



Eltel AB

Investor presentation

July 2020

Eltel in brief



Founded in 2001

Leading Nordic field service provider

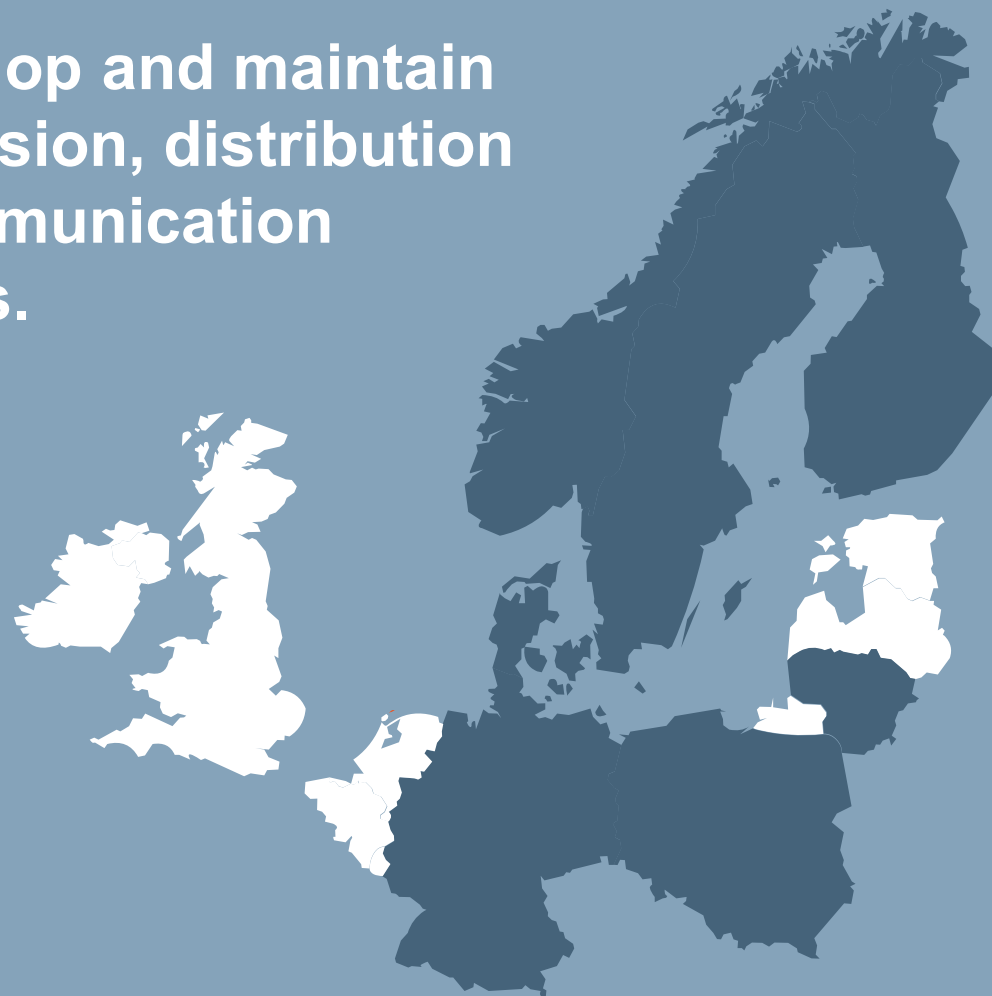
Operations throughout the Nordics,
Lithuania, Poland and Germany

Net sales EUR 1.1 billion, 6,200 employees

UN Global Compact signatory since 2014

Listed on Nasdaq Stockholm since 2015

**We develop and maintain
transmission, distribution
and communication
networks.**



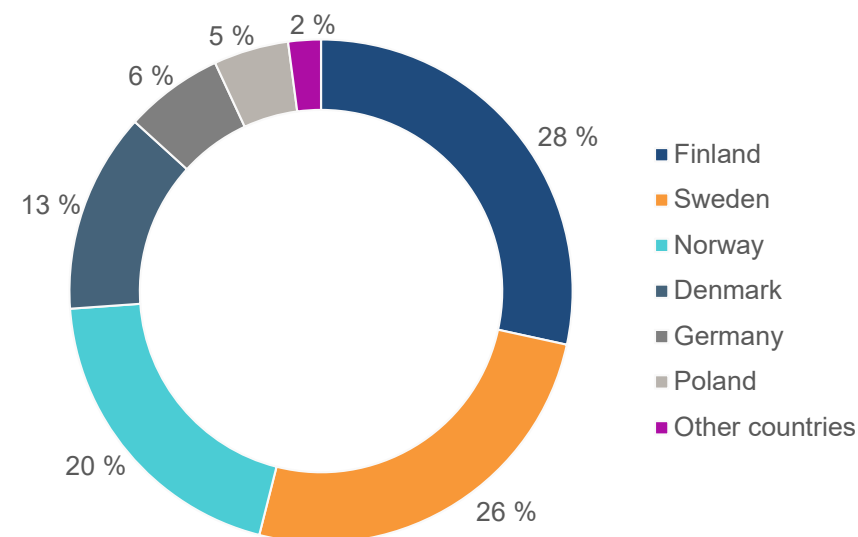
Focus on segments

Power and Communication

The Nordics, Poland and Germany

Grow in line with market, capitalise on trends, improve operational processes, make selective acquisitions, increase efficiency

Net sales Q2/2020



Eltel's business

– driven by stable customers with long term investment needs

Segments

Power

Communication

Drivers

- Regulatory demands
- Outsourcing
- Ageing infrastructure
- Increasing end-customer demands
- Technical shift

A blurred background image showing a person in a suit standing in a room, with a red and orange Eltel ribbon in the foreground.

Eltel AB

**Q2 2020
Presentation**

23 July 2020

Today's presenters



Casimir Lindholm
President and CEO



Salla Miettinen-Lähde
CFO



Highlights

- Improved operative EBITA and positive cash flow in Q2
- Strong improvement in net working capital
- Significantly reduced net debt compared to Q2 2019
- Completed the divestments of Communication Germany and Swedish business area Aviation & Security
- Won three major frame agreements
- Moderate COVID-19 impact in Q2



COVID-19 impact

- Moderate impact in Q2:
 - Lower volumes and slowed down activity in High Voltage
 - Cross border workforce affected by travel restrictions

- COVID-19 will impact Eltel in the second half of 2020:
 - Indications on reduced and delayed investments from a large customer in the Communication segment in Norway



Divestments

- Divestments resulted in EUR 38 million in cash proceeds and a positive result of EUR 20 million on Group EBIT
 - On 30 April 2020, the divestment of the German Communication business was completed. The transaction had a positive cash flow impact of EUR 19.0 million and a positive result of EUR 13.7 million on Group EBIT.
 - On 30 April 2020, the divestment of the Swedish business area Aviation & Security was completed. The transaction had a positive cash flow impact of EUR 18.9 million and a positive result of EUR 6.7 million on Group EBIT.

Strong order intake

Major frame agreements signed during the reporting period

Month	Tender value EUR million	Customer	Valid contract length*	Segment	Market
April	EUR 90 million	Helen Electricity Network	2020-2025**	Power	Finland
April	EUR 23 million	Swedish Transport Administration	2020-2023*	Communication	Sweden
April	EUR 38 million	Valokuitunen	2020-2023***	Communication	Finland
Total	Approx. EUR 150 million				

Trends:

- Larger contracts
- Larger customers
- Concentrated to larger cities

Frame agreement advantages:

- Repetitive business model
- Predictable order intake
- Stable Nordic market
- Low net working capital

*The contract includes an option of an additional two plus two years

** The contract includes an option for an indefinite period

***The contract has an option of one additional year

Termination of three service agreements

(Communication)

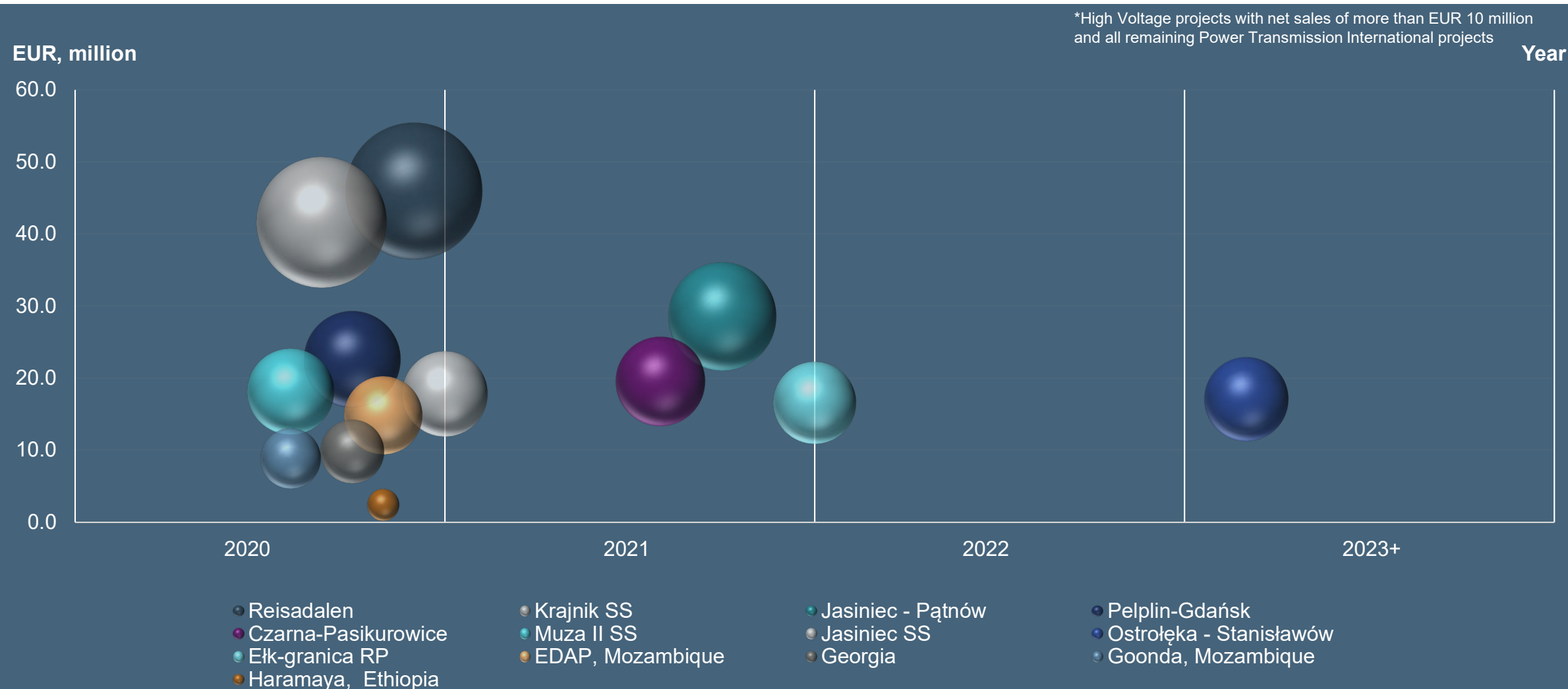
- Termination of three Communication maintenance agreements in Sweden relating to the copper market
 - Production ends in Q4 2020
- In 2019, combined net sales was about EUR 40 million
 - Declining volumes year-on-year
 - Difficulties in making these contracts profitable
- Opportunity to reorganise and streamline the Swedish business and to improve its competitive offering



Large* High Voltage and Power Transmission International projects



Project portfolio, EUR 32 million in estimated remaining net sales



Total Group: Q2 2020

Total Group

- Net sales EUR 245.5 million (276.0), -11.1%
- Organic growth in Power and Communication* -3.3%
- Operative EBITA EUR 2.8 million (2.5)
- Operative EBITA margin 1.2% (0.9)
- Operating result (EBIT)** EUR 23.1 million (2.1)
- Cash flow from operating activities EUR 19.2 million (13.5)

*Adjusted for divested operations and currency effects.

**Includes EUR 20.4 million gain from divestments

Total Group: January-June 2020

Total Group

- Net sales EUR 482.1 million (527.0), -8.5%
- Organic growth in Power and Communication* -2.9%
- Operative EBITA EUR 0.8 million (-0.5)
- Operative EBITA margin 0.2% (-0.1)
- Operating result (EBIT)** EUR 20.8 million (-1.5)
- Cash flow from operating activities EUR 14.4 million (-20.3)
- Net debt*** ended at EUR 86.4 million (189.5)

*Adjusted for divested operations and currency effects.

**Includes EUR 20.4 million gain from divestments

***Refers to net debt as defined in financing agreement.

Net sales segments: Q2 2020

Power

- **Net sales EUR 86.3 million, -8.9%**
 - Strong order backlog in Finland and improved net sales in Denmark
 - Lower activity, reduction of large volume projects and COVID-19 related delays in High Voltage
 - Lower volumes in Smart Grids, in line with expectations
 - Continued project ramp down, discontinuation of the Service business and lowered order back log in Sweden
- **Organic growth* -8.1%**

Communication

- **Net sales EUR 152.8 million, -14.1%**
 - Divestments of Polish and German Communication businesses and Aviation & Security impacted EUR -17.6 million
 - Reduced customer investments in Sweden
 - Somewhat higher business activity in Norway, Denmark and Finland
- **Organic growth** -0.4%**

Other

- **Net sales EUR 6.4 million, 65.7%**
 - Relates almost fully to Power Transmission International
 - In line with the strategy to divest and discontinue operations

*Adjusted for currency effects

** Adjusted for divested operations and currency effects

Operative EBITA segments: Q2 2020

Power

- **Operative EBITA EUR -4.5 million (2.4)**
- **Operative EBITA margin -5.3% (2.5)**
 - Cost overruns and COVID-19 impact in High Voltage Poland and the Norwegian Reisadalen project. Lowered and slowed down activity in Poland
 - Significant additional work in two Finnish Build projects (more than expected in Q1 2020)
 - Lower net sales in Smart Grids

Communication

- **Operative EBITA EUR 7.3 million (2.1)**
- **Operative EBITA margin 4.8% (1.2)**
 - Performance improved in all markets, mainly driven by Sweden, Finland and Norway
 - Improved project execution, better planning and thereby a more efficient production

Other

- **Operative EBITA EUR 2.6 million (0.2)**
- **Operative EBITA margin 40.6% (4.7)**
 - The increase relates to a claim compensation received for a Power Transmission International project in Africa, completed in 2019

Going forward

ELTEL




Focus in 2020

Continued operational focus

- Tender
- Right people
- Implementation & execution
- Production planning
- Training

Strategic focus

- Strengthen our position as the nr. 1 Nordic player
- Continuous evaluation of the existing portfolio outside the Nordics
- Restructure Polish High Voltage business
- Strengthen the balance sheet
- Operational Excellence

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- High customer satisfaction
 - Engaged employees
 - Lower risk and fewer capital-intensive projects
 - Cash generation
 - Lower net debt and improved profitability

Our transformation journey

2017–2018

House in order

- Reorganisation to strengthen focus on local markets
- Increased focus on operational KPIs to foster continuous improvements and sharing of best practices
- Initiatives to control project business risk

2019–2021

Operational Excellence

- Prioritise core operational improvements
- Restructure non-performing businesses
- Strengthen the financial position of the company
- Improve profitability
- Continuous evaluation of the existing portfolio outside the Nordics

>2022

Investing in sustainable profitable growth

- Continued focus on Operational Excellence
- Increased market share in the Nordics
- Pursue structural M&As in the Nordics when the financial situation improves
- Innovation and new market development

Questions



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