Eltel Group

Interim report January–March 2019

Stockholm, Sweden, 26 April 2019

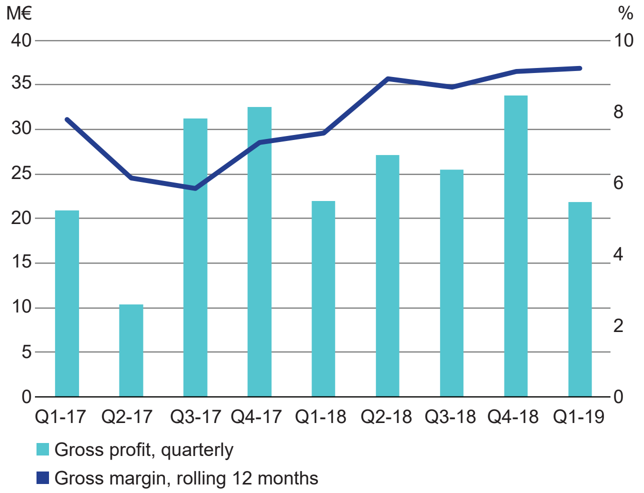
January–March 2019

- Net sales EUR 251.0 million (266.6). Total growth -5.9% and organic growth[1] in Power and Communication -2.0%
- Operative EBITA[2] EUR -3.0 million (-7.6) and operative EBITA margin -1.2% (-2.9)
- Operating result (EBIT) EUR -3.6 million (-10.4) and EBIT margin -1.4% (-3.9)
- Net result EUR -7.4 million (-9.5)
- Earnings per share EUR -0.05 (-0.06), basic and diluted
- Cash flow from operating activities EUR -33.8 million. The comparable cash flow from operating activities before IFRS 16 impact[3] was EUR -40.6 million (-35.8).

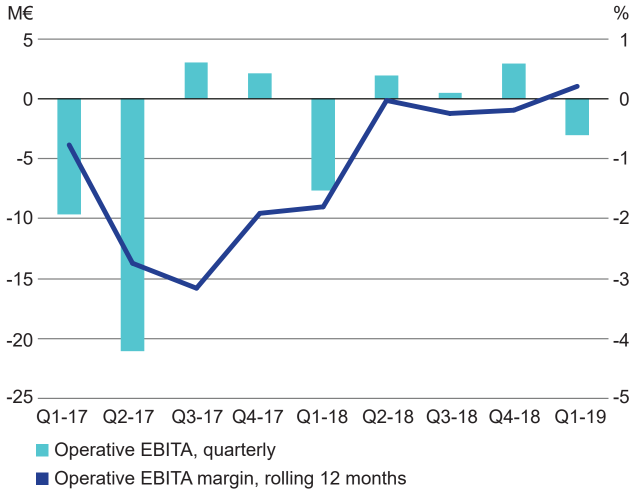
Significant events during and after the reporting period

- On 4 March 2019, Eltel agreed with its banks on certain amendments to its existing financial agreement that matures in Q1 2021. The new amendments include, among others, financial covenants and a plan to reduce net debt during the term.
- On 3 April 2019, Eltel announced it will focus on the Nordic market and has initiated an evaluation of strategic alternatives for its Polish and German operations, including a potential divestment.

Gross profit



Operative EBITA



EUR million	Jan-Mar 2019	Jan-Mar 2018	Change, %
Net sales			
Power	87.0	95.7	-9.1
Communication	161.4	162.3	-0.6
Other	3.1	9.5	-67.7
Total Group	**251.0**	**266.6**	**-5.9**
Operative EBITA[2]			
Power	-4.2	-1.3	-220.8
Communication	4.6	1.1	320.9
Other	-0.1	-3.7	96.9
Items not allocated[4]	-3.3	-3.7	11.3
Total Group	**-3.0**	**-7.6**	**-60.3**

EUR million	Jan-Dec 2018
Net sales	
Power	438.8
Communication	727.3
Other	23.1
Total Group	**1,188.9**
Operative EBITA[2]	
Power	-0.5
Communication	24.8
Other	-11.1
Items not allocated[4]	-15.4
Total Group	**-2.2**

1) Adjusted for divested operations and currency effects.
2) Eltel follows the profitability of segments with Operative EBITA. Please see page 20 for definitions of the key ratios.
3) See page 19 for more information on IFRS 16 impact on cash flow.
4) Items not allocated to operating segments consist of Group management function.

Comments by the CEO

During the first quarter, we continued to concentrate on improving our day-to-day activities and ensuring we are our customers' first choice. The operational improvements, specifically our focus on winter planning, led to an increased operative EBITA margin for the Group. While we continue to work with Operational Excellence, we are still finalising a few challenging projects with high risk and low margins, which will continue until 2020.

The Communication segment showed sales in line with last year and an operative EBITA margin of 2.9% as increased utilisation rates and rightsizing had a positive effect in all main markets. We have experienced good operating conditions and solid execution in Norway and Denmark, while the restructuring in Sweden is proceeding according to plan and moving in the right direction.

Sales in the Power segment was down, partly due to the expected downturn in Smart Grids and partly from Finland due to weather conditions and lower volumes in Build compared to last year. Lower gross margin and higher costs in Nordic and Polish High Voltage projects, in addition to the reduced sales, led to the negative deviation in Power segment EBITA.

Going forward we continue our Operational Excellence strategy with focus on the customer interface, flawless execution, production planning and efficiency in our operations.

On 4 March 2019, we agreed with our banks on certain amendments to our existing financial agreement to better position ourselves for an evaluation of strategic alternatives for our Polish and German operations, including a potential divestment, which was announced on 3 April 2019. A divestment would mean that Eltel is taking the next step towards strengthening our position as the number one Nordic player with lower risk and fewer capital-intensive projects, a stronger financial position and reduced net debt.

Operational Excellence, the amended bank agreement and a potential divestment of the Polish and German operations are key for Eltel to reach our long-term goal – an EBITA-margin of 5% with a stable cash flow and a healthy balance sheet.

Casimir Lindholm, President & CEO

About Eltel and the Group strategy

Eltel in brief

Eltel is a leading provider of technical services for power and telecom networks. Operations are conducted in the Nordic countries, Poland and Germany within country-based organisations that have full responsibility for their financial results inside the Power and Communication segments. The Power segment provides maintenance of power grids, upgrades and project work to national transmission system operators and distribution network owners. The Communication segment provides similar services to telecom operators and other owners of communication networks.

Eltel's markets are characterised by a high concentration of customers and competitors offering similar products and services. Eltel competes mainly on price and partly on quality. The markets are regulated and typically have predictable and repetitive demand in line with each country's GDP.

Our strategy – Operational Excellence

A decision was taken in 2017 to restructure Eltel in order to focus on areas with a balanced risk level in which it has a leading market position and a high level of expertise, and in which the business model is repetitive and primarily targeted towards build, service and maintenance. Work to discontinue remaining non-strategic operations is expected to be completed in 2020.

In parallel, a strategy for existing operations has been developed, with a focus on operating profitability. The strategy, which 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.

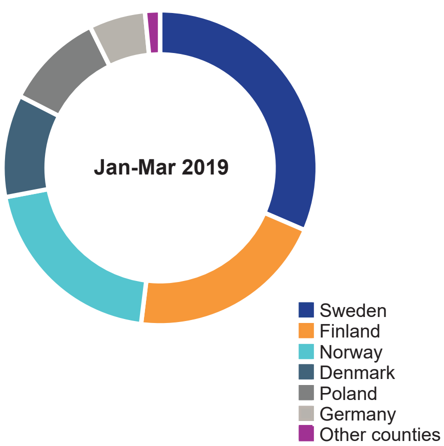
This will create the foundation for sustainable growth, profitability and shareholder value.

Eltel's long-term financial targets

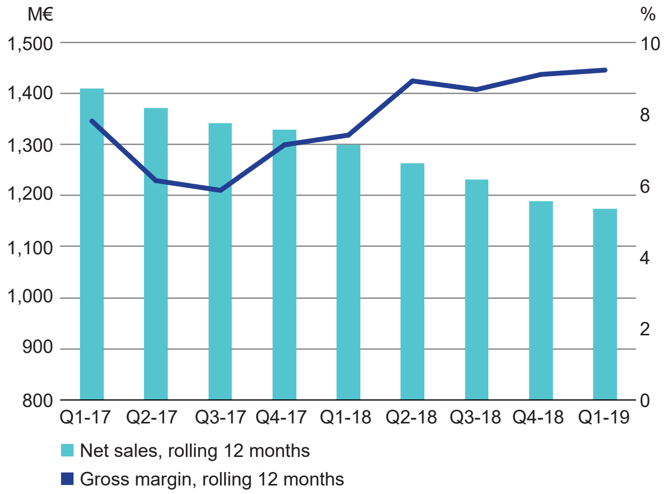
	Target
Annual growth	2–4%
EBITA-margin	5%
Cash conversion[1]	95–100% of EBITA
Leverage[2]	1.5–2.5x net debt/EBITDA

1) Cash conversion is calculated as operative cash flow as a percentage of EBITA. Operative cash flow is calculated as the sum of (a) operating profit (EBIT), (b) depreciation and amortisation (c) change in net working capital, less (d) net acquisition of properties, plant and equipment (CAPEX).
2) Net debt / EBITDA is calculated as net debt, which is defined as interest-bearing debt consisting of short-term and long-term liabilities less cash and cash equivalents, in relation to EBITDA.
Eltel's long-term financial target definitions exclude the IFRS 16 impacts.

Net sales by country



Net sales



Net sales and earnings Group

EUR million	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Net sales	251.0	266.6	1,188.9
Operative EBITA	-3.0	-7.6	-2.2
EBIT	-3.6	-10.4	-9.2
Net result	-7.4	-9.5	-22.2
Key ratios			
Net sales growth, %	-5.9	-10.5	-10.6
Currency translation effect in net sales, MEUR	-4.6	-8.0	-32.1
Operative EBITA margin, %	-1.2	-2.9	-0.2
Tax rate, %	-16.8	21.0	-22.9
Earnings per share after dilution, EUR	-0.05	-0.06	-0.15

January–March 2019

Net sales decreased 5.9% to EUR 251.0 million (266.6). Organic net sales in segment Power and Communication, adjusted for currency effects, decreased 2.0%. In Power, net sales decreased by EUR 8.8 million and in Communication net sales were relatively stable with a decrease of EUR 0.9 million. In line with the planned discontinuation of the businesses, Other decreased by EUR 6.5 million.

Operative EBITA amounted to EUR -3.0 million (-7.6). In Power, operative EBITA decreased by EUR 2.9 million. In Communication, operative EBITA increased by EUR 3.5 million and in Other by EUR 3.6 million.

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

Net items affecting comparability amounted to EUR 0.0 million (-2.2). The negative result last year was related to the divestment of Rail operations in the Nordics.

EBIT amounted to EUR -3.6 million (-10.4).

Net financial expenses amounted to EUR -2.8 million (-1.6), including EUR -0.5 million interest expense impact from IFRS16 standard.

Taxes amounted to EUR -1.1 million (+2.5), corresponding to an effective tax rate of -16.8% (21.0).

The net result for the period was EUR -7.4 million (-9.5). Earnings per share were EUR -0.05 (-0.06).

Net sales and EBITA – Segments

Power

EUR million	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Net sales	87.0	95.7	438.8
Operative EBITA	-4.2	-1.3	-0.5
Number of employees	2,317	2,340	2,346
Key ratios			
Net sales growth, %	-9.1	-7.8	-6.7
Organic growth[1], %	-8.1	-	-
Currency translation effect in net sales, MEUR	-1.0	-1.3	-5.2
Operative EBITA margin, %	-4.8	-1.4	-0.1

1) Adjusted for divested operations and currency effects.

January–March 2019

Net sales decreased by EUR 8.8 million to EUR 87.0 million (95.7), representing a decrease of 9.1%. Organic net sales, adjusted for currency effects, decreased 8.1%. The decrease is mainly explained by weather conditions and lower volumes in Build Finland compared to last year, as well as the expected lower net sales in Smart Grids. The decrease was partly offset by higher volumes High Voltage Poland.

Operative EBITA decreased to EUR -4.2 million (-1.3). The operative EBITA margin was -4.8% (-1.4). The decrease is coming from lower net sales in Smart Grids in addition to lower gross margin and higher costs in High Voltage Nordics and Poland.

Communication

EUR million	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Net sales	161.4	162.3	727.3
Operative EBITA	4.6	1.1	24.8
Number of employees	4,439	4,666	4,502
Key ratios			
Net sales growth, %	-0.6	-4.3	-3.9
Organic growth[1], %	1.6	-	-
Currency translation effect in net sales, MEUR	-3.6	-6.7	-26.9
Operative EBITA margin, %	2.9	0.7	3.4

1) Adjusted for divested operations and currency effects.

January–March 2019

Net sales decreased by EUR 1.0 million to EUR 161.4 million (162.3), representing a decrease of 0.6%. Organic growth, adjusted for currency effects, was 1.6%. Increased volumes in Norway and Denmark were offset by a decrease in Sweden related to fluctuations in the market and currency effects.

Operative EBITA increased to EUR 4.6 million (1.1). The operative EBITA margin was 2.9% (0.7). The operative EBITA increased in all markets except for Finland. Increased utilisation, favorable winter conditions and rightsizing of organisations impacted positively.

Other

EUR million	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Net sales	3.1	9.5	23.1
Operative EBITA	-0.1	-3.7	-11.1
Number of employees	55	265	158
Key ratios			
Net sales growth, %	-67.7	-61.2	-77.7
Operative EBITA margin, %	-3.7	-38.8	-48.2

January–March 2019

Net sales decreased by EUR 6.5 million to EUR 3.1 million (9.5), representing a decrease of 67.7%. The decline is in line with the discontinuation the businesses within Rail and Power Transmission International. The remaining net sales relates almost fully to Power Transmission International.

Operative EBITA increased to EUR -0.1 million (-3.7). The operative EBITA margin was -3.7% (-38.8). The negative operative EBITA is attributable to the planned ramp down of the business. The majority of the Rail business has been discontinued with only a few projects remaining in Sweden. The discontinuation of Power Transmission International continues according to plan.

The total cost of discontinuing Power Transmission International is estimated to be somewhat lower than EUR 40 million. In total, net costs amounting to EUR 29.9 million were recorded during 1 January 2017–31 March 2019, in line with the plan. The discontinuation is expected to be finalised in 2020. In Rail operations, an accumulated cost of EUR 25.0 million has been recognised in operative EBITA from 1 January 2017–31 March 2019.

Cash flow

EUR million	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Cash flow from operating activities before IFRS 16 impact	-40.6	-35.8	3.2
Movement between report lines, IFRS 16 impact	6.8	-	-
Cash flow from operating activities	**-33.8**	**-35.8**	**3.2**
Cash flow from investing activities	**-6.7**	**-3.4**	**-21.3**
Cash flow from financing activities before IFRS 16 impact	6.5	12.3	39.1
Movement between report lines, IFRS 16 impact	-6.8	-	-
Cash flow from financing activities	**-0.3**	**12.3**	**39.1**
Net change in cash and cash equivalents	**-40.8**	**-26.9**	**21.1**
Cash and cash equivalents at beginning of period	53.4	32.9	32.9
Foreign exchange rate effect	0.2	-	-0.5
Cash and cash equivalents at end of period	12.8	6.0	53.4

Condensed consolidated statement of cash flows is presented on page 12.

January–March 2019

Cash flow from operating activities was EUR -33.8 million (-35.8). This includes an expected negative impact of EUR 37.2 million (-29.1) from change in net working capital. Cash flow has historically displayed a strong seasonal pattern, with weaker cash flow recorded during the period until the end of the third quarter due to higher production activity. Eltel's net working capital level is also impacted by working capital intensive projects, which are expected to continue to create volatility in net working capital going forward.

Net cash flow from investing activities was EUR -6.7 million (-3.4). This consists of EUR 4.1 million (1.6) net capital expenditure, mainly to improved IT systems and replacement investments, of EUR 4.2 million earn-out payment for Smart Grids in Germany (-1.9 divestment) and of EUR 1.5 million investment refund from joint ventures.

Cash flow from financing activities was EUR -0.3 million (12.3) including net of payment of financial lease liabilities and increase in other short-term borrowing. IFRS 16 line impact between cash flow from operating activities and financing activities was EUR 6.8 million.

Financial position, cash and cash equivalents

Equity at the end of the period was EUR 243.4 million (274.1) and total assets were EUR 873.0 million (773.1). The equity ratio was 29.4%. The comparable equity ratio before IFRS 16 impact was 33.0% (37.7).

At the end of the quarter, available liquidity reserves amounted to EUR 142.8 million (132.4). On the same date, EUR 84 million of Eltel's commercial paper programme was utilised.

In March 2019 Eltel agreed with its banks on certain amendments to its existing financial agreement that matures in Q1 2021. The new amendments include financial covenants and a plan to reduce net debt during the term. The covenant revisions relate to minimum adjusted EBITDA to be applied until the end of the transformation period (Q2 2020) and maximum net debt of EUR 120 million to be applied as from the end of Q4 2019. As from the end of Q2 2020 the original net debt/EBITDA ratio and adjusted EBITDA/net finance charges ratio are applied. The minimum liquidity covenant level remains unchanged throughout the agreement. In consideration for the facilitated amended loan agreement, Eltel has agreed to secure 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. The covenants, minimum adjusted EBITDA and maximum net debt, defined in the financial agreement are excluding IFRS 16 impact.

At the end of the quarter the commercial contract guarantees issued by banks, other financial institutions and the Parent Company amounted to EUR 302.4 million (319.8).

Interest-bearing liabilities and net debt

EUR million	31 Mar 2019	31 Mar 2018	31 Dec 2018
Interest-bearing debt in balance sheet	201.9	168.9	196.7
Leasing liabilities in balance sheet	89.3	4.4	4.1
Allocation of effective interest to periods	0.8	0.5	0.6
Less cash and cash equivalents	-12.8	-6.0	-53.4
Net debt	279.3	167.8	148.0
Less IFRS 16 leasing liabilities	-85.1	-	-
Net debt, financing agreement	**194.2**	**167.8**	**148.0**

Interest-bearing debt amounted to EUR 201.9 million (168.9) of which EUR 111.7 million (113.0) was non-current and EUR 90.2 million (55.9) was current. Leasing liabilities amounted to EUR 89.3 million (4.4) of which EUR 61.3 million (2.5) was non-current and EUR 28.1 million (1.9) was current. IFRS 16 impact in leasing liabilities was EUR 85.1 million, of which EUR 59.1 million was non-current and EUR 25.9 million current.

Other information

Events after the end of the period

On 3 April 2019, Eltel announced it will focus on the Nordic market and has initiated an evaluation of strategic alternatives for its Polish and German operations, including a potential divestment. In Poland and Germany, Eltel is active in the Power and Communication segments. In 2018, the operations in the two countries had about 1,800 employees and net sales of about EUR 175 million, which corresponds to approximately 15% of the net sales of the Eltel Group. A potential divestment may take place during 2019 and 2020.

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. Eltel has been invited to comment upon Nasdaq Stockholm's conclusions and Eltel has responded outlining its reasons for rejecting any breach. In relation to alleged deficiencies in Eltel's internal control and accounting, the matter has been closed without further action. The matter, as it relates to alleged deficiencies in Eltel's capacity for providing information to the market during 2016 and 2017, 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. There is a risk that the covenants under the existing financing agreement are not met during the transformation period.

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

Future prospects

Eltel does not issue guidance.

Related party transactions

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

Seasonality

Eltel's businesses are generally characterised by seasonal patterns and cyclicality of the project business that adds volatility to net sales, EBITA and cash flow. Seasonality is normally driven by a number of factors, including weather conditions, the timing of customer order placements and completion of work phases towards the end of the month, particularly for larger projects. The Eltel Group has historically reported higher revenues and operating profit in the second half of the year. Cash flow has historically displayed a strong seasonal pattern, with weaker cash flow recorded during the period until the end of the third quarter due to higher production activity. At the end of the year, as production volumes decrease, cash flow has normally been stronger. For more details, please refer to quarterly key financial figures for the Group on page 15.

Presentation of the first quarter 2019 report

Analysts and media are invited to participate in the first quarter 2019 briefing on 26 April 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:

Petter Traaholt, CFO
Tel. +46 72 59 54 749, petter.traaholt@eltelnetworks.se

Elin Otter, Head of Communications and Investor Relations
Tel. +46 72 59 54 692, elin.otter@eltelnetworks.se

Financial calendar

- Annual General Meeting 2019: 7 May 2019
- Interim report January–June 2019: 24 July 2019
- Interim report January–September 2019: 7 November 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 26 April 2019 at 08:00 a.m. CET.

Signature of the CEO

Stockholm, Sweden, 26 April 2019

Eltel AB (publ)

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	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Net sales	251.0	266.6	1,188.9
Cost of sales	-229.2	-244.7	-1,080.5
Gross profit	**21.8**	**22.0**	**108.4**
Other income[1]	0.3	4.0	4.5
Sales and marketing expenses[2]	-2.0	-4.0	-10.1
Administrative expenses	-22.6	-25.6	-101.0
Other expenses[1]	-1.0	-6.7	-12.2
Share of profit/loss of joint ventures	-	-0.1	1.1
Operating result (EBIT)	**-3.6**	**-10.4**	**-9.2**
Financial income	0.1	0.0	0.4
Financial expenses	-2.9	-1.7	-9.2
Net financial expenses	-2.8	-1.6	-8.8
Result before taxes	**-6.4**	**-12.0**	**-18.0**
Taxes	-1.1	2.5	-4.1
Net result	**-7.4**	**-9.5**	**-22.2**
Attributable to:			
Equity holders of the parent	-7.6	-9.7	-23.3
Non-controlling interest	0.2	0.2	1.1
Earnings per share (EPS)			
Basic, EUR	-0.05	-0.06	-0.15
Diluted, EUR	-0.05	-0.06	-0.15

Presentation of income statement has been changed for all periods. See changes in presentation on page 14 for more information.

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

2) Sales and marketing expenses include EUR -0.5 million, EUR -0.5 million and EUR -2.2 million of customer relationship amortisations, respectively. Amortisations previously presented as a separate line.

Condensed consolidated statement of comprehensive income

EUR million	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Net profit for the period	-7.4	-9.5	-22.2
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Revaluation of defined benefit plans, net of tax	-2.6	1.1	-4.8
Items that may be subsequently reclassified to profit and loss			
Cash flow hedges, net of tax	0.1	-	0.0
Net investment hedges, net of tax	0.7	2.6	3.0
Currency translation differences	0.5	-3.7	-7.2
Total	1.3	-1.1	-4.2
Other comprehensive income/loss for the period, net of tax	-1.3	-	-9.0
Total comprehensive income/loss for the period	**-8.7**	**-9.5**	**-31.1**
Total comprehensive income/loss attributable to:			
Equity holders of the parent	-8.9	-9.7	-32.3
Non-controlling interest	0.2	0.2	1.1

Condensed consolidated balance sheet

EUR million	31 Mar 2019	31 Mar 2018	31 Dec 2018
ASSETS			
Non-current assets			
Goodwill	282.1	283.8	282.1
Intangible assets	42.8	41.4	42.8
Property, plant and equipment	30.8	26.3	30.2
Right-of-use assets	89.4	3.8	4.0
Investments in and receivable from joint ventures	0.4	0.7	1.9
Investments	0.3	0.3	0.3
Deferred tax assets	30.2	26.1	29.0
Trade and other receivables	0.4	-	0.4
Total non-current assets	**476.3**	**382.3**	**390.7**
Current assets			
Inventories	16.6	14.9	13.2
Other financial assets	35.0	35.0	35.0
Trade and other receivables	332.3	334.9	337.5
Cash and cash equivalents	12.8	6.0	53.4
Total current assets	**396.7**	**390.8**	**439.2**
TOTAL ASSETS	**873.0**	**773.1**	**829.8**
EQUITY AND LIABILITIES			
Equity			
Shareholders' equity	235.6	266.9	244.3
Non-controlling interest	7.8	7.2	7.6
Total equity	**243.4**	**274.1**	**252.0**
Non-current liabilities			
Debt	111.7	113.0	112.3
Leasing liabilities	61.3	2.5	2.2
Retirement benefit obligations	15.0	8.1	12.8
Deferred tax liabilities	17.6	9.8	17.6
Provisions	3.0	2.9	2.6
Other non-current liabilities	0.4	0.3	0.6
Total non-current liabilities	**209.1**	**136.5**	**148.1**
Current liabilities			
Debt	90.2	55.9	84.4
Leasing liabilities	28.1	1.9	2.0
Liabilities to shareholders[1]	35.0	35.0	35.0
Provisions	16.6	21.7	15.3
Advances received	46.0	45.5	51.7
Trade and other payables	204.5	202.4	241.4
Total current liabilities	**420.5**	**362.5**	**429.8**
Total liabilities	**629.6**	**499.0**	**577.9**
TOTAL EQUITY AND LIABILITIES	**873.0**	**773.1**	**829.8**

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

Condensed consolidated statement of cash flows

EUR million	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Cash flow from operating activities			
Operating result (EBIT)	-3.6	-10.4	-9.2
Adjustments:			
Depreciation and amortisation	11.0	3.5	14.3
Gain/loss on sales of assets and business	-	2.2	2.1
Defined benefit pension plans	-0.9	1.7	-3.8
Other non-cash adjustments	0.7	-1.0	3.0
Cash flow from operations before interests, taxes and changes in working capital	7.2	-3.9	6.4
Interest and other financial expenses paid, net	-2.7	-2.0	-7.4
Income taxes paid	-1.1	-0.7	-2.7
Total financial expenses and taxes	-3.8	-2.8	-10.1
Changes in working capital:			
Trade and other receivables	4.7	11.1	15.2
Trade and other payables	-38.6	-34.8	-4.5
Inventories	-3.2	-5.5	-3.9
Changes in working capital	-37.2	-29.1	6.8
Net cash from operating activities	**-33.8**	**-35.8**	**3.2**
Cash flow from investing activities			
Purchases of property, plant and equipment (PPE), net	-4.1	-1.6	-18.6
Acquisition of business, net of cash and cash equivalents	-4.2	-	-
Investments in joint ventures	-	-	-0.1
Investments refund from joint ventures	1.5	-	-
Disposal of business	-	-1.9	-2.6
Net cash from investing activities	**-6.7**	**-3.4**	**-21.3**
Cash flow from financing activities			
Proceeds from short-term financial liabilities	19.8	23.6	89.7
Payments of short-term borrowings	-13.5	-11.0	-49.2
Payments of/proceeds from lease liabilities	-7.2	-0.2	-0.5
Dividends to non-controlling interest	-	-	-0.5
Change in non-liquid financial assets	0.6	-0.1	-0.4
Net cash from financing activities	**-0.3**	**12.3**	**39.1**
Net change in cash and cash equivalents	**-40.8**	**-26.9**	**21.1**
Cash and cash equivalents at beginning of period	53.4	32.9	32.9
Foreign exchange rate effect	0.2	-	-0.5
Cash and cash equivalents at end of period	12.8	6.0	53.4

See page 19 for more information about IFRS 16 impact on cash flow statement.

Condensed consolidated statement of changes in equity

EUR million	Share capital	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve	Currency translation	Total	Non-controlling interest	Total equity
Equity at 1 Jan 2019	158.0	491.6	-349.5	-32.2	10.4	-34.1	244.3	7.6	252.0
Total comprehensive income for the period	-	-	-7.6	-2.6	0.8	0.5	-8.9	0.2	-8.7
Transactions with owners:									
Equity-settled share-based payment	-	-	0.2	-	-	-	0.2	-	0.2
Proceeds from shares issued	0.9	-0.9	-	-	-	-	-	-	-
Total transaction with owners	0.9	-0.9	0.2	-	-	-	0.2	-	0.2
Equity at 31 Mar 2019	158.8	490.8	-356.9	-34.7	11.2	-33.6	235.6	7.8	243.4

EUR million	Share capital	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve	Currency translation	Total	Non-controlling interest	Total equity
Equity at 1 Jan 2018	158.4	491.1	-325.6	-27.4	7.4	-26.9	277.1	7.0	284.1
IFRS 15 opening balance adjustments, net of tax	-	-	-0.6	-	-	-	-0.6	-	-0.6
Total comprehensive income for the period	-	-	-9.7	1.1	2.6	-3.7	-9.7	0.2	-9.5
Transactions with owners:									
Equity-settled share-based payment	-	-	0.1	-	-	-	0.1	-	0.1
Total transaction with owners	-	-	0.1	-	-	-	0.1	-	0.1
Equity at 31 Mar 2018	158.4	491.1	-335.8	-26.3	9.9	-30.6	266.9	7.2	274.1

EUR million	Share capital	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve	Currency translation	Total	Non-controlling interest	Total equity
Equity at 1 Jan 2018	158.4	491.1	-325.6	-27.4	7.4	-26.9	277.1	7.0	284.1
IFRS 15 opening balance adjustments, net of tax	-	-	-0.6	-	-	-	-0.6	-	-0.6
Total comprehensive income for the period	-		-23.3	-4.8	3.0	-7.2	-32.2	1.1	-31.1
Transactions with owners:									
Equity-settled share-based payment	-	-	0.0	-	-	-	0.0	-	0.0
Proceeds from shares issued	-	0.0	-	-	-	-	0.0	-	0.0
Share capital reduction and reclassification	-0.5	0.5	-	-	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-0.5	-0.5
Total transaction with owners	-0.5	0.5	0.0	-	-	-	0.0	-0.5	-0.5
Equity at 31 Dec 2018	158.0	491.6	-349.5	-32.2	10.4	-34.1	244.3	7.6	252.0

Notes to the condensed consolidated interim financial statements

Accounting principles

This interim report has been prepared in accordance with *IAS 34 Interim Financial Reporting*. The accounting principles adopted are the same with those of the Group's annual financial statements for the year ended 31 December 2018 except for *IFRS 16 Leases* effective from 1 January 2019 as described below. The Parent company does not apply IFRS 16 in accordance with the exception in RFR2.

IFRS 16 Leases (effective from 1 January 2019) replaces IAS 17 Leases, and related interpretations. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions of short-term leases and leases of low-value items, which Eltel has chosen to apply. Under IAS 17, Eltel recognised operating lease expense on a straight-line basis over the term of the lease and recognised assets (prepaid leasing fees) and liabilities (accrued leasing fees) only to the extent there was timing differences between actual lease payments and the expense recognised. IFRS 16 replaces the operating lease expense with depreciation charge for right-of-use assets and interest expense for lease liabilities reported under financing expenses. The depreciation for right-of-use assets is presented in the same income statement line (function of expense) as the earlier operative lease expense.

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

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

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

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

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

The new IFRS standards and amendments effective for the first time for 2020 financial year or later are not expected to have any material impact on Group's financial statements.

Changes in presentation

Eltel has made the following changes in presentation:

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

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

Key figures for the period

EUR million	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018	Rolling 12-month
Net sales	251.0	266.6	1,188.9	1,173.3
Net sales growth, %	-5.9	-10.5	-10.6	-9.7
Operative EBITA	-3.0	-7.6	-2.2	2.4
Operative EBITA margin, %	-1.2	-2.9	-0.2	0.2
Items affecting comparability	-	-2.2	-4.8	-2.6
Operating result (EBIT)	-3.6	-10.4	-9.2	-2.4
EBIT margin, %	-1.4	-3.9	-0.8	-0.2
Result after financial items	-6.4	-12.0	-18.0	-12.4
Net result for the period	-7.4	-9.5	-22.2	-20.1
Earnings per share EUR, basic	-0.05	-0.06	-0.15	-0.05
Earnings per share EUR, diluted	-0.05	-0.06	-0.15	-0.05
Operative cash flow	-33.8	-37.6	-6.6	-2.9
Number of personnel, end of period	7,180	7,605	7,376	7,180

Please see page 20 for definitions of the key ratios.

Quarterly key financial figures for the Group

EUR million	Jan-Mar 2019	Oct-Dec 2018	Jul-Sep 2018	Apr-Jun 2018	Jan-Mar 2018
Net sales	251.0	330.9	295.9	295.5	266.6
Net sales growth, %	-5.9	-11.6	-9.8	-10.4	-10.5
Operative EBITA	-3.0	2.9	0.5	2.0	-7.6
Operative EBITA margin, %	-1.2	0.9	0.2	0.7	-2.9
EBITDA	7.5	3.2	3.9	4.8	-6.9
Operating result (EBIT)	-3.6	-0.2	-0.2	1.6	-10.4
EBIT margin, %	-1.4	-0.1	-0.1	0.5	-3.9
Result after financial items	-6.4	-2.8	-3.5	0.3	-12.0
Net result for the period	-7.4	-3.3	-9.6	0.2	-9.5
Earnings per share EUR, basic and diluted	-0.05	-0.02	-0.06	0.00	-0.06
Return on equity (ROE), %[1]	-7.8	-8.3	-9.5	-9.7	-23.0
Net working capital	74.8	39.9	109.3	91.9	75.1
Operative cash flow	-33.8	66.4	-18.2	-17.3	-37.6
Number of personnel, end of period	7,180	7,376	7,490	7,680	7,605

1) Calculated on a rolling 12-month basis.
Assets and liabilities held for sale are not included (on 30 June 2018 Norwegian Rail business).
Please see page 20 for definitions of the key ratios.

Net sales by segment

EUR million	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Power			
Net sales (external)	87.0	95.3	438.8
Inter-segment sales	-	0.4	0.1
Communication			
Net sales (external)	160.9	161.8	727.0
Inter-segment sales	0.4	0.5	0.3
Other			
Net sales (external)	3.1	9.5	23.1
Elimination of sales between segments	-0.4	-0.9	-0.4
Net sales, total	**251.0**	**266.6**	**1,188.9**

Net sales by geographical area

EUR million	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Sweden	79.0	90.1	359.8
Finland	51.3	57.1	275.8
Norway	50.4	58.4	258.9
Denmark	25.4	21.5	101.1
Poland	26.4	17.9	98.2
Germany	14.5	17.1	76.2
Other countries	3.9	4.6	19.0
Net sales, total	**251.0**	**266.6**	**1,188.9**

Net sales by service split

EUR million	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Power			
Project delivery	52.7	54.2	262.2
Upgrade services	20.8	23.8	120.2
Maintenance	16.0	19.2	65.2
Internal net sales and fx adjustments	-2.6	-1.5	-8.8
Total Power	87.0	95.7	438.8
Communication			
Project delivery	7.1	5.8	42.1
Upgrade services	110.7	110.6	460.7
Maintenance	53.8	52.9	266.1
Internal net sales and fx adjustments	-10.3	-7.0	-41.5
Total Communication	161.4	162.3	727.3
Other			
Project delivery	3.3	7.2	22.4
Maintenance	-0.2	2.3	0.5
Internal net sales and fx adjustments	-	-	0.2
Total Other	3.1	9.5	23.1
Elimination of sales between segments	-0.4	-0.9	-0.4
Total	**251.0**	**266.6**	**1,188.9**

Reconciliation of segment results

EUR million	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Operative EBITA by segment			
Power	-4.2	-1.3	-0.5
Communication	4.6	1.1	24.8
Other	-0.1	-3.7	-11.1
Items not allocated to operating segments[1]	-3.3	-3.7	-15.4
Operative EBITA, Group	-3.0	-7.6	-2.2
Earn-out adjustment	-	-	-2.6
Gain on sale of business	-	3.7	3.7
Loss on sale of business	-	-6.0	-6.0
Total items affecting comparability in EBITA[2]	-	-2.2	-4.8
Amortisation of acquisition-related intangible asset	-0.5	-0.5	-2.2
Operating result (EBIT)	-3.6	-10.4	-9.2
Financial expenses, net	-2.8	-1.6	-8.8
Result before taxes	**-6.4**	**-12.0**	**-18.0**

1) Items not allocated to operating segments consist of Group management function.
2) Items affecting comparability in EBITA include EUR 3.7 million positive impact from sale of the Finnish rail operations and EUR 5.9 million negative impact from sale of the Swedish rail operations.

Net working capital (NWC) and operative capital employed

EUR million	31 Mar 2019	31 Mar 2018	31 Dec 2018
Inventories	16.6	14.9	13.2
Trade and other receivables	332.3	334.9	337.5
Provisions	-19.7	-24.6	-17.9
Advances received	-46.0	-45.5	-51.7
Trade and other payables	-204.5	-202.4	-241.4
Other[1]	-3.8	-2.2	0.2
Net working capital	74.8	75.1	39.9
Intangible assets excluding acquisition-related allocations	11.3	7.6	10.6
Property, plant and equipment	30.8	26.3	30.2
Right-of-use assets	89.4	3.8	4.0
Operative capital employed	206.4	112.7	84.7

1) Includes adjustments for non-NWC items included in above receivable and payables lines, mainly for derivative valuations, contingent consideration from acquisitions and income tax liabilities and NWC items included in other balance sheet lines.

Contract balances

EUR million	31 Mar 2019	31 Mar 2018	31 Dec 2018
Trade receivables	127.0	126.1	144.0
Contract assets	177.7	180.2	163.8
Total	304.7	306.3	307.8
Advances received	46.0	45.5	51.7

Trade receivables and contract assets are included in the trade and other receivable line in the above net working capital table. Advances received represent contract liabilities.

Acquisitions and disposals

January–March 2019

During the first quarter of 2019 there were no acquisitions or disposals.

On 3 April 2019, Eltel announced that it will focus on the Nordic market and has initiated a strategic evaluation of the company's operations outside the Nordics, including a potential divestment. The evaluation is initiated and a potential divestment of operations in Poland and Germany may take place during 2019 and 2020. At the reporting date, none of the operations under the strategic evaluation meet the criteria for either held-for-sale presentation or presentation as discontinued operation.

January–March 2018

During the first quarter of 2018, Eltel divested its non-core rail operations in Finland, Denmark and Sweden.

The purchase price of the Finnish rail operations amounted EUR 8.5 million deducted by the cash generated from these operations during September 2017–January 2018. The transaction had a positive impact on Group 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 had a negative impact of EUR 0.5 million, which was recognised in the fourth quarter of 2017 and a negative cash flow effect of EUR 2.4 million in the first quarter of 2018.

The sale of the Swedish rail operations 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.

Deferred taxes

EUR million	31 Mar 2019	31 Mar 2018	31 Dec 2018
Deferred tax assets	30.2	26.1	29.0
Deferred tax liabilities	-17.6	-9.8	-17.6
Sum	12.5	16.4	11.5

In December 2018, gross amount of EUR 21.0 million (21.3) deferred tax assets was recognised for losses carried forward, of which EUR 10.3 million (10.8) related to operations in Sweden. The tax losses relate to identifiable causes that are unlikely to recur. During 2016 and 2017 Eltel has incurred significant one-off costs in Sweden mainly relating to Rail and Power transmission international businesses, that are being disposed or ramped down. The continuing business operations are profitable and deferred tax asset recognised for losses carried forward are expected to be utilised against taxable profits in the foreseeable future.

Derivative financial instruments

	31 Mar 2019			31 Mar 2018			31 Dec 2018		
EUR million	**Nominal values**	**Net fair values**		**Nominal values**	**Net fair values**		**Nominal values**	**Net fair values**	
Interest rate derivatives	22.8	0.0	1)	23.3	0.0	3)	22.8	0.0	5)
Foreign exchange rate derivatives	73.6	0.1		67.2	0.0	4)	61.7	-0.4	6)
Embedded derivatives	2.4	0.2		15.3	1.4		7.8	0.7	
Commodity derivatives	0.6	0.0	2)	-	-		0.6	-0.1	7)
Total	**99.4**	**0.2**		**105.8**	**1.4**		**92.9**	**0.2**	

Designated as cash flow hedge [1] EUR -0.3 million [2] EUR -0.0 million [3] EUR -0.5 million [4] EUR 0.0 million [5] EUR -0.3 million [6] EUR 0.0 million [7] EUR -0.1 million. Financial assets recognised at fair value through profit and loss comprise solely derivatives. Fair values of the derivative instruments are based on observable market values (level 2 observable input information) at balance sheet date. Eltel considers the carrying amounts of these 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.

Earnings per share

	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Net result attributable to equity holders of the parent	-7.6	-9.7	-23.3
Weighted average number of common shares, basic	156,615,325	156,560,595	156,603,262
Weighted average number of common shares, diluted	156,796,531	156,688,551	156,795,867
Earnings per share EUR, basic	-0.05	-0.06	-0.15
Earnings per share EUR, diluted	-0.05	-0.06	-0.15

Leasing

Right-of-use assets

EUR million	Buildings	Machinery and equipment	Total
Transfer of IAS 17 finance lease assets from PPE	-	4.0	4.0
IFRS 16 opening balance adjustment	49.3	40.3	89.6
1 Jan 2019	49.3	44.3	93.6
Additions	1.9	0.9	2.8
Depreciations	3.0	4.6	7.6
Translation differences	0.4	0.4	0.7
31 Mar 2019	**48.6**	**40.9**	**89.4**

Leasing liabilities

EUR million	Non-current	Current	Total
Transfer of IAS 17 finance lease liability from debt	2.2	2.0	4.1
IFRS 16 opening balance adjustment	61.8	27.1	89.0
1 Jan 2019	64.0	29.1	93.1
Changes during the period	-2.8	-1.0	-3.8
31 Mar 2019	**61.3**	**28.1**	**89.3**

Cash flow

EUR million	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Cash flow from operating activities before IFRS 16 impact	-40.6	-35.8	3.2
Movement between report lines:			
IFRS 16 impact on operating result (EBIT)	0.1	-	-
IFRS 16 impact on depreciation and amortisation	7.1	-	-
IFRS 16 impact on interests and other financial expenses paid	-0.5	-	-
Total IFRS 16 impact on cash flow from operating activities	6.8		
Cash flow from operating activities	**-33.8**	**-35.8**	**3.2**
Cash flow from investing activities	**-6.7**	**-3.4**	**-21.3**
Cash flow from financing activities before IFRS 16 impact	6.5	12.3	39.1
IFRS 16 impact on payments of/proceeds from lease liabilities	**-6.8**	**-**	**-**
Cash flow from financing activities	**-0.3**	**12.3**	**39.1**

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

Definitions and key ratios

Eltel applies ESMA's (European Securities and Markets Authority) guidelines for alternative performance measures (APM). In addition to the financial measures defined in IFRS, certain key figures, which qualify as alternative performance measures (APMs) are presented to reflect the underlying business performance, facilitate analysis of the Group's development as followed by Group Management and enhance comparability from period to period. The definition of these key figures is presented below and relevant information enabling reconciliations to IFRS measures can be found in connection with relevant parts of the report. These APMs should not be considered as a substitute for measures in accordance with IFRS.

IFRS key ratios

Earnings per share (EPS)	Net result attributable to equity holders of the parent / Weighted average number of ordinary shares

Alternative performance measures (APMs)

Operative EBITA	Operating result before acquisition-related amortisations and items affecting comparability
Items affecting comparability	Items for specific events which management does not consider to form part of the ongoing operative business
Operative cash flow	EBIT + depreciation and amortisation + change in net working capital – net purchase of PPE (capex)
Cash conversion, %[1]	Operative cash flow x 100 / EBITA
Equity ratio, %	Total equity x 100 / Total assets - advances received
Net debt	Interest-bearing debt (excluding shareholder loans) - cash and cash equivalents
Operative capital employed	Net working capital + Intangible assets excluding goodwill and acquisition-related allocations + Property, plant and equipment
Return on equity, %[1]	Net result x 100 / Total equity (average over the reporting period)
Net working capital	Net of inventories, trade and other receivables, provisions, advances received and trade and other payables, excluding items in these balance sheet items that are not considered to form part of operative working capital: derivative valuations, contingent consideration from acquisitions and income tax liabilities.
Committed order backlog	The total value of committed orders received but not yet recognised as sales

1) Calculated on a rolling 12-month basis.

Parent Company

Eltel AB owns and governs the shares related to the Eltel Group. The operational and strategic management functions of the Group are centralised to Eltel AB. The Company has no operative business activities and its risks are mainly attributable to the activities of its subsidiaries.

Parent Company income statement

EUR million	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Net sales	-	-	3.8
Administrative income and expenses	-1.7	-2.3	-11.9
Operating result	**-1.7**	**-2.3**	**-8.1**
Interest and other financial income	4.0	4.1	16.3
Interest and other financial expenses	-0.8	-0.4	-1.9
Net financial items	3.2	3.7	14.4
Result after financial items	**1.4**	**1.4**	**6.3**
Group contributions given	-	-	-6.2
Taxes	-	-0.3	-0.1
Net result	**1.4**	**1.1**	**0.0**

Parent Company balance sheet

EUR million	31 Mar 2019	31 Mar 2018	31 Dec 2018
ASSETS			
Investment in Group companies	400.4	396.7	396.6
Intangible assets	0.1	0.1	0.1
Deferred tax assets	0.6	0.4	0.6
Total non-current assets	**401.1**	**397.2**	**397.2**
Trade and other receivables	0.4	1.1	4.4
Cash pool receivable	135.8	102.1	135.5
Other financial asset	35.0	35.0	35.0
Cash and cash equivalents	0.1	-	0.0
Total current assets	**171.3**	**138.2**	**174.9**
TOTAL ASSETS	**572.4**	**535.4**	**572.1**
EQUITY AND LIABILITIES			
Total equity	**445.7**	**445.1**	**444.1**
Debt	83.5	51.9	83.3
Liabilities to shareholders	35.0	35.0	35.0
Liabilities to Group companies	6.2	-	7.8
Trade and other payables	2.0	3.4	1.9
Total current liabilities	**126.7**	**90.3**	**128.1**
Total liabilities	**126.7**	**90.3**	**128.1**
TOTAL EQUITY AND LIABILITIES	**572.4**	**535.4**	**572.1**

In March 2019 Eltel agreed with its banks on certain amendments to its existing financial agreement that matures in Q1 2021. Eltel has agreed to secure 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.

Equity

EUR million	1 Jan 2019	Proceeds from shares issued	Hedging reserve, net of tax	Equity-settled share-based payment	Net result	31 Mar 2019
Share capital	158.0	0.9	-	-	-	158.8
Statutory reserve	0.5	-	-	-	-	0.5
Non-restricted equity	285.6	-0.9	0.0	0.1	1.4	286.4
Total	**444.1**	**-**	**0.0**	**0.1**	**1.4**	**445.7**

Eltel AB
Visiting address: Adolfsbergsvägen 13, Bromma
POB 126 23, SE-112 92 Stockholm, SWEDEN
Corp. id no. 556728-6652

tel. +46 8 585 376 00
info@eltelnetworks.com

www.eltelgroup.com
www.eltelnetworks.com