Annual Report 2017

Securing the lifelines of modern society

Contents

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Eltel – sustainable everyday security

At Eltel we build, install and secure the operation of electricity and communication networks. We address important megatrends such as climate change, digitalisation, urbanisation and the growing need for infrastructural security at all levels of the company with the same goal – to build a more sustainable world today and for future generations.

But above all, we are proud professionals who know that our work makes a difference.

A sudden power cut, an intermittent mobile signal, a poor internet connection. These are everyday situations affecting society that we prevent. We work to create a more robust society that is based on our services in energy and communications.

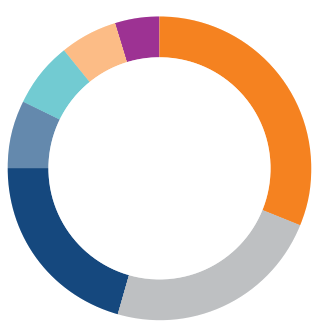
Eltel and 2017 – in figures

NET SALES, EUR million	NUMBER OF EMPLOYEES	LISTED ON NASDAQ STOCKHOLM
1,329.9	7,999	2015

NET SALES BY SEGMENT

- Power 35%
- Communication 55%
- Other 10%

NET SALES BY COUNTRY



- Sweden 31%
- Finland 23%
- Norway 21%
- Poland 7%
- Denmark 7%
- Germany 6%
- Other 5%

The Eltel Group 2017 – focus on core areas

Eltel is a leading northern European supplier of technical services for critical infrastructure networks – infranets. Eltel provides a wide and integrated range of solutions, ranging from maintenance and upgrade services to project deliveries. The 2017 financial year saw a clear change of strategy in which the plans for a more focused and more sustainable Eltel were endorsed by the company's stakeholders. In the newly established strategy, the segments Communication and Power have been identified as the core areas with potential for profitable, repetitive activities as a platform for future growth.

The Power segment provides maintenance of electricity grids, as well as repair services, upgrading services and project work, primarily to national transmission system operators and owners of power distribution grids. This segment is active in the Nordic region, Poland and Germany and is characterised by long-term customer relationships. Read more about the Power segment on pages 20–23.

The Communication segment provides maintenance and upgrade services, as well as project work to telecom operators and other owners of communication networks. The segment is active in the Nordics and Lithuania, Germany and Poland and is characterised by long-term customer relationships, with a regular influx of orders that are mainly generated through framework agreements. Read more about the Communication segment on pages 24–27.

The Other is defined in the strategy as activities that are planned for disposal or liquidation. Power Transmission business outside Europe, Rail operations and Power Distribution in the Baltic countries have been identified as activities that are outside Eltel's core business. Read more about the Other on pages 28–29.

All information about the 2017 financial year in this Annual Report is presented according to the segment structure that was established with the new strategy – Power, Communication and Other.

Summary of Eltel's services

		SERVICES OFFERED	MARKETS	CUSTOMER TYPES	% OF NET SALES 2017
Core activities	**POWER**	• Maintenance in electricity distribution and transmission • Upgrades in electricity distribution • Projects in power transmission	• Nordics • Poland • Germany	• Network operators • Local industrial customers and authorities	35%
Core activities	**COMMUNICATION**	• Maintenance of mobile and fixed networks • Upgrades of mobile and fixed networks • Aviation & Security	• Nordics • Lithuania • Poland • Germany	• Telecom operators • Local industrial customers and authorities	55%
Other	**OTHER**	• Projects in power transmission outside Europe • Electricity distribution in the Baltics • Railway projects	• Outside Europe • Baltic region • Nordic region	• Network operators • Railway operators	10%

A transformation strategy to create value

2017 was an intensive year that was marked by many changes. I consider the year to have been challenging, but I am also convinced that 2017 will come to be remembered as the turning point towards profitable growth in well-defined core areas.

TRANSFORMATION STRATEGY FOCUSED ON PROFITABILITY

The investigations that were made at the beginning of 2017 clearly showed that we needed to reduce risks and establish a stricter control model, especially in international project activities. At the same time, we performed a review of all activities so as to identify areas with balanced risk and conditions for long term and sustainable growth. In February 2017, we presented a new strategy and action plan for our transformation. Briefly, the strategy meant that Eltel would focus its business on the stable and profitable Core businesses in Power and Communication in the Nordics, Poland and in the German market.

As a consequence of this, it was decided to gather the businesses that were not part of our Core business into a segment called Other, for the purpose of divesting or ramping down them. These are Power Transmission outside Europe, Rail operations and Power Distribution in the Baltic countries.

Implementation of the strategy involves considerable restructuring and ramp down costs. We report most of these costs during 2017 and the remainder in 2018 and 2019.

In February 2017, the Board also decided to commence a process for a new share issue by means of a preferential issue. The issue of approximately SEK 1.5 billion was approved at the Annual General Meeting at the beginning of June 2017 and resulted in a fully subscribed issue at the end of that month. With this successfully completed issue, Eltel has secured long-term financing that enables the implementation of our transformation strategy effectively and with a strengthened balance sheet.

In June 2017, the Board decided on new financial targets. These targets and more about our strategic platform may be found on pages 8–11.

DIVESTMENTS IN LINE WITH THE STRATEGY

The process of divesting of and ramping down non-core businesses has largely developed well during 2017 and into 2018.

In July 2017, we signed an agreement to divest the loss-making business in Latvia and in August 2017 to divest our operations in Estonia. In September 2017, we signed a letter of intent to divest Power Transmission International. The total financial effect of this closure is calculated to be slightly lower than the estimated ramp down cost of EUR 40 million, regardless of whether we divest or discontinue Power Transmission International. In the second quarter 2017, we also signed an agreement to divest the unprofitable part of the Communication business in Poland and completed the ramp down of Communication operations in the United Kingdom. In November 2017, an agreement was signed to sell the rail operations in Finland and in December 2017 a letter of intent to divest the Danish rail operations was signed. Together the net sales in Other in 2017 amounted to EUR 129.4 million (196.7) with an operative EBITA of EUR -43.8 million (-37.0).

The process of divesting of or ramping down other non-core businesses continues according to plan. In March 2018 Eltel announced expiration of the letter of intent to divest Power Transmission International. The parties now confirm that the purchaser has not fulfilled the conditions of the transaction. Eltel will therefore proceed with the discontinuation of Power Transmission International. The closure of Power Transmission International is, in certain projects, going faster than planned and the discontinuation process is expected to be completed in 2019. Other is described in more detail on pages 28–29.

LONG TERM POSITIVE DEVELOPMENT IN OUR CORE BUSINESSES

The Group's Core business in Power and Communication in the Nordics, Poland and Germany represent approximately 90% of Eltel's business operations. In spite of the extensive restructuring, net sales in the combined Core business were almost in line with previous years and amounted to EUR 1,201.5 million, mainly thanks to stable development in the segment Communication. Development in the segment Power was weaker, which is largely explained by continuing issues in fixed price projects, as well as temporarily weak market development in transmission. However, in the slightly longer term, market conditions for Power are stronger with the expectation of good growth. The market for the segment Communication was driven during the year by the rollout of fibre, which offers good business opportunities in mature markets such as Sweden and expansion opportunities in Poland and Germany, for example.

Work on taking out synergies in both segments was a focus area during the year. In the segment Communication, the fixed and mobile business units, as well as parts Aviation and Security have been integrated. In the Power segment, consisting of distribution and transmission business, we have taken several restructuring actions in 2017. These measures will in the longer term increase customer focus and our competitiveness, but in the short term they have a negative effect on profits because of the reorganisation costs. The operative EBITA for the Core business therefore reversed in 2017 to EUR 34.4 million (51.7). An in-depth report on these activities may be found on pages 20–27.

A STRONG ORGANISATION IN PLACE

Much of Group management has been replaced during the year. Today our executive group consists of highly competent individuals with a strong commitment to completing Eltel's transformation to sustainable and profitable growth.

"With this successfully completed issue, Eltel has secured long-term financing that means that we can implement our transformation strategy effectively."

At the beginning of 2018 we took a further important step towards increased competitiveness when we changed the governance structure of the Core business from the previous business unit centric organisation to a country and market focused organisation. With the new organisation, we reduce the number of management levels and create a market oriented organisation with full responsibility for financial results in each country within segments Power and Communication. The change is part of the transformation strategy and will improve control over Eltel's operations. But above all, we are creating an organisation that meets our customers' needs better than previously.

After a review of the Group's operational processes and system support, in 2018 we will invest in measures to increase our operational efficiency, strengthen our offering to customers and increase competence within the organisation. You can read more about these measures and the new country organisations on pages 16–19.

THANK YOU FOR AN EXCITING YEAR

To describe the 2017 financial year as intensive would be no exaggeration. I would therefore like to give special thanks to all colleagues in the Group who, in spite of the major changes, have continued to reliably deliver quality to our customers. To deliver what is at the heart of Eltel – a sense of security in their everyday lives for a society that relies on functioning infrastructure.

We are continuing the transformation in 2018. We have now also started working on developing a long-term strategy for securing sustainable growth, profitability and value for shareholders. This strategy will be presented during 2018.

Håkan Kirstein,
President and CEO

Our strategic agenda – transformation to sustainable profit and growth

In February 2017, the Eltel group decided on the transformation strategy that formed the foundation for a more stable operation with a clear direction towards markets where we have a strong market position and areas where we have competitive competence.

FOCUS ON ELTEL'S CORE BUSINESS
Eltel shall further develop its present strong position in Power and Communication on its domestic markets the Nordics, Poland and Germany. These markets offer good conditions with exciting continued development of fibre, maintenance and strengthening of existing socially critical infrastructure networks and also installation and monitoring of new connected solutions such as smart meters. We see an exciting future development of renewable energy (such as solar and wind power), the establishment of future infrastructure for charging electric cars, major energy efficiency measures and a condensation and strengthening of existing infranet. Eltel will continue to focus on long-term, customer-friendly development of services and maintain the pace of the technological development, expansion, installation, commissioning and strengthening of infranet. Eltel's overall ambition is still to strengthen its position, primarily organically but also through opportunities in outsourcing and selective acquisitions.

REDUCING RISK LEVELS IN THE BUSINESS
During 2017, we have strengthened our focus on internal control and selectively choosing profitable and developing projects, as well as better ongoing follow up of projects. As part of this process, a Group Tender Board and a process for project follow up have been established

Strategic priorities

The transformation strategy

QUARTER 4 2017

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

QUARTER 1 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

QUARTER 3 2017

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

QUARTER 2 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

to ensure the quality of decisions in the tendering process and follow up on project delivery services.

It is our intention to dispose of or liquidate activities that are not part of Eltel's Core business, so as to lower risk levels, make our focus clearer and ensure the correct allocation of resources to our core business. Eltel's non-core businesses are at present collected into the Other and mainly comprise power transmission outside Europe and rail operations.

During 2017, agreements have been entered into for the disposal of activities in Poland, Latvia, Estonia, Finland and Denmark. Eltel has also signed a letter of intent to divest Power Transmission business outside Europe. In project operations, we will reduce risk by means of a further focus on operations of a more repetitive nature within our core competence and a focus on projects where each project represents a limited part of the net sales.

SELECTIVE GROWTH, BOTH ORGANICALLY AND THROUGH ACQUISITIONS

Eltel has well established operations in core markets. It is however our assessment that there are good conditions for further growth and for even stronger market position in selected segments. Fibre development, power distribution network upgrades and projects as well as adjustments and installation of various smarter meters (electricity, gas, water) are examples of segments and activities where we have extensive experience, with a well-developed industrialized process. Our strategy to grow includes selective acquisitions on condition that current businesses are developed in line with business goals.

FURTHER OPERATIONAL IMPROVEMENTS

Comprehensive work was commenced in 2017 to strengthen our operational processes and competitiveness in the long term. As part of this work, the fixed and mobile communication business units within Communication have been merged together. This merger has increased the focus on customer needs and paved the way for integrated and more market-adapted offerings. In Power, the Power Transmission and Power Distribution business units have been merged together. Both mergers are expected to create economies of scale and better opportunities to optimise resources, with a positive financial effect from 2018. Eltel will also invest further in areas such as processes, support systems, customer offerings and competence development. After the end of 2017, the next important step was taken in operational improvement so as to get closer to our business and customers and to facilitate more local collaboration and synergies in each country's local operations, by replacing the existing business area levels with strong country organisations with their own profit responsibilities.

Eltel's financial development and new financial targets[1]

When presenting Eltel's new strategic direction at the beginning of 2017, the Board also established new financial targets.

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]	Financial year 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	1.5–2.5 x 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.

New SEK 1.5 billion share issue secures long-term financing

An important step during the year was the preferential share issue of approximately SEK 1.5 billion, which was approved by the Annual General Meeting at the beginning of June 2017 and resulted in a fully subscribed issue by the end of that month.

The issue, with a subscription price of SEK 16, increased the number of ordinary shares by 93.9 million to almost 157 million.

With this successfully completed issue, Eltel has secured long-term financing that enables the implementation of the transformation strategy effectively and with a strengthened balance sheet.

Priorities 2018 and Eltel's long-term strategy

The transformation strategy is being implemented in the period up to 2019.

Work during 2017 was largely about ensuring a stable platform (known internally as House in Order) – based on efficiency, clear governance and internal control – and commencing the work of divesting and discontinuing businesses where Eltel is not competitive, profitability is low or risks are high.

Eltel's management has begun work on the continued further development of the strategic direction after 2018, so as to enable continued sustainable growth, profitability and positive value for shareholders. An updated strategy and continuing approach will be presented during the second half of 2018.

DURING 2018, ENERGY WILL BE DIRECTED AT PERFORMING THE CHANGES THAT HAVE BEEN DECIDED ON:

2017–2018

HOUSE IN ORDER

- Stability, better governance and internal control
- Conclude the disposal/ liquidation of non-core activities

2018–2019

SECURE OPERATIONAL EXCELLENCE IN THE CORE ACTIVITIES

- Organisational change, new country- and market-oriented organisation (see page 16)
- Focus on gross margin and operating KPIs
- Identify, plan, perform and follow up country-specific change activities so as to achieve the targets
- Being prepared for consolidation and acquisitions in strategic areas

2019–2020

PREPARED FOR THE FUTURE

- Defining future strategy, market position and communication platform
- An established HR agenda including development of competence and skills

Strong infranet trends still driving demand

Megatrends such as climate change, digitalisation, urbanisation and the need for security influence the conditions for our activities and offer both opportunities and challenges. They influence the primary end markets for electricity and communication networks, which are developed, upgraded, commissioned and maintained to meet people's day-to-day needs. The term Infranet was created by Eltel more than 10 years ago as a collective term, based on the words infrastructure and networks. Great changes have been made in the market to update the ageing electricity and telecom networks for the next generation of technology and infrastructure. The Nordic countries were pioneers in Europe in the deregulation of electricity and telecom markets, which has created a strong position for us in the Nordic region and an advantage when other markets in Europe are deregulated.

DRIVING FORCES IN THE INFRANET INDUSTRY

The European Commission estimates that the investment requirement in the EU's energy, communication and IT sectors amounts to approximately EUR 1.5 to 2 billion between now and 2020. Infrastructure networks are at the centre of these investment needs.

Future markets for technical infranet services are characterised by trends such as increasing regulatory requirements, increasing outsourcing levels, ageing power infrastructure, increasing use of renewable energy and energy-efficient solutions, technology-driven changes in consumer demand and network convergence (the increasing interdependence of the energy and telecom industries, such as smart networks that interweave energy, telecom and IT technologies). See table on page 14 for general infranet trends.

ELTEL'S COMMERCIAL CONDITIONS 2017

Market demand in the Power segment is supported by strong, long-term driving forces. Commercial conditions are characterised by a high level of activity and long-term investment plans. Power transmission markets are characterised by procurements, based on comprehensive investment plans that have been announced by transmission system operators in all our markets. Falling volumes in high-voltage projects in Poland and Germany, as a result of changing market conditions driven by political discussion, are balanced by increased sales in Smart Grids, primarily in Norway, Denmark and Germany, as well as a strong development in power transmission activities in Finland.

In the Nordic region, increasing demand for power transmission and associated new investment plans have attracted new suppliers into the region. Competition was still intensive and price competition continued as a result of the high level of attractiveness. Distribution system operators in Norway, Denmark and Germany are continuing to invest in smart meters in the coming years. In Sweden, a new model for power grid regulation is expected to further increase investment levels in electricity distribution networks.

The market situation for Communication is strong, but certain differences exist between countries and technologies. The Communication sector continues to be mainly driven by the installation of fibre optics and the rollout of mobile networks. Demand for fibre installation is expected to remain at a high level in the Nordic region, but gradually changing from large rollout projects of fibre to a greater degree of up-selling and connection services in Sweden. Demand for fibre installation is expected to increase in Poland and Germany in the next few years. At the same time, operators in the Nordic region are less willing to invest in copper networks due to the ongoing loss of customers in copper networks. In the mobile communication sector, demand for rollouts of LTE/4G continues to offer opportunities in Central Europe, while the highest level has already been passed in the Nordic countries. In Germany, published investment plans are at a high level, although some delays have been noted in the rollout plans for mobile communication.

ELTEL'S COMPETITIVE SITUATION

The end markets for Power are characterised by many international and local stakeholders that are servicing the transmission operators, while distribution markets are more local. We are one of the biggest regional stakeholders in these core markets and the only one that is active in all Nordic countries.

The end market for Communication is characterised by intensive competition. We are one of the market leaders in the core markets. In the growth market Germany, the market is very fragmented and we are at an early stage in building up our market position. Competition in the German market comes mainly from regional stakeholders, but international system suppliers also have activities that could compete with Eltel.

Future markets for technical infranet services are characterised by trends such as increasing regulatory requirements, increasing outsourcing levels, ageing power infrastructure, increasing use of renewable energy and energy-efficient solutions, technology-driven changes in consumer demand and network convergence.

Infranet trends

1990s

Regulated market

- Regulated market
- State owned stakeholders
- Start of deregulation

2000s

Privatisation

- Privatisation begins
- New industry, new stakeholders
- Focus on the infrastructure's availability combined with commercial interests and driving forces

Today and tomorrow

Complexity and convergence

- Fast moving technological development
- Cross-border initiatives and international stakeholders
- Need for sophisticated services and know-how
- Higher demands for system security and availability
- Consolidation within the industry
- Customers increase their focus on digitalisation and sustainability

1990 2000 2010 2017

Strong infranet trends drive continuing medium and long term demand

GENERAL DRIVING FORCES AND TRENDS	CONSEQUENCES	MARKET RESPONSE AND DEMAND
Increasing end user requirements and technical changes	• New consumer patterns and digitalisation, including increased data consumption, are triggering a change from old networks to new technology and smarter networks	• Upgrading of infrastructure (inc. charging points/smart networks • 3G/4G and WiFi/LAN rollouts (while awaiting 5G/IoT rollout)
Increased use of renewable energy and energy saving solutions	• Requirement for renewable energy sources (RES) and energy-efficient solutions	• Network investment/load management • Large-scale national rollouts of smart meters, gas adjustment and other energy-efficient solutions (e.g. LED lighting)
Increasing regulatory requirements	• The EU is driving harmonisation and setting targets for minimum acceptable broadband capacity and accessibility • Governments in Europe demand reliable power grids, renewable energy sources and automated metering systems as mandatory	• Continued fibre rollout • Network investment in improved operation and service levels so as to meet more stringent requirements
Ageing power infrastructure	• The present power grids are nearing the end of their useful lifetimes	• Upgrading of infrastructure/load management/smart networks • Network investment
Higher level of outsourcing	• National operators and telecom operators are under financial pressure • Distribution system operators increasingly see maintenance and repairs as non-core activities • Changing labour legislation is expected to favour outsourcing	• Increased market size and scope

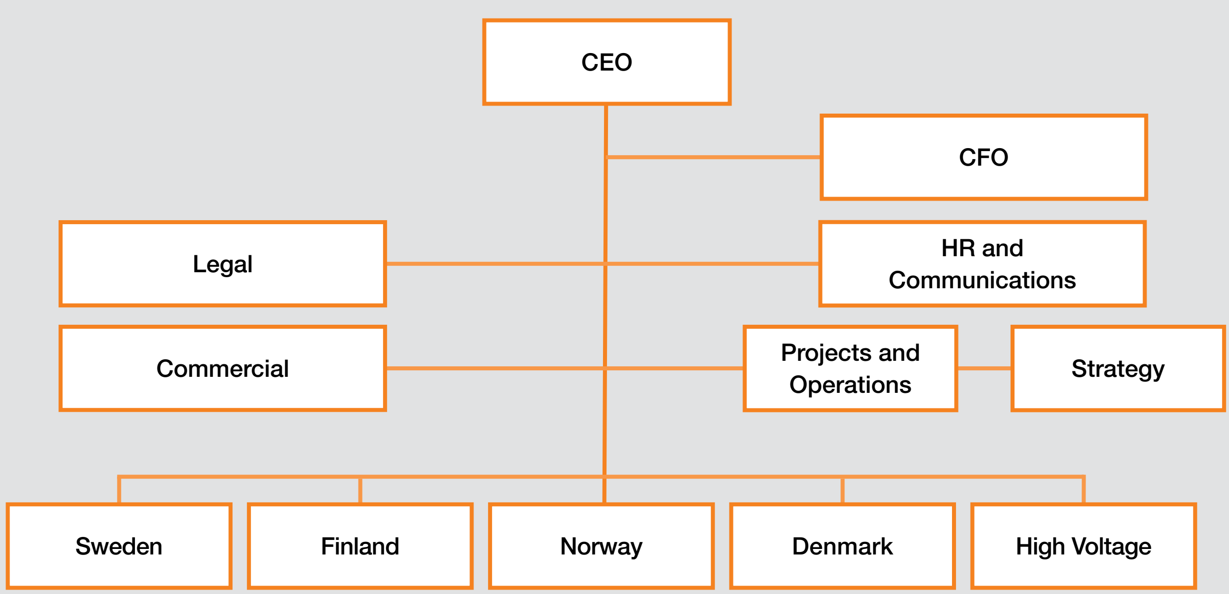
THE INFRANET MARKET IS JUDGED TO BE LESS SENSITIVE TO GENERAL ECONOMIC DOWNTURN

A new value-creating organisation

We work close to our customers thanks a strong local presence and effective central functions. The basis of the Group's successful activities are Eltel's 8,000 employees, most of whom are engaged in the Group's 300 expert and specialised teams. Their commitment, experience and genuine knowledge are Eltel's greatest asset - and a guarantee of creating value for our customers and owners. During 2017 a number of new processes have been introduced to strengthen our competitiveness. A new country-based organisation has been introduced after the end of the financial year.

NEW COUNTRY- AND MARKET-BASED ORGANISATION 2018
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 Metering, are project based, offer standard solutions for all markets,

Eltel's new organisation as of 15 February 2018*



* First level organisational chart and reporting lines. Communication Germany and Poland report via Country Unit Sweden, Solution Unit Smart Grids and Communication Lithuania via Country Unit Finland, and Power Transmission International and Rail via Projects and Operations.

and will therefore be managed with cross-border mandates.

The operation and governance of Eltel's non-core business, Other, are not affected by the changes. Business reporting of the segments Power, Communication and Other will continue in the same way as previously.

As a result of the above changes, Eltel's Group management is being increased by four members.

The new organisation came into force on 15 February 2018. The new Group management is presented on pages 56–59.

EMPLOYEES - KEY FIGURES

In 2017, the number of employees was reduced by 15.5% to 7,999 at year end (9,465), mainly as a consequence of divestment/discontinuation of businesses.

Electrical safety, working at a height, rotten poles and road safety have been identified as high-risk activities for Eltel's personnel. Our systematic, Group-wide programme for reducing work-related injuries by promoting a more active health and safety culture has led to a significant reduction in the number of injuries during 2015–2017. One example is the development of accidents per million working hours, which fell to 7.0 (7.5) in 2017. There were no fatal accidents during the year and our vision of zero accidents is still a long-term ambition.

The ongoing transformation of Eltel has had an effect on commitment in parts of the company in 2017. Our employee survey, in which 74% of employees participated, therefore has given us vital feedback. The results of the whole survey have been thoroughly discussed in all the company's teams and in total 747 activity plans were decided on to further develop Eltel's organisational, communication, management and governance methods.

Our HR policy has been supplemented with a more comprehensive description of the principles of leadership, diversity and equal opportunities for all.

For further information about employees and health and safety matters, see pages 30–31 and Eltel's Sustainability Report 2017.

The new organisation permits increased cooperation based on customer needs, strong competence in critical operational functions, economies of scale and improved cost effectiveness.

Better control and preparedness with new project function

An important part of Eltel's transformation strategy is to reduce the risk level in our operations. During 2017, a number of operational improvement measures were introduced in project activities, such as improved project management, risk assessment and reporting.

A specific function has been established at Group level for following up ongoing projects. A structured way of working on new tenders has also been introduced, in which the Group Tender Board performs a quality scrutiny of all large projects and constantly monitors projects with high risk throughout the delivery process. This way of working also enables us to take better care of our combined experience in project activities. As part of the new project function, a programme office has been set up that will follow up the implementation of large programmes such as the new country organisations, ensure focus on and implementation of locally selected critical change work and work to develop Eltel's long-term strategy.

Revised process for tendering for projects exceeding EUR 4 million

Projects over EUR 4 million → **Head of unit** → **Group Tender Board** → **Board of Directors**

Projects over EUR 4 million

- Eltel has decided to apply a revised process for tenders relating to projects with a value over EUR 4 million

Head of unit

- Step 1: The project is evaluated at unit level
- Step 2: The project is evaluated at group level
- Given a positive outcome, the tender is documented in standardised project templates

Group Tender Board

- Evaluation and risk assessment of all tenders according to standardised procedures
- Weekly evaluation meetings of CEO, CFO, head of legal and Group Project Function

Board of Directors

- Decisions from the Board for projects with a value over EUR 40 million

Power – smarter grids for more sustainable electricity

Customer requirements in today's energy sector demand high quality standards for infrastructure development. Reliability, safety and low life cycle costs are important issues. As is the sustainability aspect, with requirements for renewable energy sources and the possibilities of using infranet solutions to connect the entire energy chain to the end customer with tomorrow's solutions, such as smart metering systems. Eltel builds, maintains and upgrades power transmission systems - society's lifelines - and is a full service supplier of power distribution services. Our expertise covers everything from standard products to customised solutions. We ensure a safe and smart everyday energy supply and we do this from a leading position in our core markets.

The segment Power provides maintenance of electricity grids, as well as repair services, upgrading services and project work, primarily to national transmission system operators and owners of power distribution grids.

Most of the activities involve upgrading services and projects. Upgrades are normally completed in a few months, while normal project delivery takes 2–3 years. Average framework agreements extend over 3–5 years.

This segment is active in the Nordics, Poland and Germany and is characterised by long-term customer relationships. Demand in this sector is generally driven not by GDP but by demand for increased availability and capacity in the grid, as well as regulatory requirements.

Financial development

	2017	2016
Net sales (EUR million)	470.4	486.9
Operative EBITA (EUR million)	-0.3	15.1
Operative EBITA margin, %	-0.1	3.1
Number of employees	2,453	2,888


ELTEL

CONTINUED STRONG DEVELOPMENT IN 2017

Net sales in the segment Power decreased by EUR 16.5 million to EUR 470.4 million (486.9), mainly as a result of the strategy of avoiding assignments with low margins and high risk and of terminating unprofitable agreements. The selective development of Eltel's substation business in Germany and the Nordics continued. Volumes in High Voltage projects in Poland and Germany also fell as a result of changing market conditions driven by political discussions. This reduction was balanced by increased sales in Smart Grids, mainly in Norway and Germany, as well as strong development of Power Distribution operations in Finland.

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.

Restructuring costs are expected to continue to affect profitability in early 2018.

In August 2017, an agreement was signed to divest Eltel's non-core operations in Estonia, which consisted of infranet services in power, telecommunication and gas.

There has been a consistent focus during the year on rolling out new processes for project activities to reduce risk in the project portfolio and to give training in these processes in all markets.

Three new contracts for gas adjustment projects were signed in the priority German market during the second half. The projects are being rolled out over the period 2017–2022.

FUTURE GROWTH DRIVEN BY CUSTOMER-FRIENDLY SOLUTIONS

Market demand in the segment Power is supported by powerful and long-term driving forces. Factors driving future demand include increased sales in smart grids and Eltel's leading market position in the rollout of smart meters. A detailed report of trends and market development may be found on pages 12–15.

Strategic priorities in the segment Power include a continued focus on the installation of smart meters in the core markets and positioning in a new generation of smart meters in the Nordics. An important part of the future strategy for this segment is the continued expansion of services for conversion from overhead lines to underground cables.

We also intend to benefit from an active outsourcing trend among our customers, in Norway for example, and from maintaining existing customers' investments in wind power and from industrial customers.

Eltel builds, maintains and upgrades power transmission systems - society's lifelines - and is a full service supplier of power distribution services.

Eltel intends to increase its presence in the German energy market, a long-term growth area. This is to be done organically by winning projects within the framework of the focus on Energiewende, overhead lines and smart meters, as well as through selective acquisitions in the field of smart meters.

In its project activities, Eltel has introduced a portfolio strategy focusing on a greater number of smaller projects, so as to reduce risk in these activities.

"The focus in 2017 has been on reducing risk in our project activities; training in and the rollout of new working methods has been prioritised and is now proceeding at full speed. During the year we are also delighted to have won a number of gas adjustment projects as a result of earlier acquisitions."

Juha Luusua,
Managing Director – Eltel Finland,
since February 2018

Unique concept for rollout of smart meters gives advantages in the growing German market

As long ago as the early 2000s, Swedish and Finnish authorities decided to introduce “must” requirements for the reading of all electricity meters. Leading stakeholders such as Vattenfall, Fortum and E.ON decided to install smart meters in Finland and Sweden and we have been a leading supplier of smart meters since that time. Today Eltel is a market leader and dominant stakeholder in all the Nordic countries. We have installed more than 4.2 million smart meters and completed 25 smart meter rollouts. At present we are working on three major rollout projects in Norway and one in Denmark - altogether more than 1.6 million meters are being installed. Based on our extensive experience of smart meters in the Nordic region, we have developed a concept for smart meters that is unique in the industry. In addition to industrialised rollout processes for electricity, gas, water and heat meters, the concept involves IT-supported processes and activities that enable flexible reporting and the highest possible customer satisfaction. We also offer maintenance and support services such as field services, spare parts management and support centres.

The next step in our journey of growth in smart meters is the pilot project and rollouts that we began in our priority German market in 2017.

Strategic acquisitions were made in Germany in 2016. In 2017, we succeeded in signing three new contracts with energy companies in Germany for the period 2017–2022. The contracts involve gas installation adjustments for changing type of natural gas in private households and manual meter reading for gas, electricity and water consumption. The total value of the contracts is estimated to amount to about EUR 10 million. In the long run, we see that smart metering applications will also be introduced for water and gas distribution. In Germany municipal utilities, Stadtwerke, manage electricity, gas and water distribution.

Our unique rollout concept provides strong support for our vision - to be the smartest supplier of cross-border services in the European power market.

Communication – market leader in the Nordic region

The modern society that we live in is entirely dependent on functioning communications networks. The mobile and fixed networks converge to represent the basis for IT-based services that customers and consumers demand and consumption patterns have changed to such an extent that coverage has become a critical social necessity. In the Communication business segment, we perform everything from planning, installation and operation to maintenance of mobile and fixed communication networks. Eltel is a pioneer among service providers and has introduced a whole range of ground-breaking innovations and solutions to the infranet market. We do this in close cooperation with our customers, operators and suppliers and we are the market leader in the Nordic region.

The segment Communication provides maintenance services and upgrades, as well as project work to telecom operators and other owners of communication networks.

The segment is active in the Nordics and Baltics, Germany and Poland and is characterised by long-term customer relationships, with a regular inflow of orders that are mainly generated through frame agreements. Activities are mainly driven by technical upgrades, maintenance needs and increasing demand for improved network capacity, faster networks and increased network capacity.

CONTINUED STRONG DEVELOPMENT IN 2017

Net sales for the segment Communication continued to be positive and increased to EUR 731.2 (718.5) million. This increase is

Financial development

	2017	2016
Net sales (EUR million)	731.2	718.5
Operative EBITA (EUR million)	34.6	36.6
Operative EBITA margin, %	4.7	5.1
Number of employees	4,440	5,232

mainly explained by strong development in the Nordic and German markets, driven by the expansion of optical fibre. The increase is partially countered by the disposal of Eltel's unprofitable activities in maintenance and copper networks in Poland, as well as the liquidation of the loss making British operation, both of which occurred during the second quarter of 2017.

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. The lower results were partially compensated by positive effects of the disposal of the unprofitable Polish operation and the ramp down of the loss making British operation, which had a positive effect on operative EBITA. It was decided during the year to combine the business areas for Fixed and Mobile Communication. This merger, which is expected to have a positive financial effect from 2018, creates economies of scale, increases efficiency and presents customers with a uniform Eltel. Other important activities during the year included the introduction of digitised production planning and the establishment of an organisation for Solution Management.

FOCUS ON OPERATIONAL IMPROVEMENTS

The market situation for communication is strong and is mainly driven by continuing high demand for the installation of fibre optics and the need for ongoing maintenance, both of the existing copper network and increasingly of the new fibre optic network. A detailed report of trends and market development may be found on pages 12–15.

Important future strategic priorities for the segment include the cross-border utilisation of technical resources and effective working methods, the development of IT support systems in the field and joint business development together with the leading customers as part of the long-term frame agreements.

In the Nordics, Communication endeavours to benefit from its technical expertise in the expansion of fibre by means of the Fibre Force concept that is being produced to optimise the rollout process and to participate in the major developments of in-house communication solutions. In Poland and Germany the focus is on developing fibre to households, which currently has a low penetration compared with the Nordic countries. Growth is expected to occur both organically and through selective acquisitions that have been identified, so as to strengthen both the offering to customers and growth.

In the Communication segment, Eltel performs everything from planning, installation and operation to maintenance of mobile and fixed communication networks.

”The year's most significant activity was combining fixed and mobile communication. This was entirely logical and customer driven, since our customers are already organised in this way and working on technical convergence for increased customer benefit. The merger is proceeding entirely according to plan; identified savings have now been made and both customers and employees are satisfied.”

Peter Uddfors,
Managing Director – Eltel Sweden,
since February 2018

Eltel + Frederiksberg = Smart City network

Frederiksberg in Denmark is the customer which, with Eltel's solutions, is leading the way for the smart cities of the future. A Smart City network has been installed that will provide a basis for a whole range of digital solutions for energy supply and climate adaptation, as well as other smart city solutions.

The city of Frederiksberg, which is entirely surrounded by the city of Copenhagen, is located a couple of kilometres west of central Copenhagen and has approximately 100,000 residents. The city's energy company, Frederiksberg Forsyning A/S, supplies Frederiksberg with gas, water, district cooling and district heating. At year end 2016, Frederiksberg Forsyning signed an agreement with Eltel to develop an outdoor based WiFi network that would cover the entire municipality. Eltel also has a 12-month maintenance agreement after the installation has been completed.

Our collaboration with Frederiksberg Forsyning is a clear demonstration of how the infranet is digitalised and links consumers with energy suppliers. The new network is one of the most important steps in implementing a smart network, with a view to optimisation in real time and balancing energy production with energy consumption. The development of intelligent networks leads to better energy efficiency and a lower environmental impact. Intelligent technology is an important element in controlling the so-called micro network, which involves micro production of energy, often renewable solar and wind power, and electricity consumption.

The installation is mainly being used to monitor smart meters, but many smart city ideas are planned. The WiFi network can also be used to make the city smarter, by giving information about vacant parking spaces for example. The development of WiFi hotspots in central locations in this unusually densely populated municipality is also being discussed.

One of the challenges of introducing new technical infrastructure into urban environments is to do the work with minimum disturbance to daily routines. Here we have been able to draw on previous experience from Copenhagen, from providing installation and maintenance of electricity, street lighting, traffic signals, gas, water and sewage systems. The fibre cables in the network have been installed together with the existing street lighting in a way that harmonises with the surroundings.

Other - responsible closing down of non-core business

Other consists of operations that are planned to be divested of or ramped down to reduce risk levels in the business, make our focus clearer and ensure the correct allocation of resources to our Core business.

Other consists of operations that are planned to divest or ramp down to reduce risk levels, make our focus clearer and ensure the correct allocation of resources to our Core business. These operations currently include selected Power Transmission projects, mainly in Africa, separated in a Power Transmission International unit that is responsible for handling these, as well as rail operations.

THE DIVESTMENT OF NON-CORE BUSINESS IS GOING ACCORDING TO PLAN

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, provisions 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 Winco Oy, a wholly owned subsidiary of Graniittirakennus Kallio Oy. The purchase price was EUR 8.5 million, with a deduction for the income generated by these activities during September 2017 to January 2018. The purchase price was paid in the first quarter of 2018. The transaction has a positive effect on the Group's EBITA amounting to approximately EUR 4 million in the first quarter of 2018. In 2016, Eltel's Finnish rail operations generated net sales of EUR 28 million and employed about 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 includes the maintenance contract with Sund & Bælt A/S, 26 employees and operating equipment that is used to deliver relevant maintenance services, had a negative EBITA effect of EUR 0.5 million and a negative cash flow effect of EUR 2.4 million in the first quarter of 2018. The parties completed the final transaction on 31 January 2018.

The total cost of discontinuing Power Transmission International is estimated to

"The divestment of non-core business is going according to plan. We have been able to reduce our risk levels while, in a responsible manner, securing the handover of both business and employees to new owners."

Leif Göransson,
Director – Group Projects and Operations, since February 2018

Financial development

	2017	2016
Net sales (EUR million)	129.4	196.7
Operative EBITA (EUR million)	-43.8	-37.0
Operative EBITA margin, %	-33.8	-18.8
Number of employees	756	1,051

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. On 25 September 2017, Eltel and Encomm Sweden AB signed a letter of intent regarding the divestment by Eltel of its Power Transmission International business to Encomm Sweden AB. The transaction was subject to key customer approval and that the purchaser obtains financing of the transaction and a full release for Eltel under certain guarantees. On 21 December 2017, the duration of the letter of intent was prolonged until end of February 2018. The parties now confirm that the purchaser has not fulfilled the condition to obtain financing of the transaction and a full release for Eltel under certain guarantees. Eltel will therefore proceed with the discontinuation of Power Transmission International. The closure of Power Transmission International is, in certain projects, going faster than planned and discontinuation process is expected to be completed in 2019.

On 12 March 2018 Eltel signed a letter of intent to divest its Swedish rail operations, consisting of key customer contracts, employees and operational equipment, to Strukton Rail AB. The contemplated transaction, comprising build and maintenance contracts with key customers, employees and operational equipment used for delivering the relevant services, will have a negative EBITA and negative cash flow effect each estimated to be approximately EUR 6.5 million, to occur at the time of completion of the transaction. Under the letter of intent, the parties aim to finalise and complete the transaction during the first half of 2018.

Of the divestments announced in February 2017, only the divestment of Rail operations in Norway remains.

At the beginning of 2018, the decision was taken to keep the part of the aviation and security operation that is located in Sweden (Aviation & Security), which Eltel previously intended to sell. This operation continues to develop strongly and indicative offers that had been received do not fully reflect the high and sustainable profitability. The operation will be integrated into the business unit Communication Sweden.

Eltel takes responsibility for sustainability

Our work continues to be shaped by the business environments that we are active in. Our various stakeholders require clearer working methods in corporate responsibility and they expect that our commitments are not only found in different policy documents. Our new sustainability plan for 2018–2020 is based on priorities from previous years, but the scope of activities and reporting of results will be more diversified. Eltel is therefore well prepared to deliver the non-financial reporting that is set out in the new EU directive.

HEALTH AND SAFETY – OUR MOST IMPORTANT FOCUS AREA

Health and safety is the most important focus area for Eltel. Electrical safety, working at a height, rotten poles and road safety have been identified as high-risk activities. Training, the right equipment, clear work instructions and routines provide conditions for and guidelines about how we shall perform the work in the best way for preventing accidents.

Our systematic, Group wide programme for reducing work-related injuries by promoting a more active health and safety culture has led to a significant reduction in the number of injuries during 2015–2017. One example is the reduction of lost time injuries per million working hours (LTIFR) to 7.0 (7.5) in 2017. There were no fatal accidents during the year and our vision of zero accidents is still a long-term ambition.

OUR ENVIRONMENTAL ACTIVITIES – CONTINUED FOCUS ON A LOWER IMPACT

Energy and communication account for a great deal of global emissions. Together with Eltel's own footprint, our service offering and performance of environmentally-friendly solutions are in focus.

Smart meters that ensure efficient energy consumption are a good example of an offering from Eltel that really makes a difference for the environment. Eltel

Key figures

Eltel has identified the following key figures for its sustainability work that are followed up on an annual basis:

Key figures	2017	2016
Number of employees at year end	7,999	9,466
Under 30 years	20%	18%
Over 50 years	23%	18%
Absence due to illness, including long-term	4.5%	4.0%
Lost time injuries per million working hours (LTIFR)	7.0	7.5
Number of fatal accidents	0	1
Average carbon dioxide emissions from cars and vans, g/km at year end	171	178
Total fuel consumption of entire vehicle fleet, l	10,928,350	13,268,185
Total carbon dioxide emissions of entire vehicle fleet, tonnes	28,573	36,266
Total number of vehicles in entire fleet at year end	4,509	5,249

Policy and governing documents that guide us

Sustainability issues are integrated into the day-to-day activates and into our business processes. The Board and Group management monitor Eltel's compliance with adopted policies and guidelines.

The following policies and governing documents guide our sustainability work:

- Human Resources Policy
- Health, Safety and Environment Policy
- Security Policy
- Eltel Code of Conduct
- Eltel Way Policy
- Anti-corruption Policy
- Insider Policy
- Group Tax Policy
- Information Security policy
- Whistle-blowing Policy

makes a difference for the environment by actively participating in the automation of power systems, building and connecting renewable energy generation, developing fibre networks and smart meter solutions from A to Z. 2017 saw the start of the rollout of 1.6 million smart meters in Norway and Denmark. We also work with a number of customers to implement the latest technology in charging stations for electric cars.

To reduce our environmental impact, Eltel has systematically reduced its carbon dioxide emissions as the vehicle fleet has been renewed. During 2017 we succeeded in reducing the total consumption of fuel by 18% and total carbon dioxide emissions by 21% compared with the previous year.

We have also started on the development of a system for monitoring environmental incidents in a more structured way. Other examples of measures to also support our environmental activities in the workplace include projects for virtual workplace development and digitalised work processes.

EMPLOYEE SATISFACTION AND SERVICES FOR SAFEGUARDING CRITICAL INFRASTRUCTURE IN SOCIETY – CORNERSTONES OF OUR DEVELOPMENT

Offering a good workplace is important to us at Eltel. Our goal is to be the industry's best workplace with the best employees in the infranet sector.

The ongoing transformation of Eltel has had an effect on commitment in parts of the company in 2017. Our employee survey, in which 74% of employees participated, therefore gives us vital feedback. The results of the whole survey have been thoroughly discussed in all teams and in total 747 measures were decided on to further develop Eltel's organisational, communication, management and governance methods.

Our Human Resources Policy has now also been updated with a more comprehensive description of the principles of leadership, diversity and equal opportunities for all. We continue to report progress on the UN's ten Global Compact principles in the areas of human rights, labour rights, the environment and corruption.

WE AND OUR SUPPLIERS – A SUSTAINABLE CHAIN

Eltel's sub-contractors and suppliers are considerable allies in our value chain and help us to ensure reliable delivery and quality services for our customers.

Eltel's stringent requirements for health and safety and environmental (HSE) controls also require business partners to observe Eltel's Code of Conduct. Our sub-contractors and suppliers have been categorised according to their risk exposure level. Partners with the highest risk, category A, have been identified (a total of 1,006 partners) and will be integrated into Eltel's reporting. Thus far 85% of these have undertaken to follow Eltel policy. Self-assessment and unannounced on-site audits are important parts of the common action plans. During the year, online courses have been distributed to over 1,000 partners.

Further information may be found in our Sustainability Report for 2017.

Our new sustainability plan for 2018–2020 is based on priorities from previous years, but the scope of activities and reporting of results will be more diversified.

Eltel on the road

With a 4,500-strong vehicle fleet driving 100 million kilometres to deliver on customer assignments annually, road safety is a critical factor for Eltel. Being on the road regardless of season or weather conditions requires paying close attention to the condition of the car, van or heavy vehicle as much on the ability of the driver to operate it. Any form of traffic misconduct affects others and/or our own H&S, and such negative behaviour affects our brand as well. Eltel has published an online video on road safety and it has been clicked over 2,000 times. We also educate our employees regularly on road safety by means of monthly safety bulletins on accidents, their causes and how to avoid similar incidents from occuring in future.

Five-year summary

Condensed consolidated income statement

EUR million	Full-year 2017	Full-year 2016	Full-year 2015	Full-year 2014	Full-year 2013
Net Sales	1,329.9	1,399.8	1,254.9	1,242.1	1,147.5
Cost of sales	-1,234.8	-1,279.5	-1,089.6	-1,078.3	-1,004.1
Gross profit	**95.1**	**120.3**	**165.3**	**163.8**	**143.4**
Other income	4.9	4.0	4.3	8.4	8.6
Expenses	-126.2	-121.8	-110.6	-132.8	-99.6
Share of profit/loss of joint ventures	-0.4	-0.4	1.5	-0.7	0.0
Operating result before acquisition-related amortisations (EBITA)	**-26.7**	**2.1**	**60.5**	**38.6**	**52.3**
Amortisation and impairment of acquisition-related intangible assets	-158.0	-69.4	-13.9	-12.4	-16.7
Operating result (EBIT)	**-184.6**	**-67.4**	**46.6**	**26.2**	**35.6**
Financial expenses, net	-12.3	-12.6	-14.4	-19.0	-20.6
Result before taxes	**-197.0**	**-80.0**	**32.2**	**7.2**	**15.1**
Taxes	-7.7	-2.2	11.0	3.9	-3.6
Net result	**-204.6**	**-82.2**	**43.2**	**11.1**	**11.5**

Key figures

EUR million	Full-year 2017	Full-year 2016	Full-year 2015	Full-year 2014	Full-year 2013
Net sales	1,329.9	1,399.8	1,254.9	1,242.1	1,147.5
Net sales growth, %	-5.0	11.6	1.0	8.2	-0.1
Operative EBITA	-25.5	2.1	62.2	61.3	52.0
Operative EBITA margin, %	-1.9	0.1	5.0	4.9	4.5
Items affecting comparability*	-1.2	-	-1.7	-22.7	0.3
EBITA	-26.7	2.1	60.5	38.6	52.3
EBITA margin, %	-2.0	0.1	4.8	3.1	4.6
Amortisation of acquisition-related intangible assets**	-8.5	-14.4	-13.9	-12.4	-16.7
Impairment of goodwill and other acquisition-related intanbigle assets	-149.4	-55.0	-	-	-
Operating result (EBIT)	-184.6	-67.4	46.6	26.2	35.6
EBIT margin, %	-13.9	-4.8	3.7	2.1	3.1
Operative cash flow	-59.7	-8.0	45.8	88.9	57.3
Cash conversion, %	224	-387	76	230	109
Number of personnel, end of period	7,999	9,465	9,568	8,647	8,459

* In 2017 net effect of acquisition earn-out adjustment, sale of businesses and costs related to reviews and investigations.
In 2014 and 2015 mainly IPO-related costs.
** Impairment is related to Power Transmission International and Rail reported in Other and Power Transmission reported in segment Power

Operative cash flow

EUR million	Full-year 2017	Full-year 2016	Full-year 2015	Full-year 2014	Full-year 2013
EBITA	-26.7	2.1	60.5	38.6	52.3
Depreciation	13.3	13.1	11.9	11.0	12.3
EBITDA	-13.4	15.1	72.3	49.6	64.7
Change in net working capital	-32.8	-9.8	-15.5	48.1	4.0
Net purchases of PPE	-13.5	-13.3	-11.1	-8.9	-11.4
Operative cash flow (used in cash conversion key figure)	**-59.7**	**-8.0**	**45.8**	**88.9**	**57.3**

Quarterly figures

Quarterly key financial figures for the Group

	Full-year 2017	Oct-Dec 2017	Jul-Sep 2017	Apr-Jun 2017	Jan-Mar 2017	Full-year 2016	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016
Net sales	1,329.9	374.2	328.0	329.8	297.8	1,399.8	387.1	356.2	369.0	287.5
Net sales growth, %	-5.0	-3.3	-7.9	-10.6	3.6	11.6	-2.6	14.6	19.9	20.3
Operative EBITA	-25.5	2.2	3.1	-21.0	-9.7	2.1	-14.6	7.8	5.7	3.2
Operative EBITA margin, %	-1.9	0.6	0.9	-6.4	-3.2	0.1	-3.8	2.2	1.6	1.1
EBITDA	-13.4	5.0	6.0	-16.8	-7.6	15.1	-11.3	10.8	9.3	6.3
EBITA	-26.7	1.7	2.4	-20.0	-10.7	2.1	-14.6	7.8	5.7	3.2
EBITA margin, %	-2.0	0.5	0.7	-6.1	-3.6	0.1	-3.8	2.2	1.6	1.1
Impairment of goodwill and other acquisition-related intangible assets	-149.4	-	-3.8	-	-145.6	-55.0	-55.0	-	-	-
Operating result (EBIT)	-184.6	1.2	-2.8	-23.2	-159.8	-67.4	-73.2	4.1	2.1	-0.4
EBIT margin, %	-13.9	0.3	-0.9	-7.0	-53.7	-4.8	-18.9	1.2	0.6	-0.1
Result after financial items	-197.0	-0.3	-6.4	-27.3	-162.9	-80.0	-77.7	2.1	-0.3	-4.1
Net result for the period	-204.6	-7.7	-11.0	-24.5	-161.4	-82.2	-80.3	1.9	-0.1	-3.6
Earnings per share EUR, basic	-1.56	-0.05	-0.07	-0.23	-1.53	-1.33	-1.29	0.02	-0.01	-0.06
Earnings per share EUR, diluted	-1.56	-0.05	-0.07	-0.23	-1.53	-1.33	-1.29	0.02	-0.01	-0.06
Return on operative capital employed, %*	-37.4	-37.4	-38.3	-35.8	-11.6	3.9	3.9	35.1	55.7	70.1
Return on equity (ROE), %*	-64.9	-64.9	-77.2	-72.0	-76.0	-20.7	-20.7	3.6	9.2	11.1
Leverage ratio*	N/A	N/A	N/A	N/A	N/A	13.2	13.2	4.3	3.6	2.6
Net working capital	45.6	45.6	88.4	59.9	71.6	14.7	14.7	54.9	69.1	48.9
Operative cash flow	-59.7	43.0	-25.6	-10.7	-66.4	-8.0	22.5	22.6	-15.7	-37.4
Cash conversion, %*	223.9	223.9	N/A	N/A	N/A	-387.4	-387.4	160.8	56.8	112.1
Number of personnel, end of period	7,999	7,999	8,441	8,685	9,516	9,465	9,465	9,648	9,674	9,601

* Calculated on a rolling 12-month basis

Quarterly segment information

EUR million	Full-year 2017	Oct-Dec 2017	Jul-Sep 2017	Apr-Jun 2017	Jan-Mar 2017	Full-year 2016	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016
NET SALES										
Power	470.4	130.7	117.5	118.3	103.8	486.9	141.2	126.0	124.4	95.3
Communication	731.2	207.8	181.1	179.0	163.3	718.5	207.7	178.0	184.8	148.0
Other	129.4	35.3	30.4	32.8	30.9	196.7	39.0	52.8	60.2	44.7
Elimination of sales between segments	-1.1	0.4	-1.0	-0.2	-0.2	-2.2	-0.8	-0.5	-0.3	-0.5
Net sales, total	**1,329.9**	**374.2**	**328.0**	**329.8**	**297.8**	**1,399.8**	**387.1**	**356.2**	**369.0**	**287.5**
OPERATIVE EBITA BY SEGMENT										
Power	-0.3	-0.5	0.9	-1.2	0.5	15.1	2.8	2.6	7.7	2.0
% of net sales	-0.1%	-0.3%	0.7%	-1.0%	0.5%	3.1%	2.0%	2.0%	6.2%	2.1%
Communication	34.6	12.4	11.4	7.3	3.6	36.6	13.4	9.9	10.3	3.0
% of net sales	4.7%	0.6%	0.6%	0.4%	0.2 %	5.1%	6.4%	5.6%	5.6%	2.0%
Other	-43.8	-5.3	-6.0	-22.5	-10.0	-37.0	-25.3	-1.1	-9.6	-1.0
% of net sales	-33.8%	-1.5%	-2.0%	-6.9%	-3.2%	-18.8%	-64.9%	-2.0%	-15.9%	-2.3%
Costs not allocated to segments	-16.1	-4.4	-3.3	-4.6	-3.8	-12.6	-5.6	-3.6	-2.7	-0.7
Operative EBITA	**-25.5**	**2.2**	**3.1**	**-21.0**	**-9.7**	**2.1**	**-14.6**	**7.8**	**5.7**	**3.2**
% of net sales	-1.9%	0.6%	0.9%	-0.6%	-0.3%	0.1%	-3.8%	2.2%	1.6%	1.1%

The Eltel Share

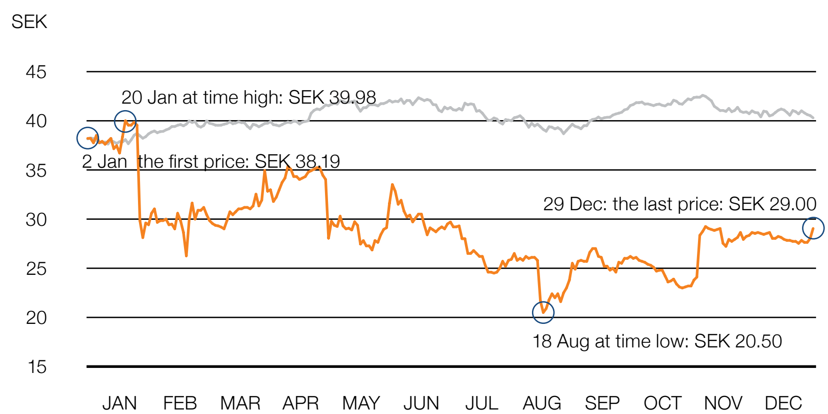
Eltel's ordinary share has been listed on Nasdaq Stockholm since February 2015, under the trading symbol "ELTEL". At the end of the financial period 2017, the number of Eltel shares totalled 156,560,595 and the share capital entered in the trade register was EUR 158,433,250. In addition, Eltel holds 537,000 C shares.

On 2 May 2017, Eltel's Board of Directors, resolved to propose to the Annual General Meeting 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 2017 Annual General Meeting resolved to approve the proposed preferential rights issue. The rights issue was fully subscribed for in June 2017, thereby raising proceeds of approximately EUR 150 million and increasing the share capital by EUR 94,735,011 to EUR 158,433,250. Following the registration of the rights issue by the Swedish Companies Registration Office on 7 July 2017, the number of Eltel's ordinary shares increased by 93,936,357 to 156,560,595.

The closing price on 29 December 2017 was SEK 29 and the volume-weighted average adjusted price for the year was SEK 29.49. At year-end, Eltel's market capitalisation was SEK 4,540 million. The trading volume on Nasdaq Stockholm was 96,362,902 shares, equivalent to a turnover of SEK 2,841,574,947. Eltel's shares were only traded on Nasdaq Stockholm. Further information on share price development can be found on Eltel's IR pages at www.eltelgroup.com/en/section/investors.

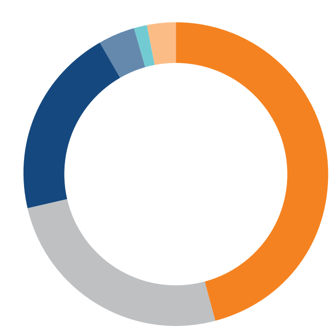
Eltel had approximately 5,100 shareholders at the end of the financial period 2017. Foreign shareholding, including nominee-registered shares, represented 60.3% at the end of the period, and Swedish retail investors held 2.8% of the share capital. The largest shareholder was Solero Luxco S.á.r.l. with 16.4% of the share capital. Further information concerning shareholder base development can be found on Eltel's IR pages at www.eltelgroup.com/en/section/investors.

ELTEL SHARE IN 2017



The share price is adjusted with a EUR 0.24 dividend in 2016 and the subscription rights in the rights issue in June 2017.

GEOGRAPHIC DISTRIBUTION OF SHAREHOLDERS 30 DEC 2017



DISTRIBUTION OF SHAREHOLDER TYPE 2017

Whereof:
Legal entities 36.8%
Natural persons 2.8%

Ownership by sector as of 31 December 2017

Name	Number of shares	Share capital, %
Financial companies	40,646,666	25.87
Foreign resident owners	84,916,241	54.05
Social security funds	24,792,444	15.78
Swedish individuals	4,480,551	2.85
Other Swedish legal entities	1,248,975	0.80
Interest groups	381,518	0.24
Other financial companies	106,000	0.07
Uncategorised legal entities	360,950	0.23
Municipal sector	135,000	0.09
State	29,250	0.02
Total	**157,097,595***	**100.00**

* Amount includes 537,000 C shares

Analysts covering Eltel	
Victor Lindeberg	Carnegie
Lena Österberg	Carnegie
Mikael Holm	Danske Bank
Victor Höglund	SEB
Stefan Andersson	SEB
Matias Rautionmaa	Pohjola

Ownership structure

Shareholding	Number of shareholders	%	Number of shares/SDRs	%
0–500	3,073	60.33	583,462	0.37
501–1,000	653	12.82	534,847	0.34
1,001–5,000	990	19.43	2,364,972	1.51
5,001–10,000	153	3.00	1,171,195	0.75
10,001–15,000	52	1.02	660,394	0.42
15,001–20,000	34	0.67	617,777	0.39
20,001–	139	2.73	151,164,948*	96.22
Total	**5,094**	**100.00**	**157,097,595**	**100.00**

* Amount includes 537,000 C shares

Eltel's top 10 shareholders on 31 december 2017

Shareholders	Number of shares	% of ordinary shares
Solero Luxco S.á.r.l.	25,683,845	16.41%
Zeres Public Market Fund	19,764,811	12.62%
The Fourth Swedish National Pension Fund	15,027,060	9.60%
Swedbank Robur Fonder	14,975,848	9.57%
The First Swedish National Pension Fund	9,386,750	6.00%
Wipunen varainhallinta Oy**	8,000,000	5.11%
Mariatorp Oy**	5,500,000	3.51%
Riikantorppa Oy**	4,570,000	2.92%
SEB Investment Management	2,669,882	1.71%
BNP Baribas S.A.	2,006,417	1.28%
Total	**107,584,613**	**68.72%**
Other shareholders	48,975,982	31.28%
Total ordinary shares in Eltel AB	**156,560,595**	**100.00%**
Total C shares in Eltel AB*	537,000	
Total shares in Eltel AB	**157,097,595**	

* The C shares are held by Eltel AB.
** Companies have agreed to have a long term unified conduct regarding the management of the company through coordinating the use of their voting rights. These intentions have been made public and the Company has been notified in writing that they have agreed to act in this way.

Source: Euroclear

Board of Director's report

The Board of Directors and the President and CEO of Eltel AB, corporate registration number 556728-6652, with its registered office in Stockholm, hereby submit the Annual Report and consolidated financial statements for the 2017 financial year. Eltel AB and its subsidiaries operate under the Eltel brand. The consolidated group is called Eltel Group.

COMPANY OVERVIEW

Eltel is a leading Northern European provider of technical services to the Infranet industry, and consists of companies that operate critical infrastructure networks in the areas of Power and Communication. Eltel's core markets are in the Nordic region and in Poland with the ambition to grow in Germany. Eltel provides a broad and integrated range of services spanning from installation and maintenance services to project planning and execution. The full range of technical service types that Eltel offers through its approximately 6,800 technicians include:

- Installation and maintenance services, which relate to the implementation of infrastructure to connect private and corporate customers to operator networks and care services. These include scheduled and corrective maintenance and managed services.
- Upgrade services, which relate to the implementation of customer plans to recover and upgrade the condition of the infrastructure, installations/rollouts of upgraded/new technology or change of technology.
- Project delivery services, which relate to engineering and build projects on customer specifications for infrastructure network investments.

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 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. In 2017 Aviation and Security business in Sweden was also included in Other. In 2017, sales of the operations included in Other amounted to approximately EUR 129 million (197). For further information on Eltel´s transformation strategy, see pages 8–11.

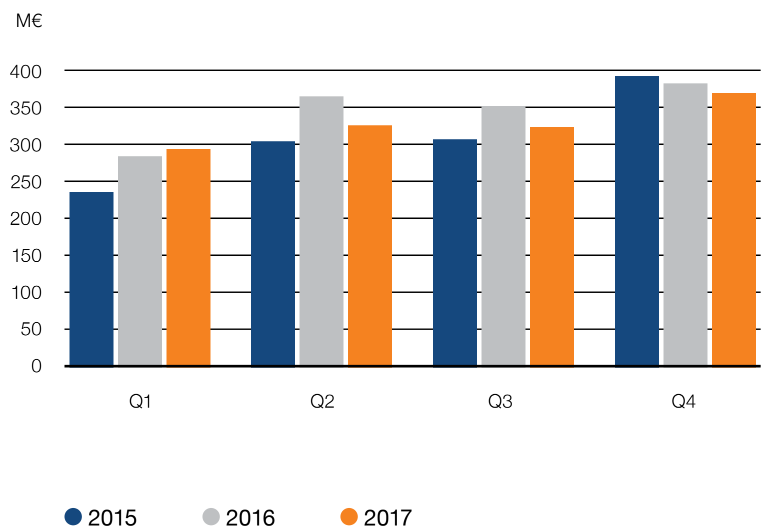
Eltel's service types were offered throughout the Group's two business segments and Other:

- Power: services for power transmission and distribution. Services for power transmission include design, engineering, installation and commissioning of energy transmission systems, high voltage power lines and substations. Power distribution services include services to customers in diverse sectors, including distribution networks and wind power parks. Services for power distribution typically include designing, building and maintaining of overhead lines, underground cables, substations and outdoor lighting and major roll-out projects of smart electrical meters. The Power segment accounted for 35% (35) of the Group's net sales for the 2017 financial year. For further information on Segment Power, see pages 20–23.
- Communication: maintenance services and upgrades, as well as project work to telecom operators and other owners of communication networks. Services for communication are characterised by long-term customer relationships, with a regular inflow of orders that are mainly generated through frame agreements. Activities are mainly driven by technical upgrades, maintenance needs and increasing demand for improved network capacity, faster networks and increased network capacity. The Communication segment accounted for 55% (51) of the Group's net sales for the 2017 financial year. For further information on Segment Communication, see pages 24–27.
- Other: consists of operations that are planned to be divested or discontinued to lower risk levels, clarify focus and ensure proper allocation of resources to our core business. These operations include selected power transmission projects, primarily in Africa, separated into a Power Transmission International unit responsible for managing these, as well as railway operations. In 2017 Aviation and Security business in Sweden was also included in Other. The Other accounted for 10% (14) of the Group's net sales for the 2017 financial year. For further information on Other, see pages 28–29.

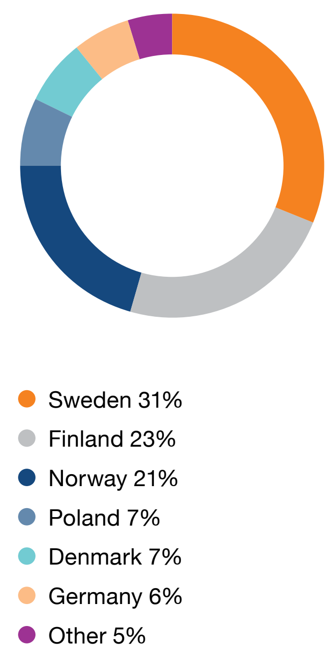
OPERATING ENVIRONMENT IN 2017

Market demand in the Power segment was supported by strong long-term drivers. Business conditions were characterised by high activity levels and long-term investment plans.

NET SALES



NET SALES BY COUNTRY



The power transmission market is characterised by public tender requests, based on comprehensive investment plans announced by transmission system operators in all Eltel's markets. Reduced volumes in high-voltage projects in Poland and Germany due to changed market conditions driven by political discussions were offset by increased sales in Smart Meters, primarily in Norway, Denmark and Germany, as well as strong development in power transmission operations in Finland. In the Nordic countries, the increasing demand for power transmission and associated new investment plans have attracted new players to the region. Competition remained intensive and price competition continued as a result of the high attraction level. Distributions system operators in Norway, Denmark and Germany continue to invest in smart electricity meters in the next few years. In Sweden, a new model for the regulation of power grids is expected to further increase the investment levels within the power transmission and power distribution networks.

The market situation for communication is strong, with some variation between countries and technologies. The communications sector continues to be driven mainly by the installation of fiber optics as well as rollouts of mobile networks. Demand for fiber installation is expected to remain at a high level in the Nordic countries, but with a gradual transition from larger fiber rollout projects to a higher degree of sales and connection services in Sweden. Fiber installation and demand for it are expected to increase in Poland and Germany in the next few years. At the same time, operators in the Nordic region are less willing to invest in copper networks. In the mobile communications sector, demand for rollouts of LTE/4G continues to offer opportunities in Central Europe, while the highest level has been passed in the Nordic region. In Germany, the published investment plans are at a high level, although delays in mobile communication have been noted in the rollout plans. For further information on Eltel's Market Overview, see pages 12–15.

STRATEGY AND TARGETS, MEDIUM TO LONG-TERM FINANCIAL TARGETS AND DIVIDEND POLICY

In 2017, the Board decided on a new strategic focus, a transformation strategy, on new short and medium-term financial targets and a dividend policy. The strategies and the new financial targets and dividend policy are well described on pages 8–11.

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 (845).

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

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 Winco Oy, a wholly owned subsidiary of 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 was paid in the first quarter of 2018. The transaction had a positive impact on Group EBITA of approximately EUR 4 million 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.

On 12 March 2018, Eltel signed a letter of intent to divest its Swedish rail operations, consisting of key customer contracts, employees and operational equipment, to Strukton Rail AB, a company providing solutions in rail infrastructure, railway vehicles and mobility systems. The contemplated transaction, comprising build and maintenance contracts with key customers, employees and operational equipment used for delivering the relevant services, will have a negative EBITA and negative cash flow effect each estimated to be approximately EUR 6.5 million, to occur at the time of completion of the transaction.

Under the letter of intent, the parties aim to finalise and complete the transaction during first half of 2018. The transaction is subject to customer approval of transfer of contracts. Eltel will as part of the divestment enter into a subcontractor agreement with Strukton Rail AB for the completion of certain contracts relating to the rail business, expected to be completed during 2019.

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.

On 1 March 2018, Eltel announced expiration of the letter of intent to divest Power Transmission International. The parties now confirm that the purchaser has not fulfilled the conditions of the transaction. Eltel will therefore proceed with the discontinuation of Power Transmission International. The closure of Power Transmission International is, in certain projects, going faster than planned and discontinuation process is expected to be completed in 2019.

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 year, 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 year, 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.

DIVIDEND DISTRIBUTION

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

ORGANISATIONAL CHANGES

At the beginning of 2018, the Board decided to change the governance of our Core business, segment Power and segment Communication, from the existing structure of central business units to a country- and market-oriented organisation. This change, which is part of Eltel's transformation strategy, means that each country now represents a separate business unit with full profit responsibility. The new organisation permits increased cooperation based on customer needs, strong competence in critical operational functions, economies of scale and improved cost effectiveness. It also means that management is closer to the business. For more information about the new value-creating organisation on pages 16–19.

OUR EMPLOYEES

In 2017, the number of employees decreased by 15.5% to 7,999 at year-end (9,465), mainly as a result of divestments / discontinuation of operations.

Electrical safety, high altitude work, rotten poles and driving have been identified as high-risk activities for Eltel's employees. The Group's systematic, group-wide programme to reduce work-related injuries by promoting a more proactive health and safety culture has led to a significant reduction of the number of injuries in 2015–2017. One example is the reduction of lost time injuries per million working hours, which decreased to 7.0 in 2017 (7.5). No fatal accidents occurred during the year and the group's zero vision is a continued long-term ambition.

The ongoing transformation of Eltel has had an impact on the level of involvement in many parts of the company in 2017. The employee engagement survey, where 74% of all employees participated, gave us important feedback. The results from the survey were thoroughly discussed and a total of 747 action plans were decided to further develop Eltel's organisational, communication, leadership and control methods.

Eltel's HR policy has now been completed with a more comprehensive description of principles of leadership, diversity and equal opportunities for all.

For further information on employee and health & safety issues, see pages 30–31 and Eltel's Sustainability Report 2017.

ENVIRONMENT

Eltel's new sustainability plan for 2018–2020 is based on the priorities of previous years, but the scope of activities and performance reporting will be more versatile. Eltel is therefore well prepared to deliver the non-financial reporting set out in the new EU directive.

Many of Eltel Group's activities directly contribute to the development of a modern and sustainable society. Efficient telecommunications are essential in bringing people closer together and can also reduce the need for travel. Renewable energy sources such as wind power and more efficient electricity networks aided by intelligent solutions, such as smart metering, reduce the need for carbon dioxide generating and polluting electricity generation.

The most significant impact of Eltel's own carbon footprint relates to its vehicle fleet. Eltel focuses on optimising routing and logistics. In 2017, we managed to reduce total fuel consumption by 18% and total CO_2 emissions by 21% compared with the previous year. Eltel continues to engineer and build the latest technologies for charging stations aimed at electric vehicles for several customers.

Eltel has also begun the development of a system for how the Group monitors environmental events in a more structured way. Other examples of actions that support Eltel's environmental work in the workplace include projects concerning virtual workplace development and digitised work processes.

Generally, Eltel Group's activities require only limited environmental permits. The activities of Eltel pose limited risk to the soil and groundwater. As the Company operates a great number of sites and handles hazardous waste, albeit on a relatively small scale, the risk that the Company could be liable for contamination cannot be excluded completely. For further information on Eltel's sustainability efforts, see pages 30–31.

RISKS AND UNCERTAINTY FACTORS

Finnish Competition and Consumer Authority (FCCA) case continues 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. For further information regarding this case and the guarantee (escrow), please refer to Eltel's 2015 Annual Report and Eltel's IPO prospectus.

Eltel has received notifications of claims for damages from certain of its customers based on the allegations by the FCCA. No damages claims have been filed in any civil courts. Eltel maintains that the Company has not violated competition law and that all related damages claims are unfounded and incomplete in respect of facts. Eltel will dispute and defend itself against any damage claims. As stated in the IPO prospectus, Eltel expects to receive damage claims 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.

RISK MANAGEMENT

Risk management is a fundamental part of business management and control of Eltel. The core components of risk activities are identification, evaluation, management, reporting, follow-up and control. An action plan is established for each risk to either accept, reduce or eliminate the risk in question or leverage the opportunities that the risk may entail for the operations of Eltel.

The key features of the control environment within Eltel's corporate governance framework include a set of clear rules of procedure for the Board of Directors and its committees, a clear organisational structure, with documented delegation of authority from the Board of Directors to the Group Management Team, and a series of Group policies and instructions. The governance framework and internal controls cover all Eltel companies.

At the highest level, the Board of Directors evaluates and monitors risks and the quality of financial reporting via the Audit Committee, which oversees Eltel's internal control systems and financial reporting process as well as maintains regular contact with Eltel's external auditors. At the operating level, risk management and internal control are exercised and continuously monitored through comprehensive monthly reporting packages and in monthly business reviews performed throughout and at all levels of the organisation. Business units follow a standardised review process with detailed templates for new tenders. Proposals are reviewed and approved according to the Board of Directors' delegation of authority.

MAJOR EVENTS AFTER THE REPORTING PERIOD

On 17 January 2018, Eltel communicated a change the governance structure of its Core business, Segment Power and Segment Communication, from the current business unit-centric organisation to a country and market-driven organisation. This change is part of the transformation strategy decided in February 2017 and will mean each country where Eltel has operations forming a separate business unit. The changes include four new executives joining Group Management. On 17 January 2018, Eltel also communicated the decision to retain the Swedish Aviation and Security business (Aviation and Security), which previously was planned to be divested. The operations will instead be integrated with business unit Sweden.

On 31 January 2018, Eltel communicated the completion of the sale of its rail operations in Denmark to Strukton Rail A/S and the completion of the sale of its rail business operations in Finland to Winco Oy, a wholly owned subsidiary of Graniittirakennus Kallio Oy.

On 12 March 2018, Eltel signed a letter of intent to divest its Swedish rail operations, consisting of key customer contracts, employees and operational equipment, to Strukton Rail AB, a company providing solutions in rail infrastructure, railway vehicles and mobility systems. The contemplated transaction, comprising build and maintenance contracts with key customers, employees and operational equipment used for delivering the relevant services, will have a negative EBITA and negative cash flow effect each estimated to be approximately EUR 6.5 million, to occur at the time of completion of the transaction.

On 29 March 2018, Eltel announced that the divestment of Eltel's Swedish rail operations to Strukton Rail AB, announced on 12 March 2018, has now been completed. Eltel will as part of the divestment enter into a subcontractor agreement with Strukton Rail AB for the completion of certain contracts relating to the rail business, expected to be completed during 2019.

CORPORATE GOVERNANCE REPORT

Eltel has issued a Corporate Governance Report for the financial year 2017. The Corporate Governance Report has been composed in accordance with the Swedish Corporate Governance Code valid as of December 2016.

THE ELTEL SHARE AND SHAREHOLDERS

Eltel's ordinary share has been listed on Nasdaq Stockholm since February 2015, under the trading symbol "ELTEL". At the end of the financial period 2017, the number of Eltel shares totalled 156,560,595 and the share capital entered in the trade register was EUR 158,433,250. In addition, Eltel holds 537,000 C shares.

On 2 May 2017, Eltel's Board of Directors, resolved to propose to the Annual General Meeting 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 2017 Annual General Meeting resolved to approve the proposed preferential rights issue. The rights issue was fully subscribed for in June 2017, thereby raising proceeds of approximately EUR 150 million and increasing the share capital by EUR 94,735,011 to EUR 158,433,250. Following the registration of the rights issue by the Swedish Companies Registration Office on 7 July 2017, the number of Eltel's ordinary shares increased by 93,936,357 to 156,560,595.

The closing price on 29 December 2017 was SEK 29 and the volume-weighted average adjusted price for the year was SEK≈29.49. At year-end, Eltel's market capitalisation was SEK 4,540 million. The trading volume on Nasdaq Stockholm was 96,362,902 shares, equivalent to a turnover of SEK 2,841,574,947. Eltel's shares were only traded on Nasdaq Stockholm. Further information on share price development can be found on Eltel's IR pages at www.eltelgroup.com/investors.

Eltel had approximately 5,100 shareholders at the end of the financial period 2017. Foreign shareholding, including nominee-registered shares, represented 60.3% at the end of the period, and Swedish retail investors held 2.8% of the share capital. The largest shareholder was Solero Luxco S.á.r.l. with 16.4% of the share capital. Further information concerning shareholder base development can be found on Eltel's IR pages at www.eltelgroup.com/investors.

PARENT COMPANY OPERATIONS

Eltel AB owns and governs the shares of Eltel Group. The operational and strategic management functions of Eltel Group are centralised to Eltel AB. The Parent 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.

The Parent Company's income amounted to EUR 2.8 million (2.6) related to support function services provided to the Group. The operating expenses amounted to EUR 12.0 million (7.6). The value of investment in Group companies was written down by EUR 200 million (0.0). Financial income of EUR 17.5 million (18.9) related to interest income from Group companies. Financial expenses amounted to EUR 4.5 million (3.5) and no group contribution (2016 EUR 9.8 million) was given to a subsidiary company. Net result was EUR -196.5 million (0.5).

DISTRIBUTION OF PROFITS

The Parent Company's non-restricted equity on 31 December 2017 was EUR 285,564,864.82 of which the net loss for the year was EUR -196,489,518.83. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial year 2017. The Board further proposes that the non-restricted equity of EUR 285,564,864.82 be retained and carried forward.

Corporate Governance report

Eltel AB (publ) (hereafter "Eltel" or the "Company") is a Swedish public limited liability company with its shares admitted to trading on Nasdaq Stockholm. Eltel complies with the guidelines and provisions of its Articles of Association, the Swedish Companies Act (Sw. Aktiebolagslagen (2005:551), the Swedish Annual Accounts Act (Sw. Årsredovisningslagen (1995:1554), and the rules and regulations of the Nasdaq Stockholm's Rule Book for Issuers, as well as other Swedish and international laws and regulations, as applicable. Eltel applies the Swedish Corporate Governance Code (the "Code"), issued by The Swedish Corporate Governance Board (Sw. Kollegiet för svensk bolagsstyrning), available at www.corporategovernanceboard.se.

Eltel comply with all parts of the Code with the following exceptions: As detailed in section Remuneration principles at Eltel "Eltel's short-term incentives". Eltel has decided on bonus arrangements for key personnel specifically linked to success factors in Eltel's ongoing transformation work. These bonus arrangements constitute a deviation from point 9.4 of the Code and are motivated by the critical importance this key personnel have for Eltel's strategic change in 2018 and beyond.

Eltel's Audit Committee has reviewed the Corporate Governance Report, and has monitored the issuing of the report and verified that the description of the main features of the internal control and risk management section, as related to the financial reporting process included in the statement, matches the Financial Statements.

GOVERNANCE

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

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 Metering, are project based, offer standard solutions for all markets, and will therefore be managed with cross-border mandates.

OWNERSHIP STRUCTURE

At 31 December 2017, Eltel's market capitalisation amounted to SEK 4,540 million represented by 156,560,595 shares. According to the share register, Eltel had about 5,100 shareholders at 31 December 2017. Solero Luxco S.á.r.l., Zeres Public Market Fund, Wipunen varainhallinta Oy*, Mariatorp Oy* and Riikantorppa Oy* were the largest owners with about 40.57% of the share capital. In addition, Eltel holds 537,000 C shares.

THE GENERAL MEETING

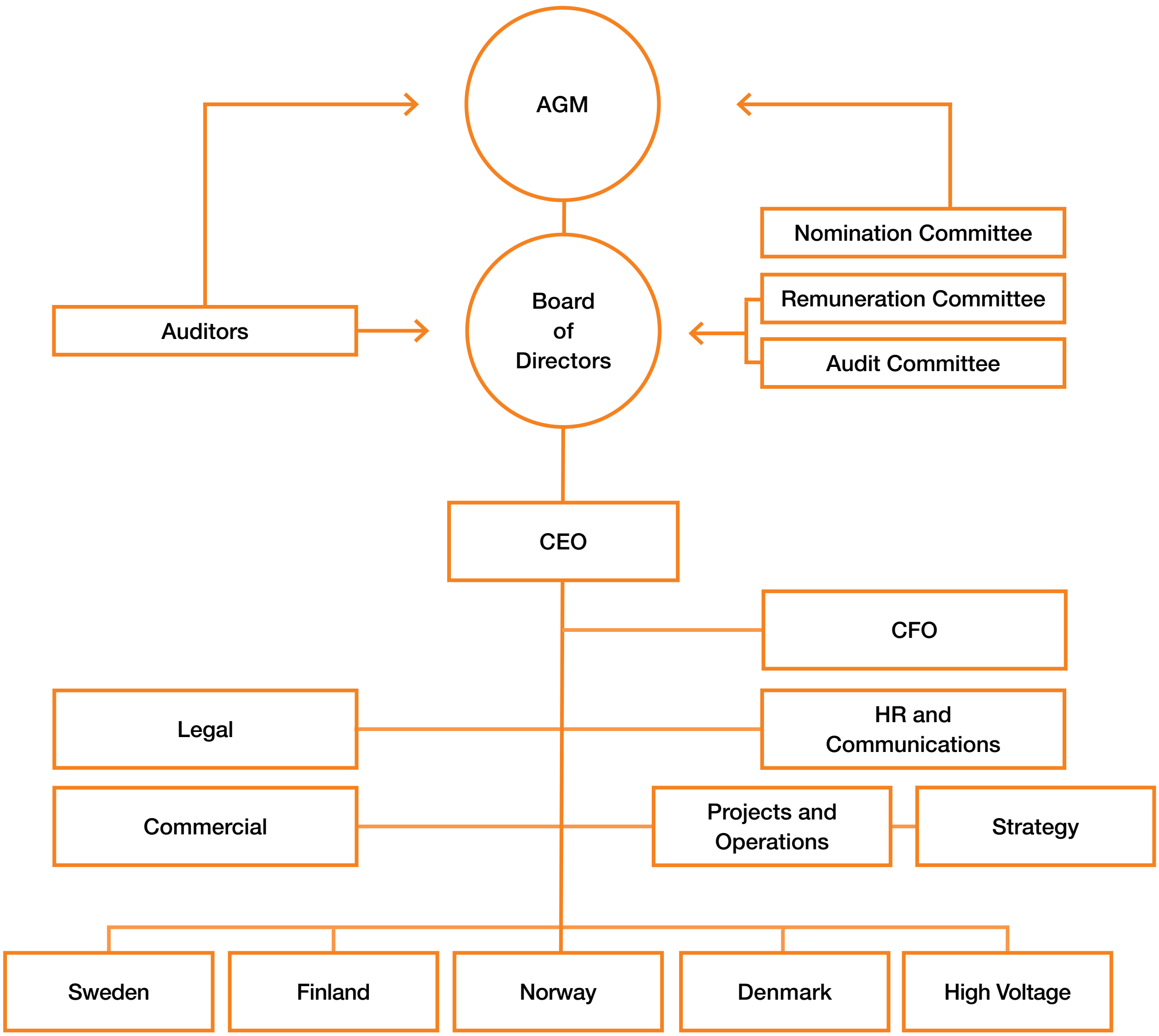
The General Meeting of shareholders is Eltel's highest decision-making body. The General Meeting may resolve upon all issues for the Company, that are not specifically reserved for another company body's exclusive competence. At the Annual General Meeting shareholders exercise their voting rights on matters such as:

- approving the financial statements,
- deciding on the distribution of dividends,
- discharging the company's Board of Directors and CEO from liability for the financial year,
- electing the company's Board of Directors and auditors and deciding on their remuneration,
- other matters as stipulated in the Swedish Companies´ Act, the Articles of Association or the Code, as applicable.

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

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

Eltel's governance model



publishes invitations to its General Meetings as regulatory press releases.

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

ANNUAL GENERAL MEETING 2017

Eltel's Annual General Meeting was held on 1 June 2017. Shareholders representing 43,349,239 shares, representing 69.2% of the total number of shares and votes in the Company participated in person or by proxy. Matters addressed at the meeting included the following:

- A presentation by Axel Calissendorff of conclusions from his investigation, performed on behalf of the Board, with respect to potential liabilities in relation to the Company´s project business,
- Resolution by the meeting that the former chairman of the Board, Gérard Mohr, and the former CEO, Axel Hjärne, are not be granted discharge of liability for the financial year 2016 and that the other members of the Board and the CEO, Håkan Kirstein, are granted discharge of liability for the financial year 2016,
- Election of Ulf Mattsson (chairman), Hans von Uthmann, Håkan Dahlström, Markku Moilanen and Mikael Moll as new members of the Board and re-election of Ulf Lundahl and Gunilla Fransson
- Re-election of PricewaterhouseCoopers as auditor (whereby it was noted that Michael Bengtsson will replace Niklas Renström as auditor in charge),
- Guidelines for remuneration to senior executives, and
- Resolution on a rights issue of approximately SEK 1,500 million.

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

ANNUAL GENERAL MEETING 2018 AND ANNUAL REPORT 2017

Eltel's Annual General Meeting 2018 will be held at Solna Gate, Hemvärnsgatan 9, 17154 Solna, Stockholm on 9 May 2018.

The Annual Report 2017 is available on the Group website on 5 April 2018, www.eltelgroup.com and at the Eltel AB headquarters, Adolfsbergsvägen 13, Bromma, Stockholm, Sweden as from week 16.

NOMINATION COMMITTEE

According to the instructions for the Nomination Committee, the committee shall consist of a minimum of four members, representing each of the four largest shareholders registered on 31 August in the previous year. The Nomination Committee's main duties are to propose candidates for the Board of Directors, the Chairman of the Board, as well as fees and other remuneration to the members of the Board of Directors. The Nomination Committee is also to make proposals on the election and remuneration of the statutory auditor. Shareholders in Eltel are invited to submit proposals to the Nomination Committee.

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

Nomination Committee for the AGM 2018

For the 2018 Annual General Meeting, the Nomination Committee consists of the following members:

- Erik Malmberg, Solero Luxco S.á.r.l. (Chairman)
- Joakim Rubin, Zeres Capital
- Peter Immonen, Wipunen Varainhallinta Oy, Mariatorp Oy and Riikantorppa
- Per Colleen, the Fourth Swedish National Pension Fund.

Up to the date of the Annual General Meeting, the Nomination Committee met on five occasions and held separate sessions to interview candidates for the Board.

THE BOARD OF DIRECTORS

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

Operations of the Board of Directors

Pursuant to the Swedish Companies Act, the Board of Directors is responsible for the Company's organisation and the administration of the Company's affairs. Furthermore, the Board of Directors shall continuously assess the Group's financial situation, as well as secure to it that the Company's organisation is formed in a way that the accounting, management of funds and the financial conditions are controlled in a secure manner.

The assignments of the Board of Directors include, inter alia, to set objectives and strategies, secure efficient systems for follow-up and control of the Company's operations, and secure that satisfactory control exists for the Company's compliance with laws and other regulations applicable to Eltel's operations. The assignments of the Board of Directors also include implementation of required ethical guidelines set for the Company's behaviour and that the disclosure of information is made in a transparent, and correct, relevant and reliable manner. In addition, the assignments of the Board of Directors include appointing, evaluating and, if necessary, dismissing the CEO.

Except for employee representatives, members of the Board of Directors are appointed by the Annual General Meeting for one year at a time for the period until the end of the next Annual General Meeting. According to the Company's Articles of Association, the members of the Board of Directors to be elected by the General Meeting shall consist of three to ten members with no more than three deputies. According to the Swedish Corporate Governance Code, the majority of Board members shall be independent of the Company and the management.

Eltel's Board of Directors observes a written procedure, adopted by the Board of Directors and reviewed annually. The Procedure for the Board of Directors regulates, among other things, the Board of Directors' roles and responsibilities, the Board of Directors' ways of working and the division of work within the Board of Directors. The Board of Directors also adopts an Instruction for the CEO of Eltel, as well as an Instruction for financial reporting.

Board of Directors in 2017

At the date of this report, Eltel's Board of Directors consisted of seven ordinary members and two employee representatives as ordinary members. In addition, there were two deputies to the employee representatives:

- Ulf Mattsson, Chairman of the Board of Directors and Chairman of the Remuneration Committee;
- Gunilla Fransson, Chairman of the Audit Committee;
- Mikael Moll, member of the Audit Committee;
- Hans von Uthmann, member of the Audit Committee;
- Ulf Lundahl, member of the Remuneration Committee;
- Håkan Dahlström, member of the Remuneration Committee;
- Markku Moilanen;
- Jonny Andersson, employee representative;
- Björn Ekblom, employee representative;
- Krister Andersson, deputy to employee representative, and
- Ninni Stylin, deputy to employee representative.

The members of the Board of Directors are presented in greater detail in the section "Board of Directors" on page 52–55.

The Chairman Ulf Mattsson and the Board members Gunilla Fransson, Hans von Uthmann, Ulf Lundahl, Håkan Dahlström and Markku Moilanen are regarded to be independent from the owners and the Company. Mikael Moll is regarded to be independent from the Company but dependent of significant shareholders due to his position at Zeres Capital.

Board matters during 2017

During 2017 the main focus of the Board was to secure that the financial situation of the Company was restored by means of the Rights Issue that was adopted at the Annual General Meeting on 1 June 2017. The Board also addressed matters related to health and safety and issues relating to strengthening of the project governance model (including reporting and follow-up) and that divestments and right-sizing of operations were executed in accordance with plan. Finally, the Board was engaged in supporting in the development of a new strategic agenda for the Company, as decided and communicated on 18 January 2018.

During 2017, the Board of Directors held 22 meetings. For details on Board member participation in Board meetings, please see table on page 47.

Evaluation of the Board's performance

To ensure the quality of the work of the Board and to identify possible need for further expertise and experience, the work of the Board and its members is evaluated annually. In 2017, the evaluations, which were led by the Chairman of the Board, were carried out by way of each Board member responding to an online questionnaire. The compiled results were presented to the Board at the final Board meeting of the year. The Chairman of the Board also presented the results of the evaluations at a meeting with the Nomination Committee.

BOARD COMMITTEES

The Board annually appoints an Audit Committee and a Remuneration Committee in its constitutive meeting following the Annual General Meeting. The Board may also appoint other committees if considered necessary. The Board appoints the members of these committees and their chairmen taking into consideration the expertise and experience required for the duties of the committee. The members of each committee are appointed for the same term of office as the Board itself. The purpose of the Board's committees is to prepare matters to be put to the Board for its decision. The committees have no decision-making authority of their own.

The Audit Committee

The main responsibilities of the Audit Committee are to:

- monitor the Company's financial reporting;
- in respect to the financial reporting, monitor the effectiveness of the Company's internal control, internal audit, and risk management;
- keep itself informed regarding the audit of the annual report and group accounts;
- review and monitor the impartiality and independence of the auditor, giving particular attention to if the auditor provides the Company with services other than auditing services, and
- assist in preparation of proposals to the resolutions to the General Meeting regarding election of auditor.

Members of the Board of Directors

Name	Position	Year of birth	Election year	Share holding	Remune-ration EUR	Board meetings	Committee meetings*	Indepen-dence from main owners	Indepen-dence of the Company	Other boardships as of 31 Dec 2017
Ulf Mattsson	Chairman	1964	2017	-	106,867	11/11	4/4	Yes	Yes	Chairman of the Board of Directors at Crem International. Member of the Board of Directors at Addtech AB, Oras Invest Oy, Priveq V AB.
Håkan Dahlström	Member	1962	2017	-	33,658	10/11	4/4	Yes	Yes	
Gunilla Fransson	Member	1960	2016	-	51,875	21/22	7/7	Yes	Yes	Member of the Board of Directors at Trelleborg AB, NetInsight AB, Nederman AB, Enea AB, Permobil AB, Teleopti AB and ProOpti AB.
Matti Kyytsönen[1)]	Member	1949	2007	-	17,167	11/11	4/4	Yes	Yes	
Susanne Lithander[1)]	Member	1961	2014	-	17,167	10/11	4/4	Yes	Yes	
Ulf Lundahl[2)]	Member	1952	2014	-	69,158	19/22	7/8	Yes	Yes	Chairman of the Boards of Directors of Attendo AB, Ramirent PLC, Fidelio Capital and Handelsbanken Regional Bank Stockholm. Member of the Boards of Directors of Indutrade AB and Holmen AB.
Markku Moilanen	Member	1961	2017	-	28,875	10/11	-	Yes	Yes	
Mikael Moll	Member	1982	2017	-	33,658	11/11	6/6	No	Yes	Board member of Zeres Capital Partners AB and ZC Advisory AB.
Rada Rodriguez[1)]	Member	1959	2015	-	13,750	9/11	-	Yes	Yes	
Hans von Uthmann	Member	1958	2017	10,000	33,658	9/11	5/6	Yes	Yes	Chairman of the Board of Directors at FEAB (Falbygdens Energi AB) and Springtime Group AB. Member of the Board of Directors at Veidekke ASA, Skangas AS, GIH and SOK.
Karl Åberg[1)]	Member	1979	2015	-	17,167	11/11	1/1	No	Yes	
Jonny Andersson	Employee represent.	1978	2015	-	-	16/22	-	Yes	No	
Krister Andersson	Deputy employee rep.	1964	2015	-	-	11/22	-	Yes	No	
Björn Ekblom	Employee represent.	1976	2015	3,500	-	20/22	-	Yes	No	
Ninni Stylin	Deputy employee rep.	1982	2015	-	-	1/22	-	Yes	No	

1) Member of the Board until the Annual General Meeting 2017
2) Chairman of the Board from November 2016 until June 2017

* For further information regarding compositions of Board Committees in 2017, please see pages 46–48.

As part of the tasks above, the Chairman of the Audit Committee shall support the senior management in questions regarding financial reporting and information disclosure and have an ongoing contact with the auditor in these matters.

In addition, the Audit Committee Chairman shall support the CEO, the CFO and Group Communications in matters relating to information disclosures, financial reporting and media contacts, especially in the event of crisis situations.

The Audit Committee in 2017

At the date of this report, the Audit Committee consists of three members: Gunilla Fransson (Chairman), Mikael Moll and Hans von Uthmann. The Audit Committee held 10 meetings in 2017 at which Eltel's external auditor and representatives of the company's management were present.

The Remuneration Committee

The main responsibilities of the Remuneration Committee are to:

- prepare the Board of Directors' decisions on issues concerning principles for remuneration, remunerations and other terms of employment for the senior management;
- monitor and evaluate, both ongoing and terminated during the year, programmes for variable remuneration for the senior management;
- monitor and evaluate the application of the guidelines for remunerations to senior management that the Annual General Meeting is legally obliged to decide on, as well as the current remuneration structures and levels in the Company, and
- assess and plan the succession of the senior management of Eltel.

The Remuneration Committee in 2017

At the date of this report, the Remuneration Committee consisted of three members: Ulf Mattsson (chairman), Ulf Lundahl and Håkan Dahlström.

The Remuneration Committee held five meetings in 2017.

EXTERNAL AUDIT

The Annual General Meeting appoints the external auditor for one year at a time. The external auditor is responsible for auditing the annual financial statements of the Group and Parent Company. In addition, the external auditor reviews the third quarter interim report and the Company's administration. The external auditor attends all regular Audit Committee meetings and reports observations related to internal control, administration of the Company and the review of the third quarter and the annual financial statements. The external auditor attends at least one Board meeting during the year.

External auditor in 2017

The General Meeting 2017 elected PricewaterhouseCoopers AB as Eltel's external auditor for a one-year mandate, with Michael Bengtsson as auditor-in-charge. In 2017, total fees paid to the external auditors amounted to EUR 1.8 million, of which non-auditing services totalled EUR 1.1 million.

GROUP MANAGEMENT TEAM

Chief Executive Officer

Eltel's President and Chief Executive Officer (CEO) reports to the Board of Directors. The CEO's responsibility is governed by the Swedish Companies Act, the Swedish Annual Accounts Act, the Company's Articles of Association, directions given by the General Meeting, Eltel's Instructions for the CEO and other directions and guiding principles established by the Board of Directors.

Group Management Team

The GMT, chaired by the CEO, meets a minimum of 10 times annually (10 times in 2017). The GMT considers strategic and operational issues related to the Group and its businesses, as well as investments, Group structure and corporate steering systems, and it supervises the Company's operations. The GMT also delivers the annual business plan, budget and forecast updates to the Board of Directors in accordance with the Company´s established planning cycle.

At the date of this report, the Group Management Team consisted of the following members:

- Håkan Kirstein, President and CEO
- Petter Traaholt, CFO
- Henrik Sundell, General Counsel
- Karin Lagerstedt Woolford, HR and Communications Director
- Leif Göransson, Projects and Operations Director
- Mikael Malmgren, Head of Strategy
- Claus Metzsch Jensen, Managing Director – Country Unit Denmark
- Juha Luusua, Managing Director – Country Unit Finland
- Thor-Egel Bråthen, Managing Director – Country Unit Norway
- Peter Uddfors, Managing Director – Country Unit Sweden
- Christian Wittneven, Managing Director – Solution Unit High Voltage

Information on the members of the GMT can be found in the Annual Report 2017 on pages 56–59.

REMUNERATION PRINCIPLES AT ELTEL

Eltel's overall objective is to offer a competitive and market-based level of remuneration consisting of both fixed and variable salary, pension and other remuneration components. Remuneration to senior executives shall motivate senior management to do its utmost in the best interests of Eltel's shareholders. Remuneration shall be determined in relation to area of responsibility, duties, expertise and performance. The fixed salary component equals and compensates for engaged work of management at a high professional level, creating value to Eltel. In addition, senior executives may be offered long-term incentive schemes on market-based terms. The Board shall have the right to deviate from the guidelines in individual cases if there are particular grounds for such deviation.

The pension terms of the CEO and other senior executives in the GMT should be market based in relation to terms that generally apply for comparable executives. The Group Management Team being an international team with members from Sweden, Finland and Denmark, the pension terms of Eltel's senior management reflect some national differences.

Eltel's short-term incentives

The short-term variable salary component is based on predetermined and measurable financial and individual targets. The criteria are recommended by the Remuneration Committee and ultimately decided by the Board of Directors. The short-term (one year) variable salary component varies between 10% and 80% of fixed annual salary. The CEO has an 80% variable salary component and the remaining members of Group Management Team (GMT) have a 60% variable salary component.

The short-term incentive programme at Eltel covers all managerial levels from team level to the GMT as well as key managers in Group shared services and functions. The range of variable salary component for other than GMT members is from 10% to 40% of the fixed annual salary depending on the job position of an employee. The yearly bonus schemes cover some 90% of all employees.

For the year 2017, the Board has decided to offer 20 key employees, comprising the CEO and employees within the Communication and Power business (of which two employees have left the company), a retention bonus arrangement. The arrangement will grant each employee a bonus of four to six months' salary, provided the relevant individual is still employed with Eltel on 31 March 2018. In addition, the Board has decided to offer another six key employees (of which one employee has left the company), within the businesses to be divested a retention bonus arrangement. This arrangement will grant each key employee a bonus of four months' salary, provided the relevant individual is still employed with Eltel when a business transfer agreement regarding the divested business is signed and closed by a new owner. These bonus arrangements constitute a deviation from Section 9.4 of the Code explained by the critical importance of these key employees to the strategic changes of Eltel during 2017 and onwards.

Eltel's long-term incentives

Senior executives may be offered long-term incentive schemes at market-based terms. The motive for share-based incentive schemes is to achieve an increase in and spread of share ownership/exposure among the senior executives and to achieve a greater alignment of interests between the executives and the Company's shareholders. A long-term personal share ownership commitment among key personnel can be expected to stimulate greater commitment to the Company's long-term development, to align management with shareholders' interests and to increase motivation and solidarity with the Company. Decisions regarding share-based incentive schemes shall always be resolved on by General Meeting.

Currently there are two active long-term incentive programmes (LTIP); LTIP 2015 and LTIP 2016. Both of these are three-year programmes and the basic principles are the same in both programmes. Some 70 key individuals are covered by these programmes.

Long-term incentive programme 2015

The purpose of Eltel's long-term incentive programme 2015 (LTIP 2015), approved by the Annual General Meeting 2015, is to increase the attractiveness of Eltel as an employer on the global market, making it easier to retain and recruit qualified key individuals. The term of the LTIP 2015 is three years.

Interest in participation was high and 97% of the invited 70 participants chose to participate. The subscription period for the programme took place in August 2015. Participation in LTIP 2015 required that the participant acquired and locked Eltel ordinary shares into LTIP 2015 ("Savings Shares"). For each acquired "Savings Share", the participant is entitled, after a three-year qualification period and provided continued employment during the entire period, to receive an allotment of one Eltel matching share ("Matching Share"). Dependent on the fulfilment of certain performance targets linked to Eltel's earnings per share for the financial year 2017, the participant may also be entitled to receive allotment of additional Eltel shares ("Performance Shares"). The participant shall not pay any consideration for the allotted "Matching Shares" and "Performance Shares". "Matching Shares" and "Performance Shares" are Eltel ordinary shares.

The "Savings Shares" covered by the LTIP 2015 programme were acquired in a structured way in ordinary trading on the stock market on 17 September 2015. The average purchasing price of these 91,953 "Savings Shares" was 94.94 SEK. On balance sheet date, the LTIP 2015 comprised a maximum of 80,322 matching shares, corresponding to approximately 0.1% of the total outstanding shares and votes in the Company.

LTIP 2015 was directed towards three categories of participants:

- CEO;
- the Group Management Team (GMT), a maximum of ten employees;
- individuals reporting directly to GMT members or other key employees, a total of 59 persons.

The maximum number of Savings Shares for each participant is based on an investment in Eltel shares with an amount corresponding to a certain portion of the concerned participant's base salary level for the current year. In order to be eligible to participate in LTIP 2016, the participant must make a minimum investment equal to 25% of the applicable maximum level for Savings Shares investment.

Long-term incentive programme 2016

The purpose of Eltel's long-term incentive programme 2016 (LTIP 2016), approved by the Extraordinary General Meeting in June 2016, is to increase the attractiveness of Eltel as an employer on the global market, making it easier to retain and recruit qualified key individuals. The term of the LTIP 2016 is three years.

The programme was directed towards 85 key individuals at Eltel including the new CEO, members of the Group Management Team and other key employees at Eltel. The participation rate was 87% of the invited individuals. The total value subscribed for by the participants during the subscription period in August 2016 amounted to approximately EUR 1.0 million euro and was equivalent to approximately 85% of the maximum offered to these individuals. Dependent on the fulfilment of certain performance targets linked to Eltel's earnings per share for the financial year 2018, the participant may also be entitled to receive allotment of additional Eltel shares (”Performance Shares”). The participant shall not pay any consideration for the allotted “Matching Shares” and “Performance Shares”. “Matching Shares” and “Performance Shares” are Eltel ordinary shares.

In October 2016, a total amount of 107,658 Eltel AB shares were purchased in ordinary trading at an average price of SEK 89.00, equal to a total value of approximately one million euro. On balance sheet date, the LTIP 2016 comprised a maximum of 324,905 shares in total, corresponding to approximately 0.2% of the total outstanding shares and votes in the Company. The calculation of the maximum amount includes assumption of fully meeting the set performance targets linked to Eltel's earnings per share for the financial year 2018.

LTIP 2016 is directed towards three categories of participants:

- CEO;
- Group Management Team (GMT), maximum ten employees;
- individuals reporting directly to the GMT and other key employees, a total of 74 persons.

The maximum number of Savings Shares for each participant is based on an investment in Eltel shares with an amount corresponding to a certain portion of the concerned participant's base salary level for the current year. In order to be eligible to participate in LTIP 2016, the participant must make a minimum investment equal to 25% of the applicable maximum level for Savings Shares investment.

By reason of the Rights´ Issue decided by Eltel´s Annual General Meeting on 1 June 2017 (the “Rights´ Issue”) (and in order to compensate for the dilution effect caused by the Rights´ Issue) Remuneration Committee (defined as “the Committee” in the 2015 and 2016 LTI Plan Rules) has recalculated the number of Matching Shares so that the financial position of the Holders as far as practicable is equal to the financial position immediately prior to the Rights´ Issue.

CONTROL SYSTEMS

Guidelines and manuals

Eltel's internal control system, including corporate governance as well as the business and other processes, are described in various guidelines and manuals. Eltel's Group Accounting Manual contains instructions and guidance on accounting and financial reporting to be applied in all Eltel Group companies. The manual supports the achievement of the objectives regarding the reliability of Eltel's financial reporting.

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

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

Information and communications

All external communications are carried out in accordance with relevant regulations and Eltel's Communications Policy. Eltel has a Group Communications function which focuses on four key communication areas: Investor Relations, internal and external communications, brand and marketing as well as sustainability. If needed, Eltel also works with external communications support.

Follow-up

The Board and GMT monitor Eltel's compliance with adopted policies and guidelines. At each Board meeting the Company's financial position is addressed. The Board's Remuneration and Audit Committees play important roles in terms of, for example, remuneration, financial statements and internal control. Before publication of interim reports and the Annual Report, the Audit Committee and the Board review the financial statements.

Eltel's management conducts a monthly follow-up of earnings, analysing deviations from budget, forecasts and the previous year. The duties of the external auditor include performing an annual review of the internal controls of the Group and Group subsidiaries.

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

Priority areas in 2017

Based on the outcome of the operational project review in 2016, Eltel established a Group Project function with dedicated focus on governance and structure in running Eltel's project business. The task of this new function is to implement and follow-up on the decided new governance and processes. The strengthening of the project business' governance and processes includes several actions related to governance, risk assessments, reporting, audits and tools covering the process from tendering to execution of a project. A Group Tender Board (represented by the CEO, the CFO, the General Counsel and the Head of Group Project Office) was established with the purpose of securing a thorough risk assessment and control starting from the tender phase.

In addition, Eltel established a project (the "GDPR project") the purpose of which is to ensure compliance with applicable data protection laws (including the new EU General Data Protection Regulation 2016/679) and to document and protect the rights of Eltel's employees, customers, suppliers and other stakeholders in relation to data protection. The GDPR project will be implemented in a consistent way, taking local deviations and requirements into account, in all countries where Eltel is present. The GDPR project was initiated in 2017 and is intended to secure that Eltel will be compliant with GDPR when the new regulation comes into force on 25 May 2018.

Internal control 2018

As from January 2018 an internal control function has been established, within the CFO office, reporting to the Audit Committee. The function is responsible for, among other things, managing the internal control framework, risk management, performing internal audits and continuous monitoring and control of Eltel's compliance with applicable laws and generally accepted accounting principles.

Risk assessment

The Group conducts regular risk assessments to identify material risks and mitigating action. In terms of risks associated with the financial statements, the main risk is considered to be management estimates and assumptions that impact the valuation of assets, liabilities, income and expense or other discrepancies.

Fraud and losses through embezzlement are a further risk. Risk management is an integral part of each process and different methods are used for evaluating and limiting risks and to ensure that the risks to which Eltel is exposed are managed according to established rules, instructions and follow-up procedures. The purpose is to minimise any risks and promote accurate accounting, reporting and information disclosure. Most significant operational and strategic risks are collected on a quarterly basis and assessed and reported to Group management from each business unit. Group management assesses the need for any mitigating actions (and/or financial provisioning) and reports the most significant strategic risks and related mitigating actions to the Board of Directors. In addition, the Group Legal Review Forum, consisting of representatives from Group Finance, Legal, HR and Communications, reviews all Eltel legal entities with respect to legal and financial risks on a quarterly basis.

Eltel follows the ISO 31000 standard for risk management and has adopted a Risk Management Policy. The policy includes, among other things, social and environmental risks and outlines measures for risk identification, assessment, prioritisation, mitigation, monitoring and reporting. Risk assessments, including the evaluation of health, safety and environmental risks, are also a standard part of all projects.

In the monthly business reviews that are performed at each level in the organisation, a report of the most important operational risks in terms of monetary risk are reported and assessed in order to establish any need for mitigating actions and/or financial provisioning.

For more information regarding financial risk management, please refer to Note 3. in the Consolidated Financial Statements.

SUSTAINABILITY REPORT

Eltel annually publishes a Sustainability Report, which are to be found on the Company's website: www.eltelgroup.com.

Board of Directors

	Ulf Mattsson	**Håkan Dahlström**	**Gunilla Fransson**
	Chairman of the Board of Directors	**Member of the Board of Directors**	**Member of the Board of Directors**
	Born 1964	Born 1962	Born 1960
	M.Sc. (Econ.)	M.Sc. Computer Eng., M.Sc. Digital Technology	M.Sc. .Sc. in Chemical Engineering
	Chairman of the Board of Directors, since 2017	Member of the Board of Directors, since 2017	Member of the Board Directors, since 2016
Positions and other board memberships as of 31 December 2017	Chairman of the Board of Directors at Crem International. Member of the Board of Directors at Addtech AB, Oras Invest Oy, Priveq V AB.	CEO Tieto Sweden AB and Executive Vice President, Technology Services and Modernization at Tieto Corporation.	Member of the Board of Directors at Trelleborg AB, NetInsight AB, Nederman AB, Enea AB, Permobil AB, Teleopti AB and ProOpti AB. CEO and partner at Novare Peritos.
Board committees	Chairman of the Remuneration Committee	Member of the Remuneration Committee	Chairman of the Audit Committee
Previous positions	Chairman of the Board of Directors at AcadeMedia, 2010–2017. Chairman of the Board of Directors at Musti ja Mirri, 2014–2017. Chairman of the Board of Directors at Evidensia, 2014–2017. Chairman of the Board of Directors at Itslearning, 2013–2017. CEO (interim) at Gambro, 2011. Member of the Board of Directors at Gambro, 2010–2013. CEO at Capio, 2005–2006. CEO at Mölnlycke Health Care, 2004–2005.	Executive Vice President, Public and Healthcare at Tieto Corporation, 2013–2015. President Mobile Business area at TeliaSonera AB, 2010–2012. President Broadband Business area at TeliaSonera AB, 2008–2010.	Member of the Board of Directors at Uppsala University, 2016. Head of Business Area at Saab AB, 2008–2015. Board Director at Swedish Space Agency, 2012–2015. Various positions at Ericsson AB, 1985–2008.
Shares and warrants held in Eltel as of 31 December 2017	No shares and no warrants held in Eltel.	No shares and no warrants held in Eltel.	No shares and no warrants held in Eltel.


	Ulf Lundahl	Markku Moilanen
	Member of the Board of Directors	**Member of the Board of Directors**
	Born 1952	Born 1961
	Bachelor of Business Administration and Master of Laws	D.Sc. (Tech.)
	Member of the Board of Directors, since 2014	Member of the Board of Directors, since 2017
Positions and other board memberships as of 31 December 2017	Chairman of the Boards of Directors of Attendo AB, Ramirent PLC, Fidelio Capital and Handelsbanken Regional Bank Stockholm. Member of the Boards of Directors of Indutrade AB and Holmen AB.	Executive Director at Ramboll Group and COO of Northern Europe.
Board committees	Member of the Remuneration Committee	-
Previous positions	Chairman of the Board of Directors at Eltel AB, November 2016–June 2017. Deputy CEO at Lundbergföretagen, 2004–2014. SEVP at Danske Bank, 1997–2003. CEO at Östgöta Enskilda Bank, 1992–1997. President at Nokia Data Sweden, 1989–1992.	Managing Director at Ramboll Finland, 2007–2015. Vice President, Customer Services at Fortum Corporation, 2000–2007. Sales Director at SAS Institute Finland, 1995–2000.
Shares and warrants held in Eltel as of 31 December 2017	No shares and no warrants held in Eltel.	No shares and no warrants held in Eltel.

	Mikael Moll	Hans von Uthmann
	Member of the Board of Directors	**Member of the Board of Directors**
	Born 1982	Born 1958
	M.Sc. in Economics and Business Administration	M.Sc. in Economics and Business Administration
	Member of the Board of Directors, since 2017	Member of the Board of Directors, since 2017
Positions and other board memberships as of 31 December 2017	Partner at ZC Advisory AB. Board member of Zeres Capital Partners AB and ZC Advisory AB.	Chairman of the Board of Directors at FEAB (Falbygdens Energi AB) and Springtime Group AB. Member of the Board of Directors at Veidekke ASA, Skangas AS, GIH and SOK.
Board committees	Member of the Audit Committee	Member of the Audit Committee
Previous positions	Investment Director at CapMan, 2008–2013. Analyst at Merrill Lynch, 2006–2008.	Senior Partner Neuman&Nydahl, 2010–2016. SEVP Vattenfall AB, 2003–2010. CEO Duni AB, 2000–2003. CEO AB Svenska Shell, 1996–2000.
Shares and warrants held in Eltel as of 31 December 2017	No shares and no warrants held in Eltel.	10,000 shares and no warrants held in Eltel.

Employee Representatives

	Jonny Andersson	Björn Ekblom
	Member of the Board of Directors – Employee Representative	**Member of the Board of Directors – Employee Representative**
	Born 1978	Born 1976
	Member of the Board of Directors – Employee Representative, since 2015	Member of the Board of Directors – Employee Representative, since 2015
	Chairman of Seko branch board of Eltel Sweden, since 2012	Chairman of the trade union Unionen at Eltel Sweden since 2010
Positions and other board memberships as of 31 December 2017	Member of Seko Southern Region Board.	Member of the Executive Board of Unionen, since 2011.
Board committees	-	-
Previous positions	Systems Engineer at Eltel, 2006–2012.	Team Leader at Eltel Aviation & Security, 2006–2010. Network Engineer at Eltel Aviation & Security, 1999–2006.
Shares and warrants held in Eltel as of 31 December 2017	No shares and no warrants held in Eltel.	3,500 shares and no warrants held in Eltel.

	Krister Andersson	Ninni Stylin
	Deputy member to employee representative since 2015	**Deputy member to employee representative since 2015**
	Born 1964	Born 1982

Group Management Team

	Håkan Kirstein	**Petter Traaholt**	**Henrik Sundell**
	President and CEO	**CFO**	**General Counsel**
	Born 1969	Born 1963	Born 1964
	M.Sc. (Econ.)	B.Sc. (Business Administration and Economics)	Master of Laws
	President and CEO, since 2016	CFO, since July 2017	General Counsel, since 2016
Positions and other board memberships as of 31 December 2017	Member of the Board of Directors of Axis AB since 2015.	-	-
Previous positions	Member of the Board of Directors at Eltel AB, May–September 2016. CEO (interim) at Imtech Nordic AB, 2014–2015. President & CEO at Niscayah Group AB (publ.), 2009–2012. CEO at StatoilHydro Sweden AB, 2006–2009. CEO at Statoil Retail Sweden AB, 2004–2006.	CEO at Callenberg Technology Group, 2014–2017. President at Wilhelmsen Technical Solutions, 2010–2014. CFO & Deputy CEO at Wilhelmsen Maritime Services (WMS), 2004–2010. Vice President & CFO at ASSA ABLOY Hospitality (AAH), 2001–2004.	Previous positions General Counsel at Fingerprint Cards AB, 2015–2016. Group General Counsel at DeLaval, 2009–2015. Senior Legal Counsel and Associate General Counsel at Ericsson, 2000–2009. Senior Legal Counsel at AGA AB, 1994–2000.
Shares and warrants held in Eltel as of 31 December 2017	13,483 shares and no warrants held in Eltel.	4,000 shares and no warrants held in Eltel.	1,685 shares and no warrants held in Eltel.



	Karin Lagerstedt Woolford	Leif Göransson	Mikael Malmgren
	Director – Group Human Resources and Communications	**Director – Group Projects and Operations**	**Head of Group Strategy**
	Born 1969	Born 1967	Born 1978
	B.Sc. (International Economics)	B.Sc. (Business Administration)	Bachelor of Arts (Chinese and East Asian Studies) and Bachelor of Commerce (Finance and Economics)
	Director – Human Resources and Communications, since January 2018	Director – Group Projects and Operations, since February 2018	Head of Group Strategy, since February 2018
Positions and other board memberships as of 31 December 2017	-	-	Member of the Board of Directors of Mini Rodini.
Previous positions	EVP and Head of Group HR, Communications and Safety, Health and Environment at Ovako, 2014–2017. SVP and Head of Group HR and IT at Green Cargo, 2011–2014. Deputy Head of Global HR and Head of Strategic HR Office at SEB, 2009–2011. Global Head of HR at SEB Retail Banking, 2006–2009. Director, Business Area Consulting at SAS, 2004–2005.	Head of Group project function at Eltel, 2016–February 2018. Operations Director at Otis, 2016. Acting CEO at Imtech Elteknik AB, 2015. Head of Operations Development at Imtech Nordic, 2014–2015. Operations Director at Stanley Security, 2012–2014. CFO at Niscayah Sverige, 2011–2012. CFO at Axstores, 2010–2011. Various management positions at Statoil, 2003–2009.	Managing Partner at Gaia Leadership, 2016–2017. CEO at Skydda PPE Europe, 2012–2016. Group Head of Business Development and Pricing at B&B TOOLS, 2009–2012. Management Consultant at McKinsey & Co, 2007–2009. Finance Manager, Key Account Manager and Assistant Brand Manager at Procter and Gamble, 2002–2007.
Shares and warrants held in Eltel as of 31 December 2017	No shares and no warrants held in Eltel.	No shares and no warrants held in Eltel.	10,000 shares and no warrants held in Eltel.

	Claus Metzsch Jensen	**Juha Luusua**
	Managing Director – Eltel Denmark	**Managing Director – Eltel Finland**
	Born 1968	Born 1965
	M.Sc. (Business Administration)	M.Sc. (Electrical Eng.)
	Managing Director – Eltel Denmark, since November 2017	Managing Director – Eltel Finland, since February 2018
Positions and other board memberships as of 31 December 2017	Member of the Board of Directors at Fiber&Anlæg I/S.	Member of the Board of Directors at Loiste Oy and Voimatalouspooli (part of the Finnish National Emergency Supply Agency). Member of the Board of Directors at PALTA (Service Sectors Employers Association) and EK (Confederation of Finnish Industries).
Previous positions	Vice President at Caverion A/S 2016–2017. Senior Vice President at TDC A/S 2011–2016.	President – BU Power at Eltel, June 2017–February 2018. President – Power Distribution at Eltel, 2012–May 2017. Acting President – Power Transmission at Eltel, February–May 2017. SVP – Electricity at Eltel Networks/Group Corporation, 2006–2007. Country Director at Eltel Networks A/S, 2004–2006. President at Eltel Network Services, 2001–2004. VP at IVO Transmission Engineering Transmission and Distribution, 2000–2001.
Shares and warrants held in Eltel as of 31 December 2017	No shares and no warrants held in Eltel.	139,360 shares and no warrants held in Eltel.

			
	Thor-Egel Bråthen	**Peter Uddfors**	**Christian Wittneven**
	Managing Director – Eltel Norway	**Managing Director – Eltel Sweden**	**Director – High Voltage**
	Born 1965	Born 1964	Born 1968
	INSEAD Executive Management Programme Certified service electronics technician	M.Sc. (Eng.), Diploma in Business Administration	PhD (Physics), Diploma in Business Administration
	Managing Director – Eltel Norway, since February 2018	Managing Director – Eltel Sweden, since February 2018	Director – High Voltage, since February 2018
Positions and other board memberships as of 31 December 2017	-	-	-
Previous positions	Director – ABU Communication at Eltel Networks AS, 2015– February 2018. CEO and President – Fixed Telecom at Eltel Networks AS, 2011–2015. QA Manager at Eltel Networks AS, 2009–2011. CEO and Country President at Niscayah Denmark, 2006–2009. Different senior executive positions at Securitas Systems AS, 1999–2006.	President – BU Communication at Eltel, 2017–February 2018. President – Fixed Communication at Eltel, 2013–2017. President and CEO at Mycronic AB (publ.), 2009–2013. President – Pulp & Paper Solutions at Cardo AB (publ.), 2005–2009. President and CEO at Lorentzen & Wettre AB, 2003–2009. President at Aldata Solutions AB, 2001–2003.	COO at Talis Management Holding GmbH, 2014–2017. VP and MD at Nexans Deutschland GmbH, 2012–2014. VP Operations at Nexans S.A., 2011–2012. BU Manager at Nexans Deutschland GmbH, 2008–2011.
Shares and warrants held in Eltel as of 31 December 2017	469 shares and no warrants held in Eltel.	29,014 shares and no warrants held in Eltel.	No shares and no warrants held in Eltel.

Former Group Management Team members:

Fredrik Häggström, President – Rail & Road, 2011–June 2017.

Mikael Johansson, VP – Group Strategy, 2015–June 2017.

Per Krogager, VP – Group Human Resources, 2014–January 2018.

Lars Nilsson, CFO, November 2016–June 2017.

Thomas Rebermark, Director – Group Marketing and Communications, November 2017–March 2018.

Thorbjörn Sagner, President – Aviation & Security, 2014–June 2017.

Ingela Ulfves, VP – Investor Relations and Group Communications, 2015–November 2017.

Financial Statements

Consolidated income statement

EUR million	Note	Jan-Dec 2017	Jan-Dec 2016
Net sales		1,329.9	1,399.8
Cost of sales	9	-1,234.8	-1,279.5
Gross profit		**95.1**	**120.3**
Other income	7	4.9	4.0
Sales and marketing expenses	9	-9.5	-11.7
Administrative expenses	9	-109.0	-104.4
Other expenses	8	-7.7	-5.6
Share of profit/loss of joint ventures		-0.4	-0.4
Operating result before acquisition-related amortisations (EBITA)		**-26.7**	**2.1**
Amortisation and impairment of acquisition-related intangible assets	10	-158.0	-69.4
Operating result (EBIT)		**-184.6**	**-67.4**
Financial income		0.4	0.2
Financial expenses		-12.7	-12.8
Net financial expenses	12	-12.3	-12.6
Result before taxes		**-197.0**	**-80.0**
Taxes	13	-7.7	-2.2
Net result		**-204.6**	**-82.2**
Attributable to:			
Equity holders of the parent		-205.3	-83.5
Non-controlling interest		0.7	1.3
Earnings per share (EPS)	22		
Basic, EUR		-1.56	-1.33
Diluted, EUR		-1.56	-1.33

Consolidated statement of comprehensive income

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

Consolidated balance sheet

EUR million	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Goodwill	15	286.9	420.2
Intangible assets	15	41.8	70.1
Property, plant and equipment	16	32.6	37.8
Investments in and receivable from joint ventures	14	0.7	0.6
Available-for-sale investments	18	0.3	0.3
Deferred tax assets	13	21.5	29.7
Other financial assets	17,19	-	35.0
Trade and other receivables	17,19	0.1	0.2
Total non-current assets		**384.0**	**594.0**
Current assets			
Inventories	20	9.6	7.5
Other financial assets	17,19	35.0	-
Trade and other receivables	17,19	356.4	393.3
Cash and cash equivalents		32.9	85.2
Total current assets		**433.9**	**486.0**
Assets held for sale	5	10.4	-
TOTAL ASSETS		**828.2**	**1,080.0**
EQUITY AND LIABILITIES			
Equity	21		
Share capital		158.4	126.3
Non-restricted equity		98.5	213.3
Equity attributable to shareholders of the parent		277.1	339.7
Non-controlling interest		7.0	7.3
Total equity		**284.1**	**347.0**
Non-current liabilities			
Debt	17,23	119.0	3.5
Liabilities to shareholders	17,23	-	35.0
Retirement benefit obligations	24	11.0	8.1
Deferred tax liabilities	13	7.9	15.5
Provisions	25	2.5	1.7
Other non-current liabilities	17	0.0	6.2
Total non-current liabilities		**140.4**	**70.0**
Current liabilities			
Debt	17,23	45.3	280.0
Liabilities to shareholders	17,23	35.0	-
Provisions	25	22.1	24.9
Advances received		48.4	65.6
Trade and other payables	17,26	244.9	292.6
Total current liabilities		**395.8**	**663.0**
Liabilities associated with assets held for sale	5	7.9	-
Total liabilities		**544.1**	**733.0**
TOTAL EQUITY AND LIABILITIES		**828.2**	**1,080.0**

Consolidated statement of cash flow

EUR million	Note	Jan-Dec 2017	Jan-Dec 2016
Cash flow from operating activities			
Cash flow from operating activities before financial items and taxes	6	-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
Acquisitions of business		-6.7	-19.9
Investments in joint ventures		-0.6	-0.7
Disposals of business		1.1	-
Net cash from investing activities		**-19.7**	**-34.0**
Cash flow from financing activities	23		
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 of 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 financing items and taxes

EUR million	Jan-Dec 2017	Jan-Dec 2016
EBITA	-26.7	2.1
Depreciation	13.3	13.1
EBITDA	-13.4	15.1
Change in net working capital	-32.8	-9.8
Net purchases of PPE	-13.5	-13.3
Operative cash flow (used in cash conversion key figure)	-59.7	-8.0
Less net purchases 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**

Consolidated statement of changes in equity

	Equity attributable to shareholders of the parent									
EUR million	**Share capital**	**Share issue**	**Other paid-in capital**	**Accumu-lated losses**	**Revaluation of defined benefit plans, net of tax**	**Hedging reserve**	**Currency trans-lation**	**Total**	**Non-con-trolling interest**	**Total equity**
Equity on 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		-	-	-	-	-	-	-
New share issue costs, net of tax	-	-3.7	-	-	-	-	-	-3.7	-	-3.7
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-1.0	-1.0
Total transaction with owners	32.1	118.1	-	0.4	-	-	-	150.7	-1.0	149.7
Equity on 31 Dec 2017	158.4	118.1	373.0	-325.6	-27.4	7.4	-26.9	277.1	7.0	284.1

	Equity attributable to shareholders of the parent									
EUR million	**Share capital**	**Share issue**	**Other paid-in capital**	**Accumu-lated losses**	**Revaluation of defined benefit plans, net of tax**	**Hedging reserve**	**Currency trans-lation**	**Total**	**Non-con-trolling interest**	**Total equity**
Equity on 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 interests	-	-	-	-	-	-	-	-	-1.1	-1.1
Total transaction with owners	1.1	-	-16.1	0.1	-	-	-	-14.9	-1.1	-16.0
Equity on 31 Dec 2016	126.3	-	373.0	-120.7	-21.8	6.2	-23.4	339.7	7.3	347.0

* Specification can be found in note 21. Equity

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

Shareholders' equity consists of the share capital, other paid-in capital, reserves and accumulated losses. Other paid-in capital includes share subscription prices to the extent that they are not included in share capital (premium) and unconditional shareholders' contribution. Actuarial gains and losses arising from employee benefits are recorded under revaluation of defined benefit plans. Hedging reserve comprises of cash flow hedges and net investment hedges. Gains and losses from hedge accounted derivative instruments are recognised in other comprehensive income under hedging reserve for their effective part. The currency translation reserve includes differences arising on translation of the financial statements of foreign entities.

Notes to the consolidated financial statements

1. CORPORATE INFORMATION

Eltel AB (the Company) through its subsidiaries (together the Group) 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 growing customer base of large network owners. In 2017, the number of employees was approximately 8,000.

Eltel AB is domiciled in Stockholm, Sweden. Eltel AB was introduced on the Nasdaq Stockholm on 6 February 2015 through an initial public offering of ordinary shares.

The operations of Eltel AB through the subsidiary companies are performed under the Eltel brand. The consolidated group is called Eltel Group.

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

2. ACCOUNTING POLICIES FOR THE CONSOLIDATED ACCOUNTS

BASIS OF PREPARATION

These consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU effective at 31 December 2017. In addition, the Group applies Financial Accounting Standards Council's in Sweden recommendation RFR1.

The financial statements have been authorised for issue by the Board of Directors of Eltel AB on 3 May 2018 and are subject to adoption by the Annual General Meeting on 9 May 2018.

Consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments and available for sale financial instruments, which are measured at fair value. The information in the consolidated financial statements is presented in millions of Euro unless otherwise stated. All figures in the financial statements have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

ADOPTION OF NEW OR AMENDED IFRS STANDARDS AND INTERPRETATIONS

The IFRS amendments and interpretations effective for the first time from 1 January 2017 onwards, have had no significant impact to the Group in 2017.

Amendments to IAS 7 Statement of Cash Flows - Disclosure Initiative clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities (separately from changes in other assets and liabilities). The note 23. Borrowings information in the consolidated financial statements 2017 has been amended accordingly.

The new IFRS standards, amendments and interpretations effective for the first time for 2018 financial year or later include:

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. 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 in line with the five-step model in IFRS 15 and in-depth analysis carried out on the conversion effects of potential differences 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. Timing of revenue recognition under IFRS 15 is based on a criteria for transferring control to a customer. According to the analysis made there are no changes to the timing of revenue recognition in any of the main revenue streams and current practice also meets the criteria for transferring control in IFRS 15. For project delivery and upgrade services revenue is recognised over time as customer controls the asset that Eltel creates or enhances. In maintenance services customer receives benefits as Eltel performs and revenue is and continues to be recognised based on the services performed. Under IFRS 15 Eltel uses the input method based on the costs incurred to measure the progress in satisfying the performance obligation over time. This implies no change to current practice.

As an outcome of the analysis made Eltel has anyhow defined certain areas of exceptions or potential changes to current practice. The impact of these has been assessed and is very small at the time of adoption. Eltel applies the cumulative retrospective method where the cumulative impact is adjusted to equity on the date of adoption, 1 January 2018.

IFRS 9 Financial Instruments and subsequent amendments (effective from 1 January 2018). IFRS 9 will replace the existing guidance in IAS 39 Financial instruments: recognition and measurement. IFRS 9 includes revised guidance on the classifi- cation 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.

IFRS 16 Leases (effective from 1 January 2019). IFRS 16 replaces IAS 17 Leases, and related interpretations. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Eltel expects the new standard to increase recognised assets and liabilities, mainly for its operating leases of facilities and vehicles. In addition, the nature of expenses related to those expenses will change as IFRS 16 replaces the operating lease expense with depreciation charge for right-of-use assets and interest expense for lease liabilities reported under financing expenses. Eltel is currently assessing the impacts of adoption of IFRS 16 on its consolidated financial statements.

The other published standards, amendments and interpretations that are effective on the financial year beginning 1 January 2018 or later are not expected to have significant impact on the Group.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS
The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the reported amounts of income and expenses during the period. The actual results may differ from these estimates and assumptions. Possible changes in estimates and assumptions are recognised in the financial period when the changes occur and in all subsequent financial periods.

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
The areas where significant judgments and estimates are made in preparing the financial statements and where a subsequent change in the estimates and assumptions may cause a material adjustment to the carrying amounts of assets and liabilities are outlined below:

a) Impairment testing
The Group tests annually and always, if there are indications of impairment, whether goodwill has suffered any impairment by comparing the book value with the recoverable value. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The value-in-use calculations require estimation of future cash flows expected to arise from cash-generating units and a suitable discount rate in order to calculate present value. See note 15. Intangible assets for more information on impairment testing.

b) Revenue recognition – construction contracts
The Group uses the percentage of completion method when determining the revenue from the construction contracts. Revenue for the period is recognised based on the stage of completion. The Group determines completion as share of the costs incurred against the total estimated costs of the project. Cost estimates require estimate of the final outcome of the project and the actual future outcome may deviate from the estimate. Project business contains inherent risks related to the pricing of the project and estimates of the ultimate cost and performance of the contract. Additionally, project business involves risk related to authority, customer or other external conditions, including the risk of delays and the risk of inability of the Group's customers to obtain financing to fund planned projects and services. The essential skills for performance and profitability of a project are the Group's ability to accurately foresee the project's costs, to correctly assess the various resources necessary to carry out the project, to effectively manage the services provided by subcontractors, and to control technical events that could affect and delay progress on the project.

c) Taxes
Determination of income taxes and deferred taxes when the ultimate tax determination is uncertain requires management judgement. The Group recognises deferred tax assets resulting from tax losses and temporary differences when the realisation of related tax benefit due to future taxable profits is probable. However, deferred tax asset is always recognised if it can be utilised against current taxable temporary differences. The assumptions regarding future taxable profits are based on the current business plan and further estimates added by consideration for the uncertainties. The Group uses estimates for recognition of liabilities for anticipated tax audit and tax controversy issues based on all available information at the time of recognition.

d) Provisions and contingent liabilities
The Group uses estimates when assessing the amount of the provisions recognised in the balance sheet. The real outcome may differ from the provision recorded.

A contingent liability is a possible obligation that does not fulfil the criteria to be recognised in balance sheet as a provision due to future uncertainties towards the existence of obligation or outflow of resources required to settle the obligation. Information on contingent liabilities is disclosed in notes information. Contingent liabilities are regularly monitored, and in case the outflow of resources becomes probable, they are recognised as provisions.

e) Business combinations
The acquisition of subsidiaries or operations involves that items in the acquired company's balance sheet as well as items that have not been recognised in the acquired company's balance sheet, such as customer relations, shall be valued at fair value. Different valuation methods based on number of assumptions are used in fair value determination. Initial accounting is determined provisionally and may be adjusted subsequently. All acquisition calculations are finalised no later than one year after the acquisition is made.

All payments to acquire a subsidiary or operation are recorded at fair value at the acquisition date, including debt related to contingent considerations. The contingent consideration is measured at fair value in subsequent periods with re-measurement through the statement of income. The final outcome of deferred considerations often depends on one or more events which will be confirmed by a future development.

f) Defined benefit plans
When preparing actuarial calculations in determining the pension obligation related to defined benefit plans, certain actuarial assumptions need to be made. As the assumptions will vary, the real payment will differ from the estimated obligation, affecting the profit or loss. The assumptions used in actuarial calculations are presented in note 24. Retirement benefit obligations.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the parent company Eltel AB and all companies in which, at the end of the financial year, Eltel exercises control, i.e. subsidiary companies. Control is achieved when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. This usually means that Eltel holds over 50% of the voting rights or otherwise has the power to govern the financial and operating policies of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and disposed subsidiaries are consolidated up to their date of disposal.

Acquired subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill.

Intercompany transactions, receivables, liabilities and unrealised margins, as well as distribution of profits within the Group, are eliminated in full on consolidation. Non-controlling interest is presented separately from the net profit and disclosed as a separate item in the equity.

Joint operations are joint arrangements whereby the partners, which have joint control of the arrangement, have rights to the assets and obligations for the liabilities relating to the arrangement. Joint control, which is the contractually agreed sharing of the control of an arrangement, exists only when decisions about the relevant activities require unanimous consent of the partners sharing control.

The Group recognises its interest in joint operations using the proportionate method of consolidation, whereby the Group's share of each of the assets, liabilities, income and expenses of the joint operations are combined with the similar items, line by line, in its consolidated financial statements.

Joint venture is a joint arrangement whereby the partners, which have joint control of the arrangement, have rights to the net asset of the joint arrangement. Joint control, which is the contractually agreed sharing of control of an arrangement, exists only when decision about the relevant activities require unanimous consent of the parties sharing control. Joint ventures are consolidated using the equity method. Under the equity method, an investment in a joint venture is initially recognised at cost and adjusted thereafter to the Group's share of the profit or loss of the joint venture. On acquisition of joint venture any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the joint venture is recognised as goodwill, which is included within the carrying amount of the investment in joint venture.

When a group entity transacts with a joint venture, the profits and losses resulting from the transactions are recognised only to the extent of interests in the joint venture that are not related to the Group.

A list of subsidiaries, joint operations and joint ventures is presented in note 32. Group companies.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group companies are measured using the currency of the primary economic environment in which the company operates (the functional currency). The consolidated financial statements are presented in Euros, which is the functional and presentation currency of the parent company and the consolidated Group.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transaction. Monetary items denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the balance sheet date. Non-monetary items measured at fair value are translated into functional currency at the exchange rates prevailing at the valuation date. All other non-monetary items are valued using the exchange rates prevailing at the date of transaction.

Foreign exchange gains and losses resulting from the translation of business transactions and monetary items are recognised in the income statement. Exchange rate gains and losses on actual business operations are recognised in respective items above operating profit. Exchange rate gains and losses on financing are entered as exchange rate differences in financial income and expenses.

Foreign subsidiaries

Income statements and cash flow statements of foreign subsidiaries are translated into Euros at the average exchange rates for each month and the balance sheets are translated using the exchange rates prevailing at the balance sheet date. Exchange differences arising from the translation are recognised in other comprehensive income.

When a subsidiary is partially disposed or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on the sale.

REVENUE RECOGNITION

Construction contracts

Contract revenue and contract costs associated with long-term construction contracts are recognised according to the percentage of completion method, when the outcome of the construction contract can be estimated reliably. The percentage of completion has been defined by calculating the proportional share of actual costs against the estimated total costs of the contract at the balance sheet date.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as an expense in the period in which they are incurred. An expected loss on the construction contract is recognised as an expense immediately.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included in accrued income that is presented within Trade and other receivables balance sheet line.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus/less recognised profits/losses.

Sales of goods and services

Sales of goods are recognised after the significant risks and rewards of ownership have been transferred to the buyer and the Group retains neither a continuing managerial involvement nor effective control of those goods. Revenues from services are recorded when the service has been performed.

OPERATING SEGMENTS

Operating segments are business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker, the CEO, and for which financial information is available. Operating segments constitute the operational structure for governance, monitoring and reporting. A combination of factors has been used in order to identify the Group's segments. Most important are the characteristic of the services provided and the customer categories that are acquiring the services. According to the conditions in IFRS 8, certain of the Group's operating segments have been aggregated in the financial reporting. The Group's operations are consequently divided into two reportable segments, Power and Communication and the remaining business operations are presented under Other. These segments are also referred to as business segments in the Group's financial reports. Items below operative EBITA are not allocated to the segments.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired company on the date of acquisition. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is not amortised, but tested annually for any impairment and always, if there are indications of impairment. For the purpose of testing goodwill for any impairment, goodwill is allocated to cash-generating units. Goodwill is stated at cost less impairments.

Other intangible assets

Intangible assets are recognised only if the cost of the asset can be measured reliably and it is probable that the future economic benefits attributable to the asset will flow to the Group. Intangible assets in the Group include acquired computer software, brand, order backlog and customer relationships. The valuation of intangible assets acquired in a business combination is based on fair value. Other intangible assets (except for brands) subsequent to initial recognition, are recognised at cost less depreciations and impairments, if any. On initial recognition they are recognised at fair value at the acquisition date which is regarded as their cost.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their expected useful lives (3–7 years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads and external consultancy fees. Computer software development costs recognised as assets are amortised over their expected useful lives (7 years).

Brand, order backlog and customer relationships have been acquired in business combinations. The brand relates to the Eltel brand as a result of the acquisition of Eltel Group Corporation. Fair value of the brand is determined based on the relief-from-royalty method. Brand is not amortised, but tested annually for impairment. The fair value of order backlog is determined based on the future cash flows expected to arise from the existing contracts with customers. Order backlog is amortised using the straight-line method over the period until delivery (2–4 years).

The fair value of customer relationships is determined based on the future cash flows expected to arise from contracts with the existing customers. Customer relationship is amortised using the straight-line method over their expected useful lives (5–10 years).

The amortisation period for an intangible asset is reviewed at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the amortisation period is changed accordingly.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation according to plan and any impairment. Land is not depreciated.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings and structures	15–40 years
Machinery and equipment	3–10 years
Heavy machinery	10–15 years

The expected useful life of an asset is reviewed at each balance sheet date and, where they differ significantly from previous estimates, depreciation periods are changed accordingly.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

IMPAIRMENTS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation but are tested annually for impairment. In addition, other assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Should any indication of an impaired asset exist, the asset's recoverable amount will be estimated.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows and which are mainly independent (cash-generating units or groups of cash-generating units). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use is determined by reference to discounted future net cash flow expected to be generated by the asset.

Whenever the asset's carrying amount exceeds its recoverable amount, it is impaired, and the resulting impairment loss is recognised in the income statement.

Impairment will only be reversed if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognised. Impairment is not reversed over the balance sheet value that existed before the recognition of impairment losses in the previous financial periods. Impairment losses recognised for goodwill are not reversed in any circumstances.

In addition to goodwill and brand, the Group does not have any assets that have an indefinite useful life. See note 15. Intangible assets for information on impairment testing of goodwill.

LEASES – THE GROUP ACTING AS A LESSEE

Lease agreements, which transfer substantially all the risks and rewards incidental to ownership, are classified as finance leases. These are recognised in the balance sheet as property, plant and equipment and lease obligations measured at the lower of the fair value of the property or the present value of the required minimum lease payments at the inception of the lease. Assets acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease period. The corresponding rental obligations, net of finance charges, are included in long-term interest-bearing liabilities.

The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

FINANCIAL INSTRUMENTS

Recognition and derecognition

All purchases and sales of financial assets are accounted for at trade date. They are initially recognised at fair value and transaction costs have been included for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are initially recorded at fair value and transaction costs are included in the original carrying amount. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Classification and measurement

The Group classifies its financial assets and liabilities into the following categories: Financial assets and liabilities at fair value through profit or loss, derivative instruments hedge accounted, loans and receivables, financial liabilities at amortised cost and available-for-sale investments. The classification is made on the basis of the purpose of the acquisition of financial instruments at the time of initial recognition (see note 17. Financial instruments by category).

Financial assets and liabilities at fair value through profit or loss are financial assets held for trading, as the Group has not designated any other financial assets as at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. In addition, derivatives that are not designated as hedges are classified as held for trading and presented as derivative asset or liability. Gains or losses arising from changes in the fair value are recognised in the income statement in the period in which they arise. Changes in fair values of derivatives held for trading are recognised either as other income and expenses or financial income or expenses depending on whether they relate to business or financial items. Trading derivatives are classified as a current asset or liability and presented in the balance sheet as other receivables or liabilities. The Group applies cash flow hedge accounting to certain foreign exchange forwards and interest rate swaps which are classified as derivative instruments hedge accounted. Moreover, the Group identifies and separates embedded derivatives from the business sale or purchase contracts. The embedded derivatives are currency forward contracts and are classified as financial assets and liabilities at fair value through profit and loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments not quoted in an active market nor held for trading. Loans and receivables are measured at amortised cost using the effective interest method. They include trade and other receivables which are measured at amortised cost less impairment and are presented in the balance sheet as current assets, except for maturities greater than 12 months after the balance sheet date. The impairment losses related to trade receivables are recognised in other expenses.

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Financial liabilities at amortised cost include all other financial liabilities than derivative instruments. They are measured at amortised cost using the effective interest method. They include trade payables which are initially measured at amortised cost. Financial liabilities are classified as both current and non-current liabilities and they can be interest-bearing as well as non-interest-bearing. Bank overdrafts are shown within debt in current liabilities.

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

Available-for-sale investments are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They consist of investments in listed and unlisted shares which the Company does not hold for trading. In the balance sheet, they are classified as investments and included in non-current assets unless they are intended to be disposed of within 12 months of the balance sheet date. Available-for-sale investments are generally measured at fair value based on market prices. Unlisted equity securities whose fair value cannot be reliably measured are measured at acquisition cost. Fair value changes of available-for-sale investments are recognised in other comprehensive income and presented in equity in the fair value reserve, net of tax. When the securities are sold or impaired, the accumulated fair value adjustments in the fair value reserve are recognised in profit or loss.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired.

DERIVATIVE INSTRUMENTS HEDGE ACCOUNTED

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value on each balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

The Group's derivative instruments include currency forward contracts and currency and interest rate swaps. The Group designates certain foreign currency forward contracts, currency swaps and interest rate swaps as cash flow hedges. Other derivatives, not designated as hedges, are classified as financial assets or liabilities held for trading. however, all derivative contracts are entered into for economic hedging purposes even if they did not qualify as hedges under IAS 39.

Cash flow hedges

The Group applies cash flow hedge accounting to certain foreign exchange forwards and swaps and interest rate swaps. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items. The Group also documents its assessment, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. The effective portion of gains and losses from the derivative instruments under cash flow hedge accounting is recognised in other comprehensive income under hedging reserve. The cumulative gain or loss is transferred to profit or loss when the hedged items affect profit or loss. The ineffective portion is recognised immediately in profit or loss in other income or expenses.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction ultimately affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss recognised in equity is immediately transferred to profit or loss in other income or expenses.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the derivative instrument is more than 12 months and as a current asset or liability when the remaining maturity of the derivative instrument is less than 12 months.

Net investment hedges
The Group applies net investment hedge accounting for certain foreign currency denominated loans which hedge the translation risk relating to net investments in subsidiaries. The foreign exchange differences for these loans are recognised in other comprehensive income under translation reserve. If the investment is divested, the accumulated gains or losses recognised in translation reserve from the loans attributable to that operation are transferred to profit or loss (see note 3.1 for more information).

INVENTORIES
Inventories are stated at the lower of cost or net realisation value. Cost is determined by the FIFO (first in, first out) method. The cost of finished goods and work in progress comprises materials, direct personnel costs, other direct costs and an appropriate portion of production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

TRADE RECEIVABLES
Trade receivables are initially measured at fair value and subsequently at amortised cost less provision for impairment.

SHARE CAPITAL
Share capital presents the registered share capital of the parent company Eltel AB. Share subscription proceeds in excess of share capital (premium) is presented in other paid-in capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

DIVIDENDS
Dividends are proposed by the Board of Directors and recognised in the financial statements after the Annual General Meeting has approved the dividend.

EARNINGS PER SHARE
The basic earnings per share (EPS) is calculated by dividing the net result attributable to the parent company's shareholders with the weighted average number of ordinary shares during the financial period. Ordinary shares purchased and held by the Group, if any, are subtracted from number of outstanding shares. Diluted earnings per share reflect the possible impact of the share-based incentive plans.

TRADE PAYABLES
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

PROVISIONS AND CONTINGENT LIABILITIES
Provisions are recognised in the balance sheet when: the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Where some of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised as a separate asset, but only when it is certain that the reimbursement will be received.

A warranty provision is recognised, when the product including a warranty clause is sold. The amount of the warranty provision is based on the past experience of the realisation of the warranty costs and the future expectations.

A provision for restructuring is recognised when management has developed and approved a plan to which it is committed. Employee termination benefits are recognised when the representatives of employees or individual employees have been informed of the intended measures in detail and the related compensation packages can be reliably measured. The costs included in a provision for restructuring are those costs that are either incremental or incurred as a direct result of the plan or are the result of a continuing contractual obligation with no continuing economic benefit to the Group or a penalty incurred to cancel the contractual obligation. Restructuring expenses are recognised in respective expenses depending on the nature of the restructuring expenses. Provisions are not recognised for future operating losses.

A provision is recognised for an onerous contract, when the costs required to meet the obligations under the contract exceed the benefits to be received.

A contingent liability is a possible obligation that does not fulfil the criteria to be recognised in balance sheet as a provision due to future uncertainties towards the existence of obligation or outflow of resources required to settle the obligation. Information on contingent liabilities is disclosed in notes information. Contingent liabilities are regularly monitored, and in case the outflow of resources becomes probable, they are recognised as provisions.

INCOME TAXES
The Group's income tax expense includes taxes of the group companies based on current period's taxable income and the changes in the deferred taxes. Income tax is recognised in the income statement, except for the items recognised directly in other comprehensive income, when the tax effect is accordingly recognised in other comprehensive income. Income tax expense is based on the local tax rate in each country. Tax adjustments from previous periods are included in tax expense.

Deferred tax assets or liabilities are calculated using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it appears probable that future taxable profit will be available, against which the tax losses or temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

EMPLOYEE BENEFITS (IAS 19)
The Group companies have different pension schemes in accordance with the local conditions and practices in the countries where they operate including statutory pension plans and supplementary pension benefits. The schemes are generally funded through payments to insurance companies or trustee-administered funds.

The plans are classified as either defined contribution plans or defined benefit plans.

In the defined contribution plan, pension contributions are paid directly to insurance companies and once the contributions have been paid, the Group has no further payment obligations if the company receiving the payments cannot fulfil its obligations. These contributions are charged to the income statement in the year to which they relate.

For defined benefit plans, the liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets. The pension obligation is defined using the projected unit credit method separately for each plan. The discount rate applied to calculate the present value of post-employment benefit obligations is determined by the market yields of long-term corporate bonds or government bonds with corresponding maturity to the obligation. The net interest cost is estimated by applying the discount rate to the net defined benefit obligation and recognised as financial expenses. Past service costs are recognised immediately in the income statement. Remeasurements of the defined benefit plan are recognised directly in other comprehensive income.

SHARE-BASED PAYMENTS (IFRS 2)
Eltel has two incentive programmes that are recognised as share- based payments settled with equity instruments in accordance with IFRS 2. The fair value of the share incentives granted to the key employees is recognised as an employee expense on a straight-line basis over the vesting period when employee services are performed with corresponding entry to equity. The fair value of the share incentives is the market value at the grant date. The total amount to be expensed over the vesting period is determined based on the grant date fair value of shares and Group's estimate of the number of the shares that are expected to be vested by the end of the vesting period. The impact of a non-market vesting condition (earnings per share) and estimate for the fulfilment of continued employment criteria at the end of the vesting period is included in the assumptions about the number of share incentives. The estimate is updated at each reporting date and changes in estimate are recorded through the statement of income. Social costs related to the share-based incentive scheme are expensed during the periods when services are performed based on the fair value at the reporting date. The resulting provision is updated at the end of each reporting period in estimate are recorded through the statement of income.

3. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following financial risks:

- Market risks, including currency and interest rate risks
- Liquidity risk
- Credit risk

The Group's financing and financial risk management is carried out by a central treasury department (Group treasury) under the treasury Policy approved by the Board of Directors. Group treasury Policy has been established to identify and analyse the financial risks faced by the Group, to set appropriate risk limits and controls and to monitor risk and adherence to limits. The treasury Policy and the related financial risk management policies and procedures are reviewed regularly to reflect changes in market conditions and Group's activities. The main objective of the financial risk management is to minimise the unfavourable effects of the financial risks on the Group's income and cash flow.

3.1 Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income, cash flows or the value of its holdings of financial instruments. Main market risks of the Group include currency risks and interest rate risks.

Currency risk
Currency risk in the Group consists of transaction risk, translation risk and economic risk. The purpose of currency risk management is to minimise the impact of foreign exchange fluctuations to the cash flows, profit and loss and balance sheet of the Group.

Currency transaction risk
The Group is exposed to currency transaction risks to the extent that there is a mismatch between the currencies in which sales, purchases, borrowings and cash are denominated and the respective functional currencies of the Group companies.

Majority of the Group's business is local and over 90% of the cash inflows are generated in each country's local currency. The transaction risk is therefore limited and arises from export projects and few other major projects. The foreign currency used in these projects is in most cases the US dollar or another major foreign currency. The main principle is to mitigate the risk first by operative means in the businesses, e.g. by matching, as far as possible, the project costs to the contract currency.

The open foreign exchange exposure is hedged by using foreign currency forward contracts and swaps in accordance with the Group FX risk management policy whereby any net exposure exceeding EUR 2 million shall be hedged with the minimum of 60% hedging ratio and the open net exposure may not exceed EUR 8 million. The Group applies hedge accounting for net currency exposures exceeding EUR 5 million in counter value. More information on the Group's foreign exchange derivatives is included in note 28. Derivative financial instruments.

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

2017

EUR million Currency	Sales and purchases	Borrowings and cash	Hedges	Net transaction risk exposure
EUR	41.2	0.2	-41.2	0.2
SEK	-4.6	10.9	-6.3	-
NOK	0.1	0.5	-0.4	0.2
DKK	-	0.1	-	0.1
PLN	-	10.6	-10.6	0.1
USD	0.8	-3.4	2.7	0.1
CHF	-5.9	-	5.9	-
MZN	1.1	3.5	-	4.6

2016

EUR million Currency	Sales and purchases	Borrowings and cash	Hedges	Net transaction risk exposure
EUR	1.2	0.3	-1.9	-0.4
SEK	-4.2	11.9	-7.7	-
NOK	0.1	1.8	-1.5	0.5
DKK	-0.6	-0.1	-	-0.7
PLN	-0.1	21.0	-20.7	-
USD	13.6	-0.9	-14.0	-0.6
CHF	-7.0	-	7.1	-
GBP	0.1	6.2	-6.2	0.1
ZMW	-4.5	-	-	-4.5

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

A reasonably possible strengthening (weakening) of 10% in the most significant currencies against all other currencies at the balance sheet date would have affected the equity and profit or loss by the amounts shown in the following table. The analysis illustrates currency transaction risk and assumes that all other variables, in particular interest rates, remain constant.

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Currency transaction risk impact

2017

EUR thousands	Profit or loss		Equity (net of tax)	
Currency	**Strengthening**	**Weakening**	**Strengthening**	**Weakening**
EUR	27	-22	-132	108
SEK	5	-4	-	-
NOK	20	-17	-	-
DKK	6	-5	-	-
PLN	6	-5	-	-
USD	11	-9	-	-
CHF	-4	3	-	-
MZN	509	-416	-	-

2016

EUR thousands	Profit or loss		Equity (net of tax)	
Currency	**Strengthening**	**Weakening**	**Strengthening**	**Weakening**
EUR	-39	32	414	373
SEK	1	-1	-	-
NOK	50	-41	-	-
DKK	-77	63	-	-
PLN	21	-17	-	-
USD	-153	125	-	-
CHF	14	-11	-	-
GBP	6	-5	-	-
ZMW	-496	405	-	-

Currency translation risk

The Group's translation risk arises from translating foreign currency denominated subsidiaries' profit and loss statements and balance sheets into the Group's presentation currency upon Group consolidation. The risk is realised as volatility of both the Group's Euro-denominated profit or loss and equity (translation reserves).

A significant portion of the Group's net sales is generated by subsidiaries that operate in countries where a currency other than the Euro is used, particularly Sweden, Norway and Poland.

The Group aims to match the currency of borrowings to the profits generated by the underlying operations of the Group in order to achieve neutral translation position.

For the year ended 31 December 2017, 33% of the Group's net sales were generated in SEK (34%), 20% in NOK (19%) and 8% in PLN (9%). Therefore, the Group's results are most sensitive to changes in EUR/SEK and to a lesser extent to changes in EUR/ PLN and EUR/NOK. A change in the average EUR/SEK, EUR/ NOK, EUR/ PLN rates by 10% would have had an impact of EUR 2.3 million (2.1) on the Group's operating result before acquisition-related amortisations (EBITA) and EUR 0.2 million (4.9) in the Group's post tax profit in 2017.

In addition, the Group monitors the sensitivity of its net debt to EBITDA ratio to strengthening of the Euro against all other operative currencies. An increase in the average exchange rates of Euro by 10% would have led to an increase of 13% in the net debt to EBITDA ratio.

The majority of the Group's net investment translation risk arises from the net investments in the Swedish and Polish subsidiaries. This net investment is hedged by SEK and PLN denominated loans, which mitigates the foreign currency translation risk arising from the subsidiaries' net assets. Net investment hedge accounting according to IAS 39 is applied for the loans.

Economic risk

Economic risk arises from the business strategy of the Group and relates more long-term and structural cost structures in different currencies. Economic risk is taken into account in the course of the Group's strategy and planning process.

Interest rate risk

Interest rate risk is the uncertainty in the financial result or the value of the Group caused by fluctuations in interest rates. Interest rate risk can be divided into two components:

- Interest flow risk is the risk that the Group's net interest expenses change due to interest rate changes.
- Interest price risk is the risk that the fair values of financial instruments change due to interest rate changes.

The Group's policy is to keep the ratio of fixed rate debt between 40–80% and the interest duration between 12–48 months.

The Group's borrowing is based on floating interest rates (one to six months) including a floor market rate of zero. Currently 59% of the interest rate risk exposure position is subject to such zero floor rate. A part of the finance lease liabilities have a fixed interest rate for the lease period. At 31 December 2017 there were total of EUR 23.5 million of interest rate swap contracts in place. More information on the Group's interest rate derivatives is included in note 28. Derivative financial information.

The interest rate profile of the Group is as follows:

EUR million	2017	2016
Fixed-rate instruments		
Financial liabilities	3.4	7.1
Effect of interest rate swaps	23.5	22.2
Total fixed-rate net liabilities	**26.8**	**29.3**
Variable-rate instruments		
Financial assets	33.1	85.4
Financial liabilities	160.6	276.8
Effect of interest rate swaps	-23.5	-22.2
Total variable-rate net liabilities	**104.0**	**169.1**

A reasonably possible change in the relevant market interest rates at the reporting date would affect the equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis takes into account the effect in the interest costs of all floating rate borrowings as well as the effects of the changes in fair values of the interest rate derivatives.

2017

	Profit or loss		Equity (net of tax)	
EUR million	**50 bp increase**	**25 bp decrease**	**50 bp increase**	**25 bp decrease**
Variable rate instruments	0.1	0.0	-	-
Interest rate swaps	-	-	0.2	-0.1
Total	**0.1**	**0.0**	**0.2**	**-0.1**

2016

	Profit or loss		Equity (net of tax)	
EUR million	**50 bp increase**	**25 bp decrease**	**50 bp increase**	**25 bp decrease**
Variable rate instruments	0.0	0.0	-	-
Interest rate swaps	-	-	0.3	-0.2
Total	**0.0**	**0.0**	**0.3**	**-0.2**

3.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter financial difficulty in meeting its financial obligations. The Group's objective of liquidity risk management is to ensure that it will maintain a sufficient liquidity reserve to meet its liabilities when they are due under both normal and stressed conditions.

Securing adequate amount of funding is centralised to the Group Treasury. The Group maintains sufficient liquidity by efficient cash management through group level cash pools and related overdraft limits. Additionally the Group has committed syndicate revolving credit facilities of EUR 20 million, which expires in November 2018 and of EUR 90 million, which expires in 2020. The Group has also access to short-term debt capital markets via Finnish Domestic Commercial Paper programme, which in the first quarter of 2018 was increased from EUR 100 million to EUR 150 million.

Currently the cash and cash equivalents consist solely of cash in hand and deposits. The Group's available liquidity reserve at the balance sheet date was as follows:

EUR million	Dec 31 2017	Dec 31, 2016
Committed credit facility	110.0	90.0
Current account overdrafts	20.0	20.3
Cash and cash equivalents	32.9	85.2
Total	**162.9**	**195.4**

At the end of December the Group held counter value of EUR 3.5 million in local MZN currency bank accounts in Mozambique. Due to the local currency and other regulatory requirements the funds are not readily transferrable off-shore and the funds are currently kept in the country to serve the ongoing projects' working capital needs. The funds are included in the cash and cash equivalents since the use of the funds is not restricted. The funds are subject to currency risk in group consolidation and to the extend the project costs arise in other than the local currency. The risk analysis is included in section 3.1. Market risk.

The Group also monitors closely the expected cash inflows and outflows. The liquidity projections are prepared at a daily level for the following 5 weeks and at a monthly level for the 6 months thereafter. The most significant uncertainties in the projections are related to the cash inflows from the project business.

The maturities of the Group's undiscounted financial liabilities at the balance sheet date are presented in the following table in line with their contractual terms.

Liabilities to shareholders constitute the shareholders' contribution to the potential fines payable in relation to the FCCA case. The corresponding amount is recognised in the Group's assets, as the contribution amount is deposited in an escrow bank account. Should any fines become payable the corresponding amount shall be converted into unconditional capital contribution to the Group. Any amount not needed to cover the FCCA fines shall be promptly returned to the shareholders from the escrow account.

2017	31 Dec 2017 Carrying amounts		Contractual cash flows			
EUR million	**Less than 1 year**	**Over 1 year**	**Less than 1 year**	**1–3 years**	**3–5 years**	**Over 5 years**
Bank borrowings and commercial papers	43.0	116.4	47.1	121.8	-	-
Liabilities to shareholders*	35.0	-	35.0	-	-	-
Finance lease liabilities	1.6	3.0	1.6	2.0	0.7	0.2
Trade payables	114.6	-	114.6	-	-	-
Derivative financial instruments	0.4	-	0.4	-	-	-
Total	**194.6**	**119.3**	**198.8**	**123.7**	**0.7**	**0.2**

2016	31 Dec 2016 Carrying amounts		Contractual cash flows			
EUR million	**Less than 1 year**	**Over 1 year**	**Less than 1 year**	**1–3 years**	**3–5 years**	**Over 5 years**
Bank borrowings and commercial papers**	275.8	-	74.7	218.7	3.1	-
Liabilities to shareholders*	-	35.0	-	35.0	-	-
Finance lease liabilities	1.6	3.5	1.6	2.2	0.9	0.5
Trade payables	149.5	-	149.5	-	-	-
Other borrowings	3.3	-	3.3	-	-	-
Derivative financial instruments	0.3	-	0.3	-	-	-
Total	**430.4**	**38.5**	**229.4**	**255.9**	**4.0**	**0.5**

* refers to selling shareholders at the time of the listing on 6 February 2015

** Due to the reported breach of financial covenants the bank borrowings were presented as current in the balance sheet in 31 December 2016. Carrying amount at balance sheet date represented the amount that would have been payable at the date of the reported breach. In February 2017, Eltel and its bank consortium agreed on an additional amendment to the existing agreement and no event of default was reported by the parties.

3.3 Credit risk

Credit risk is the risk of loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations.

The Group's credit risk arises primarily from the Group's receivables from customers. The Group has identified a concentration risk relating to certain key customers who account for a significant amount of the Group's net sales. The key customers are solid infrastructure network owners in Europe. Typically, they are owned by governments or municipalities or are well-known publicly listed companies. Therefore, the Group assess that the concentration risk related to these key customers is limited. Business units are responsible for credit risk management relating to Group's business counterparties.

The Group carries out several projects in African countries. These projects are typically pre-funded, i.e. there are financing agreements in place prior to the start of the project. The Group receives payments directly from the funding bank(s) against agreed evidence of project progress. Consequently the Group usually does not carry significant credit risk relating to the African customers. The Group is currently carrying out two projects in Mozambique which are funded by the World Bank via the Ministry of Finance in Mozambique. While the credit risk of the funding is mitigated by the external financing received, the sovereign risk relating to Mozambique remains. The uninvoiced order backlog relating to these projects amounts to EUR 3.4 million.

Maturity analysis of trade receivables past due but not impaired:

EUR million	31 Dec 2017	31 Dec 2016
Not past due	126.6	145.6
Past due:		
1–14 days overdue	24.6	14.8
15–90 days overdue	5.8	7.3
91–180 days overdue	4.3	12.4
More than 180 days overdue	8.8	7.6
Total trade receivables (net)	**170.0**	**187.8**

The amount of receivables represent managements best estimate of amounts that will be recovered from the customers. Trade receivables over 180 days due relate to a rail project in Norway.

The current impairment reserve for credit losses is EUR 14.5 million. The Group has recognised an increase of EUR 8.5 million in the impairment reserve of trade receivables. Additionally, EUR 5.0 million related to the overdue trade receivables in power transmission projects in Africa has been reclassified from short-term provisions, made in 2016, to bad debt provision in 2017. There were no past due receivables in any other class of financial assets. The carrying amount of the Group's receivables represents the maximum amount of credit risk at the balance sheet date.

The Group's investments are related to liquidity management and made in liquid instruments with low credit risk. The Group investment activities are not exposed to significant credit risk. Any long-term investments have to be approved by the Board of Directors. Derivative financial instruments are entered into with banks with high credit rating. Group treasury is responsible for credit risk management relating to financial risk counterparties. New derivative counterparties always have to be approved by the Board of Directors.

3.4 Capital management

The Group's objective when managing capital is to safeguard its ability to continue as going concern in order to provide returns for shareholders. The Group defines total capital as equity plus net debt in the balance sheet. The Group monitors capital on the basis of net debt to EBITDA ratio. Net debt is calculated as total bank borrowings on undiscounted method added by financial leasing liabilities less cash and cash equivalent. The ratio at 31 December 2017 and 2016 have been as follows:

EUR million	31 Dec 2017	31 Dec 2016
EBITDA	-13.4	15.1
Total bank borrowings	160.3	280.2
Finance lease liabilities	4.6	5.1
Cash and cash equivalents	-32.9	-85.2
Net debt	**132.1**	**200.1**
Net debt/EBITDA	**-9.9**	**13.2**

Eltel's bank loan agreements include financial covenants related to the adjusted EBITDA until the end of 2018 and thereafter net debt/EBITDA ratio and adjusted EBITDA/net finance charges ratio. EBITDA used in the covenant calculations until the end of 2018 is adjusted with agreed non-recurring items relating to the transformation of Eltel group capped to EUR 68.1 million. From 2019 onwards EBITDA is adjusted with items arising from acquisitions on a rolling 12-months basis and with non-recurring EBITA items capped to EUR 5 million.

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.

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. On 4 July 2017, Eltel repaid EUR 110.6 million of its bank term loans.

4. SEGMENT REPORTING AND SERVICE TYPES

Eltel's core segments Power and Communication provide network maintenance and fault repair services, upgrade work and project business mainly to telecom operators, national and regional transmission system operators and other communication and power distribution network owners. Operations in Other include business that are planned to be divested or ramped down.

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. 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.

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. 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. In January 2018 Eltel has decided to retain the Swedish aviation and security business (Aviation and Security), which previously was planned to be divested.

Net sales by segment

EUR million	2017	2016
Power		
Net sales (external)	469.7	556.3
Inter-segment sales	0.7	0.7
Communication		
Net sales (external)	731.1	700.1
Inter-segment sales	0.1	1.0
Transport & Security		
Net sales (external)	129.1	143.3
Inter-segment sales	0.3	0.6
Elimination of sales between segments	-1.1	-2.3
Total	**1,329.9**	**1,399.8**

The Group has two customers in segment Communication that represent over 10% of total sales of the Group (in 2016 two customers). The customers' share of the sales amounts to 30% (30%). Customer means a legal entity, and where applicable, a collection of legal entities in the same group.

Segment results

EUR million	2017	2016
Operative EBITA by segment		
Power	-0.3	-8.9
Communication	34.6	34.5
Other	-43.8	-10.8
Items not allocated to operating segments*	-16.1	-12.6
Operative EBITA, Group	-25.5	2.1
Items affecting comparability in EBITA**	-1.2	-
EBITA before acquisition-related amortisation	-26.7	2.1
Amortisation of acquisition-related intangible assets	-8.5	-14.4
Impairment of goodwill and other acquisition-related intangible assets***	-149.4	-55.0
Operating result (EBIT)	-184.6	-67.4
Other financial expenses, net	-12.3	-12.6
Result before taxes	**-197.0**	**-80.0**

** Consist of group management function and other group level expenses
** Items which management does not consider to form part of the ongoing operative business.
*** Impairment is related to Power Transmission International and Rail reported in Other and Power Transmission reported in segment Power.

Net sales by geographical area

EUR million	2017	2016
Sweden	415.5	431.6
Finland	309.8	302.2
Norway	273.3	263.4
Poland	96.7	125.1
Denmark	93.3	92.9
Germany	78.3	72.0
Baltics	24.5	34.9
Other countries	38.4	77.7
Net sales, total	**1,329.9**	**1,399.8**

Segment net working capital

EUR million	2017	2016
Power	54.0	23.1
Communication	18.7	-14.6
Other	-11.3	17.7
Items not allocated to operating segments	-15.8	-11.5
Total	**45.6**	**14.7**

NET SALES BY SERVICE TYPE

Eltel's revenue consists of project delivery, upgrade and maintenance services.

MAINTENANCE SERVICES

Eltel's maintenance services comprise of scheduled and corrective care services and connect services where the customer contracts are usually multi-year frame agreements. The works are performed based on continuous flow of small orders that are typically unit priced, but also certain fixed fee based contracts exist. The services are not highly customised to a particular customer. The nature of Eltel's maintenance services is such that the customer typically can benefit from the services either on its own or together with other readily available resources. Revenue for maintenance services follows the standard IAS 18 sale of goods and services. In 2017 maintenance services form 20% of Eltel's total net sales.

UPGRADE SERVICES (UPGRADE AND CONVERSION PROJECTS)

Upgrade and conversion services are services to recover and upgrade the condition or technology of an existing infrastructure network where Eltel typically dismantle, build and/or install on customer specifications. The projects are typically based on multi-year frame agreements where the services are ordered based on individual purchase orders but also on separately tendered projects. Size of a project varies typically from EUR 10 thousand to over EUR 1 million projects and pricing is typically based on units. Upgrade services include revenue in line with both IAS 11 construction contracts and IAS 18 sales of goods and services. In 2017 Upgrade services form 49% of Eltel's total net sales.

PROJECT DELIVERY SERVICES (ENGINEERING, PROCUREMENT, CONSTRUCTION)

Project delivery services comprise engineering and delivering customer specific network infrastructure projects. The contracts include projects with estimated units and variation orders as well as turnkey projects and Eltel's activities typically include tasks relating to design, construction, installation and project management. The size of a contract is typically large (EUR 1–100 million) and project execution time frame from months to years. Revenue for project delivery services is recognised in line with IAS 11 construction projects. In 2017 project delivery services form 31% of Eltel's total net sales.

The expenditure incurred and the profits recognised for Eltel's services, that exceed the amount invoiced from the customer, is presented as “Uninvoiced net sales” within “Trade and other receivables” in the balance sheet (See note 19. Trade and other receivables for more information). Advances received and difference that arise when the expenditure and recognised income are lower than the amount of invoiced for the project, is presented in “Advances received” in the balance sheet.

5. ACQUISITIONS, DISPOSALS AND ASSETS AND LIABILITIES HELD FOR SALE

ACQUISITIONS

During 2017, 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 November 2017, Eltel signed an agreement to divest its Finnish rail business operations consisting of railway, metro and light rail electrification and signalling system deliveries. 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 is paid in the first quarter of 2018. The transaction is estimated to positively impact Group EBITA by approximately 4 million EUR in the first quarter of 2018. In 2016, Eltel´s Finnish rail business operations generated net sales of EUR 28 million and currently employs approximately 120 people.

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. Both transactions were completed at the end of January 2018.

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.

On 2 March 2018, Eltel announced that the letter of intent has expired. The parties now confirm that the purchaser has not fulfilled the condition to obtain financing of the transaction and a full release for Eltel under certain guarantees.

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**

6. CASH FLOW FROM OPERATING ACTIVITIES

EUR million	Note	2017	2016
Profit before taxes		-197.0	-80.0
Adjustments for:			
Depreciation, amortisation and impairment	10	171.3	82.5
Net gains on disposal of business and sales of assets		2.9	-0.4
Financial expenses, net	12	12.3	12.6
Cash flow items recognised in other comprehensive income		-4.2	-3.4
Other non-cash adjustments		-3.0	2.9
Adjustments total		179.2	94.3
Changes in working capital			
Trade and other receivables		9.5	-55.6
Trade and other payables		-39.3	38.8
Inventories		-2.9	7.1
Changes in working capital total		-32.8	-9.8
Total cash flow from operating activities		**-50.5**	**4.5**

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

EUR million	Note	2017	2016
EBITA	4	-26.7	2.1
Depreciation	10	13.3	13.1
EBITDA		-13.4	15.1
Change in net working capital		-32.8	-9.8
Net purchase of PPE		-13.5	-13.3
Operative cash flow (used in cash conversion key figure)		-59.7	-8.0
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

7. OTHER INCOME

EUR million	2017	2016
Gains on disposal of business and sales of assets	0.2	0.4
Adjustments to earn-out estimates	3.2	-
Other income	1.6	3.6
Total	**4.9**	**4.0**

Adjustments to earn-out estimates include an adjustment of EUR 3.0 million related U-serv GmbH and an adjustment of EUR 0.2 million related to Exo Consult ApS.

8. OTHER EXPENSES

EUR million	2017	2016
Loss on foreign exchange forward contracts	1.9	5.2
Losses on divestments	2.9	-
Other expenses	2.9	0.5
Total	**7.7**	**5.6**

Losses on divestments include loss of EUR 0.8 million related to Eltel Networks S.A in Poland, EUR 0.9 million related to SIA Eltel Networks in Latvia, EUR 0.8 million related to AS Eltel Networks in Estonia and EUR 0.5 million related to selling of Rail business in Denmark.

9. FUNCTION EXPENSES BY NATURE

EUR million	2017	2016
Materials and supplies	234.2	291.6
Employee benefit expenses	466.0	475.0
External services	477.7	468.4
Other costs	164.9	149.2
Depreciation, amortisation and impairment	171.3	82.5
Total	**1,514.1**	**1,466.7**

10. DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR million	2017	2016
Amortisation on customer relationships and order backlog	8.5	14.4
Impairment of goodwill and other acquisition-related intangible assets	149.4	55.0
Other depreciation and amortisation	13.3	13.1
Total	**171.3**	**82.5**

See note 15. Intangible assets for more information on impairment.

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

EUR million	2017	2016
Cost of sales	8.8	8.7
Sales and marketing expenses	0.0	0.1
Administrative expenses	4.4	4.3
Sum in expenses	13.3	13.1
Amortisation and impairment of acquisition-related assets	158.0	69.4
Total	**171.3**	**82.5**

11. EMPLOYEE BENEFIT EXPENSES

EUR million	2017	2016
Wages and salaries	353.5	364.7
Post-employment benefits		
Defined benefit plans	-0.5	-0.8
Defined contribution plans	38.4	40.9
Other indirect employee costs	74.7	70.5
Total	**466.2**	**475.4**

Salaries and other remunerations to Board of Directors and senior management were EUR 3.9 million (3.7) of which the amount of fixed salaries was EUR 2.8 million (3.2) including fees to Board of Directors of EUR 0.4 million (0.3) and of which variable salaries was EUR 1.1 million (0.5). Defined contribution pension plans for senior management amounted to EUR 0.7 million (0.7). The amount of other indirect employee costs for senior management was EUR 0.6 million (1.0).

Employee benefit expenses by function

EUR million	2017	2016
Cost of sales	391.6	398.7
Sales and marketing expenses	6.8	6.5
Administrative expenses	67.5	69.8
Sum in operative expenses	466.0	475.0
Financial income and costs	0.2	0.4
Total	**466.2**	**475.4**

Average number of personnel by country

	2017	Of whom men %	2016	Of whom men %
Sweden	2,498	88	2,609	88
Poland	1,584	81	2,279	86
Finland	1,523	89	1,495	90
Norway	1,319	89	1,335	88
Baltics	610	93	809	91
Denmark	619	92	575	93
Other	629	77	510	84
Total	**8,781**	**87**	**9,613**	**88**
Total personnel at year-end	**7,999**	**86**	**9,465**	**87**

Information on the compensation for Board of Directors and other key management personnel is presented in note 31. Remuneration to senior management.

12. FINANCIAL INCOME AND EXPENSES

EUR million	2017	2016
Interest income from loans and receivables	0.2	0.1
Other financial income	0.2	0.0
Total financial income	**0.4**	**0.2**
Interest expenses from liabilities at amortised cost	-8.1	-8.1
Fee expenses	-2.5	-1.1
Net impact from financial instruments at fair value through income statement*	-0.2	-2.4
Foreign exchange differences derivatives, net	0.4	-0.8
Other foreign exchange differences	-2.3	-0.3
Total financial expenses	**-12.7**	**-12.8**
Net financial expenses	**-12.3**	**-12.6**

* Attributable to realised interest rate derivatives in 2016

13. INCOME TAX

13.1 Income tax expense in the consolidated income statement

EUR million	2017	2016
Current tax	5.2	1.0
Deferred tax	2.5	1.2
Total tax cost / income (-)	**7.7**	**2.2**

The difference between income taxes at the statutory tax rate in Sweden 22.0% and income taxes recognised in the consolidated income statement is reconciled as follows:

EUR million	2017	2016
Profit before tax	-197.0	-80.0
Tax calculated at Swedish tax rate	**-43.3**	**-17.6**
Effect of different tax rates outside Sweden	-0.4	-0.9
Income not subject to tax	-1.5	-0.9
Expenses not deductible for tax purposes	0.2	1.2
Tax effect of non-deductible impairment of goodwill	28.1	12.1
Tax loss valuation	16.3	6.6
Non-valuated temporary differences	4.4	-
Remeasurement of deferred tax for change in tax rate	0.1	0.1
Taxes and adjustments in respect of prior years	3.4	1.0
Other items	0.4	0.4
Income taxes in the consolidated income statement	**7.7**	**2.2**

13.2 Deferred tax assets and liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

EUR million	31 Dec 2017	31 Dec 2016
Deferred tax liabilities	7.9	15.5
Deferred tax assets	21.5	29.7
Net deferred tax liabilities (-assets)	**-13.6**	**-14.3**

The gross movement on the deferred income tax amount:

EUR million	2017	2016
1 Jan	**-14.3**	**-17.0**
Recognised in the income statement	2.5	1.2
Share issue costs, recognised in equity	-1.0	-
Translation differences, recognised in other comprehensive income	0.1	0.1
Defined benefit plans, recognised in other comprehensive income	-1.5	0.2
Hedge accounting, recognised in other comprehensive income	0.3	0.6
Acquisition/disposal of subsidiaries	0.3	0.6
31 Dec	**-13.6**	**-14.3**

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

Deferred tax liabilities

EUR million	Fair value adjustment	Other temporary differences	Total
1 Jan 2016	**17.3**	**4.2**	**21.5**
Recognised in the income statement	-3.0	-0.3	-3.3
Translation differences	0.2	-0.1	0.1
Acquisition of subsidiaries	0.6	-	0.6
Transfer between categories	-	0.7	0.7
31 Dec 2016	**15.1**	**4.5**	**19.6**
Recognised in the income statement	-6.7	0.0	-6.7
Translation differences	-0.5	-	-0.5
Transfer between categories	-	-0.8	-0.8
31 Dec 2017	**8.0**	**3.7**	**11.7**

Deferred tax assets

EUR million	Retirement benefit obligations	Tax losses carried forward	Other temporary differences	Total
1 Jan 2016	**3.0**	**31.8**	**3.8**	**38.5**
Recognised in the income statement	-1.0	-1.4	-2.1	-4.6
Recognised in other comprehensive income	-0.2	-	-0.6	-0.8
Translation differences	-	-0.1	0.1	0.0
Transfer between categories	-	0.4	0.3	0.7
31 Dec 2016	**1.8**	**30.6**	**1.5**	**33.8**
Recognised in the income statement	-0.9	-8.8	0.6	-9.2
Recognised in other comprehensive income	1.5	-	-0.3	1.3
Share issue costs, recognised in equity	-	-	1.0	1.0
Translation differences	-0.1	-0.5	-0.1	-0.6
Disposal of subsidiaries	-	-	-0.3	-0.3
Transfer between categories	-	-	-0.8	-0.8
31 Dec 2017	**2.3**	**21.3**	**1.6**	**25.3**

Deferred tax assets are recognised for tax loss carry forwards and temporary differences to the extent that the realisation of the related tax benefit against future taxable profits is probable.

On 31 December 2017 the Group had in its main operational countries total of EUR 256.7 million tax losses for which no deferred tax asset was recognised. Of these tax losses EUR 146.0 million will expire within five years, EUR 13.2 million will expire after five years and EUR 97.5 million will never expire.

14. NON-CONTROLLING INTERESTS AND JOINT VENTURES

EUR million	Subsidiaries with non-controlling interest		Joint ventures	
Summarised statement of balance sheet	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Total current assets	25.7	25.6	4.8	1.3
Total non-current assets	2.9	2.8	2.0	2.6
Total assets	28.6	28.5	6.8	3.8
Total current liabilities	10.1	9.1	7.7	2.9
Total non-current liabilities	1.0	1.2	0.4	1.4
Total liabilities	11.1	10.3	8.1	4.4
Equity				
Shareholders equity	17.6	18.2	-1.4	-0.5
Non-controlling interest	7.0	7.3	-	-

Summarised income statement	**Jan-Dec, 2017**	**Jan-Dec, 2016**	**Jan-Dec, 2017**	**Jan-Dec, 2016**
Net sales	40.7	39.8	8.8	0.8
Net result	1.7	3.2	-0.9	-0.9
Total comprehensive income	1.7	3.2	-0.9	-0.9
Total comprehensive income allocated to non-controlling interests	0.7	1.3	-	-
Dividends paid to non-controlling interest	-1.0	-1.1	-	-

Summarised cash flows	**Jan-Dec, 2017**	**Jan-Dec, 2016**	**Jan-Dec, 2017**	**Jan-Dec, 2016**
Cash flow from operating activities	0.8	0.7	-	-
Cash flow from investing activities	-0.6	-0.3	-	-
Cash flow from financing activities	-0.3	-0.5	-	-
% of ownership	60%	60%	50%	50%
Commercial guarantees on behalf of joint ventures	-	-	12.1	4.4

Reconciliation of changes in carrying value	**2017**	**2016**
Carrying value, 1 January	0.6	0.2
Profit/loss for the period	-0.4	-0.4
Capital investment	0.5	0.9
Carrying value, 31 December	0.7	0.6

NON-CONTROLLING INTEREST

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

JOINT VENTURES

Carillion Eltel JV Limited

Carillion Eltel JV Limited, domiciled in the UK, is a joint venture owned 50/50 by Eltel Networks UK Limited and Carillion holdings Limited.

On 6 February 2018 Eltel's joint venture partner has changed to Murphy Power Networks Limited, that acquired Carillion's share of the joint venture in full. The name of Carillion Eltel JV limited has been changed to Murphy Eltel JV limited on 15 February 2018. (Eltel's former joint venture partner Carillion Holdings Limited has been filed for liquidation on 16 February 2018.)

15. INTANGIBLE ASSETS

EUR million	Goodwill	Customer relationship	Order backlog	Brand	Advances paid and other intangible assets	Total
Cost on 1 Jan 2017	515.4	143.9	14.7	51.4	18.2	743.6
Additions	-	-	-	-	3.1	3.1
Disposals	-	-	-	-	-0.1	-0.1
Translation differences	-5.5	-1.5	-0.2	-0.5	-	-7.6
Cost on 31 Dec 2017	**510.0**	**142.5**	**14.6**	**50.8**	**21.3**	**739.1**
Accumulated amortisation on 1 Jan 2017	95.2	130.1	13.7	1.1	13.2	253.2
Translation differences	-0.1	-1.3	-0.2	-0.4	0.2	-1.8
Impairment during the period	127.9	1.0	-	20.6	-	149.4
Amortisation during the period	-	8.1	0.4	-	0.9	9.4
Accumulated amortisation on 31 Dec 2017	**223.0**	**137.8**	**14.0**	**21.3**	**14.3**	**410.3**
Carrying value on 1 Jan 2017	420.2	13.9	1.0	50.3	4.9	490.4
Carrying value on 31 Dec 2017	**286.9**	**4.7**	**0.6**	**29.5**	**7.0**	**328.8**

EUR million	Goodwill	Customer relationship	Order backlog	Brand	Advances paid and other intangible assets	Total
Cost on 1 Jan 2016	503.6	144.6	15.1	52.3	15.9	731.5
Business combinations	16.5	2.1	-	-	-	18.6
Additions	-	-	-	-	2.4	2.4
Translation differences	-4.7	-2.7	-0.4	-0.9	-0.2	-8.9
Cost on 31 Dec 2016	**515.4**	**143.9**	**14.7**	**51.4**	**18.2**	**743.7**
Accumulated amortisation on 1 Jan 2016	39.9	119.3	13.0	1.1	12.2	185.4
Translation differences	0.3	-2.5	-0.4	-	0.6	-2.0
Impairment during the period	55.0	-	-	-	-	55.0
Amortisation during the period	-	13.3	1.1	-	0.4	14.8
Accumulated amortisation on 31 Dec 2016	**95.2**	**130.1**	**13.7**	**1.1**	**13.2**	**253.2**
Carrying value on 1 Jan 2016	463.6	25.3	2.1	51.2	3.7	546.0
Carrying value on 31 Dec 2016	**420.2**	**13.9**	**1.0**	**50.3**	**4.9**	**490.4**

Value of customer relationship and Eltel brand origin from the acquisition of Eltel's business. The amortisation of customer relationship is presented in the income statement line "Amortisation and impairment of acquisition-related intangible assets".

The Eltel brand is not amortised, because it has been assessed that it has an indefinite useful life. No foreseeable limit to the period over which it is expected to generate net cash inflows for the Group can be seen. Eltel brand is tested for impairment annually together with goodwill.

ALLOCATION OF GOODWILL AND BRAND

Goodwill and brand are monitored on operating segment level. The values are presented in below table.

	Brand		Goodwill	
EUR million	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Communication	13.6	13.8	150.3	156.2
Power Transmission	-	15.9	-	82.7
Power Distribution	13.6	13.8	117.9	122.2
Rail	-	4.5	-	40.5
Aviation & Security	2.3	2.3	18.7	18.7
Total	**29.5**	**50.3**	**286.9**	**420.2**

The recoverable amount of business is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on business plans approved by management covering a four-year period. Cash flows beyond the four-year period are extrapolated using a growth rate of 2.1% in average which does not exceed the long-term average growth rate for the businesses in which the Group operates.

The key assumptions used for value-in-use calculations are:

1. The sales volumes of the business plan – determined based on past performance and existing and planned contracts with clients.

2. Profitability of the business plan – determined based on previous years actual profitability and the planned actions to increase the profitability; EBITA.

3. Discount rate – determined based on the weighted capital cost of capital (WACC) which describes the total cost of debt and equity considering the risks specific to the business.

The pre-tax discount rates used in calculations including risk premium to reflect the current state of macroeconomic uncertainty and risks specific to the business are 8.4% for Communication (9.3), 9.0% for Power Distribution (9.1) and 8.4% for Aviation & Security (9.0). The discount rates used in impairment test conducted in the first quarter of 2017 were 9.0% for Rail (9.0) and 9.2% for Power Transmission (9.2).

During the first quarter of 2017, number of strategic decisions were taken, including decision to focus on defined core business, decision to lower the risk exposure and consequently lower the growth expectations in the power transmission business and decision to divest the rail business. Due to the change in the strategy Eltel conducted additional impairment test in the first quarter of 2017 using updated future estimates. As a result of the test a total impairment of EUR 145.6 million was recognised in the value of goodwill and related intangible assets. 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 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 CGU, of which goodwill impairment was EUR 40.5 million.

The annual impairment test conducted for year-end 2017 resulted as no further impairment. Anyhow, the value of Power Distribution CGU is sensitive to reasonable further negative changes in the estimated future cash flows. A reasonably possible change in the level of sales, level of profitability or discount rate would not generate impairment for any other CGU. Sensitivity to changes in main cash flow assumptions and discount rate for Power Distribution CGU is presented in the below table.

Impairment indication

EUR million	**Cost increase 2%**	**Sales decrease 10%**	**WACC increase 1%**
Power Distribution CGU	-18.0	-11.0	-20.0

The recoverable amount for Power Distribution exceeds the carrying amount by EUR 4 million. In Power Distribution, 2.7% decrease in sales, 0.4% increase in costs or increase of 0.2 percentage points in WACC would change the recoverable amount to be equal to its carrying amount.

16. PROPERTY, PLANT AND EQUIPMENT

EUR million	Land	Buildings	Machinery and equipment	Total
Cost on 1 Jan 2017	0.8	5.9	97.0	103.7
Additions	-	0.1	10.7	10.8
Disposals	-	-	-1.6	-1.6
Disposals of companies	-	-0.5	-11.3	-11.7
Translation differences	0.0	0.1	-	0.2
Reclassification as assets held for sale	-	-	-6.6	-6.6
Cost on 31 Dec 2017	**0.9**	**5.7**	**88.2**	**94.8**
Accumulated depreciation on 1 Jan 2017	0.1	1.3	64.5	65.9
Accumulated depreciation of disposals	-	-	-1.7	-1.7
Accumulated depreciation of disposals of companies		-0.2	-9.2	-9.4
Translation differences	-	0.1	-0.1	-0.1
Reclassification as assets held for sale	-	-	-5.0	-5.0
Depreciation during the period	-	0.3	12.1	12.4
Accumulated depreciation on 31 Dec 2017	**0.1**	**1.5**	**60.6**	**62.2**
Carrying value on 1 Jan 2017	0.7	4.6	32.5	37.8
Carrying value on 31 Dec 2017	**0.7**	**4.3**	**27.6**	**32.6**

EUR million	Land	Buildings	Machinery and equipment	Total
Cost on 1 Jan 2016	0.8	5.9	87.7	94.5
Business combinations	-	-	0.6	0.6
Additions	-	0.1	11.6	11.7
Disposals	-	-	-2.0	-2.0
Translation differences	-	-0.1	-0.9	-1.1
Cost on 31 Dec 2016	**0.8**	**5.9**	**97.0**	**103.7**
Accumulated depreciation on 1 Jan 2016	0.1	1.2	55.2	56.5
Accumulated depreciation of disposals	-	-	-1.6	-1.6
Translation differences	-	-	-1.6	-1.6
Depreciation during the period	-	0.2	12.5	12.7
Accumulated depreciation on 31 Dec 2016	**0.1**	**1.4**	**64.5**	**65.9**
Carrying value on 1 Jan 2016	0.7	4.7	32.5	38.0
Carrying value on 31 Dec 2016	**0.7**	**4.6**	**32.5**	**37.8**

Machinery and equipment includes the following amounts where the group is a lessee under a finance lease:

EUR million	2017	2016
Cost	17.7	17.5
Accumulated depreciation	-13.8	-13.2
Carrying value on 31 Dec	**3.9**	**4.4**

17. FINANCIAL INSTRUMENTS BY CATEGORY

Book values of financial instruments by category

When measuring the financial assets and liabilities, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

Trade and other payables and receivables are non-interest-bearing and short-term and thus the fair value corresponds their book value.

Fair value of debt is based on discounted cash flows. The discount rate is based on market rates and the nominal risk premium on Group's bank borrowing. The difference between fair value and book value is not significant as the Group's bank borrowing is based on short-term market rates.

Fair value of the available-for-sale investments is not available, as they are investments in non-quoted shares whose market is illiquid.

The fair values of currency forward contracts and the currency swaps are based on quoted spot rates on the balance sheet date and the contractual basis points of the currency forward contracts. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flow based on observable yield curves.

New IFRS 9 Financial instruments standard introduces new classification of financial asset categories. The new standard will have an impact on the below classification in 2018. Main impact will be in the Loans and receivables, which will be presented under category Amortised costs.

31 Dec 2017 EUR million	Note	Fair value through profit or loss	Derivatives hedge accounting	Loans and receivables	Available-for-sale investments	Financial liabilities at amortised cost	Carrying amounts	Fair value	Fair value hierarchy
Non-current financial assets		**-**	**-**	**0.1**	**0.3**	**-**	**0.4**	**0.4**	
Other receivables and financial assets	18,19	-	-	0.1	0.3	-	0.4	0.4	
Current financial assets		**2.3**	**0.1**	**242.4**	**-**	**-**	**244.8**	**244.8**	
Trade receivables	19	-	-	170.0	-	-	170.0	170.0	
Derivative instruments	19,27	0.2	0.1	-	-	-	0.3	0.3	2
Embedded derivative instruments	19	2.1	-	-	-	-	2.1	2.1	2
Other financial assets	19	-	-	35.0	-	-	35.0	35.0	
Other receivables	19	-	-	4.5	-	-	4.5	4.5	
Cash and cash equivalents		-	-	32.9	-	-	32.9	32.9	
Financial assets total		**2.3**	**0.1**	**242.5**	**0.3**	**-**	**245.2**	**245.2**	
Non-current financial liabilities	23	-	-	-	-	**119.0**	**119.0**	**119.4**	
Interest-bearing debt		-	-	-	-	119.0	119.0	119.4	2
Current financial liabilities		**0.4**	**0.0**	**-**	-	**203.7**	**204.1**	**204.3**	
Interest-bearing debt	23	-	-	-	-	45.3	45.3	45.6	2
Liabilities to shareholders*	23	-	-	-	-	35.0	35.0	35.0	
Trade and other payables	26	-	-	-	-	123.3	123.3	123.3	
Derivative instruments	26,28	0.4	0.0	-	-	-	0.4	0.4	2
Embedded derivative instruments	26	0.0	-	-	-	-	0.0	0.0	2
Financial liabilities total		**0.4**	**0.0**	**-**	**-**	**322.7**	**323.1**	**323.8**	
Carrying amount, net		**1.9**	**0.1**	**242.5**	**0.3**	**-322.7**			

* Refers to selling shareholders at the time of the listing on 6 February 2015

31 Dec 2016 EUR million	Note	Fair value through profit or loss	Derivatives hedge accounting	Loans and receivables	Available-for-sale investments	Financial liabilities at amortised cost	Carrying amounts	Fair value	Fair value hier-archy
Non-current financial assets		**-**	**-**	**35.2**	**0.3**	**-**	**35.5**	**35.5**	
Other receivables and financial assets	18,19	-	-	35.2	0.3	-	35.5	35.5	
Current financial assets		**3.9**	**0.1**	**278.3**	**-**	**-**	**282.3**	**282.3**	
Trade receivables	19	-	-	187.8	-	-	187.8	187.8	
Derivative instruments	19,27	0.5	0.1	-	-	-	0.6	0.6	2
Embedded derivative instruments	19	3.4	-	-	-	-	3.4	3.4	2
Other receivables	19	-	-	5.4	-	-	5.4	5.4	
Cash and cash equivalents		-	-	85.2	-	-	85.2	85.2	
Financial assets total		**3.9**	**0.1**	**313.5**	**0.3**	**-**	**317.9**	**317.9**	
Non-current financial liabilities	23	**-**	**-**	**-**	**-**	**38.5**	**38.5**	**38.5**	
Interest-bearing debt		-	-	-	-	3.5	3.5	3.5	2
Liabilities to shareholders*		-	-	-	-	35.0	35.0	35.0	
Current financial liabilities		**0.5**	**-**	**3.3**	**-**	**437.1**	**440.9**	**443.1**	
Interest-bearing debt	23	-	-	-	-	276.7	276.7	279.0	2
Other payables and financial liabilities	23	-	-	3.3		-	3.3	3.3	
Trade and other payables	26	-	-	-	-	160.4	160.4	160.4	
Derivative instruments	26,28	0.2	-	-	-	-	0.3	0.3	2
Embedded derivative instruments	26	0.3	-	-	-	-	0.3	0.3	2
Financial liabilities total		**0.5**	**-**	**3.3**	**-**	**475.6**	**479.4**	**481.7**	
Carrying amount, net		**3.4**	**0.1**	**310.2**	**0.3**	**-475.6**			

* Refers to selling shareholders at the time of the listing on 6 February 2015

18. AVAILABLE-FOR-SALE INVESTMENTS

EUR million	31 Dec 2017	31 Dec 2016
Available-for-sale investments	**0.3**	**0.3**

Available-for-sale investments consist of investments in non-quoted shares. The value of available-for-sale investments is assessed to correspond their fair value.

19. TRADE AND OTHER RECEIVABLES

Non-current

EUR million	31 Dec 2017	31 Dec 2016
Other financial asset	-	35.0
Other receivables	0.1	0.2
Total non-current loans and other receivables	**0.1**	**35.2**

Current

EUR million	31 Dec 2017	31 Dec 2016
Trade receivables, gross	184.5	188.8
Bad debt provision	-14.5	-1.0
Trade receivables, net	170.0	187.8
Derivative instruments	2.5	4.0
Other receivables	4.5	5.3
Current trade and other receivables	**177.0**	**197.2**
Other financial asset	35.0	-
Income tax receivables	1.2	0.7
Indirect tax receivables	3.1	9.7
Prepaid expenses and accrued income	175.1	185.7
Total current receivables	**391.4**	**393.3**

Fair values of trade and other receivables approximate their carrying amount due to short maturities. The Group has recognised an increase of EUR 8.5 million (EUR 0.2 million decrease) for the bad debt provision. Additionally, EUR 5.0 million related to the overdue trade receivables has been reclassified from short-term provisions, made in 2016, to bad debt provision in 2017.

During 2017 the Group has sold on non-recourse basis EUR 390.9 million (248.2) of trade receivables to various financial institutions as part of vendor financing solutions and derecognised the amounts from the balance sheet at the time of receipt of payment. Of the costs, EUR 1.3 million (0.7) are booked above EBITA and EUR 0.0 million (0.1) in the financial items.

Prepaid expenses and accrued income

EUR million	31 Dec 2017	31 Dec 2016
Prepayments	0.2	1.7
Uninvoiced net sales	154.8	165.1
Other accruals	20.1	18.9
Total	**175.1**	**185.7**

20. INVENTORIES

EUR million	31 Dec 2017	31 Dec 2016
Raw materials and consumables	6.7	6.7
Work in progress	2.8	0.8
Advance payments	0.1	0.1
Total	**9.6**	**7.5**

21. EQUITY

SHARES AND 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 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.

At the end of the 2017 financial year the total number of shares in Eltel AB was 156,560,595 ordinary shares and 537,000 C shares (unchanged). Each ordinary share is assigned one vote. Class C shares do not entitle to any dividends and carry 1/10 voting rights. Eltel does not intend to exercise any voting rights as long as C shares are held by Eltel. Upon the company's liquidation, Class C shares carry an equal right to the company's assets as ordinary shares, however, not to an amount exceeding up to the quota value of the share.

Changes in the share capital

Date of registration with the Swedish Companies Registration office	Transactions	Change in number of shares	Total number of ordinary shares	Total number of C-shares	Total number of shares	Change in share capital (EUR)	Total share capital (EUR)	Quota (par) value (EUR)
1 January 2016			62,624,238	0	62,624,238		125,248,477	
5 April 2016	Issue of new C-shares	537,000	62,624,238	537,000	63,161,238	1,074,000	126,322,477	2.0
31 December 2016			62,624,238	537,000	63,161,238		126,322,477	
3 July 2017	Reduction of share capital		62,624,238	537,000	63,161,238	-62,624,238	63,698,239	1.01
3 July 2017	New issue	93,516,133	156,140,371	537,000	156,677,371	94,311,214	158,009,453	1.01
7 July 2017	New issue	420,224	156,560,595	537,000	157,097,595	423,797	158,433,250	1.01
31 December 2017			156,560,595	537,000	157,097,595		158,433,250	

OTHER CHANGES IN EQUITY

Changes in other items within equity during the financial period are presented in the statement of changes in equity.

THE BOARD'S PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The parent company's non-restricted equity on 31 December 2017 was EUR 285,564,864.82 of which the net loss for the year was EUR -196,489,518.83. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the year 2017 and that the non-restricted equity of EUR 285,564,864.82 be retained and carried forward.

22. EARNINGS PER SHARE

	2017	2016
Net result attributable to equity holders of the parent	-205.339951	-83.5
Weighted average number of ordinary shares, basic	131,236,383	105,208,720
Weighted average number of ordinary shares, diluted	131,305,832	105,233,374
Earnings per share, basic	-1.56	-0.79
Earnings per share, diluted	-1.56	-0.79

The basic earnings per share figure is calculated by dividing the net income attributable to the shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares by the effect of potential diluting shares due to share-based incentive plans in the Group.

The number of shares is adjusted by share issue bonus element in share issue for both periods. Shares issued were registered on 7 July 2017.

23. BORROWINGS

The financial liability amounts include capital amount and accrued interests.

The carrying amounts of the non-current liabilities

EUR million	31 Dec 2017	31 Dec 2016
Bank borrowings	116.1	-
Finance lease liabilities	3.0	3.5
Total non-current debt	**119.0**	**3.5**
Liabilities to shareholders*	-	35.0
Total non-current financial liabilities	**119.0**	**38.5**

* Refers to selling shareholders at the time of the listing on 6 February 2015

The carrying amounts of the current liabilities

EUR million	31 Dec 2017	31 Dec 2016
Bank borrowings	43.7	275.2
Other borrowings	-	3.3
Finance lease liabilities	1.6	1.6
Total current debt	**45.3**	**280.0**
Liabilities to shareholders*	35.0	-
Total current financial liabilities	**80.3**	**-**
Total financial liabilities at amortised cost	**199.4**	**318.5**

The loans under Eltel's bank agreement were presented as current due to the reported breach of leverage covenants calculated as of 31 December 2016. In February 2017, Eltel and its bank consortium agreed on an additional amendment to the existing agreement and no event of default was reported by the parties.

In June 2017 Eltel finalised the preferential Rights Issue and in July 2017 EUR 110.6 million of the funds received was used to prepay bank borrowings.

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

EUR million	31 Dec 2017	31 Dec 2016
EUR	86.2	193.2
SEK	70.6	72.5
PLN	32.1	30.3
DKK	0.7	0.5
NOK	9.7	22.1
Total	**199.4**	**318.5**

Finance lease liabilities – minimum lease payments

EUR million	31 Dec 2017	31 Dec 2016
Not later than 1 year	1.6	1.6
1-5 years	2.7	3.1
Later than 5 years	0.2	0.5
	4.6	**5.1**
Future finance charges	-0.2	-0.4
Present value of minimum lease payments	**4.4**	**4.7**

The present value of finance lease liabilities

EUR million	31 Dec 2017	31 Dec 2016
Not later than 1 year	1.6	1.5
1-5 years	2.5	2.8
Later than 5 years	0.2	0.4
Total	**4.4**	**4.7**

Non-cash changes of borrowings

			Non-cash changes				
EUR million	**1 Jan 2017**	**Cash flows (net)**	**Disposals of companies**	**Foreign exchange movements**	**Reclassification between items**	**Other non-cash changes**	**31 Dec 2017**
Long-term borrowings	35.0	-	-	-1.9	83.3	-0.3	116.1
Short-term borrowings	275.4	-114.6	-	0.1	-83.3	1.0	78.7
Acquisition liabilities	3.0	-3.0	-	-	-	-	-
Finance lease liabilities	5.1	-0.4	-0.1	-	-	-	4.6
Total	**318.5**	**-118.0**	**-0.1**	**-1.8**	**-**	**0.7**	**199.4**

24. RETIREMENT BENEFIT OBLIGATIONS

The majority of employees in the Group are included in defined contribution pension plans. Some countries also have defined benefit plans, largest one being in Sweden, where the plan has been closed for any new earnings at year end 2007. Benefits earned since then are covered by premiums paid to Alecta. There are also smaller voluntary pension plans in Finland that are accounted for as defined benefit plans.

Pension liabilities in the balance sheet

EUR million	31 Dec 2017	31 Dec 2016
Defined benefit pension liability	10.4	7.5
Other pension liability	0.5	0.7
Total pension liability	**11.0**	**8.1**
Defined pension benefit asset	-	-
Net pension liability	**11.0**	**8.1**

EUR million	31 Dec 2017	31 Dec 2016
Defined benefit pension liability	10.4	7.5
Net defined pension benefit liability	**10.4**	**7.5**

Defined pension liabilities in the balance sheet

EUR million	31 Dec 2017	31 Dec 2016
Present value of funded obligations	92.9	90.7
Fair value of plan assets	-82.5	-83.2
Net liability	**10.4**	**7.5**

The movement in the fair value of plan assets

EUR million	2017	2016
Fair value of assets on 1 Jan	83.2	82.6
Interest on plan assets	2.0	2.4
Remeasurement of plan assets	-0.4	2.0
Contributions by employer	0.2	0.3
Benefits paid	-0.6	-0.6
Gains and losses on curtailments and settlements	-	-1.1
Translation differences	-1.9	-2.4
Fair value of assets on 31 Dec	**82.5**	**83.2**

The movement in the defined benefit obligations

EUR million	2017	2016
Total obligations on 1 Jan	90.7	95.8
Current service cost	-0.6	-0.6
Past service cost	-	-0.6
Interest cost	2.2	2.7
Remeasurement of pension obligation	6.7	1.1
Benefits paid	-3.9	-3.9
Gains and losses on curtailments and settlements	-	-1.1
Translation differences	-2.1	-2.8
Total obligations on 31 Dec	**92.9**	**90.7**

The amounts recognised in the income statement and other comprehensive income

EUR million	2017	2016
Current service cost	-0.6	-0.6
Past service cost	-	-0.6
Net interest cost	0.2	0.4
Gains and losses on curtailments and settlements	-	0.0
Sum recognised in the income statement	**-0.5**	**-0.8**
Remeasurements recognised in other comprehensive income	7.1	-0.9
Total pension charges recognised during the period	**6.6**	**-1.7**

The principal actuarial assumptions

Discount rate, %	2017	2016
Sweden	2.40%	2.80%
Norway	-	-
Finland	1.50%	1.30%

Future salary increase expectation, %	2017	2016
Sweden	closed plan	closed plan
Norway	closed plan	closed plan
Finland	2.90%	2.60%

Inflation rate, %	2017	2016
Sweden	1.80%	1.70%

The pension plan in Sweden forms 73% of the Groups total obligations and 95% of the net obligations. The plan is sensitive to changes in discount rate and inflation. An increase of 0.5% in discount rate would reduce the obligation in Sweden by EUR 5.9 million. Similar rise in inflation rate would have the opposite effect and increase the obligation by EUR 6.4 million. If the discount rate was decreased by 0.5% the obligation would increase by EUR 6.6 million whilst similar decrease in the inflation rate would reduce the obligation by EUR 5.8 million.

Retirement pension and family pension obligations for salaried employees in Sweden are secured through pension insurance with Alecta. According to a statement issued by the Swedish Financial reporting Board (UFR 3), this constitutes a multi-employer plan. For the 2017 fiscal year, the company did not have access to such information that would enable the company to record this plan as a defined benefit plan. Consequently, the ITP pension plan secured through insurance with Alecta is recorded as a defined contribution plan. The contribution to the plan is determined based on the age, salary and previously earned pension benefits of the plan participants. The company has an insignificant part in the plan.

The collective consolidation ratio reflects the market value of Alecta's assets as a percentage of insurance obligations, calculated in accordance with Alecta's actuarial assumptions, which do not correspond with IAS 19. The collective solvency is normally allowed to vary between 125% and 155%. If the level of collective solvency is less than 125% or exceeds 155%, measures are to be taken in order to create conditions for restoring the level of collective solvency to the normal interval. Alecta's surplus can be distributed to the policyholders and/or the insured if the collective consolidation ratio exceeds 155%. However, Alecta aim to avoid surplus by using reduced contributions. On 31 December 2017, Alecta's surplus corresponded to a collective consolidation ratio of 154% (142%).

The distribution of plan assets in Sweden is as follows:

%	2017	2016
Debt instruments	57%	57%
Equity instruments	34%	33%
Cash and cash equivalents	9%	10%
Total	**100%**	**100%**

25. PROVISIONS

EUR million	Warranty provision	Project risk provision	Other provisions	Total
1 Jan 2017	**3.1**	**18.9**	**4.5**	**26.5**
Exchange rate differences	-	-0.3	-	-0.3
Disposal of companies	-0.2	-	-0.6	-0.8
Additional provisions	4.4	16.7	3.7	24.8
Used provisions during year	-3.5	-15.5	-1.9	-20.9
Unused amounts reversed	-0.2	-	-1.6	-1.8
Reclassification as assets held for sale	-0.1	-	-	-0.1
Reclassification	-	-2.8	-	-2.8
31 Dec 2017	**3.6**	**17.1**	**4.0**	**24.7**

Analysis of total provisions

EUR million	31 Dec 2017	31 Dec 2016
Non-current	2.5	1.7
Current	22.1	24.9
Total	**24.7**	**26.5**

The provision for warranties will materialise in two to three years' time from the balance sheet date unless they are classified as current in the balance sheet, when they will materialise over the next financial year. Based on past experience, the outcome of these warranties will not give rise to any further significant losses.

Project risk provisions relate mainly to operations in Power Transmission International and to smaller extent to project cost provisions in segment Power for certain High Voltage projects in the Nordics and Services projects in Sweden.

Other provisions are recognised mainly for tax controversy cases.

26. TRADE AND OTHER PAYABLES

Current

EUR million	31 Dec 2017	31 Dec 2016
Trade payables	114.6	149.5
Other liabilities	8.8	10.9
Derivative financial liabilities	0.4	0.5
Indirect tax liabilities	14.3	24.5
Company income tax liabilities	0.6	1.1
Accrued expenses and prepaid income	106.2	106.1
Total current trade and other payables	**244.9**	**292.6**

Accrued expenses consist of the following items:

EUR million	31 Dec 2017	31 Dec 2016
Accrued wages and salaries	56.5	59.3
Accrued indirect employee costs	24.0	23.0
Other accruals	25.8	23.9
Total	**106.2**	**106.1**

27. NET WORKING CAPITAL (NWC) AND 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
Capital employed	**85.1**	**57.5**
Average capital employed	71.3	53.4

* Includes adjustments for non-NWC items included in above balance sheet lines, mainly for derivative valuations, contingent consideration from acquisitions and income tax liabilities and NWC items included in other balance sheet lines.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	31 Dec 2017			31 Dec 2016		
EUR million	Nominal values	Fair values Positive	Fair values Negative	Nominal values	Fair values Positive	Fair values Negative
Interest rate derivatives, hedge accounting	23.5	0.1	-	22.2	0.1	-
Foreign exchange derivatives, hedge accounting	1.2	0.0	0.0	3.7	-	-
Foreign exchange derivatives, not hedge accounting	81.5	0.2	-0.4	87.2	0.5	-0.2
Embedded derivatives	45.6	2.1	0.0	37.7	3.4	-0.3
Total	**151.8**	**2.4**	**-0.4**	**150.9**	**4.0**	**-0.5**

For the instruments under hedge accounting, EUR 0.2 million (-0.7) was recognised in the hedging reserve during the period. EUR -0.1 million (0.1) was transferred from hedging reserve to profit or loss during the period. 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 hedged highly probable forecast transactions denominated in foreign currencies are expected to occur at various dates during year 2018. Gains and losses recognised in the hedging reserve in equity on foreign exchange contracts are expected to impact profit or loss at various dates during year 2018. The hedged interest payments relating to the Group's borrowing take place at various dates during years 2018–2020.

The Group enters into derivatives transactions, other than embedded derivatives, under International Swaps and Derivatives Association (ISDA) master netting agreements. The ISDA agreements do not meet the criteria for offsetting in the balance sheet. The following table sets out the carrying amount of the financial instruments that are subject to above agreements:

	31 Dec 2017			31 Dec 2016		
EUR million	**Carrying amounts**	**Related instru-ments that are not offset**	**Net amounts**	**Carrying amounts**	**Related instru-ments that are not offset**	**Net amounts**
Financial assets						
Interest rate swaps, hedge accounting	0.1	-	0.1	0.1	-	0.1
Foreign exchange derivatives, not hedge accounting	0.2	0.0	0.2	0.5	0.2	0.3
Financial liabilities						
Foreign exchange derivatives, hedge accounting	0.0	-	0.0	0.0	-	0.0
Foreign exchange derivatives, not hedge accounting	-0.4	0.0	-0.4	-0.2	-0.2	-

29. COMMITMENTS AND CONTINGENT LIABILITIES

The future minimum lease payments under non-cancellable operating leases

EUR million	31 Dec 2017	31 Dec 2016
Not later than 1 year	11.6	13.4
1-5 years	26.1	29.4
Later than 5 years	-	0.2
Total	**37.7**	**42.9**

Commitments and collateral pledged

EUR million	31 Dec 2017	31 Dec 2016
Off balance sheet liabilities, unsecured		
Commercial guarantees	152.2	167.1
Commercial guarantees on own behalf	172.0	187.1
Commercial guarantees on behalf of joint ventures	12.1	4.4
Commercial guarantees on behalf of third parties	0.7	-
Guarantees	**337.0**	**358.6**

Assets financed by operating leases consist of fleet used in business operations. The lease period varies from 3–5 years. After the lease period the vehicles are replaced by new ones or in certain cases the lease period may be prolonged. The rent payments are based on the maintenance cost of the assets, the estimated residual value and the agreed interest rate.

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

Guarantees consist of performance and other contract guarantees issued by Eltel Group Corporation or Eltel AB on behalf of the subsidiaries for the performance of the contractual liabilities.

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

LEGAL CLAIMS AND INVESTIGATIONS

In Poland, Isacom Sp. z o.o. has filed a statement of claim against Eltel Networks Telecom Sp. z o.o. on the basis of alleged unfair competition practices in July 2006. Penal and a civil proceedings were initiated in parallel. In both cases the Group's local external legal advisors have moved for dismissal of the claims in whole due to lack of any merits. The penal court case proceedings have been finally closed to Eltel´s advantage. The civil court case is pending. The claim amounts to approximately EUR 4 million. Final court proceedings in the court of first instance were expected to take place in March 2017, nevertheless civil procedure was prolonged due to plaintiff's complaint regarding alleged partiality of the judge. The complaint has been finally rejected by two court instances in side proceeding. Most probably last Court hearing in 1st instance should be set up for first half of 2018. The management believes that there will be no financial or legal damage to the Group from the case and no provisions have been made.

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

Eltel's legal advisor's view is that the claim has no substantial merits. Moreover, Eltel has moved for dismissal of the claims filed in Tanzania in whole due to that the subcontract agreement is subject to dispute resolution in London under the ICC arbitration rules. Finally, Eltel Group Oy and Eltel Networks TE AB are not signatories or active parties in the subcontract agreement. In September 2017, the Tanzanian High Court issued an order striking out Eltel Group Corporation and Eltel Networks TE AB from the suit. Botech has appealed the order and the matter is now tried by the Court of Appeal . Eltel expects for full dismissal of the suit against Eltel Group Corporation and Eltel Networks TE AB.

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. For further information regarding this case and the guarantee (escrow), please refer to Eltel's IPO prospectus.

Eltel has received notifications of claims for damages from certain of its customers based on the allegations by the FCCA. No damages claims have been filed in any civil courts. Eltel maintains that the company has not violated competition law and that all related damages claims are unfounded and incomplete in respect of facts. Eltel will dispute and defend itself against any damage claims. As stated in the IPO prospectus, Eltel expects to receive damage claims 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.

30. RELATED PARTY INFORMATION

No transactions have taken place between Eltel and related parties that significantly affect the financial position and earnings during the year.

TRANSACTIONS WITH SHAREHOLDERS

Upon completion of the IPO in February 2015, the Selling Shareholders, including 3i, BNP Paribas and management shareholders, have lent EUR 35 million on an interest-free basis to cover potential fines payable by Eltel in connection with the FCCA Case. Should any fines become payable, the parties have agreed to convert an equal portion of the loan to an unconditional capital contribution in equity.

TRANSACTIONS WITH KEY INDIVIDUALS IN EXECUTIVE POSITIONS

Salaries, remuneration and other benefits are accounted for in notes 11. Employee benefit expenses and 31. Remuneration to senior management.

31. REMUNERATION TO SENIOR MANAGEMENT

Key management compensation

2017 EUR thousands	Fee	Fixed salary	Annual variable salary	Long-term variable salary	Pension	Other benefits	Total
Ulf Lundahl	69	-	-	-	-	-	69
Ulf Mattsson[2]	107	-	-	-	-	-	107
Matti Kyytsönen[1]	17	-	-	-	-	-	17
Susanne Lithander[1]	17	-	-	-	-	-	17
Karl Åberg[1]	17	-	-	-	-	-	17
Rada Rodriguez[1]	14	-	-	-	-	-	14
Gunilla Fransson	52	-	-	-	-	-	52
Håkan Dahlström[2]	34	-	-	-	-	-	34
Markku Moilanen[2]	29	-	-	-	-	-	29
Mikael Moll[2]	34	-	-	-	-	-	34
Hans von Uthmann[2]	34	-	-	-	-	-	34
Håkan Kirstein	-	610	470	58	188	13	1,340
Other members of the senior management (14 individuals)[3]	-	1,793	531	33	487	295	3,139

Variable salary and other remuneration refer to amounts that were recorded as expense. The long-term variable salary refers to provisions made for the LTIP 2015 and LTIP 2016 programmes. A reversal of EUR 83 thousand is included in the amount presented for the senior management that have forfeited their rights to the shares by failing to meet the service condition.

[1] Until May 2017
[2] From June 2017 onwards
[3] Including costs for the interim CFO invoiced to the Group

Key management compensation

2016 EUR thousands	Fee	Fixed salary	Annual variable salary	Long-term variable salary	Pension	Other benefits	Total
Ulf Lundahl	47	-	-	-	-	-	47
Gérard Mohr[1]	75	-	-	-	-	-	75
Matti Kyytsönen	34	-	-	-	-	-	34
Fredrik Karlsson[2]	20	-	-	-	-	-	20
Susanne Lithander	41	-	-	-	-	-	41
Karl Åberg	41	-	-	-	-	-	41
Rada Rodriguez	33	-	-	-	-	-	33
Gunilla Fransson	24	-	-	-	-	-	24
Håkan Kirstein[3]	10	207	139	17	47	1	422
Axel Hjärne[4]	-	583	0	-62	147	17	684
Other members of the senior management (12 individuals)[5]	-	2,107	383	31	476	118	3,114

Variable salary and other remuneration refer to amounts that were recorded as expense. The long-term variable salary refers to provisions made for the LTIP 2015 programme the LTIP 2015 and LTIP 2016 programmes.

[1] Until November 2016
[2] Until May 2016
[3] Member of the Board from May 2016 until 19 September 2016 and CEO and Managing Director from 19 September 2016 onwards
[4] CEO and Managing Director until 18 September 2016
[5] Including costs for the interim CFO invoiced to the Group

Key management	31 Dec 2017	31 Dec 2016
Board of Directors		
Men	8	5
Women	1	3
Other key management		
Men	7	11
Women	-	1
Total	**16**	**20**

Salaries and other remunerations to Board of Directors and senior management excluding pensions and other benefits amounted to EUR 3.9 million (3.7) of which the fixed salaries amounted to EUR 2.8 million (3.2) including fees to Board of Directors of EUR 0.4 million (0.3). Out of this, variable salaries including LTIP 2015 and LTIP 2016 provisions amounted to EUR 1.1 million (0.5). The defined contribution pension plans for senior management amounted to EUR 0.7 million (0.7) and the amount of other indirect employee costs for senior management amounted to EUR 0.6 million (1.0).

The variable salary component is based on predetermined and measurable targets, which are related to the performance of the company and/or continued employment. The criteria are recommended by the Remuneration Committee and ultimately decided by the Board of Directors.

The pension terms of the CEO and other senior executives are market based reflecting national differences. Senior executives in Sweden and Denmark participate in pension systems based on statutory pension arrangements and market practices in their local countries. Finnish senior executives participate in the Finnish statutory system.

The CEO has a notice period of twelve months in case of termination from the company and six months in the event of his resignation. The corresponding notice periods apply for other senior executives. The CEO is also entitled to a severance pay equivalent to 12 months base salary.

The principles for remuneration to senior executives in Eltel are presented in the Corporate Governance report.

LONG-TERM INCENTIVE PROGRAMMES

The Annual General Meeting 2015 approved the implementation of a share savings programme 2015 (the “LTIP 2015”) for key personnel in the Eltel Group. The term of the LTIP 2015 is three years and the maximum number of participants is 70. To ensure delivery of shares under the incentive programme, the AGM resolved on the introduction of a new class of shares, Class C shares, which after conversion to ordinary shares may be transferred to participants in the programme or in the market for cash flow purposes to secure the Company's payment of social security contributions. In April 2016, Eltel issued 537,000 class C shares to a financial institution, and immediately repurchased all these shares.

The Extraordinary General Meeting in June 2016 approved the implementation of a new share savings programme 2016 (the “LTIP 2016”) for key personnel in the Eltel Group. The term of the LTIP 2016 is three years and the maximum number of participants is 85. The EGM approved the proposal to hedge obligations related to the LTIP 2016 via equity swap agreement with a third party.

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

Participation in the LTIP programmes assume that the participant acquires and locks Eltel ordinary shares into the LTIP programme (“Savings Shares”). For each acquired Savings Share, the participant is entitled, after a certain qualification period and provided continued employment throughout the entire period, to receive allotment of one Eltel matching/retention share (a “Matching Share”). Depending on fulfilment of performance targets linked to Eltel’s earnings per share, the participant may also be entitled to receive allotment of additional Eltel shares (”Performance Shares”). Participants do not pay any consideration for the allotted Matching Shares and Performance Shares. Matching Shares and Performance Shares are Eltel ordinary shares.

In September 2017 Eltel’s Board of Directors decided to adjust the calculation of the Matching Shares in the company’s long-term incentive programmes (LTIP), initiated in 2015 and 2016, in order to compensate for the dilution effect of the EUR 150 million preferential rights issue. In order to maintain the financial position of the participants in the programmes prior to the execution of the rights issue, it was decided to adjust the calculation of the number of Matching Shares. The ratio for receiving Matching Shares, based on the amount of held Savings Shares, was adjusted from 1.0x to 1.68x. The adjustment is made in accordance with the terms and conditions of the incentive programmes and Swedish market practices for re-calculation of financial instruments. All other conditions in the long-term incentive programmes remain unchanged. LTIP programmes are directed towards three categories of participants:

Category	Savings Shares maximum (% of base salary)	Matching Shares per Savings Share	Performance Shares per Savings Share
A (CEO)	20%	1.68x	4.0x
B (Group Management Team (GMT), maximum 10 persons)	15%	1.68x	3.0x
C (individuals reporting directly to GMT and other key employees*)	10%	1.68x	2.0x

* For LTIP 2015 maximum 59 persons and for LTIP 2016 maximum 74 persons

The maximum number of Savings Shares for each participant is to be based on an investment in Eltel shares with an amount corresponding to a certain portion of the concerned participant’s base salary level for the current year. The Savings Shares covered by the LTIP programmes were acquired in a structured way in ordinary trading in the stock market during certain periods of time.

On balance sheet date the LTIP 2015 comprises maximum 80,322 matching shares, corresponding to approximately 0.1% of the total outstanding shares and votes and the LTIP 2016 comprises maximum 324,905 shares in total, corresponding to approximately 0.2% of the total outstanding shares and votes in the Company.

ALLOTMENT OF MATCHING SHARES AND PERFORMANCE SHARES

Allotment of Matching Shares and Performance Shares within LTIP 2015 will be made during a limited period of time following presentation of the first quarterly statement 2018. The performance targets are Eltel's earnings per share for the financial year 2017.

Allotment of Matching Shares and Performance Shares within LTIP 2016 will be made during a limited period of time following presentation of the first quarterly statement 2019. The performance targets are Eltel's earnings per share for the financial year 2018.

Earnings per share is defined as earnings (after tax) per share for the Eltel Group on a consolidated basis. Partial fulfilment of the performance targets will result in partial allotment of Performance Shares. Performance under a certain level will result in no allotment.

COSTS FOR THE LTIP PROGRAMMES

In accordance with IFRS 2, the estimated total expenses for the LTIP 2015 programme amounted to EUR 0.6 million (0.8), of which EUR 0.1 million (0.3) for the President and CEO and other senior executives. Total expense for the year was EUR 0.1 million (0.4), of which EUR 0.0 million (0.1) for the President and CEO and other senior executives.

In accordance with IFRS 2, the estimated total expenses for the LTIP 2016 programme amounted to EUR 0.9 million (1.0), of which EUR 0.3 million (0.4) for the President and CEO and other senior executives. Total expense for the year was EUR 0.3 million (0.1), of which EUR 0.1 million (0.0) for the President and CEO and other senior executives.

The employee matching shares and performance shares are expensed as an employee expense over the vesting period and are recognised directly against equity. Expenses for the shares do not affect the company's cash flow. Related social costs are expensed during the vesting period based on the change in value of the Eltel AB's share.

32. GROUP COMPANIES

Group companies on 31 Dec 2017	Domicile	Group holding
The InfraNet Company AB	Sweden	100%
Eltel Networks Infranet AB	Sweden	100%
Eltel Networks TE AB	Sweden	100%
Jämtlands Linjebyggare & Republikens El AB	Sweden	100%
Eltel Networks Infranet Privat AB	Sweden	100%
Eltel Group Corporation	Finland	100%
Eltel Networks Oy	Finland	100%
Eltel Networks Pohjoinen Oy	Finland	60%
Celer Oy	Finland	100%
Eltel Networks AS	Norway	100%
Eltel Networks A/S	Denmark	100%
Eltel Networks B.V.	the Netherlands	100%
Eltel Networks Energetyka S.A.	Poland	100%
Eltel Academy Foundation	Poland	100%
Energoprojekt-Kraków S.A.	Poland	100%
Eltel Networks Telecom Sp.z o.o	Poland	100%
Eltel Networks Poland S.A.	Poland	100%
Eltel Networks UK limited	the UK	100%
UAB Eltel Networks	Lithuania	100%
Eltel Infranet GmbH	Germany	100%
Eltel Infranet Production GmbH	Germany	100%
Eltel Networks GmbH	Germany	100%
Edi.Son Energietechnik GmbH	Germany	100%
Eltel Comm Philippines Inc	Philippines	100%
Transmast Philippines, Inc.	Philippines	40%*
Eltel Networks LLC	Ukraine	99%
Eltel Tanzania Limited	Tanzania	100%
Transmission Eltel Limited	Zambia	100%
Eltel Networks PLC	Ethiopia	100%
Jointly controlled entities		
Fiber og Anlaeg I/S	Denmark	40%
Carillion Eltel JV Limited	The UK	50%

* Group voting 100%

During the financial year 2017 three entities were sold outside Eltel Group: Eltel Networks S.A. in Poland, AS Eltel Networks in Estonia and Eltel Networks SIA in Latvia. U-Serv GmbH was merged into Eltel Infranet GmbH in Germany and Eltel Networks Infranet Services S.A. was merged into Eltel Networks Telecom Sp.z.o.o. in Poland. Eltel Networks FZ-LCC in United Arab Emirates was liquidated.

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

33. AUDITORS' FEES

EUR million	2017	2016
PricewaterhouseCoopers		
Audit	0.9	0.6
Tax services	0.2	0.2
Other services	0.7	0.2
Total	**1.8**	**1.0**
Other auditing firms		
Audit	0.1	0.1
Tax services	-	0.1
Other services	0.2	0.1
Total	**0.3**	**0.4**
Total	**2.1**	**1.4**

Audit assignments to PwC Sweden amount to EUR 0.4 million, tax services to PwC Sweden amount to EUR 0.1 million and other services to PwC Sweden amount to EUR 0.6 million.

Tax services mainly consist of work related to tax returns and questions relating to tax compliance. Other services mainly relate to services provided in connection with the rights issue.

34. EVENTS AFTER BALANCE SHEET DATE

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 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.

On 2 March 2018, Eltel announced that the amendment to prolong the letter of intent to divest Eltel's Power Transmission International (PTI) business operations to Encomm Sweden AB has expired. On 25 September 2017, Eltel and Encomm Sweden AB signed a letter of intent regarding the divestment by Eltel of its PTI business to Encomm Sweden AB. The transaction is subject to key customer approval and that the purchaser obtains financing of the transaction and a full release for Eltel under certain guarantees. On 21 December 2017, the duration of the letter of intent was prolonged until end of February 2018. The parties now confirm that the purchaser has not fulfilled the condition to obtain financing of the transaction and a full release for Eltel under certain guarantees. Eltel will therefore proceed with the discontinuation of PTI.

The closure of PTI is, in certain projects, going faster than planned and it is estimated that the total financial effect will be somewhat lower than the previously estimated ramp down expenses of EUR 40 million of which EUR 27.5 million was recorded during the period up to and including the fourth quarter 2017. The ramp down and discontinuation process is expected to be completed in 2019.

On 12 March 2018, Eltel signed a letter of intent to divest its Swedish rail operations, consisting of key customer contracts, employees and operational equipment, to Strukton Rail AB, a company providing solutions in rail infrastructure, railway vehicles and mobility systems. The contemplated transaction, comprising build and maintenance contracts with key customers, employees and operational equipment used for delivering the relevant services, will have a negative EBITA and negative cash flow effect each estimated to be approximately EUR 6.5 million, to occur at the time of completion of the transaction.

On 29 March 2018, Eltel announced that the divestment of Eltel's Swedish rail operations to Strukton Rail AB, announced on 12 March 2018, has now been completed. Eltel will as part of the divestment enter into a subcontractor agreement with Strukton Rail AB for the completion of certain contracts relating to the rail business, expected to be completed during 2019.

Parent Company Financial Statements

Income statement

EUR thousands	Note	Jan-Dec 2017	Jan-Dec 2016
Net sales	4	2,831	2,574
Personnel costs	5	-4,472	-3,404
Other operating expenses		-7,531	-4,171
Total operating expenses		**-12,003**	**-7,574**
Operating result		**-9,172**	**-5,001**
Write-down of subsidiary shares	8	-200,000	-
Interest and other financial income		17,524	18,861
Interest and other financial expense		-4,490	-3,550
Financial items, net	7	**13,034**	**15,311**
Result after financial items		**-196,138**	**10,310**
Appropriations			
Group contribution given		-	-9,817
Tax for the year		-352	-
Net result for the year		**-196,490**	**492**

Statement of comprehensive income

EUR thousands	Jan-Dec 2017	Jan-Dec 2016
Net profit/loss for the period	**-196,490**	**492**
Other comprehensive income:		
Items that may be subsequently reclassified to profit and loss		
Cash flow hedges	281	402
Total comprehensive income/loss for the period	**-196,209**	**894**

Balance sheet

EUR thousands	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Shares in group companies	8	68,308	241,608
Intangible assets		50	-
Deferred tax assets		751	100
Other financial assets	9	-	35,000
Receivables from group companies	9	324,393	331,799
Total non-current assets		**393,502**	**608,507**
Current assets			
Receivables from group companies	9	3,073	2,596
Other receivables		1,146	789
Cash pool receivables	9	95,042	73,969
Other financial assets	9	35,000	-
Cash and cash equivalents		12	35
Total current assets		**134,273**	**77,389**
TOTAL ASSETS		**527,775**	**685,897**
EQUITY AND LIABILITIES	10		
Restricted equity			
Share capital		158,433	126,322
Non-restricted equity			
Retained earnings		-205,259	-9,208
Other non-restricted equity		490,824	372,555
Total non-restricted equity		**285,565**	**363,347**
Total equity		**443,998**	**489,670**
LIABILITIES			
Non-current liabilities	11		
Liabilities to shareholders		-	35,000
Total non-current liabilities		**-**	**35,000**
Current liabilities			
Debt	11	42,949	130,354
Liabilities to shareholders	11	35,000	-
Liabilities to group companies	12	2,066	29,006
Trade and other payables	13	3,765	1,870
Total current liabilities		**83,780**	**161,230**
Total liabilities		**83,780**	**196,230**
TOTAL EQUITY AND LIABILITIES		**527,775**	**685,897**

Changes in equity

EUR thousand	Share capital	Share premium	Other non-restricted equity	Hedging reserve	Accumulated losses	Total equity
1 Jan 2017	**126,322**	**373,866**	**-910**	**-402**	**-9,208**	**489,670**
Equity-settled share-based payment	-	-	-	-	438	438
Proceeds from shares issued	32,111	121,807	-	-	-	153,918
New share issue costs, net of tax	-	-	-3,659	-	-	-3,659
Cash flow hedging	-	-	-	121	-	121
Declared dividends to shareholders	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-196,490	-196,490
31 Dec 2017	**158,433**	**495,673**	**-4,569**	**-281**	**-205,259**	**443,998**

EUR thousand	Share capital	Share premium	Other non-restricted equity	Hedging reserve	Accumulated losses	Total equity
1 Jan 2016	**125,248**	**374,940**	**14,120**	**-492**	**-9,823**	**503,994**
Equity-settled share-based payment	-	-	-	-	123	123
Proceeds from shares issued	1,074	-	-	-	-	1,074
Purchase of own C shares	-	-1,074	-	-	-	-1,074
Cash flow hedging	-	-	-	90	-	90
Declared dividends to shareholders	-		-15,030	-	-	-15,030
Net profit for the period	-	-	-	-	492	492
31 Dec 2016	**126,322**	**373,866**	**-910**	**-402**	**-9,208**	**489,670**

Cash flow statement

EUR thousands	Jan-Dec 2017	Jan-Dec 2016
Cash flow from operating activities		
Profit/loss before taxes	-196,138	492
Adjustments for:		
Depreciation	1	-
Financial items, net	-13,034	-15,311
Group contribution given	-	9,817
Equity-settled share-based payment	438	123
Changes in working capital	474	1,062
Cash flow from operating activities before financial items and taxes	**-208,259**	**-3,817**
Financial income received	13,015	20,827
Financial expenses paid	-3,529	-4,617
Cash flow from operating activities	**-198,773**	**12,392**
Cash flow from investing activities		
Capital contribution to subsidiaries	-26,700	-
Write-down of subsidiary shares	200,000	-
Payments received from loans from group companies	12,319	23,967
Purchases of property, plant and equipment (PPE)	-51	-
Cash flow from investing activities	**185,568**	**23,967**
Cash flow from financing activities		
Proceeds from issuance of share capital	149,226	1,074
Purchase of own C shares	-	-1,074
Proceeds from short-term borrowings	34,000	93,000
Payments of short-term borrowings	-122,000	-46,185
Payments of short-term borrowings from group companies	-21,073	-68,150
Payments of group contributions	-26,971	-
Dividends to shareholders	-	-15,030
Cash flow from financing activities	**13,182**	**-36,365**
Decrease/increase in cash and cash equivalents	-23	-6
Cash and cash equivalents at beginning of year	35	41
Cash and cash equivalents at end of year	**12**	**35**

Notes to the Parent Company financial statements

1. GENERAL INFORMATION

Eltel AB's role is to own and govern the shares related to 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. All transactions with group companies are performed on an arm's length basis. Additional general information about the Parent Company can be found in note 1. Corporate information in the consolidated financial statements.

2. ACCOUNTING PRINCIPLES

BASIS FOR THE PREPARATION OF THE REPORTS

The annual report for the Parent Company, Eltel AB, has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities. RFR 2 states that the Parent Company in its annual report shall apply International Financial Reporting Standards (IFRS) as adopted by the EU, to the extent possible within the framework of the Swedish Annual Accounts Act and the law of safeguarding of pension commitments, and also by taking into account the relationship between reporting and taxation. Recommendations specify which exceptions and additions are required in relation to IFRS.

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

The Parent company has reported group contributions and related taxes in the income statement in accordance with the amendment in RFR.

All figures in the Parent Company financial statements are presented in thousands of Euro unless otherwise stated.

SHARES AND PARTICIPATIONS IN SUBSIDIARIES

Shares and participations in subsidiaries are reported at acquisition cost less deduction for possible write-downs. Dividends received are reported as revenues to the extent they originate from earnings earned after the acquisition. Dividend amounts exceeding these returns are considered as repayments of the investment and reduce the carrying value of the participations.

When there is an indication that shares and participations in subsidiaries have decreased in value, an estimate is made of the recoverable amount. If this value is lower than the reported value, a write-down is made. Write-downs/Impairment losses are reported as a separate line in the income statement.

FINANCIAL INSTRUMENTS

The Company applies fair value in accordance with the Swedish Annual Accounts Act 4: 14a-d and hence the description of the accounting principles in Financial instruments of the consolidated financial statements also applies to the Parent Company with the exception of financial guarantees. The Parent Company applies the rule permitted by the Swedish Financial Reporting Board to the reporting of financial guarantee agreements issued for the benefit of subsidiaries, associated companies and joint ventures. The Parent Company recognises financial guarantees as a provision in the balance sheet when the company has an obligation for which payment is probably necessary to settle the commitment.

The Company's financial instruments are comprised of long-term receivables from Group companies, other financial assets, current receivables from Group companies and also cash and cash equivalents. These make up the category loan receivables and account receivables – trade. It is also comprised of long-term borrowing and liabilities to shareholders, short-term liabilities to group companies and accounts payable – trade and other liabilities. These comprise the category other financial liabilities.

3. FINANCIAL RISK MANAGEMENT

The Group applies common risk management for all units. hence, the description in note 3. Financial risk management in the consolidated financial statements applies to the Parent Company as well in all material aspects.

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).

4. NET SALES

	Jan–Dec 2017	Jan–Dec 2016
Remunerations from group companies for group-wide administration	2,831	2,574
Total	**2,831**	**2,574**

5. EMPLOYEE BENEFIT EXPENSES

	Jan–Dec 2017	Jan–Dec 2016
Salaries and other remunerations	3,078	2,064
Social security contributions:		
Pension costs	703	680
Other social security contributions	691	659
Total	**4,472**	**3,404**

Salaries and other remunerations to senior executives were EUR 1.5 million (1.3), pension costs EUR 0.4 million (0.3) and other social security contributions EUR 0.3 million (0.5). Group senior management participates in the long-term share-based incentive programme LTIP 2015 and LTIP 2016. Total expense for the LTIP 2015 programme for the year was EUR -27 thousand (59), of which EUR -22 thousand (-61) for the President and CEO and other senior executives. Total expense for the LTIP 2016 programme for the year was EUR 60 thousand (26), of which EUR 61 thousand (24) for the President and CEO and other senior executives. More information of Group senior management and the Board of Directors is presented in note 11 and 31 in the consolidated financial statements.

In Eltel AB the number of individuals in the Board of Directors was nine and the number of other senior management employed by the company was four at the year-end 2017.

	2017	2016
Number of employees at year-end	6	5
Of whom men	83 %	100 %

6. AUDITORS' FEES

	Jan–Dec 2017	Jan–Dec 2016
PricewaterhouseCoopers		
Audit assignments	390	176
Tax assignments	107	24
Other assignments	558	1
Other auditing firms		
Tax assignments	19	-
The company in total	**1,074**	**201**

7. RESULT FROM FINANCIAL ITEMS

	Jan–Dec 2017	Jan–Dec 2016
Interest and other financial income		
Interest income, loans from group companies	17,190	18,502
Other financial income, group companies	334	359
Total	**17,524**	**18,861**
Interest and other financial expenses		
Interest expenses	-3,827	-2,276
Other financial expenses	-663	-1,274
Total	**-4,490**	**-3,550**
Whereof group companies	-584	-8
Total financial items	**13,034**	**15,311**

8. SHARES IN GROUP COMPANIES

	2017	2016
Opening balance 1 Jan	241,608	241,608
Write-down of subsidiary shares	-200,000	-
Capital contributions	26,700	-
Closing balance 31 Dec	**68,308**	**241,608**

The value of subsidiary shares has been written down in the second quarter of 2017 in line with the revisited strategy and targets.

Shares are held in the following subsidiaries: The InfraNet Company AB, 556728-6645	
Share of equity, %	100
Share of voting power, %	100
Number of shares	11,000
Book value	68,308

9. RECEIVABLES FROM RELATED PARTIES

Non-current receivables	31 Dec 2017	31 Dec 2016
Other financial assets, received from shareholders*	-	35,000
Loans from group companies	324,393	331,799
Total	**324,393**	**366,799**

Interest resulting from loans to group companies is capitalised annually. Capitalised interest bears no interest.

Current receivables	31 Dec 2017	31 Dec 2016
Cash pool receivable	95,042	73,969
Other financial assets, received from shareholders*	35,000	-
Accounts receivable	3,073	2,596
Total	**133,115**	**76,565**

* refers to selling shareholders at the time of the listing on 6 February 2015

10. EQUITY

On 31 December 2017, following the registration of the rights issue by the Swedish Companies Registration Office on 7 July 2017, the number of ordinary shares increased by 93,936,357 to 156,560,595 and the share capital increased by EUR 94,735,011 to EUR 158,433,250 in total. The number of C-shares remained unchanged at 537,000 . Detailed information regarding the Parent Company's shares and share capital is found in note 21. Equity in the consolidated financial statements.

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

Shareholders with more than 10% of the votes at 31 December 2017 are Solero Luxco S.á.r.l. with 16.4% and Zeres Public Market Fund with 12.6% of ordinary shares. More information about Eltel's shareholders is found in "The Eltel Share" on pages 34–35.

THE BOARD'S PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The parent company's non-restricted equity on 31 December 2017 was EUR 285,564,864.82 of which the net loss for the year was EUR -196,489,518.83.

Board of Directors proposes to the Annual General Meeting that no dividend be paid for the year 2017 and that the non-restricted equity of EUR 285,564,864.82 be retained and carried forward.

11. LIABILITIES

Non-current liabilities	31 Dec 2017	31 Dec 2016
Liabilities to shareholders*	-	35,000
Total	**-**	**35,000**

Current liabilities	31 Dec 2017	31 Dec 2016
Bank borrowings	42,949	130,354
Liabilities to shareholders*	35,000	-
Total	**77,949**	**130,354**

* refers to selling shareholders at the time of the listing on 6 February 2015

The loans under Eltel's bank agreement were presented as current due to the reported breach of leverage covenants calculated as of 31 December 2016. In February 2017, Eltel and its bank consortium agreed on an additional amendment to the existing agreement and no event of default was reported by the parties.

12. LIABILITIES TO GROUP COMPANIES

	31 Dec 2017	31 Dec 2016
Accounts payable	2,066	2,035
Group contribution liabilities	-	26,971
Total	**2,066**	**29,006**

13. TRADE AND OTHER PAYABLES

	31 Dec 2017	31 Dec 2016
Trade payables	817	508
Accrued employee related expenses	1,896	777
External loan interests	-	265
Other accrued expenses	1,052	321
Total	**3,765**	**1,871**

14. CONTINGENT LIABILITIES

	31 Dec 2017	31 Dec 2016
Commercial guarantees on behalf of subsidiaries	203,007	212,811
Commercial guarantees on behalf of joint ventures	12,119	4,390

There are no pledged assets.

The Company's financial statement will be submitted for approval to the Annual General Meeting on 9 May 2018

The Board of Directors certifies that the annual financial report has been prepared in accordance with generally accepted accounting principles and that the consolidated accounts have been prepared in accordance with the international set of accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards; and give a true and fair view of the position and profit or loss of the Company and the Group; and that the management report for the Company and for the Group gives a fair review of the development and performance of the business, position and profit or loss of the Company and the Group; and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Stockholm 3 April 2018

Ulf Mattsson

Chairman of the Board of Directors

Håkan Dahlström

Board member

Gunilla Fransson

Board member

Ulf Lundahl

Board member

Markku Moilanen

Board member

Mikael Moll

Board member

Hans von Uthmann

Board member

Håkan Kirstein

President and CEO

Jonny Andersson

Board member

Björn Ekblom

Board member

Our audit report was submitted on 3 April 2018

Öhrlings PricewaterhouseCoopers AB

Michael Bengtsson

Authorised Public Accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts

OPINIONS

We have audited the annual accounts and consolidated accounts of Eltel AB for the year 2017 except for the corporate governance statement pages 43–59. The annual accounts and consolidated accounts of the company are included on pages 36–111 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 43-59. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

BASIS FOR OPINIONS

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

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

OUR AUDIT APPROACH

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall [group] materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the Key audit matter
Allocation and correctness of revenue recognition of projects	
Eltel provides descriptions and information regarding this area in the Board of Director's report in Note 2 of this annual report. The project operations imply, by their nature, risks in terms of the pricing of projects and the estimation of final costs, as well as regards the execution of the contracts. Eltel applies the percentage of completion method for its projects, which implies that revenues and profit are impacted by a variety of circumstances, such as changes in contract terms, if costs incurred are in excess of budgeted costs, if there are discussions/negotiations regarding supplementary work or other circumstances, including such things as late or deficient, in terms of quality, project deliveries. The revenue recognition of projects undertaken over a longer period of time implies a greater risk for error as revenues risk being reported in incorrect periods and/or in incorrect amounts. As judgements are required on behalf of company management in the reporting of projects, misstatements can arise due to errors and/or incorrect assessments which are either conscious or unconscious in their nature. As a consequence, we have focused in our audit on significant projects with longer tenors.	The most significant audit activities which we executed include, amongst others: • An examination of internal control and the routines as regard projects and an assessment of how these are designed in accordance with Eltel's documented internal control matrix. • Assessment of specific controls regarding revenue recognition. • Sample testing based on the examination of projects and project reviews together with company management, the responsible controllers and project managers. The project reviews included the verification of the existence of written contracts, testing of the judgements regarding project margins and of the documented risks for specific projects.
Valuation of goodwill	
Eltel provides descriptions and information regarding this area in Notes 2 and 15 in this annual report. Eltel's growth has been partially driven by acquisitions. Goodwill is reported in conjunction with acquisitions. Eltel's goodwill amounted as at 31 December 2017 to 287 million euro, equivalent to approx. 35 percent of the group's total assets. Each year the company management undertakes an impairment test of goodwill. This aims at testing the valuation of goodwill, that is, whether the value in use is in excess of the book value of goodwill. The calculation of value in use is based on management's assumptions and judgements referring, for example, to the future development of revenue and operating margins and the discount rate. Future development deviating negatively from these assumptions and judgements, which have provided the basis for the testing, can lead to an impairment requirement. The impairment testing is executed per cash flow generating unit. Eltel's impairment testing for 2017 has not resulted in any impairments. However, the cash generating unit Power Distribution is sensitive to reasonable changes in key estimates. The financial effects of such changes are disclosed in note 15.	The most significant audit activities which we executed include, amongst others: • Examination of Eltel's model for impairment testing to assess the mathematical correctness and reasonability in the assumptions undertaken. • A random sampling of the controls to determine if the data included in the impairment testing agrees with the budgets prepared by Eltel. The random sampling has focused on the growth rate of revenue and operating margins and their assumed development, and on the applied discount rate which we have also compared with historical outcome. We have also examined, when possible, to determine that the data applied agrees with external sources, when possible. • The execution of sensitivity analyses where the effects of changes in assumptions and judgements were analysed to identify when/if/to which degree changes in these assumptions and judgements would result in an impairment requirement. • Examination of the disclosures provided in the annual report to ensure that they meet the requirements according to IAS 36 Impairment of Assets.

Key audit matter	How our audit addressed the Key audit matter
Reporting and disclosures regarding disputes.	
We refer to Note 29 in the annual report for Eltel's description of risks related to disputes. Subsidiaries within the Eltel group is involved in legal processes. These processes contain disputes and claims in in different countries such as the claim from the Finnish competition authority of alleged violations of completion laws in 2011 to 2014. The most significant assumptions in respect of these disputes and claims are management's assessment of the outcome and the related information disclosed in the financial statements. Eltel consults with external legal advisors if deemed necessary by management. The future outcome of these disputes and claims, and the potential effect on the financial reports, is based on assessments and contain complex legal questions. The risk mainly consist of the valuation of the future outcome, and any claims on processes that could follow from the court's decision. Eltel has a process implying that the group evaluates the assessment and valuation of such disputes and claims at every closing based on the current available information.	As a part of our audit we have evaluated the current disputes and claims based on the inherent subjectivity and uncertainty for each significant case. The most significant audit activities which we executed included, amongst other things: • Obtaining statements from the group's external legal advisors regarding current disputes, the possible existence of obligations and other exposures related to issues regarding which the advisors provide legal assistance to Eltel. • Evaluation of the assessments made by company management given the exposures in place. • Assessment of the requirement to report provisions in relation to the disputes and exposures in place within the group and we have assessed the disclosures related to these areas.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–35 and 116. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

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

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

AUDITOR'S RESPONSIBILITY

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Eltel AB for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

BASIS FOR OPINIONS

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

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

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 43-59 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Öhrlings PricewaterhouseCoopers AB, was appointed auditor of Eltel AB by the general meeting of the shareholders on the 1 June 2017 and has been the company's auditor since 2007.

Stockholm 3 April 2018
Öhrlings PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant

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, %	$\frac{\text{Total equity x 100}}{\text{EBITA}}$
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, %*	$\frac{\text{EBIT x 100}}{\text{Operative capital employed (average over the reporting period)}}$
Return on Equity (ROE), %*	$\frac{\text{Net result x 100}}{\text{Total equity (average over the reporting period)}}$
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 rolling 12 months basis

Financial calendar 2018–2019

Annual General Meeting 2018	9 May 2018
Interim report January–March 2018	4 May 2018
Interim report January–June 2018	9 August 2018
Interim report January–September 2018	7 November 2018
Full-year report January–December 2018	February 2019

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