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## Eltel buys out its JV partner in Norway

**Eltel has agreed to acquire the other half of the JV Eltel Sønnico AS in Norway from its partner Umoe at a price of NOK 265 million. The JV was formed in the beginning of 2014 to join the communication businesses of Eltel and Umoe in Norway. After this acquisition Eltel will be the sole owner of the company.**

The joint venture of the communication businesses of Eltel and Umoe's Sønnico Tele AS was agreed in Q1 2014 and started operations in the beginning of 2015. All other Eltel businesses in Norway are operated within Eltel Networks AS, a wholly-owned subsidiary of Eltel Group. In the end of 2014 Eltel Sønnico won a large framework agreement with Telenor in maintenance and build of fixed and mobile communications for five years. The driver that formed the JV between Eltel and Sønnico was the rapidly changing Norwegian telecom industry. Telecom operators have been exploring different options to improve cost efficiency requiring that their service providers should take over larger responsibilities for their value chain. An increased production capacity and a wider geographical coverage enabled the JV to meet such requirements. With Eltel becoming the sole owner of the JV, the governance of the company will be aligned with Eltel's group structure, organization by specialized business units and implementation of Eltel's operational model, Eltel Way. Hence the integration of the company with Eltel both within Norway and internationally will be enhanced.

The price of NOK 265 million will be paid in cash. The price is in line with Eltel's stated target range for acquisitions of 5-7 times EBITA measured proforma for the last 12 months. 2/3 of the price will be paid at closing and the remaining 1/3 will be paid in January 2016. Eltel's net sales will increase with the full amount of the JV's net sales, slightly below EUR 200 million per annum, while net profit will increase with the Umoe 50% of the total JV net profit. The impact on Eltel's operative EBITA-margin will be negative by 0.30-0.35 %-points, should the JV have been fully consolidated in Eltel 2015. The acquisition will be EPS accretive immediately at closing.

Eltel Networks AS has, in a short time become a major implementation partner of railway projects in Norway. In the spring of 2015 the company has also won smart metering projects for Hafslund and Skagerak establishing a market leading position in Norway with over 800,000 meter installations by 2019. Furthermore, Eltel is implementing power transmission projects both for power and rail

### **Eltel AB**

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operators in Norway. The acquisition is subject to the approval of the Norwegian Competition Authority.

**Axel Hjärne, CEO Eltel Group comments:**

*“We are very happy to acquire the shares held by Umoe in Eltel Sønnico AS and thereby fully consolidate this entity within the Eltel group. A full ownership of the communication business in Norway will let us combine it with our power and rail businesses in Norway and will help us optimize our support functions in the country. Our overall pool of competencies will be much larger after the merger, providing more opportunities for employees and a more resourceful Infranet services partner for our Norwegian customers. The acquisition of Eltel Sønnico shares is in line with Eltel’s growth strategy and aligned with the medium and long term financial targets of the company”.*

**About Eltel Sønnico AS**

Eltel Sønnico AS was established in March 2014 as 50/50 JV between Eltel Group and Umoe Group in the communication business. The company signed a five year contract with Telenor in Q3 2014 and started operations in January 2015. The company has 1,100 employees and net sales of approximately NOK 1,700 million per annum.

**About Eltel**

Eltel is a leading European provider of technical services for critical infrastructure networks – Infranets – in the segments of Power, Communication and Transport & Defence, with operations throughout the Nordic and Baltic regions, Poland, Germany, the United Kingdom and Africa. Eltel provides a broad and integrated range of services, spanning from maintenance and upgrade services to project deliveries. Eltel has a diverse contract portfolio and a loyal and growing customer base of large network owners. The number of employees is approximately 8,600 and in 2014, Eltel net sales amounted to EUR 1,242 million. Eltel's share is listed on Nasdaq Stockholm since February 2015.

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