Stockholm, Sweden, 14 February 2019

Eltel Group

Full-year report January–December 2018

October–December 2018

- Net sales EUR 330.9 million (374.2). Total growth -11.6% and organic growth* in Power and Communication -5.1%
- Operative EBITA** EUR 2.9 million (2.2) and operative EBITA margin 0.9% (0.6)
- Operating result (EBIT) EUR -0.2 million (1.2) and EBIT margin -0.1% (0.3)
- Net result EUR -3.3 million (-7.7)
- Earnings per share EUR -0.02 (-0.05), basic and diluted
- Cash flow from operating activities EUR 70.0 million (42.3)

January–December 2018

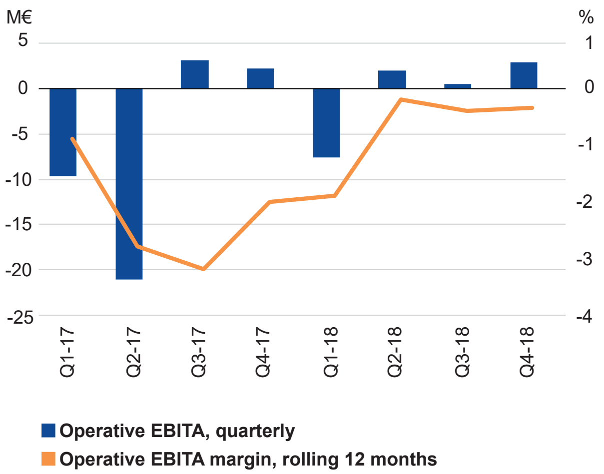
- Net sales EUR 1,188.9 million (1,329.9). Total growth -10.6% and organic growth* in Power and Communication 0.3%
- Operative EBITA** EUR -2.2 million (-25.5) and operative EBITA margin -0.2% (-1.9)
- Operating result (EBIT) EUR -9.2 million (-184.6) and EBIT margin -0.8% (-13.9%)
- Net result EUR -22.2 million (-204.6)
- Earnings per share EUR -0.15 (-1.56), basic and diluted
- Cash flow from operating activities EUR 3.2 million (-65.2)

Significant events during and after the reporting period

- On 14 December 2018, it was announced that Leif Göransson was appointed Managing Director (MD) of Country Unit Sweden starting 1 January 2019. Leif succeeded Casimir Lindholm who since October was acting MD for Eltel Sweden.
- On 1 January 2019, Elin Otter, Head of Communications and Investor Relations was appointed new member of the Eltel Group Management Team.
- Eltel signed six contracts of significance to a value of about EUR 158 million during October 2018–January 2019.

Gross profit

Operative EBITA



EUR million	Oct-Dec 2018	Oct-Dec 2017	Change, %
Net sales			
Power	115.1	130.7	-11.9%
Communication	207.1	215.6	-3.9%
Other	3.6	27.6	-87.1%
Total Group	**330.9**	**374.2**	**-11.6%**
Operative EBITA**			
Power	-1.9	-0.5	-309.2%
Communication	9.7	12.9	-24.6%
Other	-1.1	-5.8	81.3%
Items not allocated	-3.8	-4.4	13.5%
Total Group	**2.9**	**2.2**	**34.4%**

EUR million	Jan-Dec 2018	Jan-Dec 2017	Change, %
Net sales			
Power	438.8	470.4	-6.7%
Communication	727.3	756.8	-3.9%
Other	23.1	103.8	-77.7%
Total Group	**1,188.9**	**1,329.9**	**-10.6%**
Operative EBITA**			
Power	-0.5	-0.3	-99.6%
Communication	24.8	34.5	-28.1%
Other	-11.1	-43.7	74.5%
Items not allocated	-15.4	-16.1	4.2%
Total Group	**-2.2**	**-25.5**	**91.2%**

*Adjusted for divested operations and currency effects
** Please see page 20 for definitions of the key ratios

Comments by the CEO

The fourth quarter showed a strong cash flow of EUR 70 million and improved operative EBITA on Group level. At the same time, our net sales decreased according to plan. However, looking at the quarter and year-on-year we are not satisfied with the overall performance of the underlying business.

In the Power segment, we can see that the measures taken in High Voltage to improve efficiency, strengthen control and finalise low margin projects have started to show effect. We continue to reduce risk in the overall High Voltage portfolio and we produce a handful projects with very low gross margin. Poor project execution in Finland affected the result negatively while Smart Grids showed strong performance with high net sales and operative EBITA. However, Smart Grids is a cyclical business and we expect lower volumes in 2019.

The Communication segment became somewhat a disappointment for the quarter, but even more so for the full year. In the quarter, we experienced good and stable performance in Norway, Finland and Denmark. However, this was offset by Sweden underperforming, primarily due to higher costs than anticipated at project closing. During the autumn, we changed the Swedish management and the new team is taking measures to improve the performance. We will continue to work with operational improvements throughout the organisation.

Our operational excellence strategy is all about improving our day-to-day activities and ensuring we are our customers' first choice. The strategy will help us to simplify things by going back to basics in terms of how we operate and execute our work. This is supported by our country-based organisation where we stay close to our customers. By implementing operational excellence, Eltel has positioned itself for a turn-around.

Our long-term goal is to return to an EBITA-margin of 5% with a stable cash flow and a healthy balance sheet. This will require a focus on the customer interface, flawless execution, production planning as well as efficiency in our operations, including strengthening our financial situation and reducing our net debt over time.

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 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.

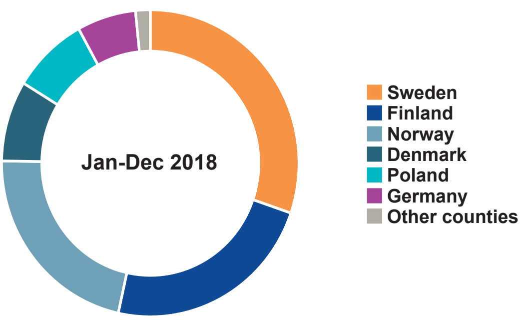
Eltel's financial targets

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

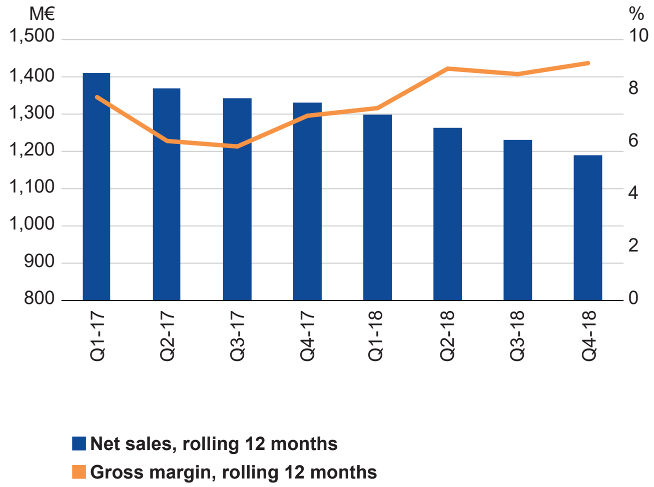
[1]Cash conversion is calculated as operative cash flow as a percentage of EBITA. Operative cash flow is calculated as the sum of (a) operating profit before acquisition-related amortisation (EBITA), (b) depreciation and (c) change in net working capital, less (d) net acquisition of properties, plant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

Net sales by country



Net sales



Net sales and earnings Group

EUR million	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales	330.9	374.2	1,188.9	1,329.9
Operative EBITA	2.9	2.2	-2.2	-25.5
EBIT	-0.2	1.2	-9.2	-184.6
Net result	-3.3	-7.7	-22.2	-204.6
Key ratios				
Net sales growth, %	-11.6	-3.3	-10.6	-5.0
Organic growth* in Power and Communication, %	-5.1		0.3	
Currency translation effect in net sales, MEUR	-6.1	-4.8	-32.1	-6.7
Operative EBITA margin, %	0.9	0.6	-0.2	-1.9
Tax rate, %	-17.2	-2,466.3	-22.9	-3.9
Earnings per share after dilution, EUR	-0.02	-0.05	-0.15	-1.56

*Adjusted for divested operations and currency effects

October–December 2018

Net sales decreased 11.6% to EUR 330.9 million (374.2) with the largest impact from divestments and ongoing discontinuation of operations. Lower volumes in Power Finland and Communication Sweden also had a negative impact on net sales. Organic net sales, adjusted for divested operations and currency effects, decreased 5.1% in segment Power and Communication.

Operative EBITA amounted to EUR 2.9 million (2.2).

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 -2.8 million relating to an earn-out adjustment for Smart Grids Germany (-0.4). Group EBITA amounted to EUR 0.2 million (1.7).

EBIT amounted to EUR -0.2 million (1.2). Amortisation of acquisition-related intangible assets amounted to EUR -0.4 million (-0.5).

Net financial expenses amounted to EUR -2.5 million (-1.5).

Taxes amounted to EUR -0.5 million (-7.4), corresponding to an effective tax rate of -17.2% (-2,466.3).

The net result for the period was EUR -3.3 million (-7.7). Earnings per share were EUR -0.02 (-0.05).

January–December 2018

Net sales decreased 10.6% to EUR 1,188.9 million (1,329.9), mainly as a result of divestments and on-going discontinuation of non-core operations. Lower volumes in Power Finland and Communication Sweden also impacted net sales negatively as well as delayed projects in Norway. Organic growth in segment Power and Communication, adjusted for divested operations and currency effects, was 0.3%.

Operative EBITA amounted to EUR -2.2 million (-25.5).

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 -4.8 million (-1.2). EUR -2.6 million relates to an earn-out adjustment and EUR -2.2 million represents net loss for the disposed business in 2018. Group EBITA amounted to EUR -7.1 million (-26.7).

EBIT amounted to EUR -9.2 million (-184.6). Amortisation of acquisition-related intangible assets amounted to EUR -2.2 million (-8.5). Goodwill impairment amounted to EUR -149.4 million in 2017.

Net financial expenses amounted to EUR -8.8 million (-12.3). The decrease is primarily due to repaid term loans during 2017 and currency effect.

Taxes amounted to EUR -4.1 million (-7.7), corresponding to an effective tax rate of -22.9% (-3.9).

The net result for the period was EUR -22.2 million (-204.6). Earnings per share were EUR -0.15 (-1.56).

Net sales and EBITA – Segments

Power

EUR million	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales	115.1	130.7	438.8	470.4
Operative EBITA	-1.9	-0.5	-0.5	-0.3
Number of employees	2,346	2,453	2,346	2,453
Key ratios				
Net sales growth, %	-11.9	-7.4	-6.7	-3.4
Organic growth*, %	-11.1		-1.3	
Currency translation effect in net sales, MEUR	-1.1	-0.6	-5.2	-0.2
Operative EBITA margin, %	-1.6	-0.3	-0.1	-0.1

*Adjusted for divested operations and currency effects

October–December 2018

Net sales decreased by EUR 15.6 million to EUR 115.1 million (130.7), representing a decrease of 11.9%. The majority of the decline is explained by lower volumes in Finland as well as ramp down of certain service contracts in Sweden. Organic net sales, adjusted for currency effects, decreased 11.1%.

Operative EBITA decreased to EUR -1.9 million (-0.5). The operative EBITA margin was -1.6% (-0.3). The measures taken in High Voltage has started to show effect. Lower volumes and underperformance in Service Finland had a negative impact on the profitability during the period. Measures to increase focus on cost, resource planning, project governance and project control have been implemented during the quarter.

January–December 2018

Net sales decreased by EUR 31.5 million to EUR 438.8 million (470.4), representing a decrease of 6.7%. EUR 20.7 million of the decline is explained by the divestment of the Baltic operations in the second half of 2017. The decrease is furthermore explained by considerably lower volumes in Finland as well at the ramp down of certain power service contracts in Sweden. The decrease was partly offset by strong net sales in Smart Grids and increased volumes in High Voltage. Organic net sales, adjusted for divested operations and currency effects, decreased 1.3%.

Operative EBITA decreased to EUR -0.5 million (-0.3). The operative EBITA margin was -0.1% (-0.1). The strong net sales growth and performance in Smart Grids, mainly in Norway, had a positive impact on EBITA. The measures taken in High Voltage has also started to show effect. This was offset by Finland with poor project execution in Service and lower volumes in Build. Measures to increase focus on cost, resource planning, project governance and project control have been implemented.

Communication

EUR million	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales	207.1	215.6	727.3	756.8
Operative EBITA	9.7	12.9	24.8	34.5
Number of employees	4,502	4,604	4,502	4,604
Key ratios				
Net sales growth, %	-3.9	-0.9	-3.9	0.4
Organic growth*, %	-1.5		1.3	
Currency translation effect in net sales, MEUR	-5.1	-4.1	-26.9	-6.5
Operative EBITA margin, %	4.7	6.0	3.4	4.6

*Adjusted for divested operations and currency effects

October–December 2018

Net sales decreased by EUR 8.4 million to EUR 207.1 million (215.6), representing a decrease of 3.9%. The decline is mainly explained by lower volumes in Build Sweden and adjustments of revenue recognition. This was partly offset by increased volumes from current customers as well as new contracts in Finland and Denmark. Organic net sales, adjusted for currency effects, decreased 1.5%.

Operative EBITA decreased to EUR 9.7 million (12.9). The operative EBITA margin was 4.7% (6.0). The decrease relates to lower net sales and margin adjustments in Sweden. The decrease was partly offset by improved gross margin levels and performance in Build Norway.

January–December 2018

Net sales decreased by EUR 29.4 million to EUR 727.3 million (756.8), 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 June 2017. Net sales in Sweden and Norway was considerably lower compared to the same period in 2017. The decrease in Sweden is mainly related to lower volumes in Build and currency effects. In Norway, delayed construction compared to 2017 and completion of a large Build project impacted the net sales negatively. The decrease was partly offset by strong performance in Finland and Denmark. Organic growth, adjusted for divested operations and currency effects, was 1.3%.

Operative EBITA decreased to EUR 24.8 million (34.5). The operative EBITA margin was 3.4% (4.6). The decrease is mainly attributable to lower net sales and margin adjustments in Sweden.

Other

EUR million	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales	3.6	27.6	23.1	103.8
Operative EBITA	-1.1	-5.8	-11.1	-43.7
Number of employees	158	592	158	592
Key ratios				
Net sales growth, %	-87.1	-5.4	-77.7	-35.6
Operative EBITA margin, %	-30.4	-21.0	-48.2	-42.1

October–December 2018

Net sales decreased by EUR 24.0 million to EUR 3.6 million (27.6), representing a decrease of 87.1%. 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 -1.1 million (-5.8). The operative EBITA margin was -30.4% (-21.0). The negative EBITA is attributable to both units presented in Other, Rail 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.

January–December 2018

Net sales decreased by EUR 80.7 million to EUR 23.1 million (103.8), representing a decrease of 77.7%. The decline is explained by that operations have been divested or discontinued during 2017 and 2018. Power Transmission International represented EUR -22.5 million and Rail EUR -58.2 million of the decrease.

Operative EBITA increased to EUR -11.1 million (-43.7). The operative EBITA margin was -48.2% (-42.1). The negative operative EBITA is attributable to Rail and Power Transmission International as well as 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 29.9 million were recorded during 1 January 2017–31 December 2018, in line with the plan. The discontinuation is expected to be finalised in 2020. From 1 January 2017–31 December 2018 accumulated cost of EUR 24.9 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	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Cash flow from operating activities	70.0	42.3	3.2	-65.2
Cash flow from investing activities	-6.7	-2.6	-21.3	-19.7
Cash flow from financing activities	-34.3	-21.2	39.1	32.4
Net change in cash and cash equivalents	29.0	18.4	21.1	-52.4
Cash and cash equivalents at beginning of period	25.0	13.9	32.9	85.2
Foreign exchange rate effect	-0.6	-0.1	-0.5	0.1
Reclassification as assets held for sale	-	0.7	-	-
Cash and cash equivalents at end of period	53.4	32.9	53.4	32.9

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

October–December 2018

Cash flow from operating activities was EUR 70.0 million (42.3), including a positive impact of EUR 69.6 million (42.8) from change in net working capital coming from, among others, an increased focus on invoicing. 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. Cash flow from financial items and taxes was EUR -3.9 million (-1.5). Net capital expenditure, mainly replacement investments, amounted to EUR 6.4 million (4.8). Cash flow for divestment of business amounted to EUR -0.2 million (2.5). Net repayment of financial lease liabilities amounted to EUR -0.1 million and net utilisation of short-term financial facilities amounted to EUR -33.6 million.

January–December 2018

Cash flow from operating activities was EUR 3.2 million (-65.2). This includes a positive impact of EUR 6.8 million (-32.8) from change in net working capital, and EUR -10.1 million (-14.7) cash flow from financial items and taxes. Net capital expenditure, mainly replacement investments, amounted to EUR 18.6 million (13.5). Cash flow for divestment of business amounted to EUR -2.6 million (-5.6 acquisitions and divestments). Net repayment of financial lease liabilities amounted to EUR -0.5 million and net utilisation of short- term financial facilities amounted to EUR 40.5 million.

Financial position, cash and cash equivalents

Equity at the end of the period was EUR 252.0 million (284.1) and total assets were EUR 829.8 million (828.2). The equity ratio was 32.4% (36.4).

At the end of the fourth quarter, available liquidity reserves amounted to EUR 183.4 million (162.9). On the same date, EUR 83.5 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 extension of the facilities by one year, until the end of Q1 2021, and resetting of covenants during the transformation period to EBITDA adjusted with agreed nonrecurring items. 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.

At the end of the fourth quarter the commercial contract guarantees issued by banks, other financial institutions and the Parent Company amounted to EUR 304.8 million (337.0).

Interest-bearing liabilities and net debt

EUR million	31 Dec 2018	31 Dec 2017
Interest-bearing debt in balance sheet	200.8	164.4
Allocation of effective interest to periods	0.6	0.6
Less cash and cash equivalents	-53.4	-32.9
Net debt	**148.0**	**132.1**

Interest-bearing liabilities totalled EUR 200.8 million (164.4), of which EUR 114.5 million (119.0) were non-current and EUR 86.4 million (45.3) were current. Cash and cash equivalents amounted to EUR 53.4 million (32.9). Interest-bearing net debt totalled EUR 148.0 million (132.1).

Other information

Events after the end of the period

On 31 January 2019, the total number of shares in Eltel were increased to 157,499,081 and, correspondingly, the total number of votes were increased to 156,734,081.

The increase is due to the Board's resolution, based on the authorisation given to the Board by the Extraordinary General Meeting held in the Company on 17 September 2018, to issue a total of 850,000 redeemable and convertible class C shares (with 1/10 vote per share), which were registered by the Swedish Companies Registration Office during January 2019. The purpose of the issue of class C shares is to use the shares in Eltel's long-term incentive programme LTIP 2018.

Dividend distribution

The board proposes that no dividend will be paid for the year 2018.

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 (a) Eltel's internal control and accounting, and (b) Eltel's capacity for providing information to the market in relation to applicable disclosure requirements under the Market Abuse Regulation. Eltel has responded and outlined its reasons for rejecting any breach. On 8 January 2019, Nasdaq Stockholm informed on closure of the matter regarding alleged deficiencies in Eltel's internal control and accounting. The matter regarding the alleged deficiencies in Eltel's capacity for providing information to the market in relation to applicable disclosure requirements under the Market Abuse Regulation continues. Any decision taken by the Disciplinary Committee will be made public.

Eltel needs to improve its financial situation and reduce net debt over time. Given the weak overall performance of the underlying business, there is a risk that the covenants under the existing financing agreement are not met during the transformation period. Eltel has initiated a dialogue with its lending banks regarding a potential revision of the financial covenants.

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 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 full-year and the fourth quarter 2018 report

Analysts and media are invited to participate in the full-year and the fourth quarter 2018 briefing on 14 February 2019 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.

For further information, please contact:

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Financial calendar

- 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 14 February 2019 at 08:00 a.m. CET.

Signatures of the Board of Directors and CEO

Stockholm, Sweden, 14 February 2019

Eltel AB (publ)

Ulf Mattsson, 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 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales	330.9	374.2	1,188.9	1,329.9
Cost of sales	-297.0	-341.7	-1,080.5	-1,234.8
Gross profit	**33.9**	**32.5**	**108.4**	**95.1**
Other income	0.2	1.4	4.5	4.9
Sales and marketing expenses	-3.0	-1.3	-8.0	-9.5
Administrative expenses	-23.7	-28.6	-101.0	-109.0
Other expenses	-8.1	-2.1	-12.2	-7.7
Share of profit/loss of joint ventures	0.9	-0.1	1.1	-0.4
Operating result before acquisition-related amortisations (EBITA)	**0.2**	**1.7**	**-7.1**	**-26.7**
Amortisation and impairment of acquisition-related intangible assets	-0.4	-0.5	-2.2	-158.0
Operating result (EBIT)	**-0.2**	**1.2**	**-9.2**	**-184.6**
Financial income	0.1	0.2	0.4	0.4
Financial expenses	-2.7	-1.7	-9.2	-12.7
Net financial expenses	-2.5	-1.5	-8.8	-12.3
Result before taxes	**-2.8**	**-0.3**	**-18.0**	**-197.0**
Taxes	-0.5	-7.4	-4.1	-7.7
Net result	**-3.3**	**-7.7**	**-22.2**	**-204.6**
Attributable to:				
Equity holders of the parent	-3.6	-8.0	-23.3	-205.3
Non-controlling interest	0.4	0.3	1.1	0.7
Earnings per share (EPS)				
Basic, EUR	-0.02	-0.05	-0.15	-1.56
Diluted, EUR	-0.02	-0.05	-0.15	-1.56

Condensed consolidated statement of comprehensive income

EUR million	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net profit for the period	-3.3	-7.7	-22.2	-204.6
Other comprehensive income:				
Items that will not be reclassified to profit and loss				
Revaluation of defined benefit plans, net of tax	-3.4	-2.8	-4.8	-5.6
Items that may be subsequently reclassified to profit and loss				
Cash flow hedges, net of tax	0.0	0.1	0.0	0.2
Net investment hedges, net of tax	-0.1	0.4	3.0	1.0
Currency translation differences	-3.7	-3.3	-7.2	-3.5
Total	-3.9	-2.9	-4.2	-2.4
Other comprehensive income/loss for the period, net of tax	-7.3	-5.7	-9.0	-7.9
Total comprehensive income/loss for the period	**-10.6**	**-13.4**	**-31.1**	**-212.6**
Total comprehensive income/loss attributable to:				
Equity holders of the parent	-10.9	-13.7	-32.3	-213.3
Non-controlling interest	0.4	0.3	1.1	0.7

Condensed consolidated balance sheet

EUR million	31 Dec 2018	31 Dec 2017
ASSETS		
Non-current assets		
Goodwill	282.1	286.9
Intangible assets	42.8	41.8
Property, plant and equipment	34.2	32.6
Investments in and receivable from joint ventures	1.9	0.7
Investments	0.3	0.3
Deferred tax assets	29.0	21.5
Trade and other receivables	0.4	0.1
Total non-current assets	**390.7**	**384.0**
Current assets		
Inventories	13.2	9.6
Other financial assets	35.0	35.0
Trade and other receivables	337.5	356.4
Cash and cash equivalents	53.4	32.9
Total current assets	**439.2**	**433.9**
Assets held for sale	-	10.4
TOTAL ASSETS	**829.8**	**828.2**
EQUITY AND LIABILITIES		
Equity		
Shareholders' equity	244.3	277.1
Non-controlling interest	7.6	7.0
Total equity	**252.0**	**284.1**
Non-current liabilities		
Debt	114.5	119.0
Retirement benefit obligations	12.8	11.0
Deferred tax liabilities	17.6	7.9
Provisions	2.6	2.5
Other non-current liabilities	0.6	0.0
Total non-current liabilities	**148.1**	**140.4**
Current liabilities		
Debt	86.4	45.3
Liabilities to shareholders*	35.0	35.0
Provisions	15.3	22.1
Advances received	51.7	48.4
Trade and other payables	241.4	244.9
Total current liabilities	**429.8**	**395.8**
Liabilities associated with assets held for sale	-	7.9
Total liabilities	**577.9**	**544.1**
TOTAL EQUITY AND LIABILITIES	**829.8**	**828.2**

* refers to selling shareholders at the time of the listing on 6 February 2015

Condensed consolidated statement of cash flows

EUR million	Jan-Dec 2018	Jan-Dec 2017
Cash flow from operating activities		
Cash flow from operating activities before financial items and taxes	13.3	-50.5
Interest received	0.3	0.4
Interest and other financial expenses paid	-7.7	-11.4
Income taxes paid	-2.7	-3.6
Net cash from operating activities	**3.2**	**-65.2**
Cash flow from investing activities		
Purchases of property, plant and equipment (PPE)	-19.2	-14.1
Proceeds from sale of PPE	0.6	0.5
Acquisition of business net of cash and cash equivalents	-	-6.7
Investments in joint ventures	-0.1	-0.6
Disposal of business	-2.6	1.1
Net cash from investing activities	**-21.3**	**-19.7**
Cash flow from financing activities		
Proceeds from issuance of share capital	-	149.2
Proceeds from short-term financial liabilities	89.7	63.0
Payments of short-term borrowings	-49.2	-177.6
Payments of/proceeds from finance lease liabilities	-0.5	-0.4
Dividends to non-controlling interest	-0.5	-1.0
Change in non-liquid financial assets	-0.4	-0.8
Net cash from financing activities	**39.1**	**32.4**
Net change in cash and cash equivalents	**21.1**	**-52.4**
Cash and cash equivalents at beginning of period	32.9	85.2
Foreign exchange rate effect	-0.5	0.1
Cash and cash equivalents at end of period	53.4	32.9

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

EUR million	Jan-Dec 2018	Jan-Dec 2017
EBITA	-7.1	-26.7
Depreciation	12.2	13.3
EBITDA	5.1	-13.4
Change in net working capital	6.8	-32.8
Net purchase of PPE	-18.6	-13.5
Operative cash flow (used in cash conversion key figure)	-6.6	-59.7
Less net purchase of PPE, presented in investing activities	18.6	13.5
Gains on sales of assets	2.1	2.9
Items recognised through other comprehensive income	-3.8	-4.2
Other non-cash adjustments	3.0	-3.0
Cash flow from operating activities before financial items and taxes	13.3	-50.5

Condensed consolidated statement of changes in equity

EUR million	Share capital	Share issue	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

EUR million	Share capital	Share issue	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 was that the adaption of IFRS 15 did not have any material impact on the Group's financial position. There were 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 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 between financial years 2018 and 2017. Therefore, the information presented in 2017 has not been restated.

IFRS 9 Financial instruments replaced the earlier 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 of short-term leases and leases of low-value items, which Eltel has chosen to apply. Under IAS 17, Eltel recognises 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 with the addition of advance payments reported in the balance sheet as of 31 December 2018, and Eltel expects to recognise following opening balance adjustments due to transition to the new standard: Right-of-use assets by approximately EUR 90 million and Leasing liabilities by approximately EUR 90 million. The right-of-use assets consist mainly of leases of facilities and vehicles. Eltel expects IFRS 16 to have a minor positive impact on operating profit and slight increase in the financial costs. Cash flow from operating activities is expected to increase and cash flow from financing activities is expected to decrease, due to the fact that the amortisation part of the leasing fees will be reported as a payment in the financing activities.

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 and 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 Country Unit Sweden and presended under segment Communication and historical comparative information is restated accordingly.

Key figures for the period

EUR million	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales	330.9	374.2	1,188.9	1,329.9
Net sales growth, %	-11.6	-3.3	-10.6	-5.0
Operative EBITA	2.9	2.2	-2.2	-25.5
Operative EBITA margin, %	0.9	0.6	-0.2	-1.9
Items affecting comparability	-2.8	-0.4	-4.8	-1.2
EBITA	0.2	1.7	-7.1	-26.7
EBITA margin, %	0.0	0.5	-0.6	-2.0
Amortisation of acquisition-related intangible assets	-0.4	-0.5	-2.2	-8.5
Impairment of goodwill and other acquisition-related intangible assets	-	-	-	-149.4
Operating result (EBIT)	-0.2	1.2	-9.2	-184.6
EBIT margin, %	-0.1	0.3	-0.8	-13.9
Result after financial items	-2.8	-0.3	-18.0	-197.0
Net result for the period	-3.3	-7.7	-22.2	-204.6
Earnings per share EUR, basic**	-0.02	-0.05	-0.15	-1.56
Earnings per share EUR, diluted**	-0.02	-0.05	-0.15	-1.56
Operative cash flow	66.4	43.0	-6.6	-59.7
Number of personnel, end of period	7,376	7,999	7,376	7,999

* Calculated on a rolling 12-month basis
** Shares issued in the preferential rights issue were registered on 7 July 2017
Please see page 20 for definitions of the key ratios.

Quarterly key financial figures for the Group

EUR million	Oct-Dec 2018	Jul-Sep 2018	Apr-Jun 2018	Jan-Mar 2018	Oct-Dec 2017	Jul-Sep 2017	Apr-Jun 2017	Jan-Mar 2017
Net sales	330.9	295.9	295.5	266.6	374.2	328.0	329.8	297.8
Net sales growth, %	-11.6	-9.8	-10.4	-10.5	-3.3	-7.9	-10.6	3.6
Operative EBITA	2.9	0.5	2.0	-7.6	2.2	3.1	-21.0	-9.7
Operative EBITA margin, %	0.9	0.2	0.7	-2.9	0.6	0.9	-6.4	-3.2
EBITDA	3.2	3.9	4.8	-6.9	5.0	6.0	-16.8	-7.6
EBITA	0.2	0.5	2.1	-9.9	1.7	2.4	-20.0	-10.7
EBITA margin, %	0.0	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	-0.2	1.6	-10.4	1.2	-2.8	-23.2	-159.8
EBIT margin, %	-0.1	-0.1	0.5	-3.9	0.3	-0.9	-7.0	-53.7
Result after financial items	-2.8	-3.5	0.3	-12.0	-0.3	-6.4	-27.3	-162.9
Net result for the period	-3.3	-9.6	0.2	-9.5	-7.7	-11.0	-24.5	-161.4
Earnings per share EUR, basic and diluted	-0.02	-0.06	0.00	-0.06	-0.05	-0.07	-0.23	-1.53
Return on operative capital employed, %*	-8.3	-3.9	-3.2	-22.8	-37.4	-38.3	-35.8	-11.6
Return on equity (ROE), %*	-8.3	-9.5	-9.7	-23.0	-64.9	-77.2	-72.0	-76.0
Net working capital	39.9	109.3	91.9	75.1	45.6	88.4	59.9	71.6
Operative cash flow	66.4	-18.2	-17.3	-37.6	43.0	-25.6	-10.7	-66.4
Cash conversion, %*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of personnel, end of period	7,376	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, 31 December 2017 Finnish and Danish Rail business and on 30 September 2017 business in Estonia)

Net sales by segment

EUR million	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Power				
Net sales (external)	118.0	131.1	438.8	469.7
Inter-segment sales	-2.9	-0.4	0.1	0.7
Communication				
Net sales (external)	209.3	215.6	727.0	756.7
Inter-segment sales	-2.2	0.0	0.3	0.1
Other				
Net sales (external)	3.6	27.5	23.1	103.5
Inter-segment sales	-	0.1	-	0.3
Elimination of sales between segments	5.0	0.4	-0.4	-1.1
Net sales, total	**330.9**	**374.2**	**1,188.9**	**1,329.9**

Net sales by geographical area

EUR million	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Sweden	96.4	123.2	359.8	415.5
Finland	75.3	82.9	275.8	309.8
Norway	67.3	78.7	258.9	273.3
Denmark	36.9	29.0	101.1	93.3
Poland	30.9	27.9	98.2	96.7
Germany	17.7	23.2	76.2	78.3
Baltics	-0.2	0.4	3.3	24.5
Other countries	6.5	9.0	15.6	38.4
Net sales, total	**330.9**	**374.2**	**1,188.9**	**1,329.9**

In January–December 2018 upgrade services represented 47% (49), maintenance services 27% (20) and project delivery services 26% (31) of Eltel's total net sales.

Reconciliation of segment results

EUR million	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Operative EBITA by segment				
Power	-1.9	-0.5	-0.5	-0.3
Communication	9.7	12.9	24.8	34.5
Other	-1.1	-5.8	-11.1	-43.7
Items not allocated to operating segments*	-3.8	-4.4	-15.4	-16.1
Operative EBITA, Group	2.9	2.2	-2.2	-25.5
Reviews and investigations	-	-	-	-1.4
Earn-out adjustment	-2.8	0.2	-2.6	3.2
Gain on sale of business	-	-	3.7	-
Loss on business sold and assets held for sale	-	-0.6	-6.0	-2.9
Total items affecting comparability in EBITA	-2.8	-0.4	-4.8	-1.2
EBITA before acquisition-related amortisations	0.2	1.7	-7.1	-26.7
Amortisation of acquisition-related intangible asset	-0.4	-0.5	-2.2	-8.5
Impairment of goodwill and other acquisition-related intangible assets**	-	-	-	-149.4
Operating result (EBIT)	-0.2	1.2	-9.2	-184.6
Financial expenses, net	-2.5	-1.5	-8.8	-12.3
Result before taxes	**-2.8**	**-0.3**	**-18.0**	**-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. An adjustment to contingent consideration (earn-out) of EUR 2.8 million was done relating to the acquisition of the German Smart Grids operations in 2016 as a result of the performance of the asset and the leverage mechanism in the agreement.

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 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.

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

	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net result attributable to equity holders of the parent	-3.6	-8.0	-23.3	-205.3
Weighted average number of common shares, basic	156,649,081	156,560,595	156,603,262	131,236,383
Weighted average number of common shares, diluted	156,898,611	156,603,197	156,795,867	131,305,832
Earnings per share EUR, basic	-0.02	-0.05	-0.15	-1.56
Earnings per share EUR, diluted	-0.02	-0.05	-0.15	-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	31 Dec 2018	31 Dec 2017
Inventories	13.2	9.6
Trade and other receivables	337.5	356.4
Provisions	-17.9	-24.7
Advances received	-51.7	-48.4
Trade and other payables	-241.4	-244.9
Other*	0.2	-2.4
Net working capital	39.9	45.6
Intangible assets excluding acquisition-related allocations	10.6	7.0
Property, plant and equipment	34.2	32.6
Operative capital employed	84.7	85.1
Average operative capital employed	84.9	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 31 December 2017 Finnish and Danish Rail business)

Deferred taxes

EUR million	31 Dec 2018	31 Dec 2017
Deferred tax assets	29.0	21.5
Deferred tax liabilities	-17.6	-7.9
Sum	11.5	13.6

Gross amount of EUR 21.0 million (21.3) deferred tax assets are recognised for losses carried forward, of which EUR 10.3 million (10.8) relates 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.

Derivative financial instruments

	31 Dec 2018			31 Dec 2017		
EUR million	Nominal values	Net fair values		Nominal values	Net fair values	
Interest rate derivatives	22.8	0.0	1)	23.5	0.1	4)
Foreign exchange rate derivatives	61.7	-0.4	2)	82.7	-0.2	5)
Embedded derivatives	7.8	0.7		45.6	2.1	
Commodity derivatives	0.6	-0.1	3)	-	-	
Total	**92.9**	**0.2**		**151.8**	**2.0**	

Designated as cash flow hedge [1] EUR -0.3 million [2] EUR 0.0 million [3] EUR -0.1 million [4] EUR -0.5 million[5] 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.

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	EBITA + depreciation + change in net working capital – net purchase of PPE (capex)
Cash conversion, %*	$\frac{\text{Operative cash flow x 100}}{\text{EBITA}}$
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
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, %*	$\frac{\text{EBITA x 100}}{\text{Operative capital employed (average over the reporting period)}}$
Return on equity, %*	$\frac{\text{Net result x 100}}{\text{Total equity (average over the reporting period)}}$
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

* 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 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales	3.8	2.8	3.8	2.8
Administrative income and expenses	-3.2	-4.3	-11.9	-12.0
Operating result	**0.5**	**-1.5**	**-8.1**	**-9.2**
Write-down of investment in Group companies*	-	-	-	-200.0
Interest and other financial income	4.1	4.2	16.3	17.5
Interest and other financial expenses	-0.6	-0.7	-1.9	-4.5
Net financial items	3.5	3.6	14.4	13.0
Result after financial items	**4.0**	**2.1**	**6.3**	**-196.1**
Group contributions given	-6.2	-	-6.2	-
Taxes	-0.1	-1.0	-0.1	-0.4
Net result	**-2.2**	**1.1**	**0.0**	**-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	31 Dec 2018	31 Dec 2017
ASSETS		
Investment in Group companies	396.6	392.7
Intangible assets	0.1	0.1
Deferred tax assets	0.6	0.8
Total non-current assets	**397.2**	**393.5**
Trade and other receivables	4.4	4.2
Cash pool receivable	135.5	95.0
Other financial asset	35.0	35.0
Cash and cash equivalents	0.0	0.0
Total current assets	**174.9**	**134.3**
TOTAL ASSETS	**572.1**	**527.8**
EQUITY AND LIABILITIES		
Total equity	**444.1**	**444.0**
Debt	83.3	42.9
Liabilities to shareholders	35.0	35.0
Liabilities to Group companies	7.8	2.1
Trade and other payables	1.9	3.8
Total current liabilities	**128.1**	**83.8**
Total liabilities	**128.1**	**83.8**
TOTAL EQUITY AND LIABILITIES	**572.1**	**527.8**

Equity

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	31 Dec 2018
Share capital	158.4	-	-0.5	-	-	-	158.0
Statutory reserve	-	-	0.5	-	-	-	0.5
Non-restricted equity	285.6	0.0	-	0.0	-0.0	0.0	285.6
Total	**444.0**	**0.0**	**-**	**0.0**	**-0.0**	**0.0**	**444.1**

*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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