Eltel Group

INTERIM REPORT JANUARY–JUNE 2017

January–June 2017

- Group net sales amounted to EUR 627.6 million (656.6), down 3.8% in local currencies
- Group operative EBITA amounted to EUR -30.7 million (8.9)*
- EBIT amounted to EUR -183.0 million (1.7) including a goodwill impairment of EUR 145.6 million
- The net result amounted to EUR -185.9 million (-3.7)
- Earnings per share were EUR -1.76 (-0.04)
- Operative cash flow was EUR -77.1 million (-53.1)

April–June 2017

- Group net sales amounted to EUR 329.8 million (369.0), down 9.5% in local currencies
- Group operative EBITA amounted to EUR -21.0 million (5.7)*
- EBIT amounted to EUR -23.2 million (2.1) including EUR 1.0 million of net items affecting comparability**
- The net result amounted to EUR -24.5 million (-0.1)
- Earnings per share were EUR -0.23 (-0.00)
- Operative cash flow was EUR -10.7 million (-15.7)
- Preferential rights issue of EUR 150 million fully subscribed

Business operations	Jan-Jun 2017	Jan-Jun 2016	Change, %***	Apr-Jun 2017	Apr-Jun 2016	Change, %***
Net sales						
Group	**627.6**	**656.6**	**-3.8**	**329.8**	**369.0**	**-9.5**
Core: Power	222.1	219.7	1.0	118.3	124.4	-4.8
Core: Communication	342.3	332.8	3.4	179.0	184.8	-1.3
Non-core: Other	63.7	104.9	-37.3	32.8	60.2	-44.4
Operative EBITA*						
Group	**-30.7**	**8.9**		**-21.0**	**5.7**	
Core: Power	-0.7	9.7		-1.2	7.7	
Core: Communication	10.9	13.3		7.3	10.3	
Non-core: Other	-32.5	-10.6		-22.5	-9.6	

Unless otherwise stated, figures in brackets refer to the same period in the preceding year
* Items not allocated to segments consist of Group management function including development projects
** Items affecting comparability consist of acquisition and sale of business and cost related to reviews and investigations
*** Change in local currency

Comments by the CEO

Successful rights issue and transformation focus in a weaker second quarter

In June, we successfully completed a preferential rights issue of EUR 150 million. The strong support from our owners has restored the balance sheet to healthy debt levels. This will enable us to continue the execution of Eltel's new strategy with the goal to focus on our core competences and markets, reduce operational risk, leave non-core markets and increase efficiency. We will further develop our positions in the Group's core business within Power and Communication in the Nordics, Poland and Germany, which represent approximately 90% of Eltel's operations. The operations outside Eltel's core business will be divested or ramped down.

The transformation of Eltel is going according to plan. We have merged the power distribution and power transmission units in Power and the mobile and fixed communication units in Communication. During the summer, we divested the unprofitable part of our communication business in Poland and our business operations in Latvia.

During the second quarter, net sales declined by approximately 10% to EUR 329.8 million. The decrease is mainly due to the ongoing discontinuation of our unprofitable non-core Power Transmission International business, and our decision to ramp down low-margin sub-station operations within the Power segment. Net sales in our core business – segment Power and Communication – declined by approximately 3% to EUR 297.3 million. The underlying market of our core business continues to be good, although we see temporary lower and delayed investment activity within the power transmission business, which contributed to lower net sales. In segment Communication, volumes both in fibre and mobile in Germany increased, while volumes in the Nordic market declined.

Operative EBITA amounted to EUR -21.0 million. The operative EBITA in Eltel's core business amounted to EUR 6.1 million, but the result in Power was weakened by lower net sales and costs for internal measures to increase efficiency. The non-core businesses accounted for a loss of EUR 22.5 million, including a negative contribution of EUR 18.4 million from Power Transmission International due to the ongoing ramp down of the business. During the first six months of 2017, EUR 26.4 million of the estimated total EUR 40 million of costs and provisions related to the ongoing discontinuation of this business was recorded.

The transformation agenda for the remainder of 2017 and 2018 is clear. We will continue the organisational transformation in order to improve efficiencies and adapt the organisation to the new strategy to secure our long-term profitability targets. In addition, we continue our efforts to strengthen internal governance and control. By the end of 2018 we expect to see effects of synergies and growth within our core business areas.

Håkan Kirstein, President and CEO

IMPORTANT EVENTS DURING THE SECOND QUARTER 2017

- In April, Eltel decided to merge part of its aviation and security business with the Communication business and divest the remaining Swedish aviation and security businesses
- In May, Eltel decided to discontinue its unprofitable Power Transmission International business
- In May, Eltel's Board of Directors filed a report to the police regarding former CEO Axel Hjärne
- In June, Eltel's new Board of Directors decided on revised financial targets
- In June, Eltel's preferential rights issue of EUR 150 million was successfully completed and fully subscribed
- In June, Eltel divested part of its communication business in Poland
- In June, Petter Traaholt was appointed new CFO and replaced interim CFO Lars Nilsson

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

- In July, Eltel's Power business signed a new multi-year building agreement with Ellevio in Sweden
- In July, Eltel sold its business operations in Latvia
- In July, Eltel repaid EUR 110.7 million of its bank term loans

KEY FIGURES

EUR million	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016	Rolling 12-month
Net sales	329.8	369.0	627.6	656.6	1,399.8	1,370.9
Net sales growth, %	-10.6	19.9	-4.4	20.1	11.6	0.5
Organic net sales growth, %*	-9.5	3.5	-3.8	3.2	1.8	N/A
Operative EBITA	-21.0	5.7	-30.7	8.9	2.1	-37.6
Operative EBITA margin, %	-6.4	1.6	-4.9	1.4	0.1	-2.7
Items affecting comparability	1.0	-	0.0	-	-	0.0
EBITA	-20.0	5.7	-30.8	8.9	2.1	-37.6
EBITA margin, %	-6.1	1.6	-4.9	1.4	0.1	-2.7
Amortisation of acquisition-related intangible assets	-3.1	-3.6	-6.6	-7.2	-14.4	-13.9
Impairment of goodwill and other acquisition-related intangible assets	-	-	-145.6	-	-55.0	-200.6
Operating result (EBIT)	-23.2	2.1	-183.0	1.7	-67.4	-252.1
EBIT margin, %	-7.0	0.6	-29.2	0.3	-4.8	-18.4
Result after financial items	-27.3	-0.3	-190.2	-4.4	-80.0	-265.8
Net result for the period	-24.5	-0.1	-185.9	-3.7	-82.2	-264.4
Earnings per share EUR, basic***	-0.23	-0.00	-1.76	-0.04	-0.79	-2.52
Earnings per share EUR, diluted***	-0.23	-0.00	-1.76	-0.04	-0.79	-2.52
Leverage ratio**	N/A	3.6	N/A	3.6	13.2	N/A
Operative cash flow	-10.7	-15.7	-77.1	-53.1	-8.0	-32.0
Cash conversion, %**	N/A	68.8	N/A	68.8	-387.4	N/A
Number of personnel, end of period	8,685	9,674	8,685	9,674	9,465	8,685

* Organic net sales are presented with comparable exchange rates
** Calculated on a rolling 12-month basis
*** Shares issued in the preferential rights issue were registered on 7 July 2017
Please see page 18 for definitions of the key ratios.

Group performance

Sales and financial results

NET SALES

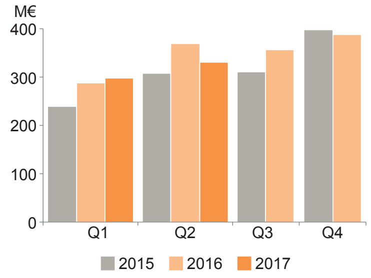
January–June 2017 compared to the same period in 2016

In local currencies, net sales for the Eltel Group decreased by 3.8%. Reported net sales declined by 4.4% to EUR 627.6 million (656.6). Eltel Group's business operations are divided into two reportable segments, Power and Communication and the remaining business operations are presented under Other. Eltel's core business, reported in the Power and Communication segments, showed modest net sales growth during the first six months of 2017. In the Communication segment, growth was driven by fibre roll-outs in the Nordics, particularly in Norway, and in Germany. In the Power segment, net sales growth was related to smart metering installations, mainly in the Nordics. However, growth in the core business was offset by significantly lower net sales reported in Other.

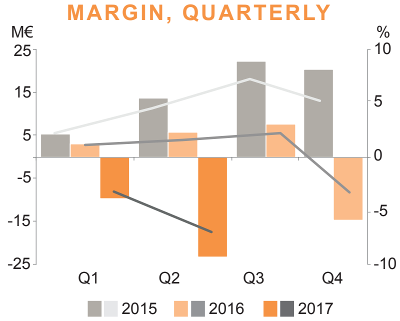
In the first half of 2017, the Communication segment accounted for 54.5% (50.6) of Group net sales, the Power segment for 35.4% (33.4), and Other for 10.1% (16.0).

Compared with the level at the end of 2016, Eltel's committed order backlog decreased to EUR 786 million (31 Dec 2016: 845) at the end of June 2017. The decline is explained by lower order intake mainly in the Power segment and declined order backlog in Other due to the ongoing discontinuation and divestment of operations. In the Communication segment, the order backlog was flat. The committed order backlog comprises the total value of committed orders received but not yet recognised as sales. This is mainly related to project orders with a delivery time of two to five years and also includes committed orders in frame agreements.

NET SALES



OPERATIVE EBITA AND MARGIN, QUARTERLY



April–June 2017 compared to the same period in 2016

In local currencies, net sales for the Eltel Group decreased by 9.5%. Reported net sales declined by 10.6% to EUR 329.8 million (369.0). Net sales in Power and Communication decreased slightly, while net sales in Other showed the clearly largest decrease, due to lower volumes in Power Transmission International and the rail business as a consequence of the ongoing discontinuation and divestment of these operations. Net sales in the Power segment were affected by lower activity in the power transmission business in Germany and Poland, while slightly reduced production volumes in Norway and Sweden impacted net sales in the Communication segment.

FINANCIAL RESULTS

January–June 2017 compared to the same period in 2016

The Eltel Group's operative EBITA decreased to EUR -30.7 million (8.9), representing -4.9% of net sales (1.4). The negative result is mainly a consequence of the loss-making non-core businesses reported in Other, with a negative contribution to Group operative EBITA of EUR 32.5 million. The largest part of the negative result, EUR 26.4 million, was related to costs and provisions of the discontinuation and project ramp down in Power Transmission International. As previously communicated, Eltel estimates the total ramp down cost of this business to be EUR 40 million whereof the main part is expected to occur in 2017 and the remainder in 2018. In addition, operative EBITA was negatively impacted by increased Group costs for several development projects and weaker performance in the power transmission business in the Power segment. This more than offset the positive result in the Communication segment.

Group EBITA declined to EUR -30.8 million (8.9). Net items affecting EBITA comparability amounted to EUR 0.0 million, comprising EUR 3.0 million of positive impact from acquisition earn-out adjustment netted with EUR 1.7 million cost of sale of business as well as EUR 1.4 million costs related to reviews and investigations. In the first quarter 2017, impairment of EUR 145.6 million was recognised in the value of goodwill and related intangible assets based on decisions of lower risk exposure and consequently lower growth expectations in the power transmission business as well as lower noted market value of the rail business to be divested. The impairment had no impact on cash flow or leverage ratio (Net debt/adjusted EBITDA). Amortisation of acquisition-related intangible assets amounted to EUR 6.6 million (7.2).

Net financial expenses amounted to EUR 7.2 million (6.1). The increase in net financial expenses is mainly related to higher interest costs. In May 2017, Eltel and its bank consortium agreed on revised financing terms until the end of 2018. The agreement was subject to the EUR 150 million preferential rights issue which was successfully completed in June 2017. Gross proceeds from the rights issue totalled EUR 153.9 million and net proceeds of EUR 149.7 million. Rights issue costs recorded in equity in the second quarter amounted to EUR 4.2 million (EUR 3.3 million after tax).

The taxes for the period amounted to EUR +4.3 million (+0.7), mainly as a consequence of the negative results for the period. The net result for the January–June 2017 period was EUR -185.9 million (-3.7).

April–June 2017 compared to the same period in 2016

The Eltel Group's operative EBITA decreased to EUR -21.0 million (5.7), representing -6.4% of net sales (1.6). The Communication segment had a positive impact on the Group operative EBITA while the Power segment recorded a slight loss. The main reason for the deterioration in the result was the EUR 18.4 million loss recorded in Power Transmission International (Other) as a consequence of the ongoing ramp down of this business. Further weak performance in the rail business (Other) also affected operative EBITA.

Group EBITA declined to EUR -20.0 million (5.7). EBITA was positively impacted by items affecting comparability of EUR 1.0 million comprising the net impact from acquisition, EUR 3.0 million, and loss of EUR 1.7 million on sale of business, and costs related to reviews and investigations, EUR 0.3 million. A loss of EUR 1.7 million was recorded related to the divestment of Eltel's telecom maintenance service operations in Poland and the valuation of the power business in Latvia as held for sale. Amortisation of acquisition-related intangible assets amounted to EUR 3.1 million (3.6).

Net financial expenses amounted to EUR 4.1 million (2.4). The increase in net financial expenses is mainly related to higher interest costs. In May 2017, Eltel and its bank consortium agreed on revised financing terms until the end of 2018. The agreement was subject to the EUR 150 million preferential rights issue which was successfully completed in June 2017. Gross proceeds from the rights issue totalled EUR 153.9 million and net proceeds amounted to EUR 149.7 million. Rights issue costs recorded in equity in the second quarter totalled to EUR 4.2 million.

The taxes for the period amounted to EUR +2.7 million (+0.2), mainly as a result of the negative results for the period. The net result for the April–June 2017 was EUR -24.5 million (-0.1).

Operating environment

Power

Market demand in the power segment is underpinned by strong long-term drivers and the operating environment is characterised by long-term investment plans. In the power transmission market, public tender requests are based on the extensive investment plans announced by transmission system operators in most of Eltel's markets. However, in the latter part of 2016 and at the beginning of 2017, project deferrals for substations were noted in the Swedish, Polish and German markets while power transmission investments for overhead lines, especially in Norway, remained at a favourable level. Competition remained intense and price competition persisted, mainly due to the current situation of lower market volumes. In the power distribution sector, a high level of market activity was noted, particularly in Finland. Distribution system operators in Norway and Denmark are investing in smart metering in the next few years and, in Germany, the adjustment of metering according to the new gas specification shows signs of good growth. In Sweden, a new regulation model is expected to increase power transmission and power distribution network investment levels.

Communication

While the market conditions in communication are strong, there is some variation among geographies and technologies. The communication sector continues to be driven mainly by optic fibre deployment and mobile roll-outs. In Sweden, demand for fibre deployment is experiencing a gradual transition from larger roll-out projects to a greater volume of up-sales and related services. In the rest of the Nordics, fibre deployment is anticipated to continue at a good level. Despite current delays in investment plans, demand for fibre deployment is expected to grow in Poland and Germany in the coming years. In the Nordics, operators are less willing to invest in the copper network due to the ongoing copper churn rate. In the mobile communication sector, the peak for 4G roll-outs has passed in the Nordics, while market demand for 4G roll-outs continues to provide opportunities in central Europe. In Germany, announced investment plans are at a high level, although some delays in mobile communication have been noted in roll-out plans.

Balance sheet and cash flow

BALANCE SHEET AND FINANCIAL POSITION

30 June 2017

At the end of June 2017, interest-bearing liabilities totalled EUR 299.0 million (283.6), of which EUR 120.6 million (231.7) were non-current and EUR 178.4 million (51.9) were current. Cash and cash equivalents amounted to EUR 161.8 million (50.9). Interest-bearing net debt totalled EUR 138.4 million (234.1).

On 1 June 2017, Eltel's 2017 Annual General Meeting resolved upon a preferential rights issue. The rights issue was fully subscribed for in June 2017, thereby raising proceeds of approximately EUR 150 million and increasing the share capital by EUR 94,735,011 to EUR 158,433,250. Following the registration of the rights issue by the Swedish Companies Registration Office on 7 July 2017, the number of Eltel's ordinary shares increased by 93,936,357 to 156,560,595.

In May 2017, Eltel and its bank consortium agreed on revised financing terms until the end of 2018. According to the revised terms, effective from the third quarter 2017, the covenant is based on Eltel's profitability (adjusted EBITDA). The agreement was subject to the EUR 150 million preferential rights issue which was successfully completed and fully subscribed for in June 2017.

On 4 July 2017, Eltel repaid EUR 110.7 million of its bank term loans.

INTEREST-BEARING LIABILITIES AND NET DEBT

EUR million	30 Jun 2017	30 Jun 2016	31 Dec 2016
Interest-bearing debt in balance sheet	299.0	283.6	283.5
Allocation of effective interest to periods	1.1	1.4	1.8
Less cash and cash equivalents	-161.8	-50.9	-85.2
Net debt	**138.4**	**234.1**	**200.1**

At the end of the second quarter, available liquidity reserves amounted to EUR 259.9 million (156.7). On the same date, EUR 53 million of Eltel's EUR 100 million commercial paper programme was utilised. The Group's equity ratio was 33.0% (40.3) at the end of June 2017. The revised financing terms agreed on with Eltel's bank consortium in May 2017 include a new temporary revolving credit facility of EUR 20 million, effective from July 2017, with utilisation purpose to cover costs for ongoing restructuring.

At the end of the second quarter, guarantees based on contractual commercial commitments and pension liabilities issued by banks, other financial institutions and the Parent Company amounted to EUR 342.3 million (381.0). This amount included advance and other payment security guarantees.

CASH FLOW AND CASH CONVERSION

January–June 2017

Eltel's operative cash flow was EUR -77.1 million (-53.1), mainly as a consequence of higher net working capital compared to the situation at the end of 2016 and the negative result in the first six months of 2017. Ongoing power projects in Poland that are working-capital intensive are expected to continue to create volatility in net working capital going forward.

Cash flow from operating activities was EUR -72.8 million (-45.3), including a negative impact of EUR -48.2 million (-62.0) from the change in net working capital. Cash flow from financial items and taxes was EUR -8.1 million (-6.4). Net capital expenditure, mainly replacement investments, amounted to EUR 4.5 million (6.6). Cash flow for acquisitions and disposal of business amounted to EUR -7.9 million (-18.4) mainly related to earn-out payments from previous acquisitions and also divestment of the telecom maintenance service operations in Poland. Net proceeds from the issuance of share capital amounted to EUR 152.2 million and the utilisation of short-term financial facilities amounted to EUR 18.2 million.

Seasonality during the calendar year

DISTRIBUTION OF SALES AND EARNINGS DURING THE FINANCIAL YEAR

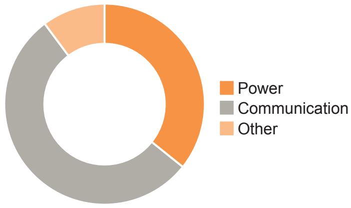
Eltel's businesses are generally characterised by seasonal patterns and cyclicality of the project business that adds volatility to net sales, EBITA and cash flow. Seasonality is normally driven by a number of factors, including weather conditions, the timing of customer order placements and completion of work phases towards the end of the month, particularly for larger projects. The Eltel Group has historically reported higher revenues and operating profit in the second half of the year. Net sales and EBITA by quarter are presented in the graphs on page 3. Cash flow 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. At the end of the year, as production volumes decrease, cash flow has normally been stronger. For more details, please refer to quarterly key financial figures for the Group on page 17.

Segment information

Strategic changes impacting Eltel's segment reporting in 2017

In 2017, Eltel Group has decided on several strategic changes in the business structure. As of 1 January 2017, Group operations are divided into two reportable segments, Power and Communication and the remaining business operations are presented under Other, previously reported as the Transport & Security business segment. All information in this report is presented based on the new segment structure.

Q2 NET SALES BY SEGMENT



POWER

The Power segment provides network maintenance services, upgrade work and project business to national transmission system operators and distribution network owners. The Power segment comprises Eltel's power transmission business in the Nordics, Poland, Germany and the UK as well as the power distribution business in the Nordics and Germany. Eltel's power distribution business in the Baltics is reported in the Power segment. However, the plan is to divest the operations in the Baltics. As of the first quarter of 2017, this segment no longer includes the Power Transmission International unit with power transmission projects that are mainly located in Africa. As of 1 January 2017, these are reported in Other. The Power segment is characterised by long-term customer relationships, with a continuous order flow generated through frame agreements and projects. Demand in the sector is typically driven by increased power grid availability requirements and regulatory demands rather than by GDP. The majority of this business consists of upgrades and project-based work. Upgrade assignments are typically completed within a few months, while project agreements normally last for two to three years. The length of frame agreements is typically three to five years.

EUR million	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Net sales	118.3	124.4	222.1	219.7	486.9
Operative EBITA	-1.2	7.7	-0.7	9.7	15.1
Operative EBITA margin, %	-1.0	6.2	-0.3	4.4	3.1
Number of employees	2,963	3,036	2,963	3,036	2,888

Foreign currency translation effect included in net sales was EUR -0.1 million for the quarter and EUR 0.2 million for Jan-Jun 2017

January–June 2017 compared to the same period in 2016

In local currencies, net sales for the Power segment increased by 1.0%. Reported net sales rose by 1.1% to EUR 222.1 million (219.7). The increase in net sales was mainly attributable to strong performance with a good pace in smart meter installations in Norway and Denmark and higher net sales in the power distribution business in Finland. However, the good growth was offset by reduced volumes in power transmission projects in Germany and Poland as a consequence of lower market activity and previous weaker order intake. Somewhat lower volumes in power distribution projects in Sweden also contributed impacted net sales.

Operative EBITA decreased to EUR -0.7 million (9.7) and the operative EBITA margin was -0.3% (4.4). The positive impact from the power distribution business in Finland and smart meter installations in Norway was offset by lower production in Germany, phasing of revenues in power transmission in Poland and weak performance in power transmission projects in the Nordics. Margin revisions in certain power distribution contracts in Sweden also contributed negatively to the result.

April–June 2017 compared to the same period in 2016

In local currencies, net sales for the Power segment decreased by 4.8%. Reported net sales declined by 4.9% to EUR 118.3 million (124.4). The smart metering business in Norway and Denmark and gas metering installations in Germany continued to show good growth. The decrease in net sales was driven by phasing and lower production volumes in power transmission in Poland and Germany and the ongoing selective ramp down of Eltel's substation business in Germany and the Nordics.

Operative EBITA decreased to EUR -1.2 million (7.7) and the operative EBITA margin was -1.0% (6.2). The negative result was mainly a consequence of lower performance and margin revisions in certain power transmission projects in the Nordics. In addition, the ongoing ramp down of Eltel's substation business in Germany and the Nordics as well as the restructuring and merger of the power businesses into one business unit increased cost during the second quarter. Restructuring costs are expected to continue to impact profitability in the Power segment in the coming quarters.

COMMUNICATION

The Communication segment provides maintenance, upgrade and project work to telecom operators and other communication network owners. This segment comprises Eltel's fixed and mobile communication business in the Nordics, Baltics, Germany and Poland. In the first quarter of 2017, the fixed and mobile communication businesses were merged, in order to create long-term sales and costs synergies. The business is characterised by long-term customer relationships, with a continuous order flow generated mainly through frame agreements. The business is primarily driven by technology upgrades and growing demand for networks.

EUR million	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Net sales	179.0	184.8	342.3	332.8	718.5
Operative EBITA	7.3	10.3	10.9	13.3	36.6
Operative EBITA margin, %	4.1	5.6	3.2	4.0	5.1
Number of employees	4,427	5,258	4,427	5,258	5,232

Foreign currency translation effect included in net sales was EUR -3.3 million for the quarter and EUR -2.0 million for Jan-Jun 2017

January–June 2017 compared to the same period in 2016

In local currencies, growth in net sales was 3.4%. Reported net sales increased by 2.8% to EUR 342.3 million (332.8), mainly as a result of higher production volumes and good performance in fibre roll outs and upgrade services in the Nordics, especially in Norway, and Germany. Higher net sales were partly offset by the terminated operations in the UK and lower mobile business volumes especially in Norway.

Operative EBITA decreased to EUR 10.9 million (13.3) and the operative EBITA margin was 3.2% (4.0). The decline in the result is a consequence of fluctuation in utilisation in the mobile business in Norway and weaker business mix in Sweden. The communication business in Germany and Poland had a positive impact on the result. Further, the termination of the business in the UK, which was completed in the first quarter, had a positive impact on the result.

April–June 2017 compared to the same period in 2016

In local currencies, growth in net sales was -1.3%. Reported net sales decreased by 3.2% to EUR 179.0 million (184.8), due to lower net sales in Sweden and lower volumes in the mobile business in Norway. The decline in the Nordics was partly compensated by higher net sales in Germany and Poland. Also the terminated communication business in the UK lowered net sales. Eltel exited its communication business in the UK during the first quarter of 2017.

Operative EBITA decreased to EUR 7.3 million (10.3) and the operative EBITA margin was 4.1% (5.6). The lower result was related to weaker profitability in the Nordics, especially in Sweden and Norway. The terminated business in the UK had a positive impact on profitability of the segment.

Eltel divested part of its communication business in Poland

In June, Eltel divested a low-profitability maintenance communication business in Poland. These operations, sold to Polish BKJ sp. z o.o., comprise maintenance of copper networks to the Polish telecommunication operator Orange. In 2016, net sales of these operations amounted to approximately EUR 24 million with marginal impact on Group profitability in 2016. The operations employed approximately 950 people. Following the transaction, Eltel recorded a capital loss of approximately EUR 0.8 million affecting Group EBITA in the second quarter.

OTHER

Other comprises non-core business operations that are planned to be divested or discontinued. These operations include selected power transmission projects mainly in Africa (Power Transmission International). In addition, it comprises the rail business with operations in the Nordics, and parts of the aviation and security business in Sweden.

EUR million	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Net sales	32.8	60.2	63.7	104.9	196.7
Operative EBITA	-22.5	-9.6	-32.5	-10.6	-37.0
Operative EBITA margin, %	-68.7	-15.9	-51.1	-10.1	-18.8
Number of employees	914	1,106	914	1,106	1,051

Foreign currency translation effect included in net sales was EUR -0.7 million for the quarter and EUR -2.0 million for Jan-Jun 2017

January–June 2017 compared to the same period in 2016

In local currencies, net sales for Other decreased by 37.3%. Reported net sales declined by 39.3% to EUR 63.7 million (104.9). The decline in net sales was attributable to all businesses reported in Other. The largest decrease was related to Power Transmission International as a result of lower production volumes in power transmission projects outside of Europe. In the rail business, temporary production delays in Sweden and somewhat lower volumes in also Denmark and Norway due to lower order backlog also had a negative impact on net sales. A slight decline in net sales in the aviation and security business also affected net sales.

Operative EBITA amounted to EUR -32.5 million (-10.6). EUR 26.4 million of the losses are related to the discontinuation of Power Transmission International. In addition, weak performance in the rail business also had a negative impact on the result. In the comparable period in 2016, a provision of EUR 10 million in a Norwegian rail project was recorded.

April–June 2017 compared to the same period in 2016

In local currencies, net sales for Other decreased by 44.4%. Reported net sales declined by 45.5% to EUR 32.8 million (60.2). The decline in net sales was attributable to all businesses reported in Other. In Power Transmission International, clearly lower production volumes in power transmission projects outside of Europe negatively impacted net sales. In the rail business, temporary production delays in Sweden and somewhat lower volumes in Denmark and Norway, due to lower order backlog also had a negative impact on net sales.

Operative EBITA amounted to EUR -22.5 million (-9.6). EUR 18.4 million of the losses derived from the ongoing discontinuation of Power Transmission International. In addition, weak performance in the rail business also impacted the result negatively. In the comparable period in 2016, a provision of EUR 10 million in a Norwegian rail project was recorded.

Discontinuation of Power Transmission International

In May 2017, Eltel decided to discontinue Power Transmission International. The total cost of discontinuing these business operations is estimated to be approximately EUR 40 million of which EUR 26.4 million was recorded in the January–June 2017 period. The main part of the cost is expected to occur in 2017 and the remainder in 2018. The discontinuation is expected to be completed in 2019.

Other information

2017 ANNUAL GENERAL MEETING

Eltel's 2017 Annual General Meeting (AGM) was held on 1 June 2017. Members of the Board of Directors were elected as follows: Ulf Lundahl and Gunilla Fransson were re-elected. Ulf Mattsson, Håkan Dahlström, Hans von Uthmann, Mikael Moll and Markku Moilanen were elected as new members. Ulf Mattsson was elected Chairman of the Board.

The AGM resolved to adopt the income statement and balance sheet and consolidated income statement and consolidated balance sheet for the financial year 2016. The AGM resolved, in accordance with the Board of Directors' proposal, that no dividend would be paid for the financial year 2016.

In accordance with the Auditor's recommendation, the AGM resolved that Håkan Kirstein, CEO, and members of the Board of Directors, with the exception of former Chairman Gérard Mohr, were discharged from liability for the financial year 2016. However, the former CEO Axel Hjärne and the former Chairman Gérard Mohr were not discharged from liability for the financial year 2016.

The AGM resolved to approve the Board of Directors' resolution on a preferential rights issue of EUR 150 million which was conducted and fully subscribed for in June 2017.

REVISED FINANCIAL TARGETS

On 1 June 2017, Eltel's Board of Directors adopted the following revised medium to long-term financial targets for Eltel's core business;

- annual growth of 2–4%, including selective acquisitions (previously average annual sales growth of around 10%)
- EBITA margin of at least 5% (previously EBITA-margin of approximately 6%)
- cash conversion of 95–100% of EBITA (previously average cash conversion of 95–100% of EBITA) and
- leverage of 1.5–2.5x net debt/EBITDA (previously leverage of 2.0–2.5x net debt/EBITDA)

THE PREFERENTIAL RIGHTS ISSUE

On 2 May 2017, Eltel's Board of Directors, resolved on a rights issue of approximately EUR 150 million (approximately SEK 1,500 million) with preferential rights for Eltel's shareholders. On 1 June 2017, Eltel's shareholders at the 2017 Annual General Meeting approved the rights issue.

In June, the preferential rights issue was successfully completed and fully subscribed for. Gross proceeds from the rights issue totalled EUR 153.9 million and net proceeds amounted to EUR 149.7 million. Rights issue costs recorded in equity in the second quarter consequently amounted to EUR 4.2 million. Following registration of the rights issue by the Swedish Companies Registration Office on 7 July 2017, the number of Eltel's ordinary shares increased by 93,936,357 to 156,560,595 and the share capital increased by EUR 94,735,011 to EUR 158,433,250 in total.

The proceeds from the rights issue will primarily be used to strengthen Eltel's balance sheet and to enable the change of the business that the company's management and Board of Directors have resolved upon, including managing the costs and risks in discontinuation of Power Transmission International. The rights issue aims to create a capital structure that enables further development of Eltel's core business, including selective acquisitions.

RISKS AND UNCERTAINTIES

No new material risks have been identified during the interim period. For information regarding risks and uncertainties, please refer to Eltel's 2016 Annual Report published on 2 May 2017 and the prospectus (the "Prospectus") relating to Eltel´s rights issue of approximately SEK 1,500 million published on 7 June 2017 and are available on Eltel's website at http://www.eltelgroup.com.

OWNERSHIP STRUCTURE

The largest shareholders of Eltel AB on 30 June 2017 were:

Shareholders	Number of shares	% of ordinary shares
Solero Luxco S.á.r.l.	9,365,665	15.0%
Zeres Capital	8,157,693	13.0%
The Fourth Swedish National Pension Fund	6,010,824	9.6%
Swedbank Robur Fonder	5,990,194	9.6%
The First Swedish National Pension Fund	3,754,700	6.0%
Total	**33,279,076**	**53.1%**
Other shareholders	29,345,162	46.9%
Total ordinary shares in Eltel AB	**62,624,238**	**100.0%**
Total C shares in Eltel AB	537,000	
Total shares in Eltel AB	**63,161,238**	

Updated information of Eltel's largest shareholders is available on Eltel's website at www.eltelgroup.com/en/share-information/.

BOARD'S ASSURANCE

The Board of Directors and CEO certify that the half-year interim report gives a true and fair presentation of the Parent Company's and Group's business, financial position and result of operations, and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

SIGNATURES OF THE BOARD OF DIRECTORS AND CEO

Stockholm, 16 August 2017

THE BOARD OF DIRECTORS

Ulf Mattsson, Chairman	Håkan Dahlström	Gunilla Fransson
Ulf Lundahl	Markku Moilanen	Mikael Moll
Hans von Uthmann	Jonny Andersson	Björn Ekblom

PRESIDENT AND CEO

Håkan Kirstein

This report is unaudited.

Condensed financial information

CONDENSED CONSOLIDATED INCOME STATEMENT

EUR million	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Net sales	329.8	369.0	627.6	656.6	1,399.8
Cost of sales	-319.4	-333.0	-596.3	-589.2	-1,279.5
Gross profit	**10.4**	**36.0**	**31.3**	**67.4**	**120.3**
Other income	3.7	0.3	3.9	0.8	4.0
Sales and marketing expenses	-3.6	-3.3	-7.0	-6.7	-11.7
Administrative expenses	-26.7	-25.6	-53.4	-49.0	-104.4
Other expenses	-3.6	-1.6	-5.5	-3.3	-5.6
Share of profit/loss of joint ventures	-0.1	-0.1	-0.2	-0.2	-0.4
Operating result before acquisition-related amortisations (EBITA)	**-20.0**	**5.7**	**-30.8**	**8.9**	**2.1**
Amortisation and impairment of acquisition-related intangible assets	-3.1	-3.6	-152.3	-7.2	-69.4
Operating result (EBIT)	**-23.2**	**2.1**	**-183.0**	**1.7**	**-67.4**
Financial income	0.1	0.1	0.1	0.1	0.2
Financial expenses	-4.2	-2.4	-7.3	-6.2	-12.8
Net financial expenses	-4.1	-2.4	-7.2	-6.1	-12.6
Result before taxes	**-27.3**	**-0.3**	**-190.2**	**-4.4**	**-80.0**
Taxes	2.7	0.2	4.3	0.7	-2.2
Net result	**-24.5**	**-0.1**	**-185.9**	**-3.7**	**-82.2**
Attributable to:					
Equity holders of the parent	-24.7	-0.4	-186.1	-4.1	-83.5
Non-controlling interest	0.1	0.3	0.1	0.4	1.3
Earnings per share (EPS)					
Basic, EUR	-0.23	-0.00	-1.76	-0.04	-0.79
Diluted, EUR	-0.23	-0.00	-1.76	-0.04	-0.79

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Net profit for the period	-24.5	-0.1	-185.9	-3.7	-82.2
Other comprehensive income:					
Items that will not be reclassified to profit and loss					
Revaluation of defined benefit plans	0.5	-3.2	-2.3	-1.2	0.7
Items that may be subsequently reclassified to profit and loss					
Cash flow hedges	0.1	0.2	0.0	0.0	0.3
Net investment hedges	0.1	1.3	0.5	1.5	2.3
Currency translation differences	-2.6	-4.5	-1.8	-4.1	-6.1
Total	-2.5	-3.1	-1.3	-2.6	-3.6
Other comprehensive income/loss for the period, net of tax	-2.0	-6.3	-3.5	-3.8	-2.9
Total comprehensive income/loss for the period	**-26.6**	**-6.3**	**-189.4**	**-7.4**	**-85.1**
Total comprehensive income/loss attributable to:					
Equity holders of the parent	-26.7	-6.6	-189.6	-7.8	-86.4
Non-controlling interest	0.1	0.3	0.1	0.4	1.3

CONDENSED CONSOLIDATED STATEMENT OF BALANCE SHEET

EUR million	30 Jun 2017	30 Jun 2016	31 Dec 2016
ASSETS			
Non-current assets			
Goodwill	294.0	476.4	420.2
Intangible assets	42.5	76.5	70.1
Property, plant and equipment	34.3	37.7	37.8
Investments in and receivable from joint ventures	0.7	0.4	0.6
Available-for-sale investments	0.3	0.4	0.3
Deferred tax assets	34.1	35.5	29.7
Other financial asset	35.0	35.0	35.0
Trade and other receivables	0.1	0.1	0.2
Total non-current assets	**441.0**	**662.1**	**594.0**
Current assets			
Inventories	10.7	7.7	7.5
Trade and other receivables	381.6	395.4	393.3
Cash and cash equivalents	161.8	50.9	85.2
Total current assets	**554.1**	**454.0**	**486.0**
Assets held for sale	0.8	-	-
TOTAL ASSETS	**995.9**	**1,116.0**	**1,080.0**
EQUITY AND LIABILITIES			
Equity			
Shareholders' equity	301.0	418.4	339.7
Non-controlling interest	7.4	7.5	7.3
Total equity	**308.4**	**425.9**	**347.0**
Non-current liabilities			
Debt	120.6	231.7	3.5
Liabilities to shareholders	35.0	35.0	35.0
Retirement benefit obligations	8.9	13.2	8.1
Deferred tax liabilities	12.2	16.8	15.5
Provisions	1.4	2.5	1.7
Other non-current liabilities	0.5	6.2	6.2
Total non-current liabilities	**178.7**	**305.4**	**70.0**
Current liabilities			
Debt	178.4	51.9	280.0
Provisions	27.0	13.3	24.9
Advances received	62.1	58.7	65.6
Trade and other payables	240.3	260.7	292.6
Total current liabilities	**507.9**	**384.7**	**663.0**
Liabilities associated with assets held for sale	1.0	-	-
Total liabilities	**687.5**	**690.1**	**733.0**
TOTAL EQUITY AND LIABILITIES	**995.9**	**1,116.0**	**1,080.0**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Cash flow from operating activities			
Cash flow from operating activities before financial items and taxes	-72.8	-45.3	4.5
Interest received	0.1	0.1	0.1
Interest and other financial expenses paid	-6.2	-5.1	-10.5
Income taxes paid	-2.0	-1.5	-2.5
Net cash from operating activities	**-80.9**	**-51.8**	**-8.3**
Cash flow from investing activities			
Purchases of property, plant and equipment (PPE)	-4.8	-7.0	-14.1
Proceeds from sale of PPE	0.3	0.4	0.8
Acquisition of business	-6.7	-18.4	-19.9
Investments in joint ventures	-0.3	-	-0.7
Disposal of business	-1.2	-	-
Net cash from investing activities	**-12.7**	**-25.1**	**-34.0**
Cash flow from financing activities			
Proceeds from issuance of share capital	152.2	-	-
Proceeds from long-term financial liabilities	-	21.3	21.3
Proceeds from short-term financial liabilities	42.2	47.0	93.0
Payments from short-term borrowings	-24.0	-13.0	-56.4
Payments of financial liabilities	-	-0.1	-1.8
Payments of/proceeds from finance lease liabilities	-0.5	-0.5	-0.8
Dividends to shareholders	-	-15.0	-15.0
Dividends to non-controlling interest	-	-	-1.1
Change in non-liquid financial assets	-	-0.1	0.5
Net cash from financing activities	**169.9**	**39.7**	**39.7**
Net change in cash and cash equivalents	**76.3**	**-37.2**	**-2.6**
Cash and cash equivalents at beginning of period	85.2	87.9	87.9
Foreign exchange rate effect	0.4	0.2	-0.1
Cash and cash equivalents at end of period	161.8	50.9	85.2

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

EUR million	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016	Rolling 12-month
EBITA	-30.8	8.9	2.1	-37.6
Depreciation	6.4	6.7	13.1	12.8
EBITDA	-24.4	15.6	15.1	-24.9
Change in net working capital	-48.2	-62.0	-9.8	4.1
Net purchase of PPE	-4.5	-6.6	-13.3	-11.2
Operative cash flow (used in cash conversion key figure)	-77.1	-53.1	-8.0	-32.0
Less net purchase of PPE, presented in investing activities	4.5	6.6	13.3	
Gains on sales of assets	1.7	-0.1	-0.4	
Items recognised through other comprehensive income	-1.7	-1.6	-3.4	
Other non-cash adjustments	-0.2	2.9	2.9	
Cash flow from operating activities before financial items and taxes	-72.8	-45.3	4.5	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Share issue	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve	Currency Translation	Total	Non-controlling interest	Total equity
Equity at 1 Jan 2017	126.3	-	373.0	-120.7	-21.8	6.2	-23.4	339.7	7.3	347.0
Total comprehensive income for the period	-	-	-	-186.1	-2.3	0.6	-1.8	-189.6	0.1	-189.4
Equity-settled share-based payment	-	-	-	0.3	-	-	-	0.3	-	0.3
Proceeds from shares issued	-	153.9	-	-	-	-	-	153.9	-	153.9
New share issue costs, net of tax	-	-3.3	-	-	-	-	-	-3.3	-	-3.3
Total transaction with owners	-	150.6	-	0.3	-	-	-	150.9	-	150.9
Equity at 30 Jun 2017	126.3	150.6	373.0	-306.4	-24.1	6.8	-25.2	301.0	7.4	308.4

Changes in share capital registered after the balance sheet date

Eltel AB's Annual General Meeting on 1 June 2017 resolved upon a reduction of share capital by EUR 62,624,238 and share issue with preferential rights for the Company's shareholders. The share issue was fully subscribed in June 2017, thereby raising gross proceeds of approximately EUR 153.9 million (SEK 1,500 million) before issue costs. Through the rights issue, the number of ordinary shares in Eltel increases by 93,936,357 to 156,560,595 and the share capital increases by approximately EUR 94,735,011 to approximately EUR 158,433,250 in total, following registration of the rights issue by the Swedish Companies Registration Office. The exceeding amount of the issue proceeds after deduction of issue costs will be accounted for in the share premium reserve on the Company's balance sheet and thereby increase the Company's unrestricted equity.

The changes in share capital were registered by the Swedish Companies Registration Office on 7 July 2017

EUR million	Share capital	Share issue	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve	Currency Translation	Total	Non-controlling interest	Total equity
Equity at 1 Jan 2016	125.2	-	389.1	-37.3	-22.5	3.7	-17.2	440.9	7.1	448.0
Total comprehensive income for the period	-	-	-	-4.1	-1.2	1.5	-4.1	-7.8	0.4	-7.4
Equity-settled share-based payment	-	-	-	0.4	-	-	-	0.4	-	0.4
Proceeds from shares issued	1.1	-	-1.1	-	-	-	-	-	-	-
Dividends paid to shareholders	-	-	-15.0	-	-	-	-	-15.0	-	-15.0
Total transaction with owners	1.1	-	-16.1	0.4	-	-	-	-14.7	-	-14.7
Equity at 30 Jun 2016	126.3	-	373.0	-41.1	-23.7	5.2	-21.3	418.4	7.5	425.9

EUR million	Share capital	Share issue	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve	Currency Translation	Total	Non-controlling interest	Total equity
Equity at 1 Jan 2016	125.2	-	389.1	-37.3	-22.5	3.7	-17.2	440.9	7.1	448.0
Total comprehensive income for the period	-	-	-	-83.5	0.7	2.5	-6.1	-86.4	1.3	-85.1
Equity-settled share-based payment	-	-	-	0.1	-	-	-	0.1	-	0.1
Proceeds from shares issued	1.1	-	-1.1	-	-	-	-	-	-	-
Dividends paid to shareholders	-	-	-15.0	-	-	-	-	-15.0	-	-15.0
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-1.1	-1.1
Total transaction with owners	1.1	-	-16.1	0.1	-	-	-	-14.9	-1.1	-16.0
Equity at 31 Dec 2016	126.3	-	373.0	-120.7	-21.8	6.2	-23.4	339.7	7.3	347.0

Notes to the condensed consolidated interim financial statements

Accounting principles

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The accounting principles adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2016. In addition, Eltel applies IFRS 5 non-current assets held-for-sale and discontinued operations. Non-current assets and disposal groups (a group of assets to be disposed of in a single transaction and liabilities directly associated with those assets) are classified as held for sale when the sale is highly probable and the asset (or disposal group) is available for sale in its immediate condition. The assets (or disposal group) are recognised at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are included in the income statement.

During 2017, Eltel decided on certain strategic changes of its business structure. Consequently, as of the first quarter 2017, Eltel reports its segments in Power, Communication and Other. The Power and Communication segments comprise Eltel's core businesses in the Nordics, Poland and Germany. The power distribution business in the Baltics, reported in the Power segment, is planned to be divested and is recognised as held for sale. The Other comprises operations planned to be divested or ramped down: Power Transmission International unit with projects outside of Europe, the rail business, and parts of the aviation and security business in Sweden. The segment reporting presented is in line with the new structure. See "Segment information" for further information on the changes.

NET SALES BY SEGMENT

EUR million	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Power					
Net sales (external)	118.1	124.3	221.7	219.5	486.1
Inter-segment sales	0.2	0.1	0.4	0.2	0.8
Communication					
Net sales (external)	179.0	184.6	342.2	332.3	717.6
Inter-segment sales	0.0	0.2	0.0	0.6	0.9
Other					
Net sales (external)	32.7	60.1	63.7	104.8	196.1
Inter-segment sales	0.1	-	0.0	0.1	0.6
Elimination of sales between segments	-0.2	-0.3	-0.5	-0.9	-2.2
Net sales, total	**329.8**	**369.0**	**627.6**	**656.6**	**1,399.8**

RECONCILIATION OF SEGMENT RESULTS

EUR million	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Operative EBITA by segment					
Power	-1.2	7.7	-0.7	9.7	15.1
Communication	7.3	10.3	10.9	13.3	36.6
Other	-22.5	-9.6	-32.5	-10.6	-37.0
Items not allocated to operating segments*	-4.6	-2.7	-8.4	-3.4	-12.6
Operative EBITA, Group	-21.0	5.7	-30.7	8.9	2.1
Reviews and investigations	-0.3	-	-1.4	-	-
Earn-out adjustment	3.0	-	3.0	-	-
Loss on business sold and assets held for sale	-1.7	-	-1.7	-	-
Total items affecting comparability in EBITA	1.0	-	0.0	-	-
EBITA before acquisition-related amortisations	-20.0	5.7	-30.8	8.9	2.1
Amortisation of acquisition-related intangible asset	-3.1	-3.6	-6.6	-7.2	-14.4
Impairment of goodwill and other acquisition-related intangible assets**	-	-	-145.6	-	-55.0
Operating result (EBIT)	-23.2	2.1	-183.0	1.7	-67.4
Other financial expenses, net	-4.1	-2.4	-7.2	-6.1	-12.6
Result before taxes	**-27.3**	**-0.3**	**-190.2**	**-4.4**	**-80.0**

*Items not allocated to operating segments consist of Group management function
** Impairment is related to the power and rail & road businesses

ACQUISITIONS, DISPOSALS AND ASSETS AND LIABILITIES HELD FOR SALE

Acquisitions

During the period, no new acquisition has been done. Eltel has recognised EUR 3 million adjustment in earn-out estimate of German metering service company U-SERV GmbH mainly relating to short-term volume estimate change due to legislative prolongation of meter replacement schedule in Germany.

Disposals

In June 2017, Eltel disposed its telecom maintenance service operations in Poland by selling 100% of the shares in Eltel Networks S.A. resulting to EUR 0.8 million sales loss in EBITA. In 2016, net sales of these operations amounted to approximately EUR 24 million and employed approximately 950 people.

Assets and liabilities held for sale

Eltel's strategic focus is on the Group's core businesses in Power and Communication with the geographical markets being in the Nordics, Poland and Germany. The power business in Latvia was divested in July 2017 and is recognised as held-for-sale.

Operations presented under Other are planned to be divested or ramped down. At the reporting date, no other businesses planned to be divested meet the criteria for held-for-sale presentation.

EARNINGS PER SHARE

	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Net result attributable to equity holders of the parent	-24.7	-0.4	-186.1	-4.1	-83.5
Weighted average number of common shares, basic	105,773,026	105,208,720	105,492,432	105,208,720	105,208,720
Weighted average number of common shares, diluted	105,815,628	105,240,558	105,525,344	105,228,740	105,235,678
Earnings per share EUR, basic	-0.23	-0.00	-1.76	-0.04	-0.79
Earnings per share EUR, diluted	-0.23	-0.00	-1.76	-0.04	-0.79

Numbers of shares adjusted by share issue and bonus element in share issue for all periods. Shares issued were registered on 7 July 2017.

NET WORKING CAPITAL (NWC) AND OPERATIVE CAPITAL EMPLOYED

EUR million	30 Jun 2017	30 Jun 2016	31 Dec 2016
Inventories	10.7	7.7	7.5
Trade and other receivables	381.6	395.4	393.3
Provisions	-28.5	-15.8	-26.5
Advances received	-62.1	-58.7	-65.6
Trade and other payables	-240.3	-260.7	-292.6
Other*	-1.4	1.3	-1.4
Net working capital	59.9	69.1	14.7
Intangible assets excluding acquisition-related allocations	5.4	3.9	4.9
Property, plant and equipment	34.3	37.7	37.8
Operative capital employed	99.6	110.7	57.5
Average operative capital employed	105.2	94.6	53.4

*Includes adjustments for non-NWC items included in above receivable and payables lines, mainly for derivative valuations, contingent consideration from acquisitions and income tax liabilities and NWC items included in other balance sheet lines
Assets and liabilities held for sale are not included

DERIVATIVE FINANCIAL INSTRUMENTS

	30 Jun 2017		30 Jun 2016		31 Dec 2016	
EUR million	Nominal values	Net fair values	Nominal values	Net fair values	Nominal values	Net fair values
Interest rate derivatives	23.2	0.0 [1]	80.5	-1.8 [3]	22.2	0.1 [5]
Foreign exchange rate derivatives	106.9	0.0 [2]	92.6	0.4 [4]	90.9	0.3 [6]
Embedded derivatives	24.2	1.1	44.0	4.0	37.7	3.1
Total	**154.3**	**1.1**	**217.1**	**2.6**	**150.9**	**3.6**

Designated as cash flow hedge [1] EUR -0.7 million [2] EUR 0.1 million [3] EUR -1.1 million [4] EUR 0.0 million [5] EUR -0.7 million [6] EUR 0.0 million. Financial assets recognised at fair value through profit and loss comprise solely derivatives. Fair values of the derivative instruments are based on observable market values (level 2 observable input information) at balance sheet date. Fair value of other financial instruments corresponds their book value.

During 2016, SEK and EUR interest rate derivatives were closed prematurely as they no longer qualified as hedges according to IFRS due to negative interest rates. The realised value was included in financial costs.

TRANSACTIONS WITH RELATED PARTIES

Eltel AB share issue with preferential rights for the Company's shareholders has been fully subscribed, thereby raising gross proceeds of approximately EUR 153.9 million (SEK 1,500 million) before issue costs. The subscription period ended on 22 June 2017. In total, 93,516,133 shares, corresponding to approximately 99.6% of the rights issue, were subscribed for with the exercise of subscription rights. In addition, no transactions have taken place between Eltel and related parties that significantly affect the company's position and earnings during the quarter.

QUARTERLY KEY FINANCIAL FIGURES FOR THE GROUP

EUR million	Apr-Jun 2017	Jan-Mar 2017	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016
Net sales	329.8	297.8	387.1	356.2	369.0	287.5
Net sales growth, %	-10.6	3.6	-2.6	14.6	19.9	20.3
Operative EBITA	-21.0	-9.7	-14.6	7.8	5.7	3.2
Operative EBITA margin, %	-6.4	-3.2	-3.8	2.2	1.6	1.1
EBITDA	-16.8	-7.6	-11.3	10.8	9.3	6.3
EBITA	-20.0	-10.7	-14.6	7.8	5.7	3.2
EBITA margin, %	-6.1	-3.6	-3.8	2.2	1.6	1.1
Impairment of goodwill and other acquisition-related intangible assets	-	-145.6	-55.0	-	-	-
Operating result (EBIT)	-23.2	-159.8	-73.2	4.1	2.1	-0.4
EBIT margin, %	-7.0	-53.7	-18.9	1.2	0.6	-0.1
Result after financial items	-27.3	-162.9	-77.7	2.1	-0.3	-4.1
Net result for the period	-24.5	-161.4	-80.3	1.9	-0.1	-3.6
Earnings per share EUR, basic and diluted	-0.23	-1.53	-0.77	0,01	-0.00	-0.03
Return on operative capital employed, %*	-35.8	-11.6	3.9	35.1	55.7	70.1
Return on equity (ROE), %*	-72.0	-76.0	-20.7	3.6	9.2	11.1
Leverage ratio*	N/A	N/A	13.2	4.3	3.6	2.6
Net working capital	59.9	71.6	14.7	54.9	69.1	48.9
Operative cash flow	-10.7	-66.4	22.5	22.6	-15.7	-37.4
Cash conversion, %*	N/A	N/A	-387.4	160.8	68.8	112.1
Number of personnel, end of period	8,685	9,516	9,465	9,648	9,674	9,601

* calculated on a rolling 12-month basis
Return on operative capital employed calculation revised and earlier periods restated accordingly
Assets and liabilities held for sale are not included

QUARTERLY SEGMENT INFORMATION
NET SALES

EUR million	Apr-Jun 2017	Jan-Mar 2017	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016
Power	118.3	103.8	141.2	126.0	124.4	95.3
Communication	179.0	163.3	207.7	178.0	184.8	148.0
Other	32.8	30.9	39.0	52.8	60.2	44.7
Elimination of sales between segments	-0.2	-0.2	-0.8	-0.5	-0.3	-0.5
Net sales, total	**329.8**	**297.8**	**387.1**	**356.2**	**369.0**	**287.5**

OPERATIVE EBITA BY SEGMENT

EUR million	Apr-Jun 2017	Jan-Mar 2017	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016
Power	-1.2	0.5	2.8	2.6	7.7	2.0
% of net sales	-1.0	0.5	2.0	2.0	6.2	2.1
Communication	7.3	3.6	13.4	9.9	10.3	3.0
% of net sales	4.1	2.2	6.4	5.6	5.6	2.0
Other	-22.5	-10.0	-25.3	-1.1	-9.6	-1.0
% of net sales	-68.7	-32.4	-64.9	-2.0	-15.9	-2.3
Costs not allocated to segments	-4.6	-3.8	-5.6	-3.6	-2.7	-0.7
Operative EBITA	**-21.0**	**-9.7**	**-14.6**	**7.8**	**5.7**	**3.2**
% of net sales	-6.4	-3.2	-3.8	2.2	1.6	1.1

NUMBER OF EMPLOYEES BY SEGMENT, AT THE END OF PERIOD

	Apr-Jun 2017	Jan-Mar 2017	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016
Power	2,963	2,820	2,888	3,040	3,036	2,841
Communication	4,427	5,274	5,232	5,259	5,258	5,486
Other	914	1,041	1,051	1,059	1,106	1,027
Outside segments	381	381	294	290	274	247
Total	**8,685**	**9,516**	**9,465**	**9,648**	**9,674**	**9,601**

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)	$\dfrac{\text{Net result attributable to equity holders of the parent}}{\text{Weighted average number of ordinary shares}}$

Alternative performance measures (APMs)

ORGANIC NET SALES	Organic net sales is presented with comparable exchange rates
OPERATIVE EBITA	Operating result before acquisition-related amortisations and items affecting comparability
ITEMS AFFECTING COMPARABILITY	Items for specific events which management does not consider to form part of the ongoing operative business
COMMITTED ORDER BACKLOG	The total value of committed orders received but not yet recognised as sales
OPERATIVE CASH FLOW	EBITA + depreciation + change in net working capital – net purchase of PPE (capex)
CASH CONVERSION, %*	$\dfrac{\text{Operative cash flow x 100}}{\text{EBITA}}$
EQUITY RATIO, %	$\dfrac{\text{Total equity x 100}}{\text{Total assets - advances received}}$
NET DEBT	Interest-bearing debt (excluding shareholder loans) - cash and cash equivalents
LEVERAGE RATIO*	$\dfrac{\text{Net debt}}{\text{EBITDA}}$
OPERATIVE CAPITAL EMPLOYED	Net working capital + Intangible assets excluding goodwill and acquisition-related allocations + Property, plant and equipment
RETURN ON OPERATIVE CAPITAL EMPLOYED, %*	$\dfrac{\text{EBITA x 100}}{\text{Operative capital employed (average over the reporting period)}}$
RETURN ON EQUITY, %*	$\dfrac{\text{Net result x 100}}{\text{Total equity (average over the reporting period)}}$
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, contingent consideration from acquisitions and income tax liabilities.

* calculated on a rolling 12-month basis

Parent Company

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

The value of investment in group companies has been written down in Q2 2017 in line with the revisited strategy and targets.

PARENT COMPANY INCOME STATEMENT

EUR million	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Net sales	-	-	-	-	2.6
Administrative income and expenses	-2.5	-1.1	-5.6	-2.3	-7.6
Write-down of investment in group companies	-200.0	-	-200.0	-	-
Interest and other financial income	4.5	4.9	8.8	9.9	18.9
Interest and other financial expenses	-1.8	-1.2	-3.0	-2.0	-3.5
Net financial items	2.7	3.7	5.8	7.9	15.3
Result after financial items	**-199.8**	**2.6**	**-199.8**	**5.6**	**10.3**
Group contributions given	-	-	-	-	-9.8
Taxes	-0.1	-0.6	-0.1	-1.2	-
Net result	**-199.8**	**2.0**	**-199.8**	**4.4**	**0.5**

PARENT COMPANY BALANCE SHEET

EUR million	30 Jun 2017	30 Jun 2016	31 Dec 2016
ASSETS			
Investment in group companies	382.1	589.9	573.4
Deferred tax assets	1.0	0.1	0.1
Other financial asset	35.0	35.0	35.0
Total non-current assets	**418.1**	**625.0**	**608.5**
Trade and other receivables	2.5	0.9	3.4
Cash pool receivable	226.2	50.1	74.0
Cash and cash equivalents	0.0	0.1	0.0
Total current assets	**228.6**	**51.1**	**77.4**
TOTAL ASSETS	**646.7**	**676.1**	**685.9**
EQUITY AND LIABILITIES			
Total equity	**440.5**	**493.7**	**489.7**
Debt	-	83.2	-
Liabilities to shareholders	35.0	35.0	35.0
Deferred tax liabilities	0.1	1.2	-
Total non-current liabilities	**35.1**	**119.5**	**35.0**
Debt	136.3	43.9	130.4
Liabilities to group companies	27.0	17.3	29.0
Trade and other payables	7.8	1.7	1.9
Total current liabilities	**171.1**	**62.9**	**161.2**
Total liabilities	**206.2**	**182.4**	**196.2**
TOTAL EQUITY AND LIABILITIES	**646.7**	**676.1**	**685.9**

EQUITY

EUR million	1 Jan 2017	Proceeds from shares issued	New share issue costs, net of tax	Hedging reserve, net of tax	Equity-settled share-based payment	Net result	30 Jun 2017
Share capital	126.3	-	-	-	-	-	126.3
Non-restricted equity	363.3	-	-	0.1	0.0	-199.8	163.6
Share issue	-	153.9	-3.3	-	-	-	150.6
Total	489.7	153.9	-3.3	0.1	0.0	-199.8	440.5

Changes in share capital registered after the balance sheet date

Eltel AB's Annual General Meeting on 1 June 2017 resolved upon a reduction of share capital by EUR 62,624,238 and share issue with preferential rights for the Company's shareholders. The share issue was fully subscribed in June 2017, thereby raising gross proceeds of approximately EUR 153.9 million (SEK 1,500 million) before issue costs. Through the rights issue, the number of ordinary shares in Eltel increases by 93,936,357 to 156,560,595 and the share capital increases by approximately EUR 94,735,011 to approximately EUR 158,433,250 in total, following registration of the rights issue by the Swedish Companies Registration Office. The exceeding amount of the issue proceeds after deduction of issue costs will be accounted for in the share premium reserve on the Company's balance sheet and thereby increase the Company's unrestricted equity.

The changes in share capital were registered by the Swedish Companies Registration Office on 7 July 2017.

PRESENTATION OF THE SECOND QUARTER 2017 INTERIM REPORT

Analysts and media are invited to participate in the second quarter 2017 briefing on 17 August 2017 at 10.00 am CET where Eltel's President and CEO Håkan Kirstein and CFO Petter Traaholt will host a presentation. A live audiocast as well as the presentation will be available at www.eltelgroup.com/investors.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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FINANCIAL CALENDAR

Interim report January–September 2017	2 November 2017
Full-year report January–December 2017	22 February 2018

This information is information that Eltel AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08.00 CET on 17 August 2017.

STRATEGY AND TARGETS

Eltel's strategic agenda is to capitalise on its strong market position and ensure sustained profitable growth by constantly improving Eltel's operative performance, to support organic growth and pursue selective M&As. The focus of Eltel's operations is on the core business within Power and Communication in the Nordics and Poland, with growth opportunities in Germany. These markets offer attractive market potential, stable customer relations and an interesting development in fibre and smart metering. Consequently, all non-core operations will be divested or discontinued. The decision is based on the ambition to reduce the risk level in the operations and release resources for the core business.

MID- TO LONG-TERM FINANCIAL TARGETS

Eltel AB has adopted the following mid- to long-term financial targets for Eltel's core business[1] (approved by the Board of Directors on 1 June 2017):

- annual growth of Eltel's core business of 2–4%, including selective acquisitions,
- EBITA margin of at least 5%,
- cash conversion of 95–100% of EBITA[2], and
- leverage of 1.5–2.5x net debt/EBITDA[3]

[1] Eltel's core business comprises the Power and Communication segments, that is, excluding activities in Other that will be divested or discontinued
[2] Cash conversion is calculated as operating cash flow as a percentage of EBITA. Operating cash flow is calculated as the sum of (a) operating profit before acquisition-related depreciation (EBITA), (b) depreciation and (c) change in working capital, less (d) net acquisition of properties, machinery and equipment (CAPEX)
[3] Net debt / EBITDA is calculated as net debt, which is defined as interest-bearing liabilities consisting of short-term and long-term liabilities less cash and cash equivalents, in relation to EBITDA

DIVIDEND POLICY

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

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