

Eltel Group

Interim report January–September 2018

July–September 2018

- Net sales EUR 295.9 million (328.0). Total growth -9.8% and organic growth in Power and Communication* 1.4%
- Operative EBITA** EUR 0.5 million (3.1) and Operative EBITA margin 0.2% (0.9)
- Operating result (EBIT) EUR -0.2 million (-2.8) and EBIT margin -0.1% (-0.9)
- Net result EUR -9.6 million (-11.0)
- Earnings per share EUR -0.06 (-0.07)
- Cash flow from operating activities EUR -16.8 million (-26.6)

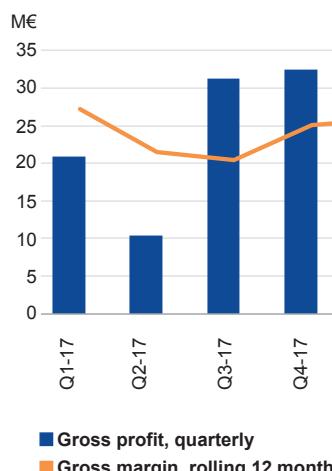
January–September 2018

- Net sales EUR 858.1 million (955.7). Total growth -10.2% and organic growth in Power and Communication* 2.5%
- Operative EBITA** EUR -5.2 million (-27.7) and Operative EBITA margin -0.6% (-2.9)
- Operating result (EBIT) EUR -9.0 million (-185.9) and EBIT margin -1.0% (-19.4%)
- Net result EUR -18.9 million (-196.9)
- Earnings per share EUR -0.13 (-1.61)
- Cash flow from operating activities EUR -66.8 million (-107.4)

Significant events during the reporting period

- Casimir Lindholm joined Eltel as new President and CEO on 1 September 2018. He succeeds Håkan Kirstein, who left his role after having finalised the first phase of the transformation strategy.

Gross profit



Operative EBITA



EUR million	Jul-Sep 2018	Jul-Sep 2017	Change, %
Net sales			
Power	112.0	117.5	-4.7
Communication	180.2	186.7	-3.5
Other	7.5	24.8	-69.9
Total Group	295.9	328.0	-9.8
Operative EBITA**			
Power	0.2	0.9	-76.5
Communication	6.8	11.5	-40.6
Other	-3.2	-6.1	46.4
Items not allocated	-3.3	-3.3	-0.7
Total Group	0.5	3.1	-82.8

EUR million	Jan-Sep 2018	Jan-Sep 2017	Change, %
Net sales			
Power	323.7	339.7	-4.7
Communication	520.2	541.2	-3.9
Other	19.6	76.2	-74.3
Total Group	858.1	955.7	-10.2
Operative EBITA**			
Power	1.4	0.2	565.6
Communication	15.1	21.7	-30.1
Other	-10.1	-37.9	73.4
Items not allocated	-11.6	-11.6	0.6
Total Group	-5.2	-27.7	81.4

*Adjusted for divested operations and currency effects

** Please see page 21 for definitions of the key ratios

Comments by the CEO

Since 2017, Eltel Group has been restructured to focus on areas with a balanced risk level and in markets where we have a strong position and a high level of expertise. Still, there remains a few old projects with high risk and low margin, which will continue until 2020.

Operations in the Power and Communication segments are generally good, but not efficient and flexible enough to handle fluctuations in market demand. Our focus going forward is therefore on improving our operational performance, improving the cash flow and increasing profitability. Eltel plays a significant role in maintaining and building critical infrastructure in the society. We have good customer relationships and we maintain a high level of quality, so the fundamentals are in place.

During the autumn, we have continued to develop a new strategy focusing on efficiency improvement, customer focus, measuring and tracking relevant key performance indicators, and simplifying the daily operations for our technicians. Furthermore, we will improve the competence within our organisation through various forms of training and recruitment. This is supported by the recently implemented country-based organisation, which allows us to be closer to our customers and focus on our local operations in each country.

During the third quarter, sales decreased as planned as a consequence of completed divestments. At the same time, sales in Smart Grids continued to increase strongly. The quarter was disappointing in terms of profit, mainly due lower volumes and margins in Service business in Sweden and Build business in Norway within Communication, start-up costs for new contracts in Communication Finland, low efficiency and higher costs in Service and Build in Finland within Power, and project write-downs in High Voltage. The weak results in Service and Build are due to weak project management and poor cost control. In High Voltage a number of project contracts were agreed in 2014–2016 at low margins, some of which run until 2019 and a few of which will end in 2020.

We are in a financially challenging situation. Profitability has slightly increased as a consequence of the discontinuation and sale of loss-making operations. Rolling 12 months, we have gradually improved our EBITA margin, although it is far from acceptable levels.

Casimir Lindholm, President & CEO



Operational excellence strategy

Eltel in brief

Eltel is a leading provider of technical services 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 mainly on price and partly on 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 service and maintenance. 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 will be 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.

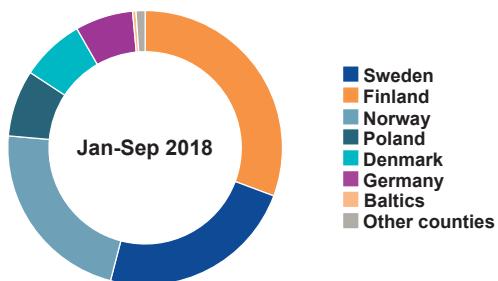
Eltel's financial targets

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

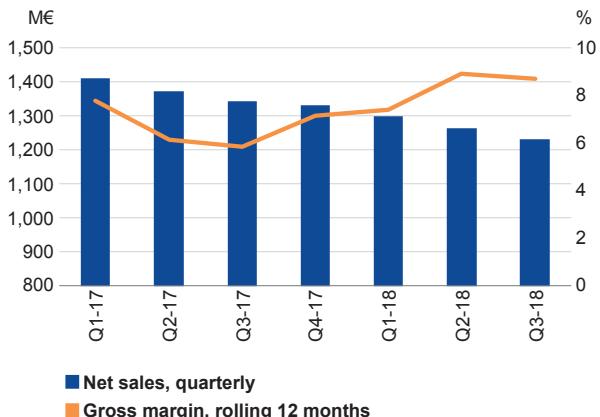
¹Cash conversion is calculated as operative cash flow as a percentage of EBITA. Operative cash flow is calculated as the sum of (a) operating profit before acquisition-related amortisation (EBITA), (b) depreciation and (c) change in net working capital, less (d) net acquisition of properties, plant and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

²Net 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.

Net sales by country



Net sales



Net sales and earnings Group

EUR million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Rolling 12-month
Net sales	295.9	328.0	858.1	955.7	1,329.9	1,232.3
Operative EBITA	0.5	3.1	-5.2	-27.7	-25.5	-3.0
EBIT	-0.2	-2.8	-9.0	-185.9	-184.6	-7.8
Net result	-9.6	-11.0	-18.9	-196.9	-204.6	-26.6
Key ratios						
Net sales growth, %	-9.8	-7.9	-10.2	-5.6	-5.0	-8.2
Organic growth in Power and Communication*, %	1.4		2.5			
Currency translation effect in net sales, MEUR	-9.9	0.9	-27.1	-2.9	-8.2	N/A
Operative EBITA margin, %	0.2	0.9	-0.6	-2.9	-1.9	-0.2
Tax rate, %	-174.6	-71.2	-24.0	-0.1	-3.9	-71.3
Earnings per share after dilution, EUR	-0.06	-0.07	-0.13	-1.61	-1.56	-0.18

*Adjusted for divested operations and currency effects

July–September 2018

Net sales decreased 9.8% to EUR 295.9 million (328.0), mainly as a result of divestments and ongoing discontinuation of operations. Organic growth in segment Power and Communication, adjusted for divested operations and currency effects, was 1.4%.

Operative EBITA amounted to EUR 0.5 million (3.1). Net items affecting comparability amounted to EUR 0.0 million (-0.7).

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

Group EBITA amounted to EUR 0.5 million (2.4).

EBIT amounted to EUR -0.2 million (-2.8). Amortisation of acquisition-related intangible assets amounted to EUR -0.7 million (-1.4).

Net financial expenses amounted to EUR -3.3 million (-3.6). The decrease is primarily due to lower financial fees.

Taxes amounted to EUR -6.1 million (-4.6), corresponding to an effective tax rate of -174.6% (-71.2).

The net result for the period was EUR -9.6 million (-11.0). Earnings per share were EUR -0.06 (-0.07).

January–September 2018

Net sales decreased 10.2% to EUR 858.1 million (955.7), mainly as a result of divestments and on-going discontinuation of non-core operations. Organic growth in segment Power and Communication, adjusted for divested operations and currency effects, was 2.5%.

Operative EBITA amounted to EUR -5.2 million (-27.7). Group EBITA amounted to EUR -7.2 million (-28.4).

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

EBIT amounted to EUR -9.0 million (-185.9). Amortisation of acquisition-related intangible assets amounted to EUR -1.8 million (-8.0). Goodwill impairment EUR -149.4 million in 2017.

Net financial expenses amounted to EUR -6.2 million (-10.8). The decrease is primarily due to repaid term loans during 2017 and currency effect.

Taxes amounted to EUR -3.7 million (-0.3), corresponding to an effective tax rate of -24.0% (-3.9).

The net result for the period was EUR -18.9 million (-196.9). Earnings per share were EUR -0.13 (-1.61).

Net sales and EBITA – Segments

Power

EUR million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Rolling 12-month
Net sales	112.0	117.5	323.7	339.7	470.4	454.4
Operative EBITA	0.2	0.9	1.4	0.2	-0.3	0.9
Number of employees	2,389	2,776	2,389	2,776	2,453	2,389
Key ratios						
Net sales growth, %	-4.7	-6.7	-4.7	-1.7	-3.4	-5.5
Organic growth*, %	2.4		2.8			
Currency translation effect in net sales, MEUR	-1.3	0.2	-4.2	0.4	-0.2	N/A
Operative EBITA margin, %	0.2	0.7	0.4	0.1	-0.1	0.2

*Adjusted for divested operations and currency effects

July–September 2018

Net sales decreased by EUR 5.6 million to EUR 112.0 million (117.5), representing a decrease of 4.7%. EUR 11.3 million of the decline in net sales is explained by divestment of the Baltic operations and ramp down of certain power services contracts in Sweden. The decrease was partially offset by increased net sales in Smart Grids and in Finland. Organic growth, adjusted for divested operations and currency effects, was 2.4%.

Operative EBITA decreased to EUR 0.2 million (0.9). The operative EBITA margin was 0.2% (0.7). Continued restructuring costs and write-downs in Norwegian and Swedish projects in High Voltage, as well as challenges with utilisation and cost in Finnish service and build had a negative impact on the profitability in the period. Measures are being implemented to improve efficiency, strengthen control and continue finalising the low margin projects within High Voltage in the Nordics.

January–September 2018

Net sales in segment Power decreased by EUR 15.9 million to EUR 323.7 million (339.7), representing a decrease of 4.7%. EUR 20.7 million of the decline in net sales is explained by the divestment of the Baltic operations in the second half of 2017. The decrease is furthermore explained by the ramp down of certain power services contracts in Sweden, a change in the project mix and delayed projects caused by the difficult winter conditions in the first quarter in Finland. The decrease was partly offset by strong net sales in Smart Grids. Organic growth, adjusted for divested operations and currency effects was 2.8%.

Operative EBITA increased to EUR 1.4 million (0.2). The operative EBITA margin was 0.4% (0.1). The continued strong net sales growth and performance in Smart Grids, mainly in Norway, had a positive impact on EBITA. Continued restructuring costs and continued production in Nordic low-margin projects in High Voltage had a negative impact on the profitability, as well as low utilisation of resources due to delayed projects and a change in the project mix in Build in Finland. Eltel continues to implement new project governance including efficiency measures in order to improve profitability, strengthen control and finalise low margin projects.

Communication

EUR million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Rolling 12-month
Net sales	180.2	186.7	520.2	541.2	756.8	735.8
Operative EBITA	6.8	11.5	15.1	21.7	34.5	28.0
Number of employees	4,577	4,621	4,577	4,621	4,604	4,577
Key ratios						
Net sales growth, %	-3.5	0.7	-3.9	1.0	0.4	-3.0
Organic growth*, %	0.9		2.4			
Currency translation effect in net sales, MEUR	-8.1	-0.4	-21.8	-2.8	-7.0	N/A
Operative EBITA margin, %	3.8	6.2	2.9	4.0	4.6	3.8

*Adjusted for divested operations and currency effects

July–September 2018

Net sales decreased by EUR 6.5 million to EUR 180.2 million (186.7), representing a decrease of 3.5%. The decline is mainly explained by currency effects in Sweden, delayed projects and lower activity in Norway. This was partly offset by strong sales in Finland thanks to a newly signed frame agreement and increased volume from existing customers. Organic growth, adjusted for currency, effects was 0.9%.

Operative EBITA decreased to EUR 6.8 million (11.5). The operative EBITA margin was 3.8% (6.2). The decrease relates to low efficiency and higher cost than anticipated in ongoing projects in the service segment in Sweden, loss of revenue and cost of closing one large project in Norway, and ramp up cost to meet new demand in Finland. Increased focus on cost, resource planning, project governance and project control have been implemented during the quarter.

January–September 2018

Net sales in segment Communication decreased by EUR 21.0 million to EUR 520.2 million (541.2), representing a decrease of 3.9%. EUR 11.4 million of the decline is explained by the divestment of Eltel's Polish maintenance operation in 2017. Net sales in Build Norway was considerably lower compared to the same period in 2017, due to delayed construction of certain projects in 2018 as a consequence of the harsh winter conditions. The decrease was partly offset by strong performance in Service Finland, with higher volumes from existing customers. Organic growth, adjusted for divested operations and currency effects, was 2.4%.

Operative EBITA decreased to EUR 15.1 million (21.7). The operative EBITA margin was 2.9% (4.0). The decrease is mainly attributable to overcapacity in the first quarter 2018 as a result of delayed projects in Sweden and Norway due to harsh winter conditions and weak performance in the third quarter in the Nordics.

Other

EUR million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Rolling 12-month
Net sales	7.5	24.8	19.6	76.2	103.8	47.1
Operative EBITA	-3.2	-6.1	-10.1	-37.9	-43.7	-15.9
Number of employees	176	702	176	702	592	176
Key ratios						
Net sales growth, %	-69.9	-45.2	-74.3	-42.3	-35.6	-55.3
Operative EBITA margin, %	-43.4	-24.4	-51.5	-49.7	-42.1	-33.6

July–September 2018

Net sales decreased by EUR 17.3 million to EUR 7.5 million (24.8), representing a decrease of 69.9%. The decline is in line with Eltel's strategy and explained by that operations have been divested or discontinued during 2018.

Operative EBITA increased to EUR -3.2 million (-6.1). The operative EBITA margin was -43.4% (-24.4). The negative EBITA is attributable to the Rail business and Power Transmission International. The majority of the Rail business has been discontinued with only a few projects remaining in Sweden. The discontinuation of Power Transmission International continues according to plan.

On 4 September 2018, Eltel completed the sale of the Norwegian rail operations to Æra AS, a wholly owned subsidiary to Jotunfjell Partners AS. The transaction price was EUR 1 and the cash flow effect amounted to EUR -0.7 million.

January–September 2018

Net sales decreased by EUR 56.7 million to EUR 19.6 million (76.2), representing a decrease of 74.3%. The decline is explained by that operations have been divested or discontinued during 2017 and 2018. Power Transmission International represented EUR 20.1 million and Rail EUR 36.6 million of the decrease.

Operative EBITA increased to EUR -10.1 million (-37.9). The operative EBITA margin was -51.5% (-49.7). The negative operative EBITA is attributable to the Rail business and lower volumes and costs for discontinuing businesses.

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 29.4 million were recorded during 1 January 2017–30 September 2018, in line with the plan. The discontinuation is expected to be finalised in 2020. From 1 January 2017–30 September 2018 accumulated cost of EUR 24.4 million has been recognised in operative EBITA for the divestment and ramp down of Rail operations.

On 31 January 2018, Eltel completed the sale of its Finnish rail operations to Winco Oy, a wholly owned subsidiary of Graniittirakennus Kallio Oy. The purchase price amounted to EUR 8.5 million deducted by the cash generated from these operations during September 2017– January 2018. The transaction had a positive impact on Group EBITA of EUR 3.7 million and positive cash flow of EUR 6.3 million in the first quarter of 2018.

On 31 January 2018, Eltel completed the sale of the Danish rail operations to Strukton Rail A/S. The transaction, comprising a maintenance contract with Sund & Bælt A/S, 26 employees and operational equipment used for delivering the relevant maintenance services, had a negative EBITA effect of EUR 0.5 million in the fourth quarter 2017 and a negative cash flow effect of EUR 2.4 million in the first quarter 2018.

On 29 March 2018, Eltel completed the sale of the Swedish rail operations to Strukton Rail AB. The transaction, comprising build and maintenance contracts with key customers, employees and operational equipment used for delivering the relevant services, had a negative impact of EUR 5.9 million on EBITA and a negative cash flow effect of EUR 5.7 million in the first quarter of 2018. Eltel has as part of the divestment entered into a subcontractor agreement with Strukton Rail AB for the completion of certain contracts relating to the rail business, expected to be completed during 2019.

On 4 September 2018, Eltel completed the sale of the Norwegian rail operations to Æra AS, a wholly owned subsidiary of Jotunfjell Partners AS. The transaction price was EUR 1. The transaction price was EUR 1 and the cash flow effect amounted to EUR -0.7 million.

Cash flow

EUR million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Rolling 12-month
Cash flow from operating activities	-16.8	-26.6	-66.8	-107.4	-65.2	-24.6
Cash flow from investing activities	-6.6	-4.3	-14.6	-17.0	-19.7	-17.2
Cash flow from financing activities	23.2	-116.2	73.5	53.7	32.4	52.2
Net change in cash and cash equivalents	-0.2	-147.1	-8.0	-70.8	-52.4	10.4
 Cash and cash equivalents at beginning of period	25.5	161.9	32.9	85.2	85.2	13.9
Foreign exchange rate effect	-0.3	-0.2	0.1	0.2	0.1	0.0
Reclassification as assets held for sale	-	-0.7	-	-0.7	-	0.7
 Cash and cash equivalents at end of period	25.0	13.9	25.0	13.9	32.9	25.0

July–September 2018

Cash flow from operating activities was EUR -16.8 million (-26.6), including a negative impact of EUR -16.1 million (-27.4) from change in net working capital and EUR -3.1 million (-5.1) cash flow from financial items and taxes. Net capital expenditure, mainly replacement investments, amounted to EUR 5.9 million (4.2). Cash flow for divestment of business amounted to EUR -0.7 million (-0.1). Net repayment of financial lease liabilities amounted to EUR -0.3 million and net utilisation of short-term financial facilities amounted to EUR 23.9 million.

January–September 2018

Cash flow from operating activities was EUR -66.8 million (-107.4), including a negative impact of EUR -62.7 million (-75.6) from change in net working capital and EUR -6.2 million (-13.2) cash flow from financial items and taxes. 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 working capital intensive projects, which are expected to continue to create volatility in net working capital going forward. Net capital expenditure, mainly replacement investments, amounted to EUR 12.2 million (8.7). Cash flow for divestment of business amounted to EUR -2.4 million (-8.0 acquisitions and divestments). Net repayment of financial lease liabilities amounted to EUR -0.3 million and net utilisation of short-term financial facilities amounted to EUR 74.1 million.

Financial position, cash and cash equivalents

Equity at the end of the period was EUR 262.3 million (297.5) and total assets were EUR 838.2 million (867.8). The equity ratio was 33.4% (37.0).

Interest-bearing liabilities totalled EUR 234.2 million (186.1), of which EUR 114.8 million (119.9) were non-current and EUR 119.4 million (66.2) were current. Cash and cash equivalents amounted to EUR 25.0 million (13.9). Interest-bearing net debt totalled EUR 210.1 million (173.1).

At the end of the third quarter, available liquidity reserves amounted to EUR 127.9 million (136.6). On the same date, EUR 90 million of Eltel's commercial paper programme was utilised. In January 2018, Eltel's Finnish commercial paper programme was increased from EUR 100 million to EUR 150 million.

In July 2018, an amendment to Eltel's financing agreement was signed with resetting of covenants during the transformation period and an extension of the facilities by one year. Eltel's amended bank loan agreements include financial covenants related to the adjusted EBITDA until the end of first quarter of 2020 and thereafter the net debt/EBITDA ratio and adjusted EBITDA/net finance charges ratio. EBITDA used in the covenant calculations until the end of Q1 2020 is adjusted with agreed non-recurring items relating to a transformation of Eltel group capped to EUR 85 million. From 2019 onwards EBITDA is adjusted with items arising from acquisitions on a rolling 12-month basis and with non-recurring EBITA items capped to EUR 5 million.

At the end of the third quarter, guarantees based on contractual commercial commitments and pension liabilities issued by banks, other financial institutions and the Parent Company amounted to EUR 316.9 million (343.2). This amount included advance and other payment security guarantees.

Interest-bearing liabilities and net debt

EUR million	30 Sep 2018	30 Sep 2017	31 Dec 2017
Interest-bearing debt in balance sheet	234.2	186.1	164.4
Allocation of effective interest to periods	0.9	0.9	0.6
Less cash and cash equivalents	-25.0	-13.9	-32.9
Net debt	210.1	173.1	132.1

Other information

Extraordinary General Meeting

On 17 September 2018, Eltel AB (publ) held an Extraordinary General Meeting (EGM) at Eltel's headquarters in Stockholm. The following resolutions were made:

Election of the Board of Directors

The EGM approved the proposal to increase the number of ordinary board members from eight to nine. The EGM also approved to increase the remuneration to the Board of Directors for the period up until and including the next ordinary annual general meeting, in proportion to the increase in the number of ordinary board members, to a total amount of EUR 487,200. The Board member Mikael Moll resigned from the Board in connection with the EGM. Roland Sundén and Mikael Aro were elected as new members of the Board of Directors, up until and including the next annual general meeting.

Long Term Incentive Programme for 2018 (LTIP 2018)

The EGM approved the implementation of a share savings programme (LTIP 2018) for top management at Eltel Group. The aim is to create an individual long-term ownership of Eltel shares among the participants. More information about the LTIP 2018 is to be found on Eltel's website at www.eltelgroup.com.

Shares and share capital

On 9 July 2018, Eltel converted 88,486 C shares to ordinary A shares in accordance with the decision by the AGM on 9 May 2018. After the conversion the share capital was reduced with EUR 452,999.14 by redemption of all remaining 448,514 C-shares at nominal value in accordance with section 5 of the articles of association. After the redemption, the total number of ordinary shares amounts to 156,649,081.

Events after the end of the period

On 9 October 2018, Peter Uddfors, Group Management Team member and Managing Director Eltel Sweden, resigned. Casimir Lindholm, President and CEO of Eltel AB, has temporarily assumed the role as Managing Director of Eltel Sweden until a permanent solution is in place. Leif Göransson, previously Director Group Projects and Operations, was appointed Chief Operating Officer for Eltel Sweden with focus on operational activities. Leif will remain a member of Eltel Group Management Team.

On 24 October 2018, a constituent Nomination Committee meeting was held, whereby the four largest shareholders as per 31 August 2018 were represented.

After the constituent meeting the Nomination Committee comprises the following individuals:

- Peter Immonen, Wipunen Varainhallinta Oy, Mariatorp Oy and Riikantorppa Oy (17.8% of votes)
- Erik Malmberg, Solero Luxco S.á.r.l. (16.4% of votes)
- Per Colleen, the Fourth Swedish National Pension Fund (AP4) (9.6% of votes)
- Marianne Nilsson, Swedbank Robur (9.6% of votes)

Peter Immonen was appointed as Chairman of the Nomination Committee.

The main objective and responsibility of the Nomination Committee is to present proposals on the election and remuneration of chairman and members of the Board of Directors and the statutory auditor to the AGM. Eltel's AGM for the financial year 2018 will take place on 7 May 2019. Shareholders who wish to present proposals to the Nomination Committee for the 2019 AGM are invited to submit them to Henrik Sundell, the Nomination Committee's Secretary, by e-mail: henrik.sundell@eltelnetworks.se. In order for the Nomination Committee to be able to consider submitted proposals with sufficient care, these should be submitted no later than 14 March 2019. The Committee's proposal will be presented in the Notice to the AGM 2019 and on the company website.

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 in 2015, 2016 and 2017. Eltel has been invited to comment upon Nasdaq Stockholm's conclusions which primarily relate to alleged deficiencies in Eltel's internal control, accounting and financial information. Any decision taken by the Disciplinary Committee will be made public.

No further new material risks were identified during the interim period. For information regarding risks and uncertainties, please refer to Eltel's 2017 Annual Report published on 5 April 2018 and the prospectus (the "Prospectus") relating to Eltel's rights issue published on 7 June 2017 and which are available on Eltel's website at www.eltelgroup.com.

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 17.

Presentation of the third quarter 2018 report

Analysts and media are invited to participate in the third quarter 2018 briefing on 7 November 2018 at 10.00 am CET where Eltel's President and CEO Casimir Lindholm and CFO Petter Traaholt 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

- Full-year report January–December 2018: 14 February 2019
- Interim report January–March 2019: 26 April 2019
- Interim report January–June 2019: 24 July 2019
- Interim report January–September 2019: 7 November 2019
- Annual Report 2018: week 14, 2019
- Annual General meeting 2019: 7 May 2019

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 7 November 2018 at 08:00 a.m. CET.

Signature of the CEO

Stockholm, Sweden, 7 November 2018

Eltel AB (publ)

Casimir Lindholm

President and CEO

Review report

Translation from the Swedish original

Eltel AB (publ)

Corp. id. 556728-6652

Introduction

We have reviewed the condensed interim financial information (interim report) of Eltel AB (publ) as of 30 September 2018 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm 7 November 2018

KPMG AB

Mats Kåvik
Authorized Public Accountant

Condensed financial information

Condensed consolidated income statement

EUR million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Net sales	295.9	328.0	858.1	955.7	1,329.9
Cost of sales	-270.4	-296.8	-783.5	-893.1	-1,234.8
Gross profit	25.5	31.3	74.6	62.6	95.1
Other income	1.9	0.4	6.4	4.3	4.9
Sales and marketing expenses	-0.8	-1.2	-5.0	-8.2	-9.5
Administrative expenses	-26.3	-27.0	-77.3	-80.4	-109.0
Other expenses	-0.2	-1.0	-6.2	-6.4	-7.7
Share of profit/loss of joint ventures	0.4	-0.1	0.2	-0.3	-0.4
Operating result before acquisition-related amortisations (EBITA)	0.5	2.4	-7.2	-28.4	-26.7
Amortisation and impairment of acquisition-related intangible assets	-0.7	-5.2	-1.8	-157.5	-158.0
Operating result (EBIT)	-0.2	-2.8	-9.0	-185.9	-184.6
Financial income	0.2	0.1	0.3	0.2	0.4
Financial expenses	-3.5	-3.7	-6.6	-11.0	-12.7
Net financial expenses	-3.3	-3.6	-6.2	-10.8	-12.3
Result before taxes	-3.5	-6.4	-15.2	-196.7	-197.0
Taxes	-6.1	-4.6	-3.7	-0.3	-7.7
Net result	-9.6	-11.0	-18.9	-196.9	-204.6
Attributable to:					
Equity holders of the parent	-10.0	-11.3	-19.7	-197.3	-205.3
Non-controlling interest	0.4	0.3	0.8	0.4	0.7
Earnings per share (EPS)					
Basic, EUR	-0.06	-0.07	-0.13	-1.61	-1.56
Diluted, EUR	-0.06	-0.07	-0.13	-1.61	-1.56

Condensed consolidated statement of comprehensive income

EUR million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Net profit for the period	-9.6	-11.0	-18.9	-196.9	-204.6
Other comprehensive income:					
Items that will not be reclassified to profit and loss					
Revaluation of defined benefit plans	0.0	-0.5	-1.3	-2.7	-5.6
Items that may be subsequently reclassified to profit and loss					
Cash flow hedges	0.1	0.1	0.0	0.1	0.2
Net investment hedges	-1.3	0.1	3.1	0.6	1.0
Commodity hedges	0.0	-	0.0	-	-
Currency translation differences	2.5	1.6	-3.4	-0.2	-3.5
Total	1.2	1.8	-0.3	0.5	-2.4
Other comprehensive income/loss for the period, net of tax	1.3	1.3	-1.7	-2.3	-7.9
Total comprehensive income/loss for the period	-8.4	-9.7	-20.6	-199.2	-212.6
Total comprehensive income/loss attributable to:					
Equity holders of the parent	-8.7	-10.0	-21.4	-199.6	-213.3
Non-controlling interest	0.4	0.3	0.8	0.4	0.7

Condensed consolidated balance sheet

EUR million	30 Sep 2018	30 Sep 2017	31 Dec 2017
ASSETS			
Non-current assets			
Goodwill	283.8	290.7	286.8
Intangible assets	41.9	42.0	41.8
Property, plant and equipment	32.5	33.2	32.6
Investments in and receivable from joint ventures	1.0	0.6	0.7
Investments	0.2	0.3	0.3
Deferred tax assets	22.6	29.6	21.5
Other financial asset	-	35.0	-
Trade and other receivables	0.6	0.1	0.1
Total non-current assets	382.6	431.6	384.0
Current assets			
Inventories	15.7	10.8	9.6
Other financial assets	35.0	-	35.0
Trade and other receivables	379.9	406.4	356.4
Cash and cash equivalents	25.0	13.9	32.9
Total current assets	455.6	431.1	433.9
Assets held for sale	-	5.2	10.4
TOTAL ASSETS	838.2	867.8	828.2
EQUITY AND LIABILITIES			
Equity			
Shareholders' equity	255.0	290.8	277.1
Non-controlling interest	7.3	6.7	7.0
Total equity	262.3	297.5	284.1
Non-current liabilities			
Debt	114.8	119.9	119.0
Liabilities to shareholders	-	35.0	-
Retirement benefit obligations	9.3	8.5	11.0
Deferred tax liabilities	11.2	11.0	7.9
Provisions	3.2	1.4	2.5
Other non-current liabilities	0.7	0.5	0.0
Total non-current liabilities	139.2	176.3	140.4
Current liabilities			
Debt	119.4	66.2	45.3
Liabilities to shareholders	35.0	-	35.0
Provisions	17.6	26.7	22.1
Advances received	52.4	64.7	48.4
Trade and other payables	212.2	231.3	244.9
Total current liabilities	436.6	388.9	395.8
Liabilities associated with assets held for sale	-	5.2	7.9
Total liabilities	575.9	570.3	544.1
TOTAL EQUITY AND LIABILITIES	838.2	867.8	828.2

Condensed consolidated statement of cash flows

EUR million	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Cash flow from operating activities			
Cash flow from operating activities before financial items and taxes	-60.7	-94.2	-50.5
Interest received	0.2	0.1	0.4
Interest and other financial expenses paid	-5.5	-10.6	-11.4
Income taxes paid	-0.9	-2.7	-3.6
Net cash from operating activities	-66.8	-107.4	-65.2
Cash flow from investing activities			
Purchases of property, plant and equipment (PPE)	-12.4	-9.3	-14.1
Proceeds from sale of PPE	0.2	0.5	0.5
Acquisition of business	-	-6.7	-6.7
Investments in joint ventures	-	-0.3	-0.6
Disposal of business	-2.4	-1.3	1.1
Net cash from investing activities	-14.6	-17.0	-19.7
Cash flow from financing activities			
Proceeds from issuance of share capital	-	149.2	149.2
Proceeds from short-term financial liabilities	92.6	58.5	63.0
Payments of short-term borrowings	-18.5	-151.6	-177.6
Payments of/proceeds from finance lease liabilities	-0.3	-0.5	-0.4
Dividends to non-controlling interest	-0.5	-1.0	-1.0
Change in non-liquid financial assets	0.2	-0.9	-0.8
Net cash from financing activities	73.5	53.7	32.4
Net change in cash and cash equivalents	-8.0	-70.8	-52.4
Cash and cash equivalents at beginning of period	32.9	85.2	85.2
Foreign exchange rate effect	0.1	0.2	0.1
Reclassification as assets held for sale	-	-0.7	-
Cash and cash equivalents at end of period	25.0	13.9	32.9

Reconciliation of EBITA to cash flow from operating activities before financial items and taxes

EUR million	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Rolling 12-month
EBITA	-7.2	-28.4	-26.7	-5.5
Depreciation	9.1	10.0	13.3	12.4
EBITDA	1.9	-18.4	-13.4	6.9
Change in net working capital	-62.7	-75.6	-32.8	-19.9
Net purchase of PPE	-12.2	-8.7	-13.5	-17.0
Operative cash flow (used in cash conversion key figure)	-73.1	-102.7	-59.7	-30.1
Less net purchase of PPE, presented in investing activities	12.2	8.7	13.5	
Gains on sales of assets	2.2	2.3	2.9	
Items recognised through other comprehensive income	-3.0	-2.5	-4.2	
Other non-cash adjustments	1.1	-0.1	-3.0	
Cash flow from operating activities before financial items and taxes	-60.7	-94.2	-50.5	

Condensed consolidated statement of changes in equity

EUR million	Share capital	Share issue	Other restricted equity	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 2018	158.4	-	-	491.1	-325.6	-27.4	7.4	-26.9	277.1	7.0	284.1
IFRS 15 opening balance adjustments, net of tax	-	-	-	-	-0.6	-	-	-	-0.6	-	-0.6
Total comprehensive income for the period	-	-	-	-	-19.7	-1.3	3.1	-3.4	-21.3	0.8	-20.6
Transactions with owners:											
Equity-settled share-based payment	-	-	-	-	-0.2	-	-	-	-0.2	-	-0.2
Proceeds from shares issued	-	-	-	0.0	-	-	-	-	0.0	-	0.0
Share capital reduction and reclassification	-0.5	-	0.5	-	-	-	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-0.5	-0.5
Total transaction with owners	-0.5	-	0.5	0.0	-0.2	-	-	-	-0.2	-0.5	-0.7
Equity at Sep 2018	158.0	-	0.5	491.2	-346.0	-28.7	10.5	-30.3	255.0	7.3	262.3
EUR million	Share capital	Share issue	Other restricted equity	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 2017	126.3	-	-	373.0	-120.7	-21.8	6.2	-23.4	339.7	7.3	347.0
Total comprehensive income for the period	-	-	-	-	-197.3	-2.7	0.7	-0.2	-199.6	0.4	-199.2
Transactions with owners:											
Equity-settled share-based payment	-	-	-	-	0.4	-	-	-	0.4	-	0.4
Proceeds from shares issued	32.1	121.8	-	-	-	-	-	-	153.9	-	153.9
New share issue costs, net of tax	-	-3.7	-	-	-	-	-	-	-3.7	-	-3.7
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-1.0	-1.0
Total transaction with owners	32.1	118.1	-	-	0.4	-	-	-	150.7	-1.0	149.7
Equity at 30 Sep 2017	158.4	118.1	-	373.0	-317.6	-24.6	6.9	-23.6	290.8	6.7	297.5
EUR million	Share capital	Share issue	Other restricted equity	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 2017	126.3	-	-	373.0	-120.7	-21.8	6.2	-23.4	339.7	7.3	347.0
Total comprehensive income for the period	-	-	-	-	-205.3	-5.6	1.1	-3.5	-213.3	0.7	-212.6
Transactions with owners:											
Equity-settled share-based payment	-	-	-	-	0.4	-	-	-	0.4	-	0.4
Proceeds from shares issued	32.1	121.8	-	-	-	-	-	-	153.9	-	153.9
New share issue costs, net of tax	-	-3.7	-	-	-	-	-	-	-3.7	-	-3.7
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-1.0	-1.0
Total transaction with owners	32.1	118.1	-	-	0.4	-	-	-	150.7	-1.0	149.7
Equity at 31 Dec 2017	158.4	118.1	-	373.0	-325.6	-27.4	7.4	-26.9	277.1	7.0	284.1

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 annual financial statements for the year ended 31 December 2017 except for *IFRS 15 Revenue from contracts with customers* and *IFRS 9 Financial instruments* both effective from 1 January 2018 as described below.

IFRS 15 Revenue from contracts with customers replaces revenue recognition guidance in IAS 18 revenue, IAS 11 Construction contracts, and related interpretations. IFRS 15 establishes a five- step model that apply to revenue arising from contracts with customers. IFRS 15 requires to identify deliverables in contracts with customers that qualify as separate "performance obligations". The deliverables may include good(s) or service(s) or a combination of goods and services. Revenue is recognised for each performance obligation separately on a relative stand-alone selling price basis and takes place when a customer obtains control of the related good(s) or service(s) and has the ability to direct the use of and obtain the benefits from the good(s) or service(s), either over time or at a point in time.

Eltel has assessed each of the revenue streams from an IFRS 15 revenue recognition perspective and potential differences between current accounting principles and IFRS 15. Based on the potential differences identified, follow-ups and analyses have been conducted based on the five-step model in IFRS 15. Where potential differences have been identified, in-depth analysis has been carried out on the conversion effects to IFRS 15.

Following the analysis, the overall assessment is that the adaption of IFRS 15 does not have any material impact on the Group's financial position. There are no changes to the timing of revenue recognition in any of the main revenue streams. For project delivery and upgrade services revenue is recognised over time as customer controls the asset that Eltel creates or enhances. In maintenance services customer receives benefits as Eltel performs and revenue is and continues to be recognised based on the services performed. Under IFRS 15 Eltel continues to use the input method based on the costs incurred to measure the progress in satisfying the performance obligation over time. Eltel has anyhow defined certain areas of exceptions or potential changes to earlier practice. The impact of these has been assessed at the time of adoption.

Eltel applies the cumulative retrospective method where the cumulative impact, EUR -0.6 million, net of tax, is adjusted to equity on the date of adoption 1 January 2018. The adoption of IFRS 15 does not have material impact on the comparability of the first, second and third quarter of 2018 to corresponding period in 2017.

IFRS 9 Financial instruments replaces the guidance in IAS 39 Financial Instruments - Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The new rules for classification and measurement mean, like IAS 39, that financial assets are classified in different categories, of which some are measured at cost and some at fair value. IFRS 9 introduces new categories than those

in IAS 39. The classification in IFRS 9 is based partly on the instrument's contractual cash flows and partly on the company's business model. Regarding impairment of financial assets, the changes concern trade receivables where the credit losses are recognised based on the expected lifetime credit losses. The adoption of IFRS 9 had no impact to Eltel's financials as at 1 January 2018. Anyhow the new classification will have an impact on the notes of the consolidated financial statements 2018.

The new IFRS standards effective for the first time for 2019 financial year include:

IFRS 16 Leases (effective from 1 January 2019). IFRS 16 replaces IAS 17 Leases, and related interpretations. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. The new standard will increase Eltel's recognised assets and liabilities, mainly for operating leases of facilities and vehicles. In addition, the nature of expenses related to those expenses will change as IFRS 16 replaces the operating lease expense with depreciation charge for right-of-use assets and interest expense for lease liabilities reported under financing expenses. Thus increasing the EBITDA, depreciations and net financial items recognised in the income statement. Eltel's project for assessing the impacts and preparing for adoption of IFRS 16 on its consolidated financial statements is progressing according to plan.

Segment reporting

Eltel reports its segments in Power, Communication and Other. The Power and Communication segments comprise Eltel's businesses in the Nordics, Poland and Germany. The Other comprises operations planned to be divested or ramped down: Power Transmission International unit with projects outside of Europe and a few remaining rail business projects in Sweden.

In January 2018, Eltel decided to change the governance structure from the earlier business unit-centric organisation to a country and market-driven organisation with country- and solution units. The change is part of the transformation strategy and improves control over Eltel's operations within the segments. The number of management levels is, as a result of the new governance structure, reduced and full profit centre responsibility achieved in each country within the segments Power and Communication. Eltel's operations in segment Power within the areas High Voltage and Smart Metering, are project based and offer standard solutions for all markets, and are therefore managed as solution units with cross-border mandates. The activities and governance of Eltel's business, reported as Other, continue to be led by the special project office.

On 17 January 2018, Eltel decided to retain part of the Swedish Aviation and Security business which previously was planned to be divested and reported under Other. The operations are transferred to business unit Sweden under segment Communication and historical comparative information is restated accordingly.

Key figures for the period

EUR million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Rolling 12-month
Net sales	295.9	328.0	858.1	955.7	1,329.9	1,232.3
Net sales growth, %	-9.8	-7.9	-10.2	-5.6	-5.0	-8.2
Operative EBITA	0.5	3.1	-5.2	-27.7	-25.5	-3.0
Operative EBITA margin, %	0.2	0.9	-0.6	-2.9	-1.9	-0.2
Items affecting comparability	-	-0.7	-2.1	-0.7	-1.2	-2.5
EBITA	0.5	2.4	-7.2	-28.4	-26.7	-5.5
EBITA margin, %	0.2	0.7	-0.8	-3.0	-2.0	-0.4
Amortisation of acquisition-related intangible assets	-0.7	-1.4	-1.8	-8.0	-8.5	-2.3
Impairment of goodwill and other acquisition-related intangible assets	-	-3.8	-	-149.4	-149.4	-
Operating result (EBIT)	-0.2	-2.8	-9.0	-185.9	-184.6	-7.8
EBIT margin, %	-0.1	-0.9	-1.0	-19.4	-13.9	-0.6
Result after financial items	-3.5	-6.4	-15.2	-196.7	-197.0	-15.5
Net result for the period	-9.6	-11.0	-18.9	-196.9	-204.6	-26.6
Earnings per share EUR, basic**	-0.06	-0.07	-0.13	-1.61	-1.56	-0.18
Earnings per share EUR, diluted**	-0.06	-0.07	-0.13	-1.61	-1.56	-0.18
Operative cash flow	-18.2	-25.6	-73.1	-102.7	-59.7	-30.1
Number of personnel, end of period	7,490	8,441	7,490	8,441	7,999	7,490

* Calculated on a rolling 12-month basis

** Shares issued in the preferential rights issue were registered on 7 July 2017

Please see page 21 for definitions of the key ratios.

Quarterly key financial figures for the Group

EUR million	Jul-Sep 2018	Apr-Jun 2018	Jan-Mar 2018	Oct-Dec 2017	Jul-Sep 2017	Apr-Jun 2017	Jan-Mar 2017
Net sales	295.9	295.5	266.6	374.2	328.0	329.8	297.8
Net sales growth, %	-9.8	-10.4	-10.5	-3.3	-7.9	-10.6	3.6
Operative EBITA	0.5	2.0	-7.6	2.2	3.1	-21.0	-9.7
Operative EBITA margin, %	0.2	0.7	-2.9	0.6	0.9	-6.4	-3.2
EBITDA	3.9	4.8	-6.9	5.0	6.0	-16.8	-7.6
EBITA	0.5	2.1	-9.9	1.7	2.4	-20.0	-10.7
EBITA margin, %	0.2	0.7	-3.7	0.5	0.7	-6.1	-3.6
Impairment of goodwill and other acquisition-related intangible assets	-	-	-	-	-3.8	-	-145.6
Operating result (EBIT)	-0.2	1.6	-10.4	1.2	-2.8	-23.2	-159.8
EBIT margin, %	-0.1	0.5	-3.9	0.3	-0.9	-7.0	-53.7
Result after financial items	-3.5	0.3	-12.0	-0.3	-6.4	-27.3	-162.9
Net result for the period	-9.6	0.2	-9.5	-7.7	-11.0	-24.5	-161.4
Earnings per share EUR, basic and diluted	-0.06	0.00	-0.06	-0.05	-0.07	-0.23	-1.53
Return on operative capital employed, %*	-3.9	-3.2	-22.8	-37.4	-38.3	-35.8	-11.6
Return on equity (ROE), %*	-9.5	-9.7	-23.0	-64.9	-77.2	-72.0	-76.0
Net working capital	109.3	91.9	75.1	45.6	88.4	59.9	71.6
Operative cash flow	-18.2	-17.3	-37.6	43.0	-25.6	-10.7	-66.4
Cash conversion, %*	N/A						
Number of personnel, end of period	7,490	7,680	7,605	7,999	8,441	8,685	9,516

* calculated on a rolling 12-month basis

Assets and liabilities held for sale are not included (on 30 June 2018 Norwegian Rail business, on 30 September business in Estonia and on 31 December 2017 Finnish and Danish Rail business)

Net sales by segment

EUR million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Power					
Net sales (external)	109.6	116.9	320.8	338.6	469.7
Inter-segment sales	2.4	0.7	3.0	1.1	0.7
Communication					
Net sales (external)	178.9	186.6	517.8	541.1	756.7
Inter-segment sales	1.3	0.1	2.5	0.1	0.1
Other					
Net sales (external)	7.5	24.5	19.6	76.0	103.5
Inter-segment sales	-	0.3	-	0.3	0.3
Elimination of sales between segments	-3.7	-1.0	-5.4	-1.5	-1.1
Net sales, total	295.9	328.0	858.1	955.7	1,329.9

Net sales by geographical area

EUR million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Sweden	84.4	102.0	263.4	292.3	415.5
Finland	74.6	78.7	200.5	227.0	309.8
Norway	65.6	70.8	191.6	194.6	273.3
Poland	24.4	18.0	67.3	68.8	96.7
Denmark	21.6	21.1	64.2	64.3	93.3
Germany	19.5	21.6	58.4	55.1	78.3
Baltics	1.2	8.1	3.5	24.0	24.5
Other countries	4.6	7.8	9.1	29.4	38.4
Net sales, total	295.9	328.0	858.1	955.7	1,329.9

In January–September 2018 upgrade services represented 47%, maintenance services 23% and project delivery services 30% of Eltel's total net sales.

Reconciliation of segment results

EUR million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Operative EBITA by segment					
Power	0.2	0.9	1.4	0.2	-0.3
Communication	6.8	11.5	15.1	21.7	34.6
Other	-3.2	-6.1	-10.1	-37.9	-43.8
Items not allocated to operating segments*	-3.3	-3.3	-11.6	-11.6	-16.1
Operative EBITA, Group	0.5	3.1	-5.2	-27.7	-25.5
Reviews and investigations	-	-	-	-1.4	-1.4
Earn-out adjustment	-	-	0.2	3.0	3.2
Gain on sale of business	-	-	3.7	-	-
Loss on business sold and assets held for sale	-	-0.7	-6.0	-2.3	-2.9
Total items affecting comparability in EBITA	-	-0.7	-2.1	-0.7	-1.2
EBITA before acquisition-related amortisations	0.5	2.4	-7.2	-28.4	-26.7
Amortisation of acquisition-related intangible asset	-0.7	-1.4	-1.8	-8.0	-8.5
Impairment of goodwill and other acquisition-related intangible assets**	-	-3.8	-	-149.4	-149.4
Operating result (EBIT)	-0.2	-2.8	-9.0	-185.9	-184.6
Other financial expenses, net	-3.3	-3.6	-6.2	-10.8	-12.3
Result before taxes	-3.5	-6.4	-15.2	-196.7	-197.0

*Items not allocated to operating segments consist of Group management function

** Impairment is related to the power and rail & road businesses

Acquisitions and disposals

Acquisitions

During the period, no new acquisitions were made.

Disposals

During the first quarter of 2018 Eltel divested its non-core rail operations in Finland, Denmark and Sweden. The divestments of the Finnish and Danish rail operations were completed on 31 January 2018 and divestment of the Swedish rail operation on 29 March 2018.

On 31 January 2018, Eltel completed the sale of its Finnish rail operations, with approximately 120 employees, in full, consisting of services to deliver electrification and signalling systems to railway and metro operators. The purchase price amounted EUR 8.5 million deducted by the cash generated from these operations during September 2017–January 2018. The transaction had a positive impact on Group EBITA of EUR 3.7 million and positive cash flow of EUR 6.3 million in the first quarter of 2018.

The divested Danish operations comprised maintenance contract for signalling, track and catenary services for Sund & Bælt A/S, 26 employees and operational equipment used for delivering the relevant services. Negative impact of the divestment, EUR 0.5 million, was recognised in the fourth quarter of 2017 and a negative cash flow effect of EUR 2.4 million in the first quarter of 2018.

On 29 March 2018, Eltel concluded the sale of its Swedish rail operations, consisting of key customer contracts, employees and operational equipment, to Strukton Rail AB, a company providing solutions in rail infrastructure, railway vehicles and mobility systems. The transaction had a negative impact of EUR 5.9 million on EBITA and a negative cash flow effect of EUR 5.7 million in the first quarter of 2018.

On 4 September 2018, Eltel completed the sale of the Norwegian rail operations to *Æ*Era AS, a wholly owned subsidiary to Jotunfjell Partners AS. The transaction price was EUR 1 and the cash flow effect amounted to EUR -0.7 million.

After the sale of the Norwegian rail operations, the divestments of all non-core businesses presented under Other, except for completion of certain projects and warranty undertakings in the Swedish rail operations, are finalised in accordance with the strategic direction Eltel has set, as announced in the spring of 2017.

Earnings per share

	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Net result attributable to equity holders of the parent	-10.0	-11.3	-19.7	-197.3	-205.3
Weighted average number of common shares, basic	156,641,387	156,560,595	156,587,821	122,702,216	131,236,383
Weighted average number of common shares, diluted	156,837,168	156,603,197	156,782,147	122,738,393	131,305,832
Earnings per share EUR, basic	-0.06	-0.07	-0.13	-1.61	-1.56
Earnings per share EUR, diluted	-0.06	-0.07	-0.13	-1.61	-1.56

Numbers of shares adjusted by share issue and bonus element in share issue for all periods. Shares issued were registered on 7 July 2017.

Net working capital (NWC) and operative capital employed

EUR million	30 Sep 2018	30 Sep 2017	31 Dec 2017
Inventories	15.7	10.8	9.6
Trade and other receivables	379.9	406.4	356.4
Provisions	-20.9	-28.1	-24.7
Advances received	-52.4	-64.7	-48.4
Trade and other payables	-212.2	-231.3	-244.9
Other*	-0.8	-4.8	-2.4
Net working capital	109.3	88.4	45.6
Intangible assets excluding acquisition-related allocations	9.3	6.4	7.0
Property, plant and equipment	32.5	33.2	32.6
Operative capital employed	151.2	128.1	85.1
Average operative capital employed	139.6	112.3	71.3

*Includes adjustments for non-NWC items included in above receivable and payables lines, mainly for derivative valuations, contingent consideration from acquisitions and income tax liabilities and NWC items included in other balance sheet lines
Assets and liabilities held for sale are not included (on 30 June 2018 Norwegian Rail business, on 30 Sep business in Estonia and on 31 December 2017 Finnish and Danish Rail business)

Deferred taxes

EUR million	30 Sep 2018	30 Sep 2017	31 Dec 2017
Deferred tax assets	22.6	29.6	21.5
Deferred tax liabilities	-11.2	-11.0	-7.9
Sum	11.4	18.6	13.6

Gross amount of EUR 22.3 million deferred tax assets are recognised for losses carried forward (Dec 2017: 21.3), of which EUR 10.4 million relates to operations in Sweden (Dec 2017: 10.8). The tax losses relate to identifiable causes that are unlikely to recur. During 2016 and 2017 Eltel has incurred significant one-off costs in Sweden mainly relating to Rail and Power transmission international businesses, that are being disposed or ramped down. The continuing business operations are profitable and deferred tax asset recognised for losses carried forward are expected to be utilised against taxable profits in the foreseeable future.

Derivative financial instruments

EUR million	30 Sep 2018		30 Sep 2017		31 Dec 2017	
	Nominal values	Net fair values	Nominal values	Net fair values	Nominal values	Net fair values
Interest rate derivatives	22.9	0.0	¹⁾ 22.8	0.1 ⁴⁾	23.5	0.1 ⁶⁾
Foreign exchange rate derivatives	74.0	-0.6	²⁾ 98.7	0.5 ⁵⁾	82.7	-0.2 ⁷⁾
Embedded derivatives	11.6	1.0	52.9	1.3	45.6	2.1
Commodity derivatives	0.6	0.0	³⁾ -	-	-	-
Total	109.1	0.4	174.3	1.8	151.8	2.0

Designated as cash flow hedge ¹⁾ EUR -0.4 million ²⁾ EUR 0.0 million ³⁾ EUR 0.0 million ⁴⁾ EUR -0.5 million ⁵⁾ EUR 0.1 million ⁶⁾ EUR -0.5 million ⁷⁾ 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. Eltel considers the carrying amounts of all financial instruments to be reasonable approximations of their fair values, because the changes in the market interest rates are reflected in the future interest flows within a short period.

Transactions with related parties

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

Definitions and key ratios

Etel 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)	$\frac{\text{Net result attributable to equity holders of the parent}}{\text{Weighted average number of ordinary shares}}$
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	EBITA + depreciation + change in net working capital – net purchase of PPE (capex)
Cash conversion, %*	$\frac{\text{Operative cash flow} \times 100}{\text{EBITA}}$
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
Leverage ratio*	$\frac{\text{Net debt}}{\text{EBITDA}}$
Operative capital employed	Net working capital + Intangible assets excluding goodwill and acquisition-related allocations + Property, plant and equipment
Return on operative capital employed, %*	$\frac{\text{EBITA} \times 100}{\text{Operative capital employed (average over the reporting period)}}$
Return on equity, %*	$\frac{\text{Net result} \times 100}{\text{Total equity (average over the reporting period)}}$
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

* calculated on a rolling 12-month basis

Parent Company

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

Parent Company income statement

EUR million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Net sales	-	-	-	-	2.8
Administrative income and expenses	-2.6	-2.1	-8.6	-7.7	-12.0
Operating result	-2.6	-2.1	-8.6	-7.7	-9.2
Write-down of investment in Group companies*	-	-	-	-200.0	-200.0
Interest and other financial income	4.0	4.5	12.2	13.3	17.5
Interest and other financial expenses	-0.4	-0.9	-1.3	-3.8	-4.5
Net financial items	3.6	3.7	10.9	9.5	13.0
Result after financial items	1.0	1.5	2.2	-198.2	-196.1
Taxes	-	0.7	-	0.6	-0.4
Net result	1.0	2.2	2.2	-197.6	-196.5

*The value of investment in Group companies has been written down in the second quarter of 2017 in line with the revisited strategy and targets

Parent Company balance sheet

EUR million	30 Sep 2018	30 Sep 2017	31 Dec 2017
ASSETS			
Investment in Group companies	392.6	361.5	392.7
Intangible assets	0.1	-	0.1
Deferred tax assets	0.7	1.8	0.8
Other financial asset	-	35.0	-
Total non-current assets	393.4	398.2	393.5
Trade and other receivables	0.5	1.6	4.2
Cash pool receivable	144.7	130.5	95.0
Other financial asset	35.0	-	35.0
Receivables from group companies	-	7.0	-
Cash and cash equivalents	0.0	-	0.0
Total current assets	180.2	139.1	134.3
TOTAL ASSETS	573.6	537.3	527.8
EQUITY AND LIABILITIES			
Total equity	446.3	442.5	444.0
Liabilities to shareholders	-	35.0	-
Total non-current liabilities	-	35.0	-
Debt	89.6	56.5	42.9
Liabilities to shareholders	35.0	-	35.0
Liabilities to Group companies	0.1	0.1	2.1
Trade and other payables	2.6	3.3	3.8
Total current liabilities	127.4	59.9	83.8
Total liabilities	127.4	94.9	83.8
TOTAL EQUITY AND LIABILITIES	573.6	537.3	527.8

EUR million	1 Jan 2018	Proceeds from shares issued	Share capital reduction and reclassification*	Hedging reserve, net of tax	Equity-settled share-based payment	Net result	30 Sep 2018
Share capital	158.4	-	-0.5	-	-	-	158.0
Other restricted equity	-	-	0.5	-	-	-	0.5
Non-restricted equity	285.6	0.0	-	0.1	-0.1	2.2	287.8
Total	444.0	0.0	-	0.1	-0.1	2.2	446.3

*In third quarter the share capital was reduced with EUR 452,999.14 by redemption of all remaining 448,514 C-shares. After the redemption, the number of ordinary shares amounts to 156,649,081.

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