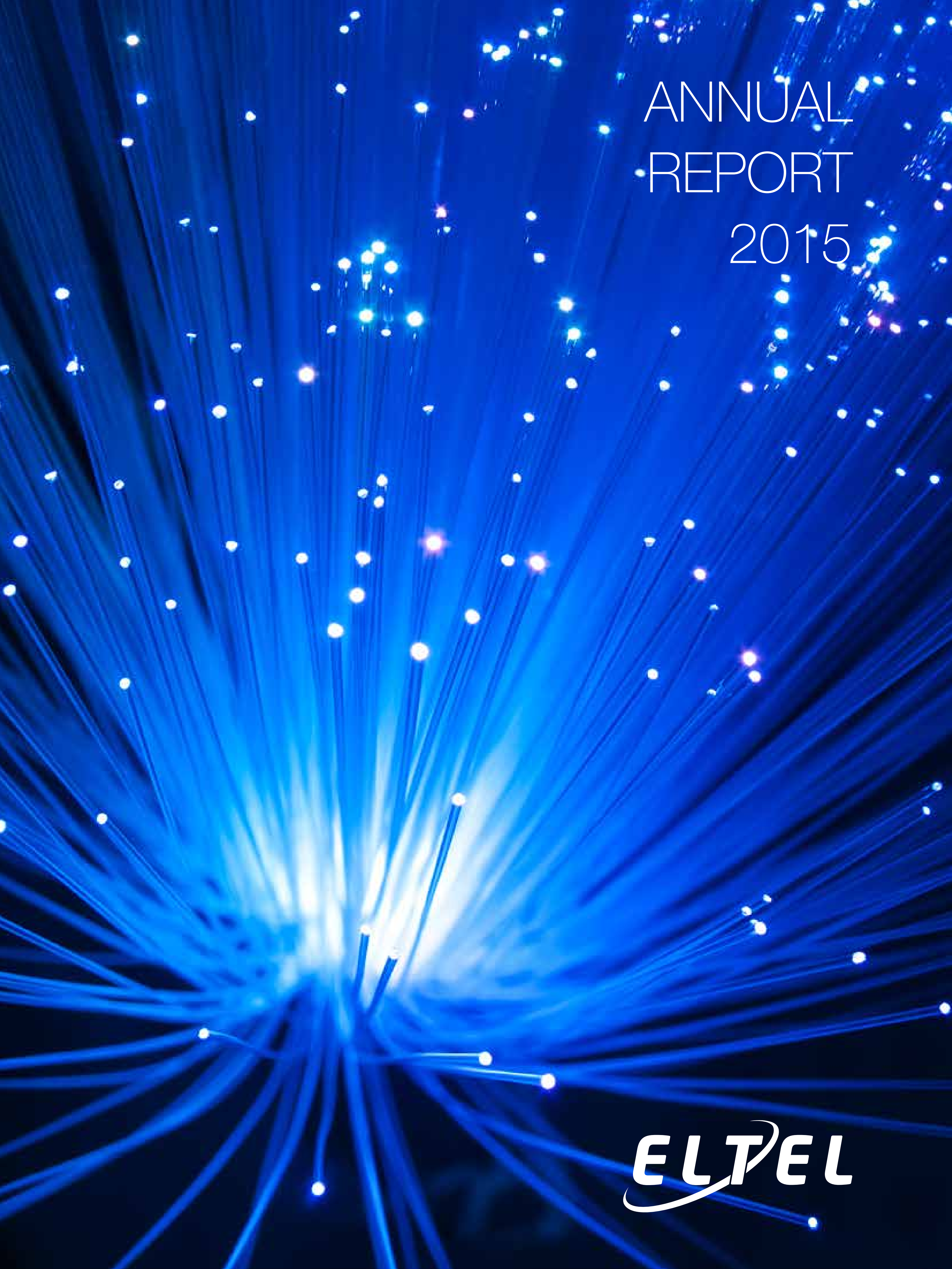
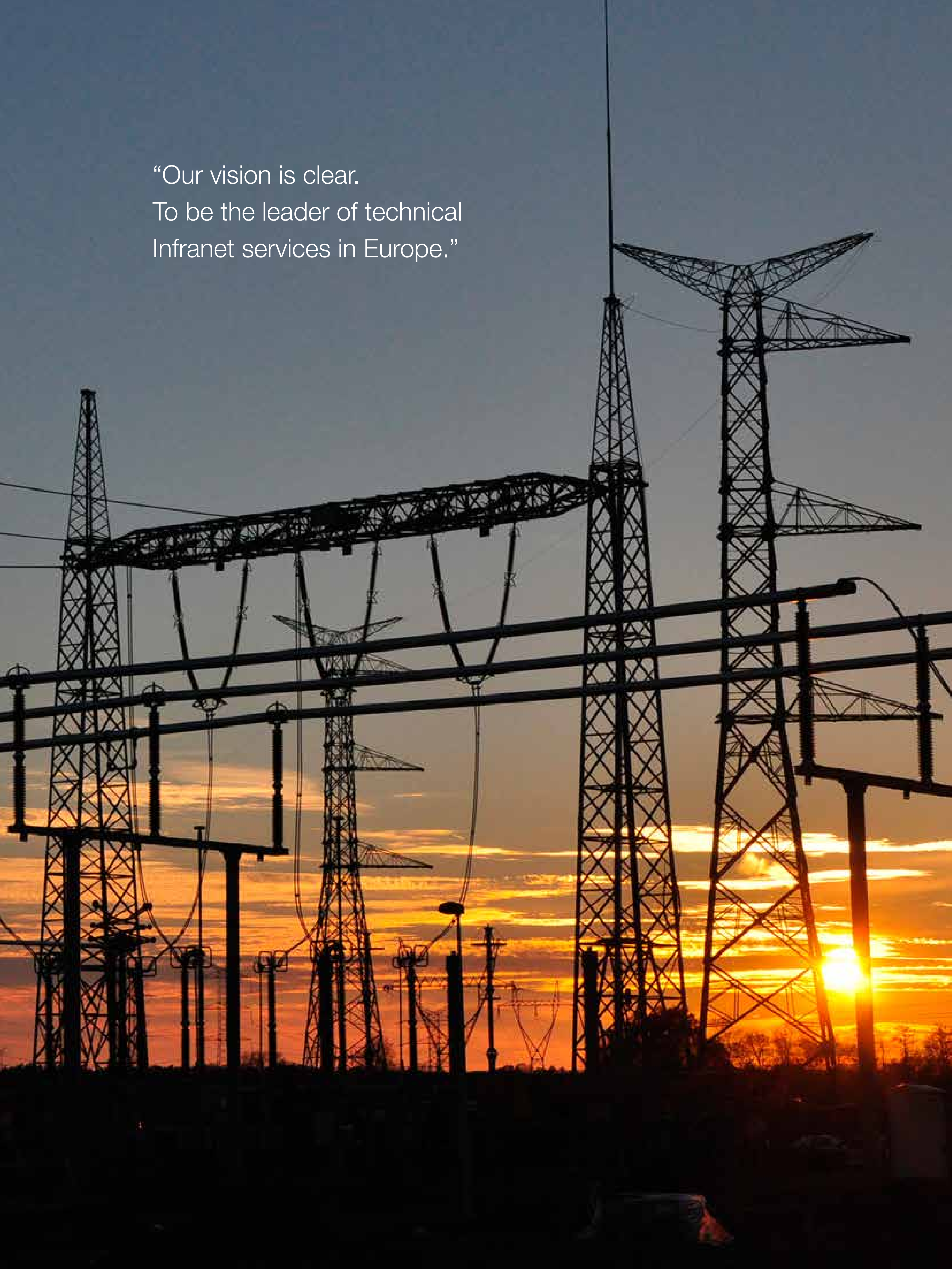


ANNUAL REPORT 2015

CONTENT



“Our vision is clear.
To be the leader of technical
Infranet services in Europe.”

Eltel – a leading European provider of technical Infranet services

Eltel is a leading European provider of technical services in our society for the critical infrastructure networks – Infranets – when it comes to power, communication as well as transport and security. Eltel operates at the very heart of a more connected and constantly developing society. Eltel's mission is to secure the lifelines of modern society.

Eltel provides a broad and integrated range of services spanning from project planning and execution to installation services and services related to maintenance and operation. The full range of technical service types covers everything from standard service to custom-tailored solutions; all of these building on our deep understanding and experience in a broad range of technologies.

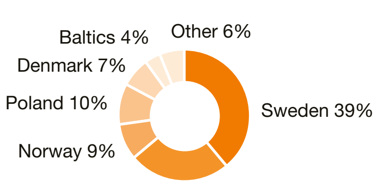
Maintenance services – the implementation of infrastructure to connect private and business customers to operator networks and care services, which include scheduled and corrective maintenance and managed services. These are usually bundled into multi-year frame agreements.

Upgrade services – the implementation of customers' plans to recover and upgrade the condition of the infrastructure, installations/roll-outs of upgraded/new technology or change of technology. These are also usually bundled into multi-year frame agreements.

Project delivery services – engineer and build projects on customer specifications for infrastructure network investments. These are usually contracts with a delivery time of one to four years.

Eltel began its journey to reach the position of the leading European provider of technical services for the Infranet industry in early 2000. Eltel has since grown rapidly and for the financial year ended 31 December 2015, the Group generated net sales of more than EUR 1.2 billion and reported an operative EBITA of approximately EUR 62 million. At the end of 2015, Eltel had 9,600 employees in 10 countries.

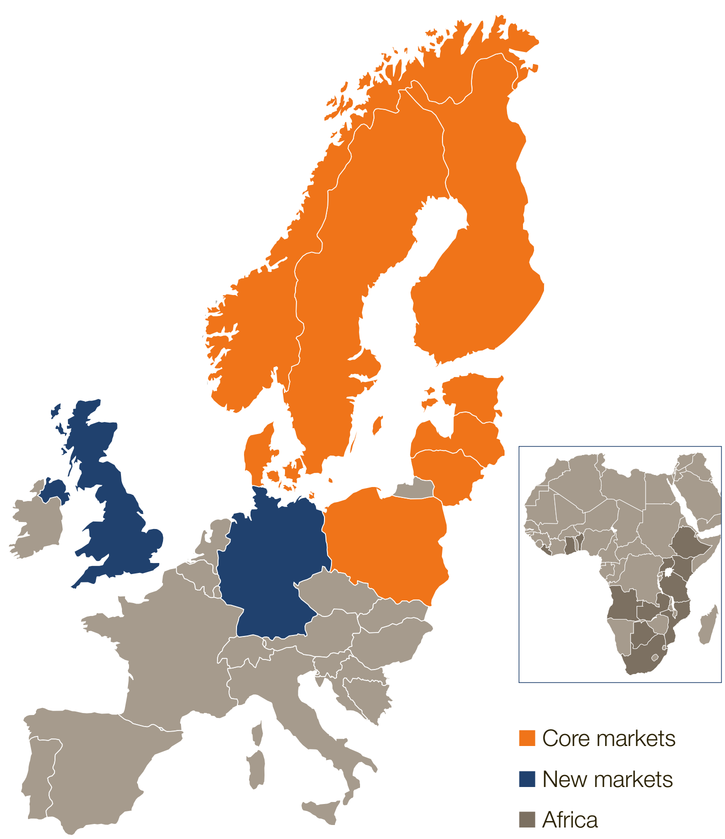
NET SALES BY COUNTRY



THE WORLD OF ELTEL

With its roots in Finland and Sweden, Eltel has a strong position in the Nordic region – which also is its largest geographical market. Today, Eltel has also gained leading positions in the Baltic countries and Poland, as well as established growth platforms in Germany and the United Kingdom.

Outside of Europe, Eltel's Power segment is one of the most experienced Infranet service providers in Africa, with more than 50 years of experience from the African continent.



2015 was an eventful year for Eltel which started by the successful listing at Nasdaq Stockholm. Eltel also captured the favourable market conditions by signing large frame agreements and gradually improved the order intake. The Group's M&A strategy and process was proven with three acquisitions, one in each of its segments – Power, Communication and Transport & Security. Moreover, Eltel delivered on its financial targets regarding growth, cash generation, debt ratio and dividend pay-out ratio, and the profitability increased.

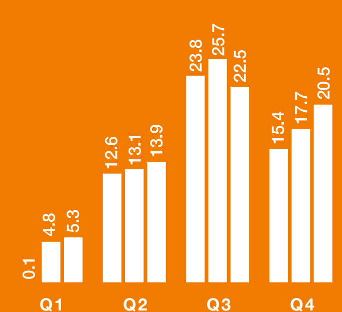
NET SALES 2015
EUR MILLION

1,254.9

OPERATIVE EBITA
EUR MILLION

62.2

OPERATIVE EBITA – MEUR
QUARTELY 2013–2015



EARNINGS PER SHARE
EUR

0.69

NUMBER OF
EMPLOYEES

9,568

Our role in ensuring the lifelines of society has become even more critical

2015 was an outstanding and exciting year for Eltel. The listing on Nasdaq Stockholm has generated clear operational benefits, both externally and internally. We have further strengthened our leading market position through major contract wins, particularly in growth areas such as fibre roll-out and smart meter installations. In 2016, we will continue to capitalise on our scale, international platform, good customer relations and dedicated employees, with a focus on operational efficiency, organic growth and additional selected acquisitions.

Although 2015 was a challenging year for Europe from a geo-political perspective, there was also some very good news. At the global climate conference in Paris in December, 195 countries agreed to ensure that global warming remains below 2 degrees Celsius until the year 2100 by reducing greenhouse gas emissions. Investments in more efficient power supply and distribution will be crucial in the future, as will capacity roll-outs of stronger fixed and mobile communication – networks that will be essential in the global transformation to a more environmentally friendly way of living. There are currently many forces driving the increased demand for better, smarter and more secure infrastructure in our society. It is obvious that the Infranet industry, with Eltel being one of the frontrunners in Europe, will fulfil a vital function in this critical evolution and modernisation.

AN EXCITING YEAR WITH CLEAR BENEFITS OF THE LISTING

For Eltel, 2015 was a good and exciting year. It started off with our successful listing on Nasdaq Stockholm, giving us a new set of prominent institutional and private owners. Our year-long journey on the stock exchange has improved the knowledge and transparency of both Eltel and the Infranet industry, and we have received a positive response from many stakeholders. We have recruited several competent new employees and reached a record-breaking participation rate of nearly 100% in our new long-term incentive programme – proof that the listing has boosted our internal momentum and strengthened our employer branding.

STRONGER NORDIC MARKET POSITION...

The positive long-term trends in the Infranet market continued during 2015 and we managed to capitalise on the favourable market conditions in all of Eltel's segments – Power, Communication and Transport & Security. We strengthened our leading position in the Nordics by signing new framework agreements with all of the largest telecom operators in northern Europe, proving our critical competence in the roll-out of fibre and LTE/4G networks. In our communication business, we also conducted our second largest acquisition to date, consolidating our Norwegian joint venture, Eltel Sønnico AS. In Transport & Security, we signed several new maintenance contracts and added another strategic acquisition within our rail business in Norway, making Eltel the undisputed leading Infranet company in Norway. In the power business, we are thrilled with the new smart meter orders won in Norway and Denmark during 2015, which pertained to the roll-out of 1.6 million units. With 3.5 million meters previously installed, the addition of these contracts means that Eltel is now by far the most experienced company in this sector in Europe, which will provide further growth opportunities in other European countries.

...AND GROWING BUSINESS IN GERMANY

In Germany, our operations advanced significantly in 2015, especially in the power transmission business through the acquisition of Edi.Son, but also within our communication business, which signed major contracts with various companies, including Huawei. In 2016, Germany will account for a sizeable portion of Eltel's total sales. Our efforts in the UK are still in an early phase. However, we now have technicians in the field working on projects with large companies such as Carillion, British Telecom and Huawei. In Africa, we continued to deliver several large-scale projects in 2015. We also recognised the signs of a weakening economy in some of these countries, but the endless need for electrification on this continent is creating long-term potential for Eltel.

WEAK START, BUT STRONG FINISH FOR OUR PROJECT BUSINESS

In our business related to major projects, we had weaker order bookings in the first half of 2015. However, we recovered well in the second half of the year, reflecting the cyclical nature of this part of our operations. When closing the books for 2015, Eltel's committed order backlog was at the highest level in the company's history at EUR 920 million, up 35% compared with the end of 2014. We have now started to disclose this figure, which will hopefully improve people's understanding of our long-term predictability and potential.

DELIVERING ON OUR MID TO LONG-TERM FINANCIAL TARGETS

Looking at the financial outcome of 2015, we see that sales growth was driven by the successful completion of acquisitions in Germany and Norway during the year, as well as our healthy organic growth. For the full year, organic growth amounted to 4.5% and growth from acquisitions to 8.7% – combined, these figures clearly exceeded our growth target of 10%. The Group's profitability also continued to improve, showing an operative EBITA margin of 5% for the full year, closing in on our target of 6%. Our adjusted cash conversion rate was approximately 120%, once again proving the strength of our cash-efficient and asset-light business model.

FOCUS AREAS IN 2016

By capitalising on our scale, international platform and strong customer relations, Eltel will continue to be the pioneer in transforming and developing the Infranet industry. In 2016, we will continue to focus on operational efficiency, especially in the areas of health and safety and people development. The most important lever for our success is the competence and ambitions of our employees. We have started to globalise our internal shared service functions, and the requirements for managerial skills will increase as our business becomes more complex, broader, specialised and more international. At the same time, we will aim to achieve further profitable growth, both organically and through acquisitions. Although we took an active approach acquiring companies in 2015, we still have a solid – and, in fact, increased – pipeline of potential acquisitions covering all of our segments, and our growth ambitions continue to be well supported by a strong long-term market outlook.

Axel Hjärne
CEO and President of Eltel

Group Strategic Agenda

Mission
Securing the lifelines of modern society

Vision
To be the leader in technical Infranet services in Europe

IMPROVE OPERATING PERFORMANCE

Several levers drive Eltel's day-to-day focus to realise further profitability potential. These levers include; The Eltel Way and volume leverage, continuous improvement of low performers, platform enhancement and growth in high margin segments.

In 2015 the focus has mainly been on:

- Continued fine tuning of The Eltel Way and working with best practice implementation to further increase operational efficiency
- Continued roll-out of digital tools and methods like:
  - – A Group-wide ERP system in Norway, Germany and Denmark
  - – Roll-out of Office 365 to enhance communications inside Eltel and with external partners
- Project management training programme for employees in the Nordics, Poland and Germany
- Focus on health and safety to enhance proactivity by increasing near miss reporting and management safety walks

ORGANIC GROWTH

Key themes in Eltel's quest for organic growth include; maintaining the leadership in core markets, focus on high growth segments and strengthening of the service portfolio platform.

Examples of achievements in 2015 include:

- Strengthening of Eltel's market position in cabling and smart metering and expansion in Germany to capture long-term opportunities in the Power segment
- Signing of the Hafslund, Skagerak and Soria consortium smart metering contracts in Norway and the Kamstrup contract in Denmark
- Good progress in the performance of Eltel's communication business through the optical fibre installations and mobile networks upgrades
- Step-up of the business in Eltel's Communication segment in the UK
- New contracts won in Eltel's rail and road as well as in the defence businesses in the Nordics

SELECTIVE M&A

M&A plays a key role in Eltel's growth strategy. Eltel sees a broad M&A rationale including market entry, continued market consolidation, potential of adding new capabilities as well as expanding the existing customer base. However, main focus is on bolt-on acquisitions of small to medium-size companies to strengthen the service platform in the UK and German markets or to add specific capabilities. There is a more selective approach towards larger acquisitions.

Eltel has been active in terms of M&A in 2015 including:

- The acquisition of Edi.Son Energietechnik GmbH to strengthen the Power Transmission footprint in Germany
- The acquisition of Vete Signaltjenester AS adding complementary capabilities to Eltel´s Norwegian rail business platform which improves market positions as well as enables participation in bigger deals
- The acquisition of the remaining 50% in the joint venture Eltel Sønnico AS – a unique opportunity with significant impact on the competitive landscape and Eltel's position in the Norwegian communication market
- Moreover, Eltel has a well-established and active M&A function with a secured and solid pipeline spanning over all business segments

Three segments serving major customers

Eltel works in close collaboration with its customers – the leading network operators within the areas of power, communication, transport and security. The company's approach introduces unique synergies and opportunities to boost operator network performance with maximised availability and optimised use of resources.

By focusing on segments within critical and increasingly converging infrastructure, Eltel has a strong position to generate further synergies from sharing of technology competences and resources between the business segments in which it operates. One example of Eltel's ability to work across business segments includes the installation of electricity and communication systems for railway.

Eltel is a trusted supplier of high-quality technical major infrastructure network operators and owners across several end-markets. Throughout the company's history, customer churn has been very low, underpinned by frame agreements and Eltel's high degree of process and systems integration with its customers. The nature of the Group's business and contract portfolio provides high annual revenue visibility with the majority of revenue generated from maintenance and other recurring services. Based on the Group's revenue at year-end, including project delivery business and expected volumes under existing frame agreements, approximately 75% of Eltel's expected annual revenue is known at the beginning of the year.

Eltel also has a good revenue visibility beyond the current year, thanks to long-term frame agreements and its project delivery business. The project business, which represents about one third of the Group's net sales, normally has large contractual amounts over a longer period. When closing the books for 2015, Eltel's committed order backlog was at the highest level in Eltel's history at EUR 920 million, an increase with 35% compared with 2014. This key figure includes the total value of committed orders received but not yet recognised as sales. This is mainly related to project orders with a delivery time of two to five years and also include committed orders in frame agreements.

Eltel reports its business in three segments – Power, Communication and Transport & Security – based on the products and services offered. During 2015, all three segments improved their market position, both due to winning of new contracts but also by adding on exciting acquisitions.

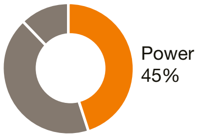
Power

The Power segment provides network maintenance and fault repair services, upgrade work and project business mainly to national and regional transmission system operators and distribution network owners. This segment operates throughout all of Eltel's geographic regions and its business is characterised by long-term customer relationships with a continuous order flow generated through frame agreements and projects. Growth in the segment is typically driven by increased power network availability and capacity requirements and regulatory demands rather than by GDP. The majority of this business consists of upgrades and project-based work. Upgrade assignments are typically completed within a few months, whereas project agreements normally last for two to three years. The length of frame agreements is typically three to five years on average.

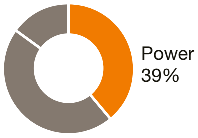
Financial development in 2015

Net sales (EUR million)	567.6
Operative EBITA (EUR million)	29.6
Operative EBITA margin, %	5.2

NET SALES BY SEGMENT



OPERATIVE EBITA BY SEGMENT



THE ACQUISITION OF EDI.SON ENERGIETECHNIK GMBH

In March 2015, Eltel acquired the German company Edi.Son Energietechnik GmbH, specialised in planning, design and construction of 110 to 380 kV overhead power lines in Germany. Edi.Son´s key customers are distribution network owners and transmission system operators in Germany. The company has shown stable revenues of approximately EUR 20 million annually and had more than 100 employees.

"The acquisition of Edi.Son is a great step for Eltel on our journey towards becoming the leading Infranet services company in Europe. Eltel has a very long tradition of building high voltage transmission lines and we are very happy to announce a strengthened presence with Edi.Son in the German market. Edi.Son is a well recognised company in its market and together we now have good opportunities to grow the business further. We welcome the employees of Edi.Son to join Eltel".

Fredrik Menander
President – Power Transmission

Communication

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

Financial development in 2015

Net sales (EUR million)	543.7
Operative EBITA (EUR million)	34.2
Operative EBITA margin, %	6.3

NET SALES BY SEGMENT

OPERATIVE EBITA BY SEGMENT

ELTEL SØNNICO AS

Since the first quarter 2014, Eltel owned 50% in the Norwegian joint venture Eltel Sønnico AS, a company building and maintaining infrastructure for fixed and mobile communication in Norway, together with Norwegian Umoe. In the fourth quarter 2014 Telenor signed a five-year contract with Eltel Sønnico and the joint venture started its operations in the beginning of 2015. In August 2015, Eltel acquired the remaining half of Eltel Sønnico AS. Eltel Sønnico has shown annual revenues of approximately EUR 200 million and had more than 1,100 employees.

"We are very happy to acquire the shares held by Umoe in Eltel Sønnico AS and thereby fully consolidate this entity within the Eltel Group. A full ownership of the communication business in Norway will enable us to combine it with our power and rail businesses in Norway and will help us optimise our support functions in the country."

Peter Uddfors
President – Fixed Communication

"Our overall pool of competences will be much broader after the merger, providing more opportunities for our employees. In addition, we will be a much more resourceful Infranet services partner for our Norwegian customers. The acquisition of Eltel Sønnico is well in line with Eltel's growth strategy and aligned with our medium and long-term financial targets."

Dariush Rezai
President – Mobile Communication

Transport & Security

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

Financial development in 2015

Net sales (EUR million)	151.7
Operative EBITA (EUR million)	11.4
Operative EBITA margin, %	7.5

NET SALES BY SEGMENT

OPERATIVE EBITA BY SEGMENT

VETE SIGNALTJENESTER AS

In October 2015, Eltel acquired the Norwegian company Vete Signaltjenester AS, a market leader within installation, corrective and preventive maintenance, project management, engineering and advisory services in the railway signalling sector in Norway. Vete´s customers are the Norwegian rail infrastructure owner Jernbaneverket, the metro operator in Oslo "Sporveier Oslo" and signalling system suppliers and construction companies. The company showed revenues of NOK 60 million in 2014 and had 37 employees.

"The acquisition of Vete is taking us one step further in Norway and is aligned with our strategic plan for expansion. Our clients have challenging plans and the market is struggling to meet the increased needs of competences and resources. With Vete we can scale up our Norwegian business and further develop cross border co-operation between our Eltel entities. We welcome the employees of Vete to join Eltel".

Fredrik Häggström
President – Rail & Road

The Infranet industry of technical services is driven by strong mega trends

Several of the global mega trends are constantly calling for better and more integrated technical solutions. New climate policies, digitalisation, urbanisation and needs for improved security are all boosting new investments in the technical infrastructures, called the Infranets. At the same time the need for interoperability of the various systems becomes even more critical. Eltel is a critical, innovative and specialised partner in this context with the ability to shape the future of our Infranets, and thereby our societies.

The Infranet industry was formed more than a decade ago as a result of deregulation of the power and telecom markets and consequential privatisations across Europe. Shortly after, operators of infrastructure networks began to outsource the services provided by their in-house technical and field service organisations – a structural change that is still ongoing. The Nordic countries have been in the forefront of this transformation, with other larger European economies gradually following. The addressable annual market size for Eltel, based on the company's existing geographical markets, is estimated to reach approximately EUR 28 billion in 2017. In addition, approximately 30% of the Infranet services in these markets are still managed in-house by various Infranet owners, indicating further outsourcing potential for companies like Eltel.

MAJOR INDUSTRY GROWTH DRIVERS

The underlying demand for the Infranet services is strong, solid and non-cyclical as modern societies move towards a more digital and more sustainable everyday life, with both regulators and consumers as active influencers and lobbyists. Driven by rapid technological change and regulatory pressure, but also by ageing networks, European countries are making substantial investments to build, upgrade and maintain the next generation infrastructure. According to the European Commission, estimates point to investment needs in the range of EUR 1.5–2.0 trillion until 2020 across the European Union's energy, communication/IT and transport sectors, with infrastructure networks at the centre of these investment needs.

The European Union's "Connecting Europe Facility" (CEF) 2020 plan supports trans-European networks and infrastructures in the sectors of transport, telecommunication and energy. This means building of roads, railways, energy grids and broadband networks. The new infrastructure aims to add more capacity, be more efficient and intelligent, cheaper to operate and maintain as well as to be more environmentally friendly. Moreover, the convergence of networks, both across borders and regions and across different standards, is becoming increasingly important as one of many favourable and fundamental trends of the industry.

SIGNIFICANT CUSTOMER INVESTMENT PLANS LAUNCHED DURING 2015

During 2015, many of the industry long-term growth drivers have become even more evident to the businesses in which Eltel is operating.

In the Power segment, transmission system operators in Sweden and Norway announced a doubling of their annual grid investments over the next ten-year period to SEK 7 billion and close to NOK 10 billion respectively. Similar indications apply to the German transmission market based on the German Energy Transition Policy ("Energiewende"). As a result of recent regulatory changes, new plans were announced to invest significantly in power distribution, especially in cabling projects and other regional infrastructure and electrical meter installations (i.e. smart metering) in the Nordics.

During 2015, Eltel won several major contracts totalling installation roll-outs of approximately 1.6 million new smart meters in Norway and in Denmark, with volume deliveries starting in 2016 and extending until the end of 2019. Tender processes for renewals of electrical meters have also started to be evident in more mature markets like Sweden. In Germany and the UK, first time smart metering installations are ongoing. These markets will offer significant growth potential for Eltel going forward.

In the Communication segment, demand for optical fibre deployment has developed positively in several of Eltel's key markets during 2015, especially in Sweden where operators have announced significant investment plans for the coming years. There are also clear signs of increased fibre investments for example in Germany, being a significantly larger market than the Nordics. Roll-outs of upgrades of the mobile networks to the standards of 3G, LTE and 4G continue to provide opportunities in all geographical markets, but with different time schedules.

In the Transport & Security business segment, healthy tender activity continued during 2015 in the rail and road sector, especially in Norway and Denmark. In this sector long-term market drivers remain strong and create a good business environment for companies like Eltel with specialised competences and larger project management capabilities to expand the business within larger turnkey projects as well as maintenance contracts. The security market in Sweden has continued to grow, supported by increased spending especially in the defence area. In the aviation sector the remote tower solution is now in operation in Sweden and has become a part of Eltel's services for maintenance within aviation. Similar business opportunities are also seen in Norway and Finland. The Nordic market is gradually opening up for external service providers, thereby providing new business opportunities.

Areas of interesting market opportunities for Eltel

Eltel fibre and smart meter solutions – a response to customers' needs

In 2015, market drivers were remarkably strong in Eltel's communication business especially in the roll-outs of fibre connections and in Eltel's power business regarding the roll-outs and upgrades of smart meters for private households. These will be important growth areas for Eltel in the coming years.

Fibre

CAPITALISING ON THE OPPORTUNITY IN OPTICAL FIBRE

The need for and deployment of optical fibre is strong throughout Europe. By 2019 approximately 30 million households in the EU and Norway are planned to be connected to the internet through fibre connections. The transformation is a result of the ambitions to increase bandwidth in the network by replacing traditional copper cables with the next generation communication networks based on fibre all the way to the home or to the enterprise.

Eltel is the leading service provider in the area of fibre deployment in the Nordic markets, and has the ambition to further capitalise on this position across all its markets. Eltel's fixed communication business in Sweden, specialised in fibre deployment, has showed very positive results in terms of customer satisfaction, efficiency, quality and profitability.

Eltel sees potential in expanding its locally operated fibre business to European fibre business within Eltel.

In the long-term, Eltel aims to become the number one fibre installation company in Europe. Shorter term focus will be on rapid growth in its new markets, in the UK and Germany, as well as utilising fibre roll-out best practices across all existing Eltel markets. The expansion of the fibre business is an excellent example of how Eltel takes advantage of its market leading positions and well developed concepts in one country to drive development and growth in other countries.

"The transformation from copper to optical fibre is one of the largest paradigm shifts in the telecommunication business that we will see in our lifetimes. We are not only building fibre, we are building connections between people, profitability for companies and countries and a better future society."

Peter Uddfors,
President – Fixed Communication

Smart meters

CAPITALISING ON THE OPPORTUNITY IN SMART METER ROLL-OUTS

Starting in 2003, northern Europe became the hotspot for smart metering (AMM, Automated Meter Management) in Europe as the Finnish and Swedish regulators announced the decisions to require hourly/monthly readings of all electricity meters by the year 2009. Leading industry players in both countries at that time; Vattenfall, Fortum and E.ON decided to deploy smart meters in Finland and Sweden.

Shortly after Denmark followed and Eltel successfully won rollouts for 800,000 smart meters during the years 2007 to 2012. In November 2015, Eltel signed a new contract for the roll-out and implementation of smart meters to households for its power distribution business in Denmark, this time with Kamstrup A/S in their project with DONG Energy. This project is the largest smart meter roll-out launched in Denmark. The total value of the contract for Eltel is approximately EUR 20 million.

In Norway the regulator decided that smart metering systems need to be implemented by early 2019. In 2015, Eltel consequently won three large contracts gaining the market leading position in Norway. First the Norwegian power utility Skagerak Nett AS chose Eltel as its partner for roll-out of 180,000 smart meters, next Hafslund Nett contracted Eltel for the roll-out of 630,000 direct measured meters. At the end of 2015, the Soria consortium placed contracts with Eltel for roll-outs of almost 300,000 meters. All of these contracts are to be finalised by 2019.

The national time schedules for implementing smart metering within the EU vary. While some of the countries already completed the projects, others are starting implementations or have only initiated pilot projects. Eltel, with reference of approximately 5 million meter installations, including order backlog, is a proven partner in the smart meter roll-out processes in the Nordics. The European market will continue to offer significant future potential for the company. The earlier generation of meter technology, for example in Sweden, with the need to be upgraded to more modern solutions offers another future prospect for Eltel in the years to come.

"The new smart metering orders won in 2015 in Norway and Denmark, and our earlier references of 3.5 million smart meters, make Eltel by far the most experienced company in this sector in Europe. This provides an excellent platform for further growth opportunities for us in other European countries"

Juha Luusua,
President – Power Distribution

The Eltel Way

– a specialised service model that makes the difference

HOW WE RUN THE COMPANY

The Eltel Way is a leading business services model and differentiator in the Infranet industry. The Eltel Way outlines how the company is organised, how all employees are empowered and supported to be able to achieve good performance and deliver top results and quality to our customers. Efficiency is at the core of everything we do. The four cornerstones in The Eltel Way – Structure, Reporting, Culture & People and Operational Efficiency – are all enabled by a strong belief in empowerment, specialisation and proactivity as drivers to release the full potential of every employee at Eltel. The successful development of the company and the leading position in the technical Infranet service industry are both very much linked to the focused implementation of The Eltel Way.

Eltel has approximately 400 teams, consisting of around 20 specialists each, working in the ten countries where Eltel currently is operating. Each team is dedicated to a specific competence area. These teams are all independent profit centres. Eltel operates in an integrated business model where sharing of cross-geographic experience ensures the use of best practice in each business segment. Eltel operates close to the customer and has a business driven organisation that is built from the bottom up. Strong performance from every employee is possible through high empowerment and specialisation.

HOW WE CREATE VALUE FOR OUR CUSTOMERS

Eltel's value promise has stayed unchanged. It is part of who we are, what we do and how we are perceived. Our mission is to secure the lifelines of modern society. We are shaping future Infranets by ensuring:

- Availability, quality and flexibility
- Competitive cost structure
- Skilled and competent people
- Innovation

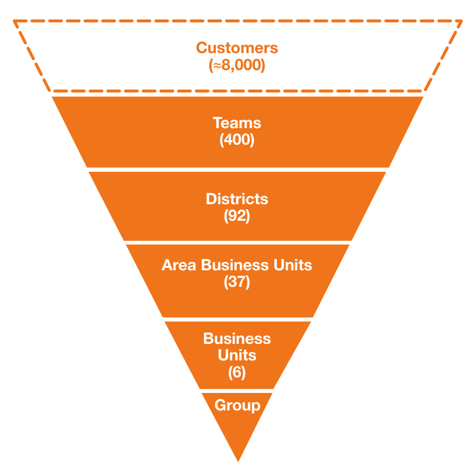
Eltel holds the critical Infranet competences required and combines them to offer synergies and opportunities to our customers. By being one of the largest players in the market, Eltel continuously strengthens its knowledge database of state-of-the-art solutions. Ground-breaking methods in one single project or in a single geography can be implemented in similar projects in all of our markets. From a customer perspective, working with Eltel means entering into a close partnership – most of our key customers have been with us for more than ten years. Especially appreciated is the local flexibility and efficiency in decision making combined with high quality service delivery, which is enabled by a decentralised and specialised business model.

KEY ACTIONS TAKEN DURING 2015

In 2015 Eltel acquired three companies, one in each business segment; Power, Communication and Transport & Security. After the acquisitions, Eltel initiated the integration process with focus on successfully implementing The Eltel Way in the newly acquired businesses. The success of these efforts rests on well-developed mechanisms for transferring and establishing of processes and know-how as well as leadership expectations and important cultural aspects.

In parallel with boosting the performance of new entities, mature parts of the company are leveraging the power of specialisation through The Eltel Way to improve competitiveness and to pursue market opportunities. In several areas, Eltel has reached the position of global go-to-market organisations of fully specialised solutions sharing people, processes, systems and best practices across all markets. Key examples of this are projects and work in the field of smart metering, fibre roll-outs, mobile roll-outs, power transmission lines and substations as well as cabling for power distribution.

To further enhance professionalism and a culture of taking responsibility, Eltel is emphasising the importance of end-to-end focus on health and safety aspects – from technician to Group CEO, from tender to invoice. In 2015, in an effort to prevent any injuries from happening, Eltel reported a clear important increase in management safety walks to strengthen the awareness and importance of safety. The number of near miss reports also increased significantly meaning that lessons learned from close incidents can be shared and avoided in the future. Eltel's longer term target is zero accidents.



EMPOWERMENT — SPECIALISATION — PROACTIVITY

STRUCTURE
How we organise and distribute roles and responsibilities starting from the customer interface

REPORTING
How we in a unified way identify and measure KPIs and design reporting to mirror the organisation on all levels

CULTURE & PEOPLE
How we develop, care for and empower our employees

OPERATIONAL EFFICIENCY
How we work with continuous improvement and best practices

METHODS, TOOLS & INSTRUCTIONS

Sustainability and employees

The change from being a privately owned company to becoming listed in February 2015 is a major milestone in Eltel's history. The reception of new owners and analysts covering Eltel, combined with increased media interest, has necessitated a change in the manner in which goals, policies, procedures, and financial performance are managed and presented.

Eltel has reviewed the company's social and environmental impact of its business and assessed potential risks that are inherent to the global industry for technical services industry and to the nature of the operations, and put in place mechanisms to address these. Particular emphasis is given to the following areas:

EMPLOYEE MANAGEMENT

All Eltel teams work in accordance with The Eltel Way, which originates from the shared experience and the commitment to the best practices in all the countries where Eltel operates. The company ambition is to achieve the position as best workplace with the best people in the Infranet industry.

SAFETY AT WORK

While the number of work-related accidents at Eltel stabilised in 2015, the rate is still above the target level. In 2015, the lost time injuries (LTI) rate at Eltel was at the level of 11. A new target for reducing injury frequency in 2017 has been set at nine, which will require major efforts from all employees. After many years of zero fatal accidents, it is unfortunate that one Eltel technician in Poland lost his life in 2015. In order to avoid this in the future, the company has to perform without failure in terms of managing site risk assessment strategies, optimising work methods, enforcing the use of personal protective equipment, and promoting company health and safety attitudes and values. Achieving zero injuries continues to be Eltel visionary goal for the future.

SUBCONTRACTOR COMPLIANCE

In addition to relying on own employees, the Eltel service delivery depends on competent subcontractors and suppliers. In order to ensure that subcontractors and suppliers commit to Eltel's Code of Conduct there are already certain procedures in place, but this is not enough. Therefore a new programme, that urges all high-risk partners to comply with the Eltel procedural and reporting requirements, has been launched.

COMPLIANCE IN AFRICA

In 50 years of delivering power projects to African utilities, Eltel has become one of the most experienced European companies to venture in the region. The countries and projects where Eltel participate are carefully selected, together with the pertinent financing and governmental bodies. However, Eltel recognises that the risks related to work safety, human rights, labour code and business ethics such as bribery must be carefully managed. Project management is taken care of by Eltel's experienced Nordic and/or European executives. Suppliers and subcontractors need to comply with various Eltel policies and they also need to fulfil Eltel's due diligence requirements. In June 2015, Eltel updated its third party process description and due diligence practices in the African projects.

CONTRIBUTION TO THE ENVIRONMENT

Eltel contributes significantly to building, upgrading, and maintaining smarter Infranets that will result in a lower impact on the environment. In order to deliver all these services, there is need for a large number of cars and vans. Eltel's entire vehicle fleet, including emissions, covering the business in all ten countries were Eltel operates is presented in the table on page 19. The company has also set an annual emissions reduction target of 4% for cars and vans.

Eltel is a signatory to the United Nations Global Compact, and in August 2015 the first "Communication on Progress" report was delivered. This exercise has been most interesting for Eltel with several good processes outlined. While progress has been made in many fields, Eltel needs to evolve together with external parties and continuously introduce new ways to ensure building of sustainable Infranets for the future.

SUSTAINABILITY 2015

For further details please refer to Eltel's Sustainability Review 2015.

REPORTED RESULTS OF CORPORATE RESPONSIBILITY

Key performance indicator	2015	2014	2013
Employees			
Number of employees at year end	9,568	8,647	8,459
Of which employees < 30 years, %	20	20	20
Of which employees > 55 years, %	20	18	19
Health and safety (Eltel employees)			
Absence due to illness, incl. long-term, %	4.2	3.8	4.1
Lost time injuries per million working hours	11	11	11
Number of fatal accidents	1	0	0
Environment			
Average CO_2 emission cars/vans, g/km	186*	193**	206**
Total fuel consumption of total fleet, l	29,516,601	N/A	N/A

* Total European fleet, end of year

** Nordic fleet only, end of year

Financial overview

Eltel generated net sales of EUR 1,255 million and reported an operative EBITA of EUR 62.2 million for the year ended 31 December 2015. Since Eltel's establishment in 2001, the annual revenue has grown more than six-fold.

The Group operates with an asset-light business model that provides strong and resilient cash flow generation. The cash generation is driven by recurring and visible revenue streams, limited capital expenditure needs, flexible cost base, and a balanced earnings profile – accomplished with a broad Infranet service portfolio offered across many end-markets. In the year 2015, the Group generated a cash conversion adjusted for non-recurring items of 120%.

KEY FIGURES

EUR million	2015	2014
Net sales	1,254.9	1,242.1
Net sales growth, %	1.0	8.2
Organic net sales growth, %	4.5	11.1
Operative EBITA	62.2	61.3
Operative EBITA margin, %	5.0	4.9
Non-recurring items*	–1.7	–22.7
EBITA	60.5	38.6
EBITA margin, %	4.8	3.1
Operating result (EBIT)	46.6	26.2
EBIT margin, %	3.7	2.1
Result after financial items	32.2	7.2
Net result for the period	43.2	11.1
Earnings per share EUR, basic	0.69	0.12
Earnings per share EUR, diluted	0.69	0.12
Leverage ratio**	2.0	5.4
Leverage ratio, proforma adj. for non-rec. items**	2.0	2.2
Operative cash flow	45.8	88.9
Cash conversion, %**	75.8	230.0
Number of personnel, end of period	9,568	8,647

* mainly IPO-related costs in 2014 and 2015
** calculated on a rolling 12-month basis

FINANCIAL GUIDELINES

AMORTISATION

Intangible assets in balance sheet were at EUR 82.4 million (84.6), allocated to customer relations and brand. Amortisation in 2015 amounted to EUR 13.9 million (12.4) and was related to customer relations. Pre-IPO assets are expected to be fully amortised in 2017.

NET FINANCIALS

Net financials were EUR –14.4 million in 2015. Post-IPO Eltel had a loan facility of EUR 210 million and revolving credit facility of EUR 90 million. Commercial paper programme of EUR 100 million in place since the third quarter 2015.

TAXES

2015 cash tax was at approximately 10% of earnings before tax (EBT). Reported tax in 2015 was positive at EUR 11.0 million as a result of utilisation of additional tax loss carry forwards. With current assumptions, reported tax in 2016 is expected to be at approximately 21% of earnings before tax (EBT), with paid out tax clearly lower than reported tax.

CAPITAL EXPENDITURE

Eltel's business is asset-light. Annual net capital expenditure is at slightly above 1% of net sales. Capital expenditure in 2015 was at EUR 12 million, 1.0% of net sales.

GOODWILL

Goodwill at the end of 2015 was at EUR 464 million (406), mainly related to the 3i acquisition of Eltel (2007). Increase in goodwill in 2015 was related to the Edi.Son, Eltel Sønnico and Vete acquisitions. Annual impairment tests are conducted.

FINANCIAL TARGETS AND ACHIEVEMENTS

Eltel's Board of Directors adopted the following medium- to long-term financial targets in connection with the initial public offering of the share in February 2015. These should in general be seen as targets for a three- to five-year period.

FINANCIAL TARGETS	OUTCOME 2015
Average annual organic revenue growth of approximately 5% and an average 5% annual growth from M&A including new outsourcing.	Adjusted total net sales growth >10%
A reported EBITA margin of approximately 6%.	EBITA margin of 5.0%*
Average cash conversion of 95–100% of EBITA.	76% (120% adjusted for non-recurring items)
A leverage ratio of 2.0-2.5x Net debt/EBITDA.	2.0

* Adjusted for IPO costs.

THE ASSUMPTIONS ON WHICH THE GROUP HAS BASED ITS MEDIUM- TO LONG-TERM FINANCIAL TARGETS INCLUDE THE FOLLOWING:

Eltel is able to achieve revenue growth in its core markets (Finland, Sweden, Norway, Denmark, the Baltics and Poland) at a level approximately in line with the average level of market growth expected across these markets.

Revenue growth in Eltel's new markets (Germany and the UK) shall be supported by selective acquisitions of growth platforms and other investments, through which Eltel expects to drive market penetration and leverage organic growth.

Eltel will continue to focus on carefully selected business opportunities in its overseas export markets (primarily Africa) resulting in limited growth in these markets.

Eltel will continue to evaluate M&A and outsourcing opportunities in both its core markets and new markets, with priority given to building platforms for continued growth in the new markets. Focus within the Power segment and the Transport & Security business segment is mainly in the Nordics. In the Group's existing markets, Eltel is looking to acquire further outsourced activities from the larger network operators.

Eltel is able to maintain its current margins and is able to develop margins in line with current performance trends, as a result of the continuing focus on on-going improvement programmes, the positive effect of increased leverage, and segment business mix changes in all its segments.

Five-year summary

CONDENSED CONSOLIDATED INCOME STATEMENT

EUR million	2015	2014	2013	2012	2011
Net sales	1,254.9	1,242.1	1,147.5	1,149.0	1,011.4
Cost of sales	–1,089.6	–1,078.3	–1,004.1	–1,008.9	–883.6
Gross profit	**165.3**	**163.8**	**143.4**	**140.1**	**127.8**
Other income	4.3	8.4	8.6	2.9	2.8
Expenses	–110.6	–132.8	–99.6	–97.0	–86.9
Share of profit/loss of joint ventures	1.5	–0.7	0.0	–	–
Operating result before acquisition-related amortisations (EBITA)	**60.5**	**38.6**	**52.3**	**46.1**	**43.7**
Amortisation of acquisition-related intangible assets	–13.9	–12.4	–16.7	–15.2	–15.0
Operating result (EBIT)	**46.6**	**26.2**	**35.6**	**30.8**	**28.7**
Financial expenses, net	–14.4	–19.0	–20.6	–21.1	–22.4
Result before taxes	**32.2**	**7.2**	**15.1**	**9.7**	**6.3**
Taxes	11.0	3.9	–3.6	2.2	7.0
Net result	**43.2**	**11.1**	**11.5**	**11.9**	**13.3**

KEY FIGURES

EUR million	2015	2014	2013	2012	2011
Net sales	1,254.9	1,242.1	1,147.5	1,149.0	1,011.4
Net sales growth, %	1.0	8.2	–0.1	13.6	18.1
Organic net sales growth, %	4.5	11.1	0.7	11.6	16.3
Operative EBITA	62.2	61.3	52.0	47.8	46.2
Operative EBITA margin, %	5.0	4.9	4.5	4.2	4.6
Non-recurring items*	–1.7	–22.7	0.3	–1.8	–2.5
EBITA	60.5	38.6	52.3	46.1	43.7
EBITA margin, %	4.8	3.1	4.6	4.0	4.3
Operating result (EBIT)	46.6	26.2	35.6	30.8	28.7
EBIT margin, %	3.7	2.1	3.1	2.7	2.8
Operative cash flow	45.8	88.9	57.3	30.1	50.2
Cash conversion, %**	76	230	109	65	115
Number of personnel, end of period	9,568	8,647	8,459	8,495	8,064

* Mainly IPO–related costs in 2014 and 2015
** Calculated on a rolling 12-month basis

OPERATIVE CASH FLOW

EUR million	2015	2014	2013	2012	2011
EBITA	60.5	38.6	52.3	46.1	43.7
Depreciation	11.9	11.0	12.3	10.6	10.1
Change in net working capital	–15.5	48.1	4.0	–13.5	6.7
Net purchases of PPE	–11.1	–8.9	–11.4	–13.1	–10.2
Operative cash flow (used in cash conversion key figure)	**45.8**	**88.9**	**57.3**	**30.1**	**50.2**

Quarterly figures

QUARTERLY KEY FINANCIAL FIGURES FOR THE GROUP

	Full-year 2015	Oct–Dec 2015	Jul–Sep 2015	Apr–Jun 2015	Jan–Mar 2015	Full-year 2014	Oct–Dec 2014	Jul–Sep 2014	Apr–Jun 2014	Jan–Mar 2014
Net sales	1,254.9	397.3	310.8	307.8	239.0	1,242.1	352.3	330.9	299.8	259.2
Net sales growth, %	1.0	12.8	–6.1	2.7	–7.8	8.2	1.9	10.5	9.3	13.7
Organic net sales growth, %	4.5	4.5	–3.4	12.5	5.3	11.1	4.5	12.4	12.7	17.5
Operative EBITA	62.2	20.5	22.5	13.9	5.3	61.3	17.7	25.7	13.1	4.8
Operative EBITA margin, %	5.0	5.2	7.2	4.5	2.2	4.9	5.0	7.8	4.4	1.8
EBITDA	72.3	23.9	26.3	16.7	5.5	49.6	13.7	12.2	16.4	7.3
EBITA	60.5	20.5	23.3	14.0	2.7	38.6	11.0	9.7	13.6	4.4
EBITA margin, %	4.8	5.2	7.5	4.5	1.1	3.1	3.1	2.9	4.5	1.7
Operating result (EBIT)	46.6	16.5	19.6	10.9	–0.4	26.2	7.9	6.6	10.5	1.2
EBIT margin, %	3.7	4.2	6.3	3.5	–0.2	2.1	2.2	2.0	3.5	0.5
Result after financial items	32.2	14.3	17.0	9.1	–8.3	7.2	3.7	0.9	6.3	–3.7
Net result for the period	43.2	17.3	25.2	8.3	–7.5	11.1	8.7	0.9	5.1	–3.6
Earnings per share EUR, basic	0.69	0.27	0.39	0.13	–0.14	0.12	0.17	–0.02	0.09	–0.11
Earnings per share EUR, diluted	0.69	0.27	0.39	0.13	–0.14	0.12	0.17	–0.02	0.09	–0.11
Return on capital employed, %*	135.7	135.7	42.8	33.3	35.1	54.4	54.4	38.1	63.6	69.6
Return on equity (ROE), %*	12.3	12.3	10.1	3.1	2.2	4.3	4.3	2.3	7.5	6.0
Leverage ratio*	2.0	2.0	3.6	4.1	4.2	5.4	5.4	5.8	4.3	4.4
Net working capital	7.6	7.6	74.3	39.8	47.6	–17.1	–17.1	24.0	33.4	17.2
Operative cash flow	45.8	90.4	–7.4	22.7	–59.9	88.9	66.3	19.4	–2.0	24.5
Cash conversion, %*	75.8	75.8	4.5	78.1	12.0	230.0	230.0	164.3	93.7	110.9
Number of personnel, end of period	9,568	9,568	9,236	8,223	7,967	8,647	8,647	8,538	8,383	8,294

* Calculated on a rolling 12-month basis, ROE historical periods restated.

QUARTERLY SEGMENT INFORMATION

EUR million	Full-year 2015	Oct–Dec 2015	Jul–Sep 2015	Apr–Jun 2015	Jan–Mar 2015	Full-year 2014	Oct–Dec 2014	Jul–Sep 2014	Apr–Jun 2014	Jan–Mar 2014
NET SALES										
Power	567.6	171.3	135.8	152.6	107.8	515.9	142.6	143.9	123.0	106.5
Communication	543.7	192.4	140.3	113.6	97.4	584.0	168.4	150.4	141.6	123.6
Transport & Security	151.7	37.5	36.6	42.9	34.8	154.2	45.4	40.0	37.8	31.0
Net sales not allocated to segments	–	–	–	–	–	0.2	–	–	0.1	0.1
Elimination of sales between segments	–8.2	–3.9	–1.9	–1.4	–1.0	–12.2	–4.1	–3.3	–2.7	–2.0
Net sales, total	**1,254.9**	**397.3**	**310.8**	**307.8**	**239.0**	**1,242.1**	**352.3**	**330.9**	**299.8**	**259.2**
OPERATIVE EBITA BY SEGMENT										
Power	29.6	10.2	9.6	7.7	2.1	32.1	8.0	15.8	6.5	1.9
% of net sales	5.2	5.9	7.1	5.1	1.9	6.2	5.6	11.0	5.3	1.8
Communication	34.2	13.5	10.8	6.1	3.8	25.8	10.1	6.9	5.9	2.8
% of net sales	6.3	7.0	7.7	5.3	3.9	4.4	6.0	4.6	4.2	2.3
Transport & Security	11.4	1.4	4.2	3.4	2.3	12.1	2.4	3.5	3.2	3.0
% of net sales	7.5	3.8	11.4	8.0	6.7	7.9	5.4	8.8	8.5	9.5
Costs not allocated to segments	–13.0	–4.6	–2.2	–3.3	–2.9	–8.7	–2.8	–0.5	–2.5	–2.9
Operative EBITA	**62.2**	**20.5**	**22.5**	**13.9**	**5.3**	**61.3**	**17.7**	**25.7**	**13.1**	**4.8**
% of net sales	5.0	5.2	7.2	4.5	2.2	4.9	5.0	7.8	4.4	1.8

The Eltel Share

Eltel AB was introduced on the Nasdaq Stockholm on 6 February 2015 through an initial public offering of ordinary shares. The offering including the over-allotment option was increased in full and comprised a total of 42,165,277 shares, of which 19,485,294 were newly issued shares and 22,679,983 existing shares. The subscription price in the offering was SEK 68 per share. The total value of the offering was approximately SEK 1.3 billion and Eltel received about EUR 127.3 million in equity after issue costs. The last price paid on 30 December 2015 was SEK 84.50.

TRADING

On 31 December 2015, the number of shareholders was 1,903. The last price paid on 30 December 2015 was SEK 84.50, an increase of 24% from the introduction price, giving Eltel a total market capitalisation of SEK 5.3 billion or approximately EUR 575 million. During 2015, an average of 122,000 shares were traded per day on the Nasdaq Stockholm. The highest share price paid during the year was SEK 108.75 and the lowest was SEK 69.00. Eltels's share capital totalled EUR 125,248,477 divided by the total number of 62,624,238 shares.

ELTEL'S TOP 10 SHAREHOLDERS ON 30 DECEMBER 2015

Shareholders	Number of shares	Share of capital and votes, %
3i controlled entities	12,524,849	20.00
Zeres Capital	6,575,545	10.50
Swedbank Robur fonder	6,008,465	9.59
The Fourth Swedish National Pension Fund	5,775,530	9.22
BNP Paribas S.A.	4,732,625	7.56
Lannebo fonder	4,325,160	6.91
Fidelity Nordic Fund	1,326,500	2.12
Didner&Gerge Fonder AB	1,252,752	2.00
Carnegie fonder	1,241,313	1.98
Handelsbanken fonder	1,239,412	1.98

OWNERSHIP STRUCTURE

Shareholding	Number of shareholder	%	Number of shares/SDRs	%
1 – 1,000	1,495	78.6	236,721	0.38
501 – 1,000	91	4.5	75,022	0.12
1,001 – 5,000	153	8.0	376,688	0.60
5,001 – 10,000	35	1.8	277,544	0.44
10,001 – 15,000	18	1.0	224,576	0.36
15,001 – 20,000	8	0.4	141,674	0.23
20,001 –	103	5.4	61,292,013	97.87
Total	1,903	100	62,624,238	100

DIVIDEND POLICY AND DIVIDEND PROPOSAL

The Board of Directors has adopted a dividend policy whereby 50%, with some flexibility with pay-out ratio, of Eltel's consolidated net profit shall be paid in dividends over time. Furthermore, the Board of Directors shall take into account a number of additional factors, including the company´s future profits, investment needs, liquidity and development opportunities as well as general economic and business conditions, when proposing a dividend.

For the year 2015, the Board of Directors is proposing that a dividend of EUR 0.24 per share be distributed.

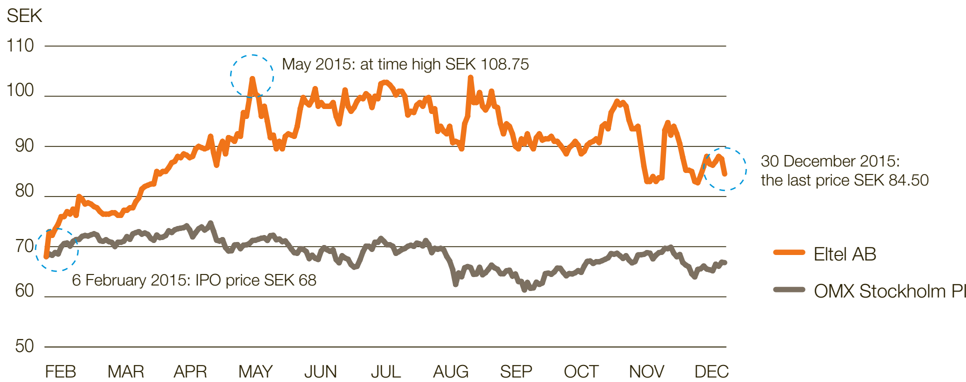
SHARE DATA

Listing	Nasdaq Stockholm
No of shares issued	62,624,238
Earnings/share, basic	EUR 0.69
Dividend/share (proposal)	EUR 0.24
Market capitalisation at 30 Dec 2015	SEK 5.3 billion
Ticker code	ELTEL
ISIN-code	SE0006509949

ANALYSTS COVERING ELTEL

David Vagman	BNP
Charles-Henri De Mortemart	BNP
Victor Lindeberg	Carnegie
Lena Österberg	Carnegie
Mikael Holm	Danske Bank
Toby Reeks	Morgan Stanley
Allen Wells	Morgan Stanley
Niclas Höglund	Nordea
Henrik Nilsson	Nordea
Victor Höglund	SEB
Stefan Andersson	SEB
Matias Rautionmaa	Pohjola

ELTEL SHARE IN 2015



HISTORY OF SHARE CAPITAL

The table below presents the changes in Eltel´s share capital since 1 January 2015.

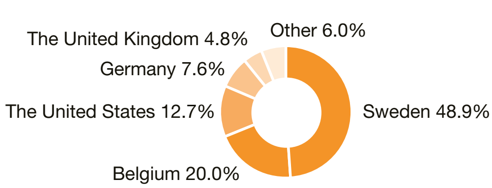
Date of registration with the Swedish Companies Registration office	Transactions	Change in number of shares	Total number of shares	Change in share capital (EUR)	Total share capital (EUR)	Quota (par) value (EUR)
31 December 2014			863,635,790		86,363,579	0.1
15 January 2015 1)	Reclassification of shares	0	863,635,790	0	86,363,579	0.1
22 January 2015	Reverse split 20:1	–820,454,001	43,181,789	0	86,363,579	2.0
6 February 2015 2)	Reclassification of shares	0	43,181,789	0	86,363,579	2.0
6 February 2015 3)	New issue in the Offer	9,248,236	52,430,025	18,496,472	104,860,051	2.0
6 February 2015	Redemption of shares	–1,985,457	50,444,568	–3,970,914	100,889,137	2.0
6 February 2015	Set-off issue of PIK notes	1,585,957	52,030,525	3,171,914	104,061,051	2.0
6 February 2015	New issue in the Offer	10,237,058	62,267,583	20,474,116	124,535,167	2.0
12 February 2015	New issue	356,655	62,624,238	713,310	125,248,477	2.0

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

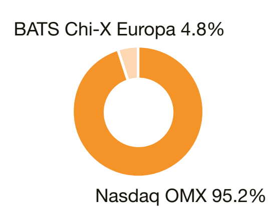
2) All shares were reclassified to shares of one share class.

3) These shares were subscribed by SEB on behalf of those entitled to subscription in accordance with the Prospectus, at subscription price in SEK that corresponds to EUR 2 per share. After payment and delivery of shares on the closing date, SEB has made a capital contribution to Eltel in an amount corresponding to the difference between the finally determined offer price and the subscription price paid by SEB.

GEOGRAPHIC DISTRIBUTION OF SHAREHOLDERS 30 DEC 2015

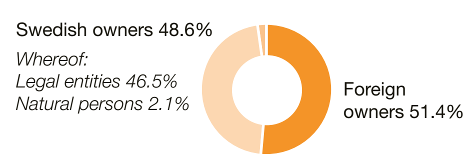


MARKET PLACES OF SHARES TRADING 2015*



* Trading takes place in small volumes in other marketplaces.

DISTRIBUTION OF SHAREHOLDER TYPE 2015



Board of Directors’ Report

Board of Directors' Report

The Board of Directors and the President and CEO of Eltel AB, corporate registration number 556728-6652, with its registered office in Stockholm, hereby submit the Annual Report and consolidated financial statements for the 2015 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 European provider of technical services to the Infranet industry, and consists of companies that own and operate critical infrastructure networks in the areas of Power, Communication and Transport & Security. Eltel mainly operates throughout the Nordic and Baltic regions, Poland, Germany, the UK and Africa. Eltel provides a broad and integrated range of services spanning from project planning and execution to installation services and services related to maintenance and operation. The full range of technical service types that Eltel offers through its approximately 8,000 technicians include:

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

Eltel's service types are offered throughout the Group's three reporting business segments:

- Power: comprises services for power transmission and power distribution. Services for power transmission include design, engineering, installation and commissioning of energy transmission systems, high voltage power lines and substations. Power distribution services include services to customers in diverse sectors, including distribution networks and wind power parks. The services for power distribution typically include designing, building and maintaining of overhead lines, underground cables, substations and outdoor lightening and major roll-out projects of smart electrical meters. The Power segment accounted for 45% (41) of the Group's net sales for the year ended 31 December 2015.
- Communication: comprises services for fixed communication and mobile communication. Fixed communication services primarily relates to the installation and maintenance of fixed communication networks using fibre and copper, while the mobile communication services relate to deployment and maintenance services of mobile and radio communication infrastructure including indoor mobile solutions. The Communication segment accounted for 43% (47% or 41% excluding the Norwegian communication business) of the Group's net sales for the year ended 31 December 2015.
- Transport & Security: comprises services for security, defence, aviation and services for rail/road technical infrastructure and, to a lesser extent, services to SME (small and medium sized enterprises) network customers. Services for security, defence and aviation include maintenance, upgrade and project delivery services for airport infrastructure equipment and systems such as radio, radar, data and telecommunications, equipment and operations for air traffic control centres as well as defence and public safety solutions such as radar and command as well as control communication facilities. Customers for these services include aviation and defence authorities. Services for rail/road of electrical-, signalling and telecoms infrastructure include design, construction, installation, test/commissioning and maintenance for rail and road authorities, vendors and construction companies. Services to SME customers include communication infrastructure installations, maintenance, network monitoring and support services. The Transport & Security business segment accounted for 12% (12) of the Group's net sales for the year ended 31 December 2015.

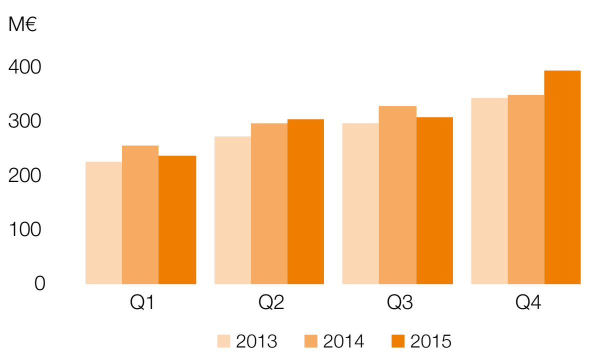
MARKET DEVELOPMENT AND DRIVERS

Eltel's addressable market is expected to grow at an estimated compound annual growth rate (CAGR) of 4% in 2013–2017, while its addressable core market is expected to grow slightly faster at 5%. The outlook also varies across the end-markets. In particular, the Power market is expected to show strong growth with a CAGR in excess of 6% during the period 2013–2017. The anticipated future market growth of the Infranet technical services market is underpinned by several favourable fundamental trends. These trends include (i) increasing regulatory requirements, (ii) continued increase in the level of outsourcing, (iii) ageing power infrastructure, (iv) increased use of renewable and energy-efficient solutions, (v) technology-driven shifts in consumer demand and (vi) convergence of networks. (PwC study 2014)

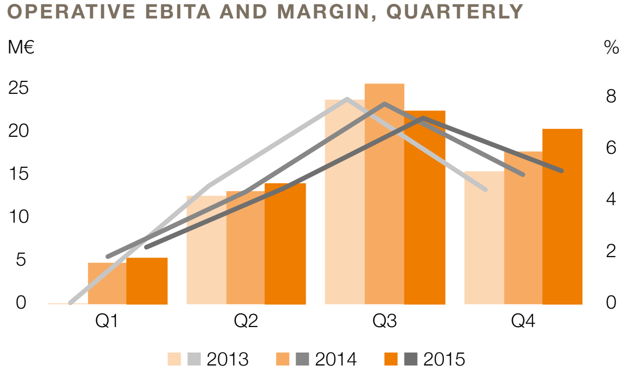
STRATEGY AND TARGETS

Eltel has a clear strategic agenda of capitalising on its strong market position and ensuring sustained profitable growth by constantly improving Eltel's operative performance, driving organic growth and pursuing selective M&A. The company has set four financial targets in the journey towards its vision of becoming the leader in technical Infranet services in Europe.

NET SALES



OPERATIVE EBITA AND MARGIN, QUARTERLY



MEDIUM- TO LONG-TERM TARGETS

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

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

DIVIDEND POLICY

The Board of Directors has adopted a dividend policy whereby 50%, with some flexibility with payout ratio, of Eltel's consolidated net profit shall be paid in dividends over time.

NET SALES 2015 COMPARED TO THE SAME PERIOD IN 2014

In local currencies, the Group's net sales increased by 2.9% in 2015. In reported currency, net sales increased by 1.0% to EUR 1,254.9 million (1,242.1). Organic net sales increased by 4.5%. The growth in net sales was mainly related to the power business. The Power segment delivered total growth of more than 10%, including both organic and growth through acquisitions, thus meeting the Group's growth target. The organic growth in net sales in the Communication segment in 2015 was marginally positive, whereas the decline in copper maintenance was more than offset by growth in the fibre and mobile roll-out business. In the Communication segment, total net sales in 2015 were negatively impacted by the transfer of the Norwegian communication business to the Eltel Sønnico joint venture at the end of 2014. The acquisition of the remaining half of the joint venture Eltel Sønnico in September contributed strongly to the net sales growth during the last four months of the year. Net sales development in the Transport & Security business segment was negative, mainly as a result of the finalisation of the Rakel contract in Sweden in the first quarter 2015.

At the end of the year 2015, Eltel's committed order backlog was at its highest level ever, at approximately EUR 920 million, an increase of 35% compared to the end of the year 2014. This growth was particularly supported by the very strong order intake for smart meter roll-out contracts to be delivered starting at the end of 2016. Committed order backlog is the total value of committed orders received but not yet recognised as sales. This is mainly related to project orders with a delivery time of 2–5 years and also include committed orders in frame agreements.

The Power segment accounted for 45% (41), the Communication segment for 43% (47 or 41% excluding the Norwegian Communication business) and the Transport & Security business segment for 12% (12) of Group net sales.

Net sales comparability

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

EUR million	2015	2014	Growth, %	Fx-corrected growth, %
Group net sales	1,254.9	1,242.1	1.0	2.9
Net sales from acquisitions	99.1	–	8.0	8.7
Norwegian Communication business tranferred to Eltel Sønnico	–	121.6	–	–
Group organic net sales	1,155.8	1,120.6	3.1	4.5

Net sales from acquisitions include Edi.Son Energietechnik GmbH as of 1 May, Eltel Sønnico AS of 1 September and Vete Signaltjenester AS as of 1 October 2015.

Group organic net sales do not include the 2015 acquisitions and the Norwegian communication business that was transferred to the Eltel Sønnico joint venture on 31 December 2014.

FINANCIAL RESULT 2015 COMPARED TO THE SAME PERIOD IN 2014

The Eltel Group's operative EBITA increased and was record high at EUR 62.2 million (61.3), representing 5.0% of net sales (4.9). The performance in the Communication segment was very good, with operative EBITA and profitability increasing significantly in 2015. The business in the Power segment returned back on track in the fourth quarter. However, despite the positive development in the fourth quarter, the full year operative EBITA and EBITA margin in the Power segment remained below the level achieved in the previous year. In Transport & Security the weak performance in the fourth quarter impacted the full year profitability negatively for the segment. However, the EBITA margin for the full year was still above the Group average level.

Group EBITA amounted to EUR 60.5 million (38.6). EBITA included non-recurring net expenses of EUR 1.7 million (22.7), mainly related to advisory services for the initial public offering (IPO) and for Eltel's management incentive programme, realised in February 2015 after completion of the listing of Eltel's shares on Nasdaq Stockholm. Amortisation of acquisition-related intangible assets totalled EUR 13.9 million (12.4), the majority referring from the 2007 acquisition of Eltel by 3i.

Net financial expenses of EUR 14.4 million (19.0) included a non-cash write-off of EUR 3.5 million in capitalised costs related to pre-IPO financing. Following the listing, Eltel renewed its financing in February 2015, resulting in lower interest expenses going forward. Taxes for the year were positive at EUR 11.0 million (3.9), due to recognition of deferred tax assets for loss carry forwards from previous years, driven by higher EBIT and lower financing costs.

SEGMENT INFORMATION

POWER

The Power segment provides network maintenance services, upgrade work and project business to national transmission system operators and distribution network owners. This segment operates throughout Eltel's geographic regions and its business is characterised by long-term customer relationships, with a continuous order flow generated through frame agreements and projects. Growth in the segment is typically driven by increased power grid availability requirements and regulatory demands rather than by GDP. The majority of this business consists of upgrades and project-based work. Upgrade assignments are typically completed within a few months, whereas project agreements normally last for two to three years. The length of frame agreements is typically three to five years.

EUR million	2015	2014
Net sales	567.6	515.9
Operative EBITA	29.6	32.1
Operative EBITA, margin, %	5.2	6.2
Number of employees	3,607	3,412

January–December 2015 compared to the same period in 2014

In local currencies, net sales growth for the Power segment was 10.8% in 2015. In reported currency, net sales increased by 10.0% to EUR 567.6 million (515.9). Growth in net sales was mainly attributable to higher net sales in the German power transmission business. In Germany, the business mix comprised both substation projects and building of transmission lines. Within the Nordics, both power distribution and transmission in Finland grew their net sales in 2015, while growth was partly offset by lower sales in transmission in Sweden and Norway, mainly due to lower market activity in 2015. The African power transmission business also recorded growth.

Operative EBITA for the full year was 7.9% lower, totalling EUR 29.6 million (32.1). The operative EBITA margin was 5.2% (6.2). The lower EBITA profitability was mainly a consequence of the clearly higher than average contribution from a settlement in an African project in the third quarter 2014. This impact was partly offset by the positive contribution from the acquired German company Edi.Son and better overall profitability in the Polish market.

Acquisition

On 30 April 2015, Eltel acquired Edi.Son Energietechnik GmbH in Germany. The acquisition provides Eltel with a full service portfolio for the German power transmission market for both overhead lines and substations up to 380 kV and forms a platform for organic expansion in Germany. Edi.Son had annual sales of approximately EUR 20 million and more than 100 employees.

COMMUNICATION

The Communication segment provides maintenance and upgrade work to telecom operators and other communication network owners. This segment currently operates throughout all of Eltel's geographies and its business is characterised by long-term customer relationships, with a continuous order flow generated mainly through frame agreements. The business is primarily driven by technology upgrades, maintenance and growing demand for network capacity.

EUR million	2015	2014
Net sales	543.7	584.0
Operative EBITA	34.2	25.8
Operative EBITA, margin, %	6.3	4.4
Number of employees	5,126	4,647

January-December 2015 compared to the same period in 2014

In local currency, net sales in the Communication segment decreased 4.3% in 2015. In reported currency, net sales were down by 6.9% to EUR 543.7 million (584.0). The reason for the decline was the deconsolidation of the Norwegian communication business for the first eight months in 2015. Organic net sales increased by 2.6%. The positive business development in fibre upgrade services in Sweden was partly offset by lower activity in Finland.

Operative EBITA increased significantly by 32.7% to EUR 34.2 million (25.8). Profitability improved markedly and the operative EBITA margin reached 6.3% (4.4). The main reason for the profitability improvement was increased and more efficient business in Germany compared to 2014 and higher fibre and mobile roll-out volumes in the Nordics.

Acquisition

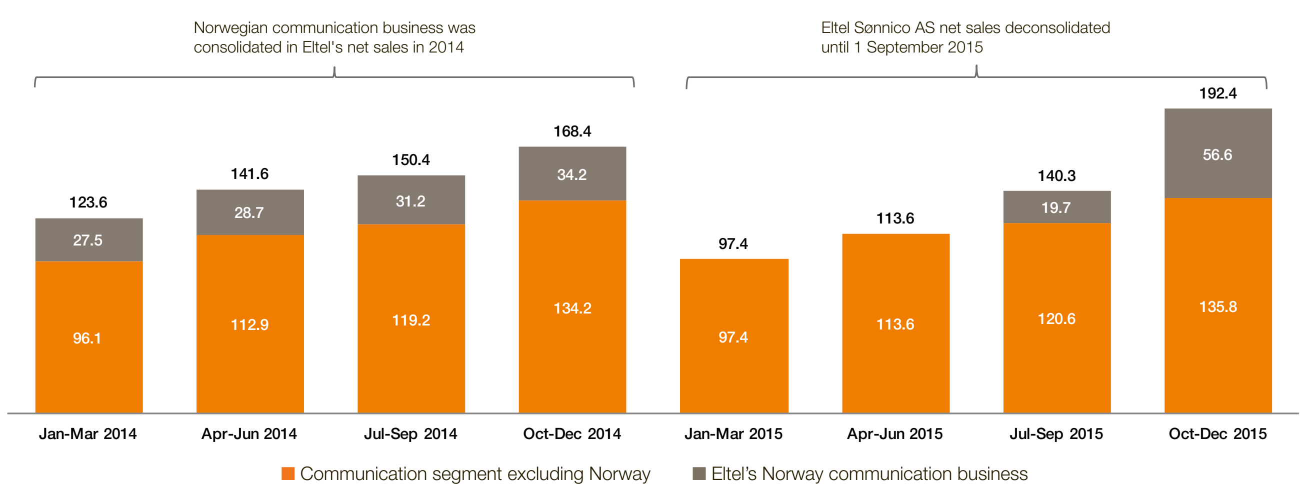
On 1 September 2015, Eltel acquired the remaining 50% of Eltel Sønnico AS in Norway. As a result of this acquisition, Eltel became the sole owner of the company. Before the acquisition of the remaining 50%, Eltel Sønnico AS operated the Norwegian communication business as 50/50 joint venture between Eltel Group and Umoe Group. Following the acquisition, Eltel's net sales increased by the full amount of the joint venture's net sales, slightly lower than EUR 200 million annually. The total number of employees in Eltel Sønnico AS as of 1 September 2015 was 1,165.

Eltel Sønnico impact on comparability

On 31 December 2014, Eltel's and Umoe's Norwegian communication businesses were transferred to a 50/50 joint venture, Eltel Sønnico AS. In January–August 2015, the Norwegian communication business was not consolidated in the Group's net sales. During this period, Eltel's share of the results from the joint venture was included on one line in Group EBITA. Following the acquisition of the remaining 50% of the joint venture in September 2015, Eltel became the sole owner of the company with 100% of net sales consolidated. The number of employees transferred from Eltel to the joint venture on 31 December 2014 was 562.

Organic net sales do not include the impact on net sales from the transfer of the Norwegian communication business to Eltel Sønnico and the acquisition of Eltel Sønnico in September.

QUARTERLY COMMUNICATION NET SALES



TRANSPORT & SECURITY

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

EUR million	2015	2014
Net sales	151.7	154.2
Operative EBITA	11.4	12.1
Operative EBITA, margin, %	7.5	7.9
Number of employees	611	563

January-December 2015 compared to the same period in 2014

In local currencies, net sales in the Transport & Security business segment increased 1.3% in 2015. In reported currency, net sales decreased by 1.6% to EUR 151.7 million (154.2). The small decline in reported net sales was mainly attributable to lower business activity in both aviation and security as well as in the rail business in Sweden and a weaker Swedish currency. The negative impact was partly offset by new contracts in the rail sector in Norway.

Operative EBITA decreased by 6.0% to EUR 11.4 million (12.1). The operative EBITA margin for the full year was 7.5% (7.9). The decline in the margin was a result of a weaker project mix and lower profitability in the rail business in Norway.

Acquisition

On 5 October 2015, Eltel acquired Vete Signaltjenester AS in Norway. Vete provides railway-signalling services in Norway with a turnover of approximately NOK 60 million in 2014 and 37 employees with specialised signalling and safety competences.

BALANCE SHEET AND CASH FLOW

In February 2015, in connection with the initial public offering of Eltel, the company's financing was renewed. Interest-bearing liabilities amounting to EUR 330.9 million at year-end 2014 were repaid and replaced with a EUR 210 million five-year maturity loan facility. At the end of 2015, interest-bearing liabilities totalled EUR 266.6 million (EUR 340.7 million including interest-bearing liabilities to shareholders), of which EUR 251.7 million (6.5) were non-current and EUR 14.9 million (334.2) were current. Cash and cash equivalents amounted to EUR 87.9 million (61.0).

Interest-bearing net debt at year-end totalled EUR 145.1 million (268.5), representing a decrease of 45.9% and equal to a net debt/EBITDA ratio of 2.0, adjusted for non-recurring items. This is well in line with Eltel's mid to long-term target of a ratio of 2.0–2.5.

At the end of 2015, Eltel's liquidity position was at a good level and available liquidity reserves amounted to EUR 183.3 million (126.4). In September, a EUR 100 million Finnish domestic commercial paper programme was introduced mainly for working capital purposes. The programme diversifies Eltel's financing capacity and improves the financing situation. At the end of December, the Group's equity ratio was 43.3% (27.9). At the end of the reporting period, guarantees based on contractual commercial commitments issued by banks, other financial institutions and the parent company amounted to EUR 375.4 million (304.5). This amount included also advance and other payment security guarantees.

Cash flow and cash conversion

In 2015, Eltel's operative cash flow was EUR 45.8 million (88.9). The full-year operative cash flow turned positive after the very strong cash generation in the fourth quarter. Operative cash flow in the fourth quarter was EUR 90.4 million (66.3), mainly driven by a strong operative result and positive impact from seasonal changes in net working capital and utilisation of customer-provided supply chain financing in the acquired Norwegian communication business. For the full year 2015, cash flow was negatively impacted by payment of EUR 28.4 million in IPO-related costs, whereas the EBITA impact of the main part of the costs took place in 2014.

The rolling 12-month cash conversion rate was 75.8% and, adjusted for IPO-related non-recurring costs, the rolling cash conversion rate was 123.3%. In 2014, cash conversion was exceptionally high at 230.0% (145% adjusted for IPO-related costs) as a result of phasing of projects, advance payments received and impact of provision of IPO costs in EBITA.

Cash flow from operating activities was EUR 49.1 million (81.4), including a negative impact of EUR 15.5 million (+48.1) from the change in net working capital. Cash flow from financial items and taxes was EUR –12.6 million (–23.3). Cash flow from acquisitions was EUR 33.1 million and net capital expenditure, mainly replacement investments, amounted to EUR 11.1 million (8.9).

BUSINESS EXPANSIONS, STRUCTURAL CHANGES AND DIVESTMENTS

On 30 April 2015 Eltel acquired 100% of Edi.Son Energietechnik GmbH shares, specialised in the planning, design and construction of 110 to 380 kV overhead lines in Germany. With the acquisition of Edi.Son, Eltel is positioned to deliver transmission lines and substations up to 380 kV to German customers. The acquisition is an important step for Eltel and its growth strategy to extend its market scope in one of the largest European markets.

On 1 September 2015, Eltel acquired the remaining 50% of the joint venture Eltel Sønnico AS in Norway from its partner Umoe at a price of NOK 265 million. As a result of this acquisition, Eltel is the sole owner of the company. Before the acquisition of the remaining 50% of the joint venture, Eltel Sønnico AS operated the Norwegian communication business as a 50/50 joint venture between Eltel Group and Umoe Group. In the third quarter of 2014 the company signed a five-year contract with Telenor and commenced operations in January 2015. Following the acquisition of the remaining 50% of the joint venture, Eltel's net sales increases by the full amount of the joint venture's net sales, slightly lower than EUR 200 million annually, while net profit increases by Umoe's 50% share of the total joint venture net profit. With Eltel becoming the sole owner of the joint venture, governance of the company is aligned with the Eltel Group's structure, with an international organisation operated via specialised business units and implementation of Eltel's operational model, the Eltel Way.

On 5 October 2015 Eltel acquired Vete Signaltjenester AS, a railway signalling service provider in Norway. The acquisition of Vete is complementary to Eltel's current offering in Norway and provides clear synergies with the existing rail business of Eltel. With Vete, Eltel can scale up its Norwegian business and further develop cross border co-operation between Eltel entities.

SEASONALITY DURING CALENDAR YEAR

Eltel's businesses are characterised by seasonal patterns that have a substantial impact on net sales, EBITA and cash flow. Seasonality is driven by a number of factors, including weather conditions, the timing of customer order placements and completion of work phases towards the end of the month. The Eltel Group has historically reported higher revenues and operating profit in the second half of the year with the highest activity noted in the May to October period.

The Group's net sales are typically lowest in the first quarter, climb in the second and third quarters, and highest in the fourth quarter. For the years ended 31 December 2011-2015 net sales from the first, second, third and fourth quarter represented on average 20.1%, 24.2%, 25.8% and 29.9%, respectively, of net sales for the full years.

The Group's EBITA and EBITA margin, both on a consolidated and business segment basis, are typically lowest in the first quarter (and have historically, on occasion, been negligible) and climbing in the second quarter. The Group´s EBITA and EBITA margin are typically higher in the third and fourth quarters than in the first and second quarters. For the years ended 31 December 2011-2015 EBITA from the first, second, third and fourth quarter represented on average 6.2%, 22.4% 38.7% and 32.7%, respectively, of EBITA for the full years.

Cash flow displays a strong seasonal pattern with weaker cash flow recorded until the end of the third quarter due to higher production activity during this period. At the end of the year, as production volumes decrease, cash flow is normally strong.

EXPECTATIONS ON OPERATING ENVIRONMENT

Eltel does not give any outlook on the company's financial development. Through its strong market position combined with the IPO in 2015 and the reduced level of net debt, Eltel is well positioned to take advantage of the ongoing consolidation and growth in the market, both through new tenders/outsourcings as well as mergers and acquisitions.

Market demand in the power sector is underpinned by strong long-term drivers. The operating environment is characterised by high market activity and long-term investment plans. In power transmission, there is a solid flow of public tender requests, based on the extensive investment plans announced by transmission system operators in all of Eltel's markets. In the power distribution market, the overall high activity level continued. Growing demand for power has attracted new companies and competition remains intense. Distribution system operators in Norway, Denmark and Germany continue to make decisions on smart metering investments in coming years. Moreover, tender activity is expected to continue at a high level in Sweden and Finland. In Sweden, a new regulation model regarding power networks is expected to further increase investment levels in the power distribution networks.

Market demand in the communication sector is strong, especially in fixed communication but show some variation among countries and technologies. Demand for fibre deployment is expected to remain at a high level. The decreasing numbers of subscribers of the copper networks and subsequent lower needs for maintenance continues. In Finland, customer investments have been lower compared to the levels in 2014. Market demand for LTE/4G roll-outs continues to provide opportunities especially in the Nordics and with increasing activity also in Germany.

In the Nordic transport sector, especially the railway segment, long-term market drivers remain strong, creating many business opportunities to expand. Several customers publish their rolling forecasts for planned purchases on a monthly or quarterly basis, providing a sound overview for tendering and business planning. In the fourth quarter, several new orders in the rail sector were signed. The security market in Sweden continues to grow, supported by increased spending in the defence area. In the aviation sector, the Swedish remote tower operation provides new business and market opportunities. The aviation sector in Norway and Denmark is opening up for external service providers, thereby providing new opportunities.

OUR EMPLOYEES

In 2015, Eltel's number of employees increased by 10.7% to 9,568 persons at year-end 2015 (8,647).

Eltel's culture and way of working is manifested in The Eltel Way, which highlights the Group values and internal culture and includes regulations and policies that enhances transparency and ethical behaviour. In 2015 Eltel implemented an e-learning project that improves compliance with The Eltel Way guidelines, reporting and policies.

Eltel's employees often work under hazardous conditions, which is why ensuring safe working conditions is a top priority. Working methods and control measures are continuously being developed to eliminate any dangerous situations in the field. In 2015, Eltel's lost time injuries per million working hours were 11 (11). Eltel will continue to strive to minimise lost time injuries and minor injuries. The long-term target is zero accidents.

Eltel's organisation is strongly decentralised and entrepreneurial. Employees work in teams of technicians with a high degree of specialisation and clearly defined roles and responsibilities. Individuals and teams are incentivised to encourage and reward above-average contribution from all individuals to Eltel's success.

Eltel offers numerous opportunities for career advancement. On local level, focus on training is on specialised skills and certifications for technicians as well as on project management.

Eltel respects and complies with labour market laws, agreements and safety requirements and other provisions that set the parameters for its operations. Eltel continued to refine its processes for collecting health and safety KPIs and develop action plans to improve the well-being and reduce the risk of injury to Eltel employees.

LONG-TERM INCENTIVE PROGRAMME 2015

In May 2015, the Annual General Meeting 2015 approved the implementation of a share savings programme 2015 ("LTIP 2015") for key individuals in the Eltel Group. The aim is to increase and strengthen the potential for recruiting, retaining and rewarding key individuals and also to use the LTIP 2015 to create individual long-term ownership of Eltel shares among participants. The term of the LTIP 2015 is three years and the maximum number of participants 70.

On the balance date the LTIP 2015 comprised a maximum of 318,610 shares in total, corresponding to approximately 0.5% of the total outstanding shares and votes of the Company. For further details on remuneration to Group Management please see the Corporate Governance Report on page 40.

ENVIRONMENT

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

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

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

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

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

RISKS AND UNCERTAINTIES

The overall economic climate and regulatory decisions in Eltel's markets pose risks to volumes and the timing of investments. Significant fluctuations in the EUR/SEK, EUR/NOK and EUR/PLN exchange rates may affect the Group's consolidated net sales and, to lesser extent, the profitability. For further information regarding financial risk management, please refer to note 3 Financial risk management.

On 30 March 2016 the Market Court in Finland dismissed the allegations of Eltel's competition law violation in its power transmission line construction business in Finland as time barred.

On 31 October 2014, the Finnish Competition and Consumer Authority (FCCA) filed a claim of EUR 35 million against Eltel in the Finnish Market Court. The violation of competition law alleged by the FCCA is related to the Group's power transmission line construction and planning business in Finland during the period 2004–2011. Eltel delivered its response to the claim on 19 December 2014. Eltel received a rejoinder from the FCCA on 13 March 2015 and responded on 27 April 2015. Oral hearings were held in the Finnish Market Court in September 2015. Eltel considers that it did not violate competition rules and finds no grounds for the proposal of fines. Eltel has contested the FCCA's allegations and fine proposal to the Finnish Market Court, requesting that the case be dismissed.

On 30 March 2016, the Market Court in Finland dismissed allegations as time barred. Both Eltel and the Finnish Competition and Consumer Authority have one month from the day of the decision of the Market Court to appeal the decision to the Supreme Administrative Court. In relation to the listing of Eltel on the Nasdaq Stockholm in February 2015, the selling shareholders, including 3i, BNP Paribas and Eltel management shareholders, entered into an agreement to contribute an amount, not exceeding EUR 35 million to cover any potential fines (i.e. excluding costs and damages from third-party claims) payable by Eltel in connection with the FCCA case. The selling shareholders have deposited the EUR 35 million amount in an escrow account in the name of Eltel to be released to the Company in accordance with the agreement to cover potential fines. On the date of release of funds from the escrow account to the Company, the selling shareholders will convert such portion of the nominal value of the FCCA loan as is required to pay fines, if any, in relation to the FCCA case into an unconditional capital contribution of an equivalent amount. Following such decision an amount corresponding to the lower of the fine or EUR 35 million is converted to an unconditional capital contribution and any amount not needed to cover the fines shall be promptly returned to the shareholders from the escrow account. For further information please refer to "Agreement related to the FCCA Case" presented in the Prospectus.

RISK MANAGEMENT

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

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

At the highest level the Board of Directors evaluates and monitors risks and the quality of financial reporting via the Audit Committee, which oversees Eltel's internal control systems and financial reporting process as well as maintains regular contact with

Eltel's external auditors. At the operating level risk management and internal control are exercised and continuously monitored through comprehensive monthly reporting packages and in monthly business reviews performed throughout and at all levels of the organisation. Business units follow a standardised review process with detailed templates for new tenders. Proposals are reviewed and approved according to the Board of Directors' delegation of authority. A thorough risk investigation and mitigation plan is made as part of the annual budgeting and business planning process for each business unit and subsequently reported to and monitored by the Board of Directors. Internal controls are also assessed annually both by an internal self-assessment and an external audit and corrective actions are implemented based on the findings.

MAJOR EVENTS AFTER THE REPORTING PERIOD

On 30 March 2016, the Market Court in Finland dismissed the allegations of Eltel's competition law violation in its power transmission line construction business in Finland as time barred. The Finnish Competition and Consumer Authority had proposed a fine of EUR 35 million to be imposed on Eltel. The decision of the Market Court may be appealed within one month from the decision. For more information see page 33 Risks and uncertainties.

In April 2016, Eltel issued 537,000 class C shares to be used in the Long Term Incentive Programme 2015 ("LTIP 2015"). Shares issued at the shares' quota value, were issued to a financial institution and immediately repurchased at the same price. Following the repurchase of class C shares, the number of class C shares held by Eltel totals 537,000. The total number of ordinary shares of Eltel is 62,624,238.

CORPORATE GOVERNANCE STATEMENT

Eltel has issued a Corporate Governance Statement for the financial year 2015. The Corporate Governance Statement has been composed in accordance with the new Corporate Governance Code valid as of November 2015.

PARENT COMPANY OPERATIONS

Eltel AB owns and governs the shares related to the Eltel Group. The operational and strategic management functions of the Group are centralised to Eltel AB. The Parent Company has no operative business activities and its risks are mainly attributable to the activities of its subsidiaries. The Parent company's income amounted to EUR 1.4 million (0.3) coming from support function services provided to the Group.

The operating expenses amounted to EUR 4.9 million (14.0 of which 13.2 million related to advisory costs and provision for management incentive programme in connection with the listing of Eltel AB). Financial income of EUR 23.7 million (28.1) related to interest income from Group companies. Financial expenses amounted to EUR 2.6 million (0.8) and EUR 17.2 million (13.5) group contribution was given to a subsidiary company. Net result was EUR 0.4 million (0.0).

THE ELTEL SHARE

On 6 February 2015 Eltel's ordinary share was listed on Nasdaq Stockholm under the trading symbol "ELTEL". The offering including the over-allotment option was increased in full and comprised a total of 42,165,277 shares, of which 19,485,294 were newly issued shares and 22,679,983 existing shares. The subscription price in the offering was SEK 68 per share. The total value of the offering was approximately SEK 1.3 billion and Eltel received about EUR 127.3 million in equity after issue costs.

On 31 December 2015, Eltel's share capital totalled EUR 125,248,477 and was divided by 62,624,238 shares. The main shareholders of Eltel AB were 3i-controlled entities owning 20.00%, Zeres Capital 10.50% and Swedbank Robur Fonder 9.59%. The Group Management Team held 1.59% of ordinary shares.

DISTRIBUTION OF PROFITS AND AUTHORISATION TO REPURCHASE OWN SHARES

The Parent Company's non-restricted equity on December 31, 2015 was EUR 378,745,547.00 of which the net profit for the year was EUR 374,981.93. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.24 per share be paid on the outstanding 62,624,238 shares, resulting in a total amount of proposed dividends corresponding to EUR 15,029,817.12. The Board further proposes that the remaining non-restricted equity of EUR 363,715,729.88 be retained and carried forward. All ordinary shares existing on the dividend record date on 4 May 2016 are entitled to dividend for the year 2015. The dividend payment date is on 12 May 2016.

The Board has also proposed that the Annual General Meeting is authorising the Board to repurchase own ordinary shares and Class C shares. As a basis for its dividend proposal and the proposal to repurchase own shares, the Board of Directors has made an assessment in accordance with Chapter 18, Section 4 and Chapter 19, Section 22 of the Swedish Companies Act of the Parent Company's and the Group's need for financial resources as well as the Parent Company's and the Group's liquidity, financial position in other respects and long-term ability to meet their commitments. The Group reports an equity ratio of 43% (28), a net cash amount of EUR 87.9 million and total available liquidity of EUR 183.3 million. The Board of Directors has also considered the parent company's result and financial position and the Group's position in general. In this respect, the Board of Directors has taken into account known commitments that may have an impact on the financial positions of the Parent Company and its subsidiaries.

The proposed dividend and the proposed authorisation for the Board of Directors to repurchase own ordinary shares and class C shares do not limit the Group's ability to make investments or raise funds, and it is our assessment that the proposed dividend and authorisation to repurchase own shares are well-balanced considering the nature, scope and risks of the business activities as well as the capital requirements for the Parent Company and the Group.

Corporate Governance Report

Corporate Governance Report

Eltel AB is a Swedish public limited liability company. As a listed Company on Nasdaq Stockholm, Eltel applies the rules of the Swedish Companies Act (Sw. Aktiebolagslagen (2005:551)), the Swedish Annual Accounts Act (Sw. Årsredovisningslagen (1995:1554)), the Company's articles of association, Nasdaq Stockholm's Rule Book for Issuers and the Swedish Corporate Governance Code as well as other Swedish and foreign laws and regulations, as applicable. The Swedish Corporate Governance Code applies to all Swedish companies with shares listed on a regulated market in Sweden. The Swedish Corporate Governance Code defines a norm for good corporate governance on a higher level of ambition than the Swedish Companies Act's and other regulations' minimum requirements. The Swedish Corporate Governance Code is based on the principle 'comply or explain'. It means that the Company is not forced at every occasion to obey every rule of the Swedish Corporate Governance Code, but may choose other solutions that are deemed to better correspond to the circumstances in the individual case, provided that the Company openly reports every such non-compliance, describes the alternative solution and states the reasons for this.

Eltel has applied the Swedish Corporate Governance Code in full from the time of the Annual General Meeting 2015. Eltel does not expect to deviate from any of the rules of the Swedish Corporate Governance Code except for internal audit where we explain why Eltel has selected to use an alternative method.

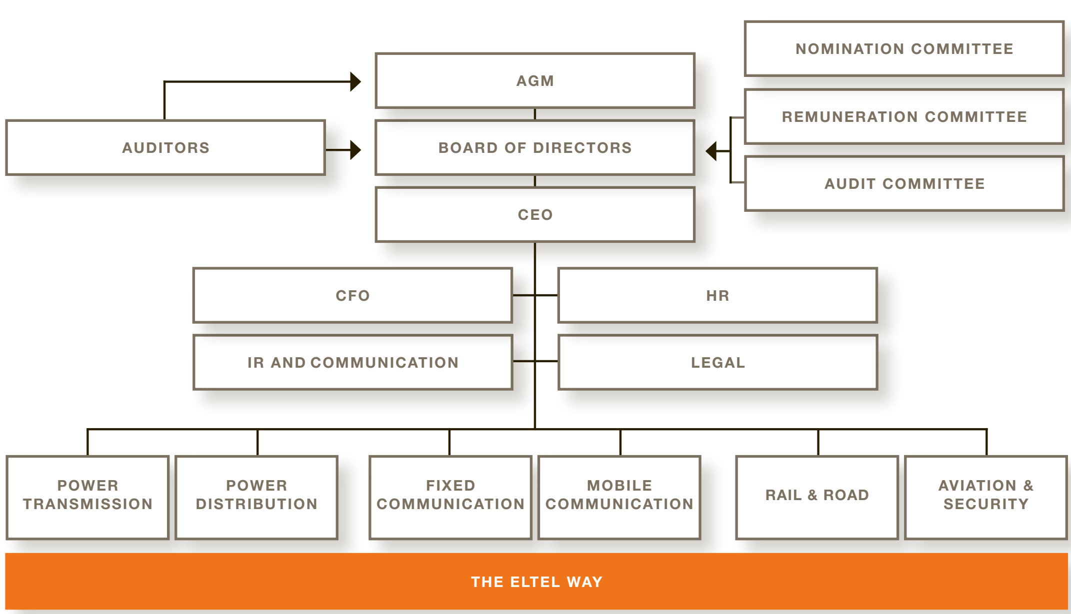
THE ELTEL WAY

The Eltel Way is the Company's management principles and method of conducting operations which clearly defines roles, areas of responsibility, delegation of powers, reporting etc. Please also refer to the section on page 16.

ELTEL SHARE AND SHAREHOLDERS

On 6 February 2015 Eltel's ordinary share was listed on the Nasdaq Stockholm under the trading symbol "ELTEL". The offering including the over-allotment option was increased in full and comprised a total of 42,165,277 shares, of which 19,485,294 were newly issued shares and 22,679,983 existing shares. The subscription price in the offering was SEK 68 per share. The total value of the offering was approximately SEK 1.3 billion and Eltel received approximately EUR 127.3 million in equity after issue costs.

ELTEL GOVERNANCE MODEL



MAJOR EXTERNAL REGULATIONS

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

MAJOR INTERNAL REGULATIONS AND POLICY

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

The largest shareholders of Eltel on 30 December 2015 were 3i-controlled entities owning 20.00%, Zeres Capital owning 10.50% and Swedbank Robur Fonder with 9.59%. At the end of 2015, the total amount of shares was 62,624,238.

THE ANNUAL GENERAL MEETING

Under the Swedish Companies Act, the general meeting is Eltel's highest decision-making body. The general meeting may resolve upon every issue for the Company, which is not specifically reserved for another company body's exclusive competence. At the Annual General Meeting, which shall be held within six months from the end of the financial year, shareholders exercise their voting rights on issues, such as the adoption of income statements and balance sheets, appropriation of Company profits or losses, resolutions to release the members of the Board of Directors and the Chief Executive Officer (CEO) from liability for the financial year, the appointment of members of the Board of Directors and auditor and remuneration for the Board of Directors and the auditor.

Besides the Annual General Meeting, extraordinary general meetings may be convened. In accordance with the articles of association, all general meetings shall be convened through announcements in the Swedish Official Gazette (Sw. Post- och Inrikes Tidningar) and by posting the notice to the meeting on Eltel's website. An announcement shall be placed in Svenska Dagbladet with information that the meeting has been convened.

The Chairman of the Board of Directors, together with as many other board members as possible and the CEO shall be present at extraordinary general meetings of the Company. At Annual General Meetings, in addition to the aforementioned, at least one member of the Nomination Committee and, to the extent possible, all members of the Board of Directors, shall participate.

GENERAL MEETINGS 2015

On 16 January 2015, an Extraordinary General Meeting of Eltel AB resolved to change the corporate category from a private limited liability company to a public limited liability company. Following the meeting's decision to change the corporate category, the meeting resolved to adopt new articles of association, comprising a change to the objects of the company, adoption of a central security depositary clause and an alteration of the limits for the number of shares and the share capital. The meeting resolved to make a reverse share split entailing that 20 existing shares are consolidated in to one share. There were a total of 43,181,789 shares in the company after the reverse share split. The meeting resolved upon reclassification of the company's shares of class A, class B, class C1 and class C2, in accordance with the proposal for the new articles of association. There is only one class of shares in the company after the reclassification.

On 19 May 2015, the Annual General Meeting re-elected the following members of the Board: Gérard Mohr, Matti Kyytsönen, Fredrik Karlsson, Susanne Lithander and Ulf Lundahl. As new members of the Board, Rada Rodriguez and Karl Åberg were elected. Jean Bergeret as a member and Thomas Hofmeister as a deputy member stayed on the Board until the Annual General Meeting 2015 in May. Gérard Mohr was re-elected as Chairman of the Board. The Eltel employee unions elected the following persons as union representatives to the Board: Jonny Andersson (SEKO Tele) and Björn Ekblom (Unionen) as ordinary board members and Krister Andersson (SACO) and Ninni Stylin (Unionen) as deputies.

The Annual General Meeting approved a long-term incentive programme for key individuals. To ensure delivery of shares under the incentive programme, the Annual General Meeting resolved on the introduction of a new class of shares, Class C shares, which after conversion to ordinary shares may be transferred to participants in the programme or sold back to the market for cash flow purposes to secure the Company's payment of social security contributions related to the incentive programme. The Annual General Meeting authorised the Board to issue and subsequently repurchase a maximum of 537,000 Class C shares.

ANNUAL GENERAL MEETING 2016 AND ANNUAL REPORT

Eltel's Annual General Meeting 2016 will be held at the Eltel AB headquarters, Adolfsbergsvägen 13, Bromma, Stockholm on 2 May 2016 at 10:00 am CET.

The Annual Report 2015 will be published and made available on the Group website, www.eltelgroup.com and at the Eltel AB headquarters, Adolfsbergsvägen 13, Bromma, Stockholm, Sweden during the week starting on 11 April 2016.

RIGHT TO ATTEND GENERAL MEETINGS

All shareholders who are registered directly, in the share register maintained by Euroclear, five week days prior to the general meeting and who notify the Company of their intention to attend the general meeting at the latest by the date specified in the notice convening the meeting shall be entitled to attend the general meeting and vote according to the number of shares held. Shareholders may attend general meetings in person or through a proxy, and may also be accompanied by two assistants.

SHAREHOLDER INITIATIVES

Shareholders who wish a matter to be discussed at the general meeting must submit a written request in that regard to the Board of Directors. Requests must normally be received by the Board of Directors at least seven weeks prior to the general meeting.

NOMINATION COMMITTEE

According to the rules of procedures for the Nomination Committee, the committee shall consist of four members, representing each of the four largest shareholders registered on 31 August 2015. The rules of procedures for the Nomination Committee comply with the Swedish Corporate Governance Code.

The members of the Nomination Committee shall, in connection with their assignment, accomplish their duties in accordance with the Swedish Corporate Governance Code. The Nomination Committee's main duties are to propose candidates for the post of Chairman and other members of the Board of Directors, as well as fees and other remuneration to each member 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. Based on the known ownership in Eltel on 31 August 2015, a Nomination Committee was appointed before the Annual General Meeting 2016 ("AGM").

The Nomination Committee appointed in November 2015 consisted of:

- Mattias Eklund, appointed by 3i (20.00% of votes)
- Joakim Rubin, appointed by Zeres Capital (10.50% of votes)
- Marianne Flink, appointed by Swedbank Robur Fonder AB (9.68% of votes)
- Per Colleen, appointed by the Fourth Swedish National Pension Fund (AP4) (9.22% of votes)

The Nomination Committee appointed in November represented 49.46% of the votes in the Company.

Following the change in the ownership of Eltel AB, the composition of Eltel's Nomination Committee changed in March 2016. Eltel's largest shareholder 3i Group plc reduced its holding from 20.00% to 7.60% and consequently stepped down from the Nomination Committee while Lannebo Fonder took on the position.

The Nomination Committee members as of March 2016 were:

- Joakim Rubin, Zeres Capital (12.90% of votes)
- Lars Bergkvist, Lannebo Fonder AB (9.89% of votes)
- Marianne Flink, Swedbank Robur Fonder AB (9.42% of votes)
- Per Colleen, The Fourth Swedish National Pension Fund (AP4) (9.22% of votes)

The Nomination Committee members represented 41.43% of the votes in the Company's.

THE BOARD OF DIRECTORS

The Board of Directors is the highest decision-making body after the general meeting and the highest executive body. The Board of Directors' responsibility is regulated in the Swedish Companies Act, the Swedish Annual Accounts Act, the Company's articles of association, directions given by the general meeting and the procedure for the Board of Directors of the Company adopted by the Board of Directors. In addition there to, the Board of Directors shall comply with the Swedish Corporate Governance Code and the Nasdaq Stockholm's Rule Book for Issuers, as well as other Swedish and foreign laws and regulations, as applicable.

MEMBERS OF THE BOARD OF DIRECTORS

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

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

Except for employee representatives, members of the Board of Directors are appointed annually by the Annual General Meeting for the period until the end of the next Annual General Meeting. According to the Company's articles of association, the members of the Board of Directors to be elected by the general meeting shall consist of a minimum of three members and a maximum of ten members with no more than three deputies. At the date of this report, the Company's Board of Directors consists of seven ordinary members and two employee representatives as ordinary members. In addition, there are two deputies to the employee representatives. The members of the Board of Directors are presented in greater detail, including their relevant education and experience, in the section "Board of Directors"on page 88.

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

The Chairman Gérard Mohr and the Board members Matti Kyytsönen, Susanne Lithander, Rada Rodriguez and Ulf Lundahl are to be regarded independent from the owners and the Company.

BOARD AGENDA DURING 2015

During 2015 the Board held nine ordinary board meetings. In addition, a number of extraordinary meetings in relation to the initial public offering (IPO) were also held. The average attendance rate at all board meetings was 86%.

For 2016, there are seven ordinary meetings planned. These meetings are in accordance with the yearly plan where quarterly interim reports are decided upon in February, May, August and November. In 2016, two to three strategic meetings will be held and in November the budget will be decided upon.

MEMBERS OF THE BOARD OF DIRECTORS

Name	Position	Year of birth	Election year	Share holding	Remune-ration EUR	Board meetings	Committee meetings	Independence from main owners	Independence of the Company	Other boardships as of 30 December 2015
Gérard Mohr	Chairman	1955	2011	75,092	89,691	13/13	5/5	Yes	Yes	JST Group, Levantina y asociados de minerales, S.A.U., Bee NV, M Prime Group, Cogerfi NV
Jean Bergeret 1)	Member	1953	2010	0	15,650	5/5	1/1	No	Yes	
Fredrik Karlsson	Member	1967	2013	0	48,922	12/13	7/9	No	Yes	Scandlines A/S
Matti Kyytsönen	Member	1949	2007	20,812	32,615	13/13	–	Yes	Yes	Silverback Consulting Oy, KP Tekno Oy, Lindström Invest Oy, Esperi Care Group Oy, Port of Helsinki Oy, Kesko Oyj
Susanne Lithander	Member	1961	2014	0	40,769	10/13	4/4	Yes	Yes	Svensk Exportkredit AB
Ulf Lundahl	Member	1952	2014	0	39,863	11/13	4/4	Yes	Yes	Fidelio Capital AB, Fidelio Industries AB, Fidelio Invest AB, Attendo AB, Attendo Utveckling AB, Attendo, Intressenter AB, Holmen Aktiebolag, Ramirent Oy, Indutrade Aktiebolag
Rada Rodriguez 2)	Member	1959	2015	0	20,274	5/8	–	Yes	Yes	ZVEI
Karl Åberg 2)	Member	1979	2015	0	24,604	8/8	4/4	No	Yes	Proffice AB
Thomas Hofmeister 1)	Deputy Member	1971	2010	0	801	4/5	–	No	Yes	
Jonny Andersson 2)	Employee represent.	1978	2015	0	–	4/8	–	Yes	No	
Krister Andersson 2)	Deputy employee rep.	1964	2015	0	–	4/8	–	Yes	No	
Björn Ekblom 2)	Employee represent.	1976	2015	1,400	–	1/8	–	Yes	No	
Ninni Stylin 2)	Deputy employee rep.	1982	2015	0	–	4/8	–	Yes	No	

1) Until the Annual General Meeting 19 May 2015
2) From the Annual General Meeting 19 May 2015 onwards

AUDIT COMMITTEE

The Board of Directors has internally appointed an Audit Committee. According to the Swedish Corporate Governance Code, the Audit Committee is to comprise three board members of whom the majority is to be independent in relation to the Company and its management, and at least one of the members is to be independent in relation to the Company and its management and must also be independent in relation to the Company's major shareholders. The current Audit Committee consists of three members: Susanne Lithander (Chairman), Fredrik Karlsson and Ulf Lundahl. Fredrik Karlsson is considered independent of the Company and its senior management but not of its major shareholders. Susanne Lithander and Ulf Lundahl are considered independent of the Company, its senior management and its major shareholders.

The Audit Committee shall, without any impact otherwise on the tasks and responsibilities of the Board of Directors:

- monitor the Company's financial reporting;
- in respect to the financial reporting, monitor the effectiveness of the Company's internal control, internal audit, and risk management;
- keep itself informed regarding the audit of the annual report and group accounts;
- review and monitor the impartiality and independence of the auditor, giving particular attention to if the auditor provides the Company with services other than auditing services; and assist in preparation of proposals to the general meeting's resolution regarding election of auditor.

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

In addition, the Audit Committee Chairman shall support the Chief Executive Officer, the Chief Financial Officer and the VP – IR and Group Communications in matters relating to information disclosures, financial reporting and media contacts, especially in the event of crisis situations, and sign off on matters relating to information disclosures. The Audit Committee held four meetings in 2015.

REMUNERATION COMMITTEE

The Board of Directors has internally appointed a Remuneration Committee. According to the Swedish Corporate Governance Code, the members of the Remuneration Committee shall be independent in relation to the Company and its senior management. Eltel's Remuneration Committee shall consist of at least two members of the Board of Directors chosen by the annual meeting. The present Remuneration Committee consists of three members: Gérard Mohr (Chairman), Fredrik Karlsson and Karl Åberg. The present members of the Remuneration Committee are considered independent in relation to the Company and its senior management.

The Remuneration Committee's main tasks are to:

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

The Remuneration Committee held five meetings in 2015.

REMUNERATION PRINCIPLES AT ELTEL

Eltel's overall objective is to offer a competitive and market-based level of remuneration consisting of both fixed and variable salary, pension and other remuneration components. Remuneration to senior executives shall motivate senior management to do its utmost in the best interests of Eltel's shareholders. Remuneration shall be determined in relation to area of responsibility, duties, expertise and performance. The fixed salary component equals and compensates for engaged work of management at a high professional level, creating value to Eltel.

ELTEL'S SHORT-TERM INCENTIVES

The short-term variable salary component is based on predetermined and measurable financial and individual targets. The criteria are recommended by the Remuneration Committee and ultimately decided by the Board of Directors. The short-term (one year) variable salary component varies between 10% and 80% of fixed annual salary. The CEO has a 80% (2015) variable salary component and the remaining members of Group Management Team (GMT) have a 60% variable salary component. The short-term incentive programme at Eltel covers all managerial levels from team level to the GMT as well as key managers in shared services and Group functions. The range of variable salary component for other than GMT members is from 10 to 40% of the fixed annual salary depending on the job position of an employee.

The pension terms of the CEO and other senior executives in the GMT should be market based in relation to terms that generally apply for comparable executives. The Group Management Team being an international team with members from Sweden, Finland and Denmark, the pension terms of Eltel's senior management reflect some national differences.

ELTEL'S LONG-TERM INCENTIVES

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

LONG-TERM INCENTIVE PROGRAMME 2015

The purpose of Eltel's Long-Term Incentive Programme 2015 (LTIP 2015), approved by the Annual General Meeting 2015, is to increase the attractiveness of Eltel as an employer on the global market, making it easier to retain and recruit qualified key individuals. The subscription period for the programme took place in August 2015. Interest in participation was high and 97% of the invited 70 participants chose to participate. On balance sheet date the LTIP 2015 comprised a maximum of 318,610 shares in total, corresponding to approximately 0.5% of the total outstanding shares and votes in the Company. Participation in LTIP 2015 assumes that the participant acquires and locks Eltel ordinary shares into LTIP 2015 ("Savings Shares"). For each acquired "Savings Share", the participant is entitled, after a certain qualification period and provided continued employment during the entire period, to receive an allotment of one Eltel matching share ("Matching Share"). Dependent on the fulfilment of certain performance targets linked to Eltel's earnings per share for the financial year 2017, the participant may also be entitled to receive allotment of additional Eltel shares ("Performance Shares"). The participant shall not pay any consideration for the allotted "Matching Shares" and "Performance Shares". "Matching Shares" and "Performance Shares" are Eltel ordinary shares. LTIP 2015 was directed towards three categories of participants:

- The CEO
- The GMT, a maximum of ten employees
- Individuals reporting directly to GMT members or other key employees, a total of 59 employees

The "Savings Shares" covered by the LTIP 2015 programme were acquired in a structured way in ordinary trading on the stock market on 17 September 2015. The average purchasing price of the total number of "Savings Shares" of 91,953 was 94.94 SEK.

PROPOSAL REGARDING GUIDELINES FOR REMUNERATION OF SENIOR MANAGEMENT

The Board of Directors proposes that the Annual General Meeting 2016 resolve to adopt the following guidelines for the remuneration of senior management for the period extending until the Annual General Meeting 2017.

Eltel's overall objective is to offer senior management a competitive and market-based level of remuneration consisting of fixed and variable salary, pension and other remuneration components. Remuneration shall be determined in relation to area of responsibility, duties, expertise and performance. The fixed salary component equals and compensates for an engaged work of management at a high professional level, creating value to Eltel. The short-term variable salary component is based on predetermined and measurable financial targets recommended by the Remuneration Committee and ultimately decided by the Board of Directors.

The pension terms of senior executives should be market based in relation to those that generally apply for comparable executives. Being an international team with members from Sweden, Finland and Denmark, the pension terms of Eltel's senior management reflect some national differences. In addition, senior executives may be offered long term incentive schemes on market-based terms.

The Board shall have the right to deviate from the guidelines in individual cases if there are particular grounds for such deviation.

PROPOSAL REGARDING LONG-TERM INCENTIVE PROGRAMME (LTIP 2016)

Eltel's Board of Directors proposes to the Annual General Meeting the implementation of a share savings programme, the performance-based Long-Term Incentive Programme 2016 (LTIP 2016), as a continuation of the LTIP 2015. For further details please refer to the Notice to the Annual General Meeting 2016.

EVALUATION OF THE BOARD'S PERFORMANCE

The Board of Directors should annually evaluate its work according to a structured process to get a view of the performance of the Board work, areas of improvement and areas for development. This assessment should also be a basis for the Nomination Committee's work until the next AGM. In 2015 the evaluation was performed as a written survey to all members of the Board and was presented by the Chairman to the entire Board and to the Nomination Committee.

CHIEF EXECUTIVE OFFICER AND OTHER SENIOR MANAGEMENT

The Chief Executive Officer (CEO) reports to the Board of Directors. The CEO's responsibility is governed by the Swedish Companies Act, the Swedish Annual Accounts Act, the Company's articles of association, directions given by the general meeting, the instruction of Eltel and other directions and guiding principles established by the Board of Directors. In addition, the CEO shall comply with the Swedish Corporate Governance Code and Nasdaq Stockholm's Rule Book for Issuers, as well as other Swedish and foreign laws and regulations, as applicable.

According to the Swedish Companies Act, the CEO shall attend to the day-to-day management pursuant to the Board of Directors' guidelines and instructions. In addition, the CEO shall take any measures necessary in order for the Company's accounts to be maintained pursuant to law and that the management of funds is conducted in a sound manner. The division of work between the Board of Directors and the CEO is described in the Instructions for the CEO of the Company.

The CEO shall administrate the operative management and execute the resolutions passed by the Board of Directors. The CEO shall control and supervise that the matters to be dealt with by the Board of Directors according to applicable legislation, the Articles of Association or internal instructions are presented to the Board of Directors, and shall continuously keep the Chairman of the Board of Directors informed about the performance of the Company's operations, its earnings and financial position, as well as any other event, circumstances or condition that cannot be assumed to be irrelevant to the Board of Directors or to the shareholders.

The CEO shall ensure that the Company has issued policies and/or instructions in all main areas of the Company's operations, such as accounting, health and safety, sustainability and compliance, and that the policies and instructions are communicated and applied within the organisation. The CEO shall also ensure that the Company has a current authorisation manual that is properly observed and that the Company's accounting is performed in a way that is compliant with applicable laws.

Axel Hjärne, born 1964, has been President and CEO of Eltel AB since 2009 and an employee of Eltel since 2005. Prior to this he has been employed by Bravida AB, ABB and Euroc-Group where he held various senior management positions. Axel Hjärne holds a Master of Science degree from Linköping University. On 31 December 2015, his ownership in Eltel AB amounted to a total of 602,309 shares. For a summary of the CEO's assignments please refer to page 90.

The Group Management Team (GMT) of Eltel consists of 11 positions: the CEO, the CFO, VP – Group Strategy, VP – Group Human Resources, VP – IR and Group Communications and the six Business Unit Presidents. The GMT meets minimum 10 times per year to deal with operational and strategic matters. The GMT also delivers the annual business plan and budget to the Board of Directors in November each year as well as three forecast updates performed in March, May and August. From 2016 onwards, only two forecasts will be delivered.

The GMT has two permanent steering committees, one for Group IT and one for Group Shared Services. There is also a special committee for Mergers & Acquisitions.

Regarding principles for remuneration to management please see page 40.

AUDITORS

The shareholders at the Annual General Meeting elect external independent auditors for a one-year period. The auditors' report to the shareholders at the Company's general meetings. The auditors monitor and review how the Company is managed by its Boards of Directors and the CEO, and the quality of the Group's financial statements. The AGM 2015 elected Öhrlings PricewaterhouseCoopers AB with a one year mandate as Auditor for Eltel, with Niklas Renström as the responsible auditor. In 2015, auditors were paid fees totalling EUR 1.2 million, of which non-auditing services accounted for EUR 0.7 million.

THE BOARDS' REPORT ON INTERNAL CONTROL FOR THE 2015 FINANCIAL YEAR

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

PRIORITY AREAS IN 2015

Eltel introduced an updated and extended framework for internal controls during 2013 covering the key processes of book closing, project accounting, payroll, and sourcing. The controls framework was rolled out fully during 2014 but has been assessed by the external auditors in separate audits annually since 2012. In 2012 the internal controls were assessed to be informal, i.e. designed, in place but not documented. During 2013 and 2014 the assessments has been that the controls are standardised, i.e. designed, in place and adequately documented. In 2015 internal controls were assessed to be monitored where the controls are standardised and periodically tested and effectively reported to management.

In 2014 Eltel developed an extension of the 2013 internal controls framework to cover also the processes for delegation of authority and sales and tendering. During 2015 the new framework was used in mandatory annual self assessments where each entity in Eltel performed a written self assessment on the compliance of each of the defined key internal controls. This assessment was then used both in the entities to perform improvement of the internal controls and also reported to management and the Audit Committee as a basis for further needs of improvements of the overall internal control framework. The outcome of the self assessment was at a good level and indicated only minor deviations from key controls, mainly in the areas of sourcing and standard cost accounting.

CONTROL ENVIRONMENT

With a view of creating and maintaining a functioning control environment according to The Eltel Way, the Board has established a number of fundamental documents and the Group has developed a number of group-wide policies, including the Policy over policies. The purpose of this policy is to set out rules on the policy and instruction creation process, to explain what policies and instructions are good for and to assign responsibilities for these documents.

Each Eltel policy has an owner who makes sure that the policy is up to date and informed to its target group. All Eltel policies are approved by the Board of Directors. They are published on Eltel Intranet pages in local languages for all Eltel employees and trained to the target groups. The Group management follows up by its internal control reporting that all Eltel companies comply with the policies. In 2015, a new interactive e-learning course was set up to efficiently educate the employees in all its operating countries on Eltel's Code of Conduct and competition rules.

Corporate governance and implementation of policies and instructions follow a top down logic where directions at higher levels are always implemented at lower levels. Hence, Eltel's governing documents structure can be illustrated as a pyramid where key control documents such as Board's rules of procedure and instructions for the CEO and committees forms the base for corporate governance procedures in the company.

Fundamental Eltel policy documents cover areas such as authorisation, Code of Conduct, internal control and risk management, health and safety, communication and investor relations, sustainability, accounting and controlling. Moreover, the internal control system also rests on a management system based on the Company's organisation and method of conducting operations – The Eltel Way – with clearly defined roles, areas of responsibility and delegation of authorities. The Eltel Way policy and associated instructions therefore come out strongly in how corporate governance is implemented and exercised in the company.

The CEO bears primary responsibility for implementation of the Board's instructions regarding the control environment in day-to-day work. He regularly reports to the Board as part of established procedures. Furthermore, there are operational monthly business reviews cascaded bottom up from teams to CEO.

RISK ASSESSMENT/MANAGEMENT

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

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

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

On a quarterly basis the most significant operational risks (risks that can affect the performance the next 12 months) and strategic risks (risks that can affect the performance the next 36 months or more) are collected, assessed and reported to Group management from each Business Unit. Based on these, the Group management assesses the need for mitigating actions and reports the most significant strategic risks and related mitigating actions to the Board of Directors. In addition, the Group Legal Review Forum (GLRF), consisting of representatives from Group Finance, Legal, HR and Communications, reviews all Eltel legal entities regarding major changes in local operations and e.g. due diligence of subcontractors on a quarterly basis.

CONTROL ACTIVITIES

Control activities are in place to manage the risks that the Board and Group management considers to be material to the business, internal control and financial statements. The rules of procedure for the Board and Board Committees as well as the instructions for the CEO are intended to establish a clear division of roles and responsibilities to facilitate the efficient management of risks identified in operations.

The control structure comprises clear roles within the organisation that enable the efficient distribution of responsibility for specific control activities aimed at detecting and preventing the risk of reporting errors on time. Such control activities include a clear decision-making hierarchy and procedure for major decisions such as larger tenders, acquisitions, other types of major investment, divestments, agreements and analysis as defined in the policy for Delegation of Authority for the Group.

An important duty of Eltel's staff is to implement, enhance and enforce the Group's control procedures and conduct internal control geared to business-critical matters. Those responsible for the process at different levels are responsible for implementing the necessary controls in the financial statements. The annual accounts and reporting processes include controls pertaining to valuation, accounting principles and estimates. Special internal control procedures for critical process tasks are also defined and tested both as self-assessments by each entity and by the external auditors as part of the annual audit programme.

The continual analysis performed of the financial statements is, together with the analysis performed at Group level, of great importance to ensure that the financial statements do not contain any material misstatements.

The Group's CFO plays an important role in the internal control process, bearing responsibility for the financial statements from each unit being accurate, complete and timely.

INFORMATION AND COMMUNICATION

Eltel has a VP – Investor Relations and Group Communications. The Group Communication function focuses on four key communication areas: Investor Relations, Brand and Marketing, Internal Communications and External Communications. Eltel also works with external communication support when needed, which aims to promote completeness and accuracy in financial statements released to the stock market. Through regular updates and bulletins, the employees concerned are informed of changes to accounting principles and reporting requirements, or other information. The organisation has access to policies and guidelines.

The Board receives monthly financial reports. External information and communication is notably governed by the Communication Policy, which describes Eltel's general information disclosure principles in order to be complaint with the strict requirements on accurate and simultaneous reporting for the financial markets.

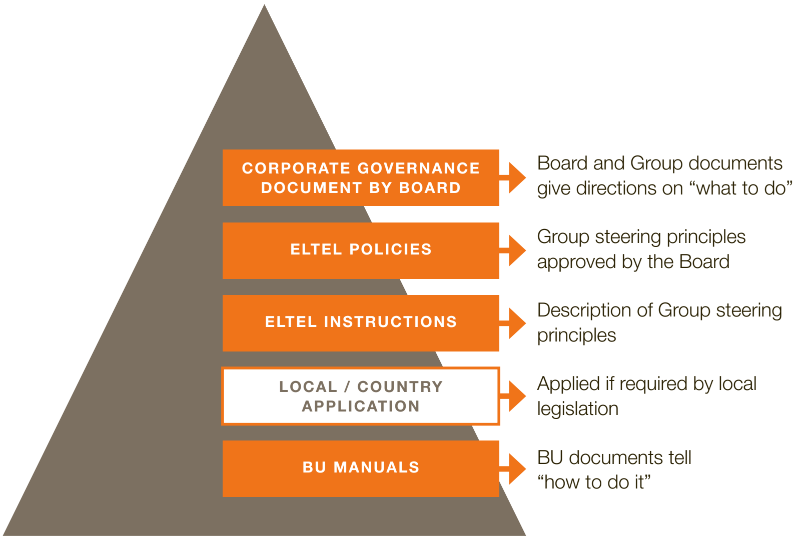
FOLLOW-UP

Eltel's compliance with adopted policies and guidelines is monitored by the Board and Group Management Team. At each Board meeting the Company's financial position is addressed. The Board's Remuneration and Audit Committees play important roles in terms of, for example, remuneration, financial statements and internal control.

Before publication of interim reports and the Annual Report, the Audit Committee and the Board review the financial statements.

Eltel's management conducts a monthly follow-up of earnings, analysing deviations from budget, forecasts and the previous year. The duties of the external auditor include performing an annual review of the internal controls of Group subsidiaries.

The Board meets with the auditors once a year to go through the internal controls and, in specific cases, to instruct the auditors to perform separate reviews of specific areas. The auditors also attend all the meetings of the Audit Committee. Considering the monitoring performed by the Finance organisation, the external auditors, the Audit Committee and the extended internal controls self assessment from 2015, the Board has decided that a special internal audit or review function is not necessary at present.



Financial information

CONSOLIDATED INCOME STATEMENT

EUR million	Note	Jan–Dec 2015	Jan–Dec 2014
Net sales		1,254.9	1,242.1
Cost of sales	9	–1,089.6	–1,078.3
Gross profit		**165.3**	**163.8**
Other income	7	4.3	8.4
Sales and marketing expenses	9	–14.2	–12.2
Administrative expenses	9	–88.0	–116.1
Other expenses	8	–8.3	–4.5
Share of profit/loss of joint ventures		1.5	–0.7
Operating result before acquisition-related amortisations (EBITA)		**60.5**	**38.6**
Amortisation of acquisition-related intangible assets	10	–13.9	–12.4
Operating result (EBIT)		**46.6**	**26.2**
Financial income		0.3	0.3
Financial expenses		–14.7	–19.3
Net financial expenses	12	–14.4	–19.0
Result before taxes		**32.2**	**7.2**
Taxes	13	11.0	3.9
Net result		**43.2**	**11.1**
Attributable to:			
Equity holders of the parent		41.7	9.5
Non-controlling interest		1.5	1.6
Earnings per share (EPS)	22		
Basic, EUR		0.69	0.12
Diluted, EUR		0.69	0.12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Jan–Dec, 2015	Jan–Dec, 2014
Net profit for the period	43.2	11.1
Other comprehensive income:		
Items that will not be reclassified to profit and loss		
Revaluation of defined benefit plans	0.4	–9.8
Items that may be subsequently reclassified to profit and loss		
Cash flow hedges	–3.5	1.5
Net investment hedges	–1.5	6.7
Currency translation differences	3.3	–16.0
Total	–1.6	–7.8
Other comprehensive income/loss for the period, net of tax	–1.2	–17.6
Total comprehensive income/loss for the period	**41.9**	**–6.5**
Total comprehensive income/loss attributable to:		
Equity holders of the parent	40.5	–8.1
Non–controlling interest	1.5	1.6

CONSOLIDATED STATEMENT OF BALANCE SHEET

EUR million	Note	Dec 31, 2015	Dec 31, 2014
ASSETS			
Non-current assets			
Goodwill	15	463.6	405.8
Intangible assets	15	82.4	84.6
Property, plant and equipment	16	38.0	33.1
Investments in and receivable from joint ventures	14	0.2	28.2
Available-for-sale investments	18	0.2	0.3
Deferred tax assets	13	34.2	23.6
Other financial assets	17, 19	35.0	–
Trade and other receivables	17, 19	0.1	0.9
Total non-current assets		**653.7**	**576.4**
Current assets			
Inventories	20	14.5	10.2
Trade and other receivables	17, 19	341.1	335.2
Cash and cash equivalents		87.9	61.0
Total current assets		**443.5**	**406.4**
TOTAL ASSETS		**1,097.2**	**982.8**
EQUITY AND LIABILITIES			
Equity	21		
Share capital		125.2	86.4
Non-restricted equity		315.7	162.1
Equity attributable to shareholders of the parent		440.9	248.4
Non-controlling interest		7.1	6.4
Total equity		**448.0**	**254.9**
Non-current liabilities			
Debt	17, 23	216.7	6.5
Liabilities to shareholders	17, 23	35.0	0.0
Retirement benefit obligations	24	13.9	18.0
Deferred tax liabilities	13	17.1	15.9
Provisions	25	3.0	2.7
Other non-current liabilities	17	0.1	0.1
Total non-current liabilities		**285.8**	**43.2**
Current liabilities			
Debt	17, 23	14.9	319.5
Liabilities to shareholders	17, 23	–	14.7
Provisions	25	3.8	29.0
Advances received		62.7	69.0
Trade and other payables	17, 26	281.9	252.6
Total current liabilities		**363.4**	**684.7**
Total liabilities		**649.2**	**727.9**
TOTAL EQUITY AND LIABILITIES		**1,097.2**	**982.8**

CONSOLIDATED STATEMENT OF CASH FLOW

EUR million	Note	Jan–Dec 2015	Jan–Dec 2014
Cash flow from operating activities			
Cash flow from operating activities before financial items and taxes	5	49.1	81.4
Interest received		0.3	0.3
Interest and other financial expenses paid		–9.7	–19.2
Income taxes paid		–3.3	–4.4
Net cash from operating activities		**36.4**	**58.0**
Cash flow from investing activities			
Purchases of property, plant and equipment (PPE)		–12.3	–10.0
Proceeds from sale of PPE		1.3	1.2
Business acquisitions and disposals		–33.1	0.2
Net cash from investing activities		**–44.2**	**–8.7**
Cash flow from financing activities			
Proceeds from issuance of share capital		143.1	–
Proceeds from long-term financial liabilities		209.3	–
Proceeds from short-term financial liabilities		29.2	–
Payments of short-term borrowings		–19.0	–
Payments of financial liabilities		–326.5	–9.1
Payments of/proceeds from finance lease liabilities		–0.5	–1.8
Dividends to non-controlling interest		–0.8	–0.7
Change in non-liquid financial assets		0.7	–
Net cash from financing activities		**35.5**	**–11.6**
Net change in cash and cash equivalents		**27.8**	**37.8**
Cash and cash equivalents at beginning of period		61.0	26.2
Foreign exchange rate effect		–0.9	–3.0
Cash and cash equivalents at end of period		87.9	61.0

RECONCILIATION OF EBITA TO CASH FLOW FROM OPERATING ACTIVITIES BEFORE FINANCING ITEMS AND TAXES

EUR million	Jan–Dec 2015	Jan–Dec 2014
EBITA	60.5	38.6
Depreciation	11.9	11.0
Change in net working capital	–15.5	48.1
Net purchase of PPE	–11.1	–8.9
Operative cash flow (used in cash conversion key figure)	45.8	88.9
Less net purchases of PPE, presented in investing activities	11.1	8.9
Gains on sales of assets	–1.3	–6.3
Items recognised through other comprehensive income	–6.1	–1.2
Other non-cash adjustments	–0.4	–8.9
Cash flow from operating activities before financial items and taxes	**49.1**	**81.4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

* Specification can be found in note 21 Equity

EUR million	Share capital	Other paid-in capital	Accu-mulated losses	Remeasurement of defined benefit plans, net of tax	Hedging reserve	Currency translation	Total	Non-controlling interest	Total equity
	Equity attributable to shareholders of the parent								
Equity on Jan 1, 2014	86.4	281.5	–88.9	–13.1	0.4	–4.5	261.8	5.5	267.3
Total comprehensive income for the period	–	–	9.5	–9.8	8.2	–16.0	–8.1	1.6	–6.5
New share issue costs	–	–2.9	–	–	–	–	–2.9	–	–2.9
Dividends to shareholders	–	–2.4	–	–	–	–	–2.4	–	–2.4
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–0.7	–0.7
Total transaction with owners	–	–5.3	–	–	–	–	–5.3	–0.7	–5.9
Equity on December 31, 2014	86.4	276.3	–79.4	–22.9	8.6	–20.5	248.4	6.4	254.9

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

Shareholders' equity consists of the share capital, other paid-in capital, reserves and accumulated losses.

Other paid-in capital includes share subscription prices to the extent that they are not included in share capital (premium) and unconditional shareholders' contribution.

Actuarial gains and losses arising from employee benefits are recorded under remeasurements of defined benefit plans.

Hedging reserve comprises of cash flow hedges and net investment hedges. Gains and losses from hedge accounted derivative instruments are recognised in other comprehensive income under hedging reserve for their effective part.

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

Notes

to the consolidated financial statements

NOTE 1 – CORPORATE INFORMATION

Eltel AB (the Company) through its subsidiaries (together the Group) provides technical services to the Infranet industry, which consists of companies who own and operate critical infrastructure networks in the areas of Power, Communication and Transport & Security. Eltel mainly operates throughout the Nordic and Baltic regions, Poland, Germany and Africa and employs close to 9,600 persons at year-end 2015. Eltel provides a broad and integrated range of services spanning from project planning and execution to installation services and services related to maintenance and operation. The full range of technical service types that Eltel offers include maintenance services, upgrade services and project delivery services.

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

The operations of Eltel AB through the subsidiary companies are performed under the Eltel brand. The consolidated group is called Eltel Group.

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

NOTE 2 – ACCOUNTING POLICIES FOR THE CONSOLIDATED ACCOUNTS

BASIS OF PREPARATION

These consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU effective at 31 December 2015. 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 5 April 2016 and are subject to adoption by the Annual General Meeting on 2 May 2016.

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

Adoption of new or amended IFRS standards and interpretations
The IFRS amendments and interpretations effective for the first time from January 1, 2015 onwards, have had no significant impact to the Group in 2015.

The new IFRS standards, amendments and interpretations effective for the first time for 2016 financial year or later include:

Amendment to IAS 1 Presentation of financial statements (effective from 1 January 2016). This amendment provides guidance on principles to be applied in preparation of financial statements in materiality and aggregation, the presentation of subtotals, structure of financial statements and the disclosure of accounting policies. The amendment is not expected to have material impact on the financial statements of the Group.

*IFRS 15 Revenue from contracts with customers** (effective from 1 January 2018). IFRS 15 replaces existing revenue recognition guidance in IAS 18 Revenue, IAS 11 Construction contracts, and related interpretations. IFRS 15 establishes a comprehensive framework for determining how and when revenue is recognised and also increases the amount of disclosures. The new standard may result in changes in the timing of revenue recognition compared to the current revenue recognition under percentage of completion method. Eltel is currently assessing the impacts of the new standard on the financial statements of the Group.

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

The other published standards, amendments and interpretations that are effective on the financial year beginning January 1, 2016 or later are not expected to have significant impact on the Group.

*The mentioned standards have not yet been endorsed in the EU.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Critical accounting estimates and assumptions

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

a) Impairment testing

The Group tests annually and always, if there are indications of impairment, whether goodwill has suffered any impairment by comparing the book value with the recoverable value. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The value-in-use calculations require estimation of future cash flows expected to arise from cashgenerating units and a suitable discount rate in order to calculate present value. See note 15 Intangible assets for more information on impairment testing.

b) Business combinations

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

All payments to acquire a subsidiary or operation are recorded at fair value at the acquisition date, including debt related to contingent considerations. The contingent consideration is measured at fair value in subsequent periods with re-measurement through the statement of income. The final outcome of deferred considerations often depends on one or more events which will be confirmed by a future development.

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

d) Revenue recognition – construction contracts

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

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 24 Retirement benefit obligations.

f) 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 doesn't 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.

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.

Inter-company 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 31 Group companies.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

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

Foreign currency transactions

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

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

Foreign subsidiaries

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

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

REVENUE RECOGNITION

Construction contracts

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

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

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

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

Sales of goods and services

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

OPERATING SEGMENTS

Operating segments are business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker, the CEO, and for which financial information is available. Operating segments constitute the operational structure for governance, monitoring and reporting. A combination of factors has been used in order to identify the Group's segments. Most important are the characteristic of the services provided and the customer categories that are acquiring the services. According to the conditions in IFRS 8, certain of the Group's operating segments have been aggregated in the financial reporting. The Group's operations are consequently divided into two reportable segments, Power and Communication and Other which has been named Transport & Security. These segments are also referred to as business segments in the Group's financial reports. Items below operative EBITA are not allocated to the segments.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

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

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

Other intangible assets

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

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their expected useful lives (3 to 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 to 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 to 10 years).

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation according to plan and any impairment.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

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

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

IMPAIRMENTS

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

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

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

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

In addition to goodwill and brand, the Group does not have any assets that have an indefinite useful life. See note 15 Intangible assets for information on impairment testing of goodwill.

LEASES – THE GROUP ACTING AS A LESSEE

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

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

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

FINANCIAL INSTRUMENTS

Recognition and derecognition

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

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

Classification and measurement

The Group classifies its financial assets and liabilities into the following categories: Financial assets and liabilities at fair value through profit or loss, derivative instruments hedge accounted, loans and receivables, financial liabilities at amortised cost and available-for-sale investments. The classification is made on the basis of the purpose of the acquisition of financial instruments at the time of initial recognition (see note 17 Financial instruments by category).

Financial assets and liabilities at fair value through profit or loss are financial assets held for trading, as the Group has not designated any other financial assets as at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. In addition, derivatives that are not designated as hedges are classified as held for trading and presented as derivative asset or liability. Gains or losses arising from changes in the fair value are recognised in the income statement in the period in which they arise. Changes in fair values of derivatives held for trading are recognised either as other income and expenses or financial income or expenses depending on whether they relate to business or financial items. Trading derivatives are classified as a current asset or liability and presented in the balance sheet as other receivables or liabilities. The Group applies cash flow hedge accounting to certain foreign exchange forwards and interest rate swaps which are classified as derivative instruments hedge accounted. Moreover, the Group identifies and separates embedded derivatives from the business sale or purchase contracts. The embedded derivatives are currency forward contracts and are classified as financial assets and liabilities at fair value through profit and loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments not quoted in an active market nor held for trading. Loans and receivables are measured at amortised cost using the effective interest method. They include trade and other receivables which are measured at amortised cost less impairment and are presented in the balance sheet as current assets, except for maturities greater than 12 months after the balance sheet date. The impairment losses related to trade receivables are recognised in other expenses.

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Financial liabilities at amortised cost include all other financial liabilities than derivative instruments. They are measured at amortised cost using the effective interest method. They include trade payables which are initially measured at amortised cost. Financial liabilities are classified as both current and noncurrent liabilities and they can be interest-bearing as well as non-interest-bearing. Bank overdrafts are shown within debt in current liabilities.

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

Impairment of financial assets

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

DERIVATIVE INSTRUMENTS HEDGE ACCOUNTED

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

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

Cash flow hedges

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

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

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

Net investment hedges

The Group applies net investment hedge accounting for certain foreign currency denominated loans which hedge the translation risk relating to net investments in subsidiaries. The foreign exchange differences for these loans are recognised in other comprehensive income under translation reserve. If the investment is divested, the accumulated gains or losses recognised in translation reserve from the loans attributable to that operation are transferred to profit or loss (see note 3.1 for more information).

TRADE RECEIVABLES

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

SHARE CAPITAL

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

DIVIDENDS

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

EARNINGS PER SHARE

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

TRADE PAYABLES

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

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised in the balance sheet when: the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Where some of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised as a separate asset, but only when it is certain that the reimbursement will be received.

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

A provision for restructuring is recognised when management has developed and approved a plan to which it is committed. Employee termination benefits are recognised when the representatives of employees or individual employees have been informed of the intended measures in detail and the related compensation packages can be reliably measured. The costs included in a provision for restructuring are those costs that are either 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 doesn't fulfil the criteria to be recognised in balance sheet as a provision due to future uncertainties towards the existence of obligation or outflow of resources required to settle the obligation. Information on contingent liabilities is disclosed in notes information. Contingent liabilities are regularly monitored, and in case the outflow of resources becomes probable, they are recognised as provisions.

INVENTORIES

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

INCOME TAXES

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

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

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

EMPLOYEE BENEFITS (IAS 19)

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

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

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

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

SHARE-BASED PAYMENTS (IFRS 2)

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

NOTE 3 – FINANCIAL RISK MANAGEMENT

The Group has exposure to the following financial risks:

– Market risks, including currency and interest rate risks

– Liquidity risk

– Credit risk

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

3.1 MARKET RISK

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

Currency risk

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

Currency transaction risk

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

Majority of the Group's business is local and over 90% of the cash inflows are generated in each country's local currency. The transaction risk is therefore limited and arises from export projects and few other major projects. The foreign currency used in these projects is in most cases the US dollar or another major foreign currency. The main principle is to mitigate the risk first by operative means in the businesses, e.g. by matching, as far as possible, the project costs to the contract currency.

The open foreign exchange exposure is hedged by using foreign currency forward contracts and swaps in accordance with the Group FX risk management policy whereby any net exposure exceeding EUR 2 million shall be hedged with the minimum of 60% hedging ratio and the open net exposure may not exceed EUR 8 million. The Group applies hedge accounting for net currency exposures exceeding EUR 5 million in counter value. More information on the Group's foreign exchange derivatives is included in note 27 Derivative financial instruments.

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

2015
EUR million

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

2014
EUR million

Currency	Sales and purchases	Borrowings and cash	Hedges	Net transaction risk exposure
EUR	9.4	0.7	–9.9	0.2
SEK	–1.7	–2.3	4.0	–
NOK	0.8	–9.6	10.1	1.2
DKK	–	–1.8	1.6	0.1
PLN	–0.1	18.4	–18.2	0.1
USD	20.0	–12.8	–6.3	0.9
CHF	–4.4	–	4.4	–

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

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

Note 3 continued

Currency transaction risk impact

2015

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

2014

EUR thousands	**Profit or loss**		**Equity (net of tax)**	
Currency	**Strengthening**	**Weakening**	**Strengthening**	**Weakening**
EUR	23	–19	930	–761
SEK	4	–4	–	–
NOK	136	–111	–	–
DKK	–14	11	–	–
PLN	15	–12	–	–
USD	96	–79	1,310	–1,072
CHF	–3	3	–	–

Currency translation risk

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

A significant portion of the Group's net sales is generated by subsidiaries that operate in countries where a currency other than the Euro is used, particularly Sweden, Norway and Poland.

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

For the year ended 31 December 2015, 39% of the Group's net sales were generated in SEK (2014: 40%), 9% in NOK (2014: 13%) and 10% in PLN (2014: 12%). Therefore, the Group's results are most sensitive to changes in EUR/SEK and to a lesser extent to changes in EUR/PLN and EUR/NOK. A change in the average EUR/SEK, EUR/NOK, EUR/PLN rates by 10% would have had an impact of EUR 4.1 million (5.4) on the Group's operating result before acquisition-related amortisations (EBITA) and EUR 1.5 million (4.1) in the Group's post tax profit in 2015.

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

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

Economic risk

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

Interest rate risk

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

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

The Group's policy is to keep the ratio of fixed rate debt between 40– 80% and the interest duration between 12–48 months.

The Group's bank borrowing is based on floating interest rates (one to six months). A part of the finance lease liabilities have a fixed interest rate for the lease period. At 31 December 2015 there were total of EUR 157.8 million of interest rate swap contracts in place. More information on the Group's interest rate derivatives is included in note 27 Derivative financial information.

Note 3 continued

The interest rate profile of the Group is as follows:

EUR million	2015	2014
Fixed-rate instruments		
Financial liabilities	7.8	20.1
Effect of interest rate swaps	157.8	–
Total fixed-rate net liabilities	**165.6**	**20.1**
Variable-rate instruments		
Financial assets	88.8	61.7
Financial liabilities	223.9	322.7
Effect of interest rate swaps	–157.8	–
Total variable-rate net liabilities	**–22.7**	**261.0**

A reasonably possible change in the relevant market interest rates at the reporting date would affect the equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis takes into account the effect in the interest costs of all floating rate borrowings as well as the effects of the changes in fair values of the interest rate derivatives.

2015	Profit or loss		Equity (net of tax)	
EUR million	50 bp increase	25 bp decrease	50 bp increase	25 bp decrease
Variable rate instruments	0.1	–0.1	–	–
Interest rate swaps	–	–	3.3	–1.6
Total	**0.1**	**–0.1**	**3.3**	**–1.6**

2014	Profit or loss		Equity (net of tax)	
EUR million	50 bp increase	25 bp decrease	50 bp increase	25 bp decrease
Variable rate instruments	0.2	–0.1	–	–
Total	**0.2**	**–0.1**	**–**	**–**

3.2 LIQUIDITY RISK

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

Securing adequate amount of funding is centralised to the Group Treasury. The Group maintains sufficient liquidity by efficient cash management through group level cash pools and related overdraft limits. Additionally the Group has a committed syndicate revolving credit facility of EUR 90 million, which matures in 2020. The Group has also access to short-term debt capital markets via a EUR 100 million Finnish Domestic Commercial Paper programme which was signed in September 2015.

Currently the cash and cash equivalents consist solely of cash in hand and deposits. The Group's available liquidity reserve at the balance sheet date was as follows:

EUR million	Dec 31, 2015	Dec 31, 2014
Committed credit facility	80.0	50.0
Current account overdrafts	15.4	15.4
Cash and cash equivalents	87.9	61.0
Total	**183.3**	**126.4**

The Group also monitors closely the expected cash inflows and outflows. The liquidity projections are prepared at a daily level for the following 5 weeks and at a weekly level for the 6 months thereafter. The most significant uncertainties in the projections are related to the cash inflows from the project business.

The maturities of the Group's undiscounted financial liabilities at the balance sheet date are presented in the following table. The amounts include the capital and interest payments. Liabilities to shareholders constitute the shareholders' contribution to the potential fines payable in relation to the FCCA case. The corresponding amount is recognised in the Group's assets, as the contribution amount is deposited in an escrow bank account. Should any fines become payable the corresponding amount shall be converted into unconditional capital contribution to the Group. Any amount not needed to cover the FCCA fines shall be promptly returned to the shareholders from the escrow account.

Note 3 continued

2015 EUR million	Carrying amount	Contractual cash flows Less than 1 year	1–3 years	3–5 years	Over 5 years
Bank borrowings	240.4	16.6	8.5	215.3	–
Liabilities to shareholders	35.0	–	35.0	–	–
Finance lease liabilities	5.9	1.7	2.1	1.8	0.2
Trade payables	132.9	132.9	–	–	–
Other borrowings	3.0	–	3.0	–	–
Derivative financial instruments	1.5	0.4	–	1.1	–
Total	**418.6**	**151.7**	**48.5**	**218.1**	**0.2**

2014 EUR million	Carrying amount	Contractual cash flows Less than 1 year	1–3 years	3–5 years	Over 5 years
Bank borrowings	318.7	315.1	3.6	–	–
Loans from related parties	25.3	25.3	–	–	–
Finance lease liabilities	6.3	1.7	2.3	2.1	0.2
Trade payables	128.6	128.6	–	–	–
Derivative financial instruments	0.2	0.2	–	–	–
Total	**479.1**	**470.9**	**5.9**	**2.1**	**0.2**

As disclosed in note 23 Borrowings, the Group's financial liabilities contain various financial covenants. A future breach of covenant may require the Group to repay the loan earlier than indicated in the table. However, this is not expected.

3.3 CREDIT RISK

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

The Group's credit risk arises primarily from the Group's receivables from customers. The Group has identified a concentration risk relating to certain key customers who account for a significant amount of the Group's net sales. The key customers are solid infrastructure network owners in Europe. Typically, they are owned by governments or municipalities or are well-known publicly listed companies. Moreover, there have been no major credit losses historically. Therefore, the Group assess that the concentration risk related to these key customers is limited. Business units are responsible for credit risk management relating to Group's business counterparties.

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

Maturity analysis of trade receivables past due but not impaired:

EUR million	Dec 31, 2015	Dec 31, 2014
Not past due	144.4	157.8
Past due:		
1–90 days overdue	19.4	17.6
91–180 days overdue	1.8	2.3
More than 180 days overdue	5.0	2.3
Total trade receivables (net)	**170.7**	**180.0**

The Group has recognised a decrease of EUR 1.5 million in the impairment reserve of trade receivables. The current impairment reserve for credit losses is EUR 1.2 million. There were no past due receivables in any other class of financial assets. The carrying amount of the Group's receivables represents the maximum amount of credit risk at the balance sheet date.

The Group's investments are related to liquidity management and made in liquid instruments with low credit risk. The Group investment activities are not exposed to significant credit risk. Any long-term investments have to be approved by the Board of Directors. Derivative financial instruments are entered into with banks with high credit rating. Group Treasury is responsible for credit risk management relating to financial risk counterparties. New derivative counterparties always have to be approved by the Board of Directors.

3.4 CAPITAL MANAGEMENT

The Group's objective when managing capital is to safeguard its ability to continue as going concern in order to provide returns for shareholders. The Group defines total capital as equity plus net debt in the balance sheet. The Group monitors capital on the basis of net debt to EBITDA ratio. Net debt is calculated as total bank borrowings on undiscounted method added by financial leasing liabilities less cash and cash equivalent. The ratio at 31 December 2015 and 2014 have been as follows:

EUR million	Dec 31, 2015	Dec 31, 2014
EBITDA	72.3	49.6
Total bank borrowings	227.2	323.2
Finance lease liabilities	5.9	6.3
Cash and cash equivalents	–87.9	–61.0
Net debt	145.1	268.5
Net debt / EBITDA	**2.0**	**5.4**

NOTE 4 – BUSINESS COMBINATIONS

The business combinations during 2015 are set out below. Annual revenue and number of employees reflect the situation at the date of the respective acquisition.

Name of the acquired company	Segment	Date of acquisition	Annual revenue EUR million	Employees
Edi.Son Energietechnik GmbH	Power	30 April, 2015	20	100
Eltel Sønnico AS	Communication	1 September, 2015	180	1,100
Vete Signaltjenester AS	Transport & Security	5 October, 2015	6	37

On 30 April 2015 Eltel acquired 100% of Edi.Son Energietechnik GmbH shares, specialised in the planning, design and construction of 110 to 380 kV overhead lines in Germany. With the acquisition of Edi.Son, Eltel is positioned to deliver transmission lines and substations up to 380 kV to German customers. The acquisition is an important step for Eltel and its growth strategy to extend its market scope in one of the largest European markets. Goodwill from the acquisition primarily arises from expected synergies through combining Edi.Son's local expertise and Eltel's competencies in managing large projects internationally and having access to cross border workforces.

On 1 September 2015, Eltel acquired the remaining 50% of the joint venture Eltel Sønnico AS in Norway from its partner Umoe at a price of NOK 265 million. As a result of this acquisition, Eltel is the sole owner of the company. Before the acquisition of the remaining 50% of the joint venture, Eltel Sønnico AS operated the Norwegian communication business as a 50/50 joint venture between Eltel Group and Umoe Group. The company signed a five-year contract with Telenor in the third quarter of 2014 and commenced operations in January 2015. Following the acquisition of the remaining 50% of the joint venture, Eltel's net sales increases by the full amount of the joint venture's net sales, slightly lower than EUR 200 million annually, while net profit increases by Umoe's 50% share of the total joint venture net profit. With Eltel becoming the sole owner of the joint venture, the synergies from belonging to Eltel group are realised by full implementation of Eltel's operational model, the Eltel Way, including specialised business unit organisation and by aligning the governance of the company with Eltel. These together with Eltel's experience in the market and the personnel of Eltel Sønnico AS are main drivers for the goodwill.

On 5 October 2015 Eltel acquired 100% of Vete Signaltjenester AS, a railway signalling service provider in Norway. The acquisition of Vete is complementary to Eltel's current offering in Norway and provides clear synergies with the existing rail business of Eltel. With Vete Eltel can scale up Norwegian business and further develop cross border co-operation between Eltel entities. In addition to the business synergies the employees with signalling and safety competences are an important driver for the goodwill.

Net sales from the acquired companies included in 2015 financial statements was EUR 99.1 million.

FAIR VALUES OF THE CONSIDERATION TRANSFERRED AND THE ACQUIRED ASSETS AND LIABILITIES

EUR million	Q4 2015 Vete Signaltjenester	Q3 2015 Eltel Sønnico	Q2 2015 Edi.Son Energie-technik GmbH
Fair value of consideration transferred at acquisition date			
Amount settled in cash	0.8	18.7	21.0
Contingent and deferred consideration	–	9.6	4.5
Total acquisition of remaining 50%	–	28.3	–
Fair value of formerly owned 50%	–	28.3	–
Total	**0.8**	**56.6**	**25.5**
Fair value of recognised amounts of identifiable net assets			
Property, plant and equipment	0.1	2.8	2.9
Intangible assets	0.2	3.7	6.8
Inventories	–	1.6	–
Trade and other receivables	1.8	30.5	7.9
Cash and cash equivalents	–0.5	1.0	8.3
Total assets	**1.5**	**39.6**	**25.9**
Provisions	–	0.1	1.2
Advances received	–	–	1.6
Deferred tax liability on fair value adjustments	0.1	1.0	2.0
Trade and other payables	1.7	28.1	3.9
Total liabilities	**1.7**	**29.2**	**8.7**
Identifiable net assets	**–0.2**	**10.4**	**17.2**
Goodwill on acquisition	**1.0**	**46.3**	**8.3**

Note 4 continued

EUR million	Q4 2015 Vete Signaltjenester	Q3 2015 Eltel Sønnico	Q2 2015 Edi.Son Energie-technik GmbH
Consideration transferred settled in cash	0.8	18.7	22.5
Cash and equivalents acquired	–0.5	1.0	8.3
Net cash outflow on acquisition	1.2	17.7	14.2
Acquisition costs charged to expenses	0.0	0.1	0.3
Net cash paid relating to the acquisition	**1.2**	**17.8**	**14.5**
Unpaid deferred consideration at reporting date	–	9.6	3.0

NOTE 5 – CASH FLOW FROM OPERATING ACTIVITIES

EUR million	Note	2015	2014
Profit before taxes		32.2	7.2
Adjustments for:			
Depreciation and amortisation	10	25.7	23.5
Net gains on disposal of business and sales of assets		–1.3	–6.3
Financial expenses, net	12	14.4	19.0
Cash flow items recognised in other comprehensive income		–6.1	–1.2
Other non-cash adjustments		–0.4	–8.9
Adjustments total		32.3	26.1
Changes in working capital			
Trade and other receivables		34.2	–48.4
Trade and other payables		–46.9	94.7
Inventories		–2.8	1.8
Changes in working capital total		–15.5	48.1
Total cash flow from operating activities		**49.1**	**81.4**

NOTE 6 – SEGMENT REPORTING

NET SALES BY SEGMENT

EUR million	2015	2014
Power		
Net sales (external)	561.4	506.6
Inter-segment sales	6.3	9.3
Communication		
Net sales (external)	541.9	581.2
Inter-segment sales	1.8	2.8
Transport & Security		
Net sales (external)	151.6	154.1
Inter-segment sales	0.2	0.1
Net sales not allocated to segments	–	0.2
Elimination of sales between segments	–8.2	–12.2
Total	**1,254.9**	**1,242.1**

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

NET SALES COMPARABILITY

On 31 December 2014, Eltel's and Umoe's Norwegian communication businesses were transferred to a 50/50 joint venture, Eltel Sønnico AS. In January–August 2015, the Norwegian communication business was not consolidated in the Group's net sales.

During this period, Eltel's share of the results from the joint venture was included on one line in Group EBITA. On 1 September 2015, Eltel acquired Umoe's 50% of the joint venture Eltel Sønnico. Following this acquisition, Eltel is the sole owner of the company with 100% of net sales consolidated.

Note 6 continued

NET SALES COMPARABILITY

EUR million	2015	2014	Growth, %	Fx-corrected growth, %
Group net sales	1,254.9	1,242.1	1.0	2.9
Net sales from acquisitions	99.1	–	8.0	8.7
Norwegian Communication business tranferred to Eltel Sønnico	–	121.6	–	–
Group organic net sales	1,155.8	1,120.6	3.1	4.5

Net sales from acquisitions include Edi.Son Energietechnik GmbH as of 1 May, Eltel Sønnico AS as of 1 September and Vete Signaltjenester AS as of 1 October 2015. Group organic net sales do not include the 2015 acquisitions and the Norwegian communication business that was transferred to the Eltel Sønnico joint venture on 31 December 2014.

SEGMENT RESULTS

EUR million	2015	2014
Operative EBITA by segment		
Power	29.6	32.1
Communication	34.2	25.8
Transport & Security	11.4	12.1
Items not allocated to operating segments*	–13.0	–8.7
Operative EBITA, Group	62.2	61.3
Non-recurring items**	–1.7	–22.7
EBITA before acquisition-related amortisations	60.5	38.6
Amortisation of acquisition-related intangible assets***	–13.9	–12.4
Operating result	46.6	26.2
Non-recurring non-cash financial expenses for pre IPO financing	–3.5	–
Other financial expenses, net	–10.9	–19.0
Result before taxes	**32.2**	**7.2**

* Items not allocated to operating segments consist of group management function and other group level expenses

** Non-recurring items are items which management does not consider to form part of the ongoing operative business

*** The remaining balance sheet value of amortised assets was EUR 27.5 million as at 31 December 2015

NON-RECURRING ITEMS

EUR million	2015	2014
IPO–related management incentive programme (MIP)	–1.8	–17.6
IPO–related advisory costs	–0.8	–8.2
Other non–recurring items	0.9	3.1
Non–recurring items in EBITA	–1.7	–22.7
IPO–related non–recurring advisory costs recognised in equity	–0.6	–2.9
Sum IPO–related management incentive programme (MIP) in the period	–1.8	–17.6
Sum IPO–related advisory costs in the period	–1.4	–11.1
Total IPO–related costs in the period	**–3.2**	**–28.7**

Other non-recurring items relate mainly to structural changes in the Group including sale and closure of business.

SEGMENT NET WORKING CAPITAL

EUR million	2015	2014
Power	13.9	11.4
Communication	–6.5	0.1
Transport & Security	8.8	–
Items not allocated to operating segments	–8.6	–28.6
Total	**7.6**	**–17.1**

NET SALES BY GEOGRAPHICAL AREA

EUR million	2015	2014
Sweden	486.6	502.3
Finland	312.2	278.0
Poland	128.2	143.4
Norway*	115.2	160.6
Denmark	92.7	89.1
Germany	52.9	21.6
Baltics	46.6	38.4
Other countries	20.6	8.8
Net sales, total	**1,254.9**	**1,242.1**

* see net sales comparability table above

NOTE 7 – OTHER INCOME

EUR million	2015	2014
Gains on disposal of business and sales of assets	1.4	6.3
Other income	2.9	2.1
Total	**4.3**	**8.4**

The 2015 gain on disposal of business and sales of assets includes a non-recurring income of EUR 0.9 million in connection with acquisition of Eltel Sønnico AS. The 2014 gain on disposal of business and sales of assets includes EUR 4.7 million gain on transfer of assets and business to the joint venture Eltel Sønnico AS.

NOTE 8 – OTHER EXPENSES

EUR million	2015	2014
Loss on foreign exchange forward contracts	3.7	3.7
Other expenses	4.7	0.8
Total	**8.3**	**4.5**

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

NOTE 9 – FUNCTION EXPENSES BY NATURE

EUR million	2015	2014
Materials and supplies	273.6	283.3
Employee benefit expenses	390.0	409.7
External services	391.3	385.2
Other costs	129.2	113.5
Depreciation and amortisation	25.7	23.5
Total	**1,209.8**	**1,215.3**

NOTE 10 – DEPRECIATION AND AMORTISATION

EUR million	2015	2014
Amortisation on customer relationships and order backlog	13.9	12.4
Other depreciation and amortisation	11.9	11.0
Total	**25.7**	**23.5**

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

EUR million	2015	2014
Cost of sales	7.6	7.3
Sales and marketing expenses	0.1	0.1
Administrative expenses	4.2	3.6
Sum in expenses	11.9	11.0
Amortisation of acquisition-related intangible assets	13.9	12.4
Total	**25.7**	**23.5**

NOTE 11 – EMPLOYEE BENEFIT EXPENSES

EUR million	2015	2014
Wages and salaries	300.2	310.9
Post-employment benefits		
Defined benefit plans	–0.4	–0.3
Defined contribution plans	36.5	39.1
Other indirect employee costs	54.0	60.2
Total	**390.4**	**410.0**

Salaries and other remunerations excluding pensions and other benefits to Board of Directors and senior management were EUR 5.7 million (13.8) of which the amount of fixed salaries was EUR 3.0 million (2.9) including fees to Board of Directors of EUR 0.3 million (0.2) and of which variable salaries was EUR 2.7 million (10.9). Defined contribution pension plans for senior management amounted to EUR 0.6 million (0.4). The amount of other indirect employee costs for senior management was EUR 1.2 million (3.3).

EMPLOYEE BENEFIT EXPENSES BY FUNCTION

EUR million	2015	2014
Cost of sales	327.5	331.2
Sales and marketing expenses	7.0	6.6
Administrative expenses	55.5	71.8
Sum in operative expenses	390.0	409.7
Financial income and costs	0.4	0.3
Total	**390.4**	**410.0**

AVERAGE NUMBER OF PERSONNEL

	2015	Of whom men %	2014	Of whom men %
Sweden	2,166	88	2,005	89
Finland	1,512	92	1,552	92
Poland	2,480	87	2,596	86
Norway	487	88	624	87
Denmark	561	92	515	92
Baltics	971	92	904	92
Other	326	86	243	83
Total	**8,504**	**89**	**8,439**	**89**
Total personnel at year-end	**9,568**	**89**	**8,647**	**89**

Information on the compensation for the Board of Directors and other key management personnel is presented in note 30 Remuneration to senior management.

NOTE 12 – FINANCIAL INCOME AND EXPENSES

EUR million	2015	2014
Interest income from loans and receivables	0.2	0.2
Other financial income	0.1	0.1
Total financial income	**0.3**	**0.3**
Interest expenses from liabilities at amortised cost	–6.9	–13.5
Fee expenses	–5.3	–6.0
Net gain from financial instruments at fair value through income statement	–	0.5
Foreign exchange differences derivatives, net	0.3	–3.6
Other foreign exchange differences	–2.7	3.2
Total financial expenses	**–14.7**	**–19.3**
Net financial expenses	**–14.4**	**–19.0**

NOTE 13 – INCOME TAX

13.1 INCOME TAX EXPENSE IN THE CONSOLIDATED INCOME STATEMENT

EUR million	2015	2014
Current tax	3.7	3.6
Deferred tax		
Origination and reversal of temporary differences	–14.7	–7.6
Total tax cost / income (–)	**–11.0**	**–3.9**

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

EUR million	2015	2014
Profit before tax	32.2	7.2
Tax calculated at Swedish tax rate	**7.1**	**1.6**
Effect of different tax rates outside Sweden	–0.2	0.4
Income not subject to tax	–0.8	–1.9
Expenses not deductible for tax purposes	1.4	1.6
Tax effect of results for which no deferred income tax asset was recognised	0.5	–1.3
Deferred tax assets on carry forward losses for previous years	–17.8	–5.0
Income tax in respect of prior years	0.1	0.6
Other items	–1.2	0.2
Income taxes in the consolidated income statement	**–11.0**	**–3.9**

13.2 DEFERRED TAX ASSETS AND LIABILITIES

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

EUR million	Dec 31, 2015	Dec 31, 2014
Deferred tax liabilities	17.1	15.9
Deferred tax assets	34.2	23.6
Net deferred tax liabilities (-assets)	**–17.0**	**–7.6**

The gross movement on the deferred income tax amount:

EUR million	2015	2014
On January, 1	**–7.6**	**3.9**
Recognised in the income statement	–14.7	–7.6
Translation differences, recognised in other comprehensive income	1.3	–1.6
Defined benefit plans, recognised in other comprehensive income	0.1	–2.7
Hedge accounting, recognised in other comprehensive income	0.5	0.4
Acquisition of subsidiaries	3.4	–
On December, 31	**–17.0**	**–7.6**

Note 13 continued

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

EUR million Deferred tax liabilities	Fair value adjustment	Other temporary differences	Total
Jan 1, 2014	**22.0**	**2.2**	**24.2**
Recognised in the income statement	–2.6	0.8	–1.8
Translation differences	–2.0	0.2	–1.7
Cash flow hedges, recognised in other comprehensive income	–	0.4	0.4
Dec 31, 2014	**17.4**	**3.6**	**21.0**
Recognised in the income statement	–3.3	–0.4	–3.6
Acquisition of subsidiaries	3.1	0.4	3.5
Net investment hedges, recognised in other comprehensive income	–	0.5	0.5
Dec 31, 2015	**17.3**	**4.2**	**21.5**

EUR million Deferred tax assets	Retirement benefit obligations	Tax losses carried forwards	Other temporary differences	Total
Jan 1, 2014	**2.6**	**15.2**	**2.5**	**20.3**
Recognised in the income statement	–0.8	4.8	1.8	5.8
Recognised in other comprehensive income	2.7	–	–	2.7
Translation differences	–0.7	-0.2	0.7	–0.1
Dec 31, 2014	**3.9**	**19.8**	**5.1**	**28.7**
Recognised in the income statement	–0.9	12.9	–1.0	11.0
Recognised in other comprehensive income	–0.1	–	–	–0.1
Translation differences	–	–0.9	–0.5	–1.3
Acquisition of subsidiaries	–	–	0.1	0.1
Dec 31, 2015	**3.0**	**31.8**	**3.8**	**38.5**

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

NOTE 14 – NON-CONTROLLING INTERESTS AND JOINT VENTURES

EUR million	Subsidiaries with non-controlling interest		Joint ventures	
Summarised statement of balance sheet	**Dec 31, 2015**	**Dec 31, 2014**	**Dec 31, 2015**	**Dec 31, 2014**
Total current assets	27.0	24.4	0.1	10.0
Total non-current assets	3.0	3.6	3.7	5.6
Total assets	30.0	28.0	3.8	15.5
Total current liabilities	11.0	10.5	0.6	7.6
Total non-current liabilities	1.3	1.5	2.8	7.6
Total liabilities	12.3	12.0	3.4	15.2
Equity				
Shareholders' equity	17.7	16.0	0.4	0.3
Non-controlling interest	7.1	6.4	–	–

Summarised income statement	Jan-Dec, 2015	Jan-Dec, 2014	Jan-Dec, 2015	Jan-Dec, 2014
Net sales	41.3	44.9	122.9	11.0
Net result	3.6	3.9	3.2	–1.4
Total comprehensive income	3.6	3.9	3.2	–1.4
Total comprehensive income allocated to non-controlling interests	1.5	1.6	–	–
Dividends paid to non-controlling interest	–0.8	–0.7	–	–

Summarised cash flows	Jan-Dec, 2015	Jan-Dec, 2014	Jan-Dec, 2015	Jan-Dec, 2014
Cash flow from operating activities	6.2	3.9	–	–
Cash flow from investing activities	0.0	–0.6	–	–
Cash flow from financing activities	–6.2	–3.3	–	–
% of ownership	60	60	50	50
Commercial guarantees on behalf of joint ventures	–	–	5.0	9.6
Other guarantees on behalf of joint ventures	–	–	–	4.6

Reconciliation of changes in carrying value	2015	2014
Carrying value, January 1	28.2	–
Profit/loss for the period	1.5	–0.7
Transfer of business and assets to joint venture	–	28.0
Acquisition of remaining 50% of Eltel Sønnico	–29.0	–
Translation differences	–0.9	–
Capital investment	0.4	0.8
Carrying value, December 31	0.2	28.2

NON-CONTROLLING INTEREST

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

JOINT VENTURES

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

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

NOTE 15 – INTANGIBLE ASSETS

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

EUR million	Goodwill	Customer relationship	Order backlog	Brand	Advances paid and other intangible assets	Total
Cost on Jan 1, 2014	473.9	142.1	12.0	55.9	13.4	697.2
Additions	0.2	0.1	–	–	1.1	1.5
Transfer to joint venture and other disposals	–16.8	–1.3	–	–2.1	–0.1	–20.3
Translation differences	–11.6	–4.8	–0.6	–1.9	–0.2	–19.0
Reclassifications	–	–	–	–	–0.1	–0.1
Cost on Dec 31, 2014	**445.7**	**136.1**	**11.4**	**51.9**	**14.1**	**659.3**
Accumulated amortisation on Jan 1, 2014	39.9	96.9	12.0	1.1	9.2	158.9
Accumulated amortisation of disposals	–	–	–	–	–0.1	–0.1
Translation differences	–	–3.5	–0.6	–	0.7	–3.4
Amortisation during the period	–	12.4	–	–	1.0	13.5
Accumulated amortisation on Dec 31, 2014	**39.9**	**105.8**	**11.4**	**1.1**	**10.8**	**168.9**
Carrying value on Jan 1, 2014	433.9	45.2	0.0	54.8	4.2	538.2
Carrying value on Dec 31, 2014	**405.8**	**30.3**	**0.0**	**50.8**	**3.4**	**490.3**

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

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

Note 15 continued

ALLOCATION OF GOODWILL AND BRAND

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

	Brand		Goodwill	
EUR million	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
Fixed communication	8.9	8.8	108.8	70.5
Mobile communication	2.4	2.1	25.4	17.1
Power transmission	16.3	16.5	140.6	131.3
Power distribution	14.0	13.9	110.9	110.6
Rail & Road	4.5	4.5	37.4	36.3
Aviation & Security	5.1	5.0	40.5	40.0
Total	**51.2**	**50.8**	**463.6**	**405.8**

The recoverable amount of business is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on business plans approved by management covering a four-year period. Cash flows beyond the four-year period are extrapolated using a growth rate of 2.36% in average which does not exceed the long-term average growth rate for the businesses in which the Group operates. The discount rate is defined using the weighted average cost of capital (WACC). The pre-tax discount rates used in calculations including risk premium to reflect the current state of macroeconomic uncertainty are 9.3% for Fixed Communication, 9.0% for Mobile Communication, 9.1% for Power Transmission, 8.8% for Power Distribution, 9.1% for Rail & Road and 9.1% for Aviation & Security (2014: 9.5%–9.9%).

The key assumptions used for value-in-use calculations are:

1. The sales volumes of the business plan – determined based on past performance and existing and planned contracts with clients.
2. Profitability of the business plan – determined based on previous years actual profitability and the planned actions to increase the profitability; EBITA.
3. Discount rate – determined based on the weighted capital cost of capital (WACC) which describes the total cost of debt and equity considering the risks specific to the business.

As a result of the test made, the recoverable amount of the business exceeds the book value of business including goodwill and brand. No impairment was recognised in 2015 or 2014.

The value of all operating segments subject to impairment testing is higher than the book value. A reasonably possible change in the level of sales, level of profitability or discount rate would not generate impairment. The sensitivity indicators used are: an increase of 1% unit in the discount rate, 10% lower than estimated future sales and 2–3% higher than estimated future costs.

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT

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

Note 16 continued

EUR million	Land	Buildings	Machinery and equipment	Total
Cost on Jan 1, 2014	0.9	5.4	74.0	80.3
Additions	–	0.4	9.1	9.5
Disposals	–	–	–8.2	–8.2
Translation differences	-0.0	–0.1	–1.5	–1.6
Reclassifications	–	0.1	–	0.1
Cost on Dec 31, 2014	**0.8**	**5.8**	**73.3**	**80.0**
Accumulated depreciation on Jan 1, 2014	0.1	0.9	44.0	45.0
Accumulated depreciation of disposals	–	–	–6.2	–6.2
Translation differences	–	–0.0	–1.8	–1.9
Depreciation during the period	–	0.1	9.8	10.0
Accumulated depreciation on Dec 31, 2014	**0.1**	**1.0**	**45.8**	**46.9**
Carrying value on Jan 1, 2014	0.8	4.5	30.0	35.3
Carrying value on Dec 31, 2014	**0.7**	**4.8**	**27.6**	**33.1**

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

EUR million	2015	2014
Cost	23.4	22.3
Accumulated depreciation	–17.9	–16.3
Carrying value on December 31	**5.6**	**6.0**

NOTE 17 – FINANCIAL INSTRUMENTS BY CATEGORY

Book values of financial instruments by category
When measuring the financial assets and liabilities, the Group uses market observable data as far as possible. Fair values are 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 shortterm market rates.

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

The fair values of currency forward contracts and the currency swaps are based on quoted spot rates on the balance sheet date and the contractual basis points of the currency forward contracts. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flow based on observable yield curves.

Note 17 continued

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

Dec 31, 2014 EUR million	Fair value through profit or loss	Derivatives hedge accounting	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Carrying amounts	Fair value	Fair value hierarchy	Note
Non-current financial assets	**–**	**–**	**0.8**	**0.3**	**–**	**1.1**	**1.1**		
Other receivables and financial assets	–	–	0.8	0.3	–	1.1	1.1		18, 19
Current financial assets	**9.2**	**–**	**247.6**	**–**	**–**	**256.7**	**256.7**		
Trade receivables	–	–	180.0	–	–	180.0	180.0		19
Derivative instruments	0.6	–	–	–	–	0.6	0.6	2	19, 27
Embedded derivative instruments	8.6	–	–	–	–	8.6	8.6	2	19
Other receivables	–	–	6.5	–	–	6.5	6.5		19
Cash and cash equivalents	–	–	61.0	–	–	61.0	61.0		
Financial assets total	**9.2**	**–**	**248.5**	**0.3**	**–**	**257.9**	**257.9**		
Non-current financial liabilities	**–**	**–**	**0.1**	**–**	**6.5**	**6.6**	**6.7**		
Interest-bearing debt	–	–	–	–	6.5	6.5	6.6	2	23
Other payables and financial liabilities	–	–	0.1	–	–	0.1	0.1		
Current financial liabilities	**1.8**	**–**	**–**	**–**	**474.6**	**476.4**	**479.9**		
Interest-bearing debt	–	–	–	–	319.5	319.5	323.0	2	23
Shareholder loan	–	–	–	–	14.7	14.7	14.7		23
Trade payables and other payables	–	–	–	–	140.3	140.3	140.3		26
Derivative instruments	0.2	–	–	–	–	0.2	0.2	2	26, 27
Embedded derivative instruments	1.6	–	–	–	–	1.6	1.6	2	26
Financial liabilities total	**1.8**	**–**	**0.1**	**–**	**481.0**	**482.9**	**486.6**		
Carrying amount, net	**7.4**	**–**	**248.4**	**0.3**	**–481.0**				

NOTE 18 – AVAILABLE-FOR-SALE INVESTMENTS

EUR million	Dec 31, 2015	Dec 31, 2014
Available-for-sale investments	**0.2**	**0.3**

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

NOTE 19 – TRADE AND OTHER RECEIVABLES

NON-CURRENT

EUR million	Dec 31, 2015	Dec 31, 2014
Other financial asset	35.0	–
Prepaid expenses and accrued income	–	0.8
Other receivables	0.1	0.1
Total non-current loans and other receivables	**35.1**	**0.9**

CURRENT

EUR million	Dec 31, 2015	Dec 31, 2014
Trade receivables, gross	171.9	182.6
Bad debt provision	–1.2	–2.7
Trade receivables, net	170.7	180.0
Derivative instruments	7.8	9.2
Other receivables	6.4	6.5
Current trade and other receivables	**184.9**	**195.7**
Income tax receivables	0.5	0.5
Indirect tax receivables	3.7	3.2
Prepaid expenses and accrued income	152.1	135.8
Total current receivables	**341.1**	**335.2**

Fair values of trade and other receivables approximate their carrying amount due to short maturities. The Group has recognised a decrease of EUR 1.5 million (EUR 1.4 million increase) for the bad debt provision.

During year 2015 the Group has sold on non-recourse basis EUR 81.0 million (0.0) 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 0.2 million (0.0) are booked above EBITA.

PREPAID EXPENSES AND ACCRUED INCOME

EUR million	Dec 31, 2015	Dec 31, 2014
Prepayments	2.8	4.4
Uninvoiced net sales	133.0	114.1
Other accruals	16.2	17.3
Total	**152.1**	**135.8**

NOTE 20 – INVENTORIES

EUR million	Dec 31, 2015	Dec 31, 2014
Raw materials and consumables	10.5	6.6
Work in progress	3.9	3.2
Advance payments	–	0.4
Total	**14.5**	**10.2**

The Group did not recognise any write-down to the carrying value of the inventories when assessing of the net realisable value of the inventories in 2015 or 2014.

NOTE 21 – EQUITY

SHARES AND SHARE CAPITAL

On 6 February 2015 Eltel's ordinary share was listed on Nasdaq Stockholm. At the end of the 2015 financial year the number of shares outstanding was 62,624,238 and the share capital was EUR 125.2 million. Each ordinary share is assigned one vote. At the end of the financial year, the Board of Directors of the company had a valid authorisation granted by the Annual General Meeting in May 2015 to issue a maximum of 6,250,000 ordinary shares and to issue and subsequently repurchase a maximum of 537,000 class C shares. The authorisation remains in effect until the next Annual General Meeting. In accordance with the Articles of Association, class C share entitles the holder to one-tenth of a vote. Class C shares do not entitle to dividends. Upon the company's liquidation, Class C shares carry an equal right to the company's assets as ordinary shares, however, not to an amount exceeding up to the quota value of the share.

Note 21 continued

CHANGES IN SHARE CAPITAL

Date of registration with the Swedish Companies Registration office	Transactions	Change in nr of shares	Total nr of shares	Change in share capital (EUR)	Total share capital (EUR)	Quota (par) value (EUR)
1 January, 2015			863,635,790		86,363,579	0.1
15 January, 2015 [1)]	Reclassification of shares	0	863,635,790	0	86,363,579	0.1
22 January, 2015	Reverse split 20:1	–820,454,001	43,181,789	0	86,363,579	2.0
6 February, 2015 [2)]	Reclassification of shares	0	43,181,789	0	86,363,579	2.0
6 February, 2015	New issue in the Offer	9,248,236	52,430,025	18,496,472	104,860,051	2.0
6 February, 2015	Redemption of shares	–1,985,457	50,444,568	–3,970,914	100,889,137	2.0
6 February, 2015	Set-off issue of PIK notes	1,585,957	52,030,525	3,171,914	104,061,051	2.0
6 February, 2015	New issue in the Offer	10,237,058	62,267,583	20,474,116	124,525,167	2.0
12 February, 2015	New issue	356,655	62,624,238	713,310	125,248,477	2.0
31 December, 2015			**62,624,238**		**125,248,477**	

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

CHANGES IN SHARE CAPITAL

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

THE BOARD'S PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The parent company's non-restricted equity on December 31, 2015 was EUR 378,745,547.00 of which the net profit for the year was EUR 374,981.93. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.24 per share be paid on the outstanding 62,624,238 shares, resulting in a total amount of proposed dividends corresponding to EUR 15,029,817.12. The Board further proposes that the remaining non-restricted equity of EUR 363,715,729.88 be retained and carried forward. All ordinary shares existing on the dividend record date are entitled to dividend for the year 2015.

NOTE 22 – EARNINGS PER SHARE

	2015	2014
Net result attributable to equity holders of the parent	41.7	9.5
Dividend attributable to preference shares	–	–4.4
Net result for EPS, basic and diluted	41.7	5.2
Weighted average number of ordinary shares, basic	60,700,764	43,181,789
Weighted average number of ordinary shares, diluted	60,702,870	43,181,789
Earnings per share EUR, basic	0.69	0.12
Earnings per share EUR, diluted	0.69	0.12

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 shares outstanding during the year. Diluted earnings per share is calculated by adjusting the weighted average number of shares by the effect of potential diluting shares due to share-based incentive plan in the Group.

NOTE 23 – BORROWINGS

The financial liability amounts include capital amount and accrued interests.

THE CARRYING AMOUNTS OF THE NON-CURRENT LIABILITIES

EUR million	Dec 31, 2015	Dec 31, 2014
Bank borrowings	209.5	1.9
Other borrowings	3.0	–
Finance lease liabilities	4.2	4.6
Non-current debt	**216.7**	**6.5**
Liabilities to shareholders	35.0	–
Total non-current financial liabilities	**251.7**	**6.5**

The non-current bank borrowings will mature in 2020. The loans will be repaid in full on the maturity date and no partial repayments are required. The bank loan agreements include financial covenants setting limits to EBITDA / net finance charges ratio and net debt / EBITDA ratio.

The net debt to EBITDA shall not exceed 4.0 (stepping down to 3.5 in 2017). EBITDA to net finance charges shall be equal or greater than 4.0 at all times. EBITDA used in the covenant calculations is adjusted with EBITDA arising from acquisitions on a rolling 12-months basis and with non-recurring EBITA items capped to EUR 5 million. There were no breaches in the covenants at the balance sheet date.

Note 23 continued

THE CARRYING AMOUNTS OF THE CURRENT LIABILITIES

EUR million	Dec 31, 2015	Dec 31, 2014
Bank borrowings	13.2	317.8
Finance lease liabilities	1.7	1.7
Total current debt	**14.9**	**319.5**
Shareholder loans	–	14.7
Total current financial liabilities	**14.9**	**334.3**
Total financial liabilities at amortised cost	**266.6**	**340.7**

Financial liabilities include loans from shareholders:

EUR million	Dec 31, 2015	Dec 31, 2014
Management shareholder loans	–	5.6
Main shareholders participating in bank facilities		
Non-current	–	–
Current	–	296.7
Total	**–**	**302.4**

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

EUR million	Dec 31, 2015	Dec 31, 2014
EUR	157.3	175.9
SEK	75.3	117.6
PLN	33.2	46.6
DKK	0.5	0.5
NOK	0.3	–
Total	**266.6**	**340.7**

FINANCE LEASE LIABILITIES – MINIMUM LEASE PAYMENTS

EUR million	Dec 31, 2015	Dec 31, 2014
Not later than 1 year	1.7	1.7
1–5 years	3.9	4.4
Later than 5 years	0.2	0.2
	5.9	**6.3**
Future finance charges	–0.1	–0.1
Present value of minimum lease payments	**5.8**	**6.2**

THE PRESENT VALUE OF FINANCE LEASE LIABILITIES

EUR million	Dec 31, 2015	Dec 31, 2014
Not later than 1 year	1.7	1.7
1–5 years	3.9	4.3
Later than 5 years	0.2	0.2
	5.8	**6.2**

NOTE 24 – RETIREMENT BENEFIT OBLIGATIONS

The majority of employees in the Group are included in defined contribution pension plans. Some countries also have defined benefit plans, largest one being in Sweden, where the plan has been closed for any new earnings at year end 2007. Benefits earned since then are covered by premiums paid to Alecta. In Finland the main pension plan is the Finnish Statutory Employment Pension Scheme (TyEL), in which benefits are directly linked to employee earnings. TyEL is accounted for as a defined contribution plan. There are also smaller voluntary pension plans in Finland that are accounted for as defined benefit plans. In Norway, main part of the pension benefits have been moved to defined contribution plans in 2010, due to the changes in legislation.

PENSION LIABILITIES IN THE BALANCE SHEET

EUR million	Dec 31, 2015	Dec 31, 2014
Defined benefit pension liability	13.1	17.0
Other pension liability	0.7	1.0
Total pension liability	**13.9**	**18.0**
Defined pension benefit asset	–	–
Net pension liability	**13.9**	**18.0**

EUR million	Dec 31, 2015	Dec 31, 2014
Defined benefit pension liability	13.1	17.0
Net defined pension benefit liability	**13.1**	**17.0**

DEFINED PENSION LIABILITIES IN THE BALANCE SHEET

EUR million	Dec 31, 2015	Dec 31, 2014
Present value of funded obligations	95.8	100.4
Fair value of plan assets	–82.6	–83.4
Net liability	**13.1**	**17.0**

THE MOVEMENT IN THE FAIR VALUE OF PLAN ASSETS

EUR million	2015	2014
Fair value of assets on January, 1	83.4	79.6
Interest on plan assets	1.9	2.9
Remeasurement of plan assets	–3.8	4.5
Contributions by employer	0.3	0.5
Benefits paid	–0.5	–0.5
Gains and losses on curtailments and settlements	–0.1	–
Translation differences	1.4	–3.6
Fair value of assets on December, 31	**82.6**	**83.4**

THE MOVEMENT IN THE DEFINED BENEFIT OBLIGATIONS

EUR million	2015	2014
Total obligations on January, 1	100.5	88.3
Current service cost	–0.6	–0.5
Interest cost	2.3	3.2
Remeasurement of pension obligation	–4.3	17.0
Benefits paid	–3.7	–3.6
Gains and losses on curtailments and settlements	–0.1	–
Translation differences	1.7	–4.0
Total obligations on December, 31	**95.8**	**100.5**

Note 24 continued

THE AMOUNTS RECOGNISED IN THE INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

EUR million	2015	2014
Current service cost	–0.6	–0.5
Net interest cost	0.4	0.3
Gains and losses on curtailments and settlements	–0.2	–
Sum recognised in the income statement	**–0.4**	**–0.3**
Remeasurements recognised in other comprehensive income	–0.5	12.5
Total pension charges recognised during the period	**–0.9**	**12.3**

THE PRINCIPAL ACTUARIAL ASSUMPTIONS

Discount rate, %	2015	2014
Sweden	3.30	2.50
Norway	2.30	2.30
Finland	1.80	1.75

Future salary increase expectation, %	2015	2014
Sweden	closed plan	
Norway	closed plan	2.75
Finland	1.70	2.10

Inflation rate, %	2015	2014
Sweden	2.00	1.70

The pension plan in Sweden forms 75% of the Groups total obligations and 95% 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 6.0 million. Similar rise in inflation rate would have the opposite effect and increase the obligation by EUR 6.8 million. If the discount rate was decreased by 0.5% the obligation would increase by EUR 6.7 million whilst similar decrease in the inflation rate would reduce the obligation by EUR 6.1 million.

Retirement pension and family pension obligations for salaried employees in Sweden are secured through pension insurance with Alecta. According to a statement issued by the Swedish Financial reporting Board (UFR 3), this constitutes a multi-employer plan. For the 2015 fiscal year, the company did not have access to such information that would enable the company to record this plan as a defined benefit plan. Consequently, the ITP pension plan secured through insurance with Alecta is recorded as a defined contribution plan. The contribution to the plan is determined based on the age, salary and previously earned pension benefits of the plan participants. The company has an insignificant part in the plan.

The collective consolidation ratio reflects the market value of Alecta's assets as a percentage of insurance obligations, 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 155%. If the level of collective solvency is less than 125% or exceeds 155%, measures are to be taken in order to create conditions for restoring the level of collective solvency to the normal interval. Alecta's surplus can be distributed to the policyholders and/or the insured if the collective consolidation ratio exceeds 155%. However, Alecta aim to avoid surplus by using reduced contributions. At December 31, 2015, Alecta's surplus corresponded to a collective consolidation ratio of 153% (143%).

The distribution of plan assets in Sweden is as follows:

%	2015	2014
Debt instruments	60	48
Equity instruments	34	33
Property	1	14
Cash and cash equivalents	5	5
Total	**100**	**100**

NOTE 25 – PROVISIONS

EUR million	Restructuring provision	Warranty provision	Other provisions	Total
January 1, 2015	**1.1**	**3.9**	**26.8**	**31.7**
Exchange rate differences	–	–	0.1	0.1
Business combinations	–	1.1	0.2	1.3
Additional provisions	0.1	1.2	0.8	2.1
Used provisions during year	–0.2	–1.2	–25.8	–27.2
Unused amounts reversed	–0.3	–0.5	–0.5	–1.2
December 31, 2015	**0.7**	**4.5**	**1.7**	**6.9**

ANALYSIS OF TOTAL PROVISIONS

EUR million	Dec 31, 2015	Dec 31, 2014
Non-current	3.0	2.7
Current	3.8	29.0
Total	**6.9**	**31.7**

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

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

Other provisions relate mainly to expenses in relation to the listing of Eltel AB's share in February 2015 on Nasdaq Stockholm.

NOTE 26 – TRADE AND OTHER PAYABLES

CURRENT

EUR million	Dec 31, 2015	Dec 31, 2014
Trade payables	132.9	128.6
Other liabilities	18.1	11.7
Derivative financial liabilities	2.4	1.8
Indirect tax liabilities	20.5	17.4
Company income tax liabilities	2.4	1.1
Accrued expenses	105.6	91.9
Total current trade and other payables	**281.9**	**252.5**

Accrued expenses consist of the following items:

EUR million	Dec 31, 2015	Dec 31, 2014
Accrued wages and salaries	56.8	47.4
Accrued indirect employee costs	22.3	16.3
Other accruals	26.5	28.2
Total	**105.6**	**91.9**

NOTE 27 – DERIVATIVE FINANCIAL INSTRUMENTS

	Dec 31, 2015			Dec 31, 2014		
EUR million	Nominal values	Fair values Positive	Fair values Negative	Nominal values	Fair values Positive	Fair values Negative
Interest rate derivatives, hedge accounting	157.8	–	–1.1	–	–	–
Foreign exchange derivatives, hedge accounting	6.3	–	–0.1	20.2	–	–
Foreign exchange derivatives, not hedge accounting	75.7	0.7	–0.3	82.4	0.6	–0.2
Embedded derivatives	58.5	7.2	–1.0	97.9	8.6	–1.6
Total	**298.3**	**7.8**	**–2.4**	**200.4**	**9.2**	**–1.8**

For the instruments under hedge accounting, EUR –0.2 million was recognised in the hedging reserve during the period. EUR 2.7 million was transferred from hedging reserve to profit or loss during the period. The Group has not recognised any ineffectiveness from the hedges during 2015 (EUR 0.2 million in 2014).

The hedged highly probable forecast transactions denominated in foreign currencies are expected to occur at various dates during year 2016. Gains and losses recognised in the hedging reserve in equity on foreign exchange contracts are expected to impact profit or loss at various dates during year 2016. The hedged interest payments relating to the Group's borrowing take place at various dates during years 2016 – 2020.

The Group enters into derivatives transactions, other than embedded derivatives, under Internationals 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:

	Dec 31, 2015			Dec 31, 2014		
EUR million	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, hedge accounting	–	–	–	0.1	0.1	0.0
Foreign exchange derivatives, not hedge accounting	0.7	0.4	0.4	0.6	0.2	0.4
Financial liabilities						
Interest rate swaps, hedge accounting	–1.1	–	–1.1	–	–	–
Foreign exchange derivatives, hedge accounting	–0.1	–	–0.1	–0.1	–0.1	–
Foreign exchange derivatives, not hedge accounting	–0.4	–0.4	–	–0.2	–0.2	0.0

NOTE 28 – COMMITMENTS AND CONTINGENT LIABILITIES

THE FUTURE MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASES

EUR million	Dec 31, 2015	Dec 31, 2014
Not later than 1 year	14.9	15.8
1 – 5 years	22.7	21.8
Later than 5 years	0.2	0.6
Total	**37.8**	**38.1**

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

COMMITMENTS AND COLLATERAL PLEDGED

EUR million	Dec 31, 2015	Dec 31, 2014
Debt secured by general collateral		
Loans from financial institutions	–	275.1
Pension liabilities	–	8.0
Off balance sheet liabilities secured by general collateral		
Commercial guarantees on own behalf	–	62.5
Total liabilities secured by general collateral	**–**	**345.5**
Off balance sheet liabilities, unsecured		
Commercial guarantees	161.4	94.0
Commercial guarantees on own behalf	209.0	130.4
Commercial guarantees on behalf of joint ventures	5.0	9.6
Financial guarantees on behalf of joint ventures	–	4.6
Guarantees	**375.4**	**238.7**

Note 28 continued

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

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

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

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

LEGAL CLAIMS AND INVESTIGATIONS

In Poland, Isacom Sp. z o.o. company has filed a statement of claim against Eltel Networks Telecom Sp. z o.o. on a basis of alleged unfair competition in July 2006. The Group's local legal advisors have moved for dismissal of the claim in whole due to lack of any merits. The court process is pending and has been moved to civil court. The management believes that there will be no financial or legal damage to the Group from the case.

On 31 October 2014, the Finnish Competition and Consumer Authority (FCCA) filed a claim of EUR 35 million against Eltel in the Finnish Market Court. The violation of competition law alleged by the FCCA is related to the Group's power transmission line construction and planning business in Finland during the period 2004 – 2011. Eltel delivered its full response to the claim on 19 December 2014. Eltel received a rejoinder from the FCCA on 13 March 2015 and responded on 27 April 2015. Oral hearings were held in the Finnish Market Court in September 2015. Eltel considers that it did not violate competition rules and finds no grounds for the proposal of fines, and has contested the FCCA's allegations and fine proposal to the Finnish Market Court, requesting that the case be dismissed. In relation to the listing of Eltel on the Nasdaq Stockholm in February 2015 the Selling Shareholders entered into an agreement whereby they committed to contribute an amount, not exceeding EUR 35 million on an aggregate basis, to Eltel to cover any fines (i.e. excluding costs and possible damages from third-party claims) payable by Eltel in relation to the FCCA case.

On 30 March 2016, the Market Court in Finland dismissed the allegations of Eltel's competition law violation in its power transmission line construction business in Finland as time barred. The Finnish Competition and Consumer Authority had proposed a fine of EUR 35 million to be imposed on Eltel. The decision of the Market Court may be appealed within one month from the decision.

NOTE 29 – RELATED PARTY INFORMATION

TRANSACTIONS WITH SHAREHOLDERS

Main transactions with shareholders have related to Eltel's loan facilities. In February 2015 the senior credit facilities and shareholder loans, including management loans, existing at 31 December 2014 have been repaid in full. Main shareholders or management shareholders do not participate in the renewed financing facilities.

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

In connection with the dismantling of the pre IPO ownership structure, members of the senior management that were entitled to the management incentive programme in connection with IPO have reinvested 50% of the incentive payment, net of tax, in the shares in the Company. The transaction took place on 12 February 2015.

TRANSACTIONS WITH KEY INDIVIDUALS IN EXECUTIVE POSITIONS

Salaries, remuneration and other benefits are accounted for in notes 11 and 30.

NOTE 30 – REMUNERATION TO SENIOR MANAGEMENT

KEY MANAGEMENT COMPENSATION

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

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

* Until May 2015

Note 30 continued

2014 EUR thousands	Fee	Fixed salary	Variable salary MIP	Annual variable salary	Pension	Other benefits	Total
Gérard Mohr	101	–	1,200	–	–	–	1,301
Matti Kyytsönen	48	–	–	–	–	–	48
Jean Bergeret	7	–	–	–	–	–	7
Fredrik Karlsson	9	–	–	–	–	–	9
Thomas Ekman*	20	–	–	–	–	–	20
Susanne Lithander	10	–	–	–	–	–	10
Ulf Lundahl	8	–	–	–	–	–	8
Managing Director	–	415	3,391	228	77	8	4,119
Other members of the senior management (10 individuals)	–	2,236	5,133	949	307	70	8,695

Variable salary and other remuneration refer to amounts that were recorded as expense

* Until November 2014

KEY MANAGEMENT	Dec 31, 2015	Dec 31, 2014
Board of Directors		
Men	7	5
Women	2	1
Other key management		
Men	10	10
Women	1	1
Total	**20**	**17**

Salaries and other remunerations excluding pensions and other benefits to Board of Directors and senior management were EUR 5.7 million (13.8) of which the amount of fixed salaries was EUR 3.0 million (2.9) including fees to Board of Directors of EUR 0.3 million (0.2), and of which variable salaries including IPO-related incentive programme and LTIP 2015 provisions were EUR 2.7 million (10.9). Defined contribution pension plans for senior management amounted to EUR 0.6 million (0.4). The amount of other indirect employee costs for senior management was EUR 1.2 million (3.3).

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

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

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

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

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

LONG-TERM INCENTIVE PROGRAMME 2015

The Annual General Meeting approved the implementation of a share savings programme 2015 (the "LTIP 2015") for key personnel in the Eltel Group. The aim is to increase and strengthen the potential for recruiting, retaining and rewarding key individuals and also to use the LTIP 2015 to create individual long-term ownership of Eltel shares among participants. The term of the LTIP 2015 is three years and the maximum number of participants is 70.

Participation in the LTIP 2015 assumes that the participant acquires and locks Eltel ordinary shares into the LTIP 2015 ("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 for the financial year 2017, the participant may also be entitled to receive allotment of additional Eltel shares ("Performance Shares").

Participants do not pay any consideration for the allotted Matching Shares and Performance Shares. Matching Shares and Performance Shares are Eltel ordinary shares. LTIP 2015 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)	20%	1.0x	4.0x
B (Group Management Team (GMT), maximum 10 persons)	15%	1.0x	3.0x
C (individuals reporting directly to GMT and other key employees, maximum 59 persons)	10%	1.0x	2.0x

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 2015 programme were be acquired in a structured way in ordinary trading in the stock market during certain periods of time.

On balance sheet date the LTIP 2015 comprises maximum 318,610 shares in total, corresponding to approximately 0.5% of the total outstanding shares and votes in the Company.

Allotment of Matching Shares and Performance Shares

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

Note 30 continued

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

Costs for the LTIP 2015 programme

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

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

NOTE 31 – GROUP COMPANIES

Group companies on Dec 31, 2015	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 Sønnico AS	Norway	100%
Vete Signaltjenester AS	Norway	100%
Eltel Networks A/S	Denmark	100%
Eltel Networks B.V.	the Netherlands	100%
Eltel Networks Energetyka S.A.	Poland	100%
Eltel Academy Foundation	Poland	100%
Energoprojekt-Kraków S.A.	Poland	100%
Eltel Networks Telecom Sp.z o.o	Poland	100%
Eltel Networks S.A.	Poland	100%
Eltel Networks Poland S.A.	Poland	100%
Eltel Networks Infranet Services S.A.	Poland	100%
Eltel Networks UK limited	the UK	100%
AS Eltel Networks	Estonia	100%
UAB Eltel Networks	Lithuania	100%
Eltel Networks SIA	Latvia	100%
Eltel Infranet GmbH	Germany	100%
Eltel Infranet Production GmbH	Germany	100%
Eltel Networks GmbH	Germany	100%
Edi.Son Energietechnik GmbH	Germany	100%
Eltel Networks sro	Czech Republic	100%
Eltel Networks Srl	Romania	100%
Eltel Networks FZ LCC	United Arab Emirates	100%
Eltel Comm Philippines Inc	Philippines	100%
Transmast Philippines, Inc.	Philippines	40%*
Eltel Networks LLC	Ukraine	99%
Eltel Tanzania Limited	Tanzania	100%
Transmission Eltel Limited	Zambia	100%
Eltel Networks PLC	Ethiopia	100%
Jointly controlled entities		
Fiber og Anlaeg I/S	Denmark	37.5%
Carillion Eltel JV Limited	The UK	50.0%

* Group voting 100%

During the financial year 2015 two companies, Transelectric AB and Eltel Networks Kraftkonsult AB, were merged into Eltel Networks TE AB in Sweden. One entity in Poland, Polskie Sieci Morskie S.A. was liquidated and one entity in Norway, AS Linjebygg, was sold outside Eltel Group. Three entities were acquired, Edi.Son Energietechnik GmbH in Germany, Vete Signaltjenester AS in Norway as well as the remaining 50% of the Group's former jointly controlled entity Eltel Sønnico AS in Norway.

NOTE 32 – AUDITOR'S FEES

EUR million	2015	2014
PricewaterhouseCoopers		
Audit	0.5	0.5
Other audit-related services	–	0.2
Tax services	0.1	0.3
Other services	0.5	0.8
Total	**1.2**	**1.8**
Other auditing firms		
Audit	0.1	0.1
Tax services	0.1	0.2
Other services	0.2	0.2
Total	**0.5**	**0.5**
Total	**1.7**	**2.3**

NOTE 33 – EVENTS AFTER BALANCE SHEET DATE

On March 30 2016, the Market Court in Finland dismissed the allegations of Eltel's competition law violation in its power transmission line construction business in Finland as time barred. The Finnish Competition and Consumer Authority had proposed a fine of EUR 35 million to be imposed on Eltel. The decision of the Market Court may be appealed within one month from the decision. For more information see page 33 Risks and uncertainties.

In April 2016, Eltel issued 537,000 class C shares to be used in the Long Term Incentive Programme 2015 ("LTIP 2015"). Shares issued at the shares' quota value, were issued to a financial institution and immediately repurchased at the same price. Following the repurchase of class C shares, the number of class C shares held by Eltel totals 537,000. The total number of ordinary shares of Eltel is 62,624,238.

Parent Company

INCOME STATEMENT

EUR thousands	Note	Jan 1 – Dec 31, 2015	Jan 1 – Dec 31, 2014
Net sales	4	1,350	263
Personnel costs	5	–3,145	–5,957
Other operating expenses		–1,759	–8,056
Total operating expenses		**–4,904**	**–14,013**
Operating result		**–3,554**	**–13,749**
Interest and other financial income		23,722	28,050
Interest and other financial expenses		–2,639	–773
Financial items, net	7	**21,083**	**27,278**
Result after financial items		**17,530**	**13,528**
Appropriations			
Group contribution given		–17,154	–13,543
Tax for the year		–	–
Net result for the year		**375**	**–15**

STATEMENT OF COMPREHENSIVE INCOME

EUR thousands	Jan 1 – Dec 31, 2015	Jan 1 – Dec 31, 2014
Net profit/loss for the period	**375**	**–15**
Other comprehensive income		
Items that may be subsequently reclassified to profit and loss		
Cash flow hedges	492	–
Other comprehensive income for the period	–	–
Total comprehensive income/loss	**867**	**–15**

BALANCE SHEET

EUR thousands	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Shares in group companies	8	241,608	34,508
Deferred tax assets		123	–
Other financial asset	9	35,000	–
Receivables from group companies	9	357,584	474,280
Total non-current assets		**634,315**	**508,788**
Current assets			
Receivables from group companies	9	1,465	331
Other receivables		759	495
Cash pool receivable	9	5,819	–
Cash and cash equivalents		41	–
Total current assets		**8,084**	**826**
TOTAL ASSETS		**642,399**	**509,614**
EQUITY AND LIABILITIES	10		
Restricted equity			
Share capital		125,248	86,364
Non–restricted equity			
Retained earnings		–9,823	–10,543
Other non–restricted equity		388,567	276,256
Total non-restricted equity		**378,745**	**265,713**
Total equity		**503,994**	**352,077**
LIABILITIES			
Non–current liabilities	11		
Debt		83,349	–
Liabilities to shareholders		35,000	–
Liabilities to group companies		–	125,732
Total non-current liabilities		**118,349**	**125,732**
Current liabilities			
Liabilities to shareholders		–	14,744
Liabilities to group companies	12	17,525	2,233
Provisions	13	–	13,192
Accounts payable – trade		442	1,161
Accrued expenses and prepaid income	14	1,416	454
Other liabilities	15	672	21
Total current liabilities		**20,056**	**31,805**
Total liabilites		**138,405**	**157,537**
TOTAL EQUITY AND LIABILITIES		**642,399**	**509,614**

Eltel AB has given commercial guarantees on behalf of subsidiaries EUR 202.7 million and on behalf of joint ventures EUR 5.0 million. Eltel AB does not have any pledged assets.

CHANGES IN EQUITY

EUR thousands	Share capital	Share premium	Other non-restricted equity	Hedging reserve	Accumulated losses	Total equity
1 January 2014	**86,364**	**261,537**	**19,971**	**–**	**–10,528**	**357,344**
New share issue costs	–	–	–2,900	–	–	–2,900
Declared dividend to shareholders	–	–	–2,351	–	–	–2,351
Net loss for the period	–	–	–	–	–15	–15
31 December 2014	**86,364**	**261,537**	**14,720**	**–**	**–10,543**	**352,077**
Equity-settled share-based payment	–	–	–	–	345	345
Proceeds from shares issued	38,885	113,402	–	–	–	152,287
New share issue costs	–	–	–600	–	–	–600
Cash flow hedging	–	–	–	–492	–	–492
Declared dividend to shareholders	–	–	–	–	–	–
Net profit for the period	–	–	–	–	375	375
31 December 2015	**125,248**	**374,940**	**14,120**	**–492**	**–9,823**	**503,994**

CASH FLOW STATEMENT

EUR thousands	Jan 1 - Dec 31, 2015	Jan 1 - Dec 31, 2014
Cash flow from operating activities		
Profit/loss before taxes	376	–15
Adjustments for:		
Financial items, net	–21,083	–13,735
Group contribution given	17,154	–
Equity-settled share-based payment	90	–
New share issue costs (IPO) recognised in equity	–600	–2,900
Changes in working capital	–14,462	14,073
Cash flow from operating activities before financial items and taxes	**–18,526**	**–2,576**
Financial income received	61,490	299
Financial expenses paid	–3,160	–32
Cash flow from operating activities	**39,804**	**–2,310**
Cash flow from investing activities		
Capital contribution to subsidiaries	–207,100	–
Payments received from loans from group companies	79,202	–
Cash flow from investing activities	**–127,898**	**–**
Cash flow from financing activities		
Proceeds from issuance of share capital	143,131	–
Proceeds from long-term borrowings	84,000	–
Proceeds from short-term borrowings from group companies	–	2,160
Payments of financial liabilities	–2,396	–
Payments of short-term loans from shareholders	–3,242	–
Payments of short-term borrowings from group companies	–7,979	–
Payments of group contributions	–125,379	–
Cash flow from financing activities	**88,135**	**2,160**
Decrease/increase in cash and cash equivalents	41	–150
Cash and cash equivalents at beginning of year	0	150
Cash and cash equivalents at end of year	**41**	**0**

NOTES TO THE ANNUAL REPORT

1. GENERAL INFORMATION

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

2. ACCOUNTING PRINCIPLES

BASIS FOR THE PREPARATION OF THE REPORTS

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

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

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

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

SHARES AND PARTICIPATIONS IN SUBSIDIARIES

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

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

FINANCIAL INSTRUMENTS

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

The Company's financial instruments are comprised of long-term receivables from Group companies, other financial assets, current receivables from Group companies and also cash and cash equivalents. These make up the category loan receivables and account receivables – trade. It is also comprised of long-term borrowing and liabilities to shareholders, short-term liabilities to group companies and accounts payable – trade and other liabilities. These comprise the category other financial liabilities.

3. FINANCIAL RISK MANAGEMENT

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

4. NET SALES

	Jan 1–Dec 31 2015	Jan 1–Dec 31 2014
Remunerations from group companies for group-wide administration	1,350	263
Total	**1,350**	**263**

5. EMPLOYEE BENEFIT EXPENSES

	Jan 1–Dec 31 2015	Jan 1–Dec 31 2014
Salaries and other remunerations	2,086	4,462
Social security contributions:		
Pension costs	489	987
Other social security contributions	570	508
Total	**3,145**	**5,957**

Salaries and other remunerations to senior executives were EUR 1.6 million (4.2), pension costs EUR 0.4 million (0.9) and other social security contributions EUR 0.5 million (0.4). Group senior management participates in the long-term share-based incentive programme LTIP 2015. Total expense for the LTIP 2015 programme for the year was EUR 90 thousand, of which EUR 83 thousand for the President and CEO and other senior executives. More information of Group senior management and the Board of Directors is presented in note 11 and 30 in the consolidated financial statements. In Eltel AB the number of individuals in the Board of Directors was nine and the number of other senior management employed by the company was three at year-end 2015.

	Jan 1–Dec 31 2015	Jan 1–Dec 31 2014
Number of employees	5	5
Of whom men	100%	100%

6. AUDITORS' FEES

	Jan 1–Dec 31 2015	Jan 1–Dec 31 2014
PricewaterhouseCoopers		
Audit assignments	161	–
Other audit–related assignments	–	186
Tax assignments	17	220
Other assignments	286	541
Other auditing firms		
Tax assignments	–	110
The company in total	**464**	**1,056**

7. RESULT FROM FINANCIAL ITEMS

	Jan 1–Dec 31 2015	Jan 1–Dec 31 2014
Interest and other financial income:		
Interest income, loans from group companies	23,410	27,751
Other financial income, group companies	312	300
Total	**23,722**	**28,050**
Interest and other financial expenses:		
Interest expenses on loans	–2,639	–772
Total	**–2,639**	**–772**
whereof group companies	–95	–29
Total financial items	**21,083**	**27,278**

8. SHARES IN GROUP COMPANIES

Opening balance 1 Jan, 2014	34,508
Opening balance 1 Jan, 2015	34,508
Capital contributions	207,100
Closing balance 31 Dec, 2015	241,608

Shares are held in the following subsidiaries:

The InfraNet Company AB, 556728-6645	
Share of equity, %	100
Share of voting power, %	100
Number of shares	11,000
Book value	241,608

9. RECEIVABLES FROM RELATED PARTIES

Non-current receivables

	Dec 31, 2015	Dec 31, 2014
Other financial assets, received from shareholders	35,000	–
Loan receivables from group companies	357,584	474,280
Total	**392,584**	**474,280**

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

Current receivables from group companies:

	Dec 31, 2015	Dec 31, 2014
Cash pool receivable	5,819	–
Accounts receivable	1,465	331
Total	**7,284**	**331**

10. EQUITY

At 31 December 2015, the number of shares outstanding was 62,624,238 and the share capital was EUR 125,248,477. Detailed information regarding the Parent Company's shares and share capital is found in note 21 Equity in the consolidated financial statements.

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

Shareholders with more than 10% of the votes at 30 December 2015 are 3i controlled entities with 20.0% and Zeres capital with 10.5% of shares and votes.

The Board's proposal for the distribution of profits
The parent company's non-restricted equity on December 31, 2015 was EUR 378,745,547.00 of which the net profit for the year was EUR 374,981.93. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.24 per share be paid on the outstanding 62,624,238 shares, resulting in a total amount of proposed dividends corresponding to EUR 15,029,817.12. The Board further proposes that the remaining non-restricted equity of EUR 363,715,729.88 be retained and carried forward.

All ordinary shares existing on the dividend record date are entitled to dividend for the year 2015.

11. NON-CURRENT LIABILITIES

	Dec 31, 2015	Dec 31, 2014
Bank borrowings	83,349	–
Liabilities to shareholders	35,000	–
Group contribution liabilities	–	125,421
Loans to group companies	–	311
Total	**118,349**	**125,732**

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

12. LIABILITIES TO GROUP COMPANIES

	Dec 31, 2015	Dec 31, 2014
Cash pool payable	–	2,160
Accounts payable	–	73
Group contribution liabilities	17,197	–
Loans to group companies	328	–
Total	**17,525**	**2,233**

13. PROVISIONS

	2015	2014
Opening balance 1 Jan	13,192	–
Addition in other provisions	–	13,192
Used provisions during year	–13,192	–
Closing balance 31 Dec	**–**	**13,192**

The provision in 2014 and usage in 2015 relate to the management incentive programme and for advisory services in relation to the IPO of the Company.

14. ACCRUED EXPENSES AND PREPAID INCOME

	Dec 31, 2015	Dec 31, 2014
Accrued employee related expenses	546	197
External loan interests	205	–
Other accrued expenses	665	257
Total	**1,416**	**454**

15. OTHER LIABILITIES

	Dec 31, 2015	Dec 31, 2014
Derivative financial liabilities	651	–
Other	21	21
Total	**672**	**21**

THE COMPANY'S FINANCIAL STATEMENT WILL BE SUBMITTED FOR APPROVAL TO THE ANNUAL GENERAL MEETING ON MAY 2, 2016

The Board of Directors certifies that the annual financial report has been prepared in accordance with generally accepted accounting principles and that the consolidated accounts have been prepared in accordance with the international set of accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, and give a true and fair view of the position and profit or loss of the Company and the Group, and that the management report for the Company and for the Group gives a fair review of the development and performance of the business, position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group face. These financial statements and board report have been issued in two originals.

Stockholm 5 April, 2016

Gérard Mohr
Chairman of the Board of Directors

Jonny Andersson
Board member

Björn Ekblom
Board member

Fredrik Karlsson
Board member

Matti Kyytsönen
Board member

Susanne Lithander
Board member

Ulf Lundahl
Board member

Rada Rodriguez
Board member

Karl Åberg
Board member

Axel Hjärne
President and CEO

Our audit report was submitted on 6 April, 2016

Öhrlings PricewaterhouseCoopers AB

Niklas Renström
Authorised Public Accountant

Auditor's report

To the annual meeting of the shareholders of Eltel AB, corporate identity number 556728-6652

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Eltel AB for the year 2015, except for the corporate governance statement on pages 35-43. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 26-86.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards , as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

OPINIONS

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 2015 and of its financial performance and its cash flows 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 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 35-43. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Eltel AB for the year 2015. We have also conducted a statutory examination of the corporate governance statement.

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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement has been prepared in accordance with the Annual Accounts Act.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory 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.

OPINIONS

We recommend to the annual 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.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm 6 April, 2016

Öhrlings PricewaterhouseCoopers AB

Niklas Renström

Authorised Public Accountant

Board of Directors

According to Eltel's Articles of Association, the Board of Directors shall, to the extent appointed by the general meeting, consist of three to ten members, with no more than three deputies. Currently, Eltel's Board of Directors consists of seven members including the Chairman, two employee representative board members, and their two deputy board members. The current Board of Directors is appointed for the period until the end of the Annual General Meeting 2016.

GÉRARD MOHR

Born 1955

Member of the Board and Chairman of the Board of Directors since 2011.

Gérard Mohr is also a member of the Boards of Directors of Jst Group, Levantina y Asociados de Minerales, S.A.U., Bee NV, M Prime Group and Cogerfi NV, as well as Managing Director of Cogerfi NV.

Gérard Mohr is an engineer and has studied at École Polytechnique in Paris and at Corps des Mines in Paris.

Gérard Mohr owns 75,092 shares and no warrants in Eltel.

FREDRIK KARLSSON

Born 1967

Member of the Board of Directors since 2013.

Fredrik Karlsson is a member of the Boards of Directors of Scandlines A/S as well as co-head 3i Nordics at 3i Nordic plc and deputy Managing Director of 3i Nordic plc (U.K.), filial Sweden.

Fredrik Karlsson holds a Master of Science in Business Administration and Commercial Law from Gothenburg School of Economics.

Fredrik Karlsson owns no shares or warrants in Eltel.

MATTI KYYTSÖNEN

Born 1949

Member of the Board of Directors since 2007.

Matti Kyytsönen is also the Chairman of the Board of Directors and Managing Director of Silverback Consulting Oy, as well as a member of the Boards of Directors of KP Tekno Oy, Lindström Invest Oy, Esperi Care Oy, Port of Helsinki Oy and Kesko Oyj.

Matti Kyytsönen holds a Master of Science from Helsinki School of Economics and Business Administration.

Matti Kyytsönen owns 20,812 shares and no warrants in Eltel.

SUSANNE LITHANDER

Born 1961

Member of the Board of Directors since 2014.

Susanne Lithander is also a member of the Board of Directors of Svensk Exportkredit AB as well as CFO of Billerud-Korsnäs Aktiebolag (publ).

Susanne Lithander holds a Bachelor degree in International Finance and Business Administration with Spanish from University of Gothenburg, as well as a Certificate in Financial Management from Svenska Civilekonomföreningen.

Susanne Lithander owns no shares or warrants in Eltel.

ULF LUNDAHL

Born 1952

Member of the Board of Directors since 2014.

Ulf Lundahl is also the Chairman of the Boards of Directors of Fidelio Capital AB, Fidelio Industries AB, Fidelio Invest and Ramirent Oy, as well as a member of the Boards of Directors of Attendo AB (publ), Attendo utveckling AB (publ), Attendo Intressenter AB, Holmen Aktiebolag and Indutrade Aktiebolag and deputy board member of Katarina Martinson AB and Jahaa Music AB.

Ulf Lundahl owns no shares or warrants in Eltel.

Jean Bergeret and Thomas Hofmaister were members of the Board of Directors until May 2015.
Memberships of the Boards and number of shares as of 30 December 2015.

RADA RODRIGUEZ

Born 1959

Member of the Board of Directors since 2015.

Rada Rodriguez is the CEO of Schneider Electric GmbH since 2009. She is also member of the Board of directors of ZVEI, Comité National des Conseillers du Commerce Extérieur de la France, Advisory Board member of the Technical University of Berlin and Member of the Executive Committee of the World Economic Council.

Rada Rodriquez holds a degree in Construction Engineering.

Rada Rodriguez owns no shares or warrants in Eltel.

KARL ÅBERG

Born 1979

Member of the Board of Directors since 2015.

Karl Åberg is Partner at Zeres Capital. Karl Åberg is also a member of the board of Proffice AB.

Karl Åberg holds a Master of Science in Economics and Business from the Stockholm School of Economics.

Karl Åberg owns no shares or warrants in Eltel.

JONNY ANDERSSON

Born 1978

Employee representative since 2015.

Jonny Andersson used to work as an installation engineer within Business Solutions at Eltel in Sweden.

Since 2013 he is the full time Chairman of Seko for Eltel Sweden.

Jonny Andersson has various trade union assignments at Metall and is a national representative in the Seko Union and a board member at Seko Södra and contract delegation of telecom at Seko. Jonny Andersson owns no shares or warrants in Eltel.

BJÖRN EKBLOM

Born 1976

Employee representative since 2015.

Björn Ekblom used to work as a Network Engineer and Team Manager in Aviation & Security, Eltel Sweden.

Björn Ekblom is also a member of the National Executive Board of white collar trade union Unionen, a member of the Board of Unionen's regional board in Gothenburg and Chairman of Unionen's local branch at Eltel Sweden.

Björn Ekblom owns 1,400 shares and no warrants in Eltel.

AUDITORS

Öhrlings Pricewaterhouse-Coopers AB, with address Torsgatan 21, 113 97 Stockholm, is the auditor of the company. Niklas Renström, an authorised auditor and member of FAR (professional institute for authorised public accountants), is the auditor in charge.

Group Management Team

AXEL HJÄRNE

Born 1964

President and CEO since 2009.

Axel Hjärne has previously had different leading positions within Eltel Group, including deputy CEO Eltel Group, Country Manager and CEO Eltel Networks Sweden.

Axel Hjärne is member of the Boards of Directors of Lagnögruppen AB, PRIMA Barn- och Vuxenpsykiatri Stockholm AB, PRIMA Barn- och Vuxenpsykiatri Holding AB, Proffice AB, Energibranschens Förhandlings- och Arbetsgivarservice i Stockholm AB, Svenskt Näringsliv, IT&Telekomföretagen, as well as member of the Boards of Directors of several subsidiaries of Eltel.

Axel Hjärne holds a Master of Science in Industrial Economy from Institute of Technology, Linköping.

Axel Hjärne owns 602,309 shares and no warrants in Eltel.

FREDRIK MENANDER

Born 1966

President of Power Transmission since 2012.

Fredrik Menander has previously been Director of Export projects and Director of Strategic project at Eltel.

Fredrik Menander is Chairman of the Board of Directors and board member of several subsidiaries to Eltel.

Fredrik Menander holds a Master of Science in Electrical Engineering from Lund's Institute of Technology and an Executive Master of Business Administration from Stockholm School of Economics.

Fredrik Menander owns 35,303 shares and no warrants in Eltel.

JUHA LUUSUA

Born 1965

President of Power Distribution since 2012 and Country Manager Finland.

Juha Luusua is vice Chairman of the Board of Directors of Loiste, and member of the Boards of Directors of Palta and Voimatalouspooli (part of the Finnish National emergency supply agency). Juha Luusua is also Chairman of the board and board member of several subsidiaries to Eltel.

Juha Luusua holds a Master of Science in Power from Helsinki Technical University.

Juha Luusua owns 206,536 shares and no warrants in Eltel.

PETER UDDFORS

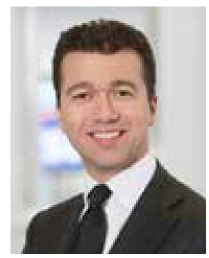
Born 1964

President of Fixed Communication since 2013.

Peter Uddfors is deputy board member of Karin Uddfors AB.

Peter Uddfors holds a Master of Science in Engineering from Royal Institute of Technology, Stockholm, as well as a Business Finance & Administration Diploma from Frans Schartau, Stockholm.

Peter Uddfors owns 42,295 shares and no warrants in Eltel.



DARIUSH REZAI

Born 1975

President of Mobile Communication since 2014.

Dariush Rezai has previously been Director of Mobile Nordic at Eltel.

Dariush Rezai holds a Master in Economics from Copenhagen University and has attended the General Management Program at INSEAD.

Dariush Rezai owns 15,908 shares and no warrants in Eltel.

FREDRIK HÄGGSTRÖM

Born 1973

President of Rail and Road since 2011.

Fredrik Häggström has previously been Business development Director at Eltel.

Fredrik Häggström has studied the Company high potential MBA program at Manchester Business School. In addition, he has studied Computer Programming at Semcon.

Fredrik Häggström owns 46,764 shares and no warrants in Eltel.

Memberships of the Boards and number of shares as of 30 December 2015.

THORBJÖRN SAGNER

Born 1960

President for Aviation and Security since 2014 and Country Manager Sweden.

Thorbjörn Sagner has previously been Business development and Project Manager at Eltel.

Thorbjörn Sagner is Chairman of the Board of Directors of Eltel's subsidiary Eltel Networks Infranet AB, as well as Managing Director of Eltel's subsidiary Eltel Networks Infranet Privat AB. Thorbjörn Sagner is also Chairman of the Board of Directors of Jämtlands linjebyggare och Republikens El AB and the owner of stora Wädersjö Service.

Thorbjörn Sagner has a degree in technical engineering in naval equipment at Military School.

Thorbjörn Sagner owns 15,938 shares and no warrants in Eltel.

GERT SKÖLD

Born 1965

Chief Financial Officer since 2014.

Gert Sköld is member of the Board of Directors of Driconeq AB and Drico Intressenter Holdco AB, as well as partner of Rue Genévrier Consulting Handelsbolag.

Gert Sköld holds a Master of Science in Industrial Engineering and Management from Linköping University, as well as a Master of Business Administration from Uppsala University.

Gert Sköld owns 20,470 shares and no warrants in Eltel.

MIKAEL JOHANSSON

Born 1977

VP – Group Strategy since 2015.

Mikael Johansson holds a Master of Science in Business and Economics and a Bachelor in Computer Science from Uppsala.

2005–2010 Management consultant, BearingPoint and later Deloitte.

2003–2005 Manager DSL Delivery, Bredbandsbolaget (part of Telenor Group).

Mikael Johansson owns 915 shares and no warrants in Eltel.

PER KROGAGER

Born 1954

VP – Group Human Resources since 2014.

Per Krogager is member of the Board of Directors of NOJ Fonden, as well as owner of Krogager Consulting.

Per Krogager holds a Mag.Art in Psychology from University of Aarhus, a Master of Personnel Administration, a Master of Organisation Development, a Master of "Business Psychology and Sociology, as well a Master of Sociological Analysis of Organisations from Business School of Aarhus.

Per Krogager owns 7,031 shares and no warrants in Eltel.

INGELA ULFVES

Born 1966

VP – IR and Group Communications since 2015.

Ingela Ulfves holds a Master of Science in Economics and Business Administration from The Swedish School of Economics, Helsinki and Certified EFFAS Financial Analyst.

2014-2015 Head of Corporate Communications and Investor Relations, Tokmanni Group Oy.

2005-2012 VP Investor Relations and Financial Communication, Outokumpu Oyj.

1992-2005 Institutional Sales and Equity Trading, D. Carnegie AB in Finland.

Ingela Ulfves owns no shares or warrants in Eltel.

Former Group Management Team members:

HANNU TYNKKYNEN

Born 1956

Group Management Team member 2003–2015.

Hannu Tynkkynen owns 185,675 shares and no warrants in Eltel.

PÄIVI HAUTAMÄKI

Born 1964

Group Management Team member 2012–2015.

Päivi Hautamäki owns 11,296 shares and no warrants in Eltel.

Definitions and key ratios

ORGANIC NET SALES

Organic net sales excludes Norwegian communication business and Edi.Son, Sønnico and Vete acquisitions in 2015 and is presented with comparable exchange rates

OPERATIVE EBITA

Operating result before acquisition-related amortisations and non-recurring items

NON-RECURRING ITEMS

Items which are non-recurring in nature and which management does not consider to form part of the ongoing operative business

COMMITTED ORDER BACKLOG

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

EARNINGS PER SHARE (EPS)

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

OPERATIVE CASH FLOW

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

CASH CONVERSION, %*

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

EQUITY RATIO, %

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

NET DEBT

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

RETURN ON CAPITAL EMPLOYED, %*

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

CAPITAL EMPLOYED

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

RETURN ON EQUITY (ROE), %*

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

LEVERAGE RATIO*

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

* calculated on a rolling 12-month basis

Financial calendar 2016–2017

Annual General Meeting	2 May 2016
Interim report January–March 2016	11 May 2016
Interim report January–June 2016	19 August 2016
Interim report January–September 2016	9 November 2016
Full-year report January–December 2016	February 2017

CONTACT INFORMATION

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ELTEL ANNUAL REPORT 2015

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