets		(111)	255
Amortization of discount		(12)	-
Interest income		(595)	(417)
Interest expense		245	248
Foreign exchange (gain)/loss, net		(21)	(87)
Share-based payments	23 (b)	607	997
Changes in working capital:			
In receivables		(18,724)	(6,518)
In inventories		3,295	5,911
In provisions		(695)	274
In payables		4,234	4,898
Cash generated from operations		19,835	29,324
Interest paid		(232)	(221)
Income taxes paid		(2,858)	(4,289)
Net cash from operating activities		16,745	24,814
Cash flows from investing activities			
Interest received		641	455
Proceeds from sale of property, plant and equipment		9	117
Purchases of property, plant and equipment, and intangible assets		(2,109)	(1,965)
Deposits given to financial institutions, net		792	1,712
Net cash from/(used in) investing activities		(667)	319

Ericsson Nikola Tesla Group

Consolidated statement of cash flows (continued)

for the year ended 31 December 2023

		2023	2022
	Notes	EUR '000	EUR '000
Cash flows from financing activities			
Repayment of borrowings	21	(2,408)	(3,476)
Purchase of treasury shares	20 (b)	(184)	(1,440)
Dividends paid	20 (e)	(7,934)	(11,248)
Payment of lease liabilities	28	(2,779)	(2,573)
Net cash used in financing activities		(13,305)	(18,737)
Effects of exchange rate changes on cash and cash equivalents		10	102
Net increase/(decrease) in cash and cash equivalents		2,783	6,498
Cash and cash equivalents at the beginning of the year		69,872	63,374
Cash and cash equivalents at the end of the year	19	72,655	69,872

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 2023 and for the year then ended for the Parent Company, its subsidiaries of which two are domiciled and active in Croatia, one in Bosnia and Herzegovina, one in Kosovo and one liquidated in December 2023 was domiciled in Belarus (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.

The Government of the Republic of Croatia adopted the Decision on the announcement of the introduction of the euro as the official currency in the Republic of Croatia (published in "Official Gazette" No. 85/22). With the aforementioned decision, the euro becomes the official monetary unit and legal currency in the Republic of Croatia on 1 January 2023. The fixed conversion rate is set at HRK 7.5345 for one euro.

The conversion of the kuna value into the euro value was carried out in the accounting records from 1 January 2023, applying the conversion rate of 1 EURO for 7.5345 kuna. Comparative data were calculated using the same conversion rate. Although the change in presentation currency in the financial statements represents a change in accounting policy requiring retrospective application, the Group did not publish a third balance sheet in the financial statements for the year ended December 31, 2023, in accordance with International Accounting Standard 8 (IAS 8) *Accounting Policies, Changes in Accounting Estimates and Errors*, since it determined that the change in presentation currency does not have a significant impact on the financial statements of the Group, due to the stable HRK/EUR exchange rate over the last few years.

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

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 balance sheet 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.

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

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

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

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.

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

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 balance sheet 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.

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

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 2.5%.

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 2023 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 2023

In 2023, the following standards, amendments to existing standards, and interpretations came into effect:

- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates,
- Amendments to IAS 1 Presentation of Financial Statements and Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies,
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction,
- Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules

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.

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

In 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.

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

5 Sales revenue

Analysis of revenue by category:

	2023			2022		
	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	47,189	37,716	9,473	48,870	45,797	3,073
Sales revenue from services	257,042	236,320	20,722	248,706	223,774	24,932
	304,231	274,036	30,195	297,576	269,571	28,005

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, Belarus and Kosovo.

	2023			2022		
	EUR '000	EUR '000 At a point in time	EUR '000 Over time	EUR '000	EUR '000 At a point in time	EUR '000 Over time
Sales revenue in domestic market	130,329	109,791	20,538	128,831	110,616	18,215
Sales revenue in CIS countries	8,939	5,412	3,527	13,841	9,775	4,066
Sales revenue to Ericsson	141,123	141,123	-	135,927	135,927	-
Sales revenue in Bosnia and Herzegovina, Montenegro and Kosovo	20,517	15,100	5,417	17,340	12,239	5,101
Other export sales revenue	3,323	2,610	713	1,637	1,014	623
	<u>304,231</u>	<u>274,036</u>	<u>30,195</u>	<u>297,576</u>	<u>269,571</u>	<u>28,005</u>

	Networks		Digital services		Managed services		Other		Unallocated		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	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	145,166	137,629	78,482	85,723	80,108	73,786	475	438	-	-	304,231	297,576
Timing of revenue recognition:												
At a point in time	126,817	125,275	66,636	74,888	80,108	68,970	475	438	-	-	274,036	269,571
Over time	18,349	12,354	11,846	10,835	-	4,816	-	-	-	-	30,195	28,005
Operating profit	18,849	16,311	8,858	1,373	4,206	6,230	22	22	(7,178)	(6,883)	24,757	17,053
Finance income/ (expense), net											479	501
Profit before tax											25,236	17,554
Income tax											(3,042)	(1,737)
Profit for the year											22,194	15,817

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:

	2023	2022
	EUR '000	EUR '000
Changes in contract work in progress (Note 15)	(3,044)	7,641
Material and external services ⁽¹⁾	129,430	125,596
Personnel expenses (Note 8)	152,987	146,036
Depreciation and amortization (Notes 12, 13, 28)	6,036	6,528
	<u>285,409</u>	<u>285,801</u>

⁽¹⁾Including fees to auditors of EUR 102 thousand (2022: EUR 91 thousand). Fees to auditors related to statutory audit services amounted to EUR 86 thousand (2022: EUR 91 thousand), while fees related to other services amounted to EUR 16 thousand (2022: nil).

Other operating income

Other operating income consists of rent income in total amount of EUR 4,500 thousand (2022: EUR 4,061 thousand) and other in total amount of EUR 2,206 thousand (2022: EUR 1,262 thousand).

8 Personnel expenses

	2023	2022
	EUR '000	EUR '000
Net salaries	86,280	82,899
Taxes and contributions	55,263	51,282
Other payroll-related costs	10,837	10,858
Equity-settled transactions (Note 23 (b))	607	997
	<u>152,987</u>	<u>146,036</u>

Personnel expenses include EUR 23,648 thousand (2022: EUR 22,287 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 58 thousand (2022: EUR 225 thousand), and to transportation expenses and vacation accrual cost.

As at 31 December 2023, the total number of employees was 3,600 (2022: 3,541).

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

9 Finance income/(expense), net

	2023	2022
	EUR '000	EUR '000
Interest income	595	417
Net foreign exchange gain	-	549
Net change in fair value of financial assets at fair value through profit and loss	111	-
Amortisation of discount	11	-
Finance income	717	966
Interest expense	(233)	(210)
Net change in fair value of financial assets at fair value through profit and loss	-	(255)
Net foreign exchange loss	(5)	-
Finance expense	(238)	(465)
Finance income/(expense), net	479	501

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:

	2023	2022
	EUR '000	EUR '000
Current income tax expense	(2,362)	(2,853)
Total deferred tax income/(expense)	(680)	1,116
Total income tax expense	(3,042)	(1,737)

Deferred tax from tax losses

As at 31 December 2023 the Group did not recognize deferred income tax assets of EUR 14 thousand (2022: EUR 42 thousand) in respect of cumulative tax losses amounting to EUR 75 thousand (2022: EUR 233 thousand) that can be carried forward against future taxable income.

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

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:

	2023	2022
	EUR '000	EUR '000
Tax loss for 2021 – expires 31 December 2026	-	73
Tax loss for 2022 – expires 31 December 2027	75	160
	75	233

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:

	2023	2022
	EUR '000	EUR '000
Profit before tax	25,236	17,554
Tax calculated at domestic tax rates applicable to profits in the respective countries	4,513	4,520
Tax effects of:		
Permanent non-deductible expenses	167	(739)
Effects of temporary differences	(47)	4
Tax incentives	(1,563)	(2,048)
Tax losses utilised	(28)	-
Tax charge	3,042	1,737
Effective tax rate	12.1%	9.9%

Tax incentives totaling EUR 1,563 thousand (2022: EUR 2,048 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 may take a different view in interpreting the laws and judgments, and it is possible that those transactions and activities that have not been disputed in the past may be disputed now. The Tax Authority may carry out a tax audit within three years from the year in which the income tax liability for a certain financial period was established.

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 2,506 thousand (2022: EUR 3,187 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 2022	2,071
Tax credited to the Income statement	1,491
Tax charged to the Income statement	(375)
As at 31 December 2022	<u>3,187</u>
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	<u>2,506</u>

11 Earnings per share

	2023	2022
Profit for the year (EUR '000)	22,194	15,817
Weighted Average Number of Shares Outstanding at the year-end	<u>1,322,709</u>	<u>1,323,376</u>
Earnings per share (EUR)	<u>16.78</u>	<u>11.95</u>

Basic and fully diluted earnings per share are the same since the Parent Company does not have any dilutive potential ordinary shares.

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

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 2022					
Cost or valuation	27,736	36,391	78	44	64,249
Accumulated depreciation	(17,754)	(28,646)	-	(38)	(46,438)
Net book amount	9,982	7,745	78	6	17,811
Year ended 31 December 2022					
Opening net book amount	9,982	7,745	78	6	17,811
Transfer of asset under construction	3	25	(28)	-	-
Additions	37	1,905	224	-	2,166
Disposals	-	(13)	-	(2)	(15)
Depreciation charge	(595)	(3,273)	-	(1)	(3,869)
Closing net book amount	9,427	6,389	274	3	16,093
As at 31 December 2022					
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

As at 31 December 2023, the Group had contracts totaling EUR 36 thousand (2022: EUR 48 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 342 thousand (2022: EUR 528 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 EUR '000	Goodwill (i) EUR '000	Assets under construction EUR '000	Total EUR '000
As at 1 January 2022				
Cost or valuation	831	554	-	1,385
Accumulated amortization	(688)	-	-	(688)
Net book amount	143	554	-	697
Year ended 31 December 2022				
Opening net book amount	143	554	-	697
Additions	1	-	-	1
Amortization charge	(54)	-	-	(54)
Closing net book amount	90	554	-	644
As at 31 December 2022				
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)
Additions	-	-	-	-
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

(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.

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

14 Loans and receivables

	2023	2022
	EUR '000	EUR '000
Deposits with financial institutions, denominated in foreign currency	-	875
Deposits with financial institutions, denominated in EUR	1,542	690
Non-current receivables from foreign customers, denominated in EUR	714	-
Loans given, Note 4 (b)	223	494
Receivables for sold apartments	109	48
Total loans and receivables	2,588	2,107
Impairment allowance on loans and receivables	(1)	(14)
	2,587	2,093

Deposits with financial institutions in the amount of EUR 1,422 thousand (2022: 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 0.01% to 0.15% and maturing in year 2026.

The rest of the deposits with financial institutions of EUR 120 thousand (2022: EUR 143 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

	2023	2022
	EUR '000	EUR '000
Due		
2024	-	372
2025	691	128
2026	246	-
	937	500

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

15 Inventories

	2023	2022
	EUR '000	EUR '000
Raw materials	762	7,101
Contract work in progress	9,169	6,125
	<u>9,931</u>	<u>13,226</u>

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 1 thousand (2022: EUR 176 thousand).

16 Trade receivables

	2023	2022
	EUR '000	EUR '000
Foreign trade receivables	7,334	5,675
Current portion of non-current foreign receivables	705	-
Total current foreign receivables	<u>8,039</u>	<u>5,675</u>
Domestic trade receivables	20,739	24,751
Total current domestic receivables	<u>20,739</u>	<u>24,751</u>
Impairment allowance on receivables	(175)	(136)
	<u>28,603</u>	<u>30,290</u>

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

16 Trade receivables (continued)

Movements in impairment allowance on loans and receivables were as follows:

	2023	2022
	EUR '000	EUR '000
As at 1 January	350	1,019
Impact of discounting non-current receivables	(12)	13
Receivables written off during the year as uncollectible	(85)	(179)
Impairment on receivables/(release of impairment on receivables)	376	(503)
As at 31 December ⁽¹⁾	629	350

⁽¹⁾Including impairment provision for receivables from related parties of 419 thousand (2022: EUR 200 thousand).

17 Other receivables

	2023	2022
	EUR '000	EUR '000
Advances given	641	267
Deposits	-	770
Net VAT receivables	-	161
Receivables for existing customer financing agreements (note 4b)	756	648
Other receivables	98	231
	1,496	2,077

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

18 Financial assets at fair value through profit or loss

	2023	2022
	EUR '000	EUR '000
Financial assets at fair value through profit or loss		
- Equity securities	66	41
- Investment in open-ended investment funds	4,169	4,083
	4,235	4,124

19 Cash and cash equivalents

	2023	2022
	EUR '000	EUR '000
Cash and demand deposits	72,826	70,082
Impairment loss (Note 30(d))	(171)	(210)
	72,655	69,872

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

20 Equity

(a) Share capital

As at 31 December 2023, the share capital is represented by 1,331,650 (2022: 1,331,650) of authorized, issued and fully paid ordinary shares, with a total registered value of EUR 17,674 thousand (2022: 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	
	2023	2022	2023	2022
Telefonaktiebolaget LM Ericsson	653,473	653,473	49.07	49.07
Other shareholders	672,291	668,166	50.49	50.18
Treasury shares	5,886	10,011	0.44	0.75
	<u>1,331,650</u>	<u>1,331,650</u>	<u>100.00</u>	<u>100.00</u>

(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	
	2023	2022
As at 1 January (Note 20 (a))	10,011	6,951
Purchased during the year	870	6,585
Distributed during the year	(4,995)	(3,525)
As at 31 December (Note 20 (a))	<u>5,886</u>	<u>10,011</u>

(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, article 19, paragraph 14, the reserves for unwritten value of development costs are recognized for internally generated intangible asset in the amount of EUR 346 thousand (2022: nil).

(d) Reserve for own shares

Reserve for own shares is separated by the decision of Annual General Meeting.

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

20 Equity (continued)

(e) Dividends

Dividends payable are not accounted for until they have been ratified at the Annual General Meeting of shareholders. On 14 June 2023, the Annual General Meeting approved a dividend in respect of 2022 of EUR 6 per share, totaling EUR 7,927 thousand.

Cash dividends authorized and paid for previous years were as follows:

	2023	2022
	EUR '000	EUR '000
EUR 8.49 per share for 2021	-	11,235
EUR 6.00 per share for 2022	7,927	-
Prior year dividend payout	7	13
	<u>7,934</u>	<u>11,248</u>

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

21 Borrowings

	2023	2022
	EUR '000	EUR '000
Loans	469	1,876
Borrowings, Note 4 (b)	114	215
Total liabilities for borrowings	583	2,091
Short term portion	469	1,876
Long term portion	114	215

Changes in liabilities from financing activities	Borrowings
	EUR '000
Year ended 31 December 2022	
Opening net book amount	4,136
Cash transactions	
Repayment of loans and borrowings	(3,476)
Non-cash transactions	
Overtake of liability towards bank	1,685
Release of obligations (Note 4(b))	(254)
Closing net book amount	2,091
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

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

	2023	2022
	EUR '000	EUR '000
Liabilities for issued guarantee, Note 4 (b)	10	1
Other non-current liabilities, Note 4 (b)	2	-
	12	1

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 2023 were a 1.92% discount rate (2022: 1.92%) and a 6.97% (2022: 6.66%) rate of average employment turnover.

Movements in long-term service benefits were as follows:

	Jubilee awards	Retirement	Total	Jubilee awards	Retirement	Total
	2023			2022		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
As at 1 January	910	193	1,103	947	194	1,141
Obligation created during the year	120	13	133	218	8	226
Obligation fulfilled during the year	(210)	(3)	(213)	(255)	(8)	(263)
Obligation reversed during the year	-	(80)	(80)	-	(1)	(1)
As at 31 December	820	123	943	910	193	1,103

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

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 2023 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:

	2023	2022
	Number of shares	Number of shares
As at 1 January	10,650	14,455
Granted	-	50
Exercised	(4,995)	(3,525)
Expired	(30)	(330)
As at 31 December	5,625	10,650

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 2023, the Group had EUR 607 thousand of expenses (2022: EUR 997 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

	2023	2022
	EUR '000	EUR '000
Trade payables	12,027	15,475
Liabilities to employees	21,428	21,133
VAT liabilities	1,002	2,022
Other current liabilities	4,010	3,754
	<u>38,467</u>	<u>42,384</u>

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 2022	<u>283</u>	<u>757</u>	<u>765</u>	<u>1,805</u>
Additional provisions	3	851	469	1,323
Unused provisions reversed	(22)	-	-	(22)
Provisions used during the year	(22)	(960)	(8)	(989)
As at 31 December 2022	<u>242</u>	<u>649</u>	<u>1,226</u>	<u>2,117</u>
As at 1 January 2023	<u>242</u>	<u>649</u>	<u>1,226</u>	<u>2,117</u>
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	<u>172</u>	<u>508</u>	<u>902</u>	<u>1,583</u>

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.

Followed by the prudence principle and based on the circumstances and other factors, including expectations of future events, additional provisions were made.

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

26 Accrued charges and deferred revenue

	2023	2022
	EUR '000	EUR '000
Deferred revenue	713	792
Accrued charges for unused holidays	4,569	4,819
Accrued charges in respect of service contracts	8,337	12,091
Other accrued charges	6,781	4,357
	<u>20,400</u>	<u>22,059</u>

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.

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

27 Contract liabilities

The Group has recognized the following liabilities arising from contracts with customers:

	31 December 2023	31 December 2022
	EUR '000	EUR '000
Contract liabilities – advances from customers	14,208	2,268
Contract liabilities – deferred revenue	12,877	23,247
Total current contract liabilities	27,085	25,515

As at 31 December 2023 the Group recognized EUR 27,085 thousand (2022: EUR 25,515 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 2023	31 December 2022
	EUR '000	EUR '000
Aggregate amount of the transaction price allocated to long-term contracts that are fully unsatisfied	68,578	13,484
Aggregate amount of the transaction price allocated to long-term contracts that are partially unsatisfied	12,575	11,722
	81,153	25,206

The Group expects to recognize approximately 37% of the transaction price allocated to the remaining performance obligations as revenue in financial year 2024, 11% as revenue in financial year 2025, 9% as revenues in financial year 2026, 29% as revenues in financial year 2027 and 14% as revenues in financial year 2028.

All other contracts are for periods of one year or less or are billed based on time incurred.

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

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.

	2023	2022
	EUR '000	EUR '000
Balance as at 1 January	5,926	6,913
Depreciation charge for the year	(2,844)	(2,605)
Increase of right-of-use assets	12,547	1,692
Modifications	-	-
Derecognition of RoU assets	(601)	(74)
Balance as at 31 December	15,028	5,926

Amounts recognized in Statement of comprehensive income

	2023	2022
	EUR '000	EUR '000
Leases under IFRS 16		
Interest on lease liabilities	211	158
Income from sub-leasing	8	12
Expenses relating to short-term leases	360	11

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:

	2023	2022
	EUR '000	EUR '000
Balance as at 1 January	5,947	6,956
Repaid lease liability	(2,779)	(2,573)
Additions to lease liability	12,547	1,691
Modifications	-	-
Derecognition of lease	(601)	(74)
Interest expense	211	158
Interest paid	(211)	(158)
FX rate	193	(53)
Balance as at 31 December	15,307	5,947

(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 2023 was EUR 4,500 thousand (2022: EUR 4,061 thousand).

The following table sets out a maturity analysis of lease payments to be received after the reporting date.

	2023	2022
	EUR '000	EUR '000
Operating leases under IFRS 16		
Less than one year	1,542	1,376
Between one and three years	2,138	2,544
Between three and five years	1,186	1,267
More than five years	1,772	543
Total	6,638	5,730

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

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% (2022: 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	
	2023	2022	2023	2022	2023	2022
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Sales of goods and services						
Sales revenue	-	-	141,123	135,927	141,123	135,927
Other income	-	-	547	3	547	3
	-	-	141,670	135,930	141,670	135,930
Purchases of goods and services						
Licenses	815	798	1,874	2,345	2,689	3,143
Cost of sales	-	-	37,554	33,649	37,554	33,649
	815	798	39,428	35,994	40,243	36,792

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.

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

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.

	2023	2022
	EUR '000	EUR '000
Salaries and other short-term employee benefits	4,010	4,178
	<u>4,010</u>	<u>4,178</u>

The members of the executive management and the Supervisory Board held 3,308 ordinary shares at the year-end (2022: 3,669 shares).

In addition, the Group paid remuneration totaling EUR 72 thousand (2022: EUR 65 thousand) to the Supervisory Board and Audit Committee members during 2023.

(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	
	2023	2022	2023	2022
	EUR '000	EUR '000	EUR '000	EUR '000
Telefonaktiebolaget LM Ericsson (LME), largest individual shareholder	-	-	-	6
Other Ericsson Group companies	37,402	17,884	15,062	6,994
	<u>37,402</u>	<u>17,884</u>	<u>15,062</u>	<u>7,000</u>

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

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 2023, if the US dollar had weakened/strengthened by 1% (2022: 1%) against the Euro, with all other variables held constant, the net result after tax for the reporting period would have been EUR 19 thousand higher/lower (2022: EUR 176 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.

2023	USD	Other currency	Total foreign currencies	EUR	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Loans and receivables	-	-	-	2,511	2,511
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	42,933	45,251
	<u>2,926</u>	<u>3,171</u>	<u>6,097</u>	<u>114,092</u>	<u>120,189</u>
Borrowings and lease liabilities	-	(136)	(136)	(15,751)	(15,887)
Trade and other payables	(647)	(201)	(848)	(67,535)	(68,383)
	<u>(647)</u>	<u>(337)</u>	<u>(984)</u>	<u>(83,286)</u>	<u>(84,270)</u>
Currency gap	<u>2,279</u>	<u>2,834</u>	<u>5,113</u>	<u>30,806</u>	<u>35,919</u>

2022	EUR	USD	Other currency	Total foreign currencies	HRK	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Loans and receivables	1,356	-	-	1,356	736	2,092
Trade and other receivables	23,064	471	3,027	26,562	22,927	49,489
Financial assets at fair value through profit or loss	-	-	-	-	4,124	4,124
Cash and cash equivalents	10,319	1,354	1,009	12,682	57,959	70,641
	<u>34,739</u>	<u>1,825</u>	<u>4,036</u>	<u>40,600</u>	<u>85,746</u>	<u>126,346</u>
Borrowings and lease liabilities	(6,119)	-	-	(6,119)	(1,919)	(8,038)
Trade and other payables	(8,639)	(286)	(211)	(9,136)	(43,063)	(52,199)
	<u>(14,758)</u>	<u>(286)</u>	<u>(211)</u>	<u>(15,255)</u>	<u>(44,982)</u>	<u>(60,237)</u>
Currency gap	<u>19,981</u>	<u>1,539</u>	<u>3,825</u>	<u>25,345</u>	<u>40,764</u>	<u>66,109</u>

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

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 2023:

– if the effective EUR interest rate on EUR deposits had increased/decreased by 1% (2022: 1%) on an annual level, the net result due to changes in EUR deposits after tax for the reporting period would have been EUR 136 thousand higher/lower (2022: EUR 0 thousand);

– if the effective USD interest rate on USD deposits had increased/decreased by 1% (2022: 1%) on an annual level, the net result due to changes in USD deposits after tax for the reporting period would have been EUR 0 thousand higher/lower (2022: EUR 0 thousand).

The following table presents the annual average interest rates exposure of financial assets.

	Average interest rates	Average interest rates
	2023	2022
	%	%
Loans and receivables	0.07	0.09
Cash and cash equivalents	2.64	0.01

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 on the balance sheet 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 2023, the five largest customers represent 76% of total net trade receivables (2022: 64%). 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 45,251 thousand as at 31 December 2023 (31 December 2022: EUR 70,641 thousand). Provisions for expected credit losses on cash and deposits amounted to EUR 171 thousand as at 31 December 2023 (31 December 2022: EUR 210 thousand). The Group's write-offs have historically been low.

Trade receivables, receivables from related party and contract assets together amounted to EUR 66,005 thousand as at 31 December 2023 (31 December 2022: EUR 48,174 thousand). Provisions for expected credit losses on trade receivables and receivables from related party amounted to EUR 283 thousand as at 31 December 2023 (31 December 2022: EUR 340 thousand). The Group's write-offs have historically been low.

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

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 2023.

	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
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
	<u>56,990</u>	<u>9,257</u>	<u>455</u>	<u>826</u>	<u>-</u>	<u>67,528</u>

* excluding impairment allowance

2022						
Foreign receivables	898	4,254	502	494	-	6,148
Domestic receivables	675	20,763	3,334	-	-	24,772
Receivables from related parties *	587	17,500	-	-	-	18,087
	<u>2,160</u>	<u>42,517</u>	<u>3,836</u>	<u>494</u>	<u>-</u>	<u>49,007</u>

* excluding impairment allowance

	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
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
	<u>53,863</u>	<u>2,494</u>	<u>603</u>	<u>30</u>	<u>56,990</u>
2022					
Foreign receivables	535	363	-	-	898
Domestic receivables	378	196	86	14	674
Receivables from related parties	447	89	29	23	588
	<u>1,360</u>	<u>648</u>	<u>115</u>	<u>37</u>	<u>2,160</u>

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 2023, the facility remained untapped.

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	2,157	147	2,511
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	45,251	-	-	-	-	45,251
	<u>110,218</u>	<u>4,976</u>	<u>2,652</u>	<u>2,189</u>	<u>154</u>	<u>120,189</u>
Borrowings	(516)	-	(63)	(12)	-	(591)
Lease liabilities	(270)	(323)	(1,464)	(5,936)	(7,303)	(15,296)
Trade and other payables	<u>(35,664)</u>	<u>(23,000)</u>	<u>(3,493)</u>	<u>(6,226)</u>	<u>-</u>	<u>(68,383)</u>
	<u>(36,450)</u>	<u>(23,323)</u>	<u>(5,020)</u>	<u>(12,174)</u>	<u>(7,303)</u>	<u>(84,270)</u>
Maturity gap	<u>73,768</u>	<u>(18,347)</u>	<u>(2,368)</u>	<u>(9,985)</u>	<u>(7,149)</u>	<u>35,919</u>

2022	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	-	-	-	1,949	143	2,092
Trade and other receivables	30,660	15,026	3,803	-	-	49,489
Current financial assets	4,124	-	-	-	-	4,124
Cash and cash equivalents	70,110	-	531	-	-	70,641
	<u>104,894</u>	<u>15,026</u>	<u>4,334</u>	<u>1,949</u>	<u>143</u>	<u>126,346</u>
Borrowings	-	-	(1,870)	(253)	-	(2,123)
Lease liabilities	-	-	(2,244)	(3,671)	-	(5,915)
Trade and other payables	<u>(33,022)</u>	<u>(19,137)</u>	<u>(40)</u>	<u>-</u>	<u>-</u>	<u>(52,199)</u>
	<u>(33,022)</u>	<u>(19,137)</u>	<u>(4,154)</u>	<u>(3,924)</u>	<u>-</u>	<u>(60,237)</u>
Maturity gap	<u>71,872</u>	<u>(4,111)</u>	<u>180</u>	<u>(1,975)</u>	<u>143</u>	<u>66,109</u>

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

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 2023 1.33% (2022: 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.



Financial statements of Ericsson Nikola Tesla d.d. and Independent Auditors' Report

Ericsson Nikola Tesla d.d.

Financial Statements
and Independent Auditors' Report
31 December 2023

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 2023, Telefonaktiebolaget LM Ericsson (Ericsson) holds 49.07% of the Company's shares. Other shareholders own the remaining 50.49% of the Company's shares and 0.44% 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:

Franck Pierre Roland Bouétard	Chairperson	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 2023 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 one member:

Gordana Kovačević	President	Reappointed on 17 December 2019
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Executive management

As at 31 December 2023, the executive management comprised:

Gordana Kovačević	Company President
Antonija Lončar	Director, Marketing, Communications & Corporate Social Responsibility
Branka Vučemilo Elezović	Director, Legal
Branko Dronjić	Director, IT&Test Environment Operations
Damir Bušić	Director, Finance, Sourcing and Commercial Management
Darko Huljenić	Director, Research
Drago Holub	Director, R&D Center
Goran Ožbolt	Director, General Services
Hrvoje Benčić	Director, Digital Services and Operations, Networks and Media
Ivan Barać	Director, Sales and Marketing for Hrvatski Telekom and Crnogorski Telekom
Jagoda Barać	Director, Sales and Marketing for Export markets for Op. Seg.
Milan Živković	Director, Strategy and Business Development & GIR
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 below were authorized by the Management Board on 22 April 2024 for issue to the Supervisory Board and are signed below.

Gordana Kovačević

President

Ericsson Nikola Tesla d.d.

Krapinska 45

10000 Zagreb

Croatia

ERICSSON 
Ericsson Nikola Tesla d.d.
Krapinska 45
HR-10 000 Zagreb
CROATIA

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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 separate financial statements of Ericsson Nikola Tesla d.d. ("the Company"), which comprise the separate statement of financial position of the Company as at 31 December 2023, and its separate statements of comprehensive income, cash flows and changes in equity 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 2023 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.



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 2023: EUR 232,191 thousand (2022: EUR 220,499 thousand). As at 31 December 2023: trade receivables: EUR 17,897 thousand; contract liabilities: EUR 15,752 thousand (31 December 2022: trade receivables: EUR 15,752 thousand; contract liabilities: EUR 24,449 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

In the year ended 31 December 2023, 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;

How our audit addressed the matter

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;



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)
<p>— 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;</p> <p>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.</p>	<ul style="list-style-type: none"> ○ 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. <p>— 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;</p> <p>— 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.</p>

Other Information

Management is responsible for the other information. The other information comprises the Management Report and the Corporate Governance Statement 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 and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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.



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

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

Other Information (continued)

With respect to the Management Report and the Corporate Governance Statement, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether:

- the Management Report has been prepared in accordance with the requirements of Article 21 of the Accounting Act,
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and procedures above, in our opinion:

- the information given in the Management Report and the Corporate Governance Statement for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report has been prepared, in all material respects, in accordance with the requirements of Article 21 of the Accounting Act;
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report and the Corporate Governance Statement. We have nothing to report in this respect.

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 14 June 2023 to audit the separate financial statements of Ericsson Nikola Tesla d.d. for the year ended 31 December 2023. Our total uninterrupted period of engagement is five years, covering the year ended 31 December 2019 to 31 December 2023.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 22 April 2024;
- 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 2023, as included in the attached electronic file *FI-ERNT-2023-1Y-Revidirano-Nekonsolidirano-EN.zip*, 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 separate 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;



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 2023 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 form of assurance with respect to the documents accompanying the annual report included in the attached electronic file.

KPMG Croatia d.o.o.

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

26 April 2024

Ericsson Nikola Tesla d.d.

Statement of comprehensive income

for the year ended 31 December 2023

		2023	2022
	Notes	EUR '000	EUR '000
Sales revenue	5, 6	232,191	220,499
Cost of sales	7	(206,288)	(203,147)
Gross profit		25,903	17,352
Selling expenses	7	(5,733)	(5,650)
Administrative expenses	7	(5,738)	(5,550)
Other operating income	7	6,332	13,109
Impairment loss on financial assets		(189)	(29)
Operating profit		20,575	19,232
Finance income	9	734	949
Finance expense	9	(235)	(404)
Finance income/(expense), net	9	499	545
Profit before tax		21,074	19,777
Income tax	10	(2,233)	(198)
Profit for the year		18,841	19,579
Other comprehensive income		-	-
Total comprehensive income for the year		18,841	19,579
Earnings per share (EUR)	11	14.24	14.79

Ericsson Nikola Tesla d.d.

Statement of financial position

as at 31 December 2023

Assets	Notes	2023	2022
		EUR '000	EUR '000
Non-current assets			
Property, plant and equipment	12	14,352	15,543
Right of use assets	29	14,818	4,105
Intangible assets	13	384	90
Investments in subsidiaries	15	4	140
Loans and receivables	14	2,587	2,099
Deferred tax assets	10	2,322	2,623
Total non-current assets		34,467	24,600
Current assets			
Inventories	16	9,781	7,452
Trade receivables	17	17,897	15,752
Receivables from related parties	30(c)	37,893	19,174
Other receivables	18	1,180	2,741
Prepayments		2,237	1,109
Financial assets at fair value through profit or loss	19	4,235	4,124
Cash and cash equivalents	20	55,568	60,679
Total current assets		128,791	111,031
Total assets		163,258	135,631

Ericsson Nikola Tesla d.d.

Statement of financial position (continued)

as at 31 December 2023

Equity and liabilities	Notes	2023 EUR '000	2022 EUR '000
Equity			
Share capital	21 (a)	17,674	17,674
Treasury shares	21 (b)	(1,256)	(2,268)
Legal and other reserves	21 (c)	1,230	884
Reserve for treasury shares	21 (d)	4,157	5,353
Retained earnings		38,711	27,537
Total equity		60,516	49,180
Non-current liabilities			
Borrowings	22	114	215
Lease liabilities	29	13,126	3,221
Other non-current liabilities	23	13	-
Employee benefits	24 (a)	934	767
Total non-current liabilities		14,187	4,203
Current liabilities			
Payables to related parties	30 (c)	13,907	5,969
Borrowings	22	467	1,870
Trade and other payables	25	29,559	29,442
Income tax payable		690	277
Provisions	26	1,558	2,093
Accrued expense and deferred revenue	27	13,750	17,238
Contract liabilities	28	26,767	24,449
Lease liabilities	29	1,857	910
Total current liabilities		88,555	82,248
Total liabilities		102,742	86,451
Total equity and liabilities		163,258	135,631

Ericsson Nikola Tesla d.d.

Statement of changes in equity

for the year ended 31 December 2023

	Share capital EUR '000	Treasury shares EUR '000	Legal and other reserves EUR '000	Reserve for treasury shares EUR '000	Retained earnings EUR '000	Total EUR '000
As at 1 January 2022	17,674	(1,648)	884	4,846	18,491	40,247
Changes in equity for 2022						
Profit for the year	-	-	-	-	19,579	19,579
<i>Transactions with owners</i>						
Dividend distribution for 2021, Note 21 (e)	-	-	-	-	(11,235)	(11,235)
Purchase of treasury shares, Note 21 (b)	-	(1,440)	-	-	-	(1,440)
Shares granted, Note 24 (b)	-	820	-	(820)	-	-
Transfer	-	-	-	1,327	(1,327)	-
Share-based payments, Note 24 (b)	-	-	-	-	997	997
Parent-subsidiary merger, Note 15	-	-	-	-	1,032	1,032
Total contributions by and distributions to owners recognized directly in equity	-	(620)	-	507	(10,533)	(10,646)
As at 31 December 2022	17,674	(2,268)	884	5,353	27,537	49,180
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
<i>Transactions with owners</i>						
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

Ericsson Nikola Tesla d.d.

Statement of cash flows

for the year ended 31 December 2023

		2023	2022
	Notes	EUR '000	EUR '000
Cash flows from operating activities			
Profit before tax		21,074	19,777
Adjustments for:			
Depreciation and amortization	7,12,13,29	4,398	4,859
Effects of lease derecognition		-	-
Impairment losses and reversals		(99)	(41)
Gain on sale of property, plant and equipment		14	(78)
Net loss/(gain) on remeasurement of financial assets		(111)	255
Amortization of discount		(12)	-
Interest income		(612)	(419)
Dividend income		(49)	(7,631)
Interest expense		190	191
Foreign exchange (gain)/losses, net		35	(137)
Share-based payments	24 (b)	606	997
Changes in working capital:			
In receivables		(21,701)	(5,296)
In inventories		(2,329)	4,367
In provisions		(368)	285
In payables		6,738	10,949
Cash generated from operations		7,774	28,078
Interest paid		(193)	(148)
Income taxes paid		(1,366)	(1,219)
Net cash from operating activities		6,215	26,711
Cash flows from investing activities			
Proceeds from loans given		1,000	-
Loans given		-	(1,000)
Interest received		661	455
Dividends received		49	7,631
Proceeds from sale of property, plant and equipment		4	82
Purchases of property, plant and equipment, and intangible assets		(1,999)	(1,704)
Deposits given to financial institutions, net		792	1,712
Proceeds from disposal of foreign operation		44	-
Net cash from/(used in) investing activities		551	7,176

Ericsson Nikola Tesla d.d.

Statement of cash flows (continued)

for the year ended 31 December 2023

		2023	2022
	Notes	EUR '000	EUR '000
Cash flows from financing activities			
Repayment of borrowings	22	(2,402)	(3,476)
Purchase of treasury shares	21 (b)	(184)	(1,440)
Dividends paid	21 (e)	(7,934)	(11,248)
Payment of lease liabilities	29	(1,366)	(1,249)
Net cash used in financing activities		(11,886)	(17,413)
Effects of exchange rate changes on cash and cash equivalents		9	101
Net increase/(decrease) in cash and cash equivalents		(5,111)	16,575
Cash and cash equivalents at the beginning of the year		60,679	44,104
Cash and cash equivalents at the end of the year	20	55,568	60,679

Notes to the Financial Statements of Ericsson Nikola Tesla d.d.

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 2023 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 22 April 2023. 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 2023 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 2023 was EUR 1.050 per USD 1 (2022: HRK 7.064035).

The Government of the Republic of Croatia adopted the Decision on the announcement of the introduction of the euro as the official currency in the Republic of Croatia (published in "Official Gazette" No. 85/22). With the aforementioned decision, the euro becomes the official monetary unit and legal currency in the Republic of Croatia on 1 January 2023. The fixed conversion rate is set at HRK 7.53450 for one euro.

The conversion of the kuna value into the euro value was carried out in the accounting records from 1 January 2023, applying the conversion rate of 1 EURO for 7.53450 kuna. Comparative data were calculated using the same conversion rate. Although the change in presentation currency in the financial statements represents a change in accounting policy requiring retrospective application, the Company did not publish a third balance sheet in the financial statements for the year ended December 31, 2023, in accordance with International Accounting Standard 8 (IAS 8) *Accounting Policies, Changes in Accounting Estimates and Errors*, since it determined that the change in presentation currency does not have a significant impact on the financial statements of the Company, due to the stable HRK/EUR exchange rate over the last few years.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

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 balance sheet 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

Bulidings	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).

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

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.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

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.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (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 statement of comprehensive income over the period of the borrowings using the effective interest method.

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.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

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 2.5%.

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 2023 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 2023

In 2023, the following standards, amendments to existing standards, and interpretations came into effect:

- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates,
- Amendments to IAS 1 Presentation of Financial Statements and Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies,
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction,
- Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules

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

In 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.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

5 Sales revenue

Analysis of revenue by category:

	2023			2022		
	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	42,976	34,170	8,806	44,182	41,889	2,293
Sales revenue from services	189,215	168,712	20,503	176,317	156,812	19,505
	<u>232,191</u>	<u>202,882</u>	<u>29,309</u>	<u>220,499</u>	<u>198,701</u>	<u>21,798</u>

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.

	2023			2022		
	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	64,441	43,903	20,538	58,559	45,159	13,400
Sales revenue in former CIS countries	8,873	5,412	3,461	13,588	9,774	3,814
Sales revenue to Ericsson Sales revenue in Bosnia and Herzegovina, Montenegro and Kosovo	140,308	140,308	-	135,126	135,126	-
Other export sales revenue	3,323	2,610	713	1,638	1,014	624
	<u>232,191</u>	<u>202,882</u>	<u>29,309</u>	<u>220,499</u>	<u>198,701</u>	<u>21,798</u>

	Networks		Digital services		Managed services		Other		Unallocated		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	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	139,869	131,882	77,495	84,623	14,352	3,556	475	438	-	-	232,191	220,499
Timing of revenue recognition												
At a point in time	121,862	120,256	66,193	74,451	14,352	3,556	475	438	-	-	202,882	198,701
Over time	18,007	11,626	11,302	10,172	-	-	-	-	-	-	20,359	21,798
Operating profit	17,180	20,226	8,349	4,088	764	431	20	37	(5,738)	(5,550)	20,575	19,232
Finance income/(expense), net											499	545
Profit before tax											21,074	19,777
Income tax											(2,233)	(198)
Profit for the year											18,841	19,579

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

7 Expenses by nature

Cost of sales, selling expenses and administrative expenses consist of the following expenses by nature:

	2023	2022
	EUR '000	EUR '000
Changes in contract work in progress (Note 16)	(4,591)	7,296
Material and external services ⁽¹⁾	87,061	78,566
Personnel expenses (Note 8)	130,891	123,625
Depreciation and amortization (Notes 12, 13, 29)	4,398	4,859
	<u>217,759</u>	<u>214,346</u>

⁽¹⁾ Including fees to auditors of EUR 77 thousand (2022: EUR 63 thousand). Fees to auditors relate to statutory audit services amounted to EUR 61 thousand (2022: EUR 63 thousand), while fees related to other services amounted to EUR 16 thousand (2022: nil).

Other operating income

Other operating income consists of income from profit of daughter companies in total amount of EUR null thousand (2022: EUR 7,631 thousand), rent income in total amount of EUR 4,813 thousand (2022: EUR 4,385 thousand), and other in total amount of EUR 1,520 thousand (2022: EUR 1,093 thousand).

8 Personnel expenses

	2023	2022
	EUR '000	EUR '000
Net salaries	73,305	69,802
Taxes and contributions	47,924	43,867
Other payroll-related costs	9,056	8,959
Equity-settled transactions (Note 24 (b))	606	997
	<u>130,891</u>	<u>123,625</u>

Personnel expenses include EUR 13,700 thousand (2022: EUR 18,855 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 42 thousand (2022: EUR 225 thousand).

As at 31 December 2023, total number of employees was 2,792 (2022: 2,733).

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

9 Finance income/(expense), net

	2023	2022
	EUR '000	EUR '000
Interest income	612	419
Net foreign exchange gain	-	530
Amortisation of discount	11	-
Net change in fair value of financial assets at fair value through profit and loss	111	-
Finance income	734	949
Interest expense	(193)	(149)
Net foreign exchange loss	(42)	-
Net change in fair value of financial assets at fair value through profit and loss	-	(255)
Amortisation of discount	-	-
Finance expense	(235)	(404)
Finance income/(expense), net	499	545

10 Income tax expense

Income tax has been calculated on the taxable income at statutory tax rate of 18% (2022: 18%). Income tax expense recognized in the statement of comprehensive income comprises:

	2023	2022
	EUR '000	EUR '000
Current income tax expense	(1,932)	(1.155)
Total deferred tax income/(expense)	(301)	957
Total income tax expense	(2,233)	(198)

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

10 Income tax expense (continued)

Effective tax rate reconciliation

The reconciliation between tax expense and accounting profit is shown as follows:

	2023	2022
	EUR '000	EUR '000
Profit before tax	21,074	19,777
Income tax at 18% (2022: 18%)	3,793	3,560
Tax effects of:		
Permanent non-deductible expenses	16	(1,353)
Effects of temporary differences	(59)	5
Tax incentives	(1,517)	(2,014)
Tax charge	2,233	198
Effective tax rate	10.6%	1.0%

Tax incentives totaling EUR 1,517 thousand (2022: EUR 2,014 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 may take a different view in interpreting the laws and judgments, and it is possible that those transactions and activities that have not been disputed in the past may be disputed now. The Tax Authority may carry out a tax audit within three years from the year in which the income tax liability for a certain financial period was established.

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 2,322 thousand (2022: EUR 2,623 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 2022	1,666
Tax credited to the Income statement	1,265
Tax charged to the Income statement	(308)
As at 31 December 2022	<u>2,623</u>
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	<u><u>2,322</u></u>

11 Earnings per share

	2023	2022
Profit for the year (EUR '000)	18,840	19,579
Weighted Average Number of Shares	1,322,709	1,323,376
Earnings per share (EUR)	<u>14.24</u>	<u>14.79</u>

Basic and fully diluted earnings per share are the same since the Parent Company does not have any dilutive potential ordinary shares.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

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 2022					
Cost	27,737	33,206	29	43	61,015
Accumulated depreciation	(17,754)	(26,052)	-	(37)	(43,843)
Net book amount	9,983	7,154	29	6	17,172
Year ended 31 December 2022					
Opening net book amount	9,983	7,154	29	6	17,172
Transfer of asset under construction	3	25	(28)	-	-
Additions	37	1,636	235	-	1,908
Disposals	-	(1)	-	(2)	(3)
Depreciation charge	(596)	(2,937)	-	(1)	(3,534)
Closing net book amount	9,427	5,877	236	3	15,543
As at 31 December 2022					
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

As at 31 December 2023, the Company had contracts totaling EUR 36 thousand (2022: EUR 42 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 672 thousand (2022: EUR 855 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	Application software	Total
	EUR '000	EUR '000	EUR '000
As at 1 January 2022			
Cost or valuation	-	557	557
Accumulated amortization	-	(414)	(414)
Net book amount	-	143	143
Year ended 31 December 2022			
Opening net book amount	-	143	143
Additions	-	-	-
Amortization charge	-	(53)	(53)
Closing net book amount	-	90	90
As at 31 December 2022			
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 20 (c)	346	-	346
Additions	-	-	-
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

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

14 Loans and receivables

	2023	2022
	EUR '000	EUR '000
Deposits with financial institutions, denominated in foreign currency	-	875
Deposits with financial institutions, denominated in EUR	1,542	690
Non-current receivables from foreign customers, denominated in EUR	714	-
Loans given, Note 4 (b)	223	500
Receivables for sold apartments	109	48
Total loans and receivables	2,588	2,113
Impairment allowance on loans and receivables	(1)	(14)
	2,587	2,099

Deposits with financial institutions in the amount of EUR 1,422 thousand (2022: 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 0.01% to 0.15% and maturing in year 2026.

The remainder of the deposits with financial institutions in the amount of EUR 120 thousand (2022: EUR 143 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

	2023	2022
	EUR '000	EUR '000
Due		
2024	-	372
2025	691	128
2026	246	-
	937	500

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

15 Investments in subsidiaries

		2023	2022
	Ownership	EUR '000	EUR '000
Ericsson Nikola Tesla BY d.o.o.	100%	-	136
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	140

Foreign operation domiciled in Belarus, Ericsson Nikola Tesla BY d.o.o., was disposed of in December 2023.

16 Inventories

	2023	2022
	EUR '000	EUR '000
Raw materials	666	2,928
Contract work in progress	9,115	4,524
	9,781	7,452

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

17 Trade receivables

	2023	2022
	EUR '000	EUR '000
Foreign trade receivables	7,334	5,675
Current portion of non-current foreign receivables	705	-
Total current foreign receivables	<u>8,039</u>	<u>5,675</u>
Domestic trade receivables	9,958	10,163
Impairment allowance on receivables	<u>(100)</u>	<u>(86)</u>
	<u>17,897</u>	<u>15,752</u>

Movements in impairment allowance on loans and receivables were as follows:

	2023	2022
	EUR '000	EUR '000
As at 1 January	301	1,003
Impact of discounting non-current receivables	(12)	16
Receivables written off during the year as uncollectible	(85)	(179)
Impairment on receivables/(release of impairment on receivables)	<u>352</u>	<u>(539)</u>
As at 31 December ⁽¹⁾	<u>556</u>	<u>301</u>

⁽¹⁾Including impairment provision for receivables from related parties of EUR 418 thousand (2022: EUR 201 thousand).

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

18 Other receivables

	2023	2022
	EUR '000	EUR '000
Advances given	419	142
Deposits	-	770
Loans given	-	1,000
Receivables for existing customer financing agreements (note 4b)	756	648
Other receivables	5	181
	<u>1,180</u>	<u>2,741</u>

19 Financial assets at fair value through profit or loss

	2023	2022
	EUR '000	EUR '000
Financial assets at fair value through profit or loss		
- Equity securities	66	41
- Investment in open-ended investment funds	4,169	4,083
	<u>4,235</u>	<u>4,124</u>

20 Cash and cash equivalents

	2023	2022
	EUR '000	EUR '000
Cash and demand deposits	55,671	60,824
Impairment loss (Note 31(d))	(103)	(145)
	<u>55,568</u>	<u>60,679</u>

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

21 Equity

(a) Share capital

As at 31 December 2023, the share capital of the Company is represented by 1,331,650 (2022: 1,331,650) of authorized, issued and fully paid ordinary shares, with a total registered value of EUR 17,674 thousand (2022: 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
		2023		2022
Telefonaktiebolaget LM Ericsson	653,473	49.07	653,473	49.07
Other shareholders	672,291	50.49	668,166	50.18
Treasury shares	5,886	0.44	10,011	0.75
	<u>1,331,650</u>	<u>100.00</u>	<u>1,331,650</u>	<u>100.00</u>

(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
	2023	2022
As at 1 January	10,011	6,951
Purchased during the year	870	6,585
Distributed during the year	(4,995)	(3,525)
As at 31 December	<u>5,886</u>	<u>10,011</u>

(c) Legal 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, article 19, paragraph 14, the company has EUR 346 thousand (2022: nil) 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.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

21 Equity (continued)

(e) Dividends

Dividends payable are not accounted for until they have been ratified at the Annual General Meeting of shareholders. On 14 June 2023, the Annual General Meeting approved a dividend in respect of 2022 of EUR 6 per share, totaling EUR 7,927 thousand.

Cash dividends authorized and paid for previous years were as follows:

	2023	2022
	EUR '000	EUR '000
EUR 8.49 per share for 2022	-	11,235
EUR 6.00 per share for 2023	7,927	-
Prior year dividend payout	7	14
	<u>7,934</u>	<u>11,249</u>

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

22 Borrowings

	2023	2022
	EUR '000	EUR '000
Loans	467	1,870
Borrowings, Note 4 (b)	114	215
Total liabilities for borrowings	581	2,085
Short term portion	467	1,870
Long term portion	114	215

Changes in liabilities from financing activities	Borrowings	
	EUR '000	
Year ended 31 December 2022		
Opening net book amount		4,124
Cash transactions		
Repayment of loans and borrowings		(3,476)
Non-cash transactions		
Overtake of liability towards bank		1,684
Release of obligations (Note 4(b))		(247)
Closing net book amount		2,085
Year ended 31 December 2021		
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

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

	2023	2022
	EUR '000	EUR '000
Liabilities for issued guarantee, Note 4 (b)	11	-
Other non-current liabilities, Note 4 (b)	2	-
	<u>13</u>	<u>-</u>

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 2023 were a 1.92% discount rate (2022: 1.92%) and a 6.73% (2022: a 7.41%) rate of average employment turnover.

Movements in long-term service benefits were as follows:

	2023			2022		
	Jubilee awards	Retirement	Total	Jubilee awards	Retirement	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
As at 1 January	659	108	767	692	118	810
Obligation created during the year	225	13	238	28	-	28
Obligation fulfilled during the year	(71)	-	(71)	(61)	(7)	(68)
Obligation reversed during the year	-	-	-	-	(3)	(3)
As at 31 December	<u>813</u>	<u>121</u>	<u>934</u>	<u>659</u>	<u>108</u>	<u>767</u>

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

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 2023 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:

	2023	2022
	Number of shares	Number of shares
As at 1 January	10,650	14,455
Granted	-	50
Exercised	(4,995)	(3,525)
Expired	(30)	(330)
As at 31 December	5,625	10,650

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 2023, the Company had EUR 606 thousand of expenses (2022: EUR 997 thousand) in respect of share-based payments, which are included in personnel expenses as disclosed in Note 8.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

25 Trade and other payables

	2023	2022
	EUR '000	EUR '000
Trade payables	6,249	6,270
Liabilities to employees	19,678	18,205
VAT liabilities	179	1,754
Other current liabilities	3,453	3,213
	<u>29,559</u>	<u>29,442</u>

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 2022	<u>244</u>	<u>757</u>	<u>765</u>	<u>1,766</u>
Additional provisions	21	851	466	1,338
Unused provisions reversed	(22)	-	-	(22)
Provisions used during the year	<u>(22)</u>	<u>(959)</u>	<u>(8)</u>	<u>(989)</u>
As at 31 December 2022	<u>221</u>	<u>649</u>	<u>1,223</u>	<u>2,093</u>
As at 1 January 2023	<u>221</u>	<u>649</u>	<u>1,223</u>	<u>2,093</u>
Additional provisions	30	701	-	873
Unused provisions reversed	(9)	(11)	-	(20)
Provisions used during the year	<u>(90)</u>	<u>831</u>	<u>(325)</u>	<u>(1,246)</u>
As at 31 December 2023	<u>152</u>	<u>508</u>	<u>898</u>	<u>1,558</u>

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.

Followed by the prudence principle and based on the circumstances and other factors, including expectations of future events, additional provisions were made.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

27 Accrued charges and deferred revenue

	2023	2022
	EUR '000	EUR '000
Deferred revenue	713	792
Accrued charges for unused holidays	3,993	4,166
Accrued charges in respect of service contracts	7,415	9,936
Other accrued charges	1,629	2,344
	<u>13,750</u>	<u>17,238</u>

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 2023	31 December 2022
	EUR '000	EUR '000
Contract liabilities – advances from customers	14,208	2,268
Contract liabilities – deferred revenue	12,559	22,181
Total current contract liabilities	26,767	24,449

As at 31 December 2023 the Company recognized EUR 26,767 thousand (2022: EUR 24,449 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 2023	31 December 2022
	EUR '000	EUR '000
Aggregate amount of the transaction price allocated to long-term contracts that are fully unsatisfied	67,246	13,485
Aggregate amount of the transaction price allocated to long-term contracts that are partially unsatisfied	9,388	7,358
	76,634	20,843

The Company expects to recognize approximately 35% of the transaction price allocated to the remaining performance obligations as revenue in financial year 2024, 11% as revenues in the financial year 2025, 9% as revenues in the financial year 2026, 30% as revenues in the financial year 2027 and 15% as revenues in the financial year 2028.

All other contracts are for periods of one year or less or are billed based on time incurred.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

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.

	2023	2022
	EUR '000	EUR '000
Balance as at 1 January	4,105	3,880
Depreciation charge for the year	(1,432)	(1,272)
Increase of right-of-use assets	12,166	1,578
Modifications	-	-
Derecognition of RoU assets	(21)	(81)
Balance as at 31 December	14,818	4,105

Amounts recognized in Statement of comprehensive income

	2023	2022
	EUR '000	EUR '000
Interest on lease liabilities	175	105
Income from sub-leasing	97	96
Expenses relating to short-term leases	159	33

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

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:

	2023	2022
	EUR '000	EUR '000
Balance as at 1 January	4,131	3,908
Repaid lease liability	(1,367)	(1,249)
Additions to lease liability	12,166	1,579
Modifications	-	-
Derecognition of lease	(21)	(81)
Interest expense	175	105
Interest paid	(175)	(105)
FX rate	74	(26)
Balance as at 31 December	14,983	4,131

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 2023 was EUR 4,813 thousand (2022: EUR 4,385 thousand).

The following table sets out a maturity analysis of lease payments to be received after the reporting date.

	2023	2022
	EUR '000	EUR '000
Operating leases under IFRS 16		
Less than one year	1,562	1,659
Between one and three years	2,138	2,544
Between three and five years	1,186	1,267
More than five years	1,772	543
Total	6,657	6,013

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

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% (2022: 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	
	2023	2022	2023	2022	2023	2022	2023	2022
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Sales of goods and services								
Sales revenue	-	-	140,308	135,124	847	1,092	141,155	136,216
Other income	-	-	4,627	4,757	381	325	5,008	5,082
	-	-	144,935	139,881	1,228	1,417	146,163	141,298
Purchases of goods and services								
Licenses	455	416	1,732	2,194	-	-	2,187	2,610
Cost of sales	-	-	37,822	30,493	4,589	5,193	42,411	35,686
	455	416	39,554	32,687	4,589	5,193	44,598	38,296

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.

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

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.

	2023	2022
	EUR '000	EUR '000
Salaries and other short-term employee benefits	3,151	3,511
	<u>3,151</u>	<u>3,511</u>

The members of the executive management and the Supervisory Board held 3,308 ordinary shares at the year-end (2022: 3,669 shares).

In addition, the Company paid remuneration totaling EUR 72 thousand (2022: EUR 65 thousand) to the Supervisory Board and Audit Committee members during 2023.

(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	
	2023	2022	2023	2022
	EUR '000	EUR '000	EUR '000	EUR '000
Telefonaktiebolaget LM Ericsson (LME), largest individual shareholder	-	-	-	-
Other Ericsson Group companies	37,152	17,764	13,411	5,553
Subsidiaries:				
Ericsson Nikola Tesla BH d.o.o	476	481	150	145
Ericsson Nikola Tesla Servi d.o.o.	265	913	326	263
Ericsson Nikola Tesla d.d. – Branch office Kosovo, Note 15	-	10	-	-
Libratel d.o.o.	-	-	20	-
Ericsson Nikola Tesla BY	-	6	-	8
	<u>37,893</u>	<u>19,174</u>	<u>13,907</u>	<u>5,969</u>

(d) Loans given

The Company did not give any loans to subsidiaries in 2023, and did not have any receivables therefrom at the reporting date (2022: EUR 1,000 thousand).

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

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 2022, if the US dollar had weakened/strengthened by 1% (2022: 1%) against the Euro, with all other variables held constant, the net result after tax for the reporting period would have been EUR 19 thousand higher/lower for the Company (2022: EUR 205 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.

2023	USD	Other currency	Total foreign currencies	EUR	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Loans and receivables	-	-	-	2,511	2,511
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	40,935	42,264
	<u>2,926</u>	<u>1,299</u>	<u>4,225</u>	<u>101,661</u>	<u>105,886</u>
Borrowings and lease liabilities	-	-	-	(15,561)	(15,561)
Trade and other payables	(647)	(7)	(654)	(57,670)	(58,324)
	<u>(647)</u>	<u>(7)</u>	<u>(654)</u>	<u>(73,231)</u>	<u>(73,885)</u>
Currency gap	<u>2,279</u>	<u>1,292</u>	<u>3,571</u>	<u>28,430</u>	<u>32,001</u>

2022	EUR	USD	Other currency	Total foreign currencies	HRK	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Loans and receivables	1,363	-	-	1,363	736	2,099
Trade and other receivables	24,431	474	18	24,923	11,975	36,898
Financial assets at fair value through profit or loss	-	-	-	-	4,124	4,124
Cash and cash equivalents	8,322	1,354	1,063	10,739	50,710	61,449
	<u>34,116</u>	<u>1,828</u>	<u>1,081</u>	<u>37,025</u>	<u>67,545</u>	<u>104,570</u>
Borrowings and lease liabilities	(4,335)	-	-	(4,335)	(1,881)	(6,216)
Trade and other payables	(5,953)	(197)	-2	(6,152)	(31,803)	(37,955)
	<u>(10,288)</u>	<u>(197)</u>	<u>-2</u>	<u>(10,487)</u>	<u>(33,684)</u>	<u>(44,171)</u>
Currency gap	<u>23,828</u>	<u>1,631</u>	<u>1,079</u>	<u>26,538</u>	<u>33,861</u>	<u>60,399</u>

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

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 2022:

- if the effective EUR interest rate on EUR deposits had increased/decreased by 1% (2022: 1%) on an annual level, the net result due to changes in EUR deposits after tax for the reporting period would have been EUR 136 thousand higher/lower (2022: EUR 0 thousand).
- if the effective USD interest rate on USD deposits had increased/decreased by 1% (2022: 1%) on an annual level, the net result due to changes in USD deposits after tax for the reporting period would have been EUR 0 thousand higher/lower (2022: EUR 0 thousand);

The following table presents the annual average interest rates exposure of financial assets and liabilities:

	Average interest rates	
	2023	2022
	%	%
Loans and receivables	0.07	0.09
Cash and cash equivalents	2.82	0.01

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 on the balance sheet 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 2023, the five largest customers represent 76% of total net trade receivables (2022: 62%).

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 42,264 thousand as at 31 December 2023 (31 December 2022: EUR 61,449 thousand). Provisions for expected credit losses on cash and deposits amounted to EUR 103 thousand as at 31 December 2023 (31 December 2022: EUR 145 thousand). The Company's write-offs have historically been low.

Trade receivables, receivables from related party and contract assets together amounted to EUR 55,790 thousand as at 31 December 2023 (EUR 34,926 as at 31 December 2022). Provisions for expected credit losses on trade receivables and receivables from related party amounted to EUR 260 thousand as at 31 December 2023 (to EUR 290 thousand as at 31 December 2022). 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 2023 and 2022.

	Payment due date for total customer loans and receivables *					
	Due balance EUR '000	Up to 3 months EUR '000	3 months to 1 year EUR '000	1 to 3 years EUR '000	Over 3 years EUR '000	Total EUR '000
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
	<u>47,295</u>	<u>8,668</u>	<u>455</u>	<u>826</u>	<u>-</u>	<u>57,244</u>
* excluding impairment allowance						
2022						
Foreign receivables	898	4,254	502	494	-	6,148
Domestic receivables	81	6,886	3,216	-	-	10,183
Receivables from related parties	579	18,797	-	-	-	19,376
	<u>1,558</u>	<u>29,937</u>	<u>3,718</u>	<u>494</u>	<u>-</u>	<u>35,707</u>

* excluding impairment allowance

	Ageing of total due customer loans and receivables				
	Up to 3 months EUR '000	3 months to 1 year EUR '000	1 to 3 years EUR '000	Over 3 years EUR '000	Total EUR '000
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
	<u>45,466</u>	<u>1,452</u>	<u>347</u>	<u>30</u>	<u>47,295</u>
2022					
Foreign receivables	535	363	-	-	898
Domestic receivables	29	17	21	14	81
Receivables from related parties	447	80	29	23	579
	<u>1,011</u>	<u>460</u>	<u>50</u>	<u>37</u>	<u>1,558</u>

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 2023, the facility remained untapped.

2023	Up to 1 month EUR '000	1–3 months EUR '000	3–12 months EUR '000	1–5 years EUR '000	Over 5 years EUR '000	Total EUR '000
Loans and receivables	99	-	108	2,157	147	2,511
Trade and other receivables	54,504	1,525	938	-	-	56,967
Current financial assets	4,144	-	-	-	-	4,144
Cash and cash equivalents	42,264	-	-	-	-	42,264
	<u>101,011</u>	<u>1,525</u>	<u>1,046</u>	<u>2,157</u>	<u>147</u>	<u>105,886</u>
Borrowings	(501)	-	(63)	(12)	-	(576)
Lease liabilities	(153)	(304)	(1,402)	(5,823)	(7,303)	(14,985)
Trade and other payables	<u>(29,111)</u>	<u>(20,362)</u>	<u>(2,625)</u>	<u>(6,226)</u>	<u>-</u>	<u>(58,324)</u>
	<u>(29,765)</u>	<u>(20,666)</u>	<u>(4,090)</u>	<u>(12,061)</u>	<u>(7,303)</u>	<u>(73,885)</u>
Maturity gap	<u>71,246</u>	<u>(19,141)</u>	<u>(3,044)</u>	<u>(9,904)</u>	<u>(7,156)</u>	<u>32,001</u>

2022	Up to 1 month EUR '000	1–3 months EUR '000	3–12 months EUR '000	1–5 years EUR '000	Over 5 years EUR '000	Total EUR '000
Loans and receivables	-	-	-	1,956	143	2,099
Trade and other receivables	17,025	15,068	4,805	-	-	36,898
Current financial assets	4,124	-	-	-	-	4,124
Cash and cash equivalents	60,918	-	531	-	-	61,449
	<u>82,067</u>	<u>15,068</u>	<u>5,336</u>	<u>1,956</u>	<u>143</u>	<u>104,570</u>
Borrowings	(11)	-	(1,870)	(215)	-	(2,096)
Lease liabilities	-	-	(910)	(3,210)	-	(4,120)
Trade and other payables	<u>(22,290)</u>	<u>(15,625)</u>	<u>(40)</u>	<u>-</u>	<u>-</u>	<u>(37,955)</u>
	<u>(22,301)</u>	<u>(15,625)</u>	<u>(2,820)</u>	<u>(3,425)</u>	<u>-</u>	<u>(44,171)</u>
Maturity gap	<u>59,766</u>	<u>(557)</u>	<u>2,516</u>	<u>(1,469)</u>	<u>143</u>	<u>60,399</u>

Notes to the Financial Statements of Ericsson Nikola Tesla d.d. (continued)

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 2023 1.33% (2022: 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.