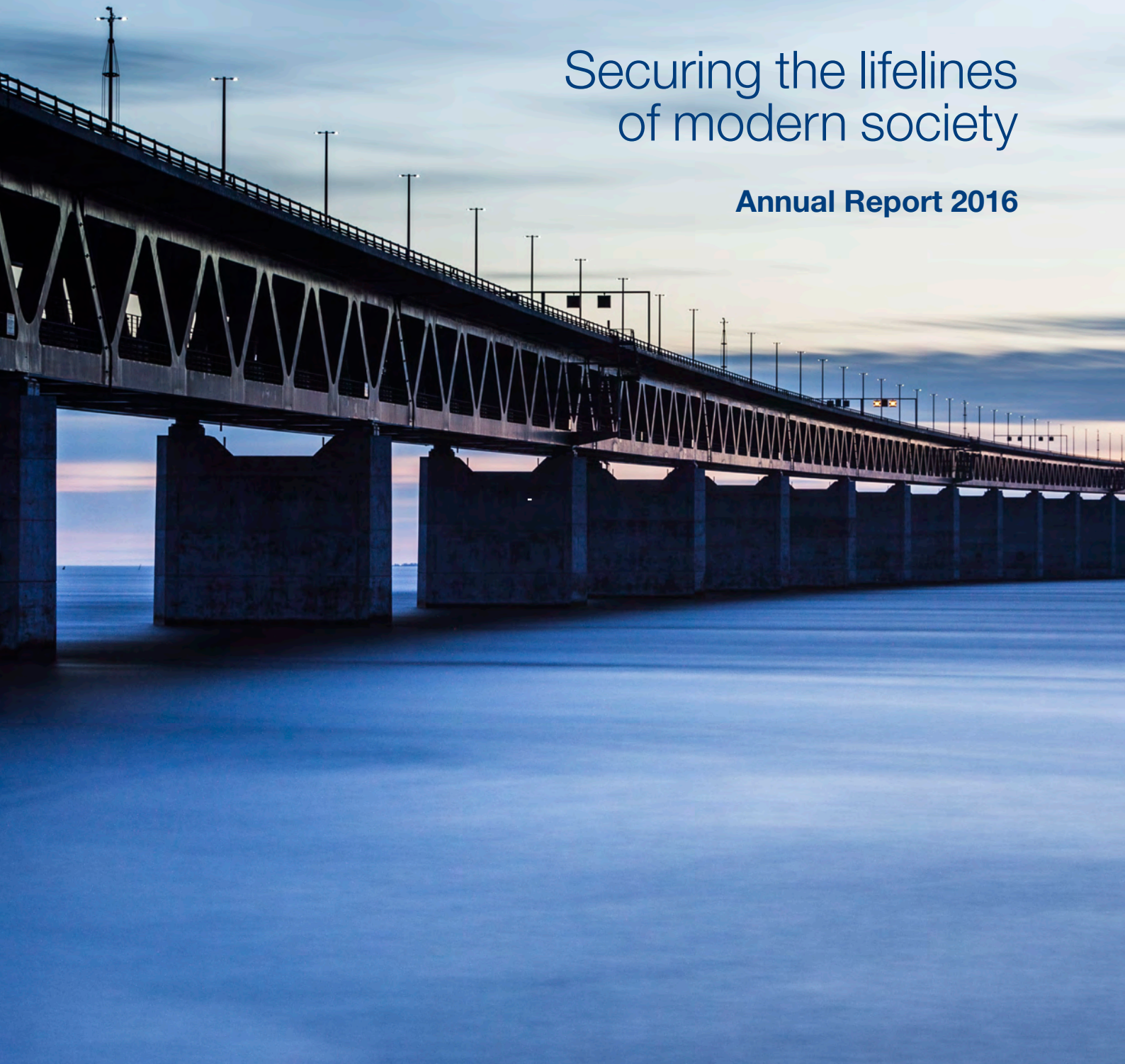




Securing the lifelines of modern society

Annual Report 2016



Etel contributes to building a sustainable future

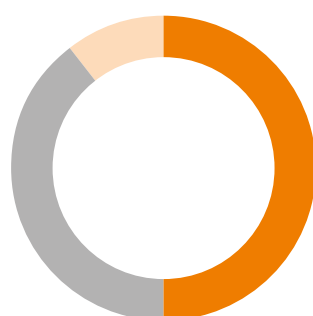
Megatrends such as climate change, digitalisation, urbanisation and the need for security drive Etel's operating environment, providing both opportunities and challenges. These influence the energy, communication and transportation infrastructures that are deployed and maintained to serve our daily needs. Etel addresses these megatrends by aiming to build a better and more sustainable world for everyone and for generations to come.



This is Eltel

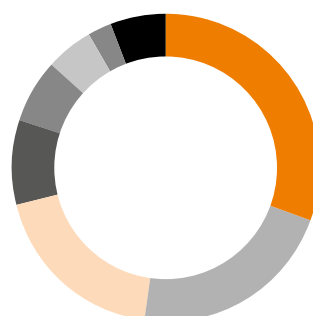
Eltel is a leading Northern European provider of technical services for critical infrastructure networks – Infranets. Eltel provides a broad and integrated range of solutions, from maintenance and upgrade services to project deliveries, mainly in the areas of Power and Communication.

NET SALES BY SEGMENT 2016



- Communication 50.0%
- Power 39.7%
- Transport & Security 10.3%

NET SALES BY COUNTRY 2016



- Sweden 30.8%
- Finland 21.6%
- Norway 18.8%
- Poland 8.9%
- Denmark 6.6%
- Germany 5.1%
- Baltics 2.5%
- Others 5.6%

NET SALES

1,399.8

EUR million
(1,254.9 in 2015)

Operative EBITA

2.1

EUR million
(62.2 in 2015)

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Eltel AB

Visiting address:
Adolfsbergsvägen 13, Bromma
POB 126 23, SE-112 92
Stockholm, Sweden
Phone: +46 8 585 376 00
E-mail: info.sweden@eltelnetworks.com

www.eltelgroup.com/en



Strategy to ensure stable growth and profitability

I took office as Eltel's President and CEO in September 2016. At that time, our stable, repetitive business within maintenance and upgrading services in the Power and Communication segments performed well in our core markets, the Nordics, Poland and Germany. The project business, on the other hand, showed major uncertainties and lack of control.

We therefore decided to initiate a thorough review of the projects we considered to entail the greatest risk for the Group. At the end of 2016, the project business represented 24% of Eltel's net sales, while the majority of the Group's working capital was related to the project business. In addition, the African project business includes a number of projects that are very large in relation to Eltel's net sales and that are operating at a long geographic distance from our home markets.

The review showed a clear necessity to reduce the risks in the business, among others by introducing a stricter governance model. We therefore established a Group Project function with a dedicated focus on control and structure in the management of Eltel's project business. A decision was also taken to carry out an in-depth review of projects identified as having a high risk profile. This review was led by external auditors and focused primarily on projects in Africa, but also on some projects in the Nordic region. The review showed a number of deficiencies that resulted in write-downs totalling EUR 55 million impacting 2016 earnings. The reason for the write-downs was too aggressive historical revenue recognition in certain projects.

In parallel, Eltel's management and Board conducted a review of the Group's other operations during the second half of 2016. The work led to the decision that Eltel will concentrate its operations on the Group's

healthy core business with lower risk, where we have a market leading position and competence and where the business model is repetitive. Our conclusion of the review is that Eltel's core competence is within Power and Communication at Eltel's stable home markets, the Nordics and Poland, with the potential to strengthen our position in selected segments in Germany. These markets offer good market conditions, stable customers and an interesting development in fibre and smart meters. The operations in Power and Communication in the Nordics, Poland and Germany in 2016 totalled approximately EUR 1.2 billion, equivalent to 85% of Eltel's net sales and with stable profitability.

The review showed a number of deficiencies that resulted in write-downs totalling EUR 55 million impacting 2016 earnings. The reason for the write-downs was too aggressive revenue recognition in certain projects.

The expansion that has taken place outside Eltel's core markets has proved to be costly and lossmaking and not within areas where Eltel is competitive. The companies outside Eltel's core business include the project business outside of Europe, the rail business within Rail & Road, the Baltic power distribution business, and parts of aviation and security business. These operations had a net sales of approximately EUR 212 million in 2016, equivalent to 15% of Eltel's net

sales. Activities not included in Eltel's core business will be divested.

Eltel's project business is reduced from 24% to 18% of total net sales after these operations have been divested, while at the same time the risk level in the remaining project portfolio is significantly reduced. The project business that remains within Eltel is found in areas where we have a market-leading position, where the business is repetitive, where Eltel has competence and the size of each project is smaller in relation to the Group's net sales.

As part of the work to increase efficiency in our operations in the beginning of 2017, we merged the business areas of fixed and mobile communication within the Communication segment. We do this to improve customer focus and to create integrated offerings that are tailored to market needs. During the ongoing integration process, it has become obvious that there are potential for synergies also with Eltel's aviation and security business in Denmark and parts of the related operations in Sweden. Eltel therefore plans to also integrate these parts into the Communication segment. In addition, in 2016 and early 2017, we initiated a review of Eltel's operational processes and system support to strengthen our competitiveness over time. We will continue to invest further in measures to increase operational efficiency, strengthen customer offerings and increase the expertise within the organisation.

STRONG DEVELOPMENT IN THE CORE BUSINESS

2016 was a turbulent year for Eltel and posed major challenges for both employees and our owners. In a period of such major changes, it is easy to forget about the positive development in our healthy core business. We signed

a number of important contracts during the year and both sales and profitability increased in these operations thanks to the good relationship with our customers and as a result of the strong efforts and competence of our employees. Net sales increased by 11.6% in 2016 to EUR 1 399.8 million.

The Communication segment developed very strongly. Net sales increased by 29% to EUR 701.1 million, mainly as a consequence of the acquisition of the Norwegian Eltel Sønnico AS in August 2015 and a good development within fixed communication in the Nordics. Operative EBITA was on par with the previous year and amounted to EUR 34.5 million, despite negative impact from, among other things, our now discontinued, unprofitable operations in the UK.

In Power, net sales in the Nordics and Germany increased. Overall, however, net sales decreased by 1.9% to EUR 557.0 million as a result of lower volumes in the power transmission business in Africa and the revision of historically incorrectly reported revenues. The incorrect accounting led to significant write-downs and a negative operative EBITA of EUR 8.9 million.

Net sales for the Transport & Security business segment decreased by 5.2% to EUR 143.9 million. The decline in net sales was mainly due to lower volumes in the rail business in Norway as well as in the aviation and security operations in Sweden. Operative EBITA deteriorated and turned into a loss of EUR 10.8 million.

In summary, Group operative EBITA declined to EUR 2.1 million in 2016, compared with EUR 62.2 in 2015. Profit after tax for the year amounted to a loss of EUR 82.2 million. The negative result led to that Eltel and the banks renegotiated covenants in 2016, but essentially this does not solve Eltel's long-term financing needs.

In order to create long-term shareholder value and room to implement the decided strategy, a balance sheet with a more balanced leverage, that allows for investments in growth in our core markets, is required. With this prerequisites, the Board decided in February 2017 to initiate a preferential rights issue for Eltel's shareholders. At the time of this report, Eltel's

Together with our Board and our owners, we will now be fully committed to implementing the action plan to restore Eltel to a stable company.

largest shareholders, with a total shareholding of 49% of the capital, support the decision of the preferential rights issue.

The Board's decision and the confirmed support of main owners' constitute key pillars for the turnaround of the business

now executed, where we intend to build Eltel based on realistic expectations – both in terms of market conditions and Eltel's core competence. About 85% of Eltel's business is our core. This business is healthy, with very skilled employees and long-term customer relations. Together with our Board and our owners, we are now fully committed to implementing the action plan to restore Eltel to a stable company with the prospect to capitalise on the clear growth opportunities that exist in the company's core business.

- Håkan Kirstein, President and CEO



Five-year summary

Condensed consolidated income statement

EUR million	Full-year 2016	Full-year 2015	Full-year 2014	Full-year 2013	Full-year 2012
Net sales	1,399.8	1,254.9	1,242.1	1,147.5	1,149.0
Cost of sales	-1,279.5	-1,089.6	-1,078.3	-1,004.1	-1,008.9
Gross profit	120.3	165.3	163.8	143.4	140.1
Other income	4.0	4.3	8.4	8.6	2.9
Expenses	-121.8	-110.6	-132.8	-99.6	-97.0
Share of profit/loss of joint ventures	-0.4	1.5	-0.7	0.0	-
Operating result before acquisition-related amortisations (EBITA)	2.1	60.5	38.6	52.3	46.1
Amortisation and impairment of acquisition-related intangible assets	-69.4	-13.9	-12.4	-16.7	-15.2
Operating result (EBIT)	-67.4	46.6	26.2	35.6	30.8
Financial expenses, net	-12.6	-14.4	-19.0	-20.6	-21.1
Result before taxes	-80.0	32.2	7.2	15.1	9.7
Taxes	-2.2	11.0	3.9	-3.6	2.2
Net result	-82.2	43.2	11.1	11.5	11.9

Key figures

EUR million	Full-year 2016	Full-year 2015	Full-year 2014	Full-year 2013	Full-year 2012
Net sales	1,399.8	1,254.9	1,242.1	1,147.5	1,149.0
Net sales growth, %	11.6	1.0	8.2	-0.1	13.6
Organic net sales growth, %	1.8	4.5	11.1	0.7	11.6
Operative EBITA	2.1	62.2	61.3	52.0	47.8
Operative EBITA margin, %	0.1	5.0	4.9	4.5	4.2
Items affecting comparability*	-	-1.7	-22.7	0.3	-1.8
EBITA	2.1	60.5	38.6	52.3	46.1
EBITA margin, %	0.1	4.8	3.1	4.6	4.0
Amortisation and impairment of acquisition-related intangible assets**	-69.4	-13.9	-12.4	-16.7	-15.2
Operating result (EBIT)	-67.4	46.6	26.2	35.6	30.8
EBIT margin, %	-4.8	3.7	2.1	3.1	2.7
Operative cash flow	-8.0	45.8	88.9	57.3	30.1
Cash conversion, %	-387	76	230	109	65
Number of personnel, end of period	9,465	9,568	8,647	8,459	8,495

* Mainly IPO-related costs in 2014 and 2015

** Impairment of EUR 55.0 million related to value of goodwill in the power transmission business recognised in Q4/2016

Operative cash flow

EUR million	Full-year 2016	Full-year 2015	Full-year 2014	Full-year 2013	Full-year 2012
EBITA	2.1	60.5	38.6	52.3	46.1
Depreciation	13.1	11.9	11.0	12.3	10.6
EBITDA	15.1	72.3	49.6	64.7	56.7
Change in net working capital	-9.8	-15.5	48.1	4.0	-13.5
Net purchases of PPE	-13.3	-11.1	-8.9	-11.4	-13.1
Operative cash flow (used in cash conversion key figure)	-8.0	45.8	88.9	57.3	30.1

Quarterly figures

Quarterly key financial figures for the Group

	Full-year 2016	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016	Full-year 2015	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015
Net sales	1,399.8	387.1	356.2	369.0	287.5	1,254.9	397.3	310.8	307.8	239.0
Net sales growth, %	11.6	-2.6	14.6	19.9	20.3	1.0	12.8	-6.1	2.7	-7.8
Organic net sales growth, %	1.8	-2.8	4.0	3.5	-0.4	4.5	4.5	-3.4	12.5	5.3
Operative EBITA	2.1	-14.6	7.8	5.7	3.2	62.2	20.5	22.5	13.9	5.3
Operative EBITA margin, %	0.1	-3.8	2.2	1.6	1.1	5.0	5.2	7.2	4.5	2.2
EBITDA	15.1	-11.3	10.8	9.3	6.3	72.3	23.9	26.3	16.7	5.5
EBITA	2.1	-14.6	7.8	5.7	3.2	60.5	20.5	23.3	14.0	2.7
EBITA margin, %	0.1	-3.8	2.2	1.6	1.1	4.8	5.2	7.5	4.5	1.1
Impairment of goodwill	-55.0	-55.0	-	-	-	-	-	-	-	-
Operating result (EBIT)	-67.4	-73.2	4.1	2.1	-0.4	46.6	16.5	19.6	10.9	-0.4
EBIT margin, %	-4.8	-18.9	1.2	0.6	-0.1	3.7	4.2	6.3	3.5	-0.2
Result after financial items	-80.0	-77.7	2.1	-0.3	-4.1	32.2	14.3	17.0	9.1	-8.3
Net result for the period	-82.2	-80.3	1.9	-0.1	-3.6	43.2	17.3	25.2	8.3	-7.5
Earnings per share EUR, basic	-1.33	-1.29	0.02	-0.01	-0.06	0.69	0.27	0.39	0.13	-0.14
Earnings per share EUR, diluted	-1.33	-1.29	0.02	-0.01	-0.06	0.69	0.27	0.39	0.13	-0.14
Return on capital employed, %*	-126.1	-126.1	21.1	40.0	53.6	135.7	135.7	42.8	33.3	35.1
Return on equity (ROE), %*	-20.7	-20.7	3.6	9.2	11.1	12.3	12.3	10.1	3.1	2.2
Leverage ratio*	13.2	13.2	4.3	3.6	2.6	2.0	2.0	3.6	4.1	4.2
Net working capital	14.7	14.7	54.9	69.1	48.9	7.6	7.6	74.3	39.8	47.6
Operative cash flow	-8.0	22.5	22.6	-15.7	-37.4	45.8	90.4	-7.4	22.7	-59.9
Cash conversion, %*	-387.4	-387.4	160.8	56.8	112.1	75.8	75.8	4.5	78.1	12.0
Number of personnel, end of period	9,465	9,465	9,648	9,674	9,601	9,568	9,568	9,236	8,223	7,967

* Calculated on a rolling 12-month basis

Quarterly segment information

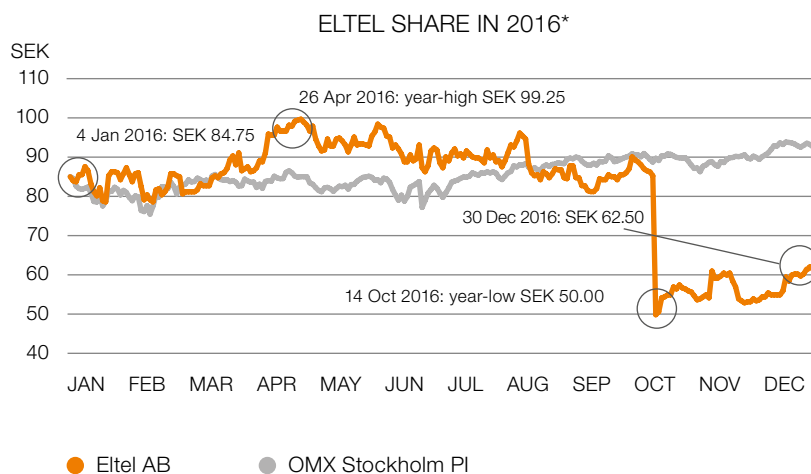
	Full-year 2016	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016	Full-year 2015	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015
NET SALES										
Power	557.0	148.0	146.2	148.1	114.8	567.6	171.3	135.8	152.6	107.8
Communication	701.1	201.6	173.9	181.4	144.3	543.7	192.4	140.3	113.6	97.4
Transport & Security	143.9	38.3	36.7	40.0	29.0	151.7	37.5	36.6	42.9	34.8
Elimination of sales between segments	-2.3	-0.7	-0.6	-0.4	-0.6	-8.2	-3.9	-1.9	-1.4	-1.0
Net sales, total	1,399.8	387.1	356.2	369.0	287.5	1,254.9	397.3	310.8	307.8	239.0
OPERATIVE EBITA BY SEGMENT										
Power	-8.9	-17.5	0.3	6.8	1.4	29.6	10.2	9.6	7.7	2.1
% of net sales	-1.6%	-11.8%	0.2%	4.6%	1.2%	5.2%	5.9%	7.1%	5.1%	1.9%
Communication	34.5	12.8	9.4	9.7	2.6	34.2	13.5	10.8	6.1	3.8
% of net sales	4.9%	6.3%	5.4%	5.4%	1.8%	6.3%	7.0%	7.7%	5.3%	3.9%
Transport & Security	-10.8	-4.4	1.7	-8.1	-0.1	11.4	1.4	4.2	3.4	2.3
% of net sales	-7.5%	-11.5%	4.7%	-20.2%	-0.3%	7.5%	3.8%	11.4%	8.0%	6.7%
Costs not allocated to segments	-12.6	-5.6	-3.6	-2.7	-0.7	-13.0	-4.6	-2.2	-3.3	-2.9
Operative EBITA	2.1	-14.6	7.8	5.7	3.2	62.2	20.5	22.5	13.9	5.3
% of net sales	0.1%	-3.8%	2.2%	1.6%	1.1%	5.0%	5.2%	7.2%	4.5%	2.2%

The Eltel share

In February 2015, Eltel's ordinary share was listed on Nasdaq Stockholm under the trading symbol "ELTEL". At the end of the financial period 2016, the number of Eltel shares totalled 62,624,238 and the share capital entered in the trade register was EUR 126,322,477.00. In addition, Eltel holds 537,000 C shares.

Eltel's share price decreased by 26.2% during 2016, while the Nasdaq Stockholm increased by 13.0%. The highest quoted price for Eltel's share during the financial period was SEK 99.25 and the lowest SEK 50.00. The closing price on 31 December 2016 was SEK 62.50 and the volume weighted average price for the year was SEK 72.88. At year-end, Eltel's market capitalisation was SEK 3,914 million. The trading volume on Nasdaq Stockholm was 61,603,990 shares, equivalent to a turnover of SEK 4,489,502,271. Eltel's shares were also traded on alternative exchanges, including Chi-X, Turquoise, and BATS. The total trading volume on these alternative exchanges was equivalent to a turnover of SEK 282.7 million. Further information on share price development can be found on Eltel's IR pages at www.eltelgroup.com/investors.

Eltel had approximately 5,100 shareholders at the end of the financial period 2016. Foreign shareholding, including nominee-registered shares, represented 37.8% at the end of the period, and Swedish retail investors held 4.6% of the share capital. The largest shareholder was Zeres Capital with 13% of the share capital. Further information concerning shareholder base development can be found on Eltel's IR pages at www.eltelgroup.com/investors.

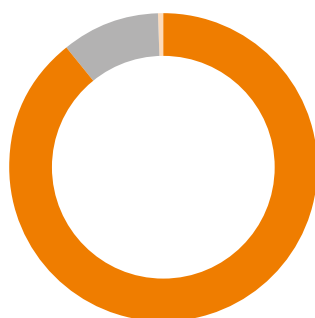


* Source: Nasdaq Stockholm

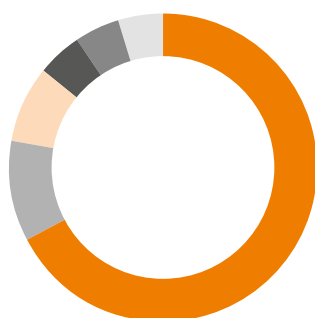
Ownership by sector as of 31 December 2016

Name	Number of shares	Share capital, %
Financial companies	28,642,964	45.35
Foreign resident owners	20,603,293	32.62
Social security funds	9,295,743	14.72
Swedish individuals	2,731,736	4.33
Other Swedish legal entities	1,309,703	2.07
Interest groups	446,553	0.71
Other financial companies	44,443	0.07
Uncategorised legal entities	37,903	0.06
Municipal sector	32,200	0.05
State	16,700	0.03
Total	63,161,238*	100.00

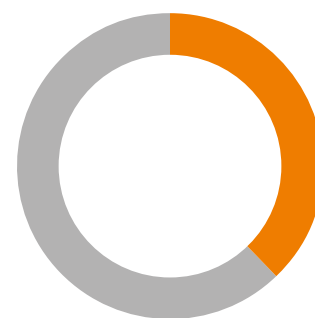
* Amount includes 537,000 C shares

MARKET PLACES OF SHARE
TRADING 2016

- Stockholm 89.4%
- BATS 10.2%
- Other 0.4%

GEOGRAPHIC DISTRIBUTION
OF SHAREHOLDERS 30 DEC 2016

- Sweden 67.4%
- Finland 10.5%
- The United States 8.0%
- Germany 4.9%
- The United Kingdom 4.7%
- Other 4.5%

DISTRIBUTION OF
SHAREHOLDER TYPE 30 DEC 2016

- Foreign owners 37.8%
 - Swedish owners 62.2%
- Whereof:
Legal entities 57.8%
Natural persons 4.3%

Ownership structure

Shareholding	Number of shareholders	%	Number of shares/SDRs	%
0–500	3,496	68.50	602,710	0.95
501–1,000	630	12.34	537,435	0.85
1,001–5,000	684	13.40	1,661,699	2.63
5,001–10,000	105	2.06	794,172	1.26
10,001–15,000	42	0.82	539,428	0.85
15,001–20,000	12	0.24	213,735	0.34
20,001–	135	2.64	58,812,059*	93.11
Total	5,104	100.00	63,161,238	100.00

* Amount includes 537,000 C shares

Analysts covering Eltel

David Vagman	BNP
Charles-Henri De Mortemart	BNP
Victor Lindeberg	Carnegie
Lena Österberg	Carnegie
Mikael Holm	Danske Bank
Henrik Nilsson	Nordea
Niclas Höglund	Nordea
Stefan Andersson	SEB
Victor Höglund	SEB
Matias Rautionmaa	OP Financial Group

Eltel's top 10 shareholders on 31 december 2016

Shareholders	Number of shares	% of ordinary shares
Zeres Public Market Fund	8,146,875	13.01 %
The Fourth Swedish National Pension Fund	6,010,824	9.60 %
Swedbank Robur Fonder	5,990,194	9.57 %
Lannebo Funds*	4,280,000	6.83 %
The First Swedish National Pension Fund	3,164,700	5.05 %
BNP Paribas S.A.	3,076,206	4.91 %
Carnegie Fonder	1,725,448	2.76 %
Didner & Gerge Fonder AB	1,431,239	2.29 %
Danske Capital Sverige AB	1,010,728	1.61 %
Handelsbanken Fonder	965,943	1.54 %
Total	35,802,157	57.17 %
Other shareholders	26,822,081	42.83 %
Total ordinary shares in Eltel AB	62,624,238	100.00 %
Total C shares in Eltel AB **	537,000	
Total shares in Eltel AB	63,161,238	

* Lannebo Funds sold their entire holding in January 2017

** The C shares are held by Eltel AB

Source: Euroclear

Board of Director's report

The Board of Directors and the President and 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 2016 financial year. Eltel AB and its subsidiaries operate under the Eltel brand. The consolidated group is called Eltel Group.

COMPANY OVERVIEW

Eltel is a leading Northern European provider of technical services to the Infranet industry, and consists of companies that operate critical infrastructure networks in the areas of Power, Communication and Transport & Security. Eltel's core markets are in the Nordic region and in Poland with the ambition to grow in Germany. Eltel provides a broad and integrated range of services spanning from installation and maintenance services to project planning and execution. The full range of technical service types that Eltel offers through its approximately 8,000 technicians include:

- Maintenance services, which relate to the implementation of infrastructure to connect private and corporate customers to operator networks and care services. These include scheduled and corrective maintenance and managed services.
- Upgrade services, which relate to the implementation of customer plans to recover and upgrade the condition of the infrastructure, installations/roll-outs of upgraded/new technology or change of technology.
- Project delivery services, which relate to engineering and build projects on customer specifications for infrastructure network investments.

In 2016, Eltel's service types were offered throughout the Group's three business segments:

- Power: services for power transmission and distribution. Services for power transmission include design, engineering, installation and commissioning of energy transmission systems, high voltage power lines and substations. Power distribution services include services to customers in diverse sectors, including distribution networks and wind power parks. Services for power distribution typically include designing, building and maintaining of overhead lines, underground cables, substations and outdoor lighting and major roll-out projects of smart electrical meters. The Power segment accounted for 39.7% (44.9) of the Group's net sales for the 2016 financial year.

- Communication: services for fixed and mobile communication. Fixed communication services primarily relate to the installation and maintenance of fixed communication networks using fibre and copper, while the mobile communication services relate to deployment and maintenance services of mobile and radio communication infrastructure including indoor mobile solutions. The Communication segment accounted for 50.0% (43.0) of the Group's net sales for the 2016 financial year.
- Transport & Security: services for security, defence, aviation and rail/road technical infrastructure. Services for security, defence and aviation include maintenance, upgrade and project delivery services for airport infrastructure equipment and systems such as radio, radar, data and telecommunications, equipment and operations for air traffic control centres as well as defence and public safety solutions. Services for rail/road of electrical-, signalling and telecoms infrastructure include design, construction, installation and maintenance for rail and road authorities, vendors and construction companies. The Transport & Security business segment accounted for 10.3% (12.0) of the Group's net sales for the 2016 financial year.

OPERATING ENVIRONMENT IN 2016

Market demand in the power segment was underpinned by strong long-term drivers. The operating environment was characterised by high market activity and long-term investment plans. In the power transmission market, the public tender requests are based on extensive investment plans announced by transmission system operators in most of Eltel's markets. However, in the latter part of 2016 in particular, project postponements were noted in the Polish and German markets while power transmission investments, especially in Norway, continued at a favourable level. In the Nordics, growing demand for power transmission and associated new investment plans have attracted new players to the region. Competition remained intense and price competition continued due to this high level of attractiveness. The slump in oil and metal prices is currently impacting African grid investments due to limited access to

domestic funding. Distribution system operators in Norway, Denmark and Germany are expected to continue to make investments in smart metering in the coming years. In Sweden, a new regulation model is expected to further increase investment levels in power transmission and power distribution networks.

While market conditions in communication are good, there is some variation among countries and technologies. The communication sector continues to be driven mainly by fibre deployment and mobile roll-outs. Demand for fibre deployment is expected to remain at a healthy level in the Nordics, although it is likely that there will be a gradual transition from larger roll-out projects to a greater volume of up-sales and connect services in Sweden. Fibre deployment and demand is expected to grow in Poland and Germany over the coming years. Meanwhile, in the Nordics, operators are less willing to invest in the copper network as a consequence of the ongoing copper churn rate. In the mobile communication sector, market demand for LTE/4G roll-outs continues to provide opportunities in central Europe, while the peak has passed in the Nordics. In Germany, announced investment plans are at a high level, although delays in mobile communication have been noted in roll-out plans.

STRATEGY AND TARGETS

Eltel's strategic agenda is to capitalise on its strong market position and ensure sustained profitable growth by constantly improving Eltel's operative performance, to support organic growth and pursue selective M&As. The Company has set four financial targets in the journey towards its vision of becoming the leading Infranet service company in Europe.

MEDIUM TO LONG-TERM FINANCIAL TARGETS

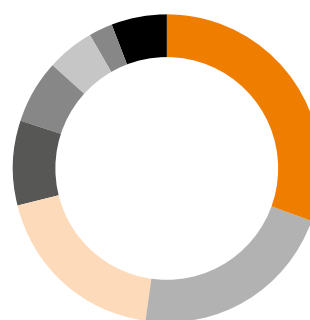
In 2015, Eltel defined the following medium to long-term targets (3–5 years):

- average annual organic revenue growth of approximately 5% and approximately 5% annual growth from M&As including new outsourcing,
- a reported EBITA margin of approximately 6%,
- average cash conversion of 95–100% of EBITA, and
- a leverage ratio of 2.0–2.5x Net debt/EBITDA.

DIVIDEND POLICY

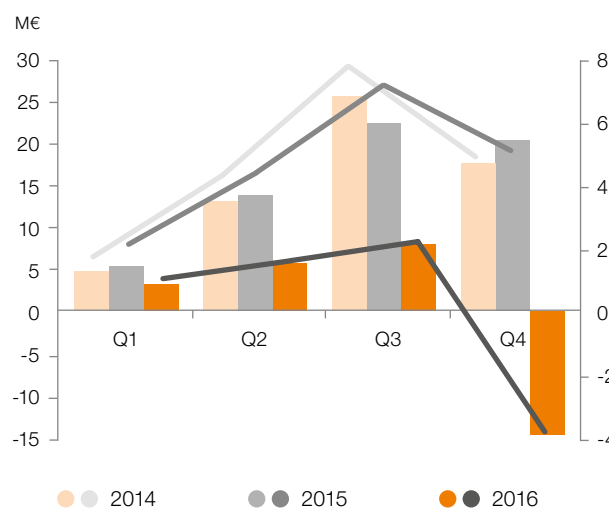
The Board of Directors has adopted a dividend policy whereby 50%, with some flexibility with payout ratio, of the Company's consolidated net profit shall be paid in dividends over time. The Board of directors' proposal is that no dividend be paid for the financial year 2016 (EUR 0.24).

NET SALES BY COUNTRY 2016



- Sweden 30.8%
- Finland 21.6%
- Norway 18.8%
- Poland 8.9%
- Denmark 6.6%
- Germany 5.1%
- Baltics 2.5%
- Others 5.6%

OPERATIVE EBITA AND MARGIN, QUARTERLY



NET SALES 2016 COMPARED TO 2015

In local currencies, net sales for the Eltel Group increased by 13.5%. Reported net sales grew by 11.6% to EUR 1,399.8 million (1,254.9). This strong growth was attributable to the Communication segment driven by the acquisition of Norwegian Eltel Sønnico AS, concluded in 2015, and supported by the

fixed communication business in the Nordics. Organic net sales growth of 1.8% was mainly attributable to strong growth in the Communication segment, while net sales in the Power segment and in the Transport & Security business segment decreased. In the January–December 2016 period, the Power segment accounted for 39.7% (44.9) of Group net sales, the Communication segment for 50.0% (43.0) and the Transport & Security business segment for 10.3% (12.0). The Communication segment's high share of Group net sales for the year was a result of the consolidation of Eltel Sønnico AS in Norway, and partly supported by healthy growth within the fixed communication business for fibre roll-outs and upgrade services, especially in Sweden. Net sales in both the Power and Transport & Security segments decreased compared to the level in 2015.

Compared to the level at the end of 2015, Eltel's committed order backlog decreased to EUR 845 million (31 Dec 2015: 920) at year-end 2016. The decline is mainly related to lower order intake in the power transmission and rail and road business, but also partly as a result of conscious risk level reduction in the project business. Compared with the situation at the end of 2015, the mix composition in the order backlog is well balanced between the Power segment and the Communication segment. The committed order backlog comprises the total value of committed orders received but not yet recognised as sales. This is mainly related to project orders with a delivery time of 2–5 years and also includes committed orders in frame agreements.

NET SALES COMPARABILITY

Net sales development and items impacting comparability are summarised in the table below:

EUR million	Jan–Dec 2016	Jan–Dec 2015	Growth %	FX- adjusted growth %
Group net sales	1,399.8	1,254.9	11.6	13.5
Net sales from acquisitions	136.8	-	10.9	11.7
Group net sales excluding acquisitions	1,263.0	1,254.9	0.7	-
Foreign currency translation effect	-14.8	-	-	-
Group organic net sales (comparable)	1,277.8	1,254.9	-	1.8

Net sales from acquisitions include U-SERV GmbH and net sales from the Norwegian Communication business until 1 September 2016 (Eltel Sønnico AS). All other previous acquisitions are moved to organic net sales at the beginning of the quarter when they reach the age of one year. Net sales from acquisitions presents the comparability adjustment due to acquisitions and does not present the net sales from acquisitions for the full periods.

FINANCIAL RESULT 2016 COMPARED TO THE SAME PERIOD IN 2015

The Eltel Group's operative EBITA decreased to EUR 2.1 million (62.2), representing 0.1% of net sales (5.0). In 2016, particularly the second half of the year, Group profitability was clearly

impacted by challenges and underperformance in the project business of the Power segment and the Transport & Security business segment. In the full year, provisions and write-downs of EUR 49.8 million were booked in operative EBITA. In the second quarter, provisions of EUR 10 million were booked in relation to one of the Norwegian rail projects and in the third quarter EUR 5.7 million of provisions and project margin revisions were booked, the majority of which were related to one African electrification project. Challenges in the above-mentioned projects continued to affect performance in the fourth quarter. Further, within the project business, understated risks and overly optimistic revenue recognition were identified during the fourth quarter in certain projects in the power transmission business. In February 2017, a group led by external auditors was appointed to especially investigate a certain amount of projects. In the fourth quarter, write-downs and provisions of EUR 34.1 million, including the outcome of the external investigation were recorded. Other factors that slightly contributed to the clear decline in operative EBITA included margin revision in power distribution in Sweden, a bankruptcy of a Swedish subcontractor, the loss of the terminated Rakel contract in Sweden, higher costs in the communication business in the UK and implementation costs for the Group Shared Services programme.

Group EBITA deteriorated to EUR 2.1 million (60.5). No items affecting EBITA comparability were recognised in 2016, while costs of EUR 1.7 million, mainly relating to Eltel's listing on Nasdaq Stockholm in February 2015, were recognised in the comparable period. Based on changes in future projections of Eltel's power transmission business and related risks, especially in Africa, Eltel recorded an impairment of EUR 55.0 million in the value of goodwill in the power transmission business. The impairment had no impact on cash flow or leverage ratio (Net Debt/adjusted EBITDA). Amortisation of acquisition-related intangible assets amounted to EUR 14.4 million (13.9).

Net financial expenses decreased to EUR 12.6 million (14.4) as a consequence of the renewed financing carried out in February 2015 and the introduction of the commercial paper programme in 2015. During the year 2016, financial costs included a negative effect of EUR 2.4 million attributable to realised interest rate derivatives. In December, Eltel signed an amendment agreement of its existing financing agreement with its banks on a temporary resetting of the leverage covenant covering the time period from the fourth quarter 2016 until the end of 2017. At the end of 2016, Eltel did not meet the reset leverage covenant (Net Debt/adjusted EBITDA) nor interest cover covenant (adjusted EBITDA/adjusted net finance charges). In February 2017, Eltel and its bank consortium agreed on an amendment to the existing financing agreement with revised covenants for year-end 2016.

The tax cost for the period was EUR 2.2 million (+11.0), derived mainly from valuation of deferred taxes. The net result for full-year 2016 was EUR -82.2 million (+43.2).

SEGMENT INFORMATION

POWER

The Power segment provides network maintenance and fault repair services, upgrade work and project business mainly to

national and regional transmission system operators and power distribution network owners. The majority of this business consists of upgrades and projects. Upgrades are typically completed within a few months, whereas project contracts normally last for two to three years. The average length of frame agreements is three to five years.

This segment operates in all of Eltel's geographic regions and its business is characterised by long-term customer relationships. Demand in the sector is typically driven by increased power network availability, capacity requirements and regulatory demands rather than by GDP.

EUR million	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales	148.0	171.3	557.0	567.6
Operative EBITA	-17.5	10.2	-8.9	29.6
Operative EBITA margin, %	-11.8	5.9	-1.6	5.2
Number of employees	3,345	3,607	3,345	3,607

Foreign currency translation effect included in net sales was EUR 0.2 million for the quarter and EUR -9.2 million for Jan-Dec 2016.

January–December 2016 compared to the same period in 2015

In local currencies, net sales for the Power segment decreased slightly and were down 0.3%. Reported net sales decreased by 1.9% to EUR 557.0 million (567.6). The decline in net sales was attributable to lower volumes in the power transmission business in Africa and a result of the revaluation of optimistic revenue recognition in certain projects. Net sales increased in the Nordics, especially in Norway, driven by both substation projects and smart metering roll-outs. In Germany, net sales grew both within the power transmission and the power distribution businesses.

Operative EBITA deteriorated and turned into a loss of EUR 8.9 million (+29.6). In the reporting period, recorded provisions, write-downs and margin revisions related to the power segment amounted to EUR 34.7 million. The negative EBITA result was mainly a consequence of underperformance in certain African electrification projects within the power transmission business resulting in provisions and write-downs, most of which were recorded in the fourth quarter and related to the outcome of an investigation, led by external auditors and concluded in February 2017. Margin revision in power distribution in Sweden had a slight negative impact on the result.

Based on changes in future projections of Eltel's power transmission business and related risks, especially in Africa, Eltel recorded an impairment of EUR 55.0 million in the value of goodwill in the power transmission business.

Acquisitions

On 1 May 2016, Eltel acquired the German metering service company U-SERV GmbH and the field service assets of EVB Billing und Services GmbH.

U-SERV is considered one of the major meter service companies in Germany with net sales of approximately EUR 9 million and approximately 50 permanent employees and an ability to mobilise more than 1,000 employees when needed. The product offering comprises national electrical meter replacements, read-outs, customer self-readings and gas meter adjustments and replacements. Eltel also acquired field service assets of EVB Billing und Services GmbH, a subsidiary of ATV Energie GmbH. The assets comprised EVB's customer base in metering-related field services and altogether approximately 80 employees were transferred to Eltel.

COMMUNICATION

The Communication segment provides maintenance services, upgrade and project work to telecom operators and other communication network owners. This segment operates throughout the main part of Eltel's European geographies and its business is characterised by long-term customer relationships with a continuous order flow generated mainly through frame agreements. The business is primarily driven by technology upgrades, maintenance needs and growing demand for improved network quality and speed as well as increased capacity.

EUR million	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales	201.6	192.4	701.1	543.7
Operative EBITA	12.8	13.5	34.5	34.2
Operative EBITA margin, %	6.3	7.0	4.9	6.3
Number of employees	5,157	5,126	5,157	5,126

Foreign currency translation effect included in net sales was EUR -2.5 million for the quarter and EUR -13.3 million for Jan-Dec 2016.

The consolidation of the Norwegian communication business, Eltel Sønnico AS, impacted comparability. In January–August 2015, net sales of Eltel Sønnico AS were not consolidated and Eltel's share (50%) of the net results of Eltel Sønnico AS was included in EBITA. Since the acquisition on 1 September 2015, 100% of the company has been consolidated.

January–December 2016 compared to the same period in 2015

In local currencies, growth in net sales was 31.4%. Reported net sales increased by 29.0% to EUR 701.1 million (543.7), mainly as a result of the consolidation of the acquired Norwegian joint venture Eltel Sønnico AS from September 2015. The fixed communication business in the Nordics, especially in Sweden, also contributed positively to the net sales growth in 2016.

Operative EBITA increased to EUR 34.5 million (34.2) and the operative EBITA margin was 4.9% (6.3). Operative EBITA was positively affected by the fixed communication business in Norway and somewhat offset by unprofitable operations in the UK and lower profitability in the mobile communication business. In the comparable reporting period in 2015, the operative EBITA

margin was positively impacted by 0.3 percentage points due to the inclusion of the Norwegian communication business joint venture as a share of a joint venture, with no impact on net sales.

TRANSPORT & SECURITY

The Transport & Security business segment provides maintenance services, upgrade work and project business to various governmental authorities, including rail, road, defence and aviation authorities. This segment operates solely in the Nordic markets. Its business is characterised by long-term customer relations with continuous order flow of maintenance services generated from long-term frame agreements and project business contracts via tendering processes. The business is driven by investments in the transport infrastructure and by the outsourcing of technical services in the security and aviation sector.

EUR million	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales	38.3	37.5	143.9	151.7
Operative EBITA	-4.4	1.4	-10.8	11.4
Operative EBITA margin, %	-11.5	3.8	-7.5	7.5
Number of employees	669	611	669	611

Foreign currency translation effect included in net sales was EUR -0.6 million for the quarter and EUR -1.7 million for Jan-Dec 2016.

January–December 2016 compared to the same period in 2015

In local currencies, net sales for the Transport & Security business segment decreased by 4.0%. Reported net sales declined by 5.2% to EUR 143.9 million (151.7). The decline in net sales was mainly attributable to lower volumes in the rail and road business in Norway and in the aviation and security business in Sweden due to the loss of the Rakel contract. The negative impact on net sales was partly offset by the acquisition of the Finnish signalling company Celer Oy.

Operative EBITA declined and turned to a loss of EUR 10.8 million (+11.4). This highly unsatisfactory performance was attributable to two loss-making rail projects in Norway. In the second quarter, a provision of EUR 10 million was recognised related to one Norwegian rail project. The reason for the provision was significant quality issues in the execution of the project and required correction works. Further margin revisions and write-downs related to both of these loss-making rail projects were made in the second half of the year. The lower result is also attributable to the loss of the Rakel contract. Recorded provisions and write-downs amounted to EUR 13.9 million in 2016 and were related to the rail and road business.

Acquisition

On 1 April 2016, Eltel acquired Celer Oy, a Finnish signalling services company well recognised in the Finnish railway market

with an important market position. Celer Oy was one of the key players in the signalling sector for the railway market in Finland with a turnover of approximately EUR 6 million covering the whole Finnish market. Celer had 29 employees with highly specialised signalling and safety competences.

BALANCE SHEET AND CASH FLOW

On 31 December 2016, interest-bearing liabilities totalled EUR 283.5 million (231.6), of which EUR 3.5 million (216.7) were non-current and EUR 280.0 million (14.9) were current. Cash and cash equivalents amounted to EUR 85.2 million (87.9). The loans under Eltel's bank agreement are presented as current due to the reported breach of covenants calculated as of 31 December 2016. In February 2017, Eltel and its bank consortium agreed on an additional amendment to the existing financing agreement with revised covenants for 2016.

Interest-bearing net debt totalled EUR 200.1 million (145.1), representing an increase of 37.9% and equivalent to a leverage (net debt/adjusted EBITDA) ratio of 13.2.

Eltel's bank loan agreements include financial covenants related to the adjusted net debt/EBITDA ratio and adjusted EBITDA/net finance charges ratio. In December, Eltel signed an amendment agreement of its existing financing agreement on a temporary resetting of the leverage covenant. In the amended agreement signed with the banks, the temporary reset quarterly leverage (Net Debt/EBITDA) covenant levels vary between 6.30x and 3.60x, covering the time period effective from the situation at the end of 2016 and extending until the end of 2017. These reset levels replace the original leverage covenant levels in the financing agreement signed in 2015, which were set at 4.0x for the fourth quarter 2016 and at 3.5x commencing from the first quarter 2017. Due to the deterioration in profitability, Eltel did not meet the reset leverage (Net Debt/EBITDA) nor interest cover (adjusted EBITDA/adjusted net finance charges) covenants at the end of 2016. In February 2017, Eltel and its bank consortium agreed on an additional amendment to the existing financing agreement with revised covenants for the situation at year-end 2016. However, there is a risk in terms of meeting the leverage (Net Debt/adjusted EBITDA) and interest cover (adjusted EBITDA/adjusted net finance charges) covenants in the first quarter 2017. In the first quarter, Eltel initiated discussions with its bank consortium to find a solution for future financing and covenant levels.

In February 2017, the Board of Directors decided to initiate a process for a preferential rights issue to enable required restructuring and growth in core markets. Eltel's largest shareholders, Zeres Capital, Solero Luxco S.á.r.l., The Fourth Swedish National Pension Fund (AP4), Swedbank Robur Funds and The First Swedish National Pension Fund (AP1), representing 49.02% of Eltel's share capital as of 31 January 2017, support the decision of a preferential rights issue.

INTEREST BEARING LIABILITIES AND NET DEBT

On 31 December 2016, available liquidity reserves amounted to EUR 195.4 million (183.3). On the same date, EUR 47 million of Eltel's EUR 100 million commercial paper programme – estab-

lished in September 2015 – was utilised. The Group's equity ratio was 34.2% (43.3) at the end of December 2016.

On 31 December 2016, guarantees based on contractual commercial commitments and pension liabilities issued by banks, other financial institutions and the Parent Company amounted to EUR 358.6 million (375.4). This amount included advance and other payment security guarantees.

CASH FLOW AND CASH CONVERSION

Etel's operative cash flow was negative at EUR 8.0 million (+45.8), mainly driven by deteriorated profitability in combination with an increased level of net working capital during the first half of the year. Cash flow was negative during the first half of the year and turned positive in the second half of the year. In the fourth quarter, the decrease of net working capital continued from the third quarter and operative cash flow was positive at EUR 22.5 million (90.4). Ongoing power projects in Poland that are working capital intensive are expected to continue to create volatility in net working capital going forward. In addition, the challenges faced in certain African electrification projects and two rail projects in Norway resulted in a higher net working capital.

The rolling 12-month cash conversion was -387.4% (+75.8%), negatively impacted by the timing of exceptionally strong cash flow in the fourth quarter of 2015, weak profitability in 2016 and net working capital challenges in certain projects. In general, cash flow – and thus cash conversion – fluctuates on a quarterly basis due to Etel's seasonal pattern for its net sales and production. The beginning of Etel's calendar year is characterised by a negative cash flow as a consequence of gradually increasing production volumes – a typical seasonal pattern for Etel's earnings generation. Phasing of projects may significantly impact the seasonal pattern of cash flow.

Cash flow from operating activities was EUR 4.5 million (49.1), including a negative impact of EUR 9.8 million (-15.5) from the change in net working capital. Impairment of goodwill related to the power transmission business of EUR 55.0 million recorded in the fourth quarter had no impact on cash flow. Cash flow from financial items and taxes was EUR -12.8 million (-12.6). Net capital expenditure, mainly replacement investments, amounted to EUR 13.3 million (11.1). Cash flow for acquisitions amounted to EUR -19.9 million (-33.1), including payment of the remaining part of the consideration for the acquisition of Etel Sönnico AS and Celer Oy and initial payments for acquisitions made in 2016.

BUSINESS EXPANSIONS, STRUCTURAL CHANGES AND DIVESTMENTS

On 1 April 2016, Etel acquired Celer Oy, a Finnish signalling services company. Celer Oy was one of the key players in the signalling sector for the railway market in Finland with a turnover of approximately EUR 6 million covering the Finnish market. Celer had 29 employees with highly specialised signalling and safety competences.

On 22 April 2016, Etel announced the signing of the contract to acquire U-SERV GmbH, a company operating in the electricity and gas metering sector in Germany. At the same time Etel

announced the contract to acquire metering related field service assets of EVB Billing und Services GmbH. Both transactions were effective as of 1 May 2016. The deal with EVB comprised the transfers of EVB's customer base as well as approximately 80 employees to Etel. Etel will also continue a business development agreement with EVB. Through this agreement, EVB and Etel will collaborate to expand the business for metering services in Germany. In accordance with the new legislation, the German market is opening for roll-out investments planned to be implemented between 2017 and 2032. There are altogether 43 million electricity meters to be changed. Likewise, another five million gas meters need to be changed.

ORGANISATIONAL AND MANAGERIAL CHANGES

In June 2016, Etel's CEO Axel Hjärne resigned from his position. In September 2016, he left the Company and Håkan Kirstein commenced in the position as President and CEO. In October 2016, Henrik Sundell started in the position as General Counsel.

In November 2016, the Chairman of the Board of Directors, Gérard Mohr, stepped down from the Board and Ulf Lundahl, member of the Board at that time, was appointed his successor. In November, CFO Gert Sköld went on temporary absence leave and was replaced by an interim CFO, Lars Nilsson.

LONG-TERM INCENTIVE PROGRAMME 2016

In June 2016, the Extraordinary General Meeting approved the implementation of a share savings programme 2016 (LTIP 2016) for key individuals in the Etel Group. The aim is to increase and strengthen the potential for recruiting, retaining and rewarding key individuals and also to use the LTIP 2016 to create individual long-term ownership of Etel shares among its participants. The term of the programme is three years and the maximum number of participants 74.

On the balance sheet date 2016, the LTIP 2016 comprised a maximum of 378,039 shares in total, corresponding to approximately 0.6% of total outstanding shares and votes of the Company. The calculation of the maximum amount includes the assumption of fully meeting the set performance targets linked to Etel's earnings per share for the financial year 2018.

For further details on the remuneration of management, please see the Corporate Governance Report on page 24.

OUR EMPLOYEES

In 2016, Etel's number of employees decreased by 1.1% to 9,465 persons at year-end 2016 (9,568). Etel's culture and way of working is supported by The Etel Way, which highlights the Group values and internal culture and includes regulations and policies for running the business operations. Etel's employees often work under dangerous conditions, which is why ensuring safe working conditions is a top priority. Working methods and control measures are continuously being developed to eliminate any dangerous situations in the field. In 2016, Etel's lost time injuries per million working hours were 7.5 (11). Etel will continue to strive to minimise lost time injuries and minor injuries. The long-term target is zero accidents. In addition, near-miss and

potential incident reports in 2016 grew significantly to 4,081 reports (1,488). In 2016, the number of safety walks increased by 68% to 1,028 (612). Eltel continued to refine its processes for collecting health and safety KPIs and develop action plans to improve the well-being and reduce the risk of injury to Eltel employees. During the second half of the year, a group-wide employee engagement survey was conducted. The response rate was good, 74% of all employees participated in the survey. Eltel offers numerous opportunities for career development. The focus for training is on specialised skills and certifications for technicians.

ENVIRONMENT

Eltel contributes to a more sustainable society by implementing environmentally friendly solutions such as building and maintaining smart grids and smart metering solutions. Smarter grids are a fundamental enabler in managing distributed power generation sources and maintaining the balance between supply and demand. Eltel also installs turnkey wind power parks and underground cabling as well as boosts internal efforts when it comes to emission goals.

Many of Eltel Group's activities directly contribute to the development of a modern and sustainable society. Efficient telecommunications are essential in bringing people closer together and can also reduce the need for travel. Renewable energy sources such as wind power and more efficient electricity networks aided by intelligent solutions, such as smart metering, reduce the need for carbon dioxide generating and polluting electricity generation.

The most significant impact of Eltel's own carbon footprint relates to its vehicle fleet. Eltel focuses on optimising routing and logistics. Apart from being active in the installation of electrical vehicle charging systems, Eltel has also conducted a pilot of the use of electrical vehicles in its operations. As a means to reduce travel for face-to-face meetings, continued investments in and promotion of videoconferencing solutions have been made.

Eltel's Quality and Environmental Systems are part of business management and control to comply with environmental laws and regulations. Eltel acquires and maintains quality and environmental certifications as required by key customers or local circumstances.

Generally, Eltel Group's activities require only limited environmental permits. The activities of Eltel pose limited risk to the soil and groundwater. As the Company operates a great number of sites and handles hazardous waste, albeit on a relatively small scale, the risk that the Company could be liable for contamination cannot be excluded completely.

RISKS AND UNCERTAINTIES

The overall economic climate and regulatory decisions in Eltel's markets pose risks to volumes and the timing of investments. Significant fluctuations in the EUR/SEK, EUR/NOK and EUR/PLN exchange rates may affect the Group's consolidated net sales and, to a lesser extent, its profitability.

Negative interest rates may affect the Group's consolidated profitability. The interest rate derivatives entered for hedging purposes at the time when interest rates were positive may not qualify as hedges according to IFRS and, in such a case, the derivative revaluation result must be recognised in the profit and loss statement. The cash held in currencies with negative interest rates may be subject to a deposit fee charged by the banks and recognised in financial expenses.

Eltel's current performance impacting Group EBITA in coming quarters includes a risk in terms of meeting the leverage (Net Debt/adjusted EBITDA) covenant in its banking agreement. In December, Eltel signed an amendment agreement of its existing financing agreement on a temporary resetting of the leverage covenant. In the amended agreement signed with the banks, the temporary reset quarterly leverage (Net Debt/EBITDA) covenant levels vary between 6.30x and 3.60x, covering the time period effective from the situation at the end of 2016 and extending until the end of 2017. These reset levels replaced the original leverage covenant levels in the financing agreement signed in 2015 defined at 4.0x Net Debt/adjusted EBITDA for the fourth quarter 2016 and at 3.5x starting from the first quarter 2017. The amendment agreement increases Eltel's financial costs and is dependent on the progress in restoring Group profitability and reducing working capital. Per the year-end 2016, Eltel did not meet the reset leverage (Net Debt/adjusted EBITDA) nor interest cover (adjusted EBITDA/adjusted net finance charges) covenants. In February 2017, Eltel and its bank consortium agreed on an additional amendment to the existing financing agreement with revised covenants for the situation at the year-end 2016. However, there is a risk in terms of meeting the leverage (net debt/adjusted EBITDA) and interest cover (adjusted EBITDA/adjusted net finance charges) covenant in the first quarter 2017. In the first quarter, Eltel initiated discussions with its bank consortium to find a solution for future financing and covenant levels.

Eltel's challenges with respect to meeting its financial covenants might lead to a risk that suppliers and other stakeholders could request accelerated payment terms or additional guarantees.

In February 2017, the Board of Directors decided to initiate a process for a preferential rights issue to mitigate the financing and liquidity risks and enable required restructuring and growth in core markets. Eltel's largest shareholders, Zeres Capital, Solero Luxco S.á.r.l., The Fourth Swedish National Pension Fund (AP4), Swedbank Robur Funds and The First Swedish National Pension Fund (AP1), representing 49.02% of Eltel's share capital as of 31 January 2017, support the decision of a preferential rights issue.

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, including the risk of delays and 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. In practice, poor project management, errors in calculating costs or defective bids by subcontractors engaged by the Group can generate significant additional performance costs and delays.

Risks associated with financial statements and accounting are, among others, material mistreatments or deficiencies of accounting and/or internal reporting. During the latter part of 2016 and the beginning of 2017 the company identified understated risks and overly optimistic revenue recognition, resulting in significant write-downs in certain power transmission and rail projects. As a consequence of this Eltel established a Group Project function with dedicated focus on governance, structure and processes in running Eltel's project business in 2016. In 2017, the Board decided to establish an internal control function within the CFO office, reporting to the Audit Committee. This function shall, among other things, be responsible for managing the internal control framework, risk management, performing internal audits and the continuous monitoring and control of Eltel's compliance with applicable laws and generally accepted accounting practices.

Finnish Competition and Consumer Authority (FCCA) case to continue in the Supreme Administrative Court in Finland

On 31 October 2014, the Finnish Competition and Consumer Authority (FCCA) proposed the imposition of a fine of EUR 35 million on Eltel in the Finnish Market Court. The violation of competition law alleged by the FCCA is related to Eltel's power transmission line construction and planning business in Finland during the period 2004–2011. Eltel considers that it did not violate competition law and contested the FCCA's allegations and fine proposal to the Finnish Market Court, requesting that the case be dismissed. The main hearing in the case was held in the Finnish Market Court in September 2015. On 30 March 2016, the Finnish Market Court dismissed the case as time-barred. On 29 April 2016, the FCCA submitted an appeal to the Supreme Administrative Court against the decision of the Finnish Market Court and the proceedings are currently pending in the Supreme Administrative Court. The timing of the Supreme Administrative Court's ruling on the matter is unknown.

In relation to the listing of Eltel on Nasdaq Stockholm in February 2015, the selling shareholders entered into an agreement under which they contributed EUR 35 million to an escrow account held by Eltel to cover any fines (excluding costs and damages from third-party claims) payable by Eltel in relation to the FCCA case. In the event of a final decision requiring Eltel to pay a fine, the equivalent amount will be converted into equity from the escrow. For further information regarding this case and the guarantee (escrow), please refer to Eltel's 2015 Annual Report and Eltel's IPO prospectus.

Eltel has received notifications of claims for damages from certain of its customers based on the allegations by the FCCA. No damages claims have been filed in any civil courts. Eltel maintains that the Company has not violated competition law and

that all related damages claims are unfounded and incomplete in respect of facts. Eltel will dispute and defend itself against any damage claims. As stated in the IPO prospectus, Eltel expects to receive damage claims relating to the alleged cartel, and expects that such claims may be material. The ultimate outcome of any such claims will be highly dependent on several factors such as the outcome of the Supreme Administrative Court proceedings, which will constitute the final resolution of the FCCA case.

For further information regarding this case, please refer to Eltel's 2015 Annual Report and Eltel's IPO prospectus.

RISK MANAGEMENT

Risk management is a fundamental part of business management and control of Eltel. Risk management aims to mitigate the risks and to maximise implied opportunities to secure the undisturbed operations of Eltel.

The key features of the control environment within Eltel's corporate governance framework include a set of clear rules of procedure for the Board of Directors and its committees, a clear organisational structure, with 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 cover all Eltel companies.

At the highest level, the Board of Directors evaluates and monitors risks and the quality of financial reporting via the Audit Committee, which oversees Eltel's internal control systems and financial reporting process as well as maintains regular contact with Eltel's external auditors. At the operating level, risk management and internal control are exercised and continuously monitored through comprehensive monthly reporting packages and in monthly business reviews performed throughout and at all levels of the organisation. Business units follow a standardised review process with detailed templates for new tenders. Proposals are reviewed and approved according to the Board of Directors' delegation of authority.

MAJOR EVENTS AFTER THE REPORTING PERIOD

In January 2017, Dariush Rezai resigned from his position as President – Mobile Communication. He left the Company on 1 March 2017.

In January 2017, Lannebo Funds sold its entire holding in Eltel and consequently left the Nomination Committee. The First Swedish National Pension Fund took the position on the Committee. In February 2017, Eltel's Nomination Committee was expanded to include Solero Luxco S.á.r.l. as a fifth member as the company flagged holding in Eltel at 10.84%, corresponding to the second largest shareholder in Eltel AB.

In January 2017, Eltel appointed a team lead by external auditors with the objective of performing a comprehensive investigation of selected ongoing projects. The reason for the investigation was continued challenges and underperformance in certain power transmission projects mainly in Africa. The outcome of the inves-

tigation resulted in further write-down related to these projects recorded in the fourth quarter 2016.

In February 2017, Eltel decided to merge its fixed and mobile communication business into a single business unit, Communication, reported as the Communication segment. Peter Uddfors was appointed President – Communication as of 1 March 2017. At the same time, Eltel decided to reorganise its power transmission business unit and extract a unit managing a select group of approximately ten ongoing power transmission electrification projects, mainly in Africa, from the power transmission business unit and transfer those to the Group Project function. Power Distribution and the remaining operations of Power Transmission are reported as the Power segment in 2017. Juha Luusua, President – Power Distribution, was appointed acting President – Power Transmission. Fredrik Menander, President – Power Transmission, left Eltel with immediate effect.

IMPORTANT DECISIONS AND EVENTS DECIDED BY THE BOARD OF DIRECTORS IN 2017

Eltel's management and Board of Directors decided on a strategic focus on Eltel's core businesses in Power and Communication:

- Geographically, the markets in the Nordics and Poland will be prioritised, as will selected growth opportunities in Germany.
 - Combined net sales of operations in Power and Communication amounted to approximately EUR 1.2 billion, corresponding to 87% of Group total net sales in 2016.
 - Following this decision, operations outside Eltel's core businesses will be divested, with the intention to find new owners with relevant core expertise. The following operations are thus planned to be divested: power transmission business in Africa, the rail business and the power distribution business in the Baltics.
 - Net sales of businesses intended to be divested amounted to approximately EUR 180 million in 2016.
- Eltel and its creditors agreed on revised covenants for 2016.
- The Board of Directors decided to initiate a process for a preferential rights issue to enable the required restructuring and growth in core markets.
- Eltel's largest shareholders, Zeres Capital, Solero Luxco S.á.r.l., the Fourth Swedish National Pension Fund (AP4), Swedbank Robur Funds and the First Swedish National Pension Fund (AP1), representing 49.02% of Eltel's share capital as of 31 January 2017, have announced that they support the decision for a preferential rights issue.

The Board decided to appoint a special investigator regarding any potential liabilities related to historical inaccuracies in the accounting of the project business.

In April 2017, the Board of Directors further decided to merge Eltel's aviation and security operations in Denmark and parts of its aviation and security operations in Sweden with the communication business. The reason for the merger is synergies between these operations. In 2016, net sales of the operations to be merged with the communication business totalled approx-

imately EUR 21 million and the number of employees was 100. The remaining parts of the aviation and security business with operations in Sweden are planned to be divested. In 2016, these operations had net sales of approximately EUR 32 million and 175 employees.

CORPORATE GOVERNANCE REPORT

Eltel has issued a Corporate Governance Report for the financial year 2016. The Corporate Governance Report has been composed in accordance with the Swedish Corporate Governance Code valid as of December 2016.

THE ELTEL SHARE AND SHAREHOLDERS

In February 2015, Eltel's ordinary share was listed on Nasdaq Stockholm under the trading symbol "ELTEL". At the end of the financial period 2016, the number of Eltel shares totalled 62,624,238 and the share capital entered in the trade register was EUR 126,322,477.00. In addition, Eltel holds 537,000 C shares.

Eltel's share price decreased by 26.2% during 2016, while the Nasdaq Stockholm increased by 13.0%. The highest quoted price for Eltel's share during the financial period was SEK 99.25 and the lowest SEK 50.00. The closing price on 31 December 2016 was SEK 62.50 and the volume weighted average price for the year was SEK 72.88. At year-end, Eltel's market capitalisation was SEK 3,914 million. The trading volume on Nasdaq Stockholm was 61,603,990 shares, equivalent to a turnover of SEK 4,489,502,271. Eltel's shares were also traded on alternative exchanges, including Chi-X, Turquoise, and BATS. The total trading volume on these alternative exchanges was equivalent to a turnover of SEK 282.7 million. Further information on share price development can be found on the Eltel's IR pages at www.eltelgroup.com/investors.

Eltel had approximately 5,100 shareholders at the end of the financial period 2016. Foreign shareholding, including nominee-registered shares, represented 37.8% at the end of the period, and Swedish retail investors held 4.6% of the share capital. The largest shareholder was Zeres Capital with 13% of the share capital. Further information concerning shareholder base development can be found on the Eltel IR pages at www.eltelgroup.com/investors.

PARENT COMPANY OPERATIONS

Eltel AB owns and governs the shares of Eltel Group. The operational and strategic management functions of Eltel Group are centralised to Eltel AB. The Parent Company has no operative business activities and its risks are mainly attributable to the activities of its subsidiaries. The Parent Company's income amounted to EUR 2.6 million (1.4) related to support function services provided to the Group. The operating expenses amounted to EUR 7.6 million (4.9). Financial income of EUR 18.9 million (23.7) related to interest income from Group companies. Financial expenses amounted to EUR 3.5 million (2.6) and EUR 9.8 million (17.2) group contribution was given to a subsidiary company. Net result was EUR 0.5 million (0.4).

DISTRIBUTION OF PROFITS

The Parent Company's non-restricted equity on 31 December 2016 was EUR 363,347,207.43 of which the net profit for the year was EUR 492,477.55. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial year 2016. The Board further proposes that the non-restricted equity of EUR 363,347,207.43 be retained and carried forward.

Corporate Governance report

Eltel AB (publ) (hereafter "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)), and the rules and regulations of the Nasdaq Stockholm's Rule Book for Issuers, as well as other Swedish and international laws and regulations, as applicable. Eltel applies the Swedish Corporate Governance Code (the "Code"), issued by The Swedish Corporate Governance Board (Sw. Kollegiet för svensk bolagsstyrning), available at <http://www.corporategovernanceboard.se/>.

Eltel does not expect to deviate from any of the rules of the Code.

Eltel's Audit Committee has reviewed the Corporate Governance Report, and has monitored the issuing of the report and verified that the description of the main features of the internal control and risk management section, as related to the financial reporting process included in the statement, matches the Financial Statements.

GOVERNANCE

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

THE ANNUAL GENERAL MEETING

Under the Swedish Companies Act, the General Meeting of shareholders is Eltel's highest decision-making body. The General Meeting may resolve upon every issue for the Company, which is not specifically reserved for another company body's exclusive competence. At the Annual General Meeting, which shall be held within six months from the end of the financial year, shareholders exercise their voting rights on matters that are subject to resolution at issues as defined for General Meetings under the Swedish Companies Act and the Company's Articles of Association, 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.

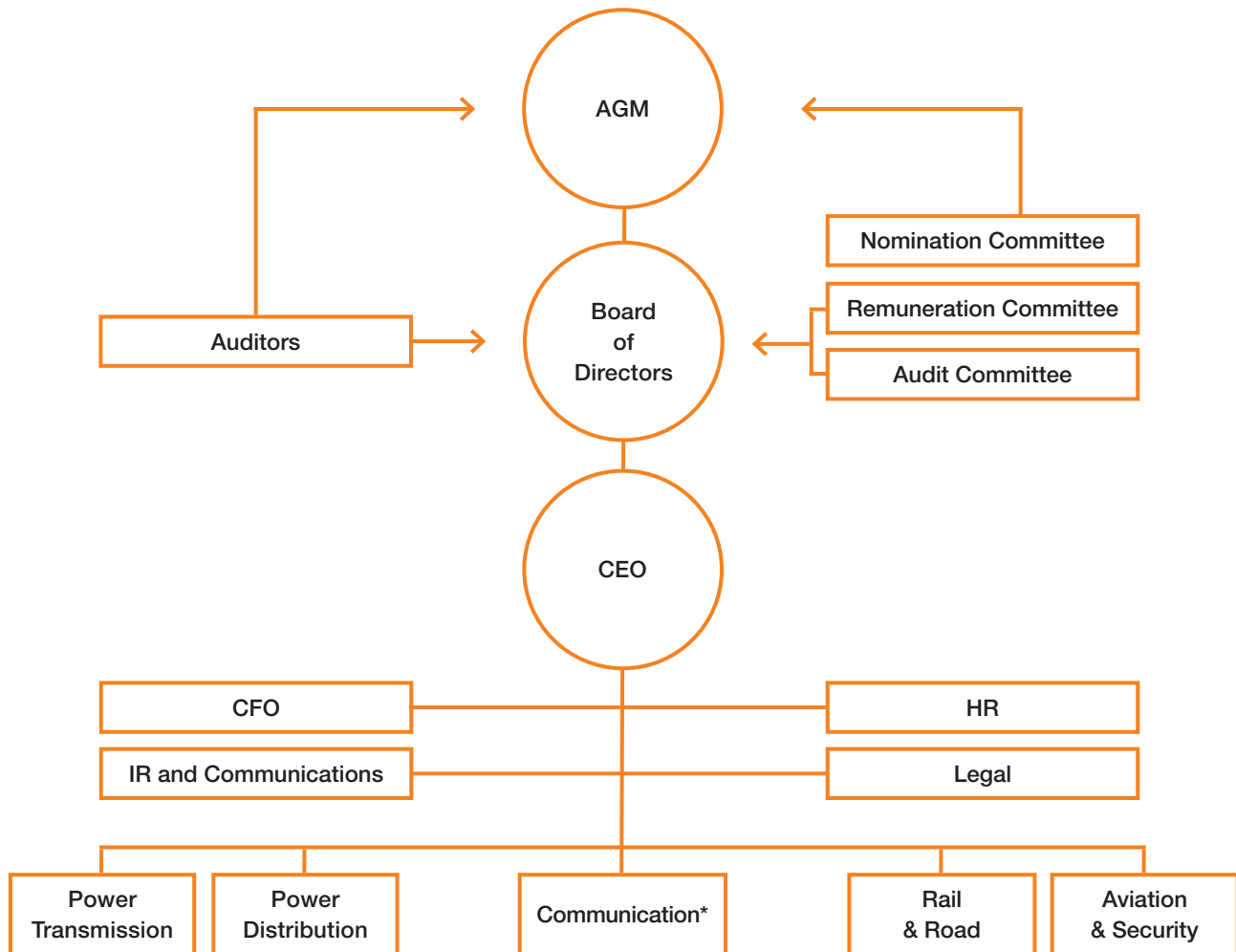
Besides the Annual General Meeting, Extraordinary General Meetings may be convened. In accordance with the Articles of Association, all General Meetings shall be convened through announcement in the Swedish Official Gazette (Sw. Post- och Inrikes Tidningar) and by publishing the notice to the meeting on Eltel's website. At the time of the notice, an announcement with information that the notice has been issued shall be published in Svenska Dagbladet. Eltel also publishes invitations to its General Meetings as regulatory press releases. The invitation shall be published no earlier than six weeks and no later than four weeks, prior to the General Meeting. Related documents and draft resolutions to be submitted to the General Meeting can be found on Eltel's website.

The Chairman of the Board of Directors, together with as many other Board members as possible and the CEO, shall be present at Extraordinary General Meetings of the Company. At Annual General Meetings, in addition to the aforementioned, at least one member of the Nomination Committee and, to the extent possible, all members of the Board of Directors, shall participate. The auditor-in-charge shall attend the Annual General Meeting. Candidates for election as members of the Board of Directors shall also be present at the General Meeting that decides upon their election.

Right to attend General Meetings

All shareholders registered by the record date in the Company's list of shareholders maintained by Euroclear, five business days prior to the General Meeting and who notify the Company of their intention to attend the General Meeting by the date specified in the notice to the Meeting have the right to attend and vote according to the number of shares held. Shareholders may attend General Meetings in person or through a proxy, and may also be accompanied by two assistants.

Eltel's governance model



Major external regulations

Swedish Companies Act
 Nasdaq's rules for issuers
 Swedish Code of Corporate Governance

Major internal regulations and policy

Articles of Association
 Mission and objectives
 The Board's rules
 CEO instructions
 Strategies
 The Eltel Way
 Policies
 Code of Conduct

* Merger of the business units Mobile and Fixed Communication as of 1 March 2017

Shareholder initiatives

Shareholders who wish a matter to be addressed at the General Meeting may submit a written request to the Board of Directors. Requests should normally be received by the Board of Directors at least seven weeks prior to the General Meeting.

Annual General Meeting 2016

Eltel's Annual General Meeting was held on 2 May 2016. Shareholders representing 42,135,891 shares, representing 67.3% of the total number of shares and votes in the Company participated in person or by proxy. The Annual General Meeting approved the financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial year 2015. The General Meeting approved the Board of Directors' proposal to pay a dividend of EUR 0.24 per share. The dividend was paid on 12 May 2016.

The General Meeting approved, i.e., an authorisation for the Board of Directors to resolve to issue a maximum of 6,250,000 new shares, to resolve to repurchase a maximum of 10% of all outstanding own shares and to resolve to transfer own shares.

The General Meeting re-elected the following members of the Board: Gérard Mohr, Matti Kyytsönen, Susanne Lithander, Ulf Lundahl and Karl Åberg. As new members of the Board, Håkan Kirstein and Gunilla Fransson were elected. Gérard Mohr was re-elected as Chairman of the Board. The following Eltel employee representatives were elected to the Board: Jonny Andersson and Björn Ekblom as ordinary Board members and Krister Andersson and Ninni Stylin as deputies.

The minutes of the Meeting and other related documents can be found on Eltel's website: www.eltelgroup.com/About Us/Corporate Governance/General Meetings.

Extraordinary General Meeting 2016

On 20 June 2016, an Extraordinary General Meeting was held to approve the terms of the LTIP 2016.

The minutes of the Meeting and other related documents can be found on Eltel's website: www.eltelgroup.com/About Us/Corporate Governance/General Meetings.

Annual General Meeting 2017 and Annual Report 2016

Eltel's Annual General Meeting 2017 will be held at Solna Gate, meeting room "Parlament", Hemvärnsgatan 9, 17154 Solna, Stockholm on 1 June 2017 at 14:00 CET.

The Annual Report 2016 is available on the Group website, www.eltelgroup.com and at the Eltel AB headquarters, Adolfsbergsvägen 13, Bromma, Stockholm, Sweden during the week 18.

NOMINATION COMMITTEE

According to the instructions for the Nomination Committee, the committee shall consist of a minimum of four members, representing each of the four largest shareholders registered on 31 August in the previous year. The rules of procedures for the Nomination Committee comply with the Swedish Corporate Governance Code.

The members of the Nomination Committee shall fulfil their duties in accordance with the Swedish Corporate Governance Code. The Chairman of the Nomination Committee convenes the Committee as required. The Nomination Committee's main duties are to propose director candidates for the Board of Directors and a Chairman, as well as fees and other remuneration to Board members. 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.

Diversity principles

The Nomination Committee strives to have members of both genders represented on the Board. The Nomination Committee has used rule 4.1 in the Code as diversity policy in its work. At the date of this report, Eltel's Board consists of three women and three men elected by the General Meeting. The objective is to maintain a balanced representation of both genders on the Board.

Nomination Committee for the AGM 2017

Based on the known ownership in Eltel on 31 August 2016, a Nomination Committee was appointed by shareholders representing 40.41% of votes before the Annual General Meeting 2017. The Committee consisted of Joakim Rubin, appointed by Zeres Capital (12.96% of votes), Marianne Flink, appointed by Swedbank Robur Fonder AB (9.56% of votes), Per Colleen, appointed by The Fourth Swedish National Pension Fund (9.28% of votes) and Lars Bergqvist, appointed by Lannebo Fonder (8.61% of votes).

In January 2017, Lannebo Fonder sold their holding in Eltel and Lars Bergqvist was replaced by Ossian Ekdahl, appointed by The First Swedish National Pension Fund (5.05% of votes). In January 2017, Solero Luxco S.á.r.l. flagged a holding in Eltel of 10.84% of the votes and subsequently appointed Erik Malmberg to be included as a fifth member in the Nomination Committee.

As of 8 February 2017, the composition of Eltel's Nomination Committee, representing 49.02% of the votes in the Company was as follows:

- Joakim Rubin, Zeres Capital (13.03% of votes);
- Erik Malmberg, Solero Luxco S.á.r.l. (10.84% of votes);
- Per Colleen, the Fourth Swedish National Pension Fund (9.60% of votes);
- Marianne Flink, Swedbank Robur Fonder (9.57% of votes); and
- Ossian Ekdahl, the First Swedish National Pension Fund (6.00% of votes).

THE BOARD OF DIRECTORS

The Board of Directors is the highest decision-making body after the General Meeting and the highest executive body of the Company. The Board of Directors' responsibility is regulated in the Swedish Companies Act, the Swedish Annual Accounts Act, the Company's Articles of Association, directions given by the General Meeting and the Procedure for Eltel's Board of Directors adopted by the Board of Directors. In addition, the Board of Directors shall comply with the Swedish Corporate Governance Code and the Nasdaq Stockholm's Rule Book for Issuers, as well as other Swedish and international laws and regulations, as applicable.

Operations of the Board of Directors

Pursuant to the Swedish Companies Act, the Board of Directors is responsible for the Company's organisation and the administration of the Company's affairs. Furthermore, the Board of Directors shall continuously assess the Group's financial situation, as well as secure to it that the Company's organisation is formed in a way that the accounting, management of funds and the financial conditions are controlled in a secure manner.

The assignments of the Board of Directors include, inter alia, to set objectives and strategies, secure efficient systems for follow-up and control of the Company's operations, and secure that satisfactory control exists for the Company's compliance with laws and other regulations applicable to Eltel's operations. The assignments of the Board of Directors also include implementation of required ethical guidelines set for the Company's behaviour and that the disclosure of information is made in a transparent, and correct, relevant and reliable manner. In addition, the assignments of the Board of Directors include appointing, evaluating and, if necessary, dismissing the CEO.

Except for employee representatives, members of the Board of Directors are appointed by the Annual General Meeting for 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 members of the Board of Directors to be elected by the General Meeting shall consist of three to ten members with no more than three deputies. According to the Swedish Corporate Governance Code, the majority of Board members shall be independent of the Company and the management.

Eltel's Board of Directors observes a written procedure, adopted by the Board of Directors and reviewed annually. Inter alia, the procedure for the Board of Directors regulates, among other things, the Board of Directors' role and responsibility, the Board of Directors' way of working and the division of work within the Board of Directors. The Board of Directors also adopts an Instruction for the CEO of Eltel, as well as an Instruction for financial reporting.

Board of Directors in 2016

At the date of this report, Eltel's Board of Directors consisted of six ordinary members and two employee representatives as ordinary members. In addition, there were two deputies to the employee representatives:

- Ulf Lundahl, Chairman of the Board of Directors and member of the Audit Committee;

- Gunilla Fransson, member of the Remuneration Committee;
- Matti Kyytsönen, member of the Audit Committee;
- Susanne Lithander, Chairman of the Audit Committee;
- Rada Rodriguez;
- Karl Åberg, Chairman of the Remuneration Committee;
- Jonny Andersson, employee representative;
- Björn Ekblom, employee representative;
- Krister Andersson, deputy to employee representative, and
- Ninni Stylin, deputy to employee representative.

The Chairman elected at the Annual General Meeting in 2016, Gérard Mohr, decided to step down from his position and left the Board of Directors in November 2016. As a consequence, the Board of Directors elected Mr Ulf Lundahl from among its members as the new Chairman of the Board until the next General Meeting.

The members of the Board of Directors are presented in greater detail in the section "Board of Directors" on page 30.

The Chairman Ulf Lundahl and the Board members Gunilla Fransson, Matti Kyytsönen, Susanne Lithander and Rada Rodriguez are to be regarded independent from the owners and the Company. Karl Åberg is to be regarded independent from the Company but dependent of significant shareholders due to his position at Zeres Capital.

Board agenda during 2016

In 2016, the financial, operational and strategic development of Eltel have been the major items on the Board's agenda. Especially, due to the challenges in Eltel's project business, the Board focus was largely on assessment and mitigation of risk with respect to this part of the operations.

Board member meeting participation in 2016

During 2016, the Board of Directors held eleven meetings. For details on Board member participation in Board meetings, please see table on page 24.

Evaluation of the Board's performance

The Board of Directors shall annually evaluate its work according to a structured process to get a view of the performance of the Board work, areas of improvement and areas for development.

This assessment should also be a basis for the Nomination Committee's work. In 2016, the evaluation was performed as interviews with all members of the Board, and the Chairman presented the result to the entire Board and to the Nomination Committee.

Board agenda in 2017

For 2017, seven ordinary Board meetings are planned. These meetings are in accordance with the annual calendar in which quarterly interim reports are approved in February, May, August and November.

Members of the Board of Directors

Name	Position	Year of birth	Election year	Share holding	Remuneration EUR	Board meetings	Committee meetings ¹	Independence from main owners	Independence of the Company	Other boardships as of 31 Dec 2016
Ulf Lundahl ¹⁾	Chairman	1952	2014	-	46,928	8/11	5/5	Yes	Yes	Ramirent PLC, Fidelio Capital, Handelsbanken Regional Bank Stockholm, Indutrade AB, Holmen AB, Attendo AB
Gérard Mohr ²⁾	Chairman	1955	2011	-	74,791	9/9	2/2	Yes	Yes	
Gunilla Fransson ³⁾	Member	1960	2016	-	24,033	7/8	4/4	Yes	Yes	Trelleborg AB, NetInsight AB, Nederman AB, Enea AB, Permobil AB, Teleopti AB, Uppsala University
Fredrik Karlsson ⁴⁾	Member	1967	2013	-	20,140	3/3	2/2	No	Yes	
Håkan Kirstein ⁵⁾	Member	1969	2016	13,483	10,300	3/3	1/1	Yes	Yes	Axis AB
Matti Kyytsönen	Member	1949	2007	20,812	33,816	11/11	2/2	Yes	Yes	Kesko Oyj, Lindström Invest Oy, Port of Helsinki Oy, KP Tekno Oy, Silverback Consulting Oy
Susanne Lithander	Member	1961	2014	-	40,817	7/11	5/5	Yes	Yes	Svensk Exportkredit AB
Rada Rodriguez	Member	1959	2015	-	32,677	8/11	-	Yes	Yes	
Karl Åberg	Member	1979	2015	-	40,817	11/11	4/4	No	Yes	
Jonny Andersson	Employee represent.	1978	2015	-	-	4/11	-	Yes	No	
Krister Andersson	Deputy employee rep.	1964	2015	-	-	8/11	-	Yes	No	
Björn Ekblom	Employee represent.	1976	2015	1,400	-	10/11	-	Yes	No	
Ninni Stylin	Deputy employee rep.	1982	2015	-	-	5/7	-	Yes	No	

¹⁾ Member of the Board until November 2016 and the Chairman of the Board from November 2016 onwards

²⁾ Chairman of the Board until November 2016

³⁾ From the Annual General Meeting 2016 onwards

⁴⁾ Until the Annual General Meeting 2016

⁵⁾ Member of the Board from the Annual General Meeting 2016 until September 2016 and President and CEO from September 2016 onwards

* For further information regarding compositions of Board Committees in 2016, please see pages 28–29.

BOARD COMMITTEES

The Board annually appoints an Audit Committee and a Remuneration Committee in its constitutive meeting following the Annual General Meeting. The Board may also appoint other committees if considered necessary. The Board appoints the members of these committees and their chairmen taking into consideration the expertise and experience required for the duties of the committee. The members of each committee are appointed for the same term of office as the Board itself. The purpose of the Board's committees is to prepare matters to be put to the Board for its decision. The committees have no decision-making authority of their own.

The Audit Committee

The Board of Directors internally appoints an Audit Committee. The members shall have the qualification necessary to perform the duties of the Audit Committee.

The main responsibilities of the Audit Committee are to:

- monitor the Company's financial reporting;
- in respect to the 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, giving particular attention to if the auditor provides the Company with services other than auditing services, and
- assist in preparation of proposals to the resolutions to the General Meeting regarding election of auditor.

As part of the tasks above, the Chairman of the Audit Committee shall support the senior management in questions regarding financial reporting and information disclosure and have an ongoing contact with the auditor in these matters.

In addition, the Audit Committee Chairman shall support the CEO, the CFO and the VP – IR and Group Communications in matters relating to information disclosures, financial reporting and media contacts, especially in the event of crisis situations.

The Audit Committee in 2016

At the date of this report, the Audit Committee consists of three members: Susanne Lithander (chairman), Ulf Lundahl and Matti Kyytsönen. The present members of the Audit Committee are considered independent in relation to the Company, its senior management and the major shareholders. The Audit Committee held five meetings in 2016. For details on Board member participation in Audit Committee meetings, please see table on page 22.

The Remuneration Committee

The Board of Directors internally appoints a Remuneration Committee. The members shall have the qualification necessary to perform the duties of the Remuneration Committee.

The Remuneration Committee's main tasks are to:

- prepare the Board of Directors' decisions on issues concerning principles for remuneration, remunerations and other terms of employment for the senior management;
- monitor and evaluate, both ongoing and terminated during the year, programmes for variable remuneration for the senior management;
- monitor and evaluate the application of the guidelines for remunerations to senior management that the Annual General Meeting is legally obliged to decide on, as well as the current remuneration structures and levels in the Company, and
- assess and plan the succession of the senior management of Eltel.

The Remuneration Committee in 2016

At the date of this report, the Remuneration Committee consisted of two members: Gunilla Fransson and Karl Åberg. The present members of the Remuneration Committee are considered independent in relation to the Company and its executive management.

The Remuneration Committee held four meetings in 2016. For details on Board member participation in Remuneration Committee meetings, please see table on page 22.

GROUP MANAGEMENT TEAM

Chief Executive Officer

Eltel's President and Chief Executive Officer (CEO) reports to the Board of Directors. 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 for the CEO and other directions and guiding principles established by the Board of Directors. In addition, the CEO shall comply with the Code and Nasdaq Stockholm's Rule Book for Issuers, as well as other Swedish and foreign laws and regulations, as applicable.

In June 2016, Axel Hjärne, Eltel's former President and CEO announced his resignation from his position. In August 2016, Eltel's Board of Directors appointed Håkan Kirstein, born 1969, as Eltel AB's President and CEO. Håkan Kirstein commenced in this position on 19 September 2016 and Axel Hjärne left the Company. Prior to this Håkan Kirstein was a member of the Board of Directors at Eltel AB, which he joined in May 2016. He started his career in the retail business at Statoil and progressed to being CEO of Statoil Hydro Sweden AB. Following a 15-year period at Statoil, Mr Kirstein held the position as CEO of Niscayah Group AB, a market leader in the technical security services.

Group Management Team

At the date of this report, Eltel's Group Management Team (GMT) comprised ten positions: The President and CEO, the Chief Financial Officer (CFO), General Counsel, Vice President (VP) – Group Strategy, Vice President – Group Human Resources, Vice President – IR and Group Communications and four Business

Unit Presidents. The Business Unit Presidents represent the following business areas: Power Transmission, Power Distribution, Communication, Aviation and Security as well as Rail and Road.

The GMT, chaired by the CEO, meets a minimum of 10 times annually (12 times in 2016). It 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 and budget to the Board of Directors in November and two forecast updates performed in May and September. During the second half of 2016, the GMT was especially focusing on challenges related to the Group's project business affecting Group performance especially regarding profitability. Project reviews were conducted and action plans were executed including the establishment of a Group Project function. Another focus area was operational efficiency improvements such as the implementation of a Group Shared Service function.

At the date of this report, the Group Management Team consisted of the following members:

- Håkan Kirstein, President and CEO
- Juha Luusua, President – Power Distribution and acting President – Power Transmission
- Peter Uddfors, President – Communication
- Torbjörn Sagner, President – Aviation & Security
- Fredrik Häggström, President – Rail & Road
- Lars Nilsson, interim CFO
- Mikael Johansson, Vice President – Strategy
- Henrik Sundell, General Counsel
- Per Krogager, Vice President – Human Resources
- Ingela Ulfves, Vice President – Investor Relations and Group Communications

Information on the members of the GMT can be found in the Annual Report 2016 on pages 31–33.

REMUNERATION AND SALARY REPORT 2016

Remuneration principles at Eltel

Eltel's overall objective is to offer a competitive and market-based level of remuneration consisting of both fixed and variable salary, pension and other remuneration components. Remuneration to senior executives shall motivate senior management to do its utmost in the best interests of Eltel's shareholders. Remuneration shall be determined in relation to area of responsibility, duties, expertise and performance. The fixed salary component equals and compensates for engaged work of management at a high professional level, creating value to Eltel. In addition, senior executives may be offered long-term incentive schemes on market-based terms. The Board shall have the right to deviate from the guidelines in individual cases if there are particular grounds for such deviation.

The pension terms of the CEO and other senior executives in the GMT should be market based in relation to terms that generally

apply for comparable executives. The Group Management Team being an international team with members from Sweden, Finland and Denmark, the pension terms of Eltel's senior management reflect some national differences.

Eltel's short-term incentives

The short-term variable salary component is based on pre-determined and measurable financial and individual targets. The criteria are recommended by the Remuneration Committee and ultimately decided by the Board of Directors. The short-term (one year) variable salary component varies between 10% and 80% of fixed annual salary. The CEO has an 80% variable salary component and the remaining members of Group Management Team (GMT) have a 60% variable salary component.

The short-term incentive programme at Eltel covers all managerial levels from team level to the GMT as well as key managers in Group shared services and functions. The range of variable salary component for other than GMT members is from 10% to 40% of the fixed annual salary depending on the job position of an employee. The yearly bonus schemes cover some 90% of all employees.

For the year 2017, the Board has decided to offer 20 key employees, comprising the CEO and employees within the Communication and Power business, a retention bonus arrangement. The arrangement will grant each employee a bonus of four to six months' salary, provided the relevant individual is still employed with Eltel on 31 March 2018. In addition, the Board has decided to offer another six key employees within the businesses to be divested a retention bonus arrangement. This arrangement will grant each key employee a bonus of four months' salary, provided the relevant individual is still employed with Eltel when a business transfer agreement regarding the divested business is signed and closed by a new owner. These bonus arrangements constitute a deviation from Section 9.4 of the Code explained by the critical importance of these key employees to the strategic changes of Eltel during 2017 and onwards.

Eltel's long-term incentives

Senior executives may be offered long-term incentive schemes at market-based terms. The motive for share-based incentive schemes is to achieve an increase in and spread of share ownership/exposure among the senior executives and to achieve a greater alignment of interests between the executives and the Company's shareholders. A long-term personal share ownership commitment among key personnel can be expected to stimulate greater commitment to the Company's long-term development, to align management with shareholders' interests and to increase motivation and solidarity with the Company. Decisions regarding share-based incentive schemes shall always be resolved on by General Meeting.

Currently there are two active long-term incentive programmes (LTIP); LTIP 2015 and LTIP 2016. Both of these are three-year programmes and the basic principles are the same in both programmes. Some 70 key individuals are covered by these programmes.

Long-term incentive programme 2015

The purpose of Eltel's long-term incentive programme 2015 (LTIP 2015), approved by the Annual General Meeting 2015, is to increase the attractiveness of Eltel as an employer on the global market, making it easier to retain and recruit qualified key individuals. The term of the LTIP 2015 is three years.

Interest in participation was high and 97% of the invited 70 participants chose to participate. The subscription period for the programme took place in August 2015. Participation in LTIP 2015 required that the participant acquired and locked Eltel ordinary shares into LTIP 2015 ("Savings Shares"). For each acquired "Savings Share", the participant is entitled, after a three-year qualification period and provided continued employment during the entire period, to receive an allotment of one Eltel matching share ("Matching Share"). Dependent on the fulfilment of certain performance targets linked to Eltel's earnings per share for the financial year 2017, the participant may also be entitled to receive allotment of additional Eltel shares ("Performance Shares"). The participant shall not pay any consideration for the allotted "Matching Shares" and "Performance Shares". "Matching Shares" and "Performance Shares" are Eltel ordinary shares.

The "Savings Shares" covered by the LTIP 2015 programme were acquired in a structured way in ordinary trading on the stock market on 17 September 2015. The average purchasing price of these 91,953 "Savings Shares" was 94.94 SEK. On balance sheet date, the LTIP 2015 comprised a maximum of 259,099 shares in total, corresponding to approximately 0.4% of the total outstanding shares and votes in the Company. The calculation of the maximum amount includes assumption of fully meeting the set performance targets linked to Eltel's earnings per share for the financial year 2017.

LTIP 2015 was directed towards three categories of participants:

- CEO;
- the Group Management Team (GMT), a maximum of ten employees;
- individuals reporting directly to GMT members or other key employees, a total of 59 persons.

The maximum number of Savings Shares for each participant is based on an investment in Eltel shares with an amount corresponding to a certain portion of the concerned participant's base salary level for the current year. In order to be eligible to participate in LTIP 2016, the participant must make a minimum investment equal to 25% of the applicable maximum level for Savings Shares investment.

Long-term incentive programme 2016

The purpose of Eltel's long-term incentive programme 2016 (LTIP 2016), approved by the Extraordinary General Meeting in June 2016, is to increase the attractiveness of Eltel as an employer on the global market, making it easier to retain and recruit qualified key individuals. The term of the LTIP 2016 is three years.

The programme was directed towards 85 key individuals at Eltel including the new CEO, members of the Group Management

Team and other key employees at Eltel. The participation rate was 87% of the invited individuals. The total value subscribed for by the participants during the subscription period in August 2016 amounted to approximately EUR 1.0 million euro and was equivalent to approximately 85% of the maximum offered to these individuals. Dependent on the fulfilment of certain performance targets linked to Eltel's earnings per share for the financial year 2018, the participant may also be entitled to receive allotment of additional Eltel shares ("Performance Shares"). The participant shall not pay any consideration for the allotted "Matching Shares" and "Performance Shares". "Matching Shares" and "Performance Shares" are Eltel ordinary shares.

In October 2016, a total amount of 107,658 Eltel AB shares were purchased in ordinary trading at an average price of SEK 89.00, equal to a total value of approximately one million euro. On balance sheet date, the LTIP 2016 comprised a maximum of 378,039 shares in total, corresponding to approximately 0.6% of the total outstanding shares and votes in the Company. The calculation of the maximum amount includes assumption of fully meeting the set performance targets linked to Eltel's earnings per share for the financial year 2018.

LTIP 2016 is directed towards three categories of participants:

- CEO;
- Group Management Team (GMT), maximum ten employees;
- individuals reporting directly to the GMT and other key employees, a total of 74 persons.

The maximum number of Savings Shares for each participant is based on an investment in Eltel shares with an amount corresponding to a certain portion of the concerned participant's base salary level for the current year. In order to be eligible to participate in LTIP 2016, the participant must make a minimum investment equal to 25% of the applicable maximum level for Savings Shares investment.

CONTROL SYSTEMS

Guidelines and manuals

Eltel's internal control system, including corporate governance as well as the business and other processes, are described in various guidelines and manuals. Eltel's Group Accounting Manual contains instructions and guidance on accounting and financial reporting to be applied in all Eltel Group companies. The manual supports the achievement of the objectives regarding the reliability of Eltel's financial reporting.

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

The CEO is primarily responsible for implementing Board instructions of the control environment in the day-to-day work. He regularly reports to the Board based on established proce-

dures. Furthermore, monthly operational business reviews are performed with the CEO and CFO.

Information and communications

All external communications are carried out in accordance with relevant regulations and Eltel's Communications Policy, which describes Eltel's general information disclosure principles to be complaint with the strict requirements on accurate and simultaneous reporting for the financial markets. Eltel has an IR and Group communications function which focuses on four key communication areas: Investor Relations, internal and external communications, brand and marketing as well as sustainability. If needed, Eltel also works with external communications support.

The Boards' report on internal control for 2016

This report has been prepared in accordance with the Code, including newly adopted instructions to the Code, and constitutes the Board's report on internal control for financial reporting. The purpose of internal control for financial reporting is to provide suitable safeguards as to the reliability of external financial reports in the form of interim reports, year-end reports and annual reports and to ensure that external financial reports are prepared in compliance with all laws, applicable accounting standards and other requirements on listed companies.

Follow-up

The Board and Group Management Team monitor Eltel's compliance with adopted policies and guidelines. At each Board meeting the Company's financial position is addressed. The Board's Remuneration and Audit Committees play important roles in terms of, for example, remuneration, financial statements and internal control. Before publication of interim reports and the Annual Report, the Audit Committee and the Board review the financial statements.

Eltel's management conducts a monthly follow-up of earnings, analysing deviations from 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.

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

Priority areas in 2016

Based on the outcome of the operational project review in 2016, Eltel established a Group Project function with dedicated focus on governance and structure in running Eltel's project business. The task of this new function is to implement and follow-up on the decided new governance and processes. The strengthening of the project business' governance and processes includes several actions related to governance, risk assessments, reporting, audits and tools covering the process from tendering to execution of a project. A new governance work stream, the

Project Board, for special project governance was established with the purpose of making thorough risk assessment starting from the tender phase.

Internal control 2017

Given the project management challenges giving rise to several profit warnings, the Board has decided to establish an internal control function within the CFO office, reporting to the Audit Committee. The function shall be responsible for among others, managing the internal control framework, risk management, performing internal audits and continuous monitoring and control of Eltel's compliance with applicable laws and generally accepted accounting principles.

AUDIT

Auditors

The Annual General Meeting appoints the auditor for one year at a time. The auditor is responsible for auditing the annual financial statements of the Group and Parent Company. In addition, the auditor reviews the third quarter interim report and the Company's administration. The 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 auditor attends at least one Board meeting during the year.

Auditor in 2016

The General Meeting 2016 elected PricewaterhouseCoopers AB as Eltel's auditor for a one-year mandate, with Niklas Renström as auditor-in-charge. In 2016, auditor fees paid to auditors amounted to EUR 1.0 million, of which non-auditing services totalled EUR 0.4 million.

RISK ASSESSMENT

The Group conducts regular risk assessment to identify material risks. In terms of risks associated with the financial statements, the main risk is considered to be material misstatements, e.g. regarding book-keeping and the valuation of assets, liabilities, income and expense or other discrepancies.

Fraud and losses through embezzlement are a further risk. Risk management is an integral part of each process and different methods are used for evaluating and limiting risks and to ensure that the risks to which Eltel is exposed are managed according to established rules, instructions and follow-up procedures. The purpose is to minimise any risks and promote accurate accounting, reporting and information disclosure.

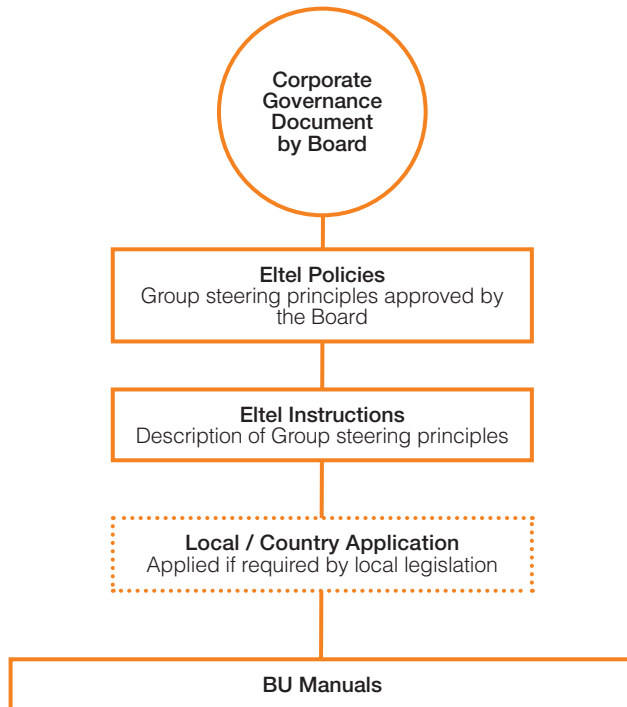
In the monthly business reviews that are performed at each level in the organisation, a report of the most important operational risks in terms of monetary risk are reported and assessed as for the need for mitigating actions and/or financial provisioning.

On a quarterly basis the most significant operational risks (risks that can affect the performance the next 12 months) and

strategic risks (risks that can affect the performance the next 36 months or more) are collected, assessed and reported to Group management from each Business Unit. Based on these, the Group management assesses the need for mitigating actions and reports the most significant strategic risks and related mitigating actions to the Board of Directors. In addition, the Group Legal Review Forum (GLRF), consisting of representatives from Group Finance, Legal, HR and Communications, reviews all Eltel legal entities regarding major changes in local operations and e.g. due diligence of subcontractors on a quarterly basis.

SUSTAINABILITY REPORT

Eltel annually publishes a Sustainability Report, which are to be found on the Company's website: www.eltelgroup.com.



Board of Directors



Ulf Lundahl

Chairman of the Board of Directors

Born 1952

Bachelor of Business Administration and Master of Laws

Chairman of the Board of Directors, since November 2016

Member of the Board Directors, since 2014



Gunilla Fransson

Member of the Board of Directors

Born 1960

M.Sc. and Lic.Sc. in Chemical Engineering

Member of the Board Directors, since 2016



Matti Kyytsönen

Member of the Board of Directors

Born 1949

M.Sc. Economics and Business Administration

Member of the Board of Directors, since 2007

Positions and other board memberships as of 31 December 2016	Chairman of the Board of Directors at Ramirent PLC, Fidelio Capital and Handelsbanken Regional Bank Stockholm. Member of the Board of Directors at Indutrade AB, Holmen AB and Attendo AB.	CEO at Novare Peritos, since 2016. Member of the Board of Directors at Trelleborg AB, NetInsight AB, Nederman AB, Enea AB, Permobil AB, Teleopti AB and Uppsala University.	Member of the Board of Directors at Kesko Oyj, Lindström Invest Oy, Port of Helsinki Oy and KP Tekno Oy and Chairman of the Board of Directors at Silverback Consulting Oy.
Board Committees	Member of the Audit Committee	Member of the Remuneration Committee	Member of the Audit Committee
Previous positions	Deputy CEO at Lundbergföretagen, 2004–2014. SEVP at Danske Bank, 1997–2003. CEO at Östgöta Enskilda Bank, 1992–1997. President at Nokia Data Sweden, 1989–1992.	Head of Business Area at Saab AB, 2008–2015. Board Director at Swedish Space Agency, 2012–2015. Various positions at Ericsson AB, 1985–2008.	CEO and Member of the Board of Directors at ISS Finland Oy, 1992–2006. CEO and Member of the Board of Directors at Esselte Oy, 1984–1992. CEO at Oy Perkko, 1983–1984. CEO at Tietoura-yhtiöt, 1981–1983.
Shares and warrants held in Eltel as of 31 December 2016	No shares and no warrants held in Eltel.	No shares and no warrants held in Eltel.	20,812 shares and no warrants held in Eltel.

Changes in the Board of Directors:

Gérard Mohr was the Chairman of the Board of Directors until November 2016.

**Susanne Lithander****Member of the Board of Directors**

Born 1961

Bachelor of International Finance
and Certificate in Financial
ManagementMember of the Board of Directors,
since 2014**Rada Rodriguez****Member of the Board of Directors**

Born 1959

M.Sc. Construction Engineer

Member of the Board of Directors,
since 2015**Karl Åberg****Member of the Board of Directors**

Born 1979

M.Sc. in Economics and
Business AdministrationMember of the Board of Directors,
since 2015CFO at BillerudKorsnäs, since 2011.
Member of the Board of Directors of
Svensk Exportkredit AB, since 2015SVP – Central and Eastern Europe
of Schneider Electric GmbH, since
2016.

Partner at Zeres Capital.

Chairman of the Audit Committee

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Chairman of the Remuneration
CommitteeCEO at Mercuri International Group
2008–2010.EVP & Head of Advisory Services,
BU Global Services at Ericsson AB,
2006–2008.EVP Finance and Operational
Development, BU Global Services at
Ericsson AB, 2003–2006.EVP & Head of Business Operations
at Ericsson Inc., TX, USA 2003–
2006.CEO Germany at Schneider Electric
GmbH, 2009–2015.VP – Installation Systems and
Control at Schneider Electric
Sweden, 2004–2009.Member of the Board of Directors of
Proffice AB (publ), 2012–2016.No shares and no warrants held in
Eltel.No shares and no warrants held in
Eltel.No shares and no warrants held in
Eltel.

Employee representatives



Jonny Andersson

Member of the Board of Directors – Employee Representative

Born 1978

Member of the Board of Directors – Employee Representative, since 2015

Chairman of Seko branch board of Eltel Sweden, since 2012

Positions and other board memberships as of 31 December 2016

Member of Seko Southern Region Board.

Board Committees

-

Previous positions

Systems Engineer at Eltel, 2006–2012.

Shares and warrants held in Eltel as of 31 December 2016

No shares and no warrants held in Eltel.



Björn Ekblom

Member of the Board of Directors – Employee Representative

Born 1976

Member of the Board of Directors – Employee Representative, since 2015

Chairman of the trade union Unionen at Eltel Sweden, since 2010

Member of the National Executive Board of Unionen, since 2011.

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Team Leader at Eltel Aviation & Security, 2006–2010
Network Engineer at Eltel Aviation & Security, 1999–2006

1,400 shares and no warrants held in Eltel.

Krister Andersson

Born 1964

Deputy member to employee representative since 2015

Ninni Stylin

Born 1982

Deputy member to employee representative since 2015

Group Management Team



Håkan Kirstein

President and CEO

Born 1969

M. Sc. (Econ.)

President and CEO,
since September 2016
Member of the Board of Directors,
May–September 2016



Juha Luusua

President – Power Distribution

Born 1965

M. Sc. (Electrical Eng.)

President – Power Distribution,
since 2012
Acting President – Power
Transmission, since February 2017
Country Manager at Eltel Finland,
since 2008



Peter Uddfors

President – Communication

Born 1964

M. Sc. (Eng.), Diploma in Business
Administration

President – Communication,
since March 2017

Positions and other board memberships as of 31 December 2016	Member of the Board of Directors of Axis AB, since 2015.	Member of the Board of Directors in Loiste Oy, Voimatalouspooli (part of the Finnish National Emergency Supply Agency), PALTA (Service Sectors Employers Association) and EK (Confederation of Finnish Industries), since January 2017.	-
Previous positions	CEO (interim) at Imtech Nordic AB, 2014–2015. President & CEO at Niscayah Group AB (publ.), 2009–2012. CEO at StatoilHydro Sweden AB, 2006–2009. CEO at Statoil Retail Sweden AB, 2004–2006.	SVP – Electricity at Eltel Networks/ Group Corporation, 2006–2007. Country Director at Eltel Networks A/S, 2004–2006. President at Eltel Network Services, 2001–2004. VP at IVO Transmission Engineering Transmission and Distribution, 2000–2001.	President – Fixed Communication at Eltel, 2013–February 2017. President and CEO at Mycronic AB (publ.), 2009–2013. President – Pulp & Paper Solutions at Cardo AB, 2005–2009. President and CEO at Lorentzen & Wettre AB, 2003–2009. President at Aldata Solutions AB, 2001–2003.
Shares and warrants held in Eltel as of 31 December 2016	13,483 shares and no warrants held in Eltel.	91,331 shares and no warrants held in Eltel.	16,891 shares and no warrants held in Eltel.

Former Group Management Team member:
Axel Hjärne, President and CEO, 2009–September 2016.



Thorbjörn Sagner

President – Aviation & Security

Born 1960

Engineer (Electrical and Telecom)

President – Aviation & Security, since 2014

Country Manager at Eltel Sweden, since 2013



Fredrik Häggström

President – Rail & Road

Born 1973

Diploma in Engineering

President – Rail & Road, since 2011



Lars Nilsson

Interim CFO

Born 1956

M. Sc. (Business and Economics)

Interim CFO, since November 2016



Gert Sköld

CFO

Born 1965

M. Sc. (Industrial Eng. and Management), M.B.A.

CFO, since 2014.
Leave of absence, since November 2016

Positions and other board memberships as of 31 December 2016

Chairman of the Board of Directors of Jämtlands linjebyggare & Republikens EI AB.

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Previous positions

Project Leader, Business Developer and Area Manager at Eltel, 2004–2014.
Service Manager at Fujitsu Siemens Computer, 2002–2004.
Service Manager at SOS Alarm AB, 1998–2002.
Service Manager at WM-Data, 1994–1998.

Business Development Director at Eltel Networks Infranet, 2010–2010.
CEO at Dateli, 2007–2010.
Various VP and GM positions at Alcatel-Lucent Nordic & Baltic (NOKIA), 1997–2006.

CFO at Nordic Cinema Group, 2014–2016.
CFO at Tele2 (publ), 2007–2014.
CFO at Axfood (publ), 2000–2007.
CFO at Fritidsresgruppen, 1997–2000.

Shares and warrants held in Eltel as of 31 December 2016

18,440 shares and no warrants held in Eltel.

44,421 shares and no warrants held in Eltel.

No shares and no warrants held in Eltel.

**Mikael Johansson****VP – Group Strategy**

Born 1977

M. Sc. (Business and Economics) and Bachelor in Computer Science

VP – Group Strategy, since 2015

**Henrik Sundell****General Counsel**

Born 1964

Master of Laws

General Counsel, since October 2016

**Per Krogager****VP – Group Human Resources**

Born 1954

M. Art. (Psych.), M. Sc. (Econ) in certain subjects

VP – Human Resources, since 2014

**Ingela Ulfves****VP – Investor Relations and Group Communications**

Born 1966

M. Sc. (Econ.), CEFA

VP – Investor Relations and Group Communications, since 2015

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Member of the Board of Directors of NOJ Fonden, since 2003.

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Management Consultant at BearingPoint and later at Deloitte, 2005–2010.
 Manager – DSL Delivery at Bredbandsbolaget (part of Telenor Group), 2003–2005.

General Counsel at Fingerprint Cards AB, 2015–2016.
 Group General Counsel at DeLaval, 2009–2015.
 Senior Legal Counsel and Associate General Counsel at Ericsson, 2000–2009.
 Senior Legal Counsel at AGA AB, 1994–2000.

Director – Strategic Development at Masco Luxembourg, 2009–2012.
 VP – Human Resources & Corporate Communications at Tvilum, 2006–2012.
 VP – Human Resources at Radiometer Medical ApS, 1999–2006.
 Director – Human Resources at LEGO System A/S, 1996–1999.

Head of Corporate Communications and Investor Relations at Tokmanni Group Oy, 2014–2015.
 VP – Investor Relations and Financial Communications at Outokumpu Oyj, 2005–2012.
 Equity Sales Trading and Equity Institutional Sales at D. Carnegie AB, 1992–2005.

2,849 shares and no warrants held in Eltel.

1,685 shares and no warrants held in Eltel.

10,288 shares and no warrants held in Eltel.

1,065 shares and no warrants held in Eltel AB.

Former Group Management Team members:

Fredrik Menander, President – Power Transmission 2012–February 2017.

Dariush Rezai, President – Mobile Communication 2014–February 2017.

Financial Statements

Consolidated income statement

EUR million	Note	Jan-Dec 2016	Jan-Dec 2015
Net sales		1,399.8	1,254.9
Cost of sales	9	-1,279.5	-1,089.6
Gross profit		120.3	165.3
Other income	7, 9	4.0	4.3
Sales and marketing expenses	9	-11.7	-14.2
Administrative expenses	9	-104.4	-88.0
Other expenses	8, 9	-5.6	-8.3
Share of profit/loss of joint ventures		-0.4	1.5
Operating result before acquisition-related amortisations (EBITA)		2.1	60.5
Amortisation and impairment of acquisition-related intangible assets	9, 10	-69.4	-13.9
Operating result (EBIT)		-67.4	46.6
Financial income		0.2	0.3
Financial expenses		-12.8	-14.7
Net financial expenses	12	-12.6	-14.4
Result before taxes		-80.0	32.2
Taxes	13	-2.2	11.0
Net result		-82.2	43.2
Attributable to:			
Equity holders of the parent		-83.5	41.7
Non-controlling interest		1.3	1.5
Earnings per share (EPS)	22		
Basic, EUR		-1.33	0.69
Diluted, EUR		-1.33	0.69

Consolidated statement of comprehensive income

EUR million	Jan-Dec 2016	Jan-Dec 2015
Net profit for the period	-82.2	43.2
Other comprehensive income:		
Items that will not be reclassified to profit and loss		
Revaluation of defined benefit plans	0.7	0.4
Items that may be subsequently reclassified to profit and loss		
Cash flow hedges	0.3	-3.5
Net investment hedges	2.3	-1.5
Currency translation differences	-6.1	3.3
Total	-3.6	-1.6
Other comprehensive income/loss for the period, net of tax	-2.9	-1.2
Total comprehensive income/loss for the period	-85.1	41.9
Total comprehensive income/loss attributable to:		
Equity holders of the parent	-86.4	40.5
Non-controlling interest	1.3	1.5

Consolidated balance sheet

EUR million	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Goodwill	15	420.2	463.6
Intangible assets	15	70.1	82.4
Property, plant and equipment	16	37.8	38.0
Investments in and receivable from joint ventures	14	0.6	0.2
Available-for-sale investments	18	0.3	0.2
Deferred tax assets	13	29.7	34.2
Other financial assets	17, 19	35.0	35.0
Trade and other receivables	17, 19	0.2	0.1
Total non-current assets		594.0	653.7
Current assets			
Inventories	20	7.5	14.5
Trade and other receivables	17, 19	393.3	341.1
Cash and cash equivalents		85.2	87.9
Total current assets		486.0	443.5
TOTAL ASSETS		1,080.0	1,097.2
EQUITY AND LIABILITIES			
Equity			
Share capital	21	126.3	125.2
Non-restricted equity		213.3	315.7
Equity attributable to shareholders of the parent		339.7	440.9
Non-controlling interest		7.3	7.1
Total equity		347.0	448.0
Non-current liabilities			
Debt	17, 23	3.5	216.7
Liabilities to shareholders	17, 23	35.0	35.0
Retirement benefit obligations	24	8.1	13.9
Deferred tax liabilities	13	15.5	17.1
Provisions	25	1.7	3.0
Other non-current liabilities	17	6.2	0.1
Total non-current liabilities		70.0	285.8
Current liabilities			
Debt	17, 23	280.0	14.9
Provisions	25	24.9	3.8
Advances received		65.6	62.7
Trade and other payables	17, 26	292.6	281.9
Total current liabilities		663.0	363.4
Total liabilities		733.0	649.2
TOTAL EQUITY AND LIABILITIES		1,080.0	1,097.2

Consolidated statement of cash flow

EUR million	Note	Jan-Dec 2016	Jan-Dec 2015
Cash flow from operating activities			
Cash flow from operating activities before financial items and taxes	5	4.5	49.1
Interest received		0.1	0.3
Interest and other financial expenses paid		-10.5	-9.7
Income taxes paid		-2.5	-3.3
Net cash from operating activities		-8.3	36.4
Cash flow from investing activities			
Purchases of property, plant and equipment (PPE)		-14.1	-12.3
Proceeds from sale of PPE		0.8	1.3
Business acquisitions and disposals		-19.9	-33.1
Investments in joint ventures		-0.7	-
Net cash from investing activities		-34.0	-44.2
Cash flow from financing activities			
Proceeds from issuance of share capital		-	143.1
Proceeds from long-term financial liabilities		21.3	209.3
Proceeds from short-term financial liabilities		93.0	29.2
Payments of short-term borrowings		-56.4	-19.0
Payments of financial liabilities		-1.8	-326.5
Payments of/proceeds from finance lease liabilities		-0.8	-0.5
Dividends to shareholders		-15.0	-
Dividends to non-controlling interest		-1.1	-0.8
Change in non-liquid financial assets		0.5	0.7
Net cash from financing activities		39.7	35.5
Net change in cash and cash equivalents		-2.6	27.8
Cash and cash equivalents at beginning of period		87.9	61.0
Foreign exchange rate effect		-0.1	-0.9
Cash and cash equivalents at end of period		85.2	87.9

Reconciliation of EBITA to cash flow from operating activities before financing items and taxes

EUR million	Jan-Dec 2016	Jan-Dec 2015
EBITA	2.1	60.5
Depreciation	13.1	11.9
EBITDA	15.1	72.3
Change in net working capital	-9.8	-15.5
Net purchases of PPE	-13.3	-11.1
Operative cash flow (used in cash conversion key figure)	-8.0	45.8
Less net purchases of PPE, presented in investing activities	13.3	11.1
Gains on sales of assets	-0.4	-1.3
Items recognised through other comprehensive income	-3.4	-6.1
Other non-cash adjustments	2.9	-0.4
Cash flow from operating activities before financial items and taxes	4.5	49.1

Consolidated statement of changes in equity

EUR million	Equity attributable to shareholders of the parent							Non-controlling interest	Total equity
	Share capital	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve	Currency translation	Total		
Equity on 1 Jan 2016	125.2	389.1	-37.3	-22.5	3.7	-17.2	440.9	7.1	448.0
Total comprehensive income for the period	-	-	-83.5	0.7	2.5	-6.1	-86.4	1.3	-85.1
Equity-settled share-based payment*	-	-	0.1	-	-	-	0.1	-	0.1
Proceeds from shares issued	1.1	-1.1	-	-	-	-	-	-	-
Dividends paid to shareholders	-	-15.0	-	-	-	-	-15.0	-	-15.0
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-1.1	-1.1
Total transaction with owners	1.1	-16.1	0.1	-	-	-	-14.9	-1.1	-16.0
Equity on 31 Dec 2016	126.3	373.0	-120.7	-21.8	6.2	-23.4	339.7	7.3	347.0

EUR million	Equity attributable to shareholders of the parent							Non-controlling interest	Total equity
	Share capital	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve	Currency translation	Total		
Equity on 1 Jan 2015	86.4	276.3	-79.4	-22.9	8.6	-20.5	248.4	6.4	254.9
Total comprehensive income for the period	-	-	41.7	0.4	-4.9	3.3	40.5	1.5	41.9
Equity-settled share-based payment*	-	-	0.3	-	-	-	0.3	-	0.3
Proceeds from shares issued	38.9	113.4	-	-	-	-	152.3	-	152.3
New share issue costs	-	-0.6	-	-	-	-	-0.6	-	-0.6
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-0.8	-0.8
Total transaction with owners	38.9	112.8	0.3	-	-	-	152.0	-0.8	151.2
Equity on 31 Dec 2015	125.2	389.1	-37.3	-22.5	3.7	-17.2	440.9	7.1	448.0

* Specification can be found in note 21. Equity

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

Shareholders' equity consists of the share capital, other paid-in capital, reserves and accumulated 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 cash flow hedges and net investment hedges. Gains and losses from hedge accounted derivative instruments are recognised in other comprehensive income under hedging reserve for their effective part.

The currency translation reserve includes differences arising on translation of the financial statements of foreign entities.

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1. CORPORATE INFORMATION

Eltel AB (the Company) through its subsidiaries (together the Group) provides technical services to the Infranet industry, which consists of companies who own and operate critical infrastructure networks in the areas of Power, Communication and Transport & Security. Eltel mainly operates throughout the Nordic and Baltic regions, Poland, Germany and Africa and employs close to 9,500 persons at year-end 2016. Eltel provides a broad and integrated range of services spanning from project planning and execution to installation services and services related to maintenance and operation. The full range of technical service types that Eltel offers include maintenance services, upgrade services and project delivery services.

Eltel AB is domiciled in Stockholm, Sweden. Eltel AB was introduced on the Nasdaq Stockholm on 6 February 2015 through an initial public offering of ordinary shares.

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 operational and strategic management functions of the Group have been centralised to Eltel AB. The Company has no operative business activities and its risks are mainly attributable to the activities of its subsidiaries.

2. ACCOUNTING POLICIES FOR THE CONSOLIDATED ACCOUNTS

BASIS OF PREPARATION

These consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU effective at 31 December 2016. In addition, the Group applies Financial Accounting Standards Council's in Sweden recommendation RFR1.

The financial statements have been authorised for issue by the Board of Directors of Eltel AB on 28 April 2017 and are subject to adoption by the Annual General Meeting on 1 June 2017.

Consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments and available for sale 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 amendments and interpretations effective for the first time from 1 January 2016 onwards, have had no significant impact to the Group in 2016.

As of the second quarter 2016, Eltel has applied ESMA's (European Securities and Markets Authority) new 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 in Definitions and key ratios on page 92 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.

The new IFRS standards, amendments and interpretations effective for the first time for 2017 financial year or later include:

IFRS 15 Revenue from contracts with customers (effective from 1 January 2018). IFRS 15 replaces existing revenue recognition guidance in IAS 18 revenue, IAS 11 Construction contracts, and related interpretations. IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. IFRS 15 requires to identify 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 recognised 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.

Eltel has made preliminary assessment of its business operations from IFRS 15 revenue recognition perspective. Eltel provides variety of installation, maintenance and other technical services to the Infranet industry and expects to continue to recognise revenue based on services performed at the end of the reporting period. It is expected that IFRS 15 does not have any material impact on the Group's profit and loss statement for revenue recognition of service business.

For construction projects, depending on the scope and terms of the contract, Eltel expects to identify variety of one or more performance obligations. Revenue for these performance obligations is expected, to large extent, meet the criteria for revenue recognition over time, with the progress being measured by using the cost-to-cost method.

Current method for revenue recognition for construction projects is over time, in line with percentage of completion, which is expected to continue in majority of the construction projects. Revenue recognition is expected to deviate from current practice with respect to the number of performance obligations under certain customer contracts. Based on the assessment and compared to current practice the number of identified performance obligations may increase when the contract includes separate customer deliverables and decrease mainly in certain turnkey projects.

Possible differences in revenue recognition will vary from one contract to another. Eltel has identified some potential changes

in the treatment of certain contract modifications, additional work, variable considerations and value of money and continues to assess the impact of these and other accounting changes that will arise under IFRS 15. However, the determination of different performance obligations is assessed to form main deviation from current practice.

IFRS 15 can be adopted on a fully retrospective basis, requiring the restatement of the comparative periods, or with the cumulative retrospective impact adjusted to equity on the date of adoption. When the latter approach is applied it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period. Eltel is currently assessing the preferred method of adoption to be applied.

IFRS 9 Financial Instruments and subsequent amendments (effective from 1 January 2018). IFRS 9 will replace the existing guidance in IAS 39 Financial instruments: recognition and measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. Eltel is currently assessing the impacts of the new standard on the financial statements of the Group.

*IFRS 16 Leases** (effective from 1 January 2019). IFRS 16 replaces IAS 17 Leases, and related interpretations. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Eltel expects the new standard to increase recognised assets and liabilities, mainly for its operating leases of facilities and vehicles. In addition, the nature of expenses related to those expenses will change as IFRS 16 replaces the operating lease expense with depreciation charge for right-of-use assets and interest expense for lease liabilities reported under financing expenses. Eltel has not yet quantified the impacts of the adoption of IFRS 16 on its consolidated financial statements.

The other published standards, amendments and interpretations that are effective on the financial year beginning 1 January 2017 or later are not expected to have significant impact on the Group.

* The mentioned standard has not yet been endorsed in the EU.

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 recognised in the financial period when the changes occur and in all subsequent financial periods.

The financial statements are prepared on a going concern basis. At the date of signing the financial statements, management is required to assess the entity's ability to continue as a going concern, and this assessment should cover the entity's prospects

for a minimum of 12 months from the end of the reporting period. The financing and liquidity risk related to breach of covenants needs to be taken into consideration when assessing this. At the year-end 2016 Eltel has assessed that, there is a risk in terms of meeting the covenants in 2017 and consequently taken actions to find solutions to the situation. Please see note 3.4 Capital management and note 34. Events after balance sheet date for more information.

Critical accounting estimates and assumptions

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 amounts 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 15. Intangible assets for more information on impairment testing.

b) Revenue recognition – construction contracts

The Group uses the percentage of completion method when determining the revenue from the construction contracts. Revenue for the period is recognised based on the stage of completion. The Group determines completion as share of the costs incurred against the total estimated costs of the project. Cost estimates require estimate of the final outcome of the project and the actual future outcome may deviate from the estimate. 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, including the risk of delays and 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) Business combinations

The acquisition of subsidiaries or operations involves that items in the acquired company's balance sheet as well as items that have not been recognised in the acquired company's balance sheet, such as customer relations, shall be valued at fair value. Different valuation methods based on number of assumptions are used in fair value determination. Initial accounting is determined provisionally and may be adjusted subsequently. All acquisition calculations are finalised no later than one year after the acquisition is made.

All payments to acquire a subsidiary or operation are recorded at fair value at the acquisition date, including debt related to contingent considerations. The contingent consideration is measured at fair value in subsequent periods with re-measurement through the statement of income. The final outcome of

deferred considerations often depends on one or more events which will be confirmed by a future development.

d) Taxes

Determination of income taxes and deferred taxes when the ultimate tax determination is uncertain requires management judgement. The Group recognises deferred tax assets resulting from carried forward tax losses when the realisation of related tax benefit, due to taxable profits, is probable. However, deferred tax asset is always recognised if it can be utilised to current taxable temporary differences. The assumptions regarding future taxable profits are based on the current business plan and further estimates added by consideration for the uncertainties in the current business plan and further estimates. The Group uses estimates for recognition of liabilities for anticipated tax audit issues based on all available information at the time of recognition.

e) Provisions and contingent liabilities

The Group uses estimates when assessing the amount of the provisions recognised 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 recognised 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 notes information. Contingent liabilities are regularly monitored, and in case the outflow of resources becomes probable, they are recognised as provisions.

f) 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 24. Retirement benefit obligations.

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 recognised as goodwill.

Intercompany transactions, receivables, liabilities and unrealised 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 recognises 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.

Joint venture is a joint arrangement whereby the partners, which have joint control of the arrangement, have rights to the net asset of the joint arrangement. Joint control, which is the contractually agreed sharing of control of an arrangement, exists only when decision about the relevant activities require unanimous consent of the parties sharing control. Joint ventures are consolidated using the equity method. Under the equity method, an investment in a joint venture is initially recognised at cost and adjusted thereafter to the Group's share of the profit or loss of the joint venture. On acquisition of joint venture any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the joint venture is recognised as goodwill, which is included within the carrying amount of the investment in joint venture.

When a group entity transacts with a joint venture, the profits and losses resulting from the transactions are recognised only to the extent of interests in the joint venture that are not related to the Group.

A list of subsidiaries, joint operations and joint ventures is presented in note 32. 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 the functional and presentation currency of the parent company and the consolidated Group.

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 recognised in the income statement. Exchange rate gains and losses on actual business operations are recognised in respective items above

operating profit. Exchange rate gains and losses on financing are entered as exchange rate differences in financial income and expenses.

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 recognised in other comprehensive income.

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

REVENUE RECOGNITION

Construction contracts

Contract revenue and contract costs associated with long-term construction contracts are recognised according to the percentage of completion method, when the outcome of the construction contract can be estimated reliably. The percentage of completion has been defined by calculating the proportional share of actual costs against the estimated total costs of the contract at the balance sheet date.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as an expense in the period in which they are incurred. An expected loss on the construction contract is recognised as an expense immediately.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included in accrued income that is presented within Trade and other receivables balance sheet line.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus/less recognised profits/losses.

Sales of goods and services

Sales of goods are recognised after the significant risks and rewards of ownership have been transferred to the buyer and the Group retains neither a continuing managerial involvement nor effective control of those goods. Revenues from services are recorded when the service has been performed.

OPERATING SEGMENTS

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. A combination of factors has been used in order to identify the Group's segments. Most important are the characteristic of the

services provided and the customer categories that are acquiring the services. According to the conditions in IFRS 8, certain of the Group's operating segments have been aggregated in the financial reporting. The Group's operations are consequently divided into two reportable segments, Power and Communication and Other which has been named Transport & Security. These segments are also referred to as business segments in the Group's financial reports. Items below operative EBITA are not allocated to the segments.

GOODWILL AND OTHER INTANGIBLE ASSETS

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 amortised, 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 recognised 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 recognised at cost less depreciations and impairments, if any. On initial recognition they are recognised at fair value at the acquisition date which is regarded as their cost.

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

Costs associated with developing or maintaining computer software programmes are recognised 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 recognised 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 recognised as assets are amortised 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 amortised, 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 amortised 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 amortised using the straight-line method over their expected useful lives (5–10 years).

The amortisation 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 amortisation period is changed accordingly.

PROPERTY, PLANT AND EQUIPMENT

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 recognised 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.

IMPAIRMENTS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation 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 recognised 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 recognised. Impairment is not reversed over the balance sheet value that existed before the recognition of impairment losses in the previous financial periods. Impairment losses recognised 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 15. Intangible assets for information on impairment testing of goodwill.

LEASES – THE GROUP ACTING AS A LESSEE

Lease agreements, which transfer substantially all the risks and rewards incidental to ownership, are classified as finance leases. These are recognised in the balance sheet as property, plant and equipment and lease obligations measured at the lower of the fair value of the property or the present value of the required minimum lease payments at the inception of the lease. Assets acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease period. The corresponding rental obligations, net of finance charges, are included in long-term interest-bearing liabilities.

The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

FINANCIAL INSTRUMENTS

Recognition and derecognition

All purchases and sales of financial assets are accounted for at trade date. They are initially recognised at fair value and transaction costs have been included for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are initially recorded at fair value and transaction costs are included in the original carrying amount. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Classification and measurement

The Group classifies its financial assets and liabilities into the following categories: Financial assets and liabilities at fair value through profit or loss, derivative instruments hedge accounted, loans and receivables, financial liabilities at amortised cost and available-for-sale investments. 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, 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. In addition, derivatives that are not designated as hedges are classified as held for trading and presented as derivative asset or liability. Gains or losses arising from changes in the fair value

are recognised in the income statement in the period in which they arise. Changes in fair values of derivatives held for trading are recognised either as other income and expenses or financial income or expenses depending on whether they relate to business or financial items. Trading derivatives are classified as a current asset or liability and presented in the balance sheet as other receivables or liabilities. The Group applies cash flow hedge accounting to certain foreign exchange forwards and interest rate swaps which are classified as derivative instruments hedge accounted. Moreover, the Group identifies and separates embedded derivatives from the business sale or purchase contracts. The embedded derivatives are currency forward contracts and are classified as financial assets and liabilities at fair value through profit and loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments not quoted in an active market nor held for trading. Loans and receivables are measured at amortised cost using the effective interest method. They include trade and other receivables which are measured at amortised 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 related to trade receivables are recognised in other expenses.

Cash and cash equivalents include 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 amortised cost include all other financial liabilities than derivative instruments. They are measured at amortised cost using the effective interest method. They include trade payables which are initially measured at amortised cost. 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument including for example transaction costs and all other premiums or discounts.

Available-for-sale investments are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They consist of investments in listed and unlisted shares which the Company does not hold for trading. In the balance sheet, they are classified as investments and included in non-current assets unless they are intended to be disposed of within 12 months of the balance sheet date. Available-for-sale investments are generally measured at fair value based on market prices. Unlisted equity securities whose fair value cannot be reliably measured are measured at acquisition cost. Fair value changes of available-for-sale investments are recognised in other comprehensive income and presented in equity in the fair value reserve, net of tax. When the securities are sold or impaired, the accumulated fair value adjustments in the fair value reserve are recognised in profit or loss.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired.

DERIVATIVE INSTRUMENTS HEDGE ACCOUNTED

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value on each balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

The Group's derivative instruments include currency forward contracts and currency and interest rate swaps. The Group designates certain foreign currency forward contracts, currency swaps and interest rate swaps as cash flow hedges. Other derivatives, not designated as hedges, are classified as financial assets or liabilities held for trading. However, all derivative contracts are entered into for economic hedging purposes even if they did not qualify as hedges under IAS 39.

Cash flow hedges

The Group applies cash flow hedge accounting to certain foreign exchange forwards and swaps and interest rate swaps. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items. The Group also documents its assessment, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. The effective portion of gains and losses from the derivative instruments under cash flow hedge accounting is recognised in other comprehensive income under hedging reserve. The cumulative gain or loss is transferred to profit or loss when the hedged items affect profit or loss. The ineffective portion is recognised immediately in profit or loss in other income or expenses.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction ultimately affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss recognised in equity is immediately transferred to profit or loss in other income or expenses.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the derivative instrument is more than 12 months and as a current asset or liability when the remaining maturity of the derivative instrument is less than 12 months.

Net investment hedges

The Group applies 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 are recognised in other comprehensive

income under translation reserve. If the investment is divested, the accumulated gains or losses recognised in translation reserve from the loans attributable to that operation are transferred to profit or loss (see note 3.1 for more information).

TRADE RECEIVABLES

Trade receivables are initially measured at fair value and subsequently at amortised cost less provision for impairment.

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.

DIVIDENDS

Dividends are proposed by the Board of Directors and recognised in the financial statements after the Annual General Meeting has approved the dividend.

EARNINGS PER SHARE

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.

TRADE PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised 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 recognised as a separate asset, but only when it is certain that the reimbursement will be received.

A warranty provision is recognised, when the product including a warranty clause is sold. The amount of the warranty provision is based on the past experience of the realisation of the warranty costs and the future expectations.

A provision for restructuring is recognised when management has developed and approved a plan to which it is committed. Employee termination benefits are recognised 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 incre-

mental 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 recognised in respective expenses depending on the nature of the restructuring expenses. Provisions are not recognised for future operating losses.

A provision is recognised 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 recognised 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 notes information. Contingent liabilities are regularly monitored, and in case the outflow of resources becomes probable, they are recognised as provisions.

INVENTORIES

Inventories are stated at the lower of cost or net realisation value. Cost is determined by the FIFO (first in, first out) method. The cost of finished goods and work in progress comprises materials, direct personnel costs, other direct costs and an appropriate portion of production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

INCOME TAXES

The Group's income tax expense includes taxes of the group companies based on taxable income and the changes in the deferred taxes. Income tax is recognised in the income statement, except for the items recognised directly in other comprehensive income, when the tax effect is accordingly recognised in other comprehensive income. Income tax expense is based on the effective 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 realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it appears probable that future taxable profit will be available, against which the temporary differences can be utilised. 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)

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 recognised as financial expenses. Past service costs are recognised immediately in the income statement. Remeasurements of the defined benefit plan are recognised directly in other comprehensive income.

SHARE-BASED PAYMENTS (IFRS 2)

Eitel has two incentive programmes that are recognised 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 recognised 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 (earnings per share) 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. The resulting provision is updated at the end of each reporting period in estimate are recorded through the statement of income.

3. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following financial risks:

- Market risks, including currency and interest rate 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 analyse 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.

3.1 Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity 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 and interest rate risks.

Currency risk

Currency risk in the Group consists of transaction risk, translation risk and economic risk. The purpose of currency risk management is to minimise the impact of foreign exchange fluctuations to the cash flows, profit and loss 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 and the respective functional currencies of the Group companies.

Majority of the Group's business is local and over 90% of the cash inflows are generated in each country's local currency. The transaction risk is therefore limited and arises from export projects and few other major projects. The foreign currency used in these projects is in most cases the US dollar or another major foreign currency. 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 FX 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 8 million. The Group applies hedge accounting for net currency exposures exceeding EUR 5 million in counter value. More infor-

mation on the Group's foreign exchange derivatives is included in note 28. Derivative financial instruments.

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

2016

EUR million				
Currency	Sales and purchases	Borrowings and cash	Hedges	Net transaction risk exposure
EUR	1.2	0.3	-1.9	-0.4
SEK	-4.2	11.9	-7.7	-
NOK	0.1	1.8	-1.5	0.5
DKK	-0.6	-0.1	-	-0.7
PLN	-0.1	21.0	-20.7	-
USD	13.6	-0.9	-14.0	-0.6
CHF	-7.0	-	7.1	-
GBP	0.1	6.2	-6.2	0.1
ZMW	-4.5	-	-	-4.5

2015

EUR million				
Currency	Sales and purchases	Borrowings and cash	Hedges	Net transaction risk exposure
EUR	-1.1	0.4	0.9	0.2
SEK	-1.7	6.0	-4.6	-0.3
NOK	0.1	9.2	-8.9	0.4
DKK	-0.2	-0.7	1.1	0.1
PLN	-0.1	12.4	-12.2	0.2
USD	39.3	9.1	-47.4	0.9
ZMW	-5.5	-	-	-5.5

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

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

Currency transaction risk impact

2016

EUR thousands	Profit or loss		Equity (net of tax)	
	Strengthening	Weakening	Strengthening	Weakening
Currency				
EUR	-39	32	414	373
SEK	1	-1	-	-
NOK	50	-41	-	-
DKK	-77	63	-	-
PLN	21	-17	-	-
USD	-153	125	-	-
CHF	14	-11	-	-
GBP	6	-5	-	-
ZMW	-496	405	-	-

2015

EUR thousands

Currency	Profit or loss		Equity (net of tax)	
	Strengthening	Weakening	Strengthening	Weakening
EUR	22	-18	708	-579
SEK	-35	29	-	-
NOK	40	-33	-	-
DKK	16	-13	-	-
PLN	17	-14	-	-
USD	102	-84	-	-
ZMW	-612	500	-	-

Currency translation risk

The Group's translation risk arises from translating foreign currency denominated subsidiaries' profit and loss statements and balance sheets into the Group's presentation currency upon Group consolidation. The risk is realised 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 and Poland.

The Group aims to match the currency of borrowings to the profits generated by the underlying operations of the Group in order to achieve neutral translation position.

For the year ended 31 December 2016, 34% of the Group's net sales were generated in SEK (39%), 19% in NOK (9%) and 9% in PLN (10%). Therefore, the Group's results are most sensitive to changes in EUR/SEK and to a lesser extent to changes in EUR/PLN and EUR/NOK. A change in the average EUR/SEK, EUR/NOK, EUR/PLN rates by 10% would have had an impact of EUR 2.1 million (4.1) on the Group's operating result before acquisition-related amortisations (EBITA) and EUR 4.9 million (1.5) in the Group's post tax profit in 2016.

In addition, the Group monitors the sensitivity of its net debt to EBITDA ratio to strengthening of the Euro against all other operative currencies. An increase in the average exchange rates of Euro by 10% would have led to an increase of 2% in the net debt to EBITDA ratio.

The majority of the Group's net investment translation risk arises from the net investments in the Swedish subsidiaries. This net investment is hedged by SEK denominated loans, which mitigates the foreign currency translation risk arising from the subsidiaries' net assets. Net investment hedge accounting according to IAS 39 is applied for the loans.

Economic risk

Economic risk arises from the business strategy of the Group and relates more long-term and structural cost structures in different currencies. Economic risk is taken into account in the course of the Group's strategy and planning process.

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 to keep the ratio of fixed rate debt between 40–80% and the interest duration between 12–48 months. During 2016 Group has closed some interest rate hedges prematurely as they no longer qualified as hedges due to the negative interest rates.

The Group's bank borrowing is based on floating interest rates (one to six months) including a floor market rate of zero. Currently 54% of the bank borrowings is subject to such zero floor rate. A part of the finance lease liabilities have a fixed interest rate for the lease period. At 31 December 2016 there were total of EUR 22.2 million of interest rate swap contracts in place. More information on the Group's interest rate derivatives is included in note 28. Derivative financial information.

The interest rate profile of the Group is as follows:

EUR million	2016	2015
Fixed-rate instruments		
Financial liabilities	7.1	7.8
Effect of interest rate swaps	22.2	157.8
Total fixed-rate net liabilities	29.3	165.6
Variable-rate instruments		
Financial assets	85.4	88.8
Financial liabilities	276.8	223.9
Effect of interest rate swaps	-22.2	-157.8
Total variable-rate net liabilities	169.1	-22.7

A reasonably possible change in the relevant market interest rates at the reporting date would affect the equity and profit or loss 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 as well as the effects of the changes in fair values of the interest rate derivatives.

2016

EUR million	Profit or loss		Equity (net of tax)	
	50 bp increase	25 bp decrease	50 bp increase	25 bp decrease
Variable rate instruments	0.0	0.0	-	-
Interest rate swaps	-	-	0.3	-0.2
Total	0.0	0.0	0.3	-0.2

2015

EUR million	Profit or loss		Equity (net of tax)	
	50 bp increase	25 bp decrease	50 bp increase	25 bp decrease
Variable rate instruments	0.1	-0.1	-	-
Interest rate swaps	-	-	3.3	-1.6
Total	0.1	-0.1	3.3	-1.6

3.2 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. At the end of 2016, Eltel did not meet its reset covenants. In February 2017, Eltel and its bank consortium agreed on an additional amendment to the existing financing agreement with revised covenants for year-end 2016. See note 3.4 Capital management for more information.

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. Additionally the Group has a committed syndicate revolving credit facility of EUR 90 million, which matures in 2020. The Group has also access to short-term debt capital markets via a EUR 100 million Finnish Domestic Commercial Paper programme.

Currently the cash and cash equivalents consist 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 2016	31 Dec 2015
Committed credit facility	90.0	80.0
Current account overdrafts	20.3	15.4
Cash and cash equivalents	85.2	87.9
Total	195.4	183.3

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 weekly level for the 6 months thereafter. The most significant uncertainties in the projections are related to the cash inflows from the project business.

Due to the reported breach of financial covenants the bank borrowings are presented as current in the balance sheet. Carrying amount at balance sheet date represent the amount that would be payable at the date of the reported breach. In addition to carrying amounts, 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.

Liabilities to shareholders constitute the shareholders' contribution to the potential fines payable in relation to the FCCA case. The corresponding amount is recognised in the Group's assets, as the contribution amount is deposited in an escrow bank account. Should any fines become payable the corresponding amount shall be converted into unconditional capital contribution to the Group. Any amount not needed to cover the FCCA fines shall be promptly returned to the shareholders from the escrow account.

2016

EUR million	31 Dec 2016 Carrying amounts		Contractual cash flows			
	Less than 1 year	Over 1 year	Less than 1 year	1-3 years	3-5 years	Over 5 years
Bank borrowings	275.8	-	74.7	218.7	3.1	-
Liabilities to shareholders*	-	35.0	-	35.0	-	-
Finance lease liabilities	1.6	3.5	1.6	2.2	0.9	0.5
Trade payables	149.5	-	149.5	-	-	-
Other borrowings	3.3	-	3.3	-	-	-
Derivative financial instruments	0.3	-	0.3	-	-	-
Total	430.4	38.5	229.4	255.9	4.0	0.5

2015

EUR million	31 Dec 2015 Carrying amounts		Contractual cash flows			
	Less than 1 year	Over 1 year	Less than 1 year	1–3 years	3–5 years	Over 5 years
Bank borrowings	13.5	210.7	16.6	8.5	215.3	-
Liabilities to shareholders*	-	35.0	-	35.0	-	-
Finance lease liabilities	1.7	4.2	1.7	2.1	1.8	0.2
Trade payables	132.9	-	132.9	-	-	-
Other borrowings	3.0	-	-	3.0	-	-
Derivative financial instruments	1.5	-	0.4	-	1.1	-
Total	152.6	249.8	151.7	48.5	218.1	0.2

* Refers to selling shareholders at the time of the listing on 6 February 2015

As disclosed in note 23. Borrowings, the Group's financial liabilities contain various financial covenants. A future breach of covenant may require the Group to repay the loan earlier than indicated in the table. In February 2017, Eltel and its bank consortium agreed on an additional amendment to the existing agreement and no event of default has been reported by the parties. Eltel and the bank consortium continue negotiations regarding 2017 covenant levels.

3.3 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 in Europe. Typically, they are owned by governments or municipalities or are well-known publicly listed companies. Therefore, the Group assess that the concentration risk related to these key customers is limited. Business units are responsible for credit risk management relating to Group's business counterparties.

The Group carries out several projects in African countries. These projects are typically pre-funded, i.e. there are financing agreements in place prior to the start of the project. The Group receives payments directly from the funding bank(s) against agreed evidence of project progress. Consequently the Group usually does not carry significant credit risk relating to the African customers.

Maturity analysis of trade receivables past due but not impaired:

EUR million	31 Dec 2016	31 Dec 2015
Not past due	145.6	144.4
Past due:		
1–90 days overdue	22.1	19.4
91–180 days overdue	12.4	1.8
More than 180 days overdue	7.6	5.0
Total trade receivables (net)	187.8	170.7

Largest part of the trade receivables over 90 days due relate to rail project in Norway and power transmission projects in Africa that have been subject to external project investigation. Short-term provisions in balance sheet include EUR 5.0 million provision for overdue trade receivables related to these projects. Remaining receivables represent managements best estimate of amounts that will be recovered from the customers.

Additionally, the Group has recognised a decrease of EUR 0.2 million in the impairment reserve of trade receivables. The current impairment reserve for credit losses is EUR 1.0 million. 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 Group's investments are related to liquidity management and made in liquid instruments with low credit risk. 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.

3.4 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 Group monitors capital on the basis of net debt to EBITDA ratio. Net debt is calculated as total bank borrowings on undiscounted method added by financial leasing liabilities less cash and cash equivalent. The ratio at 31 December 2016 and 2015 have been as follows:

EUR million	31 Dec 2016	31 Dec 2015
EBITDA	15.1	72.3
Total bank borrowings	280.2	227.2
Finance lease liabilities	5.1	5.9
Cash and cash equivalents	-85.2	-87.9
Net debt	200.1	145.1
Net debt/EBITDA	13.2	2.0

Eltel's bank loan agreements include financial covenants related to the adjusted net debt/EBITDA ratio and adjusted EBITDA/net

finance charges ratio. EBITDA used in the covenant calculations is adjusted with EBITDA arising from acquisitions on a rolling 12-months basis and with non-recurring EBITA items capped to EUR 5 million.

Eltel's current performance impacting Group EBITA in coming quarters includes a risk in terms of meeting the leverage (net debt/adjusted EBITDA) covenant in its banking agreement. In December, Eltel signed an amendment agreement of its existing financing agreement on temporary resetting of the leverage covenant. In the amended agreement signed with the banks, the temporary reset quarterly leverage (Net Debt/EBITDA) covenant levels vary between 6.30x and 3.60x, covering the time period effective from the situation at the end of 2016 and extending until the end of 2017. These reset levels replaced the original leverage covenant levels in the financing agreement signed in 2015 defined at 4.0x Net Debt/EBITDA for the fourth quarter 2016 and at 3.5x starting from the first quarter 2017. The amendment agreement increases Eltel's financial costs and is dependent on the progress in restoring Group profitability and reducing working capital.

EBITDA to net finance charges shall be equal or greater than 4.0 at all times.

At the year-end 2016, Eltel did not meet the reset leverage (net debt/adjusted EBITDA) nor interest cover (adjusted EBITDA/adjusted net finance charges) covenants. In February 2017, Eltel

and its bank consortium agreed on an additional amendment to the existing financing agreement with revised covenants for the situation at the year-end 2016. However, there is a high risk in terms of meeting the leverage (net debt/adjusted EBITDA) and interest cover (adjusted EBITDA/adjusted net finance charges) covenant in the first quarter 2017. Eltel has in the first quarter 2017 initiated discussions with its bank consortium to find a solution for future financing and covenant levels.

Eltel's challenges with respect to meeting its financial covenants might lead to a risk that suppliers and other stakeholders could request accelerated payment terms or additional guarantees.

In February 2017, the Board of Directors decided to initiate a process for a preferential rights issue to mitigate the financing and liquidity risks. In February 2017, the Board of Directors decided to initiate a process for a preferential rights issue to mitigate the financing and liquidity risks. The decision of the preferential rights issue is supported by Eltel's largest shareholders Zeres Capital, Solero Luxco S.á.r.l., The Fourth Swedish National Pension Fund (AP4), Swedbank Robur Funds and The First Swedish National Pension Fund (AP1), representing 49.02% of Eltel's share capital as of 31 January 2017.

Eltel's challenges with respect to meeting its financial covenants might lead to a risk that suppliers and other stakeholders could request accelerated payment terms or additional guarantees.

4. BUSINESS COMBINATIONS

The business combinations during 2016 are set out below. Annual revenue and number of employees reflect the situation at the date of the respective acquisition.

Name of the acquired company	Segment	Date of acquisition	Annual revenue EUR million	Employees
Exo Consult ApS	Transport & Security	4 January 2016	1	6
Celer Oy	Transport & Security	1 April 2016	6	29
U-SERV GmbH and EVB	Power	1 May 2016	9	50

EXO CONSULT APS

On 4 January 2016, Eltel's aviation and security business acquired the Danish consulting firm Exo Consult ApS. Due to its marginal size, this acquisition is recognised as organic growth rather than a Group acquisition. Annual net sales of Exo Consult totalled approximately EUR 1 million in 2015.

CELER OY

On 1 April 2016, Eltel closed the acquisition of Celer Oy. Celer Oy is one of the key players in the signalling sector for the railway market in Finland with an annual turnover of approximately EUR 6 million. Celer had 29 employees with highly specialised signalling and safety competences. This acquisition of Celer Oy is well in line with Eltel's strategic plan to expand in the Finnish market. Eltel's customers have extensive investment plans and there are increasing needs to ensure sufficient competences and resources within this sector. The acquisition is complementary to Eltel's current offering in Finland and provides clear synergies with its existing rail and road business of Eltel. This acquisition further expands Eltel's Nordic footprint in the signalling market as a complement to the acquisition of Vete Signaltjenester AS in Norway made in October 2015.

U-SERV & EVB

On 1 May 2016, Eltel acquired both 100% of U-SERV GmbH, a company operating in the electricity and gas metering sector in Germany, and metering related field service assets of EVB Billing und Services GmbH, a subsidiary of ATV Energie GmbH. U-SERV is one of the major meter service companies in Germany with annual net sales of approximately EUR 9 million and approximately 50 persons with permanent employment and an ability to mobilise more than 1,000 employees when needed. The product offering comprises national electrical meter replacements, read-outs, customer self-readings and gas meter adjustments and replacements.

The deal with EVB comprises the transfers of EVB's customer base as well as an offer to the approximately 80 employees to transfer to Eltel. Through its existing business development agreement ATV, EVB and Eltel will collaborate to expand the business for smart metering service in Germany.

Eltel has a strong market position in the smart metering sector in the Nordics and this acquisition expands Eltel's footprint to cover also the German market. U-SERV's strong and rapidly growing local presence in combination with Eltel's vast international competence in smart meter roll-outs offers good potential for further

growth. U-SERV's installations in gas applications offer Eltel a new opportunity to grow the smart metering business and the customer base offers future opportunities for Eltel to expand its wider service offering for distribution operators in Germany. The German market is opening up for smart meter roll-out investments in accordance with the new German legislation for the period

2017 to 2032. The total amount of electricity meters estimated to be changed during this period amounts to 43 million units. In addition, approximately five million gas meters are estimated to be changed in the future.

Net sales from the acquired companies included in 2016 financial statements was EUR 17.8 million.

Fair values of the consideration transferred and the acquired assets and liabilities

EUR million	2016
Fair value of consideration transferred at acquisition date	
Amount settled in cash	9.1
Contingent consideration	10.1
Total	19.2
Fair value of recognised amounts of identifiable net assets	
Property, plant and equipment	0.6
Intangible assets	2.1
Available-for-sale investments	0.1
Inventories	0.1
Trade and other receivables	4.8
Cash and cash equivalents	0.1
Total assets	7.8
Short-term debt	0.3
Deferred tax liability on fair value adjustments	0.6
Trade and other payables	4.3
Total liabilities	5.2
Identifiable net assets	2.7
Goodwill on acquisition	16.6
Consideration transferred settled in cash	9.1
Cash and equivalents acquired	0.0
Contingent consideration settled in cash for current and previous year acquisitions	10.8
Net cash outflow on acquisition	19.9
Acquisition costs charged to expenses	0.1
Net cash paid relating to the acquisition	20.0
Unpaid deferred consideration at reporting date for current and previous year acquisitions	11.6

5. CASH FLOW FROM OPERATING ACTIVITIES

EUR million	Note	2016	2015
Profit before taxes		-80.0	32.2
Adjustments for:			
Depreciation, amortisation and impairment	10	82.5	25.7
Net gains on disposal of business and sales of assets		-0.4	-1.3
Financial expenses, net	12	12.6	14.4
Cash flow items recognised in other comprehensive income		-3.4	-6.1
Other non-cash adjustments		2.9	-0.4
Adjustments total		94.3	32.3
Changes in working capital			
Trade and other receivables		-55.6	34.2
Trade and other payables		38.8	-46.9
Inventories		7.1	-2.8
Changes in working capital total		-9.8	-15.5
Total cash flow from operating activities		4.5	49.1

Reconciliation of EBITA to cash flow from operating activities before financial items and taxes

EUR million	Note	2016	2015
EBITA	6	2.1	60.5
Depreciation	10	13.1	11.9
EBITDA		15.1	72.3
Change in net working capital		-9.8	-15.5
Net purchase of PPE		-13.3	-11.1
Operative cash flow (used in cash conversion key figure)		-8.0	45.8
Less net purchase of PPE, presented in investing activities		13.3	11.1
Gains on sales of assets		-0.4	-1.3
Items recognised through other comprehensive income		-3.4	-6.1
Other non-cash adjustments		2.9	-0.4
Cash flow from operating activities before financial items and taxes		4.5	49.1

6. SEGMENT REPORTING

Net sales by segment

EUR million	2016	2015
Power		
Net sales (external)	556.3	561.4
Inter-segment sales	0.7	6.3
Communication		
Net sales (external)	700.1	541.9
Inter-segment sales	1.0	1.8
Transport & Security		
Net sales (external)	143.3	151.6
Inter-segment sales	0.6	0.2
Elimination of sales between segments	-2.3	-8.2
Total	1,399.8	1,254.9

The Group has two customers that represents over 10% of total sales (in 2015 one customer). The customers' share of the sales amounts to 30% (19%). Customer means a legal entity, and where applicable, a collection of legal entities in the same group.

Net sales comparability

EUR million	Jan-Dec 2016	Jan-Dec 2015	Growth-%	Fx-corrected growth-%
Group net sales	1,399.8	1,254.9	11.6	13.5
Net sales from acquisitions	136.8	-	10.9	11.7
Group net sales excluding acquisitions	1,263.0	1,254.9	0.7	-
Foreign currency translation effect	-14.8	-	-	-
Group organic net sales (comparable)	1,277.8	1,254.9	-	1.8

Net sales from acquisitions include U-SERV GmbH and net sales from the Norwegian Communication business until 1 September 2016 (Eltel Sønnico AS). All other previous acquisitions are moved to organic net sales at the beginning of the quarter when they reach the age of one year. Net sales from acquisitions presents the comparability adjustment due to acquisitions and does not present the net sales from acquisitions for the full periods.

In January–August 2015, the Norwegian communication business was operated in a 50/50 joint venture, Eltel Sønnico AS, and not consolidated in the Group's net sales. During this period, Eltel's share of the results from the joint venture was included on one line in Group EBITA. On 1 September 2015, Eltel acquired Umoe's 50% of the joint venture Eltel Sønnico. Following this acquisition, Eltel is the sole owner of the company with 100% of net sales consolidated.

Segment results

EUR million	2016	2015
Operative EBITA by segment		
Power	-8.9	29.6
Communication	34.5	34.2
Transport & Security	-10.8	11.4
Items not allocated to operating segments*	-12.6	-13.0
Operative EBITA, Group	2.1	62.2
Items affecting comparability in EBITA**	-	-1.7
EBITA before acquisition-related amortisations	2.1	60.5
Amortisation of acquisition-related intangible assets	-14.4	-13.9
Impairment of goodwill***	-55.0	-
Operating result (EBIT)	-67.4	46.6
Non-recurring non-cash financial expenses for pre IPO financing	-	-3.5
Other financial expenses, net	-12.6	-10.9
Result before taxes	-80.0	32.2

* Consist of group management function and other group level expenses

** Items which management does not consider to form part of the ongoing operative business. In 2015, these consisted of IPO-related costs and gain from revaluation of Eltel's previously owned 50% of Eltel Sønnico AS to fair value.

*** Impairment of goodwill is related to the power transmission business (CGU)

Segment net working capital

EUR million	2016	2015
Power	23.1	13.9
Communication	-14.6	-6.5
Transport & Security	17.7	8.8
Items not allocated to operating segments	-11.5	-8.6
Total	14.7	7.6

7. OTHER INCOME

EUR million	2016	2015
Gains on disposal of business and sales of assets	0.4	1.4
Other income	3.6	2.9
Total	4.0	4.3

The 2015 gain on disposal of business and sales of assets includes an income of EUR 0.9 million affecting comparability in connection with acquisition of Eltel Sønnico AS.

Net sales by geographical area

EUR million	2016	2015
Sweden	431.6	415.6
Finland	302.2	294.5
Norway*	263.4	115.2
Poland	125.1	128.2
Denmark	92.9	92.7
Germany	72.0	52.9
Baltics	34.9	46.6
Other countries	77.7	109.2
Net sales, total	1,399.8	1,254.9

* Norwegian communication business net sales consolidated

1 September 2015 onwards

Net sales for Power Transmission electrification project unit mainly located in Africa and managed by Group Project function is presented in other countries. Comparative figures are restated accordingly.

8. OTHER EXPENSES

EUR million	2016	2015
Loss on foreign exchange forward contracts	5.2	3.7
Other expenses	0.5	4.7
Total	5.6	8.3

Other expenses includes foreign currency impact of accounts receivables and payables.

9. FUNCTION EXPENSES BY NATURE

EUR million	2016	2015
Materials and supplies	291.6	273.6
Employee benefit expenses	475.0	390.0
External services	468.4	391.3
Other costs	149.2	129.2
Depreciation, amortisation and impairment	82.5	25.7
Total	1,466.7	1,209.8

10. DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR million	2016	2015
Amortisation on customer relationships and order backlog	14.4	13.9
Impairment of goodwill	55.0	-
Other depreciation and amortisation	13.1	11.9
Total	82.5	25.7

Impairment of goodwill is related to power transmission business. See note 15. Intangible assets.

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

EUR million	2016	2015
Cost of sales	8.7	7.6
Sales and marketing expenses	0.1	0.1
Administrative expenses	4.3	4.2
Sum in expenses	13.1	11.9
Amortisation and impairment of acquisition-related intangible assets	69.4	13.9
Total	82.5	25.7

11. EMPLOYEE BENEFIT EXPENSES

EUR million	2016	2015
Wages and salaries	364.7	300.2
Post-employment benefits		
Defined benefit plans	-0.8	-0.4
Defined contribution plans	40.9	36.5
Other indirect employee costs	70.5	54.0
Total	475.4	390.4

Salaries and other remunerations to Board of Directors and senior management were EUR 3.7 million (5.7) of which the amount of fixed salaries was EUR 3.2 million (3.0) including fees to Board of Directors of EUR 0.3 million (0.3) and of which variable salaries was EUR 0.5 million (2.7). Defined contribution pension plans for senior management amounted to EUR 0.7 million (0.6). The amount of other indirect employee costs for senior management was EUR 1.0 million (1.2).

Employee benefit expenses by function

EUR million	2016	2015
Cost of sales	398.7	327.5
Sales and marketing expenses	6.5	7.0
Administrative expenses	69.8	55.5
Sum in operative expenses	475.0	390.0
Financial income and costs	0.4	0.4
Total	475.4	390.4

Average number of personnel

	2016	Of whom men %	2015	Of whom men %
Sweden	2,609	88	2,166	88
Poland	2,279	86	2,480	87
Finland	1,495	90	1,512	92
Norway	1,335	88	487	88
Baltics	809	91	971	92
Denmark	575	93	561	92
Other	510	84	326	86
Total	9,613	88	8,504	89
Total personnel at year-end	9,465	87	9,568	89

Information on the compensation for Board of Directors and other key management personnel is presented in note 31. Remuneration to senior management.

12. FINANCIAL INCOME AND EXPENSES

EUR million	2016	2015
Interest income from loans and receivables	0.1	0.2
Other financial income	0.0	0.1
Total financial income	0.2	0.3
Interest expenses from liabilities at amortised cost	-8.1	-6.9
Fee expenses	-1.1	-5.3
Net impact from financial instruments at fair value through income statement*	-2.4	-
Foreign exchange differences derivatives, net	-0.8	0.3
Other foreign exchange differences	-0.3	-2.7
Total financial expenses	-12.8	-14.7
Net financial expenses	-12.6	-14.4

* Attributable to realised interest rate derivatives

13. INCOME TAX

13.1 Income tax expense in the consolidated income statement

EUR million	2016	2015
Current tax	1.0	3.7
Deferred tax		
Origination and reversal of temporary differences	1.2	-14.7
Total tax cost / income (-)	2.2	-11.0

The difference between income taxes at the statutory tax rate in Sweden 22.0% and income taxes recognised in the consolidated income statement is reconciled as follows:

EUR million	2016	2015
Profit before tax	-80.0	32.2
Tax calculated at Swedish tax rate	-17.6	7.1
Effect of different tax rates outside Sweden	-0.9	-0.2
Income not subject to tax	-0.9	-0.8
Expenses not deductible for tax purposes	1.2	1.4
Tax effect of non-deductible impairment of goodwill	12.1	-
Tax effect of results for which no deferred income tax asset was recognised	6.6	0.5
Deferred tax assets on carry forward losses for previous years	-	-17.8
Remeasurement of deferred tax for change in tax rate	0.1	0.0
Taxes and adjustments in respect of prior years	1.0	0.1
Other items	0.4	-1.2
Income taxes in the consolidated income statement	2.2	-11.0

13.2 Deferred tax assets and liabilities

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 offset amounts are as follows:

EUR million	31 Dec 2016	31 Dec 2015
Deferred tax liabilities	15.5	17.1
Deferred tax assets	29.7	34.2
Net deferred tax liabilities (-assets)	-14.3	-17.0

The gross movement on the deferred income tax amount:

EUR million	2016	2015
On 1 Jan	-17.0	-7.6
Recognised in the income statement	1.2	-14.7
Translation differences, recognised in other comprehensive income	0.1	1.3
Defined benefit plans, recognised in other comprehensive income	0.2	0.1
Hedge accounting, recognised in other comprehensive income	0.6	0.5
Acquisition of subsidiaries	0.6	3.4
On 31 Dec	-14.3	-17.0

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction:

Deferred tax liabilities

EUR million	Fair value adjustment	Other temporary differences	Total
1 Jan 2015	17.4	3.6	21.0
Recognised in the income statement	-3.3	-0.4	-3.6
Acquisition of subsidiaries	3.1	0.4	3.5
Net investment hedges, recognised in other comprehensive income	-	0.5	0.5
31 Dec 2015	17.3	4.2	21.5
Recognised in the income statement	-3.0	-0.3	-3.3
Translation differences	0.2	-0.1	0.1
Acquisition of subsidiaries	0.6	-	0.6
Transfer between categories	-	0.7	0.7
31 Dec 2016	15.1	4.5	19.6

Deferred tax assets

EUR million	Retirement benefit obligations	Tax losses carried forward	Other temporary differences	Total
1 Jan 2015	3.9	19.8	5.1	28.7
Recognised in the income statement	-0.9	12.9	-1.0	11.0
Recognised in other comprehensive income	-0.1	-	-	-0.1
Translation differences	-	-0.9	-0.5	-1.3
Acquisition of subsidiaries	-	-	0.1	0.1
31 Dec 2015	3.0	31.8	3.8	38.5
Recognised in the income statement	-1.0	-1.4	-2.1	-4.6
Recognised in other comprehensive income	-0.2	-	-0.6	-0.8
Translation differences	-	-0.1	0.1	0.0
Transfer between categories	-	0.4	0.3	0.7
31 Dec 2016	1.8	30.6	1.5	33.8

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. In 2015, the Group has recognised deferred tax assets for previous years' tax losses carried forward in Sweden, Finland, Germany and Norway.

14. NON-CONTROLLING INTERESTS AND JOINT VENTURES

EUR million	Subsidiaries with non-controlling interest		Joint ventures	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Summarised statement of balance sheet				
Total current assets	25.6	27.0	1.3	0.1
Total non-current assets	2.8	3.0	2.6	3.7
Total assets	28.5	30.0	3.8	3.8
Total current liabilities	9.1	11.0	2.9	0.6
Total non-current liabilities	1.2	1.3	1.4	2.8
Total liabilities	10.3	12.3	4.4	3.4
Equity				
Shareholders equity	18.2	17.7	-0.5	0.4
Non-controlling interest	7.3	7.1	-	-
Summarised income statement				
	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales	39.8	41.3	0.8	122.9
Net result	3.2	3.6	-0.9	3.2
Total comprehensive income	3.2	3.6	-0.9	3.2
Total comprehensive income allocated to non-controlling interests	1.3	1.5	-	-
Dividends paid to non-controlling interest	-1.1	-0.8	-	-
Summarised cash flows				
	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Cash flow from operating activities	0.7	6.2	-	-
Cash flow from investing activities	-0.3	0.0	-	-
Cash flow from financing activities	-0.5	-6.2	-	-
% of ownership	60%	60%	50%	50%
Commercial guarantees on behalf of joint ventures	-	-	4.4	5.0
Reconciliation of changes in carrying value				
			2016	2015
Carrying value 1 Jan			0.2	28.2
Profit/loss for the period			-0.4	1.5
Acquisition of remaining 50% of Eltel Sønnico			-	-29.0
Translation differences			0.0	-0.9
Capital investment			0.9	0.4
Carrying value 31 Dec			0.6	0.2

NON-CONTROLLING INTEREST

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

JOINT VENTURES

Carillion Eltel JV Limited

Carillion Eltel JV Limited, domiciled in the UK, is a joint venture owned 50/50 by Eltel Networks UK Limited and Carillion Holdings Limited.

Eltel Sønnico AS

Eltel Sønnico AS, domiciled in Norway, was established on a 50/50 basis by Eltel Networks AS and Sønnico Tele AS. The Norwegian communication related operations of Eltel Networks AS and Sønnico Tele AS were transferred to the joint venture 31 December 2014. On 1 September 2015 Eltel acquired the remaining 50% of the joint venture. From September 2015 onwards, Eltel Sønnico AS has been a wholly owned subsidiary of Eltel. The joint ventures are consolidated with the equity method.

15. INTANGIBLE ASSETS

EUR million	Goodwill	Customer relationship	Order backlog	Brand	Advances paid and other intangible assets	Total
Cost on 1 Jan 2016	503.6	144.6	15.1	52.3	15.9	731.5
Business combinations	16.5	2.1	-	-	-	18.6
Additions	-	-	-	-	2.4	2.4
Translation differences	-4.7	-2.7	-0.4	-0.9	-0.2	-8.9
Cost on 31 Dec 2016	515.4	143.9	14.7	51.4	18.2	743.7
Accumulated amortisation and impairment on 1 Jan 2016	39.9	119.3	13.0	1.1	12.2	185.4
Translation differences	0.3	-2.5	-0.4	-	0.6	-2.0
Impairment during the period	55.0	-	-	-	-	55.0
Amortisation during the period	-	13.3	1.1	-	0.4	14.8
Accumulated amortisation and impairment on 31 Dec 2016	95.2	130.1	13.7	1.1	13.2	253.2
Carrying value on 1 Jan 2016	463.6	25.3	2.1	51.2	3.7	546.0
Carrying value on 31 Dec 2016	420.2	13.9	1.0	50.3	4.9	490.4

EUR million	Goodwill	Customer relationship	Order backlog	Brand	Advances paid and other intangible assets	Total
Cost on 1 Jan 2015	445.7	136.1	11.4	51.9	14.1	659.3
Business combinations	55.6	7.2	3.5	-	-	66.2
Additions	-	-	-	-	2.1	2.1
Translation differences	2.3	1.3	0.2	0.4	0.1	4.2
Reclassifications	-	-	-	-	-0.4	-0.4
Cost on 31 Dec 2015	503.6	144.6	15.1	52.3	15.9	731.5
Accumulated amortisation on 1 Jan 2015	39.9	105.8	11.4	1.1	10.8	168.9
Translation differences	-	1.0	0.2	-	0.8	2.0
Amortisation during the period	-	12.5	1.4	-	0.7	14.5
Accumulated amortisation on 31 Dec 2015	39.9	119.3	13.0	1.1	12.2	185.4
Carrying value on 1 Jan 2015	405.8	30.3	0.0	50.8	3.4	490.3
Carrying value on 31 Dec 2015	463.6	25.3	2.1	51.2	3.7	546.0

Value of customer relationship and Eltel brand origin from the acquisition of Eltel's business and new acquisitions during the period. The amortisation of customer relationship is presented in the income statement line "Amortisation and impairment of acquisition-related intangible assets".

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

Goodwill and brand are monitored on operating segment level. The values are presented in below table.

EUR million	Brand		Goodwill	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Fixed Communication	8.7	8.9	108.4	108.8
Mobile Communication	2.4	2.4	25.5	25.4
Power Transmission	15.9	16.3	82.7	140.6
Power Distribution	13.8	14.0	122.2	110.9
Rail & Road	4.5	4.5	40.5	37.4
Aviation & Security	5.0	5.1	41.0	40.5
Total	50.3	51.2	420.2	463.6

The recoverable amount of business 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 four-year period. Cash flows beyond the four-year period are extrapolated using a growth rate of 2.3% in average which does not exceed the long-term average growth rate for the businesses in which the Group operates. The discount rate is defined using the weighted average cost of capital (WACC). The pre-tax discount rates used in calculations including risk premium to reflect the current state of macroeconomic uncertainty are 9.3% for Fixed Communication (9.3), 9.2% for Mobile Communication (9.0), 9.2% for Power Transmission (9.1), 9.1% for Power Distribution (8.8), 9.0% for Rail & Road (9.1) and 9.0% for Aviation & Security (9.1).

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 – determined based on the weighted capital cost of capital (WACC) which describes the total cost of debt and equity considering the risks specific to the business.

As a result of the test made, a goodwill impairment of EUR 55 million was recognised on the Power Transmission CGU (Cash Generating Unit). Following continued challenges in the project business and the outcome of a comprehensive investigation of selected projects, Eltel's management revisited estimated future cash flows in the Power Transmission CGU. The recoverable amount of the Power Transmission CGU, belonging to the Power segment, was estimated to be EUR 164 million and an impairment loss of EUR 55 million was recognised, reducing the carrying amount of the goodwill for the CGU to EUR 83 million. After the impairment the carrying amount of Power Transmission equals its recoverable amount. The impairment arose following greater risks than expected in relation to the project business, primarily in Africa, including challenges in project execution as well as limited access to domestic funding, as well as other challenges in the local economies impacted by the slump in oil and metal prices. As a result, the expectations for sales volume and corresponding cash flows was lowered significantly.

The value of Power Transmission CGU and Rail & Road CGU are sensitive to reasonable further negative changes in the estimated future cash flows. A reasonably possible change in the level of sales, level of profitability or discount rate would not generate impairment for any other CGU. Sensitivity to changes in main cash flow assumptions and discount rate for Power Transmission CGU and Rail & Road CGU are presented in the below table.

Impairment assumptions

EUR million	Profitability	Sales volumes	Discount rate
	Cost increase 2%	Sales decrease 10%	WACC increase 1%
Power Transmission CGU	13.9	8.0	18.5
Rail & Road CGU	1.3	0.0	8.8

The recoverable amount for Rail & Road exceeds the carrying amount by EUR 6 million. In Rail & Road, 10% decrease in sales, 1.7% increase in costs or increase of 0.56 percentage points in WACC would change the recoverable amount to be equal to its carrying amount.

16. PROPERTY, PLANT AND EQUIPMENT

EUR million	Land	Buildings	Machinery and equipment	Total
Cost on 1 Jan 2016	0.8	5.9	87.7	94.5
Business combinations	-	-	0.6	0.6
Additions	-	0.1	11.6	11.7
Disposals	-	-	-2.0	-2.0
Translation differences	-	-0.1	-0.9	-1.1
Cost on 31 Dec 2016	0.8	5.9	97.0	103.7
Accumulated depreciation on 1 Jan 2016	0.1	1.2	55.2	56.5
Accumulated depreciation of disposals	-	-	-1.6	-1.6
Translation differences	-	-	-1.6	-1.6
Depreciation during the period	-	0.2	12.5	12.7
Accumulated depreciation on 31 Dec 2016	0.1	1.4	64.5	65.9
Carrying value on 1 Jan 2016	0.7	4.7	32.5	38.0
Carrying value on 1 Dec 2016	0.7	4.6	32.5	37.8

EUR million	Land	Buildings	Machinery and equipment	Total
Cost on 1 Jan 2015	0.8	5.8	73.3	80.0
Business combinations	-	-	5.7	5.7
Additions	-	0.1	10.0	10.1
Disposals	-	-	-1.8	-1.8
Translation differences	-	-	0.1	0.1
Reclassifications	-	-	0.4	0.4
Cost on 31 Dec 2015	0.8	5.9	87.7	94.5
Accumulated depreciation on 1 Jan 2015	0.1	1.0	45.8	46.9
Accumulated depreciation of disposals	-	-	-1.1	-1.1
Translation differences	-	-	-0.5	-0.5
Depreciation during the period	-	0.2	11.0	11.2
Accumulated depreciation on 31 Dec 2015	0.1	1.2	55.2	56.5
Carrying value on 1 Jan 2015	0.7	4.8	27.6	33.1
Carrying value on 31 Dec 2015	0.7	4.7	32.5	38.0

Machinery and equipment includes the following amounts where the group is a lessee under a finance lease:

EUR million	2016	2015
Cost	17.5	23.4
Accumulated depreciation	-13.2	-17.9
Carrying value on 31 Dec	4.4	5.6

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 categorised 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 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.

Fair value of the available-for-sale investments is not available, as they are investments in non-quoted shares whose market is illiquid.

The fair values of currency forward contracts and the currency swaps are based on quoted spot rates on the balance sheet date and the contractual basis points of the currency forward contracts. 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 2016 EUR million	Note	Fair value through profit or loss	Derivatives hedge accounting	Loans and receivables	Available- for-sale investments	Financial liabilities at amortised cost	Carrying amounts	Fair value	Fair value hier- archy
Non-current financial assets		-	-	35.2	0.3	-	35.5	35.5	
Other receivables and financial assets	18, 19	-	-	35.2	0.3	-	35.5	35.5	
Current financial assets		3.9	0.1	278.3	-	-	282.3	282.3	
Trade receivables	19	-	-	187.8	-	-	187.8	187.8	
Derivative instruments	19, 27	0.5	0.1	-	-	-	0.6	0.6	2
Embedded derivative instruments	19	3.4	-	-	-	-	3.4	3.4	2
Other receivables	19	-	-	5.4	-	-	5.4	5.4	
Cash and cash equivalents		-	-	85.2	-	-	85.2	85.2	
Financial assets total		3.9	0.1	313.5	0.3	-	317.9	317.9	
Non-current financial liabilities	23	-	-	-	-	38.5	38.5	38.5	
Interest-bearing debt		-	-	-	-	3.5	3.5	3.5	2
Liabilities to shareholders*		-	-	-	-	35.0	35.0	35.0	
Current financial liabilities		0.5	-	3.3	-	437.1	440.9	443.1	
Interest-bearing debt	23	-	-	-	-	276.7	276.7	279.0	2
Other payables and financial liabilities	23	-	-	3.3	-	-	3.3	3.3	
Trade and other payables	26	-	-	-	-	160.4	160.4	160.4	
Derivative instruments	26, 28	0.2	-	-	-	-	0.3	0.3	2
Embedded derivative instruments	26	0.3	-	-	-	-	0.3	0.3	2
Financial liabilities total		0.5	-	3.3	-	475.6	479.4	481.7	
Carrying amount, net		3.4	0.1	310.2	0.3	-475.6			

* Refers to selling shareholders at the time of the listing on 6 February 2015

31 Dec 2015 EUR million	Note	Fair value through profit or loss	Derivatives hedge accounting	Loans and receivables	Available- for-sale investments	Financial liabilities at amortised cost	Carrying amounts	Fair value	Fair value hier- archy
Non-current financial assets		-	-	35.1	0.2	-	35.4	35.4	
Other receivables and financial assets	18, 19	-	-	35.1	0.2	-	35.4	35.4	
Current financial assets		7.8	-	264.9	-	-	272.8	272.8	
Trade receivables	19	-	-	170.7	-	-	170.7	170.7	
Derivative instruments	19, 27	0.7	-	-	-	-	0.7	0.7	2
Embedded derivative instruments	19	7.2	-	-	-	-	7.2	7.2	2
Other receivables	19	-	-	6.4	-	-	6.4	6.4	
Cash and cash equivalents		-	-	87.9	-	-	87.9	87.9	
Financial assets total		7.8	-	300.1	0.2	-	308.1	308.1	
Non-current financial liabilities	23	-	-	3.0	-	248.7	251.7	252.9	
Interest-bearing debt		-	-	-	-	213.7	213.7	214.9	2
Liabilities to shareholders*		-	-	-	-	35.0	35.0	35.0	
Other payables and financial liabilities		-	-	3.0	-	-	3.0	3.0	
Current financial liabilities		1.3	1.1	-	-	165.9	168.4	168.7	
Interest-bearing debt	23	-	-	-	-	14.9	14.9	15.2	2
Trade and other payables	26	-	-	-	-	151.0	151.0	151.0	
Derivative instruments	26, 28	0.4	1.1	-	-	-	1.5	1.5	2
Embedded derivative instruments	26	1.0	-	-	-	-	1.0	1.0	2
Financial liabilities total		1.3	1.1	3.0	-	414.6	420.1	421.6	
Carrying amount, net		6.5	-1.1	297.1	0.2	-414.6			

* Refers to selling shareholders at the time of the listing on 6 February 2015

18. AVAILABLE-FOR-SALE INVESTMENTS

EUR million	31 Dec 2016	31 Dec 2015
Available-for-sale investments	0.3	0.2

Available-for-sale investments consist of investments in non-quoted shares. There have been no movements in the value of investments during the financial period. Available-for-sale investments are valued at cost as their market is illiquid.

19. TRADE AND OTHER RECEIVABLES

Non-current

EUR million	31 Dec 2016	31 Dec 2015
Other financial asset	35.0	35.0
Prepaid expenses and accrued income	-	-
Other receivables	0.2	0.1
Total non-current loans and other receivables	35.2	35.1

Current

EUR million	31 Dec 2016	31 Dec 2015
Trade receivables, gross	188.8	171.9
Bad debt provision	-1.0	-1.2
Trade receivables, net	187.8	170.7
Derivative instruments	4.0	7.8
Other receivables	5.3	6.4
Current trade and other receivables	197.2	184.9
Income tax receivables	0.7	0.5
Indirect tax receivables	9.7	3.7
Prepaid expenses and accrued income	185.7	152.1
Total current receivables	393.3	341.1

Fair values of trade and other receivables approximate their carrying amount due to short maturities. The Group has recognised a decrease of EUR 0.2 million (EUR 1.5 million decrease) for the bad debt provision.

During 2016 the Group has sold on non-recourse basis EUR 248.2 million (81.0) of trade receivables to various financial institutions as part of vendor financing solutions and derecognised the amounts from the balance sheet at the time of receipt of payment. Of the costs, EUR 0.7 million (0.2) are booked above EBITA and EUR 0.1 million (0.0) in the financial items.

Prepaid expenses and accrued income

EUR million	31 Dec 2016	31 Dec 2015
Prepayments	1.7	2.8
Uninvoiced net sales	165.1	133.0
Other accruals	18.9	16.2
Total	185.7	152.1

20. INVENTORIES

EUR million	31 Dec 2016	31 Dec 2015
Raw materials and consumables	6.7	10.5
Work in progress	0.8	3.9
Advance payments	0.1	-
Total	7.5	14.5

21. EQUITY

SHARES AND SHARE CAPITAL

In April 2016, Eltel issued 537,000 class C shares to be used in the long-term incentive programme 2015 (LTIP 2015). The shares do not entitle to any dividends and carry 1/10 voting rights. Eltel does not intend to exercise any voting rights as long as shares are held by Eltel. Upon the company's liquidation, Class C shares carry an equal right to the company's assets as ordinary shares, however, not to an amount exceeding up to the quota value of the share.

At the end of the 2016 financial year the total number of shares in Eltel AB is 62,624,238 ordinary shares (unchanged) and 537,000 C shares and the share capital was EUR 126.3 million. Each ordinary share is assigned one vote

Changes in the share capital

Date of
registration with
the Swedish
Companies
Registration
office

Transactions	Change in number of shares	Total number of ordinary shares	Total number of C-shares	Total number of shares	Change in share capital (EUR)	Total share capital (EUR)	Quota (par) value (EUR)
1 Jan 2015		863,635,790				86,363,579	0.1
15 Jan 2015 ¹⁾	Reclassification of shares	0			0	86,363,579	0.1
22 Jan 2015	Reverse split 20:1	-820,454,001			0	86,363,579	2.0
6 Feb 2015 ²⁾	Reclassification of shares	0			0	86,363,579	2.0
6 Feb 2015	New issue in the Offer	9,248,236			18,496,472	104,860,051	2.0
6 Feb 2015	Redemption of shares	-1,985,457			-3,970,914	100,889,137	2.0
6 Feb 2015	Set-off issue of PIK notes	1,585,957			3,171,914	104,061,051	2.0
6 Feb 2015	New issue in the Offer	10,237,058			20,474,116	124,525,167	2.0
12 Feb 2015	New issue	356,655			713,310	125,248,477	2.0
31 Dec 2015			62,624,238	0		125,248,477	
5 Apr 2016	Issue of new C-shares	537,000	62,624,238	537,000	1,074,000	126,322,477	2.0
31 Dec 2016			62,624,238	537,000		126,322,477	

¹⁾ 20 shares of share class B were reclassified to 20 shares of share class A

²⁾ All shares were reclassified to shares of one share class

On 6 February 2015 Eltel's ordinary share was listed on Nasdaq Stockholm.

Other changes in equity

Changes in other items within equity during the financial period are presented in the statement of changes in equity.

year was EUR 492,477.55. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the year 2016 and that the non-restricted equity of EUR 363,347,207.43 be retained and carried forward.

THE BOARD'S PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The parent company's non-restricted equity on 31 December 2016 was EUR 363,347,207.43 of which the net profit for the

In February 2017, the Board of Directors initiated a process for a preferential rights issue. See note 34. Events after balance sheet date for more information.

22. EARNINGS PER SHARE

	2016	2015
Net result attributable to equity holders of the parent	-83.5	41.7
Weighted average number of ordinary shares, basic	62,624,238	60,700,764
Weighted average number of ordinary shares, diluted	62,651,196	60,702,870
Earnings per share, basic	-1.33	0.69
Earnings per share, diluted	-1.33	0.69

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.

23. BORROWINGS

The financial liability amounts include capital amount and accrued interests.

The carrying amounts of the non-current liabilities

EUR million	31 Dec 2016	31 Dec 2015
Bank borrowings	-	209.5
Other borrowings	-	3.0
Finance lease liabilities	3.5	4.2
Total non-current debt	3.5	216.7
Liabilities to shareholders*	35.0	35.0
Total non-current financial liabilities	38.5	251.7

* Refers to selling shareholders at the time of the listing on 6 February 2015

The carrying amounts of the current liabilities

EUR million	31 Dec 2016	31 Dec 2015
Bank borrowings	275.2	13.2
Other borrowings	3.3	-
Finance lease liabilities	1.6	1.7
Total current debt	280.0	14.9
Total financial liabilities at amortised cost	318.5	266.6

The loans under Eltel's bank agreement are presented as current due to the reported breach of leverage covenants calculated as of 31 December 2016.

In February 2017, Eltel and its bank consortium agreed on an additional amendment to the existing financing agreement with revised covenants for 2016. See note 3.4. Capital management for more information on covenant terms and note 3.2. Liquidity risk for more information on contractual cash flows for bank borrowings.

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

EUR million	31 Dec 2016	31 Dec 2015
EUR	193.2	157.3
SEK	72.5	75.3
PLN	30.3	33.2
DKK	0.5	0.5
NOK	22.1	0.3
Total	318.5	266.6

Finance lease liabilities – minimum lease payments

EUR million	31 Dec 2016	31 Dec 2015
Not later than 1 year	1.6	1.7
1–5 years	3.1	3.9
Later than 5 years	0.5	0.2
	5.1	5.9
Future finance charges	-0.4	-0.1
Present value of minimum lease payments	4.7	5.8

The present value of finance lease liabilities

EUR million	31 Dec 2016	31 Dec 2015
Not later than 1 year	1.5	1.7
1–5 years	2.8	3.9
Later than 5 years	0.4	0.2
Total	4.7	5.8

24. RETIREMENT BENEFIT OBLIGATIONS

The majority of employees in the Group are included in defined contribution pension plans. 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. In Finland the main pension plan is the Finnish Statutory Employment Pension Scheme (TyEL), in which benefits are directly linked to employee earnings. TyEL is accounted for as a defined contribution plan. 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 2016	31 Dec 2015
Defined benefit pension liability	7.5	13.1
Other pension liability	0.7	0.7
Total pension liability	8.1	13.9
Defined pension benefit asset	-	-
Net pension liability	8.1	13.9

EUR million	31 Dec 2016	31 Dec 2015
Defined benefit pension liability	7.5	13.1
Net defined pension benefit liability	7.5	13.1

Defined pension liabilities in the balance sheet

EUR million	31 Dec 2016	31 Dec 2015
Present value of funded obligations	90.7	95.8
Fair value of plan assets	-83.2	-82.6
Net liability	7.5	13.1

The movement in the fair value of plan assets

EUR million	2016	2015
Fair value of assets 1 Jan	82.6	83.4
Interest on plan assets	2.4	1.9
Remeasurement of plan assets	2.0	-3.8
Contributions by employer	0.3	0.3
Benefits paid	-0.6	-0.5
Gains and losses on curtailments and settlements	-1.1	-0.1
Translation differences	-2.4	1.4
Fair value of assets 31 Dec	83.2	82.6

The movement in the defined benefit obligations

EUR million	2016	2015
Total obligations 1 Jan	95.8	100.5
Current service cost	-0.6	-0.6
Past service cost	-0.6	-
Interest cost	2.7	2.3
Remeasurement of pension obligation	1.1	-4.3
Benefits paid	-3.9	-3.7
Gains and losses on curtailments and settlements	-1.1	-0.1
Translation differences	-2.8	1.7
Total obligations 31 Dec	90.7	95.8

The amounts recognised in the income statement and other comprehensive income

EUR million	2016	2015
Current service cost	-0.6	-0.6
Past service cost	-0.6	-
Net interest cost	0.4	0.4
Gains and losses on curtailments and settlements	-	-0.2
Sum recognised in the income statement	-0.8	-0.4
Remeasurements recognised in other comprehensive income	-0.9	-0.5
Total pension charges recognised during the period	-1.7	-0.9

The principal actuarial assumptions

Discount rate, %	2016	2015
Sweden	2.80%	3.30%
Norway	-	2.30%
Finland	1.30%	1.80%

Future salary increase expectation, %

	2016	2015
Sweden	closed plan	closed plan
Norway	closed plan	closed plan
Finland	2.60%	1.70%

Inflation rate, %	2016	2015
Sweden	1.70%	2.00%

The pension plan in Sweden forms 71% of the Groups total obligations and 103% of the 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 5.7 million. Similar rise in inflation rate would have the opposite effect

and increase the obligation by EUR 6.2 million. If the discount rate was decreased by 0.5% the obligation would increase by EUR 6.4 million whilst similar decrease in the inflation rate would reduce the obligation by EUR 5.6 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 3), this constitutes a multi-employer plan. For the 2016 fiscal year, 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, calcu-

lated 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 155%. If the level of collective solvency is less than 125% or exceeds 155%, 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 155%. However, Alecta aim to avoid surplus by using reduced contributions. On 31 December 2016, Alecta's surplus corresponded to a collective consolidation ratio of 142% (153%).

The distribution of plan assets in Sweden is as follows:

%	2016	2015
Debt instruments	57%	60%
Equity instruments	33%	34%
Property	-	1%
Cash and cash equivalents	10%	5%
Total	100%	100%

25. PROVISIONS

EUR million	Restructuring provision	Warranty provision	Other provisions	Total
1 Jan 2016	0.7	4.5	1.7	6.9
Exchange rate differences	-	0.0	0.0	-0.1
Business combinations	-	-	0.0	0.0
Additional provisions	-	1.6	24.0	25.6
Used provisions during year	-0.2	-2.2	-2.5	-4.9
Unused amounts reversed	-0.2	-0.8	-	-1.0
31 Dec 2016	0.3	3.1	23.1	26.5

Analysis of total provisions

EUR million	31 Dec 2016	31 Dec 2015
Non-current	1.7	3.0
Current	24.9	3.8
Total	26.5	6.9

Restructuring provision comprises employee termination benefits incurred as a direct result of the formal plan approved and committed by management with no continuing economic benefit to the Group.

The provision for warranties will materialise in two to three years time from the balance sheet date unless they are classified as current in the balance sheet, when they will materialise over the next financial year. Based on past experience, the outcome of these warranties will not give rise to any further significant losses.

Other provisions relate mainly to cost provisions recorded as a consequence of a project investigation of selected projects with high risk profile in power transmission and to risks related to two projects in rail business.

26. TRADE AND OTHER PAYABLES

Current

EUR million	31 Dec 2016	31 Dec 2015
Trade payables	149.5	132.9
Other liabilities	10.9	18.1
Derivative financial liabilities	0.5	2.4
Indirect tax liabilities	24.5	20.5
Company income tax liabilities	1.1	2.4
Accrued expenses and prepaid income	106.1	105.6
Total current trade and other payables	292.6	281.9

Accrued expenses consist of the following items:

EUR million	31 Dec 2016	31 Dec 2015
Accrued wages and salaries	59.3	56.8
Accrued indirect employee costs	23.0	22.3
Other accruals	23.9	26.5
Total	106.1	105.6

27. NET WORKING CAPITAL (NWC) AND CAPITAL EMPLOYED

EUR million	31 Dec 2016	31 Dec 2015
Inventories	7.5	14.5
Trade and other receivables	393.3	341.1
Provisions	-26.5	-6.9
Advances received	-65.6	-62.7
Trade and other payables	-292.6	-281.9
Other *	-1.4	3.5
Net working capital	14.7	7.6
Intangible assets excluding acquisition-related allocations	4.9	3.7
Property, plant and equipment	37.8	38.0
Capital employed	57.5	49.4
Average capital employed	53.4	34.4

* Includes adjustments for non-NWC items included in above balance sheet lines, mainly for derivative valuations, contingent consideration from acquisitions and income tax liabilities and NWC items included in other balance sheet lines.

28. DERIVATIVE FINANCIAL INSTRUMENTS

EUR million	31 Dec 2016			31 Dec 2015		
	Nominal values	Fair values Positive	Fair values Negative	Nominal values	Fair values Positive	Fair values Negative
Interest rate derivatives, hedge accounting	22.2	0.1	-	157.8	-	-1.1
Foreign exchange derivatives, hedge accounting	3.7	-	-	6.3	-	-0.1
Foreign exchange derivatives, not hedge accounting	87.2	0.5	-0.2	75.7	0.7	-0.3
Embedded derivatives	37.7	3.4	-0.3	58.5	7.2	-1.0
Total	150.9	4.0	-0.5	298.3	7.8	-2.4

For the instruments under hedge accounting, EUR -0.7 million (-0.2) was recognised in the hedging reserve during the period. EUR 0.1 million (2.7) was transferred from hedging reserve to profit or loss during the period. During 2016, SEK and EUR interest rate derivatives were closed prematurely as they no longer qualified as hedges according to IFRS due to negative interest rates.

The hedged highly probable forecast transactions denominated in foreign currencies are expected to occur at various dates during year 2017. Gains and losses recognised in the hedging reserve in equity on foreign exchange contracts are expected to

impact profit or loss at various dates during years 2017–2018. The hedged interest payments relating to the Group's borrowing take place at various dates during years 2017–2020.

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:

EUR million	31 Dec 2016			31 Dec 2015		
	Carrying amounts	Related instruments that are not offset	Net amounts	Carrying amounts	Related instruments that are not offset	Net amounts
Financial assets						
Interest rate swaps, hedge accounting	0.1	-	0.1	-	-	-
Foreign exchange derivatives, not hedge accounting	0.5	0.2	0.3	0.7	0.4	0.4
Financial liabilities						
Interest rate swaps, hedge accounting	-	-	-	-1.1	-	-1.1
Foreign exchange derivatives, hedge accounting	-	-	-	-0.1	-	-0.1
Foreign exchange derivatives, not hedge accounting	-0.2	-0.2	-	-0.4	-0.4	-

29. COMMITMENTS AND CONTINGENT LIABILITIES

The future minimum lease payments under non-cancellable operating leases

EUR million	31 Dec 2016	31 Dec 2015
Not later than 1 year	13.4	14.9
1–5 years	29.4	22.7
Later than 5 years	0.2	0.2
Total	42.9	37.8

Assets financed by operating leases consist of fleet used in business operations. The lease period varies from 3–5 years. After the lease period the vehicles are replaced by new ones or in certain cases the lease period may be prolonged. The rent payments are based on the maintenance cost of the assets, the estimated residual value and the agreed interest rate.

Commitments and collateral pledged

EUR million	31 Dec 2016	31 Dec 2015
Off balance sheet liabilities, unsecured		
Commercial guarantees	167.1	161.4
Commercial guarantees on own behalf	187.1	209.0
Commercial guarantees on behalf of joint ventures	4.4	5.0
Guarantees	358.6	375.4

Collateral given are general collateral and their value covers the full amount of secured liabilities. These collateral include subsidiary share pledges and mortgages over fixed and floating company assets.

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

Guarantees consist of performance and other contract guarantees issued by Eltel Group Corporation or Eltel AB on behalf of the subsidiaries for the performance of the contractual liabilities.

The Group is a party to a ten-year-long arrangement which involves an agreement with lease agreement. The substance of the arrangement is financing of real estate domiciled in Poland. The Group has obtained a loan amounting to EUR 2.2 million secured by the premise. At the end of the agreement, the Group has an obligation to buy back and the lender has an obligation to sell the premise back to the Group.

LEGAL CLAIMS AND INVESTIGATIONS

In Poland, Isacom Sp. z o.o. has filed a statement of claim against Eltel Networks Telecom Sp. z o.o. on the basis of alleged unfair competition practices in July 2006. Penal and a civil proceedings were initiated in parallel. In both cases the Group's local external legal advisors have moved for dismissal of the claims in whole due to lack of any merits. The penal court case proceedings have been finally closed to Eltel's advantage. The civil court case is pending. The claim amounts to approximately EUR 4 million. Final court proceedings in the court of first instance are due to take place in March 2017. The first instance court verdict is expected to be announced in April 2017. The management believes that there will be no financial or legal damage to the Group from the case and no provisions have been made.

In Denmark, The Municipality of Copenhagen has submitted a complaint against Eltel Networks A/S in respect of 2300 defective street lights which were delivered in 2012 with a warranty period. The municipality has claimed compensation on the amount of DKK 16 million. Settlement negotiations are ongoing between the supplier of the street light fittings, Eltel and the Municipality of Copenhagen. The court proceedings are postponed until a settlement has been finally presented to the Municipality of Copenhagen. This is expected to be during first half of 2017. Eltel's view, based on external opinion, is that the defects of the street lights can be attributed to the fittings and are responsibility of the supplier.

In Tanzania, Gati Masero Buitier t/a Botech Project Management ("Botech") has filed a statement of claim against Eltel Tanzania Ltd amounting to EUR 4.7 million and a corresponding claim against Eltel Group Oy and Eltel Networks TE AB in Tanzanian High Court. The basis of the claim is a subcontract agreement entered into between Eltel Tanzania and Botech in 2013, under which Botech undertook laying of 132kV, 33kV and fibre cables in ground for the Dar es Salam project. Botech did not fulfill its obligations under the subcontract agreement and therefore Eltel Tanzania terminated the subcontract agreement. Botech claims that the termination was unfounded and claims damages.

Eltel's legal advisor's view is that the claim has no substantial merits. Moreover Eltel has moved for dismissal of the claims filed in Tanzania in whole due to that the subcontract agreement is subject to dispute resolution in London under the ICC arbitration rules. Finally, Eltel Group Oy and Eltel Networks TE AB are not signatories or active parties in the subcontract agreement. The objections against the suit filed against Eltel Group Oy and Eltel Networks TE AB are planned to be heard by the court in April 2017 and Eltel expects for full dismissal of the suit.

On 31 October 2014, the Finnish Competition and Consumer Authority (FCCA) proposed the imposition of a fine of EUR 35 million on Eltel in the Finnish Market Court. The violation of competition law alleged by the FCCA is related to Eltel's power transmission line construction and planning business in Finland during the period 2004–2011. Eltel considers that it did not violate competition law and contested the FCCA's allegations and fine proposal to the Finnish Market Court, requesting that the case be dismissed. The main hearing in the case was held in the Finnish Market Court in September 2015. On 30 March 2016, the Finnish Market Court dismissed the case as time-barred. On 29 April

2016, the FCCA submitted an appeal to the Supreme Administrative Court against the decision of the Finnish Market Court and the proceedings are currently pending in the Supreme Administrative Court. The timing of the Supreme Administrative Court's ruling on the matter is unknown.

In relation to the listing of Eltel on Nasdaq Stockholm in February 2015, the selling shareholders entered into an agreement under which they contributed EUR 35 million to an escrow account held by Eltel to cover any fines (excluding costs and damages from third-party claims) payable by Eltel in relation to the FCCA case. In the event of a final decision requiring Eltel to pay a fine, the equivalent amount will be converted into equity from the escrow. For further information regarding this case and the guarantee (escrow), please refer to Eltel's IPO prospectus.

Eltel has received notifications of claims for damages from certain of its customers based on the allegations by the FCCA. No damages claims have been filed in any civil courts. Eltel maintains that the company has not violated competition law and that all related damages claims are unfounded and incomplete in respect of facts. Eltel will dispute and defend itself against any damage claims. As stated in the IPO prospectus, Eltel expects to receive damage claims relating to the alleged cartel, and expects that such claims may be material. The ultimate outcome of any such claims will be highly dependent on several factors such as the outcome of the Supreme Administrative Court proceedings, which will constitute the final resolution of the FCCA case.

30. RELATED PARTY INFORMATION

No transactions have taken place between Eltel and related parties that significantly affect the financial position and earnings during the year.

TRANSACTIONS WITH SHAREHOLDERS

Upon completion of the IPO in February 2015, the Selling Shareholders, including 3i, BNP Paribas and management shareholders, have lent EUR 35 million on an interest-free basis to cover potential fines payable by Eltel in connection with the FCCA Case. Should any fines become payable, the parties have agreed to convert an equal portion of the loan to an unconditional capital contribution in equity.

TRANSACTIONS WITH KEY INDIVIDUALS IN EXECUTIVE POSITIONS

Salaries, remuneration and other benefits are accounted for in notes 11. Employee benefit expenses and 31. Remuneration to senior management.

31. REMUNERATION TO SENIOR MANAGEMENT

Key management compensation

2016							
EUR thousands	Fee	Fixed salary	Annual variable salary	Long-term variable salary	Pension	Other benefits	Total
Ulf Lundahl	47	-	-	-	-	-	47
Gérard Mohr ¹⁾	75	-	-	-	-	-	75
Matti Kyytsönen	34	-	-	-	-	-	34
Fredrik Karlsson ²⁾	20	-	-	-	-	-	20
Susanne Lithander	41	-	-	-	-	-	41
Karl Åberg	41	-	-	-	-	-	41
Rada Rodriguez	33	-	-	-	-	-	33
Gunilla Fransson	24	-	-	-	-	-	24
Håkan Kirstein ³⁾	10	207	139	17	47	1	422
Axel Hjärne ⁴⁾	-	583	-	-62	147	17	684
Other members of the senior management (12 individuals) ⁵⁾	-	2,107	383	31	476	118	3,114

Variable salary and other remuneration refer to amounts that were recorded as expense. The long-term variable salary refers to provisions made for the LTIP 2015 and LTIP 2016 programmes.

¹⁾ Until November 2016

²⁾ Until May 2016

³⁾ Member of the Board from May 2016 until 19 September 2016 and CEO and Managing Director from 19 September 2016 onwards

⁴⁾ CEO and Managing Director until 18 September 2016

⁵⁾ Including also costs for the interim CFO invoiced to the Group

Key management compensation

2015								
EUR thousands	Fee	Fixed salary	Variable salary MIP	Annual variable salary	Long-term variable salary	Pension	Other benefits	Total
Gérard Mohr	90	-	150	-	-	-	-	240
Matti Kyytsönen	33	-	-	-	-	-	-	33
Fredrik Karlsson	49	-	-	-	-	-	-	49
Susanne Lithander	41	-	-	-	-	-	-	41
Ulf Lundahl	40	-	-	-	-	-	-	40
Karl Åberg	25	-	-	-	-	-	-	25
Rada Rodriguez	20	-	-	-	-	-	-	20
Jean Bergeret ¹⁾	16	-	-	-	-	-	-	16
Thomas Hofmeister ¹⁾	1	-	-	-	-	-	-	1
CEO and Managing Director Axel Hjärne	-	403	474	161	51	101	8	1,197
Other members of the senior management (10 individuals)	-	2,284	991	786	120	476	77	4,735

Variable salary and other remuneration refer to amounts that were recorded as expense. The long-term variable salary refers to provisions made for the LTIP 2015 programme.

¹⁾ Until May 2015

Key management	31 Dec 2016	31 Dec 2015
Board of Directors		
Men	5	7
Women	3	2
Other key management		
Men	11	10
Women	1	1
Total	20	20

Salaries and other remunerations excluding pensions and other benefits to Board of Directors and senior management were EUR 3.7 million (5.7) of which the amount of fixed salaries was EUR 3.2 million (3.0) including fees to Board of Directors of EUR 0.3 million (0.3), and of which variable salaries including LTIP 2015 and LTIP 2016 provisions were EUR 0.5 million (2.7). Previous year variable salaries included also IPO-related incentive programme. Defined contribution pension plans for senior management amounted to EUR 0.7 million (0.6). The amount of other indirect employee costs for senior management was EUR 1.0 million (1.2).

The variable salary component is based on predetermined and measurable targets. The criteria are recommended by the Remuneration Committee and ultimately decided by the Board of Directors. In addition to fixed and variable salary, Eltel's senior management is awarded of company car.

The pension terms of the CEO and other senior executives are market based in relation to those that generally apply for comparable executives. Being an international team with members from Sweden, Finland and Denmark, the pension terms of Eltel's senior management reflect some national differences.

Finnish senior executives participate in the Finnish TyEL pension system, which provides for a retirement benefit based on earnings in accordance with the statutory system. Senior executives in Sweden and Denmark participate in pension systems based on statutory pension arrangements and market practices in their local countries.

In the event of dismissal by the Company, the CEO has a notice period of 12 months. In the event of his resignation, the CEO has a six month notice period. Between the company and other senior executives, the term of notice is normally 12 months in the event of dismissal by the company and 6 months in the event of resignation by the executive. In case Eltel terminates the employment of the CEO on other grounds than grossly neglecting his duties under law or his Employment Agreement, Eltel shall pay a severance pay equivalent to 12 months base salary.

The principles for remuneration to senior executives in Eltel are presented in the Corporate Governance report.

LONG-TERM INCENTIVE PROGRAMMES

The Annual General Meeting 2015 approved the implementation of a share savings programme 2015 (the "LTIP 2015") for key personnel in the Eltel Group. The term of the LTIP 2015 is three years and the maximum number of participants is 70. To ensure delivery of shares under the incentive programme, the AGM resolved on the introduction of a new class of shares, Class C shares, which after conversion to ordinary shares may be transferred to participants in the programme or in the market for

cash flow purposes to secure the Company's payment of social security contributions. In April 2016, Eltel issued 537,000 class C shares to a financial institution, and immediately repurchased all these shares.

The Extraordinary General Meeting in June 2016 approved the implementation of a new share savings programme 2016 (the "LTIP 2016") for key personnel in the Eltel Group. The term of the LTIP 2016 is three years and the maximum number of participants is 85. The EGM approved the proposal to hedge obligations related to the LTIP 2016 via equity swap agreement with a third party.

The aim of the programmes is to increase and strengthen the potential for recruiting, retaining and rewarding key individuals and also to use the LTIP programmes to create individual long-term ownership of Eltel shares among participants.

Participation in the LTIP programme assumes that the participant acquires and locks Eltel ordinary shares into the LTIP programme ("Savings Shares"). For each acquired Savings Share, the participant is entitled, after a certain qualification period and provided continued employment throughout the entire period, to receive allotment of one Eltel matching/retention share (a "Matching Share"). Depending on fulfilment of performance targets linked to Eltel's earnings per share, the participant may also be entitled to receive allotment of additional Eltel shares ("Performance Shares").

Participants do not pay any consideration for the allotted Matching Shares and Performance Shares. Matching Shares and Performance Shares are Eltel ordinary shares. LTIP programmes are directed towards three categories of participants:

Category	Savings Shares maximum (% of base salary)	Matching Shares per Savings Share	Performance Shares per Savings Share
A (CEO)	20%	1.0x	4.0x
B (Group Management Team (GMT), maximum 10 persons)	15%	1.0x	3.0x
C (individuals reporting directly to GMT and other key employees*)	10%	1.0x	2.0x

* For LTIP 2015 maximum 59 persons and for LTIP 2016 maximum 74 persons

The maximum number of Savings Shares for each participant is to be based on an investment in Eltel shares with an amount corresponding to a certain portion of the concerned participant's base salary level for the current year. The Savings Shares covered by the LTIP programmes were acquired in a structured way in ordinary trading in the stock market during certain periods of time.

On balance sheet date the LTIP 2015 comprises maximum 259,099 shares in total, corresponding to approximately 0.4% of the total outstanding shares and votes and the LTIP 2016 comprises maximum 378,039 shares in total, corresponding to approximately 0.6% of the total outstanding shares and votes in the Company.

ALLOTMENT OF MATCHING SHARES AND PERFORMANCE SHARES

Allotment of Matching Shares and Performance Shares within LTIP 2015 will be made during a limited period of time following presentation of the first quarterly statement 2018. The performance targets are Eltel's earnings per share for the financial year 2017.

Allotment of Matching Shares and Performance Shares within LTIP 2016 will be made during a limited period of time following presentation of the first quarterly statement 2019. The performance targets are Eltel's earnings per share for the financial year 2018.

EPS is defined as earnings (after tax) per share for the Eltel Group on a consolidated basis. Partial fulfilment of the performance targets will result in partial allotment of Performance Shares. Performance under a certain level will result in no allotment.

COSTS FOR THE LTIP PROGRAMMES

In accordance with IFRS 2, the estimated total expenses for the LTIP 2015 programme amounted to EUR 0.8 million (3.2), of which EUR 0.3 million (1.6) for the President and CEO and other senior executives. Total expense for the year was EUR 0.4 million (0.4), of which EUR 0.1 million (0.2) for the President and CEO and other senior executives.

In accordance with IFRS 2, the estimated total expenses for the LTIP 2016 programme amounted to EUR 1.0 million, of which EUR 0.4 million for the President and CEO and other senior executives. Total expense for the year was EUR 0.1 million, of which EUR 0.0 million for 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 recognised 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.

32. GROUP COMPANIES

Group companies on 31 Dec 2016	Domicile	Group holding
The InfraNet Company AB	Sweden	100%
Eltel Networks Infranet AB	Sweden	100%
Eltel Networks TE AB	Sweden	100%
Jämtlands Linjebyggare & Republikens EI 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%
Celer Oy	Finland	100%
Eltel Networks AS	Norway	100%
Eltel Networks A/S	Denmark	100%
Eltel Networks B.V.	The Netherlands	100%
Eltel Networks Energetyka S.A.	Poland	100%
Eltel Academy Foundation	Poland	100%
Energoprojekt-Kraków S.A.	Poland	100%
Eltel Networks Telecom Sp.z o.o	Poland	100%
Eltel Networks S.A.	Poland	100%
Eltel Networks Poland S.A.	Poland	100%
Eltel Networks Infranet Services S.A.	Poland	100%
Eltel Networks UK limited	The UK	100%

Group companies on 31 Dec 2016	Domicile	Group holding
AS Eltel Networks	Estonia	100%
UAB Eltel Networks	Lithuania	100%
Eltel Networks SIA	Latvia	100%
Eltel Infranet GmbH	Germany	100%
Eltel Infranet Production GmbH	Germany	100%
Eltel Networks GmbH	Germany	100%
Edi.Son Energietechnik GmbH	Germany	100%
U-SERV GmbH	Germany	100%
Eltel Networks FZ LCC	United Arab Emirates	100%
Eltel Comm Philippines Inc	Philippines	100%
Transmast Philippines, Inc.	Philippines	40%*
Eltel Networks LLC	Ukraine	99%
Eltel Tanzania Limited	Tanzania	100%
Transmission Eltel Limited	Zambia	100%
Eltel Networks PLC	Ethiopia	100%

Jointly controlled entities

Fiber og Anlæg I/S	Denmark	40%
Carillion Eltel JV Limited	The UK	50%

* Group voting 100%

During the financial year 2016 three entities were acquired, Exo Consult ApS in Denmark, Celer Oy in Finland and U-Serv GmbH in Germany. The Group's ownership of jointly controlled entity, Fiber og Anlæg I/S, in Denmark increased from 37.5% to 40.0%. Exo Consult ApS was merged into Eltel Networks AS in Denmark and two companies, Eltel Sønnico AS and Vete Signaltjenester AS, were merged into Eltel Networks AS in Norway. One entity in Czech Republic, Eltel Networks s.r.o, and one entity in Romania, Eltel Networks Srl, were liquidated.

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

33. AUDITOR'S FEE

EUR million	2016	2015
PricewaterhouseCoopers		
Audit	0.6	0.5
Tax services	0.2	0.1
Other services	0.2	0.5
Total	1.0	1.2
Other auditing firms		
Audit	0.1	0.1
Tax services	0.1	0.1
Other services	0.1	0.2
Total	0.4	0.5
Total	1.4	1.7

34. EVENTS AFTER BALANCE SHEET DATE

34.1 Capital management and organisational events after balance sheet date

CAPITAL MANAGEMENT

In February 2017, Eltel and its bank consortium agreed on an additional amendment to the financing agreement existing at balance sheet date with revised for covenants for the situation at year-end 2016. Further, there is a high risk in terms of meeting the leverage (net debt/adjusted EBITDA) and interest cover (adjusted EBITDA/adjusted net finance charges) covenant in the first quarter 2017. Eltel has initiated discussions with its bank consortium to find a solution for future financing and covenant levels.

In February 2017, The Board of Directors decided to initiate a process for a preferential rights issue to enable required restructuring and growth in core markets. Eltel's largest shareholders, Zeres Capital, Solero Luxco S.á.r.l., The Fourth Swedish National Pension Fund (AP4), Swedbank Robur Funds and The First Swedish National Pension Fund (AP1), representing 49.02% of Eltel's share capital as of 31 January 2017, support the decision of a preferential rights issue.

STRATEGIC CHANGES IN BUSINESS STRUCTURE AND ACTIONS TO FOCUS ON STABILISING THE OPERATIONS

Strategic changes impacting Eltel's segment reporting in 2017

In the first quarter 2017, Eltel Group has decided on several strategic changes in the business structure impacting the content of the Group's segment reporting. Group operations are divided into two reportable segments, Power and Communication and the remaining business operations are presented under Other, previously reported as business segment Transport & Security.

In February 2017, Eltel announced that its strategic focus would be on its core businesses in the Power and Communication segments. Geographically the markets in the Nordics, Poland and Germany will be prioritised. Operations excluding Eltel's core businesses are planned to be divested. Those businesses include power transmission business in Africa, the rail business, the power distribution business in the Baltics, and part of the aviation and security business.

Communication segment

In February 2017, Eltel decided to merge its fixed and mobile communication business into one business unit, Communication, reported as the Communication segment. During the ongoing integration process, it became evident that there are synergies also with the aviation and security operations in Denmark and parts of the aviation and security operations in Sweden. In April 2017, Eltel announced its plan to merge these parts of the aviation and security operations into the Communication business. As of the first quarter 2017, these are reported in the Communication segment. Historical comparative information for the Communication segment are restated accordingly.

Power segment

In February 2017, approximately ten ongoing power transmission electrification projects, mainly located in Africa, were extracted

from the Power Transmission business unit and consequently also from the Power segment. These projects were transferred to and are managed by the Group Project function and reported under Other. The remaining and greater part of the Power Transmission business unit, comprising substation and overhead line projects in the Nordics, Germany, Poland and the UK, remains in the Power Transmission business unit. The Power Distribution and remaining Power Transmission business units are reported in the Power segment. Historical comparative information for the Power segment are restated accordingly. The power distribution business in the Baltics, included in the Power segment, is planned to be divested.

Other

Other includes the remaining parts of the aviation and security business with operations in Sweden that are not transferred to the Communication segment. In addition, the rail business and power transmission projects managed by Group Project function with operations mainly in Africa are reported under Other. All operations reported under Other are planned to be divested or ramped down.

Actions regarding certain projects

In January 2017, Eltel appointed a team lead by external auditors with the objective of performing a comprehensive investigation of selected ongoing projects in power transmission mainly in Africa. The team concluded their work in February. In February 2017, the Board further decided to appoint a special investigator regarding the liabilities of potential historical inaccuracies in the accounting of the project business.

In February 2017, a group of approximately 10 ongoing power transmission electrification projects, mainly located in Africa, part of which are subject to the investigation led by external auditors, were transferred to and managed by the Group Project function.

CHANGES IN THE GROUP MANAGEMENT TEAM

In January 2017, Dariush Rezai resigned from his position as President – Mobile Communication

In February 2017, Eltel announced that the business units Fixed and Mobile Communication will be merged and Peter Uddfors, previously President of Fixed Communication has been appointed President – Communication as of 1 March 2017.

In February 2017, Eltel announced that Fredrik Menander, President of Power Transmission, will leave his position at Eltel with immediate effect. In addition to his current position, Juha Luusua, President of Power Distribution, will take on the responsibility as acting President of Power Transmission.

34.2. Segment information in line with Q1 2017 reporting

Segment information in line with the organisational structure as at 31 March 2017 is presented in below tables.

Net sales by segment

EUR million	2016	2015	2014
Power			
Net sales (external)	486.1	456.1	417.4
Inter-segment sales	0.8	6.5	8.6
Communication			
Net sales (external)	717.6	558.3	601.7
Inter-segment sales	0.9	1.3	2.5
Other			
Net sales (external)	196.1	240.4	222.9
Inter-segment sales	0.6	0.3	1.1
Net sales not allocated to segments	-	-	0.2
Elimination of sales between segments	-2.2	-8.1	-12.2
Total	1,399.8	1,254.9	1,242.1

The Group has two customers that represents over 10% of total sales (in 2015 and 2014 one customer). The customers' share of the sales amounts to 30% (19%, 19%). Customer means a legal entity, and where applicable, a collection of legal entities in the same group.

Segment results

EUR million	2016	2015	2014
Operative EBITA by segment			
Power	15.1	21.3	20.1
Communication	36.6	34.2	25.8
Other	-37.0	19.6	24.2
Items not allocated to operating segments*	-12.6	-13.0	-8.7
Operative EBITA, Group	2.1	62.2	61.3
Items affecting comparability in EBITA**	-	-1.7	-22.7
EBITA before acquisition-related amortisations	2.1	60.5	38.7
Amortisation of acquisition-related intangible assets	-14.4	-13.9	-12.4
Impairment of goodwill***	-55.0	-	-
Operating result (EBIT)	-67.4	46.6	26.2
Non-recurring non-cash financial expenses for pre IPO financing	-	-3.5	-
Other financial expenses, net	-12.6	-10.9	-19.0
Result before taxes	-80.0	32.2	7.2

* Consist of group management function and other group level expenses

** Items which management does not consider to form part of the ongoing operative business mainly IPO-related costs.

*** Impairment of goodwill is related to the power transmission business (CGU)

Segment net working capital

EUR million	2016	2015	2014
Power	24.0	-1.3	18.6
Communication	-16.1	-7.7	1.4
Other	18.3	25.2	-8.8
Items not allocated to operating segments	-11.5	-8.6	-28.6
Total	14.7	7.6	-17.1

Power

EUR million	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2014
Net sales	486.9	462.6	426.0
Operative EBITA	15.1	21.3	20.1
Operative EBITA margin, %	3.1	4.6	4.7
Number of employees	2,888	3,127	3,312

Communication

EUR million	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2014
Net sales	718.5	559.6	604.1
Operative EBITA	36.6	34.2	25.8
Operative EBITA margin, %	5.1	6.1	4.3
Number of employees	5,232	5,204	4,726

Other

EUR million	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2014
Net sales	196.7	240.7	224.0
Operative EBITA	-37.0	19.6	24.2
Operative EBITA margin, %	-18.8	8.2	10.8
Number of employees	1,051	1,013	584

Parent Company Financial Statements

Income statement

EUR thousands	Note	Jan-Dec 2016	Jan-Dec 2015
Net sales	4	2,574	1,350
Personnel costs	5	-3,404	-3,145
Other operating expenses		-4,171	-1,759
Total operating expenses		-7,574	-4,904
Operating result		-5,001	-3,554
Interest and other financial income		18,861	23,722
Interest and other financial expense		-3,550	-2,639
Financial items, net	7	15,311	21,083
Result after financial items		10,310	17,530
Appropriations			
Group contribution given		-9,817	-17,154
Tax for the year		-	-
Net result for the year		492	375

Statement of comprehensive income

EUR thousands	Jan-Dec 2016	Jan-Dec 2015
Net profit/loss for the period	492	375
Other comprehensive income:		
Items that may be subsequently reclassified to profit and loss		
Cash flow hedges	402	492
Other comprehensive income/loss for the period	-	-
Total comprehensive income/loss for the period	894	867

Balance sheet

EUR thousands	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Shares in group companies	8	241,608	241,608
Deferred tax assets		100	123
Other financial assets	9	35,000	35,000
Receivables from group companies	9	331,799	357,584
Total non-current assets		608,507	634,315
Current assets			
Receivables from group companies	9	2,596	1,465
Other receivables		789	759
Cash pool receivables	9	73,969	5,819
Cash and cash equivalents		35	41
Total current assets		77,389	8,084
TOTAL ASSETS		685,897	642,399
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		126,322	125,248
Non-restricted equity			
Retained earnings		-9,208	-9,823
Other non-restricted equity		372,555	388,567
Total non-restricted equity		363,347	378,745
Total equity		489,670	503,994
LIABILITIES			
Non-current liabilities			
Debt	11	-	83,349
Liabilities to shareholders		35,000	35,000
Total non-current liabilities		35,000	118,349
Current liabilities			
Debt	12	130,354	-
Liabilities to group companies	13	29,006	17,525
Provisions	14	-	-
Accounts payable - trade		508	442
Accrued expenses and prepaid income	15	1,363	1,416
Other liabilities	16	-	672
Total current liabilities		161,230	20,056
Total liabilities		196,230	138,405
TOTAL EQUITY AND LIABILITIES		685,897	642,399
Parent company pledged assets and contingent liabilities			
Pledged assets		-	-
Commercial guarantees on behalf of subsidiaries		212,811	202,735
Commercial guarantees on behalf of joint ventures		4,390	5,002

Changes in equity

EUR thousands	Share capital	Share premium	Other non-restricted equity	Hedging reserve	Accumulated losses	Total equity
1 Jan 2015	86,364	261,537	14,720	-	-10,543	352,077
Equity-settled share-based payment	-	-	-	-	345	345
Proceeds from shares issued	38,885	113,402	-	-	-	152,287
New share issue costs	-	-	-600	-	-	-600
Cash flow hedging	-	-	-	-492	-	-492
Declared dividends to shareholders	-	-	-	-	-	-
Net profit for the period	-	-	-	-	375	375
31 Dec 2015	125,248	374,940	14,120	-492	-9,823	503,994
1 Jan 2016	125,248	374,940	14,120	-492	-9,823	503,994
Equity-settled share-based payment	-	-	-	-	123	123
Proceeds from shares issued	1,074	-	-	-	-	1,074
Purchase of own C shares	-	-1,074	-	-	-	-1,074
Cash flow hedging	-	-	-	90	-	90
Declared dividends to shareholders	-	-	-15,030	-	-	-15,030
Net profit for the period	-	-	-	-	492	492
31 Dec 2016	126,322	373,866	-910	-402	-9,208	489,670

Cash flow statement

EUR thousands	Jan-Dec 2016	Jan-Dec 2015
Cash flow from operating activities		
Profit/loss before taxes	492	376
Adjustments for:		
Financial items, net	-15,311	-21,083
Group contribution given	9,817	17,154
Equity-settled share-based payment	123	90
New share issue costs (IPO) recognised in equity	-	-600
Changes in working capital	1,062	-14,462
Cash flow from operating activities before financial items and taxes	-3,817	-18,526
Financial income received	20,827	61,490
Financial expenses paid	-4,617	-3,160
Cash flow from operating activities	12,392	39,804
Cash flow from investing activities		
Capital contribution to subsidiaries	-	-207,100
Payments received from loans from group companies	23,967	79,202
Cash flow from investing activities	23,967	-127,898
Cash flow from financing activities		
Proceeds from issuance of share capital	1,074	143,131
Purchase of own C shares	-1,074	-
Proceeds from long-term borrowings	-	84,000
Proceeds from short-term borrowings	93,000	-
Payments of short-term borrowings	-46,185	-2,396
Payments of short-term loans from shareholders	-	-3,242
Payments of short-term borrowings from group companies	-68,150	-7,979
Payments of group contributions	-	-125,379
Dividends to shareholders	-15,030	-
Cash flow from financing activities	-36,365	88,135
Decrease/increase in cash and cash equivalents	-6	41
Cash and cash equivalents at beginning of year	41	0
Cash and cash equivalents at end of year	35	41

Notes to the Parent Company financial statements

1. GENERAL INFORMATION

Eltel AB's role is to own and govern the shares related to Eltel Group. The operational and strategic management functions of the Group are centralised to Eltel AB. The Company has no operative business activities and its risks are mainly attributable to the 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.

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 International Financial Reporting Standards (IFRS) 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. Recommendations specify which exceptions and additions are required in relation to IFRS.

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

The Parent company has reported group contributions and related taxes in the income statement in accordance with the amendment in RFR.

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 recognises 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 loan receivables and account receivables – trade. It is also comprised of long-term borrowing and liabilities to shareholders, short-term liabilities to group companies and accounts payable – trade and other liabilities. These comprise the category other financial liabilities.

3. FINANCIAL RISK MANAGEMENT

The Group applies common risk management for all units. Hence, the description in note 3. Financial risk management in the consolidated financial statements applies to the Parent Company as well in all material aspects.

At the year-end 2016, Eltel did not meet the reset leverage (net debt/adjusted EBITDA) nor interest cover (adjusted EBITDA/adjusted net finance charges) covenants. In February 2017, Eltel and its bank consortium agreed on an additional amendment to the existing financing agreement with revised covenants for the situation at the year-end 2016. However, there is a high risk in terms of meeting the leverage (net debt/adjusted EBITDA) and interest cover (adjusted EBITDA/adjusted net finance charges) covenant in the first quarter 2017. Eltel has in the first quarter 2017 initiated discussions with its bank to find a solution for future financing and covenant levels. See note 3.4 Capital management in the consolidated financial statements for more information on covenant levels.

In February 2017, the Board of Directors decided to initiate a process for a preferential rights issue to mitigate the financing and liquidity risks. The decision of the preferential rights issue is supported by Eltel's largest shareholders Zeres Capital, Solero Luxco S.á.r.l., The Fourth Swedish National Pension Fund (AP4), Swedbank Robur Funds and The First Swedish National Pension Fund (AP1), representing 49.02% of Eltel's share capital as of 31 January 2017.

Eltel's challenges with respect to meeting its financial covenants might lead to a risk that suppliers and other stakeholders could request accelerated payment terms or additional guarantees.

4. NET SALES

	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Remunerations from group companies for group-wide administration	2,574	1,350
Total	2,574	1,350

5. EMPLOYEE BENEFIT EXPENSES

	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Salaries and other remunerations	2,064	2,086
Social security contributions:		
Pension costs	680	489
Other social security contributions	659	570
Total	3,404	3,145

Salaries and other remunerations to senior executives were EUR 1.3 million (1.6), pension costs EUR 0.3 million (0.4) and other social security contributions EUR 0.5 million (0.5). Group senior management participates in the long-term share-based incentive programme LTIP 2015 and LTIP 2016. Total expense for the LTIP 2015 programme for the year was EUR -59 thousand (90), of which EUR -61 thousand (83) for the President and CEO and other senior executives. Total expense for the LTIP 2016 programme for the year was EUR 26 thousand, of which EUR 24 thousand for the President and CEO and other senior executives. More information of Group senior management and the Board of Directors is presented in note 11. Employee benefit expenses and 31. Remuneration to senior management in the consolidated financial statements.

In Eltel AB the number of individuals in the Board of Directors was eight and the number of other senior management employed by the company was three at year-end 2016.

	2016	2015
Number of employees	5	5
Of whom men	100%	100%

6. AUDITORS' FEES

	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
PricewaterhouseCoopers		
Audit assignments	176	161
Other audit-related assignments	-	-
Tax assignments	24	17
Other assignments	1	286
The company in total	201	464

7. RESULT FROM FINANCIAL ITEMS

	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Interest and other financial income		
Interest income, loans from group companies	18,502	23,410
Other financial income, group companies	359	312
Total	18,861	23,722
Interest and other financial expenses		
Interest expenses on loans	-3,550	-2,639
Total	-3,550	-2,639
Whereof group companies	-8	-95
Total financial items	15,311	21,083

8. SHARES IN GROUP COMPANIES

Opening balance 1 Jan 2015	34,508
Capital contributions 2015	207,100
Closing balance 31 Dec 2015	241,608
Closing balance 31 Dec 2016	241,608

Shares are held in the following subsidiaries:

The InfraNet Company AB, 556728-6645

Share of equity, %	100
Share of voting power, %	100
Number of shares	11,000
Book value	241,608

9. RECEIVABLES FROM RELATED PARTIES

Non-current receivables

	31 Dec 2016	31 Dec 2015
Other financial assets, received from shareholders*	35,000	35,000
Loans from group companies	331,799	357,584
Total	366,799	392,584

* Refers to selling shareholders at the time of the listing on 6 February 2015

Interest resulting from loans to group companies is capitalised annually. Capitalised interest bears no interest.

Current receivables from group companies

	31 Dec 2016	31 Dec 2015
Cash pool receivable	73,969	5,819
Accounts receivable	2,596	1,465
Total	76,565	7,284

10. EQUITY

On 31 December 2016, the number of ordinary shares outstanding was 62,624,238 and the number of C-shares was 537,000 and the share capital was EUR 126,322,477. Detailed information regarding the Parent Company's shares and share capital is found in note 21. Equity in the consolidated financial statements.

A specification of changes in equity is found under the section entitled "Changes in equity", which is presented directly after the balance sheet.

Shareholder with more than 10% of the votes at 30 December 2016 is Zeres capital with 13.0% of ordinary shares. More information about Eltel's shareholders is found in "The Eltel Share" on pages 6–7.

THE BOARD'S PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The parent company's non-restricted equity on 31 December 2016 was EUR 363,347,207.43 of which the net profit for the year was EUR 492,477.55.

Board of Directors proposes to the Annual General Meeting that no dividend be paid for the year 2016 and that the non-restricted equity of EUR 363,347,207.43 be retained and carried forward.

11. NON-CURRENT LIABILITIES

	31 Dec 2016	31 Dec 2015
Bank borrowings	-	83,349
Liabilities to shareholders*	35,000	35,000
Total	35,000	118,349

* Refers to selling shareholders at the time of the listing on 6 February 2015

All of the non-current liabilities are due for payment within five years of the end of the reporting period.

12. CURRENT DEBT

	31 Dec 2016	31 Dec 2015
Bank borrowings	130,354	-
Total	130,354	-

The loans under Eltel's bank agreement are presented as current due to the reported breach of leverage covenants calculated as of 31 December 2016.

Eltel's bank loan agreements include financial covenants related to the adjusted net debt/EBITDA ratio and adjusted EBITDA/net finance charges ratio. EBITDA used in the covenant calculations is adjusted with EBITDA arising from acquisitions on a rolling 12-months basis and with non-recurring EBITA items capped to EUR 5 million.

In February 2017, Eltel and its bank consortium agreed on an additional amendment to the existing financing agreement with revised covenants for 2016. According to the contractual terms, the bank borrowings amounting to EUR 83.4 million will mature in 2020. The loans will be repaid in full on the maturity date with no partial repayments. Eltel's current performance impacting Group EBITA incoming quarters includes a risk in terms of meeting the leverage (net debt/adjusted EBITDA) covenant in its banking agreement. Eltel and the bank consortium continue negotiations regarding 2017 covenant levels. See note 3.2 Liquidity risk and 3.4 Capital management in the consolidated financial statements for more information.

13. LIABILITIES TO GROUP COMPANIES

	31 Dec 2016	31 Dec 2015
Accounts payable	2,035	-
Group contribution liabilities	26,971	17,197
Loans to group companies	-	328
Total	29,006	17,525

14. PROVISIONS

	2016	2015
Opening balance 1 Jan	-	13,192
Addition in other provisions	-	-
Used provisions during year	-	-13,192
Closing balance 31 Dec	-	-

Provisions in 2015 relate to the management incentive programme and advisory services in relation to the IPO of the Company.

15. ACCRUED EXPENSES AND PREPAID INCOME

	31 Dec 2016	31 Dec 2015
Accrued employee related expenses	777	546
External loan interests	265	205
Other accrued expenses	321	665
Total	1,363	1,416

16. OTHER LIABILITIES

	31 Dec 2016	31 Dec 2015
Derivative financial liabilities	-	651
Other	-	21
Total	-	672

The Company's financial statement will be submitted for approval to the Annual General Meeting on 1 June 2017

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 review 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. These financial statements and board report have been issued in two originals.

Stockholm 28 April 2017

Ulf Lundahl

Chairman of the
Board of Directors

Jonny Andersson

Board member

Björn Ekblom

Board member

Gunilla Fransson

Board member

Matti Kyytsönen

Board member

Susanne Lithander

Board member

Rada Rodriguez

Board member

Karl Åberg

Board member

Håkan Kirstein

President and CEO

Our audit report was submitted on 2 May 2017
Öhrlings PricewaterhouseCoopers AB

Niklas Renström

Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Eltel AB (publ), corporate identity number 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 2016 with the exception of the corporate governance report on pages 18–34 of the printed version of this document. The annual accounts and consolidated accounts of the company are included on pages 8–85 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 parent company as of 31 December 2016 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 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not address the corporate governance report on pages 18–34.

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.

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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

OUR AUDIT APPROACH

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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.

Key audit matter**How our audit addressed the Key audit matter****Allocation and correctness of revenue recognition of projects**

Eltel provides descriptions and information regarding this area in the Board of Director's report in Note 2 of this annual report.

The project operations imply, by their nature, risks in terms of the pricing of projects and the estimation of final costs, as well as regards the execution of the contracts. Eltel applies the percentage of completion method for its projects, which implies that revenues are impacted by a variety of circumstances, such as changes in contract terms, if costs incurred are in excess of budgeted costs, if there are discussions/negotiations regarding supplementary work or other circumstances, including such things as late or deficient, in terms of quality, project deliveries.

The revenue recognition of projects undertaken over a longer period of time implies a greater risk for error as revenues risk being reported in incorrect periods and/or in incorrect amounts. As judgements are required on behalf of company management in the reporting of projects, misstatements can arise due to errors and/or incorrect assessments which are either conscious or unconscious in their nature. As a consequence, we have focused in our audit on significant projects with longer tenors.

During financial year 2016, Eltel issued an earnings warning on a number of occasions based on the project operations showing significant deviations in terms of results, and this has implied a particularly extensive amount of work in the year's audit as regards larger projects with long contract periods.

The most significant audit activities which we executed include, amongst others:

- Execution of an examination of internal control and the routines as regard projects and an assessment of how these are designed in accordance with Eltel's documented internal control matrix.
- Assessment of specific controls regarding revenue recognition.
- Random sampling based on the examination of projects and project reviews together with company management, the responsible controllers and project managers. The project reviews included the verification of the existence of written contracts, testing of the judgements regarding project margins and of the documented risks for specific projects.
- A special, in-depth examination was made of identified risk projects.

Valuation of goodwill

Eltel provides descriptions and information regarding this area in Notes 2 and 15 in this annual report.

Eltel's growth has been partially driven by acquisitions. Goodwill is reported in conjunction with acquisitions. Eltel's goodwill amounted as at 31 December 2016 to 420 million euro, equivalent to 39 percent of the group's total assets. Each year the company management undertakes an impairment test of goodwill. This aims at testing the valuation of goodwill, that is, whether the book value is in excess of fair value. The calculation of fair value is based on management's assumptions and judgements referring, for example, to the future development of revenue and operating margins and the discount rate. Future development deviating negatively from these assumptions and judgements, which have provided the basis for the testing, can lead to an impairment requirement. The impairment testing is executed per cash flow generating unit Eltel has deemed that the cash flow generating units are comprised of the Group's six operating segments. Eltel's impairment testing for 2016 evidenced an impairment requirement within the operative segment Power Transmission of 55 million euro which was reported in the financial statements for 2016.

The most significant audit activities which we executed include, amongst others:

- Examination of Eltel's model for impairment testing to assess the mathematical correctness and reasonability in the assumptions undertaken.
- A random sampling of the controls to determine if the data included in the impairment testing agrees with the budgets prepared by Eltel. The random sampling has focused on the growth rate of revenue and operating margins and their assumed development, and on the applied discount rate which we have also compared with historical outcome. We have also examined, when possible, to determine that the data applied agrees with external sources, when possible.
- The execution of sensitivity analyses where the effects of changes in assumptions and judgements were analysed to identify when/if/to which degree changes in these assumptions and judgements would result in an impairment requirement.
- Examination of the disclosures provided in the annual report to ensure that they meet the requirements according to IAS 36 Impairment of Assets.

Key audit matter

How our audit addressed the Key audit matter

Reporting and disclosures regarding disputes

We refer to Note 29 in the annual report for Eltel's description of risks related to disputes.

The Eltel group is involved in legal processes. The reporting and disclosures associated with these are impacted by company management's judgements as the issues in question can be comprised of complex legal matters which can also take a long time to determine. The group consults both internal and external legal expertise as regards these issues.

The most significant audit activities which we executed included, amongst other things:

- Obtaining statements from the group's external legal advisors regarding current disputes, the possible existence of obligations and other exposures related to issues regarding which the advisors provide legal assistance to Eltel.
- Evaluation of the assessments made by company management given the exposures in place.
- Assessment of the requirement to report provisions in relation to the disputes and exposures in place within the group and we have assessed the disclosures related to these areas.

Financing

Eltel provides descriptions and information regarding this area in Notes 3.2, 3.4 and 23 in this annual report.

Eltel's borrowing from banks amounted to 275 million euro as at 31 December 2016. This borrowing is on the basis of special loan terms, so-called covenants. These covenants are reported quarterly to the banks and at the end of 2016 Eltel did not fulfil its covenants. This implies that the banks can call in the loans and, as a consequences, the loans have been reclassified in their entirety as current liabilities. In February 2017, Eltel and the banks agreed on changes to the covenants to apply prior to the end of 2016 and they thereafter fulfilled the new covenants as at 31 December 2016.

Eltel's challenges in achieving their covenants can, in addition to the banks demanding repayment, also lead to a risk that suppliers and other interested parties could demand quicker repayment and further guarantees.

In February 2017, the Board of Directors initiated a preferential rights issue process in which it was stated that shareholders holding 49.02 percent of all share capital in Eltel as at 31 January 2017 support the decision for such an issue.

The Board of Directs and we, as auditors, have assessed whether the company has realistic financing plans in order to undertake their operations during the forthcoming 12 month period and if there any significant factors of uncertainty in these plans.

The most significant audit activities which we executed included, amongst other things:

- The assessment of the company's reporting to the banks regarding covenants.
- Examination and assessment of updated agreements regarding the covenants for 2016.
- Studying and evaluating the measures taken by the Board of Directors and management to ensure the company's future financing which, amongst other things, include a preferential rights issue and a review of the company's current strategy and the renegotiation of bank agreements.

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 1–7 and 92–93. 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 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 intends 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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the Swedish Inspectorate of Auditor's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the Auditor's report.

Report on other legal and regulatory requirements

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 2016 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 Board of Director's report and that the Managing Director, Håkan Kirstein and Members of the Board of Directors – with the exception of Gérard Mohr – be discharged from liability for the financial year. As a result of the circumstances described in the section "Basis for opinions", we advise against discharge from liability being granted for the financial year to the previous Managing Director, Axel Hjärne, (resigned from his position on 19 August 2016) and previous Board Member and Chairman of the Board, Gérard Mohr (resigned from his position as Chairman on 15 November 2016 and resigned as Member of the Board on 22 December 2016).

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.

As seen in the annual report, the accounting of certain projects has been the subject of significant adjustments during the latter part of the year. As a result, the Board of Directors and management have initiated, during the first quarter 2017, a number of investigations with the aim of achieving clarity as to the reasons behind, and scope of, the errors and deficiencies identified in the company's project management and project reporting. Amongst other things, a special investigator has been assigned to inves-

tigate any issues of liability that may arrive. This latter investigation is still underway.

The above-described circumstances have implied special consideration as to whether the Managing Directors and Members of the Board serving during the year should be granted discharge from liability from the company.

In assessing the responsibility of the Managing Directors, we noted, in particular, that Chapter 8 § 29 of the Swedish Companies Act prescribes that the Managing Director is to undertake those measures necessary for the company's bookkeeping to be executed in agreement with statutory requirements and that the funds management is to be executed in a satisfactory manner. In executing our audit, it has been seen that the previous Managing Director, Axel Hjärne, who terminated his position on 19 August 2016, has had knowledge of the fact that the reporting of significant projects during 2016 was incorrect. In spite of this, he has failed to undertake the necessary measures to ensure that the company's bookkeeping and accounting has been executed in accordance with the Bookkeeping Act and the Annual Accounts Act, and in accordance with generally accepted accounting practice. In examining the company's documentation, primarily minutes of Board Meetings, it can be noted that Axel Hjärne has neglected to, in time, inform the Board of Directors of errors in the accounts or, in general, provide adequate information regarding the risks in the company's project portfolio.

According to our understanding, Axel Hjärne's actions have caused the company significant economic damage. Clear economic damage has taken place in the form of the significant costs associated with the company's renegotiation of loan terms and conditions and as regards the above-mentioned investigations. In addition, it cannot be excluded that other damage can arise as a result of the Board of Directors, due to incomplete or incurred decision-making documentation, having been deprived the possibility of undertaking adequate measures in time.

In our assessment of the Board Members' administration work undertaken during the year, we have also considered the degree to which any Member of the Board can be seen to have defaulted in their insight into and monitoring of the actions of the Managing Director. Here we have not – with one exception- determined that any Board Member failed in this regard. In our assessment we have had reason to consider, amongst other things, such special responsibilities as can arise due to an individual Board Member's expertise within a variety of areas. In this context it has been noted that Gérard Mohr, who was the Board's Chairman from 2011 up until 15 November 2016 and who was a Board Member up until 22 December of the same year, has been the Board Member having expert knowledge within project management and project reporting. Against this background, there is reason to believe that Gérard Mohr assumed, within the Board, a greater degree of responsibility than the other Board Members in terms of identifying errors and deficiencies in the previous Managing Director's administration of these areas. It cannot be excluded that Gérard Mohr has defaulted in executing this responsibility. Whilst waiting for the conclusion of the current investigation

concerning, amongst other things, Gérard Mohr's responsibility, we advise against discharge from liability for him.

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 fulfil 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.

A further description of our responsibility for the audit of the administration is available on the Swedish Inspectorate of Auditor's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

**AUDITOR'S EXAMINATION OF
THE CORPORATE GOVERNANCE REPORT**

It is the Board of Directors who is responsible for the corporate governance statement for financial year 2016 found on pages 18–35 and that it has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevU 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 a 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 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 2 May 2017
Öhrlings PricewaterhouseCoopers AB

Niklas Renström
Authorised Public Accountant

Definitions and key ratios

IFRS KEY RATIOS

Earnings per share (EPS)

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

ALTERNATIVE PERFORMANCE MEASURES (APMS)

Organic net sales

Organic net sales exclude U-SERV acquisition in 2016 and Norwegian Communication business until 1 September 2016 (Eltel Sønnico) and is presented with comparable exchange rates

Operative EBITA

Operating result before acquisition-related amortisations and items affecting comparability

Items affecting comparability

Items for specific events which management does not consider to form part of the ongoing operative business

Committed order backlog

The total value of committed orders received but not yet recognised as sales

Operative cash flow

EBITA + depreciation + change in net working capital- net purchase of PPE (capex)

Cash conversion, %*

$$\frac{\text{Operative cash flow} \times 100}{\text{EBITA}}$$

Equity ratio, %

$$\frac{\text{Total equity} \times 100}{\text{Total assets} - \text{advances received}}$$

Net debt

Interest-bearing debt (excluding shareholder loans) - cash and cash equivalents

Leverage ratio**

$$\frac{\text{Net debt}}{\text{EBITDA}}$$

Capital employed

Net working capital + Intangible assets excluding goodwill and acquisition-related allocations + Property, plant and equipment

Return on capital employed, %*

$$\frac{\text{EBIT} \times 100}{\text{Capital employed (average over the reporting period)}}$$

Return on Equity (ROE), %*

$$\frac{\text{Net result} \times 100}{\text{Total equity (average over the reporting period)}}$$

Net working capital

Net of inventories, trade and other receivables, provisions, advances received and trade and other payables, excluding items in these balance sheet items that are not considered to form part of operative working capital: derivative valuations, contingent consideration from acquisitions and income tax liabilities.

* calculated on rolling 12 months basis



Financial calendar 2017–2018

Annual General Meeting 2017	1 June 2017
Interim report January–March 2017	2 May 2017
Interim report January–June 2017	17 August 2017
Interim report January–September 2017	2 November 2017
Full-year report January–December 2017	February 2018

CONTACT INFORMATION

Ingela Ulfves
VP – IR and Group Communications
Phone: +358 40 311 3009
E-mail: ingela.ulfves@eltelnetworks.com

ELTEL AB

Visiting address: Adolfsbergsvägen 13, Bromma
POB 126 23, SE-112 92 Stockholm, Sweden
Phone: +46 8 585 376 00
E-mail: info.sweden@eltelnetworks.com

