

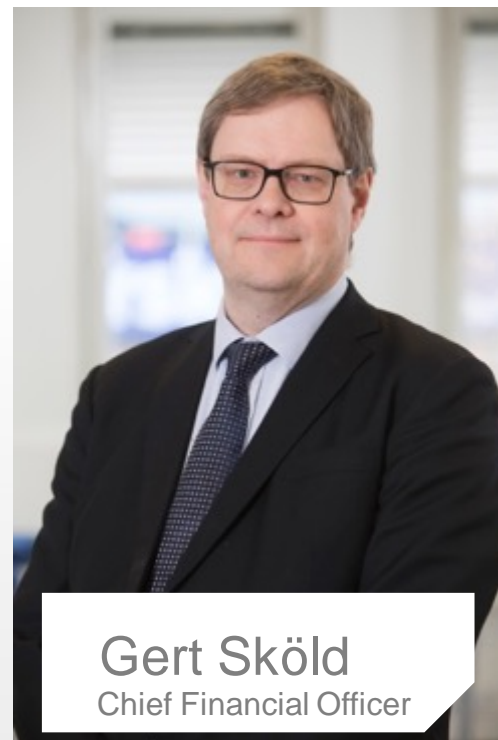
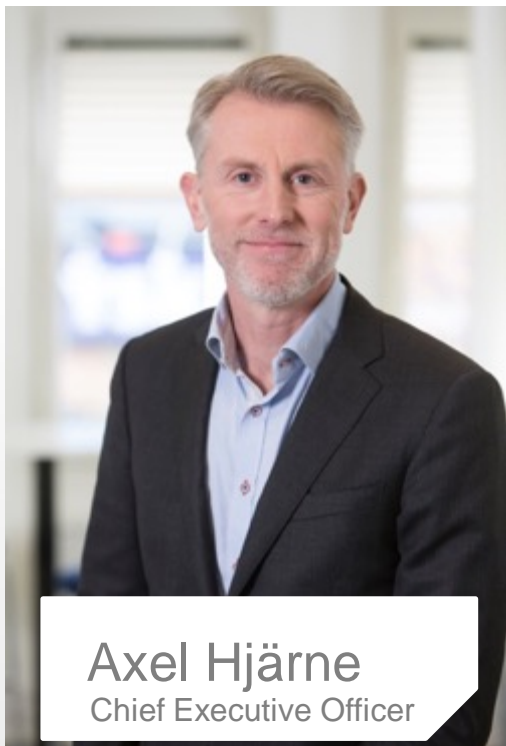


Eltel AB

Road show
presentation Q2 2016

August 2016

Today's presenters





Eltel in brief

Q2 business performance

Q2 financials

Operating environment 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 1.25 billion

9,600 employees





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Q2 Highlights

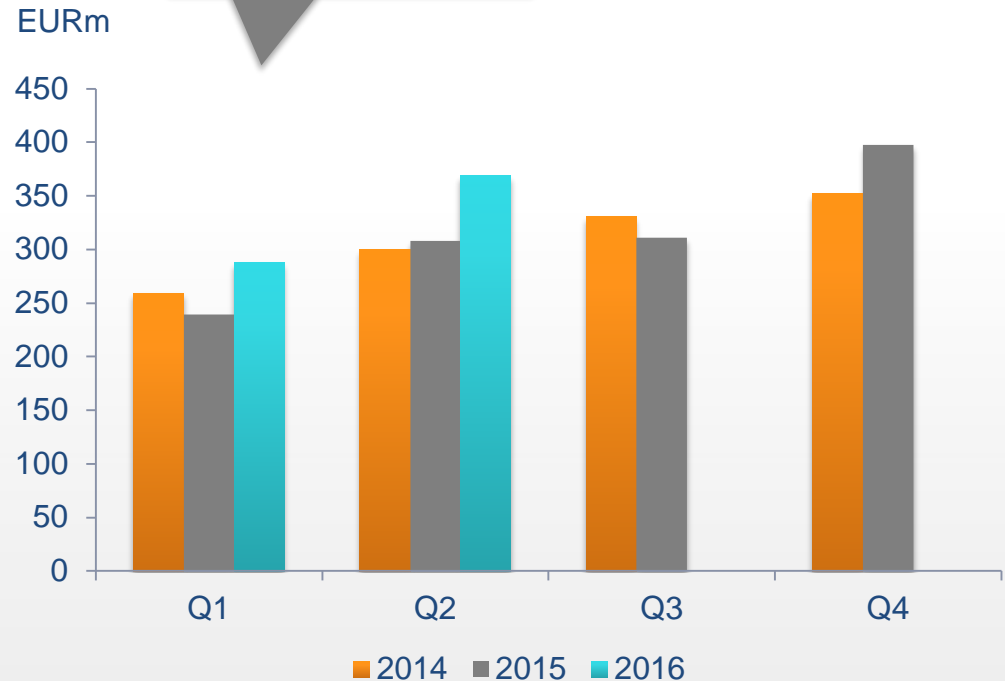
- Strong net sales growth driven by acquisitions and fibre
- New orders booked, resulting in maintained high level committed order backlog
- Operative EBITA affected by isolated Norwegian rail project
 - Corrective actions taken
 - In parallel, focus on initiatives for operational efficiency
- Cash-flow negative due to increased net working capital
- New acquisitions in Germany and Finland



Q2 2016 Net sales

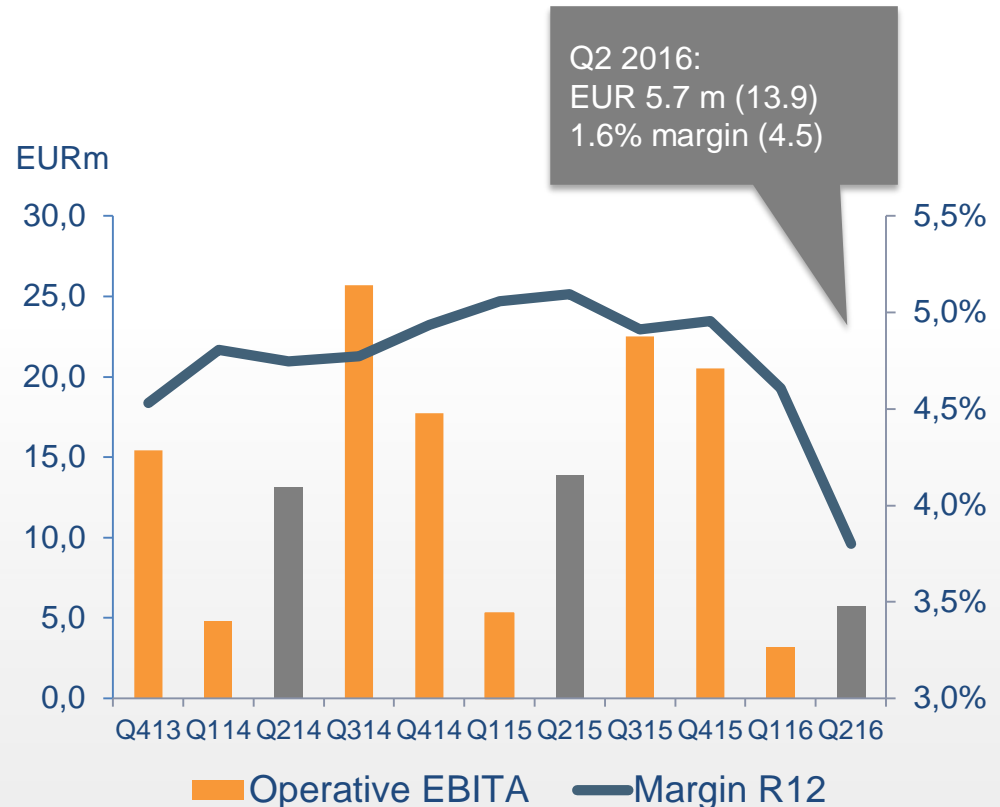
- **Q2 net sales** EUR 369.0 million (307.8)
 - +22.9% FX adjusted
 - Driven by acquisitions (Eltel Sönnico, Vete, U-SERV)
- **+3.5% organic growth**
- **Committed order backlog**
 - EUR 953 million (Dec 2015: 920) at new record level
 - Mix shift towards Communication segment

Q2 2016:
 EUR 369.0 m
 +22.9% FX adj.
 +3.5% organic growth



Q2 2016 Operative EBITA

- **Q2 2016 Operative EBITA**
 - EUR 5.7 million (13.9)
 - 1.6% of net sales (4.5)
 - 4.5% of net sales adjusted for EUR 10 million provision and Eltel Sønnico effect
- **Q2 2016 EBITA**
 - EUR 5.7 (14.0)



Power

- Mixed geographical market conditions

Net sales:

- Impacted by low order intake in the transmission business in previous quarters
- Good growth in Germany
- Lower volumes in African electrification projects

Operative EBITA:

- Weaker profitability in certain African projects
 - Challenges expected to continue rest of 2016
- Unfavourable business mix and weather conditions in the Nordics

Q2 Net sales
EUR 148.1 m (152.6)
-0.5% FX adj.

Q2 Operative EBITA
EUR 6.8m (7.7)
4.6% margin (5.1)

Good order intake in power transmission in August

- Large orders from Statnett and National Grid

- Statnett

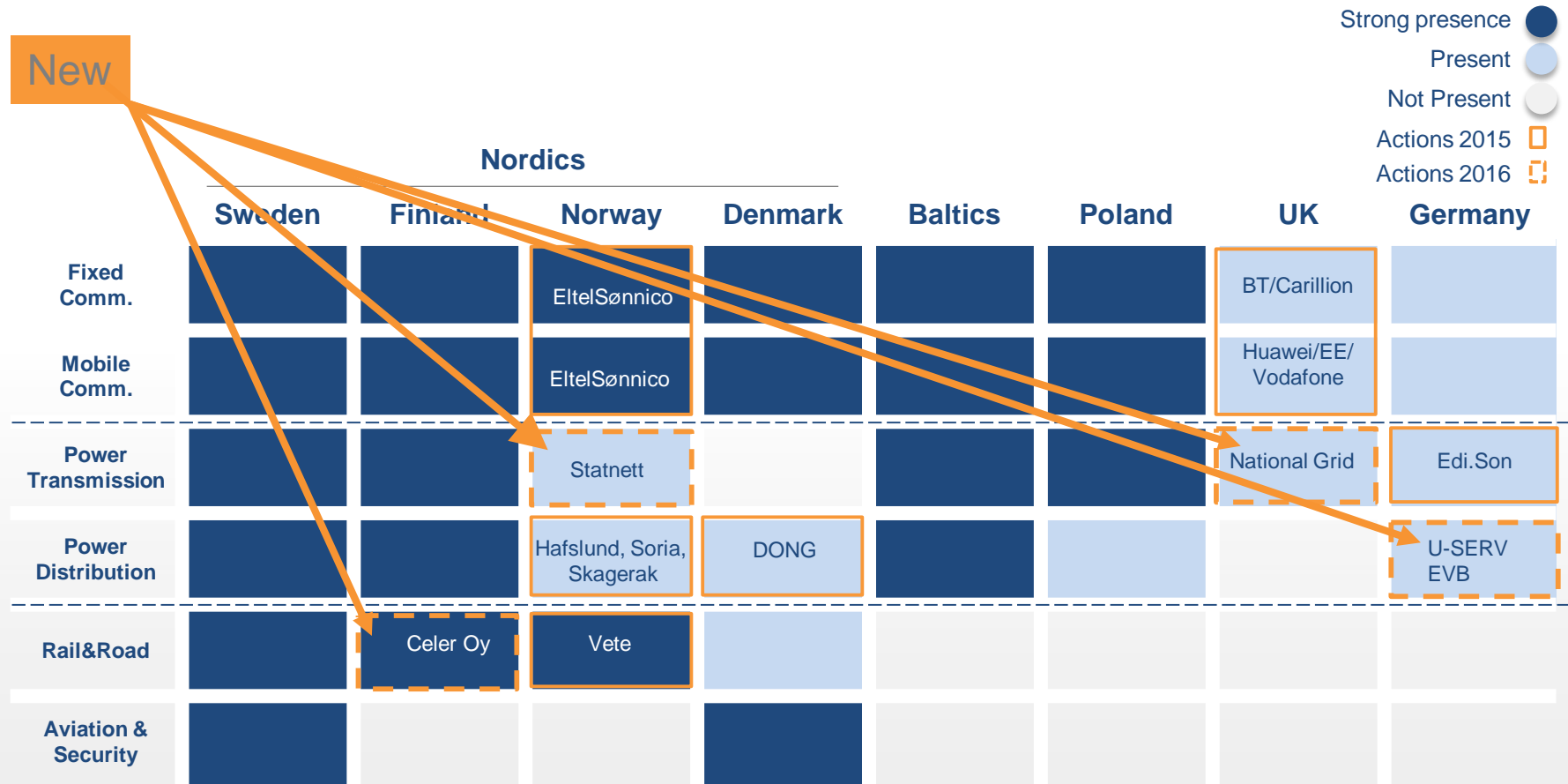
- New contract for building of a 420 kV transmission line for Statnett in Finnmark in Norway, to be built 2017-2020
- The second major contract for Eltel in Norway this year
- Order value approx. EUR 50 million

- National Grid

- Eltel's 50/50 joint venture in the UK signed a power transmission contract
- New overhead line for National Grid to be built 2017-2021
- Total order value almost EUR 45 million



Eltel M&A and business development



Communication

- Growth driven by Eltel Sönnico and fibre

Net sales:

- Strong growth mainly result of the consolidation of the Norwegian JV Eltel Sönnico AS
- Organic growth driven by fibre roll-outs and upgrade services, especially in Sweden

Operative EBITA

- Profitability supported by the strong fibre business
- Offset by start-up costs from new contracts and the ramp-up of new communication business in the UK
- Margin was positively impacted by 0.7 pts from the Norwegian JV in the comparable quarter 2015

Q2 Net sales
EUR 181.4 m (113.6)
+64.0% FX adj.

Q2 Operative EBITA
EUR 9.7m (6.1)
5.4% margin (5.3)

Market leader in fibre roll-outs

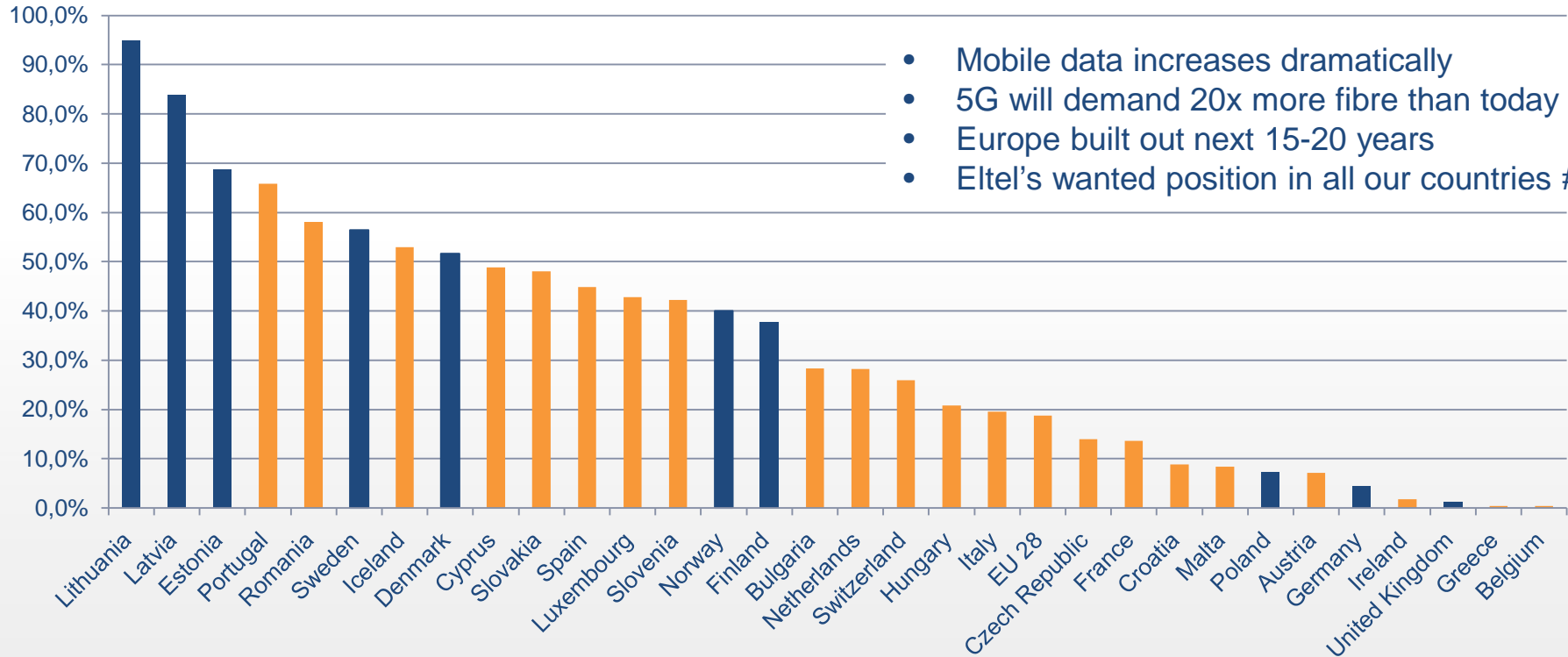
Eltel has more than 10 years of experience from large scale roll-out and field services within fibre

- Market leading position with ~10 million homes passed in Northern Europe
- Projects ranging in size from small pilots to ~200,000 homes passed
- Eltel 'Fibre Force' – specialised units for fibre in all countries



Large share of the market still to explore

Fibre penetration in Europe 2014



- Mobile data increases dramatically
- 5G will demand 20x more fibre than today
- Europe built out next 15-20 years
- Eltel's wanted position in all our countries #1

Eltel's Fibre Force™ – further specialisation

- 'Fibre Force' - specialisation of Eltel's fibre organisation within Fixed Communication
- Development and implementation of unified process for massive fibre roll-outs
- Methods and tools for the implementation of best practise technologies for maximised efficiency
- End-to-end responsibility to secure end customer satisfaction
- 3,500 specialists and subcontracted people currently fully dedicated to fibre rollouts



Transport & Security

- Hit by isolated performance issues

Net sales

- Positive effect from acquisition of Finnish signalling services company Celer Oy
- Offset by negative impact of the terminated Rakel contract in Sweden

Operative EBITA:

- The very unsatisfactory result was mainly caused by provisions of EUR 10 million in a Norwegian rail project
- Profitability also affected by the terminated Rakel contract and continued weak performance in another rail project in Norway
- Weak performance in the rail projects is expected to continue also in the remaining quarters of 2016

Q2 Net sales
EUR 40.0m (42.9)
-5.8% FX adj.

Q2 Operative EBITA
EUR -8.1m (3.4)
-20.2% margin (8.0)

Poor performance in Norwegian rail

- multiple actions and mitigations taken

The situation

- In 2016, communicated challenges in two rail projects in Norway
- Bad project execution from too fast ramp-up as Eltel entered Norway rail business in 2013-2014
- During Q2 delivery inspections in one projects showed unsatisfactory technical quality
 - Poorly performed installation work in combination with weak project and subcontractor management
- In July/August a detailed cost assessment to correct deficiencies significantly exceeded the previous assessment
- Provision of EUR 10 million booked in Q2

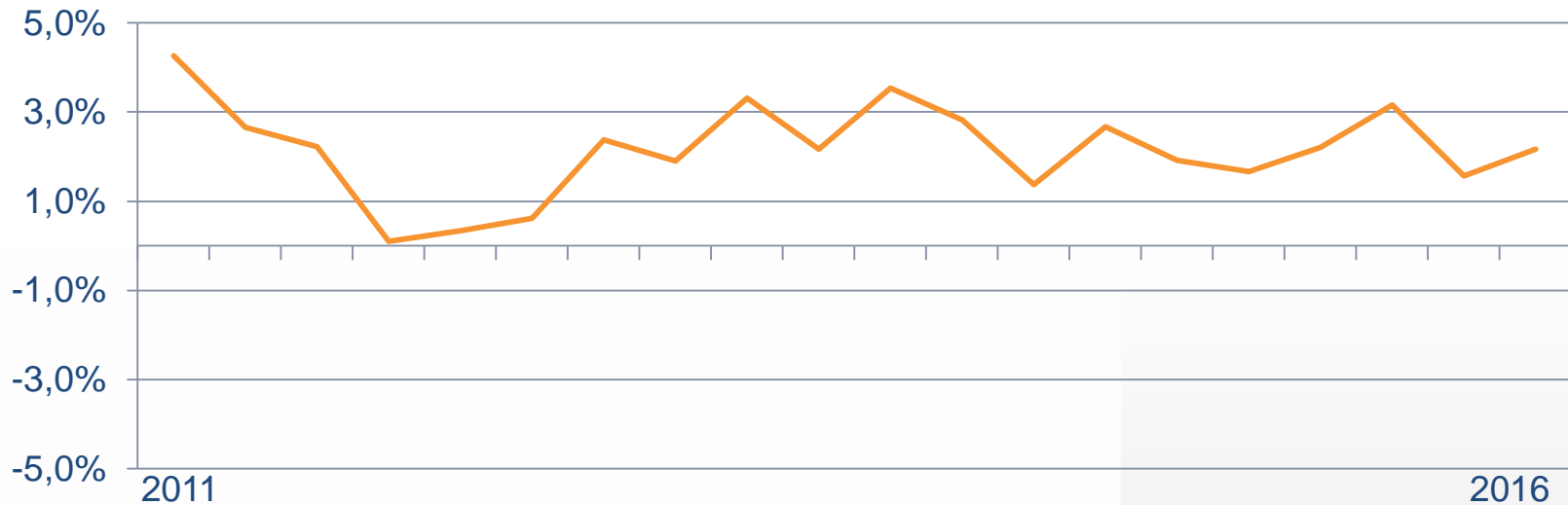
Actions taken

- ✓ Several managerial changes to the project during the past months
- ✓ Project management further strengthened by internal specialists
- ✓ Additional review of subcontractor quality performance by third party initiated
- Further actions will be initiated in the coming weeks
- Final project delivery during 2016

Solid track record of project management over time

- on average 2% margin improvement from order to finalisation

Order margin compared to realised margin 2011-2016



- Rolling ten latest projects > EUR 10 million
- 75% of the projects have improved margins
- Two out of 29 projects show negative margin (both < 3 %)



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Financial KPIs and P&L

EUR million	H1 2016	H1 2015	Q2 2016	Q2 2015	FY 2015	R12
Net sales	656.6	546.8	369.0	307.8	1 254.9	1 364.6
Operative EBITA	8.9	19.2	5.7	13.9	62.2	51.9
Items affecting comparability	-	-2.6	-	0.0	-1.7	0.9
EBITA	8.9	16.7	5.7	14.0	60.5	52.7
Operating result (EBIT)	1.7	10.5	2.1	10.9	46.6	37.8
Result after financial items	-4.4	0.9	-0.3	9.1	32.2	27.0
Net result for the period	-3.7	0.7	-0.1	8.3	43.2	38.7
Earnings per share EUR, basic and diluted	-0.07	0.01	-0.01	0.13	0.69	0.59
Operative cash flow	-53.1	-37.2	-15.7	22.7	45.8	29.9

R12 growth through acquisitions and organic

Provisions of EUR 10 million in Rail Norway

Negative cash flow from increased networking capital

Financial comments and assessments

Capex

Asset-light business. Historical annual net capex of slightly more than 1% of net sales. In Q2 2016 the net capex was EUR 4.1 million, 1.1% of net sales.

Goodwill

Goodwill of EUR 476.4 million at end of Q2 2016, mainly related to 3i acquisition of Eltel in 2007. Change in Q2 related to the acquisitions of U-Serve GmbH, EVB and Celer Oy as well as FX impact. Annual impairment tests conducted.

Amortisation

Intangible assets of EUR 72.7 million in balance sheet allocated to customer relations and brand. In Q2 2016 amortisation amounted to EUR 3.6 million. Pre-IPO assets expected to be fully amortised in 2017.

Net financials

Term loans of approx. EUR 236 million, CP programme of EUR 100 million and RCF of EUR 90 million post-IPO. In Q2 net financials were EUR –2.4 million of which EUR –0.9 million was an effect from interest rate derivative revaluation.

Taxes

In Q2 net tax P&L gain of EUR 0.2 million. With current assumptions 2016 P&L tax expected to show normalised tax rate with cash tax clearly lower than P&L tax.



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Long term opportunities

Power

- *Transmission:* increasing investments in Germany and UK
- *Distribution:* further smart meter roll-outs in Europe
- Active Nordic market

Communication

- *Fixed:* strong momentum in fibre with excellent position for Eltel
- *Mobile:* LTE/4G network roll-outs potential outside Nordics

Transport & Security

- *Transport:* active market in the Nordics, especially in rail. Aviation opening up
- *Security:* increased defence investments in Sweden

Short term challenges

- *Transmission:* previous soft order intake, postponed investments in Poland and certain challenges in Africa
- *Distribution:* smart meter delays Norway
- Delays in Energiewende in Germany
- *Fixed:* Nordic operators cautious in investing in copper networks
- *Mobile:* peak past in 4G investments in Nordics, some delays in Germany
- *Transport:* Technical competence a scarce source in Nordics, finalization of rail project in Norway

Underlying drivers for organic growth

POWER

- Ageing infrastructure
- Smart networks
- Sustainability



COMMUNICATION

- Global connections
- Mobile evolution
- Data traffic volumes



TRANSPORT & SECURITY

- Increased transport needs
- Increased security needs
- Integrated EU-market



MEGA-TRENDS
Underlying drivers for organic growth

ELTEL Since 15 Years

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 Q3 2016
on 9 November 2016

For further information:

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