Eltel Group

Full-year report January–December 2020

Stockholm, Sweden, 18 February 2021

October–December 2020

- Net sales EUR 229.2 million (278.9). Total growth -17.8% and organic growth[1)] in Power and Communication -11.1%
- Operative EBITA[2)] EUR 4.0 million (-14.9) and operative EBITA margin 1.7% (-5.3)
- Items affecting comparability EUR -5.7 million (1.4) include valuation of net assets held for sale
- Operating result (EBIT) EUR -1.9 million (-13.7) and EBIT margin -0.8% (-4.9)
- Net result EUR -7.0 million (-11.8)
- Earnings per share EUR -0.05 (-0.08), basic and diluted
- Cash flow from operating activities EUR 51.2 million (65.0)

January–December 2020

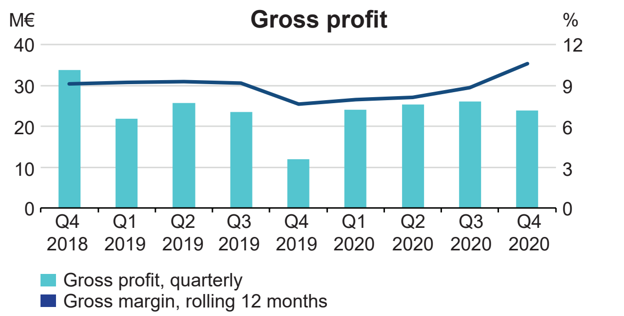
- Net sales EUR 938.0 million (1,087.6). Total growth -13.8% and organic growth[1)] in Power and Communication -7.4%
- Operative EBITA[2)] EUR 11.4 million (-11.3) and operative EBITA margin 1.2% (-1.0)
- Items affecting comparability EUR 14.1 million (1.6) include gain/loss from divested and held for sale businesses
- Operating result (EBIT) EUR 24.8 million (-11.2) and EBIT margin 2.6% (-1.0)
- Net result EUR 5.3 million (-25.1)
- Earnings per share EUR 0.03 (-0.17), basic and diluted
- Cash flow from operating activities EUR 49.4 million (51.4)
- Net debt[3)] EUR 67.4 million (123.8)

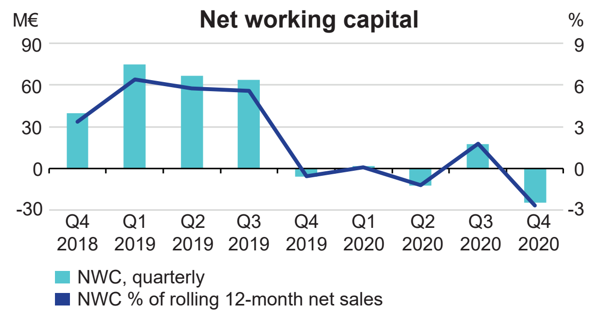
Significant events during the fourth quarter

- Eltel signed five contracts of significance to a combined value up to about EUR 470 million.
- In December 2020, Eltel's financing agreements were extended by one year until Q1 2023.
- Eltel announced that it will launch a new segment structure in the financial reports starting with the January-March 2021 interim report.

Financial guidance

Eltel expects the full-year 2021 operative EBITA margin to increase compared to 2020.





EUR million	Oct-Dec 2020	Oct-Dec 2019	Change, %
Net sales			
Power	84.4	93.0	-9.2
Communication	143.5	182.9	-21.5
Other	1.3	3.2	-59.9
Total Group	**229.2**	**278.9**	**-17.8**
Operative EBITA[2)]			
Power	-2.4	-12.0	80.1
Communication	6.4	2.0	216.4
Other	1.7	-0.6	N/A
Items not allocated[4)]	-1.8	-4.2	57.8
Total Group	**4.0**	**-14.9**	**126.7**

EUR million	Jan-Dec 2020	Jan-Dec 2019	Change, %
Net sales			
Power	329.8	377.7	-12.7
Communication	594.9	698.4	-14.8
Other	13.3	13.2	0.8
Total Group	**938.0**	**1,087.6**	**-13.8**
Operative EBITA[2)]			
Power	-9.5	-17.5	45.8
Communication	24.4	18.1	34.4
Other	4.5	-0.8	N/A
Items not allocated[4)]	-8.0	-11.2	28.7
Total Group	**11.4**	**-11.3**	**201.3**

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

We are pleased to report that our operational performance continued to improve during the fourth quarter, leading to a positive operative EBITA for the full year of 2020. This is a proof for us that we are on track with our transformation journey.

Our Operational Excellence strategy has driven our financial and operational turnaround. We have made improvements in all parts of our business, and transformed Eltel into a stable company with a Nordic focus and country-based operations supported by a lean Group organisation.

For the quarter, our operative EBITA improved by almost EUR 20 million to EUR 4.0 million (-14.9), or 1.7% (-5.3) of net sales. Cashflow from operating activities was good, reflecting the seasonal production build-up pattern. Furthermore, our net working capital at year-end was EUR -25.4 million, a historical low, and we were able to further reduce our net debt.

Full year operative EBITA was EUR 11.4 million (-11.3) and improved in both segments.

Despite improving for the full year, the operative EBITA in the Power segment is still far from our targeted levels. We are still facing challenges in the Polish High Voltage market. In Sweden the work to ramp down operations continues, and we are in the process of completing several loss-making projects. On the positive side, the risk level in Finland has been reduced upon the completion of certain Build projects that caused write-downs during the year. We see a good productivity development throughout the Finnish operations as well as increased net sales due to several contract expansions with our key customers. In the Power segment overall, we have continued to take steps to increase project control and reduce risk.

In the Communication segment, we can see that the work done in Sweden in 2020 to improve project execution and control is starting to impact the results in a positive way. However, Sweden is still in the beginning of its journey to reach the targeted operative EBITA margins. Norway delivered good margins thanks to efficiency actions, rightsizing and improved project profitability. After a decrease in customer investments due to COVID-19 in 2020, we can see that going forward the volumes in Norway are stabilising. In Finland, both net sales and operative EBITA have improved with high market share and good volumes in fibre and 5G rollouts. Denmark performed in line with the previous year, although falling slightly behind during the second half of the year.

This is the last time we report the current Power and Communication segments. Starting from the Q1 2021 interim report, the Power and Communication segments will be replaced by four country segments. We believe the change will reduce complexity and in a more balanced and transparent way reflect Eltel's performance and organisational set up.

When reflecting upon 2020, I am grateful for what we have accomplished during this challenging and different year:

- We signed several large and important frame agreements, which confirms our position as the leading Nordic field service company. This provides a strong platform to build on in 2021 and beyond.
- We successfully implemented initiatives to promote operational efficiency – primarily improve production planning, optimise route planning and technician utilisation.
- We divested our German Communication business and the Swedish business area Aviation & Security, which has strengthened the Nordic focus as well as contributed to the lower net debt.
- We benefited from our efforts to strengthen our balance sheet by improving net working capital and nearly halving net debt.
- We made good progress with our sustainability work, especially on our main safety indicator: lost-time injury frequency, which now is at a market-leading level in our industry. We also succeeded in reducing our carbon footprint.

In 2020, we saw a moderate impact from the COVID-19 pandemic on our business. We have mainly experienced delays in project execution and lower investment levels by certain customers, which is foreseen to continue in 2021.

Entering 2021, we see a harsh winter, which strengthens the seasonality that is typical for our business. We will also still be negatively impacted by a number of old unprofitable projects, but the majority of them will be completed during the year. However, improved control and a continued good market situation, driven by fibre and 5G, gives me the confidence to say that we will further strengthen our performance going forward. Highlighting this, we will introduce financial guidance for the year, stating that we foresee our operative EBITA margin for 2021 to improve from 2020.

Encouraged by the progress made during the year, we have updated our targets for key financial indicators and aim to achieve them by the end of 2023.

I want to thank all our employees for their hard work and commitment, as well as our customers and other stakeholders for their trust in us in 2020.

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 during 2021.

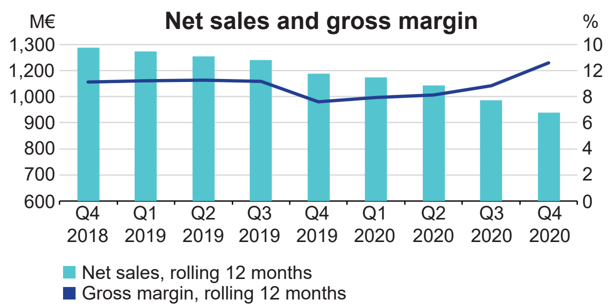
In parallel, a strategy for existing operations has been developed, with a focus on operating profitability. The strategy, which is being implemented in 2019–2021, aims to raise the operating margin by generating customer focus, improving efficiency, measuring and tracking relevant key performance indicators, 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.

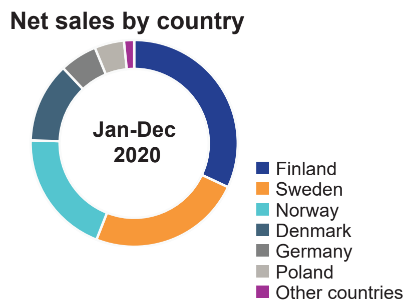
This will create the foundation for sustainable growth, profitability and shareholder value.

Eltel's financial targets by end of 2023

Group EBITA margin	5%
Annual growth in the Nordics from 2022 onwards	2–4%
Leverage[1)]	1.5–2.5x net debt/EBITDA
Dividend payout	Subject to leverage target

1) Net debt/EBITDA is calculated as defined in the financing agreement. Net debt is defined as interest-bearing debt consisting of short-term and long-term debt less cash and cash equivalents. Both net debt and EBITDA exclude IFRS16 impact.





Net sales and earnings Group

EUR million	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net sales	229.2	278.9	938.0	1,087.6
Operative EBITA	4.0	-14.9	11.4	-11.3
EBIT	-1.9	-13.7	24.8	-11.2
Net result	-7.0	-11.8	5.3	-25.1
Key ratios				
Net sales growth, %	-17.8	-15.7	-13.8	-8.5
Currency translation effect in net sales, MEUR	-2.1	-4.8	-17.6	-16.0
Operative EBITA margin, %	1.7	-5.3	1.2	-1.0
Tax rate, %	-61.5	30.4	64.7	-10.6
Earnings per share after dilution, EUR	-0.05	-0.08	0.03	-0.17

October–December 2020

Net sales decreased by 17.8% to EUR 229.2 million (278.9). Organic net sales in segments Power and Communication, adjusted for currency effects and divestments, decreased by 11.1%. Net sales decreased in Power by EUR 8.6 million, in Communication by EUR 39.4 million and in Other by EUR 1.9 million.

Operative EBITA amounted to EUR 4.0 million (-14.9). In Power, operative EBITA increased by EUR 9.6 million, in Communication by EUR 4.4 million and in Other by EUR 2.4 million. Costs not allocated to segments decreased by EUR 2.4 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 -5.7 million (1.4) including revaluation of the German High Voltage business to fair value less cost to sell. The comparative period included gain from divestment of the Polish Communication business.

EBIT amounted to EUR -1.9 million (-13.7).

Net financial expenses amounted to EUR -2.5 million (-3.3), including EUR 0.4 million (0.5) interest expense impact from the IFRS16 standard.

Taxes amounted to EUR -2.7 million (5.2). Taxes in Q4 2019 included EUR 3.7 million reversal of write-down of deferred tax assets for losses carried forward in Sweden.

The net result for the period was EUR -7.0 million (-11.8). Earnings per share were EUR -0.05 (-0.08).

January–December 2020

Net sales decreased by 13.8% to EUR 938.0 million (1,087.6). Organic net sales in segments Power and Communication, adjusted for currency effects and divestments, decreased by 7.4%. Net sales decreased in Power by EUR 47.9 million and in Communication by EUR 103.4 million. Other increased by EUR 0.1 million.

Operative EBITA amounted to EUR 11.4 million (-11.3). In Power, operative EBITA increased by EUR 8.0 million. In Communication, operative EBITA increased by EUR 6.2 million. The effect of the divestments of the Polish and German Communication businesses as well as the Swedish business area Aviation & Security was EUR -4.7 million. In Other operative EBITA increased by EUR 5.3 million. Costs not allocated to segments decreased by EUR 3.2 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 14.1 million (1.6) including EUR 20.4 million gain from divestment of the German Communication business and Swedish business area Aviation & Security, EUR -0.7 million loss from divestment of the UK joint venture and EUR -5.7 million for revaluation of the German High Voltage business to fair value less cost to sell.

EBIT amounted to EUR 24.8 million (-11.2).

Net financial expenses amounted to EUR -9.8 million (-11.5), including EUR 1.8 million (1.7) interest expense impact from the IFRS16 standard.

Taxes amounted to EUR -9.7 million (-2.4) including EUR -5.4 million tax impact relating to gain from divestments of businesses. The effective tax rate was 64.7% (-10.6) impacted by gains from divestments and valuation of losses carried forward.

The net result for the period was EUR 5.3 million (-25.1). Earnings per share were EUR 0.03 (-0.17).

Net sales and EBITA – Segments

Power

EUR million	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net sales	84.4	93.0	329.8	377.7
Operative EBITA	-2.4	-12.0	-9.5	-17.5
Number of employees, end of period	1,997	2,111	1,997	2,111
Key ratios				
Net sales growth, %	-9.2	-19.2	-12.7	-13.9
Organic growth[1)], %	-8.7	-	-12.2	-
Currency translation effect in net sales, MEUR	-0.5	-0.3	-2.0	-2.3
Operative EBITA margin, %	-2.8	-12.9	-2.9	-4.6

1) Adjusted for divested operations and currency effects.

October–December 2020

Net sales decreased by EUR 8.6 million to EUR 84.4 million (93.0), representing a decrease of 9.2%. Organic growth, adjusted for currency effects, was -8.7%. The majority of the decrease relates to High Voltage and Sweden. The lower activity in High Voltage is partly related to the completion of large projects in Poland and Norway, and partly to the strategy of reducing exposure to capital-intensive projects. COVID-19 also affected net sales in Poland as projects are being postponed. In Sweden, ramp down of projects and Service operations continued. In Finland net sales decreased somewhat year-on-year as contract expansions were offset by the completion of projects which were in peak production during the comparative period.

Operative EBITA increased to EUR -2.4 million (-12.0). The operative EBITA margin was -2.8% (-12.9). We have worked to reduce risks and increase control in the projects and we are recovering gradually. The main improvements come from High Voltage and Sweden, however the profitability is still far from targeted levels. Smart Grids performed well, albeit from low volumes. Finland performed in line with previous year despite trailing costs from two Build projects which were completed during the third quarter. Increased volume both in projects and power services, and improved productivity are the main drivers for this.

January–December 2020

Net sales decreased by EUR 47.9 million to EUR 329.8 million (377.7), representing a decrease of 12.7%. Organic growth, adjusted for currency effects, was -12.2%. The decrease is mainly explained by lower activity in High Voltage as large projects in Poland and Norway are being ramped down and completed. The strategy of reducing exposure to capital-intensive projects in combination with the Polish market situation further contributed to the lower net sales. We also see a negative impact from COVID-19 as some projects are being postponed. In Sweden, ramp down of projects and the Service operations, a reduced order backlog and COVID-19 further impacted net sales. Volumes in Smart Grids decreased in line with expectations due to project completions in Norway and Denmark. Also, a new project in Smart Grids Sweden is still in its early stages with low volumes. The decrease was partly offset by increased net sales in Finland where we have a market leading position and saw further growth in Build projects and through expansions of frame agreements. In the Power segment at large, we have reduced the risk level with selective tendering on larger turn-key projects.

Operative EBITA increased to EUR -9.5 million (-17.5). The operative EBITA margin was -2.9% (-4.6). We have worked to reduce risks and increase control in the Power segment. Despite improving year-on-year, the operative EBITA is still far from our targeted levels. In High Voltage, cost increases related to completion of old projects, reduced volumes, and COVID-19 delays impacted the result. Sweden is in the process of completing several loss-making projects, yet we noted a positive change compared to the previous year. In Finland, we see a positive productivity development throughout the operations and the risk level has been reduced due to the completion of Build projects that caused write-downs during the year.

Communication

EUR million	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net sales	143.5	182.9	594.9	698.4
Operative EBITA	6.4	2.0	24.4	18.1
Number of employees, end of period	3,172	4,137	3,172	4,137
Key ratios				
Net sales growth, %	-21.5	-11.7	-14.8	-4.0
Organic growth[1)], %	-12.5	-	-4.5	-
Currency translation effect in net sales, MEUR	-1.6	-4.5	-15.6	-13.6
Operative EBITA margin, %	4.5	1.1	4.1	2.6

1) Adjusted for divested operations and currency effects.

October–December 2020

Net sales decreased by EUR 39.4 million to EUR 143.5 million (182.9), representing a decrease of 21.5%. Organic growth, adjusted for currency effects and divestments, was -12.5%. The impact of the divestments of the Polish and German Communication businesses as well as the Swedish business area Aviation & Security was EUR -17.1 million. The decrease is furthermore explained by reduced investment levels from customers in Norway due to COVID-19 and lower volumes in Sweden, partly as a consequence of the loss of a large service frame agreement. Denmark also faced lower volumes during the period as two large projects are coming to an end. In Finland net sales increased due to strong market share and high volumes in fibre and 5G.

Operative EBITA increased to EUR 6.4 million (2.0). The operative EBITA margin was 4.5% (1.1). The effect of the divestments of the Polish and German Communication businesses as well as the Swedish business area Aviation & Security was EUR -1.7 million. Norway continued to produce good margins thanks to efficiency actions, rightsizing and improved project profitability. Finland improved its performance as a result of net sales growth and good production efficiency. Compared to previous year, the main increase comes from Sweden, which in 2019 was heavily burdened by workforce overcapacity and restructuring costs, as well as project write-downs and provisions.

January–December 2020

Net sales decreased by EUR 103.4 million to EUR 594.9 million (698.4), representing a decrease of 14.8%. Organic growth, adjusted for currency effects and divestments, was -4.5%. The effect of the divestments of the Polish and German Communication businesses as well as the Swedish business area Aviation & Security was EUR -59.6 million. In Sweden, net sales also decreased due to reduced customer investments, lower order back log and, towards the end of the year, as a consequence of the loss of a large service frame agreement. In Norway, currency effects of EUR -17 million impacted net sales negatively as did reduced and delayed volumes from a large customer due to COVID-19. The decline was partly offset by a strong market share and high fibre and 5G volumes in Finland, as well as increased volumes in Denmark.

Operative EBITA increased to EUR 24.4 million (18.1). The operative EBITA margin was 4.1% (2.6). The effect of the divestments of the Polish and German Communication businesses as well as the Swedish business area Aviation & Security was EUR -4.7 million. Norway delivered good margins thanks to efficiency actions, rightsizing and improved project profitability. However, lower net sales and a negative currency effect impacted the operative EBITA. Finland also contributed to the improved performance as a result of net sales growth and improved production efficiency. Denmark performed in line with the comparative period, although falling slightly behind during the second half of the year. Year-on-year, the majority of the operative EBITA improvement comes from Sweden. The work done to improve project execution and control is starting to impact the results in a positive way. However, Sweden is still in the beginning of the journey to reach the targeted operative EBITA margins.

Other

EUR million	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net sales	1.3	3.2	13.3	13.2
Operative EBITA	1.7	-0.6	4.5	-0.8
Number of employees, end of period	108	147	108	147
Key ratios				
Net sales growth, %	-59.9	-10.9	0.8	-42.8
Operative EBITA margin, %	134.9	-20.4	33.7	-5.9

October–December 2020

Net sales decreased by EUR 1.9 million to EUR 1.3 million (3.2). Net sales relate to the remaining projects in Power Transmission International.

Operative EBITA increased to EUR 1.7 million (-0.6). The operative EBITA margin was 134.9% (-20.4). The increase comes from releasing risk provisions after receiving milestone payments for remaining projects.

January–December 2020

Net sales increased by EUR 0.1 million to EUR 13.3 million (13.2). 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 4.5 million (-0.8). The operative EBITA margin was 33.7% (-5.9). The increase relates mainly to a claim compensation received for a Power Transmission International project in Africa, which was completed in 2019.

The total cost of discontinuing Power Transmission International is estimated to be lower than EUR 40 million. In total, net costs amounting to EUR 26.0 million were recorded during 1 January 2017–31 December 2020, in line with the plan. The discontinuation is targeted to be finalised in 2021.

Cash flow

EUR million	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
EBIT	-1.9	-13.7	24.8	-11.2
Depreciation and amortisation	9.2	8.9	38.2	40.9
EBITDA	7.3	-4.8	63.0	29.7
Changes in working capital	41.7	74.5	16.6	37.9
Total financial expenses and taxes	-4.5	-2.4	-13.9	-10.9
Adjustment for gain/loss on sales of assets and business[1)]	5.3	-1.4	-14.7	-1.5
Other	1.4	-1.0	-1.6	-3.8
Cash flow from operating activities	**51.2**	**65.0**	**49.4**	**51.4**
Cash flow from investing activities	**-0.2**	**9.9**	**33.5**	**-2.1**
Cash flow from financing activities	**-34.3**	**-36.6**	**-121.6**	**-38.2**
Net change in cash and cash equivalents	**16.6**	**38.2**	**-38.7**	**11.1**
Cash and cash equivalents at beginning of period	**8.5**	**26.2**	**65.2**	**53.4**
Foreign exchange rate effect	0.9	0.5	-0.6	0.7
Transfer to assets held for sale	-	0.3	-	-
Cash and cash equivalents at end of period	**26.0**	**65.2**	**26.0**	**65.2**

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

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

October–December 2020

Cash flow from operating activities was EUR 51.2 million (65.0). Change in net working capital had a positive impact of EUR 41.7 million (74.5) in cash flow reflecting the seasonal production build-up pattern, strong year-end cash collection and, to a smaller extent, also a positive COVID-19 related impact such as favourable payment terms from customers as well as government support. At the end of the year, net working capital was at very low level, EUR -25.1 million (-6.3).

Net cash flow from investing activities was EUR -0.2 million (9.9) including net impact from disposal of fixed assets and capital expenditure on replacement investments. In Q4 2019 the figure included a positive impact of EUR 12.3 million from divestment of the Polish Communication business and EUR -2.4 million from net capital expenditure.

Cash flow from financing activities was EUR -34.3 million (-36.6) including amortisation of external loans of EUR 26.1 million (16.8) and net impact of payments of lease liabilities.

January–December 2020

Cash flow from operating activities was EUR 49.4 million (51.4) including cash flow from operative result EUR 46.7 million (24.4), change in net working capital EUR 16.6 million (37.9) and financial expenses and taxes EUR -13.9 million (-10.9).

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 33.5 million (-2.1) including an impact of EUR 37.9 million (12.3) from disposal of businesses and EUR -4.4 million (-11.7) 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 -121.6 million (-38.2) including amortisation of external loans of EUR 46.1 million, reduction in commercial paper programme of EUR 36.5 million, reduction in utilisation of revolving credit facilities of EUR 12.4 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, as defined in the financing agreement, was reduced to EUR 67.4 million (123.8).

Financial position, cash and cash equivalents

Equity at the end of the period was EUR 219.2 million (220.7) and total assets were EUR 677.3 million (807.2). The equity ratio was 34.0% (28.5).

At the end of the quarter, available liquidity reserves amounted to EUR 136.0 million (162.8). On the same date, EUR 53.0 million of Eltel's commercial paper programme was utilised (89.5).

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.

In December 2020, the current credit facilities were further extended until mid-Q1 2023. The agreed covenant levels for 2021 remain as previously agreed, and new covenant levels for adjusted EBITDA and maximum net debt were agreed for the year 2022. Maximum net debt is to be reduced to EUR 90 million by the end of 2022. 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 103.5 million (115.1). The amount of the commercial guarantees issued on behalf of joint ventures and third parties was EUR 0.1 million (6.1).

Interest-bearing liabilities and net debt

EUR million	31 Dec 2020	31 Dec 2019
Interest-bearing debt in balance sheet	89.8	185.1
Leasing liabilities in balance sheet	60.8	78.6
Allocation of effective interest to periods	1.0	0.6
Less cash and cash equivalents	-26.0	-65.2
Net debt	125.6	199.1
Less leasing liabilities not included in financing agreement	-58.3	-75.3
Adjusted for held for sale	0.0	0.0
Net debt, financing agreement	**67.4**	**123.8**

Interest-bearing debt amounted to EUR 89.8 million (185.1) of which EUR 27.7 million (76.1) was non-current and EUR 62.1 million (109.0) was current. Leasing liabilities amounted to EUR 60.8 million (78.6) of which EUR 39.0 million (54.3) was non-current and EUR 21.8 million (24.3) was current.

Credit facilities

EUR million	31 Dec 2020	31 Dec 2019
Term loan, non-current	27.7	76.1
Term loan, current	10.0	7.2
Revolving credit facility	90.0	90.0
Account overdrafts	20.0	20.0
Total credit facilities	**147.7**	**193.2**

Term loan and revolving credit facilities are part of the Group's financial facilities maturing in Q1 2023. 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 53.0 million (89.5) of the commercial paper programme and EUR 0.0 million (12.4) of the revolving credit facility were utilised.

Other information

Dividend distribution

The Board proposes that no dividend will be paid for the year 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. 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 FCCA alleged that Eltel had participated in a violation of Article 101(1) TFEU (the Treaty on the Functioning of the European Union). The violation of competition law alleged by the FCCA is related to Eltel's power transmission line construction and planning business in Finland during the period 2004–2011. Eltel considers that it did not violate competition law and contested the FCCA's allegations and fine proposal to the Finnish Market Court, requesting that the case be dismissed. The main hearing in the case was held in the Finnish Market Court in September 2015. On 30 March 2016, the Finnish Market Court dismissed the case as time barred. On 29 April 2016, the FCCA submitted an appeal to the Supreme Administrative Court (SAC) against the decision of the Finnish Market Court 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. On 14 January 2021, the ECJ responded to SAC's preliminary ruling request concluding that Article 101(1) TFEU must be interpreted to mean that the duration of the infringement has lasted until the day on which the relevant project agreement has been signed. The preliminary ruling of the ECJ confirms Eltel's position throughout the above described proceedings. The matter is now back before the SAC for final ruling, the timing of which is unknown. 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.

Large agreements announced during Q4 2020

- On 22 December 2020, it was announced that Eltel's Power business Smart Grids signed an agreement in Sweden with Kamstrup, a leading manufacturer of system solutions for smart energy metering, to install 275,000 smart meters in Gothenburg. The agreement is worth about EUR 14 million.
- On 17 December 2020, it was announced that Eltel's Communication business in Sweden signed a three-year continuation of a current frame agreement with Telia regarding the dismantling of telephone poles. The agreement is worth about EUR 55 million.
- On 16 December 2020, it was announced that Eltel's Communication business in Finland signed a three-year continuation of a current frame agreement with Telia regarding fixed and mobile telecom services. The agreement is worth about EUR 110 million.
- On 26 November 2020, it was announced that Eltel's Communication business in Norway signed a three-year frame agreement with Telia to roll out FWA (Fixed Wireless Access) in Norway. The agreement is worth about EUR 11 million.
- On 18 November 2020, it was announced that Eltel's Communication business in Norway signed a three-year continuation of a current frame agreement with Telenor, Norway's largest provider of telecommunications and digital services. The agreement covers field services for about EUR 180–280 million and includes an option of up to two years.

Large agreements announced after the reporting period

No large agreements were announced after the reporting period.

Financial guidance

Eltel expects the full-year 2021 operative EBITA margin to increase compared to 2020.

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 16.

Presentation of the full-year and Q4 2020 interim report

Analysts and media are invited to participate in the full-year and Q4 2020 interim report briefing on 18 February 2021 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.

For further information, please contact:

Saila Miettinen-Lähde, CFO
Phone: +358 40 548 3695, saila.miettinen-lahde@eltelnetworks.com

Elin Otter, Director, Communications and Investor Relations
Phone: +46 72 59 54 692, elin.otter@eltelnetworks.com

Financial calendar

- 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 and the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08.00 CET on 18 February 2021.

Signatures of the Board of Directors and CEO

Stockholm, Sweden, 18 February 2021

Eltel AB (publ)

Ulf Mattson, Chairman

Håkan Dahlström
Gunilla Fransson
Joakim Olsson
Roland Sundén

Employee representative:

Björn Ekblom

Casimir Lindholm, President and CEO

The information in this interim report has not been reviewed by the company's auditors.

Condensed financial information

Condensed consolidated income statement

EUR million	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net sales	229.2	278.9	938.0	1,087.6
Cost of sales	-205.3	-266.9	-838.6	-1,004.7
Gross profit	**23.9**	**12.0**	**99.4**	**82.9**
Other income	0.9	1.7	22.5	2.6
Sales and marketing expenses	-1.1	-3.6	-4.6	-9.1
Administrative expenses	-19.5	-23.1	-84.6	-85.5
Other expenses	-6.1	-0.6	-7.7	-2.5
Share of profit/loss of joint ventures	0.0	0.0	-0.2	0.4
Operating result (EBIT)	**-1.9**	**-13.7**	**24.8**	**-11.2**
Financial income	0.1	0.2	0.5	0.4
Financial expenses	-2.5	-3.5	-10.3	-11.9
Net financial expenses	-2.5	-3.3	-9.8	-11.5
Result before taxes	**-4.3**	**-17.0**	**14.9**	**-22.7**
Taxes	-2.7	5.2	-9.7	-2.4
Net result	**-7.0**	**-11.8**	**5.3**	**-25.1**
Attributable to:				
Equity holders of the parent	-7.2	-12.1	4.7	-25.9
Non-controlling interest	0.2	0.2	0.6	0.8
Earnings per share (EPS)				
Basic, EUR	-0.05	-0.08	0.03	-0.17
Diluted, EUR	-0.05	-0.08	0.03	-0.17

Condensed consolidated statement of comprehensive income

EUR million	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net profit for the period	-7.0	-11.8	5.3	-25.1
Other comprehensive income:				
Items that will not be reclassified to profit and loss				
Revaluation of defined benefit plans, net of tax	-0.7	2.4	-4.8	-4.6
Items that may be subsequently reclassified to profit and loss				
Cash flow hedges, net of tax	0.0	0.1	0.1	0.2
Net investment hedges, net of tax	-2.1	-1.6	-0.9	0.8
Currency translation differences	9.0	2.5	-0.6	-1.6
Total	6.9	0.9	-1.4	-0.6
Other comprehensive income/loss for the period, net of tax	6.2	3.3	-6.2	-5.1
Total comprehensive income/loss for the period	**-0.8**	**-8.5**	**-0.9**	**-30.2**
Total comprehensive income/loss attributable to:				
Equity holders of the parent	-1.0	-8.8	-1.5	-31.0
Non-controlling interest	0.2	0.2	0.6	0.8

Condensed consolidated balance sheet

EUR million	31 Dec 2020	31 Dec 2019
ASSETS		
Non-current assets		
Goodwill	264.9	264.0
Intangible assets	38.3	41.0
Property, plant and equipment	20.0	27.5
Right-of-use assets	59.2	77.4
Investments in joint ventures	-	0.9
Investments	0.5	0.6
Deferred tax assets	19.1	26.4
Other financial assets	-	35.0
Trade and other receivables	0.4	0.4
Total non-current assets	**402.5**	**473.2**
Current assets		
Inventories	12.1	14.6
Other financial assets	35.0	-
Trade and other receivables	201.7	230.1
Cash and cash equivalents	26.0	65.2
Total current assets	**274.8**	**310.0**
Assets held for sale[2)]	0.0	24.0
TOTAL ASSETS	**677.3**	**807.2**
EQUITY AND LIABILITIES		
Equity		
Equity attributable to shareholders of the parent	211.7	213.1
Non-controlling interest	7.5	7.6
Total equity	**219.2**	**220.7**
Non-current liabilities		
Debt	27.7	76.1
Leasing liabilities	39.0	54.3
Liabilities to shareholders[1)]	-	35.0
Retirement benefit obligations	17.4	14.8
Deferred tax liabilities	11.0	11.5
Provisions	2.7	3.4
Other non-current liabilities	0.5	0.5
Total non-current liabilities	**98.4**	**195.6**
Current liabilities		
Debt	62.1	109.0
Leasing liabilities	21.8	24.3
Liabilities to shareholders[1)]	35.0	-
Provisions	7.5	15.0
Advances received	32.2	31.6
Trade and other payables	197.4	201.7
Total current liabilities	**356.0**	**381.6**
Liabilities associated with assets held for sale[2)]	3.8	9.3
Total liabilities	**458.1**	**586.5**
TOTAL EQUITY AND LIABILITIES	**677.3**	**807.2**

1) Refers to selling shareholders at the time of the listing on 6 February 2015.
2) Assets held for sale include German High Voltage business on 31 December 2020 and German Communication business and business area Aviation & Security on 31 December 2019.

Condensed consolidated statement of cash flows

EUR million	Jan-Dec 2020	Jan-Dec 2019
Cash flow from operating activities		
Operating result (EBIT)	24.8	-11.2
Adjustments:		
Depreciation and amortisation	38.2	40.9
Gain/loss on sales of assets and business[1)]	-14.7	-1.5
Defined benefit pension plans	-3.0	-4.4
Other non-cash adjustments	1.4	0.5
Cash flow from operations before interests, taxes and changes in working capital	46.7	24.4
Interest and other financial expenses paid, net	-10.4	-11.7
Income taxes received/paid	-3.5	0.8
Total financial expenses and taxes	-13.9	-10.9
Changes in working capital:		
Trade and other receivables	24.9	86.5
Trade and other payables	-10.4	-46.4
Inventories	2.1	-2.2
Changes in working capital	16.6	37.9
Net cash from operating activities	**49.4**	**51.4**
Cash flow from investing activities		
Purchases of property, plant and equipment (PPE), net	-4.4	-11.7
Acquisition of business, net of cash and cash equivalents	-	-4.2
Investment refund from joint ventures	-	1.5
Disposal of business, net of cash disposed of	37.9	12.3
Net cash from investing activities	**33.5**	**-2.1**
Cash flow from financing activities		
Proceeds from short-term financial liabilities	38.4	49.3
Payments of short-term borrowings	-87.4	-33.1
Payments of financial liabilities	-46.1	-26.1
Payments of lease liabilities	-26.2	-26.9
Dividends to non-controlling interest	-0.6	-0.9
Change in non-liquid financial assets	0.2	-0.5
Net cash from financing activities	**-121.6**	**-38.2**
Net change in cash and cash equivalents	**-38.7**	**11.1**
Cash and cash equivalents at beginning of period	**65.2**	**53.4**
Foreign exchange rate effect	-0.6	0.7
Transfer to assets held for sale	-	-
Cash and cash equivalents at end of period	**26.0**	**65.2**

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

Condensed consolidated statement of changes in equity

EUR million	Equity attributable to shareholders of the parent								
	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	-	-	4.7	-4.8	-0.8	-0.6	-1.5	0.6	-0.9
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	-0.6	-0.6
Equity at 31 Dec 2020	158.8	490.6	-370.6	-41.5	10.6	-36.3	211.7	7.5	219.2

EUR million	Equity attributable to shareholders of the parent								
	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	-31.0	0.8	-30.2
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	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net sales	229.2	278.9	938.0	1,087.6
Net sales growth, %	-17.8	-15.7	-13.8	-8.5
Operative EBITA	4.0	-14.9	11.4	-11.3
Operative EBITA margin, %	1.7	-5.3	1.2	-1.0
Items affecting comparability	-5.7	1.4	14.1	1.6
EBITDA	7.3	-4.8	63.0	29.7
Operating result (EBIT)	-1.9	-13.7	24.8	-11.2
EBIT margin, %	-0.8	-4.9	2.6	-1.0
Result after financial items	-4.3	-17.0	14.9	-22.7
Net result for the period	-7.0	-11.8	5.3	-25.1
Earnings per share EUR, basic and diluted	-0.05	-0.08	0.03	-0.17
Return on equity (ROE), %[1), 2)]	2.4	-10.6	2.4	-10.6
Net working capital[2)]	-25.1	-6.3	-25.1	-6.3
Number of personnel, end of period	5,449	6,678	5,449	6,678

Quarterly key figures

EUR million	Oct-Dec 2020	Jul-Sep 2020	Apr-Jun 2020	Jan-Mar 2020	Oct-Dec 2019	Jul-Sep 2019	Apr-Jun 2019	Jan-Mar 2019
Net sales	229.2	226.7	245.5	236.6	278.9	281.8	276.0	251.0
Net sales growth, %	-17.8	-19.6	-11.1	-5.7	-15.7	-4.8	-6.6	-5.9
Operative EBITA	4.0	6.7	2.8	-2.1	-14.9	4.1	2.5	-3.0
Operative EBITA margin, %	1.7	2.9	1.2	-0.9	-5.3	1.5	0.9	-1.2
Items affecting comparability	-5.7	-0.7	20.4	-	1.4	0.2	-	-
EBITDA	7.3	15.6	32.7	7.3	-4.8	14.3	12.7	7.5
Operating result (EBIT)	-1.9	5.8	23.1	-2.2	-13.7	3.9	2.1	-3.6
EBIT margin, %	-0.8	2.6	9.4	-0.9	-4.9	1.4	0.8	-1.4
Result after financial items	-4.3	3.5	20.0	-4.2	-17.0	1.6	-1.0	-6.4
Net result for the period	-7.0	3.1	14.0	-4.8	-11.8	-3.9	-2.0	-7.4
Earnings per share EUR, basic and diluted	-0.05	0.02	0.09	-0.03	-0.08	-0.03	-0.01	-0.05
Return on equity (ROE), %[1), 2)]	2.4	0.2	-2.8	-10.1	-10.6	-6.7	-8.8	-7.8
Net working capital[2)]	-25.1	17.3	-12.6	0.5	-6.3	63.7	66.8	74.8
Number of personnel, end of period	5,449	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 31 December 2020 German High Voltage business, 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	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Power				
Net sales (external)	84.4	93.0	329.8	377.7
Inter-segment sales	0.0	0.0	0.0	0.0
Communication				
Net sales (external)	143.5	182.7	594.9	696.7
Inter-segment sales	0.0	0.2	0.1	1.6
Other				
Net sales (external)	1.3	3.2	13.3	13.2
Elimination of sales between segments	-	-0.2	-0.1	-1.7
Net sales, total	**229.2**	**278.9**	**938.0**	**1,087.6**

Net sales by geographical area

EUR million	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Sweden	51.0	71.3	224.9	294.2
Finland	82.5	78.2	299.8	270.4
Norway	42.8	60.1	183.1	234.1
Denmark	29.7	32.0	117.4	108.9
Poland	9.1	12.7	43.2	88.1
Germany	13.1	21.2	54.7	76.6
Other countries	1.0	3.3	14.9	15.3
Net sales, total	**229.2**	**278.9**	**938.0**	**1,087.6**

Net sales by service split

EUR million	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Power				
Project delivery	42.1	75.0	168.5	251.2
Upgrade services	28.0	14.4	106.7	80.1
Maintenance	17.5	7.7	62.0	58.9
Internal net sales and fx adjustments	-3.1	-4.0	-7.4	-12.6
Total Power	84.4	93.0	329.8	377.7
Communication				
Project delivery	7.7	5.1	27.0	26.0
Upgrade services	118.4	143.9	446.0	517.1
Maintenance	47.2	56.6	187.2	205.6
Internal net sales and fx adjustments	-29.8	-22.7	-65.3	-50.4
Total Communication	143.5	182.9	594.9	698.4
Other				
Project delivery	1.1	3.2	12.9	13.5
Maintenance	0.2	-	0.4	-0.2
Internal net sales and fx adjustments	-	-	-	-
Total Other	1.3	3.2	13.3	13.2
Elimination of sales between segments	0.0	-0.2	-0.1	-1.7
Total	**229.2**	**278.9**	**938.0**	**1,087.6**

Reconciliation of segment results

EUR million	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Operative EBITA by segment				
Power	-2.4	-12.0	-9.5	-17.5
Communication	6.4	2.0	24.4	18.1
Other	1.7	-0.6	4.5	-0.8
Items not allocated to operating segments[1)]	-1.8	-4.2	-8.0	-11.2
Operative EBITA, Group	4.0	-14.9	11.4	-11.3
Earn-out adjustment	-	-	-	0.2
Gain/loss on sale of business	-	1.4	19.8	1.4
Valuation as held for sale	-5.7	-	-5.7	-
Total items affecting comparability in EBITA[2)]	-5.7	1.4	14.1	1.6
Amortisation of acquisition-related intangible asset	-0.2	-0.2	-0.7	-1.5
Operating result (EBIT)	-1.9	-13.7	24.8	-11.2
Financial expenses, net	-2.5	-3.3	-9.8	-11.5
Result before taxes	**-4.3**	**-17.0**	**14.9**	**-22.7**

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, EUR -0.7 million from divestment of Eltel's share in Murphy Eltel JV Limited and EUR -4.9 million from valuation of the German High Voltage business 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	31 Dec 2020	31 Dec 2019
Inventories	12.1	14.6
Trade and other receivables	201.7	230.1
Provisions	-10.2	-18.5
Advances received	-32.2	-31.6
Trade and other payables	-197.4	-201.7
Other	0.9	0.7
Net working capital	-25.1	-6.3
Intangible assets excluding acquisition-related allocations	10.4	12.3
Property, plant and equipment	20.0	27.5
Right-of-use assets	59.2	77.4
Operative capital employed	**64.5**	**110.9**

Assets and liabilities held for sale are not included: on 31 December 2020 German High Voltage business and on 31 December 2019 German Communication business and business area Aviation & Security.

Contract balances

EUR million	31 Dec 2020	31 Dec 2019
Trade receivables	98.8	124.9
Contract assets	85.1	83.7
Total assets related to contracts with customers	**183.9**	**208.6**
Advances received	32.2	31.6
Total liabilities related to contracts with customers	**32.2**	**31.6**

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–December 2020

During January-December 2020 there were no acquisitions.

During January-December 2020 there were two disposals in segment Communication and one disposal in segment Power.

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

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

On 18 December 2020, Eltel sold its share in the Murphy Eltel JV Limited in the UK to Murphy Power Networks Limited. At the end of Q3 2020 Eltel classified it's share in Murphy Eltel JV Limited as held for sale. At the same time the assets in the joint venture were revalued to fair value less cost to sell. The revaluation had EUR -0.7 million impact on Group EBIT in Q3 2020. Murphy Eltel JV Limited, in the UK, was a joint venture owned 50/50 by Eltel Networks UK Limited and Murphy Power Networks Limited and it operated in the Power segment.

At the end of Q4 2020 Eltel classified it's German High Voltage business in the Power segment as assets held for sale. At the same time the assets were revalued to fair value less cost to sell. The revaluation had EUR -5.7 million impact on Group EBIT in Q4 2020.

None of these operations meets the criteria for presentation as discontinued operations.

January–December 2019

During January-December 2019 there were no acquisitions.

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.

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.

Assets and liabilities held for sale

EUR million	31 Dec 2020	31 Dec 2019
Assets		
Goodwill and other intangible assets	0.0	13.0
Property, plant and equipment	0.0	1.5
Right-of-use assets (IFRS 16)	0.0	0.9
Trade receivables and other assets	0.0	8.5
Total assets held for sale	**0.0**	**24.0**
Liabilities		
Leasing liabilities (IFRS 16)	0.0	0.9
Advances received	-	3.6
Trade and other liabilities	3.8	4.7
Total liabilities held for sale	**3.8**	**9.3**

Leasing

Right-of-use assets EUR million	31 Dec 2020	31 Dec 2019
Buildings	32.0	42.2
Machinery and equipment	27.2	35.2
Total	**59.2**	**77.4**

Changes in the right-of-use assets during the period EUR million	31 Dec 2020	31 Dec 2019
Transfer of IAS 17 finance lease assets from PPE	-	4.0
IFRS 16 opening balance adjustment	-	89.6
1 Jan	77.4	93.6
Additions	13.6	15.0
Depreciations	-26.7	-28.4
Transfer to assets held for sale	-1.3	-0.9
Divestments	-3.8	-
Translation differences	0.0	-1.8
Balance at the end of period	**59.2**	**77.4**

Leasing liabilities EUR million	31 Dec 2020	31 Dec 2019
Non-current	39.0	54.3
Current	21.8	24.3
Total	**60.8**	**78.6**

Deferred taxes

EUR million	31 Dec 2020	31 Dec 2019
Deferred tax assets	19.1	26.4
Deferred tax liabilities	-11.0	-11.5
Sum	**8.2**	**14.9**

In December 2020, gross amount of EUR 13.0 million (17.0) deferred tax assets was recognised for losses carried forward, of which EUR 6.0 million (10.0) related to operations in Sweden. EUR 4.0 million of deferred tax assets for losses carried forward in Sweden were utilised for the sales gain from divestment of Aviation & Security business realised in April 2020. 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.

Financial instruments

Derivative financial instruments	31 Dec 2020		31 Dec 2019		
EUR million	Nominal values	Net fair values	Nominal values	Net fair values	
Foreign exchange rate derivatives	30.9	0.3	32.2	0.1	
Embedded derivatives	1.3	-0.2	12.0	-0.4	
Commodity derivatives	-	-	0.2	0.0	[1)]
Total	**32.2**	**0.0**	**44.3**	**-0.3**	

Designated as cash flow hedge [1)] 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	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net result attributable to equity holders of the parent	-7.2	-12.1	4.7	-25.9
Weighted average number of common shares, basic	156,649,081	156,649,081	156,649,081	156,649,081
Weighted average number of common shares, diluted	156,711,214	156,934,450	156,693,645	156,895,149
Earnings per share EUR, basic	-0.05	-0.08	0.03	-0.17
Earnings per share EUR, diluted	-0.05	-0.08	0.03	-0.17

Events after balance sheet date

Eltel launches a new segment structure in the financial reports starting with the January-March 2021 interim report.

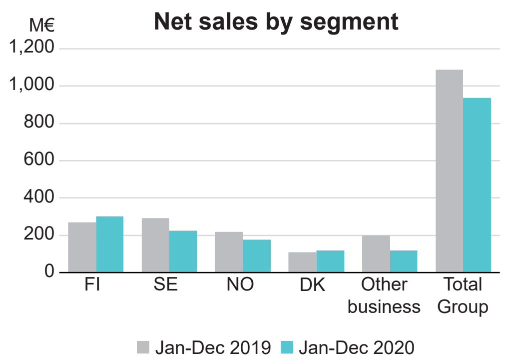
The current Power and Communication segments will be replaced by four country segments: Finland, Sweden, Norway and Denmark. All Power and Communication business in these four Nordic countries will be presented under the new country segments. Current solution unit Smart Grids will be divided into the new country segments and solution unit High Voltage, which conducts most of its business in Poland and Germany, will be presented outside segments as Other business.

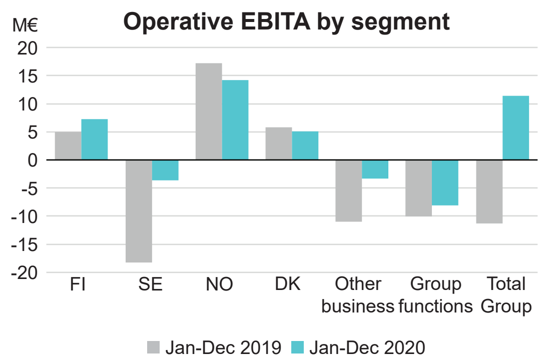
The change is in line with the Nordic strategy, and has the intention to reduce complexity and in a more balanced and transparent way reflect the Group's performance and organisational set up.

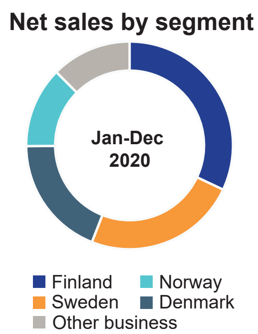
Overview of new segment reporting structure

Until 31 December 2020	As of 1 January 2021
Power Power business in all countries Smart Grids High Voltage	**Finland** All Power and Communication business **Sweden** All Power and Communication business
Communication Communication business in all countries	**Norway** All Power and Communication business **Denmark** All Power and Communication business

Outside segments: Other business representing less than 15% of the operations, and Group functions.







Overview of new segments

Net sales

EUR million	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Jan-Dec 2020	Jan-Dec 2019
Finland	58.9	78.3	80.3	82.7	300.2	271.0
Sweden	63.1	59.7	50.9	50.8	224.5	291.3
Norway	47.0	46.9	42.1	41.7	177.7	218.7
Denmark	33.7	28.7	25.8	29.8	118.1	109.3
Other business[1] and eliminations	33.9	31.9	27.6	24.1	117.5	197.3
Total net sales	**236.6**	**245.5**	**226.7**	**229.2**	**938.0**	**1,087.6**

Operative EBITA and -margin, %

EUR million	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Jan-Dec 2020	Jan-Dec 2019
Finland	-0.8	0.2	4.3	3.5	7.2	5.0
Sweden	0.5	-1.0	-0.8	-2.4	-3.7	-18.3
Norway	2.1	4.1	4.1	4.0	14.3	17.2
Denmark	1.8	1.4	1.0	0.9	5.0	5.8
Other business[1]	-2.2	-0.1	-0.9	-0.1	-3.3	-11.0
Group functions	-3.4	-1.7	-1.1	-1.9	-8.1	-10.0
Total operative EBITA	**-2.1**	**2.8**	**6.7**	**4.0**	**11.4**	**-11.3**
Finland	-1.4%	0.3%	5.4%	4.2%	2.4%	1.8%
Sweden	0.7%	-1.6%	-1.6%	-4.7%	-1.6%	-6.3%
Norway	4.4%	8.7%	9.8%	9.6%	8.0%	7.9%
Denmark	5.3%	4.8%	3.8%	3.0%	4.3%	5.3%
Other business[1]	-6.6%	-0.4%	-3.1%	-0.3%	-2.8%	-5.6%
Total operative EBITA-margin, %	**-0.9%**	**1.2%**	**2.9%**	**1.7%**	**1.2%**	**-1.0%**

In line with the Nordic strategy, Eltel's main operations in the four Nordic countries are presented as segments from 1 Jan 2021. In 2020, the new segments represented 87% of the net sales.

Net sales by new segment divided to Communication and Power

EUR million		Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Jan-Dec 2020	Jan-Dec 2019
Finland	Power	40.5	53.9	51.1	52.2	197.8	187.8
	Communication	18.4	24.4	29.2	30.6	102.5	84.6
Sweden	Power	5.5	4.6	5.8	4.4	20.2	29.4
	Communication	57.6	55.1	45.1	46.4	204.2	263.9
Norway	Power	0.3	0.1	0.0	0.2	0.5	5.3
	Communication	46.7	46.8	42.2	41.5	177.2	213.4
Denmark	Power	5.0	5.6	5.2	6.0	21.9	26.5
	Communication	28.7	23.1	20.6	23.8	96.2	82.9
Other business[1]	Power	22.9	22.0	22.9	21.6	89.4	128.6
	Communication	8.7	3.5	1.4	1.3	14.8	53.6
	Other operations and eliminations	2.3	6.4	3.3	1.2	13.2	11.5
Net sales, total		**236.6**	**245.5**	**226.7**	**229.2**	**938.0**	**1,087.6**

Personnel by new segment

	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Jan-Dec 2020	Jan-Dec 2019
Finland	1,420	1,474	1,445	1,470	1,470	1,391
Sweden	1,581	1,304	1,234	1,003	1,003	1,650
Norway	1,039	1,008	979	943	943	1,053
Denmark	628	631	641	637	637	631
Other business[1]	1,821	1,631	1,545	1,235	1,235	1,782
Group functions	163	167	168	161	161	171
Total personnel (end of period)	**6,652**	**6,215**	**6,012**	**5,449**	**5,449**	**6,678**

1) Other business includes operations in High Voltage, Smart Grid Germany and Lithuania as well as Power Transmission International and Rail businesses that are under ramp down. Divested businesses are included in Other business until the divestment: Polish Communication business (until Q4/2019) and German Communication business (until Q2/2020).

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)	$\frac{\text{Net result attributable to equity holders of the parent}}{\text{Weighted average number of ordinary shares}}$

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]	$\frac{\text{Operative cash flow x 100}}{\text{EBITA}}$
Equity ratio, %	$\frac{\text{Total equity x 100}}{\text{Total assets - advances received}}$
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 (ROE), %[1]	$\frac{\text{Net result x 100}}{\text{Total equity (average over the reporting period)}}$
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 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	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net sales	1.8	1.0	2.6	2.2
Administrative expenses	-3.3	-2.0	-8.4	-8.7
Operating result	**-1.5**	**-1.0**	**-5.9**	**-6.5**
Interest and other financial income	5.7	5.8	23.0	20.9
Interest and other financial expenses	-2.1	-0.8	-3.9	-3.0
Net financial items	3.7	5.0	19.1	18.0
Result after financial items	**2.1**	**4.0**	**13.2**	**11.5**
Group contributions given	-12.0	-11.3	-12.0	-11.3
Taxes	-	-0.2	-0.4	-0.2
Net result	**-9.9**	**-7.5**	**0.9**	**0.1**

Parent Company condensed balance sheet

EUR million	31 Dec 2020	31 Dec 2019
ASSETS		
Shares in Group companies	68.3	68.3
Long-term loans receivable from Group companies[1)]	493.3	483.3
Other financial asset	-	35.0
Intangible assets	0.1	0.1
Deferred tax assets	-	0.4
Total non-current assets	**561.7**	**587.1**
Other financial asset	35.0	-
Trade and other receivables	2.1	1.4
Cash pool receivable[1)]	0.2	-
Cash and cash equivalents	0.1	0.3
Total current assets	**37.4**	**1.6**
TOTAL ASSETS	**599.1**	**588.7**
EQUITY AND LIABILITIES		
Total equity	**445.0**	**444.1**
Liabilities to shareholders	-	35.0
Total non-current liabilities	**-**	**35.0**
Debt	52.2	89.1
Liabilities to shareholders	35.0	-
Liabilities to Group companies	65.7	19.1
Trade and other payables	1.2	1.3
Total current liabilities	**154.0**	**109.6**
Total liabilities	**154.0**	**144.7**
TOTAL EQUITY AND LIABILITIES	**599.1**	**588.7**

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.

Equity

EUR million	1 Jan 2020	Hedging reserve, net of tax	Equity-settled share-based payment	Net result	31 Dec 2020
Share capital	158.8	-	-	-	158.8
Statutory reserve	0.5	-	-	-	0.5
Non-restricted equity	284.8	0.0	0.0	0.9	285.7
Total	**444.1**	**0.0**	**0.0**	**0.9**	**445.0**

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