Eltel Group

INTERIM REPORT JANUARY–MARCH 2016

January–March 2016

- Net sales amounted to EUR 287.5 million (239.0), up 23.2%* in local currencies, organic net sales decreased by 0.4%*
- Operative EBITA amounted to EUR 3.2 million (5.3) or 1.1% of net sales (2.2)
- No non-recurring items (-2.6)
- EBITA amounted to EUR 3.2 million (2.7) or 1.1% of net sales (1.1)
- Net financial expenses decreased to EUR -3.7 million (-7.9)
- The net result amounted to EUR -3.6 million (-7.5)
- Earnings per share was EUR -0.06 (-0.14)
- Operative cash flow amounted to EUR -37.4 million (-59.9), cash conversion was 112.1% on a rolling 12-month basis

Unless otherwise stated, figures in brackets refer to the same period in the previous year
* Organic net sales excludes Norwegian Communication business and the Edi.Son, Sønnico and Vete acquisitions in 2015 and is presented using comparable exchange rates.

Comments by the CEO

Continued growth with weather affecting profitability

Eltel's growth trajectory continued in the first quarter 2016, with a solid 20-percent increase in net sales driven by acquisitions made in 2015. The long-term positive drivers in the Infranet market remained visible, and Eltel won some exciting new contracts during and after the reporting period. Our committed order backlog continued to show a positive trend and increased during the quarter. However, from an Eltel perspective, organic growth was hampered by less favourable weather conditions in the first quarter.

Since the first quarter is Eltel's weakest in seasonal terms, fluctuations in production and delivery volumes have the biggest impact on our profitability. Weather effects, combined with the business mix, particularly in our Transport & Security segment, resulted in a lower consolidated operative EBITA margin compared with the same period in 2015.

Our second quarter started with three new acquisitions – Celer in Finland and U-Serv and the field service activities of EVB in Germany. These are all prime examples of acquisitions that expand our local platforms and add critical mass in our new markets. Taking into account our recent achievements and the advances made last year, Germany is expected to account for a more sizeable portion of Group revenues in 2016 and onwards.

In the short term, we can still see room for improvements, especially in our rail and power transmission business. These operations also account for the most cyclical parts of our business where timing of orders and deliveries may cause fluctuations between individual quarters.

We remain dedicated to our mid to long-term targets regarding profitable growth. The selected acquisitions we have completed will serve as important drivers for our revenue growth moving forward. Organic growth continues to be supported by a solid market outlook and a historically strong committed order backlog, with production and delivery volumes normally increasing in the second half of the year. Our focus on continued operational efficiency is being further enhanced with several organisational initiatives and investments planned for 2016 – to build on The Eltel Way. One good example of this is the two-year project we have launched to utilise best practice and scale synergies within our centralised support functions.

In our society, where an efficient and more sustainable infrastructure is playing an increasingly important role, Eltel will continue to be the forerunner in transforming the Infranet industry.

–Axel Hjärne, President and CEO

IMPORTANT EVENTS DURING THE FIRST QUARTER 2016

ELTEL GROUP:

- In March, the Market Court in Finland dismissed allegations of Eltel's competition law violation in its power transmission line construction business as time barred.
- In March, the composition of Eltel's Nomination Committee, formed in November, was amended following the change in ownership of Eltel AB.

POWER SEGMENT:

- In January, Eltel's power transmission business signed a EUR 13 million substation contract with E.ON in Sweden.
- In February, Eltel's power transmission business won two major substation contracts in Poland at a total value of EUR 25 million.
- In March, Eltel's power transmission business signed its first substation contract with Statnett in Norway valued at EUR 7.5 million.

COMMUNICATION SEGMENT:

- In January, Eltel's fixed communication business signed a new EUR 15 million three-year frame agreement with DNA in Finland.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

- In April, Eltel's rail and road business acquired the Finnish signalling services company Celer Oy.
- In April, Eltel issued 537,000 class C shares to be used in Eltel's long-term incentive programme (LTIP 2015).
- In April, Eltel published its 2015 Annual Report and its 2015 Corporate Governance Report.
- In April, Eltel's power distribution business acquired the metering company U-Serv GmbH and field service activities of EVB Billing und Services GmbH in Germany.
- In April, Eltel's fixed communication business signed a renewal of a fibre build and maintenance agreement with TDC A/S in Denmark for three years at a value of EUR 50 million.
- In April, the Finnish Competition and Consumer Authority (FCCA) appealed the decision of the Market Court.
- In April, Eltel held its 2016 Annual General Meeting, at which a dividend of EUR 0.24 per share was approved and a new Board of Directors was elected, among other items of business addressed.
- In May, Eltel launched a global shared service specialisation initiative.

KEY FIGURES

EUR million	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015	Rolling 12-month
Net sales	287.5	239.0	1,254.9	1,303.4
Net sales growth, %	20.3	-7.8	1.0	6.7
Organic net sales growth, %*	-0.4	5.3	4.5	N/A
Operative EBITA	3.2	5.3	62.2	60.1
Operative EBITA margin, %	1.1	2.2	5.0	4.6
Non-recurring items	-	-2.6	-1.7	0.9
EBITA	3.2	2.7	60.5	61.0
EBITA margin, %	1.1	1.1	4.8	4.7
Operating result (EBIT)	-0.4	-0.4	46.6	46.6
EBIT margin, %	-0.1	-0.2	3.7	3.6
Result after financial items	-4.1	-8.3	32.2	36.4
Net result for the period	-3.6	-7.5	43.2	47.1
Earnings per share EUR, basic	-0.06	-0.14	0.69	0.73
Earnings per share EUR, diluted	-0.06	-0.14	0.69	0.73
Leverage ratio**	2.6	4.2	2.0	2.6
Leverage ratio, proforma adj. for non-recurring items**	2.6	2.8	2.0	2.6
Operative cash flow	-37.4	-59.9	45.8	68.3
Cash conversion, %**	112.1	12.0	75.8	112.1
Number of personnel, end of period	9,601	7,967	9,568	9,601

* organic net sales exclude Norwegian communication business and Edi.Son, Sønnico and Vete acquisitions in 2015 and is presented with comparable exchange rates
** calculated on a rolling 12-month basis

Group performance

Sales and financial results

NET SALES

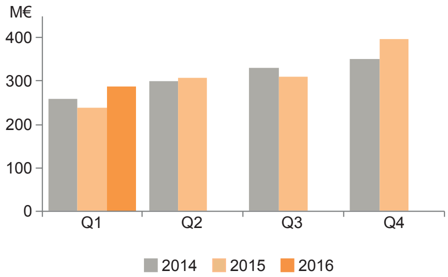
January–March 2016 compared to the same period in 2015

In local currencies, net sales for the Eltel Group increased by 23.2%. Reported net sales grew by 20.3% to EUR 287.5 million (239.0). The reasons for the significant growth were the acquisitions of Norwegian Eltel Sønnico AS, German Edi.Son Energietechnik GmbH and Norwegian Vete Signaltjenester AS, which were concluded in 2015. Organic net sales were almost flat and showed a marginal decrease of 0.4%. Unfavourable weather conditions impacted operations for both power distribution and fixed communication in the Nordic countries.

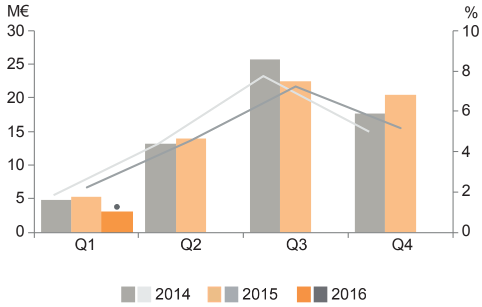
Compared to the level at the end of 2015, Eltel's committed order backlog increased by 3.4% to EUR 951 million at the end of March 2016, reaching a new record level. At year-end 2015, the committed order backlog was EUR 920 million. Growth in the committed order backlog was primarily supported by order intake in the Communication and Transport & Security segments. The committed order backlog comprises the total value of committed orders received but not yet recognised as sales. This is mainly related to project orders with a delivery time of 2-5 years and also includes committed orders in frame agreements.

In the first quarter, the Power segment accounted for 40% (45), the Communication segment for 50% (41) and the Transport & Security business segment for 10% (14) of Group net sales. The Communication segment's high share of Group net sales in the quarter is the result of the consolidation of Eltel Sønnico AS. In the comparable figures in the first quarter 2015, Eltel's Norwegian Communication business was operated as a joint venture (Eltel Sønnico) and net sales were deconsolidated.

NET SALES



OPERATIVE EBITA AND MARGIN, QUARTERLY



Net sales comparability

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

EUR million	Jan-Mar 2016	Jan-Mar 2015	Growth -%	Fx-corrected growth -%
Group net sales	287.5	239.0	20.3	23.2
Net sales from acquisitions	52.6		22.0	23.6
Group organic net sales	234.9	239.0	-1.7	-0.4

Net sales from acquisitions include acquired companies in the period from April 2015 until end of March 2016: Edi.Son Energietechnik GmbH, Eltel Sønnico AS and Vete Signaltjenester AS.

FINANCIAL RESULTS

January–March 2016 compared to the same period in 2015

In the first quarter, the Eltel Group's operative EBITA decreased to EUR 3.2 million (5.3), representing 1.1% of net sales (2.2). The decrease in operative EBITA was attributable to all segments. Unfavourable weather conditions at the beginning of the first quarter, especially in the Nordics, had a negative impact on first-quarter performance. The negative impact was also related to weaker performance in power transmission projects in Africa, an unfavourable business mix in the rail business and lower profitability in certain rail projects in Norway. The above-mentioned negative impact offset the positive development in the Power segment for the transmission business in Germany and Poland and the improvement in the Communication segment in Norway.

Compared with the first quarter in the previous year, Group EBITA was positively impacted by a very low level of Group shared service and other costs not allocated to segments, and compensation for legal costs as part of the ruling by the Finnish Market Court in the FCCA case.

Group EBITA amounted to EUR 3.2 million (2.7). No non-recurring costs were recognised in the first quarter of 2016, while EUR 2.6 million in non-recurring costs related to Eltel's listing on Nasdaq Stockholm in February 2015 were recognised in the comparative period in 2015. In the reporting period, amortisation of acquisition-related intangible assets amounted to EUR 3.6 million (3.1).

Net financial expenses decreased to EUR 3.7 million (7.9) due to lower interest costs as a consequence of the renewed financing carried out in February 2015. In the first quarter, financial costs included a negative EUR 1.3 million non-cash effect from interest rate revaluation in derivatives due to negative market interest rates impacting the application of hedge accounting. In the first quarter of 2015, financial costs included a non-cash write-off of EUR 3.5 million on capitalised costs for the pre-IPO financing.

Taxes for the period were positive EUR 0.5 million (+0.8) mainly as a result of a deferred tax impact related to the timing of income and costs.

Operating environment

Power

Market demand in the power segment is underpinned by strong long-term drivers. The operating environment is characterised by high market activity and long-term investment plans. In the power transmission market, 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. However, some postponements have been noted in the Polish market. In the power distribution market, the overall high activity level persisted. Growing demand for power and related new investment plans have attracted new players and competition remains intense. Distribution system operators in Norway, Denmark and Germany will continue to make decisions on smart metering investments in the years ahead. In Sweden, a new regulation model is expected to further increase power transmission and power distribution network investment levels.

Communication

Market conditions in communication are strong in the fixed communication sector but show some variation among countries and technologies. The communication sector continues to be driven by mainly optic fibre deployment and mobile roll-outs. Demand for fibre deployment is expected to remain at a high level in the Nordics and to grow in Germany and the UK. Meanwhile, in the Nordics, there is a certain degree of hesitation in the willingness of operators to invest in the copper network as a consequence of the ongoing copper churn. In the mobile communication sector, market demand for LTE/4G roll-outs continues to provide opportunities, especially in the Nordics. In Germany, announced investment plans are at a high level, although some delays have been noted in roll-out plans.

Transport & Security

In the Nordic transport sector, primarily railway, long-term market drivers remain strong and create a business environment with many opportunities for Eltel to expand its business. Increased investment plans for the transport sector were recently announced in Finland. Several customers publish their rolling forecasts for planned purchases on a monthly or quarterly basis, providing a good overview for tendering and business planning. The availability of resources remains challenging in some key technical areas. 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 potential business and market opportunities. The aviation sector in Norway and Denmark is opening up for external service providers, thereby providing new opportunities.

Balance sheet and cash flow

BALANCE SHEET AND FINANCIAL POSITION

31 March 2016

At the end of March 2016, interest-bearing liabilities totalled EUR 250.7 million (218.8), of which EUR 216.4 million (216.2) were non-current and EUR 34.4 million (2.6) were current. Cash and cash equivalents amounted to EUR 58.4 million (17.3).

Interest-bearing net debt totalled EUR 193.7 million (203.1), representing a decrease of 4.7% and equivalent to a net debt/EBITDA ratio of 2.6, adjusted for non-recurring items. This is marginally above Eltel's mid to long-term target of a ratio of 2.0-2.5.

INTEREST-BEARING LIABILITIES AND NET DEBT

EUR million	31 Mar 2016	31 Mar 2015	31 Dec 2015
Interest-bearing debt in balance sheet	250.7	218.8	231.6
Allocation of effective interest to periods	1.3	1.7	1.4
Less cash and cash equivalents	-58.4	-17.3	-87.9
Net debt	**193.7**	**203.1**	**145.1**

At the end of the first quarter, Eltel's liquidity position was at a healthy level and available liquidity reserves amounted to EUR 153.8 million (117.5). At the end of the first quarter, EUR 20 million of Eltel's EUR 100 million commercial paper programme – established in September 2015 – was utilised. At the end of March 2016, the Group's equity ratio was 45.1% (45.0).

At the end of the first quarter, guarantees based on contractual commercial commitments and pension liabilities issued by banks, other financial institutions and the Parent Company amounted to EUR 370.3 million (321.4). This amount included advance and other payment security guarantees.

CASH FLOW AND CASH CONVERSION

January–March 2016

In the first quarter of 2016, Eltel's operative cash flow was EUR -37.4 million (-59.9) driven by the lower operative result and impact of seasonal changes on net working capital. The negative cash flow is characteristic of the beginning of Eltel's calendar year as a consequence of gradually increasing production volumes – a typical seasonal pattern for Eltel's earnings generation.

The rolling 12-month cash conversion was 112.1% (12.0%). In the first quarter of 2015, cash conversion was impacted by payment of a major portion of non-recurring IPO advisory and incentive programme costs. Cash flow and thus cash conversion fluctuates on a quarterly basis due to Eltel's seasonal pattern for its net sales and production.

Cash flow from operating activities was EUR -34.1 million (-63.3), including a negative impact of EUR 41.2 million (-63.1) from the change in net working capital. Cash flow from financial items and taxes was EUR -3.1 million (-4.6). Net capital expenditure, mainly replacement investments, amounted to EUR 2.5 million (2.2). Cash flow for acquisitions amounted to EUR 10.2 million, primarily due to payment of the remaining part of the Eltel Sønnico acquisition consideration.

Seasonality during the calendar year

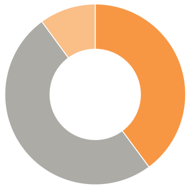
DISTRIBUTION OF SALES AND EARNINGS DURING THE FINANCIAL YEAR

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. Net sales and EBITA by quarter are presented in the graphs on page 3. 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. For more details, please refer to quarterly key financial figures for the Group on page 16.

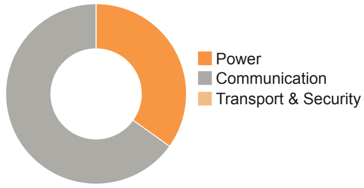
Segment information

Eltel reports its business in three segments – Power, Communication and Transport & Security – based on the products and services offered.

Q1 NET SALES BY SEGMENT



Q1 OPERATIVE EBITA BY SEGMENT



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 framework agreements and projects. Demand in the sector 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	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Net sales	114.8	107.8	567.6
Operative EBITA	1.4	2.1	29.6
Operative EBITA margin. %	1.2	1.9	5.2
Number of employees	3,324	3,278	3,607

January–March 2016 compared to the same period in 2015

In local currencies, the increase in net sales for the Power segment was 9.2%. Reported net sales increased by 6.5% to EUR 114.8 million (107.8). The majority of the growth in net sales was attributable to the acquisition of Edi.Son Energietechnik GmbH in Germany. In addition, growth was driven by power transmission projects in Poland. The strong growth in Germany and Poland was partly offset by lower volumes in certain African electrification projects in the quarter. The power distribution business in Finland was also negatively affected by unfavourable weather conditions at the beginning of the year.

Operative EBITA decreased to EUR 1.4 million (2.1), and the operative EBITA margin was 1.2% (1.9). The decrease mainly derives from weaker performance and the negative foreign exchange revaluation impact in certain African electrification projects as well as the weaker transmission business in the Nordics. In power distribution, there was a somewhat weaker business mix due to less favourable weather conditions compared with the same quarter in the preceding year. The decline was partly offset by higher production volumes and favourable performance in transmission projects in Poland and Germany.

COMMUNICATION

The Communication segment provides maintenance, upgrade and project 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 framework agreements. The business is primarily driven by technology upgrades and growing demand for networks.

EUR million	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Net sales	144.3	97.4	543.7
Operative EBITA	2.6	3.8	34.2
Operative EBITA margin. %	1.8	3.9	6.3
Number of employees	5,401	3,971	5,126

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

January–March 2016 compared to the same period in 2015

In local currencies, growth in net sales in the Communication segment was 52.1%. Reported net sales increased by 48.2% to EUR 144.3 million (97.4), mainly as a result of the consolidation of the acquired Norwegian joint venture Eltel Sønnico AS from September 2015 and onwards. Organic net sales increased 2.8%. Organic growth was supported by higher net sales in fibre upgrade services and increased maintenance volumes in Sweden. However, this was partly offset by lower business activity in Denmark. In the Nordics, the cold start to the winter hampered fixed communication operations in January.

Operative EBITA decreased to EUR 2.6 million (3.8) and the operative EBITA margin was 1.8% (3.9). The decrease in operative EBITA was mainly attributable to somewhat weaker profitability in the Nordic markets. In the first quarter of 2015, the business was supported by mild weather in combination with a high degree of storms in the Nordics. Profitability in the first quarter of 2016 was also slightly impacted by start-up costs related to new contracts and the ramp up of the new communication business in the UK.

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 framework agreements and project business contracts via tendering processes. The business is driven by investments in transport infrastructure, for air and rail transport and by the outsourcing of technical services in security and aviation.

EUR million	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Net sales	29.0	34.8	151.7
Operative EBITA	-0.1	2.3	11.4
Operative EBITA margin. %	-0.3	6.7	7.5
Number of employees	629	555	611

January–March 2016 compared to the same period in 2015

In local currencies, net sales for the Transport & Security business segment decreased by 15.8%. Reported net sales declined 16.5% to EUR 29.0 million (34.8). The main reasons for the lower net sales included the impact of the termination of the Rakel contract in the security business in Sweden and the phasing of two rail projects in Norway.

Operative EBITA decreased to EUR -0.1 million (2.3) and the operative EBITA margin declined to -0.3% (6.7). The main reasons for the weak profitability were the loss of the Rakel contract in Sweden and weak profitability of two rail projects in Norway. In addition, profitability was negatively impacted by integration costs in Norway following the acquisition of Vete AS and ramp up costs for new rail maintenance contracts in Denmark.

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

Other information

GROUP SHARED SERVICES ORGANISATION

As part of continuous operational efficiency improvements, Eltel has initiated a project to centralise its back office support functions. The project is estimated to continue over a two-year period and costs related to the implementation of the new organisation are expected to correspond to estimated achieved annual savings for the same time period.

RISKS AND UNCERTAINTIES

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

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

The Finnish Competition and Consumer Authority (FCCA) case in the Market Court in Finland

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

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

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

For further information regarding risks and uncertainties, please refer to the 2015 Annual Report.

2015 ANNUAL REPORT

On 11 April, Eltel published its 2015 Annual Report and 2015 Corporate Governance Report.

2016 ANNUAL GENERAL MEETING

Eltel's 2016 Annual General Meeting (AGM) was held on 2 May 2016 at the Group's headquarters in Bromma, Stockholm. The 2016 AGM approved the payment of a dividend of EUR 0.24 per share. The payment date for the dividend is 12 May 2016. For further information on the resolutions by the AGM, please refer to the press release on 2 May 2016 "Resolutions by Eltel's 2016 Annual General Meeting".

OWNERSHIP STRUCTURE

The largest shareholders of Eltel AB on 31 March 2016 were:

Shareholders	Number of shares	Share of capital and votes, %
Zeres Capital	8,075,545	12.90%
Lannebo fonder	6,195,781	9.89%
Swedbank Robur Fonder	5,990,510	9.57%
The Fourth Swedish National Pension Fund	5,775,530	9.22%
3i controlled entities	4,787,633	7.65%
Total	30,824,999	49.22%
Other shareholders	31,799,238	50.78%
Total outstanding shares in Eltel AB	62,624,238	100.00%

Updated information of Eltel's largest shareholders and the holdings of public insiders as per 31 March 2016 is available on Eltel's website at www.eltelgroup.com/en/share-information/.

Stockholm, 10 May 2016

Axel Hjärne
President and CEO

This report is unaudited.

Condensed financial information

CONDENSED CONSOLIDATED INCOME STATEMENT

EUR million	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Net sales	287.5	239.0	1,254.9
Cost of sales	-256.1	-210.1	-1,089.6
Gross profit	**31.4**	**28.9**	**165.3**
Other income	0.5	0.6	4.3
Sales and marketing expenses	-3.4	-2.1	-14.2
Administrative expenses	-23.5	-25.3	-88.0
Other expenses	-1.7	-0.1	-8.3
Share of profit/loss of joint ventures	-0.1	0.6	1.5
Operating result before acquisition-related amortisations (EBITA)	**3.2**	**2.7**	**60.5**
Amortisation of acquisition-related intangible assets	-3.6	-3.1	-13.9
Operating result (EBIT)	**-0.4**	**-0.4**	**46.6**
Financial income	-	0.1	0.3
Financial expenses	-3.7	-8.0	-14.7
Net financial expenses	-3.7	-7.9	-14.4
Result before taxes	**-4.1**	**-8.3**	**32.2**
Taxes	0.5	0.8	11.0
Net result	**-3.6**	**-7.5**	**43.2**
Attributable to:			
Equity holders of the parent	-3.7	-7.6	41.7
Non-controlling interest	0.1	0.1	1.5
Earnings per share (EPS)			
Basic, EUR	-0.06	-0.14	0.69
Diluted, EUR	-0.06	-0.14	0.69

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Net profit for the period	-3.6	-7.5	43.2
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Revaluation of defined benefit plans	2.0	0.4	0.4
Items that may be subsequently reclassified to profit and loss			
Cash flow hedges	-0.1	-0.3	-3.5
Net investment hedges	0.2	-0.7	-1.5
Currency translation differences	0.4	5.3	3.3
Total	0.5	4.4	-1.6
Other comprehensive income/loss for the period, net of tax	2.5	4.8	-1.2
Total comprehensive income/loss for the period	-1.1	-2.7	41.9
Total comprehensive income/loss attributable to:			
Equity holders of the parent	-1.2	-2.7	40.5
Non-controlling interest	0.1	0.1	1.5

CONDENSED CONSOLIDATED STATEMENT OF BALANCE SHEET

EUR million	31 Mar 2016	31 Mar 2015	31 Dec 2015
ASSETS			
Non-current assets			
Goodwill	465.4	409.2	463.6
Intangible assets	78.8	82.3	82.4
Property, plant and equipment	37.4	33.3	38.0
Investments in and receivable from joint ventures	0.1	29.5	0.2
Available-for-sale investments	0.2	0.3	0.2
Deferred tax assets	34.3	24.0	34.2
Other financial asset	35.0	35.0	35.0
Trade and other receivables	0.1	0.2	0.1
Total non-current assets	651.3	613.8	653.7
Current assets			
Inventories	9.4	12.3	14.5
Trade and other receivables	324.0	309.4	341.1
Cash and cash equivalents	58.4	17.3	87.9
Total current assets	391.8	339.1	443.5
TOTAL ASSETS	1,043.1	952.9	1,097.2
EQUITY AND LIABILITIES			
Equity			
Shareholders' equity	440.0	397.4	440.9
Non-controlling interest	7.2	6.5	7.1
Total equity	447.2	403.9	448.0
Non-current liabilities			
Debt	216.1	216.2	216.7
Liabilities to shareholders	35.0	35.0	35.0
Retirement benefit obligations	10.4	16.7	13.9
Deferred tax liabilities	16.9	15.8	17.1
Provisions	2.8	2.6	3.0
Other non-current liabilities	0.7	0.1	0.1
Total non-current liabilities	281.9	286.3	285.8
Current liabilities			
Debt	34.6	2.6	14.9
Provisions	3.6	5.0	3.8
Advances received	51.4	55.0	62.7
Trade and other payables	224.4	200.1	281.9
Total current liabilities	314.0	262.8	363.4
Total liabilities	595.9	549.0	649.2
TOTAL EQUITY AND LIABILITIES	1,043.1	952.9	1,097.2

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Cash flow from operating activities			
Cash flow from operating activities before financial items and taxes	-34.1	-63.3	49.1
Interest received	-	0.1	0.3
Interest and other financial expenses paid	-2.2	-3.7	-9.7
Income taxes paid	-1.0	-0.9	-3.3
Net cash from operating activities	-37.2	-67.8	36.4
Cash flow from investing activities			
Purchases of property, plant and equipment (PPE)	-2.7	-2.5	-12.3
Proceeds from sale of PPE	0.2	0.3	1.3
Acquisition of business	-10.2	-	-33.1
Net cash from investing activities	-12.7	-2.2	-44.2
Cash flow from financing activities			
Proceeds from issuance of share capital	-	143.1	143.1
Proceeds from long-term financial liabilities	-	209.3	209.3
Proceeds from short-term financial liabilities	20.0	-	29.2
Payments from short-term borrowings	-0.1	-	-19.0
Payments of financial liabilities	-	-326.5	-326.5
Payments of/proceeds from finance lease liabilities	-0.2	-	-0.5
Dividends to non-controlling interest	-	-	-0.8
Change in non-liquid financial assets	0.6	0.3	0.7
Net cash from financing activities	20.3	26.2	35.5
Net change in cash and cash equivalents	-29.7	-43.9	27.8
Cash and cash equivalents at beginning of period	87.9	61.0	61.0
Foreign exchange rate effect	0.2	0.2	-0.9
Cash and cash equivalents at end of period	58.4	17.3	87.9

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

EUR million	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
EBITA	3.2	2.7	60.5
Depreciation	3.2	2.8	11.9
Change in net working capital	-41.2	-63.1	-15.5
Net purchase of PPE	-2.5	-2.2	-11.1
Operative cash flow (used in cash conversion key figure)	-37.4	-59.9	45.8
Less net purchase of PPE, presented in investing activities	2.5	2.2	11.1
Gains on sales of assets	-	-	-1.3
Items recognised through other comprehensive income	-0.8	-1.8	-6.1
Other non-cash adjustments	1.6	-3.8	-0.4
Cash flow from operating activities before financial items and taxes	-34.1	-63.3	49.1

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve	Currency Translation	Total	Non-controlling interest	Total equity
Equity at 1 Jan 2016	125.2	389.1	-37.3	-22.5	3.7	-17.2	440.9	7.1	448.0
Total comprehensive income for the period	-	-	-3.7	2.0	0.1	0.4	-1.2	0.1	-1.1
Equity-settled share-based payment	-	-	0.2	-	-	-	0.2	-	0.2
Total transaction with owners	-	-	0.2	-	-	-	0.2	-	0.2
Equity at 31 Mar 2016	125.2	389.1	-40.8	-20.5	3.8	-16.8	440.0	7.2	447.2

EUR million	Share capital	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve	Currency Translation	Total	Non-controlling interest	Total equity
Equity at 1 Jan 2015	86.4	276.3	-79.4	-22.9	8.6	-20.5	248.4	6.4	254.9
Total comprehensive income for the period	-	-	-7.6	0.4	-0.9	5.3	-2.7	0.1	-2.7
Proceeds from shares issued	38.9	113.4	-	-	-	-	152.3	-	152.3
New share issue costs	-	-0.6	-	-	-	-	-0.6	-	-0.6
Total transaction with owners	38.9	112.8	-	-	-	-	151.7	-	151.7
Equity at 31 Mar 2015	125.2	389.1	-87.0	-22.5	7.7	-15.2	397.4	6.5	403.9

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

Notes to the condensed consolidated interim financial statements

Accounting principles

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The accounting principles adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2015.

NET SALES BY SEGMENT

EUR million	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Power			
Net sales (external)	114.7	107.4	561.4
Inter-segment sales	0.1	0.4	6.3
Communication			
Net sales (external)	143.9	96.8	541.9
Inter-segment sales	0.4	0.5	1.8
Transport & Security			
Net sales (external)	29.0	34.7	151.6
Inter-segment sales	-	-	0.2
Net sales not allocated to segments	-	-	-
Elimination of sales between segments	-0.6	-1.0	-8.2
Net sales, total	**287.5**	**239.0**	**1,254.9**

RECONCILIATION OF SEGMENT RESULTS

EUR million	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Operative EBITA by segment			
Power	1.4	2.1	29.6
Communication	2.6	3.8	34.2
Transport & Security	-0.1	2.3	11.4
Items not allocated to operating segments*	-0.7	-2.9	-13.0
Operative EBITA, Group	3.2	5.3	62.2
Non-recurring items**	-	-2.6	-1.7
EBITA before acquisition-related amortisations	3.2	2.7	60.5
Amortisation of acquisition-related intangible asset	-3.6	-3.1	-13.9
Operating result (EBIT)	-0.4	-0.4	46.6
Non-recurring non-cash financial expenses for pre IPO financing	-	-3.5	-3.5
Other financial expenses, net	-3.7	-4.4	-10.9
Result before taxes	**-4.1**	**-8.3**	**32.2**

* 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, see below

NON-RECURRING EBITA ITEMS

EUR million	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
IPO-related management incentive programme (MIP)	-	-1.8	-1.8
IPO-related advisory costs	-	-0.8	-0.8
Other non-recurring items	-	-	0.9
Non-recurring items in EBITA	-	-2.6	-1.7
IPO-related non-recurring advisory costs recognised in equity	-	-0.6	-0.6
Sum IPO-related management incentive programme (MIP) in the period	-	-1.8	-1.8
Sum IPO-related advisory costs in the period	-	-1.4	-1.4
Total IPO-related costs in the period	-	-3.2	-3.2

Other non-recurring items in 2015 consist of gain from remeasurement Eltel's previously owned 50% of Eltel Sønnico to fair value.

EARNINGS PER SHARE

	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Net result attributable to equity holders of the parent	-3.7	-7.6	41.7
Dividend attributable to preference shares	-	-	-
Net result for EPS, basic and diluted	-3.7	-7.6	41.7
Weighted average number of common shares, basic	62,624,238	54,823,481	60,700,764
Weighted average number of common shares, diluted	62,639,865	54,823,481	60,702,870
Earnings per share EUR, basic	-0.06	-0.14	0.69
Earnings per share EUR, diluted	-0.06	-0.14	0.69

DERIVATIVE FINANCIAL INSTRUMENTS

	31 Mar 2016		31 Mar 2015		31 Dec 2015	
EUR million	Nominal values	Net fair values	Nominal values	Net fair values	Nominal values	Net fair values
Interest rate derivatives	157.6	-2.5 [1)]	158.2	-0.8 [3)]	157.8	-1.1 [5)]
Foreign exchange rate derivatives	113.1	0.6 [2)]	131.4	-1.2 [4)]	82.0	0.3 [6)]
Embedded derivatives	43.9	4.0	100.7	10.6	58.5	6.2
Total	**314.6**	**2.1**	**390.3**	**8.6**	**298.3**	**5.4**

Designated as cash flow hedge 1) EUR -1.2 million 2) EUR -0.1 million 3) EUR -0.8 million 4) EUR 0.0 million 5) EUR -1.1 million 6) EUR -0.1 million. Financial assets recognised at fair value through profit and loss comprise solely derivatives. Fair values of the derivative instruments are based on observable market values (level 2 observable input information) at balance sheet date. Fair value of other financial instruments corresponds their book value.

TRANSACTIONS WITH RELATED PARTIES

No transactions have taken place between Eltel and related parties that significantly affect the company's position and earnings during the quarter.

QUARTERLY KEY FINANCIAL FIGURES FOR THE GROUP

EUR million	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015
Net sales	287.5	397.3	310.8	307.8	239.0
Net sales growth, %	20.3	12.8	-6.1	2.7	-7.8
Operative EBITA	20.5	20.5	22.5	13.9	5.3
Operative EBITA margin, %	7.1	5.2	7.2	4.5	2.2
EBITDA	6.3	23.9	26.3	16.7	5.5
EBITA	3.2	20.5	23.3	14.0	2.7
EBITA margin, %	1.1	5.2	7.5	4.5	1.1
Operating result (EBIT)	-0.4	16.5	19.6	10.9	-0.4
EBIT margin, %	-0.1	4.2	6.3	3.5	-0.2
Result after financial items	-4.1	14.3	17.0	9.1	-8.3
Net result for the period	-3.6	17.3	25.2	8.3	-7.5
Earnings per share EUR, basic	-0.06	0.27	0.39	0.13	-0.14
Earnings per share EUR, diluted	-0.06	0.27	0.39	0.13	-0.14
Return on capital employed, %*	53.6	135.7	42.8	33.3	35.1
Return on equity (ROE), %*	11.1	12.3	10.1	3.1	2.2
Leverage ratio*	2.6	2.0	3.6	4.1	4.2
Net working capital	48.9	7.6	74.3	39.8	47.6
Operative cash flow	-37.4	90.4	-7.4	22.7	-59.9
Cash conversion, %*	112.1	75.8	4.5	78.1	12.0
Number of personnel, end of period	9,601	9,568	9,236	8,223	7,967

* calculated on a rolling 12-month basis

QUARTERLY SEGMENT INFORMATION

NET SALES

EUR million	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015
Power	114.8	171.3	135.8	152.6	107.8
Communication	144.3	192.4	140.3	113.6	97.4
Transport & Security	29.0	37.5	36.6	42.9	34.8
Net sales not allocated to segments	-	-	-	-	-
Elimination of sales between segments	-0.6	-3.9	-1.9	-1.4	-1.0
Net sales, total	**287.5**	**397.3**	**310.8**	**307.8**	**239.0**

OPERATIVE EBITA BY SEGMENT

EUR million	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015
Power	1.4	10.2	9.6	7.7	2.1
% of net sales	1.2	5.9	7.1	5.1	1.9
Communication	2.6	13.5	10.8	6.1	3.8
% of net sales	1.8	7.0	7.7	5.3	3.9
Transport & Security	-0.1	1.4	4.2	3.4	2.3
% of net sales	-0.3	3.8	11.4	8.0	6.7
Costs not allocated to segments	-0.7	-4.6	-2.2	-3.3	-2.9
Operative EBITA	**3.2**	**20.5**	**22.5**	**13.9**	**5.3**
% of net sales	1.1	5.2	7.2	4.5	2.2

NUMBER OF EMPLOYEES BY SEGMENT, AT THE END OF PERIOD

	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015
Power	3,324	3,607	3,347	3,442	3,278
Communication	5,401	5,126	5,094	4,032	3,971
Transport & Security	629	611	566	581	555
Other	247	224	229	168	163
Total	**9,601**	**9,568**	**9,236**	**8,223**	**7,967**

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)	Net result attributable to equity holders of the parent - dividend attributable to preference shares / Weighted average number of ordinary shares
OPERATIVE CASH FLOW	EBITA + depreciation + change in net working capital – net purchase of PPE (capex)
CASH CONVERSION, %*	Operative cash flow x 100 / EBITA
EQUITY RATIO, %	Total equity x 100 / Total assets - advances received
NET DEBT	Interest-bearing debt (excluding shareholder loans) - cash and cash equivalents
RETURN ON CAPITAL EMPLOYED, %*	EBIT x 100 / 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, %*	Net result x 100 / Total equity (average over the reporting period)
LEVERAGE RATIO*	Net debt / EBITDA

* calculated on a rolling 12-month basis

Parent company

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 Company has no operative business activities and its risks are mainly attributable to the activities of its subsidiaries.

PARENT COMPANY INCOME STATEMENT

EUR million	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Net sales	-	-	1.4
Administrative income and expenses	-1.2	-2.1	-4.9
Interest and other financial income	5.0	6.9	23.7
Interest and other financial expenses	-0.8	-1.3	-2.6
Net financial items	4.2	5.6	21.1
Result after financial items	**3.0**	**3.5**	**17.5**
Appropriations			
Group contributions given	-	-	-17.2
Net result	**3.0**	**3.5**	**0.4**

PARENT COMPANY BALANCE SHEET

EUR million	31 Mar 2016	31 Mar 2015	31 Dec 2015
ASSETS			
Non-current assets			
Shares in group companies	241.6	241.6	241.6
Deferred tax assets	0.1	-	0.1
Other financial asset	35.0	35.0	35.0
Receivables from group companies	362.7	369.2	357.6
Total non-current assets	639.4	645.8	634.3
Current assets			
Trade and other receivables	0.9	0.8	2.2
Cash pool receivable	25.3	-	5.8
Cash and cash equivalents	0.1	0.1	-
Total current assets	26.3	0.9	8.1
TOTAL ASSETS	665.7	646.7	642.4
EQUITY AND LIABILITIES			
Equity	506.6	507.3	504.0
Non-current liabilities			
Debt	83.2	83.2	83.3
Liabilities to shareholders	35.0	35.0	35.0
Liabilities to group companies	-	13.9	-
Deferred tax liabilities	0.7	-	-
Total non-current liabilities	118,9	132.1	118.3
Current liabilities			
Debt	19.9	-	-
Liabilities to group companies	17.2	2.9	17.5
Provisions	-	1.9	-
Trade and other payables	3.1	2.6	2.5
Total current liabilities	40.2	7.4	20.1
Total liabilities	159.1	139.5	138.4
TOTAL EQUITY AND LIABILITIES	665.7	646.7	642.4

PRESENTATION OF THE INTERIM REPORT

Analysts and media are invited to participate in the first quarter 2016 briefing on 11 May 2016 at 10:00 a.m. (CET) where Eltel's President and CEO Axel Hjärne and CFO Gert Sköld will present the report and answer questions. A live audiocast as well as the presentation will be available at www.eltelgroup.com/investors.

FOR FURTHER INFORMATION, PLEASE CONTACT:

Ingela Ulfves, VP - IR and Communications
tel. +358 40 311 3009, ingela.ulfves@eltelnetworks.com

FINANCIAL CALENDAR

Interim report January-June 2016	19 August 2016
Interim report January-September 2016	9 November 2016
Full-year report January-December 2016	10 February 2017

Eltel AB discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 08.00 a.m. (CET) on 11 May, 2016.

Eltel in Brief

Eltel is a leading European provider of technical services to the Infranet industry-critical infrastructure in the segments of Power, Communication and Transport & Security – with operations throughout the Nordic and Baltic regions, Poland, Germany and the United Kingdom. Eltel provides a broad and integrated range of services spanning from maintenance and upgrade services to project deliveries. Eltel has a diverse contract portfolio and a loyal and growing customer base of large network owners.

The group began its journey towards becoming a leading European provider of technical services for the Infranet industry in early 2000. At that point of time, deregulation, privatisations and needs of efficiency improvements among electricity utilities and telecom operators started to shape the industry. Since then, Eltel has grown rapidly and, for the financial year ended 31 December 2015, the group generated net sales of EUR 1,255 million and reported operative EBITA of EUR 62.2 million.

STRATEGY AND TARGETS

Eltel has a clear strategic agenda of capitalising on its strong market position and ensuring sustained profitable growth. The company has set four financial targets in the journey towards its vision of becoming the leading Infranet service company in Europe.

MEDIUM- TO LONG-TERM TARGETS

Eltel has defined the following medium- to long-term targets:

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

Medium- to long-term should roughly be seen as a three- to five-year period.

DIVIDEND POLICY

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

Eltel AB
POB 126 23, Adolfsbergsvägen 13, Bromma
SE-112 92 Stockholm
SWEDEN
Corp. id no. 556728-6652

tel. +46 8 585 376 00
info@eltelnetworks.com
http://www.eltelnetworks.com
http://www.eltelgroup.com