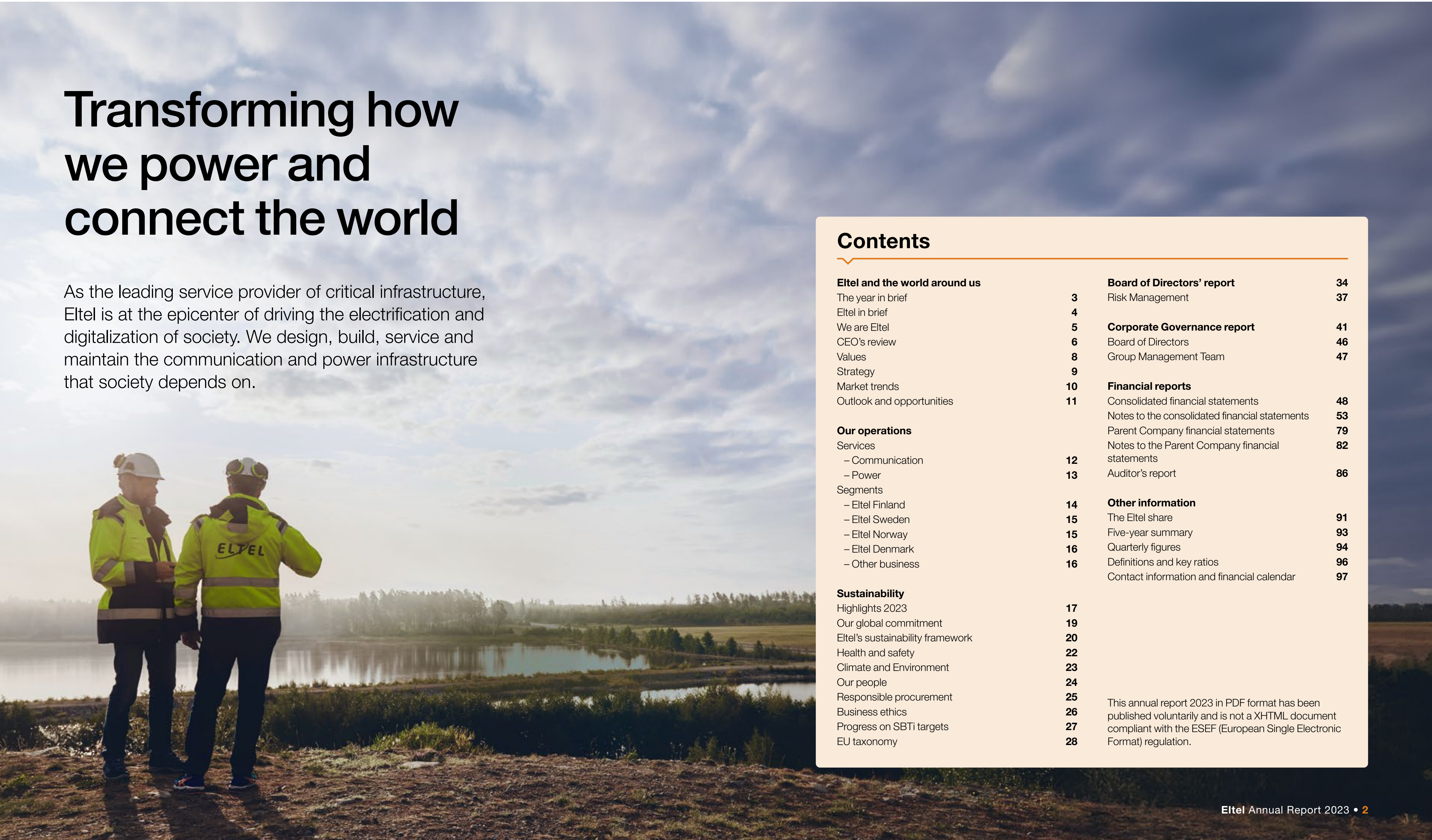
ELTEL

Annual Report 2023



Transforming how we power and connect the world

As the leading service provider of critical infrastructure, Eltel is at the epicenter of driving the electrification and digitalization of society. We design, build, service and maintain the communication and power infrastructure that society depends on.

Contents

This annual report 2023 in PDF format has been published voluntarily and is not a XHTML document compliant with the ESEF (European Single Electronic Format) regulation.

The year in brief

2023 Highlights

Investments in new business areas
We made new investments in our capabilities in the areas of e-Mobility, energy storage and solar. These investments helped us to grow our pipeline and win new agreements during the year.

Employee engagement survey results
Eltel's Employee Engagement Score improved for the fourth year in a row, to 3.9 (3.8), while the survey participation rate increased to 85% (75).

Expansion into to solar PV market
We won solar park projects in Finland and Denmark. The largest project was a 10 MW park for the energy company Helen in Lohja, Finland.

Restructuring and re-shaping our business to meet future business needs
Our restructuring and cost-savings programs implemented during the year helped to optimize our business, reduce costs and better meet the shifting customer demand.

Our new values
We developed new company values during the year together with our colleagues. The values are aligned with our vision and strategy and will shape our culture, behavior and decisions going forward.

KEY FIGURES

850.1
Net sales, EUR million

1.7
Adjusted EBITA, EUR million

714.0
Signed contracts, EUR million

0.2
Adjusted EBITA margin, %

5,024
Average number of employees

Eltel in brief

Eltel is the leading service provider for critical infrastructure that enables renewable energy and high-performing communication networks.

Within business area Communication, Eltel establishes networks and supports the societal need for greater digitalization. We provide design, installation, upgrades and services to mobile and fixed communication networks.

Within business area Power, Eltel enables the transmission of renewable energy and the electrification of society. We provide maintenance and upgrades to power distribution and transmission, smart grids and turnkey solutions in e-Mobility, solar photovoltaic, wind energy and battery energy storage systems.

Eltel operates in the Nordic countries, Poland, Germany and Lithuania within country-based organizations that have full responsibility for their own financial result.

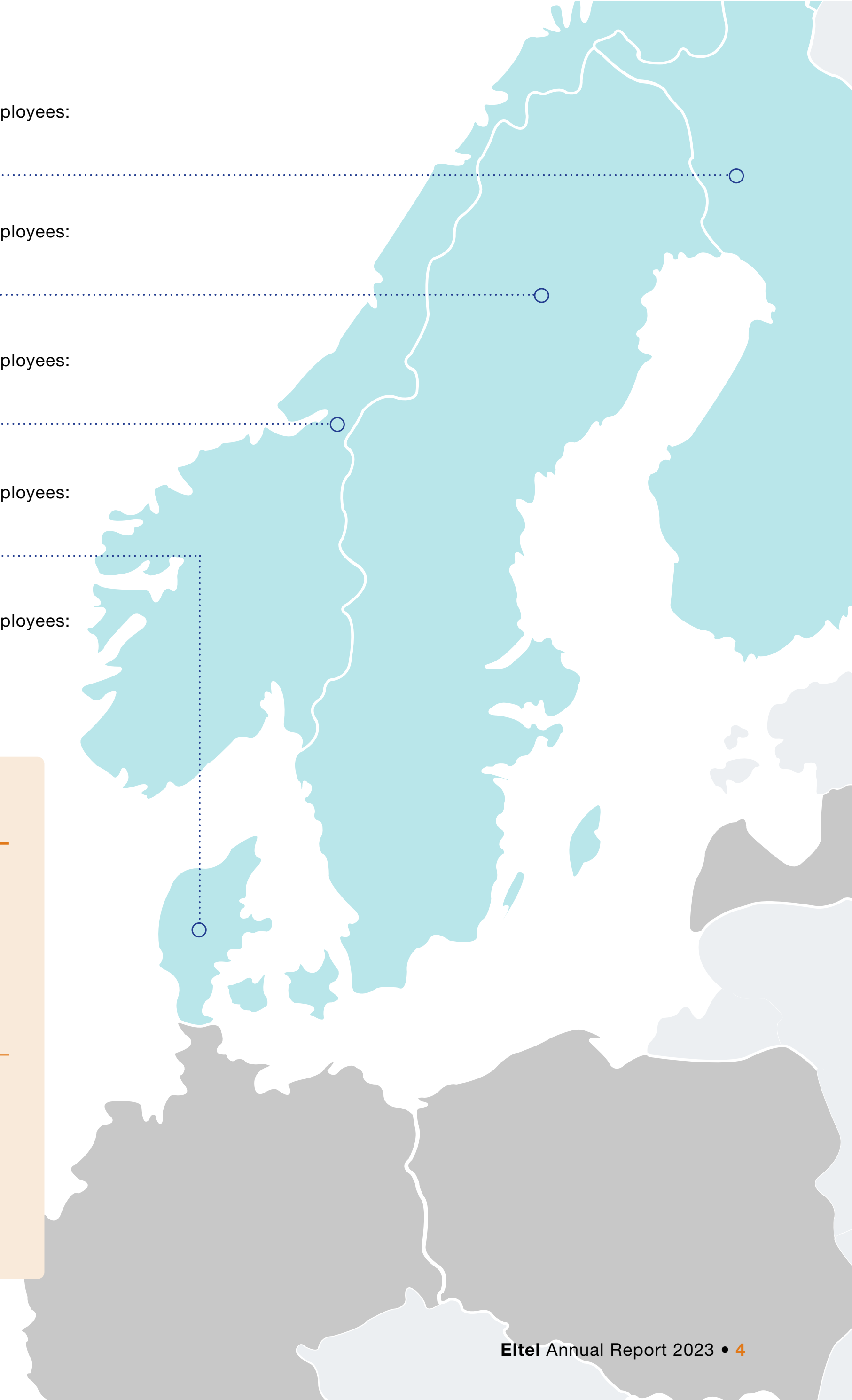
FINLAND
Net sales, EUR million: **344.5**
Average number of employees: **1,503**

SWEDEN
Net sales, EUR million: **198.5**
Average number of employees: **988**

NORWAY
Net sales, EUR million: **130.1**
Average number of employees: **860**

DENMARK
Net sales, EUR million: **93.0**
Average number of employees: **511**

OTHER BUSINESS
Net sales, EUR million: **93.7**
Average number of employees: **995**



BUSINESS AREAS	PRODUCT AREAS	OFFERING	MARKETS	CUSTOMERS	NET SALES 2023
Communication Market leader in the Nordic region and Lithuania. » *Read more about our communication services on page 12.*	• Fixed telecom • Mobile telecom • Fixed wireless access (FWA) • Mobile indoor	• Design, installation, upgrading and servicing	• The Nordics • Lithuania	• Telecom operators and network owners • Local industrial customers and the public sector	61%
Power A key player in the Nordics, Poland. A niche player in Germany. » *Read more about our power services on page 13.*	• Power distribution and transmission • Smart grids • e-Mobility • Renewable energy	• Design, build, maintenance, upgrades and turnkey solutions	• The Nordics • Poland • Germany • Lithuania	• Network operators • Local industrial customers and the public sector • Utility companies	39%

We are Eltel

Eltel is the leading infrastructure and service provider for critical communication and power networks – infranets.

Transforming how we power and connect the world
Everyone depends on stable communication and power networks. Eltel designs, builds, maintains and upgrades these critical lifelines of modern society for national network operators and owners.

We enable a more sustainable society
The infranet solutions that Eltel provides enable the transition to a robust, resilient and carbon-neutral society. For example, Eltel delivers infrastructure that allows renewable energy generation, electric vehicle charging and high-capacity communication networks. This infrastructure enables the electrification and digitalization of society, as well as new ways of living and interacting.

Our services and offering
Eltel delivers a comprehensive range of communication and power services – everything from the design and build phase to corrective maintenance – primarily for the owners of communication and power networks. We offer a 24/7 and extensive geographical presence in our home markets.

Our communication and power services are becoming increasingly intertwined as we draw on synergies between our communication and power capabilities to deliver solutions that combine both. We are offering more projects related to renewable energy, energy storage, electric vehicle charging and public infrastructure.

Most of our work is conducted through long-term framework and service agreements that enable us to collaborate with customers to achieve their objectives. Eltel also provides services through projects and other business models. Our business strategy focuses on delivering on our customer promises, streamlining our operations and improving productivity. Read more about our strategy on page 9.

WHY INVEST IN ELTEL?

We enable communication and power networks for a more sustainable and connected world – today and for future generations. Our services make society more robust with a well-managed and state-of-the-art communication and power infrastructure.

- We are the market leader
- Market trends support the future growth of our business
- We enable a more sustainable society and minimize our climate impact by setting science-based targets
- We focus on operational excellence, cost efficiency and sustainable profitable growth
- We have a customer-focused mindset
- We enable cross-border synergies

New strategy shows early progress and the way forward for Eltel

Eltel's President and CEO Håkan Dahlström reflects on the first year of the company's new strategy toward sustainable and profitable growth.

Hi Håkan. Please tell us about the new strategy.
Launching our new strategy at the beginning of 2023 was an important milestone for Eltel as it describes our way forward in terms of expanding into adjacent new markets and broadening our customer base in our classic business. Creating opportunities in new markets such as solar PV, e-Mobility and battery energy storage systems is a key part of our strategy and it was great to see us delivering on our new strategy, such as by winning our first utility scale solar park project.

How is Eltel driving its new strategy?
All of our colleagues play their part in realizing our new strategy, but importantly we established a new Group Business Development team in early 2023 to help share knowledge and experience between our Country Units. The team not only functions as a cross-border knowledge network, it also promotes more sustainable solutions and Nordic cross-border collaboration, which is unique in our industry.

How would you summarize Eltel's financial performance in 2023?
2023 started with strong headwinds and ended in a solid recovery during the second half. We achieved mixed results in 2023 but enjoyed good overall top-line growth for the Group.

Sweden continued its solid financial improvements and Denmark made a fantastic comeback with great top-line development growth after a couple of challenging years. Due to a couple of problematic contracts in Finland and lower volumes than expected in Norway, both Country Units had a difficult start to the year. However, the second half of the year improved as our proactive actions took effect.

What were the key developments in Eltel's different Country Units in 2023?
Overall, we had lots of positive developments and customer dialogue in all markets when it comes to new business opportunities, and we have a healthy pipeline of projects for 2024.

Finland made a positive increase in sales growth in several key markets, such as in FTTH and we won our first large-scale solar park. Sweden achieved solid organic growth, particularly in its smart meter installation. Norway had to restructure its business in 2023 but growth markets included fixed wireless access, 5G and mobile indoor coverage, as well as e-Mobility and offshore communications. Denmark won a wide range of new projects, including a substation for a large solar park and mobile communication solutions for sports arenas.

We achieved mixed results in 2023 but enjoyed good overall top-line growth for the Group.

How did Eltel's "Other business" units perform?
Importantly, for the first time in recent years, Poland was in the black in Q3, after refining its strategy and tendering procedures, which gives hope for the future. Our business in Lithuania was negatively affected by the reduced need for its cross-border workforce in Norway, but local management worked hard to identify more opportunities in the local market to ensure a positive result. Despite significant disruption in gas adjustment roll-out in Germany that was beyond our control, our local team managed the situation well and our projects restarted in Q1 2024.

What progress was made with the restructuring and cost-savings program in 2023?
The restructuring and cost-savings program we implemented during the year was necessary to better meet shifting customer demand and reduce costs. Unfortunately, it meant that we had to reduce our workforce by 220 employees – mainly in Norway and Finland. While it is always regrettable to have to let go of skilled colleagues, this restructuring was necessary in order to achieve our strategic objectives.

What new and adjacent markets did Eltel move into during the year?
We are accelerating new business opportunities in the sustainability transition, particularly in solar PV and e-Mobility, which are being driven by the megatrends of electrification and digitalization. Battery energy storage is another growing market, although wind energy opportunities were limited during the year. Private networks and mobile indoor also represent a new segment that involves delivering advanced technological solutions for public and private sector customers.

How is Eltel broadening its customer base?
By addressing a broader customer base to include public and private sector customers that are not network owners or operators as in our classic business, we can create greater flexibility and more stable volumes. This is another important part of our strategy going forward that will enhance our competitiveness, drive growth and improve our margin.

Tell us about Eltel's new values.
As our new strategy involves far greater cross-border collaboration on new types of offerings, it was necessary to ensure we have common values that reflect our new way of working. I was pleased that many of our colleagues accepted our invitation to provide input and contribute to the development of our new values. We launched our values in early February 2024 and have been well received by our colleagues.

How have you tackled challenges during the year?
Like many businesses, Eltel was affected by inflation and cost increases during the year. But we began to see the positive effects of the indexes included in customer contracts in 2022 that partly compensate for inflation and cost increases on our framework agreements. By including indexes and renegotiating multiple customer contracts, we were able to compensate for around two-thirds of the financial impact of inflation and cost increases. We continue to work with operational excellence and greater efficiency in order to compensate for the remaining impact.

How is sustainability shaping Eltel's business?
Eltel experienced increased sustainability expectations from our customers in 2023. As a sustainability leader in the industry with sustainability as a part of everything we do, we welcome this development as it gives us a competitive edge. Climate action is the main sustainability driver and more than 60% of our customers already have their climate targets approved by the Science Based Targets initiative (SBTi). Eltel's SBTi-approved climate targets make us an attractive partner that can help our customers achieve their climate ambitions.

Do you have any final remarks?
I would like to express my gratitude to our customers, owners and investors for continuing to put their confidence and trust in Eltel. I look forward to continuing to create new opportunities together.

I would also like to express my gratitude to our people, who have had a great mindset over the past year. Our people have adapted well to our new strategy, which involves developing both our classic and new businesses in parallel. I understand how these changes may have been challenging for some of our colleagues. However, I believe we have created a solid foundation that we can build on in the coming years as we strive toward sustainable and profitable growth.

HÅKAN DAHLSTRÖM FACTS

Born: 1962
Experience: Former CEO of Fujitsu Sweden, management positions at TietoEvry and Telia Group, and a member of Eltel's Board of Directors 2017–2022.
Lives: Stockholm.
Family: Wife, three children and a dog.
Motto: Engaged employees and satisfied customers deliver profitability

Our values

Eltel developed new company values in 2023 together with our employees. Our values are aligned with our vision and strategy and will shape our culture, behavior and decisions going forward.

All Eltel employees were invited to contribute to the creation of our new values to ensure they were truly representative of the Eltel culture and our 5,000 employees. Our new values unite Eltel's diverse strengths that are rooted in shared values that reflect our collective vision for the future and ensure we act cohesively and with a clear direction. Our values will inspire us and allow us to create our own distinct niche in the sector.

Create opportunities

The world is constantly changing and we believe that challenges and opportunities go hand in hand. That is why we are proactive and spur ourselves, our colleagues, partners and customers to go further and beyond expectations. We enjoy thinking ahead and are always curious to explore the optimal way to get the job done. We drive development in both a profitable and sustainable manner. Our customers rely on us to challenge them, even when the status quo is more convenient.

Always professional

We have earned the trust of society thanks to our vast knowledge of the industry and our track record of never compromising on safety and quality. Staying close to our customers and partners allows us to be responsive to their needs in a holistic way. This is an important part of our history that we are proud of and intend to uphold. Regardless of role or situation, we always do our best to meet our commitments and deadlines.

Care for life

Safety first is how we work in all aspect of our business. We take care of each other, follow safety guidelines, and have the right equipment on hand to ensure that everyone returns home safely every day. Together we foster a good work environment and strive for a healthy work-life balance. Care for life also means that we are responsible for our contribution to the planet, the climate and the environment. We have ambitious sustainability targets and are committed to take the lead in the green transition.

Combine strengths

By combining our skills, strengths and perspectives we achieve the ultimate teamwork, which makes us succeed in a competitive market. Inclusion is our way of working because we know the importance of diversity to make a difference. Our collaboration is built on respect and curiosity towards each other, our customers and our partners. With an open culture of giving and receiving feedback we will continuously improve both our business and ourselves. We always strive to work across teams, business areas and countries where we possess an endless source of knowledge sharing.

Our strategy – towards sustainable profitable growth

Eltel's strategy outlines how the company will achieve its long-term targets and build the foundation for sustainable profitable growth by the end of 2025.

Long-term value creation

Through the successful implementation of its strategy, Eltel will continue to develop, grow and invest – to ensure long-term value creation for the company, its shareholders and society at large.

Based on the strategy, each Country Unit creates an annual business plan that describes how they will develop their business and contribute to their targets. The strategy is about increasing sales in adjacent markets and expanding our customer base in all areas, including increasing our profit margin at the same time giving value to our customers.

VISION	Always connected, always powered – we make it happen by transforming society for a sustainable future.			
WHERE TO PLAY	• Expand our customer base • Growth in current business offering – power and communication • Growth in new business offerings – renewable energy, mobile indoor and fixed wireless access (FWA)			
HOW TO PLAY	• New business models • Drive efficiency • Integrate sustainability into our operations • Develop our mindset and proactivity			
FOCUS AREAS	Dedicated people	Brilliant planning & execution	Valuable customers & partners	
VALUES	Create opportunities	Always professional	Care for life	Combine strengths

Trends transforming the infranet sector

The megatrends of digitalization, electrification, hybrid working and climate change are driving the demand to install, upgrade, maintain and secure communication and power networks.

Meeting societal demands for sustainable energy and digitalization
Infranets are increasingly essential lifelines for modern society that meet the everyday needs of businesses and individuals.

Power and communication networks also enable a more sustainable and low-carbon society. They provide the infrastructure for electric vehicles and renewable energy generation, as well as build communication networks that support hybrid working and the digitalization of society.

Market trends shape our sector
Below are summarized the key market trends, how they impact the sector and how the infranet sector is responding.





	Ageing and weak power infrastructure	Changing consumption behavior	Increased use of renewable energy	Transition to smart energy and digital solutions	Increased demands for delivery reliability
IMPACT ON THE SECTOR	• Current networks are approaching their end of life • Growing need to upgrade public infrastructure	• Increased digitization, hybrid working and data usage • Electrification of society	• Demand for Renewable Energy Sources (RES)	• Networks are under pressure to deliver reliable and affordable energy	• EU targets for minimum broadband capacity and availability • Demand for reliable power networks and RES • Mandatory automated meter management
SECTOR RESPONSE	• Infrastructure upgrades • Network investments	• Communication infrastructure upgrades • Investments in power networks and infrastructure	• Investments in wind and solar energy and Battery Energy Systems (BESS) • Network investments in load management	• Network and capacity upgrades	• Fiber rollout • Network investments in improved operations

Good potential growth across our offering

Our home markets are stable with good opportunities for future growth. We continuously monitor market trends and our operating environment to identify and adapt to potential challenges and opportunities in our business strategy. Sustainable energy and digitalization continue to be increasingly important for both customers and end users.

Fixed telecom
Fiber penetration is high in Sweden and Norway but remains an important growth area for our businesses in Finland and Denmark. There will be increasing opportunities to renew and upgrade existing fiber networks in the Nordics as we expand our customer base toward more public infrastructure entities.

Mobile indoor
Mobile indoor and private 5G networks are becoming an important part of Eltel's offering. This includes both public and private mobile indoor infrastructure solutions.

Fixed wireless access (FWA)
FWA services will continue to grow, and we are also increasingly delivering services related to private networks. These local networks can ensure good 5G coverage throughout buildings.

Mobile telecom
Eltel is a frontrunner in the large 5G mobile communication market in the Nordics. 5G is expected to be a growth market in the coming years as deployment continues, along with the need to densify and further enhance the network.

Power distribution and transmission
The demand to upgrade aging power infrastructure remains strong. A significant driver for upgrading regional networks is the need to integrate renewable energy sources and electric vehicle charging stations into the electricity grid. Eltel also enables customers to electrify their industrial operations and shift away from the use of natural gas.

Smart grids
The demand for smart grids continues in markets such as Germany and Sweden, where we have major ongoing rollouts. In Finland, we have a good order backlog.

Renewable energy, e-Mobility and battery energy storage
The demand for renewable energy and electric vehicle charging infrastructure is strong in all our geographic markets. Along with battery energy storage, these areas will be important growth drivers for Eltel in the coming years.

Cross-border synergies
There are increasing opportunities for Eltel Country Units to collaborate and offer customer agreements that cover multiple countries. Eltel's different units share knowledge and experience, which benefits existing customers and drives new opportunities in e-Mobility and battery energy storage.

Communication

We optimize communication networks and help meet societal needs for greater digitalization, which is revolutionizing how people live, work and play.

Modern and high-capacity communication networks support the digitalization of society and enable people to interact in new ways. This reduces the need to travel by enabling hybrid working and creates new opportunities for individuals and businesses.

Our Communication product areas

Fixed telecom – network construction and maintenance, FTTH rollouts
Mobile telecom – rollouts, upgrades and corrective maintenance
Fixed wireless access – connecting homes and businesses to the internet
Mobile indoor providing public and private networks

Our main customers are large telecom operators and communication network owners. Eltel's operations mainly involve long-term relationships with a steady inflow of orders generated by framework agreements. Eltel also offers new business models, including as-a-service models, and is expanding its offering in the value chain.

COMMUNICATION OPPORTUNITIES

- 5G
- Fixed Wireless Access (FWA)
- Public and private mobile indoor infrastructure solutions
- Fiber in Finland and Denmark
- Data centers
- Public infrastructure

Power

Our power services enable the electrification of society, which is essential for building more sustainable energy solutions and achieving national carbon-neutrality goals.

A resilient and robust power infrastructure allows renewable energy generation, electric vehicle charging and the smarter use of electricity. These are all building blocks for a carbon-neutral society.

Our Power product areas

Power distribution and transmission – full turnkey high-voltage projects, network construction, upgrades and maintenance
Smart grids – rollout services for next-generation power meters
Renewable energy – solutions for wind power and solar parks
e-Mobility – electric vehicle charging infrastructure
Battery energy storage – energy storage projects

Primary customers include national transmission system operators, owners of power distribution grids and utility companies. We also have local industrial companies and the public sector as customers.

POWER OPPORTUNITIES

- Network capacity upgrades
- e-Mobility charging infrastructure
- Renewable energy and battery energy storage solutions
- Ongoing smart meter roll outs

Our segments

Eltel has a decentralized country-based organization with Country Units that have full responsibility for their own financial result. Our Country Units ensure our business has the capabilities and flexibility to meet the specific needs of their local market.

Eltel Finland

Eltel Finland is Eltel's largest Country Unit and offers the most equal combination of power and communication services in the Group. The Country Unit succeeded in expanding its communication business during the year.

KEY DEVELOPMENTS IN 2023

- Framework agreement with Telia worth EUR 30.0 million.
- EUR 23.0 million project for the Fingrid Järvilinja 4 transmission line.
- Doubling of sales in FTTH and tripling of sales in e-Mobility.
- New industrial services business area established to help customers electrify their operations.
- Continued improvement in Finland's employee satis-faction survey results over the past three years.
- Record low Lost Time Injury Frequency Rate 1.9 per million hours worked.

TOP PRIORITIES IN 2024 AND BEYOND

- Increased profitability.
- New solar park contracts.

We won and started work on our first utility-scale solar park and grew in the fiber-to-the-home (FTTH), industrial services and renewable energy markets to boost our overall net sales by 18.7% during the year.

– Juha Luusua, Managing Director, Eltel Finland.

FINLAND

NET SALES 2023

344.5

EUR million

FINANCIAL PERFORMANCE

	2023	2022
Net sales (EUR million)	344.5	290.1
Adjusted EBITA (EUR million)	6.5	8.2
Adjusted EBITA margin (%)	1.9	2.8
Number of employees, average	1,503	1,498

Eltel Sweden

The communication business drives the Country Unit although power services were expanded in 2023 within smart grids and developing opportunities in e-Mobility, energy storage and solar power.

KEY DEVELOPMENTS IN 2023

- Eltel Sweden improved its profitability during the year.
- EUR 27 million Swedish defense telecommunications maintenance contract won.
- Launch of incubator to drive e-Mobility, battery energy storage and solar opportunities.
- Ramp up of smart meter installation projects.
- Improvements in all KPIs in the employee satisfaction survey completed by 94% of employees.

TOP PRIORITIES IN 2024 AND BEYOND

- Secure continued organic growth in communication.
- Capitalize on significant opportunities within power.

We enjoyed solid organic growth during the year and further improved our level of customer service and quality. Investments were made in new business areas and we expanded our power offering, for example, through our new renewable energy incubator.

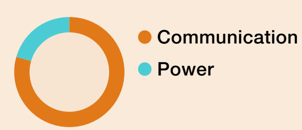
– Lars Nilsson, Managing Director, Eltel Sweden

SWEDEN

NET SALES 2023

198.5

EUR million



FINANCIAL PERFORMANCE

	2023	2022
Net sales (EUR million)	198.5	193.8
Adjusted EBITA (EUR million)	2.9	-1.0
Adjusted EBITA margin (%)	1.5	-0.5
Number of employees, average	988	919

Eltel Norway

Eltel is the Norwegian market leader in the communication market. The business was restructured in 2023 to ensure it can meet the future needs of its growing customer base.

KEY DEVELOPMENTS IN 2023

- Major existing Telenor framework agreement worth EUR 70-90 million extended.
- New framework agreement with Viken Fiber worth EUR 17-19 million to deliver fixed wireless access.
- New framework agreement with Equinor worth EUR 20 million to deliver telecom-specific upgrade and modification services.
- Growth in the offshore radio link communications market.
- New taskforces established to work with e-Mobility, solar and mobile indoor.
- New team dedicated to mobile indoor that delivered several projects.
- Maintained good engagement score in Norway's employee survey.

TOP PRIORITIES IN 2024 AND BEYOND

- Focus on continued growth – including both existing and new customers.
- Strengthen project management and innovation with a focus on new product areas.

The demand for classic fixed telecom stabilized during the year, but we saw growth in fixed wireless access, 5G and mobile indoor coverage, as well as e-Mobility and offshore communications. We expect our future business to be driven by growth in areas such as e-Mobility, solar PV projects, battery energy storage and data centers.

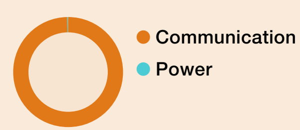
– Thor-Egel Bråthen, Managing Director, Eltel Norway.

NORWAY

NET SALES 2023

130.1

EUR million



FINANCIAL PERFORMANCE

	2023	2022
Net sales (EUR million)	130.1	176.8
Adjusted EBITA (EUR million)	-2.5	2.1
Adjusted EBITA margin (%)	-1.9	1.2
Number of employees, average	860	938

Eltel Denmark

Denmark has the most diversified customer base – delivering communication projects for the national rail network and emergency services, and renewable energy and electric charging systems for buses and trucks.

KEY DEVELOPMENTS IN 2023

- EUR 3.0 million project for the Ølgod Solar Park.
- EUR 9.7 million TDC Fiber contract.
- Good customer satisfaction and employee net promoter scores.
- Low lost time injury frequency rate (LTIFR) of five per million hours worked.
- Around 100 new employees were hired to meet the unit's business growth needs.

TOP PRIORITIES IN 2024 AND BEYOND

- Grow in new markets.
- Process improvements.
- Continued leadership development.

2023 was an amazing year for us with 25.3% net sales growth, happy customers and engaged employees. We won a broad range of new contracts – from mobile communication solutions for sports arenas and hospitals to power upgrades for industry, rail signaling and a large solar park.

– Claus Metzsch Jensen, Managing Director, Eltel Denmark.

DENMARK

NET SALES 2023

93.0

EUR million

FINANCIAL PERFORMANCE

	2023	2022
Net sales (EUR million)	93.0	74.3
Adjusted EBITA (EUR million)	4.9	0.6
Adjusted EBITA margin (%)	5.2	0.9
Number of employees, average	511	484

Other business

Eltel's "Other business" includes a project-based High Voltage business in Poland, a Smart Grids business in Germany, and a Communication business in Lithuania.

POLAND

Eltel's business in Poland offers customers a wide range of design, construction and maintenance services for power transmission lines, substations and other electrical industrial installations on low, medium and high voltage. Eltel also uses its Polish technicians in other Country Units.

GERMANY

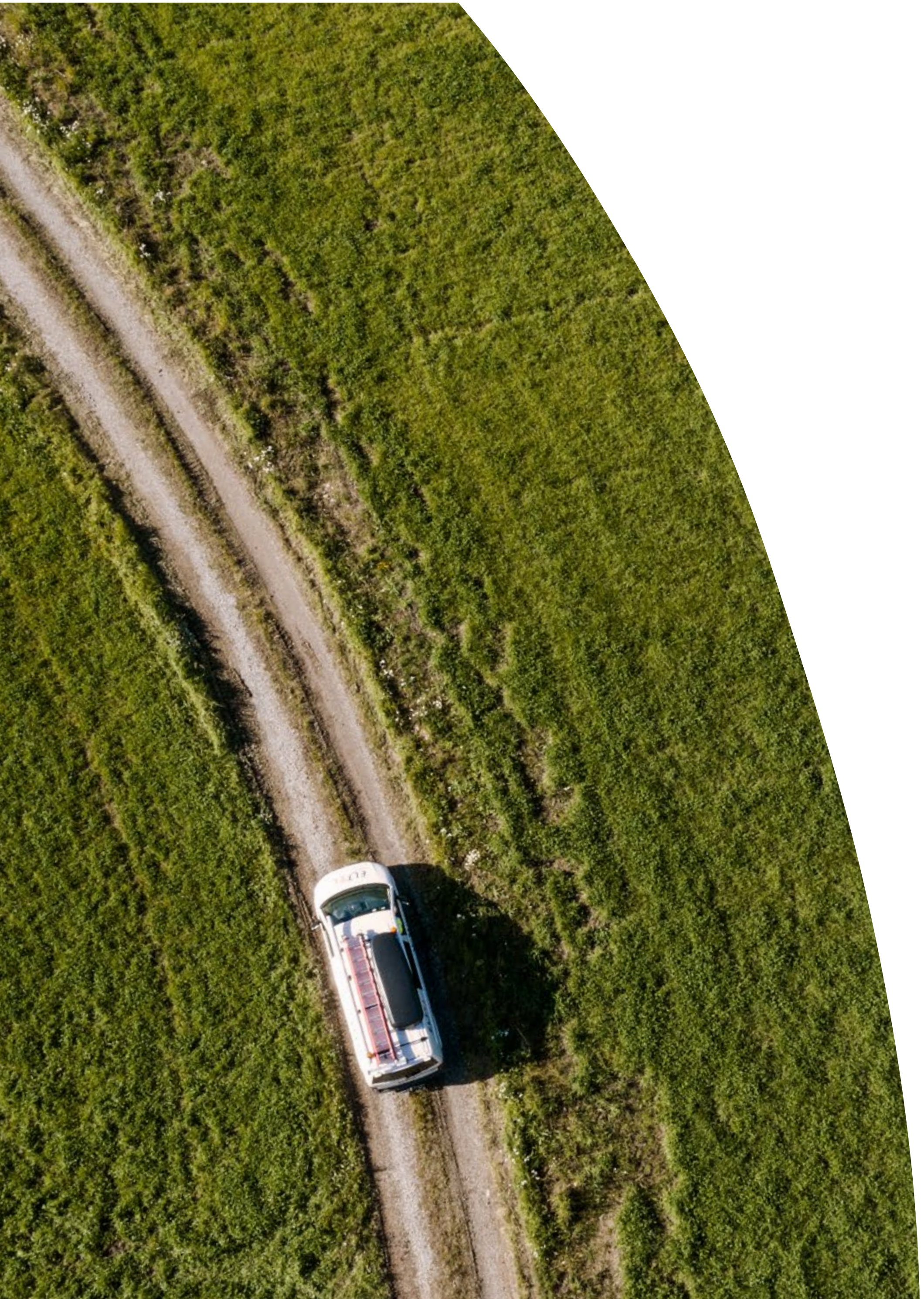
In Germany, Eltel installs water, gas and electricity meters and conducts gas adjustment services that are required in the ongoing switch from low-calorific gas (L-Gas) to high-calorific gas (H-Gas).

LITHUANIA

Eltel's business in Lithuania is focused on communication and the installation of fiber and 5G for telecommunications operators and e-Mobility. We are also active in the solar photovoltaic market.

OUR CROSS-BORDER WORKFORCE

Eltel has two highly skilled cross-border workforces that provide flexibility to other parts of the business. One workforce comprises high-voltage transmission technicians based in Poland and the other workforce comprises communications technicians based in Lithuania.



Sustainability

Eltel manages its sustainability impacts by making health and safety a top priority, reducing climate and environmental impacts, creating good work environments for its employees, and promoting responsible procurement and business ethics.

For Eltel, sustainability is about delivering lasting financial, social and environmental value to its stakeholders and society at large. We achieve this through our business and by enabling the transition to a robust, resilient and carbon-neutral society.

SUSTAINABILITY HIGHLIGHTS 2023

- Improved Employee Engagement Survey score and participation rate.
- Improved customer engagement and cooperation on sustainability; Eltel was recognized by customers for its sustainability leadership in the industry.
- Eltel's first Group-wide EcoVadis assessment was awarded bronze.
- Implemented a sustainability-linked finance framework.
- New Sustainability Policy, Human and Labor Rights Policy, and Environmental Policy.

KEY FIGURES

2.7
Lost Time Injury Frequency Rate (LTIFR) per million hours worked.

3.9
Employee engagement score (3.8).

85%
of employees participated in the Eltel employee engagement survey (75).

302
Number of electric vehicles in fleet increased from 108 during 2023.

56%
renewable electricity (Scope 2 target: 100% by 2030).

16%
of supply chain emissions covered by science-based targets. (Scope 3 target: 67.4% of suppliers have SBTs by 2026).

B
scored in CDP Climate Change and C- in CDP Water.

100%
All CUs continue to hold ISO 9001, ISO 45001 and ISO14001 certification.

79%
completed the Eltel Code of Conduct training.

Sustainability progress in 2023

Improved Employee Engagement Survey score and participation rate Eltel's Employee Engagement Score improved for the fourth year in a row, to 3.9 (3.8), while the survey participation rate also increased to 85% (75).

A sustainability-linked finance framework was established to connect financing with our science-based climate targets. In April 2023, Eltel issued its first sustainability-linked hybrid capital securities.

We initiated a double materiality assessment to comprehensively evaluate the scope and likelihood of our organization's sustainability impacts, risks and opportunities. The assessment will be concluded in 2024 to meet the new EU Corporate Sustainability Reporting Directive (CSRD) requirements.

New policies were adopted following a comprehensive policy review. Our new Sustainability Policy outlines our sustainability objectives and clearly defines sustainability management roles and responsibilities. A new Environmental Policy, Human and Labor Rights Policy, and Supplier Code of Conduct further enhanced our sustainability framework.

New environmental, social and governance (ESG) platform introduced to harmonize Group-wide supply chain management and data collection.

Overcoming sustainability challenges

Sustainability-related work is an ongoing process in any organization. New regulations, geopolitical changes and safety risks are some of the factors that constantly present challenges for an organization such as Eltel, which has high ambitions in all aspects of sustainability. By developing clear responses to these challenges, we learn, reduce risks and continue to improve.

AREA	CHALLENGE	ELTEL'S RESPONSE
Health and safety	Working with suppliers and subcontractors to ensure they understand and comply with the proper health and safety practices at all times.	Training and controls to ensure compliance with correct procedures among our suppliers and subcontractors.
Vehicle emissions	Availability and technological constraints related to switching to electric vehicles and the cost of biofuels.	Country-specific roadmaps for the deployment of electric vehicles and the use of biofuels, alongside overall fleet optimization strategies.
Supply chain sustainability	Insufficient ability to ensure supply chain sustainability.	Focus on Eltel's supply chain partners with the highest emissions and ESG risks. Launched a dedicated Supplier Code of Conduct to provide clearer guidelines for suppliers and subcontractors.
Corporate Sustainability Reporting Directive (CSRD) requirements	Ensuring Eltel meets the new CSRD requirements.	Introducing the necessary governance, IT and reporting structures. We will draw on this data to further develop and better manage sustainability going forward.
Employees	With employees out on site all day working on various projects, engaging with them and keeping in contact can be challenging.	Regular team meetings, townhall meetings via Teams, videos to employees from the CEO, and intranet communication.

Our global commitment

Eltel has a long-term commitment to several global sustainability initiatives. Our commitment, together with stakeholder dialogue on relevant topics, shapes our strategic decision making, and provides a roadmap for creating more value as a partner, employer and investment opportunity.

Our external commitments are essential to improve transparency with stakeholders and help us to develop our understanding of the sustainability impacts our business has on the world.

Science Based Targets initiative (SBTi)
Eltel has three climate targets for 2030 that have been approved by the SBTi (read more on page 27).

CDP – climate change and water
Eltel has reported to the CDP climate change program since 2016 and to the CDP water program since 2023.

UN Global Compact
Since 2014, Eltel has been a signatory to the UN Global Compact and its ten principles on human rights, labor, the environment and anti-corruption. The principles are embedded in our strategy, policies and procedures, and related processes.

EcoVadis
In 2023, the entire Eltel Group was rated by EcoVadis for the first time. We were awarded bronze for our work on the environment, labor and human rights, ethics and responsible procurement.

Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) provide a roadmap for how we can collectively work to overcome the global challenges related to economic, social and environmental sustainability.

Eltel supports all the SDGs, but as a sustainability leader in the infranet industry, we believe we can make the greatest contribution to seven of the goals under the broad themes of "responsible employer", "sustainable communities" and "climate and the environment".

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

RESPONSIBLE EMPLOYER
Eltel provides fair and decent work for its own employees and the employees of its supply chain partners, promotes health and safety, and supports workplace diversity and gender equality.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES

SUSTAINABLE COMMUNITIES
Eltel constructs and maintains infranets that are increasingly essential for the needs of businesses and individuals.

7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

CLIMATE AND THE ENVIRONMENT
The infranet solutions Eltel provides enable the transition to a robust, resilient and carbon-neutral society. Eltel also works actively to reduce the climate impact of its own operations and aligns its business with circular economy principles, efficient waste management and responsible material sourcing.

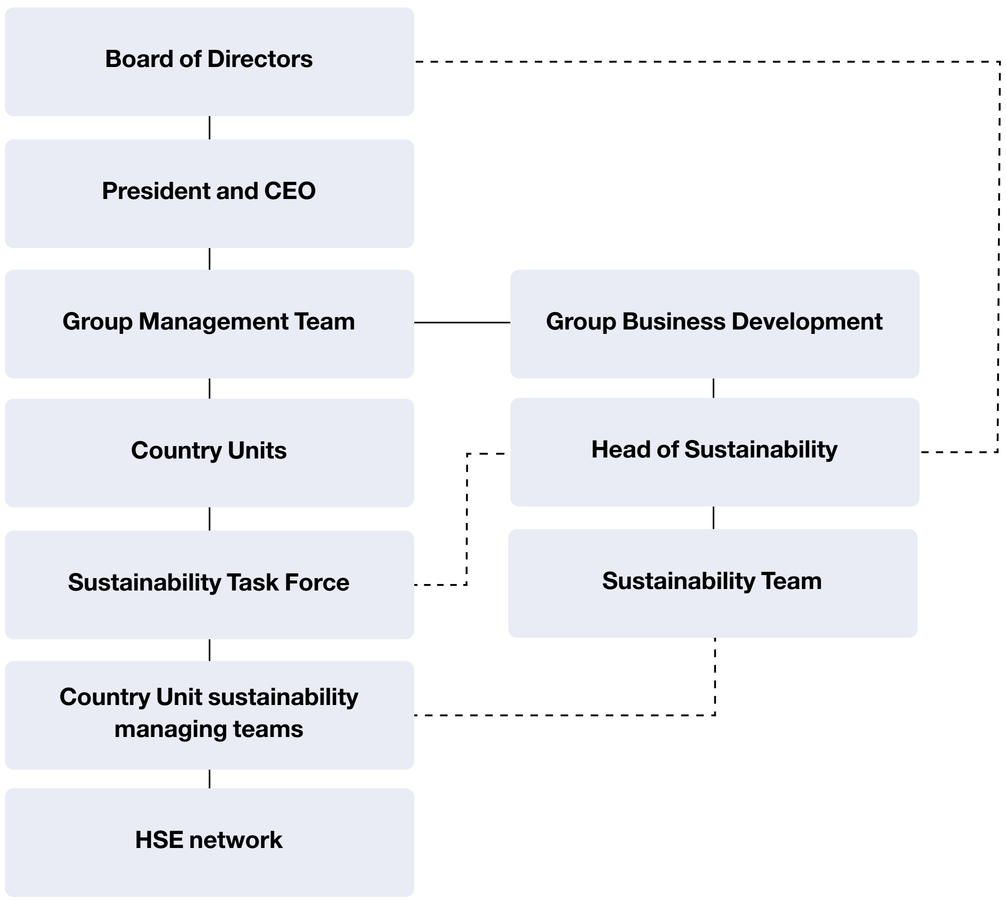
Eltel's sustainability framework

Eltel is committed to minimizing negative impacts while generating positive effects for people and the environment. We recognize the following areas as the most material to us in addressing key sustainability risks across our value chain.

Value chain: ● Own operations ● Downstream ● Upstream

TOPIC	AFFECTED STAKEHOLDERS	TARGETS	RISKS	MITIGATING ACTIONS
Health and safety ●●	Employees, subcontractors	• LTIFR = 0 by 2025 • Short-term sick leave < 3.0 % by 2025 • Zero fatalities	Following an assessment, Eltel defined its most salient health and safety risks for employees and subcontractors working on Eltel's sites as electrical safety, working at height, managing ageing infrastructure and road safety.	• Certified occupational health and safety management system for continuous improvement covering all employees and sites. • Global tool for employees and subcontractors to record their safety observations, incidents, accidents, near misses and potential incidents. • Management safety walks and on-site health and safety inspections.
Climate and environment ●●●	Environment, suppliers	SBTi targets: • Reduce absolute scope 1 GHG emissions by 42% by 2030 • Increase sourcing of renewable electricity from 31% to 100% by 2030 • Suppliers representing 67.4% of Eltel's Scope 3 emissions have set their own science-based climate targets by 2026	Eltel is exposed to transition climate risks, including higher material costs, additional expenses, or potential supply chain disruption resulting from more stringent policies and changing market demand patterns. Physical climate risks include designing and maintaining communication and power infrastructure affected by more extreme weather events.	• Ambitious climate targets to reduce emissions from our own operations and drive supplier commitment to decrease our overall climate impact. • Incorporation of climate and environmental risks into enterprise risk management and processes, such as tender reviews. • Quarterly Group-wide emissions accounting for internal monitoring.
Our people ●	Employees	• Employee satisfaction & motivation: >3.75 by 2025	Being a people company, Eltel is dependent on engagement with our employees. Failure to attract, recruit and retain employees with the right skills and experience would seriously impact our ability meet our strategic objectives.	• Annual performance and career development dialogue between employees and their managers to ensure strategy alignment and identify learning needs, development opportunities, and workplace improvement. • Annual employee engagement survey for collecting employee feedback that informs local improvements and high-level planning and decision-making.
Responsible procurement ●●	Suppliers, subcontractors, workers in the value chain		Irresponsible practices by suppliers and supply chain partners can damage Eltel's reputation and license to operate.	• Supplier audits and reviews. • Supplier ESG-assessments for critical suppliers. • Supplier Code of Conduct summarizes our expectations on ethical business practices.
Business ethics ●●●	Suppliers, customers, employees, workers in the value chain		Ethical business breaches by employees, supply chain partners or customers can affect trust in Eltel's business.	• Promotion of ethical business practices through internal policies, guidelines, and procedures. • Mandatory Code of Conduct training for all employees and other training for targeted employee groups. • Whistleblowing procedure in place for all stakeholders to report any suspected misconduct. • Internal audits and reviews.

Sustainability governance



STAKEHOLDER DIALOGUE GUIDES OUR APPROACH

We regularly engage with a variety of stakeholders at different levels across the Group. Stakeholder dialogue on the relevant topics is used to shape our strategic decision-making and Eltel's Sustainability Plan. By meeting stakeholder expectations, we remain relevant as a partner, employer and investment opportunity.

See **www.eltelgroup.com** for more information about our dialogue with stakeholders.

Health and safety

Ensuring our employees and subcontractors return home safely every day is our top priority. At Eltel, safety is not just about personal protective equipment and incident reporting – it is a mindset that we choose to adopt every day.

Our approach

Eltel's most salient day-to-day health and safety risks for its employees and supply chain partners include road safety, electrical safety, working at height and working with infrastructure. We constantly seek to identify and implement more modern and safer solutions and processes to reduce risk. Health and safety is managed on a Group level with Country Units implementing their own plans and deliverables based on their local situation.

OUR PROGRESS IN 2023

- Improved Lost Time Injury Frequency Rate (LTIFR) across the Group with a 20% reduction in our LTIFR compared to 2022.
- Enhanced safety culture, for example, by organizing a Safety Week in all Eltel countries.
- Around 1,000 safety walks completed on work sites compared to 700 in 2022.
- Health and safety training was a focus area during the year, with many Country Units improving their employee and subcontractor training based on their country-specific Health, Safety & Environment (HSE) risk profiles.
- Monthly HSE meetings were broadened to include more functions.

OTHER HEALTH AND SAFETY OCCURRENCES

There was a fatality at one of our subcontractors in Sweden during the dismantling of old network infrastructure. This was the first fatality at Eltel in four years and a minute's silence was held throughout the company. Following the incident, we reinforced subcontractor awareness of the correct procedures with the aim of avoiding a similar incident in the future.

PLANS FOR 2024

- A Group-wide lifesaving rules and a compliance campaign will be launched.
- Subcontractor safety measures and training will be further improved.

KPIS	2023	2022
Absence due to illness, including long-term illness, Eltel employees, %	5.6	5.7
Lost time injuries per million working hours (LTIFR), Eltel employees	2.7	3.8
Total Recordable Injury Frequency per million working hours (TRIFR), Eltel employees	10.5	11.4
Number of fatal accidents, Eltel and subcontractor employees	1	0

POLICIES	GUIDING FRAMEWORKS
HSSEQ Policy	ISO 45001
Code of Conduct	SDG 5, 8

Climate and environment

Eltel aims to manage and minimize the climate and environmental footprint of the projects it delivers in a way that goes beyond its own operations.

Our approach

We address the most significant direct environmental impacts of our operations – emissions from our fleet of over 3,000 vehicles. We also work on the efficient sorting and recycling of waste in our operations and on increasing the proportion of renewable energy we source. Going forward, we will work to reduce the climate impact of our entire value chain by ensuring our suppliers commit to reducing their emissions.

OUR PROGRESS IN 2023

- New Environmental Policy adopted that includes more clearly defined goals on waste and circularity, material use, biodiversity, chemicals and hazardous materials.
- Good progress on fleet electrification by increasing our proportion of electric vehicles from 3.2% to 9.3%. Our electric vehicles avoided around 1,000 metric tons of CO_2 during the year. We also revised our vehicle emissions KPI to focus exclusively on fully electric vehicles to better monitor our progress toward our long-term ambition to electrify our fleet.
- Significant upgrades to our climate impact monitoring were made during the year. We transitioned to quarterly emissions accounting, as opposed to the previous annual approach, and set up dashboards to track and forecast our progress in reducing fleet emissions. We also developed our ability to report emissions to our customers at a project level.

OTHER CLIMATE AND ENVIRONMENT-RELATED OCCURRENCES

More frequent emissions accounting throughout the year provided us with insights into ways of increasing data quality. In late 2023, we piloted a new platform to improve the collection of energy-related data from all 140 of our office locations.

PLANS FOR 2024

- A new platform will be implemented in 2024 to enhance data collection and reporting processes.
- Engaging more suppliers to set science-based climate targets.

KPIs	2023	2022
Vehicles in entire fleet	3,218	3,345
Share of electric vehicles, %	9.3	3.2
Total fuel consumption of entire fleet, litres	6,425,557	6,414,176
Total emissions, tCO_2e	126,617	108,628
Scope 1 emissions, market based	16,337	16,152
Scope 2 emissions, market based	1,403	1,757
Scope 3 emissions	108,877	90,719
Share of renewable electricity, %	56	37

POLICIES	GUIDING FRAMEWORKS
Sustainability Policy	ISO 14001
Environmental Policy	SBTi
HSSEQ Policy	SDGs 13, 7, 12

Our people

Eltel's goal is to be the most attractive employer in the industry by focusing on employee engagement and development opportunities.

Our approach

With around 5,000 employees, it is essential that we can attract, recruit and retain the right people. We aim to provide good development opportunities, and our commitment is for every employee to have an annual performance and development dialogue with their manager. We have several initiatives that promote the Eltel culture and a greater team spirit. We conduct annual Group-wide employee engagement surveys and measure Employee Net Promoter Scores (eNPS) on a country level to assess employee job satisfaction based on their willingness to recommend Eltel to others.

OUR PROGRESS IN 2023

- Eltel's Employee Engagement Score improved for the fourth year in a row, to 3.9 (3.8), while the Employee Engagement Survey participation rate also increased to 85% (75). On average, our employees scored highly on relationships with colleagues, health and safety, as well as manager relations. Our employees rated topics related to feedback and purpose and vision the lowest.
- Leadership development was in focus during the year through engagement with new and existing leaders and training to enhance leadership skills, ensure compliance and improve our processes.
- New corporate values were developed based on input from more than 1,000 employees. To strengthen our culture, all employees were invited to participate in the development of Eltel's new values. Read more about our values on page 8.
- Gender equality was promoted through gender pay gap assessments in selected countries. The assessments showed no or negligible pay disparity between genders at Eltel. In 2024, we will further expand the assessments to cover all Country Units.

OTHER PEOPLE-RELATED OCCURRENCES

Due to restructuring, employee redundancies were made in some Eltel Country Units. The Country Units supported the employees who were impacted by the restructuring during this challenging transition. Local measures included organizing training programs, informative lectures and providing outplacement services to employees made redundant.

PLANS FOR 2024

- Implementation of Eltel's values.
- Further enhancement of onboarding and training across all Eltel Country Units.

KPIs	2023	2022
Employee engagement	3.9	3.8
Number of employees at year-end	4,931	5,063
Of which < 30 years, %	20	20
Of which > 55 years, %	30	22
Of which men/women, %	86/14	87/13
Share of women in Group Management Team, % at year-end	33	25
Share of women in Board of Directors, % at year-end	50	50

POLICIES	GUIDING FRAMEWORKS
Human Resource and Diversity Policy Code of Conduct Human and Labour Rights Policy	SDGs 5, 8

Responsible procurement

Eltel places environmental and social demands on its subcontractors and material suppliers – including manufacturers and wholesalers.

Our approach

We have clear processes in place that ensure our supply chain partners sign up to the Eltel Supplier Code of Conduct and commit to our other key policies and principles. We are increasingly looking at the social and environmental impacts of the materials Eltel sources, such as equipment, cables, steel, asphalt and concrete, on turnkey projects where Eltel delivers a complete solution.

OUR PROGRESS IN 2023

- New Supplier Code of Conduct adopted to provide ethical guidance that is tailored to our supply chain partners. All our subcontractors and suppliers must comply with the code to ensure they are aligned with our ethical principles and standards.
- New resources dedicated to supply chain engagement processes were brought in and responsible sourcing as a key strategic area was underscored to the Group's Management Team as the incoming General Counsel was appointed as the Head of Sourcing.
- New Group-wide ESG platform was developed and configured for implementation in 2024 to collect more detailed sustainability information from our supply chain partners and to coordinate Eltel's supply chain engagement activities. The platform will allow our key partners to conduct self-assessments of their ESG performance and collect information on supplier audits in a centralized manner. It will also enable us to better track our suppliers' commitment to science-based climate targets. The collected ESG data will be used in supplier evaluations and will drive responsible procurement going forward.

PLANS FOR 2024

- New ESG platform to be implemented.
- Supplier self-assessments will commence.
- New Responsible Procurement Policy to be adopted.

KPIs	2023	2022
Supply chain emissions covered by science-based targets at year-end, %	16.1	8.8
Number of supplier assessments and reviews	797	477

POLICIES	GUIDING FRAMEWORKS
The Eltel Supplier Code of Conduct	SDG 5, 8, 12, 13

Business ethics

Respecting human rights is one of Eltel’s fundamental business principles and involves complying with all applicable laws and regulations as a minimum, as well as Eltel’s policies and agreements with customers, suppliers and other subcontractors.

Our approach

Our commitment to business ethics encompasses the enhancement of standards in areas such as anti-corruption, respect for human rights, labor rights, environmental management, as well as data privacy and cyber security. Eltel’s Code of Conduct and its associated policies outline our expectations for employees and partners. We are committed to fair play and safeguarding the interests of our stakeholders and partners throughout the value chain.

We continuously provide employee training on our policies. Our aim is to ensure that our employees and stakeholders fully understand the expectations and impacts that are relevant to their roles.

OUR PROGRESS IN 2023

- Review of our Human Rights Due Diligence (HRDD) framework as part of our new Human and Labor Rights Policy.
- Fair Play employee training continued as an interactive training related to our Code of Conduct that covers areas such as safety, security, fair competition and anti-corruption. New employees receive mandatory Fair Play training as part of their onboarding process.
- No significant fines, sanctions or incidents were recorded relating to any non-compliance with Eltel´s Code of Conduct or any laws and regulations.

OTHER BUSINESS ETHICS OCCURRENCES

22 whistleblowing reports received. These included allegations of business ethics-related breaches, such as corruption or misuse of trading influence, as well as discrimination. All cases were handled according to our standard local and Group-level procedures. As a result of whistleblowing investigations, certain internal controls (for example invoicing controls) and business processes were updated. The conclusions of the investigations were reported to the Audit Committee. None of the whistleblowing investigations resulted in criminal proceedings.

PLANS FOR 2024

- New Responsible Procurement Policy to be launched.
- Adoption of formal conflict of interest-related third-party register.

KPIs	2023	2022
Code of Conduct training completion rate, %	79	82
Security training completion rate, %	87	84

POLICIES	GUIDING FRAMEWORKS
Code of Conduct Anti-Bribery and Anti-Corruption Policy Data Protection Policy Human and Labor Rights Policy Insider Policy Tax Policy Information Technology Policy Whistleblowing Policy Risk Management Policy Competition Instruction	OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (OECD Guidelines) SDGs 5, 8, 12

CYBER SECURITY AND DATA PRIVACY

Eltel has a robust framework for safeguarding cyber security and data privacy. It encompasses governing documents, incident reporting mechanisms, workforce training and day-to-day activities by both our local and Group IT functions. Eltel’s IT Security Center manages security incidents and monitors suspicious data traffic in the network. All new employees are required to complete IT security training, and refresher training is provided regularly to all employees.

We also continued to provide mandatory EU General Data Protection Regulation (GDPR) training to educate employees on how to safeguard personal data in their role at Eltel. In accordance with our GDPR procedures, personal data breaches are reported through a dedicated GDPR reporting tool.

Progress on our SBTi targets

Eltel is committed to tackling climate change and aligning its efforts with the objectives of the Paris climate agreement. We do this by actively working to significantly reduce our climate impact by 2030.

Eltel has established three near-term climate targets aimed at reducing both direct and indirect emissions associated with its operations. These targets were approved by the Science Based Targets initiative (SBTi) in 2022 and we tracked our progress in 2023.

WHAT DO ELTEL'S SCOPE 1, 2 & 3 REFER TO?

Scope 1 – Direct emissions resulting mainly from fuel consumption in Eltel's vehicle fleet.

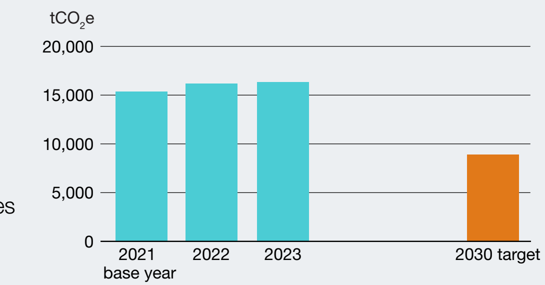
Scope 2 – Indirect emissions linked to Eltel's electricity consumption and the heating of properties controlled by Eltel.

Scope 3 – All other indirect emissions occurring in Eltel's supply chain, including emissions of purchased goods and services.

SCOPE 1

Scope 1 represented 12.9% of our total emissions in 2023. Eltel has committed to reducing its absolute scope 1 emissions by 42% by 2030. Our strategy for achieving this target involves the gradual electrification of our vehicle fleet. Eltel's Nordic Country Units have developed country roadmaps for the reduction of scope 1 emissions, based on the deployment of electric vehicles and the use of biofuels.

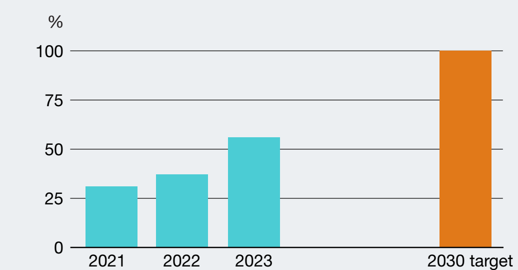
In 2023, our absolute scope 1 emissions increased slightly. We made good progress in increasing the proportion of electric vehicles in our fleet.



SCOPE 2

Scope 2 constituted 1.1% of our total emissions in 2023. Eltel has committed to increasing its sourcing of renewable electricity from 31% to 100% by 2030. We aim to achieve this by switching our own electricity contracts to renewable sources and by encouraging the owners of the business premises we lease to do the same.

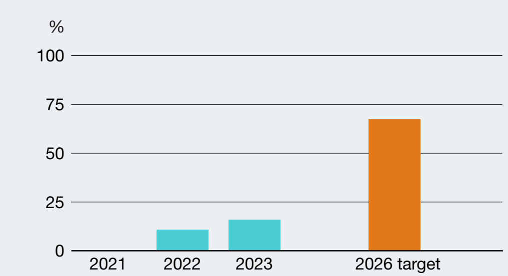
In 2023, we made good progress in our scope 2 target and increased the proportion of renewable electricity we sourced from 37% to 56%.



SCOPE 3

Scope 3 emissions made up 86.0% of Eltel's total emissions in 2023. Eltel has committed to ensuring that by the end of 2026, two thirds of its suppliers by emissions* will have set science-based climate targets. We intend to achieve this through supplier selection and engagement.

In 2023, 16.1% of Eltel's Scope 3 emissions were covered by suppliers with set SBTi climate targets.



*Covering Scope 3 categories 1, 2, 4, 5 and 6.

EU Taxonomy

The EU Taxonomy is the EU's common classification system for economic activities that have the most significant impact on the EU's climate and environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

Until the end of 2022 taxonomy reporting was targeted at the first two objectives: climate change mitigation and adaptation. On 27 June 2023, the Commission adopted a Taxonomy Environmental Delegated Act, including a new set of EU taxonomy criteria for economic activities making a substantial contribution to one or more of the non-climate environmental objectives, namely: sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. The Commission also adopted amendments to the Taxonomy Disclosures Delegated Act and to the Taxonomy Climate Delegated Act, covering the environmental objectives of climate change mitigation and adaptation.

The power sector is one of the major sectors included in the taxonomy. Correspondingly, Eltel's operations in the power sector are largely included in the economic activities specified in the EU Taxonomy (i.e. eligible activities). All Eltel's activities that are categorized as eligible are deemed to have the potential to make a substantial contribution to the first objective: climate change mitigation.

The communication sector, which contributes to the digitalisation of society via modern and high-capacity communication networks, is generally not included in the activities specified in the EU Taxonomy at the present time. In line with this, most of Eltel's operations in the communication business are not included in the taxonomy (i.e. non-eligible activities).

2023 TAXONOMY ALIGNMENT

Due to the new regulations, Eltel has evaluated taxonomy eligibility of its business operations according to the descriptions of economic activities listed in the annexes of the Environmental Delegated Act. Eltel has reviewed the technical screening criteria laid out in the annexes when interpreting the nature of the activity. Eltel did not identify any activities applicable to its business operations.

Furthermore, an assessment of amended activities to the Climate Delegated Act was made. It was concluded that net sales from electric vehicle infrastructure projects falls under activity 3.20 "Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation" in case the charging station for electric vehicles is not in buildings (or parking spaces attached to buildings) as specified under activity 7.4 "Installation of charging stations for electric vehicles".

The net sales, which fall under this new activity, have been reported as eligible net sales in 2023. Taxonomy alignment will be assessed during 2024 and disclosed in 2024 Annual Report.

For other activities, Eltel has reported the extent to which its operations are included in the EU Taxonomy (eligible) and which part of these operations meet the criteria for being sustainable (aligned). Eltel's operations are concluded to be taxonomy-aligned when they are assessed to comply with all the requirements described in the taxonomy. This means that the activity 1) makes a substantial contribution to climate change mitigation, 2) does no significant harm to any of the other five environmental objectives (DNSH) and 3) complies with the minimum safeguards.

By developing the power grid, Eltel together with its customers contributes to climate change mitigation through a transition to a green electricity system. Eltel has performed a DNSH assessment of the DNSH criteria for each relevant activity included in the taxonomy. Based on the assessment, Eltel has concluded that it complies with the DNSH criteria. Eltel does not own or operate power grids but offers a full range of services from planning and construction to maintaining and dismantling the grids. Eltel's primary goal is to minimize the environmental impact of these operations. This involves the preparation of environmental impact assessment (EIA) and risk assessment or similar environmental surveys and mitigating the impact on biodiversity and ecosystems as early as the planning phase. For climate change adaptation, the key aspect is the resilience of the power infrastructure to the physical risks related to climate change. The transition to a circular economy and pollution prevention plays an important role in Eltel's operations concerning the construction, maintenance and dismantling of power (and communication) networks as a significant amount of materials are used in such operations. The responsible sourcing of materials, recycling and waste management are included in the key environmental topics for Eltel. To a large extent, Eltel uses reliable waste management partners who ensure that all waste is properly recycled and recovered. To further reduce its environmental impact, Eltel continues to expand the use of professional partners. In addition to environmental impact analyses, Eltel has assessed that it complies with the minimum safeguards. Further information about minimum safeguards regarding human rights, corruption, taxation and fair competition is presented under the heading "Minimum safeguards alignment summary".

NET SALES

Eltel has evaluated taxonomy eligibility of its business operations according to the descriptions of economic activities listed in the annexes of the Delegated Acts and the related NACE codes. Furthermore, an assessment of substantial contribution to climate change mitigation has been performed by analyzing whether Eltel's operations meet the technical screening criteria of each applicable activity. Operations have been disaggregated to the extent necessary for the analysis.

Eltel identified 37.7% (34.0) of its net sales to be taxonomy-eligible regarding the economic activities defined in the taxonomy's objective: climate change mitigation. Eltel also identified 33.2% (29.7) of its net sales to be taxonomy-aligned (environmentally sustainable).

A major part of eligible and aligned net sales relate to activity 4.9 "Transmission and distribution of electricity". This activity includes Eltel's power transmission and distribution services from construction and upgrade to maintenance and fault repair, as well as smart grids operations relating to operating the distribution networks. A total of 22.9% (25.2) of net sales is deemed to be taxonomy-eligible. Furthermore, Eltel has concluded that 20.6% (22.5) of its net sales is also taxonomy-aligned. Eltel carries out work for the power grids that belong to the interconnected European system and its subordinate systems that are not dedicated to creating or expanding direct connections to power production plants that are more greenhouse gas intensive than 100 CO_2e/kWh. 2.2% (2.7) of net sales is not deemed to be aligned, primarily due to direct connections to power production plants that do not meet the criteria, mainly in Poland. In Germany, many of the electricity meters included in power distribution operations do not meet the EU criteria. Thus, these operations have been evaluated as being non-aligned.

Part of Eltel's smart grids operations are included in activity 7.5 "Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings". 6.0% (4.1) of total net sales is included in this activity and it is concluded that 4.6% (2.8) of total net sales is taxonomy aligned. Smart grids operations in the Nordics are generally taxonomy-aligned as the installed meters meet the criteria for smart meters. In Germany, most of the meters are non-aligned but there are also meter installations that comply with the taxonomy criteria.

2.8% (2.4) of total net sales relate to activity 6.14 "Infrastructure for rail transport". These services are deemed to be fully taxonomy-aligned. Most of the operations are in Denmark and include, for example, installation and configuration of equipment related to the digitalization of railway signalling. Finland and Poland also conduct operations included in this activity.

Eltel has also identified other taxonomy-eligible operations totalling 6.0% (2.3) of total net sales. 5.1% (1.9) of net sales included in these operations is taxonomy-aligned. Other taxonomy-aligned operations include the installation of charging stations for electric vehicles (7.4), the installation of energy efficiency equipment in buildings (7.3) and the maintenance of wind turbines (7.6). Other non-aligned activities include operations related to certain district heating facilities that do not meet the technical screening criteria for activity 4.15. Taxonomy-eligible net sales reported under 3.20 for installation of charging stations for electric vehicles represent 0.6% of total net sales. Taxonomy alignment for this activity will be assessed during 2024 and disclosed in 2024 Annual Report.

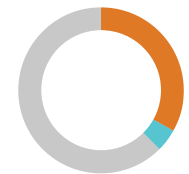
CAPITAL EXPENDITURE (CAPEX) AND OPERATING EXPENDITURE (OPEX)

Eltel identified 44.6% (34.7) of capital expenditure and 39.6% (37.2) operating expenditure (capex and opex) to be taxonomy eligible. Furthermore, 38.6% (30.8) of capex and 27.9% (29.2) of opex were identified as being taxonomy-aligned. Capex and opex have been included when they relate to operations generating net sales that are included in the taxonomy. Investments in a new car fleet are reported as taxonomy-aligned capex if the capex met the criteria for being sustainable according to taxonomy activity 6.5 "Transport by motorbikes, passenger cars and light commercial vehicles". This mainly concerns electric vehicles.

As the definition of opex is very narrow in the taxonomy, the amount of total opex in Eltel is negligible. Opex includes the cost of maintenance and repair of machinery and buildings and short-term lease expenses.

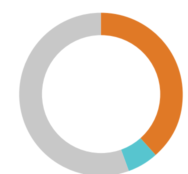
In order to avoid double counting, each business operation that generates taxonomy-eligible net sales was exclusively assigned to a specific taxonomy-eligible economic activity. The same procedure was adopted for the allocation of capex and opex. However, capex for electric vehicles was fully included in activity 6.5 and was therefore excluded from the other taxonomy-eligible activities.

NET SALES



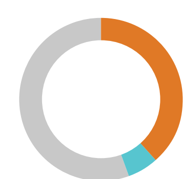
- Taxonomy-aligned 33.2%
- Taxonomy-eligible but not aligned 4.5%
- Non-eligible 62.3%

CAPEX



- Taxonomy-aligned 38.6%
- Taxonomy-eligible but not aligned 6.0%
- Non-eligible 55.4%

OPEX



- Taxonomy-aligned 27.9%
- Taxonomy-eligible but not aligned 11.7%
- Non-eligible 60.4%

MINIMUM SAFEGUARDS ALIGNMENT SUMMARY

Human rights – Eltel has multiple methods for assessing, safeguarding and promoting human rights. These include but are not limited to the human rights risks assessments made through the enterprise risk management process, the whistleblowing process, the annual Code of Conduct training, and Code of Conduct requirements towards our suppliers. Reporting on such matters is done on a regular basis to Eltel's executive management and the Board. No employee of Eltel AB or of any of its subsidiaries have been convicted or being found of being in violation of any laws or regulations relating to human rights.

Corruption – Eltel has anti-corruption practices in place, such as the whistleblowing channel and regular trainings in anti-corruption practices, which are governed by Eltel's Anti-Bribery and Anti-Corruption Policy as well as the Whistleblowing Policy. Eltel's Code of Conduct also outlines Eltel's stance on Anti-Bribery and Anti-Corruption. Code of Conduct trainings (including anti-corruption practices) are provided to employees annually. No employee of Eltel AB or of any of its subsidiaries have been convicted or being found of being in violation of any laws or regulations relating anti-corruption.

Taxation – Eltel treats tax compliance and governance as important elements of oversight, tax risks are assessed on an ongoing basis and tax compliance matters are reported to senior management as well as to the Audit Committee. No employee of Eltel AB or of any of its subsidiaries have been convicted or being found of being in violation of any tax laws or regulations.

Fair competition – Eltel is dedicated to promoting the importance of compliance with competition laws and regulations. Eltel's Competition Instruction is used to increase awareness and educate the workforce on the topic of fair competition. Additional directed training is provided to senior management. No employee of Eltel AB or of any of its subsidiaries have been convicted or being found of being in violation of any laws or regulations relating fair competition.

NET SALES

Financial year 2023		2023		Substantial contribution criteria						DNSH criteria (Does not significantly harm)									
Economic activities	Code	Net sales	Proportion of net sales, 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of taxo-nomy aligned (A.1) or -eligible (A.2) net sales, 2022	Category enabling activity	Category transitional activity
		EUR million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy-eligible activities																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
Electricity generation from wind power	CCM 4.3	39.3	4.6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	Y	–	Y	Y	Y	1.5%	–	–
Transmission and distribution of electricity	CCM 4.9	175.4	20.6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	Y	Y	Y	Y	22.5%	E	–
Infrastructure for rail transport	CCM 6.14	23.8	2.8%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	Y	Y	Y	Y	Y	2.4%	E	–
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	–	–	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	Y	–	–	Y	0.1%	E	–
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	2.8	0.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	–	–	–	Y	0.3%	E	–
Installation, maintenance and repair of instruments and devices measuring, regulation and controlling energy performance of buildings	CCM 7.5	39.4	4.6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	–	–	–	Y	2.8%	E	–
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	1.3	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	–	–	–	Y	–	E	–
Net sales for environmentally sustainable activities (Taxonomy-aligned) (A.1)		**282.1**	**33.2%**	**33.2%**	**–**	**–**	**–**	**–**	**–**	**–**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**29.7%**		
Of which enabling			86.1%	86.1%	–	–	–	–	–	–	Y	Y	Y	Y	Y	Y	94.8%	E	
Of which transitional			–	–						–	–	–	–	–	–	–	–		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation[1]	CCM 3.20	5.0	0.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								–		
Transmission and distribution of electricity	CCM 4.9	19.0	2.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2.7%		
District heating / cooling distribution	CCM 4.15	2.7	0.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.4%		
Installation, maintenance and repair of instruments and devices measuring, regulation and controlling energy performance of buildings	CCM 7.5	11.6	1.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.3%		
Net sales for taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**38.4**	**4.5%**	**4.5%**	**–**	**–**	**–**	**–**	**–**								**4.3%**		
A. Net sales of taxonomy eligible activities (A.1 + A.2)		**320.4**	**37.7%**	**37.7%**	**–**	**–**	**–**	**–**	**–**								**34.0%**		

B. Taxonomy-non-eligible activities

Net sales for taxonomy-non-eligible activities	**529.7**	**62.3%**
Total	**850.1**	**100.0%**

[1] Amendment to Climate Delegated Act. Taxonomy alignment will be assessed during 2024.

Total net sales equals to net sales according to the 2023 financial statements.

CCM – Climate change mitigation
Y – Yes, taxonomy-eligible and taxonomy-aligned activity with relevant environmental objective
N – No, taxonomy-eligible but not taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, taxonomy-non-eligible activity for the relevant environmental objective
EL – Eligible, taxonomy-eligible activity for the relevant environmental objective

CAPITAL EXPENDITURE (CAPEX)

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria (Does not significantly harm)									
Economic activities	Code	Capex	Proportion of capex, 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of taxonomy aligned (A.1) or -eligible (A.2) capex, 2022	Category enabling activity	Category transitional activity
		EUR million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy-eligible activities																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
Electricity generation from wind power	CCM 4.3	0.9	2.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	Y	–	Y	Y	Y	1.1%	–	–
Transmission and distribution of electricity	CCM 4.9	4.8	12.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	Y	Y	Y	Y	15.8%	E	–
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	5.9	15.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	Y	Y	–	Y	8.2%	–	T
Infrastructure for rail transport	CCM 6.14	1.2	3.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	Y	Y	Y	Y	Y	2.3%	E	–
Installation, maintenance and repair of renewable energy technologies	CCM 7.3	0.0	0.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	Y	–	–	Y	0.0%	E	–
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	0.2	0.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	–	–	–	Y	0.5%	E	–
Installation, maintenance and repair of instruments and devices measuring, regulation and controlling energy performance of buildings	CCM 7.5	1.9	5.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	–	–	–	Y	2.8%	E	–
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	0.0	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	–	–	–	Y	–	E	–
Capex for environmentally sustainable activities (Taxonomy-aligned) (A.1)		**14.9**	**38.6%**	**38.6%**	**–**	**–**	**–**	**–**	**–**	**–**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**30.8%**		
Of which enabling			54.0 %	54.0%	–	–	–	–	–	–	Y	Y	Y	Y	Y	Y	69.7 %	E	
Of which transitional			39.7%	39.7%						–	Y	Y	Y	Y	Y	Y	26.7%		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Transmission and distribution of electricity	CCM 4.9	1.6	4.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2.2%		
District heating / cooling distribution	CCM 4.15	0.1	0.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.3%		
Installation, maintenance and repair of instruments and devices measuring, regulation and controlling energy performance of buildings	CCM 7.5	0.6	1.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.4%		
Capex for taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**2.3**	**6.0%**	**6.0%**	**–**	**–**	**–**	**–**	**–**								**3.9%**		
A. Capex of taxonomy-eligible activities (A.1 + A.2)		**17.3**	**44.6%**	**44.6%**	**–**	**–**	**–**	**–**	**–**								**34.7%**		

B. Taxonomy-non-eligible activities		
Capex of taxonomy non-eligible-activities	**21.4**	**55.4%**
Total	**38.7**	**100.0%**

Capex includes additions into property, plant and equipment, right-of-use assets and other intangible assets (Notes 26-28 in the consolidated financial statements).

CCM – Climate change mitigation
Y – Yes, taxonomy-eligible and taxonomy-aligned activity with relevant environmental objective
N – No, taxonomy-eligible but not taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, taxonomy-non-eligible activity for the relevant environmental objective
EL – Eligible, taxonomy-eligible activity for the relevant environmental objective

OPERATING EXPENDITURE (OPEX)

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria (Does not significantly harm)									
Economic activities	Code	Opex	Proportion of opex, 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of taxonomy aligned (A.1) or -eligible (A.2) opex, 2022	Category enabling activity	Category transitional activity
		EUR million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy-eligible activities																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
Electricity generation from wind power	CCM 4.3	0.4	3.9%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	Y	–	Y	Y	Y	1.5%	–	–
Transmission and distribution of electricity	CCM 4.9	1.7	17.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	Y	Y	Y	Y	22.1%	E	–
Infrastucture for rail transport	CCM 6.14	0.2	2.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	Y	Y	Y	Y	Y	2.3%	E	–
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	–	–	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	Y	–	–	Y	0.1%	E	–
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	0.0	0.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	–	–	–	Y	0.3%	E	–
Installation, maintenance and repair of instruments and devices measuring, regulation and controlling energy performance of buildings	CCM 7.5	0.4	3.9%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	–	–	–	Y	2.8%	E	–
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	0.0	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	–	–	–	Y	–	E	–
Opex for environmentally sustainable activities (Taxonomy-aligned) (A.1)		**2.8**	**27.9%**	**27.9%**	**–**	**–**	**–**	**–**	**–**	**–**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**29.2%**		
Of which enabling			86.1%	86.1%	–	–	–	–	–	–	Y	Y	Y	Y	Y	Y	94.8%	E	
Of which transitional			–	–						–	–	–	–	–	–	–	–		T
A.2. Taxonomy eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Transmission and distribution of electricity	CCM 4.9	0.7	6.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								4.9%		
District heating / cooling distribution	CCM 4.15	0.1	1.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.7%		
Installation, maintenance and repair of instruments and devices measuring, regulation and controlling energy performance of buildings	CCM 7.5	0.4	4.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2.3%		
Opex for taxonomy eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**1.2**	**11.7%**	**11.7%**	**–**	**–**	**–**	**–**	**–**								**8.0%**		
A. Opex of taxonomy-eligible activities (A.1 + A.2)		**4.0**	**39.6%**	**39.6%**	**–**	**–**	**–**	**–**	**–**								**37.2%**		

B. Taxonomy non-eligible-activities		
Opex for taxonomy-non-eligible activities	**6.0**	**60.4%**
Total	**10.0**	**100.0%**

Opex includes short-term leases, maintenance and repair costs of tangible assets. Note that opex as defined in EU Taxonomy is significantly narrower than Eltel's total operating expenditure.

CCM – Climate change mitigation
Y – Yes, taxonomy-eligible and taxonomy-aligned activity with relevant environmental objective
N – No, taxonomy-eligible but not taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, taxonomy-non-eligible activity for the relevant environmental objective
EL – Eligible, taxonomy-eligible activity for the relevant environmental objective

NUCLEAR AND FOSSIL GAZ RELATED ACTIVITIES

Eltel does not carry out, fund, or have exposures to an activity in rows 1 to 6 in template 1 of Annex XII Disclosures Delegeated Act. Consequently, Eltel omits disclosing the corresponding rows in templates 2 to 5 of that Annex.

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gaz related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Auditor's opinion regarding the statutory sustainability report

To the general meeting of the shareholders in Eltel AB (publ), corporate identity number 556728-6652.

Engagement and responsibility

It is the board of directors who is responsible for the sustainability report for the year 2023 on pages 17-33 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the examination

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability report.* This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm 26 March 2024
KPMG AB

Fredrik Westin
Authorized Public Accountant

Board of Directors report 2023

The Board of Directors and the CEO of Eltel AB, corporate registration number 556728-6652, with its registered office in Stockholm, hereby submit the Annual Report and consolidated financial statements for the 2023 financial year. Eltel AB and its subsidiaries operate under the Eltel brand. The consolidated group is called Eltel Group.

Company overview

Eltel is the leading infrastructure and service provider for critical communication and power networks – infranets. We deliver a comprehensive range of communication and power services – everything from the design and build phase to corrective maintenance. This includes design, planning, building, installing, and securing the operation of networks for a more sustainable and connected world today and for future generations.

Our customers are primarily owners and operators of communication and power networks. We offer a 24/7 and extensive geographical presence in our home markets.

Most of our work is conducted through long-term framework agreements that run between two to five years. This allows us to create and maintain long-term relationships with our customers and, through close cooperation, help them achieve their objectives.

As a consequence of the global trends affecting society, the infranet sector is constantly changing. The key ongoing trends driving this change include increasing customer demands, regulatory requirements, the need to upgrade ageing power infrastructure and the growing use of renewable energy in society. Eltel operates in the Nordic market and is also represented in Poland, Germany and Lithuania.

Communication services

Eltel optimizes communication networks and help meet societal needs for greater digitalisation, which is revolutionizing how people live, work and play. The business is primarily driven by technology upgrades, maintenance needs and increased demand for improved capacity and faster networks.

Eltel's main customers are large telecom operators and communication network owners. Its operations generally involve long-term relationships with a steady inflow of orders generated by framework agreements.

Read more about Eltel's communication offering on page 12.

Power services

Eltel's power services enable the electrification of society, which is essential for building more sustainable energy solutions and achieving national carbon-neutrality goals. The demand for increased network capacity and capabilities is a major driver in the power market that will continue in the foreseeable future.

Primary customers include national transmission system operators, owners of power distribution grids.

Read more about Eltel's power offering on page 13.

Major contracts 2023

During 2023, Eltel signed contracts with a combined value of about EUR 714 million (825). Selection of important contracts:

- Eltel Norway and Equinor signed a frame agreement regarding telecom-specific upgrade and modification services. Estimated value of the four-year agreement is about EUR 20 million (November).
- Eltel Finland signed an agreement with Fingrid, Finland's national transmission system operator, to build a 74 km long transmission line. The contract is worth about EUR 23 million (September).
- Eltel Sweden and the Swedish Defense Materiel Works, FMV, signed a frame agreement. Estimated value of the three-year agreement is about EUR 27 million (September).
- Eltel and the Finnish energy company Helen signed an agreement for the delivery of a large-scale solar park in Lohja, Finland. The contract is worth about EUR 3.1 million (May).
- Eltel Norway entered into a three-year frame agreement for fiber work and Fixed Wireless Access (FWA) with a new customer, Viken Fiber, one of Norway's largest fiber companies. The three-year agreement is worth about EUR 17–19 million (January).

SIGNIFICANT EVENTS 2023

Investments in new business areas
We made new investments in our capabilities in the areas of e-Mobility, energy storage and solar. These investments helped us to grow our pipeline and win new agreements during the year.

Employee engagement survey results
Eltel's Employee Engagement Score improved for the fourth year in a row, to 3.9 (3.8), while the survey participation rate increased to 85% (75).

Expansion into to solar PV market
We won solar park projects in Finland and Denmark. The largest project was a 10 MW park for the energy company Helen in Lohja, Finland.

Restructuring and re-shaping our business to meet future business needs
Our restructuring and cost-savings programs implemented during the year helped to optimize our business, reduce costs and better meet the shifting customer demand.

Our new values
We developed new company values during the year together with our colleagues. The values are aligned with our vision and strategy and will shape our culture, behavior and decisions going forward.

January–December 2023
Net sales increased by 3.2% to EUR 850.1 million (823.6). In local currency, net sales grew by 7.1%. Currency effects had a negative impact of EUR 32.4 million. In segments net sales increased by EUR 31.1 million. Organic net sales in segments, adjusted for currency effects, increased by 8.8%. The growth was driven by increased volumes in Finland, Denmark and Sweden. In Norway and Other business net sales decreased.

Eltel's main operations in the four Nordic countries are presented as segments. In Q4 2023, the segments represented 90% of the net sales.

Other business includes High Voltage Poland, Smart Grids Germany, Lithuania as well as closing activities for Power Transmission International.

Adjusted EBITDA
Adjusted EBITDA was EUR 31.8 million (27.8). Adjusted EBITA increased to EUR 1.7 million (-1.9) and the adjusted EBITA margin was 0.2% (-0.2). Adjusted EBITA in segments was EUR 11.8 million (9.9) and the margin was 1.5% (1.4). Improvements in Denmark and Sweden were offset by Norway and Finland. In Other business, adjusted EBITA was EUR -1.0 million (-4.0).

Finland
Net sales increased by EUR 54.3 million, or 18.7%, to EUR 344.5 million (290.1) reflecting a very strong market demand for most of our business offerings. The Communication business capitalized on a strong market, which generated great volumes throughout the year. Renewable energy transition projects, especially in Power Transmission further added to the growth.

Adjusted EBITA decreased to EUR 6.5 million (8.2). The adjusted EBITA margin was 1.9% (2.8). Two frame agreements in Power Services burdened the profitability throughout the year, however, the negative impact was reduced during the second half of the year. Within Communication and Power Transmission the margins were positively impacted by larger volumes.

As part of the restructuring and cost-saving program, communicated in connection with the Q4 2022 report, Eltel Finland has terminated certain customer agreements, reduced the workforce by 47 full-time employees during Q2, closed selected facilities and reduced the number of vehicles.

During 2023, Eltel Finland signed new contracts with a combined value of about EUR 232 million (412) adding to the committed order backlog.

Read more about Eltel Finland on page 14.

Sweden
Net sales increased by EUR 4.7 million, or 2.4%, to EUR 198.5 million (193.8). Growth in local currency was 10.7%.

Currency effects had a negative impact of EUR 15.9 million. Strong development in Smart Grids was partly offset by a declining Communication business as a result of lower customer investment levels in the later part of the year.

Adjusted EBITA improved to EUR 2.9 million (-1.0) marking 2023 as the first year with positive result in recent history. The adjusted EBITA margin was 1.5% (-0.5). Progress came from increased volumes in Smart Grids and a generally improved operational performance.

During 2023, Eltel Sweden signed new contracts with a combined value of about EUR 198 million (182) adding to the committed order backlog.

Read more about Eltel Sweden on page 15.

Norway
Net sales decreased by EUR 46.8 million, or 26.4%, to EUR 130.1 million (176.8). Currency effect was EUR -17.4 million. Growth in local currency was -16.6%. Main reason was lower volumes due to reduced customer investments, mainly in fiber.

Adjusted EBITA decreased to EUR -2.5 million (2.1). The adjusted EBITA margin was -1.9% (1.2). Lower volumes caused overcapacity and inefficiency in the organization.

Following reductions in customer investments and result deterioration in Norway starting in Q4 2022, two restructuring and cost-saving programs were implemented during 2023 in Q1 and Q3. The programs have included a total reduction in the workforce by approximately 160 full-time employees, termination and wind down of certain customer agreements, closing of selected locations and reducing fleet to adjust to the needs of the current operations.

During 2023, Eltel Norway signed new contracts with a combined value of about EUR 161 million (70) adding to the committed order backlog.

Read more about Eltel Norway on page 15.

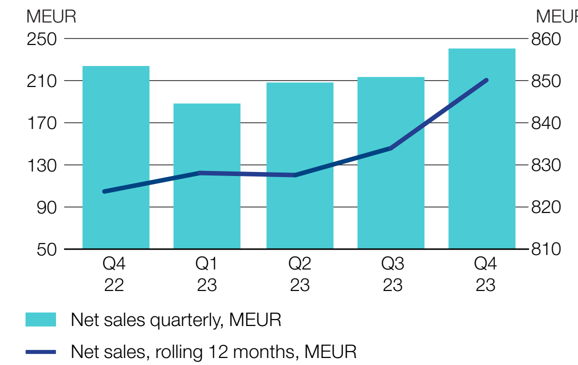
Denmark
Net sales increased by EUR 18.8 million, or 25.3%, to EUR 93.0 million (74.3). The significant growth was mainly driven by higher volumes in ongoing Communication contracts and new Power projects.

Adjusted EBITA improved to EUR 4.9 million (0.6). The adjusted EBITA margin was 5.2% (0.9). The strong performance stemmed from higher volumes, operational improvements and price increases.

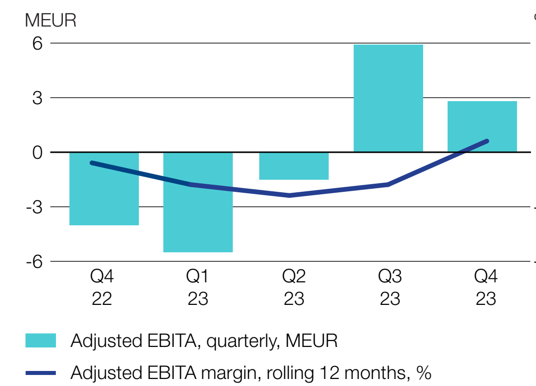
During 2023, Eltel Denmark signed new contracts with a combined value of about EUR 48 million (146) adding to the committed order backlog.

Read more about Eltel Denmark on page 16.

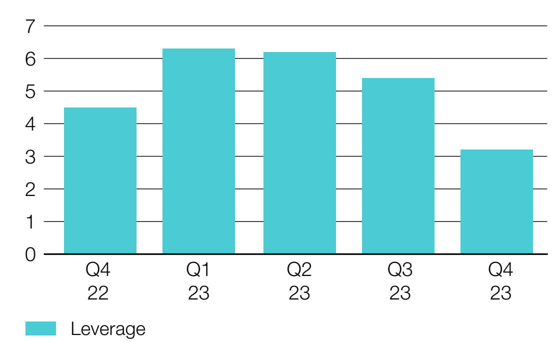
NET SALES



ADJUSTED EBITA



LEVERAGE



Other business

Net sales decreased by EUR 5.7 million to EUR 93.7 million (99.4), mainly due to a shift of scope to selected projects and services in High Voltage Poland.

Adjusted EBITA improved by EUR 3.0 million to EUR -1.0 million (-4.0). High Voltage Poland improved by EUR 2.7 million to EUR -4.9 million (-7.6). Closing activities in Power Transmission International (PTI) during the fourth quarter further contributed positively to the result. Margins in Smart Grids Germany declined from previous year but remained on a healthy level.

Read more about Other business on page 16.

Cash flow

Cash flow from operating activities was EUR 34.0 million (16.4). Main items included EBITDA EUR 24.8 million (27.8), cash flow from change in net working capital EUR 29.4 million (4.6) mainly due to tax deferral in Sweden EUR 28.3 million (0.0), financial items EUR -12.0 million (-7.8) and income taxes EUR -3.2 million (-4.7). Cash flow from financial items and income taxes is impacted by timing differences between income statement and payments.

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, mainly in High Voltage Poland. These projects, and delays in them, result in continued tie up of substantial working capital and are expected to create volatility in the net working capital also going forward.

Net cash flow from investing activities was EUR -4.3 million (-3.9) consisting of net capital expenditure on machinery and equipment.

Cash flow from financing activities was EUR -52.3 million (3.1). Utilization of short-term financing decreased by EUR 42.5 million (increase of 16.5). Amortization of term loan amounted to EUR 11.0 million and payments of lease liabilities were EUR 22.1 million (21.6). Net proceeds from issue of the hybrid bond and related transaction costs amounted to EUR 24.2 million (0.0) and payment of hybrid bond interests amounted to EUR 0.8 million (0.0). Eltel also issued and purchased shares in accordance with a long-term incentive program, which had a cash flow impact of EUR 2.4 million (1.0) and EUR -2.4 million (-1.0), respectively. In 2022 Eltel drew a EUR 35.0 million term loan and repaid the remaining old term loan of EUR 27.0 million.

Financial position, cash and cash equivalents

Equity at the end of the period was EUR 223.6 million (211.3) and total assets were EUR 624.3 million (621.7). The equity ratio was 39.6% (37.0).

INTEREST-BEARING LIABILITIES AND NET DEBT

EUR million	31 Dec 2023	31 Dec 2022
Interest-bearing debt	71.1	125.1
Leasing liabilities	53.9	47.8
Allocation of effective interest to periods	0.3	0.5
Less cash and cash equivalents	-24.7	-47.9
Net debt	**100.6**	**125.5**

EUR million	31 Dec 2023	31 Dec 2022
Non-current interest-bearing debt	20.7	34.7
Current interest-bearing debt	50.4	90.4
Total interest-bearing debt	**71.1**	**125.1**
Non-current leasing liabilities	33.9	31.0
Current leasing liabilities	19.9	16.8
Total leasing liabilities	**53.9**	**47.8**

Hybrid bond

On 6 April 2023, Eltel AB issued subordinated sustainability-linked hybrid capital securities in the aggregate principal amount of EUR 25 million (the "hybrid bond"). The hybrid bond is classified as equity and it is subordinated to the company's other debt obligations. The hybrid bond has no maturity date, but Eltel has the right to redeem it at so-called reset date in July 2026 and at every interest payment date thereafter. The hybrid bond is sustainability-linked, and a premium up to 1.20% of the principal amount is paid if the sustainability targets measured at 31 December 2025 are not met. The hybrid bond bears interest at a fixed rate of 13.50% per annum until the reset date.

CREDIT FACILITIES

EUR million	31 Dec 2023	Maturity
Term loan, current	3.0	Mar 2024-Sep 2024
Term loan, non-current	21.0	Jan 2025
Revolving credit facility	90.0	Jan 2025
Account overdrafts	15.0	Jan 2025
Total committed credit facilities	**129.0**	
Commercial paper program	150.0	N/A

After the reporting period, the maturity of the term loan, revolving credit facility and account overdrafts have been prolonged until January 2026.

Available liquidity reserves, including the committed revolving credit facility, account overdrafts and cash and cash equivalents, amounted to EUR 90.7 million (96.9). Additional to the committed facilities, the Group also has access to short-term debt capital markets via a commercial paper program of EUR 150 million. On 31 December 2023, EUR 8.0 million (33.5) of the commercial paper program and EUR 39.0 million (56.0) of the revolving credit facility were utilized.

Commercial guarantees

On 31 December 2023, the commercial guarantees issued by the banks and other financial institutions on behalf of the Group amounted to EUR 89.3 million (80.3).

Sustainability

Eltel has, in accordance with the Annual Accounts Act chapter 6 section 11, prepared the statutory sustainability report as a separate report which was approved for issue by the Board of Directors and the President and CEO. The scope of the Statutory Sustainability report is defined on pages 17–33.

Employees

Ensuring that our employees return home safely every day is our top priority. High-risk activities related to day-to-day operations include electrical safety, working at height, managing ageing infrastructure, and road safety. Road safety is a particularly important area for Eltel as teams spend a lot of time on the road driving from site to site. Eltel is constantly seeking to identify and implement safer solutions and processes to reduce risk. In 2023, the Lost Time Injury Frequency rate (LTIFR) decreased to an all-time low at 2.7.

Being a people company, Eltel is dependent on the engagement of our employees. We deliver value to our customers through our highly engaged and competent employees. Eltel's Employee Engagement Score 2023 improved for the fourth year in a row, to 3.9 (3.8), while the Employee Engagement Survey participation rate also increased to 85% (75). On average, our employees scored highly on relationships with colleagues, health and safety, as well as manager relations. Our employees rated topics related to feedback and purpose and vision the lowest.

In 2023, the average number of employees decreased by 0.6% to 5,024 (5,053). At the same time as we recruited new skills to meet the needs in the new areas of renewable energy such as solar power and e-mobility, a certain number of employees in the various charging units were laid off due to lower volumes than previously expected.

For more information how we work with employees, please refer to page 24, and health and safety page 22.

Risk Management

The goal of Eltel's Risk Management is to safeguard strategy execution from unexpected risks through assessing risks and opportunities on a daily basis. Risk awareness is part of our daily mindset.

The control environment within Eltel's corporate governance framework includes a set of clear rules of procedure for the Board of Directors and its committees, a clear organizational structure, documented delegation of authority (from the Board of Directors to the Group Management Team) and a series of Group policies and instructions. The governance framework and internal controls are applicable to all Eltel companies.

Eltel has a risk management process in place. The Internal Audit Function evaluates if the process is being followed and communicates identified deficiencies to top management.

For more information regarding financial risk management, please refer to note 14 in the Consolidated financial statements.

Risk Reporting

The Group Risk Management Team (RM Team), which is comprised of members of the current Group Function Management as defined in the Risk Management Policy, is responsible to ensure that risks are addressed adequately by Country and Solution Unit management. This is performed bi-annually when the forum discusses the risks and reviews them with a comparable view to ensure adequate risk management is in place. The forum provides feedback to the Audit Committee and the Board of Directors.

RISK REPORTING ROLES

Reports →

← Provides feedback

Country/ Solution Unit	Group CEO/CFO	Group RM Team	Board/ Audit Committee
Identifies operational risks and opportunities. Reports risks, weight of risks and potential action plan via Monthly Business Review template.	Reviews risks and opportunities during monthly business reviews. Confirms actions and deadlines.	Meets bi-annually to review top risks to identify issues and decide whether further actions are needed, or reporting should be escalated.	Reviews deliverables from management and provides advice to the CEO.
Addresses risks and opportunities as part of the Business Plan.	Reviews and approves risks as part of the Business Plan.	Prepares a bi-annual risk report to the Board of Directors as a summary of top strategic and operational risks.	
	Reports top operational risks to the Audit Committee at least bi-annually.		

MOST SIGNIFICANT RISKS

Strategic risk	Actions	Type
Sales and EBITA development long term: Eltel's limited capability to adjust to fluctuating customer demands is a sales and profitability risk. During the strategy period 2024–2026 the actual timing of telecom customers' CAPEX investments is uncertain. Furthermore, there is a risk that Eltel is not able to scale-up capabilities as needed to serve the demand in new market segments such as e-Mobility, solar PV and mobile indoor. Inflation, challenges to increase sales prices and inability to realize savings measure targets as well as risk of customers postponing projects may impact Eltels ability to improve profitability as planned.	Identified risks require action to develop the offering, typically by organic growth and/or M&A.	Sales and EBITA
Financial risk: The most significant financial risks are risks related to the availability of financing (refinancing and obtaining new loans) and liquidity.	As it is unlikely that bank financing can be increased in the short term, Eltel will likely have to seek some other form of liquidity buffer to secure continued operations and investment in growth.	Financing and liquidity
High dependency on 1-2 key customers especially in Norway and Sweden: Changes in volumes coming from key customers and possible renegotiations can have a significant impact on the net sales and profitability in both countries.	There are ongoing activities to find growth and broaden the customer base in both countries.	Customers
High Voltage Poland: There are significant profitability challenges in High Voltage Poland. Main reasons for the challenges are increased material and labor costs due to high inflation. Furthermore, there are delays and problems with closing old projects, and a challenging market in general.	Given the difficult conditions we are evaluating strategic alternatives for the Polish operations.	High Voltage Poland
Operative risk	**Actions**	**Type**
Health and safety in the working environment: Lack of subcontractor availability on the market may lead to the selection of subcontractors with less experience and/or focus on HSE, and thus their usage may lead to increased incidents and/or reputational damage to Eltel.	Focus on sharing of learnings from incidents and cascading safety bulletins throughout the organization including subcontractors, mainly to technicians and project managers, to improve awareness and incident prevention.	Health and safety
Capacity and competences: The availability of resources and finding the right competences is a challenge. The increasing salary levels make it even more challenging to attract and retain the right people.	Increasing resources through recruitment and hiring subcontractors. Actions also include moving resources between teams if possible to ensure the production capacity.	Capacity and competence
Inconsistent ways of working: Lack of standardized processes and ways of working decrease ability to reach desired savings, efficiency and EBITA targets as well as perform accurate forecasting. The above increases the risk of unexpected write-downs, penalties and/or poor result.	Process and tool development as well as sharing of key learnings.	Processes
Inflation: Inflation, especially in relation to salary levels, material prices, subcontracting costs and logistics costs negatively affect Eltel's profitability.	Mitigating factors include price increases in customer contracts.	Inflation
IT & Cybersecurity: Increased cybercrime activity can present risks to the Group's data security and continuity. Human behavior is a key risk for IT security (e.g. downloading of unlicensed or malicious software or improper data transfers).	Investing in capabilities to identify serious threats to security and continuity. Security training given high focus to secure that the human firewall is in place.	IT & Cybersecurity
Sustainability: There is a risk that during the tendering and planning phases the increasing sustainability related requirements are not fully considered, leading to unexpected costs, penalties and/or reputational damage for Eltel. Further refer to Sustainability page 20.	Ensuring that sustainability risks are considered during the tendering and planning phases. Further refer to Sustainability page 20.	Sustainability

Remuneration of senior executives

For information regarding remuneration to senior executives in 2023 and 2022, please refer to note 29 Remuneration to senior executives, in the Consolidated financial statements.

As it has been four years since the Guidelines for Remuneration to Senior Executives were adopted, the Board of Directors of Eltel AB will propose new guidelines to be adopted at the AGM 2024.

Guidelines for remuneration to senior executives of the company

Eltel AB's Annual General Meeting 2020 resolved to adopt guidelines for remuneration to senior executives on the following principal terms and conditions.

Scope and applicability of the guidelines

These guidelines for remuneration to senior executives cover remuneration to the Board of Directors, the CEO, the Deputy CEO and other senior executives (the Group Management Team). The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after the adoption of the guidelines by the Annual General Meeting 2020.

The guidelines apply until the general meeting resolves to adopt new guidelines for remuneration to senior executives. These guidelines do not apply to any remuneration decided or approved by the general meeting, e.g. remuneration to the Board of Directors and long-term incentive programs, which are decided separately by the general meeting of shareholders.

The guidelines promote the company's business strategy, long-term interest and sustainability

The Board of Directors considers that a prerequisite of the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain a highly competent management with capacity of achieving specified goals. To this end, it is necessary that the company can offer competitive remuneration to motivate senior executives to do their utmost. Variable cash remuneration covered by these guidelines shall be based on criteria that aim at promoting the company's business strategy and long-term interests, including its sustainability, and where the fulfilment of the criteria is determined by the method set out below. For a description of the company's strategy, please refer to www.eltelgroup.com/investors/investor-information/strategy-and-targets/.

Forms of remuneration

The remuneration to senior executives shall be based on market terms. The remuneration may consist of fixed base salary, variable remuneration, pension, and certain other benefits. In addition, the general meeting may – regardless of these guidelines – resolve on share-related or share price related remuneration.

Fixed base salary

Fixed base salary for senior executives reviewed yearly and in accordance with local practices. The fixed base salary constitutes 60-80% of total remuneration excluding LTI and assuming a 50% outcome of STI.

Cash short-term incentives (STI)

The aim of the short-term incentive is to reinforce the right performance and behaviors – financially and operationally – and to align the individual performance with the company's business strategy, long-term interests, and sustainability.

The key performance criteria for senior executives are primarily financial, i.e. net sales, EBITA, net working capital (NWC) in relevant currencies and safety measured as the lost time injury frequency rate (LTIFR). A minor part of certain senior executives' key performance criteria can be discretionary under special circumstances.

The minimum financial performance of the company for any STI pay-out is defined by the Board of Directors as a level of result in EBITA. This level is set to guarantee a lowest level of earnings for the company before any STI pay-out is made.

The short-term incentives can amount to a maximum of 80% of the fixed base salary for the CEO and 60% for other senior executives.

Unless otherwise provided by mandatory law or obligations in applicable collective bargaining agreements, short-term incentives shall not entail any deposition of pension.

The STI is paid in connection with the ordinary monthly salary that is paid four months after the end of the qualifying period. The company is not able to recover remuneration paid out as STI.

In specific situations, for example in relation to potential divestments, M&A or specific projects, Eltel may offer cash bonuses that are conditional on the success of the specific transaction or project.

Long-term Incentives (LTI)

Senior executives can be offered share-related or share price-related remuneration. LTI are intended to improve the participants' commitment to the company's development and they shall be implemented on market-based terms. Resolutions on incentive programs related to shares and share prices must be passed at the general meeting and are therefore not covered by these guidelines.

Other benefits

Pension

Senior executives are offered pension benefits that are primarily based on defined insurance payments and in accordance with local practices.The pension benefits are generally funded through payments to insurance companies or trustee-administered funds.

Company car

Senior executives are offered a company car and other benefits (such as allowances to physical activity, personal health, lunch facilities, health insurance etc.) in accordance with local rules, regulations, and practices in each country.

Other benefits constitute 4–14% of total remuneration excluding LTI and assuming a 50% outcome of STI.

Notice of termination and severance pay

The senior executives' employment or contractual agreements shall be valid until further notice or for a specified period of time.

The notice period is twelve months for the CEO in the event of termination by the company and twelve months in the event of termination by the CEO. In the event of termination by the company, the CEO is entitled to a severance pay equivalent of twelve months' fixed base salary and payable in one sum. The total amount of the salary and severance payment for the CEO may not exceed an amount corresponding to two years' fixed base salary.

The notice period is twelve months for other senior executives in the event of termination by the company and six months in the event of termination by other senior executives themselves. No other senior executive than the CEO is entitled to severance payment.

Salary and terms of employment for employees

In preparing the Board of Directors' proposal for these remuneration guidelines, the salaries, and terms of employment for the company's employees have been taken into account.

Information about employees' total remuneration, components of their remuneration as well as increases in remuneration and increases over time have been obtained and have constituted a part of the Remuneration Committee's and the Board of Directors' decision basis in their evaluation of the fairness of the guidelines and the limitations arising from them.

The resolution process

The Board of Directors shall prepare a proposal for new guidelines when there is a need for significant changes to the guidelines, however at least every four years. The Board of Directors' proposal is prepared by the Remuneration Committee. The chairman of the Board of Directors may chair the Remuneration Committee. In order to manage conflicts of interest, other members of the Remuneration Committee who are elected by the Annual General Meeting must be independent in relation to the company and the senior executives.

The Remuneration Committee shall, inter alia, monitor and evaluate the application of the guidelines for remuneration to senior executives decided by the Annual General Meeting. When the Remuneration Committee has prepared the proposal, it is submitted to the Board of Directors for decision.

The CEO or other senior executives shall not be present while the Board of Directors addresses matters related to remuneration and passes resolutions about them, insofar as they are affected by the matters.

If the Annual General Meeting does not resolve to adopt guidelines when there is a proposal for such, the Board of Directors shall submit a new proposal no later than the next Annual General Meeting. In such cases, remuneration shall be paid in accordance with the current guidelines or, if no guidelines exist, in accordance with the company's practice.

External advisors are used in the preparation of remuneration-related matters when deemed necessary.

Subsequent events

Alexandra Kärnlund appointed as the new Director of Communications

On 26 February 2024, it was announced that Alexandra Kärnlund has been appointed as the new Director of Communications and member of the Group Management Team. Alexandra Kärnlund replaces Elin Otter, who is leaving Eltel for a position outside the company. Alexandra Kärnlund will assume her role in April 2024.

Corporate Governance Report

Eltel has issued a Corporate Governance Report for the financial year 2023. The Corporate Governance Report has been prepared in accordance with the Swedish Corporate Governance Code.

The Eltel share

Eltel's shares are listed on Nasdaq Stockholm, under the trading symbol "ELTEL". As per 31 December 2023, the total number of shares amounts to 160,585,581 divided into 156,736,781 ordinary shares with 1 vote per share and 3,848,800 C shares with 1/10 vote per share. The share capital entered in the trade register per 31 December 2023 is EUR 161,950,203.

More about the Eltel share please refer to page 91–92.

Dividend policy

A dividend policy has been adopted whereby 50% of Eltel's consolidated net profit shall be paid in dividends over time (with flexibility in relation to the pay-out ratio).

The Parent Company

Eltel AB owns and governs the shares of 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 Parent Company's income amounted to EUR 1.9 million (2.5) related to support function services provided to the Group. The operating expenses amounted to EUR 7.4 million (7.3).

Financial income amounted to EUR 20.8 million (21.5) related to interest income from Group companies. Financial expenses amounted to EUR 3.6 million (1.9) and Group contribution of EUR 11.6 million (14.5) was given to a subsidiary company. Net result was EUR 0.1 million (0.3).

The Board's proposal for the distribution of profits

The Parent Company's non-restricted equity on 31 December 2023 was EUR 306,353,801.93 of which the net profit for the year was EUR 127,714.89. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the year 2023 and that the non-restricted equity of EUR 306,353,801.93 be retained and carried forward.

Corporate Governance report

Eltel AB (publ) (hereafter referred to as "Eltel" or the "Company") is a Swedish public limited liability company with its shares admitted to trading on Nasdaq Stockholm.

Eltel complies with the guidelines and provisions of its Articles of Association, the Swedish Companies Act (Sw. Aktiebolagslagen (2005:551)), the Swedish Annual Accounts Act (Sw. Årsredovisningslagen (1995:1554)), the rules and regulations of Nasdaq Stockholm's Rule Book for Issuers, as well as other applicable Swedish and international laws and regulations. Eltel applies the Swedish Corporate Governance Code (the "Code"), issued by The Swedish Corporate Governance Board (Sw. Kollegiet för svensk bolagsstyrning), available at www.corporategovernanceboard.se.

Eltel's Audit Committee has reviewed this Corporate Governance Report (the "Report") and confirms that the description of the main features of the internal audit and risk management section, as related to the financial reporting process, is consistent with the financial statements, as set out in Eltel's Annual Report 2023.

Eltel's governance structure

Eltel's internal governance is regulated by the Swedish Companies Act and the Code.

Shareholders

Ownership structure

As per 31 December 2023, Eltel has 3,676 shareholders. The four largest shareholders of Eltel AB are Solero Luxco S.á.r.l. 16.3% (a company controlled by Triton Funds), Wipunen Varainhallinta Oy 14.3%, the Fourth Swedish National Pension Fund (AP4) 9.6%, and Heikintorppa Oy 7.9%. The four largest shareholders referred above together represent 48.2% of the votes in the Company.

Shares and votes

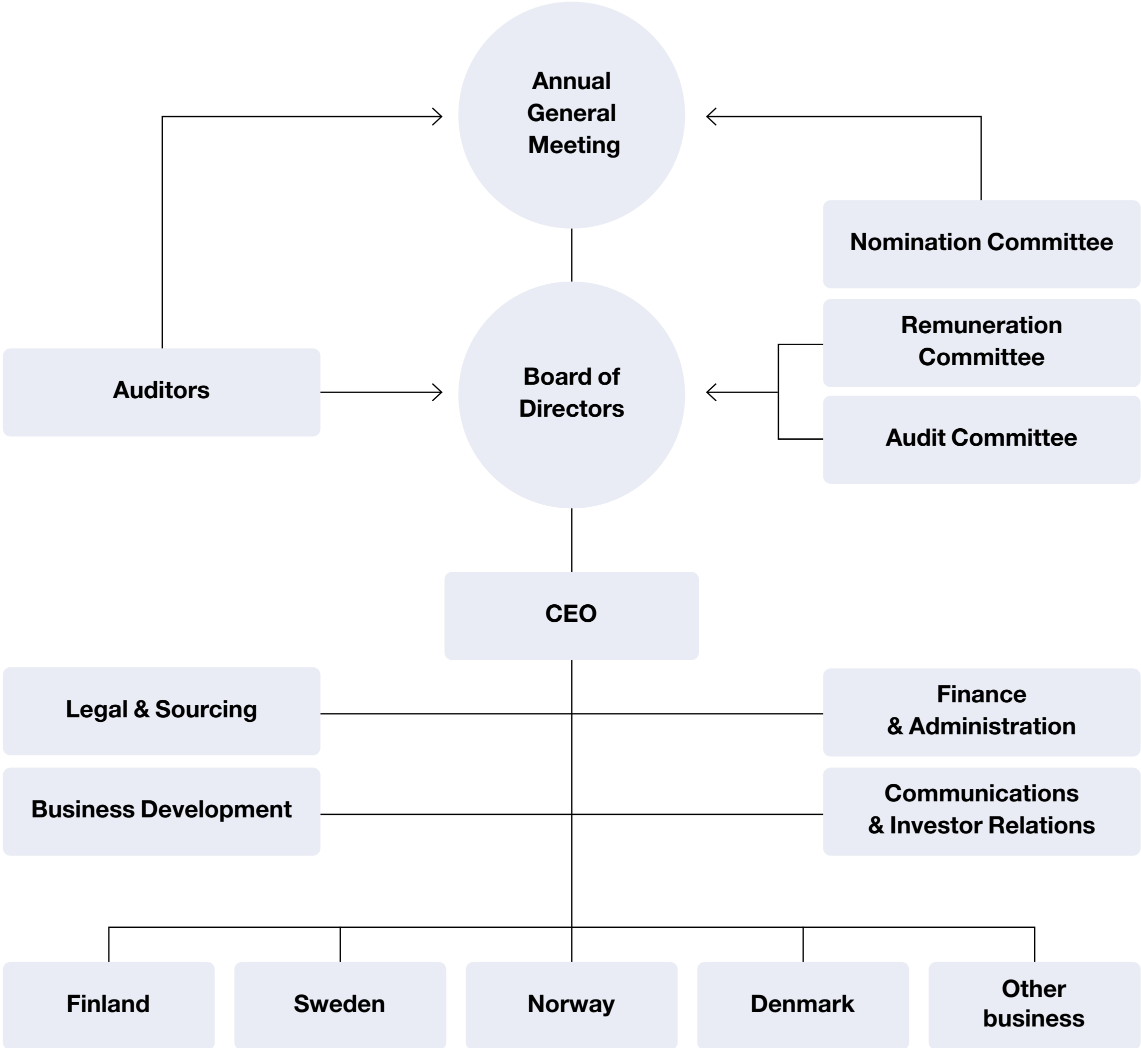
Eltel's shares are listed on Nasdaq Stockholm, under the trading symbol "ELTEL". As per 31 December 2023, the total number of shares amounts to 160,585,581 divided into 156,736,781 ordinary shares with 1 vote per share and 3,848,800 C shares with 1/10 vote per share. The share capital entered in the trade register per 31 December 2023 is EUR 161,950,203.

The General Meeting of shareholders

The General Meeting of shareholders is Eltel's highest decision-making body. In addition to the Annual General Meeting of shareholders, Extra-ordinary General Meetings of shareholders may be convened at the discretion of the Board of Directors or, if requested by the external auditor or by shareholders holding at least 10% of the shares. At the Annual General Meeting, shareholders exercise their voting rights on matters such as:

- Approving the financial statements
- Deciding on the distribution of dividends
- Discharging the company's Board of Directors and CEO from liability for the financial year
- Electing the Company's Board of Directors and auditors and deciding on their remuneration
- Other matters as stipulated in the Swedish Companies' Act, the Articles of Association or the Code, as applicable.

ELTEL'S GOVERNANCE STRUCTURE



All General Meetings are convened by notice in the Swedish Official Gazette (Sw. Post- och Inrikes Tidningar) and by publishing the notice of the meeting on Eltel's website. At the time of the notice, an announcement with information that the notice has been issued is published in the newspaper Svenska Dagbladet. Eltel also publishes invitations to its General Meetings as regulatory press releases.

All shareholders who have been entered in the share register and have informed the Company of their attendance within the time limit stated in the notice of the meeting are entitled to participate at Eltel's General Meetings and vote according to the number of shares held. Shareholders are also entitled to be represented by a proxy at the meeting.

Annual General Meeting 2023

Eltel's Annual General Meeting was held on 11 May 2023. Shareholders representing 89,849,439 shares, constituting 57,3% of the total number of shares and votes in the Company, participated. Matters addressed at the meeting included the following:

- Resolution regarding adoption of the profit and loss statement and the balance sheet and the consolidated profit and loss statement and consolidated balance sheet and resolution regarding appropriation of the Company's profit according to the adopted balance sheet
- Resolution regarding discharge from liability for the members of the Board of Directors and the CEO
- Re-election of Ulf Mattsson, Gunilla Fransson, Joakim Olsson, Roland Sundén, Ann Emilson and Erja Sankari as members of the Board of Directors
- Election of KPMG AB as the auditor (whereby it was announced that Fredrik Westin will continue as auditor-in-charge)
- Resolution regarding approval of the Remuneration Report for 2022
- Resolution regarding a share-based long-term incentive program 2023 ("LTIP 2023")
- Authorization for the Board of Directors to resolve to issue new shares and authorization for the Board of Directors to resolve to repurchase and transfer the Company's own shares.

The minutes of the Meeting and other related documents can be found on Eltel's website: www.eltelgroup.com/about-us/corporate-governance/annual-general- meeting/agm-archive/.

Annual General Meeting 2024 and Annual Report 2023

Eltel's Annual General Meeting 2024 will be held on 14 May 2024.

The Annual Report 2023 will be made available on the Group website from week 13, 2024, www.eltelgroup.com and at Eltel AB headquarters, Adolfsbergsvägen 13, Bromma, Sweden from week 17, 2024.

Nomination Committee

According to the instructions for the Nomination Committee, the committee shall comprise a minimum of four members, representing each of the four largest shareholders registered on 31 August the year before the Annual General Meeting. The Nomination Committee's main duties are to propose candidates for the Board of Directors, the Chairman of the Board, as well as fees and other remuneration for the members of the Board of Directors. The Nomination Committee is also to make proposals on the election and remuneration of the statutory auditor. Shareholders in Eltel are invited to submit proposals to the Nomination Committee. The Nomination Committee shall pay special attention to the requirements relating to diversity and breadth of qualifications, experience, and background, as well as the requirement to strive for gender balance in the Board of Directors.

An annual evaluation of the Board of Directors' work, expertise, composition, and independence of its members is initiated by the Chairman of the Board of Directors, partly to assess the preceding year and partly to identify areas of development for the Board of Directors.

The evaluation is performed with the support of an evaluation form and through discussions, as well as through individual interviews of the members of the Board of Directors.

Nomination Committee for the AGM 2024

For the 2024 Annual General Meeting, the Nomination Committee consists of the following members:

- Gustaf Backemar, Chairman, Solero Luxco S.á.r.l. (16.4% of votes)
- Peter Immonen, Wipunen Varainhallinta Oy (14.3% of votes)
- Thomas Ehlin, the Fourth Swedish National Pension Fund (9.6% of votes)
- Ingeborg Åkermarck, Heikintorppa Oy (7.9% of votes).

The members of the Nomination Committee have met on three occasions and held separate sessions to interview individual members of the Board.

The Nomination Committee's complete proposals for the 2024 Annual General Meeting will be published in the notice convening the 2024 Annual General Meeting.

The Board of Directors

The Board of Directors' responsibility is regulated by the Swedish Companies Act, the Swedish Annual Accounts Act, the Company's Articles of Association, directions given by the General Meeting and the Charter for Eltel's Board of Directors adopted by the Board of Directors. In addition, the Board of Directors shall comply with the Code and Nasdaq Stockholm's Rule Book for Issuers, as well as other applicable Swedish and international laws and regulations.

Responsibility of the Board of Directors

The Board of Directors is responsible for the Company's organization and administration of the Company's affairs. The Board of Directors shall continuously assess the Group's financial situation, as well as ensure that the Company's organization is structured in such a way that the accounting, management of funds and the financial conditions are securely controlled.

The Board of Directors is also responsible for setting objectives and strategies, ensuring efficient systems for follow-up and control of the Company's operations, identifying how sustainability issues impact risks to and business opportunities for the Company, and that satisfactory controls are in place to ensure the Company's compliance with laws and other regulations applicable to Eltel's operations. Furthermore, the Board of Directors shall ensure the implementation of appropriate policies and other steering documents regarding the Company's conduct and that any public disclosure of information is made in accordance with laws and established practices (including Nasdaq Stockholm's Rule Book for Issuers). In addition, the tasks of the Board of Directors include appointing, evaluating and, if necessary, dismissing the CEO.

With the exception of employee representatives, members of the Board of Directors are appointed at the Annual General Meeting one year at a time for the period until the end of the next Annual General Meeting. According to the Company's Articles of Association, the number of members of the Board of Directors to be elected at the General Meeting shall be no less than three and no more than ten ordinary members and no more than three deputies.

In accordance with the Code, the majority of the members of the Board of Directors shall be independent of the Company and its management.

Eltel's Board of Directors has adopted a Charter for its work. The Charter is reviewed annually. The Charter regulates, for example, the Board of Directors' roles and responsibilities, the Board's ways of working and the division of tasks within the Board. The Board of Directors also has adopted an Instruction for the CEO of Eltel, as well as an Instruction for financial reporting.

Board of Directors in 2023

As per 31 December 2023, the Board of Directors consists of eight ordinary members (six members elected by the General Meeting of shareholders and two employee representatives):

- Ulf Mattsson, Chairman
- Ann Emilson
- Gunilla Fransson
- Joakim Olsson
- Erja Sankari
- Roland Sundén
- Björn Tallberg, employee representative
- Stefan Söderholm, employee representative.

The members of the Board of Directors are presented in greater detail in the section “Board of Directors” on page 46.

The Chairman Ulf Mattsson and the Board members Ann Emilson, Gunilla Fransson, Erja Sankari and Roland Sundén are deemed to be independent of the owners and the Company. Joakim Olsson is deemed to be independent of the Company but dependent on significant shareholders due to his positions in relation to Solero Luxco S.á.r.l

MEMBERS OF THE BOARD OF DIRECTORS

Name	Position	Year of birth	Election year	Share holding	Remuneration EUR	Independence from main owners	Independence of the Company
Ulf Mattsson	Chairman	1964	2017	129, 000	118,700	Yes	Yes
Ann Emilson	Member	1965	2022	–	44,700	Yes	Yes
Gunilla Fransson	Member	1960	2016	–	52,900	Yes	Yes
Joakim Olsson	Member	1965	2018	–	44,700	No	Yes
Erja Sankari	Member	1973	2022	–	44,700	Yes	Yes
Roland Sundén	Member	1953	2018	150,000	52,900	Yes	Yes
Stefan Söderholm	Employee represent.	1960	2021	–	–	Yes	No
Björn Tallberg	Employee represent.	1976	2015	–	–	Yes	No
Andreas Nilsson[1]	Deputy employee rep.	1976	2022	–	–	Yes	No

[1] Until 29 September 2023.

Information about the Board of Directors’ other assignments can be found on page 46.

BOARD MEETING PARTICIPATION 2023

	31 Jan	5 Feb	6 Feb	15 Feb	6 Mar	16 Mar	24 Mar	3 May	11 May	2 Jun	21 Jun	26 Jul	23 Aug	29 Aug	19 Sep	1 Nov	21 Dec	29 Dec
Ulf Mattsson	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Ann Emilson	●	–	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Gunilla Fransson	●	●	●	●	●	–	●	●	●	●	●	●	●	●	●	●	●	●
Joakim Olsson	●	–	–	●	●	–	●	●	●	●	●	●	●	●	●	●	●	●
Erja Sankari	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Roland Sundén	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Stefan Söderholm	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Björn Tallberg	●	–	–	●	●	●	●	●	●	●	–	–	●	●	–	●	–	–
Andreas Nilsson[1]	●	●	●	●	–	●	●	●	●	–	●	●	–	●	●	–	–	–

[1] Until 29 September 2023.

Matters for the Board of Directors during 2023

In 2023, the main focus of the Board of Directors was to ensure the implementation of the Company’s new strategy, improvement of profitability and that other activities for strengthening the balance sheet and lowering the net debt also took place.

In 2023, the Board of Directors held 17 meetings. For details of Board member participation in Board meetings, please see table Board meeting participation 2023.

Evaluation of the Board of Directors’ performance

To ensure the quality of the work of the Board of Directors and to identify the possible need for further expertise and experience, the work of the Board of Directors and its members is evaluated annually. In 2023, evaluations, led by the Chairman of the Board of Directors, were carried out by way of each Board member responding to an online questionnaire. The compiled results were presented to the Board of Directors at the final Board meeting of the year. The Chairman of the Board of Directors also presented the results of the evaluations at a meeting with the Nomination Committee.

Board committees

An Audit Committee and a Remuneration Committee is annually appointed by the Board of Directors in its constituent meeting following the Annual General Meeting.

The Board of Directors may also appoint other committees, if deemed necessary. The Board of Directors appoints the members of the committees and their chairmen by taking account of the expertise and experience required for the duties. The members of each committee are appointed for the same term of office as the Board of Directors itself. The main responsibilities of the committees, as further outlined below, are to prepare matters that are within the Board of Directors’ decision power.

The Audit Committee

The main responsibilities of the Audit Committee are to:

- Monitor the Company’s financial reporting
- Monitor the effectiveness of the Company’s internal control, internal audit, and risk management
- Keep itself informed regarding the audit of the Annual Report and Group accounts
- Review and monitor the impartiality and independence of the auditor, paying particular attention to whether the auditor provides the Company with services other than auditing services

- Assist in the preparation of proposals to the resolutions to the General Meeting regarding the election of an auditor
- Advise and perform tasks that are specifically delegated from the Board of Directors, if any.

As part of the tasks described above, the Chairman of the Audit Committee shall support senior management with matters related to financial reporting and information disclosure and have ongoing contact with the auditor on these topics.

The Audit Committee Chairman shall also support the CEO, the CFO and Group Communications in matters relating to information disclosure, financial reporting, and media contacts, particularly in the event of a crisis.

The Audit Committee in 2023

As per 31 December 2023, the Audit Committee consists of four members: Gunilla Fransson (Chairman), Joakim Olsson, Erja Sankari and Roland Sundén.

In 2023, the Audit Committee held six meetings, at which Eltel's external auditor and representatives of the Company's management were present.

AUDIT COMMITTEE PARTICIPATION 2023

	15 Feb	3 May	26 Jul	3 Oct	1 Nov	12 Dec
Gunilla Fransson	●	●	●	●	●	●
Joakim Olsson	●	●	●	●	–	●
Erja Sankari	●	●	●	●	●	●
Roland Sundén	●	●	●	●	●	●

The Remuneration Committee

The main responsibilities of the Remuneration Committee are to:

- Prepare the Board of Directors' resolutions on issues concerning remuneration principles, remunerations, and other terms of employment for the senior management
- Monitor and evaluate programs for the variable remuneration of senior management, both ongoing and terminated during the year
- Monitor and evaluate the application of the guidelines for the remuneration of senior management upon which the Annual General Meeting is legally obliged to decide, as well as the current remuneration structures and levels in the Company
- Assess and plan the succession of senior management at Eltel.

The Remuneration Committee in 2023

As per 31 December 2023, the Remuneration Committee comprises three members: Ulf Mattsson (Chairman), Ann Emilson and Roland Sundén.

The Remuneration Committee held three meetings in 2023.

REMUNERATION COMMITTEE PARTICIPATION 2023

	10 Feb	5 Oct	30 Nov
Ulf Mattsson	●	●	●
Ann Emilson	●	●	●
Roland Sundén	●	●	●

Remuneration principles at Eltel

Eltel's guidelines for remuneration to senior executives, as adopted at the Annual General Meeting 2020, are set out in the Board of Directors' Report. Eltel's Remuneration Report for 2023 will be submitted for approval at Eltel's Annual General Meeting 2024.

External Audit

The Annual General Meeting appoints an external auditor for one year at a time. The external auditor is responsible for auditing the annual financial statements of the Group and Parent Company.

The external auditor also reviews the third quarter interim report, the Corporate Governance Report, the Sustainability Report and the Company's administration. The external auditor attends all regular Audit Committee meetings and reports observations related to internal control, administration of the Company and the review of the third quarter and the annual financial statements. The external auditor attends at least one Board meeting each year.

External auditor in 2023

The Annual General Meeting in 2023 elected KPMG AB as Eltel's external auditor for a one-year mandate, with Fredrik Westin as auditor-in-charge. In 2023, total fees paid to the external auditors, KPMG AB, amounted to EUR 0.7 million, of which non-auditing services totalled EUR 0.1 million.

Group Management Team

Chief Executive Officer

Eltel's President and Chief Executive Officer (CEO) reports to the Board of Directors. Håkan Dahlström is the President and CEO of the Eltel Group. The CEO's responsibility is governed by the Swedish Companies Act, the Swedish Annual Accounts Act, the Company's Articles of Association, directions given by the General Meeting, Eltel's Instructions to the CEO and other directions and guiding principles established by the Board of Directors.

Group Management Team

The Group Management Team ("GMT"), chaired by the CEO, meets a minimum of 10 times annually (10 times in 2023). The GMT considers strategic and operational issues related to the Group and its businesses, as well as investments, Group structure and corporate steering systems, and it supervises the Company's operations. The GMT also delivers the annual business plan, budget and forecast updates to the Board of Directors in accordance with the Company's established planning cycle.

The Group Management Team comprises the following members[1]:

- Håkan Dahlström, President and CEO
- Tarja Leikas, CFO
- Caroline Lindgren, General Counsel and Head of Sourcing
- Elin Otter, Director, Communications and Investor Relations
- Pamela Lundin, Director, Business Development
- Juha Luusua, Managing Director, Eltel Finland
- Lars Nilsson, Managing Director, Eltel Sweden
- Thor-Egel Bråthen, Managing Director, Eltel Norway
- Claus Metzsch Jensen, Managing Director, Eltel Denmark.

Information on the members of the GMT can be found in the Annual Report for 2023 on page 47.

[1] Saila Miettinen-Lähde, CFO, left the company on 31 July 2023 and was replaced on 1 August 2023 by the current CFO, Tarja Leikas. Henrik Sundell, General Counsel, left the company on 31 January 2024 and was replaced on 1 February 2024 by the current General Counsel, Caroline Lindgren.

Control systems

Guidelines and manuals

Eltel's internal control system, which comprises all corporate governance including policies, guidelines, and procedures, is communicated via management, and is organized according to the requirements of each Country Unit and Solution Unit. Eltel's IFRS Accounting Manual contains instructions and guidance on accounting and financial reporting to be applied at all Eltel Group companies. The manual's objective is to provide guidance on Eltel Group accounting principles to be applied in Group reporting as well as preparation of the consolidated financial statements.

Fundamental Eltel policies cover areas such as authorization, Code of Conduct, internal control and risk management, reporting of suspected violations of laws, ethics or misconduct (whistleblowing) to Eltel's Compliance unit, health and safety, communications and investor relations, sustainability, restrictions on insider trading, accounting and controlling.

As part of regular monitoring, Eltel conducts internal audits to verify that the Company complies with the approved governance. Regular reporting, follow-up and escalation procedures have been implemented in which the Audit Committee is ultimately made aware if issues are identified.

The CEO is primarily responsible for implementing the Board of Directors' instructions in the day-to-day work. The CEO regularly reports to the Board based on established procedures. Furthermore, monthly operational business reviews are conducted with the CEO and CFO.

Information and communications

All external communications are carried out in accordance with the relevant regulations and Eltel's Communications Policy.

Eltel has a Group Communications function that focuses on four key communication areas: Investor Relations, internal and external communications, brand and marketing, as well as sustainability.

Follow-up

The Board of Directors and GMT monitor Eltel's compliance with adopted policies and guidelines. At each Board meeting the Company's financial position is addressed. The Remuneration and Audit Committees play key roles in terms of, for example, remuneration, financial statements and internal control. Prior to the release of interim reports and the Annual Report, the Audit Committee and the Board of Directors review the financial statements.

Eltel's management conducts a monthly follow-up of earnings, analyzing any deviations from the budget, forecasts and the previous year.

The duties of the external auditor include performing an annual review of the internal controls of the Group and Group subsidiaries. Status and identified deviations are addressed at the Audit Committee meetings or escalated earlier, when appropriate.

The Board of Directors meets with the auditors once a year to review the internal controls and, in specific cases, to instruct the auditors to perform separate reviews in specific areas. The auditors attend all regular Audit Committee meetings.

Priority areas in 2023

Eltel's significant priority areas for 2023 included the following:

- Implementation of a new strategy
- Mitigating inflation through indexes and cost compensation from customers
- Improving commercial capabilities
- Expanding our customer base and broadening our offering
- Prioritize core operational improvements.

Internal audit 2023

Internal audit is responsible for the internal control framework, risk management process, internal audits and monitoring of Eltel's compliance with governance, which is based on applicable laws and generally accepted accounting principles.

During the year, the function performed internal audits and updated internal controls to assess and improve process/control compliance and risk management. The internal audits covered a selection of customer projects and business processes. The outcome of the internal audits and control testing has been followed-up and communicated accordingly. The function will continue to focus on the testing and development of internal controls, leading the risk management process, as well as internal audits of customer projects and key business processes outlined in the 2024 internal audit plan.

Risk management

Please see Board of Director's report page 37–38.

Board of Directors

ULF MATTSSON
Chairman of the Board since 2017
Born: 1964
M.Sc. Economics
Positions and other board memberships:
Chairman of the Board of VaccinDirekt i Sverige AB, Prima Vård AB and Attendo. Member of the Board of Addtech AB, Oras Invest Oy and Priveq V AB. Advisor at EQT and PJT Partners.
Board committees:
Chairman of the Remuneration committee
Previous positions:
Chairman of the Board of AcadeMedia, Musti ja Mirri, Evidensia and Itslearning. Member of the Board of Gambro. CEO (interim) at Gambro. CEO at Capio and Mölnlycke Health Care.
Shareholding:
129,000 shares through SIEM Design AB

ANN EMILSON
Member of the Board since 2022
Born: 1965
M.Sc. Industrial Management and Engineering
Positions and other board memberships:
EVP, Global Sales & Marketing at Tobii AB.
Board committees:
Member of the Remuneration Committee
Previous positions:
Head of Business Unit Public & Key at Telia. Vice President, Retail, Telecom and Utility Business at CGI Stockholm. Various managerial positions at Ericsson AB.
Shareholding: –

GUNILLA FRANSSON
Member of the Board since 2016
Born: 1960
M.Sc. and Tech.Lic. Chemical Engineering
Positions and other board memberships:
Chairman of the Board of NetInsight AB. Member of the Board of Dunker Foundation, Trelleborg AB, Securitas AB and Nederman AB.
Board committees:
Chairman of the Audit Committee
Previous positions:
Head of Business Area at Saab AB. Various positions at Ericsson AB.
Shareholding: –

JOAKIM OLSSON
Member of the Board since 2018
Born: 1965
MBA and M.Sc. Mechanical Engineering
Positions and other board memberships:
Operating Partner at Triton. Chairman of the Board of Seves Group S.á r.l. Chairman of the Avisory Board of Arvos Group and Dywidag.
Board committees:
Member of the Audit Committee
Previous positions:
Member of the Board of Logstor A/S. Chairman of the Board of Ovako Group AB. Member of the Board of FläktGroup GmbH, VCST and Semcon AB. CEO at SAG Group GmbH and Haldex AB.
Shareholding: –

ERJA SANKARI
Member of the Board since 2022
Born: 1973
M.Sc. Economics
Positions and other board memberships:
EVP and Chief Operating Officer at iLOQ. Member of the Board of Nurminen Logistics and Partnera Oyj. Chairman of the Board of Oulu Chamber of Commerce.
Board committees:
Member of the Audit Committee
Previous positions:
Vice President, Global Supply Chain at Nokia. Vice President, Supply Chain Engineering at Nokia. Head of Oulu Factory at Nokia/Nokia Siemens Networks. Various managerial positions at NSN and Nokia.
Shareholding: –

ROLAND SUNDÉN
Member of the Board since 2018
Born: 1953
M.Sc. Mechanical Engineering
Positions and other board memberships:
MD at PrimeValue Consult AB.
Board committees:
Member of the Remuneration Committee, Member of the Audit Committee
Previous positions:
President at Hiab and Member of Cargotec Executive Board. President and CEO at LM Wind Power. President, Agricultural Division at Case New Holland. Executive Vice President at Volvo Construction Equipment.
Shareholding:
150,000 shares

STEFAN SÖDERHOLM
Member of the Board – Employee Representative, since 2021
Born: 1960
Member of the Board of SEKO at Eltel Sweden.
Positions and other board memberships: –
Board committees: –
Previous positions:
Several different technical and managerial positions in the current Eltel organization.
Shareholding: –

BJÖRN TALLBERG
Member of the Board – Employee Representative, since 2015
Born: 1976
Chairman of the trade union Unionen at Eltel Sweden.
Positions and other board memberships: –
Board committees: –
Previous positions:
Team Leader at Eltel Aviation & Security. Network Engineer at Eltel Aviation & Security.
Shareholding: –

Shares held in Eltel as of 31 December 2023.

Group Management Team

HÅKAN DAHLSTRÖM
President and CEO since 2022
Born: 1962
M.Se. Computer Technology and M.Sc. Digital Technology
Positions and other board memberships: –
Previous positions: CEO at Fujitsu Sweden AB. CEO at Tieto Sweden AB and Executive Vice President, Tieto Corporation. President, Mobile Business area at TeliaSonera AB. President, Broadband Business area at TeliaSonera AB. Commander, Swedish Royal Navy.
Shareholding: 500,000 shares

TARJA LEIKAS
CFO, since 2023
Born: 1967
M.Sc. Economics
Positions and other board memberships: –
Previous positions: CFO at Ginolis Group. COO at Eniram Group. CFO (Acting) CEO at Dovre Group. CFO at TeliaSonera Finland. CFO, Business Area Broadband Services Finland at TeliaSonera Group.
Shareholding: 7,000 shares

ELIN OTTER
Director, Communications and Investor Relations, since 2019
Born: 1978
Bachelor of Arts, Journalism and News Editorial
Positions and other board memberships: –
Previous positions: Head of Group Communications at Eltel AB. Head of Communications and Marketing Nordics at Triton. Various managerial positions at Skanska.
Shareholding: 21,304 shares

CAROLINE LINDGREN
General Counsel and Head of Sourcing, since 2024
Born: 1978
Master of Laws (LL.M.)
Positions and other board memberships: –
Previous positions: Head of Legal Sweden at Sweco Sverige AB. Group Legal Counsel at Sweco AB. Associate and Attorney at Mannheimer Swartling Advokatbyrå AB.
Shareholding: –

PAMELA LUNDIN
Director, Business Development, since 2023
Born: 1970
M.Sc. Political Science
Positions and other board memberships: Member of Council, Chamber of Commerce and Industry of Southern Sweden.
Previous positions: CEO at Enercon's Swedish, Norwegian and Finnish operations. COO at Enercon GmbH Germany Filial. Deputy CEO and Member of the Board of Enercon Energy Converter AB. Project Manager/Project Developer at Eurowind AB.
Shareholding: –

JUHA LUUSUA
Managing Director, Eltel Finland, since 2018
Born: 1965
M.Sc. Electrical Engineering
Positions and other board memberships: Member of the Board of Sähköpooli (part of the Finnish National Emergency Supply Agency) and Football Association of Finland.
Previous positions: President BU Power at Eltel. President Power Distribution at Eltel. Managing Director Country Unit Finland, Eltel 2008–. SVP Electricity at Eltel Networks/Group Corporation.
Shareholding: 162,323 shares

LARS NILSSON
Managing Director, Eltel Sweden, since 2023
Born: 1967
B.Sc. Business Administration
Positions and other board memberships: –
Previous positions: CEO at CERTEGO Group. CEO at Marum Management AB. CEO at Imtech VS-teknik AB. CEO at Ericsson Local Services AB. CEO at GoExcellent AB. Various management positions at Microsoft.
Shareholding: 10,000 shares

THOR-EGEL BRÅTHEN
Managing Director, Eltel Norway, since 2018
Born: 1965
INSEAD Executive Management Programme, Certified service electronics technician
Positions and other board memberships: –
Previous positions: Director Fixed Telecom/Deputy Chief Executive Officer at Eltel Networks AS. CEO at Eltel Networks AS. QA Manager at Eltel Networks AS. CEO at Niscayah Denmark.
Shareholding: 5,000 shares

CLAUS METZSCH JENSEN
Managing Director, Eltel Denmark, since 2018
Born: 1968
M.Sc. Business Administration
Positions and other board memberships: Member of the Board of NKEL I/S.
Previous positions: Vice President at Caverion A/S. Senior Vice President at TDC A/S.
Shareholding: 26,000 shares

Shares held in Eltel as of 31 December 2023.

Consolidated financial statements

Consolidated income statement

EUR million	Note	2023	2022
Net sales		850.1	823.6
Cost of sales	7	-774.5	-748.9
Gross profit		**75.6**	**74.7**
Other income	7,8	3.5	0.9
Selling and administrative expenses	7	-82.4	-77.2
Other expenses	7,9	-2.0	-0.4
Operating result (EBIT)		**-5.3**	**-2.0**
Financial income		1.2	0.2
Financial expenses		-13.9	-9.6
Net financial expenses	11	-12.7	-9.5
Result before taxes		**-17.9**	**-11.4**
Taxes	12	10.3	-3.5
Net result		**-7.6**	**-14.9**
Attributable to:			
Equity holders of the parent		-7.9	-15.0
Non-controlling interest	25	0.3	0.1
Earnings per share (EPS)	13		
Basic, EUR		-0.07	-0.10
Diluted, EUR		-0.07	-0.10

Consolidated statement of comprehensive income

EUR million	Note	2023	2022
Net result for the year		-7.6	-14.9
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Revaluation of defined benefit plans, net of tax		-1.5	7.8
Items that may be subsequently reclassified to profit and loss			
Net investment hedges, net of tax		–	-0.0
Currency translation differences		-1.9	-9.1
Total		**-1.9**	**-9.1**
Other comprehensive income/loss for the year, net of tax		-3.4	-1.3
Total comprehensive income/loss for the year		**-11.0**	**-16.2**
Total comprehensive loss attributable to:			
Equity holders of the parent		-11.3	-16.2
Non-controlling interest	25	0.3	0.1

Consolidated balance sheet

EUR million	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Goodwill	26	253.6	256.0
Intangible assets	26	32.9	35.3
Property, plant and equipment	27	10.5	10.7
Right-of-use assets	28	51.9	46.5
Deferred tax assets	24	27.9	16.3
Financial assets	30,31	9.8	7.1
Total non-current assets		**386.7**	**371.9**
Current assets			
Inventories	21	17.3	24.8
Trade and other receivables	4,17,20	195.6	177.1
Cash and cash equivalents		24.7	47.9
Total current assets		**237.7**	**249.8**
TOTAL ASSETS		**624.3**	**621.7**

EUR million	Note	31 Dec 2023	31 Dec 2022
EQUITY AND LIABILITIES			
Equity	15		
Share capital		162.0	159.6
Other equity		29.1	44.4
Equity attributable to shareholders of the parent		191.0	204.0
Hybrid bond		25.0	–
Non-controlling interest	25	7.6	7.4
Total equity		**223.6**	**211.3**
Non-current liabilities			
Interest-bearing debt	16,17	20.7	34.7
Leasing liabilities	16,17,28	33.9	31.0
Retirement benefit obligations	31	5.6	6.0
Deferred tax liabilities	24	11.3	10.3
Provisions	22	3.4	2.6
Other non-current liabilities		0.6	0.6
Total non-current liabilities		**75.5**	**85.2**
Current liabilities			
Interest-bearing debt	16,17	50.4	90.4
Leasing liabilities	16,17,28	19.9	16.8
Provisions	22	3.7	3.3
Advances received	4	59.3	50.6
Trade and other payables	17,23	191.8	164.1
Total current liabilities		**325.2**	**325.2**
Total liabilities		**400.7**	**410.4**
TOTAL EQUITY AND LIABILITIES		**624.3**	**621.7**

Consolidated statement of cash flow

EUR million	Note	2023	2022
Cash flow from operating activities			
Operating result (EBIT)		-5.3	-2.0
Adjustments:			
Depreciation and amortization		30.1	29.8
Gain/loss on sales of assets and business		-0.1	-0.1
Defined benefit pension plans		-3.1	-3.3
Other non-cash adjustments		-1.7	-0.1
Cash flow from operations before interests, taxes and changes in working capital		19.9	24.2
Interests received		1.2	0.2
Interest and other financial expenses paid		-13.2	-7.9
Income taxes received/paid		-3.2	-4.7
Cash flow from operations before changes in working capital		4.6	11.8
Changes in working capital:			
Trade and other receivables		-18.0	8.7
Trade and other payables		39.8	3.8
Inventories		7.7	-7.9
Changes in working capital		29.4	4.6
Net cash from operating activities		**34.0**	**16.4**

EUR million	Note	2023	2022
Cash flow from investing activities			
Purchases of property, plant and equipment (PPE)		-4.4	-4.1
Proceeds from sale of property, plant and equipment (PPE)		0.1	0.2
Net cash from investing activities		**-4.3**	**-3.9**
Cash flow from financing activities			
Proceeds from issuance of hybrid bond		24.4	–
Payments of transaction costs and interests for hybrid bond		-1.1	–
Proceeds from issuance of share capital		2.4	1.0
Acquisition of own shares		-2.4	-1.0
Proceeds from long-term financial liabilities	16	–	35.0
Proceeds from short-term financial liabilities	16	54.5	76.5
Payments of short-term financial liabilities	16	-97.1	-60.0
Payments of financial liabilities, term loans	16	-11.0	-27.0
Payments of lease liabilities	16	-22.1	-21.6
Dividends to non-controlling interest		-0.0	-0.4
Change in non-liquid financial assets		0.0	0.6
Net cash from financing activities		**-52.3**	**3.1**
Net change in cash and cash equivalents		**-22.6**	**15.5**
Cash and cash equivalents at beginning of the year		47.9	32.3
Foreign exchange rate effect		-0.6	0.1
Cash and cash equivalents at end of the year		24.7	47.9

Consolidated statement of changes in equity

EUR million	Share capital	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve, net of tax	Currency translation	Total	Hybrid bond	Non-controlling interest	Total equity
	Equity attributable to shareholders of the parent									
1 Jan 2023	**159.6**	**489.9**	**-381.2**	**-31.1**	**10.9**	**-44.0**	**204.0**	**–**	**7.4**	**211.3**
Total comprehensive income for the year	–	–	-7.9	-1.5	–	-1.9	-11.3	–	0.3	-11.0
Proceeds from hybrid bond	–	–	–	–	–	–	–	25.0	–	25.0
Transaction costs and interests on hybrid bond	–	–	-1.7	–	–	–	-1.7	–	–	-1.7
Transactions with owners[1]:										
Proceeds from shares issued	2.4	–	–	–	–	–	2.4	–	–	2.4
Purchase of own shares	–	-2.4	–	–	–	–	-2.4	–	–	-2.4
Equity-settled share-based payment	–	–	0.0	–	–	–	0.0	–	–	0.0
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	-0.0	-0.0
Total transaction with owners	2.4	-2.4	0.0	–	–	–	0.0	–	-0.0	-0.0
31 Dec 2023	**162.0**	**487.5**	**-390.8**	**-32.6**	**10.9**	**-45.9**	**191.0**	**25.0**	**7.6**	**223.6**

[1] For more information about equity-settled share-based payments see note 29 Remuneration to senior executives and for share transactions see note 15 Shares and share capital.

EUR million	Share capital	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve, net of tax	Currency translation	Total	Hybrid bond	Non-controlling interest	Total equity
	Equity attributable to shareholders of the parent									
1 Jan 2022	**158.8**	**490.6**	**-366.2**	**-38.9**	**10.9**	**-35.0**	**220.2**	**–**	**7.7**	**227.9**
Total comprehensive income for the year	–	–	-15.0	7.8	0.0	-9.1	-16.2	–	0.1	-16.2
Transactions with owners[1]:										
Share capital reduction	-0.2	0.2	–	–	–	–	–	–	–	–
Proceeds from shares issued	1.0	–	–	–	–	–	1.0	–	–	1.0
Purchase of own shares	–	-1.0	–	–	–	–	-1.0	–	–	-1.0
Equity-settled share-based payment	–	–	0.0	–	–	–	0.0	–	–	0.0
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	-0.4	-0.4
Total transaction with owners	0.7	-0.7	0.0	–	–	–	0.0	–	-0.4	-0.4
31 Dec 2022	**159.6**	**489.9**	**-381.2**	**-31.1**	**10.9**	**-44.0**	**204.0**	**–**	**7.4**	**211.3**

[1] For more information about equity-settled share-based payments see note 29 Remuneration to senior executives and for share transactions see note 15 Shares and share capital.

Equity attributable to shareholders of the parent company
Shareholders' equity consists of the share capital, other paid-in capital, reserves and accumulated profits and losses. Other paid-in capital includes share subscription prices to the extent that they are not included in share capital (premium) and unconditional shareholders' contribution. Actuarial gains and losses arising from employee benefits are recorded under revaluation of defined benefit plans. Hedging reserve comprises of net investment hedges. Gains and losses from hedge accounted derivative instruments are temporarily recognized in other comprehensive income under hedging reserve for their effective part and will be reclassified to the income statement as the hedged item affects the income statement. The currency translation reserve includes differences arising on translation of the financial statements of foreign entities.

Notes to the consolidated financial statements

Basis for preparation

This section comprises the following notes

NOTE 1 CORPORATE INFORMATION

Eltel AB (the Company) through its subsidiaries (together the Group) is the leading infrastructure and service provider for critical communication and power networks. We deliver a comprehensive range of solutions – from maintenance and upgrade services to project delivery. This includes design, planning, building, installing and securing the operation of power and communication networks for a more sustainable and connected world today and for future generations. In 2023, the number of employees was approximately 5,000. Eltel mainly operates in the Nordic market, but is also represented in Poland, Germany and Lithuania.

Eltel AB (publ) is a public limited liability company domiciled in Stockholm, Sweden. The address of the head office is Adolfsbergsvägen 13, Bromma, Sweden. Eltel AB's ordinary shares are quoted on the Nasdaq Stockholm. The operations of Eltel AB through the subsidiary companies are performed under the Eltel brand. The consolidated group is called Eltel Group.

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.

NOTE 2 MATERIAL ACCOUNTING POLICIES FOR THE CONSOLIDATED ACCOUNTS

These consolidated financial statements of the Group are prepared in accordance with IFRS Accounting Standards as adopted by EU effective at 31 December 2023. In addition, the Group applies RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board. The financial statements have been authorized for issue by the Board of Directors of Eltel AB on 26 March 2024 and are subject to adoption by the Annual General Meeting on 14 May 2024.

The financial statements are prepared on a going concern basis. At the date of signing the financial statements, management is required to assess the parent company's and the Group's ability to continue as a going concern, and this assessment should cover the parent company's and the Group's prospects for a minimum of 12 months from the end of the reporting period.

Consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, which are measured at fair value. The information in the consolidated financial statements is presented in millions of Euro unless otherwise stated. All figures in the financial statements have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

Adoption of new or amended IFRS standards and interpretations
The IFRS standards, amendments and interpretations that took effect in the financial year 2023 include the following:

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendment to IAS 12).* The amendment require companies to recognise gross amount of deferred tax assets and liabilities on transactions, such as leases, that give rise to equal amounts of taxable and deductible temporary differences on initial recognition. The group has previously netted the deferred tax impact on leases and the main impact of the amendment as of 1 January 2023 has been an increase of deferred tax assets of EUR 10.0 million and deferred tax liabilities of EUR 9.7 million on right-of-use assets and lease liabilities. The impact has been offset in the balance sheet presentation. There was no impact on equity.
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* which defines material accounting policy information to be disclosed and clarifies that immaterial accounting policy information does not need to be disclosed
- *International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12).* Eltel is within the scope of the OECD Pillar Two model rules. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. Under the legislation, the Group is liable to pay a top-up tax for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate. The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes as provided in the amendments to IAS 12 issued in May 2023. The Group is in the process of assessing its exposure to the Pillar Two legislation.

The new standards and amendments effective for 2024 financial year or later include the following:

- *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to IAS 1)* which clarify the criteria used to determine whether liabilities are classified as current or non-current.

The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. Eltel will amend its disclosures accordingly.

The other published standards, amendments and interpretations that are effective on the financial year beginning 1 January 2024 or later are not expected to have significant impact on the Group.

European Single Electronic Format (ESEF)
As required under the EU Commission's Delegated Regulation (EU) 2019/815 (ESEF Regulation), Eltel's annual report for the financial year 2023 is filed in the European Single Electronic Format (ESEF). The primary statements and notes in the IFRS consolidated financial statements are tagged in accordance with ESEF taxonomy in electronic format called iXBRL. ESEF taxonomy is developed by ESMA and it is based on the IFRS taxonomy published by the IFRS foundation.

Critical accounting estimates and judgments
The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the reported amounts of income and expenses during the period. The actual results may differ from these estimates and assumptions. Possible changes in estimates and assumptions are recognized in the financial period when the changes occur and in all subsequent financial periods.

The areas where significant judgments and estimates are made in preparing the financial statements and where a subsequent change in the estimates and assumptions may cause a material adjustment to the carrying amounts of assets and liabilities are outlined below:

a) Impairment testing
The Group tests annually and always, if there are indications of impairment, whether goodwill has suffered any impairment by comparing the book value with the recoverable value. The recoverable values of cash-generating units have been determined based on value-in-use calculations. The value-in-use calculations require estimation of future cash flows expected to arise from cash-generating units and a suitable discount rate in order to calculate present value. See note 26 intangible assets for more information on impairment testing.

b) Revenue recognition over time
The Group applies the five-step model of IFRS 15 when recognising revenue from contracts with customers. Revenue for the period is recognized to the extent that the performance obligation(s) to the customer have been satisfied. The Group typically uses input method to measure the progress of satisfying the performance obligation(s). The progress is measured based on costs incurred relative to the total estimated costs and revenue is recognized based on this percentage of completion.

The estimated outcome of a long-term contract that extends over several accounting periods may vary due to changes in circumstances and, for this reason, lead to revised estimations in the next reporting period. Cost estimates require estimate of the final outcome of the project and the actual future outcome may deviate from the estimate. Deviations from original plan in project execution may result in significant increases in cost to complete due to various reasons including cost for additional work and materials, price increases as well as cost for delays and available resources. Project business contains inherent risks related to the pricing of the project and estimates of the ultimate cost and performance of the contract. Additionally, project business involves risk related to authority, customer or other external conditions outside of Eltel's control, including the risk of delays and in certain cases the risk of inability of the Group's customers to obtain financing to fund planned projects and services. The essential skills for performance and profitability of a project are the Group's ability to accurately foresee the project's costs, to correctly assess the various resources necessary to carry out the project, to effectively manage the services provided by subcontractors, and to control technical events that could affect and delay progress on the project.

c) Taxes
Determination of income taxes and deferred taxes when the ultimate tax determination is uncertain requires management judgement. The Group recognizes deferred tax assets resulting from tax losses and temporary differences when the realization of related tax benefit due to future taxable profits is probable. However, deferred tax asset is always recognized if it can be utilized against current taxable temporary differences. The assumptions regarding future taxable profits require significant judgement and are based on the current business plan and further estimates added by consideration for the uncertainties. The Group uses estimates for recognition of liabilities for anticipated tax audit and tax controversy issues based on all available information at the time of recognition.

d) Provisions and contingent liabilities
The Group uses estimates when assessing the amount of the provisions recognized in the balance sheet. The real outcome may differ from the provision recorded.

A contingent liability is a possible obligation that does not fulfil the criteria to be recognized in balance sheet as a provision due to future uncertainties towards the existence of obligation or outflow of resources required to settle the obligation. Information on contingent liabilities is disclosed in note 19 Commitments and contingent liabilities. Contingent liabilities are regularly monitored, and in case the outflow of resources becomes probable, they are recognized as provisions.

e) Defined benefit plans
When preparing actuarial calculations in determining the pension obligation related to defined benefit plans, certain actuarial assumptions need to be made. As the assumptions will vary, the real payment will differ from the estimated obligation, affecting the profit or loss. The assumptions used in actuarial calculations are presented in note 31 Retirement benefit obligations.

f) Lease contracts valid until further notice
The IFRS 16 standard requires use of estimates for valuating contracts that are valid until further notice. Eltel has estimated the length of these contracts based on expected usage in current business operations. This has considerable impact in the amount of right-of-use assets and leasing liabilities for premises. The right-of-use assets and leasing liabilities are presented as separate lines in the balance sheet.

Principles of consolidation

The consolidated financial statements include the parent company Eltel AB and all companies in which, at the end of the financial year, Eltel exercises control, i.e. subsidiary companies. Control is achieved when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. This usually means that Eltel holds over 50% of the voting rights or otherwise has the power to govern the financial and operating policies of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and disposed subsidiaries are consolidated up to their date of disposal.

Acquired subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recognized as goodwill.

Intercompany transactions, receivables, liabilities and unrealized margins, as well as distribution of profits within the Group, are eliminated in full on consolidation. Non-controlling interest is presented separately from the net profit and disclosed as a separate item in the equity.

Joint operations are joint arrangements whereby the partners, which have joint control of the arrangement, have rights to the assets and obligations for the liabilities relating to the arrangement. Joint control, which is the contractually agreed sharing of the control of an arrangement, exists only when decisions about the relevant activities require unanimous consent of the partners sharing control.

The Group recognizes its interest in joint operations using the proportionate method of consolidation, whereby the Group's share of each of the assets, liabilities, income and expenses of the joint operations are combined with the similar items, line by line, in its consolidated financial statements.

A list of subsidiaries and joint operations is presented in note 34 Group companies.

Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each of the Group companies are measured using the currency of the primary economic environment in which the company operates (the functional currency). The consolidated financial statements are presented in Euros, which is also the functional and presentation currency of the parent company.

Foreign currency transactions
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transaction. Monetary items denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the balance sheet date. Non-monetary items measured at fair value are translated into functional currency at the exchange rates prevailing at the valuation date. All other non-monetary items are valued using the exchange rates prevailing at the date of transaction.

Foreign exchange gains and losses resulting from the translation of business transactions and monetary items are recognized in the income statement. Exchange rate gains and losses on actual business operations are recognized in respective items above operating profit. Exchange rate gains and losses on financing are entered as exchange rate differences in financial income and expenses.

See further information on hedge accounting for foreign currency differences arising from the translation of financial assets and liabilities designated as hedges in note 14.

Foreign subsidiaries
Income statements and cash flow statements of foreign subsidiaries are translated into Euros at the average exchange rates for each month and the balance sheets are translated using the exchange rates prevailing at the balance sheet date. Exchange differences arising from the translation are recognized in other comprehensive income.

When a subsidiary is partially disposed or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on the sale.

Revenue recognition (IFRS 15)

The Group applies the five-step model of IFRS 15 when recognizing revenue from contracts with customers. IFRS 15 requires identifying deliverables in contracts with customers that qualify as separate performance obligations. The deliverables may include good(s) or service(s) or a combination of goods and services. Revenue is recognized for each performance obligation separately on a relative stand-alone selling price basis and takes place when a customer obtains control of the related good(s) or service(s) and has the ability to direct the use of and obtain the benefits from the good(s) or service(s), either over time or at a point in time.

Major part of Group's revenue comes from the following revenue types: project delivery services, upgrade services and maintenance services. The Group's contracts are either stand-alone agreements or contracts within frame agreements. Only agreements that are committing both of the contracting parties are defined as a contract under IFRS 15.

A contract includes promises to transfer good(s) or service(s) to a customer. If those goods or services are distinct, the promises are performance obligations that are each accounted for separately in revenue recognition. The Group has analyzed the different revenue types and concluded that in the project delivery and upgrade services revenue is typically recognized over time as customer controls the asset Eltel creates or enhances. In maintenance services customer typically receives benefits as Eltel performs and revenue is and continues to be recognized based on the services performed.

When revenue from contracts with customers is recognized over time, revenue for the period is recognized to the extent of satisfying the performance obligation(s) to the customer. The Group typically uses the input method based on the costs incurred to measure the progress of satisfying the performance obligation(s) over time. The progress is measured based on costs incurred relative to the total estimated costs and revenue is recognized based on this percentage of completion. An expected loss on a customer contract is recognized as an expense immediately. IFRS 15 does not include any guidance on how to account for loss contracts. Accordingly, such contracts are accounted for using the guidance in IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

Whenever the Group's customer contracts contain a variable consideration the amount shall be withhold so that the Group does not recognize any amount relating to variable consideration until it is highly probable that a significant revenue reversal will not incur. The assessment of the likelihood of revenue reversal is based on historical evidence from earlier similar type of contracts. Also the materiality is estimated. A typical variable price element in Eltel's contracts is delay penalties.

In some contracts the timing of customer payments may differ significantly from the timing of the transfer of goods or services to the customer (for example the consideration is prepaid or is paid after the services are provided). When the difference is more than a year the Group assesses at the beginning of the contract whether the contact contains a significant financing component. If the contract contains a significant financing component the promised amount of consideration is adjusted and Eltel recognizes revenue at an amount that reflects the cash selling price of the promised goods or services.

Contract assets and contract liabilities
IFRS 15 distinguishes between contract assets and contract receivables. Contract receivable is a right to consideration that is unconditional and only passage of time is required before the payment is due, i.e. trade receivable. Contract asset is a right to consideration in exchange for goods or services the Group has transferred to customer, i.e. revenue recognized but not yet invoiced. The contract receivables and contract assets are included in the balance sheet in the trade and other receivables.

A contract liability is an obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. Advances received in the balance sheet represent the Group's contract liabilities.

Segment reporting (IFRS 8)
Eltel's main operations are presented by four country segments: Finland, Sweden, Norway and Denmark. All communication and power business in these four Nordic countries are presented under the country segments. Other business includes High Voltage Poland, Smart Grids Germany, Lithuania as well as closing activities for Power Transmission International. Other business represents less than 15% of the operations and each of the operations have a size of less than 10% of sales, adjusted EBITA and total segment assets.

Operating segments are business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker, the CEO, and for which financial information is available. Operating segments constitute the operational structure for governance, monitoring and reporting. Revenues, costs, operative assets and liabilities are allocated to segments on consistent basis. Income statement items below adjusted EBITA are not allocated to the segments.

Goodwill and other intangible assets (IAS 38)
Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired company on the date of acquisition. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is not amortized, but tested annually for any impairment and always, if there are indications of impairment. For the purpose of testing goodwill for any impairment, goodwill is allocated to cash-generating units. Goodwill is stated at cost less impairments.

Other intangible assets
Intangible assets are recognized only if the cost of the asset can be measured reliably and it is probable that the future economic benefits attributable to the asset will flow to the Group. Intangible assets in the Group include acquired computer software, brand, order backlog and customer relationships. The valuation of intangible assets acquired in a business combination is based on fair value. Other intangible assets (except for brands) subsequent to initial recognition, are recognized at cost less amortizations and impairments, if any. On initial recognition they are recognized at fair value at the acquisition date which is regarded as their cost.

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized using the straight-line method over their expected useful lives (3–7 years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads and external consultancy fees. Computer software development costs recognized as assets are amortized over their expected useful lives (7 years).

Brand, order backlog and customer relationships have been acquired in business combinations. The brand relates to the Eltel brand as a result of the acquisition of Eltel Group Corporation. Fair value of the brand is determined based on the relief-from-royalty method. Brand is not amortized, but tested annually for impairment. The fair value of order backlog is determined based on the future cash flows expected to arise from the existing contracts with customers. Order backlog is amortized using the straight-line method over the period until delivery (2–4 years).

The fair value of customer relationships is determined based on the future cash flows expected to arise from contracts with the existing customers. Customer relationship is amortized using the straight-line method over their expected useful lives (5–10 years).

The amortization period for an intangible asset is reviewed at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the amortization period is changed accordingly.

Impairments
Assets that have an indefinite useful life, for example goodwill, are not subject to amortization but are tested annually for impairment. In addition, other assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Should any indication of an impaired asset exist, the asset's recoverable amount will be estimated.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows and which are mainly independent (cash-generating units or groups of cash-generating units). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use is determined by reference to discounted future net cash flow expected to be generated by the asset.

Whenever the asset's carrying amount exceeds its recoverable amount, it is impaired, and the resulting impairment loss is recognized in the income statement.

Impairment will only be reversed if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognized. Impairment is not reversed over the balance sheet value that existed before the recognition of impairment losses in the previous financial periods. Impairment losses recognized for goodwill are not reversed in any circumstances.

In addition to goodwill and brand, the Group does not have any assets that have an indefinite useful life. See note 26 Intangible assets for information on impairment testing of goodwill.

Property, plant and equipment (IAS 16)
Property, plant and equipment are stated at historical cost less accumulated depreciation according to plan and any impairment. Land is not depreciated.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings and structures	15–40 years
Machinery and equipment	3–10 years
Heavy machinery	10–15 years

The expected useful life of an asset is reviewed at each balance sheet date and, where they differ significantly from previous estimates, depreciation periods are changed accordingly.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Right-of-use assets and leasing liabilities (IFRS 16)
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The IFRS 16 standard requires use of estimates for valuating contracts that are valid until further notice. The Group has estimated the length of these contracts based on expected usage in current business operations. The cost of a right-of-use asset also includes an estimate of costs to be incurred by the Group in restoring the asset to the condition required by the terms and conditions of the lease. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessments according to IAS 36.

At the commencement of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term using the incremental borrowing rate at the lease commencement date. The lease payments include fixed payments, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease liabilities are subsequently measured at amortized cost using the effective interest method. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, e.g. a change in the lease term or a change in future lease payments resulting from a change in an index or rate used to determine those payments. Generally, the amount of remeasurement of the lease liability is recognized as an adjustment to the right-of-use asset.

Short-term leases and leases of low-value assets
The Group applies the recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Incremental borrowing rate
In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. To arrive at the incremental borrowing rate the Group applies the respective country's (economic environment) risk free rate for the term corresponding to the lease term, adjusted for credit risk of each Group company.

Financial instruments (IAS 32, IFRS 7, IFRS 9)

Recognition and derecognition

All purchases and sales of financial assets are accounted for at trade date. Financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially recognized at fair value and transaction costs have been included for all financial assets not carried at fair value through profit or loss. However, trade receivables without significant financing components are recognized at transaction price. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged or cancelled or expires.

Classification and measurement

The Group classifies its financial assets into the following categories according to IFRS 9: Financial assets at amortized cost, fair value through other comprehensive income or fair value through profit and loss. The classification is made on the basis of the Group's business model for managing the financial assets and the characteristics of the contractual cash flow of the financial assets. The Group classifies all the financial liabilities at amortized costs except the derivative financial instruments which are classified at fair value through profit or loss. The classification is made on the basis of the purpose of the acquisition of financial instruments at the time of initial recognition. See note 17 Financial instruments by category.

Financial assets and liabilities at fair value through profit or loss are financial assets held for trading and derivative financial assets not designated as hedges, as the Group has not designated any other financial assets as at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognized in the income statement in the period in which they arise either as other income and expenses or financial income or expenses depending on whether they relate to business or financial items. Derivatives not designated as hedges are classified as a current asset or liability and presented in the balance sheet as other receivables or other liabilities.

Financial assets at amortized costs are non-derivative financial assets with fixed or determinable payments not quoted in an active market nor held for trading. They are measured at amortized cost. They include trade and other receivables which are measured at amortized cost less impairment and are presented in the balance sheet as current assets, except for maturities greater than 12 months after the balance sheet date. The impairment losses according to the expected credit losses method (ECL) in IFRS 9, related to trade receivables and contract assets are recognized in other expenses. Financial assets at amortized costs also include cash and cash equivalents, consisting of cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Financial liabilities at amortized cost include all other financial liabilities than derivative instruments. Financial liabilities are classified as both current and non-current liabilities and they can be interest-bearing as well as non-interest-bearing. Bank overdrafts are shown within debt in current liabilities.

Transaction costs including the arrangement and amendment fees related to the financial liabilities are allocated to the expected lifetime of the financial instrument.

Impairment of financial assets

The Group applies the expected credit losses (ECL) model according to IFRS 9 for impairment of trade receivables, contract assets and other financial assets.

Credit risk is the risk of a loss if a customer or counterparty in a financial instrument does not fulfill its contractual obligations. The Group's credit risk relates primarily to account receivables and to cash and cash equivalents. The Group evaluates the credit risk of existing receivables at each reporting date.

Account receivables and contract assets

The Group's accounts receivable and contract assets are divided into two groups for measurement of credit risk. One group consists of larger customers that account for a significant part of the Group's net sales. These customers are solid infrastructure network owners, typically well-known publicly listed companies or companies owned by governments or municipalities in Europe. The other group consists of other customers. The Group's loss allowance for expected credit losses on account receivables and contract assets are measured according to the simplified method. This means that the loss allowance is measured for the remaining time to maturity, which is generally less than one year.

The loss allowance for expected credit losses is based on individual assessments regarding the largest customers, where a rating-based model is used in combination with other known information and forward-looking factors. The Group uses external ratings if possible and for unrated companies an estimated corresponding rating is applied. For the other group consisting of several smaller customers, the Group applies an collective impairment model based on age analysis of the receivables and historically realized losses in combination with forward-looking factors that affect the customers' ability to pay the outstanding receivables.

Cash and cash equivalents

Credit risk also originates from investments in cash and cash equivalents. Eltel's investments in bank accounts are kept in Eltel's financing banks. For any other deposits, the aim is that the counterparty has a credit rating of at least AA (S&P) or equivalent. The expected credit risk for cash and cash equivalents is measured by a rating-based model in combination with other known information and forward-looking factors. Due to the short maturity and high creditworthiness of counterparties, the loss allowance is generally not assessed to be significant.

Other receivables and assets, not measured at fair value in income statement

For any other receivables and assets, the need for impairment is assessed by the rating model described above, if applicable, or otherwise based on management's assessment of the present value of the difference between contractual and expected cash flows. Measurement of the loss reserve corresponds to 12 months' expected credit losses, or a shorter time period due to time to maturity. In the event of a significant increase in credit risk, the loss reserve is based on the entire remaining time to maturity of the receivable or asset.

Financial instruments, hedging (IFRS 9)

The Group's derivative instruments include currency forward contracts and currency swaps. The Group has not applied cash flow hedge accounting in 2023 or 2022. However, all derivative contracts are entered into for economic hedging purposes.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at fair value on each balance sheet date. Derivatives are classified as financial assets or liabilities measured at fair value through profit or loss.

Net investment hedges

The Group has applied net investment hedge accounting for certain foreign currency denominated loans which hedge the translation risk relating to net investments in subsidiaries. The foreign exchange differences for these loans have been recognized in other comprehensive income under translation reserve. If the amount of the net investment decreases through divestment or otherwise, the related accumulated gains or losses recognized in translation reserve are transferred to profit or loss (see note 14.1 for more information).

Share capital

Share capital presents the registered share capital of the parent company Eltel AB. Share subscription proceeds in excess of share capital (premium) is presented in other paid-in capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Hybrid bond

In April 2023, Eltel AB issued subordinated sustainability-linked hybrid capital securities in the aggregate principal amount of EUR 25 million (the "hybrid bond"). The instrument has no maturity date and, if no dividends are distributed, the payment of interest can be deferred in perpetuity. The hybrid bond is sustainability-linked, and a premium up to 1.20% of the principal amount is paid if the sustainability targets measured at 31 December 2025 are not met. The hybrid bond bears interest at a fixed rate of 13.50% per annum until the reset date in July 2026. After the reset date, the hybrid bond will bear interest at a floating rate corresponding to 3-month EURIBOR plus a spread of 10.29% and a margin of 5.00% per annum. The interest payment obligation arises if the annual shareholders' meeting decides to distribute dividends. The hybrid bond is classified as an equity instrument and recognized at fair value. Interest is recorded into retained earnings when the commitment to payment arises.

Earnings per share (IAS 33)

The basic earnings per share (EPS) is calculated by dividing the net result attributable to the parent company's shareholders with the weighted average number of ordinary shares during the financial period. Ordinary shares purchased and held by the Group, if any, are subtracted from number of outstanding shares. Diluted earnings per share reflect the possible impact of the share-based incentive plans.

Provisions and contingent liabilities (IAS 37)

Provisions are recognized in the balance sheet when: the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Where some of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized as a separate asset, but only when it is certain that the reimbursement will be received. A warranty provision is recognized, when the product including a warranty clause is sold. The amount of the warranty provision is based on the past experience of the realization of the warranty costs and the future expectations.

A provision for restructuring is recognized when management has developed and approved a plan to which it is committed. Employee termination benefits are recognized when the representatives of employees or individual employees have been informed of the intended measures in detail and the related compensation packages can be reliably measured. The costs included in a provision for restructuring are those costs that are either incremental or incurred as a direct result of the plan or are the result of a continuing contractual obligation with no continuing economic benefit to the Group or a penalty incurred to cancel the contractual obligation. Restructuring expenses are recognized in respective expenses depending on the nature of the restructuring expenses. Provisions are not recognized for future operating losses.

A provision is recognized for an onerous contract, when the costs required to meet the obligations under the contract exceed the benefits to be received.

A contingent liability is a possible obligation that does not fulfil the criteria to be recognized in balance sheet as a provision due to future uncertainties towards the existence of obligation or outflow of resources required to settle the obligation. Contingent liabilities are regularly monitored, and in case the outflow of resources becomes probable, they are recognized as provisions.

Income taxes (IAS 12)

The Group's income tax expense includes taxes of the group companies based on current period's taxable income and the changes in the deferred taxes. Income tax is recognized in the income statement, except for the items recognized directly in other comprehensive income, when the tax effect is accordingly recognized in other comprehensive income. Income tax expense is based on the local tax rate in each country. Tax adjustments from previous periods are included in tax expense.

Deferred tax assets or liabilities are calculated using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only to the extent that it appears probable that future taxable profit will be available, against which the tax losses or temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Employee benefits (IAS 19)

Short-term benefits to employees are calculated without discounting and are recognized as a cost when the related services are received.

The Group companies have different pension schemes in accordance with the local conditions and practices in the countries where they operate including statutory pension plans and supplementary pension benefits. The schemes are generally funded through payments to insurance companies or trustee-administered funds.

The plans are classified as either defined contribution plans or defined benefit plans.

In the defined contribution plan, pension contributions are paid directly to insurance companies and once the contributions have been paid, the Group has no further payment obligations if the company receiving the payments cannot fulfil its obligations. These contributions are charged to the income statement in the year to which they relate.

For defined benefit plans, the liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets. The pension obligation is defined using the projected unit credit method separately for each plan. The discount rate applied to calculate the present value of post-employment benefit obligations is determined by the market yields of long-term corporate bonds or government bonds with corresponding maturity to the obligation. The net interest cost is estimated by applying the discount rate to the net defined benefit obligation and recognized as financial expenses. Past service costs are recognized immediately in the income statement. Remeasurements of the defined benefit plan are recognized directly in other comprehensive income.

Termination benefits

A provision is recognized in connection with termination of employment if the company is committed to a formal and detailed plan to terminate employment before the normal retirement date. When a termination benefit is offered to encourage voluntary redundancy, a cost is recognized if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

Share-based payments (IFRS 2)

Eltel has three incentive programs that are recognized as share-based payments settled with equity instruments in accordance with IFRS 2. The fair value of the share incentives granted to the key employees is recognized as an employee expense on a straight-line basis over the vesting period when employee services are performed with corresponding entry to equity. The fair value of the share incentives is the market value at the grant date. The total amount to be expensed over the vesting period is determined based on the grant date fair value of shares and Group's estimate of the number of the shares that are expected to be vested by the end of the vesting period. The impact of a non-market vesting condition and estimate for the fulfilment of continued employment criteria at the end of the vesting period is included in the assumptions about the number of share incentives. The estimate is updated at each reporting date and changes in estimate are recorded through the statement of income. Social costs related to the share-based incentive scheme are expensed during the periods when services are performed based on the fair value at the reporting date.

Financial performance

This section comprises the following notes

NOTE 3 SEGMENT REPORTING

Eltel reports its operations in four country segments: Finland, Sweden, Norway and Denmark. All communication and power business in these countries is presented under country segments. Other business includes High Voltage Poland, Smart Grids Germany, Lithuania as well as closing activities for Power Transmission International.

Net sales by segment

EUR million	2023	2022
Finland	344.5	290.1
Sweden	198.5	193.8
Norway	130.1	176.8
Denmark	93.0	74.3
Sum segments	**766.1**	**735.0**
Other business	93.7	99.4
Eliminations	-9.7	-10.8
Total	**850.1**	**823.6**

In 2023 and 2022 the Group has had two customers that represent over 10% of total sales of the Group. The customers' share of the sales amounts to 29% (35). Revenues from these customers were reported mainly in segments Norway and Sweden and to a smaller extent also in other country segments. Customer means a legal entity, and where applicable, a collection of legal entities in the same group.

Segment results

EUR million	2023	2022
Adjusted EBITA by segment		
Finland	6.5	8.2
Sweden	2.9	-1.0
Norway	-2.5	2.1
Denmark	4.9	0.6
Sum segments	**11.8**	**9.9**
Other business	-1.0	-4.0
Group functions	-9.1	-7.8
Adjusted EBITA, Group	**1.7**	**-1.9**
Restructuring	-7.0	–
Total items affecting comparability in EBITA	-7.0	–
Amortization of acquisition-related intangible assets	–	-0.1
Operating result (EBIT)	**-5.3**	**-2.0**
Financial expenses, net	-12.7	-9.5
Result before taxes	**-17.9**	**-11.4**

Net working capital and operative capital employed

EUR million	31 Dec 2023	31 Dec 2022
Inventories	17.3	24.8
Trade and other receivables	195.6	177.1
Provisions	-7.1	-5.9
Advances received	-59.3	-50.6
Trade and other payables	-191.8	-164.1
Other	-4.8	-2.3
Net working capital	**-49.8**	**-21.0**
Intangible assets excluding acquisition-related allocations	6.4	8.9
Property, plant and equipment	10.5	10.7
Right-of-use assets	51.9	46.5
Restructuring provisions	-0.3	–
Operative fixed assets	**68.6**	**66.1**
Total operative capital employed	**18.7**	**45.1**
Operative capital employed (average over reporting period)	**31.9**	**53.2**

Net working capital by segment

EUR million	31 Dec 2023	31 Dec 2022
Finland	-31.1	-24.2
Sweden	7.5	2.9
Norway	-8.0	-14.4
Denmark	-1.5	-6.9
Other business	15.2	22.4
Group functions	-31.9	-0.7
Total	**-49.8**	**-21.0**

Operative fixed assets by segment

EUR million	31 Dec 2023	31 Dec 2022
Finland	21.2	21.7
Sweden	12.5	11.3
Norway	15.8	15.5
Denmark	9.2	8.1
Other business	8.7	6.8
Group functions	1.1	2.7
Total	**68.6**	**66.1**

Operative capital employed by segment

EUR million	31 Dec 2023	31 Dec 2022
Finland	-9.9	-2.5
Sweden	20.0	14.2
Norway	7.8	1.2
Denmark	7.7	1.1
Other business	23.9	29.2
Group functions	-30.8	2.0
Total	**18.7**	**45.1**

NOTE 4 REVENUE RECOGNITION

Net sales by business

EUR million	2023	2022
Communication	514.8	517.9
Power	329.1	305.6
Other operations	6.2	0.3
Total	**850.1**	**823.6**

Net sales by segment and business

EUR million		2023	2022
Finland	Communication	154.3	113.0
	Power	190.2	177.2
Sweden	Communication	158.0	166.2
	Power	40.5	27.6
Norway	Communication	129.8	176.3
	Power	0.3	0.5
Denmark	Communication	66.4	55.9
	Power	26.6	18.3
Other business	Communication	14.5	15.8
	Power	73.0	83.3
	Other operations	6.2	0.3
Eliminations		-9.7	-10.8
Total		**850.1**	**823.6**

Internal net sales consist mainly of net sales from communication in Lithuania, reported in other business. There are no material internal net sales in any of the country segments.

Net sales by service type
Eltel's revenue consists of project delivery, upgrade and maintenance services.

Project delivery services (Engineering, procurement, construction)
Project delivery services comprise engineering and delivering customer specific network infrastructure projects. The contracts include projects with estimated scope of works and variation orders as well as turnkey projects and Eltel's activities typically include tasks relating to design, construction, installation and project management. The size of a contract is typically large (EUR 1–40 million) and project execution time frame from months to years. For project delivery services revenue is typically recognized over time as customers control the asset that Eltel creates or enhances.

Upgrade services (Upgrade and conversion projects)
Upgrade and conversion services are services to recover and upgrade the condition or technology of an existing infrastructure network where Eltel typically dismantle, build and/or install on customer specifications. The projects are typically based on multi-year frame agreements where the services are ordered based on individual purchase orders but also on separately tendered projects. Size of a project varies typically from EUR 10,000 to over EUR 1 million projects and pricing is typically based on units. For upgrade services revenue is typically recognized over time as customers control the asset that Eltel creates or enhances.

Maintenance services
Eltel's maintenance services comprise of scheduled and corrective care services and connect services where the customer contracts are usually multi-year frame agreements. The works are performed based on continuous flow of small orders that are typically unit priced, but also certain fixed fee based contracts exist. The services are not highly customized to a particular customer. The nature of Eltel's maintenance services is such that the customer typically can benefit from the services either on its own or together with other readily available resources. In maintenance services customers receive benefits as Eltel performs and revenue is recognized over time based on the services performed.

Net sales by business and service type

EUR million	2023	2022
Communication		
Project delivery	28.5	23.2
Upgrade services	346.6	336.6
Maintenance	139.7	157.9
Total Communication	**514.8**	**517.9**
Power		
Project delivery	159.9	141.6
Upgrade services	94.4	100.8
Maintenance	74.8	63.2
Total Power	**329.1**	**305.6**
Other operations		
Project delivery	6.4	0.1
Maintenance	-0.2	0.2
Total other operations	**6.2**	**0.3**
Total	**850.1**	**823.6**

In 2023 project delivery services form 23% (20), upgrade services 52% (53) and maintenance services 25% (27) of Eltel's total net sales.

Committed order backlog by business and service type
Committed order backlog in Eltel is defined as the total value of committed purchase orders received but not yet recognized as net sales. It does not include frame agreements unless a binding purchase order has been received. Committed order backlog is therefore the best measure of unsatisfied performance obligations according to IFRS 15 Revenue from contracts with customers. The below table presents the committed order backlog by business and service type. The currency impact in total order backlog at year-end 2023 was EUR 1.0 million.

EUR million	31 Dec 2023	31 Dec 2022
Communication		
Project delivery	48.1	47.2
Upgrade services	180.0	135.4
Maintenance	30.6	22.6
Total Communication	**258.6**	**205.2**
Power		
Project delivery	189.9	178.4
Upgrade services	57.7	57.5
Maintenance	26.0	26.9
Total Power	**273.6**	**262.8**
Other operations		
Project delivery	–	0.2
Total other operations	**–**	**0.2**
Total	**532.3**	**468.2**

Approximately two thirds of the committed order backlog in project delivery services and nearly all of the committed order backlog in upgrade services and maintenance service is to be recognized as revenue during 2024.

Contract balances

EUR million	31 Dec 2023	31 Dec 2022
Trade receivables	106.2	82.6
Contract assets	66.7	73.3
Total assets related to contracts with customers	**172.9**	**155.9**
Advances received from contracts with customers	54.6	45.2
Total liabilities related to contracts with customers	**54.6**	**45.2**

Trade receivables and contract assets are included in the trade and other receivables in the balance sheet. Contract assets mainly consist of recognized net sales not yet invoiced. Advances received represent the contract liabilities.

NOTE 5 PERSONNEL BY SEGMENT

Number of personnel by segment

Average	2023	Of whom men %	2022	Of whom men %
Finland	1,503	91	1,498	92
Sweden	988	85	919	86
Norway	860	87	938	87
Denmark	511	88	484	89
Other business	995	84	1,071	85
Group and shared functions	166	36	143	36
Total personnel, average	**5,024**	**86**	**5,053**	**87**
Total personnel, year-end	**4,931**	**86**	**5,063**	**87**

NOTE 6 EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses

EUR million	2023	2022
Wages and salaries	254.3	248.1
Post-employment benefits:		
Defined benefit plans	-1.1	-0.7
Defined contribution plans	25.7	24.6
Other statutory social costs	34.0	34.0
Total	**312.8**	**305.9**

Employee benefit expenses by function

EUR million	2023	2022
Cost of sales	259.5	255.5
Selling and administrative expenses	53.6	50.3
Sum in operative expenses	**313.1**	**305.9**
Financial income and costs	-0.3	0.1
Total	**312.8**	**305.9**

NOTE 7 FUNCTION EXPENSES BY NATURE

EUR million	2023	2022
Other income	-3.5	-0.9
Total other income	**-3.5**	**-0.9**
Expenses		
Materials and supplies	139.9	125.7
Employee benefit expenses	313.1	305.9
Subcontractors and other external services	269.7	270.4
Other costs	106.1	94.9
Depreciation, amortization and impairment	30.1	29.8
Total expenses	**858.9**	**826.5**
Total net expenses	**855.4**	**825.6**

Main items in other costs include direct costs and production overheads as well as IT costs, transportation, premises and other personnel-related costs.

The total amount recognized in the income statement is divided by function as follows:

EUR million	2023	2022
Cost of sales	774.5	748.9
Other income	-3.5	-0.9
Selling and administrative expenses	82.4	77.2
Other expenses	2.0	0.4
Total	**855.4**	**825.6**

NOTE 8 OTHER INCOME

EUR million	2023	2022
Gains on sales of assets	0.1	0.2
Supplier invoice financing cost compensation	2.7	–
Other income	0.6	0.7
Total	**3.5**	**0.9**

NOTE 9 OTHER EXPENSES

EUR million	2023	2022
Loss on foreign exchange contracts	0.4	0.1
Supplier invoice financing expenses	0.9	0.1
Other expenses	0.6	0.2
Total	**2.0**	**0.4**

NOTE 10 DEPRECIATION AND AMORTIZATION

EUR million	2023	2022
Amortization on customer relationships	–	0.1
Depreciation of right-of-use assets	23.2	21.8
Other depreciation and amortization	6.9	7.8
Total	**30.1**	**29.8**

The total amount recognized in the income statement is divided by function as follows:

EUR million	2023	2022
Cost of sales	17.8	17.2
Selling and administrative expenses	12.3	12.6
Total	**30.1**	**29.8**

NOTE 11 FINANCIAL INCOME AND EXPENSES

EUR million	2023	2022
Interest income arising from financial assets at amortized cost	1.1	0.2
Other financial income	0.1	0.0
Total financial income	**1.2**	**0.2**
Interest expenses from liabilities at amortized cost[1)]	-12.6	-7.6
Fee expenses	-1.1	-2.1
Fair value change of foreign exchange derivatives	0.2	0.8
Other foreign exchange differences	-0.4	-0.7
Total financial expenses	**-13.9**	**-9.6**
Net financial expenses	**-12.7**	**-9.5**

1) Includes EUR 2.6 million (2.1) of interest expenses for leasing liabilities.

NOTE 12 INCOME TAX

Income tax expense in the consolidated income statement

EUR million	2023	2022
Current tax	-0.3	3.4
Deferred tax	-10.0	0.1
Total tax cost (+)/ income (-)	**-10.3**	**3.5**
Tax rate, %	57.6%	-30.5%

The difference between income taxes at the statutory tax rate in Sweden 20.6% and income taxes recognized in the consolidated income statement is reconciled as follows:

EUR million	2023	2022
Profit before tax	-17.9	-11.4
Total tax cost (+)/income (-)		
Tax calculated at Swedish tax rate	**-3.7**	**-2.4**
Effect of different tax rates outside Sweden	0.4	0.6
Income not subject to tax	-0.1	-0.2
Expenses not deductible for tax purposes	0.4	0.5
Impact of deferred tax asset valuation	-4.9	4.9
Taxes and adjustments in respect of prior years	-2.3	0.0
Other items	-0.0	0.0
Income taxes in the consolidated income statement	**-10.3**	**3.5**

Impact of deferred tax asset valuation includes impact of re-recognition of deferred tax assets, mainly in Sweden and Germany as well as expiry of previously recognized tax losses for Finland. Deferred taxes are presented in note 24.

NOTE 13 EARNINGS PER SHARE

	2023	2022
Net result attributable to equity holders of the parent	-7.9	-15.0
Interest on hybrid bond	-2.5	–
Net result attributable to ordinary shares	-10.4	-15.0
Weighted average number of ordinary shares, basic	156,736,781	156,699,058
Weighted average number of ordinary shares, diluted	156,736,781	156,789,278
Earnings per share, basic	-0.07	-0.10
Earnings per share, diluted	-0.07	-0.10

The basic earnings per share figure is calculated by dividing the net income attributable to the shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares by the effect of potential diluting shares due to share-based incentive plans in the Group.

Financial risk management and capital structure

This section comprises the following notes

NOTE 14 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following financial risks:
- Market risks, including currency, interest rate and commodity price risks
- Liquidity risk
- Credit risk

The Group's financing and financial risk management is carried out by a central treasury department (Group Treasury) under the Treasury Policy approved by the Board of Directors. Group Treasury Policy has been established to identify and analyze the financial risks faced by the Group, to set appropriate risk limits and controls and to monitor risk and adherence to limits. The Treasury Policy and the related financial risk management policies and procedures are reviewed regularly to reflect changes in market conditions and Group's activities. The main objective of the financial risk management is to minimise the unfavourable effects of the financial risks on the Group's income and cash flow.

14.1 Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and commodity prices – will affect the Group's income, cash flows or the value of its holdings of financial instruments. Main market risks of the Group include currency risks, interest rate risks and commodity risks.

14.1.1 Currency risk

Currency risk in the Group consists of transaction risk and translation risk. The purpose of currency risk management is to minimise the impact of foreign exchange fluctuations to the cash flows, income statement and balance sheet of the Group.

Currency transaction risk

The Group is exposed to currency transaction risks to the extent that there is a mismatch between the currencies in which sales, purchases, borrowings and cash are denominated versus the respective functional currencies of the Group companies.

Majority of the Group's business is local and over 95% of the cash inflows are generated in each country's local currency. The transaction risk is therefore limited. The foreign currencies used are typically US dollar, EUR or other European currencies. The main principle is to mitigate the risk first by operative means in the businesses, e.g. by matching, as far as possible, the project costs to the contract currency.

The open foreign exchange exposure is hedged by using foreign currency forward contracts and swaps in accordance with the Group foreign currency risk management policy whereby any net exposure exceeding EUR 2 million shall be hedged with the minimum of 60% hedging ratio and the open net exposure may not exceed EUR 4 million.

The Group applies hedge accounting for net currency exposures exceeding EUR 4 million in counter value. More information on the Group's foreign exchange derivatives is included in note 18 Derivative financial instruments.

The summary quantitative data about the Group's transaction risk exposure as reported to the Group's management is as follows:

2023

EUR million	Sales and purchases	Borrowings and cash	Hedges	Net transaction risk exposure
EUR	2.5	0.0	-2.9	0.4
SEK	-2.2	-10.7	12.4	0.5
NOK	-0.1	-7.3	7.3	0.1
DKK	-0.0	-11.4	11.4	0.1
PLN	-0.0	0.0	0.1	0.1
USD	-1.7	0.8	1.0	0.0
MZN	–	1.0	–	1.0

2022

EUR million	Sales and purchases	Borrowings and cash	Hedges	Net transaction risk exposure
EUR	-0.2	-0.0	-0.1	-0.3
SEK	-1.9	12.4	-10.2	0.3
NOK	0.4	-5.7	6.6	1.3
DKK	0.0	-6.0	6.2	0.1
PLN	-0.0	-0.2	0.0	-0.2
USD	-2.1	1.5	0.5	-0.2
MZN	–	1.3	–	1.3

Sales and purchases include both forecasted contractual sales and purchases as well as trade receivables and payables.

Currency transaction risk impact

A reasonably possible strengthening (weakening) of 10% in the most significant currencies against all other currencies at the balance sheet date would have affected profit or loss by the amounts shown in the following table. The analysis illustrates currency transaction risk including hedges and assumes that all other variables, in particular interest rates, remain constant.

	2023 profit or loss		2022 profit or loss	
EUR thousands	Strengthening	Weakening	Strengthening	Weakening
EUR	-37	37	-29	29
SEK	-60	49	32	-26
NOK	-10	8	144	-118
DKK	-9	7	17	-14
PLN	16	-13	-28	23
USD	1	-1	-18	15
MZN	110	-90	144	-118

The Group has not applied hedge accounting to currency derivatives in 2023 or 2022 and all fair value changes are reported through profit and loss.

Currency translation risk

The Group's translation risk arises from translating foreign currency denominated subsidiaries' income statements and balance sheets into the Group's presentation currency upon Group consolidation. The risk is realized as volatility of both the Group's Euro-denominated profit or loss and equity (translation reserves).

A significant portion of the Group's net sales is generated by subsidiaries that operate in countries where a currency other than the Euro is used, particularly Sweden, Norway, Denmark and Poland. For the year ended 31 December 2023, 24% (24) of the Group's net sales were generated in SEK, 15% (21) in NOK, 11% (9) in DKK and 4% (6) in PLN. The changes in NOK against EUR impacted the Group's net sales by EUR -17.4 million (+1.4) and changes in SEK against EUR by EUR -15.9 million (-9.5).

The costs of the operations of the Group are typically incurred in the same currency as net sales. Therefore the translation risk in the Group's profit or loss is limited. In 2023 the changes in NOK against EUR impacted the Group's EBIT by EUR 0.7 million (0.1). A change in the average EUR/SEK, EUR/NOK, EUR/DKK, EUR/PLN rates by 10% would have had an impact of EUR +0.2 million (+0.8) on the Group's operating result (EBIT) and EUR +0.1 million (+1.4) in the Group's post tax profit in 2023.

Net investment translation risk

The majority of the Group's net investment translation risk arises from the net investments in the Swedish, Norwegian and Polish subsidiaries. This net investment was hedged by SEK and PLN denominated loans until January 2022, when the loans in SEK and PLN were repaid. The foreign exchange differences for these loans have been recognized in other comprehensive income under translation reserve. If the amount of the net investment decreases through divestment or otherwise, the related accumulated gains or losses recognized in translation reserve are transferred to profit or loss.

The valuations of the net investment hedges in hedging reserve are presented in the below table:

2023 EUR million	Loans denominated in foreign currency	Discontinued net investment hedges	Total
1 Jan	6.6	7.0	13.6
Recognized in hedging reserve during the period	–	–	–
Transferred from hedging reserve to profit and loss during the period	–	–	–
31 Dec	**6.6**	**7.0**	**13.6**

2022 EUR million	Loans denominated in foreign currency	Discontinued net investment hedges	Total
1 Jan	6.5	7.1	13.6
Recognized in hedging reserve during the period	0.1	–	0.1
Transferred from hedging reserve to profit and loss during the period	–	-0.1	-0.1
31 Dec	**6.6**	**7.0**	**13.6**

14.1.2 Interest rate risk

Interest rate risk is the uncertainty in the financial result or the value of the Group caused by fluctuations in interest rates. Interest rate risk can be divided into two components:

- interest flow risk is the risk that the Group's net interest expenses change due to interest rate changes.
- interest price risk is the risk that the fair values of financial instruments change due to interest rate changes.

The Group's policy is not to hedge the loans maturing within less than 2 years. At the end of 2023 all the bank borrowings were due in less than 2 years and the Group does not have any interest rate hedges in place.

The Group's borrowing is based on floating interest rates (one to six months) including a floor market rate of zero.

The interest rate profile of the Group is as follows:

EUR million	2023	2022
Total leasing liabilities	**53.9**	**47.8**
Variable-rate instruments		
Financial assets	-24.7	-47.9
Financial liabilities	71.1	124.6
Total variable-rate net liabilities	**46.4**	**76.7**

A majority of the leasing liabilities have a fixed interest rate for the lease period. More information on the Group's interest rate derivatives is included in note 18 Derivative financial instruments.

Interest rate sensitivity

A reasonably possible change in the relevant market interest rates at the reporting date would affect the annual interest expenses by the amounts shown below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis takes into account the effect in the interest costs of all floating rate borrowings.

2023 EUR million	Income statement 50 bp increase	 25 bp decrease
Variable rate instruments	0.2	-0.1
Total	**0.2**	**-0.1**

2022 EUR million	Income statement 50 bp increase	 25 bp decrease
Variable rate instruments	1.1	0.4
Total	**1.1**	**0.4**

Bp refers to basis points

14.1.3 Commodity price risk

Commodity price risk is the uncertainty in the financial result or the value of the Group caused by fluctuations in commodity prices. Inflation impacts Eltel across its cost base, including fuel and material prices.

According to the Group's policy the commodity derivates may be used to hedge the commodity purchases for the long-term customer contracts, if the price of the commodity purchases for the contract cannot be fixed, and a relevant commodity derivative is available in the market. In 2023 or 2022 Eltel had no commodity derivatives.

14.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter financial difficulty in meeting its financial obligations. The Group's objective of liquidity risk management is to ensure that it will maintain a sufficient liquidity reserve to meet its liabilities when they are due under both normal and stressed conditions.

Securing adequate amount of funding is centralised to the Group Treasury. The Group maintains sufficient liquidity by efficient cash management through group level cash pools and related overdraft limits. At year-end 2023, the Group had committed syndicate revolving credit facility of EUR 90 million (90). The Group had also access to short-term debt capital markets via Finnish Domestic Commercial Paper program of EUR 150 million.

At year-end, the cash and cash equivalents consisted solely of cash in hand and deposits. The Group's available liquidity reserve at the balance sheet date was as follows:

EUR million	31 Dec 2023	31 Dec 2022
Committed credit facility	51.0	34.0
Current account overdrafts	15.0	15.0
Cash and cash equivalents	24.7	47.9
Total	**90.7**	**96.9**

At the end of December 2023 the Group held counter value of EUR 1.2 million (1.5) in local currency bank accounts in Mozambique and Georgia. Due to the local currency and other regulatory requirements the funds in Mozambique are not readily transferrable off-shore. The funds will be repatriated once the approval from the central bank of Mozambique is received. The funds are included in the cash and cash equivalents since the use of the funds is not restricted. The funds are subject to currency risk in group consolidation and to the extent the project costs arise in other than the local currency. The risk analysis is included in section 14.1 Market risk.

The Group also monitors closely the expected cash inflows and outflows. The liquidity projections are prepared at a daily level for the following 5 weeks and at a monthly level for the full calendar year. The most significant uncertainties in the projections are related to the cash inflows from the project business.

The maturities of the Group's undiscounted financial liabilities at the balance sheet date are presented in the following table in line with their contractual terms.

31 Dec 2023 EUR million	Carrying amounts Less than 1 year	 Over 1 year	Contractual cash flows Less than 1 year	 1–3 years	 3–5 years	 Over 5 years
Financial assets						
Trade receivables	106.2	–	106.2	–	–	–
Derivative instruments	0.0	–	0.0	–	–	–
Other receivables	3.5	1.2	3.5	0.4	–	0.8
Cash and cash equivalents	24.7	–	24.7	–	–	–
Total financial assets	**134.5**	**1.2**	**134.5**	**0.4**	**–**	**0.8**
Financial liabilities						
Bank borrowings and commercial papers	50.0	21.0	55.0	21.1	–	–
Leasing liabilities	19.9	33.9	18.4	23.1	7.4	2.5
Trade and other payables	73.5	–	73.5	–	–	–
Derivative financial instruments	0.1	–	0.1	–	–	–
Total financial liabilities	**143.5**	**54.9**	**147.0**	**44.2**	**7.4**	**2.5**

31 Dec 2022 EUR million	Carrying amounts Less than 1 year	 Over 1 year	Contractual cash flows Less than 1 year	 1–3 years	 3–5 years	 Over 5 years
Financial assets						
Trade receivables	82.6	–	82.6	–	–	–
Derivative instruments	0.1	–	0.1	–	–	–
Other receivables	3.8	1.2	3.8	0.3	–	0.9
Cash and cash equivalents	47.9	–	47.9	–	–	–
Total financial assets	**134.3**	**1.2**	**134.3**	**0.3**	**–**	**0.9**
Financial liabilities						
Bank borrowings and commercial papers	89.5	35.0	93.7	36.1	–	–
Leasing liabilities	16.8	31.0	18.4	23.1	7.4	2.5
Trade and other payables	72.4	–	72.4	–	–	–
Derivative financial instruments	0.0	–	0.0	–	–	–
Total financial liabilities	**178.8**	**66.0**	**184.6**	**59.2**	**7.4**	**2.5**

14.3 Credit risk

Credit risk is the risk of loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations.

The Group's credit risk arises primarily from the Group's receivables from customers. The Group has identified a concentration risk relating to certain key customers who account for a significant amount of the Group's net sales. The key customers are solid infrastructure network owners, typically well-known publicly listed companies or companies owned by governments or municipalities in Europe. Therefore, the Group assess that the concentration risk and credit risk related to these key customers is limited.

The Group's trade receivables and contract assets are divided into two groups for measurement of credit risk. One group consists of large customers that account for a significant part of the Group's net sales. The loss allowance for expected credit losses for the largest customers is made individually with a rating-based model applied. For the other group of several smaller customers, the Group applies a collective impairment model based on age analysis of the receivables and historically realized losses. Forward-looking factors and management judgement is applied in both models.

At the end of December 2023 the Group held counter value of EUR 1.2 million (1.5) in local bank accounts in Mozambique and Georgia. The sovereign risk related to these countries is included in expected credit loss (ECL) calculation.

Below table summarises the expected credit loss reservation for total trade receivables and contract assets.

Credit risk exposure and loss reservation

2023 EUR million Credit risk rating	Trade receivables (gross)	Contract assets	Total	Expected credit loss reservation	Recognized amounts (net)
Large customers					
AAA	5.5	1.2	6.7	–	6.7
AA	15.1	7.1	22.2	0.0	22.2
A	6.5	6.3	12.8	–	12.8
BBB	17.9	7.2	25.2	0.0	25.2
BB	0.3	–	0.3	–	0.3
Total large customers	**45.3**	**21.8**	**67.1**	**0.0**	**67.1**
Other customers	62.4	45.0	107.4	1.5	105.9
Total	**107.8**	**66.7**	**174.5**	**1.6**	**172.9**

2022 EUR million Credit risk rating	Trade receivables (gross)	Contract assets	Total	Expected credit loss reservation	Recognized amounts (net)
Large customers					
AAA	5.9	1.3	7.1	–	7.1
AA	5.5	3.9	9.5	–	9.5
A	7.1	10.3	17.4	0.0	17.4
BBB	16.6	26.1	42.7	0.0	42.7
BB	0.7	–	0.7	–	0.7
Total large customers	**35.8**	**41.6**	**77.4**	**0.0**	**77.4**
Other customers	48.3	31.7	80.0	1.5	78.5
Total	**84.2**	**73.3**	**157.5**	**1.6**	**155.9**

Maturity analysis of receivables:

EUR million	31 Dec 2023	31 Dec 2022
Not past due	91.9	73.3
1–14 days overdue	9.9	6.2
15–90 days overdue	3.7	2.6
91–180 days overdue	0.5	1.0
More than 180 days overdue	1.7	1.1
Total trade receivables	**107.8**	**84.2**
Contract assets	66.7	73.3
Expected credit loss reservation	-1.6	-1.6
Total	**172.9**	**155.9**

There were no past due receivables in any other class of financial assets.

The carrying amount of the Group's receivables represents the maximum amount of credit risk at the balance sheet date. The amount of receivables represent managements best estimate of amounts that will be recovered from the customers.

The reserve for expected credit losses is EUR 1.6 million (1.6) representing an increase of EUR 0.0 million from the comparative period. Realized credit losses in the Group were EUR 1.1 million (0.1) during the year.

The Group investment activities are not exposed to significant credit risk. Any long-term investments have to be approved by the Board of Directors. Derivative financial instruments are entered into with banks with high credit rating. Group treasury is responsible for credit risk management relating to financial risk counterparties. New derivative counterparties always have to be approved by the Board of Directors.

Credit risk also originates from investments in cash and cash equivalents. EUR 23.5 million (46.3) of the cash balance on 31 December 2023 was deposited in the banks having the credit rating of at least A (S&P) or equivalent. EUR 1.2 million (1.5) of the cash was deposited in the banks in Mozambique and Georgia having the credit rating of BB. The expected credit risk for cash and cash equivalents is measured by a rating-based model in combination with other known information and forward-looking factors. The expected credit losses for other receivables and assets have been assessed to be immaterial and no reservation has been recognized in the financial statements.

14.4 Capital management

The Group's objective when managing capital is to safeguard its ability to continue as going concern in order to provide returns for shareholders. The Group defines total capital as equity plus net debt in the balance sheet.

The net debt at year-end has been as follows:

EUR million	31 Dec 2023	31 Dec 2022
Total bank borrowings	71.5	125.6
Leasing liabilities in balance sheet	53.9	47.8
Cash and cash equivalents	-24.7	-47.9
Net debt	**100.6**	**125.5**

In 2023 Eltel's bank loan agreements included financial covenants related to leverage ratio (Net debt/Adjusted EBITDA), minimum liquidity and net gearing (Net debt/ Total equity).

If the net debt or adjusted EBITDA outcome differs significantly from planned, there is a risk that the covenants under the existing financing agreement are not met. Challenges with respect to meeting the financial covenants might lead to a risk that suppliers and other stakeholders could request accelerated payment terms or additional guarantees.

Credit facilities

EUR million	31 Dec 2023	Maturity
Term loan, current	3.0	Mar 2024-Sep 2024
Term loan, non-current	21.0	Jan 2025
Revolving credit facility	90.0	Jan 2025
Account overdrafts	15.0	Jan 2025
Total committed credit facilities	**129.0**	
Commercial paper program	150.0	N/A

After the reporting period, the maturity of the term loan, revolving credit facility and account overdrafts have been prolonged until January 2026.

Additional to above facilities, the Group also had access to short-term debt capital markets via a commercial paper program of EUR 150 million. At the reporting date EUR 8.0 million (33.5) of the commercial paper program and EUR 39.0 million (56.0) of the revolving credit facility were utilized.

NOTE 15 SHARES AND SHARE CAPITAL

On 20 November 2023, Eltel issued and repurchased 2,354,500 class C shares in accordance with the renewed authorization regarding the incentive program LTIP 2022 that the AGM on 11 May 2023 resolved upon and in accordance with the incentive program LTIP 2023 which was adopted by the ABM on 11 May 2023. Eltel holds the repurchased shares at 31 December 2023 and will hold the shares until it is time to deliver shares to the qualifying participants of LTIP 2022 and LTIP 2023, respectively. Prior to the delivery of the shares to qualifying participants, the class C shares will be converted to ordinary shares. The purpose of the repurchase of class C shares is to ensure delivery of shares to participants and to secure social contributions arising as a result of LTIP 2022 and LTIP 2023, respectively. The share issue resulted in an increase of share capital by EUR 2,374,508.

On 1 February 2022, the share capital was reduced with EUR 242,039.47 by redemption of 240,000 C shares held by Eltel.

On 18 March 2022, Eltel issued 972,000 redeemable and convertible class C shares based on the authorisation given to the Board by the AGM on 5 May 2021. The purpose of the issue of class C shares is to use the shares in Eltel's long-term incentive programme LTIP 2021. In connection with the issue the shares have been repurchased by Eltel. Eltel holds the shares at 31 December 2022 and will hold the shares until it is time to deliver shares to the participants of LTIP 2021. Prior to delivery of the shares to participants, the class C shares will be converted to ordinary shares. The share issue resulted in an increase of share capital by EUR 980 260.

On 7 June 2022, Eltel converted 87,700 C shares to ordinary shares pursuant to the company's articles of association.

On 31 December 2023, the total number of shares amounted to 160,585,581 divided into 156,736,781 ordinary shares with 1 vote per share and 3,848,800 C shares with 1/10 vote per share. On 31 December 2023 the share capital amounted to EUR 162.0 million.

Changes in the share capital

Date[1]	Transactions	Ordinary shares	C shares	Total number of shares	Change in share capital (EUR)	Total share capital (EUR)	Quota (par) value (EUR)
1 Jan 2022		156,649,081	850,000	157,499,081		158,837,474	1.01
1 Feb 2022	Reduction of share capital	–	-240,000	157,259,081	-242,039	158,595,435	1.01
18 Mar 2022	Issue of new C shares	–	972,000	158,231,081	980,260	159,575,695	1.01
7 Jun 2022	Reclassification of shares	87,700	-87,700	158,231,081	–	159,575,695	–
31 Dec 2022		**156,736,781**	**1,494,300**	**158,231,081**		**159,575,695**	**1.01**
20 Nov 2023	Issue of new C shares	–	2,354,500	160,585,581	2,374,508	161,950,203	1.01
31 Dec 2023		**156,736,781**	**3,848,800**	**160,585,581**		**161,950,203**	**1.01**

[1] Date of registration with the Swedish Companies Registration office.

NOTE 16 BORROWINGS

The financial liability amounts include capital amount and accrued interests.

EUR million	31 Dec 2023	31 Dec 2022
Carrying amounts of non-current liabilities		
Bank borrowings	20.7	34.7
Leasing liabilities	33.9	31.0
Total non-current financial liabilities	**54.7**	**65.7**
Carrying amounts of current liabilities		
Bank borrowings	50.4	90.4
Leasing liabilities	19.9	16.8
Total current debt	**70.3**	**107.2**
Total current financial liabilities	**70.3**	**107.2**
Total financial liabilities at amortized cost	**125.0**	**172.9**

The carrying amounts of the Group's financial liabilities are denominated in following currencies:

EUR million	31 Dec 2023	31 Dec 2022
EUR	91.9	144.8
SEK	11.1	10.0
PLN	1.5	0.9
NOK	13.0	11.4
DKK	7.5	5.7
Total	**125.0**	**172.9**

See note 14 for information about interest rate risk, currency risk, liquidity risk and capital management.

The weighted average interest rates for borrowings at year-end were 7.2% (4.8).

Non-cash changes of borrowings

	2023			
EUR million	Long-term borrowings	Short-term borrowings	Leasing liabilities	Total
1 Jan	34.7	90.4	47.8	172.9
Cash flows (net)	-7.5	-46.0	-22.1	-75.6
Non-cash changes:				
New lease agreements	–	–	34.3	34.3
Termination of lease agreements	–	–	-5.2	-5.2
Change in maturity	-6.5	6.5	–	–
Foreign exchange movements	–	–	-0.9	-0.9
Accruals and other non-cash changes	0.0	-0.5	–	-0.5
31 Dec	**20.7**	**50.4**	**53.9**	**125.0**

	2022			
EUR million	Long-term borrowings	Short-term borrowings	Leasing liabilities	Total
1 Jan	25.5	74.2	54.5	154.2
Cash flows (net)	9.5	15.0	-21.6	2.8
Non-cash changes:				
New lease agreements	–	–	19.2	19.2
Termination of lease agreements	–	–	-2.6	-2.6
Foreign exchange movements	–	–	-1.7	-1.7
Accruals and other non-cash changes	-0.3	1.2	–	0.9
31 Dec	**34.7**	**90.4**	**47.8**	**172.9**

NOTE 17 FINANCIAL INSTRUMENTS BY CATEGORY

Book values of financial instruments by category

When measuring the financial assets and liabilities, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data.

Trade and other payables and receivables are non-interest-bearing and short-term and thus the fair value corresponds to their book value.

Fair value of debt is based on discounted cash flows. The discount rate is based on market rates and the nominal risk premium on Group's bank borrowing. The difference between fair value and book value is not significant as the Group's bank borrowing is based on short-term market rates.

The fair values of currency forward contracts and the currency swaps are based on the present value of the cash flow at the maturity date. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flow based on observable yield curves.

31 Dec 2023 EUR million	Note	Fair value through profit or loss	Financial assets at amortized cost	Financial liabilities at amortized cost	Carrying amounts	Fair value	Fair value hierarchy
Non-current financial assets		**0.8**	**0.4**	**–**	**1.2**	**1.2**	
Other receivables and financial assets	30	0.8	0.4	–	1.2	1.2	2
Current financial assets		**0.0**	**134.5**	**–**	**134.5**	**134.5**	
Trade receivables	20	–	106.2	–	106.2	106.2	
Derivative instruments	18,20	0.0		–	0.0	0.0	2
Other receivables	20	–	3.5	–	3.5	3.5	
Cash and cash equivalents		–	24.7	–	24.7	24.7	
Total financial assets		**0.8**	**134.9**	**–**	**135.7**	**135.7**	
Non-current financial liabilities		**–**	**–**	**55.0**	**55.0**	**55.3**	
Interest-bearing debt	16	–	–	54.7	54.7	54.9	2
Trade and other payables		–	–	0.4	0.4	0.4	
Current financial liabilities		**0.1**	**–**	**149.5**	**149.6**	**149.6**	
Interest-bearing debt	16	–	–	70.3	70.3	70.3	2
Trade and other payables	23	–	–	79.1	79.1	79.1	
Derivative instruments	18,23	0.1	–	–	0.1	0.1	2
Total financial liabilities		**0.1**	**–**	**204.5**	**204.6**	**204.9**	
Carrying amount, net		**0.7**	**134.9**	**-204.5**			

31 Dec 2022 EUR million	Note	Fair value through profit or loss	Financial assets at amortized cost	Financial liabilities at amortized cost	Carrying amounts	Fair value	Fair value hierarchy
Non-current financial assets		**0.7**	**0.5**	**–**	**1.2**	**1.2**	
Other receivables and financial assets	30	0.7	0.5	–	1.2	1.2	2
Current financial assets		**0.1**	**134.3**	**–**	**134.3**	**134.3**	
Trade receivables	20	–	82.6	–	82.6	82.6	
Derivative instruments	18,20	0.1	–	–	0.1	0.1	2
Other receivables	20	–	3.8	–	3.8	3.8	
Cash and cash equivalents		–	47.9	–	47.9	47.9	
Total financial assets		**0.8**	**134.7**	**–**	**135.5**	**135.5**	
Non-current financial liabilities		**–**	**–**	**66.1**	**66.1**	**66.7**	
Interest-bearing debt	16	–	–	65.7	65.7	66.3	2
Trade and other payables		–	–	0.4	0.4	0.4	
Current financial liabilities		**0.0**	**–**	**187.5**	**187.6**	**187.9**	
Interest-bearing debt	16	–	–	107.2	107.2	107.6	2
Trade and other payables	23	–	–	80.3	80.3	80.3	
Derivative instruments	18,23	0.0	–	–	0.0	0.0	2
Total financial liabilities		**0.0**	**–**	**253.6**	**253.7**	**254.7**	
Carrying amount, net		**0.8**	**134.7**	**-253.6**			

On 31 December 2023 or on 31 December 2022 the Group had no financial instruments measured at fair value through other comprehensive income.

NOTE 18 DERIVATIVE FINANCIAL INSTRUMENTS

EUR million	Nominal values	Fair values Positive	Fair values Negative
31 Dec 2023			
Foreign exchange derivatives	52.8	0.0	-0.1
Total	**52.8**	**0.0**	**-0.1**
31 Dec 2022			
Foreign exchange derivatives	39.7	0.1	-0.0
Total	**39.7**	**0.1**	**-0.0**

All derivative contracts have been made according to the Group Treasury Policy. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group has not applied hedge accounting to any derivative financial instruments in 2023 or 2022. More information on the financial risks which are hedged by the derivative financial instruments are presented in note 14.

The Group enters into derivatives transactions, other than embedded derivatives, under international Swaps and Derivatives Association (ISDA) master netting agreements. The ISDA agreements do not meet the criteria for offsetting in the balance sheet. The following table sets out the carrying amount of the financial instruments that are subject to above agreements:

	31 Dec 2023			31 Dec 2022		
EUR thousands	Carrying amounts	Related instruments that are not offset	Net amounts	Carrying amounts	Related instruments that are not offset	Net amounts
Financial assets						
Foreign exchange derivatives	10	-10	0	85	-2	84
Financial liabilities						
Foreign exchange derivatives	-107	10	-97	-39	2	-37

NOTE 19 COMMITMENTS AND CONTINGENT LIABILITIES

Commitments and collateral pledged

EUR million	31 Dec 2023	31 Dec 2022
Pledged assets		
Shares in subsidiaries	57.1	61.7
Floating charges	219.7	219.9
Intra-group loan receivables	482.3	343.7
Total pledged assets	**759.0**	**625.4**
Guarantees		
Counter guarantees for external guarantees	89.3	80.3
Total guarantees	**89.3**	**80.3**

At year-end, the pledged assets related mainly to securing the Group's liabilities under the Group's financing agreement. Securities provided included the shares in The Infranet Company AB, floating charges and the pledge of certain intra-group loan receivables.

Counter guarantees for external guarantees consist of performance and other contract guarantees issued by the banks and insurance companies on behalf of group companies under the facilities for which the group companies have given a counter guarantee or other security.

Working capital and deferred taxes

This section comprises the following notes

NOTE 20 TRADE AND OTHER RECEIVABLES

EUR million	31 Dec 2023	31 Dec 2022
Trade receivables, gross	107.8	84.2
Contract assets	66.7	73.3
Expected credit loss reservation	-1.6	-1.6
Trade receivables and contract assets, net	**172.9**	**155.9**
Derivative instruments	0.0	0.1
Income tax receivables	0.9	0.4
Indirect tax receivables	0.8	0.9
Other prepayments and accruals	17.4	16.1
Other receivables	3.5	3.8
Total current trade and other receivables	**195.6**	**177.1**

Fair values of trade and other receivables approximate their carrying amount due to short maturities. The Group applies the expected credit losses (ECL) model according to IFRS 9 for impairment of trade receivables, contract assets and other financial assets. Refer to note 14.3 Credit risk for more information.

During 2023 the Group has sold on non-recourse basis EUR 263.3 million (301.3) of trade receivables to various financial institutions as part of vendor financing solutions and derecognized the amounts from the balance sheet at the time of receipt of payment. EUR 2.9 million (0.5) of the costs are included in EBIT and EUR 1.6 million (0.9) in the financial expenses.

NOTE 21 INVENTORIES

EUR million	31 Dec 2023	31 Dec 2022
Raw materials and consumables	9.4	9.3
Work in progress	7.9	15.5
Total	**17.3**	**24.8**

NOTE 22 PROVISIONS

EUR million	31 Dec 2023	31 Dec 2022
Non-current	3.4	2.6
Current	3.7	3.3
Total	**7.1**	**5.9**

2023 EUR million	Warranty provision	Project risk provision	Restructuring provisions	Other provisions	Total
1 Jan	1.7	3.3	–	0.9	5.9
Additional provisions	1.3	2.2	6.1	0.6	10.3
Used provisions during year	-0.4	-2.4	-5.7	-0.1	-8.6
Unused amounts reversed	-0.5	-0.1	-0.1	-0.0	-0.7
Transfer from other accruals	0.3	–	–	–	0.3
Exchange rate differences	0.0	0.1	–	-0.0	0.1
31 Dec	**2.3**	**3.1**	**0.3**	**1.4**	**7.1**

Non-current provisions consist mainly of warranty provisions and restoration provisions for right-of-use assets. Majority of the non-current provision for warranties will materialize in two to four years' time from the balance sheet date. Warranty provisions which are classified as current will materialize over the next financial year. Based on past experience, the outcome of these warranties will not give rise to any further significant losses.

Major part of the project risk provisions relate to project cost provisions for certain High Voltage projects in Poland. Project risk provisions are based on management estimates of the outcome of the project and based on facts and circumstances and other information available at the reporting date, also taking into account any significant events after the reporting period. The actual future outcome may deviate from the estimate. At year-end 2023 other provisions comprise mainly restoration provisions for right-of-use assets.

NOTE 23 TRADE AND OTHER PAYABLES

Current

EUR million	31 Dec 2023	31 Dec 2022
Trade payables	73.4	72.3
Tax deferral in Sweden	29.8	–
Other liabilities	5.8	8.0
Derivative financial liabilities	0.1	0.0
Indirect tax liabilities	14.1	14.6
Income tax liabilities	0.6	3.6
Accrued expenses and prepaid income	68.0	65.5
Total current trade and other payables	**191.8**	**164.1**

Accrued expenses consist of the following items:

EUR million	31 Dec 2023	31 Dec 2022
Accrued wages and salaries	32.7	32.1
Accrued indirect employee costs	14.7	15.2
Other accruals	20.6	18.2
Total	**68.0**	**65.5**

NOTE 24 DEFERRED TAX

Deferred tax assets and liabilities

EUR million	31 Dec 2023	31 Dec 2022
Deferred tax assets	27.9	16.3
Deferred tax liabilities	-11.3	-10.3
Net deferred tax assets	**16.6**	**6.0**

The movement on the deferred income tax amount during the year:

EUR million	2023	2022
1 Jan	6.0	7.7
Recognized in the income statement	10.0	-0.1
Recognized in other comprehensive income:		
Translation differences	0.2	0.5
Defined benefit plans	0.4	-2.0
Hedge accounting	–	0.0
31 Dec	**16.6**	**6.0**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movement in deferred income tax assets and liabilities:

Deferred tax assets

EUR million	Retirement benefit obligations	Tax losses carried forward	Leasing liabilities	Other temporary differences	Total
1 Jan 2022	1.9	12.9	–	3.6	18.4
Recognized in the income statement	0.0	-2.0	–	2.0	0.0
Recognized in other comprehensive income	-1.6	–	–	–	-1.6
Translation differences	-0.2	-0.3	–	-0.0	-0.5
31 Dec 2022	**0.2**	**10.5**	–	**5.6**	**16.3**
Opening balance adjustment	–	–	10.0	-0.3	9.7
Recognized in the income statement	-0.2	10.0	1.3	1.3	12.4
Translation differences	0.0	0.1	0.0	0.2	0.4
Offsetting	–	–	-10.9	–	-10.9
31 Dec 2023	**0.0**	**20.7**	**0.4**	**6.8**	**27.9**

Deferred tax assets are recognized for tax loss carry forwards and temporary differences to the extent that the realisation of the related tax benefit against future taxable profits is probable. The future taxable profit estimate is based on current business plans approved by management.

Gross amount of EUR 20.7 million (10.5) deferred tax assets are recognized for losses carried forward, of which EUR 11.4 million (5.6) relates to operations in Sweden. The change in the gross amount during 2023 relates mainly to re-recognition of deferred tax assets in Sweden and Germany as well as expiry of previously recognized losses for Finland. On 31 December 2023 the Group had in its main operational countries a total of EUR 165.2 million (185.5) tax losses for which no deferred tax asset was recognized. Of these tax losses EUR 0.0 million (1.9) will expire within five years and EUR 165.2 million (183.5) does not have expiry date.

Deferred tax liabilities

EUR million	Retirement benefit asset	Fair value adjustment	Right-of-use assets	Other temporary differences	Total
1 Jan 2022	–	5.7	–	4.9	10.7
Recognized in the income statement	0.8	0.0	–	-0.6	0.1
Recognized in other comprehensive income	0.5	–	–	–	0.5
Translation differences	0.0	-0.8	–	-0.2	-1.0
31 Dec 2022	**1.3**	**4.9**	–	**4.1**	**10.3**
Opening balance adjustment	–	–	9.7	–	9.7
Recognized in the income statement	0.9	–	1.2	0.3	2.4
Recognized in other comprehensive income	-0.4	–	–	–	-0.4
Translation differences	0.0	-0.1	0.0	0.2	0.2
Offsetting	–	–	-10.9	–	-10.9
31 Dec 2023	**1.8**	**4.8**	**0.0**	**4.6**	**11.3**

Business combinations and capital expenditure

This section comprises the following notes

NOTE 25 NON-CONTROLLING INTERESTS

EUR million	Subsidiaries with non-controlling interest	
Summarized statement of balance sheet	**31 Dec 2023**	**31 Dec 2022**
Current assets	28.8	28.2
Non-current assets	4.4	3.8
Total assets	**33.2**	**32.0**
Current liabilities	12.0	12.1
Non-current liabilities	2.1	1.5
Total liabilities	**14.1**	**13.6**
Equity:		
Shareholders' equity	19.1	18.4
Non-controlling interest	7.6	7.4
Summarized income statement	**2023**	**2022**
Net sales	39.2	35.3
Net result	0.8	0.2
Total comprehensive income	0.8	0.2
Total comprehensive income allocated to non-controlling interests	0.3	0.1
Dividends paid to non-controlling interest	-0.0	-0.4
Summarized cash flows	**2023**	**2022**
Cash flow from operating activities	0.7	1.5
Cash flow from investing activities	-0.1	-0.1
Cash flow from financing activities	-0.6	-1.4
% of ownership	60%	60%

Eltel Networks Pohjoinen Oy, in Finland, is a subsidiary with a non-controlling interest of 40%.

NOTE 26 INTANGIBLE ASSETS

2023 EUR million	Goodwill	Customer relationship	Order backlog	Brand	Advances paid	Other intangible assets	Total
Cost 1 Jan	479.0	129.6	13.4	47.2	0.1	33.6	702.9
Additions	–	–	–	–	0.4	0.2	0.6
Reclassification	–	–	–	–	-0.3	0.3	0.0
Translation differences	-2.4	1.0	0.1	0.1	–	-0.1	-1.3
Cost 31 Dec	**476.7**	**130.7**	**13.6**	**47.2**	**0.2**	**33.9**	**702.2**
Accumulated amortization and impairment 1 Jan	223.0	129.6	13.4	20.8	–	24.8	411.6
Amortization during the year	–	–	–	–	–	2.8	2.8
Translation differences	–	1.0	0.1	–	–	0.1	1.2
Accumulated amortization and impairment 31 Dec	**223.0**	**130.7**	**13.6**	**20.8**	**0.0**	**27.6**	**415.6**
Carrying value 1 Jan	256.0	0.0	0.0	26.4	0.1	8.8	291.3
Carrying value 31 Dec	**253.6**	**0.0**	**0.0**	**26.5**	**0.2**	**6.3**	**286.6**

2022 EUR million	Goodwill	Customer relationship	Order backlog	Brand	Advances paid	Other intangible assets	Total
Cost 1 Jan	488.1	134.9	14.1	48.0	0.0	34.1	719.2
Additions	–	–	–	–	0.1	0.1	0.1
Disposals	–	–	–	–	–	-0.0	-0.0
Reclassification	–	–	–	–	-0.0	0.0	–
Translation differences	-9.0	-5.3	-0.6	-0.8	–	-0.6	-16.4
Cost 31 Dec	**479.0**	**129.6**	**13.4**	**47.2**	**0.1**	**33.6**	**702.9**
Accumulated amortization and impairment 1 Jan	223.0	134.8	14.1	20.8	–	21.9	414.5
Accumulated amortization of disposals	–	–	–	–	–	0.0	0.0
Amortization during the year	–	0.1	0.0	–	–	3.3	3.4
Translation differences	–	-5.3	-0.6	–	–	-0.4	-6.3
Accumulated amortization and impairment 31 Dec	**223.0**	**129.6**	**13.4**	**20.8**	–	**24.8**	**411.6**
Carrying value 1 Jan	265.0	0.1	0.0	27.2	0.0	12.3	304.6
Carrying value 31 Dec	**256.0**	**0.0**	**0.0**	**26.4**	**0.1**	**8.8**	**291.3**

Value of customer relationship and Eltel brand origin from the acquisition of Eltel's business. The amortisation of customer relationship is presented in the income statement line "Selling and administrative expenses".

The Eltel brand is not amortised, because it has been assessed that it has an indefinite useful life. No foreseeable limit to the period over which it is expected to generate net cash inflows for the Group can be seen. Eltel brand is tested for impairment annually together with goodwill.

Allocation of goodwill and brand

Eltel organizes its business through Country Units (CU), and two project based units: High Voltage and Smart Grids Germany. In addition, Eltel has Power Transmission International business that is being ramped down.

Monitoring and testing of goodwill and brand mirror the way that management follows operations. The values and pre-tax discount rates used in valuation are presented in following tables.

Goodwill and brand relating to Power Transmission International business and High Voltage have been fully impaired in earlier periods and no value remains for these units.

	2023			2022		
EUR million	**Brand**	**Goodwill**	**WACC**	**Brand**	**Goodwill**	**WACC**
Country Unit Finland	8.2	79.7	12.1%	8.2	79.7	11.8%
Country Unit Sweden	5.8	56.4	11.4%	5.8	56.3	12.9%
Country Unit Norway	7.9	73.5	12.0%	7.9	76.1	13.1%
Country Unit Denmark	3.5	34.4	11.6%	3.6	34.4	11.4%
Smart Grids Germany	0.9	8.7	12.6%	0.9	8.6	12.6%
Other units	0.1	0.9	12.6%	0.1	0.9	12.6%
Total	**26.5**	**253.6**		**26.4**	**256.0**	

The recoverable amount of above cash generating units (CGUs) is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on business plans approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a growth rate of 1.5% (1.5) in average which does not exceed the long-term average growth rate for the businesses in which the Group operates.

The key assumptions used for value-in-use calculations are:
1. The sales volumes of the business plan – determined based on past performance and existing and planned contracts with clients.
2. Profitability of the business plan – determined based on previous years actual profitability and the planned actions to increase the profitability; EBITA.
3. Discount rate (pre-tax) – determined based on the weighted average cost of capital (WACC) which describes the total cost of debt and equity considering the risks specific to the business.

The discount rates used in calculations reflect the current state of macroeconomic uncertainty and risks specific to the business.

The annual impairment test conducted for year-end 2023 or 2022 resulted in no impairment. At year-end 2022 the value of goodwill in country units Sweden and Norway was disclosed to be sensitive to impairment in case of negative changes to the estimated future cash flows or a further increase in discount rates (WACC). In 2023 both country units have focused on evolving their customer base and service offering, which are expected to impact the business positively in future years. Additionally, the WACC rates have decreased in both country units compared to 2022.

At year-end, the recoverable amount for CGU Sweden exceeds the carrying amount by 19% (5) and use of pre-tax WACC of 12.9% (13.4), reduction of perpetual growth below 0% (1) or reduction in EBITA by 1.4 percentage points (0.3) would change the recoverable amount to be equal to its carrying amount. In CGU Norway the recoverable amount exceeds the carrying amount by 16% (15) and use of pre-tax WACC of 13.6% (14.7), reduction of perpetual growth to below 0% (0) or reduction in EBITA by 1.8 percentage points (1.6) would change the recoverable amount to be equal to its carrying amount. Management deems that no reasonable possible changes in future estimates would cause the recoverable amount to fall below the carrying amount in any other CGU.

NOTE 27 PROPERTY, PLANT AND EQUIPMENT

2023 EUR million	Land	Buildings	Machinery and equipment	Total
Cost 1 Jan	0.1	0.9	69.3	70.2
Additions	–	0.0	3.9	3.9
Disposals	–	–	-0.2	-0.2
Translation differences	0.0	0.1	0.8	0.9
Cost 31 Dec	**0.1**	**1.0**	**73.8**	**74.8**
Accumulated depreciation 1 Jan	0.0	0.3	59.2	59.5
Accumulated depreciation of disposals	–	–	-0.2	-0.2
Depreciation during the year	–	0.0	4.0	4.1
Impairment	–	–	0.0	0.0
Translation differences	0.0	0.0	0.8	0.9
Accumulated depreciation 31 Dec	**0.1**	**0.4**	**63.9**	**64.3**
Carrying value 1 Jan	0.0	0.6	10.1	10.7
Carrying value 31 Dec	**0.0**	**0.6**	**9.9**	**10.5**

2022 EUR million	Land	Buildings	Machinery and equipment	Total
Cost 1 Jan	0.1	0.9	68.4	69.4
Additions	–	0.0	3.9	3.9
Disposals	–	–	-0.9	-0.9
Translation differences	-0.0	-0.0	-2.1	-2.1
Cost 31 Dec	**0.1**	**0.9**	**69.3**	**70.2**
Accumulated depreciation 1 Jan	0.0	0.2	57.5	57.7
Accumulated depreciation of disposals	–	–	-0.8	-0.8
Depreciation during the year	–	0.0	4.5	4.5
Impairment	–	–	0.0	0.0
Translation differences	-0.0	-0.0	-1.9	-2.0
Accumulated depreciation 31 Dec	**0.0**	**0.3**	**59.2**	**59.5**
Carrying value 1 Jan	0.0	0.6	11.0	11.6
Carrying value 31 Dec	**0.0**	**0.6**	**10.1**	**10.7**

Right-of-use assets are not included in property, plant and equipment. See following note 28 for more information about leases.

NOTE 28 LEASING

Under IFRS 16 Eltel recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Right-of-use assets are depreciated on a straight line basis and an interest expense is recognized under financing expenses for the lease liabilities. IFRS 16 requires use of estimates for valuating contracts that are valid until further notice (continuous contracts). Lengths of these contracts have been estimated based on expected usage in current business operations.

IFRS 16 leasing expenses in income statement

EUR million	2023	2022
Depreciation		
Depreciation of right-of-use assets	23.2	21.8
Other operating expenses		
Short-term lease expense	3.2	2.5
Expense for leases of low-value assets	2.4	2.1
Financial expenses		
Interest expense on lease liabilities	2.6	2.1
Total	**31.4**	**28.4**

Right-of-use assets

EUR million	Buildings	Machinery and equipment	Total
1 Jan 2022	31.2	22.1	53.3
Additions	5.4	13.7	19.2
Depreciation	-8.9	-13.0	-21.8
Other	-2.7	-1.4	-4.1
31 Dec 2022	**25.0**	**21.5**	**46.5**
Additions	8.2	26.1	34.3
Depreciation	-8.9	-14.4	-23.2
Other	-3.8	-1.9	-5.7
31 Dec 2023	**20.5**	**31.4**	**51.9**

Leasing liabilities

EUR million	Non-current	Current	Total
1 Jan 2022	35.8	18.6	54.5
Changes during the year	-4.9	-1.8	-6.7
31 Dec 2022	**31.0**	**16.8**	**47.8**
Changes during the year	3.0	3.1	6.1
31 Dec 2023	**33.9**	**19.9**	**53.9**

Maturity analysis of leasing liabilities is presented in note 14.2 Liquidity risk. In addition, the Group is committed to EUR 0.5 million (0.4) future lease payments for short-term lease commitments.

Remuneration and other

This section comprises the following notes

NOTE 29 REMUNERATION TO SENIOR EXECUTIVES

Number of key executives	31 Dec 2023	31 Dec 2022
Board of Directors		
Men	3	3
Women	3	3
Other key executives		
Men	6	6
Women	3	2
Total	**15**	**14**

Guidelines for remuneration to senior executives

Eltel AB's Annual General Meeting 2020 approved the guidelines for remuneration to senior executives. As it has been four years since the guidelines for remuneration to senior executives were adopted, the Board of Directors of Eltel AB will propose new guidelines to be adopted at the Annual General Meeting 2024. Information regarding the guidelines is presented in Board of Directors' report, page 39-40.

Board of Director's fees

EUR thousands	2023	2022
Ulf Mattsson	119	118
Roland Sundén	53	53
Gunilla Fransson	53	53
Håkan Dahlström[1)]	–	15
Joakim Olsson	45	44
Erja Sankari[2)]	45	30
Ann Emilson[2)]	45	30
Total	**359**	**341**

1) Until April 2022
2) From May 2022 onwards

Other key executives compensation

	2023		2022		
EUR thousands	Håkan Dahlström	Other senior executives[3)]	Håkan Dahlström[1)]	Casimir Lindholm[2)]	Other senior executives[3)]
Fixed salary	533	1,779	272	642	1,685
Annual variable salary	266	149	–	–	–
Long-time variable salary	4	16	7	17	24
Pension	285	382	41	156	271
Other benefits	17	87	7	0	76
Total	**1,105**	**2,414**	**328**	**815**	**2,055**

1) From 1 August 2022 onwards
2) Until 31 July 2022
3) 8 individuals in 2023 and 7 individuals in 2022

Variable salary, other remuneration and pensions refer to amounts that were recorded as expense according to IFRS. The long-term variable salary refers to provisions made for the LTIP programs.

Salaries, remuneration and benefits

Salaries and other remuneration to Board of Directors and senior executives excluding pensions and other benefits amounted to EUR 3.1 million (3.0) of which the fixed salaries amounted to EUR 2.7 million (2.9) including fees to Board of Directors of EUR 0.4 million (0.3). Out of this, variable salaries including provisions for LTIP 2021, LTIP 2022 and LTIP 2023 amounted to EUR 0.4 million (0.0). The defined contribution pension plans for senior executives amounted to EUR 0.7 million (0.5) and the amount of other indirect employee costs for senior executives amounted to EUR 0.5 million (0.4).

The short-term variable salary component is based on predetermined and measurable financial and individual targets. The criteria are recommended by the Remuneration Committee and ultimately determined by the Board of Directors. The short-term variable salary can amount to a maximum of 80 percent of the fixed base salary for the CEO and 60 percent for other members of GMT.

The pension terms of the CEO and other senior executives in the Group Management Team (GMT) are market-based in relation to terms that generally apply to comparable executives and reflect the applicable laws and established practices in different countries.

The CEO has a notice period of twelve months in case of termination from the company and twelve months in the event of his resignation. The notice period for other senior executives is twelve months in case of termination from the company and six months in the event of their own resignation. In the event of termination by the company, the CEO is also entitled to a severance pay equivalent to 12 months base salary.

Long-term incentive programs

LTIP 2021

Eltel AB's Annual General Meeting 2021 adopted a long-term incentive program (LTIP 2021) for senior executives and other key individuals in order to encourage a personal long-term ownership in the company, and in order to increase and strengthen the potential for recruiting, retaining and motivating such senior executives and key individuals. The participants are based in Sweden and other countries where the Eltel Group is active. Participation in the LTIP 2021 assumes that the participant acquires and locks Eltel Shares into LTIP 2021 ("Savings Shares"). Savings Shares shall be newly acquired Eltel Shares.

Participants will, after a qualifying period and assuming an investment of their own in Eltel Shares, be given the opportunity to, without consideration, receive allotments of Eltel Shares (defined below) and call options issued by the company. The number of allotted Eltel Shares and call options will depend on the number of Eltel Shares that they have purchased themselves and on the fulfilment of certain performance requirements. Eltel Shares are ordinary shares in the company ("Eltel Shares"). The term of LTIP 2021 is more than three years.

For each acquired Savings Share, the participant shall be entitled to, after a certain qualification period (defined below), provided continued employment and dependent on the fulfilment of certain performance requirements for the financial years 2021-2023, receive allotment of Eltel Shares ("Performance Shares") and call options issued by the company ("Performance Options").

The performance requirements are linked to the company's Compound Annual Growth Rate of Revenue ("CAGR of Revenue"), Average Earnings Margin Before Interest, Taxes and Amortization ("Average EBITA Margin") and Total Shareholder Return ("TSR"). The participant shall not pay any consideration for the allotted Performance Shares and Performance Options. Performance Shares are Eltel Shares and Performance Options are call options issued by the company.

The exercise price when the participant exercises the Performance Option shall correspond to 120% of the volume-weighted average price according to Nasdaq Stockholm's official price list for the Eltel Share during the first ten trading days that directly follows the Annual General Meeting 2021 (the "Purchase Price"). Customary recalculation of the Purchase Price as well as of the number of Eltel Shares that each Performance Option corresponds to may occur if the share capital or the number of shares in the company changes due to bonus issue, split or reverse split, redemption of shares, certain new issues and other similar corporate events, and if certain other measures are taken. The exercise of the Performance Options may be using a so called net strike.

To be eligible to participate in LTIP 2021, the participant must invest in Savings Shares for an amount corresponding to approximately five (5) percent of the participant's fixed base salary during the financial year 2021, however, not exceeding the number of Savings Shares that the participant can tie up within the scope of LTIP 2021 according to the below.

The Savings Shares covered by the LTIP 2021 were acquired in a structured way in ordinary trading in the stock market during a certain period of time.

On balance sheet date, the LTIP 2021 comprises maximum 203,200 Performance Shares and 203,200 Performance Options, corresponding to approximately 0.3% of the total outstanding shares and votes in the Company.

Allotment of Performance Shares and Performance Options within LTIP 2021 will be made during a limited period of time following the latter of the date of (i) the presentation of the first quarterly report for the first quarter of 2024, and (ii) the first record date for dividends decided by the Annual General Meeting 2024. The period up to this date is referred to as the qualification period (vesting period).

LTIP 2021 program is directed towards three categories of participants:

Category	Savings Shares maximum per person	Performance Shares per Savings Share	Performance Options per Savings Share
A CEO	11,500	8.0×	8.0×
B Group Management Team[1]	3,700	8.0×	8.0×
C Other key individuals[2]	2,800	8.0×	8.0×

[1] Maximum 7 persons
[2] Maximum 4 persons

LTIP 2022

Eltel AB's Annual General Meeting 2022 adopted a long-term incentive program (LTIP 2022) for senior executives and other key individuals in order to encourage a personal long-term ownership in the company, and in order to increase and strengthen the potential for recruiting, retaining and motivating such senior executives and key individuals. The participants are based in Sweden and other countries where the Eltel Group is active. Participation in the LTIP 2022 assumes that the participant acquires and locks Eltel Shares into LTIP 2022 ("Savings Shares"). Savings Shares shall be newly acquired Eltel Shares.

Participants will, after a qualifying period and assuming an investment of their own in Eltel Shares, be given the opportunity to, without consideration, receive allotments of Eltel Shares (defined below) and exercise options issued by the company. The number of allotted Eltel Shares and options will depend on the number of Eltel Shares that they have purchased themselves and on the fulfilment of certain performance requirements. Eltel Shares are ordinary shares in the company ("Eltel Shares"). The term of LTIP 2022 is approximately three years.

For each acquired Savings Share, the participant shall be entitled to, after a certain vesting period (defined below), provided continued employment and dependent on the fulfilment of certain performance requirements during the financial years 2022-2025, receive allotment of Eltel Shares ("Performance Shares") and exercise options issued by the company ("Performance Options").

The performance requirements are linked to the company's Compound Annual Growth Rate of Revenue ("CAGR of Revenue"), Average Earnings Margin Before Interest, Taxes and Amortization ("Average EBITA Margin") and Total Shareholder Return ("TSR"). The participant shall not pay any consideration for the allotted Performance Shares and Performance Options. Performance Shares are Eltel Shares and Performance Options are call options issued by the company.

The exercise price when the participant exercises the Performance Option shall correspond to 120% of the volume-weighted average price according to Nasdaq Stockholm's official price list for the Eltel Share during the first ten trading days that directly follows the Annual General Meeting 2022 (the "Purchase Price"). Customary recalculation of the Purchase Price as well as of the number of Eltel Shares that each Performance Option corresponds to may occur if the share capital or the number of shares in the company changes due to bonus issue, split or reverse split, redemption of shares, certain new issues and other similar corporate events, and if certain other measures are taken. The exercise of the Performance Options may be using a so called net strike.

To be eligible to participate in LTIP 2022, the participant must invest in Savings Shares for an amount corresponding to approximately five (5) percent of the participant's fixed base salary for the financial year 2022, however, not exceeding the number of Savings Shares that the participant can tie up within the scope of LTIP 2022 according to the above.

The Savings Shares covered by the LTIP 2022 were acquired in a structured way in ordinary trading in the stock market during a certain period of time.

On balance sheet date, the LTIP 2022 comprises maximum 332,000 Performance Shares and 332,000 Performance Options, corresponding to approximately 0.4% of the total outstanding shares and votes in the Company.

Allotment of Performance Shares and Performance Options within LTIP 2022 will be made during a limited period of time following the latter of the date of (i) the presentation of the first quarterly report for the first quarter of 2025, and (ii) the first record date for dividends decided by the Annual General Meeting 2025. The period up to this date is referred to as the qualification period (vesting period).

LTIP 2022 program is directed towards three categories of participants:

Category	Savings Shares maximum per person	Performance Shares per Savings Share	Performance Options per Savings Share
A CEO	22,000	8.0×	8.0×
B Group Management Team[1]	7,000	8.0×	8.0×
C Other key individuals[2]	5,500	8.0×	8.0×

[1] Maximum 7 persons
[2] Maximum 4 persons

LTIP 2023

Eltel AB's Annual General Meeting 2023 adopted a long-term incentive program (LTIP 2023) for senior executives and other key individuals in order to encourage a personal long-term ownership in the company, and in order to increase and strengthen the potential for recruiting, retaining and motivating such senior executives and key individuals. The participants are based in Sweden and other countries where the Eltel Group is active. Participation in the LTIP 2023 assumes that the participant acquires and locks Eltel Shares into LTIP 2023 ("Savings Shares"). Savings Shares shall be newly acquired Eltel Shares.

Participants will, after a qualifying period and assuming an investment of their own in Eltel Shares, be given the opportunity to, without consideration, receive allotments of Eltel Shares (defined below) and exercise options issued by the company. The number of allotted Eltel Shares and options will depend on the number of Eltel Shares that they have purchased themselves and on the fulfilment of certain performance requirements. Eltel Shares are ordinary shares in the company ("Eltel Shares"). The term of LTIP 2023 is more than three years.

For each acquired Savings Share, the participant shall be entitled to, after a certain vesting period (defined below), provided continued employment and dependent on the fulfilment of certain performance requirements during the financial years 2023-2025, receive allotment of Eltel Shares ("Performance Shares") and exercise options issued by the company ("Performance Options").

The performance requirements are linked to the company's Compound Annual Growth Rate of Revenue ("CAGR of Revenue"), Average Earnings Margin Before Interest, Taxes and Amortization ("Average EBITA Margin") and Total Shareholder Return ("TSR"). The participant shall not pay any consideration for the allotted Performance Shares and Performance Options. Performance Shares are Eltel Shares and Performance Options are call options issued by the company.

The exercise price when the participant exercises the Performance Option shall correspond to 120% of the volume-weighted average price according to Nasdaq Stockholm's official price list for the Eltel Share during the first ten trading days that directly follows the Annual General Meeting 2023 (the "Purchase Price"). Customary recalculation of the Purchase Price as well as of the number of Eltel Shares that each Performance Option corresponds to may occur if the share capital or the number of shares in the company changes due to bonus issue, split or reverse split, redemption of shares, certain new issues and other similar corporate events, and if certain other measures are taken. The exercise of the Performance Options may be made by using so called net strike.

To be eligible to participate in LTIP 2023, the participant must invest in Savings Shares for an amount corresponding to approximately five (5) percent of the participant's fixed base salary for the financial year 2023, however, not exceeding the number of Savings Shares that the participant can tie up within the scope of LTIP 2023 according to the below.

The Savings Shares covered by the LTIP 2023 were acquired in a structured way in ordinary trading in the stock market during a certain period of time.

On balance sheet date, the LTIP 2023 comprises maximum 576,000 Performance Shares and 576,000 Performance Options, corresponding to approximately 0.7% of the total outstanding shares and votes in the Company.

Allotment of Performance Shares and Performance Options within LTIP 2023 will be made during a limited period of time following the latter of the date of (i) the presentation of the first quarterly report for the first quarter of 2026, and (ii) the first record date for dividends decided by the Annual General Meeting 2026. The period up to this date is referred to as the qualification period (vesting period).

LTIP 2023 program is directed towards three categories of participants:

Category	Savings Shares maximum per person	Performance Shares per Savings Share	Performance Options per Savings Share
A CEO	22,000	8.0×	8.0×
B Group Management Team[1]	7,000	8.0×	8.0×
C Other key individuals[2]	5,500	8.0×	8.0×

[1] Maximum 8 persons
[2] Maximum 4 persons

Costs for the LTIP programs

In accordance with IFRS 2, the estimated total expenses for the LTIP 2021, LTIP 2022 and LTIP 2023 programs amounted to EUR 168 thousand (385 incl. LTIP 2018), of which EUR 117 thousand (365) for the President and CEO and other senior executives. The total costs for the year amounted to EUR 44 thousand (54), of which EUR 24 thousand (49) was to the President and CEO and other senior executives.

The employee matching shares and performance shares are expensed as an employee expense over the vesting period and are recognized directly against equity. Expenses for the shares do not affect the company's cash flow. Related social costs are expensed during the vesting period based on the change in value of the Eltel AB's share.

NOTE 30 FINANCIAL ASSETS

EUR million	31 Dec 2023	31 Dec 2022
Defined benefit pension asset	8.6	5.9
Investments	0.8	0.7
Other non-current receivables	0.4	0.5
Total non-current financial assets	**9.8**	**7.1**

Refer to following note 31 Retirement benefit obligations for more information about defined benefit pension asset.

NOTE 31 RETIREMENT BENEFIT OBLIGATIONS

The majority of employees in the Group are included in defined contribution pension plans and largest defined contribution liability is in Denmark. Some countries also have defined benefit plans, largest one being in Sweden, where the plan has been closed for any new earnings at year end 2007. Benefits earned since then are covered by premiums paid to Alecta. Changes in actuarial assumptions during 2022 changed the net pension liability to a net asset in Sweden and in 2023 also in Finland. The net asset is presented as part of non-current financial asset in the balance sheet. There are also smaller voluntary pension plans in Finland that are accounted for as defined benefit plans.

Pension liabilities in the balance sheet

EUR million	31 Dec 2023	31 Dec 2022
Defined benefit pension liability	–	0.5
Defined benefit pension asset	-8.6	-5.9
Net defined benefit pension liability (+)/-asset (-)	-8.6	-5.4
Defined contribution pension liability	5.6	5.4
Net pension liability (+)/-asset (-)	**-3.0**	**0.1**

Defined pension liabilities in the balance sheet

EUR million	31 Dec 2023	31 Dec 2022
Present value of funded obligations	62.9	61.8
Fair value of plan assets	-71.5	-67.2
Net liability (+)/ -asset (-)	**-8.6**	**-5.4**

The movement in the fair value of plan assets

EUR million	2023	2022
Fair value of assets 1 Jan	67.2	81.4
Interest on plan assets	2.5	1.1
Remeasurement of plan assets	2.0	-8.0
Contributions by employer	0.5	0.1
Benefits paid	-0.7	-0.8
Gains and losses on curtailments and settlements	–	-1.4
Translation differences	0.1	-5.1
Fair value of assets 31 Dec	**71.5**	**67.2**

The movement in the defined benefit obligations

EUR million	2023	2022
Total obligations 1 Jan	61.8	90.4
Current service cost	-0.8	-0.7
Interest cost	2.2	1.2
Remeasurement of pension obligation	3.9	-17.9
Benefits paid	-4.2	-4.1
Gains and losses on curtailments and settlements	-0.0	-1.5
Translation differences	0.1	-5.6
Total obligations 31 Dec	**62.9**	**61.8**

The amounts recognized in the income statement and other comprehensive income

EUR million	2023	2022
Current service cost	-0.8	-0.7
Net interest cost	-0.3	0.1
Amount recognized in the income statement	**-1.1**	**-0.7**
Remeasurements recognized in other comprehensive income:		
Financial assumptions	1.6	-24.5
Experience adjustments	0.3	14.6
Total pension charges recognized during the year	**0.8**	**-10.5**

Maturity profile of future gross benefit payments

EUR million	2023	2022
Less than 1 year	4.8	4.7
1–5 years	18.5	18.0
5–10 years	21.0	20.6
10–20 years	32.6	33.7
20–30 years	18.0	20.1
Over 30 years	8.1	10.0
Total	**103.0**	**107.1**

The maturity profile amounts are undiscounted amounts. Special salary tax is excluded. The maturity profile of future gross benefit payments does not represent the expected contribution payments, as it excludes the impact of plan assets. The expected contributions to the plan for 2024 are EUR 4.5 million.

The principal actuarial assumptions	2023	2022
Discount rate, %		
Sweden	3.20	3.70
Finland	4.10	3.90
Future salary increase expectation, %		
Sweden	closed plan	closed plan
Finland	3.50	3.40
Inflation rate, %		
Sweden	1.60	2.00
Finland	2.50	2.40

The pension plan in Sweden forms 96% of the Groups total net obligations. The plan is sensitive to changes in discount rate and inflation. An increase of 0.5% in discount rate would reduce the obligation in Sweden by EUR 3.4 million. Similar rise in inflation rate would have the opposite effect and increase the obligation by EUR 3.8 million. If the discount rate was decreased by 0.5% the obligation would increase by EUR 3.7 million whilst similar decrease in the inflation rate would reduce the obligation by EUR 3.5 million.

Retirement pension and family pension obligations for salaried employees in Sweden are secured through pension insurance with Alecta. According to a statement issued by the Swedish Financial reporting Board (UFR 10), this constitutes a multi-employer plan. For the 2023 and 2022 fiscal years, the company did not have access to such information that would enable the company to record this plan as a defined benefit plan. Consequently, the ITP pension plan secured through insurance with Alecta is recorded as a defined contribution plan. The contribution to the plan is determined based on the age, salary and previously earned pension benefits of the plan participants. The company has an insignificant part in the plan.

The collective consolidation ratio reflects the market value of Alecta's assets as a percentage of insurance obligations, calculated in accordance with Alecta's actuarial assumptions, which do not correspond with IAS 19. The collective solvency is normally allowed to vary between 125% and 175%. If the level of collective solvency is less than 125% or exceeds 175%, measures are to be taken in order to create conditions for restoring the level of collective solvency to the normal interval. Alecta's surplus can be distributed to the policyholders and/or the insured if the collective consolidation ratio exceeds 175%. However, Alecta aims to avoid surplus by using reduced contributions. On 31 December 2023, Alecta's surplus corresponded to a collective consolidation ratio of 158% (172%).

The distribution of plan assets in Sweden is as follows:

%	2023	2022
Debt instruments	62	71
Equity instruments	37	28
Cash and cash equivalents	1	2
Total	**100**	**100**

NOTE 32 AUDITORS' FEES

EUR million	2023	2022
Main auditor		
Audit	0.6	0.7
Other services	0.1	0.1
Total	**0.7**	**0.8**
Other auditing firms		
Audit	0.1	0.1
Other services	0.1	0.2
Total	**0.2**	**0.3**
Total	**0.9**	**1.1**

The main auditor of the Group in 2023 and 2022 has been KPMG.

NOTE 33 RELATED PARTY INFORMATION

Eltel's related parties include the parent company Eltel AB and its subsidiaries and jointly controlled entities. Related parties include also the members of the Board of Directors, the CEO and other management team members. In addition, significant unusual transactions with shareholders are included in related party transactions.

In 2023 the related party transactions have been conducted in the ordinary course of business of the Group. No significant unusual transactions have taken place between Eltel and related parties during the year.

Transactions with key individuals in executive positions

Salaries, remuneration and other benefits are accounted for in note 6 Employee benefit expenses and note 29 Remuneration to senior executives.

The Group has not issued any loans to the persons classified as related party on 31 December 2023 or 31 December 2022.

Transactions with related party companies

List of group companies and jointly controlled entities is presented in note 34 Group companies. Transactions between Group companies are eliminated in the consolidated financial statements.

NOTE 34 GROUP COMPANIES

31 Dec 2023	Domicile	Group holding, %
The InfraNet Company AB	Sweden	100%
Eltel Networks Infranet AB	Sweden	100%
Eltel Networks TE AB	Sweden	100%
Jämtlands Linjebyggare & Republikens El AB	Sweden	100%
Eltel Networks Infranet Privat AB	Sweden	100%
Eltel Group Corporation	Finland	100%
Eltel Networks Oy	Finland	100%
Eltel Networks Pohjoinen Oy	Finland	60%
Eltel Networks AS	Norway	100%
Eltel Networks A/S	Denmark	100%
Eltel Networks Energetyka S.A.	Poland	100%
Eltel Networks Engineering S.A.	Poland	100%
Eltel Networks Poland S.A.	Poland	100%
Eltel Holding Poland Sp. z.o.o	Poland	100%
Eltel Networks UK Limited	the UK	100%
UAB Eltel Networks	Lithuania	100%
Eltel Networks GmbH	Germany	100%
Transmast Philippines, Inc.	Philippines	40%[1)]
Eltel Tanzania Limited	Tanzania	100%
Jointly controlled entities		
Fiber og Anlaeg I/S	Denmark	35%
NKEL I/S	Denmark	50%[2)]

1) Group voting 100%
2) Eltel's estimated share of the operations is 30-35%

During the financial year 2023 Eltel Networks GmbH was merged into Eltel Infranet GmbH and the name of the acquiring company was changed to Eltel Networks GmbH. Eltel Infranet Production GmbH and Eltel Comm Philippines Inc were dissolved.

Eltel Networks UK Limited is exempt from statutory audit in accordance with the Company's Act Section 479 A.

Parent Company financial statements

Income statement

EUR thousands	Note	2023	2022
Net sales	4	1,865	2,472
Personnel costs	5	-3,023	-1,794
Other operating expenses		-4,394	-5,466
Total operating expenses		**-7,417**	**-7,259**
Operating result		**-5,552**	**-4,788**
Interest and other financial income		20,845	21,481
Interest and other financial expense		-3,565	-1,883
Financial items, net	7	**17,280**	**19,598**
Result after financial items		**11,728**	**14,810**
Appropriations			
Group contribution given	13	-11,600	-14,500
Result before tax		**128**	**310**
Tax for the year	8	–	–
Net result for the year		**128**	**310**

Statement of comprehensive income

EUR thousands	Note	2023	2022
Net result for the year		**128**	**310**
Other comprehensive income		–	–
Total comprehensive income for the year		**128**	**310**

Balance sheet

EUR thousands	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Financial assets			
Shares in group companies	9	68,308	68,308
Long-term loans receivable from group companies	10	481,674	475,568
Intangible assets		1	22
Total non-current assets		**549,983**	**543,898**
Current assets			
Receivables from group companies	10	774	1,015
Other receivables		308	305
Cash pool receivables	10	4,380	4,371
Cash and cash equivalents		99	98
Total current assets		**5,563**	**5,790**
TOTAL ASSETS		**555,546**	**549,688**
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		161,950	159,576
Statutory reserve		695	695
Total restricted equity		**162,645**	**160,271**
Non-restricted equity			
Retained earnings		281,226	284,945
Hybrid bond		25,000	–
Net result for the year		128	310
Total non-restricted equity		**306,354**	**285,257**
Total equity	11	**468,999**	**445,528**
LIABILITIES			
Current liabilities			
Debt	12	7,945	33,308
Liabilities to group companies	13	77,936	70,324
Trade and other payables	14	666	528
Total current liabilities		**86,547**	**104,160**
Total liabilities		**86,547**	**104,160**
TOTAL EQUITY AND LIABILITIES		**555,546**	**549,688**

Changes in equity

EUR thousands	Share capital	Statutory reserve	Non-restricted equity	Total equity
1 Jan 2023	**159,576**	**695**	**285,257**	**445,528**
Net profit for the year	–	–	128	128
Total comprehensive income/loss for the year	**–**	**–**	**128**	**128**
Hybrid bond	–	–	25,000	25,000
Transaction costs and interests on hybrid bond	–	–	-1,667	-1,667
Transactions with owners[1]				
Proceeds from shares issued	2,375	–	–	2,375
Purchase of own shares	–	–	-2,374	-2,374
Equity-settled share-based payment	–	–	10	10
Total transactions with owners	**2,375**	–	**-2,364**	**11**
31 Dec 2023	**161,950**	**695**	**306,354**	**468,999**
1 Jan 2022	**158,839**	**453**	**285,889**	**445,180**
Net profit for the year	–	–	310	310
Total comprehensive income/loss for the year	**–**	**–**	**310**	**310**
Transactions with owners[1]				
Proceeds from shares issued	980	–	–	980
Reduction of share capital	-242	242	–	–
Purchase of own shares	–	–	-982	-982
Equity-settled share-based payment	–	–	37	37
Total transactions with owners	**738**	**242**	**-945**	**36**
31 Dec 2022	**159,576**	**695**	**285,257**	**445,528**

[1] For more information about equity-settled share-based payments see note 29 Remuneration to senior executives in the consolidated financial statements and for share transactions see note 11 Equity and share capital.

Cash flow statement

EUR thousands	Note	2023	2022
Cash flow from operating activities			
Profit/loss before taxes		128	310
Adjustments for:			
Depreciation		21	38
Equity-settled share-based payment		10	37
Group contribution given	13	11,600	14,500
Financial items, net	7	-17,280	-19,598
Changes in working capital:			
Trade and other receivables		301	111
Trade and other payables		284	-783
Cash flow from operating activities before financial items and taxes		**-4,936**	**-5,385**
Financial income received		14,722	34,834
Financial expenses paid		-3,503	-1,800
Cash flow from operating activities		**6,283**	**27,649**
Cash flow from investing activities			
Payments received from loans from group companies		–	14,399
Cash flow from investing activities		**–**	**14,339**
Cash flow from financing activities			
Proceeds from issuance of hybrid bond		24,400	–
Payments of transaction costs and interests for hybrid bond		-1,067	–
Proceeds from issuance of share capital		2,379	982
Purchase of own shares		-2,378	-982
Proceeds from short-term borrowings		10,500	10,500
Payments of short-term borrowings		-36,000	-50,000
Proceeds from short-term borrowings from group companies		10,384	11,504
Payments of group contributions		-14,500	-14,000
Cash flow from financing activities		**-6,282**	**-41,996**
Decrease/increase in cash and cash equivalents		1	-8
Cash and cash equivalents at beginning of year		98	105
Cash and cash equivalents at end of year		**99**	**98**

Notes to the Parent Company financial statements

Notes to the Parent Company financial statements

NOTE 1 GENERAL INFORMATION

Eltel AB's role is to own and govern 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. All transactions with group companies are performed on an arm's length basis. Additional general information about the Parent Company can be found in note 1 Corporate information in the consolidated financial statements.

NOTE 2 ACCOUNTING PRINCIPLES

Basis for the preparation of the reports

The annual report for the Parent Company, Eltel AB, has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities. RFR 2 states that the Parent Company in its annual report shall apply IFRS Accounting Standards as adopted by the EU, to the extent possible within the framework of the Swedish Annual Accounts Act and the law of safeguarding of pension commitments, and also by taking into account the relationship between reporting and taxation.

Accordingly, the Parent Company applies those principles presented in note 2 Material accounting policies for the consolidated accounts in the consolidated financial statements with the exception of what is mentioned below. The principles have been applied consistently for all years presented, unless otherwise stated.

The income statement for the Parent company is presented on the nature of expense method. The Parent company has reported group contributions and related taxes in the income statement in accordance with RFR 2. The Parent company does not apply IFRS 16 in accordance with the exception in RFR 2.

All figures in the Parent Company financial statements are presented in thousands of Euro unless otherwise stated.

Shares and participations in subsidiaries

Shares and participations in subsidiaries are reported at acquisition cost less deduction for possible write-downs. Dividends received are reported as revenues to the extent they originate from earnings earned after the acquisition. Dividend amounts exceeding these returns are considered as repayments of the investment and reduce the carrying value of the participations.

When there is an indication that shares and participations in subsidiaries have decreased in value, an estimate is made of the recoverable amount. If this value is lower than the reported value, a write-down is made. Write-downs/impairment losses are reported as a separate line in the income statement.

Financial instruments

The Company applies fair value in accordance with the Swedish Annual Accounts Act 4: 14a-d and hence the description of the accounting principles in Financial instruments of the consolidated financial statements also applies to the Parent Company with the exception of financial guarantees. The Parent Company applies the rule permitted by the Swedish Financial Reporting Board to the reporting of financial guarantee agreements issued for the benefit of subsidiaries, associated companies and joint ventures. The Parent Company recognizes financial guarantees as a provision in the balance sheet when the company has an obligation for which payment is probably necessary to settle the commitment.

The Company's financial instruments are comprised of long-term receivables from Group companies, other financial assets, current receivables from Group companies and also cash and cash equivalents. These make up the category financial assets at amortized cost. Financial instruments are also comprised of long-term borrowing, short-term liabilities to group companies, accounts payable and other liabilities. These comprise the category financial liabilities at amortized cost.

Group contributions

The Company has chosen to apply the alternative rule in accordance with RFR 2, which means that all group contributions are recognized in appropriations.

NOTE 3 FINANCIAL RISK MANAGEMENT

The Group applies common risk management for all units. Hence, the description in note 14 Financial risk management in the consolidated financial statements applies to the Parent Company as well in all material aspects.

NOTE 4 NET SALES

EUR thousands	2023	2022
Remunerations from group companies for group-wide administration	1,865	2,472
Total	**1,865**	**2,472**

NOTE 5 EMPLOYEE BENEFIT EXPENSES

EUR thousands	2023	2022
Salaries and other remunerations	1,933	1,162
Social security contributions:		
Pension costs	410	225
Other social security contributions	679	407
Total	**3,023**	**1,794**

	2023	2022
Average number of employees	7	4
Of whom men	47%	45%

Salaries and other remunerations to senior executives were EUR 1.5 million (0.6), pension costs EUR 0.4 million (0.1) and other social security contributions EUR 0.4 million (0.2). In 2022 salary and other remunerations including social costs to the President and CEO, who was employed by other group company until July 2022, were EUR 0.9 million. From August 2022 onwards the President and CEO has been employed by Eltel AB. Group senior executives participate in the long-term share-based incentive programs LTIP 2021, LTIP 2022 and LTIP 2023. Total expense for the programs for the year was EUR 44 thousand (53), of which EUR 24 thousand (48) for the President and CEO and other senior executives. More information of Group senior executives and the Board of Directors is presented in note 6 Employee benefit expenses and note 33 Related party information in the consolidated financial statements.

In Eltel AB the number of individuals in the Board of Directors was six in 2023 and 2022 and the number of other senior executives employed by the company was three in 2023 and two in 2022.

NOTE 6 AUDITORS' FEES

EUR thousands	2023	2022
Main auditor		
Audit assignments	149	159
Tax assignments	6	7
Other assignments	14	14
Other auditing firms		
Other assignments	44	91
The company in total	**213**	**271**

Main auditor in 2023 and 2022 has been KPMG.

NOTE 7 RESULT FROM FINANCIAL ITEMS

EUR thousands	2023	2022
Interest and other financial income		
Interest income	2	–
Interest income, loans from group companies	20,627	21,284
Other financial income, group companies	216	197
Total	**20,845**	**21,481**
Interest and other financial expenses		
Interest expenses	-1,142	-994
Interest expenses, group companies	-2,364	-754
Expected credit loss write-down on internal loans receivable	-16	97
Other financial expenses	-43	-233
Total	**-3,565**	**-1,883**
Total financial items	**17,280**	**19,598**

NOTE 8 TAXES

EUR thousands	2023	2022
Income taxes		
Result before tax	128	310
Tax calculated at Swedish tax rate	26	64
Income not subject to tax	–	-20
Expenses not deductible for tax purposes	22	47
Tax effect of results for which no deferred income tax was recognized	-48	-91
Income taxes in the income statement	**–**	**–**

Eltel AB has not recognized deferred tax assets for losses carried forward. The Group's estimate for utilizing losses carried forward in Sweden covers Eltel AB and all Swedish subsidiaries as group contribution and interest offsetting is utilized in taxation between the entities. The amount of deferred tax assets for losses carried forward in Sweden is reported in note 24 in the consolidated financial statements and reported in companies where Eltel estimates to utilize the losses.

NOTE 9 SHARES IN GROUP COMPANIES

EUR thousands	2023	2022
Acquisition value		
Opening balance 1 Jan	268,308	268,308
Closing balance 31 Dec	**268,308**	**268,308**
Accumulated impairment losses		
Opening balance 1 Jan	-200,000	-200,000
Closing balance 31 Dec	**-200,000**	**-200,000**
Carrying amount on the balance sheet	**68,308**	**68,308**

Shares are held in the following subsidiaries: The InfraNet Company AB, 556728-6645, Stockholm	2023	2022
Share of equity, %	100	100
Share of voting power, %	100	100
Number of shares	11,000	11,000
Book value	68,308	68,308

NOTE 10 RECEIVABLES FROM RELATED PARTIES

Non-current receivables

EUR thousands	31 Dec 2023	31 Dec 2022
Loans from group companies	481,674	475,568
Total	**481,674**	**475,568**

Current receivables

EUR thousands	31 Dec 2023	31 Dec 2022
Cash pool receivable	4,380	4,371
Accounts receivable	774	1,015
Total	**5,155**	**5,386**

Interest resulting from loans to group companies is capitalized annually. Capitalized interest bears no interest.

Eltel AB applies rating-based expected credit loss (ECL) model according to IFRS 9 for impairment of non-current receivables from group companies. In 2023, a write-down amounting to 16 thousand euro (reversal of 97) has been recognized in the credit loss reserve of long-term loans receivable. For more information about the ECL model, please refer to note 14 in the consolidated financial statements.

NOTE 11 EQUITY AND SHARE CAPITAL

On 20 November 2023, Eltel issued and repurchased 2,354,500 class C shares in accordance with the renewed authorization regarding the incentive program LTIP 2022 that the AGM on 11 May 2023 resolved upon and in accordance with the incentive program LTIP 2023 which was adopted by the ABM on 11 May 2023. Eltel holds the repurchased shares at 31 December 2023 and will hold the shares until it is time to deliver shares to the qualifying participants of LTIP 2022 and LTIP 2023, respectively. Prior to the delivery of the shares to qualifying participants, the class C shares will be converted to ordinary shares. The purpose of the repurchase of class C shares is to ensure delivery of shares to participants and to secure social contributions arising as a result of LTIP 2022 and LTIP 2023, respectively. The share issue resulted in an increase of share capital by EUR 2,374,508.

On 1 February 2022, the share capital was reduced with EUR 242,039.47 by redemption of 240,000 C shares held by Eltel.

On 18 March 2022, Eltel issued 972,000 redeemable and convertible class C shares based on the authorization given to the Board by the AGM on 5 May 2021. The purpose of the issue of class C shares is to use the shares in Eltel's long-term incentive program LTIP 2021. In connection with the issue the shares have been repurchased by Eltel. Eltel holds the shares at 31 December 2023 and will hold the shares until it is time to deliver shares to the participants of LTIP 2021. Prior to delivery of the shares to participants, the class C shares will be converted to ordinary shares. The share issue resulted in an increase of share capital by EUR 980 260.

On 7 June 2022, Eltel converted 87,700 C shares to ordinary shares pursuant to the company's articles of association.

On 31 December 2023, the total number of shares amounted to 160,585,581 divided into 156,736,781 ordinary shares with 1 vote per share and 3,848,800 C shares with 1/10 vote per share. On 31 December 2023 the share capital amounted to EUR 161,950 thousand. A specification of changes in equity is found under the section "Changes in equity", which is presented directly after the balance sheet.

Shareholders with more than 10% of the votes at 31 December 2023 are Solero Luxco S.á.r.l. (a company controlled by Triton Funds) with 16.3% and Wipunen Varainhallinta Oy with 14.3% of ordinary shares. More information about Eltel's shareholders is found in "The Eltel Share" on pages 91-92.

The Board's proposal for the distribution of profits

The Parent Company's non-restricted equity on 31 December 2023 was EUR 306,353,801.93 of which the net profit for the year was EUR 127,714.89. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the year 2023 and that the non-restricted equity of EUR 306,353,801.93 be retained and carried forward.

NOTE 12 LIABILITIES

EUR thousands	31 Dec 2023	31 Dec 2022
Current liabilities		
Bank borrowings	7,945	33,308
Total liabilities	**7,945**	**33,308**

NOTE 13 LIABILITIES TO GROUP COMPANIES

EUR thousands	31 Dec 2023	31 Dec 2022
Cash pool payable	65,241	54,847
Accounts payable	1,095	977
Group contribution liabilities	11,600	14,500
Total	**77,936**	**70,324**

NOTE 14 TRADE AND OTHER PAYABLES

EUR thousands	31 Dec 2023	31 Dec 2022
Trade payables	87	124
Accrued employee related expenses	108	133
Other short-term liabilities	214	148
Other accrued expenses	256	123
Total	**666**	**528**

NOTE 15 CONTINGENT LIABILITIES AND PLEDGED ASSETS

Contingent liabilities

EUR thousands	31 Dec 2023	31 Dec 2022
Commercial guarantees on behalf of subsidiaries	111,293	103,208
Total guarantees	**111,293**	**103,208**

Pledged assets

EUR thousands	31 Dec 2023	31 Dec 2022
Pledged subsidiary shares	68,308	68,308
Pledged other assets	482,252	343,690
Total pledged assets	**550,560**	**411,998**

At year-end, Eltel Group had secured its debt obligations towards the banks under the financing agreement by share and intragroup loan pledges and floating charges over certain assets of the Group, all on customary terms and conditions. Eltel AB has pledged the assets shown in the above table as a security for the financing agreement.

The Company's financial statement will be submitted for approval to the Annual General Meeting on 14 May 2024

The Board of Directors certifies that the annual financial report has been prepared in accordance with generally accepted accounting principles and that the consolidated accounts have been prepared in accordance with the international set of accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards; and give a true and fair view of the position and profit or loss of the Company and the Group; and that the management report for the Company and for the Group gives a fair overview of the development and performance of the business, position and profit or loss of the Company and the Group; and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Stockholm 25 March 2024

Ulf Mattsson
Chairman of the Board of Directors

Ann Emilson
Board member

Gunilla Fransson
Board member

Joakim Olsson
Board member

Erja Sankari
Board member

Roland Sundén
Board member

Stefan Söderholm
Board member

Håkan Dahlström
President and CEO

Björn Tallberg
Board member

Our audit report was submitted on 26 March 2024
KPMG AB

Fredrik Westin
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders
of Eltel AB (publ), corp. id 556728-6652

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Eltel AB (publ) for the year 2023, except for the corporate governance statement on pages 41-47. The annual accounts and consolidated accounts of the company are included on pages 34-85 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with IFRS Accounting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 41-47. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue and profit calculation of projects

See disclosure 4 and accounting principles on page 54 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

In its consolidated accounts, Eltel applies the standard IFRS 15 Revenue from Contracts with Customers for its revenue recognition. This means that performance obligations relevant to the projects Eltel carries out on behalf of its customers are normally fulfilled over time. It also means that revenues are being recognized over time successively), where progress is measured in relation to the complete fulfillment of Eltel's performance obligations.

The projects' results ("profit calculation") are therefore also reported successively, in relation to the degree/percentage of completion of each project. The percentage of completion depends on the actual project costs associated with the total projected costs. The latter may change during the life cycle of the projects, which in turn may have a significant impact on the projects' reported revenues and results. Unforeseeable costs may also need to be included in the assessments in order to take project risks or disputed claims into account. These items are regularly assessed by the Group and adjusted if necessary. Expected losses are fully recognized as expenses as soon as they are known.

Revenues from project alterations and additional work are recognized on the basis of what is judged to be received. Based on the above, there is, in total, a large element of assessments on the part of Eltel in this area, which in turn affects the reporting of revenues and results.

Response in the audit

We have obtained information about and evaluated management's process for reviewing projects, including the procedures they use for identifying and reporting loss-making and/or high-risk projects. Project managers and project controllers within Eltel have also been involved in this work.

In addition, we have tested whether Eltel's more important project-related controls have been effective throughout the year, such as approvals of contracts and time reporting, ongoing follow-up and reporting of project costs, and profitability. We have also evaluated controls related to costs for subcontractors and other purchases. Furthermore, we have performed sample testing; for example, we have examined whether costs allocated to the projects correspond to data/documentation, and whether both the cost and revenue recognition is true and fair.

We have also assessed whether risks and opportunities in projects are reflected in a balanced way in the project forecasts.

Valuation of goodwill (group) and shares in group companies (parent company)

See disclosure 26 (group) and disclosure 9 (parent company) and accounting principles on page 56 (group) and on page 82 (parent company) in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The carrying value of goodwill for the Group as at 31 December 2023 amounted to 253,6 MEUR, which is approximately 41 % of total assets. Goodwill, which is required to be tested annually for impairment, is a complex area which is heavily dependent on judgment.

Under IFRS, the impairment test should be performed in line with a specific method where management needs to make judgments of future conditions and plans, both internal and external. An example of these judgments is forecasts of future cash flows which, among other things, call for assumptions to be made about future developments and market conditions.

Another important assumption is the discount rate that should be used to reflect market- based assessments of the time value of money and the particular risks that the business faces.

The carrying value of shares in Group companies in the parent company as at 31 December 2023 amounted to 68,3 MEUR. If the carrying amount of the shares exceeds the consolidated value of the respective group company, the same type of testing is carried out, with the same technique and input values, as for goodwill in the Group.

Response in the audit

We have reviewed whether the goodwill impairment tests carried out by Eltel were performed in accordance with the prescribed accounting method. We have further considered the reasonableness of the assumptions in the cashflow forecasts, as well as the discount rate used, through an evaluation of the Group's internal written documentation and forecasts. We have also interviewed management and evaluated previous years' assessments in relation to actual outcomes.

Another important part of our work has been to review the Group's sensitivity analysis of its own assessments to evaluate how reasonable changes in the assumptions may impact the valuations.

Furthermore, we have considered the completeness of the disclosures in the annual report and evaluated whether they are in line with the assumptions made in the Group's impairment tests, and that they correspond in material aspects to the information that should be provided in accordance with IFRS.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-33 and 90-97. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS Accounting Standards as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Auditor's audit of the administration and the proposed appropriations of profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Eltel AB (publ) for the year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Eltel AB (publ) for year 2023.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Eltel AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.
We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 41-47 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s standard RevR 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Eltel AB (publ) by the general meeting of the shareholders on the 11 May 2023. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2018.

Stockholm 26 March 2024
KPMG AB

Fredrik Westin
Authorized Public Accountant

Other information

The Eltel share

Eltel's share is listed on the OMX Stockholm Small Cap, under the trading symbol "ELTEL".

Share capital
At the end of the financial period 2023, the total number of shares amounts to 160,585,581 divided into 156,736,781 ordinary shares with one vote per share and 3,848,800 C shares with 1/10 vote per share. The share capital entered in the trade register per 31 December 2023 is EUR 161,950,203.

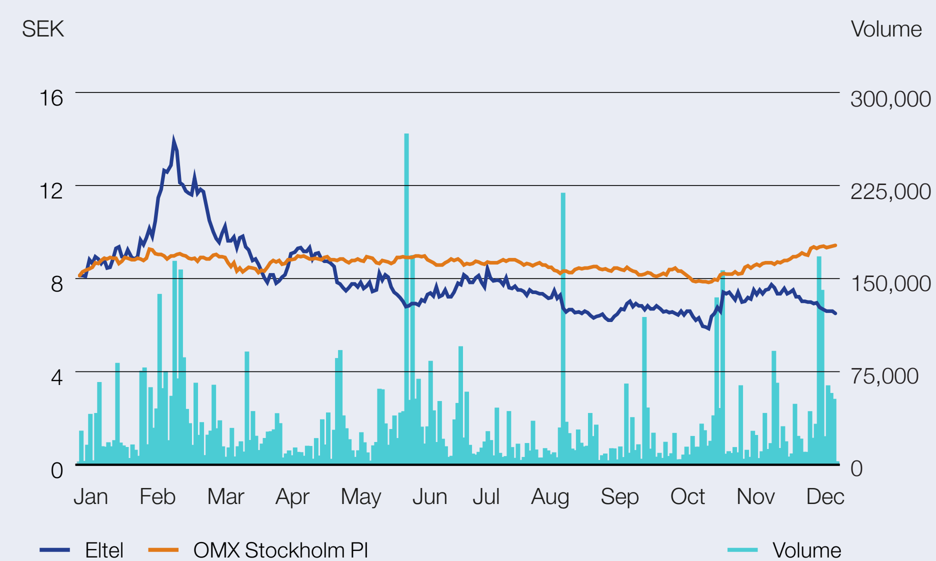
Shareholders
As per 31 December 2023, Eltel has 3,676 shareholders. The four largest shareholders of Eltel AB are Solero Luxco S.á.r.l. 16.3% (a company controlled by Triton Funds), Wipunen Varainhallinta Oy 14.3%, the Fourth Swedish National Pension Fund (AP4) 9.6%, and Heikintorppa Oy 7.9%. The four largest shareholders referred above together represent 48.2% of the votes in the company.

Price development and trading volumes
Eltel share price declined in 2023. The closing price on 29 December 2023 was SEK 6.70, a decline of 19.28% over the year. The highest closing price was SEK 14.00 on 14 February 2023 and the lowest was SEK 6.06 on 30 October 2023. At year-end, Eltel's market capitalization was SEK 1.05 million. The trading volume on Nasdaq Stockholm was 7,304,998 shares, equivalent to a turnover of SEK 61,568,689. Eltel shares were mainly traded on Nasdaq Stockholm, 79.7% and Cboe, 15.7% and in small volumes in other marketplaces, 4.6%.

The dividend policy
A dividend policy has been adopted whereby 50% of Eltel's consolidated net profit shall be paid in dividends over time (with flexibility in relation to the pay-out ratio).

Analysts
Eltel is followed by ABG Sundal Collier and Inderes.

ELTEL SHARE IN 2023 (SEK)



ELTEL'S TOP 10 SHAREHOLDERS ON 31 DECEMBER 2023

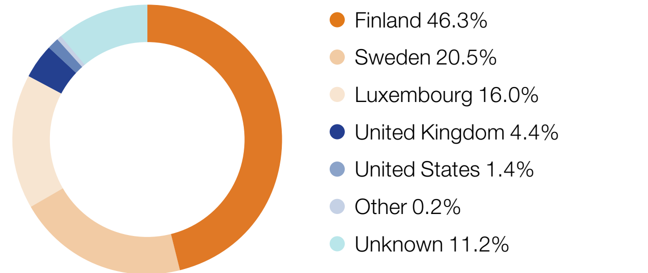
Shareholders	Number of shares	% of shares	% of votes
Solero Luxco S.á.r.l.[1)]	25,683,845	16.0	16.3
Wipunen Varainhallinta Oy	22,500,000	14.0	14.3
Fourth Swedish National Pension Fund	15,027,060	9.4	9.6
Heikintorppa Oy	12,400,000	7.7	7.9
Mariatorp Oy	10,000,000	6.2	6.4
Mandatum Life Insurance Company	8,287,292	5.2	5.3
Fidelity International (FIL)	7,097,572	4.4	4.5
Etola Group	6,005,000	3.7	3.8
Mandatum Fund Management	2,789,819	1.7	1.8
SEB Fonder	2,299,705	1.4	1.5
Total	**112,090,293**	**69.8**	**71.3**
Other shareholders	44,646,488	27.8	28.4
Total ordinary shares in Eltel AB	**156,736,781**		
Total C shares in Eltel AB[2)]	3,848,800	2.4	0.2
Total shares in Eltel AB	**160,585,581**	**100.0**	**100.0**

[1)] Company controlled by Triton Funds.
[2)] The C shares are held by Eltel.

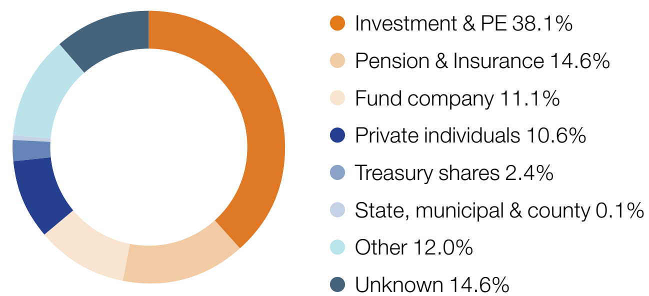
OWNERSHIP STRUCTURE ON 31 DECEMBER 2023

Shareholder spread	Number of known owners	Number of shares	% of capital	% of votes	Share of known owners
1–1,000	2,700	660,869	0.4	0.4	74.4
1,001–5,000	628	1,541,095	1.0	1.0	17.3
5,001–10,000	119	910,137	0.6	0.6	3.3
10,001–50,000	111	2,525,135	1.6	1.6	3.1
50,001–100,000	19	1,500,572	0.9	1.0	0.5
100,001–500,000	27	6,388,868	4.0	4.1	0.7
500,001–1,000,000	6	4,361,295	2.7	2.8	0.2
1,000,001–5,000,000	8	16,930,452	10.6	8.6	0.2
5,000,001–10,000,000	4	31,389,864	19.6	20.0	0.1
10,000,001–	4	75,610,905	47.4	48.2	0.1
Anonymous ownership		18,766,389	11.2	11.9	–
Total	**3,626**	**160,585,581**	**100.0**	**100.0**	**100.0**

GEOGRAPHIC DISTRIBUTION OF SHAREHOLDERS 31 DEC 2023



OWNERSHIP BY SECTOR ON 31 DEC 2023



Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen).

Five-year summary

Condensed consolidated income statement

EUR million	2023	2022	2021	2020	2019
Net sales	850.1	823.6	812.6	938.0	1 087.6
Cost of sales	-774.5	-748.9	-724.5	-838.6	-1 004.7
Gross profit	**75.6**	**74.7**	**88.1**	**99.4**	**82.9**
Other income	3.5	0.9	5.5	22.5	2.6
Expenses	-84.4	-77.6	-79.1	-96.9	-97.1
Share of profit/loss of joint ventures	–	–	–	-0.2	0.4
Operating result (EBIT)	**-5.3**	**-2.0**	**14.5**	**24.8**	**-11.2**
Financial expenses, net	-12.7	-9.5	-5.8	-9.8	-11.5
Result before taxes	**-17.9**	**-11.4**	**8.7**	**14.9**	**-22.7**
Taxes	10.3	-3.5	-3.7	-9.7	-2.4
Net result	**-7.6**	**-14.9**	**4.9**	**5.3**	**-25.1**

Key figures

EUR million	2023	2022	2021	2020	2019
Net sales	850.1	823.6	812.6	938.0	1,087.6
Net sales growth, %	3.2	1.4	-13.4	-13.8	-8.5
Adjusted EBITDA	31.8	27.8	46.6	48.9	28.1
Adjusted EBITA	1.7	-1.9	14.8	11.4	-11.3
Adjusted EBITA margin, %	0.2	-0.2	1.8	1.2	-1.0
Adjusted EBITA, segments	11.8	9.9	24.2	22.9	9.7
Adjusted EBITA margin, %, segments	1.5	1.4	3.3	2.8	1.1
Items affecting comparability[1]	-7.0	–	-0.1	14.1	1.6
EBITDA	24.8	27.8	46.5	63.0	29.7
Operating result (EBIT)	-5.3	-2.0	14.5	24.8	-11.2
EBIT margin, %	-0.6	-0.2	1.8	2.6	-1.0
Result after financial items	-17.9	-11.4	8.7	14.9	-22.7
Net result for the year	-7.6	-14.9	4.9	5.3	-25.1
Earnings per share EUR, basic and diluted	-0.07	-0.10	0.03	0.03	-0.17
Return on equity (ROE), %[2),3)]	-3.7	-6.8	2.2	2.4	-10.6
Return on operative capital employed (ROCE), %[2]	5.3	-3.5	23.6	13.0	-11.5
Leverage ratio[2]	3.2	4.5	2.6	2.0	6.7
Net working capital	-49.8	-21.0	-16.0	-25.1	-6.3
Number of personnel, average	5,024	5,053	5,176	6,196	7,036

1) Includes restructuring costs, gains and losses from divestment of businesses and from valuation of divested assets as held for sale.

2) Calculated on a rolling 12-month basis.

3) Assets and liabilities held for sale are not included (in 2020 German High Voltage business and in 2019 German Communication business and Aviation & Security business area).

Cash flow from operating activities

EUR million	2023	2022	2021	2020	2019
Operating result (EBIT)	-5.3	-2.0	14.5	24.8	-11.2
Depreciation and amortization	30.1	29.8	32.1	38.2	40.9
EBITDA	24.8	27.8	46.5	63.0	29.7
Changes in working capital	29.4	4.6	-10.1	16.6	37.9
Total financial expenses and taxes	-15.3	-12.5	-6.7	-13.9	-10.9
Other	-4.9	-3.5	-7.4	-16.3	-5.4
Cash flow from operating activities	**34.0**	**16.4**	**22.3**	**49.4**	**51.4**

Quarterly figures

Quarterly key financial figures for the Group

EUR million	Full-year 2023	Oct–Dec 2023	Jul–Sep 2023	Apr–Jun 2023	Jan–Mar 2023	Full-year 2022	Oct–Dec 2022	Jul–Sep 2022	Apr–Jun 2022	Jan–Mar 2022
Net sales	850.1	240.2	213.4	208.1	188.4	823.6	224.0	207.0	208.6	184.0
Net sales growth, %	3.2	7.2	3.1	-0.2	2.4	1.4	-1.0	6.8	-0.8	1.1
Adjusted EBITDA	31.8	10.2	13.6	5.6	2.4	27.8	3.3	11.5	7.9	5.1
Adjusted EBITA	1.7	2.8	5.9	-1.5	-5.5	-1.9	-4.0	4.1	0.5	-2.4
Adjusted EBITA margin, %	0.2	1.2	2.8	-0.7	-2.9	-0.2	-1.8	2.0	0.2	-1.3
Adjusted EBITA, segments	11.8	5.0	6.8	2.1	-2.1	9.9	-1.8	6.6	4.4	0.7
Adjusted EBITA margin, %, segments	1.5	2.3	3.5	1.1	-1.2	1.4	-0.9	3.6	2.4	0.4
Items affecting comparability[1]	-7.0	0.1	-0.9	-	-6.1	–	–	–	–	–
EBITDA	24.8	10.3	12.6	5.6	-3.7	27.8	3.3	11.5	7.9	5.1
Operating result (EBIT)	-5.3	2.9	5.0	-1.5	-11.6	-2.0	-4.0	4.1	0.4	-2.5
EBIT margin, %	-0.6	1.2	2.3	-0.7	-6.2	-0.2	-1.8	2.0	0.2	-1.4
Result after financial items	-17.9	-0.8	1.9	-4.5	-14.5	-11.4	-7.9	2.0	-1.2	-4.3
Net result for the period	-7.6	10.3	1.8	-4.6	-15.1	-14.9	-7.7	-0.3	-2.6	-4.4
Earnings per share EUR, basic	-0.07	0.06	0.00	-0.03	-0.10	-0.10	-0.05	-0.00	-0.02	-0.03
Earnings per share EUR, diluted	-0.07	0.06	0.00	-0.03	-0.10	-0.10	-0.05	-0.00	-0.02	-0.03
Return on equity (ROE), %[2]	-3.7	-3.7	-12.3	-13.5	-12.2	-6.8	-6.8	-1.4	-0.5	1.4
Return on operative capital employed (ROCE), %[2]	5.3	5.3	-7.1	-11.7	-7.9	-3.5	-3.5	10.2	13.5	17.4
Leverage ratio[2]	3.2	3.2	5.4	6.2	6.3	4.5	4.5	4.3	3.3	3.1
Net working capital	-49.8	-49.8	-15.5	-2.4	-5.4	-21.0	-21.0	26.3	-12.1	-6.7
Number of personnel, average	5 024	4 948	5 004	5 041	5 103	5,053	5,079	5,053	5,050	5,031

[1] Items affecting comparability include restructuring costs.
[2] Calculated on a rolling 12-month basis.

Quarterly segment information

EUR million	Full-year 2023	Oct–Dec 2023	Jul–Sep 2023	Apr–Jun 2023	Jan–Mar 2023	Full-year 2022	Oct–Dec 2022	Jul–Sep 2022	Apr–Jun 2022	Jan–Mar 2022
NET SALES										
Finland	344.5	98.3	96.6	85.2	64.3	290.1	80.3	79.1	71.9	58.8
Sweden	198.5	56.6	42.2	50.8	48.8	193.8	56.5	44.0	49.4	43.9
Norway	130.1	33.8	31.6	32.4	32.2	176.8	44.3	44.3	46.6	41.6
Denmark	93.0	28.2	21.6	21.4	21.8	74.3	20.9	17.8	17.5	18.1
Sum segments	**766.1**	**216.9**	**192.1**	**189.9**	**167.2**	**735.0**	**202.0**	**185.1**	**185.5**	**162.4**
Other business	93.7	26.9	23.8	20.3	22.7	99.4	25.6	24.6	25.7	23.5
Eliminations between segments	-9.7	-3.5	-2.5	-2.1	-1.5	-10.8	-3.6	-2.7	-2.6	-1.9
Net sales, total	**850.1**	**240.2**	**213.4**	**208.1**	**188.4**	**823.6**	**224.0**	**207.0**	**208.6**	**184.0**
ADJUSTED EBITA										
Finland	6.5	3.2	4.8	0.8	-2.3	8.2	-1.2	4.9	3.6	0.9
% of net sales	1.9%	3.3%	5.0%	1.0%	-3.6%	2.8%	-1.5%	6.2%	5.0%	1.6%
Sweden	2.9	1.3	0.2	0.9	0.5	-1.0	1.2	0.0	-0.4	-1.8
% of net sales	1.5%	2.3%	0.4%	1.9%	1.0%	-0.5%	2.2%	0.0%	-0.9%	-4.1%
Norway	-2.5	-0.8	0.7	-0.8	-1.6	2.1	-2.2	1.6	1.3	1.4
% of net sales	-1.9%	-2.3%	2.3%	-2.5%	-4.9%	1.2%	-5.0%	3.7%	2.8%	3.4%
Denmark	4.9	1.3	1.1	1.1	1.3	0.6	0.4	0.1	0.0	0.2
% of net sales	5.2%	4.6%	5.2%	5.3%	6.1%	0.9%	1.9%	0.7%	-0.3%	0.9%
Sum segments	**11.8**	**5.0**	**6.8**	**2.1**	**-2.1**	**9.9**	**-1.8**	**6.6**	**4.4**	**0.7**
% of net sales	1.5%	2.3%	3.5%	1.1%	-1.2%	1.4%	-0.9%	3.6%	2.4%	0.4%
Other business	-1.0	0.5	0.3	-0.9	-1.0	-4.0	0.2	-1.8	-1.9	-0.6
% of net sales	-1.1%	2.0%	1.4%	-4.5%	-4.2%	-4.0%	0.9%	-7.1%	-7.5%	-2.4%
Group functions	-9.1	-2.8	-1.2	-2.7	-2.4	-7.8	-2.4	-0.8	-2.0	-2.6
Adjusted EBITA	**1.7**	**2.8**	**5.9**	**-1.5**	**-5.5**	**-1.9**	**-4.0**	**4.1**	**0.5**	**-2.4**
% of net sales	0.2%	1.2%	2.8%	-0.7%	-2.9%	-0.2%	-1.8%	2.0%	0.2%	-1.3%

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

KEY FIGURE	
Earnings per share (EPS)	$\frac{\text{Net result attributable to equity holders of the parent - interest on hybrid bond}}{\text{Weighted average number of ordinary shares}}$

Alternative performance measures (APMs)

KEY FIGURE	DEFINITION AND REASON FOR USE	REFERENCE
Adjusted EBITA and -margin	Adjusted EBITA and -margin, % are used to measure business and segment profitability. Income statement items below adjusted EBITA are not allocated to segments. Adjusted **EBITA:** Operating result before acquisition-related amortizations and items affecting comparability **Adjusted EBITA margin, %:** $\frac{\text{Adjusted EBITA x 100}}{\text{Net sales}}$ Adjusted EBITA and -margin, % for segments represent the sum of segments: Finland, Sweden, Norway and Denmark.	Note 3: segment results
Items affecting comparability	These include capital gains and/or losses and transaction costs related to divestments and acquisitions, restructuring and resizing expenses and other items that according to Eltel's management's assessment are not related to normal business operations.	Note 3: segment results
EBITDA and adjusted EBITDA	EBITDA is operating result (EBIT) before depreciations and amortizations. Adjusted EBITDA excludes items affecting comparability. Adjusted EBITDA is used in calculating the leverage ratio	Five-year summary: Cash flow from operating activities
EBIT margin	Operating result (EBIT) and -margin, % are used to measure profitability before interest and taxes. **EBIT margin, %:** $\frac{\text{EBIT x 100}}{\text{Net sales}}$	Income statement

KEY FIGURE	DEFINITION AND REASON FOR USE	REFERENCE
Return on equity (ROE), %	Return on equity (ROE), % represents the rate of return that shareholders receive on their investments. **Return on equity (ROE), %[1]:** $\frac{\text{Net result x 100}}{\text{Total equity (average over the reporting period)}}$	Income statement and balance sheet
Operative capital employed and Return on operative capital employed (ROCE), %	Operative capital employed is the amount of net operating assets the business uses in its operations. Return on operative capital employed (ROCE), % represents how effectively total net operating assets are used in order to generate return in the operating business. **Operative capital employed:** Net working capital + Intangible assets excluding goodwill and acquisition-related allocations + Property, plant and equipment and Right-of-use assets **Return on operative capital employed (ROCE), %[1]:** $\frac{\text{Adjusted EBITA x 100}}{\text{Operative capital employed (average over the reporting period)}}$	Note 3: Net working capital and operative capital employed
Net debt and leverage ratio	Net debt represents Eltel's indebtedness. It is used to monitor capital structure and financial capacity. It is also used in calculating the leverage r atio. The leverage ratio is defined as covenant in Eltel's financing agreement. **Net debt:** Interest-bearing debt - cash and cash equivalents **Leverage ratio[1] :** $\frac{\text{Net debt}}{\text{Adjusted EBITDA}}$	Net debt: Note 14.4 EBITDA: five-year summary, cash flow from operating activities
Net working capital	Net working capital is used to follow the amount of capital needed for the business to operate. Used also as a factor to calculate operative capital employed. **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 and income tax liabilities.	Note 3: Net working capital and operative capital employed
Committed order backlog	Committed order backlog is the total value of committed orders received but not yet recognized as sales. It does not include frame agreements unless a binding purchase order has been received. It is the best measure of unsatisfied performance obligations according to IFRS 15 Revenue from contracts with customer.	Note 4: Committed order backlog by business and service type

1) Calculated on a rolling 12 months basis

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Financial calendar 2024–2025

Annual General Meeting 2024	14 May 2024
Interim report January–March 2024	26 April 2024
Half-year report 2024	25 July 2024
Interim report January–September 2024	31 October 2024
Full-year report 2024	February 2025

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