

# Eltel Group

## Interim report January–June 2020

Stockholm, Sweden, 23 July 2020

### April–June 2020

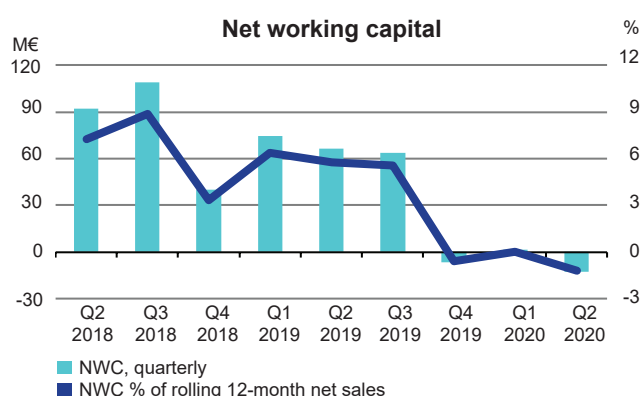
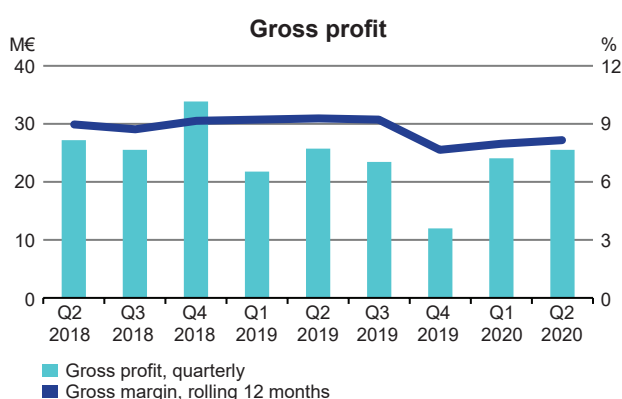
- Net sales EUR 245.5 million (276.0). Total growth -11.1% and organic growth<sup>1)</sup> in Power and Communication -3.3%
- Operative EBITA<sup>2)</sup> EUR 2.8 million (2.5) and operative EBITA margin 1.2% (0.9)
- Items affecting comparability include EUR 20.4 million (0.0) gain from divestment of businesses
- Operating result (EBIT) EUR 23.1 million (2.1) and EBIT margin 9.4% (0.8)
- Net result EUR 14.0 million (-2.0)
- Earnings per share EUR 0.09 (-0.01), basic and diluted
- Cash flow from operating activities EUR 19.2 million (13.5)

### January–June 2020

- Net sales EUR 482.1 million (527.0). Total growth -8.5% and organic growth<sup>1)</sup> in Power and Communication -2.9%
- Operative EBITA<sup>2)</sup> EUR 0.8 million (-0.5) and operative EBITA margin 0.2% (-0.1)
- Items affecting comparability include EUR 20.4 million (0.0) gain from divestment of businesses
- Operating result (EBIT) EUR 20.8 million (-1.5) and EBIT margin 4.3% (-0.3)
- Net result EUR 9.2 million (-9.4)
- Earnings per share EUR 0.06 (-0.06), basic and diluted
- Cash flow from operating activities EUR 14.4 million (-20.3)
- Net debt<sup>3)</sup> ended at EUR 86.4 million (189.5)

### Significant events during the second quarter

- 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.
- During the quarter, Telia gave notice to terminate three Communication maintenance agreements in Sweden following a tender process. The production ends in Q4 2020. In 2019, the combined net sales for these agreements was about EUR 40 million and declining year-on-year.
- During the quarter, Eltel signed three contracts of significance to a combined value of about EUR 150 million:
  - A five-year frame agreement with Helen Electricity Network Ltd worth about EUR 90 million (Power, Finland).
  - A three-year frame agreement with the Swedish Transport Administration worth about EUR 23 million (Communication, Sweden).
  - A three-year frame agreement with Valokuitunen Oy worth about EUR 38 million (Communication, Finland).



EUR million	Apr-Jun 2020	Apr-Jun 2019	Change, %
<b>Net sales</b>			
Power	86.3	94.7	-8.9
Communication	152.8	177.8	-14.1
Other	6.4	3.9	65.7
<b>Total Group</b>	<b>245.5</b>	<b>276.0</b>	<b>-11.1</b>
<b>Operative EBITA<sup>2)</sup></b>			
Power	-4.5	2.4	-288.8
Communication	7.3	2.1	247.9
Other	2.6	0.2	1,334.0
Items not allocated <sup>4)</sup>	-2.5	-2.2	-14.9
<b>Total Group</b>	<b>2.8</b>	<b>2.5</b>	<b>14.6</b>

EUR million	Jan-Jun 2020	Jan-Jun 2019	Change, %
<b>Net sales</b>			
Power	160.4	181.6	-11.7
Communication	312.9	339.1	-7.7
Other	8.8	7.0	26.1
<b>Total Group</b>	<b>482.1</b>	<b>527.0</b>	<b>-8.5</b>
<b>Operative EBITA<sup>2)</sup></b>			
Power	-8.0	-1.8	-339.1
Communication	11.5	6.7	71.0
Other	2.3	0.1	3,312.7
Items not allocated <sup>4)</sup>	-5.1	-5.5	8.0
<b>Total Group</b>	<b>0.8</b>	<b>-0.5</b>	<b>242.4</b>

1) Adjusted for divested operations and currency effects.

2) Eltel follows the profitability of segments with Operative EBITA. Please see page 21 for definitions of the key ratios.

3) Refers to net debt as defined in financing agreement. See page 9 for calculation.

4) Items not allocated to operating segments consist of Group management and support function.

## Comments by the CEO

We delivered a solid second quarter for Eltel despite the exceptional circumstances amidst the COVID-19 pandemic. We improved our operative EBITA even with declining net sales and we continued to make significant improvements to our balance sheet.

In line with our Nordic strategy announced a year ago, we closed the divestments of our German Communication business and the Swedish business area Aviation & Security. This resulted in EUR 38 million in cash proceeds and a positive result of EUR 20 million on Group EBIT.

In Finland the Power market is strong. Besides winning a large contract with Helen Electricity Network, we have also expanded certain current agreements with improved terms and conditions. However, High Voltage, Finland and Smart Grids had a negative impact on earnings in the Power segment. High Voltage has been affected by delays related to COVID-19 and in addition, difficult working conditions in the Norwegian High Voltage project Reisadalen caused cost overruns. In Finland, challenges relating to subcontractor performance in two Build projects were larger than anticipated in the first quarter and resulted in significant additional work. The two Finnish Build projects and the Norwegian High Voltage project Reisadalen will be completed this year. In Smart Grids, we still have lower volumes, which affects the result.

The Communication segment has increased productivity overall through better planning and therefore a more efficient workforce. During the quarter, we won two significant frame agreements with the Swedish Transport Administration and with Valokuitunen as well as several small and mid-size agreements. However, we also lost three larger service agreements for Telia in Sweden, which will lead to reduced future net sales. It can be noted that these service agreements relate to the declining copper market and we have had difficulties making them profitable. With this in mind, it is a good opportunity for Eltel to reorganise and streamline the Swedish business to create an even more competitive offering for the future.

So far COVID-19 has only had a moderate impact on Eltel's operations. Having said that, we have received indications on reduced and delayed investments from a large customer in the Communication segment in Norway. COVID-19 will thus impact Eltel's business during the second half of 2020. To adapt to this new situation, we are reviewing our cost structure in Norway.

We reduced our net working capital by EUR 79 million year-on-year and during the past year we have reduced our net debt by EUR 103 million to EUR 86 million. Main drivers are divestments, reduction in capital tied up in High Voltage Poland, our focus on improving internal processes and operational excellence. On top of this, we continue to close down non-profitable and non-strategic operations outside the Nordics in a responsible manner. This has required intense efforts from the organisation and I am pleased that the hard work has paid off, and that Eltel now has a healthy balance sheet.

Going forward, implementing the Nordic strategy and improved productivity are key for Eltel to complete its turnaround and thereby ensure long-term sustainable value creation for Eltel and its shareholders.

**Casimir Lindholm, President & CEO**



## About Eltel and the Group strategy

### Eltel in brief

Eltel is a leading Nordic field service 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 on price and 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. In 2019, Eltel took the next step on its transformation journey. A Nordic focus with lower risk and fewer capital-intensive projects will enable us to continue to develop, grow and invest in the company to ensure long-term sustainable value creation for the company and its shareholders. Work to discontinue remaining non-strategic operations is expected to be completed in early 2021.

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.

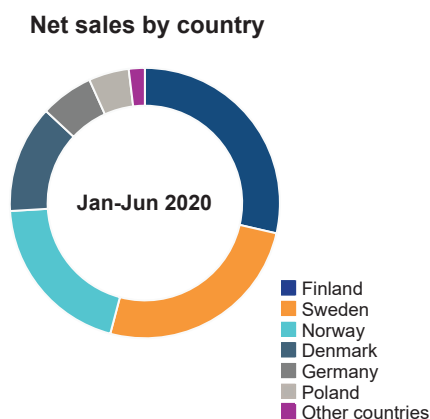
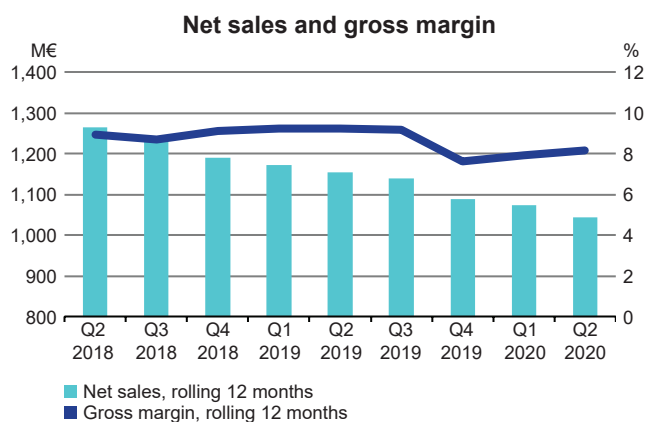
### Eltel's long-term financial targets

	Target
Annual growth	2–4%
EBITA-margin	5%
Cash conversion <sup>1)</sup>	95–100% of EBITA
Leverage <sup>2)</sup>	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	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net sales	245.5	276.0	482.1	527.0	1,087.6
Operative EBITA	2.8	2.5	0.8	-0.5	-11.3
EBIT	23.1	2.1	20.8	-1.5	-11.2
Net result	14.0	-2.0	9.2	-9.4	-25.1
<b>Key ratios</b>					
Net sales growth, %	-11.1	-6.6	-8.5	-6.3	-8.5
Currency translation effect in net sales, MEUR	-7.5	-2.5	-13.1	-7.1	-16.0
Operative EBITA margin, %	1.2	0.9	0.2	-0.1	-1.0
Tax rate, %	30.1	-109.5	41.9	-28.9	-10.6
Earnings per share after dilution, EUR	0.09	-0.01	0.06	-0.06	-0.17

### April–June 2020

Net sales decreased 11.1% to EUR 245.5 million (276.0). Organic net sales in segments Power and Communication, adjusted for currency effects and divestments, decreased 3.3%. Net sales decreased in Power by EUR 8.4 million and in Communication by EUR 25.0 million. Other increased by EUR 2.5 million.

Operative EBITA amounted to EUR 2.8 million (2.5). In Power, operative EBITA decreased by EUR 6.9 million and increased in Communication by EUR 5.2 million. Operative EBITA increased in Other by EUR 2.4 million. Costs not allocated to segments increased by EUR 0.3 million.

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

Items affecting comparability include EUR 20.4 million (0.0) gain from divestment of the German Communication business and business area Aviation & Security.

EBIT amounted to EUR 23.1 million (2.1).

Net financial expenses amounted to EUR -3.1 million (-3.1), including EUR 0.5 million (0.5) interest expense impact from the IFRS16 standard.

Taxes amounted to EUR -6.0 million (-1.0) including EUR 5.4 million impact relating to gain from divestments of businesses. The effective tax rate was 30.1% (-109.5).

The net result for the period was EUR 14.0 million (-2.0). Earnings per share were EUR 0.09 (-0.01).

### January–June 2020

Net sales decreased 8.5% to EUR 482.1 million (527.0). Organic net sales in segments Power and Communication, adjusted for currency effects and divestments, decreased 2.9%. Net sales decreased in Power by EUR 21.2 million and in Communication by EUR 26.2 million. Other increased by EUR 1.8 million.

Operative EBITA amounted to EUR 0.8 million (-0.5). In Power, operative EBITA decreased by EUR 6.1 million and increased in Communication by EUR 4.8 million. Operative EBITA increased in Other by EUR 2.3 million. Costs not allocated to segments decreased by EUR 0.4 million.

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

Items affecting comparability include EUR 20.4 million (0.0) gain from divestment of the German Communication business and business area Aviation & Security.

EBIT amounted to EUR 20.8 million (-1.5).

Net financial expenses amounted to EUR -5.0 million (-5.9), including EUR 1.0 million (0.9) interest expense impact from the IFRS16 standard.

Taxes amounted to EUR -6.6 million (-2.1) including EUR 5.4 million impact relating to gain from divestments of businesses. The effective tax rate was 41.9% (-28.9).

The net result for the period was EUR 9.2 million (-9.4). Earnings per share were EUR 0.06 (-0.06).

## Net sales and EBITA – Segments

### Power

EUR million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net sales	86.3	94.7	160.4	181.6	377.7
Operative EBITA	-4.5	2.4	-8.0	-1.8	-17.5
Number of employees, end of period	2,115	2,330	2,115	2,330	2,111
<b>Key ratios</b>					
Net sales growth, %	-8.9	-18.4	-11.7	-14.2	-13.9
Organic growth <sup>1)</sup> , %	-8.1	-	-11.0	-	-
Currency translation effect in net sales, MEUR	-0.8	-0.4	-1.2	-1.4	-2.3
Operative EBITA margin, %	-5.3	2.5	-5.0	-1.0	-4.6

1) Adjusted for divested operations and currency effects.

### April–June 2020

Net sales decreased by EUR 8.4 million to EUR 86.3 million (94.7), representing a decrease of 8.9%. Organic growth, adjusted for currency effects, was -8.1%. In Finland, net sales improved because of a strong order backlog driven by contract expansions and a growing power market. Denmark also improved net sales. This was mainly offset by lower activity and reduction of large volume projects in High Voltage as well as delays due to COVID-19. In Smart Grids volumes decreased in line with expectations due to project completions in Norway and Denmark. In Sweden, net sales decreased due to ramp down of projects and the Service operations as well as a reduced order backlog.

Operative EBITA decreased to EUR -4.5 million (2.4). The operative EBITA margin was -5.3% (2.5). The decrease is mainly coming from High Voltage, Finland and Smart Grids. High Voltage had cost overruns in Poland and in the Norwegian project Reisadalen, largely caused by the difficult working conditions in Northern Norway and COVID-19. In Poland, COVID-19 resulted in lost profits from cross border workforce due to travel restrictions and lower domestic volumes with customers slowing down activities. Furthermore, in Finland, the difficulties related to subcontractor performance in two Build projects were larger than previously anticipated (Q1 2020) and resulted in significant additional work. Lower net sales in Smart Grids also impacted the result negatively. Denmark performed in line with last year.

### January–June 2020

Net sales decreased by EUR 21.2 million to EUR 160.4 million (181.6), representing a decrease of -11.7%. Organic growth, adjusted for currency effects, was -11.0%. The decrease is mainly explained by lower activity as Polish and Nordic High Voltage projects are being ramped down and completed. We also see a negative impact from COVID-19 in Poland and in the Norwegian Reisadalen project. Volumes in Smart Grids decreased in line with expectations due to project completions in Norway and Denmark. In Sweden, net sales decreased due to ramp down of projects and the Service operations as well as a reduced order backlog.

Operative EBITA decreased to EUR -8.0 million (-1.8). The operative EBITA margin was -5.0% (-1.0). Improved performance in Sweden was offset by cost increases in High Voltage and in two Finnish Build projects, where insufficient subcontractor performance resulted in significant additional work. The expected lower net sales in Smart Grids also impacted the result.

## Communication

EUR million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net sales	152.8	177.8	312.9	339.1	698.4
Operative EBITA	7.3	2.1	11.5	6.7	18.1
Number of employees, end of period	3,570	4,374	3,570	4,374	4,137
<b>Key ratios</b>					
Net sales growth, %	-14.1	0.0	-7.7	-0.3	-4.0
Organic growth <sup>1)</sup> , %	-0.4	-	2.1	-	-
Currency translation effect in net sales, MEUR	-6.7	-2.1	-11.9	-5.7	-13.6
Operative EBITA margin, %	4.8	1.2	3.7	2.0	2.6

1) Adjusted for divested operations and currency effects.

### April–June 2020

Net sales decreased by EUR 25.0 million to EUR 152.8 million (177.8), representing a decrease of 14.1%. Organic growth, adjusted for currency effects and divestments, was -0.4%. The impact of the divestments of the Polish and German Communication businesses as well as the Swedish business area Aviation & Security was EUR -17.6 million. The decrease is furthermore explained by the expected lower net sales in Sweden due to reduced customer investments. Norway, Denmark and Finland had somewhat higher business activities due to expansion of contracts and increased volumes.

Operative EBITA increased to EUR 7.3 million (2.1). The operative EBITA margin was 4.8% (1.2). The performance improved in all markets, but mainly driven by Sweden, Finland and Norway due to improved project execution, improved planning and thereby a more efficient production.

### January–June 2020

Net sales decreased by EUR 26.2 million to EUR 312.9 million (339.1), representing a decrease of 7.7%. Organic growth, adjusted for currency effects and divestments, was 2.1%. The effect of the divestments of the Polish and German Communication businesses as well as the Swedish business area Aviation & Security was EUR -20.5 million. In Sweden, net sales decreased due to reduced investments from a major customer and loss of contracts. Denmark and Finland increased net sales while Norway's increased volumes were burdened by negative currency effects.

Operative EBITA increased to EUR 11.5 million (6.7). The operative EBITA margin was 3.7% (2.0). Results improved in all markets, especially in Finland. Main drivers for all markets are improved project execution, improved planning and thereby a more efficient production.

## Other

EUR million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net sales	6.4	3.9	8.8	7.0	13.2
Operative EBITA	2.6	0.2	2.3	0.1	-0.8
Number of employees, end of period	344	47	344	47	147
<b>Key ratios</b>					
Net sales growth, %	65.7	52.2	26.1	-42.4	-42.8
Operative EBITA margin, %	40.6	4.7	26.5	1.0	-5.9

### April–June 2020

Net sales increased by EUR 2.5 million to EUR 6.4 million (3.9). Net sales relate almost fully to the remaining projects in Power Transmission International, which are declining in number and volume in line with the discontinuation plan.

During the quarter Eltel received a compensation for a claim relating to a Power Transmission International project in Africa, which was completed in 2019. This had a positive impact both in net sales and operative EBITA.

Operative EBITA increased to EUR 2.6 million (0.2). The operative EBITA margin was 40.6% (4.7).

The increase in number of employees relates to peak production in one of the last active Power Transmission International projects.

### January–June 2020

Net sales increased by EUR 1.8 million to EUR 8.8 million (7.0). Net sales relate almost fully to the remaining projects in Power Transmission International, which are declining in number and volume in line with the discontinuation plan.

Operative EBITA increased to EUR 2.3 million (0.1). The operative EBITA margin was 26.5% (1.0). The increase relates to a claim compensation received for a Power Transmission International project in Africa, which was completed in 2019.

The increase in number of employees relates to peak production in one of the last active Power Transmission International projects.

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 28.3 million were recorded during 1 January 2017–30 June 2020, in line with the plan. The discontinuation is targeted to be finalised in 2021.



## Cash flow

EUR million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
EBIT	23.1	2.1	20.8	-1.5	-11.2
Depreciation	9.6	10.6	19.2	21.6	40.9
EBITDA	32.7	12.7	40.0	20.1	29.7
Changes in working capital	10.1	4.3	3.2	-33.0	37.9
Total financial expenses and taxes	-2.2	-2.0	-6.2	-5.8	-10.9
Adjustment for gain on sales of assets and business <sup>1)</sup>	-20.5	-0.0	-20.6	-0.1	-1.5
Other	-1.0	-1.3	-2.1	-1.6	-3.8
<b>Cash flow from operating activities</b>	<b>19.2</b>	<b>13.5</b>	<b>14.4</b>	<b>-20.3</b>	<b>51.4</b>
<b>Cash flow from investing activities</b>	<b>36.0</b>	<b>-2.5</b>	<b>34.8</b>	<b>-9.2</b>	<b>-2.1</b>
<b>Cash flow from financing activities</b>	<b>-38.1</b>	<b>1.1</b>	<b>-75.8</b>	<b>0.8</b>	<b>-38.2</b>
<b>Net change in cash and cash equivalents</b>	<b>17.1</b>	<b>12.1</b>	<b>-26.6</b>	<b>-28.6</b>	<b>11.1</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>18.5</b>	<b>12.8</b>	<b>65.2</b>	<b>53.4</b>	<b>53.4</b>
Foreign exchange rate effect	1.6	0.1	-1.4	0.3	0.7
Transfer to assets held for sale	-	-1.5	-	-1.5	-
<b>Cash and cash equivalents at end of period</b>	<b>37.2</b>	<b>23.6</b>	<b>37.2</b>	<b>23.6</b>	<b>65.2</b>

1) Includes EUR 20.4 million gain from divestment of the German Communication business and business area Aviation & Security in Q2 2020.

Condensed consolidated statement of cash flows is presented on page 14.

### April–June 2020

Eltel's cash flow both for the quarter and half year 2020 has been strong. Eltel has focused on strengthening the balance sheet and lowering net debt level for the past year. The efforts have been successful and net debt has reduced to EUR 86.4 million (189.5).

Cash flow from operating activities was EUR 19.2 million (13.5). Change in net working capital had a positive impact of EUR 10.1 million (4.3) in cash flow and the quarter end net working capital was at a historically low level, EUR -12.6 million (66.8).

Net cash flow from investing activities was EUR 36.0 million (-2.5) including an impact of EUR 37.9 million from divestment of businesses and EUR -1.9 million (-2.5) from net capital expenditure, mainly related to replacement investments.

Cash flow from financing activities was EUR -38.1 million (1.1) including reduction in commercial paper programme of EUR 20.5 million, reduction in revolving credit facilities of EUR 11.9 million and net impact of payments of lease liabilities.

### January–June 2020

Cash flow from operating activities was EUR 14.4 million (-20.3). The seasonal growth in net working capital has been offset by strong focus on reducing capital tie up. Change in net working capital had a positive impact of EUR 3.2 million (-33.0) in cash flow.

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 remaining working capital intensive projects. These are expected to continue to create volatility in net working capital going forward but at a lower level than previous years.

Net cash flow from investing activities was EUR 34.8 million (-9.2) including an impact of EUR 37.9 million from disposal of businesses and EUR -3.1 million (-6.6) from net capital expenditure, mainly related to replacement investments.

Cash flow from financing activities was EUR -75.8 million (0.8) including reduction in commercial paper programme of EUR 41.0 million, reduction in revolving credit facilities of EUR 12.4 million, amortisation of external loans of EUR 10.0 million and net impact of payments of lease liabilities.

### Financial position, cash and cash equivalents

Equity at the end of the period was EUR 223.1 million (238.2) and total assets were EUR 719.4 million (865.7). The equity ratio was 32.5% (28.5).

At the end of the quarter, available liquidity reserves amounted to EUR 147.2 million (142.2). On the same date, EUR 48.5 million of Eltel's commercial paper programme was utilised (EUR 89.5 million at year-end 2019). During the second quarter, the availability of funds through the commercial paper programme improved having been extremely low towards the end of the first quarter as a result of the COVID-19 pandemic.

In February 2020, Eltel and its banks made certain amendments to its financial agreement that matures in Q1 2021. The amendments included 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.



In March 2020, additional amendments were agreed with the banks, including, among others, a 12-month extension of the current credit facilities until mid-Q1 2022. The amendments have been confirmed by applicable corporate and credit approvals. The agreed covenant levels relate to minimum adjusted EBITDA to be applied during the extended period from Q1 2021 through Q4 2021, and to maximum net debt which is to be reduced to EUR 100 million by the end of Q4 2021. The minimum liquidity covenant level, as well as the other terms and conditions previously agreed between the parties, remains unchanged throughout the extended agreement. The minimum adjusted EBITDA and maximum net debt covenants, as defined in the financial agreement, are excluding IFRS 16 impact.

At the end of the quarter the commercial guarantees issued by the banks and other financial institutions on behalf of the Group amounted to EUR 118.4 million (131.0). The amount of the commercial guarantees issued on behalf of joint ventures and third parties was EUR 5.8 million (5.9).

#### Interest-bearing liabilities and net debt

EUR million	30 Jun 2020	30 Jun 2019	31 Dec 2019
Interest-bearing debt in balance sheet	120.1	209.3	185.1
Leasing liabilities in balance sheet	72.7	82.9	78.6
Allocation of effective interest to periods	0.7	1.1	0.6
Less cash and cash equivalents	-37.2	-23.6	-65.2
Net debt	156.3	269.7	199.1
Less leasing liabilities not included in financing agreement	-69.9	-78.8	-75.3
Adjusted for held for sale	-	-1.4	0.0
<b>Net debt, financing agreement</b>	<b>86.4</b>	<b>189.5</b>	<b>123.8</b>

Interest-bearing debt amounted to EUR 120.1 million (209.3) of which EUR 35.6 million (98.2) was non-current and EUR 84.5 million (111.0) was current. Leasing liabilities amounted to EUR 72.7 million (82.9) of which EUR 48.7 million (56.1) was non-current and EUR 24.0 million (26.8) was current.

#### Credit facilities

EUR million	30 Jun 2020	30 Jun 2019	31 Dec 2019
Term loan, non-current	35.6	98.3	76.1
Term loan, current	36.0	9.6	7.2
Revolving credit facility	90.0	110.0	90.0
Account overdrafts	20.0	20.0	20.0
<b>Total credit facilities</b>	<b>181.6</b>	<b>237.9</b>	<b>193.2</b>

Term loan and revolving credit facilities are part of the Group's financial facilities maturing in Q1 2022. Additional to above facilities, the Group has also access to short-term debt capital markets via commercial paper programme of EUR 150 million. At the reporting date EUR 48.5 million (90.0) of the commercial paper programme and EUR 0.0 million (11.4) of the revolving credit facility were utilised.

## Other information

### 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 relate 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 2019 Annual Report (page 33–34).

Eltel is playing an important role in maintaining critical societal functions in difficult situations, such as the current COVID-19 pandemic. However, there is uncertainty about the future impact and duration of the pandemic and, as such, it is foreseen to have a negative effect on Eltel's business.

There is a risk that the covenants under the existing financing agreement are not met during the transformation period.

For information regarding risks and uncertainties, please refer to Eltel's 2019 Annual Report which was published on 2 April 2020 and is available on Eltel's website at [www.eltelgroup.com](http://www.eltelgroup.com).

## Large agreements announced during Q2 2020

- On 1 April 2020, it was announced that Eltel's Communication business in Sweden signed a three-year frame agreement with the Swedish Transport Administration worth about EUR 23 million. Eltel will perform field services for the Swedish Transport Administration's IT facilities.
- On 2 April 2020, it was announced that Eltel's Power business in Finland signed a five-year frame agreement with Helen Electricity Network Ltd worth about EUR 90 million. Eltel will construct and maintain the electricity distribution network in Helsinki.
- On 14 April 2020, it was announced that Eltel's Communication business in Finland signed a three-year frame agreement with Valokuitunen Oy, a recently established joint venture company between CapMan Infra and Telia, worth about EUR 38 million. Eltel will construct fibre to the home (FTTH).

## Large agreements announced after the reporting period

No large agreements were announced after the reporting period.

## Future prospects

Eltel does not issue guidance.

## Related party transactions

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

## Seasonality

Eltel's businesses are generally characterised by seasonal patterns and cyclicity of the project business that adds volatility to net sales, EBITA and cash flow. Seasonality is normally driven by a number of factors, including weather conditions, the timing of customer order placements and completion of work phases towards the end of the month, particularly for larger projects. The Eltel Group has historically reported higher revenues and operating profit in the second half of the year. Cash flow has historically displayed a strong seasonal pattern, with weaker cash flow recorded during the period until the end of the third quarter due to higher production activity. At the end of the year, as production volumes decrease, cash flow has normally been stronger. For more details, please refer to quarterly key financial figures for the Group on page 16.

## Presentation of the Q2 2020 report

Analysts and media are invited to participate in the Q2 2020 briefing on 23 July 2020 at 10.00 am CET where Eltel's President and CEO Casimir Lindholm and CFO Saila Miettinen-Lähde will host a presentation. A live audiocast as well as the presentation will be available at [www.eltelgroup.com/investors](http://www.eltelgroup.com/investors).

### For further information, please contact:

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## Financial calendar

- Interim report January–September 2020: 5 November 2020
- Full-year report January–December 2020: 18 February 2021

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 23 July 2020 at 08:00 a.m. CET.

## Board's assurance

The Board of Directors and CEO certify that the half-year interim report gives a true and fair presentation of the Parent Company's and Group's business, financial position and result of operations, and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

## Signatures of the Board of Directors and CEO

Stockholm, Sweden, 23 July 2020

### Eltel AB (publ)

Ulf Mattsson, Chairman

Håkan Dahlström

Gunilla Fransson

Joakim Olsson

Roland Sundén

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	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net sales	245.5	276.0	482.1	527.0	1,087.6
Cost of sales	-220.0	-250.4	-432.6	-479.5	-1,004.7
<b>Gross profit</b>	<b>25.4</b>	<b>25.6</b>	<b>49.5</b>	<b>47.5</b>	<b>82.9</b>
Other income	21.0	0.2	21.3	0.5	2.6
Sales and marketing expenses	-1.0	-2.6	-2.6	-4.6	-9.1
Administrative expenses	-22.3	-21.4	-46.1	-44.1	-85.5
Other expenses	0.0	-0.2	-0.8	-1.2	-2.5
Share of profit/loss of joint ventures	0.0	0.4	-0.1	0.4	0.4
<b>Operating result (EBIT)</b>	<b>23.1</b>	<b>2.1</b>	<b>20.8</b>	<b>-1.5</b>	<b>-11.2</b>
Financial income	0.1	0.0	0.3	0.1	0.4
Financial expenses	-3.2	-3.1	-5.3	-6.0	-11.9
Net financial expenses	-3.1	-3.1	-5.0	-5.9	-11.5
<b>Result before taxes</b>	<b>20.0</b>	<b>-1.0</b>	<b>15.8</b>	<b>-7.3</b>	<b>-22.7</b>
Taxes	-6.0	-1.0	-6.6	-2.1	-2.4
<b>Net result</b>	<b>14.0</b>	<b>-2.0</b>	<b>9.2</b>	<b>-9.4</b>	<b>-25.1</b>
Attributable to:					
Equity holders of the parent	13.9	-2.0	9.3	-9.7	-25.9
Non-controlling interest	0.0	0.0	-0.1	0.2	0.8
<b>Earnings per share (EPS)</b>					
Basic, EUR	0.09	-0.01	0.06	-0.06	-0.17
Diluted, EUR	0.09	-0.01	0.06	-0.06	-0.17

### Condensed consolidated statement of comprehensive income

EUR million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net profit for the period	14.0	-2.0	9.2	-9.4	-25.1
Other comprehensive income:					
<b>Items that will not be reclassified to profit and loss</b>					
Revaluation of defined benefit plans, net of tax	-0.5	-2.5	-0.3	-5.1	-4.6
<b>Items that may be subsequently reclassified to profit and loss</b>					
Cash flow hedges, net of tax	0.0	0.0	0.1	0.1	0.2
Net investment hedges, net of tax	-2.4	0.5	0.8	1.3	0.8
Currency translation differences	8.7	-1.0	-7.4	-0.5	-1.6
Total	6.3	-0.5	-6.5	0.8	-0.6
Other comprehensive income/loss for the period, net of tax	5.8	-3.0	-6.8	-4.3	-5.1
<b>Total comprehensive income/loss for the period</b>	<b>19.8</b>	<b>-5.0</b>	<b>2.4</b>	<b>-13.8</b>	<b>-30.2</b>
Total comprehensive income/loss attributable to:					
Equity holders of the parent	19.7	-5.1	2.5	-14.0	-31.0
Non-controlling interest	0.0	0.0	-0.1	0.2	0.8

## Condensed consolidated balance sheet

EUR million	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	259.3	274.3	264.0
Intangible assets	39.7	41.2	41.0
Property, plant and equipment	25.3	29.4	27.5
Right-of-use assets	71.3	82.6	77.4
Investments in and receivable from joint ventures	0.7	0.8	0.9
Investments	0.4	0.3	0.6
Deferred tax assets	21.8	27.5	26.4
Other financial assets	35.0	35.0	35.0
Trade and other receivables	0.3	0.4	0.4
<b>Total non-current assets</b>	<b>454.0</b>	<b>491.5</b>	<b>473.2</b>
<b>Current assets</b>			
Inventories	13.8	17.7	14.6
Trade and other receivables	214.4	310.7	230.1
Cash and cash equivalents	37.2	23.6	65.2
<b>Total current assets</b>	<b>265.5</b>	<b>352.0</b>	<b>310.0</b>
Assets held for sale <sup>2)</sup>	-	22.3	24.0
<b>TOTAL ASSETS</b>	<b>719.4</b>	<b>865.7</b>	<b>807.2</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to shareholders of the parent	215.7	230.4	213.1
Non-controlling interest	7.5	7.8	7.6
<b>Total equity</b>	<b>223.1</b>	<b>238.2</b>	<b>220.7</b>
<b>Non-current liabilities</b>			
Debt	35.6	98.2	76.1
Leasing liabilities	48.7	56.1	54.3
Liabilities to shareholders <sup>1)</sup>	35.0	35.0	35.0
Retirement benefit obligations	13.2	15.8	14.8
Deferred tax liabilities	11.2	16.6	11.5
Provisions	3.1	3.0	3.4
Other non-current liabilities	0.5	0.5	0.5
<b>Total non-current liabilities</b>	<b>147.3</b>	<b>225.2</b>	<b>195.6</b>
<b>Current liabilities</b>			
Debt	84.5	111.0	109.0
Leasing liabilities	24.0	26.8	24.3
Provisions	13.6	12.5	15.0
Advances received	32.9	29.2	31.6
Trade and other payables	194.0	213.8	201.7
<b>Total current liabilities</b>	<b>349.0</b>	<b>393.3</b>	<b>381.6</b>
Liabilities associated with assets held for sale <sup>2)</sup>	-	9.0	9.3
<b>Total liabilities</b>	<b>496.3</b>	<b>627.5</b>	<b>586.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>719.4</b>	<b>865.7</b>	<b>807.2</b>

1) Refers to selling shareholders at the time of the listing on 6 February 2015.

2) Assets held for sale include Polish and German Communication business on 30 June 2019 and German Communication business and business area Aviation & Security on 31 December 2019.

**Condensed consolidated statement of cash flows**

EUR million	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
<b>Cash flow from operating activities</b>			
Operating result (EBIT)	20.8	-1.5	-11.2
Adjustments:			
Depreciation and amortisation	19.2	21.6	40.9
Gain/loss on sales of assets and business <sup>1)</sup>	-20.6	-0.1	-1.5
Defined benefit pension plans	-1.8	-1.8	-4.4
Other non-cash adjustments	-0.3	0.2	0.5
Cash flow from operations before interests, taxes and changes in working capital	17.4	18.5	24.4
Interest and other financial expenses paid, net	-5.1	-5.4	-11.7
Income taxes received/paid	-1.0	-0.4	0.8
Total financial expenses and taxes	-6.2	-5.8	-10.9
Changes in working capital:			
Trade and other receivables	10.4	16.5	86.5
Trade and other payables	-7.7	-44.3	-46.4
Inventories	0.4	-5.2	-2.2
Changes in working capital	3.2	-33.0	37.9
<b>Net cash from operating activities</b>	<b>14.4</b>	<b>-20.3</b>	<b>51.4</b>
<b>Cash flow from investing activities</b>			
Purchases of property, plant and equipment (PPE), net	-3.1	-6.6	-11.7
Acquisition of business, net of cash and cash equivalents	-	-4.2	-4.2
Investment refund from joint ventures	-	1.5	1.5
Disposal of business, net of cash disposed of	37.9	-	12.3
<b>Net cash from investing activities</b>	<b>34.8</b>	<b>-9.2</b>	<b>-2.1</b>
<b>Cash flow from financing activities</b>			
Proceeds from short-term financial liabilities	17.8	31.4	49.3
Payments of short-term borrowings	-71.1	-13.5	-33.1
Payments of financial liabilities	-9.9	-3.4	-26.1
Payments of lease liabilities	-13.4	-14.2	-26.9
Dividends to non-controlling interest	-	-	-0.9
Change in non-liquid financial assets	0.9	0.5	-0.5
<b>Net cash from financing activities</b>	<b>-75.8</b>	<b>0.8</b>	<b>-38.2</b>
<b>Net change in cash and cash equivalents</b>	<b>-26.6</b>	<b>-28.6</b>	<b>11.1</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>65.2</b>	<b>53.4</b>	<b>53.4</b>
Foreign exchange rate effect	-1.4	0.3	0.7
Transfer to assets held for sale	-	-1.5	-
<b>Cash and cash equivalents at end of period</b>	<b>37.2</b>	<b>23.6</b>	<b>65.2</b>

1) Includes EUR 20.4 million gain from divestment of the German Communication business and business area Aviation & Security in Q2 2020.



## Condensed consolidated statement of changes in equity

EUR million	Equity attributable to shareholders of the parent							Non controlling interest	Total equity
	Share capital	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve	Currency translation	Total		
Equity at 1 Jan 2020	158.8	490.6	-375.4	-36.7	11.4	-35.7	213.1	7.6	220.7
Total comprehensive income for the period	-	-	9.3	-0.3	0.9	-7.4	2.5	-0.1	2.4
Transactions with owners:									
Equity-settled share-based payment			0.0	-	-	-	0.0	-	0.0
Total transaction with owners	-	-	0.0	-	-	-	0.0	-	0.0
Equity at 30 Jun 2020	158.8	490.6	-366.0	-37.0	12.3	-43.1	215.7	7.5	223.1

EUR million	Equity attributable to shareholders of the parent							Non-controlling interest	Total equity
	Share capital	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve	Currency translation	Total		
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	-	-	-9.7	-5.1	1.4	-0.5	-14.0	0.2	-13.8
Transactions with owners:									
Equity-settled share-based payment	-	-	0.0	-	-	-	0.0	-	0.0
Proceeds from shares issued	0.9	-0.9	-	-	-	-	-	-	-
Total transaction with owners	0.9	-0.9	0.0	-	-	-	0.0	-	0.0
Equity at 30 Jun 2019	158.8	490.8	-359.1	-37.3	11.7	-34.6	230.4	7.8	238.2

EUR million	Equity attributable to shareholders of the parent							Non-controlling interest	Total equity
	Share capital	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve	Currency translation	Total		
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

# Notes to the condensed consolidated interim financial statements

## Accounting principles

This condensed interim report has been prepared in accordance with *IAS 34 Interim Financial Reporting* and applicable regulations in the Swedish Annual Accounts Act. The accounting principles adopted are the same with those of the Group's and the Parent Company's annual financial statements for the year ended 31 December 2019.

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.

## Key figures

### Key figures for the period

EUR million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019	Rolling 12-month
Net sales	245.5	276.0	482.1	527.0	1,087.6	1,042.7
Net sales growth, %	-11.1	-6.6	-8.5	-6.3	-8.5	-9.6
Operative EBITA	2.8	2.5	0.8	-0.5	-11.3	-10.0
Operative EBITA margin, %	1.2	0.9	0.2	-0.1	-1.0	-1.0
Items affecting comparability	20.4	-	20.4	-	1.6	22.0
EBITDA	32.7	12.7	40.0	20.1	29.7	49.6
Operating result (EBIT)	23.1	2.1	20.8	-1.5	-11.2	11.1
EBIT margin, %	9.4	0.8	4.3	-0.3	-1.0	1.1
Result after financial items	20.0	-1.0	15.8	-7.3	-22.7	0.4
Net result for the period	14.0	-2.0	9.2	-9.4	-25.1	-6.5
Earnings per share EUR, basic and diluted	0.09	-0.01	0.06	-0.06	-0.17	-0.04
Return on equity (ROE), % <sup>1), 2)</sup>	-2.8	-8.8	-2.8	-8.8	-10.6	-2.8
Net working capital <sup>2)</sup>	-12.6	66.8	-12.6	66.8	-6.3	-12.6
Number of personnel, end of period	6,215	7,128	6,215	7,128	6,678	6,215

### Quarterly key figures

EUR million	Apr-Jun 2020	Jan-Mar 2020	Oct-Dec 2019	Jul-Sep 2019	Apr-Jun 2019	Jan-Mar 2019
Net sales	245.5	236.6	278.9	281.8	276.0	251.0
Net sales growth, %	-11.1	-5.7	-15.7	-4.8	-6.6	-5.9
Operative EBITA	2.8	-2.1	-14.9	4.1	2.5	-3.0
Operative EBITA margin, %	1.2	-0.9	-5.3	1.5	0.9	-1.2
Items affecting comparability	20.4	-	1.4	0.2	-	-
EBITDA	32.7	7.3	-4.8	14.3	12.7	7.5
Operating result (EBIT)	23.1	-2.2	-13.7	3.9	2.1	-3.6
EBIT margin, %	9.4	-0.9	-4.9	1.4	0.8	-1.4
Result after financial items	20.0	-4.2	-17.0	1.6	-1.0	-6.4
Net result for the period	14.0	-4.8	-11.8	-3.9	-2.0	-7.4
Earnings per share EUR, basic and diluted	0.09	-0.03	-0.08	-0.03	-0.01	-0.05
Return on equity (ROE), % <sup>1), 2)</sup>	-2.8	-10.1	-10.6	-6.7	-8.8	-7.8
Net working capital <sup>2)</sup>	-12.6	0.5	-6.3	63.7	66.8	74.8
Number of personnel, end of period	6,215	6,652	6,678	7,019	7,128	7,180

1) Calculated on a rolling 12-month basis.

2) Assets and liabilities held for sale are not included (on 31 March 2020 and 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).

Please see page 21 for definitions of the key ratios.

## Net sales by segment

EUR million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
<b>Power</b>					
Net sales (external)	86.2	94.6	160.4	181.6	377.7
Inter-segment sales	0.0	0.0	0.0	0.0	0.0
<b>Communication</b>					
Net sales (external)	152.8	177.5	312.9	338.4	696.7
Inter-segment sales	0.0	0.3	0.0	0.7	1.6
<b>Other</b>					
Net sales (external)	6.4	3.9	8.8	7.0	13.2
Elimination of sales between segments	0.0	-0.3	0.0	-0.8	-1.7
<b>Net sales, total</b>	<b>245.5</b>	<b>276.0</b>	<b>482.1</b>	<b>527.0</b>	<b>1,087.6</b>

## Net sales by geographical area

EUR million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Sweden	59.7	78.3	123.1	157.3	294.2
Finland	78.2	66.8	137.0	118.2	270.4
Norway	47.7	59.6	96.1	110.0	234.1
Denmark	28.7	26.1	62.0	51.5	108.9
Poland	12.0	21.7	23.2	48.1	88.1
Germany	12.1	19.1	30.6	33.6	76.6
Other countries	7.0	4.3	10.1	8.2	15.3
<b>Net sales, total</b>	<b>245.5</b>	<b>276.0</b>	<b>482.1</b>	<b>527.0</b>	<b>1,087.6</b>

## Net sales by service split

EUR million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
<b>Power</b>					
Project delivery	42.8	48.6	84.0	101.4	209.7
Upgrade services	34.4	34.4	54.2	55.2	121.6
Maintenance	11.3	15.5	25.5	31.5	58.9
Internal net sales and fx adjustments	-2.3	-3.8	-3.2	-6.4	-12.6
Total Power	86.3	94.7	160.4	181.6	377.7
<b>Communication</b>					
Project delivery	7.4	6.0	13.5	13.1	26.0
Upgrade services	115.9	134.0	230.7	244.7	517.1
Maintenance	46.4	47.7	94.2	101.5	205.6
Internal net sales and fx adjustments	-16.9	-9.9	-25.5	-20.1	-50.4
Total Communication	152.8	177.8	312.9	339.1	698.4
<b>Other</b>					
Project delivery	6.2	3.9	8.5	7.2	13.5
Maintenance	0.2	-	0.2	-0.2	-0.2
Internal net sales and fx adjustments	0.0	-	0.0	-	-
Total Other	6.4	3.9	8.8	7.0	13.2
Elimination of sales between segments	0.0	-0.3	0.0	-0.8	-1.7
<b>Total</b>	<b>245.5</b>	<b>276.0</b>	<b>482.1</b>	<b>527.0</b>	<b>1,087.6</b>

## Reconciliation of segment results

EUR million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Operative EBITA by segment					
Power	-4.5	2.4	-8.0	-1.8	-17.5
Communication	7.3	2.1	11.5	6.7	18.1
Other	2.6	0.2	2.3	0.1	-0.8
Items not allocated to operating segments <sup>1)</sup>	-2.5	-2.2	-5.1	-5.5	-11.2
Operative EBITA, Group	2.8	2.5	0.8	-0.5	-11.3
Earn-out adjustment	-	-	-	-	0.2
Gain on sale of business	20.4	-	20.4	-	1.4
Total items affecting comparability in EBITA <sup>2)</sup>	20.4	-	20.4	-	1.6
Amortisation of acquisition-related intangible asset	-0.2	-0.4	-0.4	-0.9	-1.5
Operating result (EBIT)	23.1	2.1	20.8	-1.5	-11.2
Financial expenses, net	-3.1	-3.1	-5.0	-5.9	-11.5
<b>Result before taxes</b>	<b>20.0</b>	<b>-1.0</b>	<b>15.8</b>	<b>-7.3</b>	<b>-22.7</b>

1) Items not allocated to operating segments consist of Group management and support function.

2) In 2020, items affecting comparability in EBITA include EUR 20.4 million positive impact from divestment of the German Communication business and business area Aviation & Security. In 2019, items affecting comparability in EBITA include EUR 1.4 million positive impact from divestment of the Polish Communication business.

## Net working capital (NWC) and operative capital employed

EUR million	30 Jun 2020	30 Jun 2019	31 Dec 2019
Inventories	13.8	17.7	14.6
Trade and other receivables	214.4	310.7	230.1
Provisions	-16.7	-15.5	-18.5
Advances received	-32.9	-29.2	-31.6
Trade and other payables	-194.0	-213.8	-201.7
Other	2.8	-3.1	0.7
Net working capital	-12.6	66.8	-6.3
Intangible assets excluding acquisition-related allocations	11.4	10.9	12.3
Property, plant and equipment	25.3	29.4	27.5
Right-of-use assets	71.3	82.6	77.4
Operative capital employed	95.3	189.6	110.9

Assets and liabilities held for sale are not included (on 30 Jun 2019 Polish and German Communication business and on 31 December 2019 German Communication business and business area Aviation & Security).

## Contract balances

EUR million	30 Jun 2020	30 Jun 2019	31 Dec 2019
Trade receivables	93.6	135.4	124.9
Contract assets	96.2	148.1	83.7
<b>Total assets related to contracts with customers</b>	<b>189.8</b>	<b>283.5</b>	<b>208.6</b>
Advances received	32.9	29.2	31.6
<b>Total liabilities related to contracts with customers</b>	<b>32.9</b>	<b>29.2</b>	<b>31.6</b>

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.

## Leasing

### Right-of-use assets

EUR million	30 Jun 2020	30 Jun 2019	31 Dec 2019
Buildings	36.0	44.5	42.2
Machinery and equipment	35.3	38.1	35.2
<b>Total</b>	<b>71.3</b>	<b>82.6</b>	<b>77.4</b>

### Changes in the right-of-use assets during the period

EUR million	30 Jun 2020	30 Jun 2019	31 Dec 2019
Transfer of IAS 17 finance lease assets from PPE	-	4.0	4.0
IFRS 16 opening balance adjustment	-	89.6	89.6
1 Jan	77.4	93.6	93.6
Additions	12.2	5.6	15.0
Depreciations	-13.8	-14.8	-28.4
Transfer to assets held for sale	-	-2.4	-0.9
Divestments	-3.8	-	-
Translation differences	-0.8	0.7	-1.8
<b>Balance at the end of period</b>	<b>71.3</b>	<b>82.6</b>	<b>77.4</b>

### Leasing liabilities

EUR million	30 Jun 2020	30 Jun 2019	31 Dec 2019
Non-current	48.7	56.1	54.3
Current	24.1	26.8	24.3
<b>Total</b>	<b>72.8</b>	<b>82.9</b>	<b>78.6</b>

## Acquisitions, disposals and assets held for sale

### January–June 2020 acquisitions and disposals

During January-June 2020 there were no acquisitions.

During January-June 2020 there were two disposals in segment Communication:

On 22 January 2020, Eltel signed an agreement to divest its German Communication business to Circet Group. The transaction was completed on 30 April 2020. The total consideration of the transaction was EUR 19.0 million, positive cash flow impact amounted to EUR 19.0 million and sales gain impact was EUR 13.7 million on Group EBIT in Q2 2020.

On 23 March 2020, Eltel signed an agreement to divest its Swedish business area Aviation & Security to LfV, Air Navigation Services of Sweden. The transaction was completed on 30 April 2020. The total consideration of the transaction was EUR 18.2 million, positive cash flow impact amounted to EUR 18.9 million and sales gain impact was EUR 6.7 million on Group EBIT in Q2 2020.

On 31 December 2019, the German Communication business and business area Aviation & Security were presented as assets held for sale. These operations did not meet the criteria for presentation as discontinued operations on the balance sheet date.

### January–June 2019 acquisitions and disposals

During January-June 2019 there were no acquisitions or disposals.

On 30 June 2019, the Polish and German Communication businesses were presented as assets held for sale. The Polish Communication business was divested in October 2019. 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 Q4 2019.

**Assets and liabilities held for sale**

EUR million	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Assets</b>			
Goodwill and other intangible assets	-	6.8	13.0
Property, plant and equipment	-	1.5	1.5
Right-of-use assets (IFRS 16)	-	2.4	0.9
Deferred tax assets	-	0.3	-
Trade receivables and other assets	-	9.8	8.5
Cash and cash equivalents	-	1.5	-
<b>Total assets held for sale</b>	<b>-</b>	<b>22.3</b>	<b>24.0</b>
<b>Liabilities</b>			
Leasing liabilities (IFRS 16)	-	2.4	0.9
Deferred tax liabilities	-	0.9	-
Advances received	-	1.5	3.6
Trade and other liabilities	-	4.2	4.7
<b>Total liabilities held for sale</b>	<b>-</b>	<b>9.0</b>	<b>9.3</b>

**Deferred taxes**

EUR million	30 Jun 2020	30 Jun 2019	31 Dec 2019
Deferred tax assets	21.8	27.5	26.4
Deferred tax liabilities	-11.2	-16.6	-11.5
Sum	10.6	10.9	14.9

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. Significant part of the losses incurred in Sweden relate to Rail and Power Transmission International businesses that are reported under Other and are being disposed or ramped down and also to certain Power business areas in Sweden. Deferred tax assets are recognised for tax loss carry forwards to the extent that the utilisation against future taxable profits is probable. The future taxable profit estimate is based on current business plans approved by management. At year-end 2019 the expected future taxable income in Sweden included a positive impact from the estimated result for the planned divestment of Aviation & Security business area to LFV, Air Navigation Services of Sweden.

**Financial instruments**

Derivative financial instruments	30 Jun 2020		30 Jun 2019		31 Dec 2019	
	Nominal values	Net fair values	Nominal values	Net fair values	Nominal values	Net fair values
Interest rate derivatives	-	-	23.1	0.0 <sup>2)</sup>	-	-
Foreign exchange rate derivatives	45.2	-0.1	62.5	-0.5	32.2	0.1
Embedded derivatives	9.0	-0.1	0.7	0.1	12.0	-0.4
Commodity derivatives	0.1	0.0 <sup>1)</sup>	0.5	-0.1 <sup>3)</sup>	0.2	0.0 <sup>4)</sup>
<b>Total</b>	<b>54.2</b>	<b>-0.2</b>	<b>86.7</b>	<b>-0.5</b>	<b>44.3</b>	<b>-0.3</b>

Designated as cash flow hedge <sup>1)</sup> EUR -0.0 million <sup>2)</sup> EUR -0.2 million <sup>3)</sup> EUR -0.1 million <sup>4)</sup> 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.

**Fair value of financial instruments measured at cost**

The carrying amount of financial assets and financial liabilities is a reasonable approximation of their fair value. Changes in the market interest rates are reflected in the future interest flows of interest-bearing debt within a short period.

**Earnings per share**

	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net result attributable to equity holders of the parent	13.9	-2.0	9.3	-9.7	-25.9
Weighted average number of common shares, basic	156,649,081	156,649,081	156,649,081	156,649,081	156,649,081
Weighted average number of common shares, diluted	156,688,907	156,912,635	156,679,352	156,855,574	156,895,149
Earnings per share EUR, basic	0.09	-0.01	0.06	-0.06	-0.17
Earnings per share EUR, diluted	0.09	-0.01	0.06	-0.06	-0.17



## 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

<b>Earnings per share (EPS)</b>	$\frac{\text{Net result attributable to equity holders of the parent}}{\text{Weighted average number of ordinary shares}}$
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### Alternative performance measures (APMs)

<b>Operative EBITA</b>	Operating result before acquisition-related amortisations and items affecting comparability
<b>Items affecting comparability</b>	Items for specific events which management does not consider to form part of the ongoing operative business
<b>Operative cash flow</b>	EBIT + depreciation and amortisation + change in net working capital – net purchase of PPE (capex)
<b>Cash conversion, %<sup>1)</sup></b>	$\frac{\text{Operative cash flow} \times 100}{\text{EBITA}}$
<b>Equity ratio, %</b>	$\frac{\text{Total equity} \times 100}{\text{Total assets} - \text{advances received}}$
<b>Net debt</b>	Interest-bearing debt (excluding shareholder loans) - cash and cash equivalents
<b>Operative capital employed</b>	Net working capital + Intangible assets excluding goodwill and acquisition-related allocations + Property, plant and equipment
<b>Return on equity (ROE), %<sup>1)</sup></b>	$\frac{\text{Net result} \times 100}{\text{Total equity (average over the reporting period)}}$
<b>Net working capital</b>	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.
<b>Committed order backlog</b>	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 Eltel Group. The Company holds management functions but has no operative business activities and its risks are mainly attributable to the value and activities of its subsidiaries. The interim report for the parent company is prepared in accordance with the chapter 9, Interim report, in the Swedish Annual Accounts Act.

### Parent Company condensed income statement

EUR million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net sales	0.8	1.2	0.8	1.2	2.2
Administrative expenses	-1.9	-3.5	-4.0	-5.3	-8.7
<b>Operating result</b>	<b>-1.2</b>	<b>-2.4</b>	<b>-3.2</b>	<b>-4.1</b>	<b>-6.5</b>
Interest and other financial income	5.8	5.3	11.5	9.2	20.9
Interest and other financial expenses	-0.5	-0.7	-1.1	-1.5	-3.0
Net financial items	5.2	4.6	10.4	7.8	18.0
<b>Result after financial items</b>	<b>4.0</b>	<b>2.2</b>	<b>7.2</b>	<b>3.7</b>	<b>11.5</b>
Group contributions given	-	-	-	-	-11.3
Taxes	-	-	-0.4	-	-0.2
<b>Net result</b>	<b>4.0</b>	<b>2.2</b>	<b>6.8</b>	<b>3.7</b>	<b>0.1</b>

### Parent Company condensed balance sheet

EUR million	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>ASSETS</b>			
Shares in Group companies	68.3	68.3	68.3
Long-term loans receivable from Group companies <sup>1)</sup>	494.6	478.1	483.3
Other financial asset	35.0	35.0	35.0
Intangible assets	0.1	0.1	0.1
Deferred tax assets	-	0.5	0.4
<b>Total non-current assets</b>	<b>598.0</b>	<b>582.0</b>	<b>587.1</b>
Trade and other receivables	1.1	1.5	1.4
Cash pool receivable <sup>1)</sup>	-	-	-
Cash and cash equivalents	0.2	0.2	0.3
<b>Total current assets</b>	<b>1.2</b>	<b>1.7</b>	<b>1.6</b>
<b>TOTAL ASSETS</b>	<b>599.3</b>	<b>583.7</b>	<b>588.7</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>450.9</b>	<b>447.9</b>	<b>444.1</b>
Liabilities to shareholders	35.0	35.0	35.0
<b>Total non-current liabilities</b>	<b>35.0</b>	<b>35.0</b>	<b>35.0</b>
Debt	47.9	89.4	89.1
Liabilities to Group companies	64.4	9.0	19.1
Trade and other payables	1.0	2.4	1.3
<b>Total current liabilities</b>	<b>113.3</b>	<b>100.8</b>	<b>109.6</b>
<b>Total liabilities</b>	<b>148.3</b>	<b>135.8</b>	<b>144.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>599.3</b>	<b>583.7</b>	<b>588.7</b>

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 2020	Hedging reserve, net of tax	Equity-settled share-based payment	Net result	30 Jun 2020
Share capital	158.8	-	-	-	158.8
Statutory reserve	0.5	-	-	-	0.5
Non-restricted equity	284.8	0.0	0.0	6.8	291.7
<b>Total</b>	<b>444.1</b>	<b>0.0</b>	<b>0.0</b>	<b>6.8</b>	<b>450.9</b>

**Eltel AB**

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