

Summary of special examination report by attorney-at-law Axel Calissendorff on request from Eltel's Board of Directors

On 21 February 2017, the Board of Directors of Eltel AB appointed attorney-at-law Axel Calissendorff as special examiner of Eltel AB, independent in relation to Eltel, its management, and all major shareholders, to investigate underlying circumstances and liability issues regarding the circumstances related to seven different projects in various countries which gave rise to three profit warnings regarding the 2016 financial year. This is a summary in all material respects for the shareholders of Axel Calissendorff's conclusions and assessments regarding the extensive examination report submitted to the Board of Directors of Eltel and presented by Axel Calissendorff at Eltel's Annual General Meeting on 1 June 2017.

Main reasons for the profit warnings

Significant deliberate risk exposure due to ambitious expansion goals

Even before its IPO in February 2015, the Group had very ambitious goals with respect to expansion, profits and profit margins through organic growth and acquisitions in partially new and highly competitive markets. The high level of risk reported, among other places, in the IPO prospectus prior to the listing of the company's shares should have given rise to a particular focus on pending projects and ongoing risk assessments in order to establish adequate reserves. The reserves established were far too low and, in many cases, were made too late.

Insufficient care in the preparations for submission of tenders and execution of agreements

The agreements for several of the projects examined were preceded by insufficient care with respect to determining costs and the risks of cost-increasing factors prior to the submission of tenders and participation in

subsequent tender procedures. Cost items, which should have been taken into consideration prior to the submission of the bids, were omitted or underestimated. In several cases, the agreements were entered into with palpably low margins. Far-reaching ambitions to win competitive tenders even in highly competitive situations in some cases drove down prices and gave rise to other disadvantageous terms and conditions in the ultimate agreements. Some projects also entailed large and subsequently realized currency risks.

Defects in the implementation of the projects

The implementation of the projects was characterized by various difficulties such as shortcomings in the management of the projects, unplanned replacement of project managers and other key personnel, a lack of expertise and experience in the implementation of the projects, and insufficient resources to be able to timely perform contractual obligations. In addition, there were technical problems, such as ensuring the necessary access to land to be able to timely perform the project work or make deliveries. The implementation of the projects was also rendered more difficult, more expensive, and behind schedule by circumstances entirely beyond the control of Eltel in ways which cannot form the basis for any criticism in this examination report other than that related to the financial reporting. The criticism in this respect is, however, serious.

The documentation and contract drafting regarding the alterations and additions work which is typically of great importance for a successful implementation of a project was insufficient in several cases, resulting in great difficulties securing payment in amounts the work would have commanded had it been performed in a timely fashion. This also contributed to significant difficulties while the projects were underway in evaluating the projects and regularly assessing the need for reserves.

Defects in the control system

The Group's own control system was, in a formal sense, extensive and specifically designed, but so general that it could have applied to any company at all. There was thus a lack of an adequate focus on risks

particularly associated with the operations. The control system was also not followed in practice in significant respects. There were significant deviations from what was stated in the corporate governance report in the 2015 annual report. There were also deviations from the company's internal control systems. This also applies to the work procedures, instructions to the audit and remuneration committees, and the instructions to the CEO. The Group lacked an internal audit and the replacement "own controls" were insufficient.

There were defects of a systematic nature in the internal and external reporting. Applicable rules in IFRS (IAS) regarding how income recognition in projects was to take place were not complied with in significant respects and, within the organization, there was insufficient knowledge regarding the precise meaning and intended application of the rules. This resulted in, or contributed to, reserves not being made at all in several cases or to the extent and as promptly as would have been the case upon a correct application of the rules and regulations. The aforementioned circumstances apply primarily to the 2016 financial year.

Corporate culture

Eltel's corporate culture was characterized by the fact that those persons who had the ultimate responsibility at the company for making risk assessments and taking a position regarding the need for reserves attempted, for as long as possible, to achieve overly ambitious goals. The examination reveals that insufficient sensitivity to well-founded views and assessments reported by subordinates at various levels was a central element of the corporate culture. Contorted reasons were given to avoid or limit objectively and correctly justified reserves, or to put them off until a later date. Various reasons may have been behind this approach, but the most prominent reason and one expressed on several occasions was a concern that a proper reporting of the projects would entail deviations in relation to the "financial covenants" which applied in relation to banks which had provided loans, in combination with concerns regarding the ramifications of what such deviations might entail. Those persons with the ultimate responsibility withheld central information from the board of

directors, the audit committee, and the auditors, which significantly rendered more difficult the review work incumbent upon these corporate bodies. This affected the possibility to provide the market with timely and correct information.

Assessment of civil and criminal liability

The president and CEO, Axel Hjärne

The single person who clearly bears the greatest responsibility for the defects and deficiencies reported in this report is Axel Hjärne, the president and CEO of Eltel AB from 2009 up to and including 18 September 2016. In several wide-ranging and significant respects, he failed to perform his duties and obligations as CEO as stated in the Swedish Companies Act, Eltel's corporate governance report, the instructions to the CEO, and the CEO's employment agreement. There is cause to view very seriously the fact that Hjärne contributed to the company failing to make reserves in a timely fashion and in the amounts necessary to perform its obligations under IFRS (IAS). He also withheld material information from the board of directors and the audit committee and the auditors regarding risks and the need for reserves; information which, as has been adduced in the examination, he was aware of. Several individuals with good insight have stated that Axel Hjärne had very extensive knowledge, down to a detailed level, of the projects being conducted by the Group. The circumstances, which occurred, may involve violations of one or more criminal provisions of the Penal Code, but the information which has been adduced within the scope of the examination does not provide a basis for any definite position in this respect. What has been adduced entails that the board of directors, in Axel Calissendorff's opinion, should consider further investigation of these types of issues. As opposed to everyone else, a total of over 20 people who have been questioned, Axel Hjärne elected not to make himself available for an interview and only contributed to a limited extent to Axel Calissendorff's investigation within the scope of the special examination. This has rendered the investigation more difficult and may have negatively affected the quality of it.

Axel Calissendorff recommends that Axel Hjärne not be granted a discharge from liability by the annual general meeting for his management in 2016.

Chairman of the board of directors Gérard Mohr; and other members of the board

The handling by the board of directors of risk assessments and the need for write-downs in the projects was negligent in part due to the fact that the board of directors did not receive the information necessary to be able to make adequate risk assessments with respect to developments in the operations. Nor did the board of directors work proactively as can reasonably be required taking into consideration the high level of risk in the operations. Gérard Mohr was the chairman of the board of directors from 2011 up to and including 8 November 2016. In this capacity, Gérard Mohr had a particular responsibility for the lack of proactivity (Chapter 8, section 17 of the Companies Act as compared with Chapter 8, sections 4 and 5 of the Companies Act, Part 3, item 6 of the Swedish Code of Corporate Governance, and the work procedures of the Board of Directors). He was the only director who had long experience in projects of the type conducted by the Group and of project reporting and, taken as a whole, he is subject to a stricter standard of liability than the other directors. The other members of the board of directors can, according to attorney-at-law Axel Calissendorff, also not escape criticism, but the criticism of them is not as serious.

To a large extent, Gérard Mohr has been shown to lack sufficient knowledge of several of the projects examined in this examination memorandum and he has proven not to be able to provide a correct and accurate impression of the scope and nature of the reserves, even if he admitted that they were insufficient. His concrete knowledge of the commercial operations which were the subject of attorney-at-law Axel Calissendorff's examination was insufficient to adequately contribute to illuminating and assessing the risks and need for reserves. Gérard Mohr did not sufficiently focus on one of his most central tasks – to continuously carry out a well-rounded and careful critical evaluation of the work carried out by the CEO. There was also not a

sufficiently critical review by the board of directors of the risks and the need for reserves in the projects. Gérard Mohr cannot escape serious criticism. The question of whether liability can, and should, be sought in respect of him should in attorney-at-law Axel Calissendorff's opinion be the subject of further investigation and considerations. However, nothing has been adduced during the investigation which would form the basis for a suspicion that, during his time as chairman of the board of directors, Gérard Mohr was guilty of any criminal offenses.

Attorney-at-law Axel Calissendorff recommends that Gérard Mohr not be granted a discharge from liability by the annual general meeting for his management in 2016 but do not find cause to recommend that the other members of the board of directors not be granted a discharge from liability.

Previous CFO and business unit manager

The CFO has in his capacity as subordinate to Axel Hjärne had the primary responsibility for the presentation at meetings of the audit committee of issues regarding risks, the need for reserves, and financial reporting. He withheld information from the audit committee and Eltel's lead auditor which he was aware of and which in all likelihood would have given rise to earlier and more adequate reserves and different, earlier, and more accurate market information. The question of whether he is criminally liable should be the subject of further consideration. The former CFO has left his position at Eltel.

The business unit manager for Power Transmission was in a precarious position. On at least three occasions, he made it clear that he did not share management's belief regarding a lower level of need for reserves in the projects than what he and his colleagues in the projects had recommended, without this appearing to have made any difference. Criticism can therefore be levied against him in that, to far too great an extent, he prevented reserves which were justified and which had been recommended by the

managers of the projects and other subordinate personnel. He did not succeed in the very difficult task of standing up to heavy pressure from the CEO and CFO. The former head of the business unit has left his position at Eltel.

PwC and the lead auditor Niklas Renström

Öhrlings PricewaterhouseCoopers AB (PwC) and the lead auditor Niklas Renström cannot avoid criticism with respect to the risk assessments which took place and which were a central issue in the audit. The auditing of income recognition in projects involves many difficult considerations even for an experienced and careful auditor. This task is rendered significantly more difficult if information from relevant personnel which is supposed to constitute the basis for the audit is omitted or is incorrect. Niklas Renström was misled by the CFO and CEO. Even taking this into consideration, he was too passive and accepted information and reporting in contravention of IFRS (IAS). Among other things, Niklas Renström accepted project reporting in contravention of the detailed rules and regulations in effect. This entailed that the interim report for Q3 2016 does not provide the accurate impression required according to IFRS (IAS). He did not discover, and therefore also did not evaluate, the fact that there had been systematically entirely different opinions amongst relevant people with good insight into the projects - opinions which had not been listened to by corporate management - and therefore also that corporate management was not able to provide acceptable reasons according to IFRS (IAS) for its decisions not to establish reserves or to establish reserves in amounts lower than that required by the accounting rules. Niklas Renström can therefore not avoid relatively serious criticism.

Attorney-at-law Axel Calissendorff has considered recommending that Niklas Renström's actions be the subject of an examination by the Supervisory Board of Public Accountants, but have decided not to propose this as it appears to be unlikely that the Supervisory Board of Public Accountants would issue any disciplinary sanctions. Attorney-at-law Axel Calissendorff's conclusion is that the defects which became apparent in the examination

can also not give rise to liability in damages; in his opinion there was no negligence which would give rise to liability in damages. However, he believes that the criticism reported in an overall assessment justifies replacement of the lead auditor. The question of whether a replacement of the auditing firm is justified, a position which attorney-at-law Axel Calissendorff is inclined to support, involves taking positions on the inconveniences and costs associated with the procurement of auditing services. These considerations should rightly fall to the nomination committee following consultation with the board of directors.

Following an oral report to the board of directors and the nomination committee of Axel Calissendorff's conclusions set forth above, the nomination committee has commenced a process to replace the lead auditor. However, the nomination committee did not raise the issue of the replacement of the auditing firm at the 2017 annual general meeting.

The Board of Directors will review the special examination report and consider whether further actions are needed.

Stockholm 1 June 2017

The Board of Directors
Eltel AB