

# Eltel Group

## Interim report January–September 2020

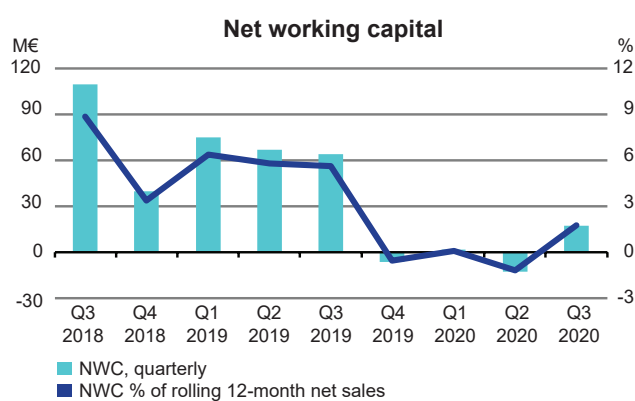
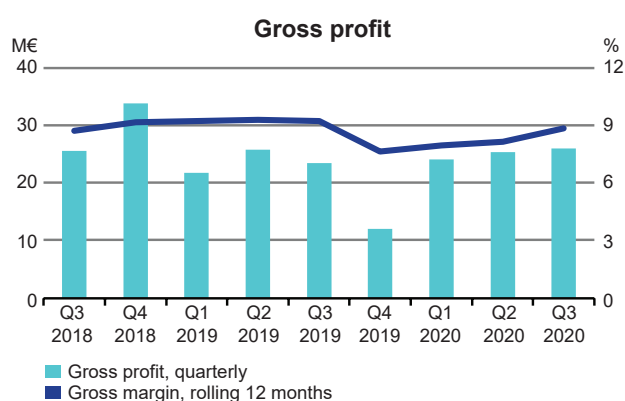
Stockholm, Sweden, 5 November 2020

### July–September 2020

- Net sales EUR 226.7 million (281.8). Total growth -19.6% and organic growth<sup>1)</sup> in Power and Communication -12.3%
- Operative EBITA<sup>2)</sup> EUR 6.7 million (4.1) and operative EBITA margin 2.9% (1.5)
- Items affecting comparability EUR -0.7 million (0.2) include asset held for sale
- Operating result (EBIT) EUR 5.8 million (3.9) and EBIT margin 2.6% (1.4)
- Net result EUR 3.1 million (-3.9)
- Earnings per share EUR 0.02 (-0.03), basic and diluted
- Cash flow from operating activities EUR -16.2 million (6.7)

### January–September 2020

- Net sales EUR 708.8 million (808.8). Total growth -12.4% and organic growth<sup>1)</sup> in Power and Communication -6.2%
- Operative EBITA<sup>2)</sup> EUR 7.5 million (3.6) and operative EBITA margin 1.1% (0.4)
- Items affecting comparability EUR 19.8 million (0.2) include gain/loss from divested and held for sale businesses
- Operating result (EBIT) EUR 26.7 million (2.5) and EBIT margin 3.8% (0.3)
- Net result EUR 12.3 million (-13.3)
- Earnings per share EUR 0.08 (-0.09), basic and diluted
- Cash flow from operating activities EUR -1.7 million (-13.6)
- Net debt<sup>3)</sup> ended at EUR 108.9 million (191.4)



EUR million	Jul-Sep 2020	Jul-Sep 2019	Change, %
<b>Net sales</b>			
Power	84.9	103.1	-17.6
Communication	138.5	176.3	-21.4
Other	3.3	3.1	6.3
<b>Total Group</b>	<b>226.7</b>	<b>281.8</b>	<b>-19.6</b>
<b>Operative EBITA<sup>2)</sup></b>			
Power	0.9	-3.6	124.1
Communication	6.4	9.4	-31.4
Other	0.5	-0.2	N/A
Items not allocated <sup>4)</sup>	-1.1	-1.4	22.8
<b>Total Group</b>	<b>6.7</b>	<b>4.1</b>	<b>62.1</b>

EUR million	Jan-Sep 2020	Jan-Sep 2019	Change, %
<b>Net sales</b>			
Power	245.4	284.7	-13.8
Communication	451.4	515.4	-12.4
Other	12.1	10.1	20.0
<b>Total Group</b>	<b>708.8</b>	<b>808.8</b>	<b>-12.4</b>
<b>Operative EBITA<sup>2)</sup></b>			
Power	-7.1	-5.5	-29.9
Communication	17.9	16.1	11.4
Other	2.8	-0.1	N/A
Items not allocated <sup>4)</sup>	-6.2	-6.9	11.0
<b>Total Group</b>	<b>7.5</b>	<b>3.6</b>	<b>108.9</b>

1) Adjusted for divested operations and currency effects.

2) Eltel follows the profitability of segments with Operative EBITA. Please see page 23 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

During the quarter we continued to see gradual improvements in our operational performance. This was reflected in our operative EBITA, which for the quarter improved to EUR 6.7 million (4.1), or 2.9% (1.5%) of net sales. Furthermore, our balance sheet is more stable today than at the end of Q3 last year, as we have reduced our net working capital by EUR 46 million and our net debt by more than EUR 80 million year-on-year.

Net sales continued to decrease. A significant contributor, representing about 40% of the drop from last year, was the divestment of the Polish and German Communication businesses as well as the Swedish business area Aviation & Security.

In the ongoing operations, we saw decreasing net sales particularly from High Voltage Poland, where we are reducing our exposure to large, capital-intensive projects in line with our strategy. Furthermore, COVID-19 continued to cause several project postponements, and the market situation in Poland at large remained challenging. In Communication Norway, earlier indications of reduced and delayed investments by a major customer played out and we were also impacted by unfavourable currency effects. In Communication Sweden the decline came from cuts in customer investments and a reduced order backlog. Partly offsetting the negative development seen elsewhere, net sales in Communication Denmark and Finland continued to increase.

In the Power segment, we saw improved performance for the quarter in all markets and operative EBITA increased by EUR 4.5 million despite the declining net sales. However, the operative EBITA-margin still remains far from Eltel's targeted levels. In Finland, we successfully ramped up the multi-year contract to construct and maintain the electricity distribution network in Helsinki and completed two challenging Build projects, which had suffered from challenges relating to subcontractor management earlier in the year.

In the Communication segment, Norway continued to produce good and healthy margins thanks to strong commitment to operational excellence. However, the reduced net sales led to lower operative EBITA. During the quarter Sweden also improved and is now showing positive numbers, albeit low. In Finland we can see positive results from increased volumes and improved production efficiency.

Similar to previous quarter, COVID-19 only had a moderate impact on Eltel's operations. We mainly see delays in project execution and lower levels of investment by certain customers. After the summer, we have started to see a slight increase in short-term sick leaves among our employees, which affects our utilisation rates.

We deliver on our strategy aimed at being the leading field service provider in the Nordic market. Starting in 2021, close to 90% of our overall net sales will be coming from the Nordic markets. We continue to close down non-profitable and non-strategic operations outside the Nordics in a responsible manner, and we expect to have most of that finalised by the end of the first half of 2021.

Implementation of the Nordic strategy, better quality and control, high customer satisfaction and improved productivity are key for Eltel to complete the turnaround and to ensure long-term sustainable value creation for the company and its shareholders.

**Casimir Lindholm, President & CEO**



## About Eltel and the Group strategy

### Eltel in brief

Eltel is a leading Nordic field service provider 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 the first half of 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

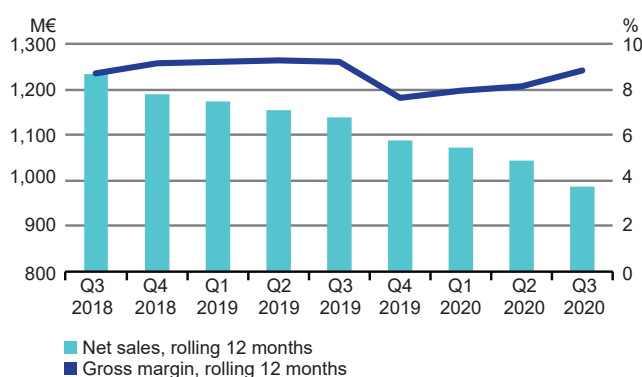
	Target
Annual growth	2–4%
EBITA-margin	5%
Cash conversion <sup>1)</sup>	95–100% of EBITA
Leverage <sup>2)</sup>	1.5–2.5x net debt/EBITDA

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).

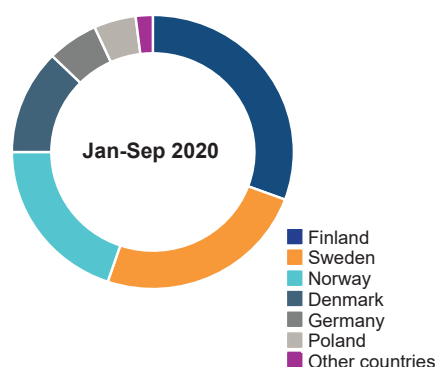
2) Net debt/EBITDA is calculated as net debt, which is defined as interest-bearing debt consisting of short-term and long-term liabilities less cash and cash equivalents, in relation to EBITDA.

Eltel's long-term financial target definitions exclude the IFRS 16 impacts.

Net sales and gross margin



Net sales by country



## Net sales and earnings Group

EUR million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Net sales	226.7	281.8	708.8	808.8	1,087.6
Operative EBITA	6.7	4.1	7.5	3.6	-11.3
EBIT	5.8	3.9	26.7	2.5	-11.2
Net result	3.1	-3.9	12.3	-13.3	-25.1
<b>Key ratios</b>					
Net sales growth, %	-19.6	-4.8	-12.4	-5.7	-8.5
Currency translation effect in net sales, MEUR	-2.4	-4.1	-15.5	-11.2	-16.0
Operative EBITA margin, %	2.9	1.5	1.1	0.4	-1.0
Tax rate, %	11.2	341.4	36.4	-132.2	-10.6
Earnings per share after dilution, EUR	0.02	-0.03	0.08	-0.09	-0.17

### July–September 2020

Net sales decreased by 19.6% to EUR 226.7 million (281.8). Organic net sales in segments Power and Communication, adjusted for currency effects and divestments, decreased by 12.3%. Net sales decreased in Power by EUR 18.2 million and in Communication by EUR 37.8 million. Other increased by EUR 0.2 million.

Operative EBITA amounted to EUR 6.7 million (4.1). In Power, operative EBITA increased by EUR 4.5 million and in Communication decreased by EUR 2.9 million. Operative EBITA increased in Other by EUR 0.7 million. Costs not allocated to segments decreased 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 amounted to EUR -0.7 million (0.2) including revaluation of a UK joint venture operating in High Voltage to fair value less cost to sell. At the end of Q3 the joint venture is classified as held for sale.

EBIT amounted to EUR 5.8 million (3.9).

Net financial expenses amounted to EUR -2.4 million (-2.3), including EUR 0.5 million (0.3) interest expense impact from the IFRS16 standard.

Taxes amounted to EUR -0.4 million (-5.5). The effective tax rate was 11.2% (341.4). Taxes in Q3 2019 included EUR 3.7 million write-down of deferred tax assets for losses carried forward in Sweden.

The net result for the period was EUR 3.1 million (-3.9). Earnings per share were EUR 0.02 (-0.03).

### January–September 2020

Net sales decreased by 12.4% to EUR 708.8 million (808.8). Organic net sales in segments Power and Communication, adjusted for currency effects and divestments, decreased by 6.2%. Net sales decreased in Power by EUR 39.4 million and in Communication by EUR 64.1 million. Other increased by EUR 2.0 million.

Operative EBITA amounted to EUR 7.5 million (3.6). In Power, operative EBITA decreased by EUR 1.6 million and in Communication increased by EUR 1.8 million. Operative EBITA increased in Other by EUR 2.9 million. Costs not allocated to segments decreased by EUR 0.8 million.

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

Items affecting comparability amounted to EUR 19.8 million (0.2) including EUR 20.4 million gain from divestment of the German Communication business and business area Aviation & Security, and EUR -0.7 million for revaluation of a UK joint venture operating in High Voltage to fair value less cost to sell.

EBIT amounted to EUR 26.7 million (2.5).

Net financial expenses amounted to EUR -7.4 million (-8.2), including EUR 1.4 million (1.2) interest expense impact from the IFRS16 standard.

Taxes amounted to EUR -7.0 million (-7.6) including EUR -5.4 million tax impact relating to gain from divestments of businesses. The effective tax rate was 36.4% (-132.2).

The net result for the period was EUR 12.3 million (-13.3). Earnings per share were EUR 0.08 (-0.09).

## Net sales and EBITA – Segments

### Power

EUR million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Net sales	84.9	103.1	245.4	284.7	377.7
Operative EBITA	0.9	-3.6	-7.1	-5.5	-17.5
Number of employees, end of period	2,010	2,232	2,010	2,232	2,111
<b>Key ratios</b>					
Net sales growth, %	-17.6	-7.9	-13.8	-12.0	-13.9
Organic growth <sup>1)</sup> , %	-17.4	-	-13.3	-	-
Currency translation effect in net sales, MEUR	-0.3	-0.6	-1.5	-2.0	-2.3
Operative EBITA margin, %	1.0	-3.5	-2.9	-1.9	-4.6

1) Adjusted for divested operations and currency effects.

### July–September 2020

Net sales decreased by EUR 18.2 million to EUR 84.9 million (103.1), representing a decrease of 17.6%. Organic growth, adjusted for currency effects, was -17.4%. The majority of the decrease relates to High Voltage, mainly due to lower activity, completion of large volume projects and project postponements due to COVID-19. The lower activity in High Voltage Poland is partly attributable to our strategy of reducing exposure to capital-intensive business, but also partly due to the Polish market situation. In High Voltage Nordics, we are in the closing stages of completing our final project, Reisadalen in Norway. In Finland our market leading position remained strong. The other Power markets remained at relatively stable levels.

Operative EBITA increased to EUR 0.9 million (-3.6). The operative EBITA margin was 1.0% (-3.5). In Sweden and High Voltage, we have worked to reduce risks in the projects and we are recovering gradually. Finland improved its performance despite negative effects from Build projects. During the quarter, we completed two projects, which had suffered from challenges related to subcontractor management earlier in the year.

### January–September 2020

Net sales decreased by EUR 39.4 million to EUR 245.4 million (284.7), representing a decrease of 13.8%. Organic growth, adjusted for currency effects, was -13.3%. The decrease is mainly explained by lower activity in High Voltage as large Polish and Nordic projects are being ramped down and completed. We also see a negative impact from COVID-19 as some projects are being postponed. The lower activity in High Voltage Poland is partly attributable to our strategy of reducing exposure to capital-intensive business, but also partly due to the Polish market situation. Volumes in Smart Grids decreased in line with expectations due to project completions in Norway and Denmark. Also, a new project in Sweden is still in its early stages with lower volumes. In Sweden, ramp down of projects and the Service operations combined with a reduced order backlog and COVID-19 also impacted net sales negatively. The decrease was partly offset by increased net sales in Finland due to our market leading position, growth in Build projects and contract expansions.

Operative EBITA decreased to EUR -7.1 million (-5.5). The operative EBITA margin was -2.9% (-1.9). The majority of the negative operative EBITA comes from High Voltage due to cost increases, reduced volumes and COVID-19. In Finland, cost increases relating to insufficient subcontractor performance in Build projects had a negative impact on the result as had the lower net sales in Smart Grids. Sweden improved its performance due to better project execution.

## Communication

EUR million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Net sales	138.5	176.3	451.4	515.4	698.4
Operative EBITA	6.4	9.4	17.9	16.1	18.1
Number of employees, end of period	3,457	4,348	3,457	4,348	4,137
<b>Key ratios</b>					
Net sales growth, %	-21.4	-2.1	-12.4	-0.9	-4.0
Organic growth <sup>1)</sup> , %	-8.9	-	-1.7	-	-
Currency translation effect in net sales, MEUR	-2.1	-3.5	-14.0	-9.2	-13.6
Operative EBITA margin, %	4.6	5.3	4.0	3.1	2.6

1) Adjusted for divested operations and currency effects.

### July–September 2020

Net sales decreased by EUR 37.8 million to EUR 138.5 million (176.3), representing a decrease of 21.4%. Organic growth, adjusted for currency effects and divestments, was -8.9%. The impact of the divestments of the Polish and German Communication businesses as well as the Swedish business area Aviation & Security was EUR -21.9 million. The decrease is furthermore explained by lower net sales in Norway and Sweden. In Norway, the indications of reduced and delayed investments played out and we were also impacted by unfavourable currency effects. In Sweden, the decline comes from reduced customer investments and a lower order backlog. The decrease was partly offset by contract expansions in Finland and increased volumes in Denmark.

Operative EBITA decreased to EUR 6.4 million (9.4). The operative EBITA margin was 4.6% (5.3). The effect of the divestments of the Polish and German Communication businesses as well as the Swedish business area Aviation & Security was EUR -2.0 million. Despite lower volumes, Sweden improved its performance. In Finland, increased volumes and improved production efficiency is starting to show results. Even though Norway continued to produce healthy margins, the reduced net sales led to decreased operative EBITA. Also a write-down in a Danish project impacted the result negatively.

### January–September 2020

Net sales decreased by EUR 64.1 million to EUR 451.4 million (515.4), representing a decrease of 12.4%. Organic growth, adjusted for currency effects and divestments, was -1.7%. The effect of the divestments of the Polish and German Communication businesses as well as the Swedish business area Aviation & Security was EUR -42.5 million. In Sweden, net sales decreased due to reduced customer investments and a lower order backlog. In Norway, currency effects of EUR -13.5 million impacted net sales negatively as did reduced and delayed volumes from a large customer. The decline was partly offset by increased volumes in Denmark as well as strong market share and contract expansions in Finland.

Operative EBITA increased to EUR 17.9 million (16.1). The operative EBITA margin was 4.0% (3.1). The effect of the divestments of the Polish and German Communication businesses as well as the Swedish business area Aviation & Security was EUR -3.0 million. The majority of the increase comes from Finland as a result of net sales growth and improved production efficiency. Furthermore, better project execution and operational excellence improvements in Sweden contributed to the increase. Norway has delivered good performance in its underlying business, however the lower net sales and the negative currency effect have had an impact on the operative EBITA. Also a write-down in a Danish project impacted the result negatively.

## Other

EUR million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Net sales	3.3	3.1	12.1	10.1	13.2
Operative EBITA	0.5	-0.2	2.8	-0.1	-0.8
Number of employees, end of period	360	50	360	50	147
<b>Key ratios</b>					
Net sales growth, %	6.3	-58.5	20.0	-48.6	-42.8
Operative EBITA margin, %	14.0	-6.5	23.1	-1.3	-5.9

### July–September 2020

Net sales increased by EUR 0.2 million to EUR 3.3 million (3.1). Net sales relate to the remaining projects in Power Transmission International.

Operative EBITA increased to EUR 0.5 million (-0.2). The operative EBITA margin was 14.0% (-6.5).

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

### January–September 2020

Net sales increased by EUR 2.0 million to EUR 12.1 million (10.1). Net sales relate almost fully to the remaining Power Transmission International projects, which are declining in number, in line with the discontinuation plan.

Operative EBITA increased to EUR 2.8 million (-0.1). The operative EBITA margin was 23.1% (-1.3). The increase relates mainly 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 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 27.8 million were recorded during 1 January 2017–30 September 2020, in line with the plan. The discontinuation is targeted to be finalised in 2021.

## Cash flow

EUR million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
EBIT	5.8	3.9	26.7	2.5	-11.2
Depreciation and amortisation	9.8	10.4	29.0	32.0	40.9
EBITDA	15.6	14.3	55.7	34.5	29.7
Changes in working capital	-28.3	-3.6	-25.1	-36.6	37.9
Total financial expenses and taxes	-3.2	-2.8	-9.3	-8.6	-10.9
Adjustment for gain/loss on sales of assets and business <sup>1)</sup>	0.6	-0.0	-19.9	-0.1	-1.5
Other	-1.0	-1.2	-3.0	-2.8	-3.8
<b>Cash flow from operating activities</b>	<b>-16.2</b>	<b>6.7</b>	<b>-1.7</b>	<b>-13.6</b>	<b>51.4</b>
<b>Cash flow from investing activities</b>	<b>-1.1</b>	<b>-2.8</b>	<b>33.7</b>	<b>-12.0</b>	<b>-2.1</b>
<b>Cash flow from financing activities</b>	<b>-11.5</b>	<b>-2.3</b>	<b>-87.3</b>	<b>-1.5</b>	<b>-38.2</b>
<b>Net change in cash and cash equivalents</b>	<b>-28.7</b>	<b>1.6</b>	<b>-55.3</b>	<b>-27.1</b>	<b>11.1</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>37.2</b>	<b>23.6</b>	<b>65.2</b>	<b>53.4</b>	<b>53.4</b>
Foreign exchange rate effect	0.0	-0.1	-1.5	0.2	0.7
Transfer to assets held for sale	-	1.1	-	-0.3	-
<b>Cash and cash equivalents at end of period</b>	<b>8.5</b>	<b>26.2</b>	<b>8.5</b>	<b>26.2</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 15.

### July–September 2020

Cash flow from operating activities was EUR -16.2 million (6.7). Change in net working capital had a negative impact of EUR 28.3 million (-3.6) in cash flow reflecting the seasonal production build-up pattern. In Q3 2019 the seasonal net working capital build-up was offset by release of working capital from certain high voltage projects. At the end of the quarter, net working capital amounted to EUR 17.3 million and remained at a clearly lower level than the year before (63.7).

Net cash flow from investing activities was EUR -1.1 million (-2.8) from net capital expenditure, mainly related to replacement investments.

Cash flow from financing activities was EUR -11.5 million (-2.3) including amortisation of external loans of EUR 10.0 million and net impact of payments of lease liabilities.

### January–September 2020

Cash flow from operating activities was EUR -1.7 million (-13.6). The seasonal growth in net working capital has been partly offset by cash flow from operative results. Change in net working capital had a negative impact of EUR 25.1 million (-36.6) 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 33.7 million (-12.0) including an impact of EUR 37.9 million from disposal of businesses and EUR -4.1 million (-9.3) from net capital expenditure, mainly related to replacement investments. In addition, the 2019 impact included EUR -4.2 million earn-out payment for Smart Grids in Germany and EUR 1.5 million investment refund received from joint ventures.

Cash flow from financing activities was EUR -87.3 million (-1.5) including reduction in commercial paper programme of EUR 36.0 million, reduction in revolving credit facilities of EUR 12.4 million, amortisation of external loans of EUR 20.0 million and net impact of payments of lease liabilities.

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 108.9 million (191.4).

### Financial position, cash and cash equivalents

Equity at the end of the period was EUR 219.9 million (229.2) and total assets were EUR 691.2 million (836.7). The equity ratio was 33.2% (28.5).

At the end of the quarter, available liquidity reserves amounted to EUR 118.3 million (132.8). On the same date, EUR 53.5 million of Eltel's commercial paper programme was utilised (EUR 89.5 million at year-end 2019).

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 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 114.0 million (125.4). The amount of the commercial guarantees issued on behalf of joint ventures and third parties was EUR 5.6 million (6.0).

### Interest-bearing liabilities and net debt

EUR million	30 Sep 2020	30 Sep 2019	31 Dec 2019
Interest-bearing debt in balance sheet	114.2	212.9	185.1
Leasing liabilities in balance sheet	67.1	80.2	78.6
Allocation of effective interest to periods	0.6	0.9	0.6
Less cash and cash equivalents	-8.5	-26.2	-65.2
Net debt	173.3	267.7	199.1
Less leasing liabilities not included in financing agreement	-64.4	-76.0	-75.3
Adjusted for held for sale	-	-0.3	0.0
<b>Net debt, financing agreement</b>	<b>108.9</b>	<b>191.4</b>	<b>123.8</b>

Interest-bearing debt amounted to EUR 114.2 million (212.9) of which EUR 35.0 million (90.8) was non-current and EUR 79.2 million (122.1) was current. Leasing liabilities amounted to EUR 67.1 million (80.2) of which EUR 43.9 million (55.3) was non-current and EUR 23.1 million (24.8) was current.

### Credit facilities

EUR million	30 Sep 2020	30 Sep 2019	31 Dec 2019
Term loan, non-current	35.0	90.8	76.1
Term loan, current	26.0	8.8	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>171.0</b>	<b>229.6</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 also has access to short-term debt capital markets via a commercial paper programme of EUR 150 million. At the reporting date EUR 53.5 million (90.0) of the commercial paper programme and EUR 0.0 million (20.0) 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 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 plays 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 Q3 2020**

No large agreements were announced during the reporting period.

### **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 17.

## **Presentation of the Q3 2020 report**

Analysts and media are invited to participate in the Q3 2020 briefing on 5 November 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**

- Full-year report January–December 2020: 18 February 2021
- Interim report January–March 2021: 28 April 2021
- Interim report January–June 2021: 27 July 2021
- Interim report January–September 2021: 3 November 2021
- Annual Report 2020: week 13, 2021
- Annual General meeting 2021: 5 May 2021

This information is information that Eltel AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 08.00 CET on 5 November 2020.

## **Signatures of the CEO**

Stockholm, Sweden, 5 November 2020

### **Eltel AB (publ)**

Casimir Lindholm, President and CEO

## Review report

Translation from the Swedish original

To the Board of Directors of Eltel AB (publ)

Eltel AB (publ)

Corp. id. 556728-6652

### Introduction

We have reviewed the condensed interim financial information (interim report) of Eltel AB (publ) as of 30 September 2020 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm 4 November 2020

### KPMG AB

Mats Kåvik, Authorized Public Accountant

## Condensed financial information

### Condensed consolidated income statement

EUR million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Net sales	226.7	281.8	708.8	808.8	1,087.6
Cost of sales	-200.7	-258.3	-633.3	-737.8	-1,004.7
<b>Gross profit</b>	<b>26.0</b>	<b>23.5</b>	<b>75.5</b>	<b>70.9</b>	<b>82.9</b>
Other income	0.3	0.4	21.6	0.9	2.6
Sales and marketing expenses	-0.9	-1.0	-3.5	-5.6	-9.1
Administrative expenses	-18.7	-18.3	-65.1	-62.4	-85.5
Other expenses	-0.8	-0.7	-1.7	-1.8	-2.5
Share of profit/loss of joint ventures	-0.1	0.0	-0.1	0.4	0.4
<b>Operating result (EBIT)</b>	<b>5.8</b>	<b>3.9</b>	<b>26.7</b>	<b>2.5</b>	<b>-11.2</b>
Financial income	0.1	0.1	0.4	0.2	0.4
Financial expenses	-2.5	-2.4	-7.8	-8.4	-11.9
Net financial expenses	-2.4	-2.3	-7.4	-8.2	-11.5
<b>Result before taxes</b>	<b>3.5</b>	<b>1.6</b>	<b>19.3</b>	<b>-5.7</b>	<b>-22.7</b>
Taxes	-0.4	-5.5	-7.0	-7.6	-2.4
<b>Net result</b>	<b>3.1</b>	<b>-3.9</b>	<b>12.3</b>	<b>-13.3</b>	<b>-25.1</b>
Attributable to:					
Equity holders of the parent	2.6	-4.2	11.9	-13.8	-25.9
Non-controlling interest	0.4	0.3	0.3	0.5	0.8
<b>Earnings per share (EPS)</b>					
Basic, EUR	0.02	-0.03	0.08	-0.09	-0.17
Diluted, EUR	0.02	-0.03	0.08	-0.09	-0.17

### Condensed consolidated statement of comprehensive income

EUR million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Net profit for the period	3.1	-3.9	12.3	-13.3	-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	-3.8	-1.8	-4.1	-6.9	-4.6
<b>Items that may be subsequently reclassified to profit and loss</b>					
Cash flow hedges, net of tax	0.0	0.1	0.1	0.2	0.2
Net investment hedges, net of tax	0.4	1.2	1.2	2.5	0.8
Currency translation differences	-2.2	-3.6	-9.6	-4.1	-1.6
Total	-1.8	-2.3	-8.3	-1.5	-0.6
Other comprehensive income/loss for the period, net of tax	-5.6	-4.1	-12.4	-8.4	-5.1
<b>Total comprehensive income/loss for the period</b>	<b>-2.5</b>	<b>-7.9</b>	<b>-0.1</b>	<b>-21.7</b>	<b>-30.2</b>
Total comprehensive income/loss attributable to:					
Equity holders of the parent	-3.0	-8.3	-0.5	-22.2	-31.0
Non-controlling interest	0.4	0.3	0.3	0.5	0.8

## Condensed consolidated balance sheet

EUR million	30 Sep 2020	30 Sep 2019	31 Dec 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	258.0	272.2	264.0
Intangible assets	38.9	40.2	41.0
Property, plant and equipment	23.4	30.8	27.5
Right-of-use assets	65.6	79.7	77.4
Investments in joint ventures	0.0	0.9	0.9
Investments	0.5	0.4	0.6
Deferred tax assets	19.9	22.3	26.4
Other financial assets	35.0	35.0	35.0
Trade and other receivables	0.4	0.4	0.4
<b>Total non-current assets</b>	<b>441.6</b>	<b>481.8</b>	<b>473.2</b>
<b>Current assets</b>			
Inventories	11.2	10.8	14.6
Trade and other receivables	229.9	293.3	230.1
Cash and cash equivalents	8.5	26.2	65.2
<b>Total current assets</b>	<b>249.6</b>	<b>330.3</b>	<b>310.0</b>
Assets held for sale <sup>2)</sup>	0.0	24.6	24.0
<b>TOTAL ASSETS</b>	<b>691.2</b>	<b>836.7</b>	<b>807.2</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to shareholders of the parent	212.7	221.9	213.1
Non-controlling interest	7.3	7.3	7.6
<b>Total equity</b>	<b>219.9</b>	<b>229.2</b>	<b>220.7</b>
<b>Non-current liabilities</b>			
Debt	35.0	90.8	76.1
Leasing liabilities	43.9	55.3	54.3
Liabilities to shareholders <sup>1)</sup>	35.0	35.0	35.0
Retirement benefit obligations	17.0	16.5	14.8
Deferred tax liabilities	10.9	17.0	11.5
Provisions	2.8	3.1	3.4
Other non-current liabilities	0.5	0.5	0.5
<b>Total non-current liabilities</b>	<b>145.1</b>	<b>218.2</b>	<b>195.6</b>
<b>Current liabilities</b>			
Debt	79.2	122.1	109.0
Leasing liabilities	23.1	24.8	24.3
Provisions	8.1	12.7	15.0
Advances received	29.1	31.3	31.6
Trade and other payables	186.7	189.6	201.7
<b>Total current liabilities</b>	<b>326.1</b>	<b>380.5</b>	<b>381.6</b>
Liabilities associated with assets held for sale <sup>2)</sup>	-	8.7	9.3
<b>Total liabilities</b>	<b>471.3</b>	<b>607.5</b>	<b>586.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>691.2</b>	<b>836.7</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 Eltel's share in Murphy Eltel JV Limited on 30 September 2020, Polish and German Communication business on 30 September 2019 and German Communication business and business area Aviation & Security on 31 December 2019.

**Condensed consolidated statement of cash flows**

EUR million	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
<b>Cash flow from operating activities</b>			
Operating result (EBIT)	26.7	2.5	-11.2
Adjustments:			
Depreciation and amortisation	29.0	32.0	40.9
Gain/loss on sales of assets and business <sup>1)</sup>	-19.9	-0.1	-1.5
Defined benefit pension plans	-2.7	-2.7	-4.4
Other non-cash adjustments	-0.3	-0.1	0.5
Cash flow from operations before interests, taxes and changes in working capital	32.7	31.6	24.4
Interest and other financial expenses paid, net	-8.0	-7.7	-11.7
Income taxes received/paid	-1.3	-0.8	0.8
Total financial expenses and taxes	-9.3	-8.6	-10.9
Changes in working capital:			
Trade and other receivables	-6.5	23.7	86.5
Trade and other payables	-21.5	-61.8	-46.4
Inventories	2.9	1.5	-2.2
Changes in working capital	-25.1	-36.6	37.9
<b>Net cash from operating activities</b>	<b>-1.7</b>	<b>-13.6</b>	<b>51.4</b>
<b>Cash flow from investing activities</b>			
Purchases of property, plant and equipment (PPE), net	-4.1	-9.3	-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>33.7</b>	<b>-12.0</b>	<b>-2.1</b>
<b>Cash flow from financing activities</b>			
Proceeds from short-term financial liabilities	29.6	49.3	49.3
Payments of short-term borrowings	-77.9	-20.0	-33.1
Payments of financial liabilities	-20.0	-9.4	-26.1
Payments of lease liabilities	-19.3	-21.3	-26.9
Dividends to non-controlling interest	-0.6	-0.9	-0.9
Change in non-liquid financial assets	0.9	0.6	-0.5
<b>Net cash from financing activities</b>	<b>-87.3</b>	<b>-1.5</b>	<b>-38.2</b>
<b>Net change in cash and cash equivalents</b>	<b>-55.3</b>	<b>-27.1</b>	<b>11.1</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>65.3</b>	<b>53.4</b>	<b>53.4</b>
Foreign exchange rate effect	-1.5	0.2	0.7
Transfer to assets held for sale	-	-0.3	-
<b>Cash and cash equivalents at end of period</b>	<b>8.5</b>	<b>26.2</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

### Equity attributable to shareholders of the parent

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 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	-	-	11.9	-4.1	1.3	-9.6	-0.5	0.3	-0.1
Transactions with owners:									
Equity-settled share-based payment	-	-	0.0	-	-	-	0.0	-	0.0
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-0.6	-0.6
Total transaction with owners	-	0.0	0.0	-	-	-	0.0	-0.6	-0.6
Equity at 30 Sep 2020	158.8	490.6	-363.4	-40.8	12.7	-45.3	212.7	7.3	219.9

### Equity attributable to shareholders of the parent

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	-	-	-13.8	-6.9	2.6	-4.1	-22.3	0.5	-21.7
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	-	-	-	-0.2	-0.9	-1.0
Equity at 30 Sep 2019	158.8	490.6	-363.3	-39.1	13.0	-38.2	221.9	7.3	229.2

### Equity attributable to shareholders of the parent

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	-	-	-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	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019	Rolling 12-month
Net sales	226.7	281.8	708.8	808.8	1,087.6	987.6
Net sales growth, %	-19.6	-4.8	-12.4	-5.7	-8.5	-13.3
Operative EBITA	6.7	4.1	7.5	3.6	-11.3	-7.4
Operative EBITA margin, %	2.9	1.5	1.1	0.4	-1.0	-0.7
Items affecting comparability	-0.7	0.2	19.8	0.2	1.6	21.1
EBITDA	15.6	14.3	55.7	34.5	29.7	50.9
Operating result (EBIT)	5.8	3.9	26.7	2.5	-11.2	13.0
EBIT margin, %	2.6	1.4	3.8	0.3	-1.0	1.3
Result after financial items	3.5	1.6	19.3	-5.7	-22.7	2.3
Net result for the period	3.1	-3.9	12.3	-13.3	-25.1	0.4
Earnings per share EUR, basic and diluted	0.02	-0.03	0.08	-0.09	-0.17	0.00
Return on equity (ROE), % <sup>1), 2)</sup>	0.2	-6.7	0.2	-6.7	-10.6	0.2
Net working capital <sup>2)</sup>	17.3	63.7	17.3	63.7	-6.3	17.3
Number of personnel, end of period	6,012	7,019	6,012	7,019	6,678	6,012

### Quarterly key figures

EUR million	Jul-Sep 2020	Apr-Jun 2020	Jan-Mar 2020	Oct-Dec 2019	Jul-Sep 2019	Apr-Jun 2019	Jan-Mar 2019
Net sales	226.7	245.5	236.6	278.9	281.8	276.0	251.0
Net sales growth, %	-19.6	-11.1	-5.7	-15.7	-4.8	-6.6	-5.9
Operative EBITA	6.7	2.8	-2.1	-14.9	4.1	2.5	-3.0
Operative EBITA margin, %	2.9	1.2	-0.9	-5.3	1.5	0.9	-1.2
Items affecting comparability	-0.7	20.4	-	1.4	0.2	-	-
EBITDA	15.6	32.7	7.3	-4.8	14.3	12.7	7.5
Operating result (EBIT)	5.8	23.1	-2.2	-13.7	3.9	2.1	-3.6
EBIT margin, %	2.6	9.4	-0.9	-4.9	1.4	0.8	-1.4
Result after financial items	3.5	20.0	-4.2	-17.0	1.6	-1.0	-6.4
Net result for the period	3.1	14.0	-4.8	-11.8	-3.9	-2.0	-7.4
Earnings per share EUR, basic and diluted	0.02	0.09	-0.03	-0.08	-0.03	-0.01	-0.05
Return on equity (ROE), % <sup>1), 2)</sup>	0.2	-2.8	-10.1	-10.6	-6.7	-8.8	-7.8
Net working capital <sup>2)</sup>	17.3	-12.6	0.5	-6.3	63.7	66.8	74.8
Number of personnel, end of period	6,012	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 30 September 2020 Murphy Eltel JV Limited, 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 23 for definitions of the key ratios.

## Net sales by segment

EUR million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
<b>Power</b>					
Net sales (external)	84.9	103.1	245.3	284.7	377.7
Inter-segment sales	0.0	0.0	0.0	0.0	0.0
<b>Communication</b>					
Net sales (external)	138.5	175.7	451.4	514.1	696.7
Inter-segment sales	0.0	0.7	0.0	1.4	1.6
<b>Other</b>					
Net sales (external)	3.3	3.1	12.1	10.0	13.2
Elimination of sales between segments	0.0	-0.7	-0.1	-1.5	-1.7
<b>Net sales, total</b>	<b>226.7</b>	<b>281.8</b>	<b>708.8</b>	<b>808.8</b>	<b>1,087.6</b>

## Net sales by geographical area

EUR million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Sweden	50.9	65.5	173.9	222.9	294.2
Finland	80.2	74.0	217.2	192.2	270.4
Norway	44.3	64.0	140.4	174.0	234.1
Denmark	25.6	25.4	87.6	76.9	108.9
Poland	10.9	27.3	34.2	75.4	88.1
Germany	11.0	21.7	41.6	55.3	76.6
Other countries	3.8	3.8	13.9	12.1	15.3
<b>Net sales, total</b>	<b>226.7</b>	<b>281.8</b>	<b>708.8</b>	<b>808.8</b>	<b>1,087.6</b>

## Net sales by service split

EUR million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
<b>Power</b>					
Project delivery	42.5	50.0	126.4	151.4	209.7
Upgrade services	24.5	35.4	78.7	90.6	121.6
Maintenance	19.0	19.8	44.5	51.3	58.9
Internal net sales and fx adjustments	-1.0	-2.2	-4.2	-8.6	-12.6
Total Power	84.9	103.1	245.4	284.7	377.7
<b>Communication</b>					
Project delivery	5.8	7.8	19.3	20.9	26.0
Upgrade services	96.8	128.5	327.5	373.2	517.1
Maintenance	45.8	47.5	140.0	149.0	205.6
Internal net sales and fx adjustments	-10.0	-7.5	-35.5	-27.6	-50.4
Total Communication	138.5	176.3	451.4	515.4	698.4
<b>Other</b>					
Project delivery	3.3	3.1	11.8	10.3	13.5
Maintenance	-	-	0.2	-0.2	-0.2
Internal net sales and fx adjustments	-	-	-	-	-
Total Other	3.3	3.1	12.1	10.1	13.2
Elimination of sales between segments	0.0	-0.7	-0.1	-1.5	-1.7
<b>Total</b>	<b>226.7</b>	<b>281.8</b>	<b>708.8</b>	<b>808.8</b>	<b>1,087.6</b>

## Reconciliation of segment results

EUR million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Operative EBITA by segment					
Power	0.9	-3.6	-7.1	-5.5	-17.5
Communication	6.4	9.4	17.9	16.1	18.1
Other	0.5	-0.2	2.8	-0.1	-0.8
Items not allocated to operating segments <sup>1)</sup>	-1.1	-1.4	-6.2	-6.9	-11.2
Operative EBITA, Group	6.7	4.1	7.5	3.6	-11.3
Earn-out adjustment	-	0.2	-	0.2	0.2
Gain on sale of business	-	-	20.4	-	1.4
Valuation as held for sale	-0.7	-	-0.7	-	-
Total items affecting comparability in EBITA <sup>2)</sup>	-0.7	0.2	19.8	0.2	1.6
Amortisation of acquisition-related intangible asset	-0.2	-0.4	-0.5	-1.3	-1.5
Operating result (EBIT)	5.8	3.9	26.7	2.5	-11.2
Financial expenses, net	-2.4	-2.3	-7.4	-8.2	-11.5
<b>Result before taxes</b>	<b>3.5</b>	<b>1.6</b>	<b>19.3</b>	<b>-5.7</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 and EUR -0.7 million from valuation of Eltel's share in Murphy Eltel JV Limited as held for sale. 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 Sep 2020	30 Sep 2019	31 Dec 2019
Inventories	11.2	10.8	14.6
Trade and other receivables	229.9	293.3	230.1
Provisions	-10.9	-15.8	-18.5
Advances received	-29.1	-31.3	-31.6
Trade and other payables	-186.7	-189.6	-201.7
Other	2.9	-3.6	0.7
Net working capital	17.3	63.7	-6.3
Intangible assets excluding acquisition-related allocations	10.8	10.4	12.3
Property, plant and equipment	23.4	30.8	27.5
Right-of-use assets	65.6	79.7	77.4
Operative capital employed	117.1	184.7	110.9

Assets and liabilities held for sale are not included: on 30 September 2019 Polish and German Communication business and on 31 December 2019 German Communication business and business area Aviation & Security. On 30 September 2020 Eltel has classified its share in Murphy Eltel JV Limited as held for sale. The joint venture has been consolidated using the equity method and therefore it has no impact on the above net working capital items.

## Contract balances

EUR million	30 Sep 2020	30 Sep 2019	31 Dec 2019
Trade receivables	102.1	118.0	124.9
Contract assets	101.1	146.1	83.7
<b>Total assets related to contracts with customers</b>	<b>203.2</b>	<b>264.1</b>	<b>208.6</b>
Advances received	29.1	31.3	31.6
<b>Total liabilities related to contracts with customers</b>	<b>29.1</b>	<b>31.3</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.

## Acquisitions, disposals and assets held for sale

### January–September 2020 acquisitions, disposals and assets held for sale

During January-September 2020 there were no acquisitions.

During January-September 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.

At the end of Q3 2020 Eltel has classified its share in Murphy Eltel JV Limited as held for sale. At the same time the assets in the joint venture are revalued to fair value less cost to sell. The revaluation has EUR -0.7 million impact on Group EBIT in Q3 2020. Murphy Eltel JV Limited, in the UK, is a joint venture owned 50/50 by Eltel Networks UK Limited and Murphy Power Networks Limited and operates in Power segment.

### 2019 acquisitions, disposals and assets held for sale

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.

On 30 September 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.

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

### Assets and liabilities held for sale

EUR million	30 Sep 2020	30 Sep 2019	31 Dec 2019
<b>Assets</b>			
Goodwill and other intangible assets	-	6.6	13.0
Property, plant and equipment	-	0.1	1.5
Right-of-use assets (IFRS 16)	-	1.4	0.9
Investments in joint venture	0.0	-	-
Deferred tax assets	-	0.3	-
Trade receivables and other assets	-	16.0	8.5
Cash and cash equivalents	-	0.3	-
<b>Total assets held for sale</b>	<b>0.0</b>	<b>24.6</b>	<b>24.0</b>
<b>Liabilities</b>			
Leasing liabilities (IFRS 16)	-	1.3	0.9
Advances received	-	1.2	3.6
Trade and other liabilities	-	6.2	4.7
<b>Total liabilities held for sale</b>	<b>-</b>	<b>8.7</b>	<b>9.3</b>

On 30 September 2020 Eltel has classified its share in Murphy Eltel JV Limited as held for sale.

## Leasing

### Right-of-use assets

EUR million	30 Sep 2020	30 Sep 2019	31 Dec 2019
Buildings	34.7	42.6	42.2
Machinery and equipment	30.9	37.1	35.2
<b>Total</b>	<b>65.6</b>	<b>79.7</b>	<b>77.4</b>

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

EUR million	30 Sep 2020	30 Sep 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	13.1	9.6	15.0
Depreciations	-20.1	-22.1	-28.4
Transfer to assets held for sale	-	-1.4	-0.9
Divestments	-3.8	-	-
Translation differences	-1.0	0.0	-1.8
<b>Balance at the end of period</b>	<b>65.6</b>	<b>79.7</b>	<b>77.4</b>

### Leasing liabilities

EUR million	30 Sep 2020	30 Sep 2019	31 Dec 2019
Non-current	43.9	55.3	54.3
Current	23.1	24.8	24.3
<b>Total</b>	<b>67.1</b>	<b>80.2</b>	<b>78.6</b>

## Deferred taxes

EUR million	30 Sep 2020	30 Sep 2019	31 Dec 2019
Deferred tax assets	19.9	22.3	26.4
Deferred tax liabilities	-10.9	-17.0	-11.5
Sum	9.0	5.3	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.

In September 2020, gross amount of EUR 12.8 million deferred tax assets was recognised for losses carried forward, of which EUR 5.8 million related to operations in Sweden. The divestment of Aviation & Security business realised in April 2020 and EUR 4.0 million of deferred tax assets for losses carried forward were utilised for the sales gain.

## Financial instruments

Derivative financial instruments EUR million	30 Sep 2020		30 Sep 2019		31 Dec 2019	
	Nominal values	Net fair values	Nominal values	Net fair values	Nominal values	Net fair values
Interest rate derivatives	-	-	22.4	0.0 <sup>1)</sup>	-	-
Foreign exchange rate derivatives	36.0	-0.2	67.7	0.3	32.2	0.1
Embedded derivatives	1.2	-0.1	11.1	0.0	12.0	-0.4
Commodity derivatives	-	-	0.3	0.0 <sup>2)</sup>	0.2	0.0 <sup>3)</sup>
<b>Total</b>	<b>37.2</b>	<b>-0.3</b>	<b>101.5</b>	<b>0.3</b>	<b>44.3</b>	<b>-0.3</b>

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

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Net result attributable to equity holders of the parent	2.6	-4.2	11.9	-13.8	-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	156,724,806	156,933,706	156,694,670	156,881,904	156,895,149
Earnings per share EUR, basic	0.02	-0.03	0.08	-0.09	-0.17
Earnings per share EUR, diluted	0.02	-0.03	0.08	-0.09	-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	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Net sales	-	-	0.8	1.2	2.2
Administrative expenses	-1.1	-1.4	-5.1	-6.7	-8.7
<b>Operating result</b>	<b>-1.1</b>	<b>-1.4</b>	<b>-4.4</b>	<b>-5.5</b>	<b>-6.5</b>
Interest and other financial income	5.8	5.9	17.3	15.1	20.9
Interest and other financial expenses	-0.8	-0.7	-1.9	-2.1	-3.0
Net financial items	5.0	5.2	15.4	13.0	18.0
<b>Result after financial items</b>	<b>3.9</b>	<b>3.8</b>	<b>11.1</b>	<b>7.5</b>	<b>11.5</b>
Group contributions given	-	-	-	-	-11.3
Taxes	-	-	-0.4	-	-0.2
<b>Net result</b>	<b>3.9</b>	<b>3.8</b>	<b>10.7</b>	<b>7.5</b>	<b>0.1</b>

### Parent Company condensed balance sheet

EUR million	30 Sep 2020	30 Sep 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>	500.3	483.9	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>603.7</b>	<b>587.8</b>	<b>587.1</b>
Trade and other receivables	0.2	0.6	1.4
Cash pool receivable <sup>1)</sup>	0.2	-	-
Cash and cash equivalents	0.1	0.3	0.3
<b>Total current assets</b>	<b>0.5</b>	<b>0.9</b>	<b>1.6</b>
<b>TOTAL ASSETS</b>	<b>604.2</b>	<b>588.7</b>	<b>588.7</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>454.9</b>	<b>451.6</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	53.0	89.5	89.1
Liabilities to Group companies	60.0	10.6	19.1
Trade and other payables	1.3	2.0	1.3
<b>Total current liabilities</b>	<b>114.3</b>	<b>102.2</b>	<b>109.6</b>
<b>Total liabilities</b>	<b>149.3</b>	<b>137.2</b>	<b>144.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>604.2</b>	<b>588.7</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 Sep 2020
Share capital	158.8	-	-	-	158.8
Statutory reserve	0.5	-	-	-	0.5
Non-restricted equity	284.8	0.0	0.0	10.7	295.6
<b>Total</b>	<b>444.1</b>	<b>0.0</b>	<b>0.0</b>	<b>10.7</b>	<b>454.9</b>



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