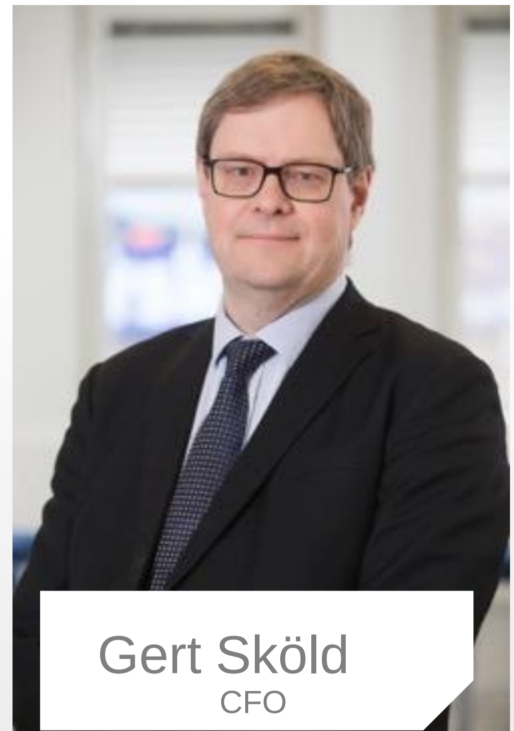
Eltel AB

Q3 2016 presentation

9 November 2016

Today’s presenters

Håkan Kirstein
CEO



Gert Sköld
CFO

- **Eltel in brief**
- Q3 business performance
- Q3 financials
- Current challenges, actions and outlook

Eltel in brief

European market leader

Industry with long term structural growth

Scalable platform for growth and M&A

Solid customer base and recurring revenues

Good financial profile with strong cash generation

Operations in 10 countries

Net sales EUR 1.25 billion

9,600 employees

Eltel in brief

Q3 business performance

Q3 financials

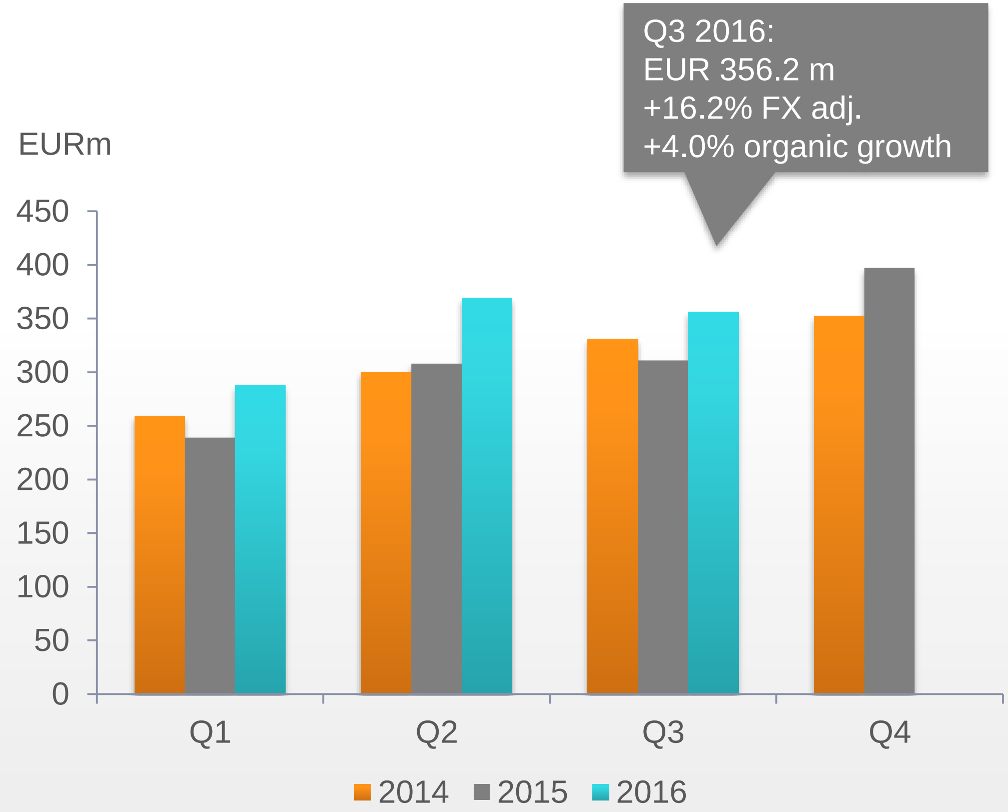
Current challenges, actions and outlook

Q3 2016 Highlights

- Strong net sales growth mainly driven by acquisitions
- Order backlog flat compared to level at beginning of 2016
- EBITA significantly impacted by challenges mainly in the project business
  - Performance in Power, especially certain electrification projects in Africa
  - In October, Eltel announced that Q3 and Q4 2016 will be significantly impacted by challenges in certain projects
  - A strategic and operational project review is ongoing
- Håkan Kirstein started as Eltel’s new CEO in mid-September

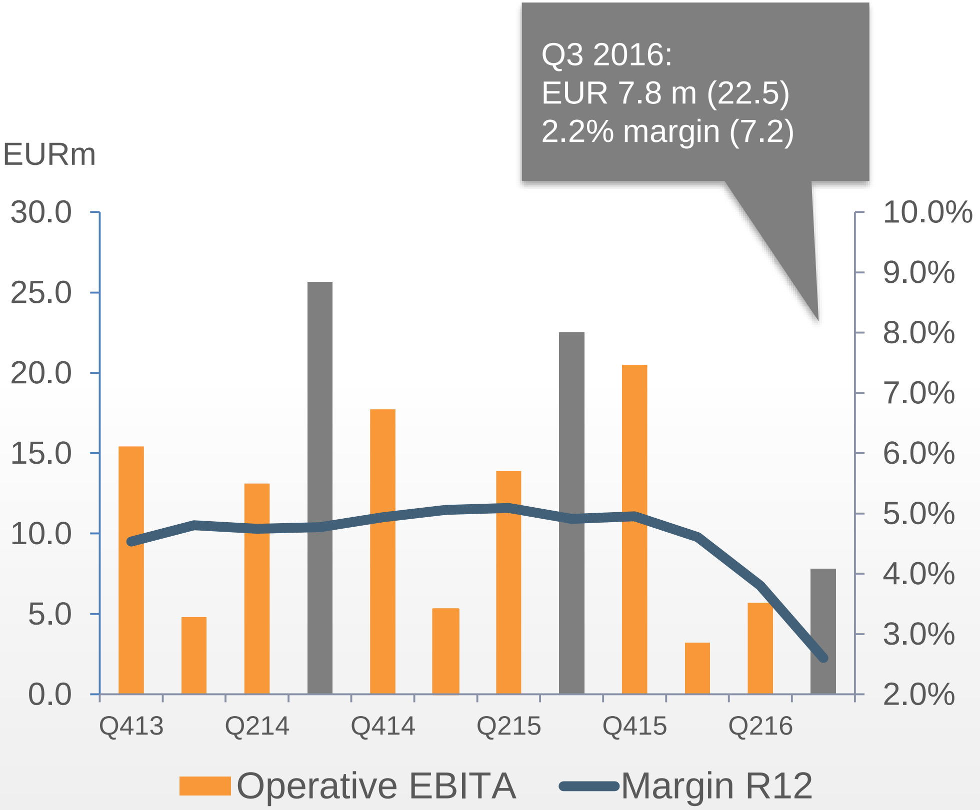
Q3 2016 Net sales

- **Q3 net sales** EUR 356.2 million (310.8)
  - +16.2% FX adjusted
  - Driven by acquisitions (Eltel Sönnico, Vete AS, U-SERV GmbH)
- +4.0% organic growth driven by the Power segment
- **Committed order backlog**
  - EUR 923 million (Dec 2015: 920)
  - Mix shift towards fibre rollouts and smart meter installations – well balanced



Q3 2016 Operative EBITA

- **Q3 2016 Operative EBITA**
  - EUR 7.8 million (22.5) including provisions of EUR 5.7 million
  - 2.2% of net sales (7.2)
  - Challenges within the Power segment, majority related to power transmission in certain African projects
  - Margin revision in power distribution in Sweden, bankruptcy of a subcontractor in Sweden, increased costs in the UK and lost Rakel contract
  - Implementation costs for Group Shared Service programme
- **Q3 2016 EBITA**
  - EUR 7.8 (23.3)



Power
- Mixed geographical market conditions

Net sales:
- Higher volumes in cabling projects and power transmission projects in the Nordics
- Small positive impact from power distribution acquisitions in Germany and transmission in Poland
- Growth was offset by lower net sales in certain electrification projects in Africa
- Previously delayed smart meter installations in Norway gradually started at the end of Q3

Operative EBITA:
- Performance in certain electrification projects in Africa deteriorated further having a clear negative impact on EBITA
    - Challenges expected to continue rest of 2016
- Negative impact from margin revision in power distribution in Sweden

Q3 Net sales
EUR 146.2 m (135.8)
+9.5% FX adj.

Q3 Operative EBITA
EUR 0.3m (9.6)
0.2% margin (7.1)

Communication
- Growth driven by Eltel Sønnico and fibre

Net sales:

- Strong growth mainly due to the consolidation of the Norwegian JV Eltel Sønnico AS in Sep 2015

Operative EBITA

- Positive impact from fixed communication business in Norway
- Negative impact from a weaker business mix in the rest of the Nordics, ramp-up costs in the UK and the delayed start-up of a large mobile communication contract in Germany
- In Q3 2015, operative EBITA margin positively impacted by 0.2 percentage points by the inclusion of the Norwegian communication business - no impact on net sales

Q3 Net sales
EUR 173.9 m (140.3)
+25.4% FX adj.

Q3 Operative EBITA
EUR 9.4m (10.8)
5.4% margin (7.7)

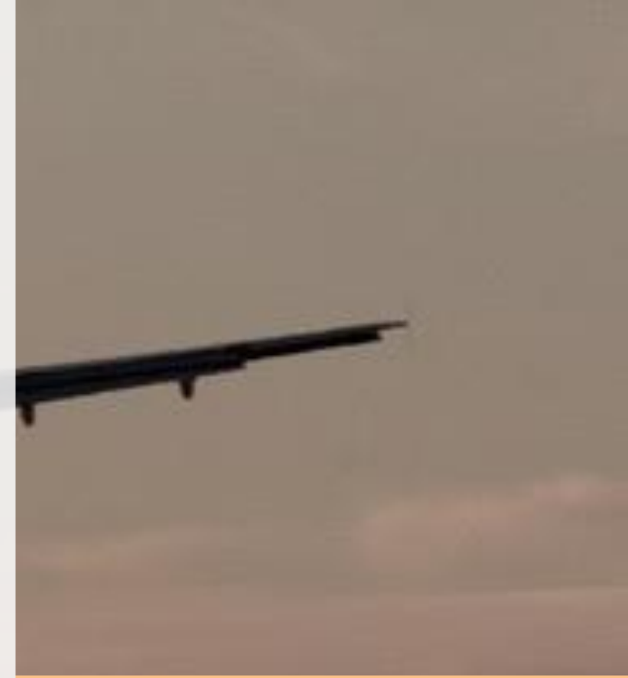
Transport & Security
- Hit by isolated performance issues

Net sales

- The modest development was mainly attributable to the loss of the Rakel contract and lower volumes in the rail and road business in Norway
- This was partly offset by a positive contribution from the acquisitions of Vete Signaltjenester AS and Celer Oy

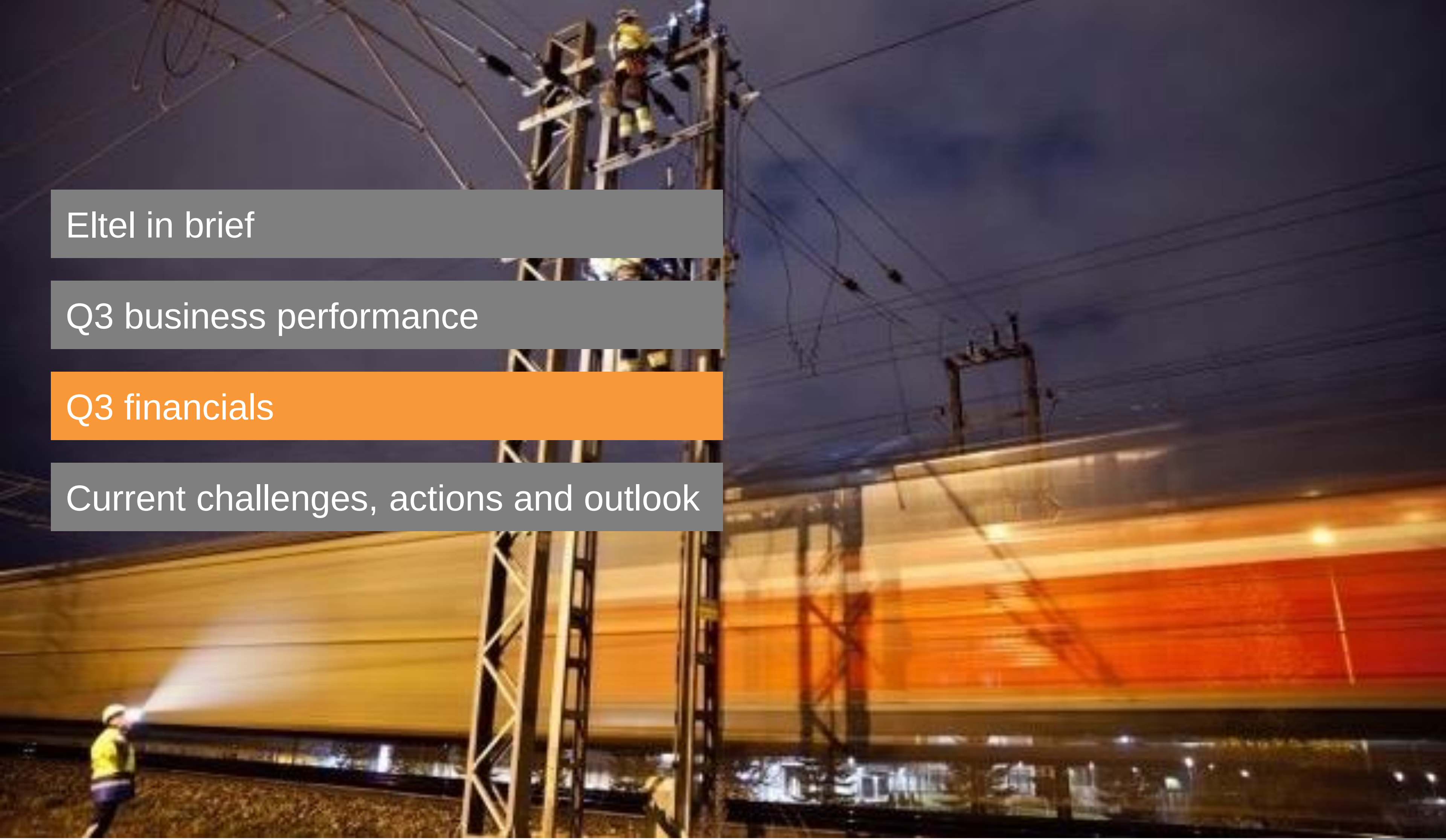
Operative EBITA:

- Negative effect from loss of the Rakel contract, included in the comparable figures
- Weak performance of the rail projects in Norway
    - These rail projects in Norway will continue to have a profitability dilution effect on EBITA in Q4 2016



Q3 Net sales
EUR 36.7m (36.6)
+1.2% FX adj.

Q3 Operative EBITA
EUR 1.7m (4.2)
4.7% margin (11.4)



- Eltel in brief
- Q3 business performance
- **Q3 financials**
- Current challenges, actions and outlook

Financial KPIs and P&L

EUR million	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	FY 2015	R12
Net sales	356.2	310.8	1,012.7	857.6	1,254.9	1,410.0
Operative EBITA	7.8	22.5	16.7	41.7	62.2	37.2
Operating result (EBIT)	4.1	19.6	5.9	30.1	46.6	22.4
Result after financial items	2.1	17.0	-2.2	17.9	32.2	12.1
Net result for the period	1.9	25.2	-1.8	25.9	43.2	15.4
Earnings per share EUR,	0.02	0.39	-0.04	0.42	0.69	[illegible]
Leverage ratio	4.3	3.6	4.3	3.6	2.0	4.3
Operative cash flow	22.6	-7.4	-30.5	-44.6	45.8	59.9

EBITA significantly impacted by challenges mainly in project business

Bank covenants at 4.0 considering specific adjustments – no breach in Q3

Strong cash flow due to decrease in working capital, this effect is partly temporary

Financial comments and assessments

Capex	Asset-light business. Historical annual net capex of slightly more than 1% of net sales. In Q3 2016 the net capex was EUR 2.7 million, 0.8% of net sales.
Goodwill	Goodwill of EUR 475.8 million at end of Q3 2016, mainly related to 3i acquisition of Eltel in 2007. Change in Q3 related to FX impact. Annual impairment tests conducted.
Amortisation	Intangible assets of EUR 72.7 million in balance sheet allocated to customer relations and brand. In Q3 2016 amortisation amounted to EUR 3.6 million. Pre-IPO assets expected to be fully amortised in 2017.
Net financials	Loan facility of approx. EUR 210 million, CP programme of EUR 100 million and RCF of EUR 90 million post-IPO. In Q3 net financials were EUR –2.0 million of which EUR –0.2 million was an effect from interest rate derivative revaluation.
Taxes	In Q3 net tax P&L cost of EUR 0.3 million.

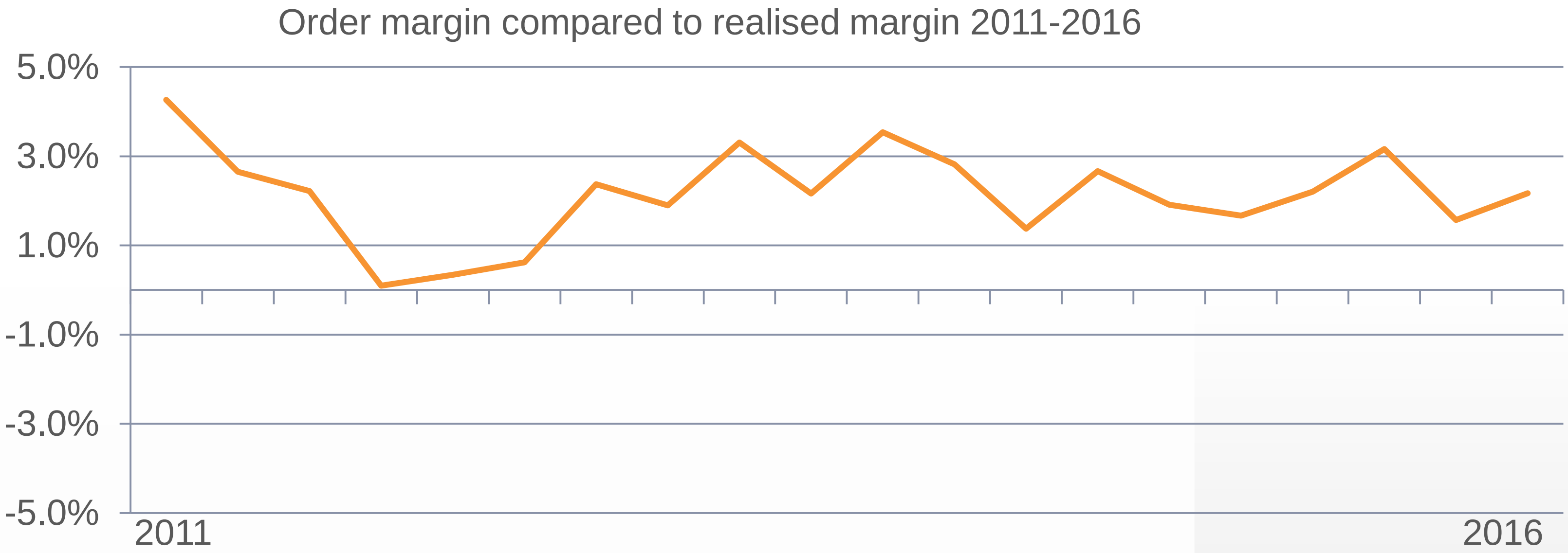
Eltel in brief

Q3 business performance

Q3 financials

Current challenges, actions and outlook

Despite recent challenges, solid track record of projects
- on average 2% margin improvement from order to finalisation



- Rolling ten latest projects > EUR 10 million
- 75% of the projects have improved margins
- Two out of 29 projects show negative margin (both < 3 %)
- Backlog margin - adjusted for the four problem projects - has improved

Challenges in project business during 2016

Norway – rail projects

- Bad project execution in two rail projects in Norway from too fast ramp-up as Eltel entered Norway rail business in 2013-2014
- Delivery inspections during Q2 in one of the projects showed unsatisfactory technical work quality
- A detailed cost assessment in July/August to correct deficiencies significantly exceeded the previous assessment
- Provision of EUR 10 million booked in Q2
- Projects expected to be completed in 2016 and settled in 2017

Africa – electrification projects

- Underperformance in certain African power transmission projects in Mozambique and Tanzania
- Delays and limited access to sites, cost increases due to work acceleration, funding limitations for extra work and other operational project issues
- Challenges related to these African electrification projects are expected to continue in the fourth quarter of 2016
- Projects are expected to be finalised during H1 2017

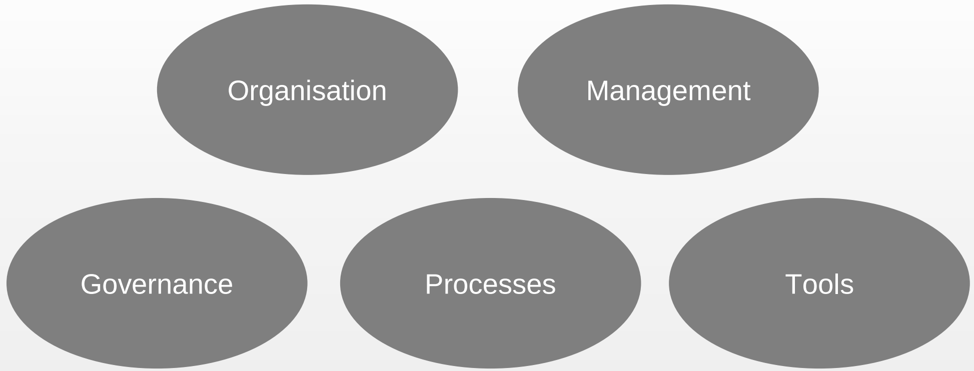
Operational project review ongoing - action plan during November

Actions taken – specific projects

- ✓ Several managerial changes made during the past months
- ✓ Project management further strengthened by internal specialists
- ✓ Additional review of subcontractor quality performance by third party initiated

Focus areas in ongoing review

- Full review of all projects - analysis ongoing
- Action plan ready in November
- Assessment is including the following areas:



Guidance given on 14 October 2016

- Challenges are expected to continue in 2016 and to impact Q4 2016 net sales and EBITA
- **Management estimates**
  - **Group Q4 2016 EBITA expected to be EUR 10-15 million**
  - **Group full-year 2016 EBITA expected to be EUR 27-32 million**
- For 2017
  - Net sales for power transmission is expected to be lower in 2017 compared to 2016

Underlying drivers for organic growth

POWER
- Ageing infrastructure
- Smart networks
- Sustainability

COMMUNICATION
- Global connections
- Mobile evolution
- Data traffic volumes

TRANSPORT & SECURITY
- Increased transport needs
- Increased security needs
- Integrated EU-market

Thank you!

Eltel to report Q4 2016
on 10 February 2017

For further information:

Ingela Ulfves
VP – IR and Group Communications
ingela.ulfves@eltelnetworks.com
Tel: +358 40 311 3009