Stockholm, Sweden, 22 February 2018

Eltel Group

Full-year report January–December 2017

October–December 2017

- Group net sales decreased 3.3% to EUR 374.2 million (387.1), mainly as a result of divestments and on-going discontinuation of non-core operations and unprofitable contracts, in line with the transformation strategy
- Net sales in the Core business, including segment Power and segment Communication, decreased 3.0% to EUR 338.5 million (348.9). The decrease is mainly explained by divestments of operations in Latvia and Estonia, termination of the UK business and divestment of part of the Polish operations
- Adjusted for divested and discontinued operations net sales in the Core business increased 1.9%
- Discontinuation and ramp down of non-core operations in Other led to a planned net sales decrease of 9.5% to EUR 35.3 million (39.0)
- Group operative EBITA* amounted to EUR 2.2 million (-14.6)
- EBIT amounted to EUR 1.2 million (-73.2) including EUR -0.4 million in items affecting comparability**
- Net result amounted to EUR -7.7 million (-80.3)
- Earnings per share were EUR -0.05 (-0.77)
- Operative cash flow was EUR 43.0 million (22.5)

January–December 2017

- Group net sales decreased 5.0% to EUR 1,329.9 million (1,399.8), mainly as a result of divestments and on-going discontinuation of non-core operations and unprofitable contracts, in line with the transformation strategy
- Net sales in the Core business, including segment Power and segment Communication, decreased 0.3% to EUR 1,201.5 million (1,205.4). The decrease is mainly explained by divestments of operations in Latvia and Estonia, termination of the UK business and divestment part of the Polish operations
- Adjusted for divested and discontinued operations net sales in the Core business increased 2.7%
- Discontinuation of non-core operations in Other led to a planned net sales decrease of 34.2% to EUR 129.4 million (196.7)
- Group operative EBITA* amounted to EUR -25.5 million (2.1)
- EBIT amounted to EUR -184.6 million (-67.4) including a goodwill impairment of EUR 149.4 million related to operations within segment Power and Other
- Net result amounted to EUR -204.6 million (-82.2)
- Earnings per share were EUR -1.56 (-0.79)
- Operative cash flow was EUR -59.7 million (-8.0)
- The Board proposes that no dividend be paid for the year 2017

Unless otherwise stated, figures in brackets refer to the same period in the preceding year
* Items not allocated to segments consist of the Group management function including development projects
** loss on sale and acquisition of business

Transformation strategy – Important events

Q1 2017

- Decision to focus on Eltel's Core business; segment Power and segment Communication in the Nordics, Poland and Germany
- Decision to divest or discontinue non-core businesses to decrease risk level in operations
- Merger of Fixed and Mobile Communication

Q2 2017

- Merger of part of Aviation and Security with segment Communication
- Merger of Power Distribution and Power Transmission
- Revised financial targets
- Rights issue of EUR 150 million
- Divestment of part of communication business in Poland

Q3 2017

- Agreement to divest operations in Latvia
- Agreement to divest operations in Estonia
- Letter of intent to divest Power Transmission International

Q4 2017–Jan 2018

Q4
- Agreement to divest the rail operations in Finland
- Agreement to divest the rail operations in Denmark

January 2018
- Decision to implement country-based organisation for segments Power and Communication
- Swedish Aviation and Security business merged into business unit Sweden

EUR million	Oct-Dec 2017	Oct-Dec 2016	Change, %
Net sales			
Core*	**338.5**	**348.9**	**-3.0**
Power	130.7	141.2	-7.4
Communication	207.8	207.7	0.1
Other	35.3	39.0	-9.5
Total Group	**374.2**	**387.1**	**-3.3**
Operative EBITA**			
Core*	**11.9**	**16.2**	**-26.7**
Power	-0.5	2.8	-116.0
Communication	12.4	13.4	-7.7
Other	-5.3	-25.3	79.1
Items not allocated	-4.4	-5.5	20.1
Total Group	**2.2**	**-14.6**	**114.8**

EUR million	Jan-Dec 2017	Jan-Dec 2016	Change, %
Net sales			
Core*	**1,201.5**	**1,205.4**	**-0.3**
Power	470.4	486.9	-3.4
Communication	731.2	718.5	1.8
Other	129.4	196.7	-34.2
Total Group	**1,329.9**	**1,399.8**	**-5.0**
Operative EBITA**			
Core*	**34.4**	**51.7**	**-33.5**
Power	-0.3	15.1	-101.7
Communication	34.6	36.6	-5.3
Other	-43.8	-37.0	-18.3
Items not allocated	-16.1	-12.6	-27.3
Total Group	**-25.5**	**2.1**	**-1,337.7**

* Core includes segments Power and Communication
** Please see page 21 for definitions of the key ratios

Comments by the CEO

Stable progress despite high rate of change

The high rate of change continued in the fourth quarter, in order to create stability and a platform for profitable growth. Despite our on-going change process, the Core business maintained its stable progress. Net sales increased by 2.7% for the full year and 1.9% for the fourth quarter, adjusted for operations divested and discontinued during 2017.

Operative EBITA in the Core business was for 2017 reduced by write-offs and cost provisions in certain unprofitable High Voltage projects in the Nordics and Services in Sweden, related to projects that started in the period 2014–2016. These operations represent only a marginal portion of the Core business, but the contracts signed in these years have generated substantial losses. We have progressively replaced the individuals previously responsible for these activities, reinforced governance and expect to have discontinued or completed most of these projects by year-end 2018. Fourth-quarter operative EBITA decreased by EUR 4 million as a result of the above effects, to just less than EUR 12 million, and by some EUR 17 million to EUR 34 million for the full year. Overall, progress meant that the EBITA margin amounted to 3.5% for the fourth quarter and 2.9% for the full year.

Segment Communication maintained its stable progress, achieving the same net sales in the fourth quarter as in the corresponding period of the previous year. For the full year, sales increased somewhat, despite the UK operation being discontinued, and the divested operation in Poland having a negative impact on net sales. Sales increased in all countries mainly as an effect of the roll out of fibre, where the technology migration from fixed to mobile solutions is creating good business opportunities for segment Communication. Operative EBITA was down marginally year on year in the fourth quarter, and in 2017. There is good potential to improve utilisation, and with it profitability going forward, which is being addressed by a range of activities, including investment in automated dispatch systems.

Within segment Power, the high growth continued in Smart Grids, while overall net sales for the segment decreased in the fourth quarter and for the full year. The reasons are that sales in the Build and Services and High Voltage operations were down somewhat, and that our operations in Latvia and Estonia were divested in the third quarter. In the fourth quarter, we continued working on actions in the aforementioned older, low-margin projects. The variance in operative EBITA in segment Power in 2017 compared to the previous year was approximately 35% related to restructuring expenses including ramp down costs and 65% explained by impairment losses and margin adjustments on projects. The restructuring measures are expected to continue in 2018. However, market conditions going forward for Power are strong in the coming years, with expected high growth and profitability once unprofitable older projects conclude.

As we have improved control over our operations and most of the sales of non-core businesses are complete, we are shifting focus on getting even closer to the Core business by creating an organisation that is closer to customers with clear-cut local responsibility. We transferred from the current centralised organisation with business units to a country- and market-focused organisation within the Core business effective 15 February 2018. We are reducing the number of management levels and implementing full profit centre responsibility within the segments Power and Communication in each country, and in the two solution areas (Smart Grid and High Voltage) within segment Power, with enhanced corporate governance and clear operational frameworks. In 2018, we will also be investing in actions to improve operational efficiency, enhance our customer offering and raise competence levels through our organisation.

Of the divestments we announced in February 2017, only the final phases in the ramp down of Power Transmission International (PTI) and divestments of the small-scale operations within Rail in Sweden and Norway remain. We signed an agreement to divest our loss-making business in Latvia in July, and to divest our operation in Estonia in August. We signed a letter of intent to divest PTI in September. The closure of PTI is going faster than planned, and we estimate the total financial effect to be somewhat lower than the previously estimated ramp down expenses of EUR 40 million – regardless of whether we divest or discontinue PTI. In the second quarter, we also signed an agreement to divest the unprofitable part of our communication operations in Poland, and completed the closure of our communication business in the UK. We also signed an agreement to sell our Rail business in Finland and Denmark in the fourth quarter.

Stable management and long-term strategy

Much of our Group management has been changed in the year. The new management team is highly committed to execute Eltel's transformation into sustainable and profitable growth. During 2018, all colleagues in the group will jointly continue Eltel's transformation, while continuing to deliver high quality for our customers. In addition, we will present a long-term strategy in the year to ensure sustainable growth, profitability and shareholder value.

Håkan Kirstein, President and CEO

Summary of Eltel's transformation strategy

In February 2017, Eltel decided to focus its operations on areas with lower risk, where the Company holds a market leading position and competence and where the business model is repetitive. These operations are defined as Core business and consist of segment Power and segment Communication in the Nordics, Poland and Germany. Segment Power provides network maintenance services, upgrade work and project business to national transmission system operators and distribution network owners. Segment Communication provides similar services to telecom operators and other communication network owners. In 2017, the Core business net sales amounted to approximately EUR 1.2 billion (1.2), corresponding to 90% (85%) of Eltel's total net sales.

Businesses considered as non-core are in the process of being divested or discontinued in order to decrease the risk level in the operations and to relocate resources to Eltel's Core business. The non-core businesses are mainly gathered in Other and include the power transmission business outside Europe and the Rail business. Eltel's power business in the Baltics, that was divested in 2017, is furthermore considered a non-core business, but included in segment Power. In 2017, sales of the operations included in segment Other amounted to approximately EUR 129 million (197).

In January 2018, Eltel decided to change the governance structure of the Core business, from the current business unit-centric organisation to a country and market-driven organisation. The change is part of the transformation strategy and will improve control over Eltel's operations. The number of management levels will, as a result of the new governance structure, be reduced and full profit centre responsibility achieved in each country within the segments Power and Communication, The two solution areas within segment Power that operate within High Voltage and Smart Grid, are project based, offer standard solutions for all markets, and will therefore be managed with cross-border mandates.

The implementation of the strategy will result in significant costs for restructuring the operations and costs for gradually discontinuing certain businesses. The total cost of discontinuing Power Transmission International is estimated to be slightly lower than earlier communicated approximately EUR 40 million. EUR 27.5 million was charged in 2017 and the remainder is expected to be recognised as cost in 2018 and 2019. The implementation of the revised strategy will also result in additional restructuring costs in other parts of the business.

Eltel's long-term strategy

Implementation of the transformation strategy will extend until the beginning of 2019. In parallel with delivering on the transformation strategy, management has initiated a project to develop a long-term strategy for Eltel, to secure long-term growth, profitability and shareholder value. The strategy will be presented in 2018.

Eltel's financial development (rolling 12 months) and financial targets[1]

The table below shows how Eltel's Core operations, including segment Communication and segment Power, have performed in relation to Eltel's financial targets. Non-core operations are not included since they are not part of Eltel's financial targets and will be divested or discontinued.

Eltel's Core business	Target[1]	1 January 2017 – 31 December 2017
Annual growth	2–4%	-0.3%
EBITA-margin	5%	2.9%
Cash conversion	95–100% of EBITA[2]	-96.0% of EBITA[2]
Leverage	1.5–2.5x net debt/EBITDA[3]	3.0x net debt/EBITDA[3]

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

[1] Segment Power and segment Communication including selective acquisitions
[2] Cash conversion is calculated as operative cash flow as a percentage of EBITA. Operative cash flow is calculated as the sum of (a) operating profit before acquisition-related amortisation (EBITA), (b) depreciation and (c) change in net working capital, less (d) net acquisition of properties, plant and equipment (CAPEX).
[3] Net debt / EBITDA is calculated as net debt, which is defined as interest-bearing debt consisting of short-term and long-term liabilities less cash and cash equivalents, in relation to EBITDA. Net debt is calculated for the Group in total.

October – December 2017

Net sales

Net sales decreased 3.3% to EUR 374.2 million (387.1), mainly as a result of divestments and on-going discontinuation of non-core operations and unprofitable contracts, in line with Eltel's transformation strategy.

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

Operative EBITA

Operative EBITA amounted to EUR 2.2 million (-14.6).

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

Core business: segment Power and segment Communication

Net sales in the Core business decreased 3.0% to EUR 338.5 million (348.9). The decrease is mainly explained by divestment of operations in Latvia and Estonia, termination of the UK business and divestment of part of the Polish operations.

Operative EBITA in the Core business decreased by EUR 4.3 million to EUR 11.9 million (16.2), representing a decrease of 26.7%. Operative EBITA includes write-offs and cost provisions of certain unprofitable High Voltage projects in the Nordics and Services in Sweden. The EBITA margin amounted to 3.5% (4.7).

Segment Power

Net sales in segment Power decreased by 7.4% to EUR 130.7 million (141.2). The divestments of the operations in Latvia and Estonia in the third quarter 2017 had a negative impact on net sales of EUR 8.9 million during the fourth quarter compared to the same period 2016. Volumes in Build and High Voltage projects declined, which was partly offset by strong growth in Smart Grids.

Operative EBITA decreased to EUR -0.5 million (2.8) including write-offs of certain unprofitable High Voltage projects in the Nordics and Services projects in Sweden, amounting to EUR 8.7 million. The operations within Smart Grids continued to show strong profitability. The total operative EBITA margin for Segment Power was -0.3% (2.0).

Segment Communication

Net sales in segment Communication remained at same level as in previous year at EUR 207.8 million (207.7). The divestment of part of the communication business in Poland in the second quarter 2017 and the termination of the UK operations had a negative impact on net sales of EUR 7.7 million during the quarter compared to the same period 2016, which was compensated by strong growth in all countries but Norway.

Operative EBITA decreased by 7.7% to EUR 12.4 million (13.4), and the operative EBITA margin was 5.9% (6.4). The decrease is mainly a result of lower profitability on the Nordic markets.

Non-core business: Other

Net sales in Other decreased by 9.5% to EUR 35.3 million (39.0). The decline is in line with Eltel's strategy and is mainly attributable to lower volumes in the rail operations, due to closure of projects and lower demand.

Operative EBITA amounted to EUR -5.3 million (-25.3). The operative EBITA margin was -15.0% (-64.9). Rail contributed negatively with EUR 7.0 million as a result of lower volumes and write downs of several projects while Power Transmission International contributed positively with EUR 1.2 million.

On 15 November 2017, an agreement was signed to sell the Finnish rail operations to Graniittirakennus Kallio Oy.

On 29 December 2017, a letter of intent was signed to divest the Danish rail operations to Strukton Rail A/S.

Financial effects of the transactions are described in the section for January–December 2017 in this report.

The operative development indicates that the total cost of discontinuing Power Transmission International would be slightly lower than earlier communicated approximately EUR 40 million. During the period a positive operative EBITA of EUR 1.2 million was recognised (-20.3) due to well performed project execution. In total, net costs amounting to EUR 27.5 million have been recorded in 2017. The remaining cost for discontinuing Power Transmission International is expected to be recorded in 2018 and 2019 and the discontinuation process is expected to be completed in 2019. However, a letter of intent was signed on 25 September 2017 to divest Power Transmission International to Encomm Sweden AB, subject to key customer approval and that the purchaser, before the end of 2017, obtained financing of the transaction and full release for Eltel under certain guarantees. On 21 December 2017 both parties signed an amended letter of intent. Under the amended letter of intent both parties agreed to extend the signing and completion of the transaction to occur before the end of February 2018.

The reason for the amendment is that the condition to obtain financing of the transaction and full release for Eltel under certain guarantees had not yet been obtained. The total cost for the planned ramp down is expected to be slightly lower than the earlier estimated total ramp down cost of EUR 40 million, regardless of the divestment being completed or not.

EBITA

Group EBITA increased to EUR 1.7 million (-14.6). Items affecting comparability amounted to EUR -0.4 million.

EBIT

EBIT amounted to EUR 1.2 million (-73.2). Amortisation of acquisition-related intangible assets amounted to EUR 0.5 million (3.6) and impairment of goodwill amounted to EUR 0 million (55.0).

Net financial expenses

Net financial expenses amounted to EUR 1.5 million (4.5).

Taxes

The tax expense for the quarter amounted to EUR 7.4 million (2.6). The October-December tax expense is mainly impacted by non-valuated current and previous year tax losses.

Net result for the quarter and earnings per share

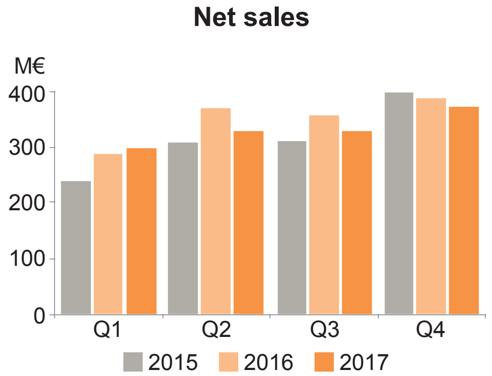
The net result was EUR -7.7 million (-80.3). Earnings per share were EUR -0.05 (-0.77).

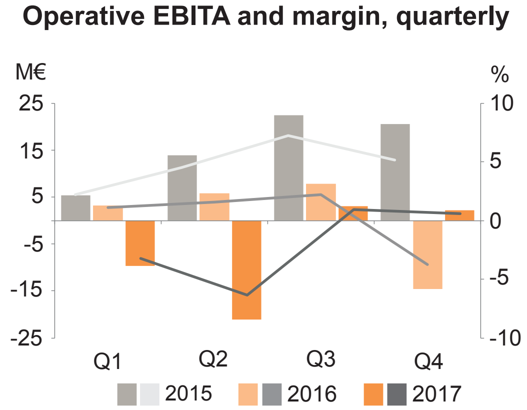
Cash flow

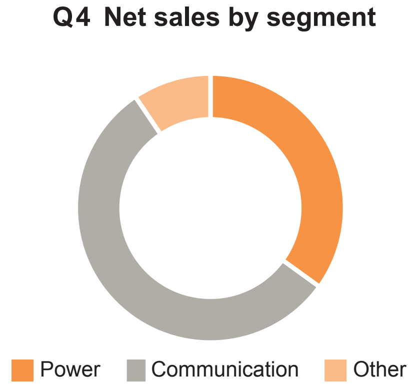
Cash flow from operating activities was EUR 43.7 million (-21.4), including a positive impact of EUR 42.8 million (-27.4) from the change in net working capital. Cash flow from financial items and taxes was EUR -1.5 million (-5.1). Net capital expenditure, mainly replacement investments, amounted to EUR 4.8 million (4.2). Cash flow for disposals of businesses amounted to EUR 2.5 million (-0.1). Net repayment of short-term financial facilities amounted to EUR 21.2 million.

Employees

The average number of employees was 8,067 (9,555) in the quarter. At the end of the quarter, the number of employees was 7,999 (9,465). The reduction in the number of employees was mainly the result of divestments and restructuring of operations.







January – December 2017

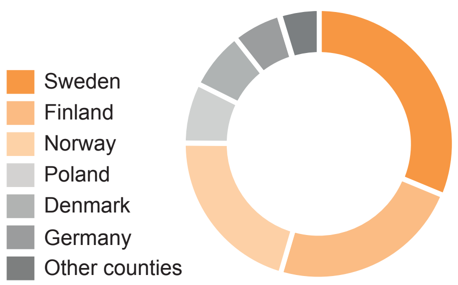
Net sales

Net sales decreased 5.0% to EUR 1,329.9 million (1,399.8), mainly as a result of divestments and on-going discontinuation of non-core operations and unprofitable contracts, in line with Eltel's transformation strategy.

At the end of December 2017, Eltel's committed order backlog amounted to EUR 648 million (30 September 2017: 710).

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

Net sales by country



Operative EBITA

Operative EBITA decreased to EUR -25.5 million (2.1).

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

Core business: segment Power and segment Communication

Net sales in the Core business decreased 0.3% to EUR 1,201.5 million (1,205.4). The decrease is mainly explained by divestments of operations in Latvia and Estonia, termination of Eltel's operations in the UK and the divestment of parts of the Polish operations. The Core business represented 90.4% (86.1) of Eltel's net sales during the period.

Operative EBITA in the Core business decreased by EUR 17.3 million to EUR 34.4 million (51.7), representing a decrease of 33.5%. Operative EBITA includes write-offs of certain unprofitable projects in segment Power, restructuring and merger costs. The EBITA margin amounted to 2.9% (4.3).

Segment Power

Net sales in segment Power decreased by EUR 16.5 million to EUR 470.4 million (486.9), representing a decrease of 3.4%. The divestment of the operations in Latvia and Estonia in the third quarter 2017 had a negative impact on net sales January–December 2017 of EUR 13.2 million compared to the same period 2016.

Net sales in Build and High Voltage projects declined, but were partly offset by strong growth in Smart Grids.

Operative EBITA decreased to EUR -0.3 million (15.1). Operative EBITA includes write-offs of certain unprofitable High Voltage projects in the Nordics and services in Sweden and cost provisions, amounting to EUR 13.0 million and approximately EUR 7 million in restructuring costs, including closure of substation business in Germany and merger costs. The operations within Smart Grids showed strong profitability as a result of rapid growth with attractive margins. The total operative EBITA margin for segment Power was -0.1% (3.1).

The variance in operative EBITA in segment Power in 2017 compared to the previous year was some 35%, related to restructuring expenses including ramp down costs and 65% explained by impairment losses and margin adjustments on projects. Restructuring measures are expected to continue 2018.

Eltel's divestment of the business operations in Estonia to Estonian Tecnolines OÜ, announced on 30 August 2017, was approved on 6 October 2017. The final transaction price amounted to EUR 2.9 million. The cash flow amounted to EUR 2.5 million in the fourth quarter 2017 and is expected to amount to EUR 0.4 million in the first quarter 2018. The transaction had a negative impact on Group EBITA of approximately EUR 0.7 million in the third quarter and EUR 0.1 million in the fourth quarter of 2017. A goodwill impairment of approximately EUR 3.8 million related to the divestment was recorded in the third quarter of 2017.

In July 2017, Eltel disposed of its business operations in Latvia via divestment of 100% of the shares in SIA Eltel Networks. In 2016, these operations generated net sales of EUR 4.7 million, were marginally loss-making and employed approximately 90 people at the time of sale. A loss of EUR 0.9 million was recorded related to the divestment in the second quarter of 2017.

Segment Communication

Net sales in segment Communication increased by EUR 12.7 million to EUR 731.2 million (718.5), representing an increase of 1.8%. All countries showed growth especially in Germany, where the strong demand for services related to fibre rollout continues. The divestment of part of the communication business in Poland in the second quarter 2017 and termination of the UK operations had a negative impact on net sales amounting to EUR 20.7 compared to the same period 2016.

Operative EBITA decreased by 5.3% to EUR 34.6 million (36.6), and the operative EBITA margin was 4.7% (5.1). The decrease is mainly attributable to lower profitability in the Nordic markets during 2017.

On 27 June 2017, Eltel signed and closed an agreement with Polish BKJ sp. z o.o. to sell the telecom maintenance service operations in Poland. In 2016, net sales of these operations amounted to approximately EUR 24 million and employed approximately 950 people. The operations had only marginal impact on Group profitability in 2016.

Non-core business: Other

Net sales in Other decreased by 34.2% to EUR 129.4 million (196.7). The decline is in line with Eltel's transformation strategy and is mainly attributable to the ramp down of operations in Power Transmission International and lower sales in the rail operations, due to ramp down of high risk and low margin contracts and lower demand.

Operative EBITA amounted to EUR -43.8 million (-37.0), and the operative EBITA margin was -33.8% (-18.8). The negative EBITA is mainly attributable to the ramp down of operations in Power Transmission International and lower sales, reservations and write-downs of high risk and low margin contracts in the rail operations.

On 15 November 2017, Eltel signed an agreement to sell its Finnish rail operations to Graniittirakennus Kallio Oy. The purchase price amounts to EUR 8.5 million deducted by the cash generated from these operations during September 2017 – January 2018. The purchase price will be paid in the first quarter of 2018. The transaction is estimated to have a positive impact on Group EBITA of approximately 4 million EUR in the first quarter of 2018. In 2016, the Finnish rail operations generated net sales of EUR 28 million and employed approximately 120 people.

On 29 December 2017 Eltel signed a letter of intent to divest the Danish rail operations to Strukton Rail A/S. The transaction, comprising a maintenance contract with Sund & Bælt A/S, 26 employees and operational equipment used for delivering the relevant maintenance services, had a negative EBITA effect of EUR 0.5 million in the fourth quarter 2017 and is expected to have a negative cash flow effect of EUR 2.4 million in the first quarter 2018. The transaction was finalised 31 January 2018.

The total cost of discontinuing Power Transmission International is estimated to be slightly lower than the earlier communicated approximately EUR 40 million. In total, net costs amounting to EUR 27.5 million have been recorded in 2017, in line with the plan. The remaining cost for discontinuing Power Transmission International is expected to be recorded in 2018 and 2019 and the discontinuation process is expected to be completed in 2019. However, a letter of intent was signed on 25 September 2017 to divest Power Transmission International to Encomm Sweden AB, subject to key customer approval and that the purchaser, before the end of 2017, obtained financing of the transaction and full release for Eltel under certain guarantees. On 21 December 2017, both parties signed an amended letter of intent. Under the amended letter of intent both parties agreed to extend the signing and completion of the transaction to occur before the end of February 2018. The reason for the amendment is that the condition to obtain financing of the transaction and full release for Eltel under certain guarantees had not yet been obtained. The total cost for the planned ramp down is expected to be slightly lower than the earlier estimated total ramp down cost of EUR 40 million, regardless of the divestment being completed or not.

EBITA

Group EBITA declined to EUR -26.7 million (2.1). Net items affecting EBITA comparability amounted to EUR -1.2 million, comprising of a positive impact from the adjustment of an acquisition earn-out of EUR 3.2 million, a cost of EUR 2.9 million for the sale of businesses and EUR 1.4 million in costs related to reviews and investigations.

The divestment of the low-profitability maintenance communication business in Poland to Polish BKJ sp. z o.o generated a capital loss of approximately EUR 0.8 million affecting Group EBITA.

The divestment of Eltel's operations in Estonia and Latvia had a negative impact of EUR 1.7 million on Group EBITA and generated a goodwill impairment of EUR 3.8 million.

The negative impact on Group EBITA of the divestment of Eltel's Danish rail operations amounts to EUR 0.5 million, which was recognised in the fourth quarter 2017.

EBIT

EBIT amounted to EUR -184.6 million (-67.4). Amortisation of acquisition-related intangible assets amounted to EUR 8.5 million (14.4) and impairment of goodwill amounted to EUR 149.4 million (55.0).

Net financial expenses

Net financial expenses amounted to EUR 12.3 million (12.6). 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 that was successfully completed in June 2017.

Taxes

The tax expense amounted to EUR 7.7 million (2.2), corresponding to an effective tax rate of -3.9% (-2.7).

The main items impacting the full-year effective tax rate are non-allowable goodwill impairments and non-valuated tax losses.

Net result for the period and earnings per share

The net result for the period was EUR -204.6 million (-82.2). Earnings per share were EUR -1.56 (-0.79).

Preferential rights issue

On 2 May 2017, Eltel's Board of Directors, resolved upon 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 approved the rights issue at the 2017 Annual General Meeting. 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 consequently amounted to EUR 4.7 million (EUR 3.7 million after tax).

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

Cash flow

Eltel's operative cash flow was EUR -59.7 million (-8.0), mainly as a consequence of higher net working capital compared to the situation at the end of 2016 and the negative result in 2017. Ongoing working-capital-intensive power projects in Poland are expected to continue to create volatility in net working capital going forward.

Cash flow from operating activities was EUR -50.5 million (4.5), including a negative impact of EUR -32.8 million (-9.8) from the change in net working capital. Cash flow from financial items and taxes was EUR -14.7 million (-12.8). Net capital expenditure, mainly replacement investments, amounted to EUR 13.5 million (13.3). Cash flow for acquisitions and disposal of business amounted to EUR -5.6 million (-19.9) related to earn-out payments from previous acquisitions and also the net proceeds from divestment of the telecom maintenance service operations in Poland and operations in Estonia and Latvia. Dividend of EUR 1.0 million was paid to non-controlling interest in subsidiary shares. Net proceeds from the issuance of share capital amounted to EUR 149.2 million, repayment of bank loans amounted to EUR 110.6 million, net repayment of financial lease liabilities EUR 0.4 million and net utilisation of short-term financial facilities amounted to EUR 4.7 million.

Financial position, cash and cash equivalents

Equity at the end of the period was EUR 284.1 million (347.0) and the group's total assets were EUR 828.2 million (1,080.0).

The equity ratio was 36.4% (34.2).

Interest-bearing liabilities totalled EUR 164.4 million (283.5), of which EUR 119.0 million (3.5) were non-current and EUR 45.3 million (280.0) were current.

Cash and cash equivalents amounted to EUR 32.9 million (85.2). Interest-bearing net debt totalled EUR 132.1 million (200.1).

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. 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 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, the purpose of which is to cover costs for ongoing restructuring. At the end of the fourth quarter, guarantees based on contractual commercial commitments and pension liabilities issued by banks, other financial institutions and the Parent Company amounted to EUR 337.0 million (358.6). This amount included advance and other payment security guarantees.

On 4 July 2017, Eltel repaid EUR 110.6 million of its bank term loans. In the first quarter of 2018 Eltel's Finnish commercial paper programme was increased from EUR 100 million to EUR 150 million.

Interest-bearing liabilities and net debt

EUR million	31 Dec 2017	31 Dec 2016
Interest-bearing debt in balance sheet	164.4	283.5
Allocation of effective interest to periods	0.6	1.8
Less cash and cash equivalents	-32.9	-85.2
Net debt	**132.1**	**200.1**

At the end of the fourth quarter, available liquidity reserves amounted to EUR 162.9 million (195.4). On the same date, EUR 43 million of Eltel's EUR 100 million commercial paper programme was utilised. The Group's equity ratio was 36.4% (34.2) at the end of December 2017.

Employees

The average number of employees was 8,781 (9,613) during the period. At the end of the period, the number of employees was 7,999 (9,465). The reduction in the number of employees was mainly the result of divestments and restructuring of operations.

Shares

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.

Dividend distribution

The Board proposes that no dividend be paid for the year 2017.

Risks and uncertainty factors

No new material risks were 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 published on 7 June 2017 and which are available on Eltel's website at http://www.eltelgroup.com.

Impairment test

Impairment test on goodwill and subsidiary shares has been conducted in the fourth quarter.

Events after the end of the period

In January 2018, Eltel decided to change the governance structure of the Core business, from the current business unit-centric organisation to a country and market-driven organisation. The change is part of the transformation strategy and will improve control over Eltel's operations. The number of management levels will, a result of the new governance structure, be reduced and full profit centre responsibility achieved in each country within the segments Power and Communication, The two solution areas within segment Power that operate within High Voltage and Smart Grid, are project based, offer standard solutions for all markets, and will therefore be managed with cross-border mandates. The changes include four new executives joining Group Management. The activities and governance of Eltel's non- core business, reported as Other, will continue to be led by the special project office.

On 17 January 2018, Eltel decided to retain the Swedish Aviation and Security business, which previously was planned to be divested. The operations will be included in business unit Sweden under segment Communication.

Future prospects

Eltel does not issue guidance.

Related party transactions

No transactions took place between Eltel and related parties that significantly affected the company's position and earnings during the period.

Seasonality

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. 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 20.

Key figures Group

EUR million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016	Rolling 12-month
Net sales	374.2	387.1	1,329.9	1,399.8	1.329.9
Net sales growth, %	-3.3	-2.6	-5.0	11.6	-5.0
Operative EBITA	2.2	-14.6	-25.5	2.1	-25.5
Operative EBITA margin, %	0.6	-3.8	-1.9	0.1	-1.9
Items affecting comparability	-0.4	-	-1.2	-	-1.2
EBITA	1.7	-14.6	-26.7	2.1	-26.7
EBITA margin, %	0.5	-3.8	-2.0	0.1	-2.0
Amortisation of acquisition-related intangible assets	-0.5	-3.6	-8.5	-14.4	-8.5
Impairment of goodwill and other acquisition-related intangible assets	-	-55.0	-149.4	-55.0	-149.4
Operating result (EBIT)	1.2	-73.2	-184.6	-67.4	-184.6
EBIT margin, %	0.3	-18.9	-13.9	-4.8	-13.9
Result after financial items	-0.3	-77.7	-197.0	-80.0	-197.0
Net result for the period	-7.7	-80.3	-204.6	-82.2	-204.6
Earnings per share EUR, basic**	-0.05	-0.77	-1.56	-0.79	-1.56
Earnings per share EUR, diluted**	-0.05	-0.77	-1.56	-0.79	-1.56
Leverage ratio**	N/A	13.2	N/A	13.2	N/A
Operative cash flow	43.0	22.5	-59.7	-8.0	-59.7
Cash conversion, %*	223.9	-387.4	223.9	-387.4	223.9
Number of personnel, end of period	7,999	9,465	7,999	9,465	7,999

* Calculated on a rolling 12-month basis
** Shares issued in the preferential rights issue were registered on 7 July 2017
Please see page 21 for definitions of the key ratios.

Segment Power

EUR million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales	130.7	141.2	470.4	486.9
Operative EBITA	-0.5	2.8	-0.3	15.1
Operative EBITA margin, %	-0.3	2.0	-0.1	3.1
Number of employees	2,453	2,888	2,453	2,888

The foreign currency translation effect included in net sales was EUR -0.6 million for the quarter and EUR -0.2 million for Jan-Dec 2017

Segment Communication

EUR million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales	207.8	207.7	731.2	718.5
Operative EBITA	12.4	13.4	34.6	36.6
Operative EBITA margin, %	5.9	6.4	4.7	5.1
Number of employees	4,440	5,232	4,440	5,232

The foreign currency translation effect included in net sales was EUR -4.1 million for the quarter and EUR -6.5 million for Jan-Dec 2017

Other

EUR million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales	35.3	39.0	129.4	196.7
Operative EBITA	-5.3	-25,3	-43.8	-37.0
Operative EBITA margin, %	-15.0	-64.9	-33.8	-18.8
Number of employees	756	1,051	756	1,051

The foreign currency translation effect included in net sales was EUR -0.5 million for the quarter and EUR -1.5 million for Jan-Dec 2017

Presentation of the full-year and the fourth quarter 2017 report

Analysts and media are invited to participate in a full-year and the fourth quarter 2017 briefing on 22 February 2018 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–March 2018: 4 May 2018
- Interim report January–June 2018: 9 August 2018
- Interim report January–September 2018: 7 November 2018
- Annual Report 2017: 5 April 2018
- Annual General Meeting 2018: 9 May 2018

Eltel AB discloses the information provided herein pursuant to the EU's Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the above contacts, on 22 February 2018 at 08:00 a.m. CET.

Signatures of the Board of Directors and CEO

Stockholm, Sweden, 22 February 2018

Eltel AB (publ)

Ulf Mattsson, Chairman

Håkan Dahlström
Gunilla Fransson
Ulf Lundahl
Markku Moilanen
Mikael Moll
Hans von Uthmann

Employee representatives:
Jonny Andersson
Björn Ekblom

Håkan Kirstein, President and CEO

The information in this interim report has not been reviewed by the Company's auditors.

Condensed financial information

Condensed consolidated income statement

EUR million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales	374.2	387.1	1,329.9	1,399.8
Cost of sales	-341.7	-371.0	-1,234.8	-1,279.5
Gross profit	**32.5**	**16.0**	**95.1**	**120.3**
Other income	0.5	1.9	4.9	4.0
Sales and marketing expenses	-1.3	-2.7	-9.5	-11.7
Administrative expenses	-28.6	-29.0	-109.0	-104.4
Other expenses	-1.3	-0.7	-7.7	-5.6
Share of profit/loss of joint ventures	-0.1	-0.1	-0.4	-0.4
Operating result before acquisition-related amortisations (EBITA)	**1.7**	**-14.6**	**-26.7**	**2.1**
Amortisation and impairment of acquisition-related intangible assets	-0.5	-58.6	-158.0	-69.4
Operating result (EBIT)	**1.2**	**-73.2**	**-184.6**	**-67.4**
Financial income	0.2	0.1	0.4	0.2
Financial expenses	-1.7	-4.6	-12.7	-12.8
Net financial expenses	-1.5	-4.5	-12.3	-12.6
Result before taxes	**-0.3**	**-77.7**	**-197.0**	**-80.0**
Taxes	-7.4	-2.6	-7.7	-2.2
Net result	**-7.7**	**-80.3**	**-204.6**	**-82.2**
Attributable to:				
Equity holders of the parent	-8.0	-80.9	-205.3	-83.5
Non-controlling interest	0.3	0.6	0.7	1.3
Earnings per share (EPS)				
Basic, EUR	-0.05	-0.77	-1.56	-0.79
Diluted, EUR	-0.05	-0.77	-1.56	-0.79

Condensed consolidated statement of comprehensive income

EUR million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net profit for the period	-7.7	-80.3	-204.6	-82.2
Other comprehensive income:				
Items that will not be reclassified to profit and loss				
Revaluation of defined benefit plans	-2.8	7.1	-5.6	0.7
Items that may be subsequently reclassified to profit and loss				
Cash flow hedges	0.1	0.2	0.2	0.3
Net investment hedges	0.4	-0.4	1.0	2.3
Currency translation differences	-3.3	-0.7	-3.5	-6.1
Total	-2.9	-0.9	-2.4	-3.6
Other comprehensive income/loss for the period, net of tax	-5.7	6.2	-7.9	-2.9
Total comprehensive income/loss for the period	**-13.4**	**-74.1**	**-212.6**	**-85.1**
Total comprehensive income/loss attributable to:				
Equity holders of the parent	-13.7	-74.7	-213.3	-86.4
Non-controlling interest	0.3	0.6	0.7	1.3

Condensed consolidated statement of balance sheet

EUR million	31 Dec 2017	31 Dec 2016
ASSETS		
Non-current assets		
Goodwill	286.8	420.2
Intangible assets	41.8	70.1
Property, plant and equipment	32.6	37.8
Investments in and receivable from joint ventures	0.7	0.6
Available-for-sale investments	0.3	0.3
Deferred tax assets	21.5	29.7
Other financial asset	-	35.0
Trade and other receivables	0.1	0.2
Total non-current assets	**384.0**	**594.0**
Current assets		
Inventories	9.6	7.5
Other financial assets	35.0	-
Trade and other receivables	356.4	393.3
Cash and cash equivalents	32.9	85.2
Total current assets	**433.9**	**486.0**
Assets held for sale	10.4	-
TOTAL ASSETS	**828.2**	**1,080.0**
EQUITY AND LIABILITIES		
Equity		
Shareholders' equity	277.1	339.7
Non-controlling interest	7.0	7.3
Total equity	**284.1**	**347.0**
Non-current liabilities		
Debt	119.0	3.5
Liabilities to shareholders	-	35.0
Retirement benefit obligations	11.0	8.1
Deferred tax liabilities	7.9	15.5
Provisions	2.5	1.7
Other non-current liabilities	0.0	6.2
Total non-current liabilities	**140.4**	**70.0**
Current liabilities		
Debt	45.3	280.0
Liabilities to shareholders	35.0	-
Provisions	22.1	24.9
Advances received	48.4	65.6
Trade and other payables	244.9	292.6
Total current liabilities	**395.8**	**663.0**
Liabilities associated with assets held for sale	7.9	-
Total liabilities	**544.1**	**733.0**
TOTAL EQUITY AND LIABILITIES	**828.2**	**1,080.0**

Condensed consolidated statement of cash flows

EUR million	Jan-Dec 2017	Jan-Dec 2016
Cash flow from operating activities		
Cash flow from operating activities before financial items and taxes	-50.5	4.5
Interest received	0.4	0.1
Interest and other financial expenses paid	-11.4	-10.5
Income taxes paid	-3.6	-2.5
Net cash from operating activities	**-65.2**	**-8.3**
Cash flow from investing activities		
Purchases of property, plant and equipment (PPE)	-14.1	-14.1
Proceeds from sale of PPE	0.5	0.8
Acquisition of business	-6.7	-19.9
Investments in joint ventures	-0.6	-0.7
Disposal of business	1.1	-
Net cash from investing activities	**-19.7**	**-34.0**
Cash flow from financing activities		
Proceeds from issuance of share capital	149.2	-
Proceeds from long-term financial liabilities	-	21.3
Proceeds from short-term financial liabilities	63.0	93.0
Payments from short-term borrowings	-177.6	-56.4
Payments of financial liabilities	-	-1.8
Payments of/proceeds from finance lease liabilities	-0.4	-0.8
Dividends to shareholders	-	-15.0
Dividends to non-controlling interest	-1.0	-1.1
Change in non-liquid financial assets	-0.8	0.5
Net cash from financing activities	**32.4**	**39.7**
Net change in cash and cash equivalents	**-52.4**	**-2.6**
Cash and cash equivalents at beginning of period	85.2	87.9
Foreign exchange rate effect	0.1	-0.1
Cash and cash equivalents at end of period	32.9	85.2

Reconciliation of EBITA to cash flow from operating activities before financial items and taxes

EUR million	Jan-Dec 2017	Jan-Dec 2016	Rolling 12-month
EBITA	-26.7	2.1	-26.7
Depreciation	13.3	13.1	13.3
EBITDA	-13.4	15.1	-13.4
Change in net working capital	-32.8	-9.8	-32.8
Net purchase of PPE	-13.5	-13.3	-13.5
Operative cash flow (used in cash conversion key figure)	-59.7	-8.0	-59.7
Less net purchase of PPE, presented in investing activities	13.5	13.3	
Gains on sales of assets	2.9	-0.4	
Items recognised through other comprehensive income	-4.2	-3.4	
Other non-cash adjustments	-3.0	2.9	
Cash flow from operating activities before financial items and taxes	-50.5	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	-	-	-	-205.3	-5.6	1.1	-3.5	-213.3	0.7	-212.6
Equity-settled share-based payment	-	-	-	0.4	-	-	-	0.4	-	0.4
Proceeds from shares issued	32.1	121.8	-	-	-	-	-	153.9	-	153.9
New share issue costs, net of tax	-	-3.7	-	-	-	-	-	-3.7	-	-3.7
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-1.0	-1.0
Total transaction with owners	32.1	118.1	-	0.4	-	-	-	150.7	-1.0	149.7
Equity at 31 Dec 2017	158.4	118.1	373.0	-325.6	-27.4	7.4	-26.9	277.1	7.0	284.1

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 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, following registration of the rights issue by the Swedish Companies Registration Office. The amount that exceeds the issue proceeds after deduction of issue costs will be recognised in the share premium reserve in 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	-	-	-	-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

IFRS 15 Revenue from contracts with customers. Effective from 1 January 2018, IFRS 15 replaces revenue recognition guidance in IAS 18 revenue, IAS 11 Construction contracts, and related interpretations. IFRS 15 establishes a five-step model that will apply to revenue arising from contracts with customers. IFRS 15 requires to identify deliverables in contracts with customers that qualify as separate “performance obligations”. The deliverables may include good(s) or service(s) or a combination of goods and services. Revenue is recognised for each performance obligation separately on a relative stand-alone selling price basis and takes place when a customer obtains control of the related good(s) or service(s) and has the ability to direct the use of and obtain the benefits from the good(s) or service(s), either over time or at a point in time.

Eltel has assessed each of the revenue streams from an IFRS 15 revenue recognition perspective and potential differences between current accounting principles and IFRS 15. Based on the potential differences identified in workshops, follow-ups and analyses have been conducted based on the five-step model in IFRS 15. Where potential differences have been identified, in-depth analysis has been carried out on the conversion effects to IFRS 15.

Following the analysis, the overall assessment is that the adaption of IFRS 15 will not have any material impact on the Group’s financial position.

Eltel applies the cumulative retrospective method where the cumulative impact is adjusted to equity on the date of adoption, 1 January 2018.

New *IFRS 9 Financial Instruments* replaces the existing guidance in *IAS 39 Financial Instruments - Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The new rules for classification and measurement mean, like IAS 39, that financial assets are classified in different categories, of which some are measured at cost and some at fair value. IFRS 9 introduces new categories than those in IAS 39. The classification in IFRS 9 is based partly on the instrument’s contractual cash flows and partly on the company’s business model. The new classification will have an impact on the notes of the consolidated financial statements 2018. Regarding financial liabilities the categories in IFRS 9 broadly comply with IAS 39.

Regarding impairment of financial assets, the change will mainly concern trade receivables where the credit losses will be recognised based on the expected lifetime credit losses. There will be no impact at time of adoption.

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, was divested in the fourth quarter of 2017. “Other” comprises operations that were planned to be divested or ramped down: the Power Transmission International unit with projects outside Europe, the rail business, and parts of the aviation and security business in Sweden. The segment reporting is presented accordingly.

Net sales by segment

EUR million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Power				
Net sales (external)	131.1	140.9	469.7	486.1
Inter-segment sales	-0.4	0.3	0.7	0.8
Communication				
Net sales (external)	207.9	207.4	731.1	717.6
Inter-segment sales	0.0	0.3	0.1	0.9
Other				
Net sales (external)	35.2	38.8	129.1	196.1
Inter-segment sales	0.1	0.2	0.3	0.6
Elimination of sales between segments	0.4	-0.8	-1.1	-2.2
Net sales, total	**374.2**	**387.1**	**1,329.9**	**1,399.8**

Reconciliation of segment results

EUR million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Operative EBITA by segment				
Power	-0.5	2.8	-0.3	15.1
Communication	12.4	13.4	34.6	36.6
Other	-5.3	-25.3	-43.8	-37.0
Items not allocated to operating segments*	-4.4	-5.5	-16.1	-12.6
Operative EBITA, Group	2.2	-14.6	-25.5	2.1
Reviews and investigations	-	-	-1.4	-
Earn-out adjustment	0.2	-	3.2	-
Loss on business sold and assets held for sale	-0.6	-	-2.9	-
Total items affecting comparability in EBITA	-0.4	-	-1.2	-
EBITA before acquisition-related amortisations	1.7	-14.6	-26.7	2.1
Amortisation of acquisition-related intangible asset	-0.5	-3.6	-8.5	-14.4
Impairment of goodwill and other acquisition-related intangible assets**	-	-55.0	-149.4	-55.0
Operating result (EBIT)	1.2	-73.2	-184.6	-67.4
Other financial expenses, net	-1.5	-4.5	-12.3	-12.6
Result before taxes	**-0.3**	**-77.7**	**-197.0**	**-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 acquisitions were made. In the second quarter of 2017 Eltel recognised EUR 3 million for an adjustment to an earn-out estimate for German metering service company U-SERV GmbH mainly related to a short-term volume estimate change due to a legislative protraction of a meter replacement schedule in Germany. In the fourth quarter of 2017 Eltel recognised EUR 0.1 million for an adjustment to an earn-out estimate for earlier acquisitions.

Disposals

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

In July 2017, Eltel disposed of its business operations in Latvia via divestment of 100% of the shares in SIA Eltel Networks. In 2016, these operations generated net sales of EUR 4.7 million, were marginally loss-making and employed approximately 90 people at the time of sale. The business in Latvia was recognised as held-for-sale in the second quarter of 2017, resulting in a negative impact on Eltel's EBITA of EUR 0.9 million. The divestment had no further impact on earnings in the third quarter of 2017.

In August 2017, Eltel signed an agreement to divest its business operations in Estonia via sale of 100% of the shares in AS Eltel Networks. In 2016, these operations generated net sales of EUR 26.3 million with low profitability and employed approximately 300 people at the time of the sale. The transaction was completed in October after approval of the Estonian Competition Authorities. The transaction had a total negative impact of EUR 0.8 million on Group EBITA and goodwill impairment of EUR 3.8 million was recognised related to the divestment.

In December 2017, Eltel signed a letter of intent to divest its Danish rail operations consisting mainly of a maintenance contract for signalling, track and catenary services for Sund & Bælt A/S. Estimated negative impact of the divestment, EUR 0.5 million, was recognised in the fourth quarter.

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 agreements to divest Rail business in Finland and Denmark were announced in the fourth quarter and the assets and liabilities relating to these business operations are presented 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.

In September 2017, Eltel signed a letter of intent to divest its Power Transmission International (PTI) business operations. In December 2017 the timing of the letter of intent was amended. The planned transaction agreement includes the sale of all of Eltel's shares in Eltel Networks TE AB (TEAB) and its subsidiaries.

The transaction is subject to key customer approval, that the purchaser secures financing for the transaction and that Eltel has full release of liability subject to certain customer guarantees. As a result of these conditions, the planned divestment does not meet the criteria for held-for-sale presentation at the time of publishing of the report for the fourth quarter.

If the above criteria for the transaction are met, signing and completion of the transaction are expected to occur before the end of February 2018.

Assets and liabilities held for sale

EUR million	31 Dec 2017
Assets	
Property, plant and equipment	1.6
Trade receivables and other assets	8.7
Total assets held for sale	**10.4**
Liabilites	
Provisions	0.1
Advances received	1.0
Trade and other payables	6.8
Total liabilities held for sale	**7.9**

Earnings per share

	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net result attributable to equity holders of the parent	-8.0	-80.9	-205.3	-83.5
Weighted average number of common shares, basic	156,560,595	105,208,720	131,236,383	105,208,720
Weighted average number of common shares, diluted	156,728,773	105,242,540	131,305,832	105,235,678
Earnings per share EUR, basic	-0.05	-0.77	-1.56	-0.79
Earnings per share EUR, diluted	-0.05	-0.77	-1.56	-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	31 Dec 2017	31 Dec 2016
Inventories	9.6	7.5
Trade and other receivables	356.4	393.3
Provisions	-24.7	-26.5
Advances received	-48.4	-65.6
Trade and other payables	-244.9	-292.6
Other*	-2.4	-1.4
Net working capital	45.6	14.7
Intangible assets excluding acquisition-related allocations	7.0	4.9
Property, plant and equipment	32.6	37.8
Operative capital employed	85.1	57.5
Average operative capital employed	71.3	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

	31 Dec 2017		31 Dec 2016	
EUR million	Nominal values	Net fair values	Nominal values	Net fair values
Interest rate derivatives	23.5	0.1 [1)]	22.2	0.1 [3)]
Foreign exchange rate derivatives	82.7	-0.2 [2)]	90.9	0.3 [4)]
Embedded derivatives	45.6	2.1	37.7	3.1
Total	**151.8**	**2.0**	**150.9**	**3.6**

Designated as cash flow hedge [1)] EUR -0.5 million [2)] EUR 0.0 million [3)] EUR -0.7 million [4)] 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 took place between Eltel and related parties that significantly affected the company's position and earnings during the quarter.

Quarterly key financial figures for the Group

EUR million	Oct-Dec 2017	Jul-Sep 2017	Apr-Jun 2017	Jan-Mar 2017	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016
Net sales	374.2	328.0	329.8	297.8	387.1	356.2	369.0	287.5
Net sales growth, %	-3.3	-7.9	-10.6	3.6	-2.6	14.6	19.9	20.3
Operative EBITA	2.2	3.1	-21.0	-9.7	-14.6	7.8	5.7	3.2
Operative EBITA margin, %	0.6	0.9	-6.4	-3.2	-3.8	2.2	1.6	1.1
EBITDA	5.0	6.0	-16.8	-7.6	-11.3	10.8	9.3	6.3
EBITA	1.7	2.4	-20.0	-10.7	-14.6	7.8	5.7	3.2
EBITA margin, %	0.5	0.7	-6.1	-3.6	-3.8	2.2	1.6	1.1
Impairment of goodwill and other acquisition-related intangible assets	-	-3.8	-	-145.6	-55.0	-	-	-
Operating result (EBIT)	1.2	-2.8	-23.2	-159.8	-73.2	4.1	2.1	-0.4
EBIT margin, %	0.3	-0.9	-7.0	-53.7	-18.9	1.2	0.6	-0.1
Result after financial items	-0.3	-6.4	-27.3	-162.9	-77.7	2.1	-0.3	-4.1
Net result for the period	-7.7	-11.0	-24.5	-161.4	-80.3	1.9	-0.1	-3.6
Earnings per share EUR, basic and diluted	-0.05	-0.07	-0.23	-1.53	-0.77	0,01	-0.00	-0.03
Return on operative capital employed, %*	-37.4	-38.3	-35.8	-11.6	3.9	35.1	55.7	70.1
Return on equity (ROE), %*	-64.9	-77.2	-72.0	-76.0	-20.7	3.6	9.2	11.1
Leverage ratio*	N/A	N/A	N/A	N/A	13.2	4.3	3.6	2.6
Net working capital	45.6	88.4	59.9	71.6	14.7	54.9	69.1	48.9
Operative cash flow	43.0	-25.6	-10.7	-66.4	22.5	22.6	-15.7	-37.4
Cash conversion, %*	223.9	N/A	N/A	N/A	-387.4	160.8	68.8	112.1
Number of personnel, end of period	7,999	8,441	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	Oct-Dec 2017	Jul-Sep 2017	Apr-Jun 2017	Jan-Mar 2017	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016
Power	130.7	117.5	118.3	103.8	141.2	126.0	124.4	95.3
Communication	207.8	181.1	179.0	163.3	207.7	178.0	184.8	148.0
Other	35.3	30.4	32.8	30.9	39.0	52.8	60.2	44.7
Elimination of sales between segments	0.4	-1.0	-0.2	-0.2	-0.8	-0.5	-0.3	-0.5
Net sales, total	**374.2**	**328.0**	**329.8**	**297.8**	**387.1**	**356.2**	**369.0**	**287.5**

Operative EBITA by segment

EUR million	Oct-Dec 2017	Jul-Sep 2017	Apr-Jun 2017	Jan-Mar 2017	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016
Power	-0.5	0.9	-1.2	0.5	2.8	2.6	7.7	2.0
% of net sales	-0.3	0.7	-1.0	0.5	2.0	2.0	6.2	2.1
Communication	12.4	11.4	7.3	3.6	13.4	9.9	10.3	3.0
% of net sales	5.9	6.3	4.1	2.2	6.4	5.6	5.6	2.0
Other	-5.3	-6.0	-22.5	-10.0	-25.3	-1.1	-9.6	-1.0
% of net sales	-15.0	-19.6	-68.7	-32.4	-64.9	-2.0	-15.9	-2.3
Costs not allocated to segments	-4.4	-3.3	-4.6	-3.8	-5.6	-3.6	-2.7	-0.7
Operative EBITA	**2.2**	**3.1**	**-21.0**	**-9.7**	**-14.6**	**7.8**	**5.7**	**3.2**
% of net sales	0.6	0.9	-6.4	-3.2	-3.8	2.2	1.6	1.1

Number of employees by segment, at the end of period

	Oct-Dec 2017	Jul-Sep 2017	Apr-Jun 2017	Jan-Mar 2017	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016
Power	2,453	2,776	2,963	2,820	2,888	3,040	3,036	2,841
Communication	4,440	4,461	4,427	5,274	5,232	5,259	5,258	5,486
Other	756	862	914	1,041	1,051	1,059	1,106	1,027
Outside segments	350	342	381	381	294	290	274	247
Total	**7,999**	**8,441**	**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)

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

Alternative performance measures (APMs)

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

Operative cash flow

EBITA + depreciation + change in net working capital – net purchase of PPE (capex)

Cash conversion, %*

$$\frac{\text{Operative cash flow x 100}}{\text{EBITA}}$$

Equity ratio, %

$$\frac{\text{Total equity x 100}}{\text{Total assets - advances received}}$$

Net debt

Interest-bearing debt (excluding shareholder loans) - cash and cash equivalents

Leverage ratio*

$$\frac{\text{Net debt}}{\text{EBITDA}}$$

Operative capital employed

Net working capital + Intangible assets excluding goodwill and acquisition-related allocations + Property, plant and equipment

Return on operative capital employed, %*

$$\frac{\text{EBITA x 100}}{\text{Operative capital employed (average over the reporting period)}}$$

Return on equity, %*

$$\frac{\text{Net result x 100}}{\text{Total equity (average over the reporting period)}}$$

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.

Committed order backlog

The total value of committed orders received but not yet recognised as sales

* 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 the second quarter of 2017 in line with the revisited strategy and targets.

Parent Company income statement

EUR million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales	2.8	2.6	2.8	2.6
Administrative income and expenses	-4.3	-4.1	-12.0	-7.6
Write-down of investment in Group companies	-	-	-200.0	-
Interest and other financial income	4.2	4.5	17.5	18.9
Interest and other financial expenses	-0.7	-0.8	-4.5	-3.5
Net financial items	3.6	3.7	13.0	15.3
Result after financial items	**2.1**	**2.2**	**-196.1**	**10.3**
Group contributions given	-	-9.8	-	-9.8
Taxes	-1.0	1.8	-0.4	-
Net result	**1.1**	**-5.8**	**-196.5**	**0.5**

Parent Company balance sheet

EUR million	31 Dec 2017	31 Dec 2016
ASSETS		
Investment in Group companies	392.7	573.4
Intangible assets	0.1	-
Deferred tax assets	0.8	0.1
Other financial asset	-	35.0
Total non-current assets	**393.5**	**608.5**
Trade and other receivables	4.2	3.4
Cash pool receivable	95.0	74.0
Other financial asset	35.0	-
Cash and cash equivalents	0.0	0.0
Total current assets	**134.3**	**77.4**
TOTAL ASSETS	**527.8**	**685.9**
EQUITY AND LIABILITIES		
Total equity	**444.0**	**489.7**
Liabilities to shareholders	-	35.0
Total non-current liabilities	**-**	**35.0**
Debt	42.9	130.4
Liabilities to shareholders	35.0	-
Liabilities to Group companies	2.1	29.0
Trade and other payables	3.8	1.9
Total current liabilities	**83.8**	**161.2**
Total liabilities	**83.8**	**196.2**
TOTAL EQUITY AND LIABILITIES	**527.8**	**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	31 Dec 2017
Share capital	126.3	32.1	-	-	-	-	158.4
Non-restricted equity	363.3	-	-	0.1	0.4	-196.5	167.4
Share issue	-	121.8	-3.7	-	-	-	118.1
Total	489.7	153.9	-3.7	0.1	0.4	-196.5	444.0

Changes in share capital

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 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, following registration of the rights issue by the Swedish Companies Registration Office.

The amount that exceeds 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.

Eltel AB

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