Eltel Group

INTERIM REPORT JANUARY–MARCH 2017

January–March 2017

- Group net sales* amounted to EUR 297.8 million (287.5), up 3.5% in local currencies, organic net sales increased by 2.5%**
  - Net sales in the Power segment amounted to EUR 103.8 million (95.3); up 8.7% in local currencies
  - Net sales in the Communication segment amounted to EUR 163.3 million (148.0); up 9.4% in local currencies
  - Net sales in Other amounted to EUR 30.9 million (44.7), down 27.9% in local currencies
- Group operative EBITA amounted to EUR -9.7 million (3.2)***
  - Operative EBITA in the Power segment amounted to EUR 0.5 million (2.0)
  - Operative EBITA in the Communication segment amounted to EUR 3.6 million (3.0)
  - Operative EBITA in Other amounted to EUR -10.0 million (-1.0)
- Items affecting comparability amounted to EUR -1.0 million (0.0)****
- Goodwill impairment of EUR 145.6 million based on decision of lower risk exposure and related lower growth expectations in the power transmission business and lower noted market value of the rail business
- EBIT amounted to EUR -159.8 million (-0.4)
- Net financial expenses amounted to EUR -3.1 million (-3.7)
- The net result amounted to EUR -161.4 million (-3.6)
- Earnings per share was EUR -2.58 (-0.06)
- Operative cash flow was negative at EUR 66.4 million (-37.4)

Unless otherwise stated, figures in brackets refer to the same period in the preceding year
* All information in this report is presented based on the new segment structure. For further information, see “Segment information”
** Organic net sales excludes the U-SERV acquisition in 2016 and is presented using comparable exchange rates
*** Items not allocated to segments consist of Group management costs and costs related to among others development projects
**** Items affecting comparability consist of cost related to reviews and investigations

IMPORTANT DECISIONS AT THE BOARD MEETING ON 2 MAY 2017

- A decision was made to ramp down the lossmaking power transmission business outside of Europe, published in a separate press release on 2 May 2017. The cost of discontinuing this business is estimated to be approximately EUR 40 million. Main part of the cost is expected to occur in 2017 and the remainder in 2018. See separate press release on 2 May.
- The Board of Directors has resolved on a rights issue of EUR 150 million, subject to approval at the AGM. Eltel’s largest shareholders support the rights issue. Zeres Capital, The Fourth Swedish National Pension Fund (AP4) and The First Swedish National Pension Fund (AP1) have expressed their support for the rights issue and have undertaken to subscribe for their respective pro rata share of the rights issue, as well as to vote in favour of the right issue at the AGM. Furthermore, Solero Luxco S.á.r.l. (a company controlled by Triton Funds) and Swedbank Robur Funds have expressed their intention to subscribe for their respective pro rata share of the rights issue and to vote in favour of the right issue at the AGM. The main shareholders have a total ownership representing 52% of Eltel’s share capital*. Danske Bank A/S, Helsinki Branch, OP Corporate Bank plc and Skandinaviska Enskilda Banken AB are acting as joint lead underwriters in connection with the rights issue and have confirmed their expectation to no later than when the detailed terms of the rights issue are finally determined, subject to certain given conditions enter into an underwriting agreement in respect of the remaining 48% of the shares to be issued in the rights issue that is conditional upon inter alia that the above mentioned shareholders subscribe for shares corresponding to a total of at least 52% of the rights issue. See separate press release on 2 May.
- Eltel and its bank consortium have agreed on future financing.
- Eltel’s Board decided that a report to the police will be filed against former CEO Axel Hjärne regarding suspicions of accounting violation and/or fraud. The report to the police is based on investigations, conducted by PwC and Calissendorff Swarting Advokatbyrå on assignment by Eltel’s Board, regarding revenue recognition in the project business. See separate press release on 2 May.
- A decision was made to merge the business units Power Distribution and Power Transmission within the Power segment. Juha Luusua is appointed President – Power.

* Based on the total number of shares in the Company, excluding the 537,000 C shares held by the Company

Comments by the CEO

Solid core business, significant goodwill impairments and capital injection

During the first quarter, Eltel showed good growth in its core business Communication and Power, which represent approximately 90% of Eltel's operations. Net sales in the core business increased by 9.8% to EUR 267.1 million, while operative EBITA declined somewhat to EUR 4.1 million. Performance in the segment Other, comprising operations to be divested or ramped down, was weak. Net sales declined by almost 31% to EUR 30.9 million, and operative EBITA amounted to EUR -10.0 million. Overall, Group net sales increased by 3.6 % to EUR 297.8 million and Group operative EBITA amounted to EUR -9.7 million.

Net sales in Communication increased by 10.3% to EUR 163.3 million, driven by a positive development in the Nordics and Germany. Operative EBITA amounted to EUR 3.6 million, up 21% compared to previous year. It is also gratifying that we during the quarter signed a number of frame agreements, for example, fibre installation in Germany amounting to a total value of approximately EUR 25 million.

Also in Power, net sales increased and totalled EUR 103.8 million. The increase of 9% is mainly driven by the positive development in the power distribution business in Finland and solid growth in smart meter installations in Norway. Operative EBITA amounted to EUR 0.5 million, a decline from last year's result of EUR 2.0 million. The lower profitability is primarily related to lower production volumes in power transmission in Poland and Germany as well as margin adjustments in certain power distribution contracts in Sweden.

The decline in net sales in Other was primarily due to lower production volumes in Africa. The rail and road business in Norway as well as the aviation and security business in Sweden also showed somewhat lower net sales compared to previous year. The project business mainly in Africa accounted for EUR -8.0 million of the total operative EBITA loss of EUR -10.0 million.

As part of Group efficiency measures, we merged the fixed and mobile communication businesses in the Communication segment during the quarter. During the ongoing integration process, it has also become evident that there are synergies between Communication and Eltel's aviation and security business in Denmark and parts of the operations in Sweden. We will therefore integrate these operations into Communication. After the end of the quarter, the power distribution and power transmission businesses in the Power segment were also decided to be merged. Our ambition with these changes is to improve customer focus and cost efficiency.

Significant goodwill impairment

During the quarter, Eltel, as previously communicated, decided to focus its business on the Group's healthy core areas with lower risk - operations where we have a market-leading position and competence – and where the business model is repetitive. Eltel's core competences are within Power and Communication in Eltel's markets, the Nordics, Poland and Germany. The operations outside Eltel's core business; Power Transmission outside of Europe, the rail business within Rail & Road, the power distribution business in the Baltics and parts of the aviation and security business in Sweden will be divested or ramped down.

Growth expectations in the power transmission business within the Power segment are lower compared to earlier plans due to our decision to adapt Eltel's expansion plans to a balanced risk level adjusted for Eltel. The lower expected growth rate has resulted in required goodwill impairments of EUR 100 million for Power Transmission.

Furthermore, the divestment process to exit the rail business has revealed that the market value of this business is below current book value, resulting in goodwill impairment of EUR 45.6 million. For the first quarter, Group EBIT consequently amounted to a loss of EUR 159.8 million including recognised goodwill impairment of EUR 145.6 million.

The power transmission business outside of Europe, comprising projects mainly in Africa, has resulted in major losses for Eltel, while at the same time, the prospects of carrying out a successful divestment of this business are estimated to be low. After the end of the first quarter, Eltel's Board of Directors decided to discontinue this business. The cost for discontinuation is estimated to be approximately EUR 40 million. Main part of the cost is expected to occur in 2017 and the remainder in 2018.

Future financing

The strategic decisions taken create opportunities to further strengthen our positions in Eltel's core markets, but assume a strengthened balance sheet after the past year's major reported losses. With these prerequisites, the Board decided on 2 May 2017 to implement a preferential rights issue of approximately EUR 150 million for Eltel's shareholders. The Board's decision on a preferential rights issue will be on the agenda of the Annual General Meeting in June 2017. Eltel's largest shareholders, with a total holding of 52% of shares*, have announced that they support the preferential rights issue according to what is stated above. After the end of the quarter, an agreement was also reached with Eltel's banks regarding future financing.

* Based on the total number of shares in the Company, excluding the 537,000 C shares held by the Company

The Board's decision and the main owners' stated support constitute key pillars for the turnaround of the business we now are executing. We intend to build Eltel based on realistic expectations – both in terms of market conditions and Eltel's core competencies. Communication and Power are our core. The business is healthy, with very good employees and long-term customer relations. Together with our Board and our owners we will now be fully committed to implement the action plan to restore Eltel as a stable company that is given the opportunity to capitalise on the clear growth opportunities that exist in the company's core business.

–Håkan Kirstein, President and CEO

IMPORTANT EVENTS DURING THE FIRST QUARTER 2017

- In January, the composition of the Nomination Committee changed, with Lannebo Fonder leaving the Committee and being replaced by the First Swedish National Pension Fund (AP1)
- In January, Dariush Rezai, member of the Group Management Team, resigned his position as President – Mobile Communication and left Eltel in March
- In February, the Nomination Committee was expanded with the addition of a fifth member, Solero Luxco S.á.r.l.
- In February, Fredrik Menander, President – Power Transmission, left his position at Eltel and Juha Luusua, President – Power Distribution, was appointed acting President – Power Transmission
- In February, Eltel announced the merger of its fixed and mobile communication businesses as of 1 March and appointed Peter Uddfors, former President – Fixed Communication, as President – Communication
- In February, Eltel's Board of Directors decided to focus on the company's core businesses Power and Communication mainly in the Nordics, Poland and Germany and to divest non-core operations
- In March, Eltel's Nomination Committee announced its proposal to appoint Ulf Mattsson as the new Chairman of the Board of Directors at the Annual General Meeting
- In March, Eltel's communication business won new frame agreements for fibre deployment in Germany valued at approximately EUR 25 million

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

- In April, Eltel announced its plan to merge its aviation and security operations in Denmark and parts of its aviation and security operations in Sweden with its communication business. The plan is to divest the remaining parts of the Swedish aviation and security business.
- CFO Gert Sköld has decided to step down from his position effective as of today. A recruitment process for a new CFO has been initiated. Lars Nilsson, who has acted as interim CFO since 21 November 2016, will continue in his role until further notice.

KEY FIGURES

EUR million	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016	Rolling 12-month
Net sales	297.8	287.5	1,399.8	1,410.1
Net sales growth, %	3.6	20.3	11.6	8.2
Organic net sales growth, %*	2.5	-0.4	1.8	N/A
Operative EBITA	-9.7	3.2	2.1	-10.8
Operative EBITA margin, %	-3.2	1.1	0.1	-0.8
Items affecting comparability	-1.0	-	-	-1.0
EBITA	-10.7	3.2	2.1	-11.8
EBITA margin, %	-3.6	1.1	0.1	-0.8
Amortisation and impairment of acquisition-related intangible assets**	-149.1	-3.6	-69.4	-215.0
Operating result (EBIT)	-159.8	-0.4	-67.4	-226.8
EBIT margin, %	-53.7	-0.1	-4.8	-16.1
Result after financial items	-162.9	-4.1	-80.0	-238.8
Net result for the period	-161.4	-3.6	-82.2	-239.9
Earnings per share EUR, basic	-2.58	-0.06	-1.33	-3.85
Earnings per share EUR, diluted	-2.58	-0.06	-1.33	-3.85
Leverage ratio***	N/A	2.6	13.2	N/A
Operative cash flow	-66.4	-37.4	-8.0	-37.0
Cash conversion, %***	N/A	112.1	-387.4	N/A
Number of personnel, end of period	9,516	9,601	9,465	9,516

* Organic net sales exclude the U-SERV acquisition in 2016 and is presented with comparable exchange rates
** Includes impairment of EUR 145.6 million in Q1/2017 and EUR 55.0 million in Q4/2016 related to value of goodwill and related intangibles in the power transmission and rail businesses
*** Calculated on a rolling 12-month basis
Please see page 20 for definitions of the key ratios.

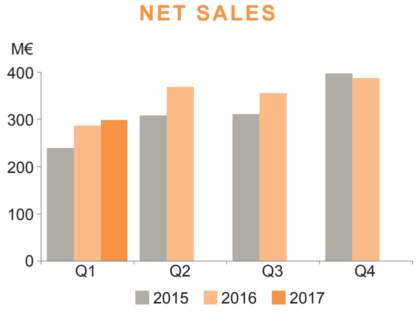
Group performance

Sales and financial results

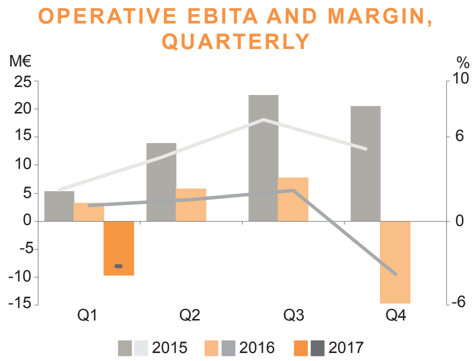
NET SALES

January–March 2017 compared to the same period in 2016

In local currencies, net sales for the Eltel Group increased by 3.5%. Reported net sales grew by 3.6% to EUR 297.8 million (287.5). Eltel's main segments Communication and Power, which are considered to comprise Eltel's core business, both grew in the first quarter. Strong growth was noted in the Communication segment, driven by the fixed communication business in the Nordics and mainly related to fibre deployment. The Power segment contributed to the good growth with increased net sales, particularly in the power distribution business in Finland as well as in Norway. However, net sales in Other declined mainly due to lower volumes in African power transmission projects. Group organic net sales growth was 2.5%.



In the early part of 2017, Eltel decided to make certain strategic changes to its business structure. Consequently, as of the first quarter of 2017, Eltel's 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. The Power and Communication segments comprise Eltel's core businesses in the Nordics, Poland and Germany. Other comprises operations planned to be divested or ramped down, meaning selected power transmission projects mainly in Africa and reported under the Group Project function, the rail business and parts of the aviation and security business in Sweden. The Power segment also includes the power distribution business in the Baltics that is planned to be divested. See "Segment information" for further information on the changes.



In the first quarter, the Communication segment accounted for 55% (51) of Group net sales, the Power segment for 35% (33), and Other for 10% (16).

Compared with the level at the end of 2016, Eltel's committed order backlog increased to EUR 888 million (31 Dec 2016: 845) at the end of March 2017 with growth attributable to all segments. The committed order backlog comprises the total value of committed orders received but not yet recognised as sales. This is mainly related to project orders with a delivery time of two to five years and also includes committed orders in frame agreements.

FINANCIAL RESULTS

January–March 2017 compared to the same period in 2016

The Eltel Group's operative EBITA decreased to EUR -9.7 million (3.2), representing -3.2% of net sales (1.1). The negative result was related to loss-making power transmission projects in Africa and a certain negative impact from the rail business, all of which are reported in Other. In addition, operative EBITA was negatively impacted by increased Group costs related to development projects. In the comparable period in 2016, costs related to the Group shared services programme and other costs not allocated to segments were at a very low level. In addition, compensation for legal costs as part of the ruling by the Finnish Market Court in the FCCA case was recognised in the first quarter of 2016. The Communication segment performed well, supported by the fixed communication business. Profitability in the Power segment was positively impacted, particularly by the power distribution business in Finland and smart metering roll-outs in Norway, although this was offset by negative development in the power transmission business.

Group EBITA declined to EUR -10.7 million (3.2). EBITA was negatively impacted by items affecting comparability of EUR 1.0 million related to reviews and investigations. Impairment of EUR 145.6 million was recognised in the value of goodwill and related intangible assets. This is based on first-quarter decisions of lower risk exposure and consequently lower growth expectations in the power transmission business and 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 3.5 million (3.6).

Net financial expenses were EUR 3.1 million (3.7). At the end of the first quarter, Eltel did not meet the reset leverage covenant (Net Debt/adjusted EBITDA) nor interest cover covenant (adjusted EBITDA/adjusted net finance charges). In May 2017, Eltel and its bank consortium agreed on renewed financing for 2017.

The tax cost for the period were EUR +1.6 million (+0.5), derived mainly from the negative results for the period. The net result for the January–March 2017 was EUR -161.4 million (-3.6).

Operating environment

Power

Market demand in the power segment is underpinned by strong long-term drivers. 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 increasing power transmission and power distribution network investment levels.

Communication

While the market conditions in communication are favourable, there is some variation among countries and technologies. The communication sector continues to be driven mainly by fibre deployment and mobile roll-outs. Demand for fibre deployment is expected to remain at a healthy level in the Nordics, although it is likely that there will be a gradual transition from larger roll-out projects to a greater volume of up-sales and related services in Sweden. Fibre deployment and demand is expected to grow in Poland and Germany in the years ahead. Meanwhile, 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, market demand for LTE/4G roll-outs continues to provide opportunities in central Europe, while the peak has passed in the Nordics. 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

31 March 2017

At the end of March 2017, interest-bearing liabilities totalled EUR 278.1 million (250.7), of which EUR 3.3 million (216.1) were non-current and EUR 274.8 million (34.6) were current. Cash and cash equivalents amounted to EUR 7.7 million (58.4). The loans raised under Eltel's bank agreement are presented as current due to the reported breach of leverage covenant calculated as of 31 March 2017. In the first quarter, Eltel initiated discussions with its bank consortium to find a solution for future financing and covenant levels. In February 2017, the Board of Directors decided to initiate a process to implement a preferential rights issue to mitigate the financing and liquidity risks and enable required restructuring and growth in core markets. Eltel's largest shareholders, Zeres Capital, Solero Luxco S.á.r.l., The Fourth Swedish National Pension Fund (AP4), Swedbank Robur Funds and The First Swedish National Pension Fund (AP1), representing 52% of Eltel's share capital*, support the decision to implement a preferential rights issue as further set out above.

Interest-bearing net debt totalled EUR 271.8 million (193.7).

Eltel's bank loan agreements include financial covenants related to the adjusted net debt/EBITDA ratio and adjusted EBITDA/net finance charges ratio. In December 2016, Eltel signed an amendment to its existing financing agreement regarding a temporary resetting of the leverage covenant. In the amended agreement signed with the banks, the temporary reset quarterly leverage (Net debt/EBITDA) covenant levels vary between 6.30x and 3.60x, covering the period effective from the end of 2016 and extending until the end of 2017. Due to the deterioration in profitability, Eltel did not meet the reset leverage (Net debt/EBITDA) or the interest cover (adjusted EBITDA/adjusted net finance charges) covenants at the end of the first quarter of 2017. In May 2017, Eltel and its bank consortium agreed on renewed financing including revised covenants for 2017. A preferential rights issue is a precondition of the new financing agreement.

INTEREST-BEARING LIABILITIES AND NET DEBT

EUR million	31 Mar 2017	31 Mar 2016	31 Dec 2016
Interest-bearing debt in balance sheet	278.1	250.7	283.5
Allocation of effective interest to periods	1.4	1.3	1.8
Less cash and cash equivalents	-7.7	-58.4	-85.2
Net debt	**271.8**	**193.7**	**200.1**

At the end of the first quarter, available liquidity reserves amounted to EUR 114.9 million (153.8). On the same date, EUR 37 million of Eltel's EUR 100 million commercial paper programme was utilised. The Group's equity ratio was 23.7% (45.1) at the end of March 2017.

At the end of the first quarter, guarantees based on contractual commercial commitments and pension liabilities issued by banks, other financial institutions and the Parent Company amounted to EUR 352.9 million (370.3). This amount included advance and other payment security guarantees.

CASH FLOW AND CASH CONVERSION

January–March 2017

Eltel's operative cash flow was negative at EUR 66.4 million (-37.4), mainly due to higher net working capital compared to the situation at year-end 2016 and also due to the negative first quarter results. Ongoing power projects in Poland that are working-capital intensive are expected to continue to create volatility in net working capital going forward.

In general, cash flow fluctuates on a quarterly basis due to Eltel's seasonal pattern for its net sales and production. The beginning of Eltel's calendar year is characterised by a negative cash flow – historically a typical seasonal pattern for Eltel's earnings generation. Phasing of projects may significantly impact the seasonal pattern of cash flow.

Cash flow from operating activities was EUR -64.2 million (-34.1), including a negative impact of EUR -56.8 million (-41.2) from the change in net working capital. Cash flow from financial items and taxes was EUR -3.6 million (-3.1). Net capital expenditure, mainly replacement investments, amounted to EUR 2.0 million (2.5). Cash flow for acquisitions amounted to EUR 0.0 million (-10.2).

Seasonality during the calendar year

DISTRIBUTION OF SALES AND EARNINGS DURING THE FINANCIAL YEAR

Eltel's businesses are generally characterised by seasonal patterns that have a substantial impact on 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 5. 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 19.

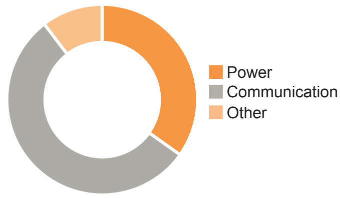
* Based on the total number of shares in the Company, excluding the 537,000 C shares held by the Company

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 impacting the content of the Group's segment reporting as of the first quarter of 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.

Q1 NET SALES BY SEGMENT



Communication segment

In February 2017, Eltel decided to merge its fixed and mobile communication business into one business unit, Communication, reported as the Communication segment. During the ongoing integration process, it became evident that there are also synergies with the aviation and security operations in Denmark and parts of the aviation and security operations in Sweden. In April 2017, Eltel announced its plan to merge these parts of the aviation and security operations into the communication business. As of the first quarter of 2017, these are reported in the Communication segment. Historical comparative information for the Communication segment is restated accordingly.

Power segment

In February 2017, approximately ten ongoing power transmission electrification projects, mainly located in Africa, were extracted from the Power Transmission business unit and consequently also from the Power segment. These projects were transferred to and are managed by the Group Project function and reported under Other. The remaining and greater part of the Power Transmission business unit, comprising substation and overhead line projects in the Nordics, Germany and Poland, remains in the Power Transmission business unit. The Power Distribution and remaining Power Transmission business units are reported in the Power segment. The plan is to divest the power distribution business in the Baltics, which is included in the Power segment. Historical comparative information for the Power segment has been restated accordingly.

Other

Other includes the rail business and the unit comprising power transmission projects with operations mainly in Africa and managed by the Group Project function. This unit is called Power Transmission International. In addition, the remaining parts of the aviation and security business with operations in Sweden that have not been transferred to the Communication segment are reported in this segment. The plan is to divest or ramp down all operations reported under Other.

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 these operations. As of the first quarter of 2017, this segment no longer includes Power Transmission International unit with power transmission projects that are mainly located in Africa. These are part of the Group Project function and 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	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Net sales	103.8	95.3	486.9
Operative EBITA	0.5	2.0	15.1
Operative EBITA margin, %	0.5	2.1	3.1
Number of employees	2,820	2,841	2,888

Foreign currency translation effect included in net sales was EUR 0.3 million for the quarter

January–March 2017 compared to the same period in 2016

In local currencies, net sales for the Power segment increased by 8.7%. Reported net sales rose by 9.0% to EUR 103.8 million (95.3). The increase in net sales was attributable to higher net sales in the power distribution business in Finland and the ramp-up of smart metering installations in Norway. Favourable weather conditions in the Nordics during the winter months increased production and supported net sales. Growth was partly offset by lower production volumes in the power transmission business in Germany and phasing in production and revenues in power transmission projects in Poland.

Operative EBITA decreased to EUR 0.5 million (2.0) and the operative EBITA margin was 0.5% (2.1). The power distribution business in Finland and smart meter installations in Norway performed well. The lower result was attributable to lower production volumes and weaker performance in the power transmission business in Germany, lower production and phasing of revenues in power transmission in Poland and margin revision in certain power distribution contracts in Sweden.

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. As of the first quarter of 2017, the fixed and mobile communication businesses were merged, creating long-term sales and costs synergies. 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	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Net sales	163.3	148.0	718.5
Operative EBITA	3.6	3.0	36.6
Operative EBITA margin, %	2.2	2.0	5.1
Number of employees	5,274	5,486	5,232

Foreign currency translation effect included in net sales was EUR 1.3 million for the quarter

January–March 2017 compared to the same period in 2016

In local currencies, growth in net sales was 9.4%. Reported net sales increased by 10.3% to EUR 163.3 million (148.0), mainly as a result of higher production volumes in the fixed communication business in the Nordics, primarily comprising fibre roll-out and upgrade services. The positive development was partly offset by lower volumes in the mobile business in the Nordics.

Operative EBITA increased to EUR 3.6 million (3.0) and the operative EBITA margin was 2.2% (2.0). The stable result performance in the communication business in Finland and Poland was slightly impacted by weaker development, especially in the mobile communication business in Norway, as well as a negative contribution from the ramp down of operations in the UK. In the first quarter, Eltel exited its communication business in the UK.

OTHER

Other comprises non-core business operations that are planned to be divested or ramped down. These operations include selected power transmission projects mainly in Africa, separated into Power Transmission International unit that is responsible for managing projects and reported under the Group Project function. In addition, it comprises the rail business, and parts of the aviation and security business in Sweden.

EUR million	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Net sales	30.9	44.7	196.7
Operative EBITA	-10.0	-1.0	-37.0
Operative EBITA margin, %	-32.4	-2.3	-18.8
Number of employees	1,041	1,027	1,051

Foreign currency translation effect included in net sales was EUR -1.3 million for the quarter

January–March 2017 compared to the same period in 2016

In local currencies, net sales for Other decreased by 27.9%. Reported net sales declined by 30.9% to EUR 30.9 million (44.7). The decline in net sales was mainly attributable to lower production volumes in low-margin power transmission projects in Africa. In addition, somewhat lower volumes in the aviation and security business and the rail business negatively impacted net sales.

Operative EBITA amounted to EUR -10.0 million (-1.0). EUR 8.0 million derived from Power Transmission International of which EUR 5.1 million was attributable to negative project result. Within the unit, also higher costs from strengthened unit management impacted the result. In addition, somewhat weaker performance in the rail business also had a negative impact on the result.

Based on the development in the Power Transmission International projects mainly in Africa, Eltel's Board of Directors has on 2 May 2017 made a decision to ramp down the loss-making power transmission business outside of Europe. The cost of discontinuing this business is estimated to be approximately EUR 40 million. Main part of the cost is expected to occur in 2017 and the remainder in 2018.

Other information

ELTEL'S REPORTED BUSINESS STRUCTURE AS OF 2017

During the first quarter 2017, Eltel's Board of Directors decided to focus on Eltel's core businesses. As of the first quarter of 2017, Group operations are divided and reported in two reportable segments, Power and Communication and the remaining business operations are presented under Other, previously reported as the Transport & Security business segment. The Power and Communication segments are classified as Eltel's core business and Other comprises all non-core businesses that are planned to be divested or ramped down. The Power segment includes 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. In addition, the power distribution business in the Baltics, which is planned to be divested, is reported in the Power segment. The Communication segment comprises Eltel's fixed and mobile business in the Nordics, Baltics, Germany and Poland. Other comprises non-core business operations that are planned to be divested or ramped down. These operations include Power Transmission International unit with projects mainly in Africa, the rail business and parts of the aviation and security business in Sweden. The divestments are proceeding according to plan.

ANNUAL GENERAL MEETING POSTPONED UNTIL 1 JUNE 2017

Eltel's Board of Directors decided to postpone its 2017 Annual General Meeting. Instead of the planned date of 28 April 2017, the Meeting will be held on 1 June 2017. As communicated in Eltel's full-year report for 2016 published in February 2017, Eltel's Board of Directors decided to initiate investigations regarding liability issues with regard to potential historical inaccuracies in the accounting of the project business. Against this background, and in order to be able to provide the Annual General Meeting with the relevant basis for decisions, the date for the Annual General Meeting was postponed until 1 June 2017. The notice of the Annual General Meeting was published on 2 May 2017.

2016 ANNUAL REPORT

On 2 May 2017, Eltel published its 2016 Annual Report and 2016 Sustainability Report.

RISKS AND UNCERTAINTIES

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

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

Eltel's current performance impacting Group EBITA in the quarters ahead includes a risk in terms of meeting the leverage (Net debt/adjusted EBITDA) covenant in its banking agreement. In December 2016, Eltel signed an amendment agreement of its existing financing agreement regarding a temporary resetting of the leverage covenant. In the amended agreement signed with the banks, the temporary reset quarterly leverage (Net debt/EBITDA) covenant levels vary between 6.30x and 3.60x, covering the period effective from the end of 2016 and extending until the end of 2017. As of year-end 2016, Eltel did not meet the reset leverage (Net debt/adjusted EBITDA) or interest cover (adjusted EBITDA/ adjusted net finance charges) covenants. In February 2017, Eltel and its bank consortium agreed on an additional amendment to the existing financing agreement with revised covenants for the situation prevailing at the year-end 2016. As of 31 March 2017, Eltel did not meet the reset leverage or interest cover covenants. In May 2017, Eltel and its bank consortium agreed on renewed financing including revised covenants for 2017. A preferential rights issue is a precondition of the new financing agreement.

Eltel's challenges with respect to meeting its financial covenants might lead to a risk that suppliers and other stakeholders could request accelerated payment terms or additional guarantees.

In February 2017, the Board of Directors decided to initiate a process to implement a preferential rights issue to mitigate the financing and liquidity risks. The preferential rights issue is supported by Eltel's largest shareholders Zeres Capital, Solero Luxco S.á.r.l., The Fourth Swedish Pension Fund (AP4), Swedbank Robur Funds and The First Swedish National Pension Fund (AP1), representing 52% of Eltel's share capital*.

Project business contains inherent risks related to the pricing of the project and estimates of the final cost and performance of the contract. Additionally, project business involves risk related to authorities, customers or other external conditions, including the risk of delays and the risk that the Group's customers may be unable to obtain funding for planned projects and services. The essential components for performance and profitability of a project include the Group's ability to accurately forecast costs, correctly assess the various resources necessary to carry out the project, effectively manage the services provided by subcontractors and control technical events that could affect and delay progress on the project. In practice, poor project management, errors in calculating costs or defective bids by subcontractors engaged by the Group can generate significant additional performance costs and delays.

* Based on the total number of shares in the Company, excluding the 537,000 C shares held by the Company

Finnish Competition and Consumer Authority (FCCA) case to continue in the Supreme Administrative Court in Finland

On 31 October 2014, the Finnish Competition and Consumer Authority (FCCA) proposed the imposition of a fine of EUR 35 million on Eltel in the Finnish Market Court. The violation of competition law alleged by the FCCA is related to Eltel's power transmission line construction and planning business in Finland during the period 2004–2011. Eltel considers that it did not violate competition 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. The timing of the Supreme Administrative Court'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 has received notifications of claims for damages from certain customers based on the FCCA's allegations. No claims for damages have been filed in any civil courts. Eltel maintains that the company has not violated competition law and that all related claims for damages are unfounded and factually incomplete. Eltel will dispute and defend itself against any claims for damages. As stated in the IPO prospectus, Eltel expects to receive claims for damages relating to the alleged cartel, and expects that such claims may be material. The ultimate outcome of any such claims will be highly dependent on several factors, such as the outcome of the Supreme Administrative Court proceedings, which will constitute the final resolution of the FCCA case.

For further information regarding this case, please refer to Eltel's 2016 Annual Report and Eltel's IPO prospectus.

For further information regarding risks and uncertainties, please refer to the 2016 Annual Report.

OWNERSHIP STRUCTURE

The largest shareholders of Eltel AB on 31 March 2017, including known changes thereafter, were:

Shareholders	Number of shares	% of ordinary shares
Solero Luxco S.á.r.l.	8,709,665	13.9%
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	**32,619,076**	**52.0%**
Other shareholders	30,005,162	48.0%
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/.

SIGNATURES OF THE BOARD OF DIRECTORS AND CEO

Stockholm, 2 May 2017

THE BOARD OF DIRECTORS

Ulf Lundahl, Chairman

Gunilla Fransson

Matti Kyytsönen

Susanne Lithander

Rada Rodriguez

Karl Åberg

Jonny Andersson

Björn Ekblom

PRESIDENT AND CEO

Håkan Kirstein

Auditor’s Review

REPORT OF REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the condensed interim financial information (interim report) of Eltel AB (publ) as of 31 March 2017 and the three-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 2 May 2017

Öhrlings PricewaterhouseCoopers AB

Niklas Renström, Authorized Public Accountant

Condensed financial information

CONDENSED CONSOLIDATED INCOME STATEMENT

EUR million	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Net sales	297.8	287.5	1,399.8
Cost of sales	-276.9	-256.1	-1,279.5
Gross profit	**20.9**	**31.4**	**120.3**
Other income	0.2	0.5	4.0
Sales and marketing expenses	-3.4	-3.4	-11.7
Administrative expenses	-26.7	-23.5	-104.4
Other expenses	-1.8	-1.7	-5.6
Share of profit/loss of joint ventures	0.0	-0.1	-0.4
Operating result before acquisition-related amortisations (EBITA)	**-10.7**	**3.2**	**2.1**
Amortisation and impairment of acquisition-related intangible assets	-149.1	-3.6	-69.4
Operating result (EBIT)	**-159.8**	**-0.4**	**-67.4**
Financial income	0.1	-	0.2
Financial expenses	-3.2	-3.7	-12.8
Net financial expenses	-3.1	-3.7	-12.6
Result before taxes	**-162.9**	**-4.1**	**-80.0**
Taxes	1.6	0.5	-2.2
Net result	**-161.4**	**-3.6**	**-82.2**
Attributable to:			
Equity holders of the parent	-161.4	-3.7	-83.5
Non-controlling interest	0.0	0.1	1.3
Earnings per share (EPS)			
Basic, EUR	-2.58	-0.06	-1.33
Diluted, EUR	-2.58	-0.06	-1.33

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Net profit for the period	-161.4	-3.6	-82.2
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Revaluation of defined benefit plans	-2.7	2.0	0.7
Items that may be subsequently reclassified to profit and loss			
Cash flow hedges	-	-0.1	0.3
Net investment hedges	0.4	0.2	2.3
Currency translation differences	0.8	0.4	-6.1
Total	1.2	0.5	-3.6
Other comprehensive income/loss for the period, net of tax	-1.5	2.5	-2.9
Total comprehensive income/loss for the period	**-162.9**	**-1.1**	**-85.1**
Total comprehensive income/loss attributable to:			
Equity holders of the parent	-162.9	-1.2	-86.4
Non-controlling interest	0.0	0.1	1.3

CONDENSED CONSOLIDATED STATEMENT OF BALANCE SHEET

EUR million	31 Mar 2017	31 Mar 2016	31 Dec 2016
ASSETS			
Non-current assets			
Goodwill	297.1	465.4	420.2
Intangible assets	45.8	78.8	70.1
Property, plant and equipment	36.6	37.4	37.8
Investments in and receivable from joint ventures	0.9	0.1	0.6
Available-for-sale investments	0.3	0.2	0.3
Deferred tax assets	32.6	34.3	29.7
Other financial asset	35.0	35.0	35.0
Trade and other receivables	0.2	0.1	0.2
Total non-current assets	**448.5**	**651.3**	**594.0**
Current assets			
Inventories	10.3	9.4	7.5
Trade and other receivables	367.3	324.0	393.3
Cash and cash equivalents	7.7	58.4	85.2
Total current assets	**385.3**	**391.8**	**486.0**
TOTAL ASSETS	**833.8**	**1,043.1**	**1,080.0**
EQUITY AND LIABILITIES			
Equity			
Shareholders' equity	176.9	440.0	339.7
Non-controlling interest	7.3	7.2	7.3
Total equity	**184.2**	**447.2**	**347.0**
Non-current liabilities			
Debt	3.3	216.1	3.5
Liabilities to shareholders	35.0	35.0	35.0
Retirement benefit obligations	10.7	10.4	8.1
Deferred tax liabilities	13.8	16.9	15.5
Provisions	1.6	2.8	1.7
Other non-current liabilities	6.2	0.7	6.2
Total non-current liabilities	**70.6**	**281.9**	**70.0**
Current liabilities			
Debt	274.8	34.6	280.0
Provisions	18.7	3.6	24.9
Advances received	55.4	51.4	65.6
Trade and other payables	230.1	224.4	292.6
Total current liabilities	**579.0**	**314.0**	**663.0**
Total liabilities	**649.6**	**595.9**	**733.0**
TOTAL EQUITY AND LIABILITIES	**833.8**	**1,043.1**	**1,080.0**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Cash flow from operating activities			
Cash flow from operating activities before financial items and taxes	-64.2	-34.1	4.5
Interest received	-	-	0.1
Interest and other financial expenses paid	-2.6	-2.2	-10.5
Income taxes paid	-1.1	-1.0	-2.5
Net cash from operating activities	**-67.9**	**-37.2**	**-8.3**
Cash flow from investing activities			
Purchases of property, plant and equipment (PPE)	-2.3	-2.7	-14.1
Proceeds from sale of PPE	0.2	0.2	0.8
Acquisition of business	-	-10.2	-19.9
Investments in joint ventures	-0.3	-	-0.7
Net cash from investing activities	**-2.3**	**-12.7**	**-34.0**
Cash flow from financing activities			
Proceeds from long-term financial liabilities	-	-	21.3
Proceeds from short-term financial liabilities	2.8	20.0	93.0
Payments from short-term borrowings	-10.0	-0.1	-56.4
Payments of financial liabilities	-	-	-1.8
Payments of/proceeds from finance lease liabilities	-0.2	-0.2	-0.8
Dividends to shareholders	-	-	-15.0
Dividends to non-controlling interest	-	-	-1.1
Change in non-liquid financial assets	-	0.6	0.5
Net cash from financing activities	**-7.4**	**20.3**	**39.7**
Net change in cash and cash equivalents	**-77.6**	**-29.7**	**-2.6**
Cash and cash equivalents at beginning of period	85.2	87.9	87.9
Foreign exchange rate effect	0.1	0.2	-0.1
Cash and cash equivalents at end of period	7.7	58.4	85.2

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

EUR million	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016	Rolling 12-month
EBITA	-10.7	3.2	2.1	-11.8
Depreciation	3.1	3.2	13.1	13.0
EBITDA	-7.6	6.3	15.1	1.2
Change in net working capital	-56.8	-41.2	-9.8	-25.3
Net purchase of PPE	-2.0	-2.5	-13.3	-12.8
Operative cash flow (used in cash conversion key figure)	-66.4	-37.4	-8.0	-37.0
Less net purchase of PPE, presented in investing activities	2.0	2.5	13.3	
Gains on sales of assets	0.1	-	-0.4	
Items recognised through other comprehensive income	-0.9	-0.8	-3.4	
Other non-cash adjustments	1.0	1.6	2.9	
Cash flow from operating activities before financial items and taxes	-64.2	-34.1	4.5	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve	Currency Translation	Total	Non-controlling interest	Total equity
Equity at 1 Jan 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	-	-	-161.4	-2.7	0.4	0.8	-162.9	0.0	-162.9
Equity-settled share-based payment	-	-	0.1	-	-	-	0.1	-	0.1
Total transaction with owners	-	-	0.1	-	-	-	0.1	-	0.1
Equity at 31 Mar 2017	126.3	373.0	-281.9	-24.6	6.7	-22.6	176.9	7.3	184.2

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

EUR million	Share capital	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve	Currency Translation	Total	Non-controlling interest	Total equity
Equity at 1 Jan 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.

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 in page 20 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.

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. 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 in this first quarter 2017 interim report is in line with the new structure. See "Segment information" for further information on the changes.

NET SALES BY SEGMENT

EUR million	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Power			
Net sales (external)	103.6	95.1	486.1
Inter-segment sales	0.2	0.2	0.8
Communication			
Net sales (external)	163.2	147.7	717.6
Inter-segment sales	0.1	0.3	0.9
Other			
Net sales (external)	31.0	44.7	196.1
Inter-segment sales	-0.1	-	0.6
Elimination of sales between segments	-0.2	-0.5	-2.2
Net sales, total	**297.8**	**287.5**	**1,399.8**

RECONCILIATION OF SEGMENT RESULTS

EUR million	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Operative EBITA by segment			
Power	0.5	2.0	15.1
Communication	3.6	3.0	36.6
Other	-10.0	-1.0	-37.0
Items not allocated to operating segments*	-3.8	-0.7	-12.6
Operative EBITA, Group	-9.7	3.2	2.1
Items affecting comparability in EBITA**	-1.0	-	-
EBITA before acquisition-related amortisations	-10.7	3.2	2.1
Amortisation of acquisition-related intangible asset	-3.5	-3.6	-14.4
Impairment of goodwill and other acquisition-related intangible assets***	-145.6	-	-55.0
Operating result (EBIT)	-159.8	-0.4	-67.4
Other financial expenses, net	-3.1	-3.7	-12.6
Result before taxes	**-162.9**	**-4.1**	**-80.0**

*Items not allocated to operating segments consist of Group management function
** Items affecting comparability consist of costs related to reviews and investigations
*** Impairment is related to the power transmission and rail & road businesses

IMPAIRMENT OF GOODWILL AND RELATED INTANGIBLE ASSETS

Due to strategic decisions taken during Q1 2017, Eltel's operative structure has been updated. In addition, a new market study has been produced and estimates for future years have been updated. These new estimates include a lower risk level and lower assumptions for market development and are therefore more conservative than Eltel's previous estimates. Eltel will focus on defined core business and on finding synergies in the new operative structure. Due to the change in the strategy and updated future estimates, Eltel has revisited estimated future cash flows.

The recoverable amount of the Power Transmission CGU in the Power segment was estimated to be EUR 50 million and an impairment loss of EUR 100.0 million was recognised for goodwill, brand and customer relationships, of which goodwill impairment was EUR 84 million. The carrying amount of goodwill for the CGU after the impairment is EUR 0 million. The recoverable amount of the Rail & Road CGU in Other was estimated to cover only the amount of net working capital and other tangible operative assets and an impairment loss of EUR 45.6 million was recognised. The impairment is equivalent to the total value of goodwill, brand and customer relationships allocated to Rail & Road CGU, of which goodwill impairment was EUR 40.5 million. The recoverable amount is based on the value-in-use calculation. The pre-tax discount rate (WACC) used in the calculation is 9.2%.

EARNINGS PER SHARE

	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Net result attributable to equity holders of the parent	-161.4	-3.7	-83.5
Weighted average number of common shares, basic	62,624,238	62,624,238	62,624,238
Weighted average number of common shares, diluted	62,647,353	62,639,865	62,651,196
Earnings per share EUR, basic	-2.58	-0.06	-1.33
Earnings per share EUR, diluted	-2.58	-0.06	-1.33

NET WORKING CAPITAL (NWC) AND CAPITAL EMPLOYED

EUR million	31 Mar 2017	31 Mar 2016	31 Dec 2016
Inventories	10.3	9.4	7.5
Trade and other receivables	367.3	324.0	393.3
Provisions	-20.3	-6.4	-26.5
Advances received	-55.4	-51.4	-65.6
Trade and other payables	-230.1	-224.4	-292.6
Other*	-0.2	-2.3	-1.4
Net working capital	71.6	48.8	14.7
Intangible assets excluding acquisition-related allocations	5.4	3.7	4.9
Property, plant and equipment	36.6	37.4	37.8
Capital employed	113.5	89.9	57.5
Average capital employed	101.7	87.0	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

DERIVATIVE FINANCIAL INSTRUMENTS

	31 Mar 2017			31 Mar 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	0.1	1)	157.6	-2.5	3)	22.2	0.1	5)
Foreign exchange rate derivatives	46.3	-1.0	2)	113.1	0.6	4)	90.9	0.3	6)
Embedded derivatives	32.4	2.4		43.9	4.0		37.7	3.1	
Total	**101.9**	**1.5**		**314.6**	**2.1**		**150.9**	**3.6**	

Designated as cash flow hedge 1) EUR 0.7 million 2) EUR 0.0 million 3) EUR -1.2 million 4) EUR -0.1 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

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

QUARTERLY KEY FINANCIAL FIGURES FOR THE GROUP

EUR million	Jan-Mar 2017	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016
Net sales	297.8	387.1	356.2	369.0	287.5
Net sales growth, %	3.6	-2.6	14.6	19.9	20.3
Operative EBITA	-9.7	-14.6	7.8	5.7	3.2
Operative EBITA margin, %	-3.2	-3.8	2.2	1.6	1.1
EBITDA	-7.6	-11.3	10.8	9.3	6.3
EBITA	-10.7	-14.6	7.8	5.7	3.2
EBITA margin, %	-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)	-159.8	-73.2	4.1	2.1	-0.4
EBIT margin, %	-53.7	-18.9	1.2	0.6	-0.1
Result after financial items	-162.9	-77.7	2.1	-0.3	-4.1
Net result for the period	-161.4	-80.3	1.9	-0.1	-3.6
Earnings per share EUR, basic and diluted	-2.58	-1.29	0.02	-0.01	-0.06
Return on capital employed, %*	-223.0	-126.1	21.1	40.0	53.6
Return on equity (ROE), %*	-76.0	-20.7	3.6	9.2	11.1
Leverage ratio*	N/A	13.2	4.3	3.6	2.6
Net working capital	71.6	14.7	54.9	69.1	48.9
Operative cash flow	-66.4	22.5	22.6	-15.7	-37.4
Cash conversion, %*	N/A	-387.4	160.8	68.8	112.1
Number of personnel, end of period	9,516	9,465	9,648	9,674	9,601

* calculated on a rolling 12-month basis

QUARTERLY SEGMENT INFORMATION

NET SALES

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

OPERATIVE EBITA BY SEGMENT

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

NUMBER OF EMPLOYEES BY SEGMENT, AT THE END OF PERIOD

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

Definitions and key ratios

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)

ORGANIC NET SALES	Organic net sales exclude U-SERV acquisition in 2016 and 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, %*	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
LEVERAGE RATIO*	Net debt / EBITDA
CAPITAL EMPLOYED	Net working capital + Intangible assets excluding goodwill and acquisition-related allocations + Property, plant and equipment
RETURN ON CAPITAL EMPLOYED, %*	EBIT x 100 / Capital employed (average over the reporting period)
RETURN ON EQUITY, %*	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, 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.

PARENT COMPANY INCOME STATEMENT

EUR million	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Net sales	-	-	2.6
Administrative income and expenses	-3.1	-1.2	-7.6
Interest and other financial income	4.3	5.0	18.9
Interest and other financial expenses	-1.2	-0.8	-3.5
Net financial items	3.1	4.2	15.3
Result after financial items	**0.0**	**3.0**	**10.3**
Appropriations			
Group contributions given	-	-	-9.8
Taxes	-	-0.7	-
Net result	**0.0**	**2.3**	**0.5**

PARENT COMPANY BALANCE SHEET

EUR million	31 Mar 2017	31 Mar 2016	31 Dec 2016
ASSETS			
Non-current assets			
Shares in group companies	241.6	241.6	241.6
Deferred tax assets	0.1	0.1	0.1
Other financial asset	35.0	35.0	35.0
Receivables from group companies	336.1	362.7	331.8
Total non-current assets	**612.8**	**639.4**	**608.5**
Current assets			
Trade and other receivables	1.1	0.9	3.4
Cash pool receivable	62.2	25.3	74.0
Cash and cash equivalents	0.0	0.1	0.0
Total current assets	**63.3**	**26.3**	**77.4**
TOTAL ASSETS	**676.1**	**665.7**	**685.9**
EQUITY AND LIABILITIES			
Equity	**489.7**	**506.6**	**489.7**
Non-current liabilities			
Debt	-	83.2	-
Liabilities to shareholders	35.0	35.0	35.0
Deferred tax liabilities	-	0.7	-
Total non-current liabilities	**35.0**	**118.9**	**35.0**
Current liabilities			
Debt	120.2	19.9	130.4
Liabilities to group companies	27.0	17.2	29.0
Trade and other payables	4.2	3.1	1.9
Total current liabilities	**151.4**	**40.2**	**161.2**
Total liabilities	**186.4**	**159.1**	**196.2**
TOTAL EQUITY AND LIABILITIES	**676.1**	**665.7**	**685.9**

The loans under Eltel's bank agreement are presented as current due to the reported breach of leverage covenant calculated as of 31 March 2017.

EQUITY

EUR million	1 Jan 2017	Hedging reserve	Equity-settled share-based payment	Net result	31 Mar 2017
Share capital	126.3	-	-	-	126.3
Non-restricted equity	363.3	0.0	0.0	0.0	363.4
Total	489.7	0.0	0.0	0.0	489.7

PRESENTATION OF THE FIRST QUARTER 2017 INTERIM REPORT

Analysts and media are invited to participate in the first quarter 2017 briefing on 3 May 2017 at 08:00 am CET where Eltel's President and CEO Håkan Kirstein, interim CFO Lars Nilsson and Chairman of the Board Ulf Lundahl 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

Annual General Meeting 2017	1 June 2017
Interim report January-June 2017	17 August 2017
Interim report January-September 2017	2 November 2017

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 23.00 CET on 2 May 2017.

Eltel in Brief

Eltel is a leading Northern European provider of technical services for critical infrastructure networks – Infranets – in the segments of Power, Communication and Other, with operations throughout the Nordics, Poland and Germany. Eltel provides a broad and integrated range of services, spanning from maintenance and upgrade services to project deliveries. Eltel has a diverse contract portfolio and a loyal and growing customer base of large network owners. In 2016, Eltel net sales amounted to EUR 1.4 billion. The current number of employees is approximately 9,500. Since February 2015, Eltel AB is listed on Nasdaq Stockholm.

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