Annual Report 2021

ELTEL

The reliable partner for securing infranets

Eltel is a leading Nordic field service provider for communication and power networks enabling a more sustainable and connected world today and for future generations.

Content

The year in brief

Eltel improved productivity and profitability in 2021 and made progress on its strategic objectives. A divestment furthered Eltel's strategy to focus on the Nordics as it continued to build a more stable and profitable business. There were challenges in the market, and Eltel adapted to market developments to ensure it continued to deliver quality services to its customers.

2021 Highlights

Improved productivity and profitability
Productivity and profitability improved even though net sales decreased compared with the year before. The operative EBITA margin increased to 1.8% in 2021.

Continued Nordic strategy
In line with Eltel's strategy, focus was maintained on the Nordic markets, where the company has a leading market position, high competence and where the business model is repetitive and primarily targeted towards build, service and maintenance. During the year, Eltel divested its high voltage business in Germany and closed its operations in the UK, Georgia and Mozambique.

Sustainability in focus
In 2021, Eltel improved its safety performance, committed to the Science Based Targets initiative and improved the CDP Climate Change score for taking coordinated actions on climate issues.

COVID-19
The pandemic reduced customer investments, delayed projects, and increased material and logistics costs during the year. However, the infranet markets are robust and all Country Units (CU) responded well to the challenges, despite quarantine requirements and increasing employee sick-leave rates towards the end of the year.

Key figures

812.6
Net sales, EUR million

5,046
Number of employees

14.8
Operative EBITA, EUR million

1.8%
Operative EBITA margin

Year over year we were in line with the net debt levels, while the return on operative capital employed clearly improved.

– Casimir Lindholm

We are Eltel

Eltel is a leading Nordic field service provider for critical communication and power networks – infranets.

Securing the lifelines of modern society
Everyone depends on stable communication and power networks. Eltel builds, maintains and upgrades these essential lifelines of modern society for national network operators and owners.

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

Our services and offering
We deliver a comprehensive range of communication and power services – from project delivery to maintenance and upgrade solutions – primarily for the owners of communication and power networks. We typically offer a 24/7 and comprehensive geographical presence in our home markets.

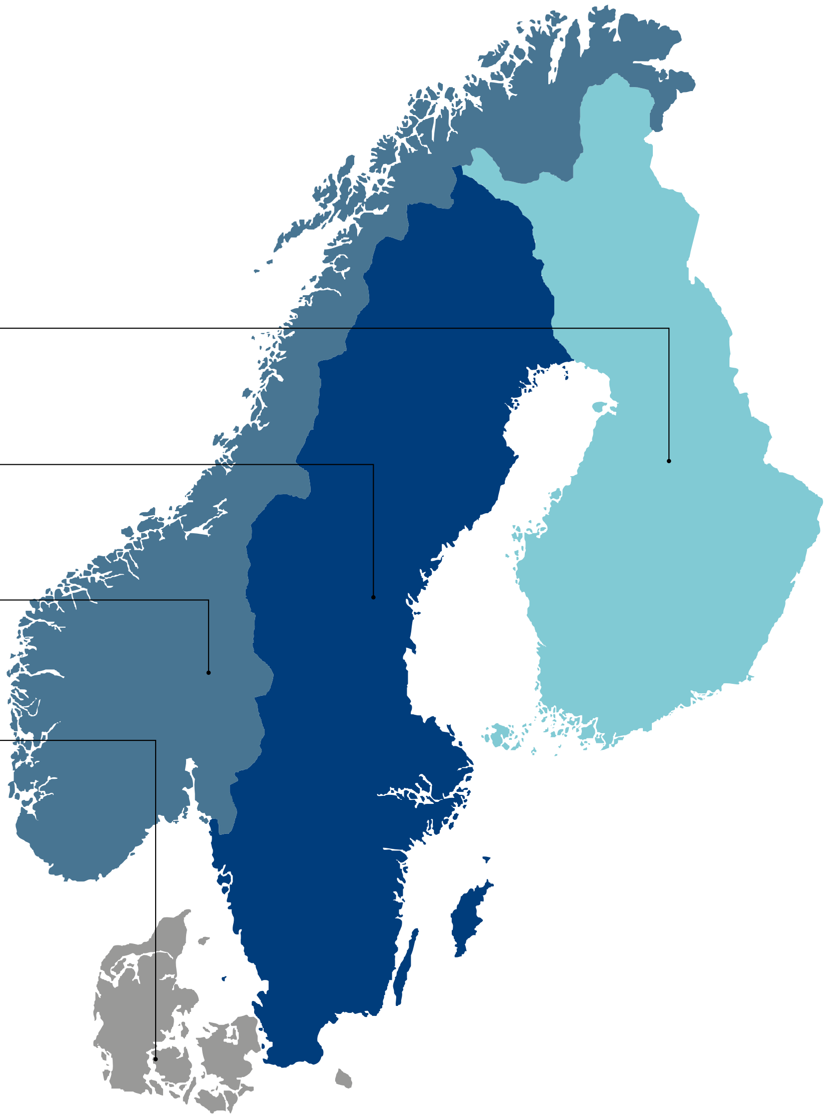
Most of our work is conducted through long-term framework agreements that enable us to collaborate with customers to achieve their objectives. We accomplish this through our business strategy, which focuses on delivering on our customer promises, streamlining our operations and improving productivity. Read more about our strategy on page 6.

In 2021, we continued to focus on our core activities and Nordic markets, as well as our strategic transformation.

Why invest in Eltel?

We keep society working by securing good communication connections and by ensuring power can be supplied to end users. Our services make society more robust with well-managed and state-of-the-art communication and power networks.

- We are the Nordic market leader
- Market trends support the growth of our business
- We enable a sustainable society and minimise our negative climate impact by setting science-based targets
- We focus on operational excellence, cost efficiency and sustainable profitable growth
- We are a quality-focused organisation
- We enable cross-border synergies



FINLAND

Net sales: **EUR 299.6 MILLION**

Number of employees: **1,496**

SWEDEN

Net sales: **EUR 182.2 MILLION**

Number of employees: **914**

NORWAY

Net sales: **EUR 160.5 MILLION**

Number of employees: **939**

DENMARK

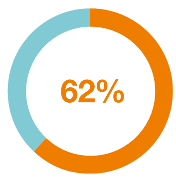
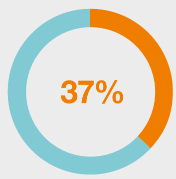
Net sales: **EUR 87.9 MILLION**

Number of employees: **461**

OTHER BUSINESS

Net sales: **EUR 91.9 MILLION**

Number of employees: **1,085**

Services	Offerings	Markets	Customers	Net sales 2021
Communication The market leader in the Nordic region. *Read more about our communication services on page 10.*	• Maintenance of mobile and fixed networks • Upgrades to mobile and fixed networks	• The Nordics • Lithuania	• Telecom operators • Local industrial customers and the public sector	
Power Large regional stakeholder active in the Nordics, Poland and Germany. *Read more about our power services on page 11.*	• Maintenance in electricity distribution and transmission • Upgrades in electricity distribution • High Voltage projects • Smart Grids • Power Transmission projects outside Europe[1]	• The Nordics • Poland • Germany	• Network operators • Local industrial customers and the public sector • Utility companies	

[1] Under ramp down.

Continuing to deliver on our long-term strategic journey

Eltel President and CEO Casimir Lindholm looks back on another year of improvement as the company embarks on the next step in its strategic journey in 2022.

What were the key developments for Eltel in 2021?
2021 was another year with improved productivity and profitability in the Nordics and we made good progress on our strategic objectives. We continued to build a more stable and profitable business with a Nordic focus as we divested our high voltage business in Germany and closed our operations in the UK, Georgia and Mozambique. This further decreased our net sales according to plan and we have now reached our new base line for growth in the Nordics.

During the year, we faced challenges regarding postponed projects, higher material and logistics costs due to the ongoing pandemic, and high inflation. However, I am satisfied with how we managed these challenges to continue to deliver quality services to our customers.

We made significant progress on sustainability as we committed to the Science Based Targets initiative and began developing our science-based climate targets, which will be announced later this year. I am also proud of our improved score on the CDP Climate questionnaire for taking coordinated action on climate issues.

How would you summarise the Operational Excellence strategy period from 2019–2021?
After executing operational excellence projects in Finland, Norway and Denmark, we saw positive impacts from these efforts in 2021 with reduced costs and improved productivity in these as a result. During the year, we accelerated operational excellence initiatives in Sweden that we expect to yield similar benefits in the coming years.

How has Eltel changed since it began its "Transformation Journey" five years ago?
Importantly, we have laid the foundation for growth, substantially reduced our net debt and improved our cash flow. Eltel is now financially a much healthier and more stable company. This transformation was essential for us as a company to be able to deliver according to the strategy and our long-term goals.

We have reduced the number of large projects from 120 to five as we have transformed Eltel into more of a service company. And in line with our Nordic strategy, we are now active in seven countries compared to eleven five years ago.

How would you summarise Eltel's financial performance in 2021?
Our improved productivity and profitability in the Nordics is reflected in our improved operative EBITA margin of 1.8%. However, our EBITA was negatively affected by lower net sales, ongoing challenges in the Polish High Voltage business and increased material prices. Year over year we were in line with the net debt levels, while we improved our return on operative capital employed from 13.0 to 23.6%.

Lower net sales than expected were caused by two main issues: the loss of two major agreements and reduced customer investments because of COVID-19. In response, we are sharpening our offering and pursuing organic growth opportunities.

What does the next phase of Eltel's strategy "Investing in Sustainable Profitable Growth 2022–2023" mean for the company?
Following our focus on profitability in the Nordic markets in recent years, we will now strive for growth in these home markets – both organic and through M&A – as we aim to re-establish Eltel as a company with over EUR 1 billion in annual net sales in the long term.

How is the general market situation?
Our core markets are healthy, and we continue to be a communication leader throughout the Nordics and a leader in the Finnish power market. 5G and fibre are the main drivers of the communication market, as well as work to dismantle 3G and copper networks. In power, there is a clear demand to upgrade and modernise power grids in the Nordics.

Eltel is well positioned to gear up and focus on sustainable profitable growth.

2021 was another year with improved productivity and profitability in the Nordics.

What does the Science Based Targets initiative commitment mean for Eltel?
It steps up our climate work in the long term, we continue to reduce emissions from our vehicle fleet, switch to renewable energy in our premises and focuses on reducing climate impact from our supply chain. I believe it also sends a clear message to our customers as we aspire to become a climate leader that can help solve their challenges as sustainably as possible.

What other sustainability progress was made in 2021?
We have a holistic sustainability strategy that supports the ten principles of the UN Global Compact and the UN Sustainable Development Goals. I feel we made particularly good progress in safety during the year as our Lost Time Injury Frequency Rate per million hours worked fell from 4.9 in 2020 to 3.8 in 2021. In our employee engagement survey, our employees highlighted that they appreciate that we take their safety seriously.

What do you see as the main challenges and opportunities in 2022?
One of our priorities is to turn around Sweden – where we have opportunities to work with operational excellence and drive growth in our ongoing smart meter roll out projects. We also aim to achieve organic growth of between 2–4% throughout the Nordics and will look to fully implement our Nordic strategy by finding alternatives for our Polish and German operations. Additionally, I see opportunities for consolidation of the market, and for Eltel to make small to medium-sized mergers and acquisitions in the Nordics going forward.

Do you have any concluding remarks?
I am grateful to all our employees for their efforts during the year, and to our customers, shareholders and other stakeholders for all the good collaboration.

Casimir Lindholm
President and CEO

Our strategy – towards sustainable profitable growth

In 2021, we completed the Operational Excellence phase of our strategy. Our strategic focus is now on investing in Sustainable Profitable Growth until the end of 2023 as our strategic transformation continues.

Our strategic transformation – a Nordic and sustainability focus

Eltel is transforming into a Nordic company, based in countries in which it has a market-leading position. A Nordic focus with lower risk and fewer capital-intensive projects will enable Eltel to continue to develop, grow and invest in order to ensure long-term value creation for the company, its shareholders and society at large.

Sustainability is key to our success and an integral part of our strategy. For Eltel, this means building a strong profitable company for the future and delivering lasting financial, social and environmental value.

During 2021, Eltel stepped up its climate work ambitions by committing to the Science Based Targets initiative. This global initiative helps companies put science-based climate targets in line with the Paris Agreement (see page 24–25 for more on our approach to sustainability).

The way forward: Investing in Sustainable Profitable Growth 2022–2023

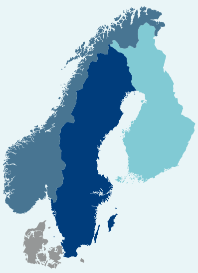
From 2022, our focus is on investing in Sustainable Profitable Growth. This involves:

- Increasing market share in the Nordics
- Innovation and new market development
- Replicating existing business models
- Pursuing M&As in the Nordics
- Industry sustainability leadership

Delivering on Operational Excellence 2019–2021

After getting our "House in Order" in 2017 and 2018, which involved focusing on our core markets and mitigating business risk, we completed our Operational Excellence phase in 2021. We have delivered on what we have promised in recent years, and Eltel is now in a solid financial position and well positioned to gear up and focus on sustainable profitable growth.

Increased Nordic focus



We have strengthened our focus on core markets, and closed operations in the UK, Georgia, Ethiopia, Mozambique, Rwanda and Liberia.

Successful divestments

4 Businesses divested

We sold non-core business, incl. unprofitable and capital intensive businesses.

Eltel's long-term goals

Our strategy is based on three long-term goals that are mutually supportive and contribute to our success. The three goals directly relate to environmental, social and economic sustainability and guide our way of working:

Satisfied customers

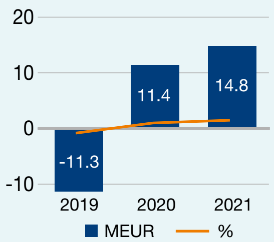
Engaged employees

Rewarded owners

Eltel's targets by end of 2023	
Rewarded owners	
Group operative EBITA margin	5%
Annual growth in the Nordics from 2022 onwards	2–4%
Leverage	1.5–2.5x net debt/EBITDA
Dividend payout	Subject to leverage target
Satisfied customers	
Customer satisfaction index	>75
Engaged Employees	
Employee satisfaction & motivation	>3.75
Lost time injury frequency	Goal zero
Short-term sick leave	<2.5%

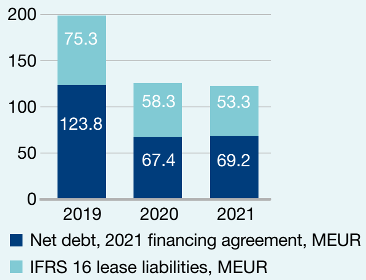
Improved profitability

Operative EBITA and EBITA margin

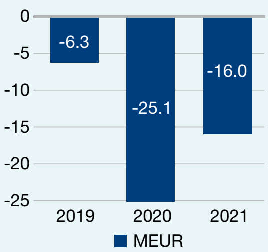


Improved balance sheet

Net debt



Net working capital



The market trends transforming the infranet sector

Market trends present both challenges and opportunities and shape the outlook for players in the infranet sector.

The influence of global megatrends on society
Overarching megatrends such as digitalisation, electrification, urbanisation and climate change drive the demand to install, upgrade, maintain and secure communication and power networks. Infranets are therefore increasingly essential lifelines for modern society that meet the day-to-day needs of businesses and individuals.

Infranets enable a more sustainable and low-carbon society. They provide the infrastructure for electric vehicles and renewable energy, and build communication networks that support the digitalisation of society.

Market trends shape our sector
The infranet sector is constantly changing. The table below summarises the key market trends, their impact on the sector and how the infranet sector is responding.

Market trends	Impact on the sector	Sector response
Changing consumption behaviour	• Increased digitisation and data usage • Societal shift to electrification, including industry and road transport	• Infrastructure upgrades – including 3G dismantling and HetNet/LAN/access roll-outs (ahead of 5G/IoT roll out) • Investments in power networks and infrastructure
Increased use of renewable energy	• Demand for Renewable Energy Sources (RES)	• Investments in wind and solar energy • Network investments in load management
Transition to smart energy solutions	• Demand for energy efficient solutions	• Large national smart meter roll outs and other energy efficient solutions (e.g. LED lighting)
Increased demands on delivery reliability	• The EU is driving harmonisation and setting targets for minimum broadband capacity and availability • Governments across Europe are demanding reliable power networks and RES • Mandatory automated meter management	• Fibre roll out • Network investments in improved operations and service levels to meet stringent requirements
Ageing power infrastructure	• Current power networks are approaching the end of their technical life	• Upgrades of infrastructure/load management/smart grids • Network investments

Market summary and Eltel's outlook

Eltel's home markets in the Nordics are stable with good opportunities for growth in the coming years. We continuously monitor market trends and our surrounding environment to identify and adapt to potential threats and opportunities. Sustainability continues to be increasingly important in our markets for both customers and end users.

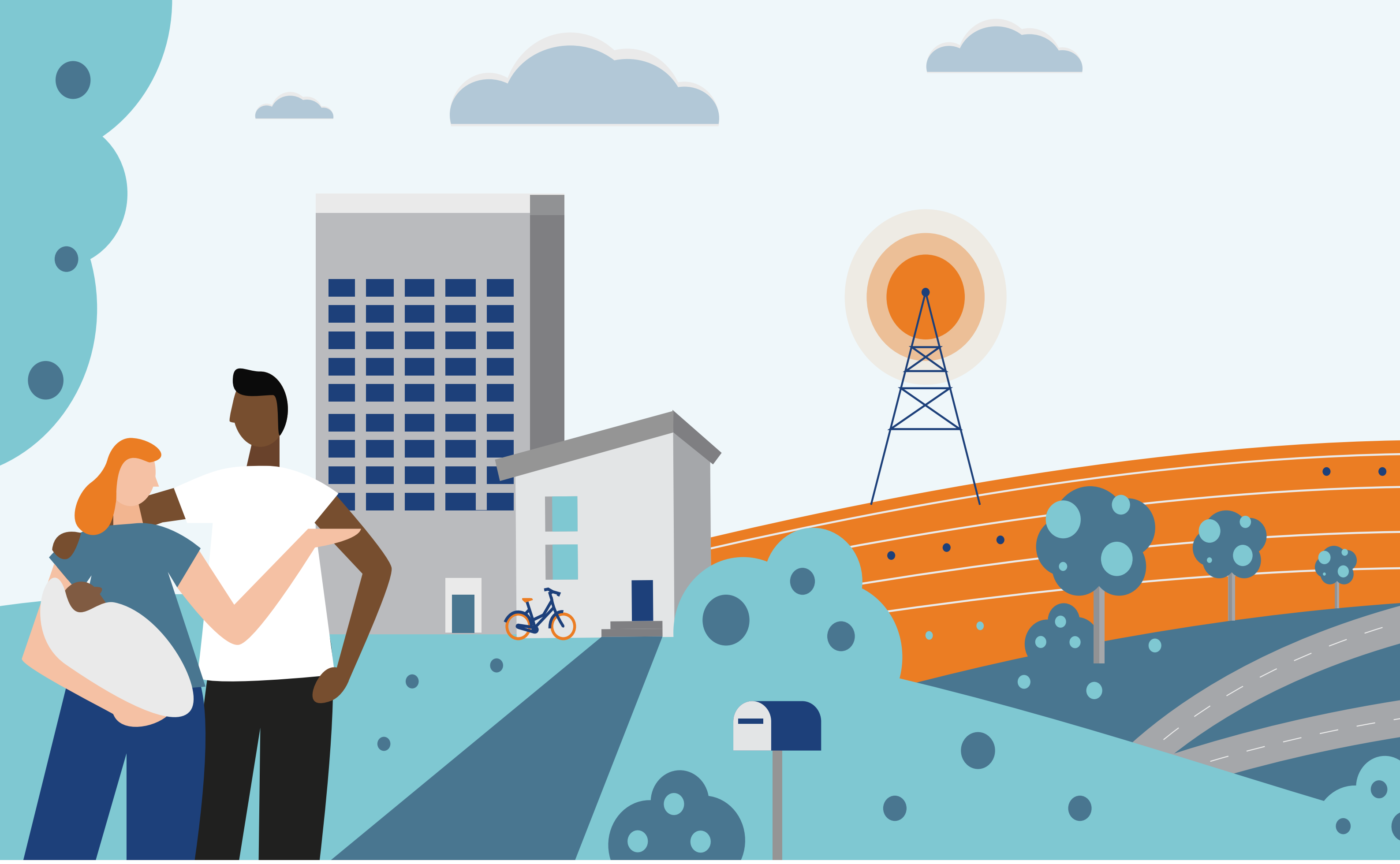
Fibre
Fibre penetration is high in Sweden and partly in Norway. However, as it remains a growth area in Denmark and Finland, it continues to be important to our business.

5G
Eltel is a frontrunner in the sizable 5G mobile communication roll out market in the Nordics. The 5G market is expected to be a growth market in the coming years as roll out continues along with the need to densify and further enhance the network.

Fixed communication
Fixed wireless access will continue to grow, and we also see increasing opportunities in services related to private networks.

Power grid upgrades
The demand to upgrade outdated power grids remains strong. A significant driver for upgrading regional networks is the need for connecting renewable energy sources and electric vehicle charging stations.

Smart meters
The roll out of smart meters continues in various phases in our markets. This includes major ongoing roll outs and a pipeline for future projects.



Communication

We optimise communication networks and help meet societal needs for greater digitalisation, which is revolutionising how we live, work and play.

Modern and high-capacity communication networks support the digitalisation of society and enable people to interact in new ways. This reduces the need to travel and creates new opportunities for people and businesses.

Our communication offering

Eltel's communication offering provides a broad range of services from designing and planning to the building, installing, upgrading, operating and servicing of mobile and fixed communication networks. Communication constitutes around two thirds of Group revenue.

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

Communication opportunities

We are capitalising on market growth in 5G, which will continue in the next few years along with Fixed Wireless Access (FWA), and both public and private indoor communication infrastructure solutions such as Distributed Antenna Systems (DAS). There are also ongoing opportunities for us in the fibre market.

We continue to develop and provide services for both new and existing customers that complement our core business offering. This includes services related to indoor coverage, private 5G networks, Network Operations Centres (NOCs) and OTIT (Operation Technology IT) solutions. We are also enjoying increased opportunities relating to IoT sensors as more devices are connected to the internet and as customers become increasingly interested in smart solutions.

Power

Our power services enable the electrification of society, which is essential for more sustainable energy systems and national carbon-neutrality objectives.

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

Our power offering
The power market can be roughly divided into three areas: maintenance, projects and turnkey projects, in which Eltel is responsible for design as well as planning and construction of the projects. Our main customers are power companies and large network owners. Power constitutes around one third of Group revenue.

Power opportunities
The demand for increased network capacity and capabilities is a major driver in the power market that will continue in the coming years. We are also tapping into the ongoing need to upgrade outdated power grids and install smart meters. Renewable energy, particularly wind power investments, is also driving the market. Areas such as charging infrastructure for electric vehicles and solar panel installation are growing, although from a low level.

We continue to sign more long-term partnership contracts. Such contracts not only provide long-term stability, they also help Eltel expand its share of the value chain.

Eltel Finland

Eltel Finland offers all of Eltel's services – including power, communication and smart grids. The CU installs power transmission lines, substations, fibre, 5G and streetlighting, and manages fault repair and maintenance contracts.

Eltel Finland serves a diverse market of network owners and system operators. The CU is the leading infranet service provider in Finland and is a trusted partner with around 60 offices offering a nationwide presence. It can take on complex projects and quickly mobilise hundreds of repair technicians in the event of a storm or other type of emergency.

Developments in 2021

In 2021, Eltel Finland improved its profitability thanks to greater efficiency through better daily performance management and the establishment of forward-looking KPIs and performance monitoring systems.

In order to reduce risk, Eltel Finland began pursuing more service agreements rather than large power projects. Eltel Finland is also increasingly serving industrial customers.

Sales growth in communication is being driven by fibre to the home (FTTH) and 5G. This growth is expected to compensate for an anticipated decrease in power distribution investments in 2022 due to a new energy market law.

FINANCIAL PERFORMANCE

	2021	2020
Net sales (EUR million)	299.6	300.2
Operative EBITA (EUR million)	12.7	7.2
Operative EBITA margin (%)	4.2	2.4
Number of employees	1,496	1,470

Net sales 2021

Sustainability progress

Safety is the top priority and weekly meetings at team level have been introduced in order to promote and review safety reporting. By regularly considering safety, the weekly meetings keep safety in focus. Safety reporting was enhanced and overall safety performance improved over the year.

Eltel Finland works in partnership with customers to pilot new solutions such as electric excavators and microtrenching, which is faster and reduces emissions, disruptions and costs.

The CU has created a roadmap for replacing its fleet of 700 vans into electric vehicles. The first 50 electric vans were ordered in 2021. A route optimisation tool that promotes the efficiency of individual technicians and reduces vehicle emissions was piloted in the spring before being rolled out nationwide.

Market outlook

Fibre and 5G continue to be the drivers of the communication market and Eltel Finland is the market leader in both. Indoor communication networks and private 5G networks are also becoming an important offering for Eltel in Finland. These include private networks for hospitals, shopping centres and large industrial facilities.

The power distribution market is likely to see reduced investment from 2022 due to new regulations, but growth in the power transmission market continues. An ongoing trend in Finland is the increased need for upgrading regional network connections due to the establishment of more wind farms in the country.

Competitors

- Voimatel
- Enersence
- ENP
- Elvera
- TLT

Major agreements awarded in 2021

- Power transmission lines for OX2
- Electricity network development in Ostrobothnia for Caruna

Case

Connecting Finland's largest wind farm

As the Finnish market leader in the construction of transmission lines and a major player in substation construction and services, Eltel supports the growing wind power sector, which is driving Finland towards climate neutrality.

Wind power is booming in Finland as the country works towards becoming carbon neutral by 2035. In 2021, around 21,300 MW of wind power projects were under development.

Providing wind power transmission lines and substations

Wind farms require high-capacity transmission lines and new substations. Eltel is the market leader in constructing transmission lines in Finland and is a major player in substation construction and services.

"We are a reliable nationwide partner that network operators and wind power companies can rely on to connect their wind farms throughout Finland," says Tuomas Antikainen, Sales Director – Transmission, Wind and Cabling at Eltel Finland. "Wind power customers appreciate our unique ability to not only be able to deliver both transmission lines and substations, but also medium voltage cables and fibre network connections. Only Eltel offers this in Finland."

Connecting Finland's largest wind farm

When completed, the new wind farm in Lestijärvi, Central Ostrobothnia, will comprise 69 turbines in three wind farms with a total capacity of 400 MW.

"We are constructing an approximately 60 km long 400 kV transmission line and an approximately 25 km long 110 kV line," says Antikainen. "Once completed, the wind farm will be Finland's largest and will meet the equivalent annual electricity needs of around 73,000 Finnish family homes."

Key facts

Client: OX2
Services: transmission lines
Period: 2022 – 2024
Value: EUR 22 million

Eltel Sweden

The communication business accounts for around 90% of Eltel's turnover in Sweden. Eltel installs and maintains 5G and fibre networks and is a major player in the fibre to the home (FTTH) market. The CU works with indoor, fixed and Wi-Fi networks, as well as radio communications and public infrastructure. Customers include national operators, network and infrastructure owners and municipalities.

Eltel Sweden's power business focuses on the low to medium voltage distribution segment and substation cabling. Smart meter installation is a significant part of the business with large ongoing roll out projects. The CU has a national presence and the capability to deliver complex frame agreements with a skilled workforce.

Developments in 2021

Eltel Sweden experienced a weak start to the year due to harsh winter conditions, but the result improved after the summer and some challenging long-term projects were finalised in 2021.

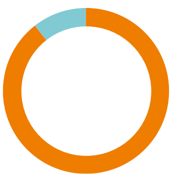
To improve profitability and align with one national operative model, project "Ett Eltel" (One Eltel) was launched. Ett Eltel also aims to ensure that national customers recognise Eltel as one company, as well as strengthen Eltel as a good employer.

In smart meter installation, Eltel Sweden strengthened its market leading position. Sharing best practices and streamlining processes have been key success factors in scaling smart meter installation capabilities in partnership with key stakeholders.

FINANCIAL PERFORMANCE

	2021	2020
Net sales (EUR million)	182.2	224.5
Operative EBITA (EUR million)	-1.8	-3.7
Operative EBITA margin (%)	-1.0	-1.6
Number of employees	914	1,003

Net sales 2021



● Communication ● Power

Sustainability progress

Eltel Sweden aims to reduce vehicle emissions by 50% between 2019 and 2025 by using renewable diesel in vans and excavators, and phasing in electric vehicles from 2022. Around 10% of vehicle fuel is now fossil free and most of the remaining fuel is biodiesel with up to 42% renewable content.

Waste is another focus area with the target to reduce non-recyclable waste by 50% from approximately 43% 2019 by 2025. During the year, a new contract was signed with a waste recycling partner and recycling stations at Eltel premises were improved with more alternatives.

Market outlook

Eltel Sweden is looking into new public infrastructure opportunities, such as smart level crossings and roadside weather station sensors (see Case Story on page 15).

Going forward, Eltel Sweden is focusing on broadening the collaboration with existing customers and offering current services to new customers, such as indoor, fixed/Wi-Fi to real estate owners and helping them to build and improve their network coverage, capacity and quality.

Competitors

- Transtema
- OneCo
- Scanmast
- Netel

Major agreements awarded in 2021

- 5G installation for Tele 2 and Telenor
- 3G demolishing projects for Tele 2 and Telia

Case

Eltel secures key Swedish transport infrastructure

Eltel is conducting a full weather station upgrade in Central and Northern Sweden that will enable better weather forecasting, monitoring and planning capabilities – and ultimately promote road safety.

Modernising critical infrastructure

In March 2021, Eltel won a four-year contract to carry out a full sensor upgrade for 266 roadside weather stations in Northern and Central Sweden. The stations collect information on winter road conditions and allow the Swedish Transport Administration to predict potentially disruptive weather conditions.

"The existing sensors were 8–10 years old and had reached the end of their operational life," says Magnus Rosenberg, National Sales Infrastructure Manager at Eltel Sweden. "The state-of-the-art hardware we are installing is more accurate and provides higher quality data, such as high-definition video, while enabling higher data speed and capacity connections."

Promoting road safety is a top priority

Improved road safety is the main objective of the project as the upgrade will enable the Swedish Transport Administration to provide better weather forecasting, monitoring and planning for their road network. This will promote road safety by optimising the use of resources and issuing accurate warnings of potentially dangerous driving conditions.

"Eltel is a natural partner when organisations want to install different kinds of sensor solutions as we have the expertise, skills and scale to deliver any kind of project – as this partnership illustrates," says Rosenberg.

Key facts

Client: the Swedish Transport Administration (Trafikverket)
Services: sensor upgrade
Period: summer months 2021-2024

Eltel Norway

Eltel Norway is the market leader in the communication market, offering everything from installing to maintaining fixed and mobile communication networks. This includes design, planning, project management, testing and documentation. The CU serves operators, utility companies, regional fibre operators and private companies.

Eltel Norway is the leading service provider with the competence and capacity to deliver throughout the entire value chain, including turnkey projects and innovative solutions for ensuring cost efficiency and quality. The CU also draws on Eltel's cross-border workforce to meet demand during typical peak business periods and ensure cost effectiveness (see Case Story on page 20).

Developments in 2021

The COVID-19 pandemic impacted Eltel Norway more than in 2020 with postponements in customer investments and project implementation. This reduced net sales, although the market remains strong and is expected to stabilise in 2022. In order to improve efficiency, productivity and quality, a number of developments were made during 2021.

Eltel Norway invested in the creation of a Project Management Office comprising senior project managers to oversee all projects over EUR 1 million and ensure profitability. Additionally, a "5G Factory" was created to share best practice on how to deploy a centralised roll out of 5G solutions.

The implementation of the digital order management system (EOS) was completed along with the centralised dispatching of technicians. This led to optimisation of the dispatch process by promoting better use of technicians and decreasing fuel consumption.

FINANCIAL PERFORMANCE

	2021	2020
Net sales (EUR million)	160.5	177.7
Operative EBITA (EUR million)	9.2	14.3
Operative EBITA margin (%)	5.7	8.0
Number of employees	939	943

Net sales 2021

Sustainability progress

During the year, Eltel Norway focused on electrifying its vehicle fleet and promoting low-carbon excavation techniques. The CU committed to replace all of its approximately 600 vehicles to electric vehicles by 2026. The first 120 vehicles will be delivered in 2022.

In 2021, 8–10% of all Eltel's excavation work in Norway, mainly for fibre to the home (FTTH), was conducted using microtrenching. As the solution avoids the need for diesel excavators, it reduces CO_2 emissions, noise, local disruption and cost.

Market outlook

In mobile communication, 5G roll out and densification is expected to drive growth in the coming years. In fixed communication, fibre investments are expected to decrease while fixed wireless access will continue to grow as a result of copper decommissioning and access to 5G coverage.

The growth in electric vehicles in Norway has created a large demand for electric vehicle charging station installation services. There are also significant opportunities in IoT sensor solutions in multiple industries.

Eltel Norway sees several opportunities to work higher up the value chain, for example, by taking more responsibility for planning projects and offering consultancy services – as well as its core installation and maintenance offering.

Competitors

- OneCo
- Netel
- UBConnect
- Sitecom
- Site Service

Major agreements awarded in 2021

- Telenor 5G upgrade – in several counties

Case

Preferred nationwide 5G and FWA partner in Norway

Eltel is working with Telenor and Telia in Norway to install the latest network solutions.

In Norway, Eltel has been a vital part of the 5G roll out from the very beginning, participating in field pilots back in early 2019. A large-scale 5G roll out has started in all major cities and is expected to cover the entire country by 2024.

Fixed Wireless Access (FWA) – a game changer for wireless broadband

Currently, FWA mainly runs on 4G, but this is rapidly changing as network operators gradually upgrade to 5G – making FWA a fully-fledged alternative to fibre. FWA is particularly useful in rural areas and can provide everyone with cost-effective and high-speed communication.

"Eltel is proud to be the preferred partner and main provider of 5G and FWA for the largest telecom operators in Norway," says Joakim Johansen, FWA Expert at Eltel Norway. "Upgrading to 5G enables more stable FWA networks offering greater speed, capacity and opportunities for additional services."

Societal benefit

"As FWA does not require excavations in order to lay cables, it reduces environmental impact and speeds up the connection process," says Johansen. "Most of the equipment we have in Norway is also 5G-ready, which means we don't need to replace it with new hardware."

Networks enhanced by 5G and FWA will enable more people to work from home and travel less, while also benefitting from greater connectivity and the Internet of Things.

Key facts

Clients: Telenor and Telia
Services: 5G and FWA installation
Period: ongoing

Eltel Denmark

The communication market accounts for around 75% of Eltel's revenue in Denmark. Eltel is a market leader in the country's peaking fibre market and operates in the mobile network market, such as 5G. Eltel Denmark also works on communication projects for the national rail network and the emergency services.

In the power market, Eltel Denmark primarily deals with medium and low voltage systems – such as modernising the Danish power network for renewable energy, electric bus charging systems in Copenhagen and upgrades to municipal LED lighting.

Developments in 2021

Following a strong first six months, Eltel Denmark experienced a weaker second half of 2021 after the completion of a large communication project and the insourcing by a major customer of an agreement. The CU restructured its business to adapt to the new market situation and worked proactively to develop its business and identify growth opportunities.

This resulted in new orders, such as the first water meter replacement contract for a customer in the northern part of Jutland. Such new opportunities will continue in 2022 and are expected to have a positive impact on the business.

In addition, the CU increased its focus on the power market. Denmark's aging power network needs upgrading and reinforcing to cope with the roll out of vehicle charging stations and renewable energy.

FINANCIAL PERFORMANCE

	2021	2020
Net sales (EUR million)	87.9	118.1
Operative EBITA (EUR million)	4.2	5.0
Operative EBITA margin (%)	4.8	4.3
Number of employees	461	637

Net sales 2021

Sustainability progress

The sustainability focus in Denmark has been on monitoring vehicle emissions and trialling new models of small electric vans in Eltel's operations, sourcing efficient and hybrid vehicles, and installing vehicle charging stations at Eltel's offices and in employees' homes. The CU won a vehicle industry award for its work during the year. Eltel Denmark also renegotiated its electricity contract to be 100% renewable in 2021.

Switching to electric and more efficient vehicles is the CU's greatest sustainability opportunity. The challenge is identifying the optimal timing for investments, which will differ in urban and rural areas and may reduce operational efficiency if investments are made too early or too late.

Market outlook

5G installation for major customers will continue to increase as Eltel works on approximately 4,000 sites around Denmark. The fibre market may have peaked in 2021, but the market will remain strong in the coming years.

The entire Danish power market will grow in 2022 and beyond as vehicle charging and renewable energy continues to expand. Eltel has a strong presence in the Eastern Denmark and has significant potential to expand in the power market in Western Denmark.

Competitors

- Kemp & Lauritzen
- Bravida
- Atea
- Intego

Major agreements awarded in 2021

- Aarhus municipality – installation and maintenance of fibre and electricity supplies in municipality-owned properties
- Banedanmark – consultancy and infrastructure design

Photo: Robert Attermann / RED STAR
Source: Banedanmark

Case

Securing train operation and passenger comfort in Denmark

Eltel maintains power conversion stations in Copenhagen and preheater stations throughout Denmark to ensure trains run smoothly while promoting passenger comfort.

The two 4-year contracts for Banedanmark were won in 2021 to maintain and service power convertor stations for the commuter S-train (Danish: S-tog) in Copenhagen and train preheater stations throughout the Danish railway network.

"We are very proud to manage these prestigious and essential servicing contracts," says Claus Metzsch Jensen, Managing Director at Eltel Denmark. "The project allows us to demonstrate our skills and capabilities, while playing our part in keeping trains running and promoting passenger comfort."

Safeguarding key public transport infrastructure

The Copenhagen S-train is a key part of public transport in the city. Eltel services and maintains all 37 of the conversion stations that convert the 10 kV high voltage power supply to the required 1.65 kV to power the trains. It also conducts all scheduled maintenance and resolves any issues.

Promoting rail passenger comfort throughout Denmark

The preheater contract involves the servicing and maintenance of all 15 train preheater stations located throughout Denmark. The stations pre-heat or cool passenger carriages before use to ensure they are at the right temperature for passengers. They also preheat locomotives to ensure they are ready to run when needed.

Key facts

Client: Banedanmark
Services: Maintenance and servicing of rail power infrastructure
Period: 2021-2025 (plus potential 2-year extension)

Other business

Eltel has a project-based high voltage business that operates in Poland and a smart grids business in Germany. Eltel also has a small but strong communication business in Lithuania that provides the Nordic countries with highly skilled technicians – our cross-border workforce.

In 2021, Eltel divested its high voltage business in Germany as it continues to focus on the Nordic market.

Case

Cross-border workforce provides Eltel with a unique competitive edge

Eltel has two highly skilled cross-border workforces. One team comprises high voltage transmission line technicians based in Poland and the other team comprises communication technicians based in Lithuania. These teams provide great flexibility to quickly meet changing market needs throughout the Nordics.

Eltel's approximately 170 cross-border employees based in Lithuania and Poland are all directly employed by the company. This highly competent and experienced international workforce provides Eltel with a unique competitive edge.

"Having a permanent cross-border workforce enables us to be sure that all our employees are well-trained and know how we work – including the use of the latest technological solutions and our safety practices," says Juha Luusua, Managing Director of Eltel Finland.

Ensuring a skilled and flexible workforce

The lack of highly skilled technicians is an issue for all the Nordic countries. A cross-border workforce is also more flexible and able to work where needed.

"It's difficult to hire skilled 5G technicians in the Nordics right now, but we have many of them in our cross-border workforce," says Luusua. "For Eltel, this is incredibly valuable us to be able to meet any urgent need for highly skilled technicians in the Nordic region. This flexibility gives us a huge competitive edge compared to if we were to build a local team from scratch by hiring and training new employees."

It's difficult to hire skilled 5G technicians in the Nordics right now, but we have many of them in our cross-border workforce.

Case

A robust safety culture

Eltel achieved its all-time best safety performance in 2021, which is the result of its long-term commitment to promoting safety throughout the business.

During the year, Eltel's Lost Time Injury Frequency Rate (LTIFR) per million working hours for its own employees decreased to 3.8 – compared to 4.9 in 2020 and 6.2 in 2019. This trend of improving safety performance is the result of a robust safety culture that has been developed in recent years along with concrete actions out in the field.

Towards zero injuries

Recent safety initiatives include improving personal protective equipment, safety knowledge sharing and running annual safety campaigns and management safety walks. A global digital reporting tool has also been launched to increase transparency, foster the reporting of safety observations and help Eltel's field personnel analyse safety risks in a systematic way.

"Our ultimate vision is zero injuries," explains Safety Manager Seppo Rytilä. "We are proud of our progress and are aiming to achieve consecutive months with no lost time injuries in 2022 as we strive towards our zero injury vision."

Sustainability

For Eltel, sustainability is about building a strong profitable company for the future, and delivering lasting financial, social and environmental value to Eltel's stakeholders and society at large.

Highlights 2021

›› Improved safety performance
An increased focus on monitoring and preventing minor injuries helped to further educe the Lost Time Injury Frequency Rate (LTIFR).

›› Commitment to the Science Based Targets initiative
Eltel's commitment to the SBTi has underlined the company's level of ambition to tackle the global climate crisis. Eltel is currently developing climate targets to submit to the SBTi.

›› CDP Climate Change
In 2021, we stepped up our climate work at Eltel by further developing our climate reporting. Our progress was recognised in the improved score on the CDP Climate questionnaire where we achieved a Management score (B-) for taking coordinated action on climate issues.

›› COVID-19, protecting employees' health
Eltel continued social distancing and other measures to protect the health of its employees, customers and other partners.

›› EU taxonomy
The taxonomy-eligible economic activities relevant to Eltel were identified. These are estimated to account for 32% of the turnover. Read more on page 35–36.

Key figures

3.8
↘ 22.4%
LTIFR per million working hours. Eltel employees. (2020 LTIFR 4.9)

24.6%
↘ 5,012,748 kg CO_2-eq reduced emissions in scope 1.

89%
Code of Conduct training completion rate

100%
All CUs continue to hold ISO 9001, OHSAS 18001/ ISO 45001 and ISO 14001 certificates.

Integrated into our way of working

Our ambition is to be a leader in sustainability. There are two aspects to our approach – creating shared value by enabling a sustainable society – and ensuring a responsible business practice. We focus on our sustainability priority areas to minimize our negative impact and maximize our positive impact on people and the environment.

Priority area	Material topics 2021–2023	Achievements in 2021
Health and Safety	Zero fatality and disability cases Reduce injury frequency (LTIFR and TRIFR) including subcontractor employees Foster a proactive safety culture	Increased focus on monitoring and preventing minor injuries, further reduced Lost Time Injury Frequency Rate (LTIFR). Manager trainings to analyse the root causes of incidents, safety training, manager safety walks, COVID-19 measures.
Environment	Reduce the average CO_2 emissions of cars and vans Establish a roadmap to become fossil free Promote the positive impact of Eltel's customer solutions Annual decrease of share of purchased fossil energy	Commitment to the Science Based Target initiative (SBTi), improved the CDP Climate Change disclosure rating, increased focus on reducing emissions from our vehicle fleet and piloting low-carbon solutions together with customers.
People and society	Be the industry's most attractive workplace Contribute to sustainable development and welfare	Continued implementation of the leadership framework, ongoing regular performance and development dialogues with finetuned dialogue template, annual employee engagement survey.
Supply chain	Secure the HSEQ performance and compliance with Eltel's Code of Conduct Policy by monitoring of strategic partners	Regular supply chain audits, supplier and contractor engagement on safety, quality, Code of Conduct, policy and ISO compliance. Initial mapping of the top emitting suppliers on climate targets setting.
Business ethics	Be compliant with all relevant laws and regulations, internal policies and agreements with customers and suppliers Code of Conduct and policy trainings	Minimum social safeguards assessment in alignment with the EU taxonomy. Mandatory Code of Conduct trainings. Updated procedure according to the EU whistleblowing directive. Annual communication on progress to UN Global Compact.

Stakeholder dialogue guides our approach

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

Stakeholder group	Channels of dialogue	Key topics raised 2021
Employees	Ongoing employee dialogue, town hall meetings, internal channels (intranet, newsletters, e-mail, etc), employee engagement survey, workshops	Safety and work environment, remuneration and benefits, training, daily performance management, leadership, Code of Conduct, skills development
Customers	Continuous customer dialogue, delivery monitoring, customer surveys, market surveys, workshops	Quality, specific customer requirements, collaboration/partnerships, science-based targets, safety and work environment, innovation
Shareholders	Annual General Meeting, quarterly earnings calls, investor dialogue, press releases	Business performance including short and long-term implications
Suppliers	Continual supplier dialogue, local supplier meetings, audits, delivery monitoring	Pricing and terms, ethics and values, environment, safety and work environment, waste management, climate target setting
Trade unions	Meetings, negotiations	Labour law issues, remuneration, work environment, health and safety
Authorities	Structured monitoring, specialist network	GDPR, sustainability (reporting requirements), EU taxonomy, general compliance with laws, ordinances and regulations
Industry and stake-holder organisations, specialist networks	Membership, participation on the board, conferences, training, network meetings	Digitalisation, electrification, sustainability, workplace safety
Society	Sustainability reporting, information and contacts on website and in social media	Ethics and values, environment, COVID-19 information

Our global commitment

Since many years, Eltel is committed to a number of sustainability frameworks. Together with stakeholder dialogue on the relevant topics used to shape our strategic decision-making, this provides the road map to remain relevant as a partner, employer and investment opportunity.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Science Based Targets initiative (2021)
Eltel has announced its commitment to set science-based targets for significant reductions in our greenhouse gas (GHG) emissions by 2030. Eltel's targets are being developed and will be validated against the latest climate science by the Science Based Targets initiative (SBTi).

CDP
DISCLOSURE INSIGHT ACTION

CDP Climate Change (2016)
Eltel reports to the CDP Climate Change programme every year and has done so since 2016. The information gathered is designed to improve transparency for our stakeholders as well as drive positive change throughout our organisation – to reduce our greenhouse gas emissions and mitigate climate change risk.

UN GLOBAL COMPACT

UN Global Compact (2014)
Since 2014, Eltel has been a signatory of the UN Global Compact and its ten principles on
- Human rights
- Labour
- Environment
- Anti-corruption

The principles are embedded into our strategy, policies and procedures, and related processes. We report annually on our sustainability performance in line with the Communication on Progress process as defined by the UN Global Compact.

THE GLOBAL GOALS
For Sustainable Development

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

As a sustainability leader in the infranet industry, we believe that we can make the biggest contribution to:

SDG 7: Affordable and clean energy

7 AFFORDABLE AND CLEAN ENERGY

Eltel's power services enable access to reliable electricity and the incorporation of renewable energy into the power grid.

SDG 8: Decent work and economic growth

8 DECENT WORK AND ECONOMIC GROWTH

Eltel provides decent work for its employees and contributes to economic growth in the countries where it operates.

SDG 9: Industry innovation and infrastructure

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Eltel secures resilient communication and power networks, and work in partnership with customers to pilot innovative solutions.

SDG 13: Climate action

13 CLIMATE ACTION

The infranet solutions that Eltel provides enable the transition to a robust, resilient and carbon-neutral society. Eltel works actively to reduce the climate impact of its operations.

Other SDGs relevant to our business are SDGs 5, 10, 11 and 12.

Sustainability topics at Eltel are managed by a Sustainability Committee that includes business representatives from all Country Units, and a Sustainability Steering Group. Both report directly to the Group Management Team and the President and CEO, who is ultimately responsible for sustainability at Eltel.

Health and safety

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

Progress in 2021

Given our reduced Lost Time Injury Frequency Rate (LTIFR) in recent years, we have continued to monitor the Total Recordable Injury Frequency Rate (TRIFR), which includes all lost time injuries, medical treatment cases and occupational illnesses. We strive to prevent the most serious injuries from occurring by investigating the root causes of minor injuries and serious near misses. We actively mitigate risk by training managers to analyse the root causes of incidents by promoting more proactive reporting and executing on-site risk assessments. The KPI for the TRIFR was monitored in line with industry practice.

Other important activities in 2021 included safety training, safety walks by our managers, internal safety bulletins and campaigns. In addition to our safety focus, the COVID-19 measures, follow-up dialogue with employees who are ill and rehabilitation support for employees on long-term sick leave are also important measures to reduce absence due to illness.

Health and safety risks

Eltel has clearly defined the health and safety risks for our people. High-risk activities related to day-to-day operations include electrical safety, working at height, managing ageing infrastructure, and road safety. Road safety is a particularly important area for Eltel as teams spend a lot of time on the road driving from site to site. Eltel is constantly seeking to identify and implement more modern and safer solutions and processes to reduce risk.

KPIs	2021	2020
Absence due to illness, including long-term illness, Eltel employees, %	5.3	5.4
Lost time injuries per million working hours (LTIFR), Eltel employees	3.8	4.9
Total Recordable Injury Frequency per million working hours (TRIFR), Eltel employees	25.0	24.8
Number of fatal accidents: Eltel and subcontractor employees	0	0

Policies	Guiding frameworks
HSSEQ Policy Code of Conduct	OHSAS 18001/ISO 45001 SDG 5, 8

Lost time injury frequency rate

3.8

↘ 22.4%
LTIFR per million working hours.
Eltel employees.
(2020 LTIFR 4.9)

Absence due to illness

5.3%

↘ 0.1%
Including long-term illness.
Eltel employees.
(2020 5.4%)

Fatal accidents

0

Eltel employees and subcontractors.

Environment and climate

Eltel is active in an industry that plays a key role in the transformation to a low-carbon society. By supporting our customers to develop innovative infranet solutions, we help society to mitigate, adapt and become more resilient to the effects of climate change. We strive to minimise the environmental impacts of our operations.

Our progress in 2021

Eltel's commitment to the Science Based Targets initiative underlines the company's long-term ambition to tackle the global climate crisis. Another example of this increased ambition is the improved rating of Eltel's CDP Climate Change disclosure in 2021 (read more on page 23 and 25).

The most significant environmental impact from our own operations are the emissions from our vehicle fleet (scope 1). Thus, our main focus is to minimise the average CO_2 emissions from our cars and vans. We continue to establish a roadmap to become fossil free by gradually switching to vehicles that are electric, hybrid or that run on renewable fuel.

Collaboration with our suppliers and customers is an important part of reducing our emissions, given the considerable size of our scope 3 emissions. Together with our customers, we worked actively to pilot low-carbon solutions, such as electrical excavators and microtrenching, in order to reduce the impact during excavation work (read more in Case Story on page 28).

The process of collecting, validating and calculating environmental data in alignment with the Greenhouse Gas Protocol (GHG) has been evaluated and improved during the year. Significant progress was made in our environmental data in scope 3, indirect emissions from Eltel's suppliers, which now covers 100% of the indirect emissions from our supply chain. To enable us to work efficiently on our engagement and reduction efforts, we are actively working on sourcing and integrating activity data.

Other important and prioritised environmental topics include waste management and the responsible sourcing of materials. We work to minimise our physical environmental impact, disruption and noise from work sites.

Environmental risks

Working to minimise vehicle emissions, we face external challenges related to access to electric vehicles, lack of charging stations in rural areas and increasing biodiesel prices. Large electric excavators are not currently available, but we tested smaller excavators in 2021 and the area is developing rapidly.

KPIs	2021	2020[1]
Vehicles in entire fleet	2,895	3,208
Share of zero- and low-emission vehicles (cars and vans), %	1.9	1.1
Total fuel consumption of entire fleet, litres	6,147,285	7,381,713
Total CO_2 emissions, kg CO_2-eq, scope 1	15,372,013	20,384,761

[1] The 2020 carbon emissions are recalculated using the new improved calculation methodology.

Policies	Guiding frameworks
HSSEQ Policy Code of Conduct	ISO 14001 UN Global Compact Principles 7, 8, 9 SDG 7, 12, 13 CDP Climate Change Science Based target initiative

What are Eltel's scope 1, 2 & 3?

Scope 1 – Direct emissions resulting from fuel use within Eltel's car fleet and onsite energy use (heating).

Scope 2 – Indirect emissions resulting from the generation of purchased energy used within Eltel office premises.

Scope 3 – All other indirect emissions that occur in Eltel's supply chain and are not already included within scope 2.

Reduced CO_2 emissions (scope 1)

24.6%

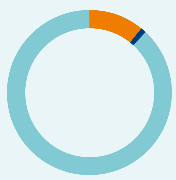
↘ 5,012,748 kg CO_2-eq

Share of renewable energy (scope 2)

31%

↗ 8% (2020 23%)

Scope breakdown of total emissions, %



- Scope 1, 10.8%
- Scope 2, 1.1%
- Scope 3, 88.1%

Case

Electric excavator trial with customer to reduce emissions

Eltel trialled an electrical excavator on the Helen Electricity Network project in Helsinki to demonstrate how electrical equipment can reduce local emissions and noise.

Less disturbance and less environmental impact

The trial, which was conducted in partnership with Helen Electricity Networks, was the first of its kind on the streets of Helsinki and demonstrated how electric equipment can contribute to less noisy work sites and a better environment for workers and the local community.

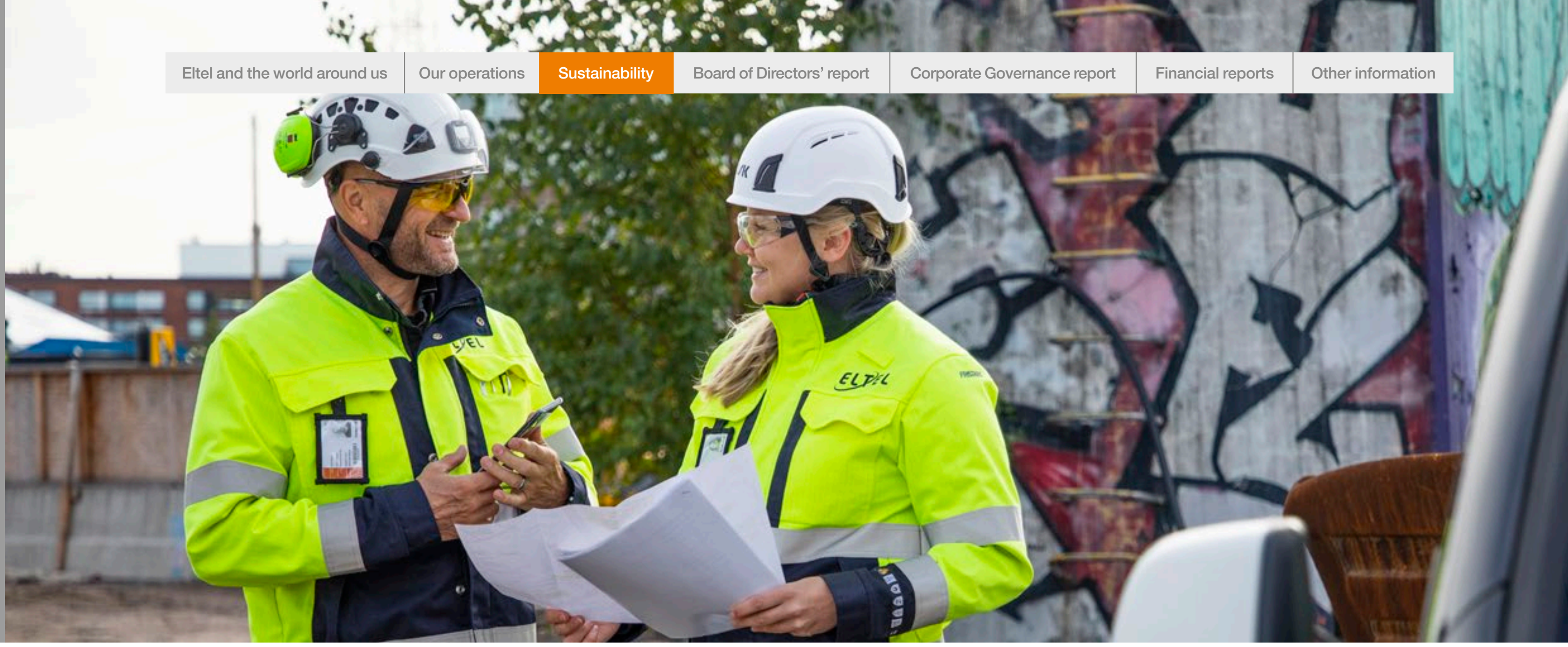
The City of Helsinki and Helen Electricity Network are working towards becoming carbon neutral by 2035. Diesel-powered heavy machinery such as excavators produce greenhouse gases, harmful emissions and engine noise.

Tested in a demanding urban environment

The electric excavator was trialled in Helsinki city centre in order to put it to the test in a busy urban environment with paved surfaces.

“We concluded that the electric excavator performed as well as a traditional excavator of similar size and class and was also much quieter,” says Teemu Niemi, Chief Operating Officer of Eltel Finland. “Eltel offers cost-optimised high-quality services, and such electric equipment will help us to provide a low-carbon footprint solution to our customers.”

Eltel offers cost-optimised high-quality services, and such electric equipment will help us to provide a low-carbon footprint solution to our customers.”



People and society

Eltel's goal is to be the most attractive employer in the industry. A clear focus on leadership, talent management, employee development and business ethics are essential parts of our strategy. We contribute to sustainable development and social welfare by ensuring that communication and power networks function as they should.

Our progress in 2021

Eltel's managers have a great responsibility for the people in their team. We have continued to implement the leadership framework with clearly defined roles, responsibilities and expectations in order to support our employees in leadership roles.

All employees have regular performance and development dialogues with their managers. This helps us to stay focused on our strategy and to more accurately identify further learning needs, development opportunities and potential workplace improvements. Based on feedback from previous years, we launched an updated development dialogue template in the beginning of 2021, which was well received by our employees.

The participation rate in the employee engagement survey in 2021 was 74%. The highest engagement drivers were "Performance Management", "Relationship with Colleagues" and "Health and Safety". The positive development in these areas confirms that we are on track towards achieving our strategic goal of engaged employees, as well as our focus on health and safety.

People and society risks

One of Eltel's most significant risks related to people and society is not being able to attract and retain the employees we need with the right skills and experience.

KPIs	2021	2020
Number of employees at year-end	5,049	5,449
Of which < 30 years, %	19	18
Of which > 55 years, %	23	24
Share of male/female at year-end, %	87/13	84/16
Share of women in Group Management Team, % at year-end	25	25
Share of women in Board of Directors, % at year-end	20	20

Policies	Guiding frameworks
HR Policy Code of Conduct	UN Global Compact Principles 1, 2, 3, 4, 5, 6, 10 SDG 5, 7, 8, 9, 10, 11

Number of employees

5,046

Of which < 30 years: **19%**
Of which > 55 years: **23%**

Expenses in wages and salaries

248.7

EUR MILLION

Engagement score

3.7/5

↗ 0.1 from 2020

Supply chain

Eltel takes overall responsibility for its subcontractors. This includes their work environment, employees and the ultimate delivery to the customer. Our partners are included in our systematic work on health and safety, and we have clear processes in place that ensure they sign up to the Eltel Code of Conduct and commit to our other key policies and principles.

Our progress in 2021

Eltel continued to ensure the quality of its sourcing and supply chain management, including financial and legal responsibilities, as an important and integrated part of our business. We recommend that our suppliers and partners have valid ISO certifications. If they do not hold such certifications, they are required to demonstrate their compliance by signing an agreement and participating in Eltel's e-learning courses.

In addition, our Country Units began engaging with their suppliers and contractors on climate change. This involved investigating whether they could set science-based climate targets as we focus on reducing our scope 3 emissions in the coming years.

We regularly conducted supply chain audits during the year, both planned and unannounced. In cases where potential non-compliance was identified, an action plan was implemented to ensure that the subcontractor in question met our standards.

Supply chain risks

Eltel takes responsibility for its supply chain as it poses both financial and legal risks to the company. Eltel categorises subcontractors and suppliers according to their level of risk exposure. Partners rated as the highest risk, category A, are integrated into Eltel's procedures for reporting HSE incidents and monthly working hours.

KPIs	2021	2020
Number of supply chain audits, – subcontractors	320	198

Policies	Guiding frameworks
HSSEQ Policy Code of Conduct	ISO 9001 OHSAS 18001/ISO 45001 ISO 14001 SDG 5, 8, 10, 12, 13

Number of supply chain audits

320

Fatal accidents Eltel employees and subcontractors

0

Certifications compliance required

ISO

ISO 9001
OHSAS 18001/ISO 45001
ISO 14001

Business ethics

Eltel is a signatory to the United Nations Global Compact and its ten principles on human rights, labour rights, environment and anti-corruption, which are incorporated into our internal policies. Working with business ethics involves complying with all applicable laws and regulations as a minimum, as well as Eltel's internal policies and agreements with shareholders, customers and subcontractors.

Our progress in 2021

During the year, we assessed minimum social safeguards according to the guidelines of the Organisation for Economic Co-operation and Development (OECD), the UN Guiding Principles and the International Labour Organisation (ILO) to ensure compliance with the EU taxonomy.

As a people company, maintaining an awareness and understanding of our governing policies is critical to ensuring business compliance. During 2021, new employees received mandatory Code of Conduct training as part of their onboarding process.

Our whistleblowing procedure was revised according to the EU whistleblowing directive, which was adopted locally in December 2021. The directive involves having a third party manage the procedure to ensure anonymity and comply with legislation.

In 2021, zero whistleblowing cases were reported through the procedure. Local issues are typically captured by our compliance processes at CU level. This includes local feedback and communication, as well as the fostering of an open culture for our employees.

Business ethics risks

Eltel operates in a competitive industry with low barriers to entry and low margins, which increase the risk of corruption, breaches and conflicts of interest. Good ethical behaviour in our operations is promoted by responsible and sustainable business practices.

CODE OF CONDUCT	2021	2020
Code of Conduct training completion rate, Eltel employees, %	89	89

Policies	Guiding frameworks
Code of Conduct Anti-corruption Policy Data Protection Policy Human Resources Policy HSSEQ Policy Insider Policy Group Tax Policy Information Security Policy Whistleblowing Policy Risk Management Policy Competition Law Instruction	UN Global Compact Principles 1, 2, 3, 4, 5, 6, 10 SDG 5, 8, 10, 12 ISO 9001 OHSAS 18001/ISO 45001 ISO 14001

Auditor's opinion regarding the statutory sustainability report

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

Engagement and responsibility

It is the board of directors who is responsible for the sustainability report for the year 2021 on pages 23-31 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the examination

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

Opinion

A statutory sustainability report has been prepared.

Stockholm 29 March 2022
KPMG AB

Fredrik Westin
Authorized Public Accountant

Board of Directors report 2021

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 2021 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 Nordic field service provider for communication and power networks. We deliver a comprehensive range of solutions – from maintenance and upgrade services to project delivery. This includes design, planning, building, installing and securing the operation of networks for a more sustainable and connected world today and for future generations.

Our customers include telecom operators and other owners of communication networks. We also work for owners of power distribution grids and national transmission system operators. Most of our work is conducted through long-term frame agreements that range from two to five years. This enables us to create and maintain long-term relationships with customers – and work closely with them to achieve their objectives.

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

Significant events 2021

Improved productivity and profitability

Productivity and profitability improved in the Nordics partly as a result of several initiatives in to promote operational efficiency – primarily improve to production planning, optimise route planning and technician utilisation.

Continued Nordic strategy

In line with Eltel's strategy, focus was maintained on the Nordic markets, where the company has a leading market position, high competence and where the business model is repetitive and primarily targeted towards build, service and maintenance. During the year, Eltel divested its high voltage business in Germany and closed its operations in the UK, Georgia and Mozambique.

Sustainability in focus

In 2021, Eltel improved its safety performance, committed to the Science Based Targets initiative and improved the CDP Climate Change score for taking coordinated actions on climate issues.

COVID-19

The pandemic reduced customer investments, delayed projects, and increased material and logistics costs during the year. However, the infranet markets are robust and all Country Units (CU) responded well to the challenges, despite quarantine requirements and increasing employee sick-leave rates towards the end of the year.

FCCA decision

The Finnish Supreme Administrative Court issued on 20 August 2021 a decision by which it fully dismissed the Finnish Competition and Consumer Authority's (FCCA) proposal to impose on Eltel a fine in the amount of EUR 35 million for an alleged infringement of competition law. The decision brought an end to the proceedings that were opened by the FCCA in 2013.

Nasdaq decision

The Disciplinary Committee at Nasdaq Stockholm AB (Nasdaq) decided on 8 December 2021 to impose a fine of five annual fees on Eltel, about EUR 100,000. The Disciplinary Committee wrote in its decision that there were deficiencies in Eltel's disclosure of inside information during the years 2016 and 2017, and that Eltel therefore breached Section 3.1 of the Nasdaq Stockholm Rulebook for Issuers.

Communication services

Eltel's communication offering provides a broad range of services from designing and planning to the building, installing, upgrading, operating and service of mobile and fixed networks. The business is primarily driven by technology upgrades, maintenance needs and increased demand for improved capacity and faster networks.

Eltel's main customers are large telecom operators and communication network owners, other private owners and municipalities. Its business generally comprises long-term relationships with a steady inflow of orders generated by frame agreements.

Read more about Eltel's communication offering on page 10.

Power services

Eltel provides maintenance of power grids, upgrades and project work. Eltel's power offering can be roughly divided into three areas: maintenance, projects and turnkey projects, in which the company is responsible for design, planning and construction of the project.

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

Read more about Eltel's power offering on page 11.

Selection of major contracts 2021

During 2021 Eltel secured several important contracts including:

- Eltel Norway signed a project agreement with Telenor to upgrade its telecommunications network with 5G technology. The agreement is worth about 12-16 million euros (August)
- Eltel Finland signed two contracts with OX2 to build transmission lines for a new wind farm. The contracts have a combined value of about EUR 22 million (November)
- Eltel Denmark signed a frame agreement with Banedanmark regarding consultancy and infrastructure design. The four-year agreement includes an option of one plus one years and is worth about EUR 41 million (December).

January–December 2021

Net Sales

Net sales decreased by 13.4% to EUR 812.6 million (938.0). Net sales decreased in segments by EUR 90.4 million and in Other business by EUR 35.6 million. Organic net sales in segments, adjusted for divested operations and currency effects, decreased by 11.9%. The comparative period included EUR 19.2 million from the German communication business and the Swedish business area Aviation & Security, which were divested in Q2 2020.

In line with the Nordic strategy, Eltel's main operations in the four Nordic countries are presented as segments from 1 January 2021. During January-December 2021, the segments represented 90% (87) of the net sales.

Other business includes operations in High Voltage, Smart Grids Germany and Lithuania. Businesses under ramp down, Power Transmission International and Rail, are also included in Other business. The German communication business was included in Other business until its divestment in Q2 2020.

Operative EBITA

Operative EBITA increased to EUR 14.8 million (11.4). Operative EBITA-margin was 1.8% (1.2). Operative EBITA in segments was EUR 24.2 million (22.9), and operative EBITA margin improved to 3.3% (2.8). In Other business, operative EBITA was EUR -1.8 million (-3.3). The majority of the negative operative EBITA, EUR -8.8 million, came from High Voltage, primarily Poland

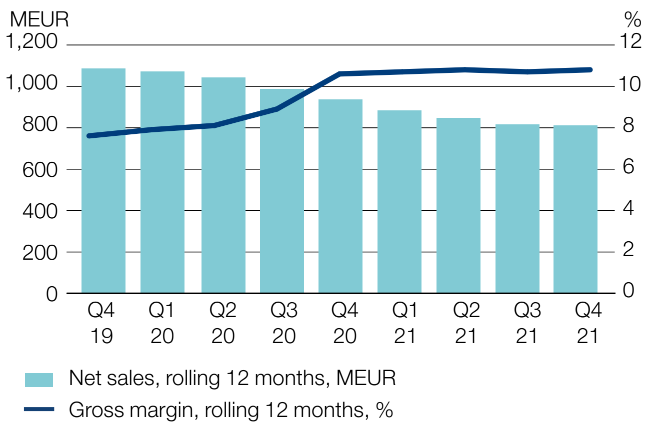
812.6

Net sales, EUR million

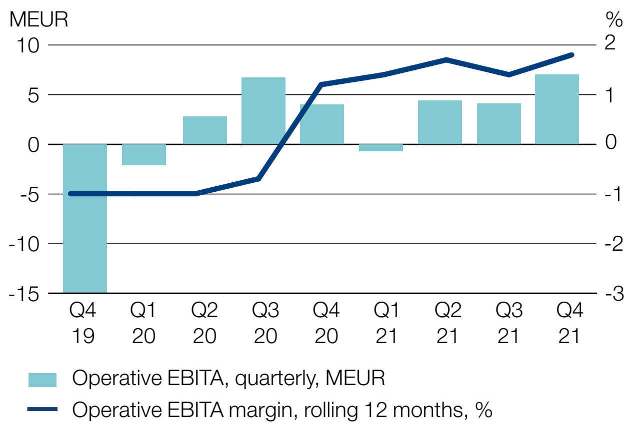
14.8

Operative EBITA, EUR million

Net sales and gross margin



Operative EBITA and EBITA margin



Finland

Net sales remained on the same level as in the previous year at EUR 299.6 million (300.2). The power business decreased due to project completions, which was partly offset by an increase in frame agreements. During the year, the communication business grew as a result of a strong market position and high demand, particularly for fibre and 5G.

Operative EBITA increased to EUR 12.7 million (7.2). The operative EBITA margin improved to 4.2% (2.4) as a result of better project management and cost control. During 2020, Finland noted write-downs in certain power projects.

Read more about Eltel Finland on page 12.

Sweden

Net sales decreased by EUR 42.3 million to EUR 182.2 million (224.5), representing a decline of 18.8%. The decrease is largely explained by the loss of a large service contract, mainly relating to the copper network, and lower fibre volumes with a specific customer. Divestment of the Aviation & Security business area in Q2 2020 had an impact of EUR -8.5 million.

Operative EBITA increased to EUR -1.8 million (-3.7). The operative EBITA margin was -1.0% (-1.6). The increase is a result of improved project control and lower risk level in projects. During the year, we accelerated operational excellence initiatives in Sweden and they continue in 2022.

Read more about Eltel Sweden on page 14.

Norway

Net sales decreased by EUR 17.3 million, or 9.7%, to EUR 160.5 million (177.7). Currency effects had a positive impact of EUR 9.0 million. Main reasons for the decline were the decrease and delays in customer investments due to COVID-19, the ramp up of the renewed Telenor frame agreement and the harsh winter conditions in Q1 and Q4, which affected the fibre production.

Operative EBITA decreased to EUR 9.2 million (14.3). The operative EBITA margin decreased to 5.7% (8.0) due to lower volumes and change in production mix. The operational efficiency was impacted by the pandemic towards the end of the year.

Read more about Eltel Norway on page 16.

Denmark

Net sales decreased by EUR 30.2 million to EUR 87.9 million (118.1), representing a decrease of 25.6%. The decrease is primarily driven by a partial insourcing of an agreement by a major customer in Q2 2021, and the completion of a large communication project in Q4 2020.

Operative EBITA amounted to EUR 4.2 million (5.0). The operative EBITA margin increased to 4.8% (4.3) thanks to improved efficiency and project control.

Read more about Eltel Denmark on page 18.

Other business

Net sales decreased by EUR 35.6 million to EUR 91.9 million (127.5), representing a decrease of 27.9%. Of the decline, EUR 10.7 million came from the divestment of the German communication business in Q2 2020. The remainder came primarily from decline in the high voltage business, particularly Poland. In Poland, we continued to see project delays and postponements by customers. Smart Grids Germany partly offset the decline as volumes grew in a favourable market. The ongoing ramp down of Power Transmission International (PTI) continued as planned.

Operative EBITA increased to EUR -1.8 million (-3.3), mainly driven by Smart Grids Germany and the sale of a real estate in Poland. PTI contributed positively, but the impact was smaller than in previous year. For the full year, High Voltage, mainly Poland, had a negative operative EBITA of EUR -8.8 million.

During 2021, several old, large projects in High Voltage Poland were operationally closed. In PTI, all remaining projects were operationally closed. The administrative closing process continues.

Cash flow

Cash flow from operating activities was EUR 22.3 million (49.4). Main difference came from the change in net working capital of EUR -10.1 million compared to EUR +16.6 million in the previous year. Year 2021 ended with a healthy net working capital level of EUR -16.0 million. At the end of 2020 the amount was record low, EUR -25.1 million, partly lowered by COVID-19 related support.

Cash flow has historically displayed a strong seasonal pattern, with weaker cash flow recorded during the period until the end of the third quarter due to higher production activity. Eltel's net working capital level is also impacted by remaining working capital-intensive projects, mainly in High Voltage Poland. These projects, and delays in them, result in continued tie-up of substantial working capital and are expected to create volatility in the net working capital also going forward.

Net cash flow from investing activities was EUR -2.9 million (33.5) consisting mainly of EUR -3.8 million from the divestment of High Voltage Germany, EUR 4.9 million for the sale of a real estate in Poland and EUR -4.0 million (-4.4) from net capital expenditure. In the comparative period, the impact of business divestments was EUR 37.9 million.

Cash flow from financing activities was EUR -13.7 million (-121.6), mainly from increase in commercial paper programme utilisation of EUR 20.0 million (reduction of 36.5), payments of lease liabilities of EUR -23.8 million (-26.2), and amortisation of external loans of EUR -10.0 million (-46.1). In the comparative period, utilisation of other credit facilities reduced by EUR 12.4 million. Following the closing of the FCCA case in Eltel's favour in August 2021, EUR 35.0 million was released from an escrow account for repayment to the former shareholders.

Eltel has focused on strengthening its balance sheet and lowering net debt for the past years. The efforts have been successful and net debt, as defined in the financing agreement that was in force until 17 January 2022, remained on a good level at EUR 69.2 million (67.4). Net debt including leasing liabilities decreased to EUR 122.6 million (125.6).

Financial position, cash and cash equivalents

Equity at the end of the period was EUR 227.9 million (219.2) and total assets were EUR 630.8 million (677.3). The equity ratio was 38.3% (34.0). Available liquidity reserves amounted to EUR 142.3 million (136.0).

At year-end 2021, Eltel had financing agreements with its bank group comprising term loans, a revolving credit facility and certain commercial guarantees. Eltel's total committed credit facilities amounted to EUR 137.1 million, comprising a non-current term loan of EUR 25.5 million, current term loan of EUR 1.5 million, revolving credit facility of EUR 90.0 million and bilateral account overdrafts totalling EUR 20.0 million. EUR 0.0 million (0.0) of the revolving credit facility was utilised.

On 31 December 2021, the commercial guarantees issued by the banks and other financial institutions on behalf of the Group amounted to EUR 85.3 million (103.5). The amount of commercial guarantees issued on behalf of third parties was EUR 0.1 million (0.1).

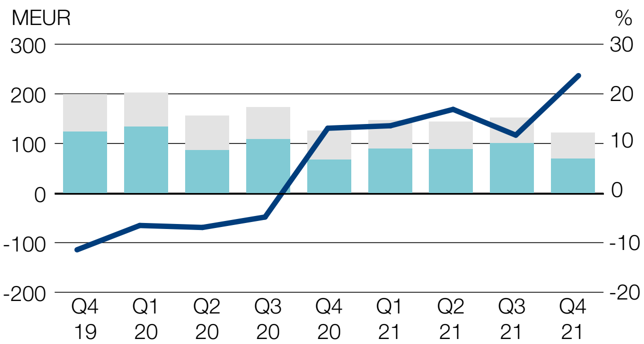
Additional to the committed facilities, the Group also has access to short-term debt capital markets via a commercial paper programme of EUR 150 million. At the reporting date, EUR 73.0 million (53.0) of the commercial paper programme was utilised.

Interest-bearing liabilities and net debt

EUR million	31 Dec 2021	31 Dec 2020
Interest-bearing debt	99.8	89.8
Leasing liabilities	54.5	60.8
Allocation of effective interest to periods	0.6	1.0
Less cash and cash equivalents	-32.3	-26.0
Net debt	**122.6**	**125.6**
Less leasing liabilities not included in financing agreement	-53.3	-58.3
Net debt, 2021 financing agreement	**69.2**	**67.4**

Interest-bearing debt amounted to EUR 99.8 million (89.8) of which EUR 25.5 million (27.7) was non-current and EUR 74.2 million (62.1) was current. Leasing liabilities amounted to EUR 54.5 million (60.8), of which EUR 35.8 million (39.0) was non-current and EUR 18.6 million (21.8) was current.

Net debt and ROCE, %



New financing agreement

On 17 January 2022, Eltel completed a new, unsecured financing agreement with banks, comprising a EUR 35.0 million term loan (maturity 2+1 years) and a EUR 90.0 million revolving credit facility (maturity 3+1+1 years). The new credit facilities have covenants pertaining to leverage ratio and gearing.

The Group has guarantee facilities with the banks and insurance companies on bilateral basis.

Upon utilisation of the new term loan, the previous term loans were repaid, and the former financing agreements were terminated.

Credit facilities

EUR million	17 Jan 2021	Maturity
Term loan, non-current	35.0	Jan 2024 (+ extension option until Jan 2025)
Revolving credit facility	90.0	Jan 2025 (+ extension options until Jan 2027)
Account overdrafts	15.0	Annual renewals
Total credit facilities	**140.0**	
Commercial paper programme	150.0	N/A

Disclosure according to the EU taxonomy regulation*

The EU taxonomy is the EU's judicial classification system, which provides a harmonised method for defining financial activities that have the most significant impact on the EU's measures to prevent climate change, on environmental protection, and on the achievement of the set goals. In the first phase, the EU taxonomy classification system covers the sectors with the highest potential to reach the EU-level goals set for climate change mitigation – cutting net carbon dioxide emissions by 55% from the 1990 level by 2030 and achieving carbon neutrality by 2050. Based on this starting point, the EU has specified the taxonomy classification system to cover the sectors and economic activities that have the highest total carbon dioxide emissions and, according to research evidence, the highest potential to avoid and reduce the emissions.

At this stage, the majority of Eltel's operations in the communication business are not within the specified activities. However, in Eltel, operations within power business are largely taxonomy eligible, meaning that they are included in the economic activities specified by the first phase of the EU taxonomy.

KPI	Total EUR million	Taxonomy eligible activities	Taxonomy non-eligible activities
Turnover[1)]	812.6	32%	68%
Capital expenditure (capex)[2)]	26.1	37%	63%
Operating expenditure (opex)[3)]	6.1	41%	59%

[1)] Turnover equals to net sales according to the 2021 financial statements.
[2)] Additions into property, plant and equipment, right-of-use assets and other intangible assets (Notes 25-27).
[3)] Short term leases, maintenance and repair costs of tangible assets. Note that Operating expenditure, as defined in EU Taxonomy is significantly narrower than Eltel's total operating expenditure.

*Regulation (EU) 2020/852 of the European Parliament and Council (the EU taxonomy).

Implementation of the EU taxonomy

Eltel has evaluated taxonomy eligibility of its business operations according to the descriptions of economic activities listed in the annexes of the Climate Delegated Act and the related NACE codes provided in these descriptions. Eltel has reviewed the technical screening criteria laid out in the annexes when interpreting the nature of the activity.

Eltel identified 32% of its turnover to be taxonomy-eligible related to economic activities defined in taxonomy's environmental objective 1. Major part of eligible turnover relate to activity 4.9 "Transmission and distribution of electricity". Eltel has concluded that its power transmission and distribution offerings from construction and upgrade to maintenance and fault repair are included in this activity. Part of Eltel's smart grids operations are included in activity 7.5 'Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance on buildings'. In addition, Eltel has identified other operations totalling to 4% of its turnover relating to other activities.

Capital and operating expenditure (capex and opex) have been included when they relate to the operations generating turnover that is included in taxonomy. In the first phase, Eltel has included investment in new car fleet as taxonomy-eligible capex to the extent that it relates to taxonomy-eligible turnover. Own measures and purchased output from suppliers economic activities have not been screened for eligibility 2021.

In order to avoid double counting, each business operation generating taxonomy eligible turnover was assigned exclusively to a specific taxonomy-eligible economic activity. The same procedure was followed for the allocation of capex and opex.

The implementation of the taxonomy regulation will progress in phases: In accordance with the taxonomy, Eltel Group reports for the financial year 2021 to what extent the Group's business is eligible, i.e. included in activities that can potentially have substantial impact, with the first two environmental objectives – mitigating climate change and adapting to climate change.

In 2022, taxonomy alignment will be disclosed in addition to eligibility. Taxonomy aligned activities qualify as environmentally sustainable under the taxonomy regulation. In addition, remaining four environmental objectives – water, circular economy, pollution and biodiversity will be included, in line with delegated acts that will be published in 2022.

Sustainability

Eltel has, in accordance with the Annual Accounts Act chapter 6 section 11, prepared the statutory sustainability report as a separate report which was approved for issue by the Board of Directors and the President and CEO. The scope of the Statutory Sustainability report is defined on pages 23–31.

Employees

In 2021, the number of employees decreased by 7.4% to 5,046 at year-end (5,449), both as a result of divestments and the discontinuation of operations, and also as a result of right-sizing the business due to lower volumes.

Ensuring that our employees return home safely every day is our top priority. High-risk activities related to day-to-day operations include electrical safety, working at height, managing ageing infrastructure, and road safety. Road safety is a particularly important area for Eltel as teams spend a lot of time on the road driving from site to site. Eltel is constantly seeking to identify and implement more modern and safer solutions and processes to reduce risk. In 2021, the Lost Time Injury Frequency Rate (LTIFR) decreased to an all-time low at 3,8. Given our reduced LTIFR, we have started to monitor the Total Recordable Injury Frequency Rate (TRIFR), which includes all lost time injuries, medical treatment cases and occupational illnesses. We strive to prevent the most serious injuries from occurring by investigating the root causes of minor injuries and serious near misses. The promotion of a more proactive health and safety culture as well as a structured proactive work with high risk factors are key reasons for the results compared to previous years. Active safety observation reporting, continuous safety walks and visible management commitment to Goal Zero vision have furthermore contributed to reduction of injury severity.

Being a people company, Eltel is dependent on the engagement of our employees. During the year, Eltel conducted an Employee Engagement Survey comprising 3,549 participants, equivalent to a 74% employee response rate. The highest engagement drivers were "Performance Management", "Relationship with Colleagues" and "Health and Safety". The positive development in these areas confirms that we are on track towards achieving our strategic goal of engaged employees, as well as our focus on health and safety.

For more information how we work with employees, please refer to page 29, and health and safety page 24.

Financial guidance

Eltel expects the full-year 2022 operative EBITA margin to increase compared to 2021.

Risk Management

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

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

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

For more information regarding financial risk management, please refer to note 13 in the Consolidated financial statements.

Risk Reporting

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

Risk reporting roles

Reports →

← Provides feedback

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

Selection of top risks

Risk	Actions	Type
Health and safety in the working environment: During 2021, Eltel has highlighted that there are still areas of improvement specifically related to reported TRIFR (total recordable injury frequency rate). Inconsistent TRIFR reporting means that management have a blind spot to identify actions to further improve safety. Health and safety in the working environment is a top operational focus for all of Eltel. In 2021, Eltel has started to monitor also TRIFR's in parallel with LTIFR's (lost time injury frequency rate). The objective is to pay more attention to lighter injuries as well. Safety KPI definitions have been adjusted to meet industrial practice. Eltel will continue to focus on the health and safety internally to ensure the focus is fit to purpose as Eltel's footprint changes.	Action plans are in place to improve all employees' understanding for reportable incidents. Group Health and Safety management continue to monitor high risk zones (such as the Polish operations) to ensure actions plans are fully realised and continue to improve. Eltel is investigating reporting culture differences from country to country and is planning pointed improvement actions with the end goal to align the reporting culture throughout the company.	Health and safety
High Voltage Poland: There are significant profitability issues in High Voltage, primarily in Poland. Reasons for the losses include delays and challenges in closing old projects, a challenging market in general, COVID-19 and lately also increased material prices.	Given the difficult conditions and our focus on the Nordic market, we are re-evaluating strategic alternatives for the Polish operations.	High Voltage Poland

Remuneration of senior executives
For information regarding remuneration to senior executives in 2021 and 2020, please refer to note 29 Remuneration to senior executives, in the Consolidated financial statements.

The Board of Directors of Eltel AB does not propose any changes to the guidelines for remuneration to senior executives, as adopted at the Annual General Meeting 2020.

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

Scope and applicability of the guidelines
These guidelines for remuneration to senior executives cover remuneration to the Board of Directors, the CEO, the Deputy CEO and other senior executives (the Group Management Team). The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after the adoption of the guidelines by the Annual General Meeting 2020. The guidelines apply until the general meeting resolves to adopt new guidelines for remuneration to senior executives. These guidelines do not apply to any remuneration decided or approved by the general meeting, e.g. remuneration to the Board of Directors and long-term incentive programmes, which are decided separately by the general meeting of shareholders.

The Board of Directors shall be entitled to temporarily deviate from these guidelines, in whole or in part, if special reasons justifies doing so in an individual case and such deviation is necessary in order to meet the Company's long-term interests and sustainability or to ensure the company's financial viability. If such a deviation occurs, it must be reported in the Remuneration Report before the next Annual General Meeting. As set out below, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration related matters, including potential matters regarding deviation from the guidelines.

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

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

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

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

The key performance criteria for senior executives are primarily financial, i.e. EBITA in local currency, Net Working Capital (NWC) in EUR and Safety measured as the Lost-Time Injury Frequency Rate (LTIFR). A minor part of certain senior executives' key performance criteria can be discretionary under special circumstances.

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

The short-term incentives can amount to a maximum of 80% of the fixed base salary for the CEO and 60% for other senior executives. At full outcome, the short-term incentives can amount to a maximum of 45% of total remuneration for the CEO and maximum of 40% for other senior executives.

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

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

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

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

Other benefits

Pension

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

Company car, etc.

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

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

Notice of termination and severance pay

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

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

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

Salary and terms of employment for employees

In preparing the Board of Directors' proposal for these remuneration guidelines, the salaries, and terms of employment for the company's employees have been taken into account. Information about employees' total remuneration, components of their remuneration as well as increases in remuneration and increases over time have been obtained and have constituted a part of the Remuneration Committee's and the Board of Directors' decision basis in their evaluation of the fairness of the guidelines and the limitations arising from them.

The resolution process

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

The Remuneration Committee shall, inter alia, monitor and evaluate the application of the guidelines for remuneration to senior executives decided by the Annual General Meeting. When the Remuneration Committee has prepared the proposal, it is submitted to the Board of Directors for decision. The CEO or other senior executives shall not be present while the Board of Directors address matters related to remuneration and passes resolutions about them, insofar as they are affected by the matters.

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

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

Subsequent events

Håkan Dahlström appointed new President and CEO of Eltel

Eltel's Board of Directors appointed Håkan Dahlström as the new President & CEO of Eltel AB effective 1 September 2022. Håkan is currently serving as the CEO of Fujitsu Sweden. Prior to that, Håkan has held several executive positions at TietoEvry and Telia Group. He is also a member of the Eltel Board of Directors since 2017. Håkan will succeed Casimir Lindholm, who will remain in his position until Håkan joins Eltel.

Russia's invasion of Ukraine

On 24 February 2022, Russia invaded Ukraine. The situation has caused uncertainty and the future is unpredictable. There is a risk that the situation will affect inflation and the markets relevant to Eltel's business. Operations in the nearby areas, such as Poland, may be particularly impacted, especially if the conflict is prolonged.

Corporate Governance Report

Eltel has issued a Corporate Governance Report for the financial year 2021. The Corporate Governance Report has been prepared in accordance with the Swedish Corporate Governance Code.

The Eltel share

Eltel's shares are listed on Nasdaq Stockholm, under the trading symbol "ELTEL". As per 31 December 2021, the total number of shares amounts to 157,499,081 divided into 156,649,081 ordinary shares with 1 vote per share and 850,000 C shares with 1/10 vote per share. The share capital entered in the trade register per 31 December 2021 is EUR 158,838,751.

More about the Eltel share please refer to pages 102–103.

Dividend policy

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

The Parent Company

Eltel AB owns and governs the shares of Eltel Group. The Company holds management functions but has no operative business activities and its risks are mainly attributable to the value and activities of its subsidiaries.

The Parent Company's income amounted to EUR 2.2 million (2.6) related to support function services provided to the Group. The operating expenses amounted to EUR 6.9 million (8.4). Financial income amounted to EUR 22.1 million (23.0) related to interest income from Group companies. Financial expenses amounted to EUR 3.2 million (3.9) and Group contribution of EUR 14.0 million (12.0) was given to a subsidiary company. Net result was EUR 0.1 million (0.9).

The Board's proposal for the distribution of profits

The Parent Company's non-restricted equity on 31 December 2021 was EUR 285,888,692.39 of which the net profit for the year was EUR 86,224.27. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the year 2021 and that the non-restricted equity of EUR 285,888,692.39 be retained and carried forward.

Corporate Governance report

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

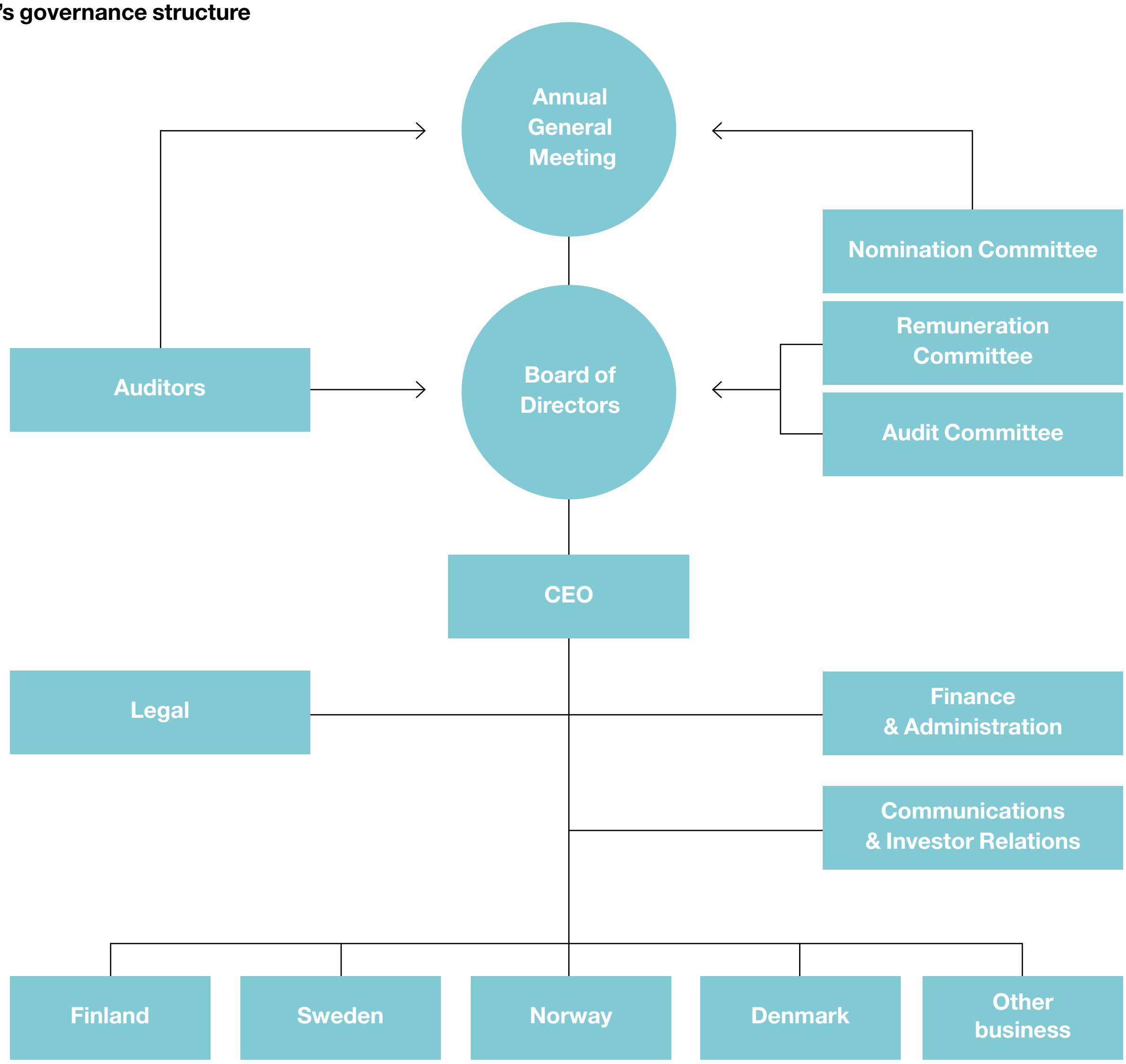
Eltel complies with the guidelines and provisions of its Articles of Association, the Swedish Companies Act (Sw. Aktiebolagslagen (2005:551), the Swedish Annual Accounts Act (Sw. Årsredovisningslagen (1995:1554), the rules and regulations of Nasdaq Stockholm's Rule Book for Issuers, as well as other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

Eltel's Audit Committee has reviewed this Corporate Governance Report (the "Report") and confirms that the description of the main features of the internal audit and risk management section, as related to the financial reporting process, is consistent with the financial statements, as set out in Eltel's Annual Report 2021.

Eltel's governance structure

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

Eltel's governance structure



Shareholders

Ownership structure

As per 31 December 2021, Eltel has 3,134 shareholders. The four largest shareholders of Eltel AB are Solero Luxco S.á.r.l. 16.4% (a company controlled by Triton Funds), Wipunen Varainhallinta Oy 13.5%, the Fourth Swedish National Pension Fund (AP4) 9.6%, and Heikintorppa Oy 6.8%. The four largest shareholders referred above together represent 46.3% of the votes in the Company.

Shares and votes

Eltel's shares are listed on Nasdaq Stockholm, under the trading symbol "ELTEL". As per 31 December 2021, the total number of shares amounts to 157,499,081 divided into 156,649,081 ordinary shares with 1 vote per share and 850,000 C shares with 1/10 vote per share. The share capital entered in the trade register per 31 December 2021 is EUR 158,838,751.

The General Meeting of shareholders

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

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

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

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

Annual General Meeting 2021

Eltel's Annual General Meeting was held on 5 May 2021. Shareholders representing 108,206,050 shares, constituting 68.7% of the total number of shares and votes in the Company, participated in person or by proxy or by exercising their voting rights by postal voting. Matters addressed at the meeting included the following:

- Resolution regarding adoption of the profit and loss statement and the balance sheet and the consolidated profit and loss statement and consolidated balance sheet and resolution regarding appropriation of the Company's profit according to the adopted balance sheet
- Resolution regarding discharge from liability for the members of the Board of Directors and the CEO
- Re-election of Ulf Mattsson, Håkan Dahlström, Gunilla Fransson, Joakim Olsson and Roland Sundén as members of the Board of Directors
- Election of KPMG AB as the auditor (whereby it was announced that Mats Kåvik will be auditor-in-charge)
- Resolution regarding approval of the Remuneration Report for 2020
- Resolution regarding a share-based long-term incentive programme 2021 ("LTIP 2021")
- Authorisation for the Board of Directors to resolve to issue new shares and authorisation for the Board of Directors to resolve to repurchase and transfer the Company's own shares.

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

Annual General Meeting 2022 and Annual Report 2021

Eltel's Annual General Meeting 2022 will be held on 11 May 2022.

The Annual Report 2021 will be made available on the Group website from week 13, 2022, www.eltelgroup.com and at Eltel AB headquarters, Adolfsbergsvägen 13, Bromma, Sweden from week 16, 2022.

Nomination Committee

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

An annual evaluation of the Board of Directors' work, expertise, composition and independence of its members is initiated by the Chairman of the Board of Directors, partly to assess the preceding year and partly to identify areas of development for the Board of Directors. The evaluation is performed with the support of an evaluation form and through discussions, as well as through individual interviews of the members of the Board of Directors.

Nomination Committee for the AGM 2022

For the 2022 Annual General Meeting, the Nomination Committee consists of the following members:

- Erik Malmberg, Chairman, Solero Luxco S.á.r.l. (16,4% of votes)
- Peter Immonen, Wipunen Varainhallinta Oy (13.5% of votes)
- Per Colleen, the Fourth Swedish National Pension Fund (9.6% of votes)
- Ingeborg Åkermarck, Heikintorppa Oy (6.8% of votes).

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

The Nomination Committee's complete proposals for the 2022 Annual General Meeting will be published in the notice convening the 2022 Annual General Meeting.

The Board of Directors

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

Responsibility of the Board of Directors

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

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

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

Members of the Board of Directors

Name	Position	Year of birth	Election year	Share holding	Remuneration EUR	Independence from main owners	Independence of the Company
Ulf Mattsson	Chairman	1964	2017	69,000	115,933	Yes	Yes
Håkan Dahlström	Member	1962	2017	75,597	45,600	Yes	Yes
Gunilla Fransson	Member	1960	2016	–	48,933	Yes	Yes
Joakim Olsson	Member	1965	2018	–	42,867	No	Yes
Roland Sundén	Member	1953	2018	50,000	51,067	Yes	Yes
Björn Ekblom	Employee represent.	1976	2015	–	–	Yes	No
Stefan Söderholm[1)]	Employee represent.	1960	2021	–	–	Yes	No
Mats Johansson[1)]	Deputy employee rep.	1971	2021	–	–	Yes	No

1) From May 2021.

Information about the Board of Directors' other assignments can be found on page 48.

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

Board of Directors in 2021

As per 31 December 2021, the Board of Directors consists of five ordinary members and two employee representatives as ordinary members, and one deputy to the employee representatives:

- Ulf Mattsson, Chairman
- Håkan Dahlström
- Gunilla Fransson
- Joakim Olsson
- Roland Sundén
- Björn Ekblom, employee representative
- Stefan Söderholm, employee representative
- Mats Johansson, deputy employee representative.

The members of the Board of Directors are presented in greater detail in the section "Board of Directors" on page 48.

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

Matters for the Board of Directors during 2021

In 2021, the main focus of the Board of Directors was to ensure the implementation of the Company's Operational Excellence strategy, that divestments and the rightsizing of operations were executed according to plan, improvement of profitability and that other activities for strengthening the balance sheet and lowering the net debt also took place.

In 2021, the Board of Directors held 14 meetings. For details of Board member participation in Board meetings, please see table below.

Evaluation of the Board of Directors' performance

To ensure the quality of the work of the Board of Directors and to identify the possible need for further expertise and experience, the work of the Board of Directors and its members is evaluated annually. In 2021, evaluations, led by the Chairman of the Board of Directors, were carried out by way of each Board member responding to an online questionnaire. The compiled results were presented to the Board of Directors at the final Board meeting of the year. The Chairman of the Board of Directors also presented the results of the evaluations at a meeting with the Nomination Committee.

Board committees

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

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

Board meeting participation 2021

	28 Jan	17 Feb	22 Mar	29 Mar	27 Apr	5 May	26 May	3 Jun	23 Jun	26 Jul	19 Aug	21 Sep	2 Nov	21 Dec
Ulf Mattsson	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Håkan Dahlström	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Gunilla Fransson	●	●	●	●	●	●	●	–	●	●	●	●	●	●
Joakim Olsson	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Roland Sundén	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Björn Ekblom	●	●	–	●	●	●	●	●	●	–	●	●	●	–
Stefan Söderholm[1)]	–	–	–	–	–	●	●	–	●	●	●	●	●	●
Mats Johansson[1)]	–	–	–	–	–	●	–	●	●	●	●	●	–	●

1) From May 2021.

The Audit Committee

The main responsibilities of the Audit Committee are to:

- Monitor the Company's financial reporting
- Monitor the effectiveness of the Company's internal control, internal audit, and risk management
- Keep itself informed regarding the audit of the Annual Report and Group accounts
- Review and monitor the impartiality and independence of the auditor, paying particular attention to whether the auditor provides the Company with services other than auditing services
- Assist in the preparation of proposals to the resolutions to the General Meeting regarding the election of an auditor
- Advise and perform tasks that are specifically delegated from the Board of Directors, if any.

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

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

The Audit Committee in 2021

As per 31 December 2021, the Audit Committee consists of three members: Gunilla Fransson (Chairman), Joakim Olsson and Roland Sundén.

In 2021, the Audit Committee held seven meetings, at which Eltel's external auditor and representatives of the Company's management were present.

Audit Committee participation 2021

	17 Feb	27 Apr	24 Jun	23 Jul	20 Sep	2 Nov	20 Dec
Gunilla Fransson	●	●	●	●	●	●	●
Håkan Dahlström[1)]	–	–	–	–	–	–	–
Ulf Mattsson[1)]	●	●	–	–	–	–	–
Joakim Olsson	●	●	●	●	●	●	●
Roland Sundén	●	●	●	●	●	●	●

1) Until May 2021.

The Remuneration Committee

The main responsibilities of the Remuneration Committee are to:

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

The Remuneration Committee in 2021

As per 31 December 2021, the Remuneration Committee comprises three members: Ulf Mattsson (Chairman), Håkan Dahlström and Roland Sundén.

The Remuneration Committee held three meetings in 2021.

Remuneration Committee participation 2021

	9 Feb	7 Sep	10 Dec
Ulf Mattsson	●	●	●
Håkan Dahlström	●	●	●
Roland Sundén	●	●	●

Remuneration principles at Eltel

Eltel's guidelines for remuneration to senior executives, as adopted at the Annual General Meeting 2020, are set out in the Board of Directors' Report. Eltel's Remuneration Report for 2021 will be submitted for approval at Eltel's Annual General Meeting 2022.

External Audit

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

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

External auditor in 2021

The Annual General Meeting in 2021 elected KPMG AB as Eltel's external auditor for a one-year mandate, with Mats Kåvik as auditor-in-charge. In September 2021 Mats Kåvik was replaced by Fredrik Westin as auditor-in-charge. In 2021, total fees paid to the external auditors, KPMG AB, amounted to EUR 0.8 million, of which non-auditing services totalled EUR 0.1 million.

Group Management Team

Chief Executive Officer

Eltel's President and Chief Executive Officer (CEO) reports to the Board of Directors. As of 1 September 2018, Casimir Lindholm is the President and CEO of the Eltel Group. The CEO's responsibility is governed by the Swedish Companies Act, the Swedish Annual Accounts Act, the Company's Articles of Association, directions given by the General Meeting, Eltel's Instructions to the CEO and other directions and guiding principles established by the Board of Directors.

Group Management Team

The Group Management Team ("GMT"), chaired by the CEO, meets a minimum of 10 times annually (10 times in 2021). The GMT considers strategic and operational issues related to the Group and its businesses, as well as investments, Group structure and corporate steering systems, and it supervises the Company's operations. The GMT also delivers the annual business plan, budget and forecast updates to the Board of Directors in accordance with the Company's established planning cycle.

The Group Management Team comprises the following members:

- Casimir Lindholm, President and CEO
- Saila Miettinen-Lähde, CFO
- Henrik Sundell, General Counsel
- Elin Otter, Director, Communications and Investor Relations
- Juha Luusua, Managing Director, Eltel Finland
- Leif Göransson, Managing Director, Eltel Sweden
- Thor-Egel Bråthen, Managing Director, Eltel Norway
- Claus Metzsch Jensen, Managing Director, Eltel Denmark.

Information on the members of the GMT can be found in the Annual Report for 2021 on page 49.

Control systems

Guidelines and manuals

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

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

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

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

Information and communications

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

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

Follow-up

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

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

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

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

Priority areas in 2021

Eltel's significant priority areas for 2021 included the following:

- Improve profitability
- Prioritise core operational improvements
- Upsell on existing customer base
- Restructure non-performing businesses, including divestments
- Strengthen the financial position of the Company.

Eltel divested its High Voltage business in Germany. The divestment created value for Eltel and its shareholders by strengthening the Nordic focus.

Internal audit 2021

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

During the year, the function performed internal audits to assess process/control compliance and risk management. The internal audits covered a selection of customer projects, business processes, and the global shared services. The outcome of the internal audits has been followed-up and communicated accordingly. The function will continue to focus on risk management within customer projects and key business processes as part of its internal audit scope as outlined in the 2022 plan.

Risk management

Please see Board of Director's report page 37.

Board of Directors

ULF MATTSSON

Chairman of the Board since 2017

Born: 1964

M.Sc. Economics

Positions and other board memberships: Chairman of the Board of VaccinDirekt i Sverige AB and Lideta AB. Member of the Board of Addtech AB, Oras Invest Oy and Priveq V AB. Advisor at EQT and PJT Partners.

Board committees: Chairman of the Remuneration committee

Previous positions: Chairman of the Board of AcadeMedia 2010–2017, Musti ja Mirri 2014–2017, Evidensia 2014–2017, Itslearning 2013–2017. Member of the Board of Gambro, 2010–2013. CEO (interim) at Gambro 2011. CEO at Capio 2005–2006 and Mölnlycke Health Care 2004–2005.

Shareholding: 69,000 shares

HÅKAN DAHLSTRÖM

Member of the Board since 2017

Born: 1962

M.Sc. Engineering and M.Sc. Digital Technology

Positions and other board memberships: CEO at Fujitsu Sweden AB. Member and Vice Chairman of the Board of The Business Executives Council at The Royal Swedish Academy of Engineering Sciences.

Board committees: Member of the Remuneration Committee

Previous positions: CEO at Tieto Sweden AB and Executive Vice President, Tieto Corporation 2014–2020. President Mobile Business area at TeliaSonera AB 2010–2012.

President Broadband Business area at TeliaSonera AB 2008–2010.

Shareholding: 75,597 shares

GUNILLA FRANSSON

Member of the Board since 2016

Born: 1960

M.Sc. and Tech.Lic. Chemical Engineering

Positions and other board memberships: Chairman of the Board of NetInsight AB. Member of the Board of Dunker Foundation, Trelleborg AB, Securitas AB and Nederman AB.

Board committees: Chairman of the Audit Committee

Previous positions: Head of Business Area at Saab AB 2008–2015. Various positions at Ericsson AB 1985–2008.

Shareholding: –

JOAKIM OLSSON

Member of the Board since 2018

Born: 1965

MBA and M.Sc. Mechanical Engineering

Positions and other board memberships: Operating Partner at Triton. Chairman of the Board of Seves Group S.á r.l. and Arvos Group. Member of the Board of Dywidag.

Board committees: Member of the Audit Committee

Previous positions: Member of the Board of Logstor A/S 2019–2021. Chairman of the Board of Ovako Group AB 2015–2018. Member of the Board of FläktGroup GmbH 2015–2018, VCST 2013–2016 and Semcon AB 2011–2015. CEO at SAG Group GmbH 2011–2014 and Haldex AB 2005–2011.

Shareholding: –

ROLAND SUNDÉN

Member of the Board since 2018

Born: 1953

M.Sc. Mechanical Engineering

Positions and other board memberships: MD at PrimeValue Consult AB.

Board committees: Member of the Remuneration Committee, Member of the Audit Committee

Previous positions: President at Hiab and Member of Cargotec Executive Board 2014–2018. President and CEO at LM Wind Power 2006–2013. President, Agricultural Division at Case New Holland 2003–2006. Executive Vice President at Volvo Construction Equipment 2000–2003.

Shareholding: 50,000 shares

BJÖRN EKBLOM

Member of the Board – Employee Representative, since 2015

Born: 1976

Chairman of the trade union Unionen at Eltel Sweden since 2010

Positions and other board memberships: –

Board committees: –

Previous positions: Team Leader at Eltel Aviation & Security 2006–2010. Network Engineer at Eltel Aviation & Security 1999–2006.

Shareholding: –

STEFAN SÖDERHOLM

Member of the Board – Employee Representative, since 2021

Born: 1960

Member of the Board of SEKO at Eltel Sweden since 2008.

Positions and other board memberships: –

Board committees: –

Previous positions: Several different technical and managerial positions, since 1980, in the current Eltel organisation.

Shareholding: –

MATS JOHANSSON

Member of the Board – Deputy Employee Representative, since 2021

Born: 1971

Shares held in Eltel as of 31 December 2021

Group Management Team

CASIMIR LINDHOLM
President and CEO, since 2018
Born: 1971
M.Sc. Economics, MBA
Positions and other board memberships: Member of the Board of Uponor Oyj and Cargotec Oyj.
Previous positions: President and CEO at Lemminkäinen Group 2014–2018. Deputy CEO at Lemminkäinen Group 04/2014–08/2014. Executive Vice President, Building Construction Finland at Lemminkäinen Group 2013–2014. Various managerial positions at Eltel Group Corporation and Eltel Networks Infranet AB 2008–2012.
Shareholding: 79,000 shares

SAILA MIETTINEN-LÄHDE
CFO, since 2020
Born: 1962
M.Sc. Engineering
Positions and other board memberships: Senior Advisor to Tekir Oy. Member of the Board of Lemonsoft Oyj and Kamrock Oy.
Previous positions: CEO at Endomines AB 2017–2019. CFO at F-Secure Corporation 2015–2017. Deputy CEO and CFO at Talvivaara Mining Company Plc 2005–2015.
Shareholding: 3,700 shares

ELIN OTTER
Director, Communications and Investor Relations, since 2019
Born: 1978
Bachelor of Arts, Journalism and News Editorial
Positions and other board memberships: –
Previous positions: Head of Group Communications at Eltel AB 2018. Head of Communications and Marketing Nordics at Triton 2016–2018. Various managerial positions at Skanska 2007–2016.
Shareholding: 7,034 shares

HENRIK SUNDELL
General Counsel, since 2016
Born: 1964
Master of Laws
Positions and other board memberships: –
Previous positions: 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.
Shareholding: 8,585 shares

JUHA LUUSUA
Managing Director,
Eltel Finland, since 2018
Born: 1965
M.Sc. Electrical Engineering
Positions and other board memberships: Member of the Board of Voimatalouspooli (part of the Finnish National Emergency Supply Agency) and Football Association of Finland.
Previous positions: President BU Power at Eltel 2017–2018. President Power Distribution at Eltel 2012–2017. Managing Director Country Unit Finland at Eltel 2008–. SVP Electricity at Eltel Networks/Group Corporation 2006–2007.
Shareholding: 155,323 shares

LEIF GÖRANSSON
Managing Director,
Eltel Sweden, since 2019
Born: 1967
B.Sc. Business Administration
Positions and other board memberships: –
Previous positions: COO Country Unit Sweden at Eltel 2018. Director Group Projects and Operations at Eltel 2018. Head of Group project function at Eltel 2016–02/2018. Operations Director at Otis 2016. Acting CEO at Imtech Elteknik AB 2015.
Shareholding: 21,000 shares

THOR-EGEL BRÅTHEN
Managing Director,
Eltel Norway, since 2018
Born: 1965
INSEAD Executive Management Programme, Certified service electronics technician
Positions and other board memberships: –
Previous positions: Director Fixed Telecom/Deputy Chief Executive Officer at Eltel Networks AS 2015–02/2018. CEO at Eltel Networks AS 2011–2015. QA Manager at Eltel Networks AS 2009–2011. CEO at Niscayah Denmark 2006–2009.
Shareholding: 4,957 shares

CLAUS METZSCH JENSEN
Managing Director,
Eltel Denmark, since 2018
Born: 1968
M.Sc. Business Administration
Positions and other board memberships: Member of the Board of Fiber&Anlæg I/S.
Previous positions: Vice President at Caverion A/S 2016–2017. Senior Vice President at TDC A/S 2011–2016.
Shareholding: 9,700 shares

Shares held in Eltel as of 31 December 2021.

Consolidated financial statements

Consolidated income statement

EUR million	Note	Jan–Dec 2021	Jan–Dec 2020
Net sales		812.6	938.0
Cost of sales	6	-724.5	-838.6
Gross profit		**88.1**	**99.4**
Other income	6,7	5.5	22.5
Selling and administrative expenses	6	-78.1	-89.2
Other expenses	6,8	-1.0	-7.7
Share of profit/loss of joint ventures		–	-0.2
Operating result (EBIT)		**14.5**	**24.8**
Financial income		0.1	0.5
Financial expenses		-5.8	-10.3
Net financial expenses	10	-5.8	-9.8
Result before taxes		**8.7**	**14.9**
Taxes	11	-3.8	-9.7
Net result		**4.9**	**5.3**
Attributable to:			
Equity holders of the parent		4.3	4.7
Non-controlling interest	25	0.6	0.6
Earnings per share (EPS)	12		
Basic, EUR		0.03	0.03
Diluted, EUR		0.03	0.03

Consolidated statement of comprehensive income

EUR million	Note	Jan–Dec 2021	Jan–Dec 2020
Net result for the period		4.9	5.3
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Revaluation of defined benefit plans, net of tax		2.6	-4.8
Items that may be subsequently reclassified to profit and loss			
Cash flow hedges, net of tax		–	0.1
Net investment hedges, net of tax		0.3	-0.9
Currency translation differences		1.3	-0.6
Total		**1.6**	**-1.4**
Other comprehensive income/loss for the period, net of tax		4.2	-6.2
Total comprehensive income/loss for the period		**9.1**	**-0.9**
Total comprehensive loss attributable to:			
Equity holders of the parent		8.5	-1.5
Non-controlling interest	25	0.6	0.6

Consolidated balance sheet

EUR million	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Goodwill	26	265.0	264.9
Intangible assets	26	39.6	38.3
Property, plant and equipment	27	11.6	20.0
Right-of-use assets	28	53.3	59.2
Investments	16	0.7	0.5
Deferred tax assets	23	18.4	19.1
Trade and other receivables	16,19	0.5	0.4
Total non-current assets		**389.1**	**402.5**
Current assets			
Inventories	20	17.2	12.1
Other financial assets	16	–	35.0
Trade and other receivables	3,16,19	192.3	201.7
Cash and cash equivalents		32.3	26.0
Total current assets		**241.8**	**274.8**
Assets held for sale	24	–	0.0
TOTAL ASSETS		**630.8**	**677.3**
EQUITY AND LIABILITIES			
Equity	14		
Share capital		158.8	158.8
Other equity		61.4	52.8
Equity attributable to shareholders of the parent		220.2	211.7
Non-controlling interest	25	7.7	7.5
Total equity		**227.9**	**219.2**
Non-current liabilities			
Interest-bearing debt	15,16	25.5	27.7
Leasing liabilities	15, 16, 28	35.8	39.0
Retirement benefit obligations	30	14.4	17.4
Deferred tax liabilities	23	10.7	11.0
Provisions	21	2.7	2.7
Other non-current liabilities		0.7	0.5
Total non-current liabilities		**89.8**	**98.4**
Current liabilities			
Interest-bearing debt	15,16	74.2	62.1
Leasing liabilities	15, 16, 28	18.6	21.8
Liabilities to shareholders	15,16	–	35.0
Provisions	21	6.0	7.5
Advances received	3	35.8	32.2
Trade and other payables	16,22	178.5	197.4
Total current liabilities		**313.1**	**356.0**
Liabilities associated with assets held for sale	24	–	3.8
Total liabilities		**402.9**	**458.1**
TOTAL EQUITY AND LIABILITIES		**630.8**	**677.3**

Consolidated statement of cash flow

EUR million	Note	Jan–Dec 2021	Jan–Dec 2020
Cash flow from operating activities			
Operating result (EBIT)[1)]		14.5	24.8
Adjustments:			
Depreciation and amortisation		32.1	38.2
Gain/loss on sales of assets and business[1)]		-2.6	-14.7
Defined benefit pension plans		-3.3	-3.0
Other non-cash adjustments		-1.5	1.4
Cash flow from operations before interests, taxes and changes in working capital		39.1	46.7
Interests received		0.1	0.4
Interest and other financial expenses paid		-4.1	-10.8
Income taxes received/paid		-2.7	-3.5
Cash flow from operations before changes in working capital		32.4	32.8
Changes in working capital:			
Trade and other receivables		9.4	24.9
Trade and other payables		-14.4	-10.4
Inventories		-5.0	2.1
Changes in working capital		-10.1	16.6
Net cash from operating activities		**22.3**	**49.4**
Cash flow from investing activities			
Purchases of property, plant and equipment (PPE)		-4.4	-6.4
Proceeds from sale of property, plant and equipment (PPE)		5.3	2.1
Divestments of business, net of cash disposed of	24	-3.8	37.9
Net cash from investing activities		**-2.9**	**33.5**
Cash flow from financing activities			
Proceeds from short-term financial liabilities	15	31.2	38.4
Payments of short-term financial liabilities	15	-11.0	-87.4
Payments of financial liabilities, term loans	15	-10.0	-46.1
Proceeds from other financial assets		35.0	–
Payments of liabilities to shareholders	15	-35.0	–
Payments of lease liabilities	15	-23.8	-26.2
Dividends to non-controlling interest		-0.4	-0.6
Change in non-liquid financial assets		0.2	0.2
Net cash from financing activities		**-13.7**	**-121.6**
Net change in cash and cash equivalents		**5.7**	**-38.7**
Cash and cash equivalents at beginning of period		26.0	65.2
Foreign exchange rate effect		0.6	-0.6
Cash and cash equivalents at end of period		32.3	26.0

1) EBIT in 2020 Included EUR 20.4 million gain from divestment of the German Communication business and business area Aviation & Security and EUR 5.7 million loss from valuation of the German high voltage business as held for sale.

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	Accu-mulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve, net of tax	Currency translation	Total		
1 Jan 2021	**158.8**	**490.6**	**-370.6**	**-41.5**	**10.6**	**-36.3**	**211.7**	**7.5**	**219.2**
Total comprehensive income for the period	–	–	4.3	2.6	0.3	1.3	8.5	0.6	9.1
Transactions with owners[1]:									
Equity-settled share-based payment	–	–	0.1	–	–	–	0.1	–	0.1
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	-0.4	-0.4
Total transaction with owners	–	–	0.1	–	–	–	0.1	-0.4	-0.3
31 Dec 2021	**158.8**	**490.6**	**-366.2**	**-38.9**	**10.9**	**-35.0**	**220.2**	**7.7**	**227.9**

1) For more information about equity-settled share-based payments see note 29 Remuneration to senior executives and for share transactions see note 14 Shares and share capital.

EUR million	Equity attributable to shareholders of the parent							Non-controlling interest	Total equity
	Share capital	Other paid-in capital	Accu-mulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve, net of tax	Currency translation	Total		
1 Jan 2020	**158.8**	**490.6**	**-375.4**	**-36.7**	**11.4**	**-35.7**	**213.1**	**7.6**	**220.7**
Total comprehensive income for the period	–	–	4.7	-4.8	-0.8	-0.6	-1.5	0.6	-0.9
Transactions with owners[1]:									
Equity-settled share-based payment	–	–	0.0	–	–	–	0.0	–	0.0
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	-0.6	-0.6
Total transaction with owners	–	–	0.0	–	–	–	0.0	-0.6	-0.6
31 Dec 2020	**158.8**	**490.6**	**-370.6**	**-41.5**	**10.6**	**-36.3**	**211.7**	**7.5**	**219.2**

1) For more information about equity-settled share-based payments see note 29 Remuneration to senior executives and for share transactions see note 14 Shares and share capital.

Equity attributable to shareholders of the parent company

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

Notes to the consolidated financial statements

Basis of preparation

Financial performance

Financial risk management and capital structure

Working capital and deferred taxes

Business combinations and capital expenditure

Remuneration and other

Basis of preparation

This section comprises the following notes:

1. Corporate information
2. Accounting policies for the consolidated accounts

Note 1 Corporate information

Eltel AB (the Company) through its subsidiaries (together the Group) is a leading Nordic field service provider for power and communication networks. We deliver a comprehensive range of solutions – from maintenance and upgrade services to project delivery. This includes design, planning, building, installing and securing the operation of power and communication networks for a more sustainable and connected world today and for future generations. In 2021, the number of employees was approximately 5,000. Eltel mainly operates in the Nordic market, but is also represented in Poland, Germany and Lithuania.

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

Eltel AB owns and governs the shares related to Eltel Group. The Company holds management functions but has no operative business activities and its risks are mainly attributable to the value and activities of its subsidiaries.

Note 2 Accounting policies for the consolidated accounts

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 2021. 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 March 2022 and are subject to adoption by the Annual General Meeting on 11 May 2022.

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

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

Adoption of new or amended IFRS standards and interpretations
The IFRS standards, amendments and interpretations that took effect in the financial year 2021 did not have a material impact on the result or the financial position of the Group or on the presentation of the financial statements.

The new amendments effective for 2022 financial year are not expected to have any material impact on Group's financial position or the presentation of the financial statements.

In addition, the IASB has several projects ongoing that could have effects on presentation of financial statements and related disclosures. These include the following amendments that are effective for 2023 financial year but not yet endorsed in the EU:

• *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* which defines material accounting policy information to be disclosed and clarifies that immaterial accounting policy information does not need to be disclosed

• *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* which clarify the criteria used to determine whether liabilities are classified as current or non-current. The Group will assess the impact of the final amendments to IAS 1 on classification of its liabilities once those are issued by the IASB

• *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendment to IAS 12).* The amendment require companies to recognise gross amount of deferred tax assets and liabilities on transactions, such as leases, that give rise to equal amounts of taxable and deductible temporary differences on initial recognition. The group is currently netting the deferred tax impact on leases and the main impact of the amendment will be an increase of deferred tax assets and liabilities that will be recognised both on right-of-use assets and lease liabilities.

The other published standards, amendments and interpretations that are effective on the financial year beginning 1 January 2023 or later are not expected to have significant impact on the Group.

European Single Electronic Format (ESEF)
As required under the EU Commission's Delegated Regulation (EU) 2019/815 (ESEF Regulation), Eltel's annual report for the financial year 2021 is filed in the European Single Electronic Format (ESEF). The primary statements in the IFRS consolidated financial statements are tagged in accordance with ESEF taxonomy in electronic format called iXBRL. ESEF taxonomy is developed by ESMA and it is based on the IFRS taxonomy published by the IFRS foundation.

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

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

a) Impairment testing
The Group tests annually and always, if there are indications of impairment, whether goodwill has suffered any impairment by comparing the book value with the recoverable value. The recoverable 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 26 intangible assets for more information on impairment testing.

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

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

c) Taxes

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

d) Provisions and contingent liabilities

The Group uses estimates when assessing the amount of the provisions 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.

e) Defined benefit plans

When preparing actuarial calculations in determining the pension obligation related to defined benefit plans, certain actuarial assumptions need to be made. As the assumptions will vary, the real payment will differ from the estimated obligation, affecting the profit or loss. The assumptions used in actuarial calculations are presented in note 30 Retirement benefit obligations.

f) Lease contracts valid until further notice

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

Principles of consolidation

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

Acquired subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is 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 33 Group companies.

Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions

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

Foreign exchange gains and losses resulting from the translation of business transactions and monetary items are 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.

See further information on hedge accounting for foreign currency differences arising from the translation of financial assets and liabilities designated as hedges in note 13.

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 (IFRS 15)

The Group applies the five-step model of IFRS 15 when recognising revenue from contracts with customers. IFRS 15 requires identifying deliverables in contracts with customers that qualify as separate performance obligations. The deliverables may include good(s) or service(s) or a combination of goods and services. Revenue is 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.

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

A contract includes promises to transfer good(s) or service(s) to a customer. If those goods or services are distinct, the promises are performance obligations that are each accounted for separately in revenue recognition. The Group has analysed the different revenue types and concluded that in the project delivery and upgrade services revenue is typically recognised over time as customer controls the asset Eltel creates or enhances. In maintenance services customer typically receives benefits as Eltel performs and revenue is and continues to be recognised based on the services performed. When revenue from contracts with customers is recognised over time, revenue for the period is recognised to the extent of satisfying the performance obligation(s) to the customer. The Group typically uses the input method based on the costs incurred to measure the progress of satisfying the performance obligation(s) over time. The progress is measured based on costs incurred relative to the total estimated costs and revenue is recognised based on this percentage of completion. An expected loss on a customer contract is recognised as an expense immediately. IFRS 15 does not include any guidance on how to account for loss contracts. Accordingly, such contracts are accounted for using the guidance in IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

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

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

Contract assets and contract liabilities

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

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

Segment reporting (IFRS 8)

Eltel changed its segment structure from 1 January 2021. In line with the Nordic strategy, Eltel's main operations are presented by four country segments: Finland, Sweden, Norway and Denmark. All communication and power business in these four Nordic countries are presented under the country segments. Other business includes operations in High Voltage, which conducts most of its business in Poland, Smart Grids Germany, Lithuania as well as Power Transmission International and Rail businesses that are under ramp down. Other business represents less than 15% of the operations and each of the operations have a size of less than 10% of sales, operative EBITA and total segment assets.

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

Goodwill and other intangible assets (IAS 38)

Goodwill

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

Goodwill is not 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.

Cloud-based Software-as-a-Service (SaaS)

General rule is that cloud-based software and related configuration and customisation costs are recognised as an expense according to underlying service agreement. In specific cases when the software product is controlled by the Group, Intangible asset guidance (IAS 38) is applied and the costs are capitalised accordingly.

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 26 Intangible assets for information on impairment testing of goodwill.

Property, plant and equipment (IAS 16)

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

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

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

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

Subsequent costs are included in the asset's carrying amount or 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.

Right-of-use assets and leasing liabilities (IFRS 16)

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

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

Short-term leases and leases of low-value assets

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

Incremental borrowing rate

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

Assets held for sale (IFRS 5)

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a disposal rather than through the continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate disposal in its present condition. Actions required to complete the disposal should indicate that it is unlikely that significant changes to the disposal will be made or that the decision to dispose will be withdrawn. Management must be committed to the disposal expected within one year from the date of the classification. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

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

Recognition and derecognition

All purchases and sales of financial assets are accounted for at trade date. Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities 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. However, trade receivables without significant financing components are recognised at transaction price. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Classification and measurement

The Group classifies its financial assets into the following categories according to IFRS 9: Financial assets at amortised cost, fair value through other comprehensive income or fair value through profit and loss. The classification is made on the basis of the Group's business model for managing the financial assets and the characteristics of the contractual cash flow of the financial assets, The Group classifies all the financial liabilities at amortised costs except the derivative financial instruments which are classified at fair value through profit or loss. The classification is made on the basis of the purpose of the acquisition of financial instruments at the time of initial recognition. See note 16 Financial instruments by category.

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

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

Financial assets at amortised costs are non-derivative financial assets with fixed or determinable payments not quoted in an active market nor held for trading. They are measured at 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 according to the expected credit losses method (ECL) in IFRS 9, related to trade receivables and contract assets are recognised in other expenses. Financial assets at amortised costs also include cash and cash equivalents, consisting of cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Financial liabilities at 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.

Impairment of financial assets

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

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

Account receivables and contract assets

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

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

Cash and cash equivalents

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

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

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

Financial instruments, hedging (IFRS 9)

The Group's derivative instruments include currency forward contracts and currency swaps. The Group has not applied cash flow hedge accounting in 2021 or 2020. However, all derivative contracts are entered into for economic hedging purposes

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. Derivatives are classified as financial assets or liabilities measured at fair value through profit or loss.

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 amount of the net investment decreases through divestment or otherwise, the related accumulated gains or losses recognised in translation reserve are transferred to profit or loss (see note 13.1 for more information).

Inventories (IAS 2)

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.

Trade receivables

Trade receivables are initially measured at transaction price and subsequently at amortised cost including provision for impairment using expected credit loss (ECL) method according to IFRS 9. The ECL method is described in impairment of financial assets section above. See note 19 for more information.

Share capital

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

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 (IAS 33)

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

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 (IAS 37)

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 incremental or incurred as a direct result of the plan or are the result of a continuing contractual obligation with no continuing economic benefit to the Group or a penalty incurred to cancel the contractual obligation. Restructuring expenses are 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.

Income taxes (IAS 12)

The Group's income tax expense includes taxes of the group companies based on current period's taxable income and the changes in the deferred taxes. Income tax is 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 local tax rate in each country. Tax adjustments from previous periods are included in tax expense.

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

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

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

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

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

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

Termination benefits

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

Share-based payments (IFRS 2)

Eltel has 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 and estimate for the fulfilment of continued employment criteria at the end of the vesting period is included in the assumptions about the number of share incentives. The estimate is updated at each reporting date and changes in estimate are recorded through the statement of income. Social costs related to the share-based incentive scheme are expensed during the periods when services are performed based on the fair value at the reporting date.

Financial performance

This section comprises the following notes:

3. Revenue recognition and segment reporting
4. Personnel by segment
5. Employee benefit expenses
6. Function expenses by nature
7. Other income
8. Other expenses
9. Depreciation and amortisation
10. Financial income and expenses
11. Income tax
12. Earnings per share

Note 3 Revenue recognition and segment reporting

Starting from 1 January 2021, Eltel reports its operations in four country segments: Finland, Sweden, Norway and Denmark. All communication and power business in these countries is presented under country segments. Other business includes operations in High Voltage, which conducts most of its business in Poland, Smart Grids Germany, Lithuania as well as Power Transmission International and Rail businesses that are under ramp down.

Net sales by segment

EUR million	2021	2020
Finland	299.6	300.2
Sweden	182.2	224.5
Norway	160.5	177.7
Denmark	87.9	118.1
Sum segments	**730.1**	**820.5**
Other business	91.9	127.5
Eliminations	-9.5	-10.1
Total	**812.6**	**938.0**

In 2021 and 2020 the Group has two customers that represent over 10% of total sales of the Group. The customers' share of the sales amount to 36% (37). Revenues from these customers were reported mainly in segments Norway and Sweden and to a smaller extent also in other country segments. Customer means a legal entity, and where applicable, a collection of legal entities in the same group.

Net sales by business

EUR million	2021	2020
Communication	505.1	594.9
Power	302.3	329.8
Other operations	5.3	13.3
Total	**812.6**	**938.0**

Net sales by segment and business

EUR million		2021	2020
Finland	Communication	111.3	102.5
	Power	188.4	197.8
Sweden	Communication	163.1	204.2
	Power	19.1	20.3
Norway	Communication	160.0	177.2
	Power	0.4	0.5
Denmark	Communication	65.2	96.2
	Power	22.7	21.9
Other business	Communication	13.6	23.4
	Power	73.1	90.8
	Other operations	5.3	13.3
Eliminations		-9.5	-10.1
Total		**812.6**	**938.0**

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

Net sales by service type

Eltel's revenue consists of project delivery, upgrade and maintenance services.

Project delivery services
(Engineering, procurement, construction)

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

Upgrade services (Upgrade and conversion projects)

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

Maintenance services

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

Net sales by business and service type

EUR million	2021	2020
Communication		
Project delivery	17.5	26.1
Upgrade services	335.5	390.4
Maintenance	152.0	178.4
Total Communication	**505.1**	**594.9**
Power		
Project delivery	128.1	162.9
Upgrade services	116.7	105.6
Maintenance	57.5	61.3
Total Power	**302.3**	**329.8**
Other operations		
Project delivery	5.1	12.9
Maintenance	0.2	0.4
Total other operations	**5.3**	**13.3**
Total	**812.6**	**938.0**

In 2021 project delivery services form 19% (22), upgrade services 56% (53) and maintenance services 26% (26) of Eltel's total net sales.

Committed order backlog by business and service type

Committed order backlog in Eltel is defined as the total value of committed (purchase) orders received but not yet recognised as net sales. It is therefore the best measure of unsatisfied performance obligations according to IFRS 15 Revenue from contracts with customers. The below table presents the committed order backlog by business and service type.

EUR million	2021	2020
Communication		
Project delivery	39.7	52.2
Upgrade services	105.2	80.9
Maintenance	22.9	8.1
Total Communication	**167.8**	**141.2**
Power		
Project delivery	211.3	238.5
Upgrade services	67.7	71.8
Maintenance	22.2	16.9
Total Power	**301.1**	**327.2**
Other operations		
Project delivery	0.2	5.1
Total other operations	**0.2**	**5.1**
Total	**469.1**	**473.5**

Approximately half of the committed order backlog in project delivery services and nearly all of the committed order backlog in upgrade services and maintenance service is to be recognised as revenue during 2022.

Segment results

EUR million	2021	2020
Operative EBITA by segment		
Finland	12.7	7.2
Sweden	-1.8	-3.7
Norway	9.2	14.3
Denmark	4.2	5.0
Sum segments	**24.2**	**22.9**
Other business	-1.8	-3.3
Group functions	-7.6	-8.1
Operative EBITA, Group	**14.8**	**11.4**
Gain/loss on sale of business	–	19.8
Valuation as held for sale	-0.1	-5.7
Total items affecting comparability in EBITA[1]	**-0.1**	**14.1**
Amortisation of acquisition-related intangible assets	-0.3	-0.7
Operating result (EBIT)	**14.5**	**24.8**
Financial expenses, net	-5.8	-9.8
Result before taxes	**8.7**	**14.9**

[1] In Jan-Dec 2020, EUR 20.4 million positive impact from divestment of the German communication business and business area Aviation & Security and EUR -0.7 million from divestment of Eltel's share in Murphy Eltel JV Limited. Sale of German high voltage business had EUR -5.7 million impact from valuation as held for sale in Q4 2020 and EUR -0.1 million impact at completion in Q2 2021.

Net working capital and operative capital employed

EUR million	31 Dec 2021	31 Dec 2020
Inventories	17.2	12.1
Trade and other receivables	192.3	201.7
Provisions	-8.6	-10.2
Advances received	-35.8	-32.2
Trade and other payables	-178.5	-197.4
Other	-2.6	0.9
Net working capital	**-16.0**	**-25.1**
Intangible assets excluding acquisition-related allocations	12.3	10.4
Property, plant and equipment	11.6	20.0
Right-of-use assets	53.3	59.2
Operative fixed assets	**77.2**	**89.6**
Total operative capital employed	**61.2**	**64.5**
Operative capital employed (average over reporting period)	**62.9**	**87.7**

Assets and liabilities held for sale are not included (on 31 December 2020 German High Voltage business).

Net working capital by segment

EUR million	31 Dec 2021	31 Dec 2020
Finland	-22.6	-23.3
Sweden	6.4	3.5
Norway	-15.5	-16.7
Denmark	-6.7	-8.8
Other business	23.2	22.2
Group functions	-0.8	-2.0
Total	**-16.0**	**-25.1**

Operative fixed assets by segment

EUR million	31 Dec 2021	31 Dec 2020
Finland	24.1	26.8
Sweden	16.7	19.1
Norway	16.9	19.7
Denmark	9.8	9.4
Other business	6.7	9.9
Group functions	3.0	4.7
Total	**77.2**	**89.6**

Operative capital employed by segment

EUR million	31 Dec 2021	31 Dec 2020
Finland	1.5	3.5
Sweden	23.1	22.6
Norway	1.4	3.0
Denmark	3.1	0.6
Other business	29.9	32.1
Group functions	2.1	2.7
Total	**61.2**	**64.5**

Contract balances

EUR million	31 Dec 2021	31 Dec 2020
Trade receivables	102.0	98.8
Contract assets	71.2	85.1
Total assets related to contracts with customers	**173.2**	**183.9**
Advances received	35.8	32.2
Total liabilities related to contracts with customers	**35.8**	**32.2**

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

Note 4 Personnel by segment

Number of personnel by segment

Average	2021	Of whom men %	2020	Of whom men %
Finland	1,478	87	1,443	87
Sweden	938	86	1,313	87
Norway	919	87	1,001	88
Denmark	562	90	636	90
Other business	1,123	85	1,636	86
Group and shared functions	155	32	166	32
Total personnel, average	**5,176**	**85**	**6,196**	**86**
Total personnel, year-end	**5,046**	**87**	**5,449**	**84**

Note 5 Employee benefit expenses

Employee benefit expenses

EUR million	2021	2020
Wages and salaries	248.7	277.7
Post-employment benefits:		
Defined benefit plans	-0.7	-0.6
Defined contribution plans	24.9	25.4
Other statutory social costs	34.0	40.8
Total	**307.0**	**343.3**

The definitions of employee benefit expenses have been improved in 2021. As a consequense of the improvements, other indirect employee costs are replaced by other statutory social costs. Comparative figures for 2020 are presented accordingly.

Employee benefit expenses by function

EUR million	2021	2020
Cost of sales	253.2	282.2
Selling and administrative expenses	53.7	61.0
Sum in operative expenses	**306.9**	**343.2**
Financial income and costs	0.1	0.1
Total	**307.0**	**343.3**

Note 6 Function expenses by nature

EUR million	2021	2020
Materials and supplies	116.0	143.0
Employee benefit expenses	306.9	343.2
External services	267.8	304.4
Other income and costs	75.4	84.2
Depreciation, amortisation and impairment	32.1	38.2
Total	**798.1**	**913.0**

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

EUR million	2021	2020
Cost of sales	724.5	838.6
Other income	-5.5	-22.5
Selling and administrative expenses	78.1	89.2
Other expenses	1.0	7.7
Total	**798.1**	**913.0**

Note 7 Other income

EUR million	2021	2020
Gains on divestment of business and sales of assets	3.0	21.1
Gain on foreign exchange forward contracts	0.3	–
Other income	2.2	1.4
Total	**5.5**	**22.5**

In 2021, main item in gain on divestment of business and sales of assets is gain of EUR 2.5 million from sale of real estate in Poland and in 2020 gain of EUR 13.7 million on sale of German Communication business and the gain of EUR 6.7 million on sale of Aviation & Security business in Sweden. See note 24 Acquisitions, divestments and assets held for sale for more information about divestment of businesses.

Note 8 Other expenses

EUR million	2021	2020
Loss on foreign exchange contracts	–	0.6
Losses on divestments and held for sale valuations	0.1	6.3
Other expenses	0.9	0.8
Total	**1.0**	**7.7**

In 2020, losses on divestments and held for sale valuations include held for sale valuation loss of High Voltage business in Germany amounting to EUR 5.7 million as well as held for sale valuation loss of EUR 0.7 million of Murphy Eltel JV Limited. The divestment of High Voltage business in Germany was completed in Q2 2021 and had an impact of EUR -0.1 million on Group EBIT. See note 24 Acquisitions, divestments and assets held for sale for more information.

Note 9 Depreciation and amortisation

EUR million	2021	2020
Amortisation on customer relationships	0.3	0.7
Depreciation of right-of-use assets	23.4	26.7
Other depreciation and amortisation	8.4	10.7
Total	**32.1**	**38.2**

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

EUR million	2021	2020
Cost of sales	19.1	23.2
Selling and administrative expenses	13.0	15.0
Total	**32.1**	**38.2**

Note 10 Financial income and expenses

EUR million	2021	2020
Interest income arising from financial assets at amortised cost	0.0	0.1
Other financial income	0.1	0.4
Total financial income	**0.1**	**0.5**
Interest expenses from liabilities at amortised cost[1)]	-4.6	-6.3
Fee expenses	-2.2	-2.5
Net impact from financial instruments at fair value through profit and loss	–	-0.1
Fair value change of foreign exchange derivatives	1.8	-0.4
Other foreign exchange differences	-0.8	-1.0
Total financial expenses	**-5.8**	**-10.3**
Net financial expenses	**-5.8**	**-9.8**

[1)] Includes EUR 1.6 million (2.0) of interest expenses for leasing liabilities.

Note 11 Income tax

Income tax expense in the consolidated income statement

EUR million	2021	2020
Current tax	3.9	1.7
Deferred tax	-0.1	8.0
Total tax cost	**3.8**	**9.7**
Tax rate, %	43.8%	64.7%

Taxes represent the tax cost in countries with profit. No deferred tax asset was booked for the losses in the period. In the comparative period, EUR 5.4 million tax cost related to gain from divestments of businesses.

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

EUR million	2021	2020
Profit before tax	8.7	14.9
Tax calculated at Swedish tax rate	**1.8**	**3.2**
Effect of different tax rates outside Sweden	0.5	0.9
Income not subject to tax	-0.4	-1.4
Expenses not deductible for tax purposes	1.2	1.6
Tax effect of goodwill from divestments	–	2.8
Tax loss valuation	1.0	2.3
Non-valuated temporary differences	-0.4	0.2
Remeasurement of deferred tax for change in tax rate	–	0.0
Taxes and adjustments in respect of prior years	0.2	0.1
Other items	-0.1	0.1
Income taxes in the consolidated income statement	**3.8**	**9.7**

In 2021 the Swedish national corporate income tax rate has decreased from 21.4% to 20.6%. Tax loss valuation includes tax effects of results for which no deferred income tax asset was recognised. Deferred taxes are presented in note 23.

Note 12 Earnings per share

	2021	2020
Net result attributable to equity holders of the parent	4.3	4.7
Weighted average number of ordinary shares, basic	156,649,081	156,649,081
Weighted average number of ordinary shares, diluted	156,728,961	156,693,645
Earnings per share, basic	0.03	0.03
Earnings per share, diluted	0.03	0.03

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

Financial risk management and capital structure

This section comprises the following notes:

Note 13 Financial risk management

The Group has exposure to the following financial risks:

- Market risks, including currency, interest rate and commodity price risks
- Liquidity risk
- Credit risk

The Group's financing and financial risk management is carried out by a central treasury department (Group Treasury) under the Treasury Policy approved by the Board of Directors. Group Treasury Policy has been established to identify and 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.

13.1 Market risk

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

13.1.1 Currency risk

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

Currency transaction risk

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

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

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

The Group applies hedge accounting for net currency exposures exceeding EUR 4 million in counter value. More information on the Group's foreign exchange derivatives is included in note 17 Derivative financial instruments.

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

2021

EUR million	Sales and purchases	Borrowings and cash	Hedges	Net transaction risk exposure
EUR	-1.9	0.2	0.9	-0.8
SEK	-1.2	9.6	-8.0	0.4
NOK	0.1	-19.1	18.7	-0.3
DKK	0.4	-13.4	12.7	-0.4
PLN	0.0	13.1	-13.2	-0.1
USD	-2.6	0.1	2.0	-0.4
MZN	-0.9	1.8	–	0.9
GEL	–	0.6	–	0.6

2020

EUR million	Sales and purchases	Borrowings and cash	Hedges	Net transaction risk exposure
EUR	1.3	0.1	-1.3	0.0
SEK	-2.0	-7.8	10.1	0.3
NOK	0.7	-14.4	13.7	0.1
DKK	0.2	-8.0	8.1	0.3
PLN	0.0	10.2	-10.2	0.0
USD	0.0	0.4	-0.6	-0.1
MZN	-0.5	1.0	–	0.5
GEL	–	0.6	–	0.6

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

Currency transaction risk impact

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

EUR thousands	2021 profit or loss		2020 profit or loss	
	Strengthening	Weakening	Strengthening	Weakening
EUR	-75	75	2	-2
SEK	40	-33	32	-26
NOK	-29	24	7	-6
DKK	-44	36	31	-25
PLN	-15	12	2	-2
USD	-48	40	-9	7
ZAR	–	–	-5	4
MZN	103	-84	56	-46
GEL	66	-54	66	-54

The Group has not applied hedge accounting to currency derivatives in 2021 or 2020 and all fair value changes are reported through profit and loss.

Currency translation risk
The Group's translation risk arises from translating foreign currency denominated subsidiaries' 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, Denmark and Poland. For the year ended 31 December 2021, 23% (25) of the Group's net sales were generated in SEK, 20% (20) in NOK, 11% (13) in DKK and 3% (5) in PLN. In 2021, the COVID-19 pandemic continued to cause volatility in the currency markets, and the changes in NOK against EUR impacted the Group's net sales by EUR +9.1 million (-17.2).

The costs of the operations of the Group are typically incurred in the same currency as net sales. Therefore the translation risk in the Group's profit or loss is limited. In 2021 the changes in NOK against EUR impacted the Group's EBIT by EUR +0.5 million (-1.0). A change in the average EUR/SEK, EUR/NOK, EUR/DKK, EUR/PLN rates by 10% would have had an impact of EUR -0.6 million (-1.1) on the Group's operating result (EBIT) and EUR -0.0 million (-0.9) in the Group's post tax profit in 2021.

Net investment translation risk
The majority of the Group's net investment translation risk arises from the net investments in the Swedish, Norwegian and Polish subsidiaries. This net investment is hedged by SEK and PLN denominated loans, SEK 228.2 million (312.9) and PLN 7.0 million (9.5), which partly mitigates the foreign currency translation risk arising from the subsidiaries' net assets. The hedged risk is the risk of weakening SEK and PLN against EUR that will result in a reduction in the carrying amounts of the Group's net investments in the subsidiaries. Net investment hedge accounting according to IFRS 9 is applied for the loans. Hedges are included in the net debt to EBITDA ratio sensitivity analysis.

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

2021 EUR million	Loans denominated in foreign currency	Discontinued net investment hedges	Total
1 Jan	5.9	7.4	13.3
Recognised in hedging reserve during the period	0.7	–	0.7
Transferred from hedging reserve to profit and loss during the period	–	-0.3	-0.3
31 Dec	**6.5**	**7.1**	**13.6**

2020 EUR million	Loans denominated in foreign currency	Discontinued net investment hedges	Total
1 Jan	6.9	7.4	14.4
Recognised in hedging reserve during the period	-1.1	–	-1.1
Transferred from hedging reserve to profit and loss during the period	0.1	–	0.1
31 Dec	**5.9**	**7.4**	**13.3**

13.1.2 Interest rate risk
Interest rate risk is the uncertainty in the financial result or the value of the Group caused by fluctuations in interest rates. Interest rate risk can be divided into two components:
- interest flow risk is the risk that the Group's net interest expenses change due to interest rate changes.
- interest price risk is the risk that the fair values of financial instruments change due to interest rate changes.

The Group's policy is not to hedge the loans maturing within less than 2 years. At the end of 2021 all the bank borrowings were due in less than 2 years and the Group does not have any interest rate hedges in place.

The Group's borrowing is based on floating interest rates (one to six months) including a floor market rate of zero. Currently 89% of the term loans are subject to such zero floor rate.

The interest rate profile of the Group is as follows:

EUR million	2021	2020
Total leasing liabilities	**54.5**	**60.8**
Variable-rate instruments		
Financial assets	-32.9	-26.9
Financial liabilities	100.2	90.8
Total variable-rate net liabilities	**67.3**	**63.9**

A majority of the leasing liabilities have a fixed interest rate for the lease period. More information on the Group's interest rate derivatives is included in note 17 Derivative financial information.

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

2021	Income statement	
EUR million	50 bp increase	25 bp decrease
Variable rate instruments	0.4	-0.2
Total	**0.4**	**-0.2**

2020	Income statement	
EUR million	50 bp increase	25 bp decrease
Variable rate instruments	0.3	-0.1
Total	**0.3**	**-0.1**

Bp refers to basis points

13.1.3 Commodity price risk
Commodity price risk is the uncertainty in the financial result or the value of the Group caused by fluctuations in commodity prices. Material prices, in particular steel, have increased as a consequence of COVID-19. This had a negative impact on Eltel's profitability in 2021 affecting particularly the power business.

According to the Group's policy the commodity derivates may be used to hedge the commodity purchases for the long-term customer contracts, if the price of the commodity purchases for the contract cannot be fixed, and a relevant commodity derivative is available in the market. In 2021 or 2020 Eltel had no commodity derivatives.

13.2 Liquidity risk

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

Securing adequate amount of funding is centralised to the Group Treasury. The Group maintains sufficient liquidity by efficient cash management through group level cash pools and related overdraft limits. At year-end 2021, the Group had committed syndicate revolving credit facility of EUR 90 million (90). The Group had also access to short-term debt capital markets via Finnish Domestic Commercial Paper programme of EUR 150 million.

On 17 January 2022, Eltel completed a new financing agreement. Credit facilities and the new financing agreement are presented in section 13.4 Capital management.

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

EUR million	31 Dec 2021	31 Dec 2020
Committed credit facility	90.0	90.0
Current account overdrafts	20.0	20.0
Cash and cash equivalents	32.3	26.0
Total	**142.3**	**136.0**

At the end of December 2021 the Group held counter value of EUR 1.8 million (0.9) in local MZN currency bank accounts in Mozambique. Due to the local currency and other regulatory requirements the funds are not readily transferrable off-shore and the funds are currently kept in the country to serve the ongoing projects' working capital needs. The funds are included in the cash and cash equivalents since the use of the funds is not restricted. The funds are subject to currency risk in group consolidation and to the extent the project costs arise in other than the local currency. The risk analysis is included in section 13.1 Market risk.

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

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

	Carrying amounts		Contractual cash flows			
31 Dec 2021 EUR million	**Less than 1 year**	**Over 1 year**	**Less than 1 year**	**1–3 years**	**3–5 years**	**Over 5 years**
Financial assets						
Trade receivables	102.0	–	102.0	–	–	–
Derivative instruments	0.3	–	0.3	–	–	–
Other receivables	1.4	0.3	1.4	0.2	–	0.1
Cash and cash equivalents	32.3	–	32.3	–	–	–
Total financial assets	**135.9**	**0.3**	**135.9**	**0.2**	–	**0.1**
Financial liabilities						
Bank borrowings and commercial papers	74.5	25.5	76.7	27.0	–	–
Leasing liabilities	18.6	35.8	20.3	24.7	8.8	4.1
Trade payables	71.7	–	71.8	–	–	–
Derivative financial instruments	0.2	–	0.2	–	–	–
Total financial liabilities	**165.1**	**61.4**	**168.9**	**51.8**	**8.8**	**4.1**

31 Dec 2020 EUR million	Carrying amounts Less than 1 year	Carrying amounts Over 1 year	Contractual cash flows Less than 1 year	Contractual cash flows 1–3 years	Contractual cash flows 3–5 years	Contractual cash flows Over 5 years
Financial assets						
Trade receivables	98.8	–	98.8	–	–	–
Derivative instruments	0.3	–	0.3	–	–	–
Other financial assets[1)]	35.0	–	35.0	–	–	–
Other receivables	1.5	0.3	1.5	0.1	–	0.2
Cash and cash equivalents	26.0	–	26.0	–	–	–
Total financial assets	**161.7**	**0.3**	**161.7**	**0.1**	**–**	**0.2**
Financial liabilities						
Bank borrowings and commercial papers	63.0	27.7	65.5	30.5	–	–
Liabilities to shareholders[1)]	35.0	–	35.0	–	–	–
Leasing liabilities	21.8	39.0	23.4	28.0	8.6	5.6
Trade payables	81.3	–	81.3	–	–	–
Derivative financial instruments	0.0	–	0.0	–	–	–
Total financial liabilities	**201.1**	**66.7**	**205.2**	**58.5**	**8.6**	**5.6**

[1)] Liabilities to shareholders referred to selling shareholders at the time of the listing on 6 February 2015. The corresponding amount was recognised in the Group's assets, as the contribution amount was deposited in an escrow bank account. Following the closing of the FCCA case in Eltel's favour in August 2021, EUR 35 million has been released from the escrow account for repayment to the former shareholders. For more information, see Legal claims and investigations in note 18.

13.3 Credit risk

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

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

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

At the end of December 2021 the Group held counter value of EUR 1.8 million (0.9) in local MZN currency bank accounts in Mozambique. The sovereign risk related to Mozambique is included in expected credit loss (ECL) calculation.

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

Credit risk exposure and loss reservation

2021 EUR million Credit risk rating	Trade receivables (gross)	Contract assets	Total	Expected credit loss reservation	Recognised amounts (net)
Large customers					
AAA	2.8	1.4	4.1	0.0	4.1
AA	0.9	2.0	2.9	0.0	2.9
A	6.1	11.2	17.4	0.0	17.4
BBB	29.4	17.3	46.7	0.0	46.7
BB	4.6	3.8	8.4	0.0	8.4
Total large customers	**43.7**	**35.8**	**79.5**	**0.1**	**79.4**
Other customers	60.4	35.5	95.8	2.1	93.7
Total	**104.1**	**71.2**	**175.3**	**2.1**	**173.2**

2020 EUR million Credit risk rating	Trade receivables (gross)	Contract assets	Total	Expected credit loss reservation	Recognised amounts (net)
Large customers					
AAA	3.2	0.8	4.0	0.0	4.0
AA	1.7	–	1.7	0.0	1.7
A	6.6	16.7	23.3	0.0	23.3
BBB	21.2	24.8	46.0	0.1	45.9
BB	9.0	0.8	9.8	0.1	9.7
Total large customers	**41.7**	**43.1**	**84.8**	**0.3**	**84.6**
Other customers	60.5	42.0	102.5	3.1	99.3
Total	**102.2**	**85.1**	**187.3**	**3.4**	**183.9**

Maturity analysis of receivables:

EUR million	31 Dec 2021	31 Dec 2020
Not past due	96.1	88.6
1–14 days overdue	4.9	4.7
15–90 days overdue	2.1	5.0
91–180 days overdue	0.2	0.7
More than 180 days overdue	0.8	3.2
Total trade receivables	**104.1**	**102.2**
Contract assets	71.2	85.1
Expected credit loss reservation	-2.1	-3.4
Total	**173.2**	**183.9**

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

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

The reserve for expected credit losses is EUR 2.1 million (3.4) representing a decrease of EUR 1.2 million from the comparative period. Largest items relate to valuation of aforementioned sovereign risk related to Mozambique and to the group of smaller customers. The effects of COVID-19 have not had substantial impact on expected credit losses. Realised credit losses in the Group were EUR 0.2 million (0.0) during the year.

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

Credit risk also originates from investments in cash and cash equivalents. EUR 30.3 million (25.0) of the cash balance on 31 December 2021 was deposited in the banks having the credit rating of at least A (S&P) or equivalent. EUR 1.8 million (0.9) of the cash was deposited in the banks in Mozambique having the credit rating of BB. The expected credit risk for cash and cash equivalents is measured by a rating-based model in combination with other known information and forward-looking factors. The expected credit losses for other receivables and assets have been assessed to be immaterial and no reservation has been recognised in the financial statements.

13.4 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. In 2021 financing agreement net debt was calculated as total borrowings from banks and other financial institutions on undiscounted method less cash and cash equivalent. IFRS 16 leasing liabilities were not included.

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

EUR million	31 Dec 2021	31 Dec 2020
Total bank borrowings	100.3	90.8
Leasing liabilities in balance sheet	54.5	60.8
Cash and cash equivalents	-32.3	-26.0
Net debt	**122.6**	**125.6**
Less IFRS 16 leasing liabilities	-53.3	-58.3
Net debt, 2021 financing agreement	**69.2**	**67.4**

In 2021 and in comparative period, Eltel's bank loan agreements included financial covenants related to the adjusted EBITDA, minimum liquidity and net debt.

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

Credit facilities

At year-end 2021, Eltel had financing agreements with its bank group comprising term loans, a revolving credit facility and certain commercial guarantees. Eltel's total committed credit facilities amounted to EUR 137.1 million, comprising a non-current term loan of EUR 25.5 million, current term loan of EUR 1.5 million, revolving credit facility of EUR 90.0 million and bilateral account overdrafts totalling EUR 20.0 million.

Additional to above facilities, the Group also had access to short-term debt capital markets via a commercial paper programme of EUR 150 million. At the reporting date EUR 73.0 million (53.0) of the commercial paper programme and EUR 0.0 million (0.0) of the revolving credit facility were utilised.

EUR million	31 Dec 2021	Maturity
Term loan, non-current	25.5	Feb 2023
Term loan, current	1.5	Jun 2022
Revolving credit facility	90.0	Feb 2023
Account overdrafts	20.0	Annual renewals
Total committed credit facilities	**137.1**	
Commercial paper programme	150.0	N/A

New financing agreement

On 17 January 2022, Eltel completed a new, unsecured financing agreement with banks, comprising a EUR 35.0 million term loan (maturity 2+1 years) and a EUR 90.0 million revolving credit facility (maturity 3+1+1 years). The new credit facilities have covenants pertaining to leverage ratio and gearing. The Group has guarantee facilities with the banks and insurance companies on bilateral basis. Account overdrafts amount to EUR 15.0 million in total.

Upon utilisation of the new term loan, the previous term loans were repaid, and the former financing agreements were terminated.

EUR million	17 Jan 2022	Maturity
Term loan, non-current	35.0	Jan 2024 (+extension option until Jan 2025)
Revolving credit facility	90.0	Jan 2025 (+extension option until Jan 2027)
Account overdrafts	15.0	Annual renewals
Total committed credit facilities	**140.0**	
Commercial paper programme	150.0	N/A

Note 14 Shares and share capital

During 2021, there were no changes in number of shares or share capital. On 31 December 2021, the total number of shares amounted to 157,499,081 divided into 156,649,081 ordinary shares with 1 vote per share and 850,000 C shares with 1/10 vote per share. On 31 December 2021 the share capital amounted to EUR 158.8 million.

The 850,000 redeemable and convertible class C shares were issued based on the authorisation given to the Board by the Extraordinary General Meeting on 17 September 2018. The purpose of the issue of class C shares is to use the shares in Eltel's long-term incentive programme LTIP 2018. In connection with the issue, the shares have been repurchased by Eltel. Eltel holds the shares at 31 December 2021 and will hold the shares until it is time to deliver shares to the participants of LTIP 2018. Prior to delivery of the shares to participants, the class C shares will be converted to ordinary shares.

	31 Dec 2021	31 Dec 2020
Ordinary shares	156,649,081	156,649,081
C shares	850,000	850,000
Total number of shares	**157,499,081**	**157,499,081**
Total share capital (EUR)	**158,838,751**	**158,838,751**
Quota (par) value (EUR)	**1.01**	**1.01**

Note 15 Borrowings

The financial liability amounts include capital amount and accrued interests.

EUR million	31 Dec 2021	31 Dec 2020
Carrying amounts of non-current liabilities		
Bank borrowings	25.5	27.7
Leasing liabilities	35.8	39.0
Total non-current financial liabilities	**61.4**	**66.7**
Carrying amounts of current liabilities		
Bank borrowings	74.2	62.1
Leasing liabilities	18.6	21.8
Total current debt	**92.9**	**83.9**
Liabilities to shareholders[1]	–	35.0
Total current financial liabilities	**92.9**	**118.9**
Total financial liabilities at amortised cost	**154.2**	**185.6**

[1] Refers to selling shareholders at the time of the listing on 6 February 2015. Following the closing of the FCCA case in Eltel's favour in August 2021, EUR 35 million has been released from the escrow account for repayment to the former shareholders.

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

EUR million	31 Dec 2021	31 Dec 2020
EUR	95.6	111.9
SEK	36.9	48.4
PLN	2.2	3.0
NOK	12.7	16.0
DKK	6.8	6.4
Total	**154.2**	**185.6**

See note 13 For information about interest rate risk, currency risk, liquidity risk and capital management.

The weighted average interest rates for borrowings at year-end were 2.0% in 2021 and 2.5% in 2020.

Non-cash changes of borrowings

	2021				2020			
EUR million	Long-term borrowings	Short-term borrowings	Leasing liabilities	Total	Long-term borrowings	Short-term borrowings	Leasing liabilities	Total
1 Jan	**27.7**	**97.1**	**60.8**	**185.6**	**111.1**	**109.0**	**78.6**	**298.7**
Cash flows (net)	–	-25.0	-23.8	-48.8	–	-95.0	-26.2	-121.2
Non-cash changes:								
New lease agreements	–	–	21.7	21.7	–	–	13.2	13.2
Termination of lease agreements	–	–	-4.5	-4.5	–	–	–	–
Divestment of companies and transfers to assets held for sale	–	–	0.0	0.0	–	–	-4.3	-4.3
Change in maturity[1]	-1.5	1.5	–	–	-88.8	88.8	–	–
Foreign exchange movements	-0.7	0.1	0.2	-0.4	5.4	-4.9	-0.6	-0.1
Other non-cash changes	–	0.6	–	0.6	–	-0.8	–	-0.8
31 Dec	**25.5**	**74.2**	**54.5**	**154.2**	**27.7**	**97.1**	**60.8**	**185.6**

[1] Includes EUR 35 million liability to shareholders which was moved from long-term to short-term in 2020.

Note 16 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.

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

31 Dec 2021 EUR million	Note	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Carrying amounts	Fair value	Fair value hierarchy
Non-current financial assets		**0.7**	**0.5**	**–**	**1.1**	**1.1**	
Other receivables and financial assets	19	0.7	0.5	–	1.1	1.1	2
Current financial assets		**0.3**	**138.6**	**–**	**138.8**	**138.8**	
Trade receivables	19	–	102.0	–	102.0	102.0	
Derivative instruments	17,19	0.3		–	0.3	0.3	2
Other receivables	19	–	4.4	–	4.4	4.4	
Cash and cash equivalents		–	32.3	–	32.3	32.3	
Total financial assets		**0.9**	**139.0**	**–**	**140.0**	**140.0**	
Non-current financial liabilities		**–**	**–**	**61.8**	**61.8**	**61.8**	
Interest-bearing debt	15	–	–	61.4	61.4	61.4	2
Trade and other payables		–	–	0.4	0.4	0.4	
Current financial liabilities		**0.2**	**–**	**178.2**	**178.3**	**178.9**	
Interest-bearing debt	15	–	–	92.9	92.9	93.4	2
Trade and other payables	22	–	–	85.3	85.3	85.3	
Derivative instruments	17,22	0.2	–	–	0.2	0.2	2
Total financial liabilities		**0.2**	**–**	**240.0**	**240.1**	**240.7**	
Carrying amount, net		**0.8**	**139.0**	**-240.0**			

On 31 December 2021 the Group had no financial instruments measured at fair value through other comprehensive income.

31 Dec 2020 EUR million	Note	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Carrying amounts	Fair value	Fair value hierarchy
Non-current financial assets		**0.5**	**0.4**	**–**	**0.9**	**0.9**	
Other receivables and financial assets	19	0.5	0.4	–	0.9	0.9	2
Current financial assets		**0.3**	**164.2**	**–**	**164.5**	**164.5**	
Trade receivables	19	–	98.8	–	98.8	98.8	
Derivative instruments	17,19	0.3	–	–	0.3	0.3	2
Other financial assets[1]		–	35.0	–	35.0	35.0	
Other receivables	19	–	4.3	–	4.3	4.3	
Cash and cash equivalents		–	26.0	–	26.0	26.0	
Total financial assets		**0.8**	**164.6**	**–**	**165.4**	**165.4**	
Non-current financial liabilities		**–**	**–**	**66.9**	**66.9**	**66.9**	
Interest-bearing debt	15	–	–	66.7	66.7	66.7	2
Trade and other payables		–	–	0.1	0.1	0.1	
Current financial liabilities		**0.3**	**–**	**213.1**	**213.3**	**214.3**	
Interest-bearing debt	15	–	–	83.9	83.9	84.9	2
Liabilities to shareholders[1]	15	–	–	35.0	35.0	35.0	
Trade and other payables	22	–	–	94.2	94.2	94.2	
Derivative instruments	17,22	0.0	–	–	0.0	0.0	2
Embedded derivative instruments	17,22	0.2	–	–	0.2	0.2	2
Total financial liabilities		**0.3**	**–**	**279.9**	**280.2**	**281.2**	
Carrying amount, net		**0.5**	**164.6**	**-279.9**			

[1] Refers to selling shareholders at the time of the listing on 6 February 2015. Following the closing of the FCCA case in Eltel's favour in August 2021, EUR 35 million has been released from the escrow account for repayment to the former shareholders.

On 31 December 2020 the Group had no financial instruments measured at fair value through other comprehensive income.

Note 17 Derivative financial instruments

	31 Dec 2021			31 Dec 2020		
EUR million	Nominal values	Fair values Positive	Fair values Negative	Nominal values	Fair values Positive	Fair values Negative
Foreign exchange derivatives	41.8	0.3	-0.2	30.9	0.3	0.0
Embedded derivatives	–	–	–	1.3	–	-0.2
Total	**41.8**	**0.3**	**-0.2**	**32.2**	**0.3**	**-0.3**

All derivative contracts have been made according to the Eltel Treasury Policy. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group has not applied hedge accounting to any derivative financial instruments in 2021 or 2020. More information on the financial risks which are hedged by the derivative financial instruments are presented in note 13.

The commercial contracts agreed in a currency which is not a home currency of the seller or the buyer, are classified as embedded derivatives if they meet the criteria of an embedded derivative according to IFRS 9.

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

	31 Dec 2021			31 Dec 2020		
EUR thousands	Carrying amounts	Related instruments that are not offset	Net amounts	Carrying amounts	Related instruments that are not offset	Net amounts
Financial assets						
Foreign exchange derivatives	259	-28	231	302	-47	255
Financial liabilities						
Foreign exchange derivatives	-149	28	-121	-47	47	0

Note 18 Commitments and contingent liabilities

Commitments and collateral pledged

EUR million	31 Dec 2021	31 Dec 2020
Pledged assets		
Shares in subsidiaries	47.3	62.9
Floating charges	221.8	227.2
Intra-group loan receivables	343.6	341.0
Other pledges	0.1	0.1
Total pledged assets	**612.8**	**631.2**
Guarantees		
Counter guarantees for external guarantees	85.3	103.5
Commercial guarantees on behalf of third parties	0.1	0.1
Total guarantees	**85.4**	**103.6**

At year-end, the pledged assets related mainly to securing the Group's liabilities under the Group's financing agreement. Securities provided included the shares in The Infranet Company AB, floating charges and the pledge of certain intra-group loan receivables. On 17 January 2022 Eltel's debt was replaced with a new unsecured finance agreement. See note 34 Events after balance sheet date for more information about the new financing agreement.

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

During 2017 the Group divested a company in Estonia and in accordance with the agreement certain contract guarantees were retained at Eltel. These guarantees are reported as guarantees given on behalf of third parties in 2021 and 2020.

Legal claims and investigations

In Tanzania, Gati Masero Buiter 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 the Tanzanian High Court. The basis of the claim is a subcontractor agreement entered into between Eltel Tanzania and Botech in 2013. Botech did not fulfill its obligations under the subcontractor agreement and therefore Eltel Tanzania terminated the subcontractor 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 claim in whole due to that any claims under or in connection with the subcontractor agreement are 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 subcontractor agreement. In September 2017, the Tanzanian High Court issued an order striking out Eltel Group Oy and Eltel Networks TE AB from the suit. Hearings in the case have been held and Botech has concluded its pleading. Eltel will proceed to present its case during 2022.

Power Transmission International closing matters

The ramp-down of the Power Transmission International ("PTI") business operations continues according to plan. As part of the ramp-down activities some of the local Eltel entities forming part of PTI are involved in tax proceedings and/or disputes incidental to their business.

Eltel Group Oy has raised claims against Georgian State Electrosystem on behalf of a consortium consisting of itself and the Indian company EMC Ltd (EMC Ltd is currently in insolvency proceedings). The claims arise under a FIDIC contract concluded on 17 June 2015 between the consortium, as Contractor, and Georgian State Electrosystem, as Employer, concerning works on the Ksani-Stepantsminda Transmission Line. The contract is governed by Georgian substantive law and contains a customary FIDIC dispute resolution clause whereby disputes, as a rule, first are to be adjudicated by a Dispute Adjudication Board and only thereafter can be submitted to ICC arbitration in Paris.

The Dispute Adjudication Board has to date satisfied claims brought by the consortium against Georgian State Electrosystem in an amount of approximately EUR 4.5 million. The consortium has also flagged additional claims of at least EUR 3.5 million, including claims for withheld retention money as well as claims subject to pending proceedings before the Dispute Adjudication Board. Georgian State Electrosystem has disputed the consortium's claims, including those confirmed by decisions of the Dispute Adjudication Board, and indicated that it will raise (currently unspecified) counterclaims.

On 22 December 2021, Eltel Group Oy notified Georgian State Electrosystem that it would commence ICC arbitration unless the latter made a significant part payment of its monetary obligations by 17 January 2022. On 14 January 2022, Georgian State Electrosystem rejected the payment request.

In management's opinion, the outcome of this case and the tax proceedings and other disputes incidental to PTI's business is difficult to predict but they are not likely to have any material effect on the Group's financial position.

FCCA

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, claiming that Eltel had participated in a competition law violation relating to Eltel's power transmission line construction and planning business in Finland during the period 2004–2011. 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 would be converted into equity from the escrow. On 20 August 2021, the Finnish Supreme Administrative Court issued a decision by which it dismissed FCCA's proposal. The decision brings an end to the proceedings that were opened by the FCCA in 2014. The EUR 35 million has been released from the escrow account for repayment to the former shareholders. The matter is thereby resolved.

Nasdaq

On 28 June 2018, Eltel received a letter from Nasdaq Stockholm where the exchange stated that it intends to request the Nasdaq Stockholm Disciplinary Committee to decide whether Eltel has breached its obligations in relation to the Nasdaq Stockholm Rulebook for Issuers. The matter relates to alleged deficiencies in Eltel's capacity for providing information to the market during 2016 and 2017. Eltel has responded outlining its reasons for rejecting any breach. On 8 December 2021 the Nasdaq Stockholm Disciplinary Committee decided to impose a fine of five annual fees on Eltel, about EUR 100,000. The Disciplinary Committee writes in its decision that there were deficiencies in Eltel's disclosure of inside information during the years 2016 and 2017, and that Eltel therefore has breached Section 3.1 of the Nasdaq Stockholm Rulebook for Issuers. The matter is thereby resolved.

Working capital and deferred taxes

This section comprises the following notes:

19. Trade and other receivables
20. Inventories
21. Provisions
22. Trade and other payables
23. Deferred tax

Note 19 Trade and other receivables

EUR million	31 Dec 2021	31 Dec 2020
Total non-current receivables	**0.5**	**0.4**
Current		
Trade receivables, gross	104.1	102.2
Contract assets	71.2	85.1
Expected credit loss reservation	-2.1	-3.4
Trade receivables and contract assets, net	**173.2**	**183.9**
Derivative instruments	0.3	0.3
Income tax receivables	0.2	0.2
Indirect tax receivables	1.1	2.4
Other prepayments and accruals	13.2	10.6
Other receivables	4.4	4.3
Total current trade and other receivables	**192.3**	**201.7**

Fair values of trade and other receivables approximate their carrying amount due to short maturities. The Group applies the expected credit losses (ECL) model according to IFRS 9 for impairment of trade receivables and contract assets. Refer to note 13.3 Credit risk for more information.

During 2021 the Group has sold on non-recourse basis EUR 292.8 million (339.0) 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. The costs, EUR 0.9 million (1.0) are included in EBIT.

Note 20 Inventories

EUR million	31 Dec 2021	31 Dec 2020
Raw materials and consumables	6.0	7.1
Work in progress	11.1	5.0
Total	**17.2**	**12.1**

Note 21 Provisions

EUR million	31 Dec 2021	31 Dec 2020
Non-current	2.7	2.7
Current	6.0	7.5
Total	**8.6**	**10.2**

2021 EUR million	Warranty provision	Project risk provision	Other provisions	Total
1 Jan	2.1	6.8	1.3	10.2
Additional provisions	0.6	3.1	0.2	3.9
Used provisions during year	-0.3	-1.7	-0.3	-2.3
Unused amounts reversed	-0.2	-2.6	-0.3	-3.1
Exchange rate differences	0.0	-0.1	0.0	-0.1
31 Dec	**2.2**	**5.5**	**1.0**	**8.6**

Non-current provisions consist mainly of warranty provisions and restoration provisions for right-of-use assets. Majority of the non-current provision for warranties will materialise in two to three years' time and the rest in five to ten years' time from the balance sheet date. Warranty provisions which are classified as current 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.

Project risk provisions relate mainly to project cost provisions for certain High Voltage projects in Poland and Power projects in Sweden. Project risk provisions are based on management estimates of the outcome of the project and based on facts and circumstances and other information available at the reporting date, also taking into account any significant events after the reporting period. The actual future outcome may deviate from the estimate. At year-end 2021 other provisions comprise mainly restoration provisions for right-of-use assets.

Note 22 Trade and other payables

Current

EUR million	31 Dec 2021	31 Dec 2020
Trade payables	71.6	81.3
Other liabilities	13.7	12.9
Derivative financial liabilities	0.2	0.3
Indirect tax liabilities	15.5	14.0
Income tax liabilities	5.2	3.4
Accrued expenses and prepaid income	72.3	85.5
Total current trade and other payables	**178.5**	**197.4**

Accrued expenses consist of the following items:

EUR million	31 Dec 2021	31 Dec 2020
Accrued wages and salaries	37.8	40.9
Accrued indirect employee costs	16.1	16.1
Other accruals	18.4	28.5
Total	**72.3**	**85.5**

Note 23 Deferred tax

Deferred tax assets and liabilities

EUR million	31 Dec 2021	31 Dec 2020
Deferred tax assets	18.4	19.1
Deferred tax liabilities	-10.7	-11.0
Net deferred tax assets	**7.7**	**8.2**

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

EUR million	2021	2020
1 Jan	8.2	14.9
Recognised in the income statement	0.1	-8.0
Recognised in other comprehensive income:		
Translation differences	0.1	-0.2
Defined benefit plans	-0.7	1.3
Hedge accounting	-0.1	0.2
31 Dec	**7.7**	**8.2**

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

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

Deferred tax assets

EUR million	Retirement benefit obligations	Tax losses carried forward	Other temporary differences	Total
1 Jan 2020	3.0	17.0	6.4	26.4
Recognised in the income statement	-0.5	-4.3	-3.3	-8.1
Recognised in other comprehensive income	1.3	–	-0.1	1.2
Translation differences	-0.2	0.3	-0.5	-0.3
31 Dec 2020	**3.5**	**13.0**	**2.6**	**19.1**
Recognised in the income statement	-0.9	–	1.3	0.4
Recognised in other comprehensive income	-0.7	–	–	-0.7
Translation differences	0.0	-0.1	-0.3	-0.4
31 Dec 2021	**1.9**	**12.9**	**3.6**	**18.4**

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

Gross amount of EUR 12.9 million (13.0) deferred tax assets are recognised for losses carried forward, of which EUR 5.9 million (6.0) relates to operations in Sweden. There were no changes, other than currency impact, in deferred tax assets for losses carried forward during January-December 2021.

On 31 December 2021 the Group had in its main operational countries a total of EUR 207.9 million (211.5) tax losses for which no deferred tax asset was recognised. Of these tax losses EUR 2.4 million (12.1) will expire within five years, EUR 0.0 million (10.9) will expire after five years and EUR 205.5 million (188.5) does not have expiry date.

In 2021 the Swedish government decreased the national corporate income tax rate from 21.4% to 20.6%.

Deferred tax liabilities

EUR million	Fair value adjustment	Other temporary differences	Total
1 Jan 2020	7.2	4.3	11.5
Recognised in the income statement	-0.2	0.1	-0.1
Recognised in other comprehensive income	–	-0.3	-0.3
Translation differences	-0.1	–	-0.1
31 Dec 2020	**6.8**	**4.1**	**11.0**
Recognised in the income statement	-0.4	0.6	0.2
Recognised in other comprehensive income	–	0.1	0.1
Translation differences	-0.7	0.2	-0.6
31 Dec 2021	**5.7**	**4.9**	**10.7**

Business combinations and capital expenditure

This section comprises the following notes:

Note 24 Acquisitions, divestments and assets held for sale

Acquisitions
During 2021 or 2020, no acquisitions were made.

Divestment of businesses
On 22 March 2021, Eltel signed an agreement to divest its German high voltage business to ENACO GmbH, a German service provider in the energy sector. The transaction was completed on 30 April 2021 and it had a negative cash flow effect of EUR 3.8 million and impact on Group EBIT of EUR -0.1 million in Q2 2021. Eltel classified its German high voltage business as assets held for sale at the end of 2020 and the revaluation had EUR -5.7 million impact on Group EBIT in Q4 2020. Eltel has as part of the divestment engaged ENACO as a subcontractor for the completion of certain projects, which are mostly completed during 2021. The German high voltage business was included in Other business.

During 2020, the following divestments were completed:
On 18 December 2020, Eltel sold its share in the Murphy Eltel JV Limited in the UK to Murphy Power Networks Limited. The divestment had EUR -0.7 million impact on Group EBIT in 2020. Murphy Eltel JV Limited was a joint venture owned 50/50 by Eltel Networks UK Limited and Murphy Power Networks Limited and was included in Other business. See note 25 for more information about the joint venture.
On 23 March 2020, Eltel signed an agreement to divest its Swedish business area Aviation & Security to LFV, Air Navigation Services of Sweden. The transaction was completed on 30 April 2020. The total consideration of the transaction was EUR 18.2 million, positive cash flow impact amounted to EUR 18.9 million and sales gain impact was EUR 6.7 million on Group EBIT in 2020. The Aviation & Security business was included in segment Sweden.
On 22 January 2020, Eltel signed an agreement to divest its German communication business to Circet Group. The transaction was completed on 30 April 2020. The total consideration of the transaction was EUR 19.0 million, positive cash flow impact amounted to EUR 19.0 million and sales gain impact was EUR 13.7 million on Group EBIT in 2020. The German communication business was included in Other business.

The divested assets and liabilities at the date of divestment are presented in the following table:

EUR million	2021	2020
Cash and cash equivalents	–	0.3
Other assets	2.7	14.3
Total assets	**2.7**	**14.6**
Total liabilities	**1.7**	**10.7**

Assets held for sale
On 31 December 2021 there were no assets held for sale. On 31 December 2020, the German high voltage business included in Other business was presented as assets held for sale. At the same time, the assets were revalued to fair value less cost to sell. The revaluation had EUR -5.7 million impact on Group EBIT in 2020.

EUR million	31 Dec 2021	31 Dec 2020
Total assets held for sale	–	**0.0**
Liabilities		
Trade and other payables	–	3.8
Total liabilities held for sale	–	**3.8**

Note 25 Non-controlling interests and joint ventures

EUR million	Subsidiaries with non-controlling interest		Joint ventures	
Summarised statement of balance sheet	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Current assets	28.2	25.5	–	–
Non-current assets	4.1	4.8	–	–
Total assets	**32.3**	**30.2**	–	–
Current liabilities	11.3	9.6	–	–
Non-current liabilities	1.7	1.9	–	–
Total liabilities	**13.0**	**11.5**	–	–
Equity:			–	
Shareholders' equity	19.3	18.7	–	–
Non-controlling interest	7.7	7.5	–	–
Summarised income statement	**Jan–Dec 2021**	**Jan–Dec 2020**	**Jan–Dec 2021**	**Jan–Dec 2020**
Net sales	36.3	39.2	–	2.2
Net result	1.5	1.4	–	-0.3
Total comprehensive income	1.5	1.4	–	-0.3
Total comprehensive income allocated to non-controlling interests	0.6	0.6	–	–
Dividends paid to non-controlling interest	-0.4	-0.6	–	–
Summarised cash flows	**Jan–Dec 2021**	**Jan–Dec 2020**	**Jan–Dec 2021**	**Jan–Dec 2020**
Cash flow from operating activities	1.7	3.9	–	–
Cash flow from investing activities	0.0	0.0	–	–
Cash flow from financing activities	-1.8	-3.9	–	–
% of ownership[1]	60%	60%	–	–

[1] Eltel's ownership in Murphy Eltel JV Limited was 50% until the divestment on 18 December 2020.

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

Joint ventures
Murphy Eltel JV Limited
Murphy Eltel JV Limited, in the UK, was a joint venture owned 50/50 by Eltel Networks UK Limited and Murphy Power Networks Limited.

On 18 December 2020, Eltel sold its share in the Murphy Eltel JV Limited to Murphy Power Networks Limited. At the end of Q3 2020 Eltel classified its share in Murphy Eltel JV Limited as held for sale. At the same time the assets in the joint venture were revaluated to fair value less cost to sell. The revaluation had EUR -0.7 million impact on Group EBIT in Q3 2020. The completion of the divestment in Q4 2020 did not have any further impact on Group EBIT.

Reconciliation of changes in carrying value	Joint ventures 2021	Joint ventures 2020
1 Jan	–	0.9
Profit/loss for the period	–	-0.2
Revaluation to fair value less cost to sell	–	-0.7
31 Dec	**–**	**–**

Note 26 Intangible assets

2021 EUR million	Goodwill	Customer relationship	Order backlog	Brand	Advances paid	Other intangible assets	Total
Cost 1 Jan	487.9	136.0	14.3	48.3	0.1	28.8	715.4
Additions	–	–	–	–	–	0.3	0.3
Disposals	–	–	–	–	-0.0	-0.0	-0.0
Divestments	–	–	–	–	–	-1.3	-1.3
Reclassification from tangible assets	–	–	–	–	-0.1	6.4	6.4
Translation differences	0.1	-1.1	-0.2	-0.3	0.0	-0.1	-1.5
Cost 31 Dec	**488.1**	**134.9**	**14.1**	**48.0**	**0.0**	**34.1**	**719.2**
Accumulated amortisation and impairment 1 Jan	223.0	135.6	14.3	20.8	–	18.5	412.1
Accumulated amortisation of divestments	–	–	–	–	–	-1.2	-1.2
Amortisation during the period	–	0.3	–	–	–	3.1	3.4
Impairment	–	–	–	–	–	0.2	0.2
Reclassification from tangible assets	–	–	–	–	–	1.3	1.3
Translation differences	–	-1.1	-0.2	–	–	–	-1.3
Accumulated amortisation and impairment 31 Dec	**223.0**	**134.8**	**14.1**	**20.8**	**–**	**21.9**	**414.5**
Carrying value 1 Jan	264.9	0.4	0.0	27.5	0.1	10.3	303.2
Carrying value 31 Dec	**265.0**	**0.1**	**0.0**	**27.2**	**0.0**	**12.3**	**304.6**

2020 EUR million	Goodwill	Customer relationship	Order backlog	Brand	Advances paid	Other intangible assets	Total
Cost 1 Jan	487.1	138.5	14.0	47.8	0.4	28.7	716.5
Additions	–	–	–	–	0.1	0.7	0.8
Disposals	–	–	–	–	–	-1.2	-1.2
Transfer to assets held for sale	–	-3.3	–	–	–	–	-3.3
Transfer to other intangible assets	–	–	–	–	-0.4	0.7	0.3
Translation differences	0.9	0.8	0.2	0.4	–	-0.1	2.2
Cost 31 Dec	**487.9**	**136.0**	**14.3**	**48.3**	**0.1**	**28.8**	**715.4**
Accumulated amortisation and impairment 1 Jan	223.0	136.8	14.1	20.8	–	16.8	411.4
Accumulated amortisation of disposals	–	–	–	–	–	-1.2	-1.2
Accumulated amortisation of transfers to assets held for sale	–	-2.7	–	–	–	–	-2.7
Amortisation during the period	–	0.7	–	–	–	2.5	3.2
Translation differences	–	0.8	0.2	–	–	0.4	1.4
Accumulated amortisation and impairment 31 Dec	**223.0**	**135.6**	**14.3**	**20.8**	**–**	**18.5**	**412.1**
Carrying value 1 Jan	264.0	1.7	0.0	27.1	0.4	11.9	305.1
Carrying value 31 Dec	**264.9**	**0.4**	**0.0**	**27.5**	**0.1**	**10.3**	**303.2**

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

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

Allocation of goodwill and brand

Eltel organises its business through Country Units (CU), and two project based units: High Voltage and Smart Grids Germany. As of 1 January 2021 smart grid operations in each country have been included in the Country Units. In addition, Eltel has Rail and Power Transmission International businesses that are being ramped down.

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

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

2021 EUR million	Brand	Goodwill	WACC
Country Unit Finland	8.2	79.7	9.2%
Country Unit Sweden	6.3	60.9	9.3%
Country Unit Norway	8.3	80.5	9.5%
Country Unit Denmark	3.6	34.4	9.1%
Smart Grids Germany	0.9	8.7	9.8%
Other units	0.1	0.9	10.0%
Total	**27.3**	**265.0**	

2020 EUR million	Brand	Goodwill	WACC
Country Unit Finland	8.0	77.5	9.4%
Country Unit Sweden	6.2	60.0	8.8%
Country Unit Norway	8.1	76.9	9.4%
Country Unit Denmark	3.3	32.3	8.3%
Solution Unit Smart Grids	1.8	17.4	9.2%
Other units	0.1	0.9	10.8%
Total	**27.5**	**264.9**	

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

The key assumptions used for value-in-use calculations are:
1. The sales volumes of the business plan – determined based on past performance and existing and planned contracts with clients.
2. Profitability of the business plan – determined based on previous years actual profitability and the planned actions to increase the profitability; EBITA.
3. Discount rate – 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.

The pre-tax discount rates used in calculations including risk premium to reflect the current state of macroeconomic uncertainty and risks specific to the business are presented in above table. Additional temporary risk component has been included to reflect the higher risk level related to volatility in sales volumes, profitability and market changes in recent years.

The annual impairment test conducted for year-end 2021 or 2020 resulted in no impairment. In the 2020 and 2019 annual reports Eltel has disclosed the goodwill in country unit Sweden being sensitive to impairment in case of negative changes to the estimated future cash flows. Eltel's operations in Sweden and the addressable communications market have declined, mainly due to slowdown in building fibre networks and reduction in maintenance of copper networks. In 2021, good development in smart metering market within power is visible and management assessment also shows additional opportunities in the communication market areas, for example in public infrastructure. At year-end, the recoverable amount for CGU Sweden exceeds the carrying amount by 27% (18) and use of pre-tax WACC of 11.3% (10.3) would change the recoverable amount to be equal to its carrying amount. Management deems that no reasonable possible changes in future estimates would cause the recoverable amount to fall below the carrying amount in any other CGU.

Note 27 Property, plant and equipment

2021 EUR million	Land	Buildings	Machinery and equipment	Total
Cost 1 Jan	0.1	5.1	73.8	79.0
Additions	–	0.1	4.0	4.1
Disposals	–	-0.1	-3.7	-3.8
Divestments	-0.1	-4.2	0.3	-4.0
Reclassifications to intangible assets	–	–	-6.4	-6.4
Translation differences	-0.0	-0.0	0.4	0.4
Cost 31 Dec	**0.1**	**0.9**	**68.4**	**69.4**
Accumulated depreciation 1 Jan	0.0	1.9	57.1	59.0
Accumulated depreciation of disposals	–	-0.1	-3.7	-3.8
Accumulated depreciation of divestments	–	-1.8	0.4	-1.4
Depreciation during the period	–	0.2	4.8	5.0
Impairment	–	–	0.1	0.1
Reclassifications to intangible assets	–	–	-1.3	-1.3
Translation differences	-0.0	-0.0	0.1	0.1
Accumulated depreciation 31 Dec	**0.0**	**0.2**	**57.5**	**57.7**
Carrying value 1 Jan	0.1	3.2	16.7	20.0
Carrying value 31 Dec	**0.0**	**0.6**	**11.0**	**11.6**

2020 EUR million	Land	Buildings	Machinery and equipment	Total
Cost 1 Jan	0.8	5.6	78.6	85.0
Additions	–	0.0	5.2	5.3
Disposals	-0.6	-0.2	-2.1	-3.0
Divestment of businesses	–	0.0	-0.1	-0.1
Transfer to assets held for sale	–	0.0	-5.9	-5.9
Reclassifications	–	–	-0.3	-0.3
Translation differences	-0.1	-0.2	-1.6	-1.8
Cost 31 Dec	**0.1**	**5.1**	**73.8**	**79.0**
Accumulated depreciation 1 Jan	0.1	1.9	55.4	57.5
Accumulated depreciation of disposals	-0.1	-0.1	-0.8	-0.9
Accumulated depreciation of divestment of businesses	–	–	-0.1	-0.1
Depreciation during the period	–	0.2	8.0	8.2
Transfer to assets held for sale	–	–	-4.7	-4.7
Impairment	–	–	0.6	0.6
Translation differences	–	-0.1	-1.4	-1.5
Accumulated depreciation 31 Dec	**0.0**	**1.9**	**57.1**	**59.0**
Carrying value 1 Jan	0.7	3.7	23.1	27.5
Carrying value 31 Dec	**0.1**	**3.2**	**16.7**	**20.0**

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

Note 28 Leasing

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

IFRS 16 leasing expenses in income statement

EUR million	2021	2020
Depreciation		
Depreciation of right-of-use assets	23.4	26.7
Other operating expenses		
Short-term lease expense	2.0	3.1
Expense for leases of low-value assets	2.4	3.6
Financial expenses		
Interest expense on lease liabilities	1.6	2.0
Total	**29.3**	**35.4**

Right-of-use assets

EUR million	Buildings	Machinery and equipment	Total
1 Jan 2020	42.2	35.2	77.4
Additions	4.7	9.0	13.6
Depreciation	-10.9	-15.7	-26.6
Transfer to assets held for sale	-1.1	-0.2	-1.3
Divestments	-2.7	-1.1	-3.8
Translation differences	0.0	0.0	-0.1
31 Dec 2020	**32.0**	**27.2**	**59.2**
Additions	9.7	12.0	21.7
Depreciation	-9.3	-14.0	-23.4
Divestments	0.0	-0.0	0.0
Other	-1.3	-3.0	-4.3
31 Dec 2021	**31.2**	**22.1**	**53.3**

Leasing liabilities

EUR million	Non-current	Current	Total
1 Jan 2020	64.0	29.1	93.1
Changes during the period	-11.7	-0.9	-12.6
Transfer to assets held for sale	-1.1	-0.3	-1.4
Divestments	-2.5	-1.3	-3.8
31 Dec 2020	**39.0**	**21.8**	**60.8**
Changes during the period	-3.2	-3.1	-6.3
Divestments	–	0.0	0.0
31 Dec 2021	**35.8**	**18.6**	**54.5**

Maturity analysis of leasing liabilities is presented in note 13.2 Liquidity risk. In addition, the Group is committed to EUR 0.6 million (1.3) future lease payments for short-term lease commitments.

Remuneration and other

This section comprises the following notes:

Note 29 Remuneration to senior executives

Number of key executives	31 Dec 2021	31 Dec 2020
Board of Directors		
Men	4	4
Women	1	1
Other key executives		
Men	6	6
Women	2	2
Total	**13**	**13**

Guidelines for remuneration to senior executives

The Annual General Meeting on 4 May 2020 approved the guidelines for remuneration to senior executives covering the Board of Directors, the CEO, the Deputy CEO and other senior executives (the Group Management Team). Information regarding the guidelines is presented in Board of Directors' report, page 32-40.

Compensation to key executives 2021

EUR thousands	Fee	Fixed salary	Annual variable salary	Long-term variable salary	Pension	Other benefits	Total
Ulf Mattsson	116	–	–	–	–	–	116
Roland Sundén	51	–	–	–	–	–	51
Gunilla Fransson	49	–	–	–	–	–	49
Håkan Dahlström	46	–	–	–	–	–	46
Joakim Olsson	43	–	–	–	–	–	43
Casimir Lindholm	–	623	259	51	174	0	1,108
Other senior executives (7 individuals)	–	1,670	492	16	308	59	2,545

Variable salary, other remuneration and pensions refer to amounts that were recorded as expense according to IFRS. The long-term variable salary refers to provisions made for the LTIP 2018 and LTIP 2021 programmes.

Compensation to key executives 2020

EUR thousands	Fee	Fixed salary	Annual variable salary	Long-term variable salary	Pension	Other benefits	Total
Ulf Mattsson	114	–	–	–	–	–	114
Håkan Dahlström	47	–	–	–	–	–	47
Roland Sundén	47	–	–	–	–	–	47
Gunilla Fransson	43	–	–	–	–	–	43
Joakim Olsson	41	–	–	–	–	–	41
Ulf Lundahl[1)]	14	–	–	–	–	–	14
Markku Moilanen[1)]	14	–	–	–	–	–	14
Hans von Uthmann[1)]	14	–	–	–	–	–	14
Mikael Aro	14	–	–	–	–	–	14
Casimir Lindholm	–	625	424	39	219	0	1,309
Other senior executives (10 individuals)	–	2,171	838	4	349	77	3,440

[1)] Until May 2020

Variable salary, other remuneration and pensions refer to amounts that were recorded as expense according to IFRS. The long-term variable salary refers to provisions made for the LTIP 2018 programme.

Salaries, remuneration and benefits

Salaries and other remuneration to Board of Directors and senior executives excluding pensions and other benefits amounted to EUR 3.4 million (4.4) of which the fixed salaries amounted to EUR 2.6 million (3.1) including fees to Board of Directors of EUR 0.3 million (0.3). Out of this, variable salaries including provisions for LTIP 2018 and LTIP 2021 amounted to EUR 0.8 million (1.3). The defined contribution pension plans for senior executives amounted to EUR 0.5 million (0.6) and the amount of other indirect employee costs for senior executives amounted to EUR 0.3 million (0.4).

The annual variable salary component is based on predetermined and measurable financial and individual targets. The criteria are recommended by the Remuneration Committee and ultimately determined by the Board of Directors. The CEO has an 80% variable salary maximum outcome component and the remaining members of GMT have a 60% variable salary maximum outcome component.

In February 2020, 11 senior executives and key employees were offered a retention bonus scheme amounting to 50% of maximum STI potential for the relevant employee to be guaranteed for the years 2020 and 2021, respectively. The guarantee amount is calculated as the difference between 50% of the max STI potential for 2020 and 2021 and the accumulated actual bonus payouts for 2020 and 2021. The retention bonus scheme requires that the employee has not given notice and still is employed on 31 December 2021.

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

The CEO has a notice period of twelve months in case of termination from the company and twelve months in the event of his resignation. The notice period for other senior executives is twelve months in case of termination from the company and six months in the event of their own resignation. The CEO is also entitled to a severance pay equivalent to 12 months base salary. The retirement age of the CEO is 62 years.

Long-term incentive programmes

LTIP 2018

The Extraordinary General Meeting (EGM) in September 2018 approved the implementation of a share saving programme 2018 (the "LTIP 2018") for key personnel in the Eltel Group. The term of LTIP 2018 is three years and the maximum number of participants is eight consisting the CEO, CFO and a maximum of six individuals within the Group Management Team. The EGM approved the proposal to hedge obligations related to the LTIP 2018 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 furthermore to use the LTIP programme to create individual long-term ownership of Eltel shares among participants.

Participation in the LTIP programmes 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.

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 programme were acquired in a structured way in ordinary trading in the stock market during a certain period of time.

On balance sheet date, the LTIP 2018 comprises maximum 85,664 matching shares (94,728 in 2020), corresponding to approximately 0.1% of the total outstanding shares and votes in the Company. Change in the number of maximum matching shares, -9,064, derives from a change in the number of participants in the programme.

Allotment of Matching Shares and Performance Shares within LTIP 2018 will be made during a limited period of time following presentation of the first quarterly statement 2022. The performance targets are Eltel's EBITDA for the financial year 2021 and the performance targets shall be established by the Board. Partial fulfilment of the performance targets will result in partial allotment of Performance Shares. Performance under a certain level will result in no allotment

LTIP 2018 programme is 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	25%	1.0×	4.0×
B CFO	20%	1.0×	3.0×
C Group Management Team[1)]	15%	1.0×	3.0×

[1)] Maximum 6 persons.

LTIP 2021

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

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

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

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

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

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

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

On balance sheet date, the LTIP 2021 comprises maximum 388,800 performance shares and 388,800 performance options, corresponding to approximately 0.5% of the total outstanding shares and votes in the Company.

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

LTIP 2021 programme is directed towards three categories of participants:

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

[1] Maximum 7 persons.

[2] Maximum 4 persons.

Costs for the LTIP programmes

In accordance with IFRS 2, the estimated total expenses for the LTIP 2018 and LTIP 2021 programmes amounted to EUR 206 thousand (241), of which EUR 206 thousand (213) for the President and CEO and other senior executives. Total expense for the year was EUR 60 thousand (46), of which EUR 73 thousand (43) 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.

Note 30 Retirement benefit obligations

The majority of employees in the Group are included in defined contribution pension plans and largest defined contribution liability is in Denmark. Some countries also have defined benefit plans, largest one being in Sweden, where the plan has been closed for any new earnings at year end 2007. Benefits earned since then are covered by premiums paid to Alecta. 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 2021	31 Dec 2020
Defined benefit pension liability	9.0	16.7
Defined contribution pension liability	5.3	0.7
Net pension liability	**14.4**	**17.4**

Defined pension liabilities in the balance sheet

EUR million	31 Dec 2021	31 Dec 2020
Present value of funded obligations	90.4	97.6
Fair value of plan assets	-81.4	-80.9
Net liability	**9.0**	**16.7**

The movement in the fair value of plan assets

EUR million	2021	2020
Fair value of assets 1 Jan	80.9	82.9
Interest on plan assets	0.6	0.9
Remeasurement of plan assets	2.6	-4.9
Contributions by employer	0.1	0.1
Benefits paid	-0.9	-0.8
Gains and losses on curtailments and settlements	-0.6	–
Translation differences	-1.3	2.7
Fair value of assets 31 Dec	**81.4**	**80.9**

The movement in the defined benefit obligations

EUR million	2021	2020
Total obligations 1 Jan	97.6	97.1
Current service cost	-0.7	-0.7
Interest cost	0.7	1.1
Remeasurement of pension obligation	-0.7	1.1
Benefits paid	-4.2	-4.1
Gains and losses on curtailments and settlements	-0.6	–
Translation differences	-1.6	3.1
Total obligations 31 Dec	**90.4**	**97.6**

The amounts recognised in the income statement and other comprehensive income

EUR million	2021	2020
Current service cost	-0.7	-0.7
Net interest cost	0.1	0.1
Sum recognised in the income statement	**-0.7**	**-0.6**
Remeasurements recognised in other comprehensive income:		
Financial assumptions	-0.7	1.5
Experience adjustments	-2.5	4.5
Total pension charges recognised during the period	**-3.9**	**5.5**

Maturity profile of future gross benefit payments

EUR million	2021	2020
Less than 1 year	4.3	4.2
1–5 years	17.1	17.1
5–10 years	20.0	19.8
10–20 years	34.3	33.4
20–30 years	21.3	20.3
Over 30 years	11.1	10.3
Total	**108.1**	**105.1**

The maturity profile amounts are undiscounted amounts and have increased mainly due to inflation. Comparative year figures have been updated to include inflation. Special salary tax is excluded. The maturity profile of future gross benefit payments does not represent the expected contribution payments, as it excludes the impact of plan assets. The expected contributions to the plan for 2022 are EUR 3.5 million.

The principal actuarial assumptions	2021	2020
Discount rate, %		
Sweden	1.55	0.80
Finland	0.70	0.50
Future salary increase expectation, %		
Sweden	closed plan	closed plan
Finland	3.10	2.20
Inflation rate, %		
Sweden	2.10	1.50
Finland	1.90	1.00

The pension plan in Sweden forms 80% of the Groups total obligations and 82% 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 5.6 million. Similar rise in inflation rate would have the opposite effect and increase the obligation by EUR 6.0 million. If the discount rate was decreased by 0.5% the obligation would increase by EUR 6.2 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 10), this constitutes a multi-employer plan. For the 2021 and 2020 fiscal years, the company did not have access to such information that would enable the company to record this plan as a defined benefit plan. Consequently, the ITP pension plan secured through insurance with Alecta is recorded as a defined contribution plan. The contribution to the plan is determined based on the age, salary and previously earned pension benefits of the plan participants. The company has an insignificant part in the plan.

The collective consolidation ratio reflects the market value of Alecta's assets as a percentage of insurance obligations, calculated in accordance with Alecta's actuarial assumptions, which do not correspond with IAS 19. The collective solvency is normally allowed to vary between 125% and 175%. If the level of collective solvency is less than 125% or exceeds 175%, measures are to be taken in order to create conditions for restoring the level of collective solvency to the normal interval. Alecta's surplus can be distributed to the policyholders and/or the insured if the collective consolidation ratio exceeds 175%. However, Alecta aims to avoid surplus by using reduced contributions. On 31 December 2021, Alecta's surplus corresponded to a collective consolidation ratio of 172% (148%).

The distribution of plan assets in Sweden is as follows:

%	2021	2020
Debt instruments	69	86
Equity instruments	29	13
Cash and cash equivalents	2	1
Total	**100**	**100**

Note 31 Auditors' fees

EUR million	2021	2020
Main auditor		
Audit	0.7	0.9
Other services	0.1	0.0
Total	**0.8**	**0.9**
Other auditing firms		
Other services	0.3	0.2
Total	**0.3**	**0.2**
Total	**1.2**	**1.2**

The main auditor of the Group in 2021 and 2020 has been KPMG.

Note 32 Related party information

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

In 2021 the related party transactions are conducted in the ordinary course of business of the Group. No significant unusual transactions, other than described below, have taken place between Eltel and related parties during the year.

Transactions with shareholders

Upon completion of the IPO in February 2015, the Selling Shareholders, including 3i, BNP Paribas and management shareholders, lent EUR 35 million on an interest-free basis to cover potential fines payable by Eltel in connection with the FCCA Case. Upon completion of the FCCA case in August 2021, EUR 35 million has been released from an escrow account for repayment to the former shareholders of Eltel's share. See note 18 Legal claims and investigations for more information on the FCCA case.

Transactions with key individuals in executive positions

Salaries, remuneration and other benefits are accounted for in note 5 Employee benefit expenses and note 29 Remuneration to senior executives.

The Group has not issued any loans to the persons classified as related party on 31 December 2021 or 31 December 2020.

Transactions with related party companies

List of group companies and jointly controlled entities is presented in note 33. Transactions between Group companies are eliminated in the consolidated financial statements. Transactions with jointly controlled entities are reported in note 25.

Note 33 Group companies

31 Dec 2021	Domicile	Group holding, %
The InfraNet Company AB	Sweden	100%
Eltel Networks Infranet AB	Sweden	100%
Eltel Networks TE AB	Sweden	100%
Jämtlands Linjebyggare & Republikens El AB	Sweden	100%
Eltel Networks Infranet Privat AB	Sweden	100%
Eltel Group Corporation	Finland	100%
Eltel Networks Oy	Finland	100%
Eltel Networks Pohjoinen Oy	Finland	60%
Eltel Networks AS	Norway	100%
Eltel Networks A/S	Denmark	100%
Eltel Networks Energetyka S.A.	Poland	100%
Eltel Networks Engineering S.A.	Poland	100%
Eltel Networks Poland S.A.	Poland	100%
Eltel Holding Poland Sp. z.o.o	Poland	100%
Eltel Networks UK limited	the UK	100%
UAB Eltel Networks	Lithuania	100%
Eltel Infranet GmbH	Germany	100%
Eltel Infranet Production GmbH	Germany	100%
Eltel Networks GmbH	Germany	100%
Eltel Comm Philippines Inc	Philippines	100%
Transmast Philippines, Inc.	Philippines	40%[1)]
Eltel Tanzania Limited	Tanzania	100%
Jointly controlled entities		
Fiber og Anlaeg I/S	Denmark	35%

1) Group voting 100%.

During the financial year 2021 Transmission Eltel Limited in Zambia was liquidated and the name of Energoproject-Krakow S.A. was changed to Eltel Networks Engineering S.A.

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

Note 34 Events after balance sheet date

New financing agreement

On 17 January 2022, Eltel completed a new, unsecured financing agreement with banks, comprising a EUR 35.0 million term loan (maturity 2+1 years) and a EUR 90.0 million revolving credit facility (maturity 3+1+1 years). The new credit facilities have covenants pertaining to leverage ratio and gearing. The Group has guarantee facilities with the banks and insurance companies on bilateral basis. Account overdrafts amount to EUR 15.0 million in total.

Upon utilisation of the new term loan, the previous term loans were repaid, and the former financing agreements were terminated.

EUR million	17 Jan 2022	Maturity
Term loan, non-current	35.0	Jan 2024 (+extension option until Jan 2025)
Revolving credit facility	90.0	Jan 2025 (+extension option until Jan 2027)
Account overdrafts	15.0	Annual renewals
Total committed credit facilities	**140.0**	
Commercial paper programme	150.0	N/A

Håkan Dahlström appointed new President and CEO of Eltel

Eltel's Board of Directors appointed Håkan Dahlström as the new President and CEO of Eltel AB effective 1 September 2022. Håkan is currently serving as the CEO of Fujitsu Sweden. Prior to that, Håkan has held several executive positions at TietoEvry and Telia Group. He is also a member of the Eltel Board of Directors since 2017. Håkan will succeed Casimir Lindholm, who will remain in his position until Håkan joins Eltel.

Russia's invasion of Ukraine

On 24 February 2022, Russia invaded Ukraine. The situation has caused uncertainty and the future is unpredictable. There is a risk that the situation will affect inflation and the markets relevant to Eltel's business. Operations in the nearby areas, such as Poland, may be particularly impacted, especially if the conflict is prolonged.

Parent Company financial statements

Income statement

EUR thousands	Note	Jan–Dec 2021	Jan–Dec 2020
Net sales	4	2,177	2,559
Personnel costs	5	-1,754	-2,071
Other operating expenses		-5,188	-6,374
Total operating expenses		**-6,942**	**-8,445**
Operating result		**-4,765**	**-5,886**
Interest and other financial income		22,099	23,043
Interest and other financial expense		-3,247	-3,936
Financial items, net	7	**18,852**	**19,107**
Result after financial items		**14,086**	**13,221**
Appropriations			
Group contribution given	13	-14,000	-12,000
Result before tax		**86**	**1,221**
Tax for the year	8	–	-353
Net result for the year		**86**	**868**

Statement of comprehensive income

EUR thousands	Note	Jan–Dec 2021	Jan–Dec 2020
Net result for the year		**86**	**868**
Other comprehensive income:			
Items that may be subsequently reclassified to profit and loss			
Cash flow hedges		–	49
Taxes attributable to items that may be subsequently reclassified to profit and loss	8	–	-10
Total comprehensive income/loss for the period		**86**	**907**

Balance sheet

EUR thousands	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Financial assets			
Shares in group companies	9	68,308	68,308
Long-term loans receivable from group companies	10	503,162	493,301
Intangible assets		60	102
Total non-current assets		**571,531**	**561,711**
Current assets			
Receivables from group companies	10	1,063	1,796
Other receivables		370	299
Cash pool receivables	10	10	174
Other financial assets	10	–	35,000
Cash and cash equivalents		105	85
Total current assets		**1,548**	**37,354**
TOTAL ASSETS		**573,080**	**599,065**
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		158,839	158,839
Statutory reserve		453	453
Total restricted equity		**159,292**	**159,292**
Non-restricted equity			
Retained earnings		285,803	284,878
Net result for the year		86	868
Total non-restricted equity		**285,889**	**285,745**
Total equity	11	**445,180**	**445,036**
LIABILITIES			
Current liabilities			
Debt	12	72,476	52,179
Liabilities to shareholders	12	–	35,000
Liabilities to group companies	13	54,267	65,651
Trade and other payables	14	1,156	1,198
Total current liabilities		**127,899**	**154,028**
Total liabilities		**127,899**	**154,028**
TOTAL EQUITY AND LIABILITIES		**573,080**	**599,065**

Changes in equity

EUR thousands	Share capital	Statutory reserve	Non-restricted equity	Total equity
1 Jan 2021	**158,839**	**453**	**285,745**	**445,036**
Net profit for the period	–	–	86	86
Total comprehensive income/loss	**–**	**–**	**86**	**86**
Transactions with owners[1]				
Equity-settled share-based payment	–	–	58	58
Total transactions with owners	**–**	**–**	**58**	**58**
31 Dec 2021	**158,839**	**453**	**285,889**	**445,180**
1 Jan 2020	**158,839**	**453**	**284,800**	**444,091**
Net profit for the period	–	–	868	868
Other comprehensive income	–	–	39	39
Total comprehensive income/loss	**–**	**–**	**907**	**907**
Transactions with owners[1]				
Equity-settled share-based payment	–	–	40	40
Total transactions with owners	**–**	**–**	**40**	**40**
31 Dec 2020	**158,839**	**453**	**285,745**	**445,036**

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

Cash flow statement

EUR thousands	Note	Jan–Dec 2021	Jan–Dec 2020
Cash flow from operating activities			
Profit/loss before taxes		86	1,221
Adjustments for:			
Depreciation		51	34
Equity-settled share-based payment		58	40
Group contribution given	13	14,000	12,000
Financial items, net	7	-18,852	-19,107
Changes in working capital:			
Trade and other receivables		634	-695
Trade and other payables		-1,426	1,719
Cash flow from operating activities before financial items and taxes		**-5,448**	**-4,788**
Financial income received		7,237	6,914
Financial expenses paid		-2,718	-3,020
Cash flow from operating activities		**-929**	**-894**
Cash flow from investing activities			
Payments received from loans from group companies		4,973	4,817
Purchases of property, plant and equipment (PPE)		-8	-69
Cash flow from investing activities		**4,965**	**4,748**
Cash flow from financing activities			
Proceeds from short-term borrowings		31,000	21,500
Payments of short-term borrowings		-11,000	-58,000
Proceeds from other financial assets		35,000	–
Payments of liabilities to shareholders		-35,000	–
Proceeds from short-term borrowings from group companies		-12,016	43,771
Payments of group contributions		-12,000	-11,300
Cash flow from financing activities		**-4,016**	**-4,029**
Decrease/increase in cash and cash equivalents		20	-175
Cash and cash equivalents at beginning of year		85	260
Cash and cash equivalents at end of year		**105**	**85**

Notes to the Parent Company financial statements

Notes to the Parent Company financial statements

Note 1 General information

Eltel AB's role is to own and govern the shares related to Eltel Group. The Company holds management functions but has no operative business activities and its risks are mainly attributable to the value and activities of its subsidiaries. All transactions with group companies are performed on an arm's length basis. Additional general information about the Parent Company can be found in note 1 Corporate information in the consolidated financial statements.

Note 2 Accounting principles

Basis for the preparation of the reports

The annual report for the Parent Company, Eltel AB, has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities. RFR 2 states that the Parent Company in its annual report shall apply 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.

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 what is mentioned below. The principles have been applied consistently for all years presented, unless otherwise stated.

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

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

Shares and participations in subsidiaries

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

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

Financial instruments

The Company applies fair value in accordance with the Swedish Annual Accounts Act 4: 14a-d and hence the description of the accounting principles in Financial instruments of the consolidated financial statements also applies to the Parent Company with the exception of financial guarantees. The Parent Company applies the rule permitted by the Swedish Financial Reporting Board to the reporting of financial guarantee agreements issued for the benefit of subsidiaries, associated companies and joint ventures. The Parent Company 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 financial assets at amortised cost. Financial instruments are also comprised of long-term borrowing and liabilities to shareholders, short-term liabilities to group companies, accounts payable and other liabilities. These comprise the category financial liabilities at amortised cost.

Group contributions

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

Note 3 Financial risk management

The Group applies common risk management for all units. Hence, the description in note 13 Financial risk management in the consolidated financial statements applies to the Parent Company as well in all material aspects.

Note 4 Net sales

EUR thousands	2021	2020
Remunerations from group companies for group-wide administration	2,177	2,559
Total	**2,177**	**2,559**

Note 5 Employee benefit expenses

EUR thousands	2021	2020
Salaries and other remunerations	1,124	1,588
Social security contributions:		
Pension costs	172	18
Other social security contributions	458	465
Total	**1,754**	**2,071**

	2021	2020
Average number of employees	5	5
Of whom men	22%	24%

Salaries and other remunerations to senior executives were EUR 0.5 million (0.5), pension costs EUR 0.1 million (0.1) and other social security contributions EUR 0.2 million (0.2). In addition, salary and other remunerations including social costs to the President and CEO, who is employed by other group company, were EUR 1.1 million (1.3). Group senior executives participate in the long-term share-based incentive programmes LTIP 2018 and LTIP 2021. Total expense for the LTIP 2018 and LTIP 2021 programmes for the year was EUR 70 thousand (40), of which EUR 68 thousand (40) for the President and CEO and other senior executives. More information of Group senior executives and the Board of Directors is presented in note 5 Employee benefit expenses and 32 Related party information in the consolidated financial statements.

In Eltel AB the number of individuals in the Board of Directors was five in 2021 and 2020 and the number of other senior executives employed by the company was two in 2021 and 2020.

Note 6 Auditors' fees

EUR thousands	2021	2020
Main auditor		
Audit assignments	133	147
Tax assignments	5	5
Other auditing firms		
Other assignments	108	187
The company in total	**246**	**339**

Main auditor in 2021 and 2020 has been KPMG.

Note 7 Result from financial items

EUR thousands	2021	2020
Interest and other financial income		
Interest income, loans from group companies	21,889	22,612
Other financial income	–	49
Other financial income, group companies	210	381
Total	**22,099**	**23,042**
Interest and other financial expenses		
Interest expenses	-2,558	-1,967
Interest expenses, group companies	-242	-276
Expected credit loss write-down on internal loans receivable	-27	-1,356
Other financial expenses	-419	-336
Total	**-3,247**	**-3,936**
Total financial items	**18,852**	**19,107**

Note 8 Taxes

EUR thousands	2021	2020
Income taxes		
Result before tax	86	1,221
Tax calculated at Swedish tax rate	18	261
Expenses not deductible for tax purposes	48	336
Tax effect of results for which no deferred income tax was recognised	-66	-255
Non-valuated temporary differences	–	10
Income taxes in the income statement	**–**	**353**

EUR thousands	2021	2020
Deferred tax assets		
1 Jan	–	363
Recognised in the income statement	–	-353
Recognised in other comprehensive income	–	-10
31 Dec	**–**	**–**

Eltel AB has not recognised deferred tax assets for losses carried forward. The Group's estimate for utilising losses carried forward in Sweden covers Eltel AB and all Swedish subsidiaries as group contribution and interest offsetting is utilised in taxation between the entities. The amount of deferred tax assets for losses carried forward in Sweden is reported in note 23 in the consolidated financial statements and reported in companies where Eltel estimates to utilise the losses.

Note 9 Shares in group companies

EUR thousands	2021	2020
Acquisition value		
Opening balance 1 Jan	268,308	268,308
Closing balance 31 Dec	**268,308**	**268,308**
Accumulated impairment losses		
Opening balance 1 Jan	-200,000	-200,000
Closing balance 31 Dec	**-200,000**	**-200,000**
Carrying amount on the balance sheet	**68,308**	**68,308**

Shares are held in the following subsidiaries:
The InfraNet Company AB, 556728-6645

Share of equity, %	100
Share of voting power, %	100
Number of shares	11,000
Book value	68,308

Note 10 Receivables from related parties

Non-current receivables

EUR thousands	31 Dec 2021	31 Dec 2020
Loans from group companies	503,162	493,301
Total	**503,162**	**493,301**

Current receivables

EUR thousands	31 Dec 2021	31 Dec 2020
Other financial assets, received from shareholders[1]	–	35,000
Cash pool receivable	10	174
Accounts receivable	1,063	1,796
Total	**1,073**	**36,970**

[1] Shareholders refers to selling shareholders at the time of the listing on 6 February 2015. Following the closing of the FCCA case in Eltel's favour in August 2021, EUR 35.0 million has been released from an escrow account for repayment to the former shareholders. See also Legal claims and investigations in note 18 in the consolidated financial statements.

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

Eltel AB applies rating-based expected credit loss (ECL) model according to IFRS 9 for impairment of non-current receivables from group companies. In 2021, a write-down of 27 thousand euro (1,356) has been recognised in the credit loss reserve of long-term loans receivable. For more information about the ECL model, please refer to note 13 in the consolidated financial statements.

Note 11 Equity and share capital

During 2021 there were no changes in shares or share capital. The total number of shares amounted to 157,499,081 divided into 156,649,081 ordinary shares with 1 vote per share and 850,000 C shares with 1/10 vote per share. On 31 December 2021 the share capital amounted to EUR 158,839 thousand.

The 850,000 redeemable and convertible class C shares were issued based on the authorisation given to the Board by the Extraordinary General Meeting on 17 September 2018. The purpose of the issue of class C shares is to use the shares in Eltel's long-term incentive programme LTIP 2018. In connection with the issue, the shares were repurchased by Eltel. Eltel holds the shares at 31 December 2021 and will hold the shares until it is time to deliver shares to the participants of LTIP 2018. Prior to delivery of the shares to participants, the class C shares will be converted to ordinary shares.

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

Shareholders with more than 10% of the votes at 31 December 2021 are Solero Luxco S.á.r.l. (a company controlled by Triton Funds) with 16.4% and Wipunen Varainhallinta Oy with 13.5% of ordinary shares. More information about Eltel's shareholders is found in "The Eltel Share" on pages 102-103.

The Board's proposal for the distribution of profits

The Parent Company's non-restricted equity on 31 December 2021 was EUR 285,888,692.39 of which the net profit for the year was EUR 86,224.27. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the year 2021 and that the non-restricted equity of EUR 285,888,692.39 be retained and carried forward.

Note 12 Liabilities

EUR thousands	31 Dec 2021	31 Dec 2020
Non-current liabilities	–	–
Current liabilities		
Bank borrowings	72,476	52,179
Liabilities to shareholders[1]	–	35,000
Total liabilities	**72,476**	**87,179**

[1] Refers to the FCCA case that was closed in Q3 2021. See also Legal claims and investigations in note 18 in the consolidated financial statements.

Note 13 Liabilities to group companies

EUR thousands	31 Dec 2021	31 Dec 2020
Cash pool payable	38,981	51,162
Accounts payable	1,286	2,490
Group contribution liabilities	14,000	12,000
Total	**54,267**	**65,651**

Note 14 Trade and other payables

EUR thousands	31 Dec 2021	31 Dec 2020
Trade payables	287	81
Accrued employee related expenses	252	423
Other short-term liabilities	511	578
Other accrued expenses	106	117
Total	**1,156**	**1,198**

Note 15 Contingent liabilities and pledged assets

Contingent liabilities

EUR thousands	31 Dec 2021	31 Dec 2020
Commercial guarantees on behalf of subsidiaries	108,723	131,132
Commercial guarantees on behalf of other parties	113	122
Total guarantees	**108,836**	**131,254**

Pledged assets

EUR thousands	31 Dec 2021	31 Dec 2020
Pledged subsidiary shares	68,308	68,308
Pledged other assets	343,623	340,974
Total pledged assets	**411,931**	**409,282**

At year-end, Eltel has secured its debt obligations towards the banks by share and intragroup loan pledges and floating charges over certain assets of the Group, all on customary terms and conditions. In January 2022 Eltel's debt was replaced with new unsecured finance agreement. For more information about the new financing agreement, please refer to note 34 in the consolidated financial statements.

The Company's financial statement will be submitted for approval to the Annual General Meeting on 11 May 2022

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.

Stockholm 28 March 2022

Ulf Mattsson Chairman of the Board of Directors	**Håkan Dahlström** Board member	**Gunilla Fransson** Board member
Joakim Olsson Board member	**Roland Sundén** Board member	**Björn Ekblom** Board member
Stefan Söderholm Board member	**Casimir Lindholm** President and CEO	

Our audit report was submitted on 29 March 2022
KPMG AB

Fredrik Westin
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Eltel AB (publ), corp. id 556728-6652

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Eltel AB (publ) for the year 2021, except for the corporate governance statement on pages 41-47. The annual accounts and consolidated accounts of the company are included on pages 32-96 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 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 2021 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 cover the corporate governance statement on pages 41-47. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue and profit calculation of projects

See disclosure 3 and accounting principles on pages 57-58 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

In its consolidated accounts, Eltel applies the standard IFRS 15 *Revenue from Contracts with Customers* for its revenue recognition. This means that performance obligations relevant to the projects Eltel carries out on behalf of its customers are normally fulfilled over time. It also means that revenues are being recognized over time (successively), where progress is measured in relation to the complete fulfillment of Eltel's performance obligations.

The projects' results ("profit calculation") are therefore also reported successively, in relation to the degree/percentage of completion of each project. The percentage of completion depends on the actual project costs associated with the total projected costs. The latter may change during the life cycle of the projects, which in turn may have a significant impact on the projects' reported revenues and results. Unforeseeable costs may also need to be included in the assessments in order to take project risks or disputed claims into account. These items are regularly assessed by the Group and adjusted if necessary. Expected losses are fully recognized as expenses as soon as they are known.

Revenues from project alterations and additional work are recognized on the basis of what is judged to be received. Based on the above, there is, in total, a large element of assessments on the part of Eltel in this area, which in turn affects the reporting of revenues and results.

Response in the audit

We have obtained information about and evaluated management's process for reviewing projects, including the procedures they use for identifying and reporting loss-making and/or high-risk projects. Project managers and project controllers within Eltel have also been involved in this work.

In addition, we have tested whether Eltel's more important project-related controls have been effective throughout the year, such as approvals of contracts and time reporting, ongoing follow-up and reporting of project costs, and profitability. We have also evaluated controls related to costs for subcontractors and other purchases. Furthermore, we have performed sample testing; for example, we have examined whether costs allocated to the projects correspond to data/documentation, and whether both the cost and revenue recognition is true and fair.

We have also assessed whether risks and opportunities in projects are reflected in a balanced way in the project forecasts.

Valuation of goodwill (group) and shares in group companies (parent company)
See disclosure 26 (group) and disclosure 9 (parent company) and accounting principles on pages 58-59 (group) and on page 93 (parent company) in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter
The carrying value of goodwill for the Group as at 31 December 2021 amounted to 265 MEUR, which is approximately 42 % of total assets. Goodwill, which is required to be tested annually for impairment, is a complex area which is heavily dependent on judgment.

Under IFRS, the impairment test should be performed in line with a specific method where management needs to make judgments of future conditions and plans, both internal and external. An example of these judgments is forecasts of future cash flows which, among other things, call for assumptions to be made about future developments and market conditions.

Another important assumption is the discount rate that should be used to reflect market-based assessments of the time value of money and the particular risks that the business faces.

The carrying value of shares in Group companies in the parent company as at 31 December 2021 amounted to 68 MEUR. If the carrying amount of the shares exceeds the consolidated value of the respective group company, the same type of testing is carried out, with the same technique and input values, as for goodwill in the Group.

Response in the audit
We have reviewed whether the goodwill impairment tests carried out by Eltel were performed in accordance with the prescribed accounting method. We have further considered the reasonableness of the assumptions in the cashflow forecasts, as well as the discount rate used, through an evaluation of the Group's internal written documentation and forecasts. We have also interviewed management and evaluated previous years' assessments in relation to actual outcomes.

Another important part of our work has been to review the Group's sensitivity analysis of its own assessments to evaluate how reasonable changes in the assumptions may impact the valuations.

Furthermore, we have considered the completeness of the disclosures in the annual report and evaluated whether they are in line with the assumptions made in the Group's impairment tests, and that they correspond in material aspects to the information that should be provided in accordance with IFRS.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-31. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Auditor's audit of the administration and the proposed appropriations of profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Eltel AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:
- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Eltel AB (publ) for year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report #lTu/KrsMm2+MMWU= has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 *Examination of the Esef report*. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Eltel AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 41-47 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevR 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Eltel AB (publ) by the general meeting of the shareholders on the 9 May 2018. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2018.

Stockholm 29 March 2022
KPMG AB

Fredrik Westin
Authorized Public Accountant

The Eltel share

Eltel's share is listed on the OMX Stockholm Mid Cap, under the trading symbol "ELTEL".

Share capital

At the end of the financial period 2021, the total number of shares amounts to 157,499,081 divided into 156,649,081 ordinary shares with 1 vote per share and 850,000 C shares with 1/10 vote per share. The share capital entered in the trade register per 31 December 2021 is EUR 158,838,751.

Shareholders

As per 31 December 2021, Eltel has 3,134 shareholders. The four largest shareholders of Eltel AB are Solero Luxco S.á.r.l. (a company controlled by Triton Funds) 16.4%, Wipunen Varainhallinta Oy 13.5%, the Fourth Swedish National Pension Fund (AP4) 9.6%, and Heikintorppa Oy 6.8%. All the shareholders referred above together represent 46.3% of the votes in the company.

Price development and trading volumes

Eltel share price declined in 2021. The closing price on 30 December 2021 was SEK 15.60, a decline of 31% over the year. The highest closing price was SEK 28.50 on 24 February 2021 and the lowest was SEK 15.04 on 9 November 2021. At year-end, Eltel's market capitalisation was SEK 2,443,725,664. The trading volume on Nasdaq Stockholm was 23,448,686 shares, equivalent to a turnover of SEK 537,902,916. Eltel shares were mainly traded on Nasdaq Stockholm, 73%, and Cboe Global Markets, 23%, and in small volumes in other marketplaces, 4%.

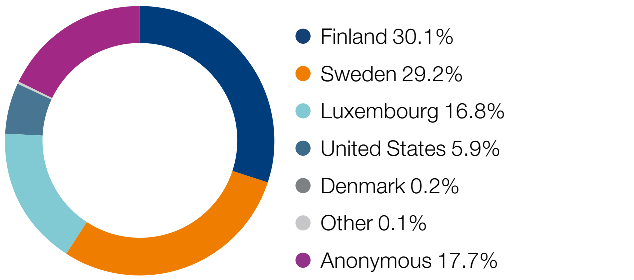
The dividend policy

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

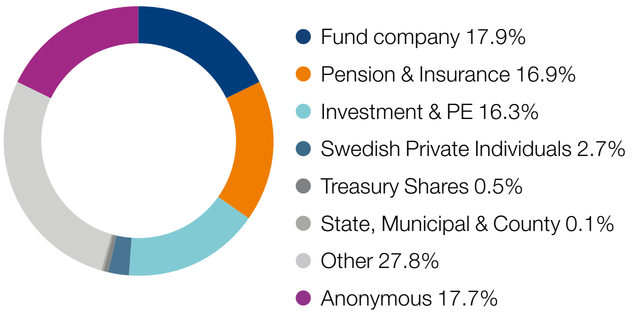
Analysts

Eltel is followed by Carnegie, Evli Bank and ABG Sundal Collier.

Geographic distribution of shareholders 31 Dec 2021



Ownership by sector on 31 Dec 2021



Eltel's top 10 shareholders on 31 December 2021

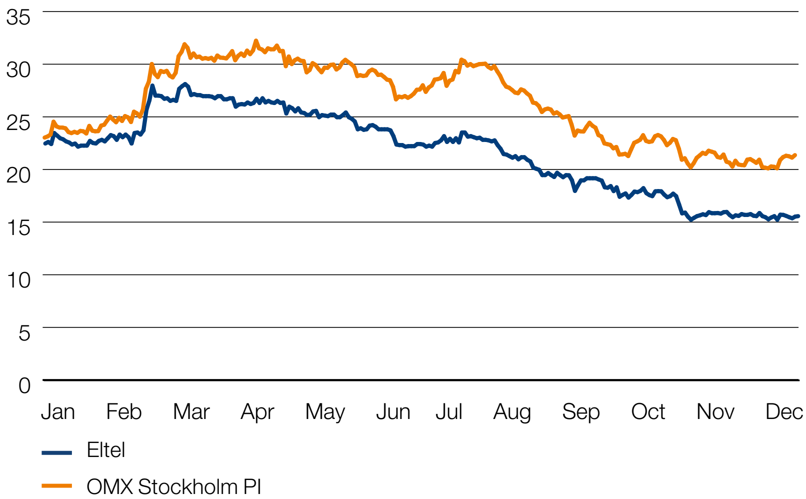
Shareholders	Number of shares	% of share capital	% of votes
Solero Luxco S.á.r.l.[1]	25,683,845	16.3	16.4
Wipunen varainhallinta Oy	21,220,000	13.5	13.5
Fourth Swedish National Pension Fund	15,027,060	9.5	9.6
Heikintorppa Oy	10,625,000	6.7	6.8
Mariatorp Oy	10,000,000	6.3	6.4
First Swedish National Pension Fund	9,177,250	5.8	5.9
Fidelity International (FIL)	7,104,292	4.5	4.5
Swedbank Robur Funds	6,364,435	4.0	4.1
Lancelot Asset Management AB	4,000,000	2.5	2.6
Mandatum Life Funds	2,789,819	1.8	1.8
Total	**111,991,701**	**71.1**	**71.5**
Other shareholders	44,657,380	28.4	28.5
Total ordinary shares in Eltel AB	**156,649,081**		**100.0**
Total C shares in Eltel AB[2]	850,000	0.5	–
Total shares in Eltel AB	**157,499,081**	**100.0**	**100.0**

[1] Company controlled by Triton Funds.
[2] The C shares are held by Eltel.

Ownership structure on 31 December 2021

Shareholder spread	Number of known owners	Number of shares	% of capital	% of votes	Share of known owners
1–500	1,983	322,958	0.2	0.2	64.4
501–1,000	367	303,418	0.2	0.2	11.9
1,001–5,000	527	1,256,416	0.8	0.8	17.1
5,001–10,000	85	655,113	0.4	0.4	2.8
10,001–15,000	27	336,213	0.2	0.2	0.9
15,001–20,000	12	214,780	0.1	0.1	0.4
20,001–	76	126,464,546	80.3	80.2	2.5
Anonymous ownership		27,945,637	17.7	17.8	
Total	**3,077**	**157,499,081**	**100.0**	**100.0**	**100.0**

Eltel share in 2021 (SEK)



Source: Monitor by Modular Finance. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen).

Five-year summary

Condensed consolidated income statement

EUR million	2021	2020	2019	2018	2017
Net sales	812.6	938.0	1 087.6	1,188.9	1,329.9
Cost of sales	-724.5	-838.6	-1 004.7	-1,080.5	-1,234.8
Gross profit	**88.1**	**99.4**	**82.9**	**108.4**	**95.1**
Other income	5.5	22.5	2.6	4.5	4.9
Expenses	-79.1	-96.9	-97.1	-123.3	-134.7
Share of profit/loss of joint ventures	–	-0.2	0.4	1.1	-0.4
Impairment of acquisition-related intangible assets	–	–	–	–	-149.4
Operating result (EBIT)	**14.5**	**24.8**	**-11.2**	**-9.2**	**-184.6**
Financial expenses, net	-5.8	-9.8	-11.5	-8.8	-12.3
Result before taxes	**8.7**	**14.9**	**-22.7**	**-18.0**	**-197.0**
Taxes	-3.7	-9.7	-2.4	-4.1	-7.7
Net result	**4.9**	**5.3**	**-25.1**	**-22.2**	**-204.6**

Key figures

EUR million	2021	2020	2019	2018	2017
Net sales	812.6	938.0	1,087.6	1,188.9	1,329.9
Net sales growth, %	-13.4	-13.8	-8.5	-10.6	-5.0
Operative EBITA	14.8	11.4	-11.3	-2.2	-25.5
Operative EBITA margin, %	1.8	1.2	-1.0	-0.2	-1.9
Operative EBITA, segments	24.2	22.9	9.7	N/A	N/A
Operative EBITA margin, %, segments	3.3	2.8	1.1	N/A	N/A
Items affecting comparability[1)]	-0.1	14.1	1.6	-4.8	-1.2
EBITDA	46.5	63.0	29.7	5.1	-13.4
Operating result (EBIT)	14.5	24.8	-11.2	-9.2	-184.6
EBIT margin, %	1.8	2.6	-1.0	-0.8	-13.9
Result after financial items	8.7	14.9	-22.7	-18.0	-197.0
Net result for the period	4.9	5.3	-25.1	-22.2	-204.6
Earnings per share EUR, basic and diluted	0.03	0.03	-0.17	-0.15	-1.56
Return on equity (ROE), %[2),3)]	2.2	2.4	-10.6	-8.3	-64.9
Return on operative capital employed (ROCE), %[2)]	23.6	13.0	-11.5	N/A	N/A
Leverage ratio[2)]	2.6	2.0	6.7	N/A	N/A
Net working capital	-16.0	-25.1	-6.3	39.9	45.6
Number of personnel, end of period	5,046	5,449	6,678	7,376	7,999

1) Includes gains and losses from divestment of businesses and from valuation of assets as held for sale.

2) Calculated on a rolling 12-month basis. IFRS 16 is applied from 1 January 2019. Therefore ROCE and Leverage ratio are not comparable for 2018 or 2017 and not presented.

3) Assets and liabilities held for sale are not included (in 2020 German High Voltage business, in 2019 German Communication business and Aviation & Security business area and in 2017 Finnish and Danish Rail business).

Cash flow from operating activities

EUR million	2021	2020	2019	2018	2017
Operating result (EBIT)	14.5	24.8	-11.2	-9.2	-184.6
Depreciation and amortisation	32.1	38.2	40.9	14.3	171.3
EBITDA	46.5	63.0	29.7	5.1	-13.4
Changes in working capital	-10.1	16.6	37.9	6.8	-32.8
Total financial expenses and taxes	-6.7	-13.9	-10.9	-10.1	-14.7
Other	-7.4	-16.3	-5.4	1.3	-4.3
Cash flow from operating activities[1)]	**22.3**	**49.4**	**51.4**	**3.2**	**-65.2**

1) IFRS 16 is applied from 1 January 2019. Therefore cash flow from operating activities is not comparable for 2018 or 2017.

Quarterly figures

Quarterly key financial figures for the Group

EUR million	Full-year 2021	Oct–Dec 2021	Jul–Sep 2021	Apr–Jun 2021	Jan–Mar 2021	Full-year 2020	Oct–Dec 2020	Jul–Sep 2020	Apr–Jun 2020	Jan–Mar 2020
Net sales	812.6	226.3	193.8	210.4	182.0	938.0	229.2	226.7	245.5	236.6
Net sales growth, %	-13.4	-1.2	-14.5	-14.3	-23.1	-13.8	-17.8	-19.6	-11.1	-5.7
Operative EBITA	14.8	7.0	4.1	4.4	-0.7	11.4	4.0	6.7	2.8	-2.1
Operative EBITA margin, %	1.8	3.1	2.1	2.1	-0.4	1.2	1.7	2.9	1.2	-0.9
Operative EBITA, segments	24.2	7.3	7.7	6.8	2.4	22.9	6.0	8.6	4.7	3.5
Operative EBITA margin, %, segments	3.3	3.6	4.4	3.6	1.5	2.4	2.9	4.3	2.2	1.7
Items affecting comparability[1]	-0.1	–	–	-0.1	–	14.1	-5.7	-0.7	20.4	–
EBITDA	46.5	14.5	11.9	12.7	7.5	63.0	7.3	15.6	32.7	7.3
Operating result (EBIT)	14.5	6.9	4.0	4.3	-0.8	24.8	-1.9	5.8	23.1	-2.2
EBIT margin, %	1.8	3.1	2.1	2.0	-0.4	2.6	-0.8	2.6	9.4	-0.9
Result after financial items	8.7	5.2	2.6	3.0	-2.1	14.9	-4.3	3.5	20.0	-4.2
Net result for the period	4.9	4.1	1.8	1.6	-2.7	5.3	-7.0	3.1	14.0	-4.8
Earnings per share EUR, basic	0.03	0.02	0.01	0.01	-0.02	0.03	-0.05	0.02	0.09	-0.03
Earnings per share EUR, diluted	0.03	0.02	0.01	0.01	-0.02	0.03	-0.05	0.02	0.09	-0.03
Return on equity (ROE), %[2, 3]	2.2	2.2	-2.8	-2.2	3.5	2.4	2.4	0.2	-2.8	-10.1
Return on operative capital employed (ROCE), %[2]	23.6	23.6	11.6	16.8	13.5	13.0	13.0	-4.9	-7.0	-6.6
Leverage ratio[2]	2.6	2.6	3.9	3.3	2.3	2.0	2.0	3.4	3.1	6.9
Net working capital	-16.0	-16.0	9.8	-7.1	-4.8	-25.1	-25.1	17.3	-12.6	0.5
Number of personnel, end of period	5,046	5,046	5,057	5,202	5,330	5,449	5,449	6,012	6,215	6,652

[1] Gain from divestment of business and loss from valuation of assets as held for sale.

[2] Calculated on a rolling 12-month basis.

[3] Assets and liabilities held for sale are not included (on 31 December 2020 German High Voltage business, on 30 September 2020 Murphy Eltel JV Limited, on 31 March 2020 German Communication business and business area Aviation & Security).

Quarterly segment information

EUR million	Full-year 2021	Oct–Dec 2021	Jul–Sep 2021	Apr–Jun 2021	Jan–Mar 2021	Full-year 2020	Oct–Dec 2020	Jul–Sep 2020	Apr–Jun 2020	Jan–Mar 2020
NET SALES										
Finland	299.6	81.2	77.9	79.8	60.8	300.2	82.7	80.3	78.3	58.9
Sweden	182.2	56.3	40.2	44.6	41.1	224.5	50.8	50.9	59.7	63.1
Norway	160.5	46.2	38.2	42.1	33.9	177.7	41.7	42.1	46.9	47.0
Denmark	87.9	19.3	17.8	24.6	26.2	118.1	29.8	25.8	28.7	33.7
Sum segments	**730.1**	**203.0**	**174.1**	**191.1**	**162.0**	**820.5**	**205.1**	**199.1**	**213.6**	**202.7**
Other business	91.9	26.9	22.0	21.6	21.4	127.5	27.1	29.9	34.0	36.5
Eliminations between segments	-9.5	-3.5	-2.3	-2.3	-1.4	-10.1	-2.9	-2.3	-2.2	-2.6
Net sales, total	**812.6**	**226.3**	**193.8**	**210.4**	**182.0**	**938.0**	**229.2**	**226.7**	**245.5**	**236.6**
OPERATIVE EBITA										
Finland	12.7	4.0	4.8	3.1	0.7	7.2	3.5	4.3	0.2	-0.8
% of net sales	4.2%	5.0%	6.2%	3.9%	1.1%	2.4%	4.2%	5.4%	0.3%	-1.4%
Sweden	-1.8	0.8	-0.2	-1.6	-0.8	-3.7	-2.4	-0.8	-1.0	0.5
% of net sales	-1.0%	1.4%	-0.5%	-3.6%	-2.0%	-1.6%	-4.7%	-1.6%	-1.6%	0.7%
Norway	9.2	2.4	2.9	2.7	1.2	14.3	4.0	4.1	4.1	2.1
% of net sales	5.7%	5.1%	7.6%	6.4%	3.6%	8.0%	9.6%	9.8%	8.7%	4.4%
Denmark	4.2	0.1	0.2	2.6	1.3	5.0	0.9	1.0	1.4	1.8
% of net sales	4.8%	0.6%	1.0%	10.5%	5.1%	4.3%	3.0%	3.8%	4.8%	5.3%
Sum segments	**24.2**	**7.3**	**7.7**	**6.8**	**2.4**	**22.9**	**6.0**	**8.6**	**4.7**	**3.5**
% of net sales	3.3%	3.6%	4.4%	3.6%	1.5%	2.8%	2.9%	4.3%	2.2%	1.7%
Other business	-1.8	1.7	-2.2	-0.5	-0.9	-3.3	-0.1	-0.9	-0.1	-2.2
% of net sales	-2.0%	6.4%	-9.9%	-2.3%	-4.2%	-2.6%	-0.3%	-2.9%	-0.4%	-6.1%
Group functions	-7.6	-2.0	-1.5	-1.9	-2.2	-8.1	-2.0	-1.1	-1.7	-3.4
Operative EBITA	**14.8**	**7.0**	**4.1**	**4.4**	**-0.7**	**11.4**	**4.0**	**6.7**	**2.8**	**-2.1**
% of net sales	1.8%	3.1%	2.1%	2.1%	-0.4%	1.2%	1.7%	2.9%	1.2%	-0.9%

Definitions and key ratios

Eltel applies ESMA's (European Securities and Markets Authority) guidelines for alternative performance measures (APM). In addition to the financial measures defined in IFRS, certain key figures, which qualify as alternative performance measures (APMs) are presented to reflect the underlying business performance, facilitate analysis of the Group's development as followed by Group Management and enhance comparability from period to period. The definition of these key figures is presented below and relevant information enabling reconciliations to IFRS measures can be found in connection with relevant parts of the report. These APMs should not be considered as a substitute for measures in accordance with IFRS.

IFRS Key ratios

Key figure

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

Alternative performance measures (APMs)

Key figure	Definition and reason for use	Reference
Operative EBITA	Operative EBITA and -margin, % are used to measure business and segment profitability. Income statement items below operative EBITA are not allocated to segments. Operative EBITA: Operating result before acquisition-related amortisations and items affecting comparability Operative EBITA margin, %: $\frac{\text{Operative EBITA}}{\text{Net sales}}$ Operative EBITA and -margin, % for segments represent the sum of segments: Finland, Sweden, Norway and Denmark.	Note 3: segment results
Items affecting comparability	Items affecting comparability are items for specific events which management does not consider to form part of the ongoing operative business, typically gain/ loss of acquisition and divestment of businesses.	Note 3: segment results
EBITDA	EBITDA is operating result (EBIT) before depreciations and amortisations. Used in calculating the leverage ratio.	Five-year summary: Cash flow from operating activities
Operating result (EBIT)	Operating result (EBIT) and -margin, % are used to measure profitability before interest and taxes. EBIT margin, %: $\frac{\text{EBIT}}{\text{Net sales}}$	Income statement
Return on equity (ROE), %	Return on equity (ROE), % represents the rate of return that shareholders receive on their investments. Return on equity (ROE), %[1]: $\frac{\text{Net result x 100}}{\text{Total equity (average over the reporting period)}}$	Income statement and balance sheet
Operative capital employed	Operative capital employed is the amount of net operating assets the business uses in its operations. Return on operative capital employed (ROCE), % represents how effectively total net operating assets are used in order to generate return in the operating business. Operative capital employed: Net working capital + Intangible assets excluding goodwill and acquisitionrelated allocations + Property, plant and equipment and Right-of-use assets Return on operative capital employed (ROCE), %[1]: $\frac{\text{EBITA x 100}}{\text{Operative capital employed (average over the reporting period)}}$	Note 3: Net working capital and operative capital employed

[1] Calculated on a rolling 12 months basis

Key figure	Definition and reason for use	Reference
Net debt and leverage ratio	Net debt represents Eltel's indebtedness. It is used to monitor capital structure and financial capacity. It is also used in calculating the Leverage ratio. The leverage ratio is defined as covenant in Eltel's financing agreement. Net debt: Interest-bearing debt (excluding shareholder loans) - cash and cash equivalents Net debt, 2021 financing agreement: Interest-bearing debt (excluding shareholder loans) - cash and cash equivalents - IFRS 16 leasing liabilities Leverage ratio[1]: $\frac{\text{Net debt}}{\text{EBITDA}}$	Net debt: Note 13.4 EBITDA: five-year summary, cash flow from operating activities
Net working capital	Net working capital is used to follow the amount of short-term running capital needed for the business to operate. Used also as a factor to calculate operative capital employed. Net working capital: Net of inventories, trade and other receivables, provisions, advances received and trade and other payables, excluding items in these balance sheet items that are not considered to form part of operative working capital: derivative valuations and income tax liabilities.	Note 3: Net working capital and operative capital employed
Committed order backlog	Committed order backlog is the total value of committed orders received but not yet recognised as sales. It is the (best) measure of unsatisfied performance obligations according to IFRS 15 Revenue from contracts with customer.	Note 3: Committed order backlog by business and service type

[1] Calculated on a rolling 12 months basis

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Financial calendar 2022–2023

Annual General Meeting 2022	11 May 2022
Interim report January–March 2022	4 May 2022
Half-year report 2022	26 July 2022
Interim report January–September 2022	2 November 2022
Full-year report 2022	February 2023

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Printed matter 3041 0242

Production: Narva and Eltel.
Photo: Robert Attermann/RED STAR, source: Banedanmark (p.19).
Håkan Flank (p. 44–45). All other images Eltel.
Printing: Elanders Sverige AB 2022.

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