Annual Report 2020

ELTEL

The reliable partner for securing infranets

Eltel is a leading Nordic field service provider for power and communication networks enabling a more sustainable and connected world today and for future generations.

Content

The year in brief

2020 was a year marked by operational improvements in all of Eltel's operations. In combination with several new and prolonged agreements, divestments of non-strategic operations and a new approach to large projects in High Voltage Poland, this resulted in a stronger financial position with a stabilised balance sheet.

Highlights 2020

Operational improvements
Eltel has implemented several initiatives to promote operational efficiency – primarily improve production planning, optimise route planning and technician utilisation.

Maintaining market-leading position
Eltel signed several large and important contracts during the year, including long-term partnerships to construct and maintain infranets in collaboration with network owners and telecom operators.

Divestments
During 2020, Eltel divested its German Communication business and the Swedish business area Aviation & Security. The divestments have both strengthened the Nordic focus as well as contributed to a lower net debt.

New approach to large projects in High Voltage Poland
In 2020, Eltel implemented a new strategy in High Voltage Poland to reduce future contractual and operational risk, as well as reduce the company's exposure to larger projects.

Stabilised balance sheet
During the year, Eltel worked to reduce its net working capital and its net debt. This resulted in a more stable balance sheet compared to recent years.

COVID-19
The pandemic has had a moderate impact on the relatively stable infranet markets. The company has mainly experienced delays in project execution and lower investment levels by certain customers. Regarding Eltel's own business, all Country Units were quick to respond in order to ensure business continuity.

Key figures

5,449
Number of employees

938.0
Net sales, EUR million

11.4
Operative EBITA, EUR million

1.2%
Operative EBITA margin

Our strategy has driven our financial and operational turnaround and we achieved a positive result.

– Casimir Lindholm

This is Eltel

Eltel is a leading Nordic field service provider for critical power and communication infrastructure networks – infranets.

Securing the lifelines of modern society
We all depend on stable power and communication networks because they are the lifelines of a modern society. Eltel builds, maintains and upgrades these essential lifelines for national network operators and owners.

Eltel enables a more sustainable society
The infranet solutions that Eltel provides enable and support the transformation to a robust, resilient and carbon-neutral society. For example, Eltel provides infrastructure that allows renewable energy generation, electric vehicle charging and high-capacity communication networks. This supports the digitalisation of society and enables new ways of interacting and meeting.

Our services and offering
We deliver a comprehensive range of services in Power and Communication – from project delivery to maintenance and upgrade solutions, primarily for the owners of power and communication networks.

Most of our work is conducted through long-term frame agreements that enable us to work in close collaboration with customers to achieve their objectives. We accomplish this through our strategy of Operational Excellence, which focuses on delivering on our customer promises, streamlining our operations and improving productivity. Read more about our Operational Excellence strategy on page 6.

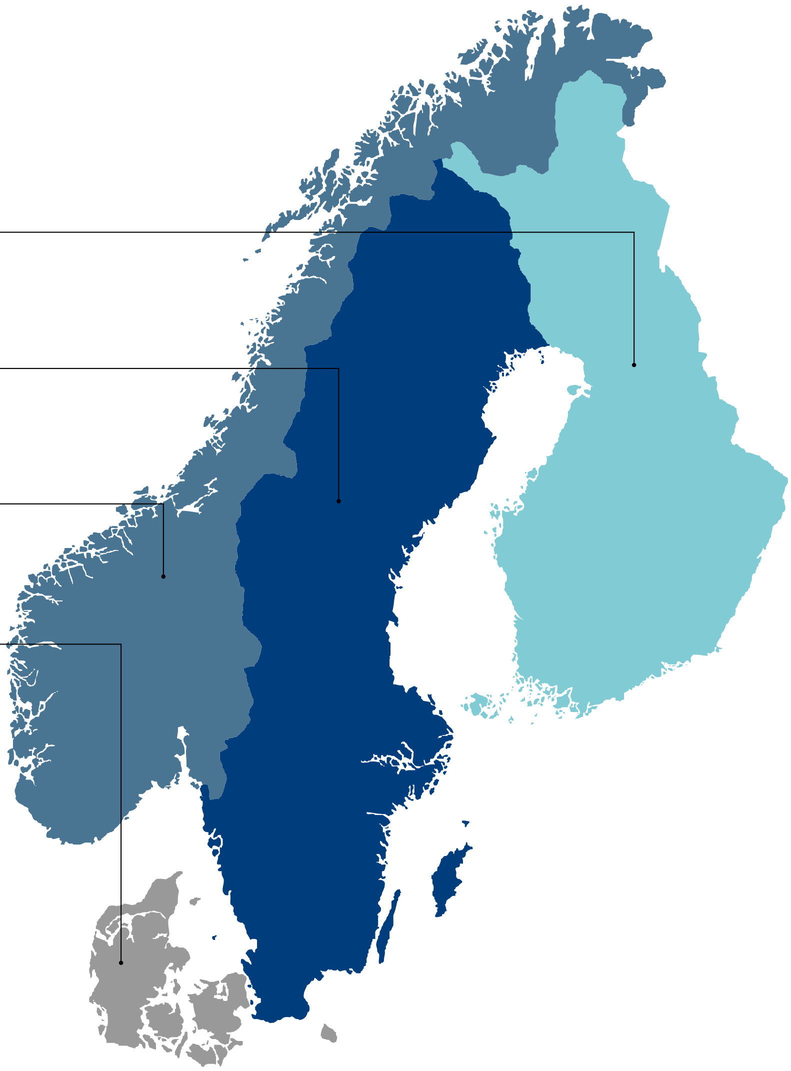
In 2020, Eltel continued to focus on its core activities and Nordic markets, and its transformation journey.

The infranet solutions that Eltel provides enable and support the transformation to a robust, resilient and carbon-neutral society.

Why invest in Eltel?

We keep society working by ensuring power can be supplied to end users and by securing good communication connections. Our services make society more robust with well-managed and state-of-the-art power and communication networks.

- We are the Nordic market leader
- Market trends support growth for our business
- We enable a more sustainable society and work to minimise our negative impact on the environment
- We focus on operational excellence and cost efficiency
- We are a quality-focused organisation
- We enable cross-border synergies



FINLAND

Net sales: EUR **300.2** MILLION

Number of employees: **1,470**

SWEDEN

Net sales: EUR **224.5** MILLION

Number of employees: **1,003**

NORWAY

Net sales: EUR **177.7** MILLION

Number of employees: **943**

DENMARK

Net sales: EUR **118.1** MILLION

Number of employees: **637**

OTHER COUNTRIES

Net sales: EUR **117.5** MILLION

Number of employees: **1,235**

Services	Offerings	Markets	Customers	Net sales 2020
Power Large regional stakeholder active in the Nordics, Poland and Germany. *>> Read more about our Power services on page 8.*	• Maintenance in electricity distribution and transmission • Upgrades in electricity distribution • High Voltage projects • Smart Grids	• The Nordics • Poland • Germany	• Network operators • Local industrial customers and the public sector • Utility companies	35%
Communication The market leader in the Nordic region. *>> Read more about our Communication services on page 10.*	• Maintenance of mobile and fixed networks • Upgrades to mobile and fixed networks	• The Nordics • Lithuania	• Telecom operators • Local industrial customers and the public sector	64%
Other Includes non-core business activities that are being divested or ramped down.	• Power Transmission projects outside Europe	• Outside Europe	• Network operators	1%

Achieving profitability and financial stability

Eltel President and CEO Casimir Lindholm reflects on a positive 2020, and what this means for Eltel and its future prospects in the infranets market.

We have had a satisfying year following good progress on our strategic objectives.

How would you summarise 2020 for Eltel?
We have had a satisfying year following good progress on our strategic objectives. Our work in recent years has helped to create a much more stable and profitable company with a Nordic focus and country-based operations supported by a lean Group organisation. Our strategy has driven our financial and operational turnaround and we achieved a positive result.

We signed ten major customer agreements during the year, which strengthened our position as the leading Nordic field service company and provided a strong platform to build on in 2021 and beyond. The largest contracts we were awarded comprised an agreement with Telenor worth up to EUR 280 million and a five-year frame agreement with the utility company Helen Electricity Network in Helsinki.

In terms of sustainability, I am pleased to report that we made good progress on our main safety indicator. Our Lost Time Injury Frequency (LTIF) rate was 4.9 per million hours worked, which is a market-leading performance in our industry. We also focused on our climate impact and succeeded in reducing our carbon footprint through improved production planning.

What impact did the divestments have during the year?
We have continued to deliver on our strategy by divesting our German Communication business and the Swedish business area Aviation & Security, as well as closing our operations in the UK. We used the proceeds of these sales to pay off parts our net debt. Another part of the debt was paid off through capital released from large projects that have been finalised, as well as from improved internal processes.

What progress has been made on Eltel's profitable growth journey?
In 2020, we benefited from our efforts to strengthen our balance sheet by improving net working capital and almost halving net debt. We are still negatively impacted by a number of old unprofitable projects, but as these will end in 2021, our performance will strengthen going forward. We will continue to focus on our home markets in the Nordics in the coming years by promoting organic growth. From 2022 we are looking at potential opportunities to grow through mergers and acquisitions.

How is the general market situation for Eltel?
The markets in the Nordics are stable with good opportunities for growth in the coming years. In the communication segment, 5G roll-out will begin in all four Nordic countries and there are also opportunities in the fibre market. The power market is driven by the ongoing need to upgrade outdated power grids, as well as smart meter installations.

What's new with the 2021–2023 Sustainability Plan?
Our new plan takes our sustainability work to the next level. This includes adopting a market-leading position, for example through our committed work on safety and through the commitments we have made to our customers.

The plan confirms our role as an enabler for a more sustainable society, for example, by installing and maintaining infranets that enable people to work remotely, thereby reducing the need to travel, or to support fossil-free energy supply. The plan is aligned with the UN Sustainable Development Goals (SDGs).

What was the impact of COVID-19 on Eltel and how did the company respond?
2020 has been challenging for society as a whole. We reacted quickly when the pandemic struck by communicating recommendations in order to promote the well-being of our employees, customers and other stakeholders. The pandemic had a moderate impact on our business, although some projects experienced delays and we saw some reduction of customer investments levels. Regarding our own operations, the Country Units were quick to respond in order to ensure business continuity.

What are Eltel's main challenges and opportunities in 2021?
I would say our main opportunities are to continue to work on operational excellence by further improving our internal procedures, quality and efficiency, particularly in production planning. We will continue to upsell our services by broadening the scope of our offering in large frame agreements in the future.

We do face some challenges in turning around our operations in High Voltage Poland, although we took proactive measures on this during 2020. By adjusting our operations to adapt to local market conditions and making necessary management changes, we have put ourselves in a position to turn these businesses around.

Do you have any final words?
I want to thank all our employees for their hard work and commitment, as well as our customers, shareholders and other stakeholders for their trust in us in 2020.

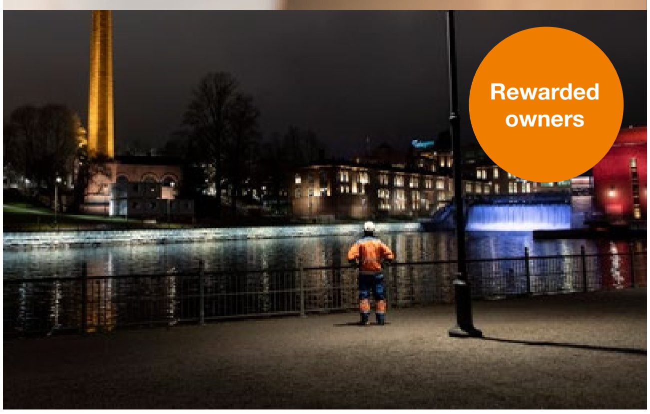
Casimir Lindholm
President and CEO

Our strategy: Operational Excellence

As a provider of technical services for power and communication networks, we recognise that operational excellence must be key to everything we do.

Our goals

Eltel's strategy – Operational Excellence – is based on three goals that are mutually supportive and contribute to our success:



Focus on our Nordic markets

Eltel strategically focuses on the Nordic markets in which it has a market-leading position.

A Nordic focus with lower risk and fewer capital-intensive projects enables Eltel to continue to develop, grow and invest in order to ensure long-term sustainable value creation for both the company, its shareholders and society at large.

Promoting profitability and winning market share

Eltel has four priorities designed to promote profitability and win market share in its key markets. Eltel's strategy is aligned with market trends that influence the infranet sector – read more in the 'Megatrends and market' chapter on page 12.

Our four strategic priorities are:

- Always deliver on our customer promises
- Optimise the use of skills and resources
- Improve team performance
- Work smarter and improve quality.

Eltel's financial targets by end of 2023	
Rewarded owners	
Group EBITA margin	5%
Annual growth in the Nordics from 2022 onwards	2–4%
Leverage[1]	1.5–2.5x net debt/EBITDA
Dividend payout	Subject to leverage target
Satisfied customers	
Customer satisfaction index	>75
Engaged Employees	
Employee satisfaction & motivation	>3.75
Lost time injury frequency	Goal zero
Short-term sick leave	<2.5%

[1] Net debt/EBITDA is calculated as defined in the financing agreement. Net debt is defined as interest-bearing debt consisting of short-term and long-term debt less cash and cash equivalents. Both net debt and EBITDA exclude IFRS16 impact.

Our transformation journey

Eltel is midway through a three-phase transformation journey to ensure sustainable value creation and profitable growth. Here is a selection of some of the steps taken in 2020.

» Prioritising core operational improvements

Eltel Norway refined its automated technician route planning system, the Eltel Order System (EOS), with a text message ordering system to enhance the customer experience, further improve production planning, while reducing costs and emissions.

Eltel Finland initiated a project to optimise route planning, resulting in a significant potential for optimisation of route planning which could reduce the driving kilometres and thus directly reducing our costs and CO_2 emissions. (see the case story on page 23 for further details).

Eltel Denmark implemented efficiency initiatives such as more efficient driving and higher utilisation rate through improved production planning.

Eltel Sweden has continued to focus on Operational Excellence by increasing efficiency and strengthening project control, which ensures that projects are delivered on time and according to specification.

» Strengthening the company's financial position

- Stable balance sheet – strong improvement compared to 2019
  - Reduced net working capital
  - Reduced net debt

» Reducing risks in High Voltage Poland

During the year, Eltel implemented a new strategy for reducing future contractual and operational risk in High Voltage Poland, as well as reducing the company's exposure to larger projects through selective tendering.

» Successful divestments

Eltel divested its German Communication business and the Swedish Aviation & Security business. The divestments have both strengthened the Nordic focus as well as contributed to the lower net debt.

2017–2018

House in order

- Reorganisation to strengthen focus on local markets
- Increased focus on operational KPIs to foster continuous improvements and sharing of best practices
- Initiatives to control project business risk

2019–2021

Operational Excellence

- Improve profitability
- Prioritise core operational improvements
- Upsell on existing customer base
- Restructure non-performing businesses, including potential divestments
- Strengthen the financial situation of the company

2022–2023

Investing in sustainable profitable growth

- Increase market share in the Nordics
- Innovation and new market development
- Replicate existing business models across the Nordics
- Pursue M&As in the Nordics

Power

The Power market can be roughly divided into three areas: maintenance, projects and turnkey projects, in which Eltel is responsible for design, as well as planning and construction of the project. Despite its focus on the Nordics, Eltel is retaining its Polish business for the time being and continues to work on improving profitability.

Focus on profitability

The Power market is highly competitive with considerable price pressure, and contracts have become more complex and comprehensive. In order to drive profitability, we have become more selective in bidding for projects and have strengthened our tender approval process.

In line with our strategy, we have put a lot of effort into training and developing our people in project planning, cost control, resource planning and project governance. This promotes a stronger customer focus and helps us to deliver on our customer promises. Primary customers include national transmission system operators and owners of power distribution grids.

Developments in 2020

2020 has been a mixed year for the Power market. Eltel's Power business has focused on operational excellence and improving project management. Eltel has successfully reduced the level of risk in its Power business during the year by strengthening its risk management processes in tendering, and by completing some poorly performing projects.

There has been significant growth in Finland's Power market due to the increased installation of wind farms that require substations and transmission lines. In Denmark, Eltel has experienced growth in medium and low voltage projects around Copenhagen and in smart meter installation.

Power opportunities

The demand for increased network capacity and capabilities is expected to be the main driver in the Power market in the coming years. There is an ongoing need to upgrade outdated power grids, as well as smart meter installations. Areas such as charging infrastructure for electric vehicles and solar panel installation are growing, although from a low level.

There is potential for Eltel to gain more long-term partnership contracts similar to the Helen Electricity Network frame agreement in Finland. Such large contracts not only provide long-term stability, they help Eltel to expand its share of the value chain.

FINANCIAL PERFORMANCE

	2020	2019
Net sales (EUR million)	329.8	377.7
Operative EBITA (EUR million)	-9.5	-17.5
Operative EBITA margin (%)	-2.9	-4.6
Number of employees	1,997	2,111

Large Power agreements in 2020

- In December, Eltel Sweden signed an agreement with Kamstrup, to install 275 000 smart meters in Gothenburg. The agreement is worth about EUR 14 million.
- In April, Eltel Finland signed a five-year frame agreement with Helen Electricity Network Ltd. The agreement is worth around EUR 90 million. Eltel will construct and maintain the electricity distribution network in Helsinki.
- In February, Eltel Sweden entered into a contract with Vattenfall Eldistribution AB. The contract is worth around EUR 22 million. The project will involve replacing 236,000 electricity meters.

Case

Partnership serves 400,000 customers in Helsinki

In 2020, Eltel entered into a five-year frame agreement to construct and maintain Helsinki's electricity distribution network – to promote efficiency and quality in close partnership with the network owner.

The EUR 90 million frame agreement involves constructing and maintaining the entire low and medium voltage electricity network in Helsinki. The network serves 400,000 customers. This is the first power network partnership of its kind in Finland and is expected to promote efficiency and quality.

Eltel was previously one of several suppliers to Helen Electricity Network, the third largest power company in Finland, but in 2020, Eltel became the sole provider of grid design, construction, fault repair, maintenance and documentation services.

Full process responsibility

"Depending on the network development plans, we are available to connect new buildings and transformers to the network, as well as carry out any upgrades," says Andreas Wackström, District Manager at Eltel. "Our 24/7 maintenance team responds to calls and our technicians work on site to resolve any issues in order to ensure that the residents of Helsinki have a power network that they can rely on."

Eltel has a dedicated team of 70–80 people working on the frame agreement.

"I think these long-term power network partnerships represent the future, as they promote efficiency and quality. In this sense, Eltel is certainly leading the market," concludes Wackström.

Eltel has a dedicated team of 70–80 people working on the frame agreement.

Communication

Eltel's Communication offering provides a broad range of services from designing and planning to the building, installing, upgrading, operating and servicing of mobile and fixed networks. Communication constitutes around two thirds of Group revenue.

Eltel's main customers are large telecom operators and communication network owners. Eltel's business generally involves long-term relationships with a steady inflow of orders generated by frame agreements.

Focus on Operational Excellence

Our focus in 2020 has been on developing and adjusting solutions in order to achieve increased efficiency throughout the entire value chain. From planning to final documentation, we must ensure the most efficient day-to-day operations. It is our technicians who meet our end customers and it is important that we have the right skills and best tools in order to guarantee a good customer experience, while also streamlining the planning of our technicians' daily tasks.

This involves investing in app-based solutions to plan orders and ensure that a technician with the necessary skills and certification who is closest to the job is assigned a particular service order. This also promotes the health and safety of our employees, as well as the quality of our work, while contributing to more efficient route planning that reduces vehicle emissions.

Developments in 2020

The Communication business has had a stable turnover as operators in Eltel's markets in general are maintaining high investment levels in their communication networks. A significant amount of preparatory work was conducted for 5G in all the markets during the year, with most roll-outs beginning in 2021.

In 2020, Eltel Norway entered the offshore market, together with its material suppliers. Eltel supplies equipment as well as warehouse, maintenance and support services. Several radio links have already been installed to deliver 4G/5G communication to offshore platforms in the North Sea.

Other developments include increased sales in Denmark, primarily through fibre roll-out and rail signalling projects in the country. Finland also increased its market share by continuing to be a trusted partner with a strong national presence. Despite winning new, smaller frame agreements, Eltel also lost a large frame agreement in Sweden, which will lead to reduced future net sales. In addition, two major customers in Sweden and Norway reduced their investment levels due to COVID-19, which impacted the net sales in the second half of the year.

Communication opportunities

5G will be a growth area in the next few years along with Fixed Wireless Access (FWA) and private networks. There are also opportunities in the fibre market. Our estimation is that communication networks will increase due to the expected roll-out of IoT sensors in the coming years as more devices are connected to the internet.

We are currently investigating opportunities to identify complementary businesses to combine with our services. These could include Wi-Fi and public information screens that use the same communication networks. We have already established a solid platform for both new and existing customers.

FINANCIAL PERFORMANCE

	2020	2019
Net sales (EUR million)	594.9	698.4
Operative EBITA (EUR million)	24.4	18.1
Operative EBITA margin (%)	4.1	2.6
Number of employees	3,172	4,137

Major Communication agreements in 2020

- In December, Eltel Sweden signed a three-year continuation of a current frame agreement with Telia regarding the dismantling of telephone poles. The agreement is worth about EUR 55 million.
- In December, Eltel Finland signed a three-year continuation of a current frame agreement with Telia regarding fixed and mobile telecom services. The agreement is worth about EUR 110 million.
- In November, Eltel Norway signed a three-year frame agreement with Telia, to roll out Fixed Wireless Access (FWA). The agreement is worth about EUR 11 million.
- In November, Eltel Norway signed a three-year continuation of a current frame agreement with Telenor. The agreement covers field services for about EUR 180–280 million.
- In April, Eltel Finland signed a three-year frame agreement to install fibre with Valokuitunen Oy, worth about EUR 38 million.
- In April, Eltel Sweden signed a three-year frame agreement with the Swedish Transport Administration to perform field services for its IT facilities. The agreement is worth about EUR 23 million.
- In March, Eltel Finland signed a three-year continuation of a current frame agreement with a large telecom operator. The agreement covers fixed telecom services, is worth about EUR 66 million and includes new geographical areas.

Case

Connecting COVID-19 testing stations

Throughout 2020, the COVID-19 pandemic has had a major impact on the world and the way we live, and governments have had to quickly set up testing facilities in order to track the virus, stop the spread and ultimately save lives.

In late April 2020, when the first wave of the COVID-19 pandemic was at its peak in Denmark, Eltel was asked to connect COVID-19 testing stations in Århus and Thisted as quickly as possible. The work involved connecting temporary testing stations with fibre to provide the necessary connectivity for sending and receiving large amounts of test data to a central office for processing.

"I worked at the testing station in Thisted, which had five tents and some temporary accommodation units for staff," says Bjarne Mortensen, fibre technician at Eltel. "We received an urgent request on the Friday morning and had installed a working fibre connection on the Sunday – in time for the station to start testing on Monday!"

Eltel develops a fibre solution

As the testing station was located in an asphalt car park, connecting it according to the original plan would have involved several days of excavation and installation. This would have delayed the opening of the testing station.

"Together with our sub-contractor, we developed an alternative solution that involved minimal excavation by running a 250-meter fibre cable from the adjacent marina," says Mortensen. "We received approval from the customer and permission from local building owners for the solution. It was great that everyone was willing to quickly identify an optimal solution to connect the testing station."

In the autumn, the tents at the testing station in Thisted were replaced with insulated huts. The huts use the same fibre connection to maintain good connectivity.

We received approval from the customer and permission from local building owners for the solution.

Megatrends transforming the infranet sector

Megatrends present both challenges and opportunities and shape the outlook for players in the infranet market.

The demand to install, upgrade, maintain and secure power and communication networks is driven by megatrends such as digitalisation, electrification, urbanisation and climate change. Infranets are therefore increasingly essential lifelines for modern society and meet the day-to-day needs of businesses and individuals. They enable us to move towards a sustainable and low-carbon society, for example, by providing the infrastructure for electric vehicles and renewable energy, and building communication networks that support the digitalisation of society, as well as enabling new ways of interacting and meeting.

The market trends shaping our sector

The infranet sector is constantly changing. The key ongoing trends driving this change include increased customer demand, regulatory requirements, the need to upgrade ageing power infrastructure and the growing use of renewable energy. The table below summarises these key trends, their impact and how the infranet sector is responding.

Market trend	Impact on the sector	Sector response
Increased customer demand and technological developments	• Ever-increasing data usage and digitalisation are driving a shift towards new technology and smarter networks.	• The ongoing upgrade of infrastructure, including higher capacity and smart networks. • 4G and Wi-Fi/LAN/radio build- out/upgrades. • 5G and IoT are set to shape the near future.
Increasing regulatory requirements	• The EU drives harmonisation and sets minimum targets for broadband capacity and availability. • European governments demand reliable power networks, renewable energy and automated meter management.	• Ongoing fibre roll-out. • Network investments in improved operations and service levels to meet stringent requirements. • Installation of smart meters.
Ageing power and communication infrastructure	• Old and inefficient power and communication networks are approaching the end of their technical life cycle.	• Major investments are being made in order to upgrade ageing power and communication networks with next-generation infrastructure, load management capabilities and smart grids.
Growing use of renewable energy and energy-saving solutions	• Renewable energy sources (RES) require load management capabilities. • Power networks must be capable of managing supply and demand from a growing number of 'prosumers' that both produce and consume energy. • The drive towards energy-efficient solutions.	• Increased investment in systems that can cope with RES. • More investments in network capabilities, energy storage and load management. • Large national smart meter rollouts and other energy-efficient solutions such as municipal LED street lightning and electric vehicle charging infrastructure.

Market summary and outlook

Eltel's markets in the Nordics are stable with good opportunities for growth in the coming years – particularly in fibre, 5G, power grid upgrades and smart meter installation. Sustainability continues to grow in importance in our markets.

Fibre
The outlook for fibre in our core markets, Finland, Norway and Denmark, and continues to be bright, including both new investments and the need to upgrade existing fibre networks.

5G
Eltel is a frontrunner in 5G mobile communication, which will be a growth market in the coming years along with operator investments driven by the need for improved network capacity. 5G roll-out was prepared and planned in 2020 and is expected to start in all markets in 2021.

Power grid upgrades
The demand to upgrade outdated power grids remains strong. The growing establishment of wind farms in Finland and Denmark is a significant driver of the demand to upgrade regional network connections.

Smart meters
The installation of smart meters continues in various phases in our markets. This includes large ongoing roll-out projects and a pipeline of projects.

Sustainability
Sustainability is growing in importance in all Eltel's markets. An increasing number of major customers are announcing ambitious goals and emission targets with which they expect their suppliers to comply with in tenders and projects.

All Country Units are working proactively to reduce their environmental footprint. This includes the procurement of more efficient vehicles and smarter route planning to avoid unnecessary driving, as well as recycling site waste and sourcing renewable energy for their premises.

COVID-19
In 2020, the pandemic had a moderate impact on Eltel's business in terms of its own operations and its relatively stable infranet markets. The company has mainly experienced delays in project execution and lower investment levels by certain customers.

Our country units

Eltel has country-based operations with a lean management structure on both a Group and a Country Unit (CU) level. Eltel's CUs have considerable autonomy with their own management teams, as well as profit and loss responsibility. The units are supported by cost-efficient Group-wide enabling functions.

Finland

CU Finland offers the full Eltel service offering – including power, communication, power transmission and smart grids that include solar photovoltaic installation and electric vehicle charging stations. CU Finland installs power transmission lines, substations, fibre, 5G and streetlighting, and also manages fault repair and maintenance contracts.

Eltel Finland serves a diverse market of network owners and system operators. The CU is the leading infranet service provider in Finland and is a trusted partner with around 60 offices offering a nationwide presence. It can take on complex projects and quickly mobilise hundreds of repair technicians in the event of a storm, for example.

Developments in 2020

In 2020, Eltel Finland streamlined its leadership structure with around 40 different teams, each of which measures its profitability.

During the year, the Country Unit launched a digital daily performance management programme that has improved production planning. Every team now holds weekly planning meetings and technicians are increasingly being encouraged to report via a digital app that is connected to the planning tool, KPIs and production bonus systems.

Market summary

A trend in Finland has been the increased need for upgrading regional network connections due to the establishment of more wind farms in the country. 5G is another growing business sector in Finland in which Eltel is a frontrunner. Operators are investing in 5G roll-out, which began in April 2020 and will continue for at least the next three years in urban areas. There are also opportunities in the fibre market.

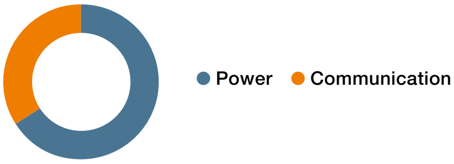
Market outlook

5G installation and Power transmission work related to the establishment of wind farms are the most promising growth markets for Eltel Finland.

FINANCIAL PERFORMANCE

	2020	2019
Net sales (EUR million)	300.2	271.0
Operative EBITA (EUR million)	7.2	5.0
Operative EBITA margin (%)	2.4	1.8
Number of employees	1,470	1,391

Net sales by segment



Sweden

The Communication business accounts for around 90% of Eltel's turnover in Sweden. Eltel installs and maintains fibre networks, maintains existing copper networks and is a major player in the Fibre to the Home (FTTH) market. The CU works with indoor wireless networks, as well as radio and mobile communications. Customers include national operators, network owners and municipalities.

Eltel Sweden's Power business focuses on the low to medium voltage distribution segment and substation cabling. Installing smart meters is also a significant part of the business with large ongoing roll-out projects. The CU has a national presence and the capability to deliver complex frame agreements with a skilled workforce.

Developments in 2020

Eltel Sweden has continued to focus on its Operational Excellence strategy by increasing efficiency and strengthening project control, which ensures that projects are delivered on time and according to specification.

A programme was implemented during the year to prioritise actions fo cused on ensuring the right skills are in the right place at the right time. A taskforce was also established to further improve the way in which customer contracts are implemented and executed.

Market summary

5G mobile communication upgrades began in 2020 with pilot programmes and will be rolled out in Sweden in 2021 and beyond. In the fibre market, there is a shift from investments by national operators to municipalities and small energy companies developing their local networks. There is also an increasing demand to replace and upgrade fibre networks, which have a lifespan of around 25 years.

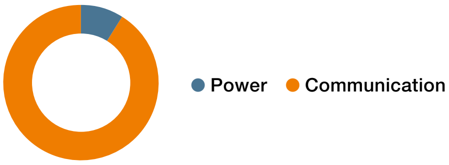
Market outlook

5G will be a growth market in the coming years, along with investments driven by the need for improved network capacity. The outlook for smart meter installation in Sweden is also bright. Investments related to public infrastructure networks are expected, along with upgrades to Sweden's emergency communication network – Rakel.

FINANCIAL PERFORMANCE

	2020	2019
Net sales (EUR million)	224.5	291.3
Operative EBITA (EUR million)	-3.7	-18.3
Operative EBITA margin (%)	-1.6	-6.3
Number of employees	1,003	1,650

Net sales by segment



Norway

Country Unit Norway is active in the Communication market, offering the entire value chain of installing and maintaining fixed and mobile communication networks. This includes planning, project management, testing and documentation. Eltel Norway serves operators, utility companies, regional fibre operators and private companies through B2B services.

Eltel is a leading service provider with the competence and capacity to deliver throughout the entire value chain, including turnkey projects and innovative solutions for ensuring cost efficiency and quality. CU Norway also draws on Eltel's cross-border workforce to meet demand during typical peak business periods (March to October) and ensure cost effectiveness.

Developments in 2020

Eltel Norway established a project management office to manage all projects over EUR 1 million. This centralised team combines local technicians with senior management. This is increasingly relevant in the market as customers seek to bundle more projects into larger contracts.

Eltel started supplying equipment as well as warehouse, maintenance and support services to deliver 4G/5G radio link installation services to offshore platforms in the North Sea.

Market summary

FTTH peaked in 2020 with around 170,000 new connections during the year. This has been driven by the decommissioning of the old copper network in Norway, which also led to a large demand for Fixed Wireless Access (FWA) in rural areas. In 2020, the 5G roll-out was tendered and planned, with approximately 18,000 upgrades to the existing mobile communication network required from 2021.

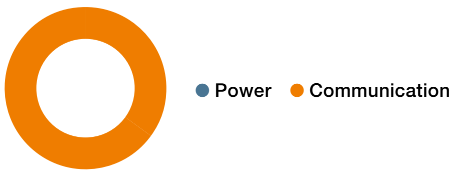
Market outlook

Mobile networks and 5G will be the major growth markets in the coming years. FTTH projects will continue, although at lower volumes than in 2020. It is expected that parts of the FTTH business will be replaced by the growing FTTB (Fibre to the Business) market. Another trend in FTTH is that operators are investing more in condensation, which involves supplementing their existing networks with additional customer connections.

FINANCIAL PERFORMANCE

	2020	2019
Net sales (EUR million)	177.7	218.7
Operative EBITA (EUR million)	14.3	17.2
Operative EBITA margin (%)	8.0	7.9
Number of employees	943	1,053

Net sales by segment



Denmark

The Communication market accounts for around 85% of Eltel's revenue in Denmark. Eltel is a market leader in the country's booming fibre market and also operates in the mobile network market. Rail communications projects are an important business area and Eltel provides the entire value chain – including design, installation, surveillance and maintenance. Other communication work includes, among others, maintaining and upgrading ambulance hardware.

In the Power market, Eltel primarily deals with medium and low voltage systems – such as modernising the Danish power network for renewable energy, electric bus charging systems in Copenhagen and upgrades to municipal LED lighting.

Developments in 2020

Eltel has implemented efficiency initiatives through better production planning. These initiatives include more efficient driving and better project planning, for example, by ensuring the right materials are on site at the start of a job.

Market summary

The fibre market is booming in Denmark with telecom and utility companies competing to deliver fibre to every household in the country. Eltel has a strong position in this market. The mobile network market continues to be challenging due to intense competition and pricing pressures. Increased cooperation with customers and sub-contractors through partnering is a key trend in Denmark.

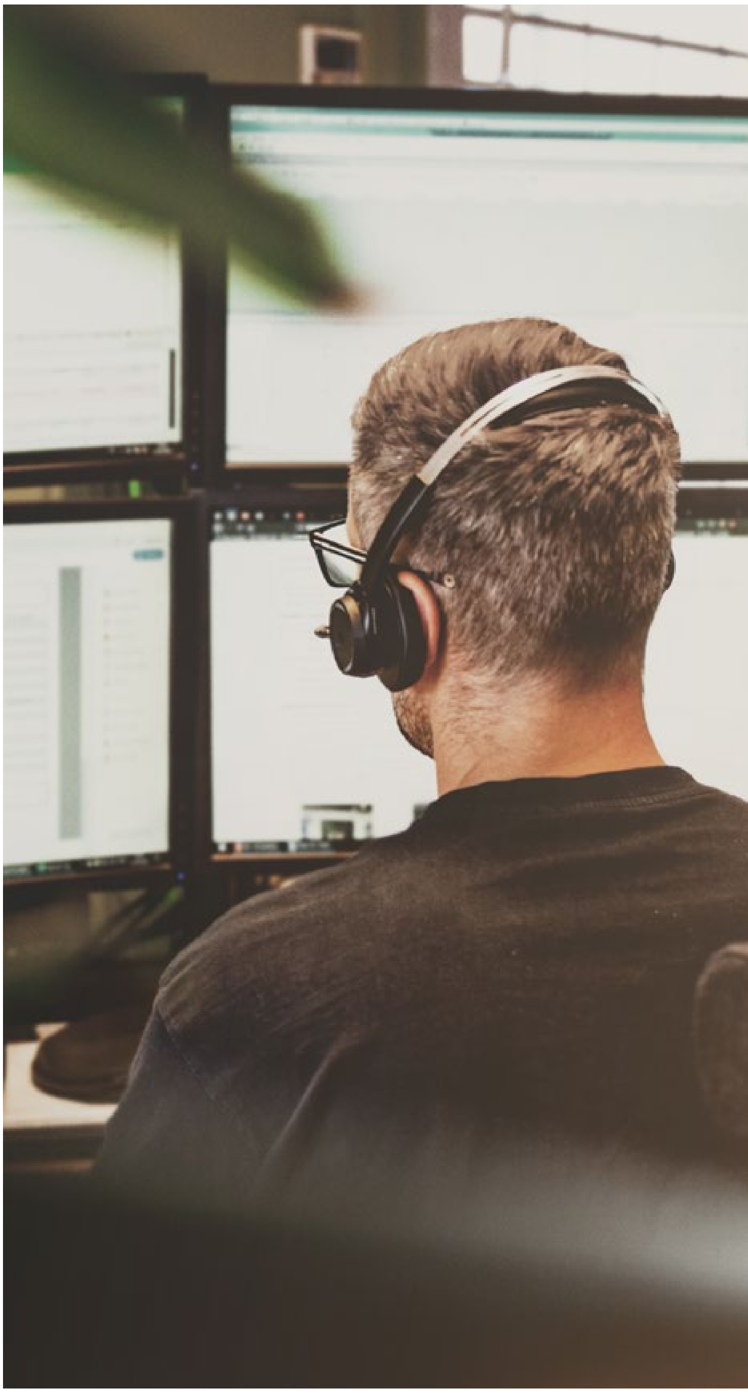
Market outlook

The fibre market will continue to expand in Denmark until at least 2023. 5G roll-out is expected to start in 2021 and Eltel is developing a strategy to best capture this market. The Power business will continue to grow due to the expansion of renewable energy and the need to upgrade the power grid. Eltel is planning a nationwide expansion of its Power business to capture a greater market share.

FINANCIAL PERFORMANCE

	2020	2019
Net sales (EUR million)	118.1	109.3
Operative EBITA (EUR million)	5.0	5.8
Operative EBITA margin (%)	4.3	5.3
Number of employees	637	631

Net sales by segment



Other countries

Eltel has a project-based business, High Voltage, that operates in Poland. In Germany, Eltel is active in Smart Grids. Eltel has a small but strong Communication Business Unit in Lithuania that can provide the Nordic countries with highly skilled technicians – our cross-border workforce.

Sustainability

For Eltel, sustainability is about building a strong profitable company for the future and delivering lasting financial, social and environmental value to Eltel's stakeholders.

Eltel operates in a market that can help the world eliminate its carbon footprint in 30 years.

We work proactively to minimise our negative impact and maximise our positive impact on people and the environment. Our approach to sustainability is shaped by the demands and expectations of our main stakeholders and society at large. It also provides us with our greatest opportunity to contribute to a more sustainable society.

Responsibility and governance

The Eltel Sustainability Committee, comprising business representatives from all Country Units, reports directly to the Group Management Team and the President and CEO, who is ultimately responsible for sustainability at Eltel. To further optimise the development going forward, a Sustainability Steering Group was established in 2020.

Stakeholder dialogue guides our approach

We actively engage with a variety of stakeholders at different levels. Stakeholder dialogue on the relevant topics is used to shape our strategic decision-making and Eltel's Sustainability Plan. By meeting stakeholder expectations, we remain relevant as a partner, employer and investment opportunity.

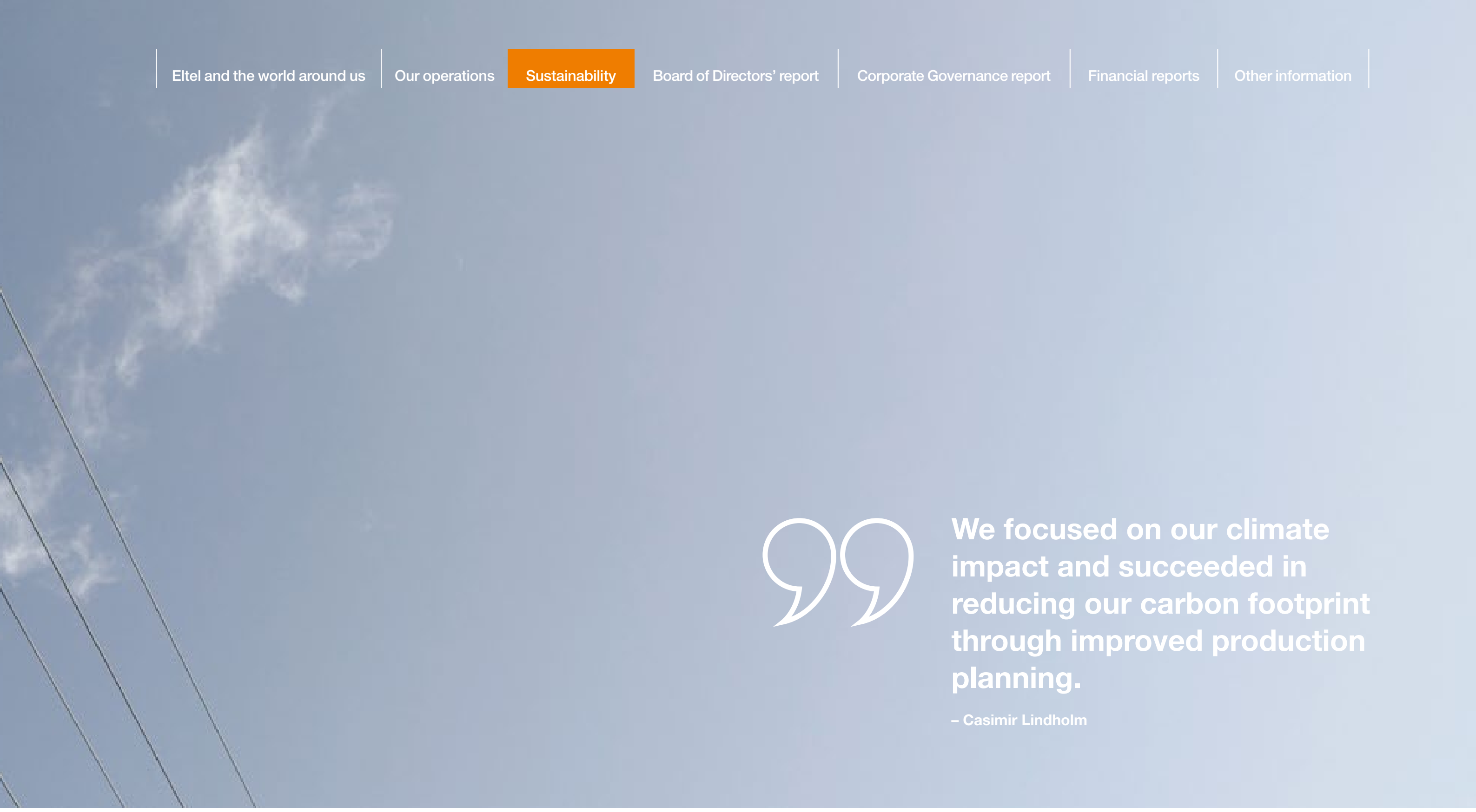
Sustainability frameworks and reporting tools

Eltel is committed to a number of sustainability frameworks and reporting tools that help Eltel meet the expectations of its internal and external stakeholders – and help to further improve Eltel's business.

The UN Sustainable Development Goals (SDGs) provide a roadmap for how we can collectively work to overcome global challenges related to economic, social and environmental sustainability. As a sustainability leader in the infranet industry, we believe that we can contribute to SDGs 5, 7, 8, 9, 10, 11, 12 and 13.

Eltel is a signatory to the United Nations Global Compact and its ten principles on human rights, labour, environment and anti-corruption. We report our climate change impact in accordance with the Carbon Disclosure Project (CDP).

We are certified according to ISO 9001 Quality Management, OHSAS 18001/ISO 45001 Occupational Health and Safety, and ISO 14001 Environmental Management.



> **We focused on our climate impact and succeeded in reducing our carbon footprint through improved production planning.**
>
> – Casimir Lindholm

Integrated into our way of working

There are two aspects to our approach – how we create shared value by enabling a more sustainable society and how we ensure sustainable and responsible business practice.

Shared value: enabling a more sustainable society
The infranets that Eltel installs, maintains and upgrades enable our customers and its consumers to reduce their environmental footprint. For example, we deliver infrastructure that allows renewable energy generation, electric vehicle charging and communication networks that support the digitalisation of society, as well as enabling new ways of interacting and meeting.

A responsible business for people and the environment
Materiality is critical to our sustainability strategy because it ensures that we provide our stakeholders with the sustainability information that is most relevant to them. A review and update of the Eltel sustainability priority and focus areas were conducted in 2020, including the key performance indicators that enable us to accurately measure our performance and report the results. The Eltel Sustainability Plan for 2021–2023 was approved in October 2020.

Electrification
Enabling power infrastructure
Read more about Power, page 8

Digitalisation
Optimising communication networks
Read more about Communication, page 10

Shared value
Enabling a more sustainable society

Responsible business
Our Sustainability Priority Areas

- **Health & safety**
- **People & society**
- **Environment & climate**
- **Supply chain**
- **Business ethics**

The year in sustainability

HEALTH AND SAFETY

Lost time injury frequency

4.9

↘ 21%
LTI per million working hours. Eltel employees. (2019 LTIF 6.2)

Absence due to illness

5.4%

↗ 0.3%
Including long-term illness. Eltel employees. (2019 5.1%)

Fatal accidents

0

Eltel employees and subcontractors

SUPPLY CHAIN

Code of Conduct
committment sign up

ISO
cerifications compliance required

PEOPLE AND SOCIETY

Number of employees

5,449

Of which < 30 years: 18%
Of which > 55 years: 24%

Share of male/female in Group management Team

Male: 75%

Female: 25%

Expenses in wages and salaries

EUR 277.7 MILLION

Response rate Employee Engagement Survey

75%
Participation

3.6/5
Engagement

ENVIRONMENT AND CLIMATE

Reduced CO_2 emissions

16.7%

↘ 3,895 tonnes CO_2

Number of vehicles in the entire fleet

3,208

↘ 581

- No major environmental incidents
- Disclosed our environmental data to CDP since 2016
- ISO 14001 Environmental Management

BUSINESS ETHICS

Code of Conduct training completion rate

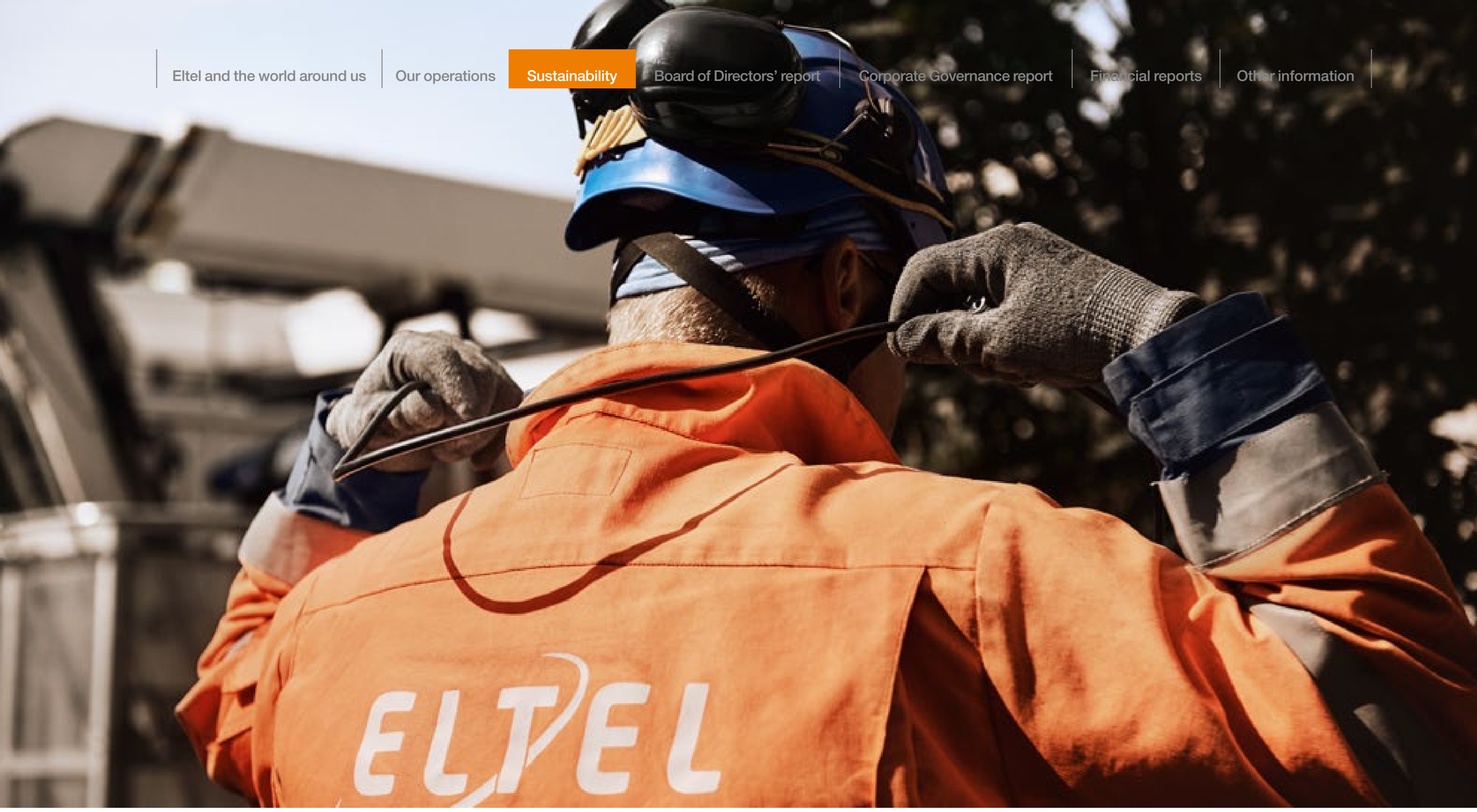
89%

CERTIFICATIONS

ISO 9001
Quality management
100% certified

OHSAS 18001/ISO 45001
Occupational Health and safety
85% certified

ISO 14001
Environmental Management
100% certified



Health and safety

Our employees are our most valuable resource and health and safety is our key sustainability area.

Our approach

At Eltel, safety is not just about personal protective equipment, accident reports and adjusting to the current pandemic challenge; it is an attitude that we choose to adopt every day. We work systematically to reduce the number of accidents and near misses by promoting a culture of health and safety.

2020

We work hard to foster a culture in which safety is a primary concern among our employees and subcontractors. The proactive work to prevent and reduce the number of workplace injuries and accidents and to promote health and well-being has continued during the year.

Risk analysis, the proper equipment, the right training and the correct information are a prerequisite for all assignments. The reporting and follow-up of risk observations, incidents and accidents has been developed during the year and the analysis of near misses and potential incidents has provided valuable insights into our preventive safety work.

In addition to the safety focus, the COVID-19 pandemic has challenged the health and well-being of all employees. Eltel's country units responded quickly to the pandemic by establishing COVID-19 teams to coordinate measures and manage internal communications. Measures to protect employees included working from home where possible and implementing social distancing.

Follow-up dialogue with employees who are ill and rehabilitation support for employees on long-term sick leave are also important measures for reducing absence due to illness.

Other important activities in 2020 included safety training, regular safety walks conducted by our managers, internal safety bulletins, internal campaigns, theme days and theme weeks.

Health and safety risks

Eltel has clearly defined the health and safety risks for our people. High-risk activities related to day-to-day operations include electrical safety, working at height, handling ageing infrastructure and road safety. Road safety is a particularly important area for Eltel as teams spend a lot of time on the road. Eltel is constantly seeking to identify and implement more modern and safer solutions and processes in order to reduce risk.

KPIs	2020	2019
Absence due to illness, including long-term illness, Eltel employees, %	5.4	5.1
Lost time injuries per million working hours (LTIF), Eltel employees	4.9	6.2
Total Recordable Injury Frequency per million working hours (TRIF), Eltel employees	24.8	30.0
Number of fatal accidents: Eltel and subcontractor employees	0	1

Policies	Framework
HSSEQ Policy	OHSAS 18001/ISO 45001
Eltel Code of Conduct	SDG 5, 8

Environment and climate

Eltel is active in an industry that has an important role in the transition to a low-carbon society. We have targets and measures in place that will enable us to play our part in combating climate change and we always strive to minimise the environmental impact of our operations.

Our approach

We develop innovative infranet solutions and support our customers in their efforts to enable a more sustainable future. The main source of our environmental impact is our vehicle fleet. Our main focus is to reduce the average CO_2 emissions of cars and vans and establish a roadmap to become fossil free. We constantly strive to minimise the environmental impact of our operations and monitor our performance.

2020

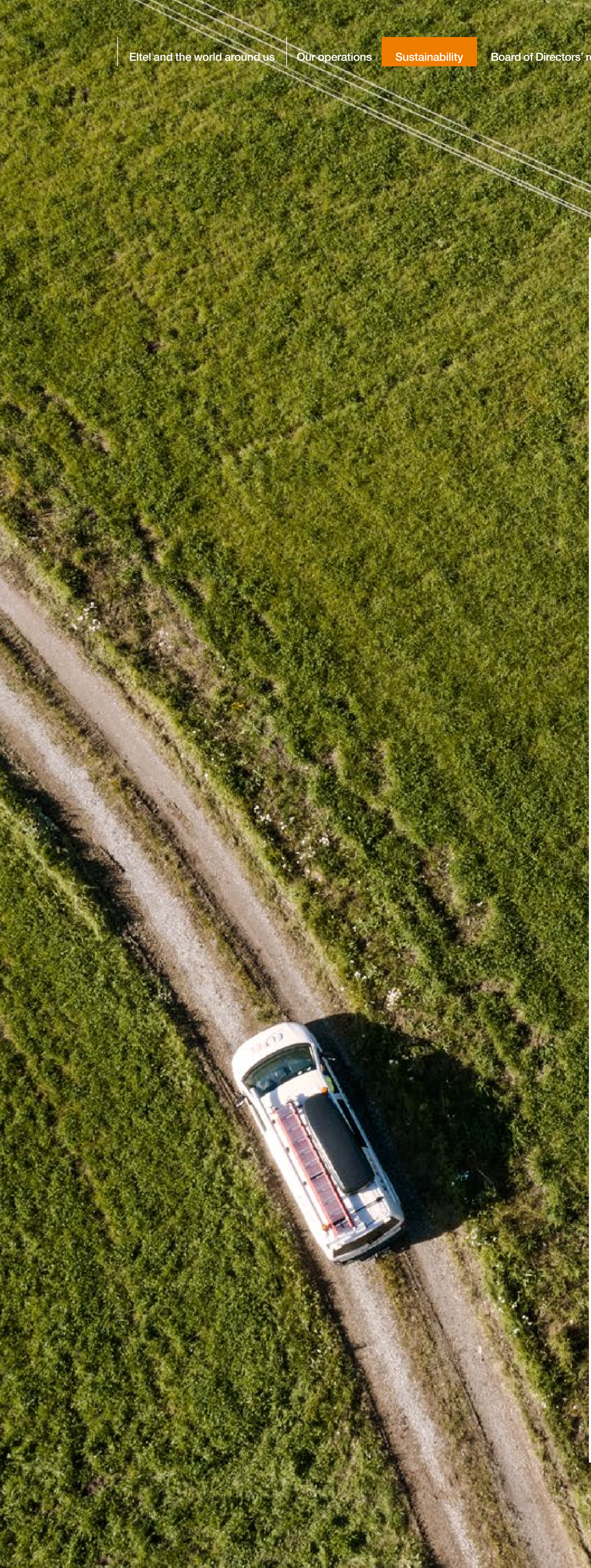
We proactively work in the area of climate and the environment in our own operations as well in our value chain. The strategic priority of core operational improvements has resulted in a considerable reduction in CO_2 emissions as a result of better production planning and the introduction of digital route planning systems.

By maintaining a modern and fuel-efficient vehicle fleet, we minimise emissions per kilometre. Our ambition is to move towards a fossil-free fleet and we strive to electrify the fleet in line with technological developments. Every time a lease contract comes up for renewal, we consider the possibility of introducing lighter vehicles that run on renewables and/or less fuel, by switching to hybrid or electric vehicles.

Other important and prioritised environmental areas include waste management and the responsible sourcing of materials for both people and the environment. We work to minimise our physical environmental impact, disruption and noise from work sites.

KPIs	2020	2019
Share of zero- and low- emission new vehicles (cars and vans) - ZLEVs, %	1.1	0.3
Total number of vehicles in entire fleet	3,208	3,789
Total fuel consumption of entire fleet, litres	7,381,713	8,876,973
Total CO_2 emissions of entire car fleet:		
– in tonnes	19,328	23,222
– kg per total working hours	1.8	1.9
– kg per annual sales in million Euro	20.6	21.3
– tonnes per total number of vehicles	6.0	6.1

Policies	Framework
HSSEQ Policy Eltel Code of Conduct	ISO 14001 UN Global Compact Principles 7, 8, 9 SDG 7, 12, 13 Carbon Disclosure Project (CDP)



Case

Understanding technicians' issues optimises operations

Eltel Finland is working to better understand the day-to-day challenges its technicians face and improve planning procedures to ultimately enhance productivity.

Since 2012, Eltel has run a 'Day as a technician' initiative in which Eltel office workers and managers spend one day per year working alongside technicians to better understand their day-to-day challenges.

"Management discussions around the initiative and potential productivity improvements resulted in us inviting three engineering students to spend 70 days with our technicians and create detailed daily reports," explains Iisakki Koski, CFO at Eltel Finland. "We then drew on the findings of these reports to identify how we could improve the day-to-day productivity of our technicians."

Better planning reduces both cost and environmental impact

The findings demonstrated that better planning procedures could enable Eltel's technicians to work in a more productively, efficiently and safely manner. We also found a significant potential for optimisation of route planning which could reduce the driving kilometres and thus directly reducing our costs and CO_2 emissions.

"It's about optimising how every week – and even every day – is structured for individual technicians to ensure we have the right resources in the right place at the right time, and that we optimise productive time," says Koski. "This could entail reducing unnecessary driving and emissions through more efficient planning, avoiding potential problems by ensuring that we have the right materials and equipment at a job site, and further ensuring that our technicians are in possession of the proper safety equipment in order to reduce safety risks."

The findings demonstrated that better planning procedures could enable Eltel's technicians to work in a more productively, efficiently and safely manner.

People and society

The competitive advantage of Eltel is our employees, and the goal is to be the most attractive workplace in the infranet field. Eltel contributes to sustainable development and social welfare by ensuring that electricity and communication networks work as they should.

Our approach

Our employees are our greatest asset and our clear focus on leadership, talent management, employee development and engagement are essential parts of our strategy. This helps us to attract and retain the right people and ultimately improve our customer satisfaction. Based on the input received from our employees, local dialogue and action plans are implemented in order to make improvements for the future. On a Group level, the results of the employee engagement surveys provide input for business planning, business reviews and high-level decision-making.

2020

At Eltel, managers have a great responsibility for the people in their team. In order to support our managers in their leadership role, we have developed and implemented a leadership framework with clearly defined roles, responsibilities and expectations.

All employees have regular performance and development dialogues with their managers. This helps us to stay focused on our strategy and to more concretely identify further learning needs, development opportunities and potential workplace improvements. To make training more accessible, a central learning portal for the entire business was introduced during the year. Another improvement was the upgrade of digital collaboration platforms, in conjunction with adequate user training.

The participation rate in the employee engagement survey in 2020 was high (75%) and the highest engagement driver was "Health and safety". This confirms the progress in our focus and systematic approach to this area. "Relationships and colleagues" and "Meaningfulness and participation" were also highly-rated drivers. "Feedback and communication" was identified as an improvement area going forward.

KPIs	2020	2019
Number of employees at year end	5,449	6,678
Of which < 30 years, %	18	19
Of which > 55 years, %	24	24
Share of male/female at year end, %	84/16	87/13
Share of women in Group Management Team, % at year end	25	20
Share of women in Board of Directors, % at year end	20	9

Policies	Framework
HR Policy Eltel Code of Conduct	UN Global Compact Principles 1, 2, 3, 4, 5, 6, 10 SDG 5, 7, 8, 9, 10, 11

Supply chain

Eltel's subcontractors and suppliers are significant partners in our value chain, helping us to ensure reliable delivery and quality of services to our customers.

Our approach

We have overall responsibility for our subcontractors, including their work environment, employees and ultimately delivery to the customer. Our partners are included in our systematic work on health and safety and we have clear processes in place that ensure they sign up to the Eltel Code of Conduct and commit to our other key policies and principles.

2020

Ensuring the quality of our sourcing and supply chain management is an important and integrated part of our business and involves financial and legal responsibilities. Digital development and tools for making life-cycle calculations on projects are increasing and are continuously being evaluated.

To ensure optimal impact of our core operational improvements, subcontractors and suppliers have been included in the implementation of improved production planning and digital route planning.

We recommend that our suppliers and partners have valid ISO certifications (see below). If they do not hold such certification, they are required to demonstrate their compliance by signing an agreement and participating in Eltel's e-learning courses.

Supply chain risks

Eltel is responsible for its supply chain as it poses both a financial and a legal risk to the company. Eltel categorises subcontractors and suppliers according to their level of risk exposure. Partners rated as the highest risk, category A, are integrated into Eltel's reporting procedures.

We regularly conducted supply chain audits during the year, both planned and unannounced. In cases in which signs of non-compliance were identified, an action plan was implemented to ensure that the subcontractor meets our standards.

KPIs	2020	2019
Number of supply chain audits, subcontractors	198	321

Policies	Framework
HSSEQ Policy	ISO 9001 OHSAS 18001/ISO 45001 ISO 14001 SDG 5, 8, 10, 12, 13

Business ethics

Solid business ethics are the foundation of a healthy business and we have an important role to play as a good corporate citizen. Good ethical behaviour in our operations reflects a responsible and sustainable business practice.

Our approach

Eltel is a signatory to the United Nations Global Compact and its ten principles on human rights, labour rights, environment and anti-corruption, which are incorporated into our internal policies. Working with business ethics involves, as a minimum, complying with all applicable laws and regulations, as well as Eltel's internal policies and agreements with shareholders, customers and subcontractors.

2020

As part of our overall strategy and the improvement of our operations, a taskforce was established to further improve how customer contracts are implemented and executed. This includes team sessions to ensure a common understanding of the terms of agreements and applicable laws and regulations, in order to fully deliver on our customer promises.

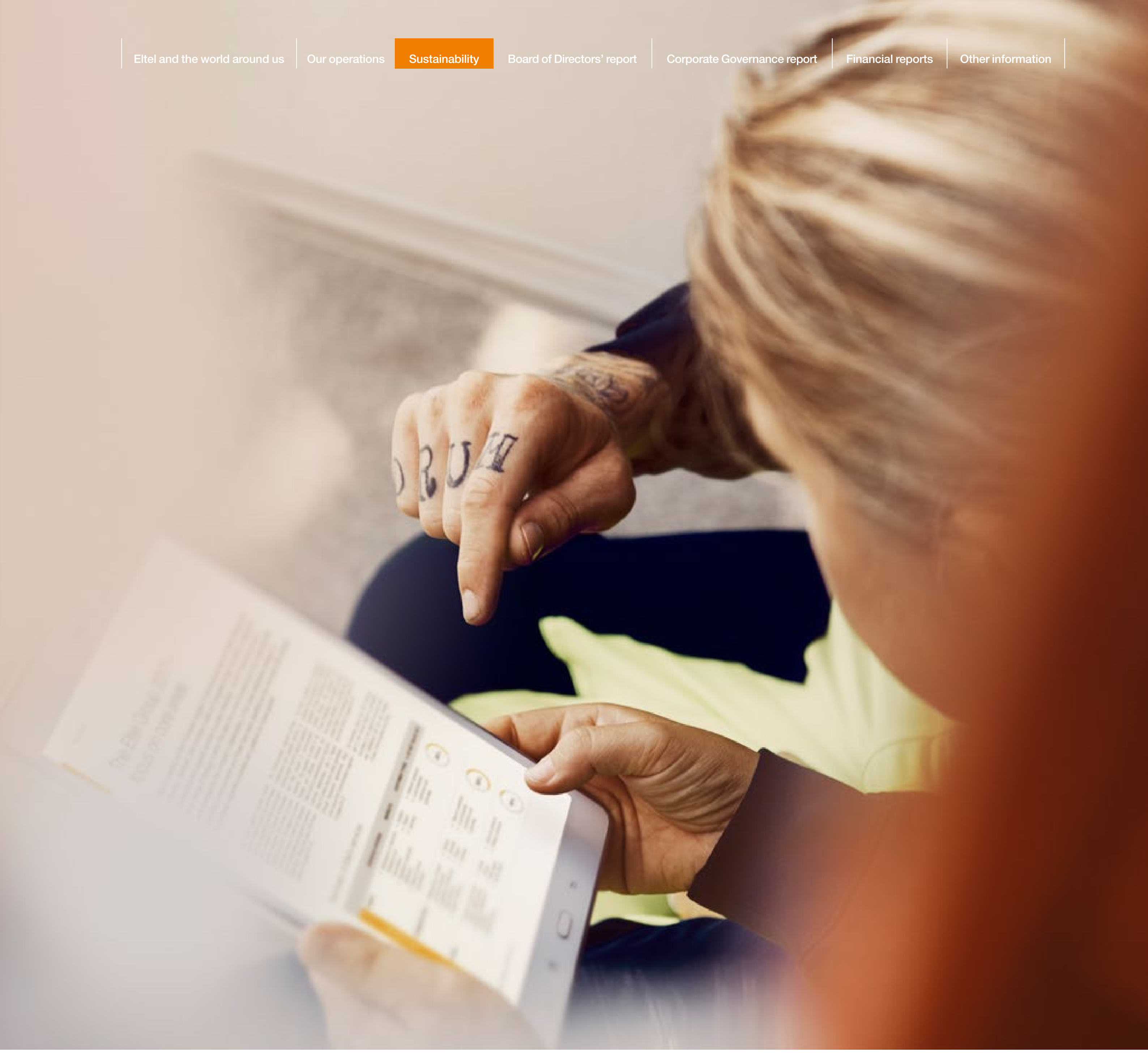
As a people company, maintaining an awareness and understanding of our governing policies is critical to ensuring business compliance. Mandatory business ethics training for employees was implemented in 2019, presenting the fundamentals of our Code of Conduct and other governing policies, including business ethics, whistleblowing, anti-corruption, risk assessment and data protection. During 2020, new employees have received training as part of their onboarding process.

Whistleblowing procedure

Eltel's whistleblowing procedure enables employees, partners and customers to report any suspected breach of our Code of Conduct or other policies. Any issue can be reported anonymously via email or phone for the attention of Eltel's General Counsel and, ultimately, the Audit Committee. All issues are investigated on a confidential basis and the results are reported back to the whistleblower.

In 2020, two whistleblower matters were reported. The matters were investigated by Eltel's Group Compliance function in accordance with established procedures and resulted in the following actions: independent external assistance to ensure Eltel's full understanding of the matters, interviews with unit management and review of their response, reporting of findings and mitigating action to Audit Committee and the whistleblower. The investigations have been concluded and Eltel's Group Compliance function continues to follow up with unit management to ensure all actions are completed.

Policies	Framework
Eltel's Code of Conduct	UN Global Compact
Anti-corruption Policy	Principles 1, 2, 3, 4, 5, 6, 10
Human Resources Policy	SDG 5, 8, 10, 12
HSSEQ Policy	
Insider Policy	
Group Tax Policy	
Information Security Policy	
Whistleblowing Policy	
Risk Management Policy	
Competition Law Instruction	



Auditor's opinion regarding the statutory sustainability report

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

Engagement and responsibility
It is the board of directors who is responsible for the sustainability report for the year 2020 on pages 18–26 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the examination
Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability report.* This means that our examination of the statutory sustainability report 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. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion
A statutory sustainability report has been prepared.

Stockholm 29 March 2021
KPMG AB

Mats Kåvik
Authorized Public Accountant

Board of Directors report 2020

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 2020 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 Nordic field service provider for power and communication networks. We deliver a comprehensive range of solutions – from maintenance and upgrade services to project delivery. This includes design, planning, building, installing and securing the operation of power and communication networks for a more sustainable and connected world today and for future generations.

Our customers include telecom operators and other owners of communication networks. We also work for owners of power distribution grids and national transmission system operators. Most of our work is conducted through long-term frame agreements that range from two to five years. This enables us to create and maintain long-term relationships with customers – and work closely with them to achieve their objectives.

The infranet sector in Europe is continuously changing. The key ongoing trends driving this change include increasing customer demands, regulatory requirements, the need to upgrade ageing power infrastructure and the growing use of renewable energy in society. Eltel mainly operates in the Nordic market, but is also represented in Poland, Germany and Lithuania.

Eltel delivers a comprehensive range of services in Power and Communication.

Power services

Eltel provides maintenance of power grids, upgrades and project work. Eltel's Power offering can be roughly divided into three areas: maintenance, projects and turnkey projects, in which the company is responsible for design, planning and construction of the project. Primary customers include national transmission system operators and owners of power distribution grids.

Read more about Eltel's Power offering on page 8.

Communication services

Eltel's Communication offering provides a broad range of services such as designing and planning to the building, installing, upgrading, operating and service of mobile and fixed networks. The business is primarily driven by technology upgrades, maintenance needs and increased demand for improved capacity and faster networks.

Eltel's main customers are large telecom operators and communication network owners, other private owners and municipalities. Its business generally comprises long-term relationships with a steady inflow of orders generated by frame agreements.

Read more about Eltel's operations on page 10.

Significant events 2020

Operational improvements

Eltel has implemented several initiatives in to promote operational efficiency – primarily improve production planning, optimise route planning and technician utilisation.

Maintained market-leading position

Eltel signed several large and important contracts during the year, including long-term partnerships to construct and maintain infranets in collaboration with network owners and telecom operators.

New approach to large projects in High Voltage Poland

In 2020, Eltel implemented a new strategy in High Voltage Poland to reduce future contractual and operational risk, as well as reduce the company's exposure to larger projects.

Divestments

During 2020, Eltel divested its German Communication business and the Swedish Aviation & Security business. The divestments have both strengthened the Nordic focus as well as contributed to a lower net debt.

Stabilised balance sheet

During the year, Eltel worked to reduce its net working capital and its net debt. This resulted in a more stable balance sheet compared to recent years.

COVID-19

The pandemic has had a moderate impact on the relatively stable infranet markets. The company has mainly experienced delays in project execution and lower investment levels by certain customers. Regarding Eltel's own business, all Country Units were quick to respond in order to ensure business continuity.

Management changes

- In February 2020, Petter Traaholt, then CFO and member of Group Management Team, left Eltel
- In March 2020, Saila Miettinen-Lähde joined Eltel as Chief Financial Officer (CFO) and as a member of the Group Management Team
- In March 2020, Karin Lagerstedt Woolford, then Director Group HR and HSE and member of the Group Management Team, left Eltel
- In December 2020, Christian Wittneven's assignment as Director of Solution Unit High Voltage and position in the Group management team ended.

Selection of major contracts 2020

During 2020 Eltel secured several important contracts including:

- Eltel's Power business Smart Grids signed an agreement with Kamstrup to install 275 000 smart meters in Gothenburg. The agreement is worth about EUR 14 million (December)
- Eltel's Communication business in Sweden signed a three-year continuation of a current frame agreement with Telia regarding the dismantling of telephone poles. The agreement is worth about EUR 55 million (December)
- Eltel's Communication business in Finland has signed a three-year continuation of a current frame agreement with Telia regarding fixed and mobile telecom services. The agreement is worth about EUR 110 million (December)
- Eltel's Communication business in Norway signed a three-year continuation of a current frame agreement with Telenor. The agreement covers field services for about EUR 180-280 million and includes an option of up to two years (November)
- Eltel's Power business in Finland signed a five-year frame agreement with Helen Electricity Network Ltd worth about EUR 90 million. Eltel will construct and maintain the electricity distribution network in Helsinki (April)
- Eltel's Communication business in Finland signed a three-year continuation of a current frame agreement with a large Finnish telecom operator. The agreement covers fixed telecom services and is worth about EUR 66 million (March)
- Eltel's Power business Smart Grids signed a contract with Vattenfall Eldistribution AB worth about EUR 22 million. Eltel will replace 236,000 electricity meters in Sweden (February).

January–December 2020

Net Sales

Net sales decreased by 13.8% to EUR 938.0 million (1,087.6). Organic net sales in segments Power and Communication, adjusted for currency effects and divestments, decreased by 7.4%. Net sales decreased in Power by EUR 47.9 million and in Communication by EUR 103.4 million. Other increased by EUR 0.1 million.

Operative EBITA

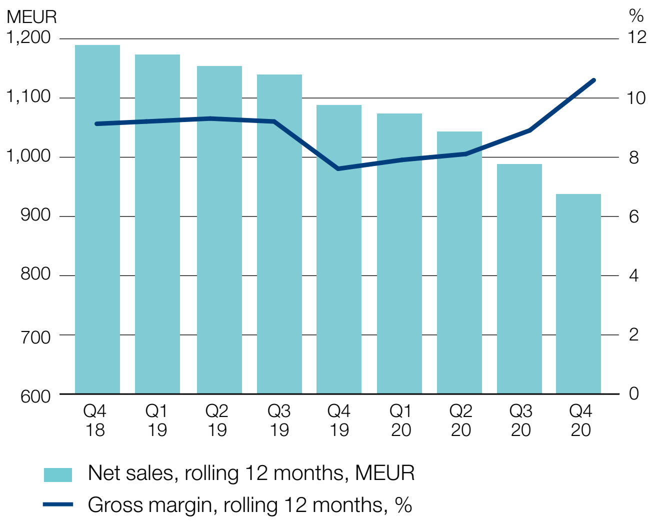
Operative EBITA amounted to EUR 11.4 million (-11.3). In Power, operative EBITA increased by EUR 8.0 million. In Communication, operative EBITA increased by EUR 6.2 million. The effect of the divestments of the Polish and German Communication businesses as well as the Swedish business area Aviation & Security was EUR -4.7 million. In Other operative EBITA increased by EUR 5.3 million. Costs not allocated to segments decreased by EUR 3.2 million.

For further information regarding net sales and operative EBITA development, refer to the respective section on the segments.

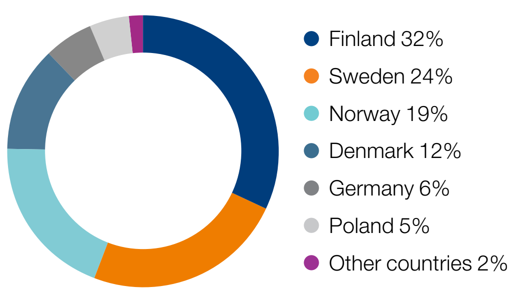
Segment Power

Net sales decreased by EUR 47.9 million to EUR 329.8 million (377.7), representing a decrease of 12.7%. Organic growth, adjusted for currency effects, was -12.2%. The decrease is mainly explained by lower activity in High Voltage as large projects in Poland and Norway are being ramped down and

Net sales and gross margin



Net sales by country



completed. The strategy of reducing exposure to capital-intensive projects in combination with the Polish market situation further contributed to the lower net sales. We also see a negative impact from COVID-19 as some projects are being postponed. In Sweden, ramp down of projects and the Service operations, a reduced order backlog and COVID-19 further impacted net sales. Volumes in Smart Grids decreased in line with expectations due to project completions in Norway and Denmark. Also, a new project in Smart Grids Sweden is still in its early stages with low volumes. The decrease was partly offset by increased net sales in Finland where we have a market leading position and saw further growth in Build projects and through expansions of frame agreements. In the Power segment at large, we have reduced the risk level with selective tendering on larger turn-key projects.

Operative EBITA increased to EUR -9.5 million (-17.5). The operative EBITA margin was -2.9% (-4.6). We have worked to reduce risks and increase control in the Power segment. Despite improving year-on-year, the operative EBITA is still far from our targeted levels. In High Voltage, cost increases related to completion of old projects, reduced volumes, and COVID-19 delays impacted the result. Sweden is in the process of completing several loss-making projects, yet we noted a positive change compared to the previous year. In Finland, we see a positive productivity development throughout the operations and the risk level has been reduced due to the completion of Build projects that caused write-downs during the year.

Segment Communication

Net sales decreased by EUR 103.4 million to EUR 594.9 million (698.4), representing a decrease of 14.8%. Organic growth, adjusted for currency effects and divestments, was -4.5%. The effect of the divestments of the Polish and German Communication businesses as well as the Swedish business area Aviation & Security was EUR -59.6 million. In Sweden, net sales also decreased due to reduced customer investments, lower order back log and, towards the end of the year, as a consequence of the loss of a large service frame agreement. In Norway, currency effects of EUR -17 million impacted net sales negatively as did reduced and delayed volumes from a large customer due to COVID-19. The decline was partly offset by a strong market share and high fibre and 5G volumes in Finland, as well as increased volumes in Denmark.

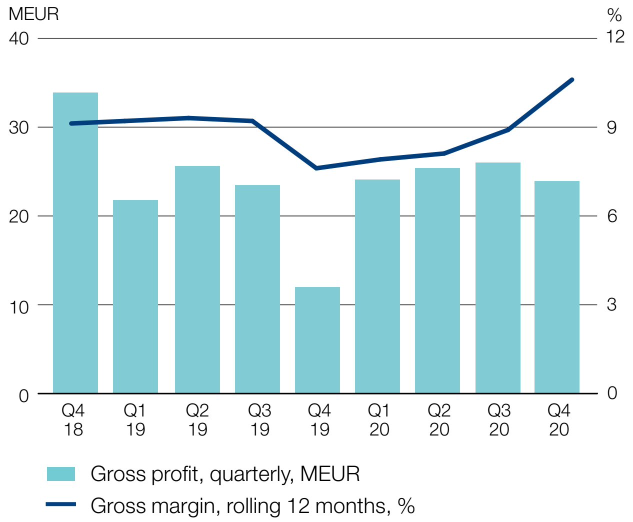
Operative EBITA increased to EUR 24.4 million (18.1). The operative EBITA margin was 4.1% (2.6). The effect of the divestments of the Polish and German Communication businesses as well as the Swedish business area Aviation & Security was EUR -4.7 million. Norway delivered good margins thanks to efficiency actions, rightsizing and improved project profitability. However, lower net sales and a negative currency effect impacted the operative EBITA. Finland also contributed to the improved performance as a result of net sales growth and improved production efficiency. Denmark performed in line with the comparative period, although falling slightly behind during the second half of the year. Year-on-year, the majority of the operative EBITA improvement comes from Sweden. The work done to improve project execution and control is starting to impact the results in a positive way. However, Sweden is still in the beginning of the journey to reach the targeted operative EBITA margins.

Other

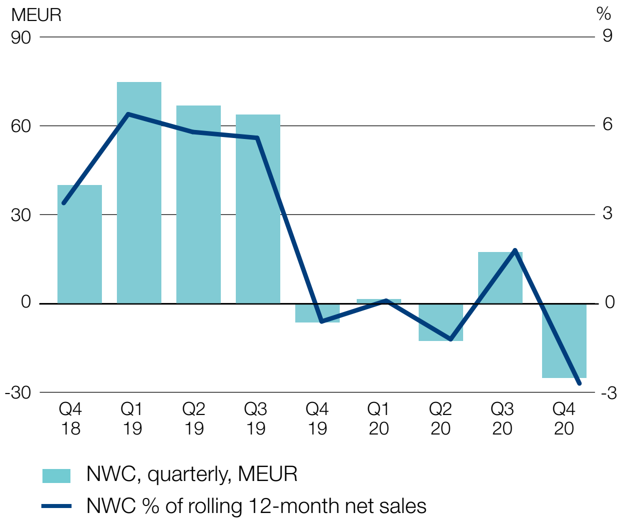
Net sales increased by EUR 0.1 million to EUR 13.3 million (13.2). Net sales relate almost fully to the remaining Power Transmission International projects, which are declining in number, in line with the discontinuation plan.

Operative EBITA increased to EUR 4.5 million (-0.8). The operative EBITA margin was 33.7% (-5.9). The increase relates mainly to a claim compensation received for a Power Transmission International project in Africa, which was completed in 2019.

Gross profit



Net working capital



The total cost of discontinuing Power Transmission International is estimated to be lower than EUR 40 million. In total, net costs amounting to EUR 26.0 million were recorded during 1 January 2017–31 December 2020, in line with the plan. The discontinuation is targeted to be finalised in 2021.

Cash flow

Cash flow from operating activities was EUR 49.4 million (51.4) including cash flow from operative result EUR 46.7 million (24.4), change in net working capital EUR 16.6 million (37.9) and financial expenses and taxes EUR -13.9 million (-10.9).

Cash flow has historically displayed a strong seasonal pattern, with weaker cash flow recorded during the period until the end of the third quarter due to higher production activity. Eltel's net working capital level is also impacted by remaining working capital intensive projects. These are expected to continue to create volatility in net working capital going forward but at a lower level than previous years.

Net cash flow from investing activities was EUR 33.5 million (-2.1) including an impact of EUR 37.9 million (12.3) from disposal of businesses and EUR -4.4 million (-11.7) from net capital expenditure, mainly related to replacement investments. In addition, the 2019 impact included EUR -4.2 million earn-out payment for Smart Grids in Germany and EUR 1.5 million investment refund received from joint ventures.

Cash flow from financing activities was EUR -121.6 million (-38.2) including amortisation of external loans of EUR 46.1 million, reduction in commercial paper programme of EUR 36.5 million, reduction in utilisation of revolving credit facilities of EUR 12.4 million and net impact of payments of lease liabilities.

Eltel has focused on strengthening the balance sheet and lowering net debt level for the past year. The efforts have been successful and net debt, as defined in the financing agreement, was reduced to EUR 67.4 million (123.8).

Financial position, cash and cash equivalents

Equity at the end of the period was EUR 219.2 million (220.7) and total assets were EUR 677.3 million (807.2). The equity ratio was 34.0% (28.5).

At the end of the quarter, available liquidity reserves amounted to EUR 136.0 million (162.8). On the same date, EUR 53.0 million of Eltel's commercial paper programme was utilised (89.5).

In February 2020, Eltel and its banks made certain amendments to its financial agreement that matures in Q1 2021. The amendments included adjusted financial covenants and a plan to reduce net debt during the term. The covenant revisions relate to minimum adjusted EBITDA and maximum net debt to be applied on a quarterly basis until the end of the facility. The minimum liquidity covenant level remains throughout the agreement.

In March 2020, additional amendments were agreed with the banks, including, among others, a 12-month extension of the current credit facilities until mid-Q1 2022. The agreed covenant levels relate to minimum adjusted EBITDA to be applied during the extended period from Q1 2021 through Q4 2021, and to maximum net debt which is to be reduced to EUR 100 million by the end of Q4 2021.

In December 2020, the current credit facilities were further extended until mid-Q1 2023. The agreed covenant levels for 2021 remain as previously agreed, and new covenant levels for adjusted EBITDA and maximum net debt were agreed for the year 2022. Maximum net debt is to be reduced to EUR 90 million by the end of 2022. The minimum liquidity covenant level, as well as the other terms and conditions previously agreed between the parties, remains unchanged throughout the extended agreement. The minimum adjusted EBITDA and maximum net debt covenants, as defined in the financial agreement, are excluding IFRS 16 impact.

At the end of the quarter the commercial guarantees issued by the banks and other financial institutions on behalf of the Group amounted to EUR 103.5 million (115.1). The amount of the commercial guarantees issued on behalf of joint ventures and third parties was EUR 0.1 million (6.1).

Interest-bearing liabilities and net debt

EUR million	31 Dec 2020	31 Dec 2019
Interest-bearing debt in balance sheet	89.8	185.1
Leasing liabilities in balance sheet	60.8	78.6
Allocation of effective interest to periods	1.0	0.6
Less cash and cash equivalents	-26.0	-65.2
Net debt	125.6	199.1
Less leasing liabilities not included in financing agreement	-58.3	-75.3
Adjusted for held for sale	0.0	0.0
Net debt, financing agreement	**67.4**	**123.8**

Interest-bearing debt amounted to EUR 89.8 million (185.1) of which EUR 27.7 million (76.1) was non-current and EUR 62.1 million (109.0) was current. Leasing liabilities amounted to EUR 60.8 million (78.6) of which EUR 39.0 million (54.3) was non-current and EUR 21.8 million (24.3) was current.

Credit facilities

EUR million	31 Dec 2020	31 Dec 2019
Term loan, non-current	27.7	76.1
Term loan, current	10.0	7.2
Revolving credit facility	90.0	90.0
Account overdrafts	20.0	20.0
Total credit facilities	**147.7**	**193.2**

Term loan and revolving credit facilities are part of the Group's financial facilities maturing in Q1 2023. Additional to above facilities, the Group also has access to short-term debt capital markets via a commercial paper programme of EUR 150 million. At the reporting date EUR 53.0 million (89.5) of the commercial paper programme and EUR 0.0 million (12.4) of the revolving credit facility were utilised.

Employees

In 2020, the number of employees decreased by 18.4% to 5,449 at year-end (6,678), both as a result of divestments and the discontinuation of operations, and also as a result of right-sizing the business due to lower volumes, particularly in Sweden and in Norway.

Electrical safety, working at height, handling ageing infrastructure and driving are identified as high-risk activities for Eltel's employees. The lost time injury frequency rate (LTIF) has decreased while the number of near misses reported has increased. This is a result of the systematic and Group-wide programme to reduce work-related injuries. The promotion of a more proactive health and safety culture as well as a structured proactive work with high risk factors are key reasons for the results compared to previous years. Still much work remains to reach a level of operational excellence. Active safety observation reporting, continuous safety walks and visible management commitment to Goal Zero vision have furthermore contributed to reduction of injury severity.

Being a people company, Eltel is dependent on the engagement of our employees. During the year, Eltel conducted an Employee Engagement Survey comprising 5,331 participants, equivalent to a 75% employee response rate. The survey ranked 'safety' and 'relationships with colleagues' as the top priorities for employees. 'Meaningfulness and participation' were also rated as important for employees.

For more on how we work with employees, and health and safety, please refer to pages 21 and 24.

Sustainability

Eltel has, in accordance with the Annual Accounts Act chapter 6 section 11, prepared the statutory sustainability report as a separate report which was approved for issue by the Board of Directors and the President and CEO. The scope of the Statutory Sustainability report is defined on pages 18–27.

Risks & Uncertainties

Nasdaq

On 28 June 2018, Eltel received a letter from Nasdaq Stockholm where the exchange stated that it intends to request the Nasdaq Stockholm Disciplinary Committee to decide whether Eltel has breached its obligations in relation to the Nasdaq Stockholm Rulebook for Issuers. The matter relates to alleged deficiencies in Eltel's capacity for providing information to the market during 2016 and 2017. Eltel has been invited to comment upon Nasdaq Stockholm's conclusions and Eltel has responded outlining its reasons for rejecting any breach. Any decision taken by the Disciplinary Committee will be made public.

FCCA

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 FCCA alleged that Eltel had participated in a violation of Article 101(1) TFEU (the Treaty on the Functioning of the European Union). 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 law and 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. On 30 March 2016, the Finnish Market Court dismissed the case as time barred. On 29 April 2016, the FCCA submitted an appeal to the Supreme Administrative Court against the decision of the Finnish Market Court and the proceedings are currently pending in the Supreme Administrative Court. On 10 June 2019 SAC decided to refer the interpretation of the time bar matter to the European Court of Justice (ECJ) in Luxembourg. On 14 January 2021, the ECJ responded to SAC's preliminary ruling request concluding that Article 101(1) TFEU must be interpreted to mean that the duration of the infringement has lasted until the day on which the relevant project agreement has been signed. The preliminary ruling of the ECJ confirms Eltel's position throughout the above described proceedings.

The matter is now back before the SAC for final ruling, the timing of which is unknown.

In relation to the listing of Eltel on Nasdaq Stockholm in February 2015, the selling shareholders entered into an agreement under which 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.

Eltel has received notifications of claims for damages from certain of its customers based on the allegations by the FCCA. No damages claims have been filed in any civil court. Eltel maintains that the company has not violated competition law and that all related damages claims are unfounded and incomplete in respect of facts. Eltel will dispute and defend itself against any damage claims. For further information regarding this case and the guarantee (escrow), please refer to Eltel's IPO prospectus.

Financial guidance

Eltel expects the full-year 2021 operative EBITA margin to increase compared to 2020.

Risk Management

Eltel's Risk Management's goal is to safeguard strategy execution from unexpected risks through assessing risks and opportunities on a daily basis. Risk awareness is part of our daily mindset.

The control environment within Eltel's corporate governance framework includes a set of clear rules of procedure for the Board of Directors and its committees, a clear organisational structure, 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 are applicable to all Eltel companies.

Eltel has a risk management process in place. The Internal Control Function evaluates if the process is being followed and communicates identified deficiencies to top management.

For more information regarding financial risk management, please refer to note 13 in the Consolidated financial statements.

Risk Reporting

The Group Risk Management Team (RM Team), which is comprised of the current Group Function Management, is responsible to ensure that risks are addressed adequately by Country and Solution Unit management. This is performed quarterly when the forum discusses the risks and reviews them with a comparable view to ensure adequate risk management is in place. The forum provides feedback to the Audit Committee and the Board of Directors.

Risk reporting roles

Reports →

← Provides feedback

Country / Solution Unit	Group CEO / CFO	Group RM Team	Board / Audit Committee
Identifies operational risks and opportunities. Reports risks, weight of risks and potential action plan via Monthly Business Review template.	Reviews risks and opportunities during monthly business reviews. Confirms actions and deadlines.	Meets quarterly to review top risks to identify issues and decide whether further actions are needed or reporting should be escalated.	Reviews deliverables from management and provides advice to the CEO.
Addresses risks and opportunities as part of the Business Plan.	Reviews and approves risks as part of the Business Plan. Reports top operational risks to the Audit Committee at least quarterly.	Prepares Annual Risk Report to the Board of Directors as an annual summary of Top Strategic and Operational Risks.	

Selection of top risks

Risk	Actions	Type
Health and safety in the working environment: During 2020, Eltel has highlighted that there are still areas of improvement specifically related to reported TRIF (total recordable injury frequency). Inconsistent TRIF reporting means that management have a blind spot to identify actions to further improve safety. Health and safety in the working environment is a top operational focus for all of Eltel. In 2020, Eltel reevaluated current reporting to ensure it is complete and that employees understand that all minor and major incidents should be reported. Eltel will continue to focus on the health and safety internally to ensure the focus is fit to purpose as Eltel's footprint changes.	Action plans are in place to improve all employees' understanding for reportable incidents. Group Health and Safety management continue to monitor high risk zones (such as the Polish operations) to ensure actions plans are fully realised and continue to improve. Eltel is investigating reporting culture differences from country to country and is planning pointed improvement actions with the end goal to align the reporting culture throughout the company.	Health and safety
Organisational impact of an extended turn-a-round period: The organisation continues to change processes, organisational set-up, and its offering to the market. The long turn-a-round period increases the risk of Eltel not meeting objectives through losing key personnel due to continual change in a challenging work environment. It is a continual communication and operational effort to ensure management and employees are focused on the vision and mission while changing their ways of working to better the company.	On a regular basis, management focuses on clear communication to maintain momentum and ensure employees are motivated to fully support Eltel's turn-a-round. Eltel has resource action plans which include incentive programs for key persons.	People and process

Remuneration of senior executives
For information regarding remuneration to senior executives in 2020 and 2019, please refer to note 29 Remuneration to senior executives, in the Consolidated financial statements.

The Board of Directors of Eltel AB does not propose any changes to the guidelines for remuneration to senior executives, as adopted at the Annual General Meeting 2020.

Guidelines for remuneration to senior executives of the company
Eltel AB's Annual General Meeting 2020 resolved to adopt guidelines for remuneration to senior executives on the following principal terms and conditions.

Scope and applicability of the guidelines
These guidelines for remuneration to senior executives cover remuneration to the Board of Directors, the CEO, the Deputy CEO and other senior executives (the Group Management Team). The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after the adoption of the guidelines by the Annual General Meeting 2020. The guidelines apply until the general meeting resolves to adopt new guidelines for remuneration to senior executives. These guidelines do not apply to any remuneration decided or approved by the general meeting, e.g. remuneration to the Board of Directors and LTI, which are decided separately by the general meeting of shareholders.

The Board of Directors shall be entitled to temporarily deviate from these guidelines, in whole or in part, if special reasons justifies doing so in an individual case and such deviation is necessary in order to meet the company's long-term interests and sustainability or to ensure the company's financial viability. If such a deviation occurs, it must be reported in the Remuneration Report before the next Annual General Meeting. As set out below, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters, including potential matters regarding deviation from the guidelines.

The guidelines' promotion of the company's business strategy, long-term interest and sustainability
The Board of Directors considers that a prerequisite of the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain a highly competent management with capacity of achieving specified goals. To this end, it is necessary that the company can offer competitive remuneration to motivate senior executives to do their utmost. Variable cash remuneration covered by these guidelines shall be based on criteria that aim at promoting the company's business strategy and long-term interests, including its sustainability, and where the fulfilment of the criteria is determined by the method set out below. For a description of the company's strategy, please refer to https://www.eltelgroup.com/en/strategy-and-targets/.

Forms of remuneration, etc.
The remuneration to senior executives shall be based on market terms. The remuneration may consist of fixed base salary, variable remuneration, pension and certain other benefits. In addition, the general meeting may – regardless of these guidelines – resolve on share-related or share price-related remuneration.

Fixed base salary
Fixed base salary for senior executives are reviewed yearly and in accordance with local practices. The fixed base salary constitutes 60-80% of total remuneration excluding LTI and assuming a 50% outcome of STI.

Cash short-term incentives (STI)
The aim of the short-term incentive is to reinforce the right performance and behaviors – financially and operationally – and to align the individual performance with the company's business strategy, long-term interests and sustainability.

The key performance criteria for senior executives are primarily financial, i.e. EBITA in local currency, Net Working Capital (NWC) in EUR and Safety measured as the Long-Term Injury Frequency rate (LTIF). A minor part of certain senior executives' key performance criteria can be discretionary under special circumstances.

The minimum financial performance of the company for any STI pay-out is defined by the Board of Directors as a level of result in EBITA. This level is set to guarantee a lowest level of earnings for the company before any STI pay-out is made.

The short-term incentives can amount to a maximum of 80% of the fixed base salary for the CEO and 60% for other senior executives. At full outcome, the short-term incentives can amount to a maximum of 45% of total remuneration for the CEO and maximum of 40% for other senior executives.

Unless otherwise provided by mandatory law or obligations in applicable collective bargaining agreements, short-term incentives shall not entail any deposition of pension.

The STI is paid in connection with the ordinary monthly salary that is paid four months after the end of the qualifying period. The company is not able to recover remuneration paid out as STI.

In specific situations, for example in relation to potential divestments, M&A or specific projects, Eltel may offer cash bonuses that are conditional on the success of the specific transaction or project.

Long-term Incentives (LTI)
Senior executives can be offered share-related or share price-related remuneration. LTI are intended to improve the participants' commitment to the company's development and they shall be implemented on market-based terms. Resolutions on incentive programmes related to shares and share prices must be passed at the general meeting and are therefore not covered by these guidelines.

Other benefits
Pension
Senior executives are offered pension benefits that are primarily based on defined insurance payments and in accordance with local practices. The pension benefits are generally funded through payments to insurance companies or trustee-administered funds.

Company car, etc.
Senior executives are offered a company car and other benefits (such as allowances to physical activity, personal health, lunch facilities, health insurance etc) in accordance with local rules, regulations and practices in each country.

Other benefits constitutes 4-14% of total remuneration excluding LTI and assuming a 50% outcome of STI.

Notice of termination and severance pay
The senior executives' employment or contractual agreements shall be valid until further notice or for a specified period of time.

The notice period is twelve months for the CEO in the event of termination by the company and twelve months in the event of termination by the CEO. In the event of termination by the company, the CEO is entitled to a severance pay equivalent of twelve months' fixed base salary and payable in one sum. The total amount of the salary and severance payment for the CEO may not exceed an amount corresponding to two years' fixed base salary.

The notice period is twelve months for other senior executives in the event of termination by the company and six months in the event of termination by other senior executives. No other senior executive than the CEO is entitled to severance payment.

Salary and terms of employment for employees
In preparing the Board of Directors' proposal for these remuneration guidelines, the salaries and terms of employment for the company's employees have been taken into account.

Information about employees' total remuneration, components of their remuneration as well as increases in remuneration and increases over time have been obtained and have constituted a part of the Remuneration Committee's and the Board of Directors' decision basis in their evaluation of the fairness of the guidelines and the limitations arising from them.

The resolution process

The Board of Directors shall prepare a proposal for new guidelines when there is a need for significant changes to the guidelines, however at least every four years. The Board of Directors' proposal is prepared by the Remuneration Committee. The chairman of the Board of Directors may chair the Remuneration Committee. In order to manage conflicts of interest, other members of the Remuneration Committee who are elected by the Annual General Meeting must be independent in relation to the company and the senior executives.

The Remuneration Committee shall, inter alia, monitor and evaluate the application of the guidelines for remuneration to senior executives decided by the Annual General Meeting. When the Remuneration Committee has prepared the proposal, it is submitted to the Board of Directors for decision. The CEO or other senior executives shall not be present while the Board of Directors address matters related to remuneration and passes resolutions about them, insofar as they are affected by the matters.

If the Annual General Meeting does not resolve to adopt guidelines when there is a proposal for such, the Board of Directors shall submit a new proposal no later than the next Annual General Meeting. In such cases, remuneration shall be paid in accordance with the current guidelines or, if no guidelines exist, in accordance with the company's practice.

External advisors are used in the preparation of remuneration-related matters when deemed necessary.

Subsequent events

New segment structure

Eltel launches a new segment structure in the financial reports starting with the January-March 2021 interim report. The current Power and Communication segments will be replaced by four country segments: Finland, Sweden, Norway and Denmark. All Power and Communication business in these four Nordic countries will be presented under the new country segments. Current solution unit Smart Grids will be divided into the new country segments and solution unit High Voltage, which conducts most of its business in Poland, will be presented outside segments as Other business. The change is in line with the Nordic strategy, and has the intention to reduce complexity and in a more balanced and transparent way reflect the Group's performance and organisational set up.

For information regarding the new segment structure, please refer to note 34 Events after balance sheet date, in the Consolidated financial statements.

Divestment of High Voltage Germany

In March 2021, Eltel signed an agreement to divest its German High Voltage business to ENACO, a German service provider in the energy sector. The transaction is expected to close during Q2, 2021. Eltel will as part of the divestment engage ENACO as a subcontractor for the completion of certain projects, which are expected to be completed during 2021 and 2022.

The divestment is a part of Eltel's strategy to more clearly focus on developing the business in the Nordic countries, where the company has a leading market position, high level of expertise, and in which the business model is repetitive and primarily targeted towards build, service and maintenance.

Corporate Governance Report

Eltel has issued a Corporate Governance Report for the financial year 2020. The Corporate Governance Report has been prepared in accordance with the Swedish Corporate Governance Code.

The Eltel share

Eltel's shares are listed on Nasdaq Stockholm. The Eltel shares are quoted on the OMX Stockholm Mid Cap, under the trading symbol "ELTEL". At the end of the financial period 2020, there was a total of 156,649,081 ordinary shares in Eltel and the share capital entered in the trade register was EUR 158,838,751. On 31 December 2020, the total number of shares amounts to 157,499,081 divided into 156,649,081 ordinary shares with 1 vote per share and 850,000 C shares with 1/10 vote per share.

More about the Eltel share please refer to pages 96–97.

Dividend policy

A dividend policy has been adopted whereby 50% of Eltel's consolidated net profit shall be paid in dividends over time (with flexibility in relation to the pay-out ratio).

The Parent Company

Eltel AB owns and governs the shares of Eltel Group. The Company holds management functions but has no operative business activities and its risks are mainly attributable to the value and activities of its subsidiaries.

The Parent Company's income amounted to EUR 2.6 million (2.2) related to support function services provided to the Group. The operating expenses amounted to EUR 8.4 million (8.7). Financial income amounted to EUR 23.0 million (20.9) related to interest income from Group companies. Financial expenses amounted to EUR 3.9 million (3.0) and Group contribution of EUR 12.0 million (11.3) was given to a subsidiary company. Net result was EUR 0.9 million (0.1).

The Board's proposal for the distribution of profits

The Parent Company's non-restricted equity on 31 December 2020 was EUR 285,744,723.12 of which the net profit for the year was EUR 866,598.26. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the year 2020 and that the non-restricted equity of EUR 285,744,723.12 be retained and carried forward.

Corporate Governance report

Eltel AB (publ) (hereafter referred to as "Eltel" or the "Company") is a Swedish public limited liability company with its shares admitted to trading on Nasdaq Stockholm.

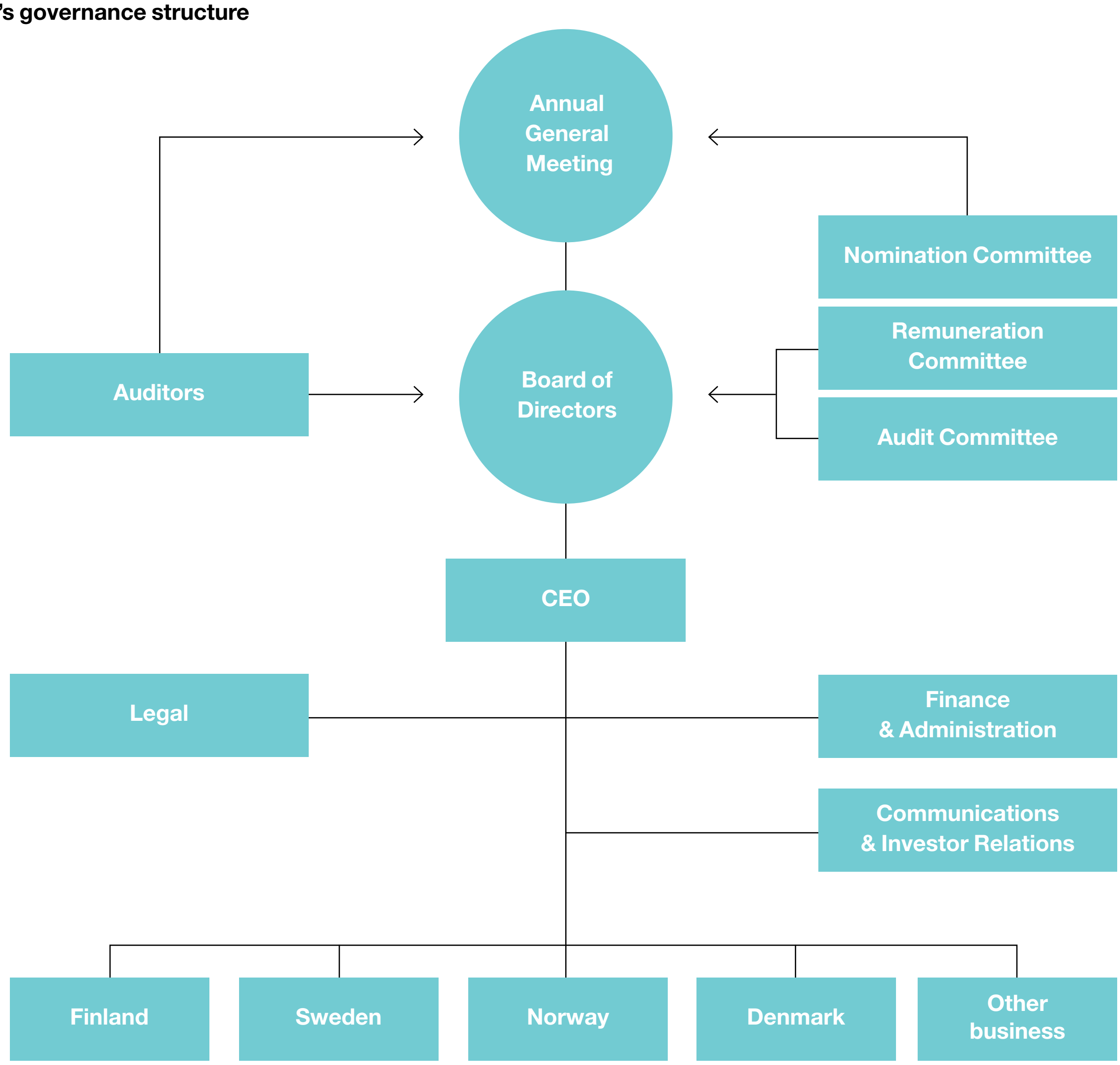
Eltel complies with the guidelines and provisions of its Articles of Association, the Swedish Companies Act (Sw. Aktiebolagslagen (2005:551), the Swedish Annual Accounts Act (Sw. Årsredovisningslagen (1995:1554), the rules and regulations of Nasdaq Stockholm's Rule Book for Issuers, as well as other applicable Swedish and international laws and regulations. Eltel applies the Swedish Corporate Governance Code (the "Code"), issued by The Swedish Corporate Governance Board (Sw. Kollegiet för svensk bolagsstyrning), available at www.corporategovernanceboard.se.

Eltel's Audit Committee has reviewed this Corporate Governance Report (the "Report") and has verified that the description of the main features of the internal control and risk management section, as related to the financial reporting process, is consistent with the financial statements, as set out in Eltel's Annual Report 2019.

Eltel's governance structure

Eltel's internal governance is regulated by the Swedish Companies Act and the Code.

Eltel's governance structure



Shareholders

Ownership structure

As of 31 December 2020, Eltel had 3,402 shareholders and the largest shareholders were the Herlin families 24.9% (through their controlled companies Wipunen Varainhallinta Oy[1)] 12.7%, Heikintorppa Oy[1)] 6.3% and Mariatorp Oy[1)] 5.9%), Solero Luxco S.á.r.l. 16.4% (a company controlled by Triton), the Fourth Swedish National Pension Fund (AP4) 9.6% and Swedbank Robur 7.0%. As of 31 December 2020, the shareholders referred to above together represented 57.9%of the votes in the company.

Shares and votes

Eltel's shares are listed on Nasdaq Stockholm. The Eltel shares are quoted on the OMX Stockholm Mid Cap, under the trading symbol "ELTEL". At the end of the financial period 2020, there was a total of 156,649,081 ordinary shares in Eltel and the share capital entered in the trade register was EUR 158,838,751. On 31 December 2020, the total number of shares amounts to 157,499,081 divided into 156,649,081 ordinary shares with 1 vote per share and 850,000 C shares with 1/10 vote per share.

The General Meeting of shareholders

The General Meeting of shareholders is Eltel's highest decision-making body. In addition to the Annual General Meeting of shareholders, Extraordinary General Meetings of shareholders may be convened at the discretion of the Board of Directors or, if requested by the external auditor or by shareholders holding at least 10% of the shares. At the Annual General Meeting, shareholders exercise their voting rights on matters such as:

- Approving the financial statements
- Deciding on the distribution of dividends
- Discharging the company's Board of Directors and CEO from liability for the financial year
- Electing the company's Board of Directors and auditors and deciding on their remuneration
- Other matters as stipulated in the Swedish Companies' Act, the Articles of Association or the Code, as applicable.

All General Meetings are convened by notice in the Swedish Official Gazette (Sw. Post- och Inrikes Tidningar) and by publishing the notice of the meeting on Eltel's website. At the time of the notice, an announcement with information that the notice has been issued is published in the newspaper Svenska Dagbladet. Eltel also publishes invitations to its General Meetings as regulatory press releases.

All shareholders who have been entered in the share register and have informed the Company of their attendance within the time limit stated in the notice of the meeting are entitled to participate at Eltel's General Meetings and vote according to the number of shares held. Shareholders are also entitled to be represented by a proxy at the meeting.

Annual General Meeting 2020

Eltel's Annual General Meeting was held on 4 May 2020. Shareholders representing 110,823,756 shares, constituting 70.4% of the total number of shares and votes in the Company, participated in person or by proxy or by exercising their voting rights by postal voting. Matters addressed at the meeting included the following:

- Resolution regarding adoption of the profit and loss statement and the balance sheet and the consolidated profit and loss statement and consolidated balance sheet and resolution regarding appropriation of the company's profit according to the adopted balance sheet
- Resolution regarding discharge from liability for the members of the Board of Directors and the CEO
- Re-election of Ulf Mattsson, Håkan Dahlström, Gunilla Fransson, Joakim Olsson and Roland Sundén as members of the Board of Directors
- Election of KPMG AB as the auditor (whereby it was announced that Mats Kåvik will be auditor-in-charge)
- Guidelines for the remuneration of senior executives
- Authorisation for the Board of Directors to resolve to issue new shares and authorisation for the Board of Directors to resolve to repurchase and transfer the company's own shares

The minutes of the Meeting and other related documents can be found on Eltel's website:
www.eltelgroup.com/en/annual-general-meeting/.

Annual General Meeting 2021 and Annual Report 2020

Eltel's Annual General Meeting 2021 will be held on 5 May 2021. Due to the COVID-19 pandemic venue, means of participation and other information regarding the Annual General Meeting 2021 will be announced in due course.

The Annual Report 2020 will be made available on the Group website from week 13, 2021, www.eltelgroup.com and at Eltel AB headquarters, Adolfsbergsvägen 13, Bromma, Sweden from week 16, 2021.

[1)] Companies that have made public that they have agreed on a long-term unified conduct regarding the management of Eltel through coordinated use of their voting rights.

Nomination Committee

According to the instructions for the Nomination Committee, the committee shall comprise a minimum of four members, representing each of the four largest shareholders registered on 31 August the year before the Annual General Meeting. The Nomination Committee's main duties are to propose candidates for the Board of Directors, the Chairman of the Board, as well as fees and other remuneration for the members 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.

The Nomination Committee shall pay special attention to the requirements relating to diversity and breadth of qualifications, experience and background, as well as the requirement to strive for gender balance in the Board of Directors.

An annual evaluation of the Board of Directors' work, expertise, composition and independence of its members is initiated by the Chairman of the Board of Directors, partly to assess the preceding year and partly to identify areas of development for the Board of Directors. The evaluation is performed with the support of an evaluation form and through discussions, as well as through individual interviews of the members of the Board of Directors.

Nomination Committee for the AGM 2021

For the 2021 Annual General Meeting, the Nomination Committee consists of the following members:

- Peter Immonen, the Herlin families (Chairman)
- Erik Malmberg, Solero Luxco S.á.r.l.
- Per Colleen, the Fourth Swedish National Pension Fund
- Marianne Nilsson, Swedbank Robur.

Up to the date of the 2021 Annual General Meeting, the Nomination Committee met on three occasions and also held separate sessions to interview individual members of the Board.

The Nomination Committee's complete proposals for the 2021 Annual General Meeting will be published in the notice convening the 2021 Annual General Meeting.

The Board of Directors

The Board of Directors' responsibility is regulated by the Swedish Companies Act, the Swedish Annual Accounts Act, the Company's Articles of Association, directions given by the General Meeting and the Charter for Eltel's Board of Directors adopted by the Board of Directors. In addition, the Board of Directors shall comply with the Code and Nasdaq Stockholm's Rule Book for Issuers, as well as other applicable Swedish and international laws and regulations.

Responsibility of the Board of Directors

The Board of Directors is responsible for the Company's organisation and administration of the Company's affairs. The Board of Directors shall continuously assess the Group's financial situation, as well as ensure that the Company's organisation is structured in such a way that the accounting, management of funds and the financial conditions are securely controlled.

The Board of Directors is also responsible for setting objectives and strategies, ensuring efficient systems for follow-up and control of the Company's operations, identifying how sustainability issues impact risks to and business opportunities for the Company, and that satisfactory controls are in place to ensure the Company's compliance with laws and other regulations applicable to Eltel's operations. Furthermore, the Board of Directors shall ensure the implementation of appropriate policies and other steering documents regarding the Company's conduct and that any public disclosure of information is made in accordance with laws and established practices (including Nasdaq Stockholm's Rule Book for Issuers). In addition, the tasks of the Board of Directors include appointing, evaluating and, if necessary, dismissing the CEO.

Members of the Board of Directors

Name	Position	Year of birth	Election year	Share holding	Remuneration EUR	Independence from main owners	Independence of the Company
Ulf Mattsson	Chairman	1964	2017	69,000	113,667	Yes	Yes
Mikael Aro[1)]	Member	1965	2018	50,000	13,733	No	Yes
Håkan Dahlström	Member	1962	2017	75,597	46,667	Yes	Yes
Gunilla Fransson	Member	1960	2016	–	43,000	Yes	Yes
Ulf Lundahl[1)]	Member	1952	2014	–	13,733	Yes	Yes
Markku Moilanen[1)]	Member	1961	2017	–	13,733	Yes	Yes
Joakim Olsson	Member	1965	2018	–	41,200	No	Yes
Roland Sundén	Member	1963	2018	50,000	46,667	Yes	Yes
Hans von Uthmann[1)]	Member	1958	2017	10,000	13,733	Yes	Yes
Jonny Andersson[4)]	Employee represent.	1978	2015	–	–	Yes	No
Krister Andersson[2)]	Deputy employee rep.	1964	2015	–	–	Yes	No
Björn Ekblom	Employee represent.	1976	2015	–	–	Yes	No
Ninni Stylin[3)]	Deputy employee rep.	1982	2015	–	–	Yes	No

[1)] Until 4 May 2020. [2)] Until 30 April 2020. [3)] Until 20 August 2020. [4)] Until 4 December 2020.

Information about the Board of Directors' other assignments can be found on page 44.

With the exception of employee representatives, members of the Board of Directors are appointed at the Annual General Meeting one year at a time for the period until the end of the next Annual General Meeting. According to the Company's Articles of Association, the number of members of the Board of Directors to be elected at the General Meeting shall be no less than three and no more than ten ordinary members and no more than three deputies. In accordance with the Code, the majority of the members of the Board of Directors shall be independent of the Company and its management.

Eltel's Board of Directors has adopted a Charter for its work. The Charter is reviewed annually. The Charter regulates, for example, the Board of Directors' roles and responsibilities, the Board's ways of working and the division of tasks within the Board. The Board of Directors also has adopted an Instruction for the CEO of Eltel, as well as an Instruction for financial reporting.

Board of Directors in 2020

As of 31 December 2020, the Board of Directors comprises five ordinary members and one employee representative as ordinary members:

- Ulf Mattsson, Chairman
- Håkan Dahlström
- Gunilla Fransson
- Joakim Olsson
- Roland Sundén
- Björn Ekblom, employee representative

The members of the Board of Directors are presented in greater detail in the section "Board of Directors" on page 44.

The Chairman Ulf Mattsson and the Board members Håkan Dahlström, Gunilla Fransson and Roland Sundén are deemed to be independent of the owners and the Company. Joakim Olsson is deemed to be independent of the Company but dependent on significant shareholders due to his positions in relation to Solero Luxco S.á.r.l.

Matters for the Board of Directors during 2020

In 2020, the main focus of the Board of Directors was to ensure the implementation of the Company's Operational Excellence strategy, that divestments and the rightsizing of operations were executed according to plan, and that other activities for strengthening the balance sheet and lowering the net debt also took place.

In 2020, the Board of Directors held 15 meetings. For details of Board member participation in Board meetings, please see table below.

Evaluation of the Board of Directors' performance

To ensure the quality of the work of the Board of Directors and to identify the possible need for further expertise and experience, the work of the Board of Directors and its members is evaluated annually. In 2020, evaluations, led by the Chairman of the Board of Directors, were carried out by way of each Board member responding to an online questionnaire. The compiled results were presented to the Board of Directors at the final Board meeting of the year. The Chairman of the Board of Directors also presented the results of the evaluations at a meeting with the Nomination Committee.

Board committees

An Audit Committee and a Remuneration Committee is annually appointed by the Board of Directors in its constituent meeting following the Annual General Meeting.

The Board of Directors may also appoint other committees if deemed necessary. The Board of Directors appoints the members of the committees and their chairmen by taking account of the expertise and experience required for the duties. The members of each committee are appointed for the same term of office as the Board of Directors itself. The main responsibilities of the committees, as further outlined below, are to prepare matters that are within the Board of Directors´ decision power.

Board meeting participation 2020

	29 Jan	13 Feb	23 Mar	26 Mar	1 Apr	20 Apr	28 Apr	4 May	2 Jun	24 Jun	22 Jul	22 Sep	4 Nov	17 Dec
Ulf Mattsson	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Mikael Aro[1)]	●	●	●	●	●	●	●	–	–	–	–	–	–	–
Håkan Dahlström	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Gunilla Fransson	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Ulf Lundahl[1)]	●	●	●	●	●	●	–	–	–	–	–	–	–	–
Markku Moilanen[1)]	●	●	●	●	●	●	●	–	–	–	–	–	–	–
Joakim Olsson	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Roland Sundén	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Hans von Uthmann[1)]	●	●	●	●	●	●	●	–	–	–	–	–	–	–
Jonny Andersson[4)]	●	●	●	●	●	●	–	●	●	–	–	–	–	–
Krister Andersson[2)]	●	●	●	●	–	–	●	–	–	–	–	–	–	–
Björn Ekblom	●	●	●	●	●	●	●	●	●	●	–	●	●	●
Ninni Stylin[3)]	●	●	●	●	●	–	●	●	–	–	–	–	–	–

[1)] Until 4 May 2020. [2)] Until 30 April 2020. [3)] Until 20 August 2020. [4)] Until 4 December 2020.

The Audit Committee

The main responsibilities of the Audit Committee are to:

- Monitor the Company's 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, paying particular attention to whether the auditor provides the Company with services other than auditing services
- Assist in the preparation of proposals to the resolutions to the General Meeting regarding the election of an auditor
- Exercise its delegation of authority to advise and review matters such as customer tenders and financial matters.

As part of the tasks described above, the Chairman of the Audit Committee shall support senior management with matters related to financial reporting and information disclosure and have ongoing contact with the auditor on these topics.

The Audit Committee Chairman shall also support the CEO, the CFO and Group Communications in matters relating to information disclosure, financial reporting and media contacts, particularly in the event of a crisis.

The Audit Committee in 2020

As of 31 December 2020, the Audit Committee comprises all Board members elected at the 2020 Annual General Meeting: Gunilla Fransson (Chairman), Håkan Dahlström, Ulf Mattsson, Joakim Olsson and Roland Sundén.

In 2020, the Audit Committee held six meetings, at which Eltel's external auditor and representatives of the Company's management were present, and five additional meetings devoted to customer tender approvals.

Audit Committee participation

	13 Feb	24 Apr	23 Jun	22 Jul	4 Nov	16 Dec
Gunilla Fransson	●	●	●	●	●	●
Håkan Dahlström[2]	–	–	–	●	●	–
Ulf Mattsson[2]	–	–	●	●	●	●
Markku Moilanen[1]	●	●	–	–	–	–
Joakim Olsson	●	●	●	●	●	●
Roland Sundén[2]	–	–	–	●	●	●

1) Until 4 May 2020.
2) From 4 May 2020.

The Remuneration Committee

The main responsibilities of the Remuneration Committee are to:

- Prepare the Board of Directors' resolutions on issues concerning renumeration principles, remunerations and other terms of employment for the senior management
- Monitor and evaluate programmes for the variable remuneration of senior management, both ongoing and terminated during the year
- Monitor and evaluate the application of the guidelines for the remuneration of senior management upon which the Annual General Meeting is legally obliged to decide, as well as the current remuneration structures and levels in the Company
- Assess and plan the succession of senior management at Eltel.

The Remuneration Committee in 2020

As of 31 December 2020, the Remuneration Committee comprises three members: Ulf Mattsson (Chairman), Håkan Dahlström and Roland Sundén.

The Remuneration Committee held three meetings in 2020.

Remuneration Committee participation

	5 Feb	2 Sep	9 Dec
Ulf Mattsson[2]	–	●	●
Håkan Dahlström	●	●	●
Ulf Lundahl[1]	●	–	–
Roland Sundén[2]	●	●	●
Hans von Uthmann[1]	–	–	–

1) Until 4 May 2020.
2) From 4 May 2020.

Remuneration principles at Eltel

Eltel's guidelines for remuneration to senior executives, as adopted at the Annual General Meeting 2020, are set out in the Board of Directors' Report. Eltel's Remuneration Report for 2020 will be submitted for approval at Eltel´s Annual General Meeting 2021.

External Audit

The Annual General Meeting appoints an external auditor for one year at a time. The external auditor is responsible for auditing the annual financial statements of the Group and Parent Company.

The external auditor also reviews the third quarter interim report the Corporate Governance Report, the Sustainability Report and the Company's administration. The external auditor attends all regular Audit Committee meetings and reports observations related to internal control, administration of the Company and the review of the third quarter and the annual financial statements. The external auditor attends at least one Board meeting each year.

External auditor in 2020

The Annual General Meeting in 2020 elected KPMG AB as Eltel's external auditor for a one-year mandate, with Mats Kåvik as auditor-in-charge. In 2020, total fees paid to the external auditors, KPMG AB, amounted to EUR 0.9 million, of which non-auditing services totalled EUR 0.0 million.

Group Management Team

Chief Executive Officer

Eltel's President and Chief Executive Officer (CEO) reports to the Board of Directors. As of 1 September 2018, Casimir Lindholm is the President and CEO of the Eltel Group. 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, Eltel's Instructions to the CEO and other directions and guiding principles established by the Board of Directors.

Group Management Team

The Group Management Team ("GMT"), chaired by the CEO, meets a minimum of 10 times annually (10 times in 2020). The GMT considers strategic and operational issues related to the Group and its businesses, as well as investments, Group structure and corporate steering systems, and it supervises the Company's operations. The GMT also delivers the annual business plan, budget and forecast updates to the Board of Directors in accordance with the Company's established planning cycle.

The Group Management Team comprises the following members[1)]:

- Casimir Lindholm, President and CEO
- Saila Miettinen-Lähde, CFO
- Henrik Sundell, General Counsel
- Elin Otter, Director, Communications and Investor Relations
- Juha Luusua, Managing Director, Eltel Finland
- Leif Göransson, Managing Director, Eltel Sweden
- Thor-Egel Bråthen, Managing Director, Eltel Norway
- Claus Metzsch Jensen, Managing Director, Eltel Denmark.

Information on the members of the GMT can be found in the Annual Report for 2020 on page 45.

Control systems

Guidelines and manuals

Eltel's internal control system, which comprises all corporate governance including policies, guidelines and procedures, is communicated via management and is organised according to the requirements of the Country Unit and Solution Unit. Eltel's IFRS Accounting Manual contains instructions and guidance on accounting and financial reporting to be applied at all Eltel Group companies. The manual's objective is to provide guidance on Eltel Group accounting principles to be applied in group reporting as well as preparation of the consolidated financial statements.

Fundamental Eltel policies cover areas such as authorisation, Code of Conduct, internal control and risk management, reporting of suspected violations of laws, ethics or misconduct (whistleblowing) to Eltel's Compliance unit, health and safety, communications and investor relations, sustainability, restrictions on insider trading, accounting and controlling.

As part of regular monitoring, Eltel conducts internal audits to verify that the Company complies with the approved governance. Regular reporting, follow-up and escalation procedures have been implemented in which the Audit Committee is ultimately made aware if issues are identified.

The CEO is primarily responsible for implementing the Board of Directors' instructions in the day-to-day work. The CEO regularly reports to the Board based on established procedures. Furthermore, monthly operational business reviews are conducted with the CEO and CFO.

Information and communications

All external communications are carried out in accordance with the relevant regulations and Eltel's Communications Policy.

Eltel has a Group Communications function that focuses on four key communication areas: Investor Relations, internal and external communications, brand and marketing, as well as sustainability.

Follow-up

The Board of Directors and GMT monitor Eltel's compliance with adopted policies and guidelines. At each Board meeting the Company's financial position is addressed. The Remuneration and Audit Committees play key roles in terms of, for example, remuneration, financial statements and internal control. Prior to the release of interim reports and the Annual

[1)] Karin Lagerstedt Woolford, Human Resources Director, left the Company on 29 February 2020. Petter Traaholt, former CFO, left the Company on 29 February 2020 and was replaced on 1 March 2020 by the current CFO, Saila Miettinen-Lähde. Christian Wittneven, Director Solution Unit High Voltage, left the Company on 31 December 2020.

Report, the Audit Committee and the Board of Directors review the financial statements.

Eltel's management conducts a monthly follow-up of earnings, analysing any deviations from the budget, forecasts and the previous year.

The duties of the external auditor include performing an annual review of the internal controls of the Group and Group subsidiaries. Status and identified deviations are addressed at the Audit Committee meetings or escalated earlier, when appropriate.

The Board of Directors meets with the auditors once a year to review the internal controls and, in specific cases, to instruct the auditors to perform separate reviews in specific areas. The auditors attend all regular Audit Committee meetings.

Priority areas in 2020

Eltel's significant priority areas for 2020 included the following:

- Improve profitability
- Prioritise core operational improvements
- Upsell on existing customer base
- Restructure non-performing businesses, including potential divestments
- Strengthen the financial position of the company.

Eltel divested its Communication business in Germany and the Aviation & Security business in Sweden, which contributed to reducing net debt. The divestments created value for Eltel and its shareholders by strengthening the balance sheet and the Nordic focus.

Internal control 2020

The Internal Control Function is responsible for the internal control framework, risk management, internal audits and monitoring of Eltel's compliance with governance, which is based on applicable laws and generally accepted accounting principles.

During the year, the function performed internal audits to assess process/control compliance and risk management. The internal audits covered a selection of customer projects, data privacy processes, compensation matters, and the global shared services. The outcome of the internal audits has been followed-up and communicated accordingly. The Internal Control Function has also reported the result of the annual self-assessment activities (related to governance and financial internal controls) to the Audit Committee. The function will continue to focus on risk management within customer projects as part of its internal audit scope as outlined in the 2021 plan.

Risk management

Please see Board of Director's report page 33–34.

Board of Directors

ULF MATTSSON

Chairman of the Board since 2017

Born: 1964

M.Sc. Economics

Positions and other board memberships: Chairman of the Board of VaccinDirekt i Sverige AB and Lideta AB. Member of the Board of Addtech AB, Oras Invest Oy and Priveq V AB. Advisor at EQT and PJT Partners.

Board committees: Chairman of the Remuneration committee. Member of the Audit Committee

Previous positions: Chairman of the Board of AcadeMedia 2010–2017, Musti ja Mirri 2014–2017, Evidensia 2014–2017, Itslearning 2013–2017. Member of the Board of Gambro, 2010–2013. CEO (interim) at Gambro 2011. CEO at Capio 2005–2006 and Mölnlycke Health Care 2004–2005.

Shareholding: 69,000 shares

HÅKAN DAHLSTRÖM

Member of the Board since 2017

Born: 1962

M.Sc. Engineering and M.Sc. Digital Technology

Positions and other board memberships: CEO at Fujitsu Sweden AB. Member and Vice Chairman of the Board of The Business Executives Council at The Royal Swedish Academy of Engineering Sciences.

Board committees: Member of the Remuneration Committee. Member of the Audit Committee

Previous positions: CEO at Tieto Sweden AB and Executive Vice President, Tieto Corporation 2014–2020. President Mobile Business area at TeliaSonera AB 2010–2012.

President Broadband Business area at TeliaSonera AB 2008–2010.

Shareholding: 75,597 shares

GUNILLA FRANSSON

Member of the Board since 2016

Born: 1960

M.Sc. and Tech.Lic. Chemical Engineering

Positions and other board memberships: Chairman of the Board of NetInsight AB. Member of the Board of Dunker Foundation, Trelleborg AB and Nederman AB.

Board committees: Chairman of the Audit Committee

Previous positions: Head of Business Area at Saab AB 2008–2015. Board Director at Swedish Space Agency 2012–2015. Various positions at Ericsson AB 1985–2008.

Shareholding: –

JOAKIM OLSSON

Member of the Board since 2018

Born: 1965

MBA and M.Sc. Mechanical Engineering

Positions and other board memberships: Senior Industry Expert at Triton. Chairman of the Board of Seves Group S.á r.l. and Member of the Board of at Logstor A/S.

Board committees: Member of the Audit Committee

Previous positions: Chairman of the Board of Ovako Group AB 2015–2018. Member of the Board of FläktGroup GmbH 2015–2018, VCST 2013–2016 and Semcon AB 2011–2015. CEO at SAG Group GmbH 2011–2014 and Haldex AB 2005–2011.

Shareholding: –

ROLAND SUNDÉN

Member of the Board since 2018

Born: 1953

M.Sc. Mechanical Engineering

Positions and other board memberships: -

Board committees: Member of the Remuneration Committee. Member of the Audit Committee

Previous positions: President at Hiab and Member of Cargotec Executive Board 2014–2018. President and CEO at LM Wind Power 2006–2013. President, Agricultural Division at Case New Holland 2003–2006. Executive Vice President at Volvo Construction Equipment 2000–2003.

Shareholding: 50,000 shares

BJÖRN EKBLOM

Member of the Board – Employee Representative, since 2015

Born: 1976

Chairman of the trade union Unionen at Eltel Sweden since 2010

Positions and other board memberships: -

Board committees: –

Previous positions: Team Leader at Eltel Aviation & Security 2006–2010. Network Engineer at Eltel Aviation & Security 1999–2006.

Shareholding: –

Shares held in Eltel as of 31 December 2020.

Group Management Team

CASIMIR LINDHOLM

President and CEO, since 2018

Born: 1971

M.Sc. Economics, MBA

Positions and other board memberships: Member of the Board of Uponor Oyj and Cargotec Oyj.

Previous positions: President and CEO at Lemminkäinen Group 2014–2018. Deputy CEO at Lemminkäinen Group 04/2014–08/2014. Executive Vice President, Building Construction Finland at Lemminkäinen Group 2013–2014. Various managerial positions at Eltel Group Corporation and Eltel Networks Infranet AB 2008–2012.

Shareholding: 67,500 shares

SAILA MIETTINEN-LÄHDE

CFO, since 2020

Born: 1962

M.Sc. Engineering

Positions and other board memberships: Senior Advisor to Tekir Oy. Chairman of the Board of Mining Finland Association.

Previous positions: CEO at Endomines AB 2017–2019. CFO at F-Secure Corporation 2015–2017. Deputy CEO and CFO at Talvivaara Mining Company Plc 2005–2015.

Shareholding: –

ELIN OTTER

Director, Communications and Investor Relations, since 2019

Born: 1978

Bachelor of Arts, Journalism and News Editorial

Positions and other board memberships: –

Previous positions: Head of Group Communications at Eltel AB 2018. Communications and Marketing Manager Nordics at Triton 2016–2018. Various managerial positions at Skanska 2007–2016.

Shareholding: 3,334 shares

HENRIK SUNDELL

General Counsel, since 2016

Born: 1964

Master of Laws

Positions and other board memberships: –

Previous positions: General Counsel at Fingerprint Cards AB 2015–2016. Group General Counsel at DeLaval 2009–2015. Senior Legal Counsel and Associate General Counsel at Ericsson 2000–2009.

Shareholding: 4,885 shares

JUHA LUUSUA

Managing Director, Country Unit Finland, since 2018

Born: 1965

M.Sc. Electrical Engineering

Positions and other board memberships: Member of the Board of Voimatalouspooli (part of the Finnish National Emergency Supply Agency) and Football Association of Finland.

Previous positions: President BU Power at Eltel 2017–2018. President Power Distribution at Eltel 2012–2017. Managing Director Country Unit Finland at Eltel 2008–. SVP Electricity at Eltel Networks/ Group Corporation 2006–2007.

Shareholding: 152,248 shares

LEIF GÖRANSSON

Managing Director, Country Unit Sweden, since 2019

Born: 1967

B.Sc. Business Administration

Positions and other board memberships: –

Previous positions: COO Country Unit Sweden at Eltel 2018. Director Group Projects and Operations at Eltel 2018. Head of Group project function at Eltel 2016–02/2018. Operations Director at Otis 2016. Acting CEO at Imtech Elteknik AB 2015.

Shareholding: 21,000 shares

THOR-EGEL BRÅTHEN

Managing Director, Country Unit Norway, since 2018

Born: 1965

INSEAD Executive Management Programme, Certified service electronics technician

Positions and other board memberships: –

Previous positions: Director Fixed Telecom/Deputy Chief Executive Officer at Eltel Networks AS 2015–02/2018. CEO at Eltel Networks AS 2011–2015. QA Manager at Eltel Networks AS 2009–2011. CEO at Niscayah Denmark 2006–2009.

Shareholding: 1,257 shares

CLAUS METZSCH JENSEN

Managing Director, Country Unit Denmark, since 2018

Born: 1968

M.Sc. Business Administration

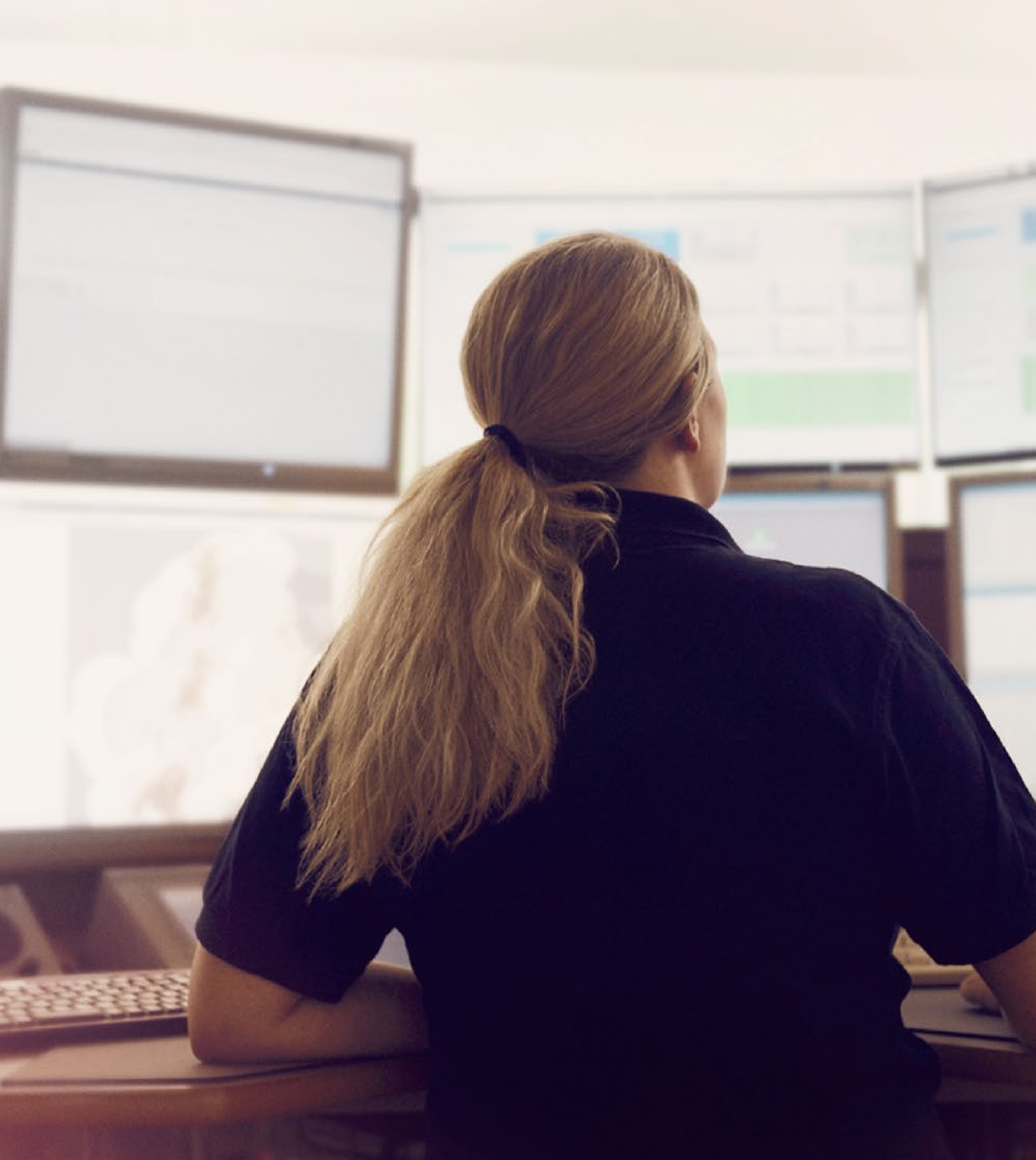
Positions and other board memberships: Member of the Board of Fiber&Anlæg I/S

Previous positions: Vice President at Caverion A/S 2016–2017. Senior Vice President at TDC A/S 2011–2016.

Shareholding: 6,000 shares

Shares held in Eltel as of 31 December 2020.

Consolidated financial statements



Consolidated income statement

EUR million	Note	Jan–Dec 2020	Jan–Dec 2019
Net sales		938.0	1,087.6
Cost of sales	6	-838.6	-1,004.7
Gross profit		**99.4**	**82.9**
Other income	6,7	22.5	2.6
Sales and marketing expenses	6	-4.6	-9.1
Administrative expenses	6	-84.6	-85.5
Other expenses	6,8	-7.7	-2.5
Share of profit/loss of joint ventures		-0.2	0.4
Operating result (EBIT)		**24.8**	**-11.2**
Financial income		0.5	0.4
Financial expenses		-10.3	-11.9
Net financial expenses	10	-9.8	-11.5
Result before taxes		**14.9**	**-22.7**
Taxes	11	-9.7	-2.4
Net result		**5.3**	**-25.1**
Attributable to:			
Equity holders of the parent		4.7	-25.9
Non-controlling interest	25	0.6	0.8
Earnings per share (EPS)	12		
Basic, EUR		0.03	-0.17
Diluted, EUR		0.03	-0.17

Consolidated statement of comprehensive income

EUR million	Note	Jan–Dec 2020	Jan–Dec 2019
Net result for the period		5.3	-25.1
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Revaluation of defined benefit plans, net of tax		-4.8	-4.6
Items that may be subsequently reclassified to profit and loss			
Cash flow hedges, net of tax		0.1	0.2
Net investment hedges, net of tax		-0.9	0.8
Currency translation differences		-0.6	-1.6
Total		**-1.4**	**-0.6**
Other comprehensive income/loss for the period, net of tax		-6.2	-5.1
Total comprehensive income/loss for the period		**-0.9**	**-30.2**
Total comprehensive loss attributable to:			
Equity holders of the parent		-1.5	-31.0
Non-controlling interest	25	0.6	0.8

Consolidated balance sheet

EUR million	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Goodwill	26	264.9	264.0
Intangible assets	26	38.3	41.0
Property, plant and equipment	27	20.0	27.5
Right-of-use assets	28	59.2	77.4
Investments in joint ventures	25	–	0.9
Investments	16	0.5	0.6
Deferred tax assets	23	19.1	26.4
Other financial assets	16	–	35.0
Trade and other receivables	16,19	0.4	0.4
Total non-current assets		**402.5**	**473.2**
Current assets			
Inventories	20	12.1	14.6
Other financial assets	16	35.0	–
Trade and other receivables	3,16,19	201.7	230.1
Cash and cash equivalents		26.0	65.2
Total current assets		**274.8**	**310.0**
Assets held for sale	24	0.0	24.0
TOTAL ASSETS		**677.3**	**807.2**
EQUITY AND LIABILITIES			
Equity	14		
Share capital		158.8	158.8
Other equity		52.8	54.3
Equity attributable to shareholders of the parent		211.7	213.1
Non-controlling interest	25	7.5	7.6
Total equity		**219.2**	**220.7**
Non-current liabilities			
Debt	15,16	27.7	76.1
Leasing liabilities	15,28	39.0	54.3
Liabilities to shareholders	15,16	–	35.0
Retirement benefit obligations	30	17.4	14.8
Deferred tax liabilities	23	11.0	11.5
Provisions	21	2.7	3.4
Other non-current liabilities		0.5	0.5
Total non-current liabilities		**98.4**	**195.6**
Current liabilities			
Debt	15,16	62.1	109.0
Leasing liabilities	15,28	21.8	24.3
Liabilities to shareholders	15,16	35.0	–
Provisions	21	7.5	15.0
Advances received	3	32.2	31.6
Trade and other payables	16,22	197.4	201.7
Total current liabilities		**356.0**	**381.6**
Liabilities associated with assets held for sale	24	3.8	9.3
Total liabilities		**458.1**	**586.5**
TOTAL EQUITY AND LIABILITIES		**677.3**	**807.2**

Consolidated statement of cash flow

EUR million	Note	Jan–Dec 2020	Jan–Dec 2019
Cash flow from operating activities			
Operating result (EBIT)		24.8	-11.2
Adjustments:			
Depreciation and amortisation		38.2	40.9
Gain/loss on sales of assets and business[1)]		-14.7	-1.5
Defined benefit pension plans		-3.0	-4.4
Other non-cash adjustments		1.4	0.5
Cash flow from operations before interests, taxes and changes in working capital		46.7	24.4
Interests received		0.4	0.6
Interest and other financial expenses paid		-10.8	-12.3
Income taxes received/paid		-3.5	0.8
Cash flow from operations before changes in working capital		32.8	13.5
Changes in working capital:			
Trade and other receivables		24.9	86.5
Trade and other payables		-10.4	-46.4
Inventories		2.1	-2.2
Changes in working capital		16.6	37.9
Net cash from operating activities		**49.4**	**51.4**
Cash flow from investing activities			
Purchases of property, plant and equipment (PPE)		-6.4	-12.4
Proceeds from sale of PPE		2.1	0.7
Acquisitions of business, net of cash and cash equivalents	24	–	-4.2
Investment refund from joint ventures		–	1.5
Disposals of business, net of cash disposed of	24	37.9	12.3
Net cash from investing activities		**33.5**	**-2.1**
Cash flow from financing activities			
Proceeds from short-term financial liabilities	15	38.4	49.3
Payments of short-term borrowings	15	-87.4	-33.1
Payments of financial liabilities	15	-46.1	-26.1
Payments of lease liabilities	15	-26.2	-26.9
Dividends to non-controlling interest		-0.6	-0.9
Change in non-liquid financial assets		0.2	-0.5
Net cash from financing activities		**-121.6**	**-38.2**
Net change in cash and cash equivalents		**-38.7**	**11.1**
Cash and cash equivalents at beginning of period		65.2	53.4
Foreign exchange rate effect		-0.6	0.7
Cash and cash equivalents at end of period		26.0	65.2

1) Includes EUR 20.4 million gain from divestment of the German Communication business and business area Aviation & Security in Q2 2020.

Consolidated statement of changes in equity

EUR million	Share capital	Other paid-in capital	Accu-mulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve, net of tax	Currency translation	Total	Non-controlling interest	Total equity
	Equity attributable to shareholders of the parent								
1 Jan 2020	**158.8**	**490.6**	**-375.4**	**-36.7**	**11.4**	**-35.7**	**213.1**	**7.6**	**220.7**
Total comprehensive income for the period	–	–	4.7	-4.8	-0.8	-0.6	-1.5	0.6	-0.9
Transactions with owners[1]:									
Equity-settled share-based payment	–	–	0.0	–	–	–	0.0	–	0.0
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	-0.6	-0.6
Total transaction with owners	–	–	0.0	–	–	–	0.0	-0.6	-0.6
31 Dec 2020	**158.8**	**490.6**	**-370.6**	**-41.5**	**10.6**	**-36.3**	**211.7**	**7.5**	**219.2**

[1] For more information about equity-settled share-based payments see note 29 Remuneration to senior executives and for share transactions see note 14 Shares and share capital.

EUR million	Share capital	Other paid-in capital	Accu-mulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve, net of tax	Currency translation	Total	Non-controlling interest	Total equity
	Equity attributable to shareholders of the parent								
1 Jan 2019	**158.0**	**491.6**	**-349.5**	**-32.2**	**10.4**	**-34.1**	**244.3**	**7.6**	**252.0**
Total comprehensive income for the period	–	–	-25.9	-4.6	1.1	-1.6	-31.0	0.8	-30.2
Transactions with owners[1]:									
Equity-settled share-based payment	–	–	0.0	–	–	–	0.0	–	0.0
Proceeds from shares issued	0.9	-0.9	–	–	–	–	–	–	–
Purchase of own shares	–	-0.2	–	–	–	–	-0.2	–	-0.2
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	-0.9	-0.9
Total transaction with owners	0.9	-1.0	0.0	–	–	–	-0.1	-0.9	-1.0
31 Dec 2019	**158.8**	**490.6**	**-375.4**	**-36.7**	**11.4**	**-35.7**	**213.1**	**7.6**	**220.7**

[1] For more information about equity-settled share-based payments see note 29 Remuneration to senior executives and for share transactions see note 14 Shares and share capital.

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 revaluation of defined benefit plans. Hedging reserve comprises of cash flow hedges and net investment hedges. Gains and losses from hedge accounted derivative instruments are temporarily recognised in other comprehensive income under hedging reserve for their effective part and will be reclassified to the income statement as the hedged item affects the income statement. The currency translation reserve includes differences arising on translation of the financial statements of foreign entities.

Notes to the consolidated financial statements

Basis of preparation

This section comprises the following notes describing Eltel's basis of preparation:

Note 1 Corporate information

Eltel AB (the Company) through its subsidiaries (together the Group) is a leading Nordic field service provider for power and communication networks. We deliver a comprehensive range of solutions – from maintenance and upgrade services to project delivery. This includes design, planning, building, installing and securing the operation of power and communication networks for a more sustainable and connected world today and for future generations. In 2020, the number of employees was approximately 5,400.

Eltel AB is domiciled in Stockholm, Sweden. Eltel AB's ordinary shares are quoted on the Nasdaq Stockholm. 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 Company holds management functions but has no operative business activities and its risks are mainly attributable to the value and activities of its subsidiaries.

Note 2 Accounting policies for the consolidated accounts

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 2020. 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 29 March 2021 and are subject to adoption by the Annual General Meeting on 5 May 2021.

The financial statements are prepared on a going concern basis. At the date of signing the financial statements, management is required to assess the entity's ability to continue as a going concern, and this assessment should cover the entity's prospects for a minimum of 12 months from the end of the reporting period.

Consolidated financial statements have been prepared under the historical cost convention, except for derivative 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 standards and amendments that took effect in 2020 did not have a material impact on the result or the financial position of the Group or on the presentation of the financial statements. IFRS 16 was adopted effective January 1, 2019 using the modified retrospective approach. Eltel recognised following opening balance adjustments due to transition to the new standard:

- Right-of-use assets amounting to EUR 89.6 million and
- Leasing liabilities and restoration cost provision amounting to EUR 89.6 million

The new IFRS standards, amendments and interpretations effective for the first time for 2021 financial year or later are not expected to have any material impact on Group's financial position or the presentation of the financial statements.

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.

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 cash-generating units and a suitable discount rate in order to calculate present value. See note 26 intangible assets for more information on impairment testing.

b) Revenue recognition over time

The Group applies the five-step model of IFRS 15 when recognising revenue from contracts with customers. Revenue for the period is recognised to the extent that the performance obligation(s) to the customer have been satisfied. The Group typically uses input method to measure the progress of satisfying the performance obligation(s). The progress is measured based on costs incurred relative to the total estimated costs and revenue is recognised based on this percentage of completion.

The estimated outcome of a long-term contract that extends over several accounting periods may vary due to changes in circumstances and, for this reason, lead to revised estimations in the next reporting period. Cost estimates require estimate of the final outcome of the project and the actual future outcome may deviate from the estimate. Deviations from original plan in project execution may result in significant increases in cost to complete due to various reasons including cost for additional work and materials, price increases as well as cost for delays and available resources. Project business contains inherent risks related to the pricing of the project and estimates of the ultimate cost and performance of the contract. Additionally, project business involves risk related to authority, customer or other external conditions outside of Eltel's control, including the risk of delays and in certain cases the risk of inability of the Group's customers to obtain financing to fund planned projects and services. The essential skills for performance and profitability of a project are the Group's ability to accurately foresee the project's costs, to correctly assess the various resources necessary to carry out the project, to effectively manage the services provided by subcontractors, and to control technical events that could affect and delay progress on the project.

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

d) 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 does not 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.

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 30 Retirement benefit obligations.

f) Lease contracts valid until further notice

The IFRS 16 standard requires use of estimates for valuating contracts that are valid until further notice. Eltel has estimated the length of these contracts based on expected usage in current business operations. This has considerable impact in the amount of right-of-use assets and leasing liabilities for premises. The right-of-use assets and leasing liabilities are presented as separate lines in the balance sheet.

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.

Intercompany 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 33 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 also the functional and presentation currency of the parent company.

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.

See further information on hedge accounting for foreign currency differences arising from the translation of financial assets and liabilities designated as hedges in note 13.

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

The Group applies the five-step model of IFRS 15 when recognising revenue from contracts with customers. IFRS 15 requires identifying deliverables in contracts with customers that qualify as separate performance obligations. The deliverables may include good(s) or service(s) or a combination of goods and services. Revenue is recognised for each performance obligation separately on a relative stand-alone selling price basis and takes place when a customer obtains control of the related good(s) or service(s) and has the ability to direct the use of and obtain the benefits from the good(s) or service(s), either over time or at a point in time.

Major part of Group's revenue comes from the following revenue types: project delivery services, upgrade services and maintenance services. The Group's contracts are either stand-alone agreements or contracts within frame agreements. Only agreements that are committing both of the contracting parties are defined as a contract under IFRS 15.

A contract includes promises to transfer good(s) or service(s) to a customer. If those goods or services are distinct, the promises are performance obligations that are each accounted for separately in revenue recognition. The Group has analysed the different revenue types and concluded that in the project delivery and upgrade services revenue is typically recognised over time as customer controls the asset Eltel creates or enhances. In maintenance services customer typically receives benefits as Eltel performs and revenue is and continues to be recognised based on the services performed. When revenue from contracts with customers is recognised over time, revenue for the period is recognised to the extent of satisfying the performance obligation(s) to the customer. The Group typically uses the input method based on the costs incurred to measure the progress of satisfying the performance obligation(s) over time. The progress is measured based on costs incurred relative to the total estimated costs and revenue is recognised based on this percentage of completion. An expected loss on a customer contract is recognised as an expense immediately. IFRS 15 does not include any guidance on how to account for loss contracts. Accordingly, such contracts are accounted for using the guidance in IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

Whenever the Group's customer contracts contain a variable consideration the amount shall be withhold so that the Group does not recognise any amount relating to variable consideration until it is highly probable that a significant revenue reversal will not incur. The assessment of the likelihood of revenue reversal is based on historical evidence from earlier similar type of contracts. Also the materiality is estimated. A typical variable price element in Eltel's contracts is delay penalties.

In some contracts the timing of customer payments may differ significantly from the timing of the transfer of goods or services to the customer (for example the consideration is prepaid or is paid after the services are provided). When the difference is more than a year the Group assesses at the beginning of the contract whether the contact contains a significant financing component. If the contract contains a significant financing component the promised amount of consideration is adjusted and Eltel recognises revenue at an amount that reflects the cash selling price of the promised goods or services.

Contract assets and contract liabilities

IFRS 15 distinguished between contract assets and contract receivables. Contract receivable is a right to consideration that is unconditional and only passage of time is required before the payment is due, i.e. trade receivable. Contract asset is a right to consideration in exchange for goods or services the Group has transferred to customer, i.e. revenue recognised but not yet invoiced. The contract receivables and contract assets are included in the balance sheet in the trade and other receivables.

A contract liability is an obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. Advances received in the balance sheet represent the Group's contract liabilities.

Segment reporting

The Group's operations are divided into two reportable segments, Power and Communication and the remaining business operations are presented under Other. These segments are also referred to as business segments in the Group's financial reports.

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. According to the conditions in IFRS 8, certain of the Group's operating segments have been aggregated in the financial reporting. Revenues, costs, operative assets and liabilities are allocated to segments on consistent basis. Income statement items below operative EBITA are not allocated to the segments.

Eltel changes its segment structure from 1 January 2021. See note 34 Events after balance sheet date for more information on the new 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 (3–7 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 (2–4 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 (5–10 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.

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 26 Intangible assets for information on impairment testing of goodwill.

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	15–40 years
Machinery and equipment	3–10 years
Heavy machinery	10–15 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.

Right-of-use assets and leasing liabilities

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The IFRS 16 standard requires use of estimates for valuating contracts that are valid until further notice. The Group has estimated the length of these contracts based on expected usage in current business operations. The cost of a right-of-use asset also includes an estimate of costs to be incurred by the Group in restoring the asset to the condition required by the terms and conditions of the lease. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessments according to IAS 36.

At the commencement of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term using the incremental borrowing rate at the lease commencement date. The lease payments include fixed payments, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease liabilities are subsequently measured at amortised cost using the effective interest method. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, e.g. a change in the lease term or a change in future lease payments resulting from a change in an index or rate used to determine those payments. Generally, the amount of remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset.

Short-term leases and leases of low-value assets

The Group applies the recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Incremental borrowing rate

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. To arrive at the incremental borrowing rate the Group applies the respective country's (economic environment) risk free rate for the term corresponding to the lease term, adjusted for credit risk of each Group company.

Assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a disposal rather than through the continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate disposal in its present condition. Actions required to complete the disposal should indicate that it is unlikely that significant changes to the disposal will be made or that the decision to dispose will be withdrawn. Management must be committed to the disposal expected within one year from the date of the classification. Property, plant and equipment and intangible as- sets are not depreciated or amortised once classified as held for sale.

Financial instruments

Recognition and derecognition

All purchases and sales of financial assets are accounted for at trade date. Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities 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. However, trade receivables without significant financing components are recognised at transaction price. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Group has transferred substantially all risks and rewards of ownership. 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 into the following categories according to IFRS 9: Financial assets at amortised cost, fair value through other comprehensive income or fair value through profit and loss. The classification is made on the basis of the Group's business model for managing the financial assets and the characteristics of the contractual cash flow of the financial assets, The Group classifies all the financial liabilities at amortised costs except the derivative financial instruments which are classified at fair value through profit or loss. The classification is made on the basis of the purpose of the acquisition of financial instruments at the time of initial recognition. See note 16 Financial instruments by category.

Financial assets and liabilities at fair value through profit or loss are financial assets held for trading and derivative financial assets not designated as hedges, 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.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognised in the income statement in the period in which they arise either as other income and expenses or financial income or expenses depending on whether they relate to business or financial items. Derivatives not designated as hedges are classified as a current asset or liability and presented in the balance sheet as other receivables or liabilities. 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.

Financial assets at amortised costs are non-derivative financial assets with fixed or determinable payments not quoted in an active market nor held for trading. They 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 according to the expected credit losses method (ECL) in IFRS 9, related to trade receivables and contract assets are recognised in other expenses. Financial assets at amortised costs also include cash and cash equivalents, consisting of 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 non-current liabilities and they can be interest-bearing as well as non-interest-bearing. Bank overdrafts are shown within debt in current liabilities.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument including for example transaction costs and all other premiums or discounts.

Impairment of financial assets

The Group applies the expected credit losses (ECL) model according to IFRS 9 for impairment of trade receivables, contract assets and other financial assets.

Credit risk is the risk of a loss if a customer or counterparty in a financial instrument does not fulfill its contractual obligations. The Group's credit risk relates primarily to account receivables and to cash and cash equivalents. The Group evaluates the credit risk of existing receivables at each reporting date.

Account receivables and contract assets
The Group's accounts receivable and contract assets are divided into two groups for measurement of credit risk. One group consists of larger customers that account for a significant part of the Group's net sales. These customers are solid infrastructure network owners, typically well-known publicly listed companies or companies owned by governments or municipalities in Europe. The other group consists of other customers. The Group's loss allowance for expected credit losses on account receivables and contract assets are measured according to the simplified method. This means that the loss allowance is measured for the remaining time to maturity, which is generally less than one year.

During the year, the Group improved the method for measurement of expected credit losses. The improved method has not resulted in any significant change of the loss allowance. The loss allowance for expected credit losses is based on individual assessments regarding the largest customers, where a rating-based model is used in combination with other known information and forward-looking factors. The Group uses external ratings if possible and for unrated companies an estimated corresponding rating is applied. For the other group consisting of several smaller customers, the Group applies an collective impairment model based on age analysis of the receivables and historically realised losses in combination with forward-looking factors that affect the customers' ability to pay the outstanding receivables.

Cash and cash equivalents
Credit risk also originates from investments in cash and cash equivalents. Eltel's investments in bank accounts are kept in Eltel's financing banks. For any other deposits, the aim is that the counterparty has a credit rating of at least AA (S&P) or equivalent. The expected credit risk for cash and cash equivalents is measured by a rating-based model in combination with other known information and forward-looking factors. Due to the short maturity and high creditworthiness of counterparties, the loss allowance is generally not assessed to be significant.

Other receivables and assets, not measured at fair value in income statement
For any other receivables and assets, the need for impairment is assessed by the rating model described above, if applicable, or otherwise based on management's assessment of the present value of the difference between contractual and expected cash flows. Measurement of the loss reserve corresponds to 12 months' expected credit losses, or a shorter time period due to time to maturity. In the event of a significant increase in credit risk, the loss reserve is based on the entire remaining time to maturity of the receivable or asset.

Financial 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, currency swaps and commodity swaps. The Group has designated certain commodity swaps as cash flow hedges. Other derivatives, not designated as hedges, are classified as financial assets or liabilities measured at fair value through profit or loss. However, all derivative contracts are entered into for economic hedging purposes even if they did not qualify as hedges under IFRS 9.

Cash flow hedges
The Group has applied cash flow hedge accounting to commodity 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 13.1 for more information).

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.

Trade receivables
Trade receivables are initially measured at transaction price and subsequently at amortised cost including provision for impairment using expected credit loss (ECL) method according to IFRS 9. The ECL method is described in impairment of financial assets section above. See note 19 for more information.

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. 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 does not 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.

Income taxes

The Group's income tax expense includes taxes of the group companies based on current period's 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 local 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 tax losses or 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)

Short-term benefits to employees are calculated without discounting and are recognised as a cost when the related services are received.

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.

Termination benefits

A provision is recognised in connection with termination of employees if the company is committed to a formal and detailed plan to terminate employment before the normal time. When a termination benefit is offered to encourage voluntary redundancy, a cost is recognised if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

Share-based payments (IFRS 2)

Eltel has one 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 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.

Financial performance

This section comprises the following notes describing Eltel's financial performance:

Note 3 Revenue recognition and segment reporting

Eltel reports its operations in segments in Power, Communication and Other. The Power and Communication segments comprise Eltel's businesses in the Nordics, Poland and Germany. The Other comprises operations planned to be divested or ramped down: Power Transmission International unit with projects outside of Europe and few remaining rail business projects in Sweden.

Eltel's governance structure is country and market-driven with Country and Solution Units. Full profit centre responsibility is achieved in each country within the segments Power and Communication. Eltel's operations in segment Power within the areas High Voltage and Smart Grids, are project based and offer standard solutions for all markets, and are therefore managed as Solution Units with cross-border mandates.

Eltel changes the segment reporting starting from 1 January 2021. The current Power and Communication segments will be replaced by four country segments: Finland, Sweden, Norway and Denmark. All future Power and Communication business in these countries will be presented under the new country segments. See note 34 Events after balance sheet date for more information about new segments.

Net sales by geographical area

EUR million	2020	2019
Finland	299.8	270.4
Sweden	224.9	294.2
Norway	183.1	234.1
Denmark	117.4	108.9
Germany	54.7	76.6
Poland	43.2	88.1
Other countries	14.9	15.3
Total	**938.0**	**1,087.6**

Net sales by geographical area is presented by party issuing the invoice.

Net sales by segment

EUR million	2020	2019
Power		
Net sales (external)	329.8	377.7
Inter-segment sales	0.0	0.0
Communication		
Net sales (external)	594.9	696.7
Inter-segment sales	0.1	1.6
Other		
Net sales (external)	13.3	13.2
Elimination of sales between segments	-0.1	-1.7
Total	**938.0**	**1,087.6**

The Group has two customers in segment Communication that represent over 10% of total sales of the Group (in 2019 two customers). The customers' share of the sales amounts to 37% (35). Customer means a legal entity, and where applicable, a collection of legal entities in the same group.

Net sales by service type
Eltel's revenue consists of project delivery, upgrade and maintenance services.

Project delivery services (Engineering, procurement, construction)
Project delivery services comprise engineering and delivering customer specific network infrastructure projects. The contracts include projects with estimated units and variation orders as well as turnkey projects and Eltel's activities typically include tasks relating to design, construction, installation and project management. The size of a contract is typically large (EUR 1–50 million) and project execution time frame from months to years. For project delivery services revenue is typically recognised over time as customer controls the asset that Eltel creates or enhances.

Upgrade services (Upgrade and conversion projects)
Upgrade and conversion services are services to recover and upgrade the condition or technology of an existing infrastructure network where Eltel typically dismantle, build and/or install on customer specifications. The projects are typically based on multi-year frame agreements where the services are ordered based on individual purchase orders but also on separately tendered projects. Size of a project varies typically from EUR 10,000 to over EUR 1 million projects and pricing is typically based on units. For upgrade services revenue is typically recognised over time as customer controls the asset that Eltel creates or enhances.

Maintenance services
Eltel's maintenance services comprise of scheduled and corrective care services and connect services where the customer contracts are usually multi-year frame agreements. The works are performed based on continuous flow of small orders that are typically unit priced, but also certain fixed fee based contracts exist. The services are not highly customised to a particular customer. The nature of Eltel's maintenance services is such that the customer typically can benefit from the services either on its own or together with other readily available resources. In maintenance services customer receives benefits as Eltel performs and revenue is recognised over time based on the services performed.

Net sales by service type

EUR million	2020	2019
Power		
Project delivery	168.5	251.2
Upgrade services	106.7	80.1
Maintenance	62.0	58.9
Elimination of internal net sales and fx adjustments	-7.4	-12.6
Total Power	329.8	377.7
Communication		
Project delivery	27.0	26.0
Upgrade services	446.0	517.1
Maintenance	187.2	205.6
Elimination of internal net sales and fx adjustments	-65.3	-50.4
Total Communication	594.9	698.4
Other		
Project delivery	12.9	13.5
Maintenance	0.4	-0.2
Total Other	13.3	13.2
Elimination of sales between segments	-0.1	-1.7
Total	**938.0**	**1,087.6**

In 2020 project delivery services form 21% (25), upgrade services 55% (52) and maintenance services 25% (23) of Eltel's total net sales. Internal net sales include inter-segment and intra-segment net sales.

Committed order backlog

Committed order backlog in Eltel is defined as the total value of committed (purchase) orders received but not yet recognised as net sales. It is therefore the best measure of unsatisfied performance obligations according to IFRS 15 Revenue from contracts with customers. The below table presents the committed order backlog by service split for each segment.

EUR million	2020	2019
Power		
Project delivery	238.5	212.3
Upgrade services	71.8	44.0
Maintenance	16.9	18.1
Total Power	**327.2**	**274.3**
Communication		
Project delivery	52.2	55.0
Upgrade services	80.9	134.1
Maintenance	8.1	18.0
Total Communication	**141.2**	**207.1**
Other		
Project delivery	5.1	17.0
Total Other	**5.1**	**17.0**
Total	**473.5**	**498.4**

Approximately half of the committed order backlog in project delivery services and nearly all of the committed order backlog in upgrade services and maintenance service is to be recognised as revenue during 2021.

Segment results

EUR million	2020	2019
Operative EBITA by segment		
Power	-9.5	-17.5
Communication	24.4	18.1
Other	4.5	-0.8
Items not allocated to operating segments[1]	-8.0	-11.2
Operative EBITA, Group	**11.4**	**-11.3**
Items affecting comparability in EBITA[2]	14.1	1.6
Amortisation of acquisition-related intangible assets	-0.7	-1.5
Operating result (EBIT)	**24.8**	**-11.2**
Financial expenses, net	-9.8	-11.5
Result before taxes	**14.9**	**-22.7**

[1] Consist of group management function and other group level expenses.
[2] Items which management does not consider to form part of the ongoing operative business.

Net working capital and operative capital employed

EUR million	31 Dec 2020	31 Dec 2019
Inventories	12.1	14.6
Trade and other receivables	201.7	230.1
Provisions	-10.2	-16.6
Advances received	-32.2	-31.6
Trade and other payables	-197.4	-203.5
Other	0.9	0.7
Net working capital	**-25.1**	**-6.3**
Intangible assets excluding acquisition-related allocations	10.4	12.3
Property, plant and equipment	20.0	27.5
Right-of-use assets	59.2	77.4
Total operative fixed assets	**89.6**	**117.2**
Operative capital employed	**64.5**	**110.9**

Assets and liabilities held for sale are not included (on 31 December 2020 German High Voltage business and on 31 December 2019 German Communication business and Aviation & Security business area).

Segment net working capital

EUR million	31 Dec 2020	31 Dec 2019
Power	7.6	17.6
Communication	-27.3	-7.0
Other	-1.6	-5.1
Items not allocated to operating segments	-3.9	-11.8
Total	**-25.1**	**-6.3**

Segment operative fixed assets

EUR million	31 Dec 2020	31 Dec 2019
Power	30.4	31.4
Communication	53.5	61.3
Other	1.0	1.2
Items not allocated to operating segments	4.8	23.3
Total	**89.6**	**117.2**

Segment operative fixed assets include Intangible assets excluding acquisition-related allocations, property, plant and equipment and right-of-use assets.

Contract balances

EUR million	31 Dec 2020	31 Dec 2019
Trade receivables	98.8	124.9
Contract assets	85.1	83.7
Total assets related to contracts with customers	**183.9**	**208.6**
Advances received	32.2	31.6
Total liabilities related to contracts with customers	**32.2**	**31.6**

Trade receivables and contract assets are included in the trade and other receivables in the balance sheet. Contract assets mainly consist of recognised net sales not yet invoiced. Advances received represent the contract liabilities.

Note 4 Personnel by country

Number of personnel by country

Average	2020	Of whom men %	2019	Of whom men %
Sweden	1,635	87	1,944	87
Finland	1,484	85	1,485	91
Norway	1,007	88	1,059	89
Poland[1)]	735	78	1,040	79
Denmark	637	90	655	91
Germany	476	85	608	86
Other	222	92	245	94
Total personnel, average	**6,196**	**86**	**7,036**	**88**
Total personnel, year-end	**5,449**	**84**	**6,678**	**87**

1) Includes the average number of personnel of the divested Polish Communication business for the period January–September 2019.

Note 5 Employee benefit expenses

Employee benefit expenses

EUR million	2020	2019
Wages and salaries	277.7	307.0
Post-employment benefits:		
Defined benefit plans	-0.6	-0.4
Defined contribution plans	28.5	30.8
Other indirect employee costs	44.5	55.1
Total	**350.2**	**392.5**

Employee benefit expenses by function

EUR million	2020	2019
Cost of sales	287.8	332.4
Sales and marketing expenses	3.0	4.1
Administrative expenses	59.2	55.7
Sum in operative expenses	**350.1**	**392.2**
Financial income and costs	0.1	0.2
Total	**350.2**	**392.5**

Note 6 Function expenses by nature

EUR million	2020	2019
Materials and supplies	143.0	183.9
Employee benefit expenses	350.1	392.2
External services	304.4	374.7
Other costs	77.3	107.4
Depreciation, amortisation and impairment	38.2	40.9
Total	**913.0**	**1,099.2**

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

EUR million	2020	2019
Cost of sales	-838.6	-1,004.7
Other income	22.5	2.6
Sales and marketing expenses	-4.6	-9.1
Administrative expenses	-84.6	-85.5
Other expenses	-7.7	-2.5
Total	**-913.0**	**-1,099.2**

Note 7 Other income

EUR million	2020	2019
Gains on disposal of business and sales of assets	21.1	1.5
Adjustments to earn-out estimates	–	0.2
Other income	1.4	0.9
Total	**22.5**	**2.6**

In 2020, gains on disposal of business and sales of assets include the gain of EUR 13.7 million on sale of German Communication business and the gain of EUR 6.7 million on sale of Aviation & Security business in Sweden. In 2019, it includes the gain on sale of 100% of shares of Polish Communication business company Eltel Networks Telecom Sp.z.o.o of EUR 1.4 million. The earn-out adjustments in 2019 relate to the acquisition of Danish Exo Consult ApS in 2016. See note 24 Acquisitions, disposals and assets held for sale for more information about disposals of business and earn-out adjustments.

Note 8 Other expenses

EUR million	2020	2019
Loss on foreign exchange contracts	0.6	1.5
Losses on divestments and held for sale valuations	6.3	–
Other expenses	0.8	0.9
Total	**7.7**	**2.5**

In 2020, losses on divestments and held for sale valuations include held for sale valuation loss of High Voltage business in Germany amounting to EUR 5.7 million in Q4 2020 as well as held for sale valuation loss of EUR 0.7 million of Murphly Eltel JV Limited, jointly controlled entity in the UK, in Q3 2020. The divestment of Murphly Eltel JV Limited was completed in Q4 2020 and it did not have any further impact on Group EBIT. See note 24 Acquisitions, disposals and assets held for sale for more information.

Note 9 Depreciation and amortisation

EUR million	2020	2019
Amortisation on customer relationships	0.7	1.5
Depreciation of right-of-use assets	26.7	28.4
Other depreciation and amortisation	10.7	11.0
Total	**38.2**	**40.9**

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

EUR million	2020	2019
Cost of sales	23.2	26.3
Sales and marketing expenses	0.8	1.5
Administrative expenses	14.2	13.0
Total	**38.2**	**40.9**

Note 10 Financial income and expenses

EUR million	2020	2019
Interest income arising from financial assets at amortised cost	0.1	0.2
Other financial income	0.4	0.2
Total financial income	**0.5**	**0.4**
Interest expenses from liabilities at amortised cost[1]	-6.3	-8.7
Fee expenses	-2.5	-2.9
Net impact from financial instruments at fair value through profit and loss	-0.1	-0.2
Fair value change of foreign exchange derivatives	-0.4	-0.6
Other foreign exchange differences	-1.0	0.6
Total financial expenses	**-10.3**	**-11.9**
Net financial expenses	**-9.8**	**-11.5**

[1] Includes EUR 2.0 million (1.9) of interest expenses for leasing liabilities.

Note 11 Income tax

Income tax expense in the consolidated income statement

EUR million	2020	2019
Current tax	1.7	5.6
Deferred tax	8.0	-3.2
Total tax cost	**9.7**	**2.4**

The difference between income taxes at the statutory tax rate in Sweden 21.4% and income taxes recognised in the consolidated income statement is reconciled as follows:

EUR million	2020	2019
Profit before tax	14.9	-22.7
Tax calculated at Swedish tax rate	**3.2**	**-4.9**
Effect of different tax rates outside Sweden	0.9	-0.2
Income not subject to tax	-1.4	-2.3
Expenses not deductible for tax purposes	1.6	1.7
Tax effect of goodwill from divestments	2.8	–
Tax loss valuation	2.3	9.0
Non-valuated temporary differences	0.2	–
Remeasurement of deferred tax for change in tax rate	0.0	–
Taxes and adjustments in respect of prior years	0.1	-1.2
Other items	0.1	0.2
Income taxes in the consolidated income statement	**9.7**	**2.4**

In 2019 the Swedish government enacted a change in the national corporate income tax rate from 22.0% to 21.4%. In 2021 the Swedish national corporate income tax rate will further decrease to 20.6%. Tax loss valuation includes tax effects of results for which no deferred income tax asset was recognised. Main change in the tax loss valuation comes from utilisation of losses carried forward against sales gain and profits on businesses divested in 2020. Deferred taxes are presented in note 23.

Note 12 Earnings per share

	2020	2019
Net result attributable to equity holders of the parent	4.7	-25.9
Weighted average number of ordinary shares, basic	156,649,081	156,649,081
Weighted average number of ordinary shares, diluted	156,693,645	156,895,149
Earnings per share, basic	0.03	-0.17
Earnings per share, diluted	0.03	-0.17

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 ordinary shares outstanding during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares by the effect of potential diluting shares due to share-based incentive plans in the Group (LTIP 2018 and LTIP 2016).

Financial risk management and capital structure

This section comprises the following notes describing Eltel's financial risk management and capital structure:

13. Financial risk management
14. Shares and share capital
15. Borrowings
16. Financial instruments by category
17. Derivative financial instruments
18. Commitments and contingent liabilities

Note 13 Financial risk management

The Group has exposure to the following financial risks:
- Market risks, including currency, interest rate and commodity price 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.

13.1 Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and commodity 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.

13.1.1 Currency risk

Currency risk in the Group consists of transaction risk and translation risk. The purpose of currency risk management is to minimise the impact of foreign exchange fluctuations to the cash flows, income statement 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 95% of the cash inflows are generated in each country's local currency. The transaction risk is therefore limited and arises from remaining export projects and few other 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 foreign currency 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 5 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 17 Derivative financial instruments.

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

2020

EUR million	Sales and purchases	Borrowings and cash	Hedges	Net transaction risk exposure
EUR	1.3	0.1	-1.3	0.0
SEK	-2.0	-7.8	10.1	0.3
NOK	0.7	-14.4	13.7	0.1
DKK	0.2	-8.0	8.1	0.3
PLN	0.0	10.2	-10.2	0.0
USD	0.0	0.4	-0.6	-0.1
MZN	-0.5	1.0	–	0.5
GEL	–	0.6	–	0.6

2019

EUR million	Sales and purchases	Borrowings and cash	Hedges	Net transaction risk exposure
EUR	0.4	0.0	–	0.4
SEK	-3.2	6.0	-3.0	-0.2
NOK	0.3	1.1	-1.0	0.5
DKK	0.2	0.2	-0.2	0.2
PLN	-0.2	0.2	0.0	-0.1
USD	10.5	0.0	-10.9	-0.3
ZAR	-2.1	–	–	-2.1
MZN	-0.7	1.8	–	1.2

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

Currency transaction risk impact

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 including hedges and assumes that all other variables, in particular interest rates, remain constant.

EUR thousands	2020 profit or loss		2019 profit or loss	
	Strengthening	Weakening	Strengthening	Weakening
EUR	2	-2	42	-34
SEK	32	-26	-21	17
NOK	7	-6	51	-42
DKK	31	-25	26	-21
PLN	2	-2	-9	7
USD	-9	7	-37	30
ZAR	-5	4	-237	194
MZN	56	-46	130	-106
GEL	66	-54	–	–

The Group has not applied hedge accounting to currency derivatives in 2020 or 2019 and all fair value changes are reported through profit and loss.

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, Poland and Denmark. For the year ended 31 December 2020, 25% (28) of the Group's net sales were generated in SEK, 20% (22) in NOK, 5% (8) in PLN and 13% (10) in DKK. In 2020, the COVID-19 pandemic caused volatility in the currency markets, and the changes in NOK against EUR impacted the Group's net sales by EUR -17.2 million.

The costs of the operations of the Group are typically incurred in the same currency as net sales. Therefore the translation risk in the Group's profit or loss is limited. In 2020 the changes in NOK against EUR impacted the Group's EBIT by EUR -1.0 million. A change in the average EUR/SEK, EUR/NOK, EUR/PLN, EUR/DKK rates by 10% would have had an impact of EUR -1.1 million (0.4) on the Group's operating result (EBIT) and EUR -0.9 million (-1.0) in the Group's post tax profit in 2020.

Net investment translation risk

The majority of the Group's net investment translation risk arises from the net investments in the Swedish, Norwegian and Polish subsidiaries. This net investment is hedged by SEK and PLN denominated loans, SEK 312.9 million (685.5) and PLN 9.5 million (21.0), which partly mitigates the foreign currency translation risk arising from the subsidiaries' net assets. The hedged risk is the risk of weakening SEK and PLN against EUR that will result in a reduction in the carrying amounts of the Group's net investments in the subsidiaries. Net investment hedge accounting according to IFRS 9 is applied for the loans. Hedges are included in the net debt to EBITDA ratio sensitivity analysis.

The valuations of the net investment hedges in hedging reserve are presented in the below table:

2020 EUR million	Loans denominated in foreign currency	Discontinued net investment hedges	Total
1 Jan	**6.9**	**7.4**	**14.4**
Recognised in hedging reserve during the period	-1.1	–	-1.1
Transferred from hedging reserve to profit and loss during the period	0.1	–	0.1
31 Dec	**5.9**	**7.4**	**13.3**

2019 EUR million	Loans denominated in foreign currency	Discontinued net investment hedges	Total
1 Jan	**5.9**	**7.4**	**13.3**
Recognised in hedging reserve during the period	1.2	–	1.2
Transferred from hedging reserve to profit and loss during the period	-0.1	–	-0.1
31 Dec	**6.9**	**7.4**	**14.4**

13.1.2 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 long-term policy is to keep the interest duration between 10–36 months. However, the Group does not have any interest rate hedges in place at the balance sheet date due to the nature of the current market interest rate environment.

The Group's borrowing is based on floating interest rates (one to six months) including a floor market rate of zero. Currently 89% of the term loans are subject to such zero floor rate.

The interest rate profile of the Group is as follows:

EUR million	2020	2019
Total leasing liabilities	**60.8**	**78.6**
Variable-rate instruments		
Financial assets	-26.9	-66.4
Financial liabilities	90.8	185.2
Total variable-rate net liabilities	**63.9**	**118.8**

A majority of the leasing liabilities have a fixed interest rate for the lease period. More information on the Group's interest rate derivatives is included in note 17 Derivative financial information.

Interest rate sensitivity

A reasonably possible change in the relevant market interest rates at the reporting date would affect the equity and income statement 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.

2020	Income statement	
EUR thousands	**50 bp increase**	**25 bp decrease**
Variable rate instruments	46	-23
Total	**46**	**-23**

2019	Income statement	
EUR thousands	**50 bp increase**	**25 bp decrease**
Variable rate instruments	63	-32
Total	**63**	**-32**

13.1.3 Commodity price risk

Commodity price risk is the uncertainty in the financial result or the value of the Group caused by fluctuations in commodity prices.

According to the Group's policy the commodity derivates may be used to hedge the commodity purchases for the long-term customer contracts, if the price of the commodity purchases for the contract cannot be fixed, and a relevant commodity derivative is available in the market. On 31 December 2020 Eltel had no commodity derivatives. More details on the commodity derivatives used is included in note 17 Derivative financial information.

13.2 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 committed syndicate revolving credit facility of EUR 90 million (90), which expires in 2023. The Group has also access to short-term debt capital markets via Finnish Domestic Commercial Paper programme of EUR 150 million. Credit facilities are presented in section 13.4 Capital management.

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	31 Dec 2020	31 Dec 2019
Committed credit facility	90.0	77.6
Current account overdrafts	20.0	20.0
Cash and cash equivalents	26.0	65.2
Total	**136.0**	**162.8**

At the end of December 2020 the Group held counter value of EUR 0.9 million (1.8) in local MZN currency bank accounts in Mozambique. Due to the local currency and other regulatory requirements the funds are not readily transferrable off-shore and the funds are currently kept in the country to serve the ongoing projects' working capital needs. The funds are included in the cash and cash equivalents since the use of the funds is not restricted. The funds are subject to currency risk in group consolidation and to the extend the project costs arise in other than the local currency. The risk analysis is included in section 13.1 Market risk.

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 monthly level for the full calendar year. 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 in line with their contractual terms.

	Carrying amounts		Contractual cash flows			
31 Dec 2020 EUR million	Less than 1 year	Over 1 year	Less than 1 year	1–3 years	3–5 years	Over 5 years
Trade receivables	98.8	–	98.8	–	–	–
Derivative instruments	0.3	–	0.3	–	–	–
Other financial assets[1)]	35.0	–	35.0	–	–	–
Other receivables	1.5	0.3	1.5	0.1	–	0.2
Cash and cash equivalents	26.0	–	26.0	–	–	–
Total financial assets	**161.7**	**0.3**	**161.7**	**0.1**	**–**	**0.2**

	Carrying amounts		Contractual cash flows			
31 Dec 2020 EUR million	Less than 1 year	Over 1 year	Less than 1 year	1–3 years	3–5 years	Over 5 years
Bank borrowings and commercial papers	63.0	27.7	65.5	30.5	–	–
Liabilities to shareholders[1)]	35.0	–	35.0	–	–	–
Leasing liabilities	21.8	39.0	23.4	28.0	8.6	5.6
Trade payables	81.3	–	81.3	–	–	–
Derivative financial instruments	0.0	–	0.0	–	–	–
Total financial liabilities	**201.1**	**66.7**	**205.2**	**58.5**	**8.6**	**5.6**

2019 EUR million	Carrying amounts Less than 1 year	Over 1 year	Contractual cash flows Less than 1 year	1–3 years	3–5 years	Over 5 years
Trade receivables	124.9	–	124.9	–	–	–
Derivative instruments	0.1	–	0.1	–	–	–
Other financial assets[1)]	–	35.0	–	35.0	–	–
Other receivables	1.7	0.2	1.7	–	–	0.2
Cash and cash equivalents	65.2	–	65.2	–	–	–
Total financial assets	**191.9**	**35.2**	**191.9**	**35.0**	**–**	**0.2**

2019 EUR million	Carrying amounts Less than 1 year	Over 1 year	Contractual cash flows Less than 1 year	1–3 years	3–5 years	Over 5 years
Bank borrowings and commercial papers	109.1	76.1	112.7	76.3	–	–
Liabilities to shareholders[1)]	–	35.0	–	35.0	–	–
Leasing liabilities	24.3	54.3	27.7	36.2	13.4	6.5
Trade payables	85.9	–	85.9	–	–	–
Derivative financial instruments	0.0	–	0.0	–	–	–
Total financial liabilities	**219.4**	**165.4**	**226.3**	**147.5**	**13.4**	**6.5**

[1)] Liabilities to shareholders refer to selling shareholders at the time of the listing on 6 February 2015. The amount constitutes 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. In 2019 the asset and liability amounts were presented as long-term and at the end of 2020 transferred to short-term following the progress of the case. The timing of the final ruling on the matter is anyhow unknown. For more information, see Legal claims and investigations in note 18.

13.3 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, typically well-known publicly listed companies or companies owned by governments or municipalities in Europe. Therefore, the Group assess that the concentration risk and credit risk related to these key customers is limited.

The Group's accounts receivable and contract assets are divided into two groups for measurement of credit risk. One group consists of large customers that account for a significant part of the Group's net sales. The loss allowance for expected credit losses for the largest customers is made individually with a rating-based model applied. For the other group of several smaller customers, the Group applies a collective impairment model based on age analysis of the receivables and historically realised losses. Forward-looking factors and management judgement is applied in both models.

The Group carries out some projects in African countries in the Power Transmission International unit which is in process of being ramped down. 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 usually does not carry significant credit risk relating to the African customers. The Group is currently carrying out one remaining project in Mozambique which is funded by the European Investment Bank via the Ministry of Finance in Mozambique. While the credit risk of the funding is mitigated by the external financing received, the sovereign risk relating to Mozambique remains and is included in expected credit loss (ECL) calculation.

Below table summarises the expected credit loss reservation for total trade receivables and contract assets.

Credit risk exposure and loss reservation

2020 EUR million Credit risk rating	Trade receivables (gross)	Contract assets	Total	Expected credit loss reservation	Recognised amounts (net)
Large customers					
AAA	3.2	0.8	4.0	0.0	4.0
AA	1.7	–	1.7	0.0	1.7
A	6.6	16.7	23.3	0.0	23.3
BBB	21.2	24.8	46.0	0.1	45.9
BB	9.0	0.8	9.8	0.1	9.7
Total large customers	**41.7**	**43.1**	**84.8**	**0.3**	**84.6**
Other customers	60.5	42.0	102.5	3.1	99.3
Total	**102.2**	**85.1**	**187.3**	**3.4**	**183.9**

Maturity analysis of receivables:

EUR million	31 Dec 2020	31 Dec 2019
Not past due	88.6	99.8
1–14 days overdue	4.7	11.5
15–90 days overdue	5.0	6.5
91–180 days overdue	0.7	3.3
More than 180 days overdue	3.2	6.3
Total trade receivables	**102.2**	**127.4**
Contract assets	85.1	83.7
Expected credit loss reservation	-3.4	-2.5
Total	**183.9**	**208.6**

There were no past due receivables in any other class of financial assets.

The group has improved the calculation method for ECL in 2020. This impacts also the presentation of the disclosures and presentation of the comparative period in above table has been changed accordingly. The carrying amount of the Group's receivables represents the maximum amount of credit risk at the balance sheet date. The amount of receivables represent managements best estimate of amounts that will be recovered from the customers.

The reserve for expected credit losses is EUR 3.4 million representing an increase of EUR 0.9 million from the comparative period. Largest items relate to valuation of aforementioned sovereign risk related to Mozambique and to the group of smaller customers. The effects of COVID-19 have not had substantial impact on expected credit losses. Realised credit losses in the Group were EUR 0.0 million (0.2) during the year.

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.

Credit risk also originates from investments in cash and cash equivalents. EUR 25.0 million (63.2) of the cash balance on 31 December 2020 was deposited in the banks having the credit rating of at least A (S&P) or equivalent. EUR 0.9 million (2.0) of the cash was deposited in the banks in Mozambique having the credit rating of BB. The expected credit risk for cash and cash equivalents is measured by a rating-based model in combination with other known information and forward-looking factors. The expected credit losses for other receivables and assets have been assessed to be immaterial and no reservation has been recognised in the financial statements.

13.4 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. Net debt is followed as in financing agreement and is calculated as total borrowings from banks and other financial institutions on undiscounted method less cash and cash equivalent. IFRS 16 leasing liabilities are not included.

The net debt has been as follows:

EUR million	31 Dec 2020	31 Dec 2019
Total bank borrowings	90.8	185.7
Leasing liabilities in balance sheet	60.8	78.6
Cash and cash equivalents	-26.0	-65.2
Net debt	**125.6**	**199.1**
Less IFRS 16 leasing liabilities	-58.3	-75.3
Adjusted for held for sale	–	0.0
Net debt, financing agreement	**67.4**	**123.8**

Eltel's bank loan agreements include financial covenants related to the adjusted EBITDA, minimum liquidity and net debt.

In February 2020, Eltel and its banks made certain amendments to its financial agreement that matures in Q1 2021. The amendments included adjusted financial covenants and a plan to reduce net debt during the term. The covenant revisions relate to minimum adjusted EBITDA and maximum net debt to be applied on a quarterly basis until the end of the facility. The minimum liquidity covenant level remains throughout the agreement.

In March 2020, additional amendments were agreed with the banks, including, among others, a 12-month extension of the current credit facilities until mid-Q1 2022. The agreed covenant levels relate to minimum adjusted EBITDA to be applied during the extended period from Q1 2021 through Q4 2021, and to maximum net debt which is to be reduced to EUR 100 million by the end of Q4 2021.

In December 2020, the current credit facilities were extended until mid-Q1 2023. The agreed covenant levels for adjusted EBITDA and maximum net debt is to be reduced to EUR 90 million by the end of 2022. The minimum liquidity covenant level, as well as the other terms and conditions previously agreed between the parties, remains unchanged throughout the extended agreement. The minimum adjusted EBITDA and maximum net debt covenants, as defined in the financial agreement, are excluding IFRS 16 impact.

If the liquidity, net debt or EBITDA outcome differs significantly from planned, there is a risk that the covenants under the existing financing agreement are not met during the transformation period. Challenges with respect to meeting the financial covenants might lead to a risk that suppliers and other stakeholders could request accelerated payment terms or additional guarantees.

Credit facilities

EUR million	31 Dec 2020	31 Dec 2019
Term loan, non-current	27.7	76.1
Term loan, current	10.0	7.2
Revolving credit facility	90.0	90.0
Account overdrafts	20.0	20.0
Total credit facilities	**147.7**	**193.2**

Term loan and revolving credit facilities are part of the Group's financial facilities maturing in Q1 2023. Additional to above facilities, the Group also has access to short-term debt capital markets via a commercial paper programme of EUR 150 million. At the reporting date EUR 53.0 million (89.5) of the commercial paper programme and EUR 0.0 million (12.4) of the revolving credit facility were utilised.

Note 14 Shares and share capital

During 2020, there were no changes in number of shares or share capital. On 31 December 2020, the total number of shares amounted to 157,499,081 divided into 156,649,081 ordinary shares with 1 vote per share and 850,000 C shares with 1/10 vote per share. On 31 December 2020 the share capital amounted to EUR 158.8 million.

On 31 January 2019, Eltel issued a total of 850,000 redeemable and convertible class C shares based on the authorisation given to the Board by the Extraordinary General Meeting on 17 September 2018. The purpose of the issue of class C shares is to use the shares in Eltel's long-term incentive programme LTIP 2018. In connection with the issue, the shares have been repurchased by Eltel. Eltel holds the shares at 31 December 2019 and will hold the shares until it is time to deliver shares to the participants of LTIP 2018. Prior to delivery of the shares to participants, the class C shares will be converted to ordinary shares.

The share issue resulted in an increase of share capital by EUR 858,500. On 31 December 2019, the total number of shares amounted to 157,499,081 divided into 156,649,081 ordinary shares with 1 vote per share and 850,000 C shares with 1/10 vote per share. On 31 December 2019, the share capital amounted to EUR 158.8 million.

Changes in the share capital

Date[1]	Transactions	Ordinary shares	C shares	Total number of shares	Change in share capital (EUR)	Total share capital (EUR)	Quota (par) value (EUR)
1 Jan 2019		**156,649,081**	–	**156,649,081**		**157,980,251**	**1.01**
31 Jan 2019	Issue of new C shares	–	850,000	157,499,081	858,500	158,838,751	1.01
31 Dec 2019		**156,649,081**	**850,000**	**157,499,081**		**158,838,751**	**1.01**
31 Dec 2020		**156,649,081**	**850,000**	**157,499,081**		**158,838,751**	**1.01**

[1] Date of registration with the Swedish Companies Registration office.

Note 15 Borrowings

The financial liability amounts include capital amount and accrued interests.

EUR million	31 Dec 2020	31 Dec 2019
Carrying amounts of non-current liabilities		
Bank borrowings	27.7	76.1
Leasing liabilities	39.0	54.3
Total non-current debt	**66.7**	**130.3**
Liabilities to shareholders[1]	–	35.0
Total non-current financial liabilities	**66.7**	**165.3**
Carrying amounts of current liabilities		
Bank borrowings	62.1	109.0
Leasing liabilities	21.8	24.3
Total current debt	**83.9**	**133.4**
Liabilities to shareholders[1]	35.0	–
Total current financial liabilities	**118.9**	**133.4**
Total financial liabilities at amortised cost	**185.6**	**298.7**

[1] Refers to selling shareholders at the time of the listing on 6 February 2015. The amount has been moved from long-term to short-term in 2020.

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

EUR million	31 Dec 2020	31 Dec 2019
EUR	111.9	166.8
SEK	48.4	92.2
PLN	3.0	6.2
NOK	16.0	24.1
DKK	6.4	9.4
Total	**185.6**	**298.7**

See note 13 For information about interest rate risk, currency risk, liquidity risk and capital management.

The weighted average interest rates for borrowings at year-end were 2.5% in 2020 and 2.0% in 2019.

Non-cash changes of borrowings

	2020				2019			
EUR million	Long-term borrowings	Short-term borrowings	Leasing liabilities	Total	Long-term borrowings	Short-term borrowings	Leasing liabilities	Total
1 Jan	**111.1**	**109.0**	**78.6**	**298.7**	**112.3**	**119.4**	**4.1**	**235.8**
Cash flows (net)	–	-95.0	-26.2	-121.2	-26.1	16.2	-26.9	-36.8
Non-cash changes:								
IFRS 16 opening balance adjustments	–	–	–	–	–	–	89.0	89.0
New lease agreements	–	–	13.2	13.2	–	–	13.7	13.7
Disposals of companies and transfers to assets held for sale	–	–	-4.3	-4.3	–	–	-2.3	-2.3
Change in maturity[1]	-88.8	88.8	–	–	25.7	-25.7	–	–
Foreign exchange movements	5.4	-4.9	-0.6	-0.1	-1.1	–	1.1	0.1
Other non-cash changes	–	-0.8	–	-0.8	0.2	-1.0	–	-0.7
31 Dec	**27.7**	**97.1**	**60.8**	**185.6**	**111.1**	**109.0**	**78.6**	**298.7**

[1] Includes EUR 35 million liability to shareholders which was moved from long-term to short-term in 2020 and from short-term to long-term in 2019.

Note 16 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 short-term market rates.

The fair values of currency forward contracts and the currency swaps are based on the present value of the cash flow at the maturity date. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flow based on observable yield curves.

31 Dec 2020 EUR million	Note	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Carrying amounts	Fair value	Fair value hierarchy
Non-current financial assets		**0.5**	**0.4**	**–**	**0.9**	**0.9**	
Other receivables and financial assets	19	0.5	0.4	–	0.9	0.9	2
Current financial assets		**0.3**	**164.2**	**–**	**164.5**	**164.5**	
Trade receivables	19	–	98.8	–	98.8	98.8	
Derivative instruments	17,19	0.3	–	–	0.3	0.3	2
Other financial assets		–	35.0	–	35.0	35.0	
Other receivables	19	–	4.3	–	4.3	4.3	
Cash and cash equivalents		–	26.0	–	26.0	26.0	
Total financial assets		**0.8**	**164.6**	**–**	**165.4**	**165.4**	
Non-current financial liabilities		**–**	**–**	**66.9**	**66.9**	**66.9**	
Interest-bearing debt	15	–	–	66.7	66.7	66.7	2
Trade and other payables		–	–	0.1	0.1	0.1	
Current financial liabilities		**0.3**	**–**	**213.1**	**213.3**	**214.3**	
Interest-bearing debt	15	–	–	83.9	83.9	84.9	2
Liabilities to shareholders[1]	15	–	–	35.0	35.0	35.0	
Trade and other payables	22	–	–	94.2	94.2	94.2	
Derivative instruments	17,22	0.0	–	–	0.0	0.0	2
Embedded derivative instruments	17,22	0.2	–	–	0.2	0.2	2
Total financial liabilities		**0.3**	**–**	**279.9**	**280.2**	**281.2**	
Carrying amount, net		**0.5**	**164.6**	**-279.9**			

[1] Refers to selling shareholders at the time of the listing on 6 February 2015. The amount has been moved from long-term to short-term in 2020.

On 31 December 2020 the Group has no financial instruments measured at fair value through other comprehensive income.

31 Dec 2019 EUR million	Note	Fair value through profit or loss	Fair value through other comprehensive income	Financial assets at amortised cost	Financial liabilities at amortised cost	Carrying amounts	Fair value	Fair value hierarchy
Non-current financial assets		**0.6**	**–**	**35.4**	**–**	**36.0**	**36.0**	
Other receivables and financial assets	19	0.6	–	0.4	–	1.0	1.0	2
Other financial assets		–	–	35.0	–	35.0	35.0	
Current financial assets		**0.2**	**–**	**196.8**	**–**	**197.0**	**197.0**	
Trade receivables	19	–	–	124.9	–	124.9	124.9	
Derivative instruments	17,19	0.1	–	–	–	0.1	0.1	2
Embedded derivative instruments	17	0.1	–	–	–	0.1	0.1	2
Other receivables	19	–	–	6.7	–	6.7	6.7	
Cash and cash equivalents		–	–	65.2	–	65.2	65.2	
Total financial assets		**0.8**	**–**	**232.2**	**–**	**233.0**	**233.0**	
Non-current financial liabilities		**–**	**–**	**–**	**165.3**	**165.3**	**165.4**	
Interest-bearing debt	15	–	–	–	130.3	130.3	130.4	2
Liabilities to shareholders[1]	15	–	–	–	35.0	35.0	35.0	
Current financial liabilities		**0.5**	**–**	**–**	**228.0**	**228.5**	**229.1**	
Interest-bearing debt	15	–	–	–	133.4	133.4	134.0	2
Trade and other payables	22	–	–	–	94.6	94.6	94.6	
Derivative instruments	17,22	0.0	0.0	–	–	0.0	0.0	2
Embedded derivative instruments	17,22	0.5	–	–	–	0.5	0.5	2
Total financial liabilities		**0.5**	**0.0**	**–**	**393.3**	**393.8**	**394.5**	
Carrying amount, net		**0.3**	**-0.0**	**232.2**	**-393.3**			

[1] Refers to selling shareholders at the time of the listing on 6 February 2015. The amount has been moved from short-term to long-term in 2019.

Note 17 Derivative financial instruments

	31 Dec 2020			31 Dec 2019		
EUR million	Nominal values	Fair values Positive	Fair values Negative	Nominal values	Fair values Positive	Fair values Negative
Foreign exchange derivatives	30.9	0.3	0.0	32.2	0.1	0.0
Embedded derivatives	1.3	–	-0.2	12.0	0.1	-0.5
Commodity derivatives	–	–	–	0.2	–	0.0
Total	**32.2**	**0.3**	**-0.3**	**44.3**	**0.2**	**-0.5**

All derivative contracts have been made according to the Eltel Treasury Policy. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. For the instruments under hedge accounting, EUR 0.0 million (-0.0) was recognised in the hedging reserve during the period. EUR 0.0 million (-0.3) was transferred from hedging reserve to profit or loss during the period.

More information on the financial risks which are hedged by the derivative financial instruments are presented in note 13. The commercial contracts agreed in a currency which is not a home currency of the seller or the buyer, are classified as embedded derivatives if they meet the criteria of an embedded derivative according to IFRS 9.

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

	31 Dec 2020			31 Dec 2019		
EUR thousands	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	302	-47	255	82	-18	64
Financial liabilities						
Foreign exchange derivatives	-47	47	0	-18	–	-18
Commodity derivatives	–	–	–	-16	–	-16

Note 18 Commitments and contingent liabilities

Commitments and collateral pledged

EUR million	31 Dec 2020	31 Dec 2019
Pledged assets		
Shares in subsidiaries	62.9	61.9
Floating charges	227.2	229.5
Intra-group loan receivables	341.0	336.9
Other pledges	0.1	0.1
Total pledged assets	**631.2**	**628.4**
Guarantees		
Counter guarantees for external guarantees	103.5	115.5
Commercial guarantees on behalf of joint ventures and third parties	0.1	6.0
Total guarantees	**103.6**	**121.5**

Pledged assets relate mainly to securing the Group's liabilities under the Group's financing agreement. Securities provided include the shares in The Infranet Company AB, floating charges and the pledge of certain intra-group loan receivables.

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

During 2017 the Group divested a company in Estonia and in accordance with the agreement certain contract guarantees were retained at Eltel. These guarantees are reported as guarantees given on behalf of third parties in 2020 and 2019.

Legal claims and investigations

In Tanzania, Gati Masero Buiter t/a Botech Project Management ("Botech") has filed a statement of claim against Eltel Tanzania Ltd amounting to EUR 4.7 million and a corresponding claim against Eltel Group Oy and Eltel Networks TE AB in the Tanzanian high Court. The basis of the claim is a subcontractor agreement entered into between Eltel Tanzania and Botech in 2013, under which Botech undertook laying of 132kv, 33kv and fibre cables in ground for the Dar es Salam project. Botech did not fulfill its obligations under the subcontractor agreement and therefore Eltel Tanzania terminated the subcontractor agreement. Botech claims that the termination was unfounded and claims damages.

Eltel's legal advisor's view is that the claim has no substantial merits. Moreover, Eltel has moved for dismissal of the claims filed in Tanzania in whole due to that the subcontractor agreement is subject to dispute resolution in London under the ICC arbitration rules. Finally, Eltel Group Oy and Eltel Networks TE AB are not signatories or active parties in the subcontractor agreement. In September 2017, the Tanzanian high Court issued an order striking out Eltel Group Corporation and Eltel Networks TE AB from the suit. Hearings in the case have been held and Botech has concluded its pleading. Eltel will proceed to present its case during 2021.

Power Transmission International closing matters

The ramp-down of the Power Transmission International ("PTI") business operations continues according to plan. As part of the ramp-down activities some of the local Eltel entities forming part of PTI are involved in tax proceedings and/or disputes incidental to their business. In management's opinion, the outcome of these cases is difficult to predict but not likely to have any material effect on the Group's financial position.

FCCA

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 law and 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. On 30 March 2016, the Finnish Market Court dismissed the case as time-barred. On 29 April 2016, the FCCA submitted an appeal to the Supreme Administrative Court (SAC) against the decision of the Finnish Market Court. On 10 June 2019 SAC decided to refer the interpretation of the time bar matter to the European Court of Justice (ECJ) in Luxembourg.

On 14 January 2021, the ECJ responded to SAC's preliminary ruling request concluding that Article 101(1) TFEU must be interpreted to mean that the duration of the infringement has lasted until the day on which the relevant project agreement has been signed. The preliminary ruling of the ECJ confirms Eltel's position throughout the above described proceedings. The matter is now back before the SAC for final ruling. The timing of the SAC's ruling on the matter is unknown.

In relation to the listing of Eltel on Nasdaq Stockholm in February 2015, the selling shareholders entered into an agreement under which 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. Eltel presents the EUR 35 million escrow account in balance sheet in other financial assets and equivalent amount as a liability to shareholders, referring to shareholders at the time of the listing on 6 February 2015. Following the return of the matter to SAC after ECJ's response, Eltel reports the balance sheet items as short-term, anyhow the timing of SAC's ruling is unknown.

Eltel has received notifications of claims for damages from certain of its customers based on the allegations by the FCCA. No damages claims have been filed in any civil courts. Eltel maintains that the company has not violated competition law and that all related damages claims are unfounded and incomplete in respect of facts. Eltel will dispute and defend itself against any damage claims. For further information regarding this case and the guarantee (escrow), please refer to the 2018 Annual Report and Eltel's IPO prospectus.

Nasdaq

On 28 June 2018, Eltel received a letter from Nasdaq Stockholm where the exchange stated that it intends to request the Nasdaq Stockholm Disciplinary Committee to decide whether Eltel has breached its obligations in relation to the Nasdaq Stockholm Rulebook for Issuers in 2015, 2016 and 2017. Eltel has been invited to comment upon Nasdaq Stockholm's conclusions which primarily relate to alleged deficiencies in (a) Eltel's internal control and accounting, and (b) Eltel's capacity for providing information to the market in relation to applicable disclosure requirements under the Market Abuse Regulation. Eltel has responded and outlined its reasons for rejecting any breach. On 8 January 2019, Nasdaq Stockholm informed on closure of the matter regarding alleged deficiencies in Eltel's internal control and accounting. The matter regarding the alleged deficiencies in Eltel's capacity for providing information to the market in relation to applicable disclosure requirements under the Market Abuse Regulation continues. Any decision taken by the Disciplinary Committee will be made public.

Working capital and deferred taxes

This section comprises the following notes describing Eltel's working capital and deferred taxes:

Note 19 Trade and other receivables

Non-current

EUR million	31 Dec 2020	31 Dec 2019
Total non-current receivables	**0.4**	**0.4**

Current

EUR million	31 Dec 2020	31 Dec 2019
Trade receivables, gross	102.2	127.4
Contract assets	85.1	83.7
Expected credit loss reservation	-3.4	-2.5
Trade receivables and contract assets, net	**183.9**	**208.6**
Derivative instruments	0.3	0.2
Income tax receivables	0.2	0.1
Indirect tax receivables	2.4	2.2
Other prepayments and accruals	10.6	12.3
Other receivables	4.3	6.7
Total current trade and other receivables	**201.7**	**230.1**

Comparative period has been modified according to the current presentation.

Fair values of trade and other receivables approximate their carrying amount due to short maturities. The Group applies the expected credit losses (ECL) model according to IFRS 9 for impairment of trade receivables and contract assets. Refer to note 13.3 Credit risk for more information.

During 2020 the Group has sold on non-recourse basis EUR 339.0 million (418.6) 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 1.0 million (1.8) are included in EBIT.

Note 20 Inventories

EUR million	31 Dec 2020	31 Dec 2019
Raw materials and consumables	7.1	6.8
Work in progress	5.0	7.8
Total	**12.1**	**14.6**

Note 21 Provisions

EUR million	31 Dec 2020	31 Dec 2019
Non-current	2.7	3.4
Current	7.5	15.0
Total	**10.2**	**18.5**

2020 EUR million	Warranty provision	Project risk provision	Other provisions	Total
1 Jan	**2.4**	**9.9**	**6.2**	**18.5**
Additional provisions	0.5	1.4	0.8	2.7
Used provisions during year	-0.3	-2.4	-2.2	-4.8
Unused amounts reversed	-0.5	-2.8	-2.6	-5.9
Transfers between categories	–	0.6	-0.6	–
Exchange rate differences	0.0	0.0	-0.2	-0.1
31 Dec	**2.1**	**6.8**	**1.3**	**10.2**

Non-current provisions consist mainly of warranty provisions and restoration provisions for right-of-use assets. Approximately half of the non-current provision for warranties will materialise in five to ten years' time and the rest in two to three years' time from the balance sheet date. Warranty provisions which are classified as current 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.

Project risk provisions relate mainly to operations in Power Transmission International, project cost provisions in segment Power for Power Services projects in Sweden and certain High Voltage projects in Poland. Project risk provisions are based on management estimates of the outcome of the project and based on facts and circumstances and other information available at the reporting date, also taking into account any significant events after the reporting period. See also Legal claims and investigations in note 18. The actual future outcome may deviate from the estimate. At year-end 2020 other provisions comprise mainly restoration provisions for right-of-use assets.

Note 22 Trade and other payables

Current

EUR million	31 Dec 2020	31 Dec 2019
Trade payables	81.3	85.9
Other liabilities	12.9	8.7
Derivative financial liabilities	0.3	0.5
Indirect tax liabilities	14.0	18.1
Company income tax liabilities	3.4	3.9
Accrued expenses and prepaid income	85.5	84.5
Total current trade and other payables	**197.4**	**201.7**

Accrued expenses consist of the following items:

EUR million	31 Dec 2020	31 Dec 2019
Accrued wages and salaries	40.9	38.5
Accrued indirect employee costs	16.1	18.2
Other accruals	28.5	27.8
Total	**85.5**	**84.5**

Note 23 Deferred tax

Deferred tax assets and liabilities

EUR million	31 Dec 2020	31 Dec 2019
Deferred tax liabilities	11.0	11.5
Deferred tax assets	19.1	26.4
Net deferred tax liabilities (-assets)	**-8.2**	**-14.9**

The movement on the deferred income tax amount during the year:

EUR million	2020	2019
1 Jan	**-14.9**	**-11.5**
Recognised in the income statement	8.0	-3.2
Recognised in other comprehensive income:		
Translation differences	0.2	0.4
Defined benefit plans	-1.3	-1.2
Hedge accounting	-0.2	0.3
Disposal of subsidiaries	–	0.3
31 Dec	**-8.2**	**-14.9**

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

Deferred tax liabilities

EUR million	Fair value adjustment	Other temporary differences	Total
1 Jan 2019	**7.6**	**9.9**	**17.5**
Recognised in the income statement	-0.5	-5.9	-6.4
Translation differences	0.0	0.3	0.3
31 Dec 2019	**7.2**	**4.3**	**11.5**
Recognised in the income statement	-0.2	0.1	-0.1
Recognised in other comprehensive income	–	-0.3	-0.3
Translation differences	-0.1	–	-0.1
31 Dec 2020	**6.8**	**4.1**	**11.0**

Deferred tax assets

EUR million	Retirement benefit obligations	Tax losses carried forward	Other temporary differences	Total
1 Jan 2019	**2.6**	**21.0**	**5.4**	**29.0**
Recognised in the income statement	-0.8	-3.7	1.3	-3.2
Recognised in other comprehensive income	1.2	–	-0.3	0.9
Translation differences	0.0	-0.3	0.3	0.0
Divestment of subsidiaries	–	–	-0.3	-0.3
31 Dec 2019	**3.0**	**17.0**	**6.4**	**26.4**
Recognised in the income statement	-0.5	-4.3	-3.3	-8.1
Recognised in other comprehensive income	1.3	–	-0.1	1.2
Translation differences	-0.2	0.3	-0.5	-0.3
31 Dec 2020	**3.5**	**13.0**	**2.6**	**19.1**

Deferred tax assets are recognised for tax loss carry forwards and temporary differences to the extent that the realisation of the related tax benefit against future taxable profits is probable. The future taxable profit estimate is based on current business plans approved by management.

Gross amount of EUR 13.0 million (17.0) deferred tax assets are recognised for losses carried forward, of which EUR 6.0 million (10.0) relates to operations in Sweden. EUR 4.0 million decrease in recognised deferred tax assets for losses carried forward in Sweden relates to sale of A&S business in April 2020.

On 31 December 2020 the Group had in its main operational countries total of EUR 216.6 million (231.8) tax losses for which no deferred tax asset was recognised. Of these tax losses EUR 12.1 million (52.3) will expire within five years, EUR 10.9 million (11.6) will expire after five years and EUR 193.6 million (167.9) does not have expiry date.

In 2019 the Swedish government enacted a change in the national corporate income tax rate from 22.0% to 21.4%. In 2021 the Swedish national corporate income tax rate will further decrease to 20.6%. Temporary differences estimated to be realised in the year 2021 or later, and unused tax losses for which deferred tax asset has been recognised, have been booked using a tax rate of 20.6%.

Business combinations and capital expenditure

This section comprises the following notes describing Eltel's business combinations and capital expenditure:

Note 24 Acquisitions, disposals and assets held for sale

Acquisitions

During 2020 or 2019, no acquisitions were made. Cash flow in 2019 included EUR 4.2 million final earn-out payment for the acquisition of the German Smart Grids (U-SERV GmbH) in 2016. No liabilities for contingent consideration remain for previous acquisitions at year-end 2020 or 2019.

Disposals

During 2020, there was one disposal in segment Power and two disposals in segment Communication:

On 18 December 2020, Eltel sold its share in the Murphy Eltel JV Limited in the UK to Murphy Power Networks Limited. At the end of Q3 2020 Eltel classified its share in Murphy Eltel JV Limited as held for sale. At the same time the assets in the joint venture were revaluated to fair value less cost to sell. The revaluation had EUR -0.7 million impact on Group EBIT in Q3 2020. The completion of the divestment in Q4 2020 did not have any further impact on Group EBIT. Murphy Eltel JV Limited was a joint venture owned 50/50 by Eltel Networks UK Limited and Murphy Power Networks Limited and it operated in the Power segment. See note 25 for more information about the joint venture.

On 23 March 2020, Eltel signed an agreement to divest its Swedish business area Aviation & Security to LFV, Air Navigation Services of Sweden. The transaction was completed on 30 April 2020. The total consideration of the transaction was EUR 18.2 million, positive cash flow impact amounted to EUR 18.9 million and sales gain impact was EUR 6.7 million on Group EBIT in Q2 2020.

On 22 January 2020, Eltel signed an agreement to divest its German Communication business to Circet Group. The transaction was completed on 30 April 2020. The total consideration of the transaction was EUR 19.0 million, positive cash flow impact amounted to EUR 19.0 million and sales gain impact was EUR 13.7 million on Group EBIT in Q2 2020.

On 14 October 2019 Eltel completed the divestment of its Polish Communication business to VINCI Energies. The total consideration of the transaction was EUR 12.6 million, positive cash flow impact amounted to EUR 12.3 million and sales gain impact on Group EBIT was EUR 1.4 million in the fourth quarter 2019.

The disposed assets and liabilities at the date of disposal are presented in the following table:

EUR million	2020	2019
Cash and cash equivalents	0.3	0.3
Other assets	14.3	11.1
Total assets	**14.6**	**11.5**
Total liabilities	**10.7**	**5.6**

Assets held for sale

On 31 December 2020, the German High Voltage business in the Power segment was presented as assets held for sale. At the same time, the assets were revalued to fair value less cost to sell. The revaluation had EUR -5.7 million impact on Group EBIT in Q4 2020.

On 31 December 2019, the German Communication business and Aviation & Security business area were presented as assets held for sale, both in the segment Communication. These operations did not meet the criteria for presentation as discontinued operation.

EUR million	31 Dec 2020	31 Dec 2019
Assets		
Goodwill and other intangible assets	0.0	13.0
Property, plant and equipment	0.0	1.5
Right-of-use assets (IFRS 16)	0.0	0.9
Trade receivables and other assets	0.0	8.5
Total assets held for sale	**0.0**	**24.0**
Liabilities		
Leasing liabilities (IFRS 16)	0.0	0.9
Advances received	–	3.6
Trade and other payables	3.8	4.7
Total liabilities held for sale	**3.8**	**9.3**

Note 25 Non-controlling interests and joint ventures

EUR million	Subsidiaries with non-controlling interest		Joint ventures	
Summarised statement of balance sheet	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Current assets	25.5	28.5	–	11.3
Non-current assets	4.8	6.0	–	1.4
Total assets	**30.2**	**34.5**	–	**12.7**
Current liabilities	9.6	12.7	–	10.9
Non-current liabilities	1.9	2.9	–	–
Total liabilities	**11.5**	**15.5**	–	**10.9**
Equity:				
Shareholders' equity	18.7	18.9	–	1.8
Non-controlling interest	7.5	7.6	–	–
Summarised income statement	**Jan–Dec 2020**	**Jan–Dec 2019**	**Jan–Dec 2020**	**Jan–Dec 2019**
Net sales	39.2	50.2	2.2	4.2
Net result	1.4	2.0	-0.3	0.8
Total comprehensive income	1.4	2.0	-0.3	0.8
Total comprehensive income allocated to non-controlling interests	0.6	0.8	–	–
Dividends paid to non-controlling interest	-0.6	-0.9	–	–
Summarised cash flows	**Jan–Dec 2020**	**Jan–Dec 2019**	**Jan–Dec 2020**	**Jan–Dec 2019**
Cash flow from operating activities	3.9	-1.0	–	–
Cash flow from investing activities	0.0	-0.1	–	–
Cash flow from financing activities	-3.9	1.1	–	–
% of ownership[1)]	60%	60%	–	50%
Commercial guarantees on behalf of joint ventures	–	–	–	5.7

[1)] Eltel's ownership in Murphy Eltel JV Limited was 50% until the divestment on 18 December 2020.

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

Joint ventures
Murphy Eltel JV Limited
Murphy Eltel JV Limited, in the UK, was a joint venture owned 50/50 by Eltel Networks UK Limited and Murphy Power Networks Limited.

On 18 December 2020, Eltel sold its share in the Murphy Eltel JV Limited to Murphy Power Networks Limited. At the end of Q3 2020 Eltel classified its share in Murphy Eltel JV Limited as held for sale. At the same time the assets in the joint venture were revaluated to fair value less cost to sell. The revaluation had EUR -0.7 million impact on Group EBIT in Q3 2020. The completion of the divestment in Q4 2020 did not have any further impact on Group EBIT.

	Joint ventures	
Reconciliation of changes in carrying value	**2020**	**2019**
1 Jan	**0.9**	**1.9**
Profit/loss for the period	-0.2	0.4
Investment refund	–	-1.5
Revaluation to fair value less cost to sell	-0.7	–
31 Dec	–	**0.9**

Note 26 Intangible assets

2020 EUR million	Goodwill	Customer relationship	Order backlog	Brand	Advances paid	Other intangible assets	Total
Cost 1 Jan	487.1	138.5	14.0	47.8	0.4	28.7	716.5
Additions	–	–	–	–	0.1	0.7	0.8
Disposals	–	–	–	–	–	-1.2	-1.2
Transfer to assets held for sale	–	-3.3	–	–	–	–	-3.3
Transfer to other intangible assets	–	–	–	–	-0.4	0.7	0.3
Translation differences	0.9	0.8	0.2	0.4	–	-0.1	2.2
Cost 31 Dec	**487.9**	**136.0**	**14.3**	**48.3**	**0.1**	**28.8**	**715.4**
Accumulated amortisation and impairment 1Jan	223.0	136.8	14.1	20.8	–	16.8	411.4
Accumulated amortisation of disposals	–	–	–	–	–	-1.2	-1.2
Accumulated amortisation of transfers to assets held for sale	–	-2.7	–	–	–	–	-2.7
Amortisation during the period	–	0.7	–	–	–	2.5	3.2
Translation differences	–	0.8	0.2	–	–	0.4	1.4
Accumulated amortisation and impairment 31 Dec	**223.0**	**135.6**	**14.3**	**20.8**	**–**	**18.5**	**412.1**
Carrying value 1Jan	264.0	1.7	0.0	27.1	0.4	11.9	305.1
Carrying value 31 Dec	**264.9**	**0.4**	**0.0**	**27.5**	**0.1**	**10.3**	**303.2**

2019 EUR million	Goodwill	Customer relationship	Order backlog	Brand	Advances paid	Other intangible assets	Total
Cost 1 Jan	505.1	139.4	14.2	49.7	3.7	22.7	734.9
Additions	–	–	–	–	0.0	4.5	4.5
Disposals	–	–	–	–	–	-1.8	-1.8
Disposal of companies	-4.9	–	–	-0.5	–	-0.1	-5.5
Transfer to assets held for sale	-11.8	–	–	-1.2	–	–	-13.0
Transfer to other intangible assets	–	–	–	–	-3.3	3.3	–
Translation differences	-1.4	-0.8	-0.1	-0.2	–	0.0	-2.6
Cost 31 Dec	**487.1**	**138.5**	**14.0**	**47.8**	**0.4**	**28.7**	**716.5**
Accumulated amortisation and impairment 1Jan	223.0	136.2	14.2	20.8	–	15.8	410.0
Accumulated amortisation of disposals	–	–	–	–	–	-1.5	-1.5
Accumulated amortisation of disposals of companies	–	–	–	–	–	-0.1	-0.1
Amortisation during the period	–	1.5	–	–	–	2.3	3.8
Translation differences	–	-0.9	-0.1	–	–	0.3	-0.8
Accumulated amortisation and impairment 31 Dec	**223.0**	**136.8**	**14.1**	**20.8**	**–**	**16.8**	**411.4**
Carrying value 1Jan	282.1	3.1	0.0	29.0	3.7	6.9	324.9
Carrying value 31 Dec	**264.0**	**1.7**	**0.0**	**27.1**	**0.4**	**11.9**	**305.1**

Value of customer relationship and Eltel brand origin from the acquisition of Eltel's business. The amortisation of customer relationship is presented in the income statement line "Sales and marketing expenses".

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.

Allocation of goodwill and brand

Eltel organises its business through Country Units (CU), and two project based Solution Units (SU) with operations across countries. In addition Eltel has Rail and Power Transmission International businesses that are being ramped down.

The composition of operating segments mirrors the way that management follows operations. Goodwill and brand are monitored and tested for impairment on Country and Solution Unit -level. The values and pre-tax discount rates used in valuation are presented in following tables.

Goodwill and brand relating to Rail and Power Transmission International businesses and High Voltage Solution Unit has been fully impaired in earlier periods and no value remains for these units.

2020 EUR million	Brand	Goodwill	WACC
Country Unit Sweden	6.2	60.0	8.8 %
Country Unit Finland	8.0	77.5	9.4 %
Country Unit Norway	8.1	76.9	9.4 %
Country Unit Denmark	3.3	32.3	8.3 %
Solution Unit Smart Grids	1.8	17.4	9.2 %
Other units	0.1	0.9	10.8 %
Total	**27.5**	**264.9**	

2019 EUR million	Brand	Goodwill	WACC
Country Unit Sweden	5.9	57.6	9.7%
Country Unit Finland	8.0	77.5	9.4%
Country Unit Norway	8.0	78.3	10.1%
Country Unit Denmark	3.3	32.2	9.4%
Solution Unit Smart Grids	1.8	17.5	9.8%
Other units	0.1	0.9	10.7%
Total	**27.1**	**264.0**	

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 1.5% (1.4) in average which does not exceed the long-term average growth rate for the businesses in which the Group operates.

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.

The pre-tax discount rates used in calculations including risk premium to reflect the current state of macroeconomic uncertainty and risks specific to the business are presented in above table. Additional temporary risk component has been included to reflect the higher risk level in profitability related to project business and market changes in recent years.

The annual impairment test conducted for year-end 2020 resulted in no impairment. Anyhow, the value of CGU Sweden is sensitive to negative changes in the estimated future cash flows. The recoverable amount for CGU Sweden exceeds the carrying amount by 18% and use of pre-tax WACC of 10.3% would change the recoverable amount to be equal to its carrying amount at year-end.

Note 27 Property, plant and equipment

2020 EUR million	Land	Buildings	Machinery and equipment	Total
Cost 1 Jan	0.8	5.6	78.6	85.0
Additions	–	0.0	5.2	5.3
Disposals	-0.6	-0.2	-2.1	-3.0
Disposals of businesses	–	0.0	-0.1	-0.1
Transfer to assets held for sale	–	0.0	-5.9	-5.9
Reclassifications	–	–	-0.3	-0.3
Translation differences	-0.1	-0.2	-1.6	-1.8
Cost 31 Dec	**0.1**	**5.1**	**73.8**	**79.0**
Accumulated depreciation 1 Jan	0.1	1.9	55.4	57.5
Accumulated depreciation of disposals	-0.1	-0.1	-0.8	-0.9
Accumulated depreciation of disposals of businesses	–	–	-0.1	-0.1
Depreciation during the period	–	0.2	8.0	8.2
Transfer to assets held for sale	–	–	-4.7	-4.7
Write-downs	–	–	0.6	0.6
Translation differences	–	-0.1	-1.4	-1.5
Accumulated depreciation 31 Dec	**0.0**	**1.9**	**57.1**	**59.0**
Carrying value 1 Jan	0.7	3.7	23.1	27.5
Carrying value 31 Dec	**0.1**	**3.2**	**16.7**	**20.0**

2019 EUR million	Land	Buildings	Machinery and equipment	Total
Cost 1 Jan	0.8	5.6	78.7	85.1
Additions	–	–	7.9	7.9
Disposals	–	-0.1	-2.6	-2.7
Disposals of companies	–	–	-0.5	-0.5
Reclassifications	–	–	-1.0	-1.0
Transfer to assets held for sale	–	–	-3.9	-3.9
Translation differences	–	0.0	-0.1	-0.1
Cost 31 Dec	**0.8**	**5.6**	**78.6**	**85.0**
Accumulated depreciation 1 Jan	0.1	1.7	53.1	54.9
Accumulated depreciation of disposals	–	–	-3.3	-3.3
Accumulated depreciation of disposals of companies	–	–	-0.3	-0.3
Depreciation during the period	–	0.2	8.5	8.7
Transfer to assets held for sale	–	–	-2.4	-2.4
Translation differences	–	0.0	-0.1	-0.1
Accumulated depreciation 31 Dec	**0.1**	**1.9**	**55.4**	**57.5**
Carrying value 1 Jan	0.7	4.0	25.5	30.2
Carrying value 31 Dec	**0.7**	**3.7**	**23.1**	**27.5**

Right-of-use assets are not included in property, plant and equipment. See following note 28 for more information about leases.

Note 28 Leasing

Under IFRS 16 Eltel recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Right-of-use assets are depreciated on a straight line basis and an interest expense is recognised under financing expenses for the lease liabilities. IFRS 16 requires use of estimates for valuating contracts that are valid until further notice (continuous contracts). Lengths of these contracts have been estimated based on expected usage in current business operations.

IFRS 16 became effective on 1 January 2019. Eltel applied the modified retrospective method with no restatement of comparative information. There are optional exemptions for short-term leases and leases of low value items, which Eltel has chosen to apply. According to the exemption in IFRS 16, leasing liabilities previously classified as finance leases according to IAS 17 were included in the opening balances of 2019 with values equal to the year-end 2018.

IFRS 16 leasing expenses in income statement

EUR million	2020	2019
Depreciation		
Depreciation of right-of-use assets	26.7	28.4
Other operating expenses		
Short-term lease expense	3.1	3.8
Expense for leases of low-value assets	3.6	3.2
Financial expenses		
Interest expense on lease liabilities	2.0	1.9
Total	**35.4**	**37.3**

Right-of-use assets

EUR million	Buildings	Machinery and equipment	Total
1 Jan 2019	**49.3**	**44.3**	**93.6**
Additions	4.0	11.0	15.0
Depreciation	-10.4	-18.0	-28.4
Transfer to assets held for sale	–	-0.9	-0.9
Translation differences	-0.7	-1.0	-1.8
31 Dec 2019	**42.2**	**35.2**	**77.4**
Additions	4.7	9.0	13.6
Depreciation	-10.9	-15.7	-26.6
Transfer to assets held for sale	-1.1	-0.2	-1.3
Divestments	-2.7	-1.1	-3.8
Translation differences	0.0	0.0	-0.1
31 Dec 2020	**32.0**	**27.2**	**59.2**

Leasing liabilities

EUR million	Non-current	Current	Total
1 Jan 2019	**64.0**	**29.1**	**93.1**
Changes during the period	-9.3	-4.2	-13.6
Transfer to assets held for sale	-0.4	-0.5	-0.9
31 Dec 2019	**54.3**	**24.3**	**78.6**
Changes during the period	-11.7	-0.9	-12.6
Transfer to assets held for sale	-1.1	-0.3	-1.4
Divestments	-2.5	-1.3	-3.8
31 Dec 2020	**39.0**	**21.8**	**60.8**

Maturity analysis of leasing liabilities is presented in note 13.2 Liquidity risk. In addition, the Group is committed to EUR 1.3 million (2.1) future lease payments for short-term lease commitments.

IFRS 16 impact on cash flow

EUR million	Jan–Dec 2020	Jan–Dec 2019
Cash flow from operating activities before IFRS 16 impact	23.8	25.7
Impact of IFRS 16:		
on operating result (EBIT)	1.2	0.5
on depreciation and amortisation	26.2	26.9
on interests and other financial expenses paid	-1.8	-1.7
Total IFRS 16 impact on cash flow from operating activities	25.6	25.7
Cash flow from operating activities	**49.4**	**51.4**
Cash flow from investing activities	**33.5**	**-2.1**
Cash flow from financing activities before IFRS 16 impact	-96.0	-12.5
IFRS 16 impact on payments of/proceeds from lease liabilities	-25.6	-25.7
Cash flow from financing activities	**-121.6**	**-38.2**

Remuneration and other

This section comprises the following notes describing Eltel's remuneration and other:

29. Remuneration to senior executives
30. Retirement benefit obligations
31. Auditors' fees
32. Related party information
33. Group companies
34. Events after balance sheet date

Note 29 Remuneration to senior executives

Number of key executives	31 Dec 2020	31 Dec 2019
Board of Directors		
Men	4	10
Women	1	1
Other key executives		
Men	6	8
Women	2	2
Total	**13**	**21**

Guidelines for remuneration to senior executives
The Annual General Meeting on 4 May 2020 approved the guidelines for remuneration to senior executives covering the Board of Directors, the CEO, the Deputy CEO and other senior executives (the Group Management Team). Information regarding the guidelines is presented in Board of Directors' report, page 34-35.

Compensation to key executives 2020

EUR thousands	Fee	Fixed salary	Annual variable salary	Long-term variable salary	Pension	Other benefits	Total
Ulf Mattsson	114	–	–	–	–	–	114
Håkan Dahlström	47	–	–	–	–	–	47
Roland Sundén	47	–	–	–	–	–	47
Gunilla Fransson	43	–	–	–	–	–	43
Joakim Olsson	41	–	–	–	–	–	41
Ulf Lundahl[1)]	14	–	–	–	–	–	14
Markku Moilanen[1)]	14	–	–	–	–	–	14
Hans von Uthmann[1)]	14	–	–	–	–	–	14
Mikael Aro	14	–	–	–	–	–	14
Casimir Lindholm	–	625	424	39	219	0	1,309
Other senior executives (10 individuals)	–	2,171	838	4	349	77	3,440

1) Until May 2020

Variable salary, other remuneration and pensions refer to amounts that were recorded as expense according to IFRS. The long-term variable salary refers to provisions made for the LTIP 2018 programme.

Compensation to key executives 2019

EUR thousands	Fee	Fixed salary	Annual variable salary	Long-term variable salary	Pension	Other benefits	Total
Ulf Mattsson	139	–	–	–	–	–	139
Ulf Lundahl	41	–	–	–	–	–	41
Gunilla Fransson	43	–	–	–	–	–	43
Håkan Dahlström	41	–	–	–	–	–	41
Markku Moilanen	37	–	–	–	–	–	37
Hans von Uthmann	41	–	–	–	–	–	41
Joakim Olsson	41	–	–	–	–	–	41
Roland Sundén	37	–	–	–	–	–	37
Mikael Aro	37	–	–	–	–	–	37
Casimir Lindholm	–	619	–	24	107	–	750
Håkan Kirstein[1)]	–	140	–	76	27	35	278
Other senior executives (10 individuals)	–	2,182	80	36	260	79	2,638

1) President and CEO until 31 August 2018.

Variable salary, other remuneration and pensions refer to amounts that were recorded as expense according to IFRS. The long-term variable salary refers to compensation for LTIP 2016 programme as well as provisions made for the LTIP 2018 programme.

Salaries, remuneration and benefits

Salaries and other remuneration to Board of Directors and senior executives excluding pensions and other benefits amounted to EUR 4.4 million (3.6) of which the fixed salaries amounted to EUR 3.1 million (3.4) including fees to Board of Directors of EUR 0.3 million (0.5). Out of this, variable salaries including provisions for LTIP 2018 amounted to EUR 1.3 million (0.2). The defined contribution pension plans for senior executives amounted to EUR 0.6 million (0.4) and the amount of other indirect employee costs for senior executives amounted to EUR 0.4 million (0.8).

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 determined by the Board of Directors. The CEO has an 80% variable salary maximum outcome component and the remaining members of GMT have a 60% variable salary maximum outcome component.

In 2018, 15 senior executives and key employees were offered a retention bonus scheme. The purpose of the retention bonus scheme was to retain the most business-critical employees. The scheme was predetermined in time and contains measurable performance criteria aimed at promoting the Company's long-term value creation. The outcome of the bonus was dependent on Eltel's EBITDA results for financial years 2018 and 2019. The incentive was payable in two instalments, in 2019 and 2020, and required that the employee has not submitted a notice of termination of employment before 30 June 2019 and 31 December 2019, respectively. The performance of the Group in 2018 and 2019 did not meet the required EBITDA results for pay-out of any retention bonus.

In February 2020, 11 senior executives and key employees were offered a retention bonus scheme amounting to 50% of maximum STI potential for the relevant employee to be guaranteed for the years 2020 and 2021, respectively. The guarantee amount is calculated as the difference between 50% of the max STI potential for 2020 and 2021 and the accumulated actual bonus payouts for 2020 and 2021. The retention bonus scheme requires that the employee has not given notice and still is employed on 31 December 2021.

The pension terms of the CEO and other senior executives in the Group Management Team (GMT) are market-based in relation to terms that generally apply to comparable executives and reflect the applicable laws and established practices in different countries.

The CEO has a notice period of twelve months in case of termination from the company and twelve months in the event of his resignation. The notice period for other senior executives is twelve months in case of termination from the company and six months in the event of their own resignation. The CEO is also entitled to a severance pay equivalent to 12 months base salary. The retirement age of the CEO is 62 years.

Long-term incentive programmes

The Extraordinary General Meeting in September 2018 approved the implementation of a new share saving programme 2018 (the "LTIP 2018") for key personnel in the Eltel Group. The term of LTIP 2018 is three years and the maximum number of participants is eight consisting the CEO, CFO and a maximum of six individuals within the Group Management Team. The EGM approved the proposal to hedge obligations related to the LTIP 2018 via equity swap agreement with a third party.

The aim of the programmes is to increase and strengthen the potential for recruiting, retaining and rewarding key individuals and furthermore to use the LTIP programmes to create individual long-term ownership of Eltel shares among participants.

Participation in the LTIP programmes assume that the participant acquires and locks Eltel ordinary shares into the LTIP programme ("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, 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 2018 programme 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)	25%	1.0×	4.0×
B (CFO)	20%	1.0×	3.0×
C (Group Management Team (GMT[1)])	15%	1.0×	3.0×

1) For LTIP 2018 maximum 6 persons.

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

On balance sheet date, the LTIP 2018 comprises maximum 94,728 matching shares (114,128 in 2019), corresponding to approximately 0.1% of the total outstanding shares and votes in the Company. Change in the number of maximum matching shares, -19,400, derives from a change in the number of participants in the programme.

Eltel's share-based incentive programme LTIP 2016 related to matching shares vested at the end of the second quarter 2019. In accordance with the rules of the programme, Eltel awarded 84,262 matching shares to employees covered by the programme. The shares were purchased from the market and delivered to the participants on 5 July 2019. The weighted average share price was SEK 22.49. The LTIP 2016 programme in relation to performance shares continued for one additional year and any allocation of performance shares was subject to Eltel reaching performance targets based on Eltel's EBITDA for the financial year 2019. The Annual General Meeting of 2018 resolved to change the performance targets of the existing LTIP 2016 as follows:

- The performance target for Performance Shares under LTIP 2016 shall be amended from Eltel's earnings per share for the financial year 2018 to be based on Eltel's EBITDA for the financial year 2019 instead
- The Board of Directors was instructed to establish a new performance target level for LTIP 2016 based on the new performance target
- The new performance target is established for the purpose of providing an effective incentive for the participants in LTIP 2016 to promote increased shareholder value
- The performance shares shall be allocated after publication of the first quarterly report of 2020
- The maximum number of potential performance shares for each category of participants in LTIP 2016 shall be recalculated with the multiple 1.68
- Other terms for LTIP 2016, including the date of allocation of matching shares, shall not be affected by the change in the performance target

The performance of the Group in 2019 did not meet the required EBITDA results for allocation of any performance shares.

Allotment of matching shares and performance shares

Allotment of Matching Shares and Performance Shares within LTIP 2018 will be made during a limited period of time following presentation of the first quarterly statement 2022. The performance targets are Eltel's EBITDA for the financial year 2021 and the performance targets shall be established by the Board. 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 programmes

In accordance with IFRS 2, the estimated total expenses for the LTIP 2018 programme amounted to EUR 241 thousand (285), of which EUR 213 thousand (285) for the President and CEO and other senior executives. Total expense for the year was EUR 46 thousand (46), of which EUR 43 thousand (46) for the President and CEO and other senior executives.

The LTIP 2016 did not give rise to any expense in 2020. In 2019 the estimated total expenses for the LTIP 2016 programme in accordance with IFRS 2 amounted to EUR 433 thousand, of which EUR 126 thousand for the President and CEO and other senior executives. Total expense for the year 2019 was EUR 11 thousand, of which EUR 90 thousand 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 30 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. There are also smaller voluntary pension plans in Finland that are accounted for as defined benefit plans.

Pension liabilities in the balance sheet

EUR million	31 Dec 2020	31 Dec 2019
Defined benefit pension liability	16.7	14.2
Other pension liability	0.7	0.6
Net pension liability	**17.4**	**14.8**

Defined pension liabilities in the balance sheet

EUR million	31 Dec 2020	31 Dec 2019
Present value of funded obligations	97.6	97.1
Fair value of plan assets	-80.9	-82.9
Net liability	**16.7**	**14.2**

The movement in the fair value of plan assets

EUR million	2020	2019
Fair value of assets 1 Jan	82.9	78.2
Interest on plan assets	0.9	1.6
Remeasurement of plan assets	-4.9	4.8
Contributions by employer	0.1	0.1
Benefits paid	-0.8	-0.8
Translation differences	2.7	-1.1
Fair value of assets 31 Dec	**80.9**	**82.9**

The movement in the defined benefit obligations

EUR million	2020	2019
Total obligations 1 Jan	97.1	90.6
Current service cost	-0.7	-0.7
Interest cost	1.1	1.9
Remeasurement of pension obligation	1.1	10.6
Benefits paid	-4.1	-4.0
Translation differences	3.1	-1.3
Total obligations 31 Dec	**97.6**	**97.1**

The amounts recognised in the income statement and other comprehensive income

EUR million	2020	2019
Current service cost	-0.7	-0.7
Net interest cost	0.1	0.2
Sum recognised in the income statement	-0.6	-0.4
Remeasurements recognised in other comprehensive income:		
Financial assumptions	1.5	0.9
Experience adjustments	4.5	4.9
Total pension charges recognised during the period	**5.5**	**5.3**

Maturity profile of future gross benefit payments

EUR million	2020	2019
Less than 1 year	4.0	3.9
1–5 years	16.1	16.0
5–10 years	17.7	18.2
10–20 years	27.4	29.1
20–30 years	14.8	16.4
Over 30 years	6.5	7.4
Total	**86.5**	**91.0**

The maturity profile amounts are not adjusted for inflation and excluding special salary tax. The maturity profile of future gross benefit payments doesn't represent the expected contribution payments, as it excludes the impact of plan assets. The expected contributions to the plan for 2021 are EUR 3.3 million.

The principal actuarial assumptions	2020	2019
Discount rate, %		
Sweden	0.80	1.20
Finland	0.50	0.70
Future salary increase expectation, %		
Sweden	closed plan	closed plan
Finland	2.20	2.40
Inflation rate, %		
Sweden	1.50	1.80
Finland	1.00	1.20

The pension plan in Sweden forms 81% 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 6.3 million. Similar rise in inflation rate would have the opposite effect and increase the obligation by EUR 6.7 million. If the discount rate was decreased by 0.5% the obligation would increase by EUR 7.1 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 10), this constitutes a multi-employer plan. For the 2020 and 2019 fiscal years, 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 175%. If the level of collective solvency is less than 125% or exceeds 175%, 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 175%. However, Alecta aims to avoid surplus by using reduced contributions. On 31 December 2020, Alecta's surplus corresponded to a collective consolidation ratio of 148% (148%).

The distribution of plan assets in Sweden is as follows:

%	2020	2019
Debt instruments	86	66
Equity instruments	13	33
Cash and cash equivalents	1	1
Total	**100**	**100**

Note 31 Auditors' fees

EUR million	2020	2019
Main auditor		
Audit	0.9	0.8
Other services	0.0	0.1
Total	**0.9**	**0.9**
Other auditing firms		
Other services	0.2	0.2
Total	**0.2**	**0.2**
Total	**1.2**	**1.1**

The main auditor of the Group in 2020 and 2019 has been KPMG.

Note 32 Related party information

Eltel's related parties include the parent company Eltel AB and its subsidiaries and jointly controlled entities. Related parties include also the members of the Board of Directors, the CEO and other management team members. In addition, significant unusual transactions with shareholders are included in related party transactions.

In 2020 the related party transactions are conducted in the ordinary course of business of the Group. No significant unusual transactions have taken place between Eltel and related parties during the year.

Transactions with shareholders

Upon completion of the IPO in February 2015, 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.

Transactions with key individuals in executive positions

Salaries, remuneration and other benefits are accounted for in note 5 Employee benefit expenses and note 29 Remuneration to senior executives.

The Group has not issued any loans to the persons classified as related party on 31 December 2020 or 31 December 2019.

Transactions with related party companies

List of group companies and jointly controlled entities is presented in note 33. Transactions between Group companies are eliminated in the consolidated financial statements. Transactions with jointly controlled entities are reported in note 25.

Note 33 Group companies

31 Dec 2020	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 Networks A/S	Denmark	100%
Eltel Networks Energetyka S.A.	Poland	100%
Energoprojekt-Kraków S.A.	Poland	100%
Eltel Networks Poland S.A.	Poland	100%
Eltel Holding Poland Sp. z.o.o	Poland	100%
Eltel Networks UK limited	the UK	100%
UAB Eltel Networks	Lithuania	100%
Eltel Infranet GmbH	Germany	100%
Eltel Infranet Production GmbH	Germany	100%
Eltel Networks GmbH	Germany	100%
Eltel Comm Philippines Inc	Philippines	100%
Transmast Philippines, Inc.	Philippines	40%[1]
Eltel Tanzania Limited	Tanzania	100%
Transmission Eltel Limited	Zambia	100%
Jointly controlled entities		
Fiber og Anlaeg I/S	Denmark	38%

[1] Group voting 100%.

During the financial year 2020 new companies Eltel Networks GmbH in Germany and Eltel Networks Aviation & Security AB in Sweden were established. Eltel Networks Aviation & Security AB in Sweden and jointly controlled entity Murphy Eltel JV Limited in the UK were divested outside Eltel Group. Eltel Academy Foundation was liquidated and the name of Ollidin Investment Sp.z.o.o was changed to Eltel Holding Poland Sp.z.o.o.

Eltel Networks UK Limited is exempt from statutory audit in accordance with the Company's Act Section 479 A.

Note 34 Events after balance sheet date

Divestment of High Voltage Germany

In March 2021, Eltel signed an agreement to divest its German High Voltage business to ENACO, a German service provider in the energy sector. The transaction is expected to close during Q2, 2021. Eltel will as part of the divestment engage ENACO as a subcontractor for the completion of certain projects, which are expected to be completed during 2021 and 2022.

The divestment is a part of Eltel's strategy to more clearly focus on developing the business in the Nordic countries, where the company has a leading market position, high level of expertise, and in which the business model is repetitive and primarily targeted towards build, service and maintenance.

New segment information

Eltel launches a new segment structure in the financial reports starting with the January– March 2021 interim report.

The current Power and Communication segments will be replaced by four country segments: Finland, Sweden, Norway and Denmark. All future Power and Communication business in these four Nordic countries will be presented under the new country segments. Current solution unit Smart Grids will be divided into the new country segments and solution unit High Voltage, which conducts most of its business in Poland and Germany, will be presented outside segments as Other business. Other business represents less than 15% of the operations. Each of the operations in other segment 2021 are size of less than 10% of sales, operative EBITA and total segment assets.

The change is in line with the Nordic strategy, and has the intention to reduce complexity and in a more balanced and transparent way reflect the Group's performance and organisational setup as at 1 January 2021.

Eltel will continue providing information of net sales of Power and Communication business as well as service type information.

Overview of segment reporting structure

Until 31 December 2020	As of 1 January 2021
Power	**Finland**
Power business in all countries	All Power and Communication business
Smart Grids	**Sweden**
High Voltage	All Power and Communication business
Communication	**Norway**
Communication business in all countries	All Power and Communication business
	Denmark
	All Power and Communication business

Net sales by new segment

EUR million	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Jan-Dec 2020	Jan-Dec 2019
Finland	58.9	78.3	80.3	82.7	300.2	271.0
Sweden	63.1	59.7	50.9	50.8	224.5	291.3
Norway	47.0	46.9	42.1	41.7	177.7	218.7
Denmark	33.7	28.7	25.8	29.8	118.1	109.3
Other business[1] and eliminations	33.9	31.9	27.6	24.1	117.5	197.3
Total net sales	**236.6**	**245.5**	**226.7**	**229.2**	**938.0**	**1,087.6**

Operative EBITA and -margin %, by new segment

EUR million	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Jan-Dec 2020	Jan-Dec 2019
Finland	-0.8	0.2	4.3	3.5	7.2	5.0
Sweden	0.5	-1.0	-0.8	-2.4	-3.7	-18.3
Norway	2.1	4.1	4.1	4.0	14.3	17.2
Denmark	1.8	1.4	1.0	0.9	5.0	5.8
Other business[1]	-2.2	-0.1	-0.9	-0.1	-3.3	-11.0
Group functions	-3.4	-1.7	-1.1	-1.9	-8.1	-10.0
Total operative EBITA	**-2.1**	**2.8**	**6.7**	**4.0**	**11.4**	**-11.3**
Finland	-1.4%	0.3%	5.4%	4.2%	2.4%	1.8%
Sweden	0.7%	-1.6%	-1.6%	-4.7%	-1.6%	-6.3%
Norway	4.4%	8.7%	9.8%	9.6%	8.0%	7.9%
Denmark	5.3%	4.8%	3.8%	3.0%	4.3%	5.3%
Other business[1]	-6.6%	-0.4%	-3.1%	-0.3%	-2.8%	-5.6%
Total operative EBITA margin, %	**-0.9%**	**1.2%**	**2.9%**	**1.7%**	**1.2%**	**-1.0%**

Net sales by new segment divided to Power and Communication

EUR million		Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Jan-Dec 2020	Jan-Dec 2019
Finland	Power	40.5	53.9	51.1	52.2	197.8	187.8
	Communication	18.4	24.4	29.2	30.6	102.5	84.6
Sweden	Power	5.5	4.6	5.8	4.4	20.2	29.4
	Communication	57.6	55.1	45.1	46.4	204.2	263.9
Norway	Power	0.3	0.1	0.0	0.2	0.5	5.3
	Communication	46.7	46.8	42.2	41.5	177.2	213.4
Denmark	Power	5.0	5.6	5.2	6.0	21.9	26.5
	Communication	28.7	23.1	20.6	23.8	96.2	82.9
Other business[1]	Power	22.9	22.0	22.9	21.6	89.4	128.6
	Communication	8.7	3.5	1.4	1.3	14.8	53.6
	Other operations	2.3	6.4	3.3	1.2	13.2	11.5
Total net sales		**236.6**	**245.5**	**226.7**	**229.2**	**938.0**	**1,087.6**

Personnel by new segment	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Jan-Dec 2020	Jan-Dec 2019
Finland	1,420	1,474	1,445	1,470	1,470	1,391
Sweden	1,581	1,304	1,234	1,003	1,003	1,650
Norway	1,039	1,008	979	943	943	1,053
Denmark	628	631	641	637	637	631
Other business[1]	1,821	1,631	1,545	1,235	1,235	1,782
Group and shared functions	163	167	168	161	161	171
Total personnel (end of period)	**6,652**	**6,215**	**6,012**	**5,449**	**5,449**	**6,678**

[1] Other business includes operations in High Voltage, Smart Grid Germany and Lithuania as well as Power Transmission International and Rail businesses that are under ramp down. Divested businesses are included in Other business until the divestment: Polish Communication business (until Q4/2019) and German Communication business (until Q2/2020).

Parent Company financial statements

Income statement

EUR thousands	Note	Jan–Dec 2020	Jan–Dec 2019
Net sales	4	2,559	2,210
Personnel costs	5	-2,071	-3,248
Other operating expenses		-6,374	-5,420
Total operating expenses		**-8,445**	**-8,668**
Operating result		**-5,886**	**-6,458**
Interest and other financial income		23,043	20,945
Interest and other financial expense		-3,936	-2,960
Financial items, net	7	**19,107**	**17,986**
Result after financial items		**13,221**	**11,527**
Appropriations			
Group contribution given	13	-12,000	-11,300
Result before tax		**1,221**	**227**
Tax for the year	8	-353	-171
Net result for the year		**868**	**56**

Statement of comprehensive income

EUR thousands	Note	Jan–Dec 2020	Jan–Dec 2019
Net result for the year		**868**	**56**
Other comprehensive income:			
Items that may be subsequently reclassified to profit and loss			
Cash flow hedges		49	151
Taxes attributable to items that may be subsequently reclassified to profit and loss	8	-10	-30
Total comprehensive income/loss for the period		**907**	**177**

Balance sheet

EUR thousands	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Financial assets			
Shares in group companies	9	68,308	68,308
Deferred tax assets	8	–	363
Long-term loans receivable from group companies	10	493,301	483,345
Other financial assets	10	–	35,000
Intangible assets		102	67
Total non-current assets		**561,711**	**587,083**
Current assets			
Receivables from group companies	10	1,796	1,026
Other receivables		299	356
Cash pool receivables	10	174	–
Other financial assets	10	35,000	–
Cash and cash equivalents		85	260
Total current assets		**37,354**	**1,643**
TOTAL ASSETS		**599,065**	**588,726**
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		158,839	158,839
Statutory reserve		453	453
Total restricted equity		**159,292**	**159,292**
Non-restricted equity			
Retained earnings		284,878	284,744
Net result for the year		868	56
Total non-restricted equity		**285,745**	**284,800**
Total equity	11	**445,036**	**444,091**
LIABILITIES			
Non-current liabilities			
Liabilities to shareholders	12	–	35,000
Total non-current liabilities		**–**	**35,000**
Current liabilities			
Debt	12	52,179	89,145
Liabilities to shareholders	12	35,000	–
Liabilities to group companies	13	65,651	19,140
Trade and other payables	14	1,198	1,350
Total current liabilities		**154,028**	**109,635**
Total liabilities		**154,028**	**144,635**
TOTAL EQUITY AND LIABILITIES		**599,065**	**588,726**

Changes in equity

EUR thousands	Share capital	Statutory reserve	Non-restricted equity[2]	Total equity
1 Jan 2020	**158,839**	**453**	**284,800**	**444,091**
Net profit for the period	–	–	868	868
Other comprehensive income	–	–	39	39
Total comprehensive income/loss	**–**	**–**	**907**	**907**
Transactions with owners[1]				
Equity-settled share-based payment	–	–	40	40
Total transactions with owners	**–**	**–**	**40**	**40**
31 Dec 2020	**158,839**	**453**	**285,745**	**445,036**
1 Jan 2019	**157,980**	**453**	**285,624**	**444,058**
Net profit for the period	–	–	56	56
Other comprehensive income	–	–	121	121
Total comprehensive income/loss	**–**	**–**	**177**	**177**
Transactions with owners[1]				
Equity-settled share-based payment	–	–	39	39
Proceeds from shares issued	859	–	–	859
Purchase of own shares	–	–	-1,041	-1,041
Total transactions with owners	**859**	**–**	**-1,002**	**-143**
31 Dec 2019	**158,839**	**453**	**284,800**	**444,091**

1) For more information about equity-settled share-based payments see note 29 Remuneration to senior executives in the consolidated financial statements and for share transactions see note 11 Equity and share capital.

2) Cash flow hedging reserve amounting to eur 0 thousand (50) is included in non-restricted equity. Cash flow hedging reserve consists of hedge accounting for interest rate swaps used for swapping the floating interest rate of hedged loan to fixed rate.

Cash flow statement

EUR thousands	Note	Jan–Dec 2020	Jan–Dec 2019
Cash flow from operating activities			
Profit/loss before taxes		1,221	227
Adjustments for:			
Depreciation		34	27
Equity-settled share-based payment		40	39
Group contribution given	13	12,000	11,300
Financial items, net	7	-19,107	-17,984
Changes in working capital:			
Trade and other receivables		-695	3,078
Trade and other payables		1,719	-1,635
Cash flow from operating activities before financial items and taxes		**-4,788**	**-4,948**
Financial income received		6,914	3,872
Financial expenses paid		-3,020	-2,971
Cash flow from operating activities		**-894**	**-4,046**
Cash flow from investing activities			
Payments received from loans from group companies		4,817	2,740
Purchases of property, plant and equipment (PPE)		-69	-27
Cash flow from investing activities		**4,748**	**2,713**
Cash flow from financing activities			
Purchase of own C shares		–	-182
Proceeds from short-term borrowings		21,500	22,498
Payments of short-term borrowings		-58,000	-16,498
Payments of short-term borrowings from group companies	10	–	-140,839
Proceeds from short-term borrowings from group companies		43,771	142,762
Payments of group contributions		-11,300	-6,150
Cash flow from financing activities		**-4,029**	**1,591**
Decrease/increase in cash and cash equivalents		-175	257
Cash and cash equivalents at beginning of year		260	2
Cash and cash equivalents at end of year		**85**	**260**

Notes to the Parent Company financial statements

Notes to the Parent Company

Note 1 General information

Eltel AB's role is to own and govern the shares related to Eltel Group. The Company holds management functions but has no operative business activities and its risks are mainly attributable to the value and 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 Corporate information in the consolidated financial statements.

Note 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.

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

The income statement for the Parent company is presented on the nature of expense method. The Parent company has reported group contributions and related taxes in the income statement in accordance with RFR 2. The Parent company does not apply IFRS 16 in accordance with the exception in RFR 2.

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 financial assets at amortised cost. Financial instruments are 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 financial liabilities at amortised cost.

Group contributions

The Company has chosen to apply the alternative rule in accordance with RFR 2, which means that all group contributions are recognised in appropriations.

Note 3 Financial risk management

The Group applies common risk management for all units. Hence, the description in note 13 Financial risk management in the consolidated financial statements applies to the Parent Company as well in all material aspects.

Note 4 Net sales

EUR thousands	2020	2019
Remunerations from group companies for group-wide administration	2,559	2,210
Total	**2,559**	**2,210**

Note 5 Employee benefit expenses

EUR thousands	2020	2019
Salaries and other remunerations	1,588	1,844
Social security contributions:		
Pension costs	18	545
Other social security contributions	465	859
Total	**2,071**	**3,248**

	2020	2019
Average number of employees	5	9
Of whom men	24%	39%

Salaries and other remunerations to senior executives were EUR 0.5 million (1.1), pension costs EUR 0.1 million (0.2) and other social security contributions EUR 0.2 million (0.6). In addition, salaries and other remunerations including social costs to the President and CEO, employed by other group companies, were EUR 1.3 million (0.8). Group senior executives participates in the long-term share-based incentive programme LTIP 2018. Total expense for the LTIP 2018 programme for the year was EUR 40 thousand (43), of which EUR 40 thousand (43) for the President and CEO and other senior executives. The LTIP 2016 did not give rise to any expense in 2020. For 2019 the total expense for the LTIP 2016 programme for the year was EUR 92 thousand, of which EUR 92 thousand for the President and CEO and other senior executives. More information of Group senior executives and the Board of Directors is presented in note 5 Employee benefit expenses and 32 Related party information in the consolidated financial statements.

In Eltel AB the number of individuals in the Board of Directors was five in 2020 and eleven in 2019 and the number of other senior executives employed by the company was two in 2020 and four in 2019.

Note 6 Auditors' fees

EUR thousands	2020	2019
Main auditor		
Audit assignments	147	87
Tax assignments	5	–
Other assignments	–	73
Other auditing firms		
Other assignments	187	128
The company in total	**339**	**288**

Main auditor in 2020 and 2019 has been KPMG.

Note 7 Result from financial items

EUR thousands	2020	2019
Interest and other financial income		
Interest income, loans from group companies	22,612	20,483
Other financial income	49	77
Other financial income, group companies	381	386
Total	**23,042**	**20,945**
Interest and other financial expenses		
Interest expenses	-1,967	-2,402
Interest expenses, group companies	-276	-26
Expected credit loss write-down on internal loans receivable	-1,356	–
Other financial expenses	-336	-532
Total	**-3,936**	**-2,960**
Total financial items	**19,107**	**17,986**

Note 8 Taxes

EUR thousands	2020	2019
Income taxes		
Result before tax	1,221	227
Tax calculated at Swedish tax rate	261	49
Expenses not deductible for tax purposes	336	91
Tax effect of results for which no deferred income tax was recognised	-255	–
Non-valuated temporary differences	10	31
Income taxes in the income statement	**353**	**171**

EUR thousands	2020	2019
Deferred tax assets		
1 Jan	363	564
Recognised in the income statement	-353	-171
Recognised in other comprehensive income	-10	-30
31 Dec	**–**	**363**

Eltel AB has not recognised deferred tax assets for losses carried forward. The Group's estimate for utilising losses carried forward in Sweden covers Eltel AB and all Swedish subsidiaries as group contribution and interest offsetting is utilised in taxation between the entities. The amount of deferred tax assets for losses carried forward in Sweden is reported in note 23 in the consolidated financial statements and reported in companies where Eltel estimates to utilise the losses.

Note 9 Shares in group companies

EUR thousands	2020	2019
Acquisition value		
Opening balance 1 Jan	268,308	268,308
Closing balance 31 Dec	**268,308**	**268,308**
Accumulated impairment losses		
Opening balance 1 Jan	-200,000	-200,000
Closing balance 31 Dec	**-200,000**	**-200,000**
Carrying amount on the balance sheet	**68,308**	**68,308**

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	68,308

Note 10 Receivables from related parties

Non-current receivables

EUR thousands	31 Dec 2020	31 Dec 2019
Loans from group companies	493,301	483,345
Other financial assets, received from shareholders[1)]	–	35,000
Total	**493,301**	**518,345**

Current receivables

EUR thousands	31 Dec 2020	31 Dec 2019
Other financial assets, received from shareholders[1)]	35,000	–
Cash pool receivable	174	–
Accounts receivable	1,796	1,026
Total	**36,970**	**1,026**

[1)] Shareholders refers to selling shareholders at the time of the listing on 6 February 2015. The amount has been moved from long-term to short-term in 2020. See also Legal claims and investigations in note 18 in the consolidated financial statements.

Interest resulting from loans to group companies is capitalised annually. Capitalised interest bears no interest. In Q2 2019 cash pool receivables were converted to long-term loans receivable from group companies.

Eltel AB applies rating-based expected credit loss (ECL) model according to IFRS 9 for impairment of non-current receivables from group companies. In 2020, a write-down of 1,356 thousand euro has been recognised in the credit loss reserve of long-term loans receivable. For more information about the ECL model, please refer to note 13 in the consolidated financial statements.

Note 11 Equity and share capital

During 2020 there were no changes in shares or share capital. The total number of shares amounted to 157,499,081 divided into 156,649,081 ordinary shares with 1 vote per share and 850,000 C shares with 1/10 vote per share. On 31 December 2020 the share capital amounted to EUR 158,839 thousand.

On 31 January 2019, Eltel issued a total of 850,000 redeemable and convertible class C shares based on the authorisation given to the Board by the Extraordinary General Meeting on 17 September 2018. The purpose of the issue of class C shares is to use the shares in Eltel's long-term incentive programme LTIP 2018. In connection with the issue, the shares were repurchased by Eltel. Eltel holds the shares at 31 December 2020 and will hold the shares until it is time to deliver shares to the participants of LTIP 2018. Prior to delivery of the shares to participants, the class C shares will be converted to ordinary shares.

The share issue resulted in an increase of share capital by EUR 858,500. After the share issue, the total number of shares amounted to 157,499,081 divided into 156,649,081 ordinary shares with 1 vote per share and 850,000 C shares with 1/10 vote per share. On 31 December 2019 the share capital amounted to EUR 158,839 thousand.

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

Shareholders with more than 10% of the votes at 31 December 2020 are Wipunen Varainhallinta Oy, Mariatorp Oy and Riikantorppa Oy with 24.9% and Solero Luxco S.á.r.l. with 16.4% of ordinary shares. Wipunen Varainhallinta Oy, Mariatorp Oy and Riikantorppa Oy have made public that they have agreed on a long-term unified conduct regarding the management of Eltel through coordinated use of their voting rights. More information about Eltel's shareholders is found in "The Eltel Share" on pages 96–97.

The Board's proposal for the distribution of profits

The Parent Company's non-restricted equity on 31 December 2020 was EUR 285,744,723.12 of which the net profit for the year was EUR 866,508.26. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the year 2020 and that the non-restricted equity of EUR 285,744,723.12 be retained and carried forward.

Note 12 Liabilities

EUR thousands	31 Dec 2020	31 Dec 2019
Non-current liabilities		
Liabilities to shareholders[1)]	–	35,000
Current liabilities		
Bank borrowings	52,179	89,145
Liabilities to shareholders[1)]	35,000	–
Total liabilities	**87,179**	**124,145**

[1)] Shareholders refers to selling shareholders at the time of the listing on 6 February 2015. The amount has been moved from long-term to short-term 2020. See also Legal claims and investigations in note 18 in the consolidated financial statements.

Note 13 Liabilities to group companies

EUR thousands	31 Dec 2020	31 Dec 2019
Cash pool payable	51,162	7,217
Accounts payable	2,490	623
Group contribution liabilities	12,000	11,300
Total	**65,651**	**19,140**

Note 14 Trade and other payables

EUR thousands	31 Dec 2020	31 Dec 2019
Trade payables	81	164
Accrued employee related expenses	423	323
Other short-term liabilities	578	658
Other accrued expenses	117	205
Total	**1,198**	**1,350**

Note 15 Contingent liabilities and pledged assets

Contingent liabilities

EUR thousands	31 Dec 2020	31 Dec 2019
Commercial guarantees on behalf of subsidiaries	131,132	175,227
Commercial guarantees on behalf of joint ventures and other parties	122	5,728
Total guarantees	**131,254**	**180,955**

Pledged assets

EUR thousands	31 Dec 2020	31 Dec 2019
Pledged subsidiary shares	68,308	68,308
Pledged other assets	340,974	336,921
Total pledged assets	**409,282**	**405,229**

In 2019, Eltel AB has secured the debt obligations of the group towards the banks under the amended loan agreement by share and intragroup loan pledges, all an customary terms and conditions.

The Company's financial statement will be submitted for approval to the Annual General Meeting on 5 May 2020

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.

Stockholm 29 March 2021

Ulf Mattsson
Chairman of the Board of Directors

Håkan Dahlström
Board member

Gunilla Fransson
Board member

Joakim Olsson
Board member

Roland Sundén
Board member

Björn Ekblom
Board member

Casimir Lindholm
President and CEO

Our audit report was submitted on 29 March 2021
KPMG AB

Mats Kåvik
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Eltel AB , corp. id 556728-6652

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Eltel AB for the year 2020, except for the corporate governance statement on pages 37–45. The annual accounts and consolidated accounts of the company are included on pages 28-92 in this document.

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 2020 and its financial performance and cash flow 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 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 37-45. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and balance sheet for the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue and profit calculation of projects

See disclosure 3 and accounting principles on pages 53-54 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

From 2018, the Company has applied IFRS 15 Revenues from Contracts with Customers. Performance obligations relevant to projects are normally being achieved over time. This means that revenues are being recognized over time when the progress is being measured against a complete achievement of such performance obligation.

The percentage of completion depends on actual costs in relation to the total projected costs for each project. The latter may change during the life cycle of the projects which in turn may have a significant impact on reported revenue and earnings. Unforeseeable costs may also have to be included in the assessments to take project risks or disputed claims into account. These items are regularly assessed by the Group and are adjusted if necessary. Expected losses are recognized as expenses as soon as they become known. Revenues from alterations and additional work are recognised when the Group expects the amounts will be obtained. Based on the above, there is a significant measure of judgement involved which impacts the accounting of revenue and earnings.

Response in the audit

We have obtained information about and evaluated management's process for reviewing projects, including their procedures for identifying loss-making projects and/or high-risk projects.

We have further tested to ensure that controls are effective throughout the year for expenses attributable to the construction projects such as payroll expenses, expenses for subcontractors and purchasing costs. We have further performed additional sample testing of workorders where we have agreed cost allocated to the projects to supporting evidence and assessed whether the cost and revenue recognition is true and fair.

We have also assessed whether risks and opportunities in projects were accurately reflected in project forecasts.

Valuation of goodwill (group) and shares in group companies (parent company)
See disclosure 26 (group) and disclosure 8 (parent company) and accounting principles on page 54 (group) and on page 89 (parent company) in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter
The carrying value of goodwill for the group as at 31 December 2020 amounted to 265 MEUR, which is approximately 39% of total assets. Goodwill is required to be tested annually for impairment, which comprise both complexity and is dependent on judgements.

The impairment test shall according to IFRS be performed in accordance with a certain method where management needs to make judgements of future, internal as well as external, conditions and plans. Example of such judgements is forecasts of future cash flows which, among other things, require assumptions about future development and market conditions.

Another important assumption is what discount rate should be used to reflect market-based assessments of the time value of money and the particular risks that the business faces.

The carrying value of shares in group companies in the parent company as at 31 December 2020 amounted to 68 MEUR. If the carrying amount of the shares exceeds the consolidated value of the respective group company, the same type of testing is carried out, with the same technology and input values, as for goodwill in the group.

Response in the audit
We have assessed whether the goodwill impairment test carried out by the client was performed in accordance with the prescribed accounting method. We have further considered the reasonableness of the assumptions in the cashflow forecasts as well as the discount rate used through evaluation of the group's internal written documentation and forecasts.

An important part of our work has also been to review the group's sensitivity analysis of their own assessment to evaluate how reasonable changes in the assumptions may impact the valuation.

Furthermore, we have considered the completeness of the disclosures in the annual report and evaluated whether they are in agreement with the assumptions made in the group's impairment tests.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-27 and 96-102. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Eltel AB for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 37-45 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevR 16 The auditor´s examination of the corporate governance statement. This means that our 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. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Eltel AB by the general meeting of the shareholders on the 9 May 2018. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2018.

Stockholm 29 March 2021

KPMG AB

Mats Kåvik
Authorized Public Accountant

The Eltel Share

Eltel's share has been listed on Nasdaq Stockholm since 2015. The Eltel share is quoted on the OMX Stockholm Mid Cap, under the trading symbol "ELTEL".

Share capital

At the end of the financial period 2020, there was a total of 156,649,081 ordinary shares in Eltel and the share capital entered in the trade register was EUR 158,838,751.
On 31 December 2020, the total number of shares amounts to 157,499,081 divided into 156,649,081 ordinary shares with 1 vote per share and 850,000 C shares with 1/10 vote per share.

Shareholders

Eltel had 3,402 shareholders at the end of the financial period 2020. The largest shareholder was the Herlin families through their companies Wipunen Varainhallinta Oy, Heikintorppa Oy, and Mariatorp Oy with 24.8% of the share capital. These companies have made public that they have agreed on a long-term unified conduct regarding the management of Eltel through coordinated use of their voting rights.

Price development and trading volumes

The closing price on 30 December 2020 was SEK 22.50. The highest closing price was SEK 23.20 on 8 May 2020 and the lowest was SEK 15.60 on 3 April 2020. Volume-weighted average adjusted price for the year was SEK 19.32. At year-end, Eltel's market capitalisation was SEK 3,524,604. The trading volume on Nasdaq Stockholm was 24,692,891 shares, equivalent to a turnover of SEK 477,045,499. Eltel shares were mainly traded on Nasdaq Stockholm, 70%, and Cboe Global Markets, 20%, and in small volumes in other marketplaces, 10%.

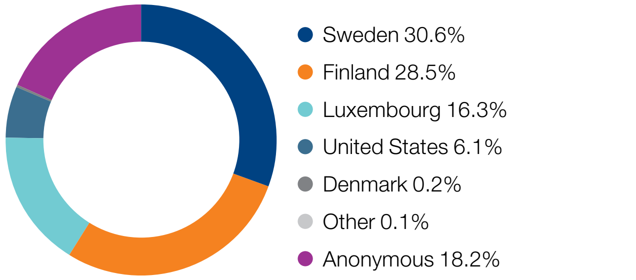
The dividend policy

A dividend policy has been adopted whereby 50% of Eltel's consolidated net profit shall be paid in dividends over time (with flexibility in relation to the pay-out ratio).

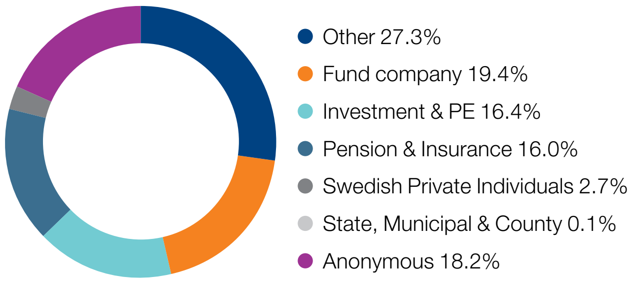
Analysts

Eltel is followed by Carnegie, Evli Bank and ABG Sundal Collier.

Geographic distribution of shareholders 31 Dec 2020



Ownership by sector on 31 Dec 2020



Eltel's top 10 shareholders on 31 December 2020

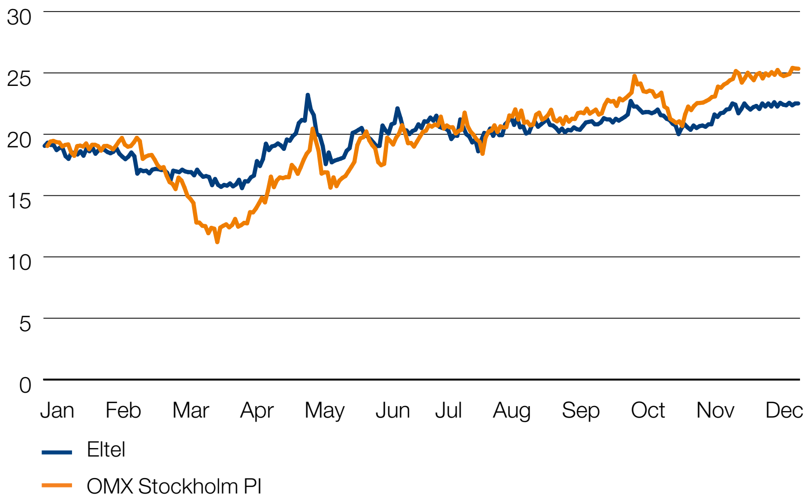
Shareholders	Number of shares	% of share capital	% of votes
Solero Luxco S.á.r.l.[1]	25,683,845	16.3	16.4
Wipunen varainhallinta Oy[2]	19,900,000	12.6	12.7
Fourth Swedish National Pension Fund	15,027,060	9.5	9.6
Swedbank Robur Funds	10,923,325	6.9	7.0
Heikintorppa Oy[2]	9,846,181	6.3	6.3
Mariatorp Oy[2]	9,300,000	5.9	5.9
First Swedish National Pension Fund	9,177,250	5.8	5.9
Fidelity International (FIL)	7,054,419	4.5	4.5
Mandatum Life Funds	2,789,819	1.8	1.8
SEB Funds	2,441,416	1.6	1.6
Total	**112,143,315**	**71.2**	**71.6**
Other shareholders	44,505,766	28.8	28.4
Total ordinary shares in Eltel AB	**156,649,081**		**100.0**
Total C shares in Eltel AB[3]	850,000	0.5	–
Total shares in Eltel AB	**157,499,081**	**100.0**	**100.0**

[1] Company controlled by Triton.
[2] Companies that have made public that they have agreed on a long-term unified conduct regarding the management of Eltel through coordinated use of their voting rights.
[3] The C shares are held by Eltel.

Ownership structure on 31 December 2020

Shareholder spread	Number of known owners	Number of shares	% of capital	% of votes	Share of known owners
1–500	2,161	358,453	0.2	0.2	64.6
501–1,000	413	340,968	0.2	0.2	12.3
1,001–5,000	571	1,358,539	0.9	0.9	17.1
5,001–10,000	87	663,962	0.4	0.4	2.6
10,001–15,000	23	296,252	0.2	0.2	0.7
15,001–20,000	12	223,870	0.1	0.1	0.4
20,001–	78	125,634,800	79.8	79.7	2.3
Anonymous ownership		28,622,237	18.2	18.3	
Total	**3,345**	**157,499,081**	**100.0**	**100.0**	**100.0**

Eltel share in 2020 (SEK)



Source: Monitor by Modular Finance. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen).

Five-year summary

Condensed consolidated income statement

EUR million	Full-year 2020	Full-year 2019	Full-year 2018	Full-year 2017	Full-year 2016
Net sales	938.0	1 087.6	1,188.9	1,329.9	1,399,8
Cost of sales	-838.6	-1 004.7	-1,080.5	-1,234.8	-1,279.5
Gross profit	**99.4**	**82.9**	**108.4**	**95.1**	**120.3**
Other income	22.5	2.6	4.5	4.9	4.0
Expenses[1)]	-96.9	-97.1	-123.3	-134.7	-136.2
Share of profit/loss of joint ventures	-0.2	0.4	1.1	-0.4	-0.4
Impairment of acquisition-related intangible assets	–	–	–	-149.4	-55.0
Operating result (EBIT)	**24.8**	**-11.2**	**-9.2**	**-184.6**	**-67.4**
Financial expenses, net	-9.8	-11.5	-8.8	-12.3	-12.6
Result before taxes	**14.9**	**-22.7**	**-18.0**	**-197.0**	**-80.0**
Taxes	-9.7	-2.4	-4.1	-7.7	-2.2
Net result	**5.3**	**-25.1**	**-22.2**	**-204.6**	**-82.2**

1) Expenses include Jan–Dec 2020 EUR -0.7 million, Jan–Dec 2019 EUR -1.5 million, Jan–Dec 2018 EUR -2.2 million, Jan–Dec 2017 EUR -8.5 million and Jan–Dec 2016 EUR -14.4 million customer relationship amortisations, which in previous years were presented on a separate line together with impairment of acquisition-related intangible assets.

Key figures

EUR million	Full-year 2020	Full-year 2019	Full-year 2018	Full-year 2017	Full-year 2016
Net sales	938.0	1,087.6	1,188.9	1,329.9	1,399.8
Net sales growth, %	-13.8	-8.5	-10.6	-5.0	11.6
Operative EBITA	11.4	-11.3	-2.2	-25.5	2.1
Operative EBITA margin, %	1.2	-1.0	-0.2	-1.9	0.1
Items affecting comparability[1)]	14.1	1.6	-4.8	-1.2	–
EBITDA	63.0	29.7	5.1	-13.4	15.1
Operating result (EBIT)	24.8	-11.2	-9.2	-184.6	-67.4
EBIT margin, %	2.6	-1.0	-0.8	-13.9	-4.8
Result after financial items	14.9	-22.7	-18.0	-197.0	-80.0
Net result for the period	5.3	-25.1	-22.2	-204.6	-82.2
Earnings per share EUR, basic and diluted	0.03	-0.17	-0.15	-1.56	-1.33
Return on equity (ROE), %[2),3)]	2.4	-10.6	-8.3	-64.9	-20.7
Net working capital	-25.1	-6.3	39.9	45.6	14.7
Number of personnel, end of period	5,449	6,678	7,376	7,999	9,465

1) In 2020 gain from divestment of business and loss from valuation of assets as held for sale. In 2019 gain from divestment of business and earn-out adjustment. In 2018 earn-out adjustment and net loss for the disposed business. In 2017 net effect of acquisition earn-out adjustment, sale of businesses and costs related to reviews and investigations.

2) Calculated on a rolling 12-month basis.

3) Assets and liabilities held for sale are not included (in 2020 German High Voltage business, in 2019 German Communication business and Aviation & Security business area and in 2017 Finnish and Danish Rail business).

Cash flow from operating activities

EUR million	Full-year 2020	Full-year 2019	Full-year 2018	Full-year 2017	Full-year 2016
EBITDA	63.0	29.7	5.1	-13.4	15.1
Changes in working capital	16.6	37.9	6.8	-32.8	-9.8
Total financial expenses and taxes	-13.9	-10.9	-10.1	-14.7	-12.8
Other	-16.3	-5.4	1.3	-4.3	-0.8
Cash flow from operating activities	**49.4**	**51.4**	**3.2**	**-65.2**	**-8.3**
IFRS 16 impact in the cash flow from operating activities	25.6	25.7	–	–	–
Cash flow from operating activities before IFRS 16 impact	**23.8**	**25.7**	**3.2**	**-65.2**	**-8.3**

Quarterly figures

Quarterly key financial figures for the Group

EUR million	Full-year 2020	Oct–Dec 2020	Jul–Sep 2020	Apr–Jun 2020	Jan–Mar 2020	Full-year 2019	Oct–Dec 2019	Jul–Sep 2019	Apr–Jun 2019	Jan–Mar 2019
Net sales	938.0	229.2	226.7	245.5	236.6	1,087.6	278.9	281.8	276.0	251.0
Net sales growth, %	-13.8	-17.8	-19.6	-11.1	-5.7	-8.5	-15.7	-4.8	-6.6	-5.9
Operative EBITA	11.4	4.0	6.7	2.8	-2.1	-11.3	-14.9	4.1	2.5	-3.0
Operative EBITA margin, %	1.2	1.7	2.9	1.2	-0.9	-1.0	-5.3	1.5	0.9	-1.2
Items affecting comparability[1]	14.1	-5.7	-0.7	20.4	–	1.6	1.4	0.2	–	–
EBITDA	63.0	7.3	15.6	32.7	7.3	29.7	-4.8	14.3	12.7	7.5
Operating result (EBIT)	24.8	-1.9	5.8	23.1	-2.2	-11.2	-13.7	3.9	2.1	-3.6
EBIT margin, %	2.6	-0.8	2.6	9.4	-0.9	-1.0	-4.9	1.4	0.8	-1.4
Result after financial items	14.9	-4.3	3.5	20.0	-4.2	-22.7	-17.0	1.6	-1.0	-6.4
Net result for the period	5.3	-7.0	3.1	14.0	-4.8	-25.1	-11.8	-3.9	-2.0	-7.4
Earnings per share EUR, basic	0.03	-0.05	0.02	0.09	-0.03	-0.17	-0.08	-0.03	-0.01	-0.05
Earnings per share EUR, diluted	0.03	-0.05	0.02	0.09	-0.03	-0.17	-0.08	-0.03	-0.01	-0.05
Return on equity (ROE), %[2), 3)]	2.4	2.4	0.2	-2.8	-10.1	-10.6	-10.6	-6.7	-8.8	-7.8
Net working capital	-25.1	-25.1	17.3	-12.6	0.5	-6.3	-6.3	63.7	66.8	74.8
Number of personnel, end of period	5,449	5,449	6,012	6,215	6,652	6,678	6,678	7,019	7,128	7,180

1) In 2020 gain from divestment of business and loss from valuation of assets as held for sale. In 2019 gain from divestment of business and earn-out adjustment.

2) Calculated on a rolling 12-month basis.

3) Assets and liabilities held for sale are not included (on 31 December 2020 German High Voltage business, on 30 September 2020 Murphy Eltel JV Limited, on 31 March 2020 and on 31 December 2019 German Communication business and business area Aviation & Security, on 30 September 2019 and on 30 June 2019 Polish and German Communication businesses).

Quarterly segment information

EUR million	Full-year 2020	Oct–Dec 2020	Jul–Sep 2020	Apr–Jun 2020	Jan–Mar 2020	Full-year 2019	Oct–Dec 2019	Jul–Sep 2019	Apr–Jun 2019	Jan–Mar 2019
NET SALES										
Power	329.8	84.4	84.9	86.3	74.2	377.7	93.0	103.1	94.7	87.0
Communication	594.9	143.5	138.5	152.8	160.1	698.4	182.9	176.3	177.8	161.4
Other	13.3	1.3	3.3	6.4	2.3	13.2	3.2	3.1	3.9	3.1
Elimination of sales between segments	-0.1	0.0	0.0	0.0	0.0	-1.7	-0.2	-0.7	-0.3	-0.4
Net sales, total	**938.0**	**229.2**	**226.7**	**245.5**	**236.6**	**1,087.6**	**278.9**	**281.8**	**276.0**	**251.0**
OPERATIVE EBITA BY SEGMENT										
Power	-9.5	-2.4	0.9	-4.5	-3.4	-17.5	-12.0	-3.6	2.4	-4.2
% of net sales	-2.9%	-2.8%	1.0%	-5.3%	-4.6%	-4.6%	-12.9%	-3.5%	2.5%	-4.8%
Communication	24.4	6.4	6.4	7.3	4.2	18.1	2.0	9.4	2.1	4.6
% of net sales	4.1%	4.5%	4.6%	4.8%	2.6%	2.6%	1.1%	5.3%	1.2%	2.9%
Other	4.5	1.7	0.5	2.6	-0.3	-0.8	-0.6	-0.2	0.2	-0.1
% of net sales	33.7%	134.9%	14.0%	40.6%	-12.3%	-5.9%	-20.4%	-6.5%	4.7%	-3.7%
Costs not allocated to segments	-8.0	-1.8	-1.1	-2.5	-2.6	-11.2	-4.2	-1.4	-2.2	-3.3
Operative EBITA	**11.4**	**4.0**	**6.7**	**2.8**	**-2.1**	**-11.3**	**-14.9**	**4.1**	**2.5**	**-3.0**
% of net sales	1.2%	1.7%	2.9%	1.2%	-0.9%	-1.0%	-5.3%	1.5%	0.9%	-1.2%

Definitions and key ratios

Eltel applies ESMA's (European Securities and Markets Authority) guidelines for alternative performance measures (APM). In addition to the financial measures defined in IFRS, certain key figures, which qualify as alternative performance measures (APMs) are presented to reflect the underlying business performance, facilitate analysis of the Group's development as followed by Group Management and enhance comparability from period to period. The definition of these key figures is presented below and relevant information enabling reconciliations to IFRS measures can be found in connection with relevant parts of the report. These APMs should not be considered as a substitute for measures in accordance with IFRS.

IFRS Key ratios

Earnings per share (EPS)	Net result attributable to equity holders of the parent / Weighted average number of ordinary shares

Alternative performance measures (APMS)

Operative EBITA	Operating result before acquisition-related amortisations and items affecting comparability
Operative EBITA margin, %	Operative EBITA / Net sales
Items affecting comparability	Items for specific events which management does not consider to form part of the ongoing operative business
EBIT margin, %	EBIT / Net sales
Operative cash flow	EBIT + depreciation and amortisation + change in net working capital – net purchase of PPE (capex)
Cash conversion, %[1]	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
Net debt, financing agreement	Interest-bearing debt (excluding shareholder loans) - cash and cash equivalents - IFRS 16 leasing liabilities
Operative capital employed	Net working capital + Intangible assets excluding goodwill and acquisition-related allocations + Property, plant and equipment
Return on Equity (ROE), %[1]	Net result x 100 / Total equity (average over the reporting period)
Net working capital	Net of inventories, trade and other receivables, provisions, advances received and trade and other payables, excluding items in these balance sheet items that are not considered to form part of operative working capital: derivative valuations and income tax liabilities.
Committed order backlog	The total value of committed orders received but not yet recognised as sales.

[1] Calculated on rolling 12-month basis.

Financial calendar 2021–2022

Annual General Meeting 2021	5 May 2021
Interim report January–March 2021	28 April 2021
Interim report January–June 2021	27 July 2021
Interim report January–September 2021	3 November 2021
Full-year report January–December 2021	February 2022

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We keep society working by ensuring power can be supplied to end users and by securing good communication connections. Our services make society more robust with well-managed and state-of-the-art power and communication networks.

ELTEL