

Eltel Group

Interim report January–March 2020

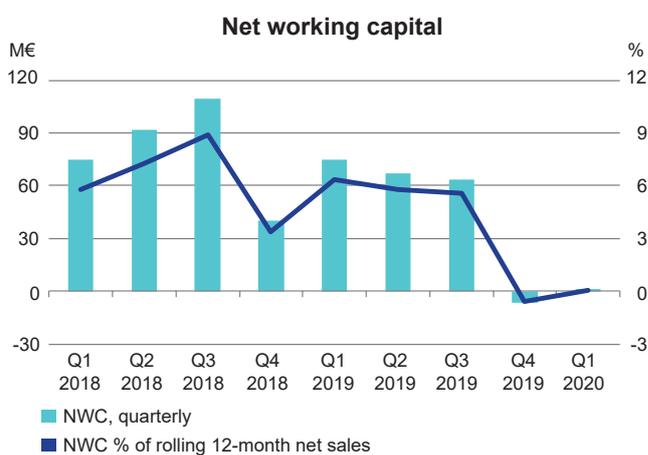
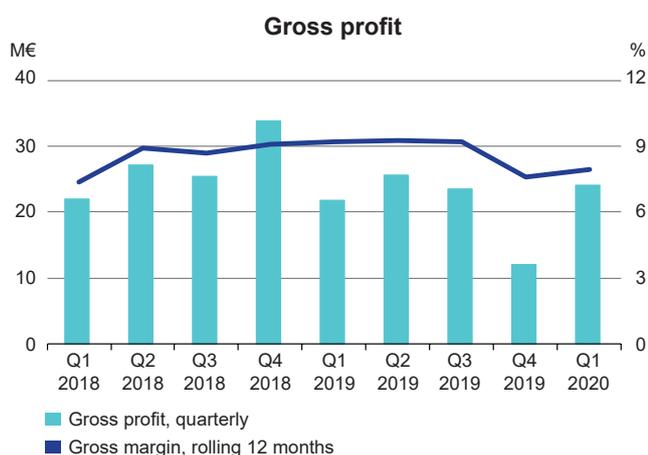
Stockholm, Sweden, 29 April 2020

January–March 2020

- Net sales EUR 236.6 million (251.0). Total growth -5.7% and organic growth¹⁾ in Power and Communication -1.5%
- Operative EBITA²⁾ EUR -2.1 million (-3.0) and operative EBITA margin -0.9% (-1.2)
- Operating result (EBIT) EUR -2.2 million (-3.6) and EBIT margin -0.9% (-1.4)
- Net result EUR -4.8 million (-7.4)
- Earnings per share EUR -0.03 (-0.05), basic and diluted
- Cash flow from operating activities EUR -4.7 million (-33.8)
- Net debt³⁾ ended at EUR 133.8 million (194.2)

Significant events during and after the first quarter

- On 22 January 2020, Eltel signed an agreement to divest its German Communication business to Circet Group. The transaction is estimated to give a positive cash flow impact of EUR 19 million and have a positive result of approximately EUR 13 million on Group EBIT in Q2 2020.
- On 23 March 2020, Eltel signed an agreement to divest its Swedish business area Aviation & Security to LFV, Air Navigation Services of Sweden. The transaction is estimated to give a positive cash flow impact of EUR 17 million and have a positive result of approximately EUR 6 million on Group EBIT in Q2 2020.
- In March 2020, Eltel agreed with its banks on certain amendments to its existing financial agreement that matures in Q1 2021. The new amendments include, among others, a 12-month extension of the current credit facilities until mid-Q1 2022.
- Eltel signed five contracts of significance to a value of about EUR 240 million during January 2020-April 2020.



EUR million	Jan-Mar 2020	Jan-Mar 2019	Change, %
Net sales			
Power	74.2	87.0	-14.7
Communication	160.1	161.4	-0.8
Other	2.3	3.1	-23.8
Total Group	236.6	251.0	-5.7
Operative EBITA²⁾			
Power	-3.4	-4.2	18.6
Communication	4.2	4.6	-8.8
Other	-0.3	-0.1	-153.3
Items not allocated ⁴⁾	-2.6	-3.3	22.9
Total Group	-2.1	-3.0	32.0

EUR million	Jan-Dec 2019
Net sales	
Power	377.7
Communication	698.4
Other	13.2
Total Group	1,087.6
Operative EBITA²⁾	
Power	-17.5
Communication	18.1
Other	-0.8
Items not allocated ⁴⁾	-11.2
Total Group	-11.3

1) Adjusted for divested operations and currency effects.

2) Eltel follows the profitability of segments with Operative EBITA. Please see page 20 for definitions of the key ratios.

3) Refers to net debt as defined in financing agreement. See page 8 for calculation.

4) Items not allocated to operating segments consist of Group management and support function.

Comments by the CEO

During the first quarter, we managed to improve our operative EBITA, despite the expected decrease in net sales. By the end of the quarter, our net working capital was reduced by more than EUR 74 million year-on-year and we had reduced our net debt by more than EUR 60 million compared to Q1 2019.

We have won significant and strategically important contracts in both the Power and Communication segments in Finland and Sweden. This is a testament that Eltel continues to deliver high quality service and therefore is the customers' first choice. These new contracts, mainly frame agreements, are predictable and repetitive businesses with healthy margins and low working capital requirements.

Our strategy aims at increasingly focusing on the Nordic countries and is progressing according to plan. Firstly, we signed agreements to divest our German Communication business as well as our Swedish business area, Aviation & Security. The divestments will also substantially improve the overall financial position of the company. Secondly, in 2020 we are looking to finalise 10 large capital-intensive projects in High Voltage and Power Transmission International. In accordance with our strategy, we are no longer entering this type of large capital-intensive projects.

In the quarter, sales in the Power segment were down, mainly due to the weaker market in High Voltage Poland and partly due to our strategy to reduce our exposure towards larger projects. Better project and cost control improved the operative EBITA.

The Communication segment showed a 5.5% increase in organic net sales despite the substantial volume drop we have had in Sweden. This is a result of increased net sales in all other markets, especially in Denmark. Norway continues to perform well, and Finland is making good progress.

The current pandemic outbreak of COVID-19 had a minor impact on Eltel in the first quarter, resulting from decreased availability of workforce due to travel restrictions and somewhat increased rate of sick leaves. We also had a few project postponements and work restrictions imposed by customers. However, because the lifelines of societies must be secured at all times, the overall impact remained limited. Authorities and customers have declared Eltel a critical provider that has permission to deliver services despite critical lockdown conditions.

Going forward, we will continue to focus on our Operational Excellence strategy and on increasing our Nordic market share. Improved productivity and profitability are key elements for Eltel to reach our long-term goal of an EBITA-margin of 5% with a stable cash flow and a healthy balance sheet.

Casimir Lindholm, President & CEO



About Eltel and the Group strategy

Eltel in brief

Eltel is a leading Nordic field service for power and telecom networks. Operations are conducted in the Nordic countries, Poland and Germany within country-based organisations that have full responsibility for their financial results inside the Power and Communication segments. The Power segment provides maintenance of power grids, upgrades and project work to national transmission system operators and distribution network owners. The Communication segment provides similar services to telecom operators and other owners of communication networks.

Eltel's markets are characterised by a high concentration of customers and competitors offering similar products and services. Eltel competes on price and quality. The markets are regulated and typically have predictable and repetitive demand in line with each country's GDP.

Our strategy – Operational Excellence

A decision was taken in 2017 to restructure Eltel in order to focus on areas with a balanced risk level in which it has a leading market position and a high level of expertise, and in which the business model is repetitive and primarily targeted towards build, service and maintenance. In 2019, Eltel took the next step on its transformation journey. A Nordic focus with lower risk and fewer capital-intensive projects will enable us to continue to develop, grow and invest in the company to ensure long-term sustainable value creation for the company and its shareholders. Work to discontinue remaining non-strategic operations is expected to be completed in 2020.

In parallel, a strategy for existing operations has been developed, with a focus on operating profitability. The strategy, which is being implemented in 2019–2021, aims to raise the operating margin by generating customer focus, improving efficiency, measuring and tracking relevant key performance indicators, and simplifying the daily operations of our technicians. Furthermore, the focus is on improving the competence level within the organisation through various forms of training and recruitment.

This will create the foundation for sustainable growth, profitability and shareholder value.

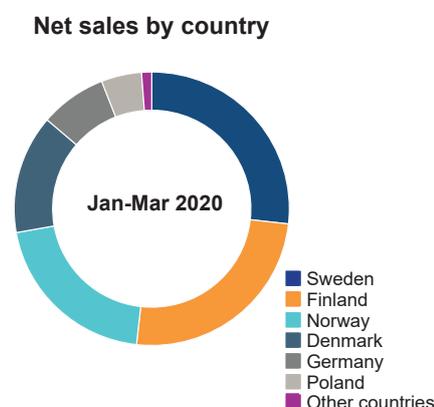
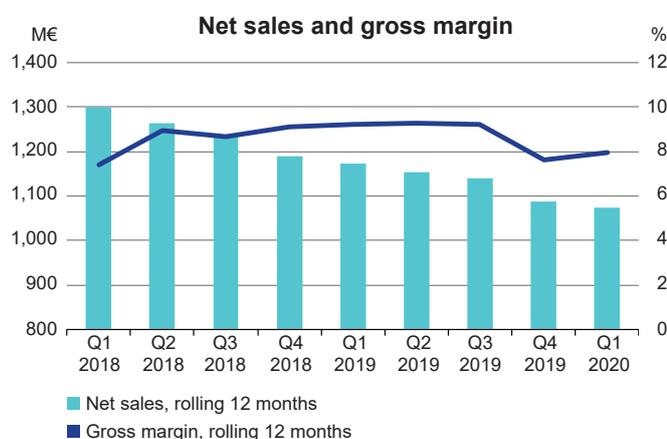
Eltel's long-term financial targets

	Target
Annual growth	2–4%
EBITA-margin	5%
Cash conversion ¹⁾	95–100% of EBITA
Leverage ²⁾	1.5–2.5x net debt/EBITDA

1) Cash conversion is calculated as operative cash flow as a percentage of EBITA. Operative cash flow is calculated as the sum of (a) operating profit (EBIT), (b) depreciation and amortisation (c) change in net working capital, less (d) net acquisition of properties, plant and equipment (CAPEX).

2) Net debt/EBITDA is calculated as net debt, which is defined as interest-bearing debt consisting of short-term and long-term liabilities less cash and cash equivalents, in relation to EBITDA.

Eltel's long-term financial target definitions exclude the IFRS 16 impacts.



Net sales and earnings Group

EUR million	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Net sales	236.6	251.0	1,087.6
Operative EBITA	-2.1	-3.0	-11.3
EBIT	-2.2	-3.6	-11.2
Net result	-4.8	-7.4	-25.1
Key ratios			
Net sales growth, %	-5.7	-5.9	-8.5
Currency translation effect in net sales, MEUR	-5.6	-4.7	-16.0
Operative EBITA margin, %	-0.9	-1.2	-1.0
Tax rate, %	-14.1	-16.8	-10.6
Earnings per share after dilution, EUR	-0.03	-0.05	-0.17

January–March 2020

Net sales decreased 5.7% to EUR 236.6 million (251.0). Organic net sales in segments Power and Communication, adjusted for currency effects and divestments, decreased 1.5%. Net sales decreased in Power by EUR 12.8 million and in Communication by EUR 1.3 million. Other decreased by EUR 0.7 million, in line with the planned discontinuation of the businesses.

Operative EBITA amounted to EUR -2.1 million (-3.0). In Power, operative EBITA increased by EUR 0.8 million and decreased in Communication by EUR 0.4 million. Operative EBITA decreased in Other by EUR 0.2 million. Costs not allocated to segments decreased by EUR 0.8 million, mainly due to deviation in timing of costs.

For further information regarding net sales and operative EBITA development, refer to the respective section on the segments.

EBIT amounted to EUR -2.2 million (-3.6).

Net financial expenses amounted to EUR -1.9 million (-2.8), including EUR 0.5 million (0.5) interest expense impact from the IFRS16 standard. The decrease relates to lower interest costs due to reduced debt levels and positive foreign exchange impact.

Taxes amounted to EUR -0.6 million (-1.1) corresponding to an effective tax rate of -14.1% (-16.8).

The net result for the period was EUR -4.8 million (-7.4). Earnings per share were EUR -0.03 (-0.05).

Net sales and EBITA – Segments

Power

EUR million	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Net sales	74.2	87.0	377.7
Operative EBITA	-3.4	-4.2	-17.5
Number of employees, end of period	2,106	2,317	2,111
Key ratios			
Net sales growth, %	-14.7	-9.1	-13.9
Organic growth ¹⁾ , %	-14.2	-	-
Currency translation effect in net sales, MEUR	-0.4	-1.0	-2.3
Operative EBITA margin, %	-4.6	-4.8	-4.6

1) Adjusted for divested operations and currency effects.

January–March 2020

Net sales decreased by EUR 12.8 million to EUR 74.2 million (87.0), representing a decrease of 14.7%. Organic net sales, adjusted for currency effects, decreased 14.2%. The decrease is mainly explained by the anticipated lower net sales in High Voltage Poland as volumes in large projects are considerably reduced and delayed, recently also due to the COVID-19 outbreak. Volumes in Smart Grids decreased in line with expectations due to project completions in Norway and Denmark. In Sweden net sales decreased due to the continued ramp down of projects and the Service operations. Finland partly offset the decrease due to new frame agreements and good project portfolio.

Operative EBITA increased to EUR -3.4 million (-4.2). The operative EBITA margin was -4.6% (-4.8). Improved performance in Sweden impacted the result positively, as did lower cost levels in High Voltage Germany. The expected lower net sales in Smart Grids and a cost increase in Build Finland had a negative impact on the result. The cost increase in Finland relates to insufficient subcontractor management.

Communication

EUR million	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Net sales	160.1	161.4	698.4
Operative EBITA	4.2	4.6	18.1
Number of employees, end of period	4,072	4,439	4,137
Key ratios			
Net sales growth, %	-0.8	-0.6	-4.0
Organic growth ¹⁾ , %	5.5	-	-
Currency translation effect in net sales, MEUR	-5.1	-3.6	-13.6
Operative EBITA margin, %	2.6	2.9	2.6

1) Adjusted for divested operations and currency effects.

January–March 2020

Net sales decreased by EUR 1.3 million to EUR 160.1 million (161.4), representing a decrease of 0.8%. Organic growth, adjusted for currency effects and divestments, increased 5.5%. The organic growth relates to substantially improved net sales in Denmark. Finland, Germany and Norway improved their net sales as well, despite a negative currency effect coming from Norway. As expected, net sales in Sweden decreased 19% due to a volume drop in customer investments. The impact of the divested Polish Communication business, which was completed in October 2019, was EUR -4.7 million.

Operative EBITA decreased to EUR 4.2 million (4.6). The operative EBITA margin was 2.6% (2.9). Adjusted for impact of the divested Polish Communication business and currency effects, operative EBITA was at the same level as in Q1 2019. Lower volumes and trailing costs relating to reduction of overcapacity in Sweden during Q4 2019 were partly offset by productivity and efficiency improvements as well as increased volumes in Finland. Germany also improved its performance as a result of operational and productivity measures. Norway and Denmark performed in line with the same period last year.

Other

EUR million	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Net sales	2.3	3.1	13.2
Operative EBITA	-0.3	-0.1	-0.8
Number of employees, end of period	290	55	147
Key ratios			
Net sales growth, %	-23.8	-67.7	-42.8
Operative EBITA margin, %	-12.3	-3.7	-5.9

January–March 2020

Net sales decreased by EUR 0.7 million to EUR 2.3 million (3.1). Net sales relate almost fully to the remaining projects in Power Transmission International, in line with the discontinuation plan.

Operative EBITA decreased to EUR -0.3 million (-0.1). The operative EBITA margin was -12.3% (-3.7). The operative EBITA is in line with the planned ramp down.

The increase in number of employees relates to peak production in one of the last active Power Transmission International projects.

The total cost of discontinuing Power Transmission International is estimated to be somewhat lower than EUR 40 million. In total, net costs amounting to EUR 30.9 million were recorded during 1 January 2017–31 March 2020, in line with the plan. The discontinuation is targeted to be finalised in 2020.

Cash flow

EUR million	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
EBIT	-2.2	-3.6	-11.2
Depreciation	9.6	11.0	40.9
EBITDA	7.3	7.5	29.7
Changes in working capital	-6.9	-37.2	37.9
Total financial expenses and taxes	-3.9	-3.8	-10.9
Other	-1.2	-0.3	-5.3
Cash flow from operating activities	-4.7	-33.8	51.4
Cash flow from investing activities	-1.2	-6.7	-2.1
Cash flow from financing activities	-37.7	-0.3	-38.2
Net change in cash and cash equivalents	-43.7	-40.8	11.1
Cash and cash equivalents at beginning of period	65.2	53.4	53.4
Foreign exchange rate effect	-3.1	0.2	0.7
Cash and cash equivalents at end of period	18.5	12.8	65.2

Condensed consolidated statement of cash flows is presented on page 13.

January–March 2020

Cash flow from operating activities was EUR -4.7 million (-33.8). The seasonal growth in net working capital has been minor due to focus on capital tie up reduction. Change in net working capital had a negative impact of EUR 6.9 million (-37.2) in cash flow.

Cash flow has historically displayed a strong seasonal pattern, with weaker cash flow recorded during the period until the end of the third quarter due to higher production activity. Eltel's net working capital level is also impacted by remaining working capital intensive projects. These are expected to continue to create volatility in net working capital going forward but at a lower level than previous years.

Net cash flow from investing activities was EUR -1.2 million (-6.7) including an impact of EUR 1.2 million (4.1) from net capital expenditure, mainly related to replacement investments.

Cash flow from financing activities was EUR -37.7 million (-0.3) including reduction in commercial paper programme of EUR 20.5 million, amortisation of external loans of EUR 10.0 million and net impact of payments of lease liabilities.

Financial position, cash and cash equivalents

Equity at the end of the period was EUR 203.4 million (243.4) and total assets were EUR 709.7 million (873.0). The equity ratio was 30.0% (29.4).

At the end of the quarter, available liquidity reserves amounted to EUR 116.6 million (142.8). On the same date, EUR 69.0 million of Eltel's commercial paper programme was utilised (EUR 89.5 million at year-end 2019). During the latter half of March, the availability of funds through the commercial paper programme was reduced as a result of the COVID-19 pandemic.

In February 2020, Eltel and its banks made certain amendments to its financial agreement that matures in Q1 2021. The amendments included adjusted financial covenants and a plan to reduce net debt during the term. The covenant revisions relate to minimum adjusted EBITDA and maximum net debt to be applied on a quarterly basis until the end of the facility. The minimum liquidity covenant level remains throughout the agreement.

In March 2020, additional amendments were agreed with the banks, including, among others, a 12-month extension of the current credit facilities until mid-Q1 2022. The amendments have been confirmed by applicable corporate and credit approvals. The agreed covenant levels relate to minimum adjusted EBITDA to be applied during the extended period from Q1 2021 through Q4 2021, and to maximum net debt which is to be reduced to EUR 100 million by the end of Q4 2021. The minimum liquidity covenant level, as well as the other terms and conditions previously agreed between the parties, remains unchanged throughout the extended agreement. The minimum adjusted EBITDA and maximum net debt covenants, as defined in the financial agreement, are excluding IFRS 16 impact.

At the end of the quarter the commercial guarantees issued by the banks and other financial institutions on behalf of the group amounted to EUR 114.1 million (127.3). The amount of the commercial guarantees issued on behalf of joint ventures and third parties was EUR 6.0 million (6.2).

Interest-bearing liabilities and net debt

EUR million	31 Mar 2020	31 Mar 2019	31 Dec 2019
Interest-bearing debt in balance sheet	149.0	201.9	185.1
Leasing liabilities in balance sheet	71.8	89.3	78.6
Allocation of effective interest to periods	0.4	0.8	0.6
Less cash and cash equivalents	-18.5	-12.8	-65.2
Net debt	202.7	279.3	199.1
Less leasing liabilities not included in financing agreement	-68.9	-85.1	-75.3
Adjusted for held for sale	0.0	-	0.0
Net debt, financing agreement	133.8	194.2	123.8

Interest-bearing debt amounted to EUR 149.0 million (201.9) of which EUR 32.3 million (111.7) was non-current and EUR 116.7 million (90.2) was current. Leasing liabilities amounted to EUR 71.8 million (89.3) of which EUR 48.7 million (61.3) was non-current and EUR 23.2 million (28.1) was current.

Credit facilities

EUR million	31 Mar 2020	31 Mar 2019	31 Dec 2019
Term loan, non-current	32.3	112.0	76.1
Term loan, current	36.0	-	7.2
Revolving credit facility	90.0	110.0	90.0
Account overdrafts	20.0	20.0	20.0
Total credit facilities	178.3	242.0	193.2

Term loan and revolving credit facilities are part of the Group's financial facilities that were extended to mature in Q1 2022. Additional to above facilities, the Group has also access to short-term debt capital markets via commercial paper programme of EUR 150 million. At the reporting date EUR 69.0 million (84.0) of the commercial paper programme and EUR 11.9 million (5.8) of the revolving credit facility were utilised.

Other information**Risks and uncertainty factors**

On 28 June 2018, Eltel received a letter from Nasdaq Stockholm where the exchange stated that it intends to request the Nasdaq Stockholm Disciplinary Committee to decide whether Eltel has breached its obligations in relation to the Nasdaq Stockholm Rulebook for Issuers. The matter relates to alleged deficiencies in Eltel's capacity for providing information to the market during 2016 and 2017. Eltel has been invited to comment upon Nasdaq Stockholm's conclusions and Eltel has responded outlining its reasons for rejecting any breach. Any decision taken by the Disciplinary Committee will be made public.

On 31 October 2014, the Finnish Competition and Consumer Authority (FCCA) proposed the imposition of a fine of EUR 35 million on Eltel in the Finnish Market Court. The alleged competition law violations relates to Eltel's power transmission line construction and planning business in Finland during the period 2004–2011. Eltel claims that it did not violate competition law and therefore contested the FCCA's allegations and fine proposal to the Finnish Market Court, requesting that the case be dismissed. On 30 March 2016, the Finnish Market Court dismissed the case as time-barred. FCCA, however, filed an appeal to the Supreme Administrative Court ("SAC") and the proceedings are currently pending in the SAC. On 10 June 2019 SAC decided to refer the interpretation of the time bar matter to the European Court of Justice ("ECJ") in Luxembourg. The time for a ruling by the ECJ is not known. More information about the FCCA-case is available in the 2019 Annual Report (page 33–34).

Eltel needs to improve its financial situation and reduce net debt over time. There is a risk that the covenants under the existing financing agreement are not met during the transformation period.

Eltel is playing an important role in maintaining critical societal functions in difficult situations, such as the current COVID-19 pandemic. However, there is uncertainty about the future impact and duration of the pandemic and, as such, it could have a negative effect on Eltel's result.

For information regarding risks and uncertainties, please refer to Eltel's 2019 Annual Report which was published on 2 April 2020 and is available on Eltel's website at www.eltelgroup.com.

Large agreements announced during Q1 2020

- On 28 February 2020, it was announced that Eltel's Power business Smart Grids signed a contract with Vattenfall Eldistribution AB worth about EUR 22 million. Eltel will replace 236,000 electricity meters in Sweden.
- On 16 March 2020, it was announced that Eltel's Communication business in Finland has signed a three-year continuation of a current frame agreement with a large Finnish telecom operator. The agreement covers fixed telecom services and is worth about EUR 66 million and includes new geographical areas.

Large agreements announced after the reporting period

- On 1 April 2020, it was announced that Eltel's Communication business in Sweden signed a three-year frame agreement with the Swedish Transport Administration worth about EUR 23 million. Eltel will perform field services for the Swedish Transport Administration's IT facilities.
- On 2 April 2020, it was announced that Eltel's Power business in Finland signed a five-year frame agreement with Helen Electricity Network Ltd worth about EUR 90 million. Eltel will construct and maintain the electricity distribution network in Helsinki.
- On 14 April 2020, it was announced that Eltel's Communication business in Finland signed a three-year frame agreement with Valokuitunen Oy, a recently established joint venture company between CapMan Infra and Telia, worth about EUR 38 million. Eltel will construct fibre to the home (FTTH).

Future prospects

Eltel does not issue guidance.

Related party transactions

No significant transactions took place between Eltel and related parties during the period.

Seasonality

Eltel's businesses are generally characterised by seasonal patterns and cyclicity of the project business that adds volatility to net sales, EBITA and cash flow. Seasonality is normally driven by a number of factors, including weather conditions, the timing of customer order placements and completion of work phases towards the end of the month, particularly for larger projects. The Eltel Group has historically reported higher revenues and operating profit in the second half of the year. Cash flow has historically displayed a strong seasonal pattern, with weaker cash flow recorded during the period until the end of the third quarter due to higher production activity. At the end of the year, as production volumes decrease, cash flow has normally been stronger. For more details, please refer to quarterly key financial figures for the Group on page 15.

Presentation of the Q1 2020 report

Analysts and media are invited to participate in the Q1 2020 briefing on 29 April 2020 at 10.00 am CET where Eltel's President and CEO Casimir Lindholm and CFO Salla Miettinen-Lähde will host a presentation. A live audiocast as well as the presentation will be available at www.eltelgroup.com/investors.

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Financial calendar

- Annual General meeting 2020: 4 May 2020
- Interim report January–June: 23 July 2020
- Interim report January–September: 5 November 2020

Eltel AB discloses the information provided herein pursuant to the EU's Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the above contacts, on 29 April 2020 at 08:00 a.m. CET.

Signatures of the Board of Directors and CEO

Stockholm, Sweden, 29 April 2020

Eltel AB (publ)

Casimir Lindholm, President and CEO

The information in this interim report has not been reviewed by the company's auditors.

Condensed financial information

Condensed consolidated income statement

EUR million	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Net sales	236.6	251.0	1,087.6
Cost of sales	-212.5	-229.2	-1,004.7
Gross profit	24.1	21.8	82.9
Other income	0.3	0.3	2.6
Sales and marketing expenses	-1.6	-2.0	-9.1
Administrative expenses	-23.8	-22.6	-85.5
Other expenses	-0.9	-1.0	-2.5
Share of profit/loss of joint ventures	-0.1	-	0.4
Operating result (EBIT)	-2.2	-3.6	-11.2
Financial income	0.2	0.1	0.4
Financial expenses	-2.2	-2.9	-11.9
Net financial expenses	-1.9	-2.8	-11.5
Result before taxes	-4.2	-6.4	-22.7
Taxes	-0.6	-1.1	-2.4
Net result	-4.8	-7.4	-25.1
Attributable to:			
Equity holders of the parent	-4.6	-7.6	-25.9
Non-controlling interest	-0.1	0.2	0.8
Earnings per share (EPS)			
Basic, EUR	-0.03	-0.05	-0.17
Diluted, EUR	-0.03	-0.05	-0.17

Condensed consolidated statement of comprehensive income

EUR million	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Net profit for the period	-4.8	-7.4	-25.1
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Revaluation of defined benefit plans, net of tax	0.3	-2.6	-4.6
Items that may be subsequently reclassified to profit and loss			
Cash flow hedges, net of tax	0.0	0.1	0.2
Net investment hedges, net of tax	3.2	0.7	0.8
Currency translation differences	-16.0	0.5	-1.6
Total	-12.8	1.3	-0.6
Other comprehensive income/loss for the period, net of tax	-12.5	-1.3	-5.1
Total comprehensive income/loss for the period	-17.3	-8.7	-30.2
Total comprehensive income/loss attributable to:			
Equity holders of the parent	-17.2	-8.9	-31.0
Non-controlling interest	-0.1	0.2	0.8

Condensed consolidated balance sheet

EUR million	31 Mar 2020	31 Mar 2019	31 Dec 2019
ASSETS			
Non-current assets			
Goodwill	252.8	282.1	264.0
Intangible assets	39.6	42.8	41.0
Property, plant and equipment	24.9	30.8	27.5
Right-of-use assets	70.7	89.4	77.4
Investments in and receivable from joint ventures	0.8	0.4	0.9
Investments	0.4	0.3	0.6
Deferred tax assets	24.7	30.2	26.4
Other financial assets	35.0	-	35.0
Trade and other receivables	0.3	0.4	0.4
Total non-current assets	449.2	476.3	473.2
Current assets			
Inventories	14.2	16.6	14.6
Other financial assets	-	35.0	-
Trade and other receivables	205.8	332.3	230.1
Cash and cash equivalents	18.5	12.8	65.2
Total current assets	238.5	396.7	310.0
Assets held for sale ²⁾	22.0	-	24.0
TOTAL ASSETS	709.7	873.0	807.2
EQUITY AND LIABILITIES			
Equity			
Shareholders' equity	195.9	235.6	213.1
Non-controlling interest	7.4	7.8	7.6
Total equity	203.4	243.4	220.7
Non-current liabilities			
Debt	32.3	111.7	76.1
Leasing liabilities	48.7	61.3	54.3
Liabilities to shareholders ¹⁾	35.0	-	35.0
Retirement benefit obligations	12.9	15.0	14.8
Deferred tax liabilities	10.4	17.6	11.5
Provisions	3.2	3.0	3.4
Other non-current liabilities	0.4	0.4	0.5
Total non-current liabilities	142.8	209.1	195.6
Current liabilities			
Debt	116.7	90.2	109.0
Leasing liabilities	23.2	28.1	24.3
Liabilities to shareholders ¹⁾	-	35.0	-
Provisions	13.4	16.6	15.0
Advances received	30.9	46.0	31.6
Trade and other payables	171.1	204.5	201.7
Total current liabilities	355.3	420.5	381.6
Liabilities associated with assets held for sale ²⁾	8.2	-	9.3
Total liabilities	506.3	629.6	586.5
TOTAL EQUITY AND LIABILITIES	709.7	873.0	807.2

1) Refers to selling shareholders at the time of the listing on 6 February 2015.

2) Assets held for sale include German Communication business and business area Aviation & Security on 31 March 2020 and on 31 December 2019.

Condensed consolidated statement of cash flows

EUR million	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Cash flow from operating activities			
Operating result (EBIT)	-2.2	-3.6	-11.2
Adjustments:			
Depreciation and amortisation	9.6	11.0	40.9
Gain/loss on sales of assets and business	-0.1	-	-1.5
Defined benefit pension plans	-1.0	-0.9	-4.4
Other non-cash adjustments	-0.1	0.7	0.5
Cash flow from operations before interests, taxes and changes in working capital	6.1	7.2	24.4
Interest and other financial expenses paid, net	-3.2	-2.7	-11.7
Income taxes received/paid	-0.7	-1.1	0.8
Total financial expenses and taxes	-3.9	-3.8	-10.9
Changes in working capital:			
Trade and other receivables	16.5	4.7	86.5
Trade and other payables	-23.4	-38.6	-46.4
Inventories	-0.1	-3.2	-2.2
Changes in working capital	-6.9	-37.2	37.9
Net cash from operating activities	-4.7	-33.8	51.4
Cash flow from investing activities			
Purchases of property, plant and equipment (PPE), net	-1.2	-4.1	-11.7
Acquisition of business, net of cash and cash equivalents	-	-4.2	-4.2
Investment refund from joint ventures	-	1.5	1.5
Disposal of business, net of cash disposed of	-	-	12.3
Net cash from investing activities	-1.2	-6.7	-2.1
Cash flow from financing activities			
Proceeds from short-term financial liabilities	17.5	19.8	49.3
Payments of short-term borrowings	-38.4	-13.5	-33.1
Payments of financial liabilities	-9.9	-	-26.1
Payments of lease liabilities	-6.8	-7.2	-26.9
Dividends to non-controlling interest	-	-	-0.9
Change in non-liquid financial assets	-0.1	0.6	-0.5
Net cash from financing activities	-37.7	-0.3	-38.2
Net change in cash and cash equivalents	-43.7	-40.8	11.1
Cash and cash equivalents at beginning of period	65.2	53.4	53.4
Foreign exchange rate effect	-3.1	0.2	0.7
Cash and cash equivalents at end of period	18.5	12.8	65.2

Condensed consolidated statement of changes in equity

EUR million	Share capital	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve	Currency translation	Total	Non-controlling interest	Total equity
Equity at 1 Jan 2020	158.8	490.6	-375.4	-36.7	11.4	-35.7	213.1	7.6	220.7
Total comprehensive income for the period	-	-	-4.6	0.3	3.2	-16.0	-17.2	-0.1	-17.3
Transactions with owners:									
Equity-settled share-based payment	-	-	0.0	-	-	-	0.0	-	0.0
Total transaction with owners	-	-	0.0	-	-	-	0.0	-	0.0
Equity at 31 Mar 2020	158.8	490.6	-380.0	-36.5	14.7	-51.7	195.9	7.4	203.4

EUR million	Share capital	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve	Currency translation	Total	Non-controlling interest	Total equity
Equity at 1 Jan 2019	158.0	491.6	-349.5	-32.2	10.4	-34.1	244.3	7.6	252.0
Total comprehensive income for the period	-	-	-7.6	-2.6	0.8	0.5	-8.9	0.2	-8.7
Transactions with owners:									
Equity-settled share-based payment	-	-	0.2	-	-	-	0.2	-	0.2
Proceeds from shares issued	0.9	-0.9	-	-	-	-	-	-	-
Total transaction with owners	0.9	-0.9	0.2	-	-	-	0.2	-	0.2
Equity at 31 Mar 2019	158.8	490.8	-356.9	-34.7	11.2	-33.6	235.6	7.8	243.4

EUR million	Share capital	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve	Currency translation	Total	Non-controlling interest	Total equity
Equity at 1 Jan 2019	158.0	491.6	-349.5	-32.2	10.4	-34.1	244.3	7.6	252.0
Total comprehensive income for the period	-	-	-25.9	-4.6	1.1	-1.6	-31.1	0.8	-30.3
Transactions with owners:									
Equity-settled share-based payment	-	-	0.0	-	-	-	0.0	-	0.0
Proceeds from shares issued	0.9	-0.9	-	-	-	-	-	-	-
Purchase of own shares	-	-0.2	-	-	-	-	-0.2	-	-0.2
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-0.9	-0.9
Total transaction with owners	0.9	-1.0	0.0	-	-	-	-0.1	-0.9	-1.0
Equity at 31 Dec 2019	158.8	490.6	-375.4	-36.7	11.4	-35.7	213.1	7.6	220.7

Notes to the condensed consolidated interim financial statements

Accounting principles

This interim report has been prepared in accordance with *IAS 34 Interim Financial Reporting*. The accounting principles adopted are the same with those of the Group's and the Parent Company's annual financial statements for the year ended 31 December 2019.

The new IFRS standards and amendments effective for the first time for 2020 financial year or later are not expected to have any material impact on Group's financial statements.

Key figures

Key figures for the period

EUR million	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019	Rolling 12-month
Net sales	236.6	251.0	1,087.6	1,073.3
Net sales growth, %	-5.7	-5.9	-8.5	-8.5
Operative EBITA	-2.1	-3.0	-11.3	-10.3
Operative EBITA margin, %	-0.9	-1.2	-1.0	-1.0
Items affecting comparability	-	-	1.6	1.6
EBITDA	7.3	7.5	29.7	29.6
Operating result (EBIT)	-2.2	-3.6	-11.2	-9.9
EBIT margin, %	-0.9	-1.4	-1.0	-0.9
Result after financial items	-4.2	-6.4	-22.7	-20.5
Net result for the period	-4.8	-7.4	-25.1	-22.5
Earnings per share EUR, basic and diluted	-0.03	-0.05	-0.17	-0.15
Return on equity (ROE), % ^{1), 2)}	-10.1	-7.8	-6.7	-10.1
Net working capital ²⁾	0.5	74.8	-6.3	0.5
Number of personnel, end of period	6,652	7,180	6,678	6,652

Quarterly key figures

EUR million	Jan-Mar 2020	Oct-Dec 2019	Jul-Sep 2019	Apr-Jun 2019	Jan-Mar 2019
Net sales	236.6	278.9	281.8	276.0	251.0
Net sales growth, %	-5.7	-15.7	-4.8	-6.6	-5.9
Operative EBITA	-2.1	-14.9	4.1	2.5	-3.0
Operative EBITA margin, %	-0.9	-5.3	1.5	0.9	-1.2
Items affecting comparability	-	1.4	0.2	-	-
EBITDA	7.3	-4.8	14.3	12.7	7.5
Operating result (EBIT)	-2.2	-13.7	3.9	2.1	-3.6
EBIT margin, %	-0.9	-4.9	1.4	0.8	-1.4
Result after financial items	-4.2	-17.0	1.6	-1.0	-6.4
Net result for the period	-4.8	-11.8	-3.9	-2.0	-7.4
Earnings per share EUR, basic and diluted	-0.03	-0.08	-0.03	-0.01	-0.05
Return on equity (ROE), % ^{1), 2)}	-10.1	-6.7	-6.7	-8.8	-7.8
Net working capital ²⁾	0.5	-6.3	63.7	66.8	74.8
Number of personnel, end of period	6,652	6,678	7,019	7,128	7,180

1) Calculated on a rolling 12-month basis.

2) Assets and liabilities held for sale are not included (on 31 March 2020 and on 31 December 2019 German Communication business and business area Aviation & Security, on 30 September 2019 and on 30 June 2019 Polish and German Communication businesses). Please see page 20 for definitions of the key ratios.

Net sales by segment

EUR million	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Power			
Net sales (external)	74.1	87.0	377.7
Inter-segment sales	0.0	-	0.0
Communication			
Net sales (external)	160.1	160.9	696.7
Inter-segment sales	0.0	0.4	1.6
Other			
Net sales (external)	2.3	3.1	13.2
Elimination of sales between segments	0.0	-0.4	-1.7
Net sales, total	236.6	251.0	1,087.6

Net sales by geographical area

EUR million	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Sweden	63.4	79.0	294.2
Finland	59.1	51.3	270.4
Norway	48.3	50.4	234.1
Denmark	33.3	25.4	108.9
Poland	11.2	26.4	88.1
Germany	18.5	14.5	76.6
Other countries	2.8	3.9	15.3
Net sales, total	236.6	251.0	1,087.6

Net sales by service split

EUR million	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Power			
Project delivery	41.1	52.7	209.7
Upgrade services	19.8	20.8	121.6
Maintenance	14.2	16.0	58.9
Internal net sales and fx adjustments	-0.9	-2.6	-12.6
Total Power	74.2	87.0	377.7
Communication			
Project delivery	6.1	7.1	26.0
Upgrade services	114.8	110.7	517.1
Maintenance	47.8	53.8	205.6
Internal net sales and fx adjustments	-8.6	-10.3	-50.4
Total Communication	160.1	161.4	698.4
Other			
Project delivery	2.3	3.3	13.5
Maintenance	-	-0.2	-0.2
Internal net sales and fx adjustments	-	-	-
Total Other	2.3	3.1	13.2
Elimination of sales between segments	0.0	-0.4	-1.7
Total	236.6	251.0	1,087.6

Reconciliation of segment results

EUR million	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Operative EBITA by segment			
Power	-3.4	-4.2	-17.5
Communication	4.2	4.6	18.1
Other	-0.3	-0.1	-0.8
Items not allocated to operating segments ¹⁾	-2.6	-3.3	-11.2
Operative EBITA, Group	-2.1	-3.0	-11.3
Earn-out adjustment	-	-	0.2
Gain on sale of business	-	-	1.4
Total items affecting comparability in EBITA ²⁾	-	-	1.6
Amortisation of acquisition-related intangible asset	-0.2	-0.5	-1.5
Operating result (EBIT)	-2.2	-3.6	-11.2
Financial expenses, net	-1.9	-2.8	-11.5
Result before taxes	-4.2	-6.4	-22.7

1) Items not allocated to operating segments consist of Group management and support function.

2) In 2019, items affecting comparability in EBITA include EUR 1.4 million positive impact from divestment of the Polish Communication business.

Net working capital (NWC) and operative capital employed

EUR million	31 Mar 2020	31 Mar 2019	31 Dec 2019
Inventories	14.2	16.6	14.6
Trade and other receivables	205.8	332.3	230.1
Provisions	-16.6	-19.7	-18.5
Advances received	-30.9	-46.0	-31.6
Trade and other payables	-171.1	-204.5	-201.7
Other	-0.9	-3.8	0.7
Net working capital	0.5	74.8	-6.3
Intangible assets excluding acquisition-related allocations	11.6	11.3	12.3
Property, plant and equipment	24.9	30.8	27.5
Right-of-use assets	70.7	89.4	77.4
Operative capital employed	107.7	206.4	110.9

Assets and liabilities held for sale are not included (on 31 March 2020 and 31 December 2019 German Communication business and business area Aviation & Security).

Contract balances

EUR million	31 Mar 2020	31 Mar 2019	31 Dec 2019
Trade receivables	93.6	127.0	124.9
Contract assets	88.6	177.7	83.7
Total assets related to contracts with customers	182.2	304.7	208.6
Advances received	30.9	46.0	31.6
Total liabilities related to contracts with customers	30.9	46.0	31.6

Trade receivables and contract assets are included in the trade and other receivable line in the above net working capital table. Advances received represent contract liabilities.

Leasing

Right-of-use assets

EUR million	31 Mar 2020	31 Mar 2019	31 Dec 2019
Buildings	37.0	48.6	42.2
Machinery and equipment	33.6	40.9	35.2
Total	70.7	89.4	77.4

Changes in the right-of-use assets during the period

EUR million	31 Mar 2020	31 Mar 2019	31 Dec 2019
Transfer of IAS 17 finance lease assets from PPE	-	4.0	4.0
IFRS 16 opening balance adjustment	-	89.6	89.6
1 Jan	77.4	93.6	93.6
Additions	3.7	2.8	15.0
Depreciations	-6.7	-7.6	-28.4
Transfer to assets held for sale	-0.8	-	-0.9
Translation differences	-3.0	0.7	-1.8
Balance at the end of period	70.7	89.4	77.4

Leasing liabilities

EUR million	31 Mar 2020	31 Mar 2019	31 Dec 2019
Non-current	48.7	61.3	54.3
Current	23.2	28.1	24.3
Total	71.8	89.3	78.6

Acquisitions, disposals and assets held for sale

During January-March 2020 there were no acquisitions or disposals.

At the reporting date and 31 December 2019, the German Communication business and business area Aviation & Security are presented as assets held for sale. These operations do not meet the criteria for presentation as discontinued operation.

Assets and liabilities held for sale

EUR million	31 Mar 2020	31 Mar 2019	31 Dec 2019
Assets			
Goodwill and other intangible assets	12.4	-	13.0
Property, plant and equipment	1.5	-	1.5
Right-of-use assets (IFRS 16)	0.8	-	0.9
Trade receivables and other assets	7.3	-	8.5
Total assets held for sale	22.0	-	24.0
Liabilities			
Leasing liabilities (IFRS 16)	0.8	-	0.9
Advances received	1.6	-	3.6
Trade and other liabilities	5.8	-	4.7
Total liabilities held for sale	8.2	-	9.3

January–March 2019 acquisitions and disposals

During January–March 2019 there were no acquisitions or disposals.

On 3 April 2019, Eltel announced that it will focus on the Nordic market and initiated a strategic evaluation of the company's operations outside the Nordics, including potential divestment of operations in Poland and Germany. At the reporting date, none of the operations under the strategic evaluation met the criteria for either held-for-sale presentation or presentation as discontinued operation.

Deferred taxes

EUR million	31 Mar 2020	31 Mar 2019	31 Dec 2019
Deferred tax assets	24.7	30.2	26.4
Deferred tax liabilities	-10.4	-17.6	-11.5
Sum	14.3	12.5	14.9

In December 2019, gross amount of EUR 17.0 million (21.0) deferred tax assets was recognised for losses carried forward, of which EUR 10.0 million (10.3) related to operations in Sweden. Significant part of the losses incurred in Sweden relate to Rail and Power Transmission International businesses that are reported under Other and are being disposed or ramped down and also to certain Power business areas in Sweden. Deferred tax assets are recognised for tax loss carry forwards to the extent that the utilisation against future taxable profits is probable. The future taxable profit estimate is based on current business plans approved by management. At year-end 2019 the expected future taxable income in Sweden includes a positive impact from the estimated result for the planned divestment of Aviation & Security business area to LfV, Air Navigation Services of Sweden.

Financial instruments

Derivative financial instruments	31 Mar 2020		31 Mar 2019		31 Dec 2019	
	Nominal values	Net fair values	Nominal values	Net fair values	Nominal values	Net fair values
Interest rate derivatives	-	-	22.8	0.0 ²⁾	-	-
Foreign exchange rate derivatives	35.7	0.2	73.6	0.1	32.2	0.1
Embedded derivatives	14.9	0.2	2.4	0.2	12.0	-0.4
Commodity derivatives	0.2	0.0 ¹⁾	0.6	0.0 ³⁾	0.2	0.0 ⁴⁾
Total	50.7	0.4	99.4	0.2	44.3	-0.3

Designated as cash flow hedge ¹⁾ EUR -0.0 million ²⁾ EUR -0.3 million ³⁾ EUR -0.0 million ⁴⁾ EUR -0.0 million. Financial assets recognised at fair value through profit and loss comprise solely derivatives. Fair values of the derivative instruments are based on observable market values (level 2 observable input information) at balance sheet date.

Fair value of financial instruments measured at cost

The carrying amount of financial assets and financial liabilities is a reasonable approximation of their fair value. Changes in the market interest rates are reflected in the future interest flows of interest-bearing debt within a short period.

Earnings per share

	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Net result attributable to equity holders of the parent	-4.6	-7.6	-25.9
Weighted average number of common shares, basic	156,649,081	156,649,081	156,649,081
Weighted average number of common shares, diluted	156,669,690	156,797,879	156,895,149
Earnings per share EUR, basic	-0.03	-0.05	-0.17
Earnings per share EUR, diluted	-0.03	-0.05	-0.17

Definitions and key ratios

Eltel applies ESMA's (European Securities and Markets Authority) guidelines for alternative performance measures (APM). In addition to the financial measures defined in IFRS, certain key figures, which qualify as alternative performance measures (APMs) are presented to reflect the underlying business performance, facilitate analysis of the Group's development as followed by Group Management and enhance comparability from period to period. The definition of these key figures is presented below and relevant information enabling reconciliations to IFRS measures can be found in connection with relevant parts of the report. These APMs should not be considered as a substitute for measures in accordance with IFRS.

IFRS key ratios

Earnings per share (EPS)	$\frac{\text{Net result attributable to equity holders of the parent}}{\text{Weighted average number of ordinary shares}}$
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Alternative performance measures (APMs)

Operative EBITA	Operating result before acquisition-related amortisations and items affecting comparability
Items affecting comparability	Items for specific events which management does not consider to form part of the ongoing operative business
Operative cash flow	EBIT + depreciation and amortisation + change in net working capital – net purchase of PPE (capex)
Cash conversion, %¹⁾	$\frac{\text{Operative cash flow} \times 100}{\text{EBITA}}$
Equity ratio, %	$\frac{\text{Total equity} \times 100}{\text{Total assets} - \text{advances received}}$
Net debt	Interest-bearing debt (excluding shareholder loans) - cash and cash equivalents
Operative capital employed	Net working capital + Intangible assets excluding goodwill and acquisition-related allocations + Property, plant and equipment
Return on equity (ROE), %¹⁾	$\frac{\text{Net result} \times 100}{\text{Total equity (average over the reporting period)}}$
Net working capital	Net of inventories, trade and other receivables, provisions, advances received and trade and other payables, excluding items in these balance sheet items that are not considered to form part of operative working capital: derivative valuations, contingent consideration from acquisitions and income tax liabilities.
Committed order backlog	The total value of committed orders received but not yet recognised as sales

1) Calculated on a rolling 12-month basis.

Parent Company

Eltel AB owns and governs the shares related to Eltel Group. The Company holds management functions but has no operative business activities and its risks are mainly attributable to the value and activities of its subsidiaries.

Parent Company income statement

EUR million	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Net sales	-	-	2.2
Administrative income and expenses	-2.1	-1.7	-8.7
Operating result	-2.1	-1.7	-6.5
Interest and other financial income	5.7	4.0	20.9
Interest and other financial expenses	-0.6	-0.8	-3.0
Net financial items	5.2	3.2	18.0
Result after financial items	3.1	1.4	11.5
Group contributions given	-	-	-11.3
Taxes	-0.4	-	-0.2
Net result	2.8	1.4	0.1

Parent Company balance sheet

EUR million	31 Mar 2020	31 Mar 2019	31 Dec 2019
ASSETS			
Shares in Group companies	68.3	68.3	68.3
Long-term loans receivable from Group companies ¹⁾	489.0	332.1	483.3
Other financial asset	35.0	-	35.0
Intangible assets	0.1	0.1	0.1
Deferred tax assets	-	0.6	0.4
Total non-current assets	592.4	401.1	587.1
Trade and other receivables	0.2	0.4	1.4
Cash pool receivable ¹⁾	1.6	135.8	-
Other financial asset	-	35.0	-
Cash and cash equivalents	0.2	0.1	0.3
Total current assets	2.0	171.3	1.6
TOTAL ASSETS	594.4	572.4	588.7
EQUITY AND LIABILITIES			
Total equity	446.9	445.7	444.1
Liabilities to shareholders	35.0	-	35.0
Total non-current liabilities	35.0	-	35.0
Debt	68.8	83.5	89.1
Liabilities to shareholders	-	35.0	-
Liabilities to Group companies	42.1	6.2	19.1
Trade and other payables	1.6	2.0	1.3
Total current liabilities	112.5	126.7	109.7
Total liabilities	147.5	126.7	144.7
TOTAL EQUITY AND LIABILITIES	594.4	572.4	588.7

Eltel has secured its debt obligations towards the banks by share and intragroup loan pledges and floating charges over certain assets of the Group, all on customary terms and conditions.

1) In Q2 2019 cash pool receivables were converted to long-term loans receivable from Group companies.

Equity

EUR million	1 Jan 2020	Hedging reserve, net of tax	Equity-settled share-based payment	Net result	31 Mar 2020
Share capital	158.8	-	-	-	158.8
Statutory reserve	0.5	-	-	-	0.5
Non-restricted equity	284.8	0.0	0.0	2.8	287.6
Total	444.1	0.0	0.0	2.8	446.9

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