



Q3 2015 presentation

19 November 2015



Today's presenters



Axel Hjärne
Chief Executive Officer



Gert Sköld
Chief Financial Officer

A close-up photograph of the side of a white car. The Eltel logo is prominently displayed on the door, featuring the word 'ELTEL' in blue and orange capital letters, with a blue swoosh underline. Below the logo, the website 'www.eltelnetworks.com' is visible in small text. A blue and white dotted graphic element is also present on the car's body. A red taillight is visible in the lower-left corner.

Eltel in brief

Q3 2015 business performance

Q3 2015 financials

Market prospects

Strategy and summary

Eltel in brief

European market leader

Industry with long term structural growth



Scalable platform for growth and M&A

Solid customer base and recurring revenues

Good financial profile with strong cash generation

Operations in **10** countries

Net sales EUR **1.2** billion^{*)}

9 300 employees^{*)}



^{*)} Net sales in 2014
Current number of employees



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Q3 highlights

- Continued solid demand in the overall Infranet market
- Good performance in the quarter
 - Power: Growth in distribution, weaker in transmission
 - Communication: growth and strong margin improvement
 - Transport & Security: improved profitability
- Strong project order backlog
- Our active M&A continues



Q3 2015 Events

Q3 events

- Acquisition of the remaining 50% in the Norwegian JV Eltel Sønnico AS
- Domestic commercial paper programme in Finland of EUR 100 million
- EUR 50 million frame agreement with Caruna for cabling projects in Finland
- Subscription for Eltel's LTI programme

Events after period

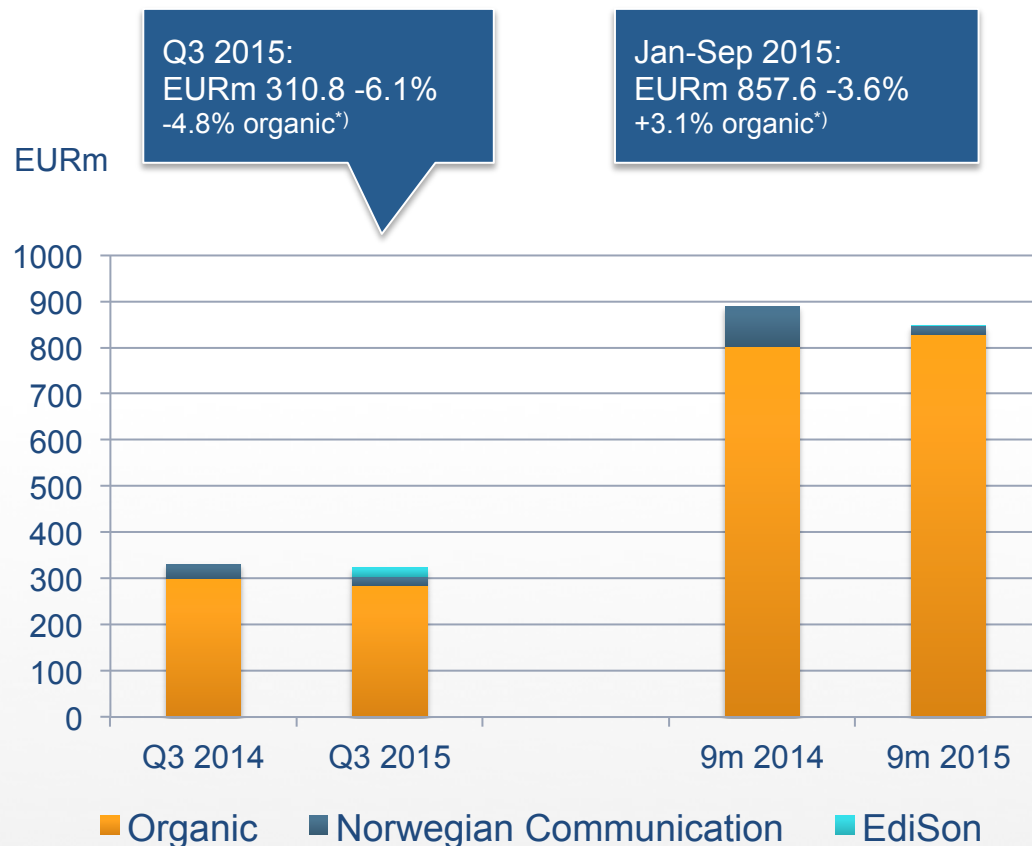
- Acquisition of Vete Signaltjenester AS in Norway
 - Four year maintenance frame agreement in Norway valued EUR 9 million
- Rail and road contracts in the Nordics at approximately EUR 25 million in total
- Power distribution smart metering contract of EUR 20 million with Kamstrup for DONG Energy in Denmark
- Communication frame agreement with Huawei of EUR 20 million in roll out for a major German mobile operator



Q3 2015 Net sales

Net sales:

- Q3 net sales EUR 311 million (331), -6.1%
 - -4,8 % organic
 - Acquisition of Eltel Sønnico completed
- Lower sales in Power and Transport & Security
 - Lower order intake in project business in transmission and rail during 2015
 - End of Rakel contract Q2 2015
- Stable organic growth in Communication



*) Organic net sales excl. Norwegian communication business, Sønnico and Edi.Son acquisitions in 2015

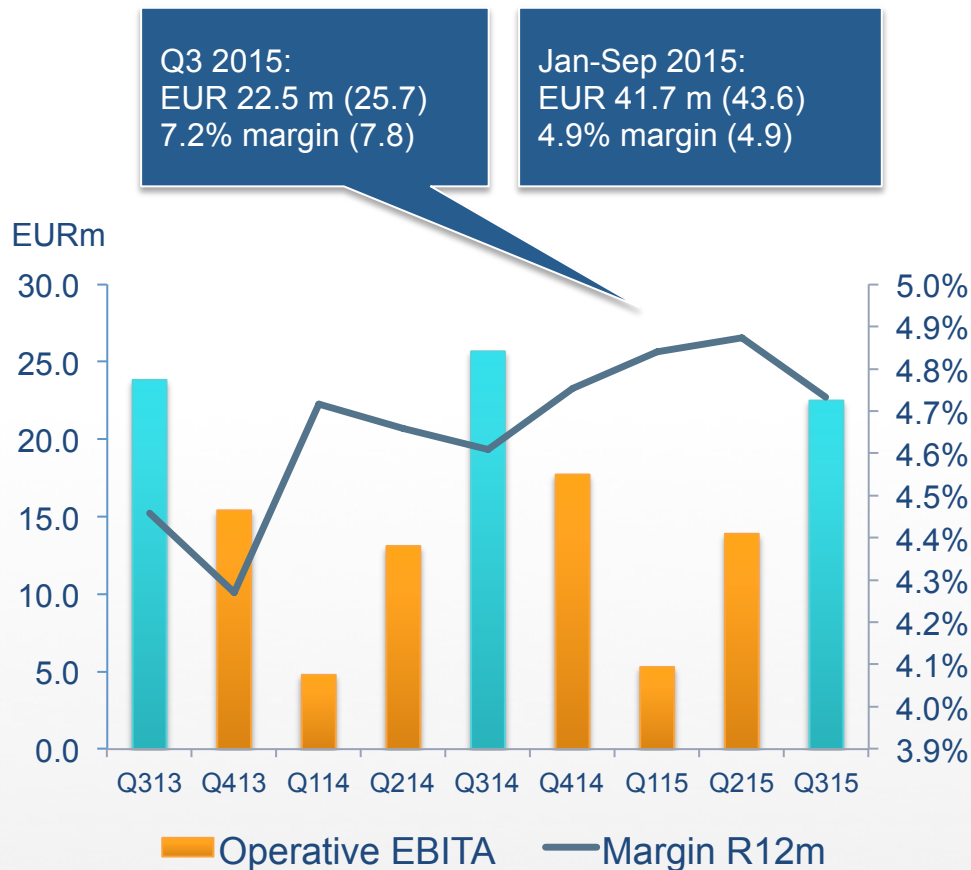
Q3 2015 Operative EBITA

Operative EBITA

- EUR 22.5 million (25.7), 7.2% of net sales (7.8)
- Strong margin improvements in Communication and Transport & Security
- Q3 2014 affected by approximately EUR 6 million from compensation for customer delay in an African power project

EBITA

- EUR 23.3m (9.7)
 - Non-recurring items 0.9 million (-16.0), mainly IPO-related in 2014



Power

Strong growth in distribution, transmission weaker

Net sales:

- Negative impact mainly from lower order intake in the transmission business during 2015
- Positive contribution from the Edi.Son acquisition in Germany
- Stable sales in the Nordic, particularly in cabling of distribution networks
- Q3 2014 affected positively by high substation project volumes in Poland

Operative EBITA:

- Q3 2014 affected positively by compensation for customer delay in an African project of approximately EUR 6 million
- Positive impact from efficiency improvements in Sweden and higher profitability in Poland
- Negative margin impact from changed product mix in Finland

Q3 Net sales
EUR 135.8 m (143.9)
-5.6%
-4.9% FX adjusted

Q3 Operative EBITA
EUR 9.6 m (15.8)
7.1% margin (11.0%)

Communication

Growth and strong margin improvement

Net sales:

- High momentum in fibre upgrade services in Sweden
- Positive development in Germany – both fixed and mobile communication
- Offset by decreased sales in fixed communication in Finland
- Positive organic net sales development

Operative EBITA

- Positive development in the Nordics
- Higher margins in Germany from leverage and efficiency improvements

Q3 Net sales

EUR 140.3 m (150.4)

-6.7%

+2.8% excl. Norway and FX adj.

Q3 Operative EBITA

EUR 10.8 m (6.9)

7.7% margin (4.6%)

Communication

Eltel buys out its JV partner in Norway

Financial impact:

- Price of NOK 265 million
 - 2/3 of the price was paid in cash at closing, remaining 1/3 to be paid in January 2016
 - Price is in line with Eltel's target range for acquisitions of 5-7x EBITA
- Net sales will increase with the full amount of the JV's net sales
 - Slightly below EUR 200 million annually
- Impact on Group operative EBITA margin slightly negative compared to JV consolidation method
- In January-August 2015, 50% of JV net profit was included in EBITA.
- Group EBITA and net profit increase as JV is fully consolidated from September 2015
- Integration synergies to be realised by full implementation of Eltel's governance, group structure and operational model – The Eltel Way

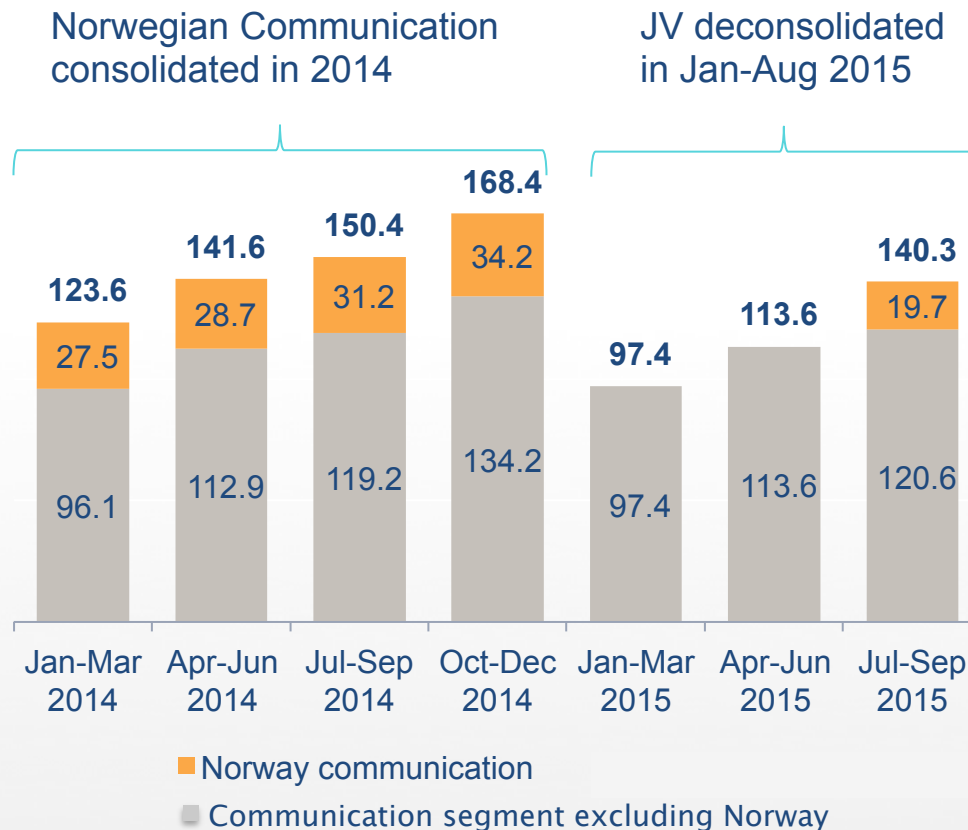


Communication

Net sales impact of the Sønnico acquisition



- On 31 Dec 2014
 - Eltel's Norwegian communication business was transferred to a 50/50 JV
- In Jan-Aug 2015
 - the Norwegian communication business was not consolidated in the Group's net sales
 - Eltel's share of JV results was included on one line in EBITA
- On 1 Sep 2015
 - Eltel acquired Umoe's 50% of the JV, becoming the sole owner of the company
 - Consolidation 100% of net sales



Transport & Security

Improved margins

Net sales

- High sales in rail and road in Norway and Denmark
- Sales in rail and road in Sweden declined from very high level in the previous year
- Aviation and security business, continued low order intake in Denmark and ending of Rakel contract in Q2 2015

Operative EBITA:

- Positive impact from the aviation and security business
- Margin improvement in rail and road in all countries except Norway

Q3 Net sales
EUR 36.6 m (40.0)
-8.5%
-5.2% FX adjusted

Q3 Operative EBITA
EUR 4.2 m (3.25)
11.4% margin (8.8)

Transport & Security



Exciting acquisition of Vete Signaltjenester AS in Norway

- Recognised player with an important market position in the Norwegian railway market
- Clear synergies - complementary to Eltel's current offering
- Turnover of approx. NOK 60 million in 2014
- Four year EUR 9 million maintenance contract with Jernbaneverket signed
- Growth potential
 - Norwegian government sees high investment needs for coming years, with growing opportunities for outsourcing



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Financial KPIs

EUR million	2015	2014	2014
	Jul-Sep	Jul-Sep	Jan-Dec
Net sales	310.8	330.9	1.242.1
Operative EBITA	22.5	25.7	61.3
Non-recurring items	0.9	-16.0	-22.7
EBITA	23.3	9.7	38.6
Operating result (EBIT)	19.6	6.6	26.2
Result after financial items	17.0	0.9	7.2
Net result for the period	25.2	0.9	11.1
Earnings per share EUR, basic and diluted	0.39	-0.02	0.12
Operative cash flow	-7.4	19.4	88.9

Gain of EUR 0.9 m from re-measurement of Eltel's previously owned 50% of Eltel Sønnico to fair value

Significantly improved result due to lower net financial expenses (from reduced debt) and non-recurring items

Operative cash flow impacted by increased working capital driven by power transmission business and new acquisitions

Capex, goodwill, amortisation, net financials and tax



Capex

Asset light business. Historical annual net capex of slightly more than 1 % of net sales. Q3 2015 was 1.1 % (YTD 1.0 %)

Goodwill

Goodwill of EUR 461 million at end of Q3, mainly related to 3i acquisition of Eltel in 2007. Increase in 2015 related to Edi.Son and Eltel Sönnico acquisitions. Impairment tests annually.

Amortisation

Intangible assets of EUR 85 million in balance sheet allocated to customer relations and brand. Amortisation related to customer relations (EUR 31 million). Amortization in 2014 amounted to EUR 12.4 million and EUR 3.1 million in Q3 2015. Pre-IPO assets to be fully amortised in 2017.

Net financials

Loan facility of approx. EUR 210 million post IPO and EUR 90 million RCF. Net financials net of EUR 20 million in 2014, would be somewhat less than half of 2014 level at current interest rates and assuming no foreign currency movements or effects. Financial net MEUR 2.6 in Q3 2015.

Taxes

2015 cash tax approx. 10% of EBT + amortisation. P&L tax to be positive due to additional tax loss carry forward utilisation. Net tax gain of EUR 8.2 million in Q3 2015. With current assumptions P&L tax 2016 expected to be approximately 21 % of EBT while cash tax will be clearly lower than P&L tax.

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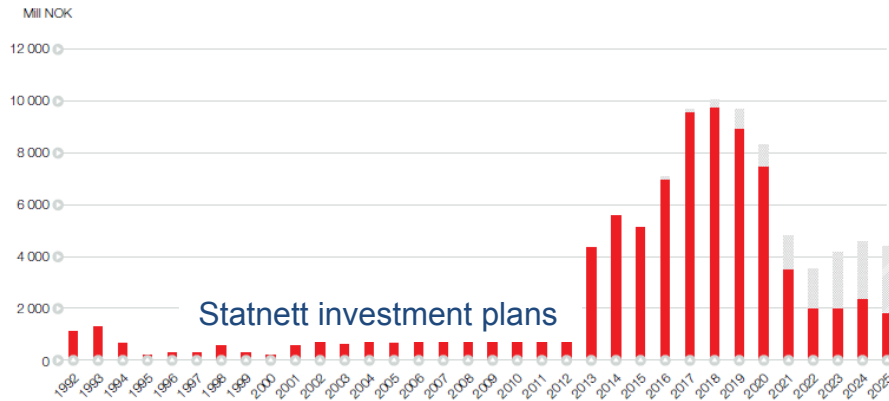
Favourable market and investment plans

Power

- Transmission: operators in Sweden and Norway to double investments in next 10 years
 - Similar indications in Germany and Africa
- Distribution: investment plans for cabling projects and smart meter installations

Eon fördubblar sina nätinvesteringar

“Eon doubles its network investments”,
Dagens Industri, 19 Aug 2015



Favourable market and investment plans

Communication

- Fixed: fibre investments in several markets
- Mobile: 4G and LTE investments

Telia satsar nio miljarder på fiber

“Telia invests SEK 9 billion into fibre”, Telia news, 2015

The German government wants every citizen to have internet speeds of at least 50Mbps by 2018, and is spending up to €2.7bn to help make it happen.

ZDNet, Sep 2015

Transport & Security

- Rail & Road: high tender activity
- Security & Aviation: Good prospects

Regeringen rustar upp järnvägar för miljarder

Av: [SIX/ Affärsvärlden](#)
Publicerad 7 april 2015 11:28

“The government upgrades rail network for billions”



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Group strategic agenda 2015

Vision: Be the European Leader in Infranet Technical Services

1

Further improve Operating Performance

- Continuing fine tuning of The Eltel Way
- Initial UN Global Compact report
- Focus on the Health and Safety area

2

Drive Organic Growth

- Eltel performance in fibre and mobile roll-out business
- Long term opportunities in Power
- Hafslund and Skagerak smart metering deals in Norway and Kamstrup in Denmark

3

Pursue selective M&A

- Edi.Son, Germany
- Eltel Sønnico acquisition
- Vete Signaltjenester, Norway
- Active M&A function and solid pipeline

Medium to Long Term Financial Targets

Financial targets

Financial targets, mid to long term (3-5 years)

Sales growth

Average annual organic sales growth of around 5% and 5% annual growth from M&A including new outsourcing deals

EBITA-margin

EBITA-margin of approximately 6%

Cash conversion

An average cash conversion of 95-100% of EBITA

Capital structure

Leverage of 2.0-2.5x net debt / EBITDA

Dividend Policy

Approx. 50 percent pay-out ratio of net profit with some flexibility

- The first dividend is expected to occur in 2016, based on the results in 2015
- Scope for acquisitions and deleveraging

Summary

European market leader

Industry with long term structural growth

Scalable platform for growth and M&A

Solid customer base and recurring revenues

Good financial profile with strong cash generation



Thank you!
Eltel to report Q4 2015 on 19 February 2016

