Eltel Group

Full-year report January–December 2019

Stockholm, Sweden, 14 February 2020

October–December 2019

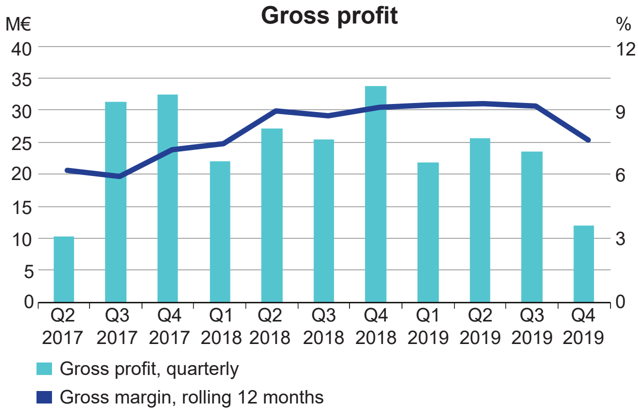
- Net sales EUR 278.9 million (330.9). Total growth -15.7% and organic growth[1] in Power and Communication -10.9%
- Operative EBITA[2] EUR -14.9 million (2.9) and operative EBITA margin -5.3% (0.9)
- Operating result (EBIT) EUR -13.7 million (-0.2) and EBIT margin -4.9% (-0.1)
- Net result EUR -11.8 million (-3.3)
- Earnings per share EUR -0.08 (-0.02), basic and diluted
- Cash flow from operating activities EUR 65.0 million. The comparable cash flow from operating activities before IFRS 16 impact[3] was EUR 59.5 million (70.0).

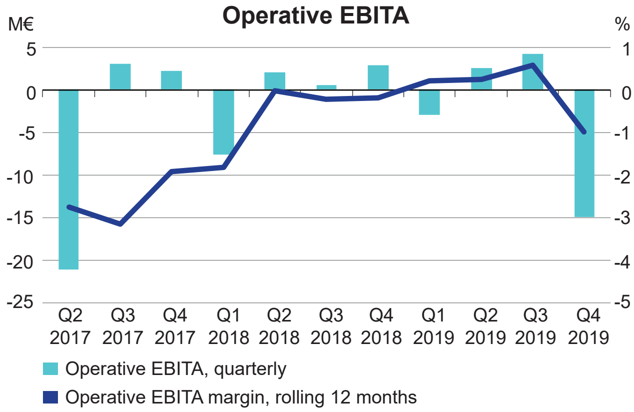
January–December 2019

- Net sales EUR 1,087.6 million (1,188.9). Total growth -8.5% and organic growth[1] in Power and Communication -6.0%
- Operative EBITA[2] EUR -11.3 million (-2.2) and operative EBITA margin -1.0% (-0.2)
- Operating result (EBIT) EUR -11.2 million (-9.2) and EBIT margin -1.0% (-0.8)
- Net result EUR -25.1 million (-22.2)
- Earnings per share EUR -0.17 (-0.15), basic and diluted
- Cash flow from operating activities EUR 51.4 million. The comparable cash flow from operating activities before IFRS 16 impact[3] was EUR 25.7 million (3.2).

Significant events during and after the fourth quarter

- During Q4, Eltel focused on divestments, cash collection and milestone invoicing that led to a reduction of the net debt by EUR 67.6 million.
- Reduced volumes, including temporary overcapacity, in Communication Sweden and reduced volumes in Power Smart Grids impacted operative EBITA negatively with about EUR 8.4 million compared to previous year.
- On 5 December 2019, it was announced that Saila Miettinen-Lähde has been appointed new Chief Financial Officer of Eltel and member of the Group Management Team. Saila assumes her position on 1 March 2020 and succeeds Petter Traaholt who will leave Eltel to assume the position as CFO at V.Group.
- On 22 January 2020, Eltel signed an agreement to divest its German Communication business to Circet Group. The total consideration of the transaction is about EUR 19 million and net positive result of approximately EUR 13 million on Group EBIT. The transaction is expected to close at the end of the first quarter of 2020.
- On 13 February 2020, Eltel agreed with its banks on amendments to its existing financial agreement. The amendments include covenants aligned with financial expectations for 2020.





EUR million	Oct-Dec 2019	Oct-Dec 2018	Change, %
Net sales			
Power	93.0	115.1	-19.2
Communication	182.9	207.1	-11.7
Other	3.2	3.6	-10.9
Total Group	**278.9**	**330.9**	**-15.7**
Operative EBITA[2]			
Power	-12.0	-1.9	N/A
Communication	2.0	9.7	-79.0
Other	-0.6	-1.1	40.2
Items not allocated[4]	-4.2	-3.8	-10.2
Total Group	**-14.9**	**2.9**	**-610.5**

EUR million	Jan-Dec 2019	Jan-Dec 2018	Change, %
Net sales			
Power	377.7	438.8	-13.9
Communication	698.4	727.3	-4.0
Other	13.2	23.1	-42.8
Total Group	**1,087.6**	**1,188.9**	**-8.5**
Operative EBITA[2]			
Power	-17.5	-0.5	N/A
Communication	18.1	24.8	-27.0
Other	-0.8	-11.1	93.0
Items not allocated[4]	-11.2	-15.4	27.6
Total Group	**-11.3**	**-2.2**	**-402.9**

1) Adjusted for divested operations and currency effects.
2) Eltel follows the profitability of segments with Operative EBITA. Please see page 22 for definitions of the key ratios.
3) See page 21 for more information on IFRS 16 impact on cash flow.
4) Items not allocated to operating segments consist of Group management and support function.

Comments by the CEO

Entering the quarter, we had a clear ambition to lower the net debt of the company. I am pleased to see that we had a very strong cash flow during the period and thereby were able to reduce our net debt by EUR 67.6 million for the quarter, and EUR 24.2 million for the full-year. The operative cash flow for 2019, before the IFRS16 impact, was EUR 25.7 million, a significant improvement compared to EUR 3.2 million in 2018 and EUR -65.2 million in 2017.

Eltel's quarterly result is nonetheless negative due to three main reasons: lower net sales, restructuring costs and project revisions.

As anticipated, net sales during the quarter decreased for High Voltage Poland, Smart Grids and Communication Sweden, while Communication Norway and Denmark continued to improve revenues thanks to increased market shares. The project write-downs and provisions mainly relate to Communication Sweden and High Voltage.

In Power, the High Voltage project write-downs are mainly related to one large project in Norway and a handful of projects in Poland. We focused on milestone invoicing in High Voltage Poland during the quarter and will continue the customer dialogue regarding compensation for project delays out of Eltel's control. Our efforts to reduce the capital tied up, particularly in Poland, paid off and we managed to release EUR 33.4 million from these projects. In order to reduce the exposure towards larger projects, we updated the strategy in High Voltage Poland. As part of this strategy change and turn-around of the Polish operations, we have made management changes and the restructuring of the business is ongoing.

Like in the third quarter, the large volume drop from a main customer in Communication Sweden continued to impact the result negatively. The reduced net sales led to overcapacity and restructuring costs, which burdened the result. Write downs and margin revisions also impacted the result negatively. Going into 2020, we have rightsized the Swedish organisation to current and expected volumes. Looking at the full-year, the volume reduction and related costs, including restructuring in Sweden, negatively impacted the result by more than EUR 13 million.

Despite the challenging situation, I would like to point out that there are large parts of the company that are performing significantly better in 2019 compared with previous year. In Power, during the second half of 2019, Finland improved its net sales and EBITA due to enhanced performance and continuous selective tendering. In Communication we see a strong market both in Norway and Denmark where we have increased net sales and operative EBITA substantially compared with previous year.

In segment Other, we have delivered according to our plan made in 2017 and all Other projects will be closed by the end of 2020.

When reflecting upon 2019, I am grateful for the dedication of our employees and all that we have accomplished during this challenging year. We were able to deliver on many areas within our new strategy:

- Improved cash flow and reduced net debt
- Improved quality of deliveries and services towards our customers
- Increased focus on the Nordic markets
- Restructured the Swedish Power and Communication businesses
- Divested the Polish Communication business

In 2020, we will continue focus on increasing Nordic market share with key customers and our operational excellence strategy in order to increase our productivity and profitability.

In January 2020, we signed an agreement to divest the German Communication business. The planned divestment of business area Aviation & Security in Sweden is proceeding according to plan, as both parties have undertaken to ensure a definitive agreement is signed during the first quarter 2020. These actions will further strengthen our balance sheet and lower the net debt level of the company.

Casimir Lindholm, President & CEO

About Eltel and the Group 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 build, service and maintenance. Work to discontinue remaining non-strategic operations is expected to be completed in 2020.

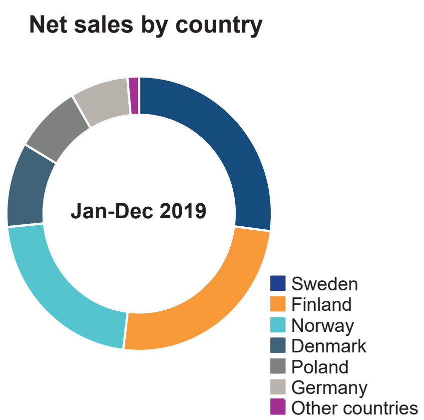
In parallel, a strategy for existing operations has been developed, with a focus on operating profitability. The strategy, which is being implemented in 2019–2021, aims to raise the operating margin by generating customer focus, improving efficiency, measuring and tracking relevant key performance indicators, 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.

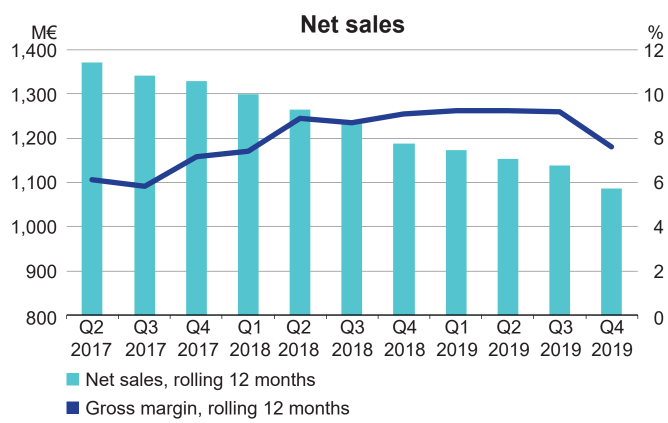
This will create the foundation for sustainable growth, profitability and shareholder value.

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	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales	278.9	330.9	1,087.6	1,188.9
Operative EBITA	-14.9	2.9	-11.3	-2.2
EBIT	-13.7	-0.2	-11.2	-9.2
Net result	-11.8	-3.3	-25.1	-22.2
Key ratios				
Net sales growth, %	-15.7	-11.6	-8.5	-10.6
Currency translation effect in net sales, MEUR	-4.8	-6.1	-16.0	-32.1
Operative EBITA margin, %	-5.3	0.9	-1.0	-0.2
Tax rate, %	30.4	-17.2	-10.6	-22.9
Earnings per share after dilution, EUR	-0.08	-0.02	-0.17	-0.15

October–December 2019

Net sales decreased 15.7% to EUR 278.9 million (330.9). Organic net sales in segment Power and Communication, adjusted for currency effects and divestments, decreased 10.9%. Net sales decreased in Power by EUR 22.1 million and in Communication by EUR 24.2 million. Other decreased by EUR 0.4 million, in line with the planned discontinuation of the businesses.

Operative EBITA amounted to EUR -14.9 million (2.9). In Power, operative EBITA decreased by EUR 10.2 million and in Communication by EUR 7.7 million. Operative EBITA increased in Other by EUR 0.4 million. Items not allocated decreased by EUR 0.4 million.

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

Net items affecting comparability include EUR 1.4 million (-2.8) gain from divestment of the Polish Communication business. The negative impact in previous year was related to earn-out adjustment for Smart Grids Germany.

EBIT amounted to EUR -13.7 million (-0.2).

Net financial expenses amounted to EUR 3.3 million (2.5), including EUR 0.5 million interest expense impact from IFRS16 standard.

Taxes amounted to EUR +5.2 million (-0.5) including reversal of write-down of deferred tax assets for losses carried forward of EUR 3.7 million in Sweden reported in the third quarter. During the third quarter Eltel adjusted the long term expected future taxable income downwards due to the current negative change in business environment in Sweden. In the fourth quarter the expected future taxable income increased due to inclusion of estimated result for the planned divestment of Aviation & Security business area in Sweden which now qualifies for held for sale treatment.

The net result for the period was EUR -11.8 million (-3.3). Earnings per share were EUR -0.08 (-0.02).

January–December 2019

Net sales decreased 8.5% to EUR 1,087.6 million (1,188.9). Organic net sales in segment Power and Communication, adjusted for currency effects and divestments, decreased 6.0%. Net sales in Power decreased by EUR 61.1 million and in Communication by EUR 29.0 million. Other decreased by EUR 9.9 million, in line with the planned discontinuation of the businesses.

Operative EBITA amounted to EUR -11.3 million (-2.2). In Power, operative EBITA decreased by EUR 17.0 million and in Communication by EUR 6.7 million. Operative EBITA increased in Other by EUR 10.4 million. Items not allocated improved by EUR 4.3 million.

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

Net items affecting comparability amounted to EUR 1.6 million (-4.8) including EUR 1.4 million gain from divestment of the Polish Communication business and EUR 0.2 million earn-out adjustment for Danish acquisition in Communication segment in 2016. The negative amount last year related to the net loss for disposal of businesses in 2018 and earn-out adjustment for Smart Grids Germany.

EBIT amounted to EUR -11.2 million (-9.2).

Net financial expenses amounted to EUR 11.5 million (8.8), including EUR 1.7 million interest expense impact from IFRS16 standard.

Tax cost amounted to EUR 2.4 million (4.1), corresponding to an effective tax rate of -10.6% (-22.9).

The net result for the period was EUR -25.1 million (-22.2). Earnings per share were EUR -0.17 (-0.15).

Net sales and EBITA – Segments

Power

EUR million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales	93.0	115.1	377.7	438.8
Operative EBITA	-12.0	-1.9	-17.5	-0.5
Number of employees	2,111	2,346	2,111	2,346
Key ratios				
Net sales growth, %	-19.2	-11.9	-13.9	-6.7
Organic growth[1], %	-19.0	-	-13.4	-
Currency translation effect in net sales, MEUR	-0.3	-1.1	-2.3	-5.2
Operative EBITA margin, %	-12.9	-1.6	-4.6	-0.1

1) Adjusted for divested operations and currency effects.

October–December 2019

Net sales decreased by EUR 22.1 million to EUR 93.0 million (115.1), representing a decrease of 19.2%. Organic net sales, adjusted for currency effects, decreased 19.0%. The majority of the decrease is coming from reduced customer orders in High Voltage due to lower investment levels and from project write-downs. Furthermore, the expected lower volumes in Smart Grids, as projects in Norway and Denmark are finalized, impacted net sales negatively. The decrease is moreover explained by loss of contracts and ramp down of the Service operations including project write-downs in Sweden. The decrease was partly offset by high activity in wind power projects prior to winter break in Finland.

Operative EBITA decreased to EUR -12.0 million (-1.9). The operative EBITA margin was -12.9% (-1.6). The decrease is mainly attributed to project write-downs in High Voltage related to outage delays, increased cost to complete and overcapacity. The write-downs mainly relate to one large project in Norway and a handful of projects in Poland. We have had focused efforts on milestone invoicing and cash collection during the quarter. We will continue the dialogue with our customers regarding compensation for project delays out of Eltel’s control. Following the strategic evaluation, we updated the strategy in High Voltage Poland to decrease future contractual and operational risk and to reduce the exposure towards larger projects. In Sweden, costs related to finalising unprofitable projects and ramp down impacted the result. Decreased revenue in Smart Grids lead to reduced operative EBITA of EUR 2.4 million. The decrease was partly offset by Finland due to volume growth, improved performance and selective tendering.

January–December 2019

Net sales decreased by EUR 61.1 million to EUR 377.7 million (438.8), representing a decrease of 13.9%. Organic net sales, adjusted for currency effects, decreased 13.4%. Net sales have decreased in all markets but mainly due to 40% lower volumes in Smart Grids. Other contributing factors include reduced customer investment levels, phasing and ramp down of projects in High Voltage as well as loss of contracts with subsequent lower activity, ramp down and write-downs in Sweden. In Finland, an increase in wind power net sales during the second half of the year compensated for reduced revenue during the first half.

Operative EBITA decreased to EUR -17.5 million (-0.5). The operative EBITA margin was -4.6% (-0.1). Improved performance in Finland and Denmark was offset by weaker performance and write-downs in High Voltage projects. Following the strategic evaluation, we updated the strategy in High Voltage Poland to decrease future contractual and operational risk and to reduce the exposure towards larger projects. This also includes a change in management. In line with expectations, the lower volumes in Smart Grids negatively impacted EBITA with EUR 7.4 million. Ramp down of Service operations, provisions, and restructuring costs in Sweden also contributed to the result.

Communication

EUR million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales	182.9	207.1	698.4	727.3
Operative EBITA	2.0	9.7	18.1	24.8
Number of employees	4,137	4,502	4,137	4,502
Key ratios				
Net sales growth, %	-11.7	-3.9	-4.0	-3.9
Organic growth[1], %	-6.3	-	-1.5	-
Currency translation effect in net sales, MEUR	-4.5	-5.1	-13.6	-26.9
Operative EBITA margin, %	1.1	4.7	2.6	3.4

1) Adjusted for divested operations and currency effects.

October–December 2019

Net sales decreased by EUR 24.2 million to EUR 182.9 million (207.1), representing a decrease of 11.7%. Organic net sales, adjusted for currency effects and divestments, decreased 6.3%. The decrease is mainly attributed to a 25% volume drop in customer investments and write-downs in Sweden. Finland is also impacted by reduced customer investments, but to a lower extent. Furthermore, EUR 7.1 million of the decline refers to the divestment of the Polish Communication business during the third quarter of 2019. The Communication market demand varies, and the decline was partly offset by volume increases in Norway, Denmark and Germany.

Operative EBITA decreased to EUR 2.0 million (9.7). The operative EBITA margin was 1.1% (4.7). The decrease is mainly explained by Sweden's drastically reduced net sales, subsequent workforce overcapacity and restructuring costs, representing a negative impact of approximately EUR 6 million. Furthermore, write-downs and provisions impacted the Swedish results negatively, of which the majority come from Build, fibre projects, awarded during 2016–2017. Finland faced similar challenges as Sweden, reduced volumes and restructuring costs, but on a smaller scale. Norway continued to deliver strong results for the quarter.

January–December 2019

Net sales decreased by EUR 29.0 million to EUR 698.4 million (727.3), representing a decrease of 4.0%. Organic net sales, adjusted for currency effects and divestments, decreased 1.5%. The majority of the decline is explained by the sudden volume drop in Sweden due to significantly reduced investment levels from a main customer. Also Finland faced a drop in customer investment levels, but to a lower extent. EUR 7.1 million of the decline relates to the divestment of the Polish Communication business in the third quarter of 2019. The decline was partly offset by large volume increases in Norway and Denmark.

Operative EBITA decreased to EUR 18.1 million (24.8). The operative EBITA margin was 2.6% (3.4). The decrease is mainly explained by sudden lower volumes, subsequent workforce overcapacity and restructuring costs, representing a negative impact of approximately EUR 13 million for the full year. Write-downs and provisions in Sweden also impacted the result negatively, of which the majority come from Build, fibre projects, awarded during 2016–2017. Finland contributed to the decline, but on a smaller scale and mainly during the first half of the year. The decrease was partly offset by increased net sales, change in product mix and efficiency improvements in Norway. Germany and Denmark also contributed positively with increased net sales and improved project execution.

Other

EUR million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales	3.2	3.6	13.2	23.1
Operative EBITA	-0.6	-1.1	-0.8	-11.1
Number of employees	147	158	147	158
Key ratios				
Net sales growth, %	-10.9	-87.1	-42.8	-77.7
Operative EBITA margin, %	-20.4	-30.4	-5.9	-48.2

October–December 2019

Net sales decreased by EUR 0.4 million to EUR 3.2 million (3.6). Net sales relate almost fully to the remaining projects in Power Transmission International, in line with the discontinuation plan.

Operative EBITA increased to EUR -0.6 million (-1.1). The operative EBITA margin was -20.4% (-30.4). The operative EBITA is in line with the planned ramp down.

January–December 2019

Net sales decreased by EUR 9.9 million to EUR 13.2 million (23.1), representing a decrease of 42.8%. The decline is in line with the discontinuation of the businesses within Rail and Power Transmission International. The remaining net sales relates almost fully to Power Transmission International.

Operative EBITA increased to EUR -0.8 million (-11.1). The operative EBITA margin was -5.9% (-48.2). 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.

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 30.7 million were recorded during 1 January 2017–31 December 2019, in line with the plan. The discontinuation is expected to be finalised in 2020.

Cash flow

EUR million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Cash flow from operating activities before IFRS 16 impact	59.5	70.0	25.7	3.2
Movement between report lines, IFRS 16 impact	5.5	-	25.7	-
Cash flow from operating activities	**65.0**	**70.0**	**51.4**	**3.2**
Cash flow from investing activities	**9.9**	**-6.7**	**-2.1**	**-21.3**
Cash flow from financing activities before IFRS 16 impact	-31.1	-34.3	-12.5	39.1
Movement between report lines, IFRS 16 impact	-5.5	-	-25.7	-
Cash flow from financing activities	**-36.6**	**-34.3**	**-38.2**	**39.1**
Net change in cash and cash equivalents	**38.2**	**29.0**	**11.1**	**21.1**
Cash and cash equivalents at beginning of period	**26.2**	**25.0**	**53.4**	**32.9**
Foreign exchange rate effect	0.5	-0.6	0.7	-0.5
Transfer as assets held for sale	0.3	-	-	-
Cash and cash equivalents at end of period	**65.2**	**53.4**	**65.2**	**53.4**

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

October–December 2019

Cash flow from operating activities was EUR 65.0 million (70.0). This includes positive impact of EUR 74.5 million (69.6) from change in net working capital.

Net cash flow from investing activities was EUR 9.9 million (-6.7) including a positive impact of EUR 12.3 million from divestment of the Polish Communication business and EUR -2.4 million from net capital expenditure, related to improved IT systems and replacement investments.

Cash flow from financing activities was EUR -36.6 million (-34.3) including net of payment of financial lease liabilities and increase in other short-term borrowing. IFRS 16 line impact between cash flow from operating activities and financing activities was EUR -5.5 million.

January–December 2019

Cash flow from operating activities was EUR 51.4 million (3.2). This includes positive impact of EUR 37.9 million (6.8) from change in net working capital.

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 cash flow from investing activities was EUR -2.1 million (-21.3). This includes a positive impact of EUR 12.3 million from divestment of the Polish Communication business, EUR -11.7 million (-18.6) net capital expenditure, mainly to improved IT systems and replacement investments, EUR -4.2 million earn-out payment for Smart Grids in Germany (-2.6 divestment) and EUR 1.5 million investment refund from joint ventures.

Cash flow from financing activities was EUR -38.2 million (-34.3) including net of payment of financial lease liabilities and increase in other short-term borrowing. IFRS 16 line impact between cash flow from operating activities and financing activities was EUR -25.7 million.

Financial position, cash and cash equivalents

Equity at the end of the period was EUR 220.7 million (252.0) and total assets were EUR 807.2 million (829.8). The equity ratio was 28.5%. The comparable equity ratio before IFRS 16 impact was 31.6% (32.4).

At the end of the quarter, available liquidity reserves amounted to EUR 162.8 million (183.4). On the same date, EUR 89.5 million of Eltel's commercial paper programme was utilised.

In February 2020, Eltel and its banks agreed on certain amendments to its financial agreement that matures in Q1 2021. The new amendments include agreement of 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. The covenants, minimum adjusted EBITDA and maximum net debt, defined in the financial agreement are excluding IFRS 16 impact.

At the end of the quarter the commercial contract guarantees issued by banks, other financial institutions and the Parent Company amounted to EUR 297.0 million (304.8).

Interest-bearing liabilities and net debt

EUR million	31 Dec 2019	31 Dec 2018
Interest-bearing debt in balance sheet	185.1	196.7
Leasing liabilities in balance sheet	78.6	4.1
Allocation of effective interest to periods	0.6	0.6
Less cash and cash equivalents	-65.2	-53.4
Net debt	199.1	148.0
Less IFRS 16 leasing liabilities	-75.3	-
Adjusted for held for sale	0.0	-
Net debt, financing agreement	**123.8**	**148.0**

Interest-bearing debt amounted to EUR 185.1 million (196.7) of which EUR 76.1 million (112.3) was non-current and EUR 109.0 million (84.4) was current. Leasing liabilities amounted to EUR 78.6 million (4.1) of which EUR 54.3 million (2.2) was non-current and EUR 24.3 million (2.0) was current. IFRS 16 impact in leasing liabilities was EUR 75.3 million, of which EUR 52.9 million was non-current and EUR 22.4 million current.

Other information

Long-term incentive programme (LTIP 2016)

Eltel's share-based incentive programme LTIP 2016 related to matching shares vested at the end of the second quarter. In accordance with the rules of the programme, Eltel awarded 84,262 matching shares to employees covered by the programme. The shares were purchased from the market and delivered to the participants on 5 July 2019. The LTIP 2016 programme in relation to performance shares continues for one additional year and any allocation of performance shares is subject to Eltel reaching performance targets based on Eltel's EBITDA for the financial year 2019.

Dividend distribution

The board proposes that no dividend will be paid for the year 2019.

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 2018 Annual Report (page 43).

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.

No further new material risks were identified during the interim period. For information regarding risks and uncertainties, please refer to Eltel's 2018 Annual Report published on 4 April 2019 which is 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 cyclicality 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 16.

Presentation of the fourth quarter 2019 report

Analysts and media are invited to participate in the fourth quarter 2019 briefing on 14 February 2020 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

- Interim report January–March: 29 April 2020
- Interim report January–June: 23 July 2020
- Interim report January–September: 5 November 2020
- Annual Report 2019: week 14, 2020
- Annual General meeting 2020: 4 May 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 14 February 2020 at 08:00 a.m. CET.

Signatures of the Board of Directors and CEO

Stockholm, Sweden, 14 February 2020

Eltel AB (publ)

Ulf Mattson, Chairman

Mikael Aro
Håkan Dahlström
Gunilla Fransson
Ulf Lundahl
Markku Moilanen
Joakim Olsson
Roland Sundén
Hans von Uthmann

Employee representatives:
Jonny Andersson
Björn Ekblom

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	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales	278.9	330.9	1,087.6	1,188.9
Cost of sales	-266.9	-297.0	-1,004.7	-1,080.5
Gross profit	**12.0**	**33.9**	**82.9**	**108.4**
Other income[1]	1.7	0.2	2.6	4.5
Sales and marketing expenses[2]	-3.6	-3.4	-9.1	-10.1
Administrative expenses	-23.1	-23.7	-85.5	-101.0
Other expenses[1]	-0.6	-8.1	-2.5	-12.2
Share of profit/loss of joint ventures	0.0	0.9	0.4	1.1
Operating result (EBIT)	**-13.7**	**-0.2**	**-11.2**	**-9.2**
Financial income	0.2	0.1	0.4	0.4
Financial expenses	-3.5	-2.7	-11.9	-9.2
Net financial expenses	-3.3	-2.5	-11.5	-8.8
Result before taxes	**-17.0**	**-2.8**	**-22.7**	**-18.0**
Taxes	5.2	-0.5	-2.4	-4.1
Net result	**-11.8**	**-3.3**	**-25.1**	**-22.2**
Attributable to:				
Equity holders of the parent	-12.1	-3.6	-25.9	-23.3
Non-controlling interest	0.2	0.4	0.8	1.1
Earnings per share (EPS)				
Basic, EUR	-0.08	-0.02	-0.17	-0.15
Diluted, EUR	-0.08	-0.02	-0.17	-0.15

Condensed consolidated statement of comprehensive income

EUR million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net profit for the period	-11.8	-3.3	-25.1	-22.2
Other comprehensive income:				
Items that will not be reclassified to profit and loss				
Revaluation of defined benefit plans, net of tax	2.4	-3.4	-4.6	-4.8
Items that may be subsequently reclassified to profit and loss				
Cash flow hedges, net of tax	0.1	0.0	0.2	0.0
Net investment hedges, net of tax	-1.6	-0.1	0.8	3.0
Currency translation differences	2.5	-3.7	-1.6	-7.2
Total	0.9	-3.9	-0.6	-4.2
Other comprehensive income/loss for the period, net of tax	3.3	-7.3	-5.1	-9.0
Total comprehensive income/loss for the period	**-8.5**	**-10.6**	**-30.2**	**-31.1**
Total comprehensive income/loss attributable to:				
Equity holders of the parent	-8.8	-10.9	-31.0	-32.3
Non-controlling interest	0.2	0.4	0.8	1.1

Presentation of income statement has been changed for all periods. See changes in presentation on page 15 for more information.

1) The comparative year includes significant items related to divestment of Rail business: EUR 3.7 million gain from Finland and EUR 5.9 million loss from Sweden.

2) Sales and marketing expenses include Oct-Dec 2019 EUR -0.2 million (-0.4), Jan-Dec 2019 EUR -1.5 million (-2.2) of customer relationship amortisations. In previous years amortisations were presented as a separate line.

Condensed consolidated balance sheet

EUR million	31 Dec 2019	31 Dec 2018
ASSETS		
Non-current assets		
Goodwill	264.0	282.1
Intangible assets	41.0	42.8
Property, plant and equipment	27.5	30.2
Right-of-use assets	77.4	4.0
Investments in and receivable from joint ventures	0.9	1.9
Investments	0.6	0.3
Deferred tax assets	26.4	29.0
Other financial assets	35.0	-
Trade and other receivables	0.4	0.4
Total non-current assets	**473.2**	**390.7**
Current assets		
Inventories	14.6	13.2
Other financial assets	-	35.0
Trade and other receivables	230.1	337.5
Cash and cash equivalents	65.2	53.4
Total current assets	**310.0**	**439.2**
Assets held for sale[2]	24.0	-
TOTAL ASSETS	**807.2**	**829.8**
EQUITY AND LIABILITIES		
Equity		
Shareholders' equity	213.1	244.3
Non-controlling interest	7.6	7.6
Total equity	**220.7**	**252.0**
Non-current liabilities		
Debt	76.1	112.3
Leasing liabilities	54.3	2.2
Liabilities to shareholders[1]	35.0	-
Retirement benefit obligations	14.8	12.8
Deferred tax liabilities	11.5	17.6
Provisions	3.4	2.6
Other non-current liabilities	0.5	0.6
Total non-current liabilities	**195.6**	**148.1**
Current liabilities		
Debt	109.0	84.4
Leasing liabilities	24.3	2.0
Liabilities to shareholders[1]	-	35.0
Provisions	15.0	15.3
Advances received	31.6	51.7
Trade and other payables	201.7	241.4
Total current liabilities	**381.6**	**429.8**
Liabilities associated with assets held for sale[2]	9.3	-
Total liabilities	**586.5**	**577.9**
TOTAL EQUITY AND LIABILITIES	**807.2**	**829.8**

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 December 2019.

Condensed consolidated statement of cash flows

EUR million	Jan-Dec 2019	Jan-Dec 2018
Cash flow from operating activities		
Operating result (EBIT)	-11.2	-9.2
Adjustments:		
Depreciation and amortisation	40.9	14.3
Gain/loss on sales of assets and business	-1.5	2.1
Defined benefit pension plans	-4.4	-3.8
Other non-cash adjustments	0.5	3.0
Cash flow from operations before interests, taxes and changes in working capital	24.4	6.4
Interest and other financial expenses paid, net	-11.7	-7.4
Income taxes received/paid	0.8	-2.7
Total financial expenses and taxes	-10.9	-10.1
Changes in working capital:		
Trade and other receivables	86.5	15.2
Trade and other payables	-46.4	-4.5
Inventories	-2.2	-3.9
Changes in working capital	37.9	6.8
Net cash from operating activities	**51.4**	**3.2**
Cash flow from investing activities		
Purchases of property, plant and equipment (PPE), net	-11.7	-18.6
Acquisition of business, net of cash and cash equivalents	-4.2	-
Investments in joint ventures	-	-0.1
Investment refund from joint ventures	1.5	-
Disposal of business, net of cash disposed of	12.3	-2.6
Net cash from investing activities	**-2.1**	**-21.3**
Cash flow from financing activities		
Proceeds from short-term financial liabilities	49.3	89.7
Payments of short-term borrowings	-33.1	-49.2
Payments of financial liabilities	-26.1	-
Payments of/proceeds from lease liabilities	-26.9	-0.5
Dividends to non-controlling interest	-0.9	-0.5
Change in non-liquid financial assets	-0.5	-0.4
Net cash from financing activities	**-38.2**	**39.1**
Net change in cash and cash equivalents	**11.1**	**21.1**
Cash and cash equivalents at beginning of period	**53.4**	**32.9**
Foreign exchange rate effect	0.7	-0.5
Cash and cash equivalents at end of period	**65.2**	**53.4**

See page 21 for more information about IFRS 16 impact on cash flow statement.

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 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

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 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	-		-23.3	-4.8	3.0	-7.2	-32.2	1.1	-31.1
Transactions with owners:									
Equity-settled share-based payment	-	-	0.0	-	-	-	0.0	-	0.0
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	-	-	-	0.0	-0.5	-0.5
Equity at 31 Dec 2018	158.0	491.6	-349.5	-32.2	10.4	-34.1	244.3	7.6	252.0

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 2018 except for *IFRS 16 Leases* effective from 1 January 2019 as described below. The Parent company does not apply IFRS 16 in accordance with the exception in RFR2.

IFRS 16 Leases (effective from 1 January 2019) 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 of short-term leases and leases of low-value items, which Eltel has chosen to apply. Under IAS 17, Eltel recognised operating lease expense on a straight-line basis over the term of the lease and recognised assets (prepaid leasing fees) and liabilities (accrued leasing fees) only to the extent there was timing differences between actual lease payments and the expense recognised. 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. The depreciation for right-of-use assets is presented in the same income statement line (function of expense) as the earlier operative lease expense.

Eltel applies the modified retrospective method with no restatement of comparative information. At initial application the amount of right-of-use assets has been determined as equal to the lease liabilities and restoration cost provision reported in the balance sheet as of 31 December 2018. Eltel has recognised following opening balance adjustments due to transition to the new standard:

- Right-of-use assets EUR 89.6 million and
- Leasing liabilities and restoration cost provision EUR 89.6 million.

The right-of-use assets consist mainly of leases of premises and vehicles. The IFRS 16 standard requires use of estimates for valuating contracts that are valid until further notice. Eltel has estimated the length of these contracts based on expected usage in current business operations. This has considerable impact in the amount of right-of-use assets and leasing liabilities for premises. The right-of-use assets and leasing liabilities are presented as separate lines in the balance sheet.

In income statement IFRS 16 resulted in a minor positive impact on operating profit and slight increase in the financial costs.

From 1 January 2019 onwards, the lease payments in the cash flow are divided to interest expense in the cash flow from operating activities and amortisation of lease liability in the cash flow from financing activities. In the comparative periods the payments were fully included in the cash flow from operating activities. Therefore, the cash flow from operating activities increases and cash flow from financing activities decreases. IFRS 16 has no impact on total cash flow.

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.

Changes in presentation in 2019

Eltel has made the following changes in presentation:

Income statement: Amortisation and impairment of acquisition-related intangible assets were previously presented as a separate line. From 1 January 2019 onwards they are included in function of expense lines. As a result, Operating result before acquisition-related amortisations (EBITA) is not presented. Comparative period presentation is changed accordingly.

Balance sheet: Right-of-use assets and leasing liabilities according to IFRS 16 have been added as separate lines in the balance sheet. Previous finance lease assets and liabilities under IAS 17 are presented in these new lines for comparative periods. Previously these were presented in Property, plant and equipment (PPE) and non-current and current debt.

Key figures

Key figures for the period

EUR million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales	278.9	330.9	1,087.6	1,188.9
Net sales growth, %	-15.7	-11.6	-8.5	-10.6
Operative EBITA	-14.9	2.9	-11.3	-2.2
Operative EBITA margin, %	-5.3	0.9	-1.0	-0.2
Items affecting comparability	1.4	-2.8	1.6	-4.8
EBITDA	-4.8	3.2	29.7	5.1
Operating result (EBIT)	-13.7	-0.2	-11.2	-9.2
EBIT margin, %	-4.9	-0.1	-1.0	-0.8
Result after financial items	-17.0	-2.8	-22.7	-18.0
Net result for the period	-11.8	-3.3	-25.1	-22.2
Earnings per share EUR, basic and diluted	-0.08	-0.02	-0.17	-0.15
Return on equity (ROE), %[1,2]	-6.7	-8.3	-6.7	-8.3
Net working capital[2]	-6.3	39.9	-6.3	39.9
Number of personnel, end of period	6,678	7,376	6,678	7,376

Quarterly key figures

EUR million	Oct-Dec 2019	Jul-Sep 2019	Apr-Jun 2019	Jan-Mar 2019	Oct-Dec 2018	Jul-Sep 2018	Apr-Jun 2018	Jan-Mar 2018
Net sales	278.9	281.8	276.0	251.0	330.9	295.9	295.5	266.6
Net sales growth, %	-15.7	-4.8	-6.6	-5.9	-11.6	-9.8	-10.4	-10.5
Operative EBITA	-14.9	4.1	2.5	-3.0	2.9	0.5	2.0	-7.6
Operative EBITA margin, %	-5.3	1.5	0.9	-1.2	0.9	0.2	0.7	-2.9
Items affecting comparability	1.4	0.2	-	-	-2.8	-	0.1	-2.2
EBITDA	-4.8	14.3	12.7	7.5	3.2	3.9	4.8	-6.9
Operating result (EBIT)	-13.7	3.9	2.1	-3.6	-0.2	-0.2	1.6	-10.4
EBIT margin, %	-4.9	1.4	0.8	-1.4	-0.1	-0.1	0.5	-3.9
Result after financial items	-17.0	1.6	-1.0	-6.4	-2.8	-3.5	0.3	-12.0
Net result for the period	-11.8	-3.9	-2.0	-7.4	-3.3	-9.6	0.2	-9.5
Earnings per share EUR, basic and diluted	-0.08	-0.03	-0.01	-0.05	-0.02	-0.06	0.00	-0.06
Return on equity (ROE), %[1,2]	-6.7	-6.7	-8.8	-7.8	-8.3	-9.5	-9.7	-23.0
Net working capital[2]	-6.3	63.7	66.8	74.8	39.9	109.3	91.9	75.1
Number of personnel, end of period	6,678	7,019	7,128	7,180	7,376	7,490	7,680	7,605

1) Calculated on a rolling 12-month basis.
2) Assets and liabilities held for sale are not included (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 and on 30 June 2018 Norwegian rail business).
Please see page 22 for definitions of the key ratios.

Net sales by segment

EUR million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Power				
Net sales (external)	93.0	118.0	377.7	438.8
Inter-segment sales	0.0	-2.9	0.0	0.1
Communication				
Net sales (external)	182.7	209.3	696.7	727.0
Inter-segment sales	0.2	-2.2	1.6	0.3
Other				
Net sales (external)	3.2	3.6	13.2	23.1
Elimination of sales between segments	-0.2	5.0	-1.7	-0.4
Net sales, total	**278.9**	**330.9**	**1,087.6**	**1,188.9**

Net sales by geographical area

EUR million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Sweden	71.3	96.4	294.2	359.8
Finland	78.2	75.3	270.4	275.8
Norway	60.1	67.3	234.1	258.9
Denmark	32.0	36.9	108.9	101.1
Poland	12.7	30.9	88.1	98.2
Germany	21.2	17.7	76.6	76.2
Other countries	3.3	6.4	15.3	19.0
Net sales, total	**278.9**	**330.9**	**1,087.6**	**1,188.9**

Net sales by service split

EUR million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Power				
Project delivery	58.4	61.7	209.7	262.2
Upgrade services	31.0	39.0	121.6	120.2
Maintenance	7.7	16.6	58.9	65.2
Internal net sales and fx adjustments	-4.0	-2.1	-12.6	-8.8
Total Power	93.0	115.1	377.7	438.8
Communication				
Project delivery	5.1	-6.8	26.0	42.1
Upgrade services	143.9	162.2	517.1	498.9
Maintenance	56.6	66.9	205.6	227.9
Internal net sales and fx adjustments	-22.7	-15.1	-50.4	-41.5
Total Communication	182.9	207.1	698.4	727.3
Other				
Project delivery	3.2	3.4	13.5	22.4
Maintenance	-	-	-0.2	0.5
Internal net sales and fx adjustments	-	0.1	-	0.2
Total Other	3.2	3.6	13.2	23.1
Elimination of sales between segments	-0.2	5.0	-1.7	-0.4
Total	**278.9**	**330.9**	**1,087.6**	**1,188.9**

Reconciliation of segment results

EUR million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Operative EBITA by segment				
Power	-12.0	-1.9	-17.5	-0.5
Communication	2.0	9.7	18.1	24.8
Other	-0.6	-1.1	-0.8	-11.1
Items not allocated to operating segments[1]	-4.2	-3.8	-11.2	-15.4
Operative EBITA, Group	-14.9	2.9	-11.3	-2.2
Earn-out adjustment	-	-2.8	0.2	-2.6
Gain on sale of business	1.4	-	1.4	3.7
Loss on sale of business and assets held for sale	-	-	-	-6.0
Total items affecting comparability in EBITA[2]	1.4	-2.8	1.6	-4.8
Amortisation of acquisition-related intangible asset	-0.2	-0.4	-1.5	-2.2
Operating result (EBIT)	-13.7	-0.2	-11.2	-9.2
Financial expenses, net	-3.3	-2.5	-11.5	-8.8
Result before taxes	**-17.0**	**-2.8**	**-22.7**	**-18.0**

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. In 2018, items affecting comparability in EBITA include EUR 3.7 million positive impact from sale of the Finnish rail operations and EUR 5.9 million negative impact from sale of the Swedish rail operations.

Net working capital (NWC) and operative capital employed

EUR million	31 Dec 2019	31 Dec 2018
Inventories	14.6	13.2
Trade and other receivables	230.1	337.5
Provisions	-18.5	-17.9
Advances received	-31.6	-51.7
Trade and other payables	-201.7	-241.4
Other[1]	0.7	0.2
Net working capital	-6.3	39.9
Intangible assets excluding acquisition-related allocations	12.3	10.6
Property, plant and equipment	27.5	30.2
Right-of-use assets	77.4	4.0
Operative capital employed	110.9	84.7

1) 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 31 December 2019 German Communication business and business area Aviation & Security).

Contract balances

EUR million	31 Dec 2019	31 Dec 2018
Trade receivables	124.9	144.0
Contract assets	83.7	163.8
Total	208.6	307.8
Advances received	31.6	51.7

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.

Acquisitions, disposals and assets held for sale

Strategic evaluation and process

On 3 April 2019, Eltel announced that it will focus on the Nordic market and has initiated a strategic evaluation of the company's operations outside the Nordics, including a potential divestment.

On 26 June 2019, Eltel and LFV, Air Navigation Services of Sweden, signed a letter of intent according to which Eltel will divest the business area Aviation & Security to LFV. In the letter of intent, both parties undertake to ensure a definitive agreement is signed during the first quarter 2020. The definitive agreement is conditional on approval by the respective party's board, the Swedish Competition Authority and the Swedish Government.

On 6 August 2019, an agreement to divest the Polish Communication business was signed. The transaction closed in October 2020.

On 22 January 2019, an agreement to divest the German Communication business was signed. The transaction is expected to close at the end of the first quarter of 2020.

Furthermore, Eltel concluded to retain the Polish and German Power businesses for the time being, while continuing the work to increase their profitability.

January–December 2019 acquisitions and disposals

- During January-December 2019 there were no acquisitions
- On 14 October 2019 Eltel completed the divestment of its Polish Communication business to VINCI Energies. The total consideration of the transaction was EUR 12.6 million, positive cash flow impact amounted to EUR 12.3 million and sales gain impact on Group EBIT was EUR 1.4 million in the fourth quarter 2019.

At the reporting date, the German Communication business and business area Aviation & Security are presented as assets held for sale. These operations don't meet the criteria for presentation as discontinued operation.

Events after balance sheet date

- On 22 January 2020 Eltel signed an agreement to divest its German Communication business to Circet Group, a European telecom network service provider. The total consideration of the transaction is about EUR 19 million. The transaction is expected to close at the end of the first quarter of 2020. The transaction is estimated to give a positive cash flow impact of EUR 19 million and have a net positive result of approximately EUR 13 million on Group EBIT. The divestment is subject to customary approvals.

Assets and liabilities held for sale

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

January–December 2018

During January-December 2018 there were no acquisitions.

During January-December 2018, Eltel divested its non-core rail operations in Finland, Denmark, Sweden and Norway. The net impact of the divestments on EBIT was EUR -2.2 million, which was recorded during the first quarter of 2018.

- The purchase price of the Finnish rail operations 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 EBIT of EUR 3.7 million and positive cash flow of EUR 6.3 million in the first quarter of 2018.
- The sale of the Swedish rail operations had a negative impact of EUR 5.9 million on EBIT and a negative cash flow effect of EUR 5.7 million in the first quarter of 2018.
- The divested Danish rail operations had a negative impact of EUR 0.5 million, which 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.
- The divested Norwegian rail operations had a negative cash flow effect of EUR 0.7 million in the third quarter of 2018.

Deferred taxes

EUR million	31 Dec 2019	31 Dec 2018
Deferred tax assets	26.4	29.0
Deferred tax liabilities	-11.5	-17.6
Sum	14.9	11.5

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. 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.

Financial instruments

Derivative financial instruments	**31 Dec 2019**			**31 Dec 2018**		
EUR million	**Nominal values**	**Net fair values**		**Nominal values**	**Net fair values**	
Interest rate derivatives	-	-		22.8	0.0	2)
Foreign exchange rate derivatives	32.2	0.1		61.7	-0.4	3)
Embedded derivatives	12.0	-0.4		7.8	0.7	
Commodity derivatives	0.2	0.0	1)	0.6	-0.1	4)
Total	**44.3**	**-0.3**		**92.9**	**0.2**	

Designated as cash flow hedge [1)] EUR -0.0 million [2)] EUR -0.3 million [3)] EUR 0.0 million [4)] EUR -0.1 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 current receivables and current liabilities is a reasonable approximation of fair value because the changes in the market interest rates are reflected in the future interest flows within a short period.

Earnings per share

	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net result attributable to equity holders of the parent	-12.1	-3.6	-25.9	-23.3
Weighted average number of common shares, basic	156,649,081	156,649,081	156,649,081	156,603,262
Weighted average number of common shares, diluted	156,934,450	156,898,611	156,895,149	156,795,867
Earnings per share EUR, basic	-0.08	-0.02	-0.17	-0.15
Earnings per share EUR, diluted	-0.08	-0.02	-0.17	-0.15

Leasing

Right-of-use assets

EUR million	Buildings	Machinery and equipment	Total
Transfer of IAS 17 finance lease assets from PPE	-	4.0	4.0
IFRS 16 opening balance adjustment	49.3	40.3	89.6
1 Jan 2019	49.3	44.3	93.6
Additions	4.0	11.0	15.0
Depreciations	-10.4	-18.0	-28.4
Transfer to assets held for sale	-	-0.9	-0.9
Translation differences	-0.7	-1.0	-1.8
31 Dec 2019	**42.2**	**35.2**	**77.4**

Leasing liabilities

EUR million	Non-current	Current	Total
Transfer of IAS 17 finance lease liability from debt	2.2	2.0	4.1
IFRS 16 opening balance adjustment	61.8	27.1	89.0
1 Jan 2019	64.0	29.1	93.1
Changes during the period	-9.3	-4.2	-13.6
Transfer to assets held for sale	-0.4	-0.5	-0.9
31 Dec 2019	**54.3**	**24.3**	**78.6**

Cash flow

EUR million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Cash flow from operating activities before IFRS 16 impact	59.5	70.0	25.7	3.2
Movement between report lines:				
IFRS 16 impact on operating result (EBIT)	0.1	-	0.5	-
IFRS 16 impact on depreciation and amortisation	5.8	-	26.9	-
IFRS 16 impact on interests and other financial expenses paid	-0.5	-	-1.7	-
Total IFRS 16 impact on cash flow from operating activities	5.5	-	25.7	-
Cash flow from operating activities	**65.0**	**70.0**	**51.4**	**3.2**
Cash flow from investing activities	**9.9**	**-6.7**	**-2.1**	**-21.3**
Cash flow from financing activities before IFRS 16 impact	-31.1	-34.3	-12.5	39.1
IFRS 16 impact on payments of/proceeds from lease liabilities	-5.5	-	-25.7	-
Cash flow from financing activities	**-36.6**	**-34.3**	**-38.2**	**39.1**

Cash flow from operating activities and cash flow from financing activities are impacted by IFRS 16. From 1 January 2019 onwards, the lease payments in the cash flow are divided to interest expense in the cash flow from operating activities and amortisation of lease liability in the cash flow from financing activities. In the comparative periods the payments were fully included in the cash flow from operating activities. Therefore, the cash flow from operating activities increases and cash flow from financing activities decreases. IFRS 16 has no impact on total cash flow.

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)	$\frac{\text{Net result attributable to equity holders of the parent}}{\text{Weighted average number of ordinary shares}}$

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]	$\frac{\text{Operative cash flow x 100}}{\text{EBITA}}$
Equity ratio, %	$\frac{\text{Total equity x 100}}{\text{Total assets - advances received}}$
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]	$\frac{\text{Net result x 100}}{\text{Total equity (average over the reporting period)}}$
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 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	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales	1.0	3.8	2.2	3.8
Administrative income and expenses	-2.0	-3.2	-8.7	-11.9
Operating result	**-1.0**	**0.5**	**-6.5**	**-8.1**
Interest and other financial income	5.8	4.1	20.9	16.3
Interest and other financial expenses	-0.8	-0.6	-3.0	-1.9
Net financial items	5.0	3.5	18.0	14.4
Result after financial items	**4.0**	**4.0**	**11.5**	**6.3**
Group contributions given	-11.3	-6.2	-11.3	-6.2
Taxes	-0.2	-0.1	-0.2	-0.1
Net result	**-7.5**	**-2.2**	**0.1**	**0.0**

Parent Company balance sheet

EUR million	31 Dec 2019	31 Dec 2018
ASSETS		
Shares in Group companies	68.3	68.3
Long-term loans receivable from Group companies[1]	483.3	328.3
Other financial asset	35.0	-
Intangible assets	0.1	0.1
Deferred tax assets	0.4	0.6
Total non-current assets	**587.1**	**397.2**
Trade and other receivables	1.4	4.4
Cash pool receivable[1]	-	135.5
Other financial asset	-	35.0
Cash and cash equivalents	0.3	0.0
Total current assets	**1.6**	**174.9**
TOTAL ASSETS	**588.7**	**572.1**
EQUITY AND LIABILITIES		
Total equity	**444.1**	**444.1**
Liabilities to shareholders	35.0	-
Total non-current liabilities	**35.0**	-
Debt	89.1	83.3
Liabilities to shareholders	-	35.0
Liabilities to Group companies	19.1	7.8
Trade and other payables	1.3	1.9
Total current liabilities	**109.7**	**128.1**
Total liabilities	**144.7**	**128.1**
TOTAL EQUITY AND LIABILITIES	**588.7**	**572.1**

In March 2019 Eltel and its banks agreed on certain amendments to its existing financial agreement that matures in Q1 2021. 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 2019	Proceeds from shares issued	Purchase of own shares	Hedging reserve, net of tax	Equity-settled share-based payment	Net result	31 Dec 2019
Share capital	158.0	0.9	-	-	-	-	158.8
Statutory reserve	0.5	-	-0.2	-	-	-	0.3
Non-restricted equity	285.6	-0.9	-	0.1	0.0	0.1	285.0
Total	**444.1**	**-**	**-0.2**	**0.1**	**0.0**	**0.1**	**444.1**

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