

Press release 27 May 2016 at 10.00 CET

## Notice to Eltel AB's Extraordinary General Meeting

**The shareholders of Eltel AB (publ) (company register number 556728-6652) are hereby invited to an Extraordinary General Meeting to be held on Monday 20 June 2016 at 13.00 CET.**

### Location

Eltel AB, Adolfsbergsvägen 13, Bromma, Stockholm

### Notice of attendance

Shareholders who wish to attend the General Meeting shall:

- have entered into the share register kept by Euroclear Sweden AB on Tuesday 14 June 2016; and
- give notice of his/her intention to participate at the Extraordinary General Meeting no later than Wednesday 15 June 2016 by noon CET.

Notice of attendance at the Extraordinary General Meeting shall be made

- in writing to Eltel AB, c/o Setterwalls Advokatbyrå, Attention: Lars Sundell, P.O. Box 1050, SE-101 39 Stockholm, Sweden, or
- by telephone +46 8 598 891 28,
- by email [lars.sundell@setterwalls.se](mailto:lars.sundell@setterwalls.se).

When giving notice of participation, the shareholder shall state name, personal identification number or company registration number, telephone number and number of shares represented at the Extraordinary General Meeting.

### Proxies

If participation is by way of proxy, such document should be submitted in connection with the notice of participation at the Extraordinary General Meeting. For shareholders who wish to participate at the Extraordinary General Meeting by proxy, a proxy form will be available at the company's website, [www.eltelgroup.com](http://www.eltelgroup.com) and may be ordered by contacting Eltel at the above telephone number.

### Nominee registered shares

Shareholders with nominee-registered shares must, in order to participate at the General Meeting, temporarily register the shares in his or her own name. Such shareholder must notify its nominee regarding the above-mentioned matter in due time prior to 14 June 2016.

### Eltel AB

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## **Proposed agenda**

1. Election of Chairman of the meeting
2. Preparation and approval of the voting list
3. Approval of the agenda
4. Election of one or two persons to verify the minutes
5. Establishment of whether the Meeting has been duly convened
6. Resolution regarding Long Term Incentive Program 2016 (LTIP 2016)
7. Closing of the General Meeting

## **Proposal by the Board of Directors:**

### *Item 6: Resolution regarding Long Term Incentive Programme 2016 (LTIP 2016)*

Eltel's Board of Directors proposes that the Extraordinary General Meeting pass a resolution on the implementation of a share savings program (LTIP 2016). This proposal is divided into four items:

- A. Terms of the Share Savings Programme 2016 (LTIP 2016).
- B. Hedge for LTIP 2016 in the form of new class C shares.
- C. If item B is not approved, the Board proposes that hedge of LTIP 2016 shall take place via equity swap agreement with a third party.
- D. Other matters related to LTIP 2016

### **A. Share Savings Programme 2016 (LTIP 2016)**

#### **A.1 Introduction**

At the Annual General Meeting 2015 it was resolved to launch a long term incentive programme 2015 (LTIP 2015) for key individuals within the Eltel Group. The Board is proposing to continue the performance-based, long-term share programme that was introduced last year, in order to increase and strengthen the potential for recruiting, retaining and rewarding key individuals. The board therefore proposes that the Extraordinary General Meeting approves the implementation of a share savings program 2016 (the "LTIP 2016") for key individuals within the Eltel Group. The aim is also to use LTIP 2016 to create an individual long-term ownership of Eltel shares among the participants. Participants will, after a qualifying period and assuming an investment of their own in Eltel ordinary shares, receive allotments of additional Eltel ordinary shares without consideration. The number of allotted shares will depend on the number of Eltel ordinary shares they have purchased themselves and on the fulfilment of certain performance targets. The term of LTIP 2016 is three years.

## A.2 Basic features of LTIP 2016

The LTIP 2016 will be directed towards key individuals in the Eltel Group based in Sweden and other countries. Participation in the LTIP 2016 assumes that the participant acquires and locks Eltel ordinary shares into LTIP 2016 (“Savings Shares”).

For each acquired Savings Share, the participant shall be entitled, after a certain qualification period (defined below) and provided continued employment during the entire period, to receive an allotment of one Eltel matching/retention share (“Matching Share”). Dependent on the fulfilment of certain performance targets linked to Eltel’s earnings per share for the financial year 2018, 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.

## A.3 Participation in LTIP 2016

During the second quarter 2016, the Board will decide on participation in LTIP 2016 and the assignment of participants to a certain category.

LTIP 2016 is directed towards three categories of participants:

Category	Maximum of Savings Shares (% 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 the GMT and other key employees, a maximum of 74 persons	10%	1.0x	2.0x

The maximum number of Savings Shares for each participant shall 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. In order to be eligible to participate in LTIP 2016, the participant must make a minimum investment of an amount equal to 25% of the applicable maximum level for Savings Shares investment.

Any resolution on participation or implementation of LTIP 2016 shall be conditional on that it, in the Board's judgement, can be offered with reasonable administrative costs and financial effects.

#### **A.4 Allotment of Matching Shares and Performance Shares**

Allotment of Matching Shares and Performance Shares within LTIP 2016 will be made during a limited period of time following presentation of the first quarterly statement 2019. The period up to this date is referred to as the qualification period (vesting period). A condition for the participant to receive allotment of Matching Shares and Performance Shares is that the participant remains an employee of the Eltel group during the full qualification period up until allotment and that the participant, during this period, has kept all Savings Shares. Allotment of Performance Shares requires that the EPS performance targets are fulfilled.

The performance targets are Eltel's earnings per share for the financial year 2018. Partial fulfilment of the performance targets will result in partial allotment of Performance Shares. Performance under a certain level will result in no allotment.

Prior to the allotment of Matching Shares and Performance Shares, the Board shall assess whether the allotment is reasonable in relation to the Company's financial results, position and performance, as well as other factors. In this regard, the participant's maximum gross profit per Performance Share shall be limited to three times the share price of the Eltel share at the time of the commencement of the qualification period, and therefore the number of Matching Shares and/or Performance Shares allotted to the participant may be reduced proportionally in order to achieve such limitation.

#### **A.5 Implementation and administration etc.**

The Board, with the assistance of the remuneration committee, shall in accordance with the resolutions by Extraordinary General Meeting set forth herein be responsible for the detailed design and implementation of LTIP 2016. The Board may also decide on the implementation of an alternative cash based incentive for participants in countries where the acquisition of Savings Shares or allotment of Matching and/or Performance Shares is not appropriate, as well as if otherwise considered appropriate. Such alternative incentive shall to the extent practically possible be designed to correspond to the terms of LTIP 2016.

The intention is that the Board shall launch LTIP 2016 before the end of the second quarter of 2016.

### **B. Hedge for LTIP 2016 in the form of new Class C Shares**

#### **B.1 Introduction**

The Board proposes that the implementation of LTIP 2016 shall be made in a cost-effective and flexible manner, and that the undertakings of the Company for delivery and costs referable to Matching and Performance Shares primarily shall be hedged by a directed issue of convertible

and redeemable Class C Shares. These shares can be repurchased and converted into ordinary shares and transferred in accordance with the following.

### **B.2 Authorization for the Board to resolve on a directed issue of class C shares**

The Board shall be authorized to resolve on a directed issue of Class C Shares on the following terms and conditions:

- a) The maximum number of Class C Shares to be issued is 622,000.
- b) With a deviation from the shareholders' preferential rights, the new shares may only be subscribed for by one external party after arrangement in advance with the Board.
- c) The amount to be paid for each new share (the subscription price) shall equal the share's quota value at the time of subscription.
- d) The authorization may be exercised on one or several occasions until the Extraordinary General Meeting 2017.
- e) The new class C shares shall be subject to Chapter 4, Section 6 of the Swedish Companies Act (conversion restriction) and Chapter 20, Section 31 of the Swedish Companies Act (redemption restriction).

The purpose of the authorisation is to hedge the undertakings of the Company according to LTIP 2016 and other incentive programmes resolved by Eltel's General Meeting and, in terms of liquidity, to hedge payments of social security contributions related to Matching and Performance Shares.

### **B.3 Authorization for the Board to repurchase issued class C shares**

The Board shall be authorized to repurchase class C shares on the following terms and conditions:

- a) Repurchase can only take place by way of an acquisition offer directed to all holders of class C shares in the Company.
- b) The maximum number of Class C shares to be repurchased shall amount to 622,000.
- c) Repurchase shall be made at a cash price per share of minimum 100 and maximum 110 per cent of the quota value applicable to the repurchased class C shares at the time of repurchase.
- d) The Board shall have the right to resolve on other terms and conditions for the repurchase.
- e) Repurchase may also be made of a so-called interim share regarding a class C share, by Euroclear Sweden AB designated as a Paid Subscribed Share (Sw. Betald Tecknad Aktie, BTA).
- f) The authorization may be exercised on one or several occasions until the Annual General Meeting 2017.

The purpose of the authorization is to hedge the undertakings of the Company according to LTIP 2016 and other incentive programmes resolved by the general meeting of the Company and, in

terms of liquidity, to hedge payments of social security contributions related to Matching and Performance Shares.

#### **B.4 Transfer of Eltel's own ordinary shares in LTIP 2015 and LTIP 2016**

Transfer of the Company's own ordinary shares in LTIP 2015 and LTIP 2016 can be made on the following terms and conditions:

- a) A maximum number of 497,600 Eltel ordinary shares may be transferred free of charge to participants in LTIP 2016 and other incentive programmes resolved by Eltel's General Meeting.
- b) A maximum number of 124,400 Eltel ordinary shares may be disposed at market price on the stock market in order to hedge the cash-flow related to the Company's payments of social security contributions in relation to LTIP 2016 and other incentive programmes resolved by Eltel's General Meeting.
- c) The terms for these transfers, the number of shares in each transaction and the timing for the transactions shall be as stipulated in the terms and conditions of LTIP 2016.
- d) The number of Eltel shares that may be transferred within the framework of LTIP 2016 may be subject to customary recalculations as a result of bonus issue, split, rights issue and/or similar events.
- e) The above resolution under item b) regarding disposal of shares in the stock market will be proposed to be repeated as a new annual decision by each Extraordinary General Meeting during the term of LTIP 2016 and other incentive programmes resolved by the general meeting of the Company.

#### **B.5 Reasons for the deviation from the shareholders' preferential rights etc.**

The reason for deviation from the shareholders' preferential rights is to implement the proposed LTIP 2016 as set out herein. In order to minimize costs for LTIP 2016, the subscription price shall equal the Class C Share's quota value.

Since the Board considers that the most cost-effective and flexible method of transferring Eltel shares under LTIP 2016 is to transfer own shares, the Board proposes that the transfer is hedged in this way in accordance with this item B. Should the necessary majority not be obtained for the item B proposal, the Board proposes that the transfer is hedged by entering into a share swap agreement with a third party in accordance with item C below.

#### **C. Equity swap agreement with a third party**

The Board proposes that the Extraordinary General Meeting, should the necessary majority not be obtained for item B above, resolve to hedge the financial exposure of LTIP 2016, by the Company entering into a share swap agreement with a third party, whereby the third party in its own name shall acquire and transfer shares in the Company in LTIP 2016. The relevant number of shares shall correspond to the number of shares proposed under item B above.

## **D. Other matters in relation to LTIP 2016**

### **D.1 Majority requirements etc.**

The resolution by the Extraordinary General Meeting regarding the implementation of LTIP 2016 according to item A above shall be conditional on the Extraordinary General Meeting resolving either in accordance with the Board's proposal under item B above or in accordance with the Board's proposal under item C above.

The resolution according to item A above shall require a majority of more than half of the votes cast at the Extraordinary General Meeting. A valid resolution under item B above requires that shareholders representing not less than nine-tenths of the votes cast as well as the shares represented at the Extraordinary General Meeting approve the resolution. A valid resolution under item C above shall require a majority of more than half of the votes cast at the Extraordinary General Meeting.

### **D.2 Estimated costs, expenses and financial effects of LTIP 2016**

LTIP 2016 will be accounted for in accordance with "IFRS 2 – Share-based payments". IFRS 2 stipulates that the share awards should be expensed as personnel costs over the qualification period and will be accounted for directly against equity. Personnel costs in accordance with IFRS 2 do not affect the company's cash flow. Social security contributions will be recognised as an expense in the income statement through regular provisions in accordance with generally accepted accounting principles. The amount of these regular provisions will be revalued in line with the trend in the value of the right to Matching/Performance Shares, and the contributions payable on the allotment of Matching/Performance Shares.

Assuming a share price at the time of implementation of EUR 9.20 (SEK 85), and that the performance targets are achieved so that 75 percent or the maximum number of Performance Shares vest, including a share price increase of 12 percent during the vesting period, the annual cost for LTIP 2016, including social security costs, is estimated to approximately EUR 1.5 million before tax. The corresponding annual cost with full achievement of the performance targets is estimated to approximately EUR 1.8 million before tax.

LTIP 2016 will comprise maximum 497,600 shares in total which corresponds to approximately 0.8 percent of the total outstanding shares and votes in the Company. Aggregated with the 124,400 shares that may be transferred in order to cover the cash flow effects associated with social security contributions for LTIP 2016, this corresponds to approximately 1.0 percent of the total outstanding shares and votes in the Company.

The above calculations are based on a decision on hedging in accordance with item B. To the extent that a share swap agreement in accordance with item C is entered into to hedge the obligations under LTIP 2016, any fluctuations in the value of the swap agreement during the life of LTIP 2016 will be recognized as an income or expense in the income statement.

In the view of the Board, the positive effects expected to arise from LTIP 2016, outweigh the costs associated with LTIP 2016.

### **D.3 The Board's explanatory statement**

The Board wishes to increase the ability of Eltel to recruit and retain key employees. Moreover, an individual long-term ownership commitment among the participants in LTIP 2016 is expected to stimulate greater interest and motivation in the Company's business operations, results and strategy. The Board believes that the implementation of LTIP 2016 will benefit Eltel and its shareholders. LTIP 2016 will provide a competitive and motivation-improving incentive for key individuals within the Group.

LTIP 2016 has been designed to reward the participants for increased shareholder value by allotting shares, based on the fulfilment of conditions in respect of results and operations. Allotments shall also require a private investment by each respective participant through the acquisition of shares by them at market price. By linking the employees' remuneration to an improvement in Eltel's results and value, the long-term value growth of Eltel is rewarded. Based on these circumstances, the Board considers that the implementation of LTIP 2016 will have a positive effect on the Eltel Group's continued development, and will thus be beneficial to the shareholders and Eltel.

### **D.4 Summary of other share-related incentive programs**

At the Annual General Meeting 2015, the shareholders approved the Eltel Long Term Incentive Programme 2015 (LTIP 2015). The terms and conditions for the LTIP 2015 are similar to the terms and conditions for the proposed LTIP 2016. The subscription period for the programme took place in August 2015. In total, 97% of the invited participants (70 persons) decided to participate in LTIP 2015. The programme comprises a maximum of 318,610 shares in total, corresponding to approximately 0.5% of the total number of outstanding shares and votes in the Company. The Savings Shares for the LTIP 2015 were acquired in a structured way in ordinary trading on the stock market on 17 September 2015. The average purchase price for the 91,953 shares acquired by the participants was SEK 94.94.

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The Board, or a person appointed by the Board, shall be authorised to make any minor adjustments to the above resolutions that may be necessary in connection with the registration with the Swedish Companies Registration Office and Euroclear Sweden AB respectively.



**Number of shares and votes**

As of 26 May 2016, Eltel has a total of 62,624,238 ordinary shares, representing one vote each. In addition, the Company holds 537,000 C shares, with 1/10 votes each.

Bromma, 26 May 2016

**Eltel AB (publ)**

The Board of Directors

*This information is published by Eltel AB pursuant to the requirements of the Swedish Securities Market Act.*

**For further information:**

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**About Eltel**

Eltel is a leading European provider of technical services for critical infrastructure networks – Infranets – in the segments of Power, Communication and Transport & Security, with operations throughout the Nordic and Baltic regions, Poland, Germany, the United Kingdom and Africa. 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. In 2015 Eltel's net sales amounted to EUR 1,255 million. The current number of employees is approximately 9,600. Since February 2015, Eltel AB is listed on Nasdaq Stockholm.