

**Item 19 – The Board of Directors’ proposal on resolution regarding potential management buy-out with respect to all shares in SIA Eltel Networks in Latvia**

Eltel’s management and Board of Directors have decided on strategic focus on Eltel’s core businesses in Power and Communication. Geographically, the markets in the Nordics and Poland will be prioritised, as will further growth opportunities in Germany. Following this decision, it was announced on 20 February 2017 that operations excluding Eltel’s core businesses would be divested. As part of the divestment of the power distribution business in the Baltics, Eltel has decided to sell all shares in SIA Eltel Networks in Latvia. The divestment allows Eltel to release its resources to Eltel’s core business.

Whilst Eltel is pursuing the possibility of selling all shares in SIA Eltel Networks to a third party purchaser, Eltel has received an indication from the District Manager Jurijs Kokorevics and possible co-investors to acquire 100% of the shares in SIA Eltel Networks. Jurijs Kokorevics is a board member and CEO of SIA Eltel Networks and has been working for the company since 2006, first as manager of power network construction business and becoming CEO in 2007. Eltel’s Board of Directors is considering such a management buy-out; however, a valid resolution requires approval of shareholders representing at least nine tenth of the votes cast and the shares represented at the annual general meeting.

Accordingly, the approval of shareholders is sought to approve the potential sale by Eltel Networks AS of 100% of the issued and outstanding shares in SIA Eltel Networks to Jurijs Kokorevics and any possible co-investors (the “MBO”).

The purchase price for the shares would be based on the company’s market value at the time of closing of the MBO, which at the date of this proposal amounts to approximately EUR 250,000. In addition to the payment of the purchase price, the buyer is looking to settle any cash pool debt SIA Eltel Networks has at the time of closing the MBO as well as repay the EUR 250,000 loan in 2018 that has been provided by Eltel to SIA Eltel Networks. Eltel may be required to provide support and certain services for a transitional period. Such transitional services would include, *inter alia*, the provision of IT services until 31 December 2017.

In order for SIA Eltel Networks to secure financing after the closing of the MBO, Eltel may need to provide a guarantee to the bank. Eltel would only provide limited representations and warranties regarding SIA Eltel Networks as the buyer has been employed by SIA Eltel Networks and is familiar with the operations of the company.

Should the shareholders not pass a valid resolution regarding the MBO and should Eltel not be able to finalise a transaction regarding SIA Eltel Networks with a third party, Eltel may face closing down costs related to closing down the operations in Latvia. In 2016, the EBITA of SIA Eltel Networks amounted to EUR -205,752.

16 May 2017

**Eltel AB (publ)**

*The Board of Directors*